CHINA RESIDENTIAL MARKET REPORT 2022

CUSHMAN & WAKEFIELD
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Macro Environment

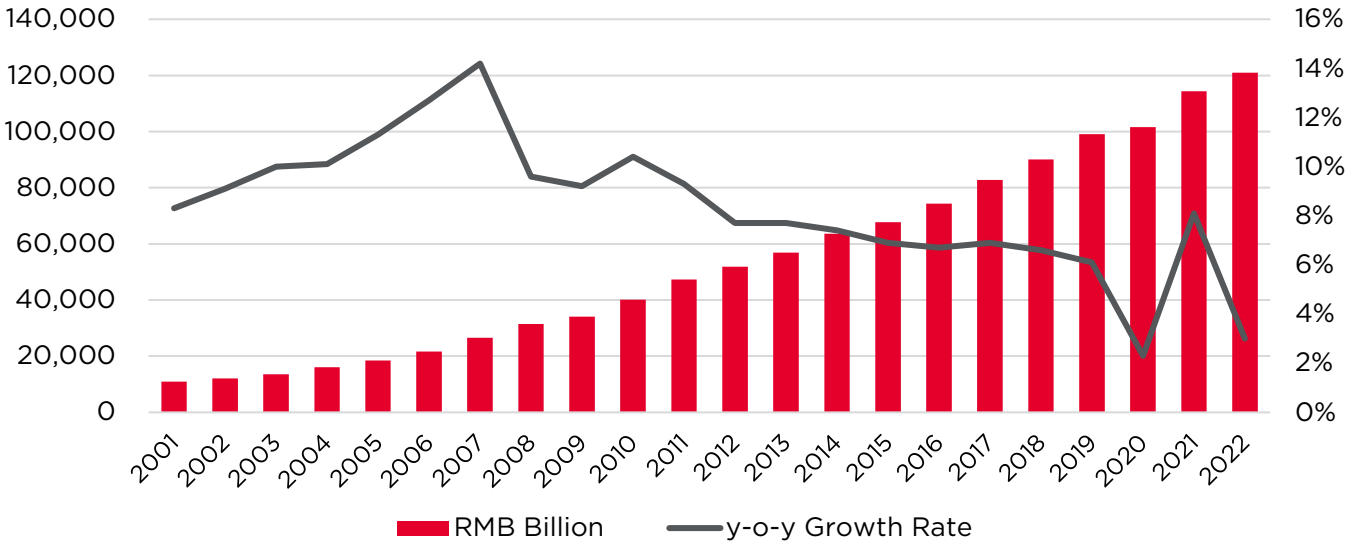
China’s economy grew 3.0% y-o-y despite major pressures

Facing an increasingly tense international environment and domestic challenges to economic development, China’s GDP still grew 3.0% y-o-y at constant prices to record RMB121.0 trillion in 2022.

Consumption still played an important role in supporting economic growth, despite the negative impacts of the pandemic. Consumption expenditure for the full year exceeded RMB60 trillion, accounting for more than 50% of GDP. Consumption contributed 32.8% to economic growth and pulled up GDP growth by 1.0 percentage points. The new economy industry engine also played a positive role. Investment in high-tech manufacturing and high-tech services sectors increased 22.2% and 12.1% y-o-y respectively, leading China's economic transformation and upgrading.

China GDP and Growth Rate

China GDP totaled RMB121.0 trillion, up 3.0% y-o-y.



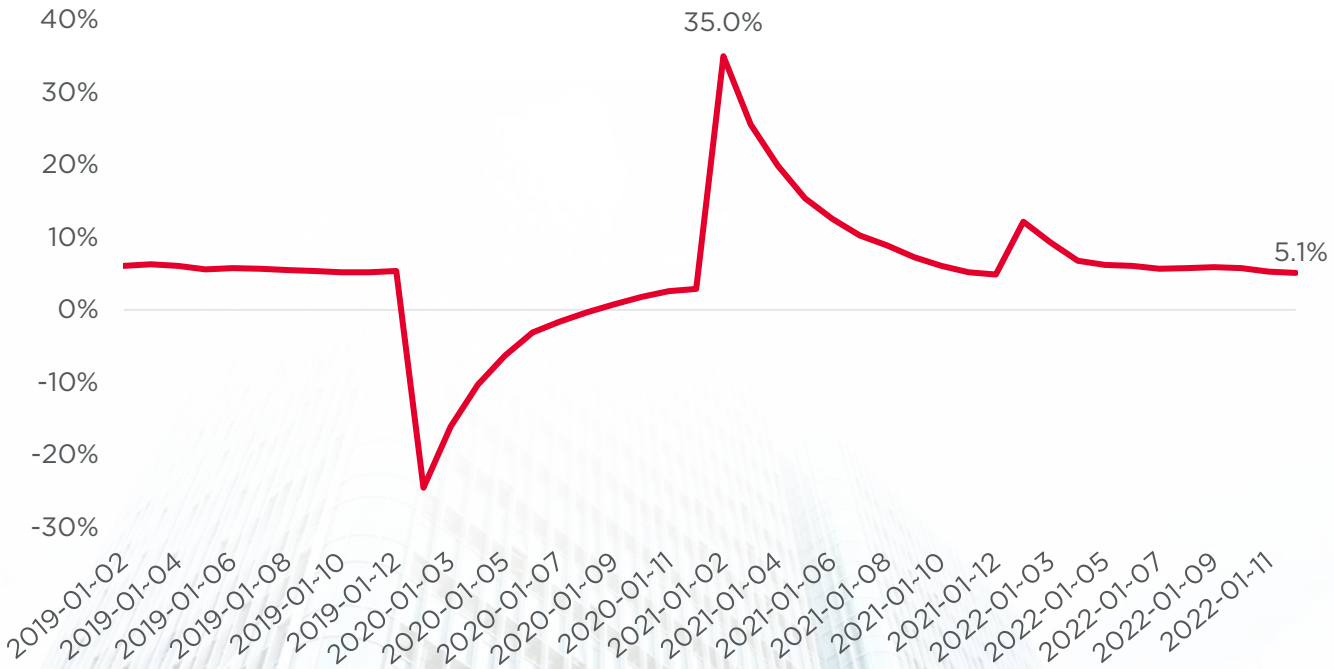
Sources: National Bureau of Statistics of China, Cushman & Wakefield Research.

Investment in infrastructure and manufacturing maintained momentum

Investment in fixed assets grew 5.1% y-o-y in 2022, up 0.2 percentage points from 2021. Specifically, investment in infrastructure and manufacturing maintained momentum, growing 9.4% and 9.1% respectively, while investment in real estate development contracted by 10.0%.

The sluggish real estate market has acted as a drag on economic growth. In response, in order to help restabilize the economy, we expect that real estate policies will remain focused on improving expectations in both the supply and demand sides, and on restoring market transaction activity.

Growth Rate of Investment in Fixed Assets



Sources: National Bureau of Statistics of China, Cushman & Wakefield Research.

02 Residential Market

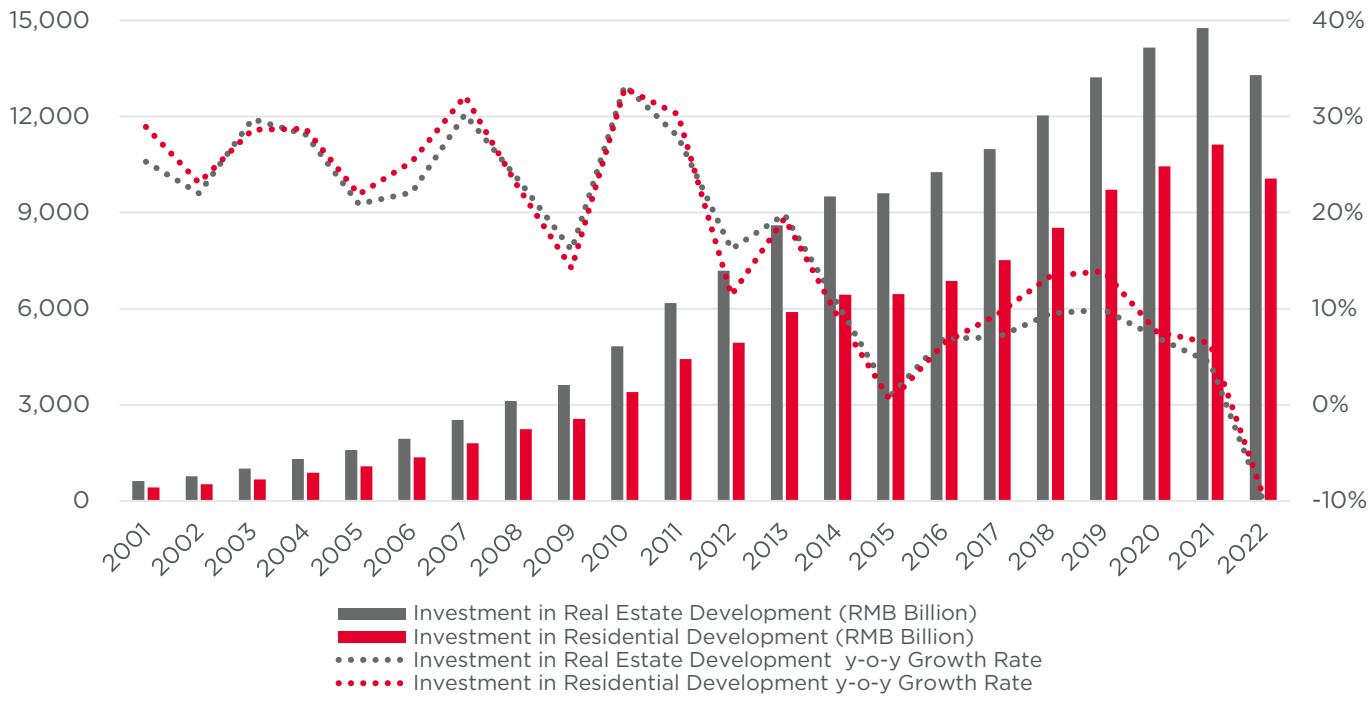
Investment in real estate development shrank significantly

