To alleviate the pressure of the supply and demand imbalance in the market, the city increased housing supply levels during Q2/2017. First-hand residential supply climbed up by 114.7% quarter-on-quarter (QoQ) to 597,000 sq m.

Due to the large supply influx, city-wide residential transactions increased by 5.6% QoQ to 775,000 sq m. The first-hand residential price index recorded a slight increase, up 0.2% by the end of May 2017.

Seven new apartments and five villa projects obtained their pre-sale permits (including new phases of existing projects), contributing a total of 1,356 units and 359 units to the sales market, respectively.

High-end apartment average prices increased by 4.9% QoQ to RMB95,000 per sq m, and high-end villa average prices were up by 7.0% QoQ to RMB67,000 per sq m by the end of Q2/2017.

An accelerated pace of land supply in the beginning of the year saw robust transaction activity during Q2/2017. Seventeen residential and mixed-use title land plots were transacted, nine of which are planned for owner-occupied commodity housing.

“The city has increased land supply for residential usage, owner-occupied commodity housing and price-capped housing. Additionally, restrictions have been eased on pre-sale permits, all in an attempt to increase housing supply and stabilise pricing.” Jack Xiong, Savills Research & Consultancy
Market Highlights

6,000 hectares of residential land will be supplied over the next five years, equating to 1.5 million housing units.

7 April – The municipal government announced that 6,000 hectares of land will be supplied over the next five years, equating to 1,200 hectares per annum and 1.5 million housing units in total. The notice further specifies that land supply in core areas will not exceed 20% of total supply for the city, while greater than 65% will be reserved for housing units outside the city’s core. Owner-occupied commodity housing will receive 1,020 hectares, on which 250,000 housing units can be built. The distribution of residential land supply will be improved, with supply in core areas expected to increase, and affordable home purchasing and leasing options guaranteed in non-core areas.

Joint announcement – Residential usage strictly prohibited on industrial-zoned land

19 April – The Beijing Municipal Bureau of Urban Planning and Land Resources, along with four other government agencies, jointly announced a set of guidelines to further improve the management of industrial projects. Industrial projects will be required to stringently follow their development plans in terms of design, construction and usage. Projects will not be permitted to deviate from their development plans, be converted to another usage, or sold without receiving permission. Conversion from industrial to residential usage will be strictly prohibited. Speculative demand on investment in industrial land is expected to significantly cool.

Real estate developers to expedite construction schedules and accelerate the delivery of commodity housing projects

27 June – The Beijing Municipal Commission of Housing and Urban-Rural Development issued a notice regarding the application of pre-sales permits for commodity housing projects. Developers are now encouraged to commence construction as soon as possible after acquiring land in order to accelerate the delivery of their projects to market. Conditions for obtaining pre-sales permits have also been eased. Through easing barriers, the notice indicates authorities’ intention to encourage developers into the commodity housing market, with the goal of boosting supply levels.

Beijing housing loans fall 27% in June – Record low following “317 Measures”

Banks in Beijing extended RMB15.85 billion in credit for housing loans to individuals in June. The figure is RMB85.97 billion less than the extension seen in May, marking a 27.36% month-on-month (MoM) decline and a record low since the roll out of the “317 Measures” aimed at cooling speculative demand in the market earlier in the year. The allocation of loans in June was heavily weighted towards first-time home buyers, who accounted for 83% of the total.

First-hand, mass-market overview

To alleviate the pressure of the supply and demand imbalance in the market, the city increased housing supply levels. First-hand residential supply climbed 114.7% QoQ to 597,000 sq m during Q2/2017.

Due to the large supply influx, city-wide residential transactions increased by 5.6% QoQ to 775,000 sq m, although levels remained significantly down from those prior to the release of the home purchasing limits in Beijing, registering a 56.9% year-on-year (YoY) decline. With the majority of the new supply concentrated in suburban areas such as Fangshan and Shunyi, as well as some units being positioned for owner-occupied commodity housing, average prices in the first-hand residential market recorded only mild growth, with the price index up by 0.2%.

First-hand, high-end apartment market

Seven new apartments obtained their pre-sale permits (including new phases of existing projects), contributing a total of 1,356 units to the sales market.

