Residential prices rise slightly
Average transaction price of first-hand commodity housing increased to RMB12,120 per sq m.

- The supply of first-hand commodity housing in the main urban area of Chongqing increased to 6.33 million sq m, rising 28.2% quarter-on-quarter (QoQ) in Q2/2019.
- The transaction volume of first-hand commodity housing in the main urban area also increased to 7.09 million sq m, increasing 51.3% QoQ in Q2/2019.
- Due to the increase in supply, average transaction price grew 3.8% QoQ to RMB12,120 per sq m in Q2/2019.
- The supply of residential land increased significantly in Q2/2019, with an accumulated transaction area of approximately 6.19 million sq m, while the average accommodation value of residential land transactions decreased to RMB6,537 sq m.
- For high-end residential properties, the average price decreased slightly by 0.1% QoQ to RMB21,163 per sq m in Q2/2019.

- The municipal government will continue to implement regulations and prioritise stability in line with the national directive that houses are for living and not speculation.
- Chongqing’s real estate development investment totalled RMB63.4 billion for the period January to May 2019, an increase of 11.8% year-on-year (YoY).

1 The main urban area of Chongqing includes Yuzhong, Jiangbei, Yubei, Beibei, Jiulong-po, Shapingba, Dadukou, Nan’an and Banan districts.

“The government continues to introduce policies to stabilise the real estate market and ensure that residential property sales remain relatively stable.”
JAMES MACDONALD, SAVILLS RESEARCH
MARKET OVERVIEW
Despite the significant slowdown in the economy in 2019, Chongqing’s real estate development investment totalled RMB63.4 billion for the period January to May 2019, an increase of 11.8% YoY. The supply of first-hand commodity housing in the main urban area of Chongqing increased to 6.33 million sq m, rising 28.2% QoQ in Q2/2019. The transaction volume of first-hand commodity housing in the main urban area also increased to 7.09 million sq m, a jump of 51.3% QoQ for Q2/2019.

For high-end residential properties, the average price decreased slightly by 0.1% QoQ to RMB21,163 per sq m in Q2/2019.

LAND MARKET
The supply of residential land increased significantly in Q2/2019, with an accumulated transaction area of approximately 6.19 million sq m. The average accommodation value of residential land transactions decreased 2.7% QoQ to RMB6,537 sq m. The government has increased the supply of residential land since the beginning of 2019; in the second quarter alone there were 58 land transactions. On 17 May, Yuzhou Real Estate bid RMB1.29 billion for a pure residential tract of land in the Beibei area. The company’s debut in the market shows the confidence of leading housing enterprises about the development potential in Chongqing.

MARKET OUTLOOK
To ensure stable growth in the real estate market, an emphasis on urban policy will be crucial. On the demand side, Chongqing’s commercial residential sales have increased, and the average price of first-hand residential transactions has risen slightly. Although the price of commercial housing in Chongqing should continue to be stable, prices could move slightly upward in the future. In addition, since the government increased the supply of residential land in Q2/2019, the land market has shown signs of recovery.

On 23 September 2017, the Chongqing Municipal Bureau of Land and Housing issued the Notice on Strengthening the Re-transaction Management of Newly Purchased Housing in the Main Urban Area. The notice stipulated that any newly purchased commercial housing in the main urban area of Chongqing must obtain a “Protection of Property Rights” within a two-year period, and then the deed to the property can be exchanged. With the expiration of this restriction looming, an increased supply of tradable second-hand housing will appear in the market after 23 September 2019. This will affect the first-hand housing market to a certain extent. At the same time, overall supply in the residential market will increase, which should alleviate the contradiction between supply and demand. In general, with the continuing increase in housing supply, the transaction volume of first-hand residential units will also increase, and this should ease the market supply and demand situation.

TABLE 1: Chongqing New Residential Property, Q2/2019

<table>
<thead>
<tr>
<th>PROJECT NAME</th>
<th>PRICE (RMB/SQ M)</th>
<th>AREA</th>
<th>DEVELOPER</th>
</tr>
</thead>
<tbody>
<tr>
<td>Evergrande Yufu</td>
<td>18,000-22,000</td>
<td>Yubei</td>
<td>Evergrande</td>
</tr>
<tr>
<td>Jiuliqingchuan</td>
<td>21,000-26,000</td>
<td>Yubei</td>
<td>Longfor</td>
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<td>Taishan #7</td>
<td>16,000-20,000</td>
<td>Yubei</td>
<td>Luneng</td>
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<td>Evergrande Central Square</td>
<td>16,629-19,361</td>
<td>Jiangbei</td>
<td>Evergrande</td>
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<tr>
<td>Poly Guanlan</td>
<td>16,000-30,000</td>
<td>Jiangbei</td>
<td>Poly</td>
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<tr>
<td>Xuhuicheng</td>
<td>9500</td>
<td>Banan</td>
<td>Xuhui</td>
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Source: Savills Research