Investment in real estate development for the full year 2022 dropped 10.0% y-o-y to record RMB13.3 trillion, while residential investment alone fell 9.5% y-o-y to RMB10.1 trillion.

The loosened policies and funding environment seen in 2022 did not effectively boost the sluggish market activity and confidence remained lacking. As a result, most developers held off on land acquisition and business expansion, and the drop off in real estate investment slowly deteriorated throughout the year. We expect the implementation of financial initiatives will help stabilize developers' cash flow. The optimization of the centralized land supply policy should also bring positive effects and help drive improvement in development investment.

Real Estate and Residential Development Investment

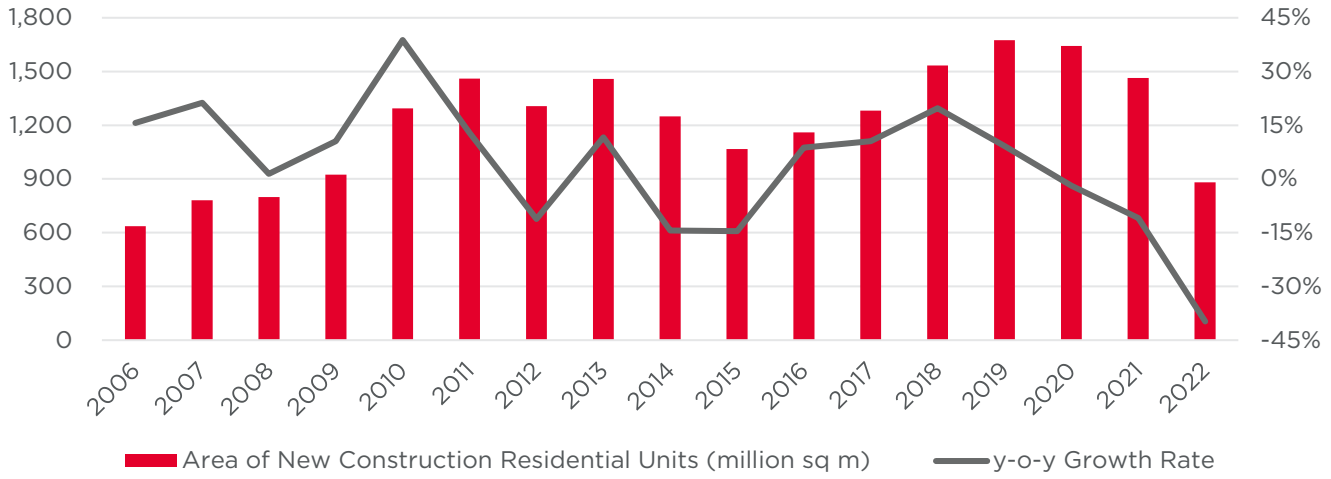
Real estate: RMB13.3 trillion, down 10.0%
Residential: RMB10.1 trillion, down 9.5%



Sources: National Bureau of Statistics of China, Cushman & Wakefield Research.

New construction area fell 39.8%, while completed area dropped 14.3%

Total Area of New Construction Residential Units



Sources: National Bureau of Statistics of China, Cushman & Wakefield Research.

Total Area of Completed Residential Units

Sources: National Bureau of Statistics of China, Cushman & Wakefield Research.

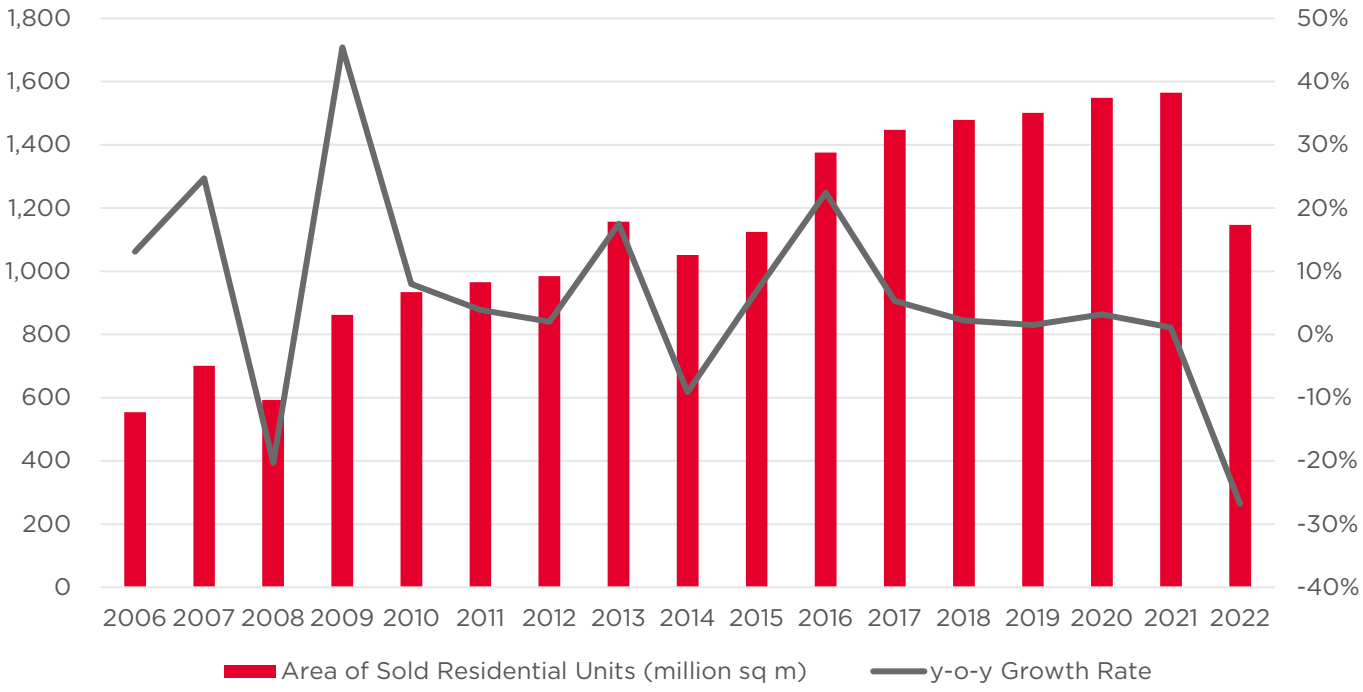
The total area of new construction residential units fell 39.8% y-o-y in 2022 to record 881.4 million sq m, while the total area of completed residential units dropped 14.3% y-o-y to record 625.4 million sq m. Although the rate of decline in completed area has been quite marked, the full year performance figure is less severe than for the first three quarters.

With the continued promotion of the "Guaranteed Delivery of Pre-Sale New Homes" campaign across China, combined with the easing of financial policies to help ease developers' capital flow, we expect to see a further moderating in the decline of total completed area.

New home sales slid as demand weakened

Total Area of Sold New Residential Units

Total floor space of sold residential units was 1.1 billion sq m, down 26.8% y-o-y.



Sources: National Bureau of Statistics of China, Cushman & Wakefield Research.

