Briefing
Residential sector

July 2018

SUMMARY
In Q2/2018, the residential supply and transaction volume decreased, but the performance of the land market was still strong.

- The supply of first-hand residential buildings in the main urban area¹ of Chongqing was 5.272 million sq m in Q2/2018, down 30.1% quarter-on-quarter (QoQ).
- Market volume decreased by 11.3% to 6.533 million sq m in Q2/2018. Buyers have shown increased interest in improving their location and surrounding areas, and the average transaction price increased by 6.7% to RMB24,565 per sq m.
- Total residential land area in Chongqing’s main urban area was 3.61 million sq m, an increase of 36.6% QoQ. The average floor price of residential land transactions reached RMB5,228 per sq m, up 3.4% from the previous month, and land price increases are starting to slow.

“In Q2/2018, first-hand housing volume declined, which led to an increase in average transaction price. Developer enthusiasm for the land market is still high.”
Dahuang Chen, Savills Research

¹The main urban area of Chongqing includes Yuzhong, Jiangbei, Yubei, Baibei, Julong, Shapingba, Dadukou, Nan’an and Banan districts.
**Marco Market**

The government has introduced a series of policies to regulate and raise the investment threshold for residential properties in Q2/2018, in order to ensure that homes are used for living in, not purely for speculative purposes.

Real estate investment reached RMB398 billion in 2017, up 6.8% year-on-year (YoY), of which residential investment accounted for RMB263.3 billion, up 13.5% YoY. Developers are speeding up residential construction, reflecting the recent increase in interest in the housing market.

Residential transaction volumes reached 6.533 million sq m, down 11.3% from the previous month. In the same period, the overall average residential price increased by 12.1%, reaching RMB11,669 per sq m.

The newly added residential supply during the quarter was 5.272 million sq m, down 30.1% QoQ.

The average transaction price of high-end residential properties in Q2/2018 rose by 6.7% from the previous month to RMB 24,565 per sq m.

**Land market**

The total area of residential land in Chongqing’s main urban area was 3.61 million sq m in Q2/2018, an increase of 36.6% QoQ. The average floor price of residential land transactions reached RMB5,228 per sq m, up 3.4% from the previous month, and several land plots exceeded RMB8,500 per sq m.

**Outlook**

The government introduced several new policies to regulate the market related to land, finance, pricing, and development of leasing market in order to maintain a stable real estate market and curb speculative real estate investments.

Looking forward to 2H/2018, with the introduction of these new policies and more new houses entering the market, the transaction volume is expected to rise. However, the government will be vigilant and prevent the average price of first-hand housing from rising too fast.