

# Briefing Residential sector

November 2017



Image: Yu Lake No.1, Yubei area, Chongqing

## SUMMARY

In Q3/2017, the residential transaction volumes fell while the average price saw a slight rise, due to the introduction of housing transaction restrictions and reduced speculative sentiment.

■ The introduction of housing sales restriction policies reduced investor enthusiasm and caused residential transaction volumes to fall. Despite this, average housing prices continued to rise.

■ Residential transaction volumes reached 5.42 million sq m in Q3/2017, up 35.5% year-on-year (YoY), but dropped 30.4% quarter-on-quarter (QoQ). The average housing price increased 10% QoQ to RMB9,768 per sq m, and the high-end residential apartment average price

increased slightly by 1.7% QoQ to RMB22,952 per sq m.

■ The land market saw a continued increase in both transaction volumes and prices.

■ Given the large provision of land in Q4/2017, land transaction prices are expected to grow moderately. Due to a new housing sales policy restricting speculative demand, growth in transaction volumes and average prices is expected to slow.

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“Housing sales cooled in Q3/2017, but prices continued to rise. It will be interesting to see how the new housing transaction restrictions affect market development.”  
.....

Dahuang Chen, Savills Research

➔ **Marco market**

Chongqing introduced a new housing sales policy in Q3/2017. Newly built commercial housing and second-hand housing in the downtown area can only be transferred, two years after obtaining a "property certificate"(不动产权证). The policy has seriously affected investment demand for housing. At the same time, mortgages provision continued to tighten which has also impacted housing demand.

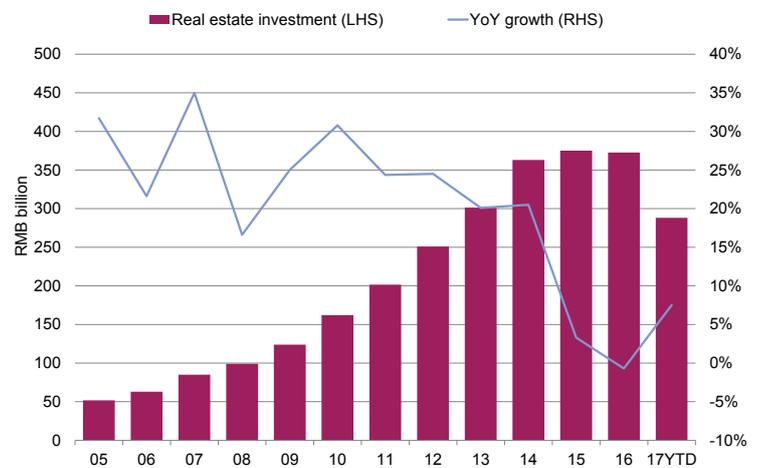
In Q3/2017, the government introduced a new land auction regulation—a competition on self-holding lease percentages and period, which will gradually change the market to develop both sales and rentals. The continuous average increase in land prices indicate that developers are confident in the Chongqing's real estate market.

Real estate investment reached RMB288 billion in September 2017, up 7.5% YoY, of which residential investment was recorded at RMB189.5 billion, up 14.8% YoY, accounting for 65.8% of total investments. The figure reflected that developers were speeding up residential construction, demonstrating optimism for the recent housing market among developers.

Transaction volumes reached 5.42 million sq m, down 30.4% QoQ and up 35.5% YoY. Meanwhile, the average price increased by 10% QoQ to a record high of RMB9,768 per sq m. Similar to the last quarter, the new housing supply remains low in Q3/2017, less than the demand. However, buyers' home improvement demand has slowed, while housing investment has tightened, and as a result, any increase of average transaction prices has narrowed.