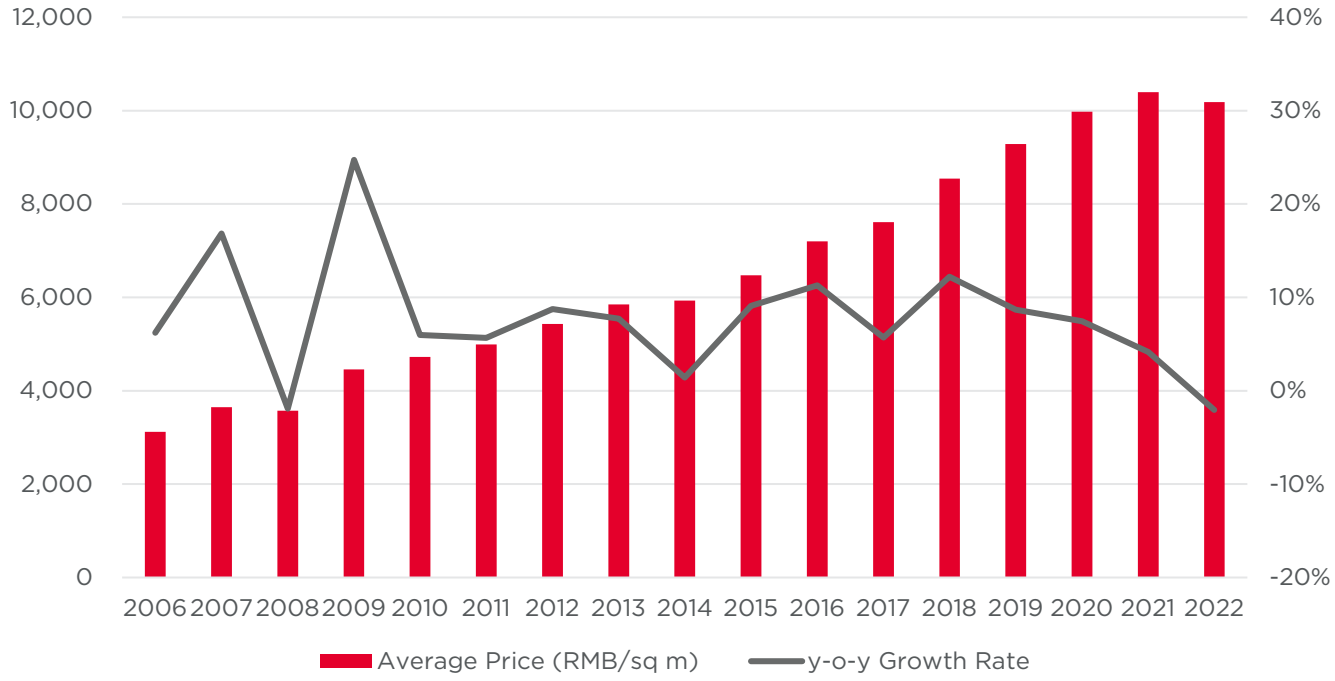
A series of loosening policies were launched in 2022 in a bid to reduce risk and to restabilize the market. However, home buyers generally remained cautious, wary of the reoccurrences of COVID-19 and associated measures together with uncertain economic expectations, resulting in a rather weak demand side.

The total floor area of sold new residential units in 2022 was at 1.1 billion sq m, down 26.8% y-o-y. The drop for the full-year was 1.1 percentage points steeper than in the first three quarters.

Average new home prices fell for the first time since 2008

Average Sale Price of Residential Units

RMB10,185/sq m, down 2.0% y-o-y.

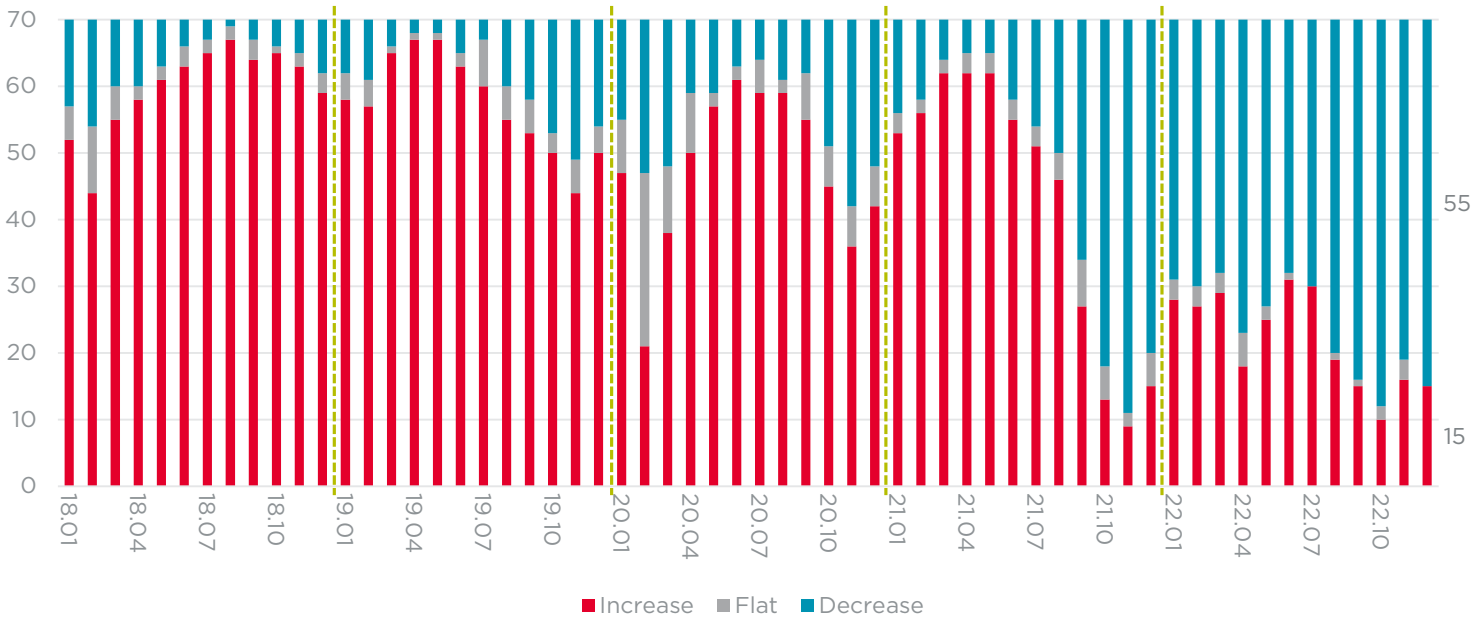


Sources: National Bureau of Statistics of China, Cushman & Wakefield Research.

Developers' willingness to offer home price discounts grew as market demand weakened, driving the average residential sales price down 2.0% y-o-y to record RMB10,185 per sq m, the first y-o-y decline seen since 2008. Considering that price cuts can provide a significant kickstart to recovery of market demand, we expect the average sale price in 2023 to maintain the downward trend.

Prices fell in nearly 80% of major cities in December, Tier 1 & 2 more resilient

Price Change Trend for Newly Constructed Commercial Residential Buildings in 70 Large and Medium-Sized Cities



Note: Price Indices of last month = 100

Sources: National Bureau of Statistics of China, Cushman & Wakefield Research.

On a m-o-m basis, more than half of the cities saw new home prices fall throughout 2022, in our trend analysis of the National Bureau of Statistics index of price movements of newly constructed commercial residential buildings in 70 cities. In December 2022, 55 cities in the study recorded m-o-m price drops, accounting for nearly 80% of the total number of major cities in the study, while 15 cities in the study saw m-o-m price increases, with most of them being core Tier 1 and Tier 2 cities.

