

# Briefing Residential sector

July 2014



Image: Cape Coral, Nan bin Road

## SUMMARY

Residential transaction volumes increased this quarter, while price growth slowed.

■ Real estate investment reached RMB93.4 billion in April 2014 and RMB122.4 billion in May 2014, up 25.0% and 23.9% year-on-year (YoY) respectively.

■ Residential transaction volumes reached over 3.8 million sq m in Q2/2014.

■ Residential prices increased 0.46% quarter-on-quarter (QoQ) to an average of RMB7,917 per sq m.

■ The increase in residential transaction volumes in Q2/2014 can be

attributed to discounts on stock sales and the Spring Housing Fair, while both supply and demand parties were still in a wait-and-see mood as credit policies held tight.

■ Large amounts of residential supply are expected to emerge in the next few years as the land market this quarter was active. Emerging areas such as Zhaomushan in Yubei district will again be the centre of the future supply. The active land market this quarter signalled that supply-side confidence is gradually rising.

“Compared with last quarter, the land market was active in Q2/2014 as both supply and transaction volumes increased.”

Dave Law, Savills Research

➔ **Macro market**

In Q2/2014, while the residential credit environment still held tight, the wait-and-see mood among consumers remained strong. This resulted in a decline in consumer visiting numbers and kept several suppliers from opening new projects. Under such circumstances, an increase in transaction volumes in the overall market was due to discounted stock sales and the Spring Housing Fair.

Nevertheless, real estate investment remained stable and recorded a steady increase.

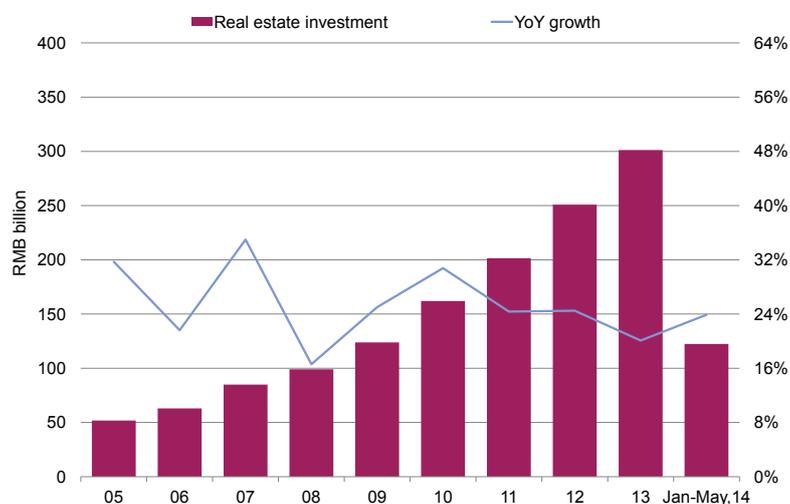
The land market began seeing a promising recovery compared with last quarter, as both supply and demand increased, suggesting a growing confidence for both parties.

In April 2014, real estate investment in Chongqing reached RMB93.4 billion, up 25.0% compared with the same time last year. In May, the number reached RMB122.4 billion, up 23.9% YoY. Investor confidence in the Chongqing market was still strong despite the passive environment in the residential market.

Mass-market residential transaction volumes totalled 2,346,304 sq m, still at low point compared with the same time last year, meaning that the overall market was still affected by the tight residential credit policy. Additionally, average residential prices increased by 0.46% QoQ to RMB7,917 per sq m.

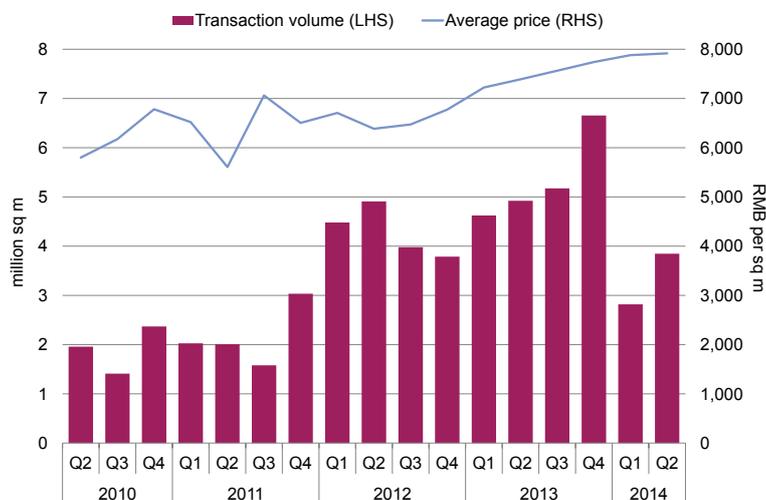
In the second quarter, Yubei and Jiulongpo districts recorded the highest transaction volumes and new supply. Huayan new city (华岩新城) and High-tech zone in Jiulongpo district were the two main emerging business hubs responsible for some of the transaction volumes. High-tech zone in particular is home to the largest Wetland Park in Chongqing as well as more mature transportation facilities, and is therefore targeted as the future main residential area

GRAPH 1 **Real estate investment YTD, 2005–May 2014**



Source: Chongqing Statistics Bureau

GRAPH 2 **Mass-market residential transaction volumes and average prices, Q2/2010–Q2/2014**



Source: Savills Research

along with Yangjiaping in Jiulongpo district. Yubei district has, again, been the most active area in terms of residential transaction volumes. Following the establishment of Liangjiang New Area, a “northbound” development trend is expected. Additionally, with better landform, less pollution and favourable living facilities, Yubei district is expected to be a major area contributing to transaction volumes in Chongqing in the long term.

The average high-end residential price in Q2/2014 stood at RMB14,067 per sq m and barely changed compared with last quarter. This was again attributed to the fact that the general market was in decline and thus most suppliers chose to sell existing stock rather than opening new projects.

**Land market**

The land market in April and May was very active and allowed for

good future market prospects. Land supply increased sharply both YoY and QoQ. Among nine main districts, Shapingba and Dadukou had the most land supply this quarter, indicating rapid real estate development in the west of Chongqing. Total transaction volumes reached 4.4 million sq m and 35 out of 65 available land plots were transacted in April and May. Meanwhile, Zhaomushan was still the most favourable zone for bidding.

Accommodation values amounted to RMB2,978 per sq m. Most land transactions were located in Ba'nán and Yubei districts.

**Outlook**

Due to the overall residential market currently being at low point, discount sales are likely to be a selling point.

For this reason, the price increase rate will slow further and transaction volumes are expected to grow gradually.

Meanwhile, suppliers are expected to provide new projects and thus near future supply is expected to continuously climb as developers promote sales until the end of the year.

The impressive land market performance this quarter indicates that, in the long run, residential supply will increase significantly. Besides Yubei district, which is a favourable residential area, Ba'nán will generate more attention in the future as most of the land transactions were completed in this area in Q2. ■

GRAPH 3 **High-end residential price index, Q2/2011–Q2/2014**



Source: Savills Research

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