Total transaction volume in the high-end apartment market was down by 3.0% QoQ and 16.7% YoY to 455 units, with the majority of deals closed in the Chaoyang and Fengtai districts. High-end apartment average prices increased by 4.9% QoQ to RMB95,000 per sq m.

First-hand, high-end villa market

Five villa projects obtained their pre-sale permits (including new phases of existing projects) during Q2/2017, contributing a total of 359 units to the sales market.

The villa market saw a decline in transaction volumes during the period, registering only 309 units, down by 10.4% QoQ and 36.2% YoY. Average
transaction prices increased by 7.0% QoQ to RMB67,000.

**Residential land market**

The second quarter of 2017 saw 24 land plots totalling 1.65 million sq m designated for residential use, largely in line with supply levels witnessed in the previous quarter. Five of the new land plots were reserved for owner-occupied commodity housing, totalling 323,000 sq m and being mainly located in suburban areas. April 2017 saw the Beijing Municipal Commission of Housing and Urban-Rural Development announce it would launch a special pilot housing programme for the “new Beijingers”. The term new Beijingers refers to those who do not have a Beijing hukou (household registration) but are stably employed in the city. According to the commission, the pilot programme plans to allocate 30% of owner-occupied commodity housing to this group.

As a result of a fast pace of land supply in Q1/2017, the market witnessed a high level of activity, with 32 land plots transacted during the quarter. Total transaction volume reached RMB79.05 billion, up 266% QoQ and 511% YoY. Seventeen plots were designated for residential and mixed-use development, nine of which were zoned for owner-occupied commodity housing. The remainder

**TABLE 1**

**New high-end apartments, Q2/2017**

<table>
<thead>
<tr>
<th>Project</th>
<th>District</th>
<th>Developer</th>
<th>Supply units</th>
<th>Proposed price (RMB per sq m)</th>
</tr>
</thead>
<tbody>
<tr>
<td>The Paramount 中骏西山天璟</td>
<td>Mentougou</td>
<td>China SCE Property (中骏集团)</td>
<td>381</td>
<td>70,000 – 80,000</td>
</tr>
<tr>
<td>Crown Land of China 华润昆仑域</td>
<td>Fengtai</td>
<td>China Resources Land (华润置地)</td>
<td>192</td>
<td>70,000 – 80,000</td>
</tr>
<tr>
<td>Treasures Mansion House 金隅·金玉府</td>
<td>Haidian</td>
<td>Gem Real Estate 金属地产</td>
<td>230</td>
<td>70,000 – 80,000</td>
</tr>
<tr>
<td>New Park 青翠公园</td>
<td>Changping</td>
<td>Vanke 万科</td>
<td>107</td>
<td>65,000 – 80,000</td>
</tr>
<tr>
<td>Zexin Mansion 泽信公馆</td>
<td>Fengtai</td>
<td>Fengtai High-Tech Park (北京丰台科技园建设发展)</td>
<td>192</td>
<td>70,000 – 80,000</td>
</tr>
<tr>
<td>Ocean Epoch 远洋大秦春风</td>
<td>Shijingshan</td>
<td>Sino-Ocean Land (远洋地产)</td>
<td>114</td>
<td>70,000 – 80,000</td>
</tr>
<tr>
<td>Cathay Courtyard 景粼原著</td>
<td>Chaoyang</td>
<td>Shokai / Poly Group (首都开发/保利地产)</td>
<td>140</td>
<td>80,000 – 90,000</td>
</tr>
</tbody>
</table>

Source: Beijing Municipal Commission of Housing and Urban-Rural Development, Savills Research & Consultancy