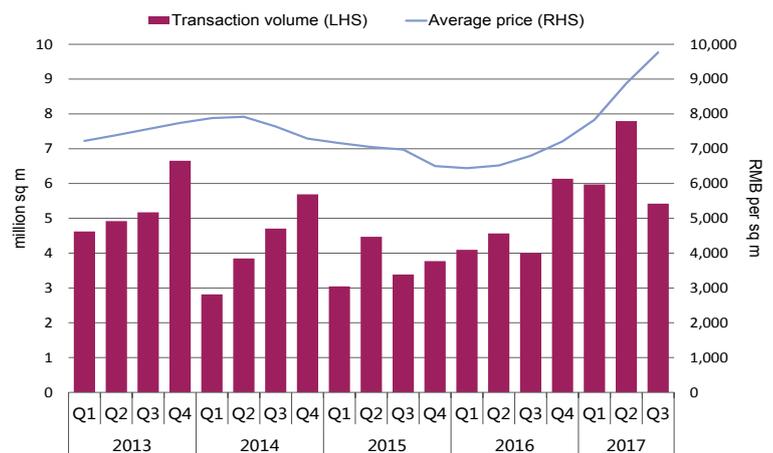
Similar to the mass housing market, the average price of high-end residential apartments reached a new high this quarter, an increase of 1.7% QoQ to RMB22,952 per sq m. Six new projects, namely Poly Tianhui (Huaxin Street), Huayu Starry Sky (Xietaizi), Chongqing Raffles City (Chaotianmen) and Youngstar Nanbin Zone (South Riverbank), sold for

GRAPH 1 **Real estate investment YTD, 2005-Sep 2017**



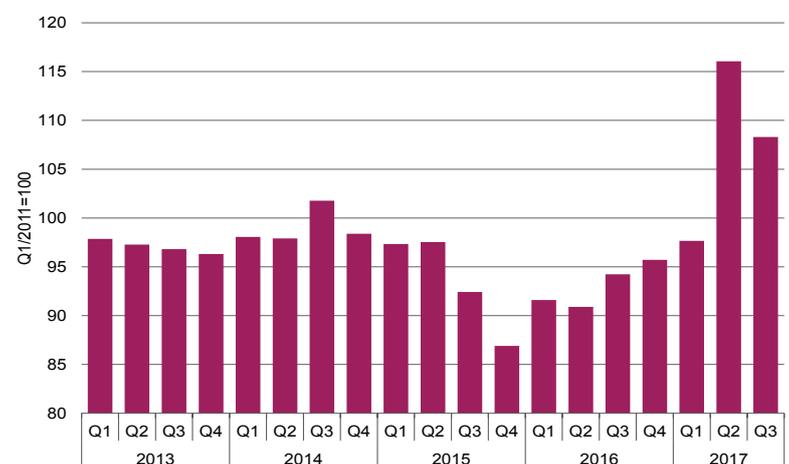
Source: Chongqing Statistics Bureau

GRAPH 2 **Mass-market residential transaction volumes and average prices, Q1/2013 -Q3/2017**



Source: Savills Research

GRAPH 3 **High-end residential price index, Q1/2013 - Q3/2017**



Source: Savills Research

RMB20,000 per sq m, RMB18,000 per sq m, RMB35,000 per sq m, RMB23,000 per sq m, respectively.

**Land market**

Approximately 4.27 million sq m of land was successfully transacted in Q3/2017, and increase of 2.5% QoQ. The average transacted price went up 8.1% QoQ, reaching RMB5,133 per sq m. A couple of transactions were over RMB10,000, which reflected the strong demand in the residential market.

Financial Street Group and HongKong Land Group both acquired land plots with the new land

auction regulation in the Liangjiang New Area at a high average accommodation value of RMB11,500 per sq m. New regulations have been implemented regarding the proportion of self-lease housing and a 10-year of self-holding period.

**Outlook**

According to the government's released land supply plan, there are many land plots in the pipeline in 4Q/2017. Land transaction price growth will gradually slow down.

The housing sales restriction policy will seriously hit the investment demand for housing and put more

focus on market development. Multiple new residential projects will enter the market until the end of the year, which will relieve the market supply and demand situation, and land transaction volumes and accommodation value are expected to increase slower. ■

**Please contact us for further information**

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