

Briefing Residential sector

May 2018



Image: Sunac Xiangjintai, Gaoxin District.

SUMMARY

The average price of new commodity housing has started to decline due to tightening government policies, hitting RMB13,581 per sq m.

- New supply in Chengdu increased by 92.2% quarter-on-quarter (QoQ) and fell 44.7% year-on-year (YoY), to 454,458 sq m in Q1/2018.

- Transaction volume of first-hand commodity housing totaled 712,057 sq m, showing an increase of 2.6% QoQ, and 51.8% YoY.

- The average price fell by 6.9% QoQ and 0.5% YoY to RMB13,581 per sq m.

- The transaction volume of land for residential use reached 217,991 million sq m, a decrease of 48.3% QoQ.

“The lottery system for purchasing houses was enhanced on 31 March 2018. The new policy is based on the government’s pledge to end residential property speculation and improve housing affordability for the city’s residents.”

Dahuang Chen, Savills Research

➔ **Market overview**

The supply of Chengdu's first-hand commodity housing increased by 92.2% QoQ but decreased by 44.7% YoY to 454,485 sq m in Q1/2018. The transaction volume of first-hand commodity housing totalled 712,057 sq m, an increase of 2.6% QoQ, and a decrease of 51.8% YoY. Strong purchase demand but limited supply in core urban areas led to demand spilling over into suburban areas.

The average price declined by 6.9% QoQ to RMB13,581 per sq m and 0.5% YoY in Q1/2018, following the issue of home purchasing policies which were intended to cool the market sector.

The average price of high-end commodity housing remained stable in Q1/2018.

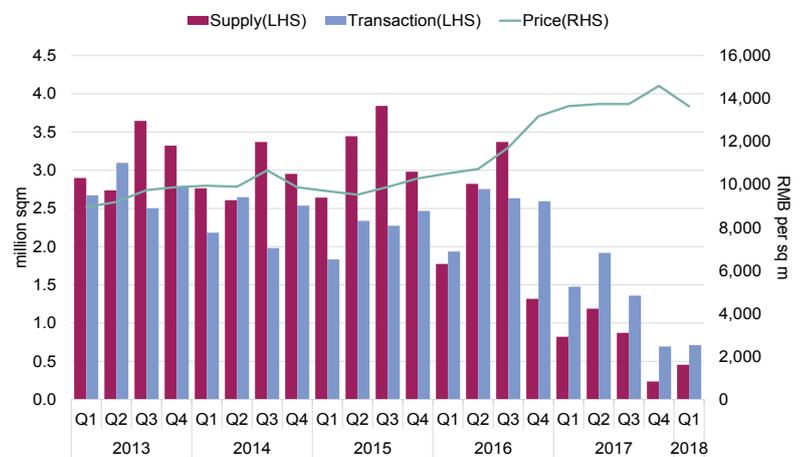
In November 2017, Chengdu became the fourth city in China—after Shanghai, Nanjing and Changsha—to launch a lottery system for purchasing houses. The policy was enhanced on 31 March 2018 and is based on the government's pledge to end residential property speculation and improve housing affordability for the city's residents.

Land market

The transaction volume of residential land reached 217,991 million sq m, decreasing 48.3% QoQ.

