New home price growth in China’s first-tier cities slowed in January after local governments implemented property measures to rein in escalating values and banks tightened lending.

Home prices in the capital city of Beijing and the southern business hub of Shenzhen both rose 0.4 percent from a month earlier, the National Bureau of Statistics said in a statement today, the slowest pace since October 2012. Prices in Shanghai added 0.5 percent, the smallest increase since November 2012, and those in Guangzhou gained 0.7 percent.

Property shares slumped after the data was released and as Shanghai Securities News reported that Industrial Bank Co. (601166) suspended loans to some developers. At least 10 Chinese cities, many of them provincial capitals, have tightened local property policies since November, with major cities Shenzhen, Shanghai and Guangzhou raising minimum down payments for second homes to 70 percent from 60 percent.

“We see firm determination by the Chinese government to curb the property market,” Shen Jian-guang, a Hong Kong-based economist at Mizuho Securities Asia Ltd., said by phone today. “Measures on the financial market are having an impact on the property market. We should see a turning point this year when home prices in China’s first-tier cities stop rising.”

Shares Fall

The Shanghai Stock Exchange Property Index (SHCOMP) fell 5.7 percent at midday break, the biggest drop in eight months and the most among the five industry groups on the benchmark Shanghai Composite Index.

Poly Real Estate Group Co. (600048) lost 8.2 percent to 6.79 yuan in Shanghai trading, while China Vanke Co. (000002) slid 6.2 percent to 6.72 yuan in Shenzhen. Both are set to post their biggest declines since June.

Housing values climbed in 62 cities in January from the previous month, the lowest number since July.

Private data also showed signs of cooling in the residential real estate market. Home prices increased 11.1 percent in January from a year earlier, the slowest pace in a year, according to SouFun Holdings Ltd. (SFUN), the nation’s biggest real estate website.
Industrial Bank issued a notice before the Chinese Lunar New Year that started at the end of January to suspend mezzanine and supply-chain financing in the real estate sector until the end of March, Shanghai Securities News reported today, citing the notice.

**Loan Default**

Some Chinese developers may default on their debt as property trust loans worth about 350 billion yuan ($57 billion) mature this year, according to Jefferies Hong Kong Ltd.

The property market slowed in January, a traditionally low season for the industry, as banks kept mortgage policies tight with no discounts.

Existing home prices fell 0.1 percent in Beijing last month from December and increased 0.1 percent in Shanghai, according to today's data.

Beijing, Shanghai, the country’s financial center, and the southern business hubs of Guangzhou and Shenzhen are considered first tier by the bureau of statistics. The four “are characterized by high levels of international business connectivity, deep corporate bases and well-developed international grade stock, and they are the country’s most liquid and transparent markets,” according to broker Jones Lang LaSalle Inc.

**Slowing Gains**

New home prices in first-tier cities also slowed from a year earlier. Housing values in Guangzhou and Shenzhen rose 19 percent and 18 percent, respectively, from a year earlier, the slowest pace since July. Prices in Beijing jumped 15 percent, the lowest since August, and increased 18 percent in Shanghai, the least since September.

The southwestern city of Chongqing raised down payments for homes larger than 144 square meters (1,550 square feet) to 40 percent from 30 percent, while it cut those of smaller homes to 20 percent, the official Xinhua News Agency reported on Feb. 13, citing the local government.

Property sales are likely to continue weakening without a “significant turnaround” until March, when developers start to market more homes, Barclays Plc analysts led by Alvin Wong wrote in a report on Feb. 13.

A developer in China’s eastern city of Hangzhou cut home prices by about 19 percent, while another in the city of Changzhou reduced prices by 40 percent, Economic Information Daily reported today, without citing anyone.

“If prices do begin falling or even stabilize, investment demand may well wane, and construction activity will weaken, with serious negative impact on GDP growth,” Dariusz Kowalczyk, a senior economist and strategist at Credit Agricole CIB, said in an e-mailed statement today.

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