Residential prices make marginal gain

The average transaction price of first-hand commodity housing increased to RMB12,310 per sq m.

- The supply of first-hand commodity housing in the main urban area of Chongqing decreased to 5.99 million sq m, shrinking 5.4% quarter-on-quarter (QoQ) in Q3/2019.

- The transaction volume of first-hand commodity housing in the main urban area also decreased to 5.95 million sq m, a drop of 16.1% QoQ in Q3/2019.

- Stable demand in the residential market helped the average transaction price increase slightly 1.6% QoQ to RMB12,310 per sq m in Q3/2019.

- The land market began to cool down in Q3/2019, with an accumulated transaction area of approximately 2.36 million sq m, a decrease of 61.8% QoQ. The average accommodation value of residential land transactions decreased to RMB5,700 sq m.

- For high-end residential properties, the average price decreased slightly by 0.8% QoQ to RMB21,000 per sq m in Q3/2019.

- From January to August 2019, Chongqing’s total real estate development investment was RMB282.9 billion, an increase of 7.5% year-on-year (YoY); the growth rate dropped by 0.5 of a percentage point (ppt) from January to July.

- With the lifting of the two-year “restriction order” by Chongqing’s government on 23 September 2017, the entry of a large number of second-hand houses will help to increase market supply, and the supply and demand situation should be alleviated.

“Demand in Chongqing’s residential market was relatively stable in Q3/2019 while the land market showed signs of cooling.”

SOPHY PAN, SAVILLS RESEARCH

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*The main urban area of Chongqing includes Yuzhong, Jiangbei, Yubei, Baishi, Jialongpo, Shapingba, Dadukou, Nan'an and Bana districts.
MARKET OVERVIEW
From January to August 2019, Chongqing’s total real estate development investment was RMB282.9 billion, an increase of 7.5% YoY, and the growth rate dropped by 0.5 of a ppt from January to July.

The supply of first-hand commodity housing in the main urban area of Chongqing decreased to 5.99 million sq m, shrinking 5.4% QoQ in Q3/2019. The transaction volume of first-hand commodity housing in the main urban area also decreased to 5.95 million sq m, falling 16.1% QoQ in Q3/2019. The stable demand in the residential market helped the average transaction price increase slightly 1.6% QoQ to RMB12,310 per sq m in Q3/2019.

For high-end residential properties, the average price decreased slightly by 0.8% QoQ to RMB21,000 per sq m in Q3/2019.

LAND MARKET
The land market began to cool down in Q3/2019. The land transaction area during Q3/2019 was only 2.36 million sq m, down 61.8% from the previous quarter. At the same time, residential land prices fell slightly, with an average floor price of RMB5,700 per sq m, down 12.2% from the previous month. The average transaction price of commercial and residential land in the main city was volatile from Q2/2019 to Q3/2019. After a rapid rise in the first half of 2019, the average transaction price of land in the second half of the year showed a “first rise then fall” situation. The changing land transaction price indicates that real estate enterprises’ investment confidence is fluctuating, and thus overall investment confidence in Chongqing is currently insufficient.

MARKET OUTLOOK
The lifting of the two-year “restriction order” issued by Chongqing’s government on 23 September 2017 will affect the first-hand commodity housing market to a certain extent. While overall supply in the residential market will increase, potentially alleviating the contradiction between supply and demand, the continued growth in supply should also boost the transaction volume of first-hand residential units. Under the premise of stable operations in the real estate market, more emphasis will be placed on the city's first-hand commodity housing policy. This factor, combined with stable market demand in Chongqing, should boost the price of first-hand residential transactions.

TABLE 1: Chongqing New Residential Development, Q4/2019

<table>
<thead>
<tr>
<th>PROJECT NAME</th>
<th>PRICE (RMB/SQ M)</th>
<th>AREA</th>
<th>DEVELOPER</th>
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<tr>
<td>Jiuliqingchuan</td>
<td>21000-26000</td>
<td>Yubei</td>
<td>Longfor</td>
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<td>Taishan #7</td>
<td>16000-20000</td>
<td>Yubei</td>
<td>Luneng</td>
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<td>Evergrande Central Square</td>
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<td>Xuhuicheng</td>
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<td>Banan</td>
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Source: Savills Research