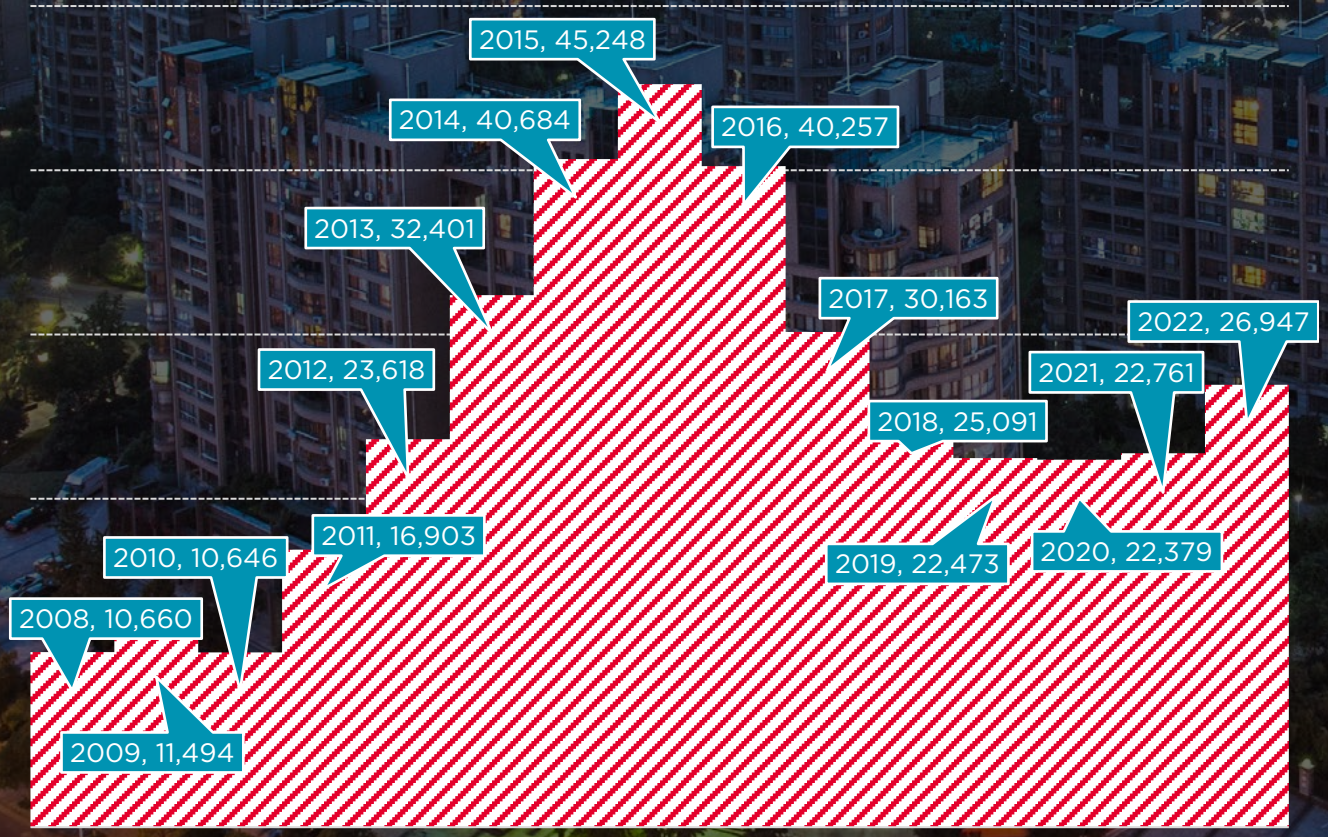
Area of residential units for sale hit five-year high

At the end of 2022, the total area of residential units available in the market for sale was at 269.5 million sq m, up 41.9 million sq m from 2021, or 18.4% y-o-y.

Although the supply side has reduced significantly due to poor financing, contraction in land auctions and market expectation uncertainties, the weakness in the demand side is now more prominent, pushing up the market inventory pressure to a five-year high.

Area of Residential Units for Sale

Unit: 10,000 sq m



Source: National Bureau of Statistics of China, Cushman & Wakefield Research.

3 Typical Markets

24 Key Cities Across The Country

The analysis of the market data of 24 Key Cities has been conducted in the form of sample groupings. The samples selected and groupings are:

Tier 1 cities: Beijing, Shanghai, Guangzhou, Shenzhen
Developed Tier 2 cities: Tianjin, Chongqing, Suzhou, Wuhan, Chengdu, Hangzhou, Nanjing, Qingdao, Changsha, Ningbo
Ordinary Tier 2 cities: Zhengzhou, Shenyang, Xi'an, Hefei, Fuzhou, Changchun, Nanchang, Xiamen, Nanning and Hohhot

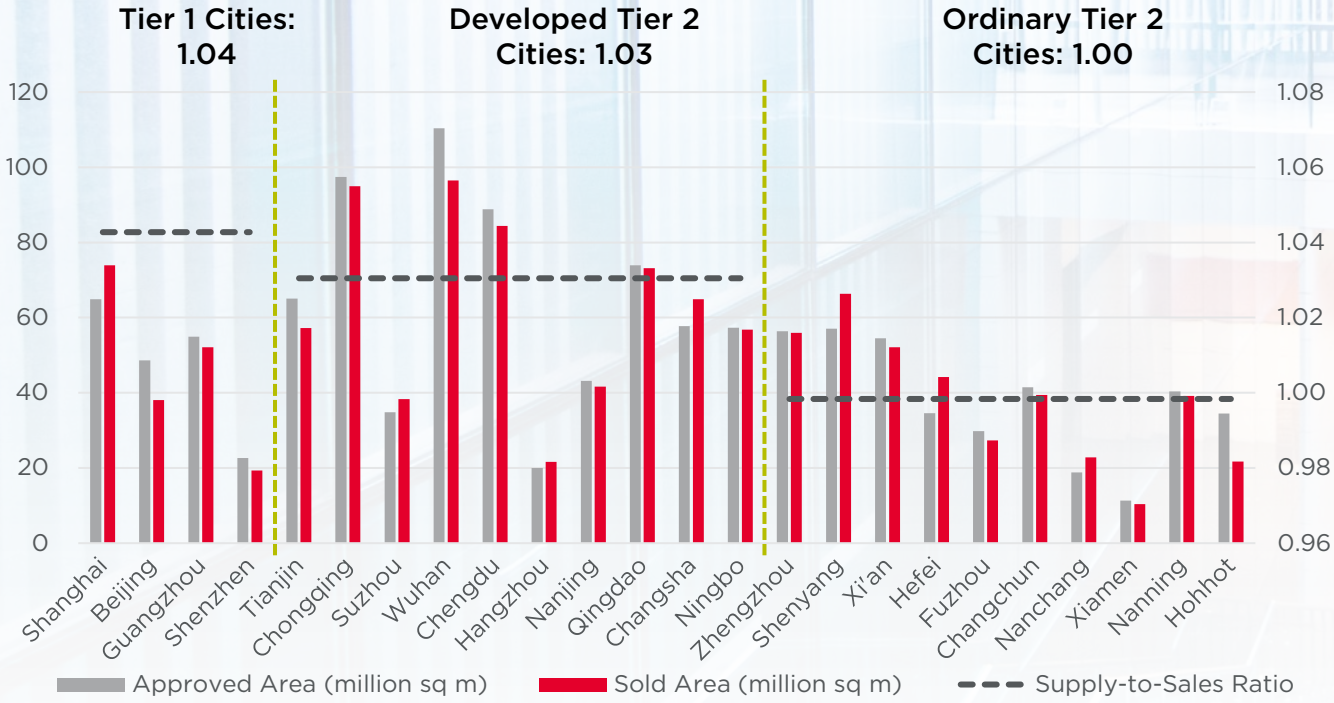
The data for Hangzhou, Ningbo, Nanchang and Hohhot do not include data for government subsidized housing units, while the data for the remaining cities do include government subsidized housing units.

Five-year cumulative supply-to-sales ratio relatively balanced

The accumulative area approved for sale in the 24 Key Cities study for the past five years totaled 1.22 billion sq m, while the total sold area was 1.19 billion sq m. The resulting supply-to-sales ratio was 1.02.

By city group, the supply-to-sales ratios for Tier 1, Developed Tier 2 and Ordinary Tier 2 cities were 1.04, 1.03 and 1.00, respectively, demonstrating that the Ordinary Tier 2 cities ratio is below the average. The overall market is relatively balanced.

Accumulative Approved Area and Sold Area of New Residential in Key Cities (2018-2022)