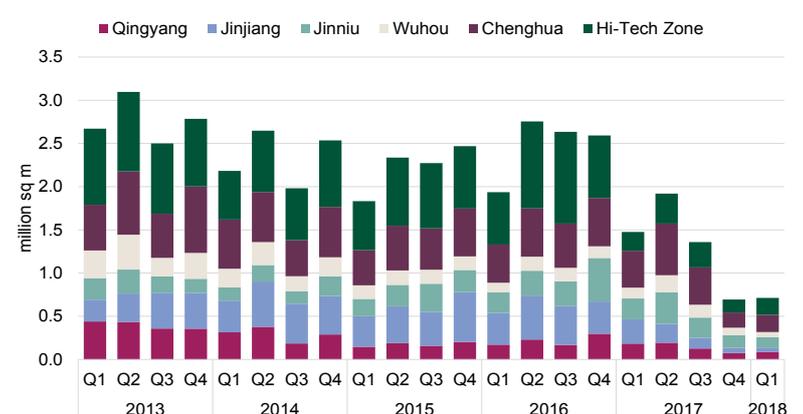
The accommodation value averaged at RMB12,631 per sq m, an increase of 14.9% QoQ. Each plot of land was sold at an accommodation value that exceeded RMB10,000 per sq m. For example, a plot for residential use located on Cuiqiao Street in Wuhou district was purchased by Jinke, at an accommodation value of RMB13,600 per sq m, a premium of 46%. Another plot for residential use, located on Zhonghe Street in the Chengdu Hi-tech Zone, was purchased by China Construction Third Engineering Bureau, at an accommodation value of RMB13,000 per sq m, a premium of 36.8%.

GRAPH 1 **Core urban area residential supply, transaction and average price, Q1/2013-Q1/2018**



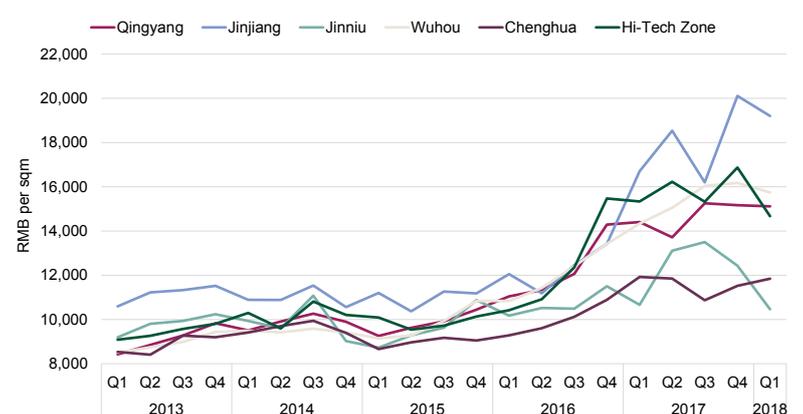
Source: Savills Research

GRAPH 2 **Transaction volumes in core urban areas, Q1/2013-Q1/2018**



Source: Savills Research

GRAPH 3 **Average first-hand commodity residential prices in core urban areas, Q1/2013-Q1/2018**



Source: Savills Research

Land market rules were upgraded again in Q1/2018. One land transfer policy related to hotel and industry construction, insists on a higher pricing requirement for the developer's comprehensive development capacity. This is causing each plot of land to be sold at an accommodation value exceeding RMB10,000 per sq m.

Furthermore, current land transfer conditions state clearly that non-marketable commercial buildings and hotel construction projects will insist on a higher requirement

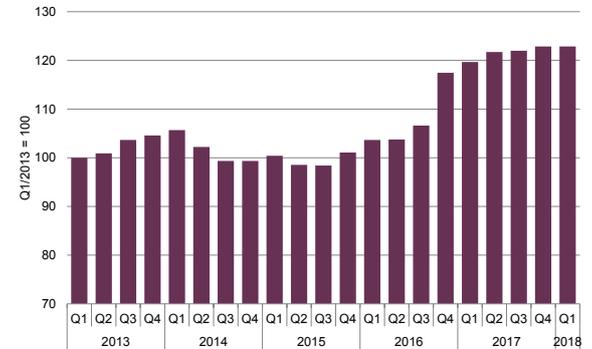
for the developer's comprehensive development capacity.

Outlook

Following the government's 2017 plan to increase the stock of residential land released on to the market, residential land supply is projected to rise in the short term. Additionally, the new lottery policy for purchasing houses will help improve urban residential housing conditions. It is expected that government controls will cool the market and enhance housing affordability. ■

GRAPH 4

High-end residential price index, Q1/2013-Q1/2018



Source: Savills Research

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