

Briefing Residential sector

November 2018



Image: Evergrande Group Yulongtianfeng, Jiangbei

SUMMARY

In Q3/2018, sales volume in the first-hand residential market followed the decline in supply volume while transaction price growth also slowed.

■ In Q3/2018, the supply of first-hand residential buildings in Chongqing's main urban area was 7.961 million sq m, an increase of 64.6% quarter-on-quarter (QoQ).

■ Market transaction volume increased in Q3/2018 by 13.4% QoQ to 7.412 million sq m. In terms of high-end residential properties, the average transaction price in Q3/2018 remained unchanged QoQ at RMB24,582 per sq m.

■ Residential land supply in the main urban area decreased in Q3/2018 with an accumulated transaction area of approximately 809,000 sq m. The average floor price of residential land transactions reached RMB6,546 per sq m, up 25.2% from the previous month.

“In Q3/2018, a new rule for land auctions was introduced, Notice on Further Strengthening the Regulation and Control of the Real Estate Market, which has led to a sharp drop in land transactions.”

Dahuang Chen, Savills Research

➔ **Marco Market**

The government’s Notice on Further Strengthening the Regulation and Control of the Real Estate Market was introduced in Q3/2018 as a new rule for land auctions. The directive’s corresponding restrictions on pre-sale time and phased development were put in place to maintain order in the real estate market.

From January to August 2018, Chongqing’s total for real estate development investment was RMB263.202 billion, an increase of 8.4% year-on-year (YoY). The growth rate dropped 0.6 of a percentage point (ppt) from January to July. Out of the real estate development total, residential investment comprised RMB186.71 billion, a YoY increase of 16.4%, although the growth rate dropped 2.4 ppts from January to July.

In Q3/2018, investors in Chongqing’s main urban area maintained a high demand for first-hand residential buildings, purchasing a total of 7.066 million sq m, a growth of more than 30%. First-hand residential transaction volume reached 7.412 million sq m, increasing 13.4%. In the same period, affected by the larger supply, transaction price growth slowed, up 0.4% QoQ to RMB11,721 per sq m. In terms of high-end residential properties, the average transaction price remained unchanged from the previous quarter, holding at RMB24,582 per sq m.

Land market

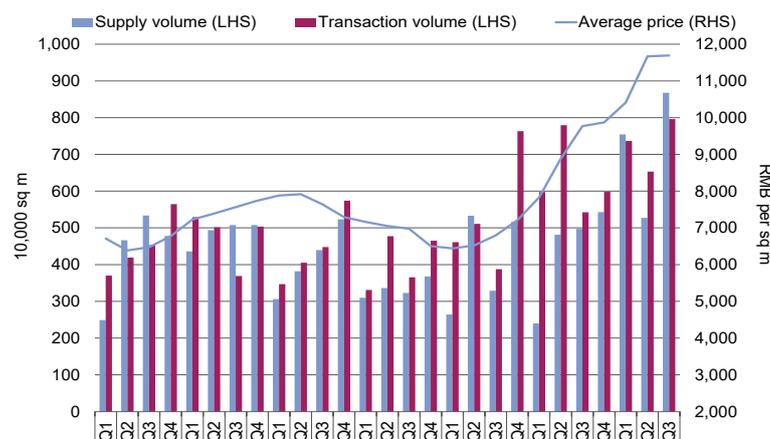
The residential land transaction area in the main urban area of Chongqing stood at about 809,000 sq m in Q3/2018, a significant drop from the previous month. Most of the deals were listed transactions. The average floor price of residential land transactions reached RMB6,546 per sq m, up 25.2% from the previous month.

GRAPH 1 **Real estate investment YoY growth rate, Q1/2005-Q3/2018**



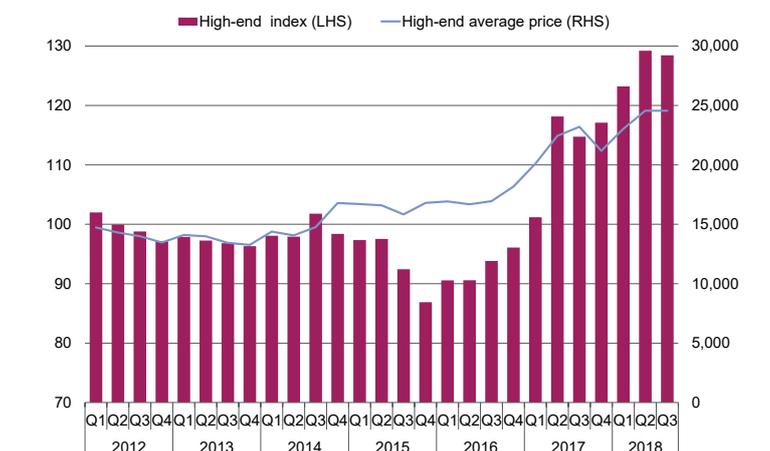
Source: Chongqing Statistics Bureau

GRAPH 2 **Mass-market residential transaction volumes and average prices, Q1/2012 –Q3/2018**



Source: Savills Research

GRAPH 3 **High-end residential price index, Q1/2012-Q3/2018**



Source: Savills Research

Outlook

New rules for land auctions, introduced in Q3/2018, include corresponding restrictions on pre-sale time and phased development to maintain order in the real estate market. Looking forward to the rest of the year, as supply continues to increase, demand for first-hand housing should be effectively fulfilled. On the other hand, as real estate control policies continue to tighten, the average price growth of first-hand housing will slow down. ■

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