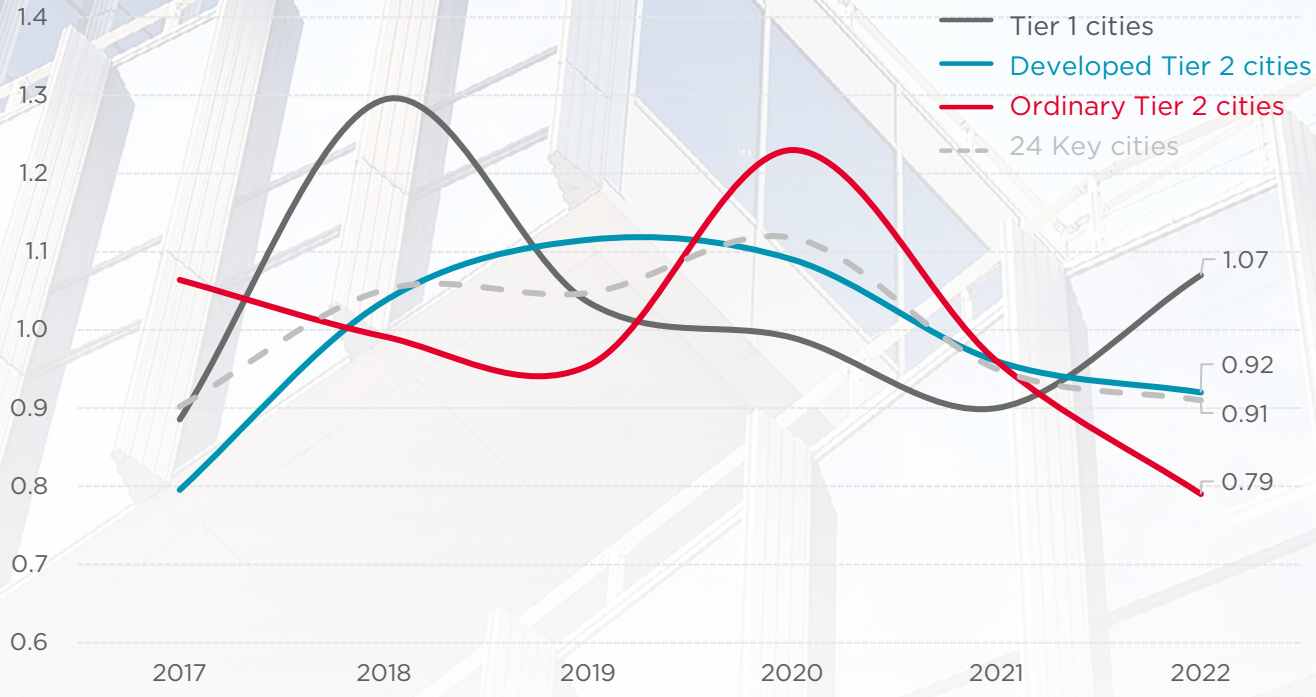
Sources: CREIS, urban planning, land management and statistics departments of selected cities, Cushman & Wakefield Research.

Supply shortage more prominent in Ordinary Tier 2 cities

In 2022, the approved area in the 24 Key Cities was a modest 157.6 million sq m, down 38.8% y-o-y, while the sold area totaled 173.4 million sq m, dropping 35.9% y-o-y, showing that the supply side contracted more than the demand side.

The supply-to-sales ratio for the full year dropped to 0.91 from 0.95 in 2021, with the figure in Ordinary Tier 2 cities dropping to 0.79, demonstrating a more prominent supply shortage.

Annual Trends of Supply-to-Sales Ratio of New Residential Units in 24 Key Cities



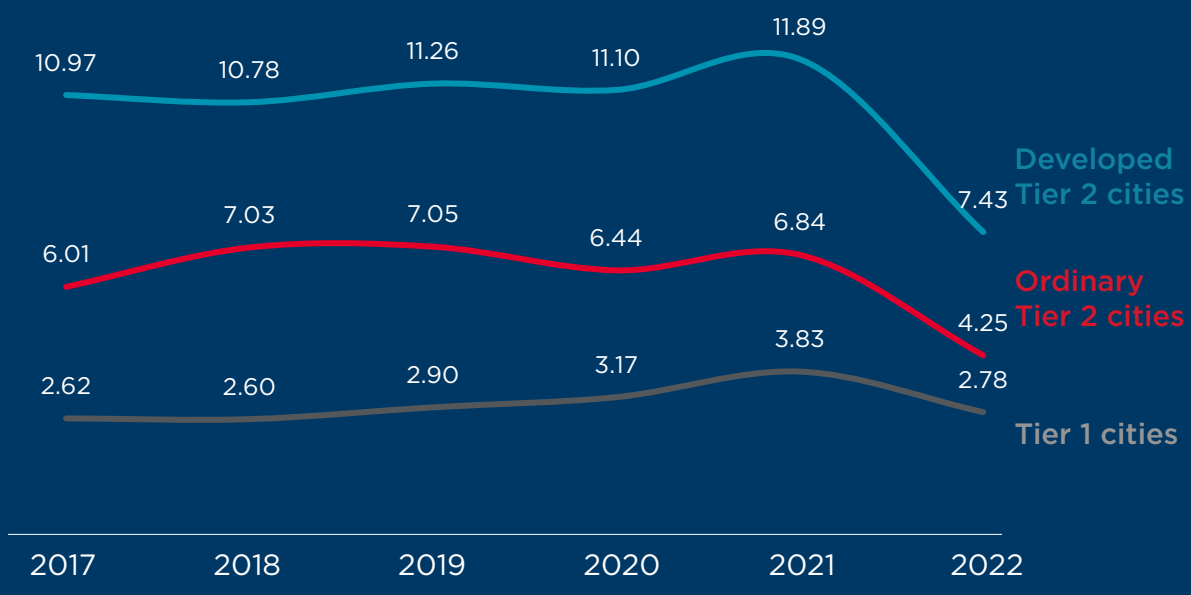
Sources: CREIS, urban planning, land management and statistics departments of selected cities, Cushman & Wakefield Research.

Notable pullback in demand in the three city groups

In 2022, the monthly average transaction area in Tier 1 cities, Developed Tier 2 cities and Ordinary Tier 2 cities dropped by 27.3%, 37.6%, and 37.9% y-o-y respectively, exhibiting a notable pullback in demand in the key cities.

Monthly Average Transaction Area for the Three City Groups

(Unit: million sq m)

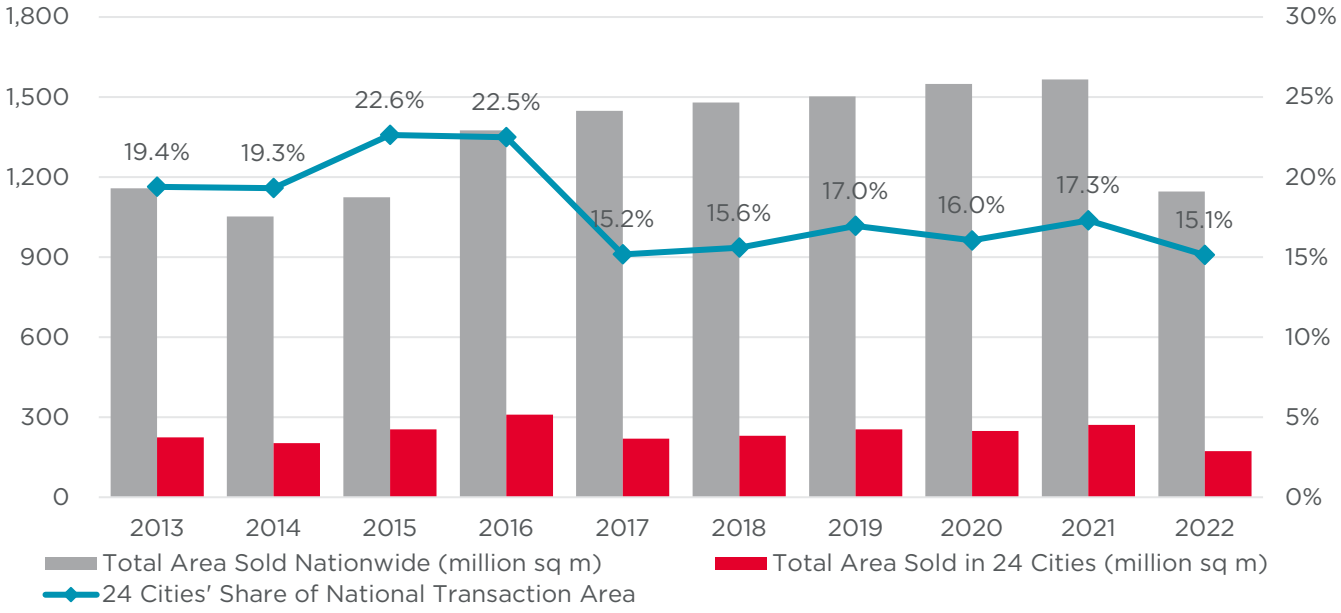


Sources: CREIS, urban planning, land management and statistics departments of selected cities, Cushman & Wakefield Research.
The indicator reflects the sum of monthly average transaction area of selected sample cities in the corresponding group.

24 Key Cities' share of total transaction area fell modestly

The total sold area of new residential units in China was at 1.15 billion sq m for the year, down 26.8% y-o-y. Total sold area in the 24 Key Cities was at 173.41 million sq m, dropping a steeper 35.9% y-o-y. The transaction area for the 24 Key Cities in 2022 represented 15.1% of the national total, falling a modest 2.2 percentage points from the previous year.

