SUMMARY

The loosening of several policies this year has prompted the beginning of the recovery of Chengdu’s residential market with transaction prices and volumes up in Q2/2015.

- In Q2/2015, total supply of new commodity housing in Chengdu’s main urban areas rose 38% quarter-on-quarter (QoQ), reaching 1,760,000 sq m, up 248% year-on-year (YoY).

- Main urban area first-hand residential transaction volume reached 1.96 million sq m in Q2/2015, up 16% QoQ, and 22% YoY.

- The average prices in main urban areas reached RMB10,984 per sq m, up 5% QoQ, and 13% YoY.

- Eastern Chengdu boasted the highest transaction volumes in Q2/2015, accounting for 34%, while southern and northern districts accounted for 29% and 22%, respectively.

- In Q2/2015, the high-end residential price index increased 0.5% QoQ with the average price reaching RMB19,412 per sq m.

- Chengdu’s prime land market supply reached 1.08 million sq m, up 23% QoQ.

“Housing transaction volumes recorded an impressive performance in Q2/2015. However, digesting the current inventory is still the main priority and due to the high current price and stock levels, it is expected to take more time and an increase in demand to make a noticeable difference.”

Dave Law, Savills Research
Market overview

New policies released 30 March, the reduction of interest rates in May and the adjustment of Chengdu’s housing provident funds withdrawal policies prompted the beginning of a recovery of Chengdu’s residential market this quarter. Additionally, the impressive performance at the Chengdu Real Estate Expo boosted the real estate market. As a result, commodity housing total new supply in Chengdu’s main urban areas rose 38% QoQ reaching around 1.8million sq m, up 248% YoY.

Average prices in Chengdu’s central districts reached RMB10,984 per sq m, up 5% QoQ and 13% YoY this quarter. Though the new policies had a positive effect on the market, they did little in the way of solving the issue of oversupply and, as such, have had little effect on transaction and asking prices. As a result, resolving the stock issue and offloading inventory continues to be developers’ priority.

Eastern Chengdu saw the highest transaction volumes in Q2/2015, accounting for 34% of the total. This can be attributed to the sale of China Resources Twenty-four City and other projects in the area. With more well-known developers opting for projects in Eastern Chengdu, the supporting facilities and surrounding neighbourhoods are beginning to mature. In addition, the extensive and convenient public transport is also attracting more potential buyers to the area.
Land market

Chengdu’s prime land market reached around 1.1 million sq m in Q2/2015, up 23% QoQ and 54% YoY. While the market has begun to heat up this quarter, developers continue to be cautious about land purchases.

The second quarter saw Lunrun Estate and Wanda especially active on the market with the former setting a new accommodation value record on a residential plot of RMB7,900 in the Panchengang area, with the purchase of a land plot on Niusha road in May. Lanrun Estate also became the developer to purchase the most land plots in March. June saw the acquisition of a commercial land plot for the developer in Cuqiao area for a total consideration of over RMB1 billion.

Wanda acquired a 76,000 sq m land plot in Shuangliu as well as seven land plots in Dujiangyan totalling 345,000 sq m in June. The land in Dujiangyan will be Wanda’s tenth culture and tourism project in China following those in cities such as Guilin and Qingdao.

Outlook

There is limited room to increase prices in the near future with the issue of oversupply and developer priorities remaining primarily on the offloading of stocks. This trend is expected to continue as more supply comes onto the market. However, as the market heats up this may lead to exponential increases in transaction volumes as buyer confidence returns to the market.

In addition, as the Sichuan province has abolished the “70/90” policy, there is no limitation on the number of unit sizes under 90 sq m. As a result, more diversified unit types are expected on the market to satisfy different demands and in the future the market will break down into more specific segments. Developers can use this to better target different groups of home buyers to increase sales volumes.

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