

# Briefing Residential sector

May 2017



Image: Sino-ocean City, Jiulongpo district

## SUMMARY

Transaction volumes declined on a quarterly basis, but average prices continued to rise, albeit at a much lower rate than previously seen.

■ With the recent introduction of stricter policies, residential transaction volumes decreased 12% quarter-on-quarter (QoQ), but remained up 33% year-on-year (YoY), indicating the steady development of the city's residential market.

■ Real estate investment reached RMB740 billion in Q1/2017, down 0.8% YoY.

■ This quarter saw residential market transaction volumes reach 5.4 million sq m, down 12% QoQ, albeit up 33% YoY.

■ Mass-market residential prices grew 7% QoQ to an average of RMB7,691 per sq m.

■ Land market transaction volumes decreased by 52% QoQ, while accommodation values (AVs) fell by 14% QoQ in Q1/2017.

■ Transaction volumes are expected to increase next quarter due to the arrival of new projects and the Spring Housing Fair. Average prices may decrease slightly as developers lower asking prices to regain capital flows.

■ Land sales are expected to increase as new supply becomes available and developers recover confidence in the city's residential market.

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 “Both transaction volumes and accommodation values (AV) in the land market declined in the first quarter, even with a record AV of RMB9,352 per sq m.” Dave Law, Savills Research  
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➔ **Marco Market**

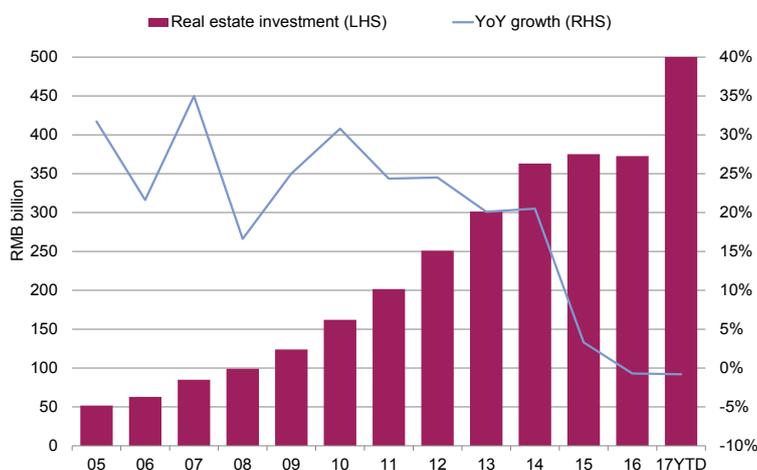
A series of new regulatory policies came into effect in the first two months of the year, including a new housing tax on first home purchases for buyers who are not registered residents or do not own companies or work in the city, decreasing city-wide, first-hand housing demand. As a result, residential transaction volumes decreased to 5.4 million sq m in Q1/2017, down 12% QoQ. However, transaction volumes remain up 33% YoY, following the surge in demand seen in the city's residential property market in 2016, which helped to further increase average prices during the period by 7% QoQ to RMB7,691 per sq m.

Both land transaction volumes and accommodation values (AV) declined QoQ due to a decrease in high-quality land supply.

Real estate investment reached RMB740 billion, down 0.8% YoY. Of this, residential investment rose to RMB474 billion, up 7.6% YoY, and accounting for 64.1% of total real estate investment, indicating the recovering confidence of developers in the residential market.

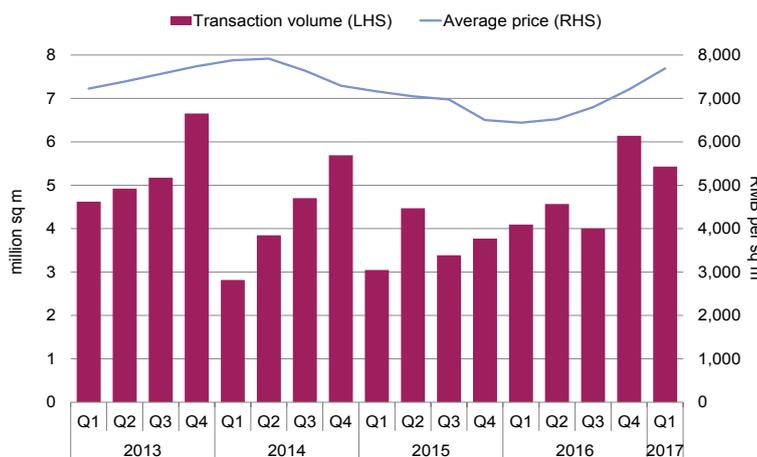
As the municipal government issues stricter policies aimed at controlling rising residential property prices, city housing prices only increased by 7% QoQ to RMB7,691 per sq