24 Key Cities' Share of National New Residential Transaction Area



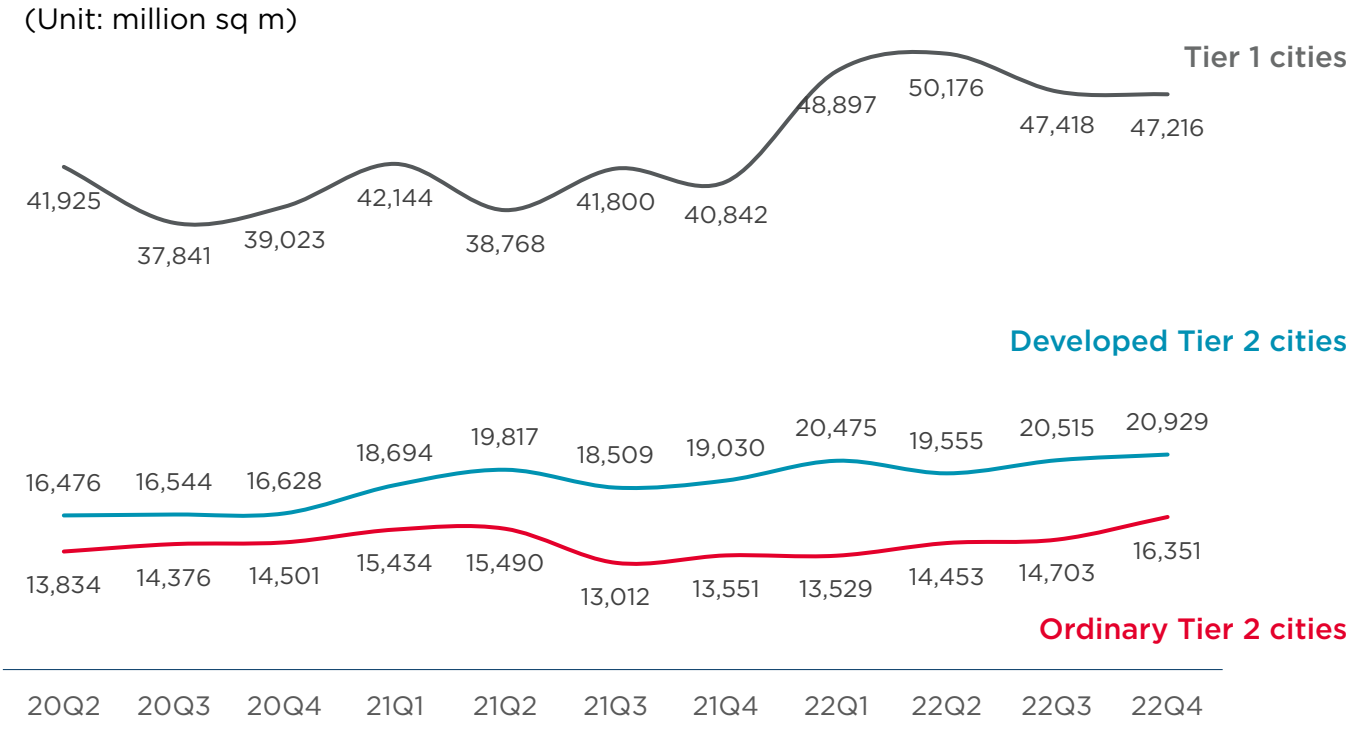
Sources: CREIS, Urban planning, land management and statistics departments of selected cities, Cushman & Wakefield Research.

Average new home prices in Tier 2 cities saw q-o-q increases resulting from structural factors

In Q4 2022, average prices in the Developed Tier 2 and Ordinary Tier 2 city groups rose by 2.0% and 11.2% q-o-q, respectively, while Tier 1 city prices dropped 0.4% q-o-q. Among Tier 1 cities, Shenzhen recorded the steepest q-o-q drop, impacted by sustained policy constraints and depressed market sentiment.

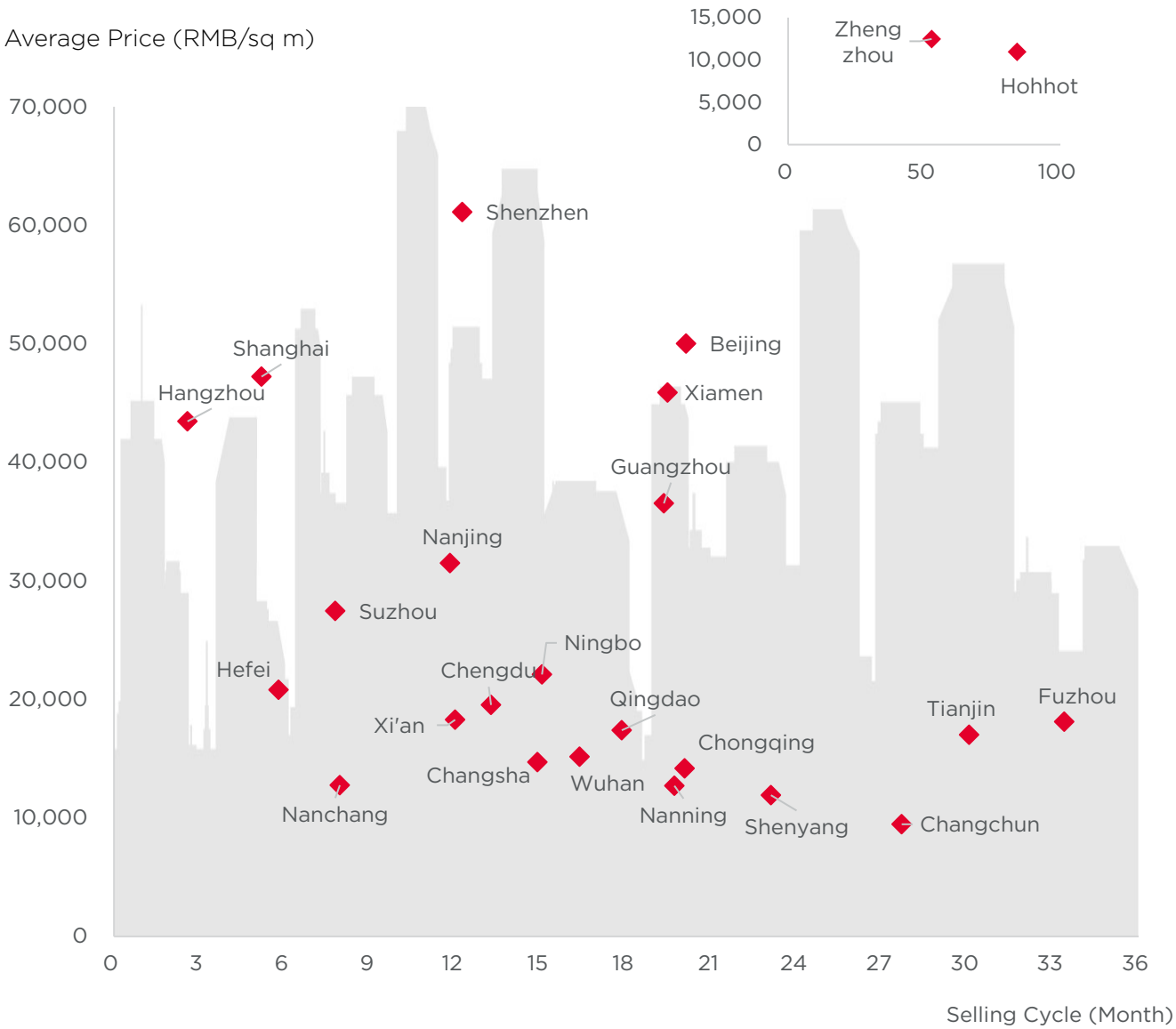
Fourteen of the 20 Tier 2 cities saw a q-o-q rise in average new home prices, led by Fuzhou and Qingdao, while the remaining six cities saw a fall of less than 5%. The price increase for Tier 2 cities was primarily driven by eased pre-sale approval conditions, designed to help stabilize home prices, and hence allowing more high-priced projects to enter and support the market. Buyers were also more favorable to higher quality properties during the market downturn, in turn pushing up average prices.

Comparison of Quarterly Trends of Average Prices for the Three City Groups (Unit: RMB/sq m)



Sources: CREIS, urban planning, land management and statistics departments of selected cities, Cushman & Wakefield Research.

Average new housing prices and selling cycles in key cities at the end of 2022



Sources: CREIS, urban planning, land management and statistics departments of selected cities, Cushman & Wakefield Research.
Note: The selling cycle is calculated using the average monthly sold area in the past year as the selling rate. The approved area is defined as the commercial housing area that has obtained the Commercial Housing Pre-sale Permit and can be pre-sold or sold.