**TABLE 2**

**New high-end villas, Q2/2017**

<table>
<thead>
<tr>
<th>Project (EN)</th>
<th>District</th>
<th>Developer</th>
<th>Supply units</th>
<th>Proposed price (RMB per sq m)</th>
</tr>
</thead>
<tbody>
<tr>
<td>One Period 玺萌壹号院</td>
<td>Fengtai</td>
<td>Ximeng Real Estate (玺萌置业)</td>
<td>4</td>
<td>70,000 – 80,000</td>
</tr>
<tr>
<td>Chinoiserie villa 九章别墅</td>
<td>Chaoyang</td>
<td>Beijing Chintone Group (诚通嘉业)</td>
<td>14</td>
<td>70,000 – 80,000</td>
</tr>
<tr>
<td>Ten Scenes Palace 泰禾·昌平拾景园</td>
<td>Changping</td>
<td>Thaibot Group (泰禾集团)</td>
<td>216</td>
<td>70,000 – 80,000</td>
</tr>
<tr>
<td>One Sino Manor 北京壹号庄园</td>
<td>Changping</td>
<td>Sunac (融创中国)</td>
<td>71</td>
<td>70,000 – 80,000</td>
</tr>
<tr>
<td>New Park翡翠公园</td>
<td>Changping</td>
<td>Vanke 万科</td>
<td>54</td>
<td>70,000 – 80,000</td>
</tr>
</tbody>
</table>

Source: Beijing Municipal Commission of Housing and Urban-Rural Development, Savills Research & Consultancy

**GRAPH 3**

First-hand high-end villa market supply, absorption and price, Q1/2006–Q2/2017

Note: An adjustment to the supply basket may see discrepancies in historical data. Source: Savills Research & Consultancy
of the transactions fell under the new land auction rules, specifying once a plot has reached its maximum ceiling price, the bidding process will move onto the next stage, where buyers bid by increasing their allocation of wholly-owned space. During the quarter, four plots reached their ceiling price caps and progressed to the next stage of auction.

**Market outlook**

Beginning this year, the city has made moves to address the imbalance between supply and demand in the market. Actions have seen land supply increased for residential usage, owner-occupied commodity housing and price-capped housing. The government has also eased restrictions on pre-sale permits, now encouraging real estate developers to accelerate the delivery of their projects to the market in an attempt to increase overall housing supply.

The Beijing Municipal Bureau of Urban Planning and Land Resources announced in May 2017 that new construction land within the Second Ring Road area will be prohibited, in addition to being severely limited within the Fourth Ring Road area. Limited land resources in these core areas of the city will allow room for residences in these precincts to experience further price appreciation. However, with the majority of future projects to be supplied in suburban areas, overall price growth in the housing market is expected to slow down.

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**TABLE 3**

Key land plot transaction, Q2/2017

<table>
<thead>
<tr>
<th>Plot No.</th>
<th>Area</th>
<th>Buyer</th>
<th>Site area (sq m)</th>
<th>Consideration (RMB billion)</th>
<th>Accommodation Values (RMB per sq m)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shunyi 2017 – 038</td>
<td>Shunyi</td>
<td>Vanke / Oriental Gorgeous / Longfor / Shokai</td>
<td>155,100</td>
<td>70.5</td>
<td>45,000</td>
</tr>
<tr>
<td>Daxing 2017 – 012</td>
<td>Daxing</td>
<td>Shokai / China Overseas / Poly / Longfor</td>
<td>86,000</td>
<td>69.8</td>
<td>38,300</td>
</tr>
<tr>
<td>Fengtai 2017 – 014</td>
<td>Fengtai</td>
<td>China Development Orient / Vanke</td>
<td>230,400</td>
<td>58.5</td>
<td>23,400</td>
</tr>
<tr>
<td>Daxing 2017 – 011</td>
<td>Daxing</td>
<td>Shokai / China Overseas / Poly / Longfor</td>
<td>66,400</td>
<td>57.4</td>
<td>39,300</td>
</tr>
<tr>
<td>Fangshang 2017 – 039</td>
<td>Fangshan</td>
<td>Qinglonghu / Vanke / Longfor / Shokai</td>
<td>133,000</td>
<td>56.1</td>
<td>26,700</td>
</tr>
<tr>
<td>Chaoyang 2017 – 029</td>
<td>Chaoyang</td>
<td>COFCO Property / Tian Heng Group / Beijing Huiguan</td>
<td>59,500</td>
<td>45.8</td>
<td>51,300</td>
</tr>
</tbody>
</table>

Source: Beijing Municipal Bureau of Land and Resources, Savills Research & Consultancy

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