GRAPH 1 **Real estate investment YTD, 2005–Mar 2017**



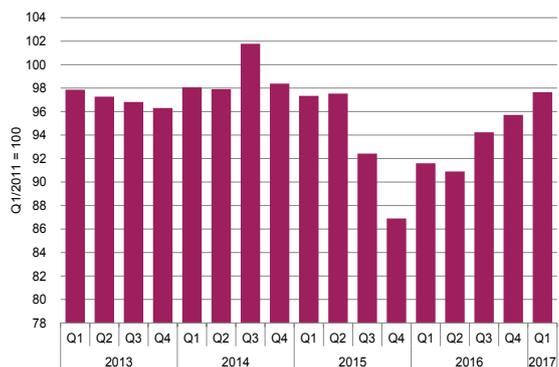
Source: Chongqing Statistics Bureau, Savills Research

GRAPH 2 **Mass-market residential transaction volumes and average prices, Q1/2013–Q1/2017**



Source: Savills Research

GRAPH 3 **High-end residential price index, Q1/2013–Q1/2017**



Source: Savills Research

m, significantly lower than the 36% increase recorded in the previous quarter. Residential transaction volumes decreased to 5.4 million sq m, down 12% QoQ. The decline in transaction volumes can be attributed to the interruption of the Chinese Spring Festival.

Transaction volumes in the Yubei district, a traditionally favoured residential area, reached approximately 1.05 million sq m, up 69% QoQ and accounting for 35% of the city's total transaction volume in the first quarter. The

highly-populated Nan'an district also performed well in terms of transaction volumes, exceeding 800,000 sq m, representing 16% of total transaction volumes in the first quarter. The Jiangbei district saw the highest residential prices, caused by strong price growth in the Jiangbeizui CBD, at RMB9,447 per sq m.

The high-end residential market also witnessed price growth in the first quarter, with prices up 2.0% QoQ and 6.6% YoY. Among newly-launched projects, Sino-ocean City in the Jiulongpo district and

Tianyuandao in the Yubei district, were sold at a price of RMB12,500 per sq m and RMB12,000 per sq m, respectively. The prices of Rongyu and HIMA ALAYA also showed strong growth, recording a 22.3% and 13.4% QoQ increase, to RMB15,000 per sq m and RMB40,000 per sq m, respectively. The strong performance of these projects pushed the city-wide average price up to RMB19,723 per sq m.

**Land market**

Approximately 2.17 million sq m of land was successfully transacted in Q1/2017, down 52% QoQ but still up 168% YoY. The AV fell by 4% QoQ to RMB2,973 per sq m.

The city-wide land market performed poorly compared with the previous quarter, due to less available supply

in this quarter. However, there were a few notable land acquisitions by developers such as Agile, Wanda and Longfor. Agile acquired one land plot in the Liangjiang new area, totalling 203,000 sq m, for a record AV of RMB9,352 per sq m. The Wanda Group also purchased four land plots in the Shapingba district, with an aggregate area of 644,000 sq m, for an average AV of RMB1,873 per sq m. Longfor acquired another land plot in the Shapingba district, with a total area of 200,000 sq m, for an AV of RMB1,500 per sq m.

Transaction volumes in the Shapingba district reached approximately 920,000 sq m, accounting for 42.3% of city-wide transaction volumes, the highest among any district in Q1/2017. The Yubei District also performed well,

recording total transaction volume of 747,388 sq m, accounting for 34.4% of total volumes.

**2017 Outlook**

According to the municipal government, more land plots are scheduled to enter the market later this year. This, combined with growing confidence among developers in the city's residential market, is expected to increase transaction volumes and AVs, beginning in the second quarter.

As competition intensifies with the arrival of new projects, developers are expected to offer sales discounts, causing a drop in city-wide pricing even as transaction volumes increase. ■

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