Residential prices remain stable

The average transaction price of first-hand commodity housing dropped slightly to RMB11,556 per sq m.

- The supply of first-hand commodity housing in the main urban area of Chongqing decreased to 8.67 million sq m, down 0.1% quarter-on-quarter (QoQ) in Q4/2018.
- The transaction volume of first-hand commodity housing in the main urban area also slowed down to 6.51 million sq m, down 18.2% QoQ in Q4/2018.
- Due to the decline in supply, transaction price growth slowed in Q4/2018, down 1.2% QoQ to RMB11,556 per sq m.
- The supply of residential land increased significantly in Q4/2018, with an accumulated transaction area of approximately 1.68 million sq m. However, the average accommodation value of residential land transactions fell to RMB5,104 sq m, decreasing 22.0% QoQ.
- For high-end residential properties, the average price decreased by 5.4% QoQ to RMB23,240 per sq m in Q4/2018.
- Chongqing’s real estate development investment was RMB386.125 billion for the period January to November 2018, an increase of 8.0% year-on-year (YoY).

- The national real estate market will continue to be under pressure in 2019, and the government is likely to continue tightening real estate policy to promote the use of residences for living instead of investment speculation.

“The government persists in regulating and stabilising the real estate market and promoting the idea that residential property is not for investment speculation but for living only.”

DAHUANG CHEN, SAVILLS RESEARCH
MARKET OVERVIEW
Despite 2018’s slowing economy, Chongqing’s real estate development investment was RMB386.13 billion for the period January to November 2018, an increase of 8.0% YoY.

The supply of first-hand commodity housing in the main urban area of Chongqing dipped to 8.67 million sq m in Q4/2018, down 0.1% QoQ. The transaction volume of first-hand commodity housing in the main urban area decreased to 6.51 million sq m, down 18.2% QoQ during the same period. Throughout the year, Chongqing’s main urban area continued to maintain a high supply of first-hand commodity housing, amounting to 30.16 million sq m, a significant increase of 71.3% YoY. The transaction volume also rose simultaneously, reaching 28.37 million sq m, up 12.7% YoY; average transaction price continued to rise, up 24.7% YoY to RMB23,240 per sq m.

The average price of high-end residential commodity housing in the main urban area of Chongqing remained stable in Q4/2018. The average transaction price of high-end residences fell by 5.4% QoQ to RMB23,240 per sq m. Throughout the year, the high-end residential price index in Chongqing’s main urban area increased by 4.7% YoY. However, affected by changes to city-wide residential prices, the average high-end residential price in the main urban area decreased in 2H/2018.

LAND MARKET
The supply of residential land increased significantly in Q4/2018, to 1.68 million sq m. Due to tightening controls and changing expectations in the market, the land transaction price and premium rate declined. The average accommodation value of residential land transactions fell to RMB25,104 per sq m in Q4/2018, down 22.0% QoQ.

Land transaction volume decreased by 24.8% YoY in 2018 due to the reduction in supply of developable land. Accommodation value rose by 19.8% YoY during the same period. As the economy continues to slow down, companies will be more cautious about expanding their businesses. However, as Chongqing is an important city in Western China, outside companies will still be motivated to plant a flag in the city. One such notable company is New Hope, which expanded its business in Chongqing during the year.

MARKET OUTLOOK
The economy operated under pressure in 2018, and that downward trend will continue into 2019. The Sino-US trade war eased slightly in January 2019, but long-term prospects remain uncertain. If China and the United States reach a deal, pressure on foreign trade will ease and the economy should stabilise. Otherwise, a weakening economy or further government adjustments to monetary policy may bring gloom to the economy in 2019. It is expected that the government would prefer real estate policy to continue stabilising the real estate market. Due to macroeconomic conditions and financing pressures on developers, the national real estate market will continue under pressure in 2019. It is expected that sales volume of first-hand commodity housing will drop significantly, while transaction prices should remain stable in 2019. Generally, as supply continues to increase, the demand for first-hand commodity housing will ease, stabilising the supply-demand equilibrium. On the other hand, as real estate regulations continue to tighten, the growth of commodity residential prices will slow down.