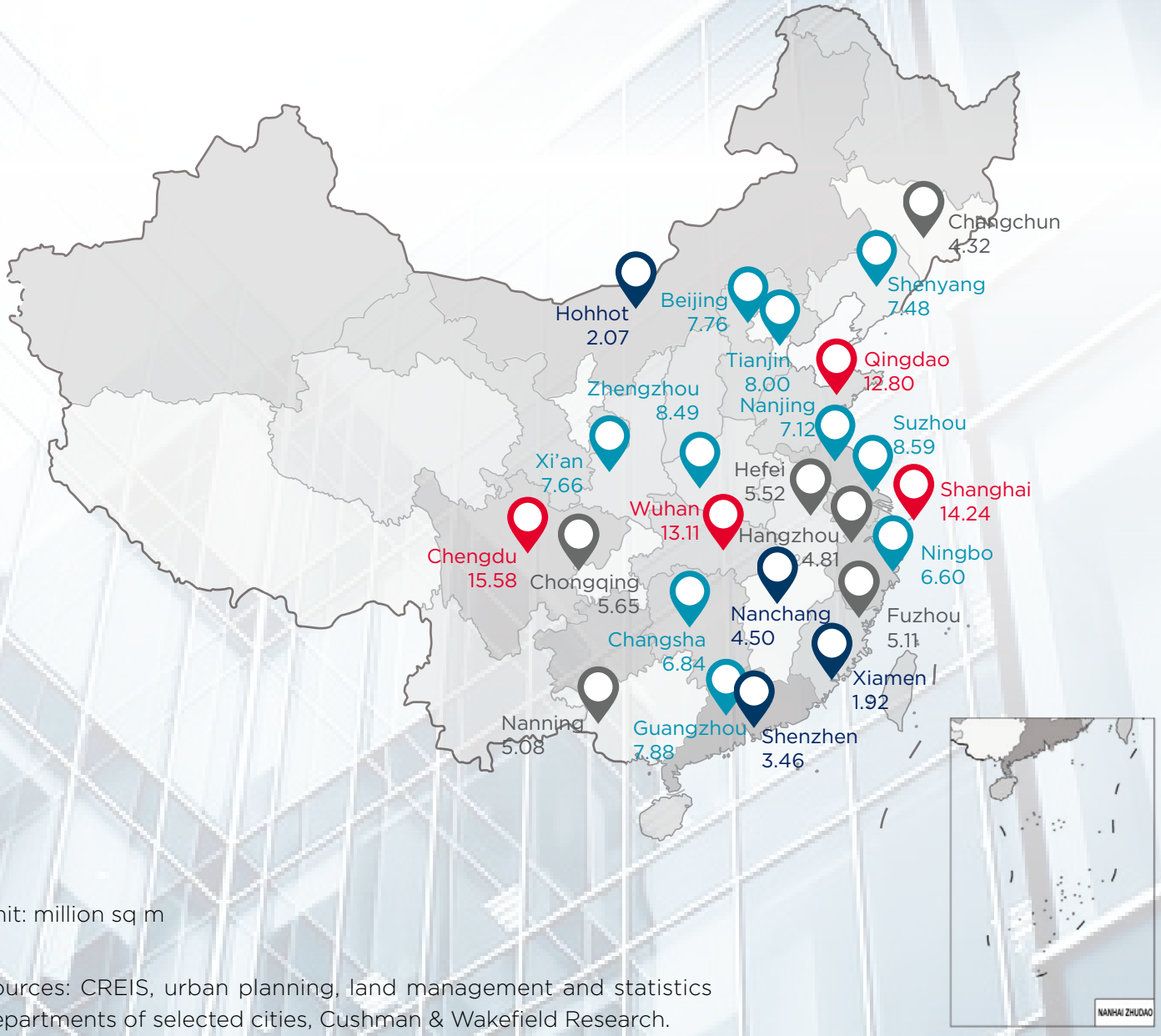
Sold area of new residential units in different key cities in 2022

More than 10 million sq m

6 – 10 million sq m

4 – 6 million sq m

Less than 4 million sq m



Unit: million sq m

Sources: CREIS, urban planning, land management and statistics departments of selected cities, Cushman & Wakefield Research.

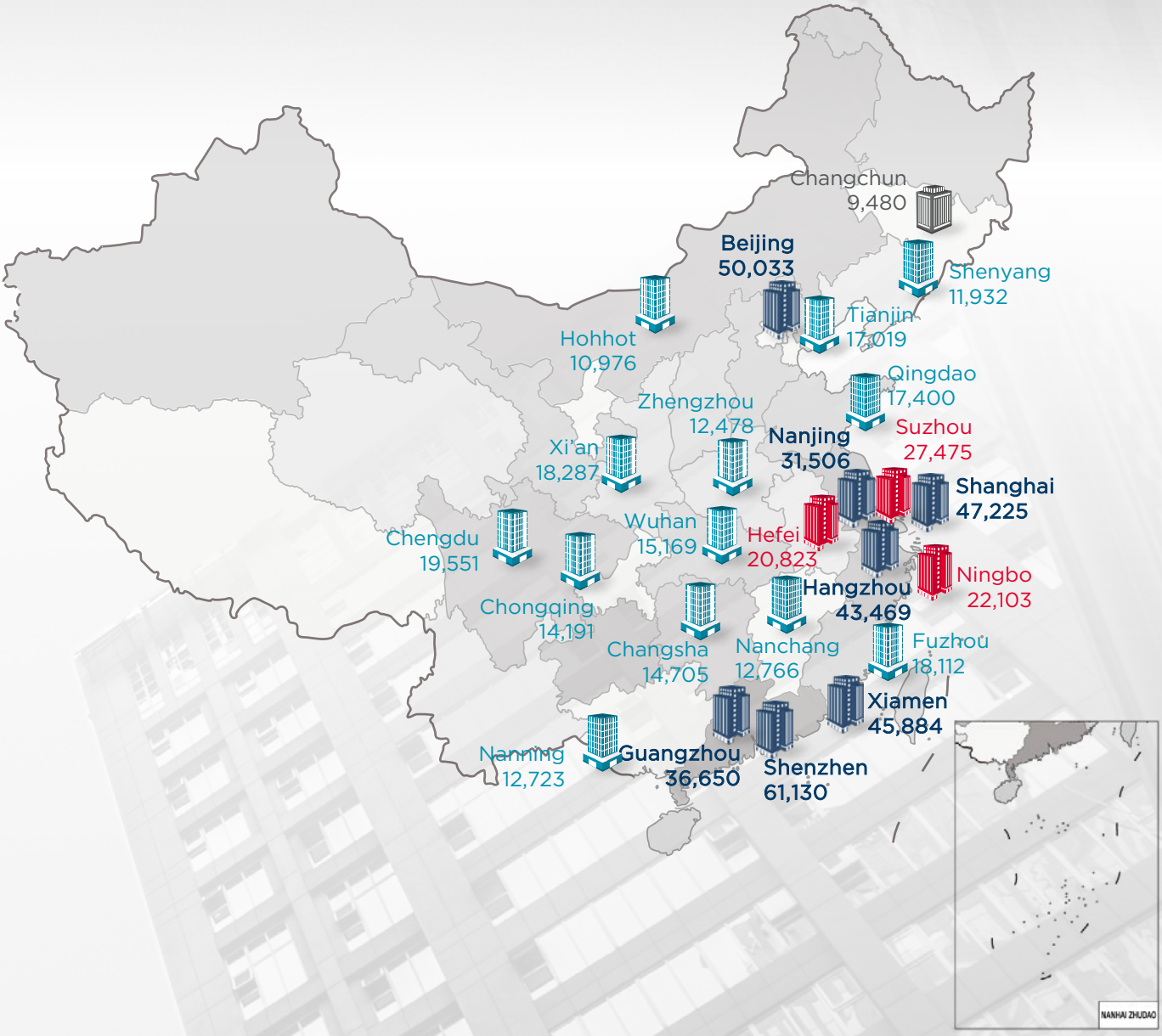
Average new housing selling prices in key cities in Q4 2022

Average Price ≥ RMB 30,000/sq m

Average Price
RMB 20,000 - 30,000/sq m

Average Price
RMB 10,000 - 20,000/sq m

Average Price ≤ RMB 10,000/sq m



Note: Excluding the impact of government subsidized housing, the average prices in Beijing and Shanghai were RMB50,372/sq m and RMB65,332/sq m respectively.

