Briefing
Residential sector

May 2018

SUMMARY

The increase in housing supply led to a rise in both transaction volume and average transaction price over Q1.

- Housing supply increased to 7.54 million sq m in Q1/2018, but despite this, the average housing price continued to rise.

- Housing transaction volumes reached 7.36 million sq m in Q1/2018, up 23.1% quarter-on-quarter (QoQ). The average housing price increased 5.5% QoQ to RMB10,410 per sq m, and the high-end residential apartment average price increased 9.2% QoQ to RMB22,970 per sq m.

- Residential land supply, transaction volumes and average floor price all increased. A total of 2.64 million sq m of residential and commercial land was sold in Q1/2018.

“Housing supply increased in Q1 and exceeded transaction volume for the first time but continued demand forced average prices to rise. The land market is still hot as real estate enterprises show enthusiasm for site acquisitions.”

Dahuang Chen, Savills Research
Marco Market

Since the government enacted restrictions on new housing sales, the rule on higher down payments for second home purchases has continued to affect investment demand for housing.

Real estate investment reached RMB398 billion in 2017, up 6.8% YoY, of which residential investment accounted for RMB263.3 billion, up 13.5% YoY. Developers are speeding up residential construction, demonstrating optimism for the recent increased interest in the housing market.

Transaction volumes reached 7.36 million sq m, up 23.1% QoQ. Meanwhile, the average sales price increased by 5.5% QoQ to RMB10,410 per sq m. New housing supply increased to 7.54 million sq m in Q1/2018, up 39.0% QoQ, and exceeded the overall market demand.

The average price of high-end residential apartments increased 9.2% QoQ to RMB22,970 per sq m. Only two new projects entered the market in Q1.

Land Market

Approximately 2.64 million sq m of land was successfully transacted in Q1/2018, a 1.7-times increase QoQ, and an increase of 60.6% YoY. The average transaction price was up 8.5% QoQ, to RMB5,056 per sq m, and numerous transactions registered over RMB8,000, which reflected strong demand in the residential market.

Longfor Real Estate acquired land plots in the Dazhulin area in Liangjiang New District at an average accommodation value of RMB11,393 per sq m.
Outlook
According to the government’s recently released land supply plan, over 19 million sq m of land is in the pipeline for 2018. Thus, it is expected that land transaction price growth will gradually slow.

Multiple new residential projects will enter the market in 2018, which will relieve market supply and demand and push up transaction volume. However, the average housing price is expected to rise because of high land transaction prices.

| TABLE 1 | Residential transactions, Q1/2018 |
|---|---|---|
| Property (EN) | Property (CN) | Sell Price |
| XinCheng JinKe TaoLiJun | 新城金科桃李郡 | RMB15,200 per sq m |
| HuaShang YueJiangFu | 华商悦江府 | RMB17,000 per sq m |

Source: Savills Research & Consultancy