

Briefing Residential sector

December 2014



Image: R&F Mansion, Shuncheng Street, Qingyang district

SUMMARY

Q3/2014 saw first-hand residential supply volumes and transaction volumes rise. High-end residential prices fell 0.8%, while overall first-hand residential prices remained at a high level.

- In Q3/2014, total supply of new commodity housing in Chengdu's main urban areas rose 178.26% quarter-on-quarter (QoQ) reaching 1,408,375 sq m, down 0.64% year-on-year (YoY).
- New commodity housing transaction volumes increased 2.16% QoQ, reaching 1.64 million sq m, down 25.21% YoY, while average prices rose 11.87% QoQ, up 17.52% YoY to RMB11,224 per sq m.
- Eastern Chengdu boasted the highest transaction volumes this

- quarter, accounting for 31% of the total, while southern and western districts accounted for 29% and 27% respectively.
- High-end residential prices fell 2.93% QoQ, down 0.95% YoY, to an average price of RMB18,707 per sq m.
- Chengdu's prime land market supply totalled 709,332 sq m, up 14.90% QoQ. Total transacted area was down 41.84% QoQ to 359,067 sq m.

"The overall performance of Chengdu's housing market doesn't compare to last year's but has seen signs of revival following the Housing Expo held in October. The market is expected to continue seeing an upward trend through Q4."

Dave Law, Savills Research

Market overview

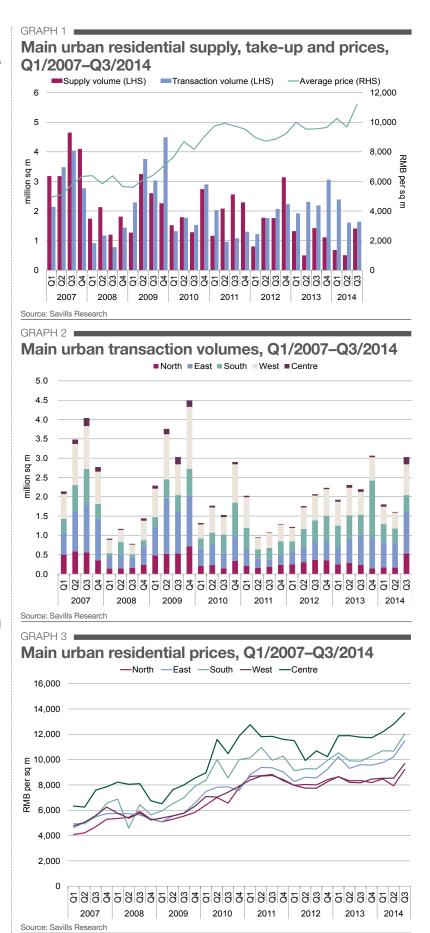
In Q3/2014, new commodity housing supply in Chengdu's main urban areas rose 178.26% QoQ, reaching 14 million sq m, down 0.64% YoY.

The Annual Autumn Housing Expo was held in October and succeeded in stimulating Chengdu's residential market to some extent. Chengdu's government recently proposed bailout policies and also issued a policy that reduces mortgage rates for some first-time homebuyers. Certain developers began to speed up their launch of new supply, however, due to the current wait-and-see sentiment among property buyers, no significant dent was made on the large amount of new supply.

New commodity housing transaction

volumes increased 2.16% QoQ, reaching 1.64 million sq m, down 25.21% YoY. Average residential prices in prime areas rose 11.87% QoQ, reaching RMB11,224 per sq m, up 17.526% YoY. Early this quarter, the Ministry of Housing and Urban Rural Development announced new policies in an effort to speed up the absorption of inventory. July saw the Minister of Housing and Urban-Rural Development, Chen Zhenggao, hold a conference which addressed the issue of oversupply. He suggested that local governments should introduce policies based on local situations to stabilise their respective property markets. Talking points included attempting to accelerate processes that aid in the digestion of inventory, improving infrastructure and supporting facilities, and increasing the efficiency of the administrative approval process. Q3/2014 also saw the central government loosen several short-term administrative measures to give more freedom to the market to make adjustments.

In October, the 44th Chengdu
Housing Expo was held in the new
international exhibition centre, with
the theme "Settle in Chengdu, Live
a good life". A number of renowned
real estate companies, including
Poly, BRC, Greenland Group, Vanke,
COFCO, Hutchison Whampoa,
and Sunshine 100, attended the
event. The Housing Expo and the
cancellation of home-purchase
restrictions did not have the expected
influence on transaction volumes,
however. The housing market failed to



make a comeback during traditional "golden sale week" despite the central bank's latest credit easing policy. Some analysts are optimistic that an upswing may take place soon.

Land market

23 land plots in prime areas were released onto the market in Q3/2014, but only eight were transacted. Total land supply reached 70,933 sq m, up 14.90% QoQ. Total transacted area was down 48.97% QoQ to 359,067 sq m. After the land market downturn last quarter, the government accelerated the release of new land, but developers remain cautious about bidding for land sites, leading to a significant decrease in land transaction volumes.

In October 2014, Tianfu New City was approved as a National New District, giving the area more economic administrative authority. The area will also gain more policy support in terms of tax concessions and planning approvals. This is likely to have a positive influence on the development of the residential market.

Outlook

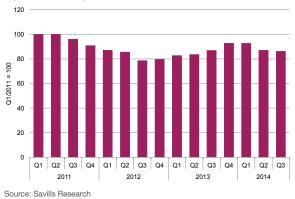
Buyer sentiment is slowly recovering thanks to the implementation of favourable government policies on the market. Transaction volumes are picking up steadily and are expected to continue to do so into the near future.

Home buyer concern is predominantly about the current bank loan policies. Currently, different banks in Chengdu have diverse strategies on how to handle the government's new policies. Therefore, there is a wait-and-see sentiment among both developers and property buyers for how the policies will affect the market.

Bail out policies announced by the government on the high-end residential sector are also expected to help the market pick up in the near future. New supply is expected to rise which may stimulate demand for upgraders in prime areas. High-end residential prices are expected to remain stable.

GRAPH 4

High-end residential price index, Q1/2011–Q3/2014



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