Residential demand picks up
Chongqing first-hand housing market demand picks up, pushing up transaction volumes.

- The supply of first-hand commodity housing in the main urban area of Chongqing increased 44.6% to 5.4 million sq m quarter-on-quarter (QoQ) in Q2/2020.

- The transaction volume of first-hand commodity housing in the main urban area increased 52.4% to 4.9 million sq m in Q2/2020.

- The demand in the residential market in Q2/2020 picked up after COVID-19 had been effectively controlled in the city, but the average transaction price remained relatively stable at RMB12,400 per sq m due to limited transactions in Q1/2020.

- The land market accumulated a transaction area of approximately 4.6 million sq m in Q2/2020, an increase of 100.9% QoQ. The average accommodation value (AV) of residential land transactions increased to RMB6,515 sq m.

- From January to May 2020, Chongqing’s total real estate development investment was RMB154.1 billion, a decrease of 5.7% year-on-year (YoY).

- In terms of high-end residential properties, the entry of the Sunac residential project Yunshanchanglu increased the supply of high-end residential units in the northern Beibei region and targeted high-end customers looking to upgrade their residences.

- On May 27, 2020, several municipal government bureaus jointly issued an announcement clearly stating that real estate companies are strictly prohibited from signing school admission agreements with schools or residential housing buyers in order to control the pricing for houses in desirable school districts.

“After a rough start to the year in the shadow of COVID-19, Chongqing’s residential market picked up in the second quarter thanks to government support and improved market fundamentals.”

SOPHY PAN, SAVILLS RESEARCH

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

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MARKET OVERVIEW

The transaction volume of first-hand commodity housing in the main urban area increased 52.4% to 4.9 million sq m in Q2/2020. The supply of first-hand commodity housing in the main urban area of Chongqing increased 44.6% to 5.4 million sq m QoQ in Q2/2020. The demand in the residential market in Q2/2020 picked up after COVID-19 had been effectively controlled in the city, but the average transaction price remained relatively stable at RMB12,400 per sq m due to limited transactions in Q1/2020. Sunac’s residential project Yunshanchanglu increased the supply of high-end residential units in the northern Beibei region and targeted high-end customers looking to upgrade their residences.

LAND MARKET

The land market accumulated a transaction area of approximately 4.6 million sq m in Q2/2020, an increase of 100.9% QoQ. The average accommodation value (AV) of residential land transactions increased to RMB6,515 sq m. There was a total of 58 residential or commercial land transactions in Q2/2020. The developer who took the most land was Guangyang Island Eco-City with six plots of land in the Chayuan area of Nan’an District.

MARKET OUTLOOK

On May 27, 2020, the Chongqing Municipal Education Commission, the Municipal Housing and Urban-Rural Construction Commission, and the Municipal Market Supervision and Administration Bureau jointly issued an announcement clearly stating that real estate companies are strictly prohibited from signing school admission agreements with schools or residential housing buyers to control the pricing for houses in desirable school districts.

Additionally, in the first half of 2020, the Chongqing Municipal Government issued relevant policies about employees in both Chengdu and Chongqing, stating that they can now more easily use the housing provident fund loans across the region to facilitate the flow between the two cities. This new policy has formed the basis for cooperation between Sichuan and Chongqing in promoting population flows between the cities and the integrated development of their housing provident funds. It is possible that more residents from Chengdu or Sichuan province will make their way to Chongqing due to this policy, thereby supporting the city’s residential development. With the gradual alleviation of the domestic epidemic, the real estate market in Chongqing and China will gradually return to normal, helping release residential consumer demand in the municipality and across the country.

TABLE 1: Chongqing New Residential Property, Q2/2020

<table>
<thead>
<tr>
<th>PROJECT NAME</th>
<th>PRICE (RMB/SQ M)</th>
<th>AREA</th>
<th>DEVELOPER</th>
</tr>
</thead>
<tbody>
<tr>
<td>Xuetangfu</td>
<td>12,940</td>
<td>Shapingba</td>
<td>Longfor, Hongkong Land</td>
</tr>
<tr>
<td>Xintianchen</td>
<td>13,840</td>
<td>Shapingba</td>
<td>Jinke, Midea</td>
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<tr>
<td>Jiangshangyunzhu</td>
<td>18,340</td>
<td>Jiangbei</td>
<td>Jinke, Ronheng</td>
</tr>
<tr>
<td>Yunshanchanglu</td>
<td>10,770</td>
<td>Beibei</td>
<td>Sunac</td>
</tr>
</tbody>
</table>

Source Savills Research

GRAPH 1: Real Estate Investment And YoY Growth, 2005 to 05/2020

GRAPH 2: Residential Supply, Volume And Price In The Main Urban Area, Q3/2015 to Q2/2020

GRAPH 3: High-End Residential Price Index, Q3/2015 to Q2/2020

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