

Briefing Residential sales

April 2018



Image: Poly Palace of Light, Chaoyang

SUMMARY

First-hand, mass-market residential transaction volumes continued to hover at low levels in Q1/2018. Meanwhile, the land market remained robust both in terms of demand and supply.

■ Due to the Spring Festival, overall construction slowed in Q1/2018, resulting in a reduction of total completion area for residential projects. Total first-hand residential supply fell to 493,000 sq m, a 32.2% quarter-on-quarter (QoQ) decline.

■ City-wide residential transactions decreased to 414,000 sq m, down 35.8% QoQ and 50.4% year-on-year (YoY).

■ Six high-end apartment projects and four villa projects (including new phases of existing projects) obtained their pre-sale permits during Q1/2018, contributing 623 units and 150 units respectively to the sales market.

■ High-end apartment average prices increased by 1.0% QoQ to RMB91,217 per sq m. Meanwhile, high-end villa average prices dropped by 3.2% QoQ to RMB65,900 per sq m.

■ Eighteen residential and mixed-use title land plots were transacted in Q1/2018. Seven of the transacted land plots were planned for joint-ownership housing, while the remainder were designated as price-capped land parcels. It is anticipated that joint-ownership housing and price-capped housing will continue to be integral parts of the Beijing land market in 2018.

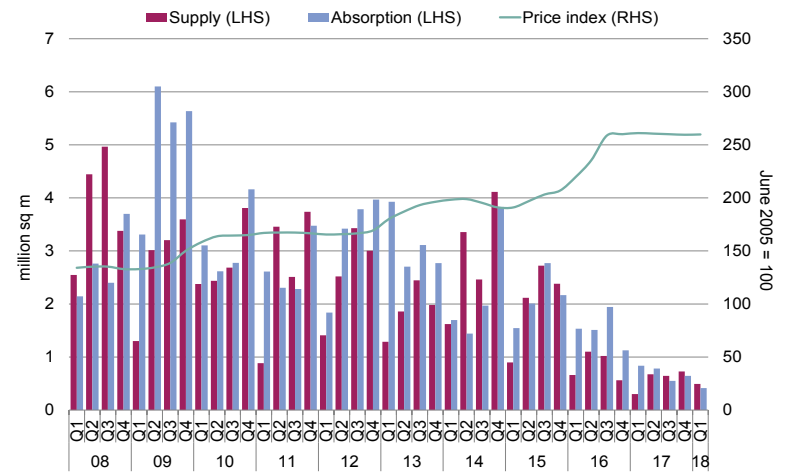
“A series of policies aimed at guiding the development of the Beijing property market were rolled out during the government’s Two Sessions. The policies are expected to remain in place during 2018 and will accelerate the construction of joint ownership housing to meet basic living requirements.” Jack Xiong, Savills Research & Consultancy

➔ **Market news**

The "Two Sessions" (两会), held in Beijing from March 3rd to 20th 2018, saw the announcement of a number of policies related to the real estate industry. The new policies are expected to guide the development of China's real estate market throughout 2018. Key takeaways include:

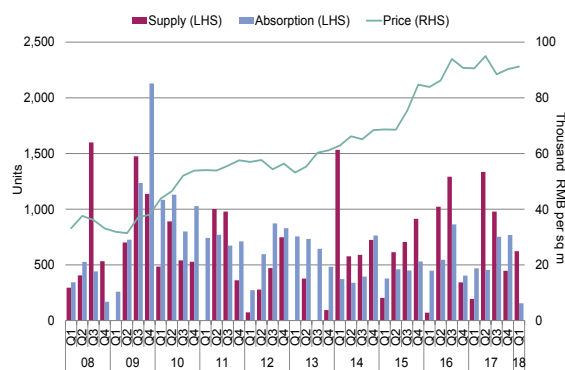
- China will continue to promote the reform of the fiscal and tax system and prudently advance legislation on real estate tax.
- The government will support housing demand, cultivate long-term rental housing and develop joint-ownership housing projects.

GRAPH 1 **First-hand, mass-market residential supply, absorption and price index, Q1/2008–Q1/2018**



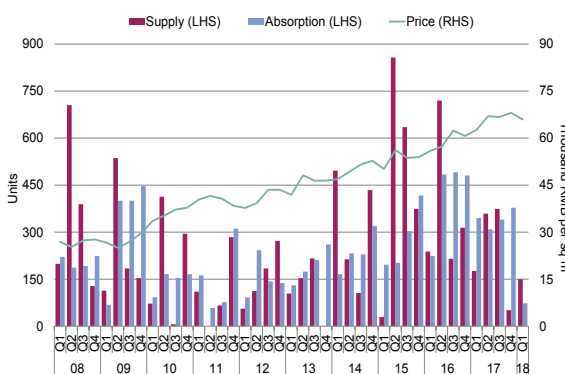
Source: National Bureau of Statistics of China, Beijing Municipal Commission of Housing and Urban-Rural Development, Savills Research & Consultancy

GRAPH 2 **First-hand, high-end apartment market supply, absorption and price, Q1/2008–Q1/2018**



Source: Savills Research & Consultancy

GRAPH 3 **First-hand, high-end villa market supply, absorption and price, Q1/2008–Q1/2018**



Source: Savills Research & Consultancy

- A new three-year plan will concentrate on the redevelopment of shanty towns. The plan will facilitate the provision of 5.8 million housing units in 2018 and 15 million units in three years.