04 Policies and Outlooks

Residential Market Policies Overview

Supply-side shoots “Three Arrows” while demand-side relaxation policies to stimulate potential housing consumption

Improving expectations and stimulating the potential of housing consumption

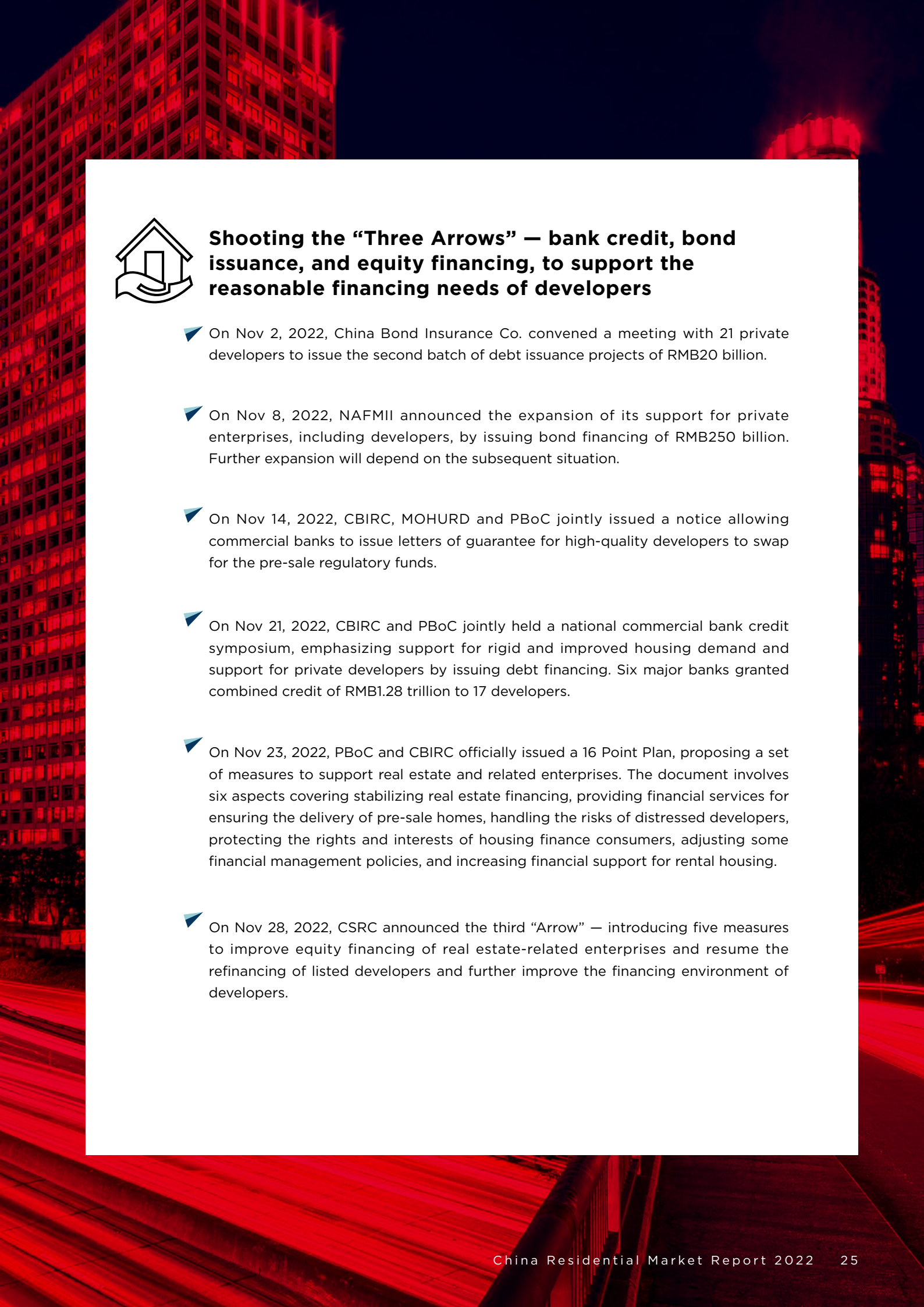
- On Dec 15, 2022, China’s annual Central Economic Work Conference pointed out that the relevant sectors should secure the stable development of the real estate market, ensure the delivery of pre-sale homes, resolve the risk of quality developers and improve their balance sheet performance. In addition, the meeting stressed the positioning of "housing is for living in, not for speculation", and promote the smooth transition of the real estate industry to a new development model.

- On Dec 19, 2022, the head of the Office of the Central Committee for Financial and Economic Affairs pointed out that efforts should be made to improve general expectations, expand effective demand, support rigid and improved housing demand by adjusting some restrictive policies; taking family planning policies and talent introducing policies into consideration to solve the housing problems of newly immigrant and youth citizens; expand the supply of affordable rental housing and promote the development of a long-term rental housing market; reasonably increase consumer credit, fulfill the reasonable financing needs of the industry, and promote industry restructuring, mergers and acquisitions.

Intensive rollout of loosening policies at the local level to support rigid housing demand

- In Q4 2022, second-tier hotspot cities such as Hangzhou, Nanjing, Chengdu, Xi’an and Wuhan have announced relaxed policies such as lowering down payment ratios, lowering loan interest rates, optimizing restricted purchase areas and raising Housing Provident Fund loan limits.

- Adjustments in first-tier cities. For example, two regions that were assigned to the Beijing Economic-Technological Development Area, Taihu and Majuqiao, are no longer included in the “double purchase-restricted area.”



Shooting the "Three Arrows" — bank credit, bond issuance, and equity financing, to support the reasonable financing needs of developers

- On Nov 2, 2022, China Bond Insurance Co. convened a meeting with 21 private developers to issue the second batch of debt issuance projects of RMB20 billion.

- On Nov 8, 2022, NAFMII announced the expansion of its support for private enterprises, including developers, by issuing bond financing of RMB250 billion. Further expansion will depend on the subsequent situation.

- On Nov 14, 2022, CBIRC, MOHURD and PBoC jointly issued a notice allowing commercial banks to issue letters of guarantee for high-quality developers to swap for the pre-sale regulatory funds.

- On Nov 21, 2022, CBIRC and PBoC jointly held a national commercial bank credit symposium, emphasizing support for rigid and improved housing demand and support for private developers by issuing debt financing. Six major banks granted combined credit of RMB1.28 trillion to 17 developers.

- On Nov 23, 2022, PBoC and CBIRC officially issued a 16 Point Plan, proposing a set of measures to support real estate and related enterprises. The document involves six aspects covering stabilizing real estate financing, providing financial services for ensuring the delivery of pre-sale homes, handling the risks of distressed developers, protecting the rights and interests of housing finance consumers, adjusting some financial management policies, and increasing financial support for rental housing.

- On Nov 28, 2022, CSRC announced the third "Arrow" — introducing five measures to improve equity financing of real estate-related enterprises and resume the refinancing of listed developers and further improve the financing environment of developers.

Insights and Outlook

Looking back to 2022, under the influence of macroeconomic uncertainties, the prevailing wait-and-see sentiment expanded in the housing market, resulting in weakened demand and ultimately dragging down economic growth. The year-end Central Economic Work Conference pointed out that the focus of real estate work for 2023 is "to ensure the delivery of pre-sale homes, to ensure people's livelihood, to ensure stability," and it has been repeatedly stated at the central government level that real estate is a pillar industry of the nation's economy. We expect that the subsequent macro policy will continue to revive real estate industry expectations, boost market confidence, and stimulate the release of reasonable housing consumption demand.

From the policy perspective, real estate policy tended to be more accommodative in 2022, introducing several rounds of supportive measures, especially in the financial sector. From the demand side, the five-year LPR continued to fall, and mortgage interest rates hit record lows in several major cities. On the supply side, the PBOC cut the RRR twice and interest rates three times during the year. The PBOC also reiterated a commitment to prudent management and to keep real estate financing stable and orderly, issuing a range of special loans for ensuring delivery of pre-sale homes. The introduction of a "16 Point Plan" and the resumption of reverse takeover activities for developers after 12 years of suspension have also brought positive effects to the industry.

In the land market, the downward trend of home sales has been impacting developers' cash flow. Coupled with uncertain market expectations and other factors, developers have turned more cautious in land acquisition, resulting in a significant contraction in land transactions. However, with the accelerated implementation of financing support, we expect to see an improving financial environment for developers, leading to a subsequent recovery in the land market. In addition, land auction regulations in a range of cities are now being adjusted to spur private developers' enthusiasm, and this is expected in turn to support investment volume and aid with the housing supply situation.

Overall, easing policies will support a recovery of confidence, although such a recovery may be rather gradual in response to the deep market adjustments of previous years. Looking ahead, to achieve the goal of "promoting a smooth transition of the real estate industry to a new development model," the number of easing policies is forecast to expand and to cover a wider range of private developers. The adjustment of the COVID-19 policy may also lead to an improvement in general expectations and to support the release of potential demand. These positive factors are expected to gradually stabilize China's real estate market in 2023. However, the beneficial impact of supportive policies will take time to become apparent, and we still expect to see adjustments in the real estate industry in 2023. Considering that a rebound in market demand may be elusive without the stimulus effects of price cuts, we expect residential sales average prices to continue to decline in 2023.

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