

China Residential Real Estate Market - Growth, Trends, Covid-19 Impact, and Forecasts (2023 - 2028)

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Report description:

The Chinese Residential Real-estate market is expected to register a CAGR greater than 6% during the forecast period. China's property market is highly concentrated, with the top 200 developers holding the major market share and sitting on huge inventories. These developers were under a lot of pressure during the covid-19. In Tier 1 cities, prices moved upward strongly in Shenzhen and Hangzhou. They were slightly higher in Shanghai and stable in Beijing during the pandemic.

Since the second half of 2021, China's property market has shown indications of cooling, with sales volume and home prices falling in a number of Chinese cities. According to data from the National Bureau of Statistics, the average selling price of residential properties in 2021 was CNY 10,139 (USD 1,606) per square meter, increasing 2.8% annually, the slowest growth rate in approximately five years. The market's correction has led domestic financial institutions to upgrade their property-related financial services in order to keep up with shifting market dynamics. For example, the China Construction Bank introduced Jianrongjiayuan, an app focusing on the long-term leasing sector.

China's property sector, which relates to a significant portion of the economy, is likely to see a period of stabilization in 2022, after a turbulent 2021 during which many companies and market segments saw their slowest-ever growth or even declines. For instance, the housing market was the subject of 651 regulatory policies in 2021, the highest on record and 33% more than in 2020. Total financing by 100 property companies declined 26% to a five-year low of CNY 1.29 trillion (USD 202.54 billion) in 2021. September 2021 saw transactions of secondhand homes fall to the lowest point since records were kept.

China Residential Real Estate Market Trends

Growth of urbanization driving residential real estate market

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One of the factors driving demand for the residential real estate market is the rising pace of urbanization, noting that at the end of 2020, China's urbanization ratio was around 64%, and this ratio is to rise over the next five years to 70% or 75%. Between 2000 and 2020, an estimated 415 million new residents settled in China's cities, and an estimated 208 million will settle by 2040, according to estimates by the United Nations. With improving job market conditions, and better income growth, consumers or households are still looking for (an) upgrade or buying primary (residences).

To ease the pressure on young people to buy houses, Beijing has carried out various measures such as offering government-subsidized homes. But not all people have the opportunity to buy these houses, so they just wait and save money to buy commercial houses. With growing urbanization, property prices in first-tier megacities and economically prosperous towns in many countries in the world remain shockingly high, and newcomers cannot afford to buy a home. The general upward trend of house prices has spawned huge demand for second and third properties. House prices have grown multiple times in many places, including major cities. This leads to a strong popular belief that real estate is the best way to preserve and generate wealth, stimulating the demand for additional properties.

Increase in demand for residential properties in the country due to favorable mortgage rates

Lending mortgage rates also influence the decision of house purchase in the residential real estate market. In February 2022, banks in nearly 90 Chinese cities slashed mortgage rates in an effort to boost sales and mood in a residential real estate market roiled by a liquidity crisis and struggling developers. Commercial lenders decreased mortgage rates after the central bank cut the benchmark LPR twice in December 2021 and January 2022, aimed at boosting the world's second-largest economy's flagging growth. For the first time since mid-2020, mortgage rates in Beijing and Shanghai have fallen month over month.

China's four biggest banks lowered mortgage rates in the southern city of Guangzhou by 20 basis points in February 2022. Thirty basis points cut mortgage rates in smaller cities such as Hohhot, Zhongshan, and Huizhou. Since late 2021, authorities have taken a slew of measures to avert a hard landing for the property sector, including steps to support buyers such as newly married couples. The Shanghai branch of the central bank has told commercial lenders in the financial hub to accelerate real estate-related loans. In 2022, China's central bank slashed a key mortgage rate for the first time in almost two years, the shares of Chinese property developers soaring in Hong Kong. The stock prices of Hong Kong-listed Chinese property developers increased dramatically, recovering some of the recent losses.

China Residential Real Estate Market Competitor Analysis

The Chinese residential real estate market is competitive with the presence of property developers like Evergrande Real Estate Group Limited, China Vanke Co., Ltd., Poly Real Estate Group Co., Ltd., GreenLand Group, and China State Construction Engineering Corporation. The growing presence of international funds and foreign capital is increasingly attracting domestic developers to have joint ventures to gain a foothold in the country and enhance their financial strength and management expertise.

Additional Benefits:

The market estimate (ME) sheet in Excel format
3 months of analyst support

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