

Briefing Residential sector

February 2014



Image: The Sky-line, Sunac Real Estate, Nan'an district

SUMMARY

End-user demand remained strong in 2013, with both residential transaction volumes and prices recording healthy growth.

- Real estate investment reached a total of RMB264.5 billion during the first 11 eleven months of 2013, up 20.1% year-on-year (YoY).
- Residential transaction volumes increased 28.5% in Q4/2013, reaching 6.6 million sq m and bringing the total for the year to over 21.3 million sq m.
- Residential prices increased 2.3% quarter-on-quarter (QoQ) to an average of RMB7,742 per sq m.
- The three-day Autumn Housing Fair recorded 193,500 sq m of transactions, down 42.5% compared with the Spring Housing Fair 2013.
- Land transactions totalled 30.1 million sq m in 2013 for a combined total consideration of RMB115.1 billion. Accommodation values averaged RMB3,817 per sq m, up 44.8% YoY. Increasing land prices have further stimulated residential price growth, as developers pass this onto the eventual home purchaser.
- Chongqing's residential market is expected to record moderate growth in transaction volumes over the next year, with urbanisation expected to continue driving market demand. However, the volume of supply and more targeted residential policies are expected to curb price growth going forward.

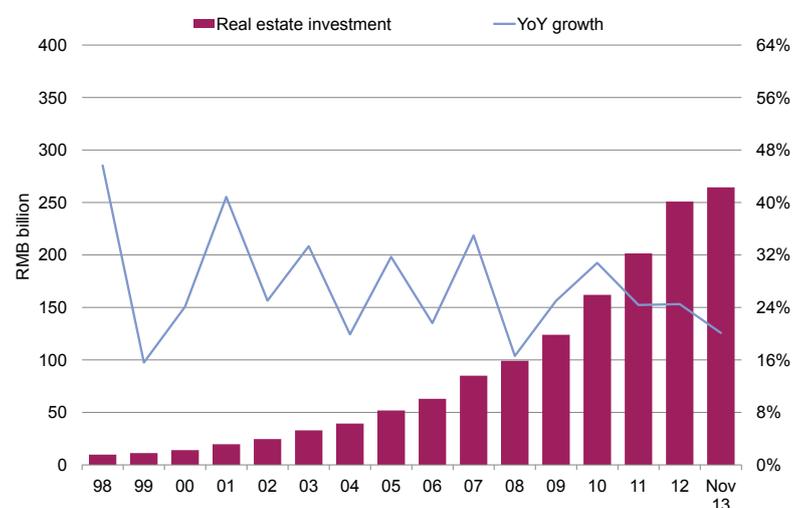
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 “Chongqing’s land market witnessed remarkable growth in 2013, with both transacted area and average land prices increasing.” Dave Law, Savills Research

➔ **Macro market**

The three-day Chongqing Autumn Housing Fair 2013 opened on 17 October. First-hand residential sales reached RMB1.4 billion, with 193,500 sq m transacted. Residential prices averaged RMB7,712 per sq m. Compared with the Spring Housing Fair 2013, residential transacted area decreased by 42.5% but residential average prices rose by 10.2%. There is no tax-related preferential policy at this housing fair.

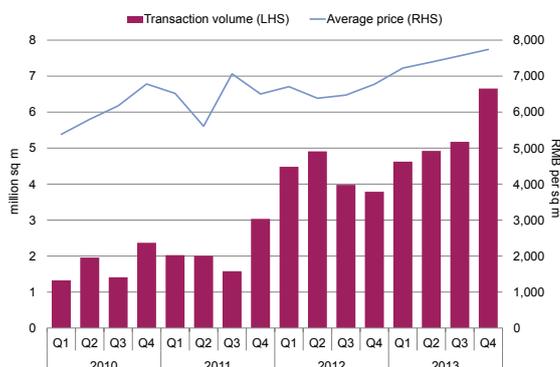
In the first 11 months of 2013, Chongqing witnessed a 20.1% increase YoY in real estate investment, reaching RMB264.5 billion. City-wide residential sales area recorded 37,628,400 sq m