- The public rental housing system will guarantee conditions for low-income households.

- Internal risk controls of financial institutions will be strengthened and financial supervision will be further reinforced.

First-hand, mass-market overview

Total new supply and transaction volumes of commodity housing experienced a decline during Q1/2018. Total first-hand residential supply reached 493,000 sq m, registering a decline of 32.2% QoQ although that figure was up 64% YoY.

Tightening restrictions continued to curb activity in the housing market. As a result, city-wide residential transaction volumes fell to 414,000 sq m, down by 35.8% QoQ and 50.4% YoY. Sluggish transaction levels suppressed the growth rate of average prices, and consequently the first-hand residential price index remained flat on a quarterly basis by the end of Q1/2018.

First-hand, high-end apartment market

Six high-end apartment projects (including new phases of existing projects) obtained their pre-sale permits, contributing 623 units to the sales market in Q1/2018.

High-end apartment transaction volumes hovered at low levels, totalling only 155 units, a decline of 79.8% QoQ and 67.0% YoY. Meanwhile, average prices climbed by 1.0% QoQ to RMB91,217 per sq m by the end of Q1/2018. Transactions of high-end projects were largely concentrated in prime locations in urban areas, namely Haidian, Chaoyang and Fengtai districts.

First-hand, high-end villa market

Four villa projects were granted pre-sale permits (including new phases of existing projects) in Q1/2018, contributing 150 units to the market.

The transaction volume of high-end villas was 73 units during Q1/2018, down 80.7% QoQ and 78.8% YoY. Average prices of villa projects started to relax, decreasing by 3.2% QoQ to RMB65,900 per sq m.

Residential Land Market

The land market in Beijing remained active in Q1/2018 with a total of 18

land plots acquired for residential usage. The plots totalled 2.26 million sq m and registered a combined consideration of RMB52.3 billion. All the transacted plots were designated for either price-capped commodity housing or joint-ownership housing.

Market outlook

It has been more than a year since the implementation of restrictive regulations on Beijing's property market. Largely due to this, the overall residential market has remained in a downturn, with total transaction volumes hovering at low levels. It is anticipated that the government will keep in place the current regulations as they look to achieve market

satiability and policy consistency. Meanwhile, joint ownership housing and long-term rental apartments will be the priority to meet the city's housing demands.

Authorities continued to enforce strict regulations on the issuing of pre-sale permits for high-end projects in Q1/2018. As a result, the high-end residential market will see supply reduced and the demand for housing upgrades weakened. It is expected that transaction volumes for high-end projects will witness a decline in the current policy environment, while average prices have the potential to edge up, given the limited supply.

The government is expected to increase the supply of residential land under supply side reforms. As a result, land transactions are estimated to hit new record highs. Land plots for auction will be mainly positioned for joint-ownership housing and price-capped housing, while the number of land parcels zoned for commercial use will be limited and concentrated outside the Fifth Ring Road. ■

TABLE 1
New high-end apartments, Q1/2018

Project	District	Developer	Supply units	Pre-sale price (RMB per sq m)
Moyuan 华瞰墨园	Haidian	Sunac 融创	42	85,000
Cathay Courtyard 泰禾金府大院	Fengtai	Thaihot 泰禾	52	82,000
Ocean Epoch 远洋天著春秋	Shijingshan	Sino-Ocean 远洋地产	40	80,000
Palace of Light 和光尘樾	Chaoyang	Poly Real Estate 保利地产	96	80,000
Oak Mansion 华润万橡府	Haidian	China Resources Land 华润置地	42	80,000
Grand Genesis 元熙华府	Fengtai	Beijing Zhoufeng Investment 北京卓丰投资	351	80,000

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

TABLE 2
New high-end villas, Q1/2018

Project	District	Developer	Supply units	Pre-sale price (RMB per sq m)
Palace of Light 和光尘樾	Chaoyang	Poly Real Estate 保利	28	95,000
Tang Villa 棠颂璟庐	Daxing	Beijing Capital Development/Beijing Uni- Construction 首开/住总	38	79,000
Cathay Manor 观承别墅	Shunyi	Vanke 万科	44	75,000-80,000
Mediter Vallee 檀香府	Mentougou	Metro Land Corporation 京投发展	40	62,000

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

TABLE 3
Key land plot transactions, Q1/2018

Plot No.	Area	Buyer	GFA (sq m)	Consideration (RMB billion)	Accommodation Values (RMB per sq m)
Chaoyang 2017 – 096	Chaoyang	Beijing Capital Land / Sino-Ocean	99,433	6.1	61,374
Haidian 2017 – 100	Haidian	Gezhouba Real Estate	134,591	5.5	40,864
Changping 2017 – 103	Changping	China Overseas	299,579	5.45	18,192
Mentougou 2017 – 117	Mentougou	Longtai Properties / PowerChina Real Estate	272,690	4.65	17,052
Mentougou 2017 – 116	Mentougou	PowerChina Real Estate	99,309	3.45	34,740
Daxing 2017 – 115	Daxing	China Overseas	119,142	3.28	27,488

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

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