GRAPH 1 **Real estate investment YTD, 1998–Nov 2013**



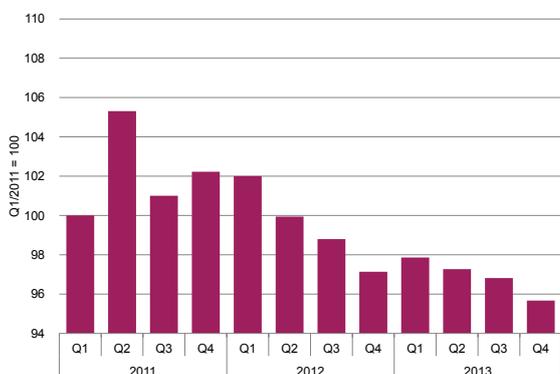
Source: Chongqing Statistics Bureau

GRAPH 2 **Mass-market residential transaction volumes and average prices, Q1/2010–Q4/2013**



Source: Savills Research

GRAPH 3 **High-end residential price index, Q1/2010–Q4/2013**



Source: Savills Research

during the same period, up 7.7% YoY. Additionally, residential sales figures increased by 16.1% to RMB197.3 billion. These positive figures have proven that investors are still optimistic about Chongqing's real estate market, despite the central government's tough macro controls.

In the fourth quarter of 2013, Chongqing saw an historical new high in its mass-market residential transaction volume. Over 6.6 million sq m was transacted in Q4/2013, representing a 28.5% increase QoQ and bringing the annual transaction volume to over 21 million sq m. Additionally, residential prices averaged RMB7,742 per sq m in Q4/2013, up 2.3% QoQ.

The increase in both mass-market residential transaction volumes and average prices is largely supported by end users fearful of continuous price growth.

In Q4/2013, high-end residential prices fell 1.2% QoQ to RMB13,200 per sq m. Year-end discounts provided by developers were regarded as the main cause of the price decrease. Due to increasing new supply and tough controls from the government, Chongqing's high-end residential price growth was under pressure this year.

Developers' annual residential sales information

Despite the central government publishing a series of policies to control the real estate market in 2013, developers in Chongqing still posted very good performances in the residential sales market. Regarding residential sales figures, Longfor ranked first with 12,064 units sold, equivalent to 1.1 million sq m and achieving RMB10.1 billion. Sunac China and Poly Real Estate ranked in second and third place with 0.7 million sq m and 0.6 million sq m transacted respectively.

Land market

In 2013, transaction land area reached 30.1 million sq m, while land sale figures surpassed RMB115.1 billion. Land prices averaged RMB3,817 per sq m, up 44.8% YoY. Increasing land prices will push up residential prices, as developers' input costs climb. Emerging areas such as Dadukou, Ba'nian and Yubei districts, and New North Zone have contributed the most land supply. It is expected that residential supply will surge in these aforementioned emerging areas in the near future.

The success of Chongqing's land market this year was a result of

developers aiming to increase their land stocks. Sunac spent the most, paying a total of RMB7.3 billion for 13 land plots in emerging areas such as New North Zone. Local developer, Jinke Real Estate, bought four land plots in emerging Xiyong in Shapingba district and Caijia in Beibei district for a total consideration of RMB3 billion.

Over 17.1 million sq m of residential supply will be added to the market in 2014. Emerging Yubei district will provide the most residential supply. Traditional districts, such as Yuzhong, will contribute the least supply despite the prime locations. It is expected that future home purchasers seeking better living environments will be given

more options away from the city centre. Properties along Metro networks will be the hot spots, with convenient links to the city centre for commuters. ■

TABLE 1
Projected mass-market residential supply, 2014

District	Yubei	Shapingba	Nan'an	Jiulongpo	Jiangbei	Dadukou	Beibei	Ba'nan	Yuzhong
Volume (million sq m)	4.3	2.3	2.0	2.5	1.6	1.0	1.5	1.4	0.5

Source: Savills Research

OUTLOOK

Mass-market residential prices and transaction volumes are expected to continue to rise, driven by end-user demand.

■ After an active year in the land market driven by further urbanisation, we expect the municipal government to release more land plots.

■ The government's stance on curbing the overheated residential market is very likely to remain the same. Emerging districts such as Yubei and New North Zone will add further new supply to the market. Increasing

land costs, better facilities and improving ecological environments will give momentum to price appreciation. Consequently, residential prices are expected to continue recording moderate growth.

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