CUSHMAN & WAKEFIELD
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2024

China Residential Market Report

Cushman & Wakefield Research

Better never settles

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Note: Statistics in this report do not include Hong Kong SAR, Macao SAR and Taiwan Province.

01

MACRO ENVIRONMENT

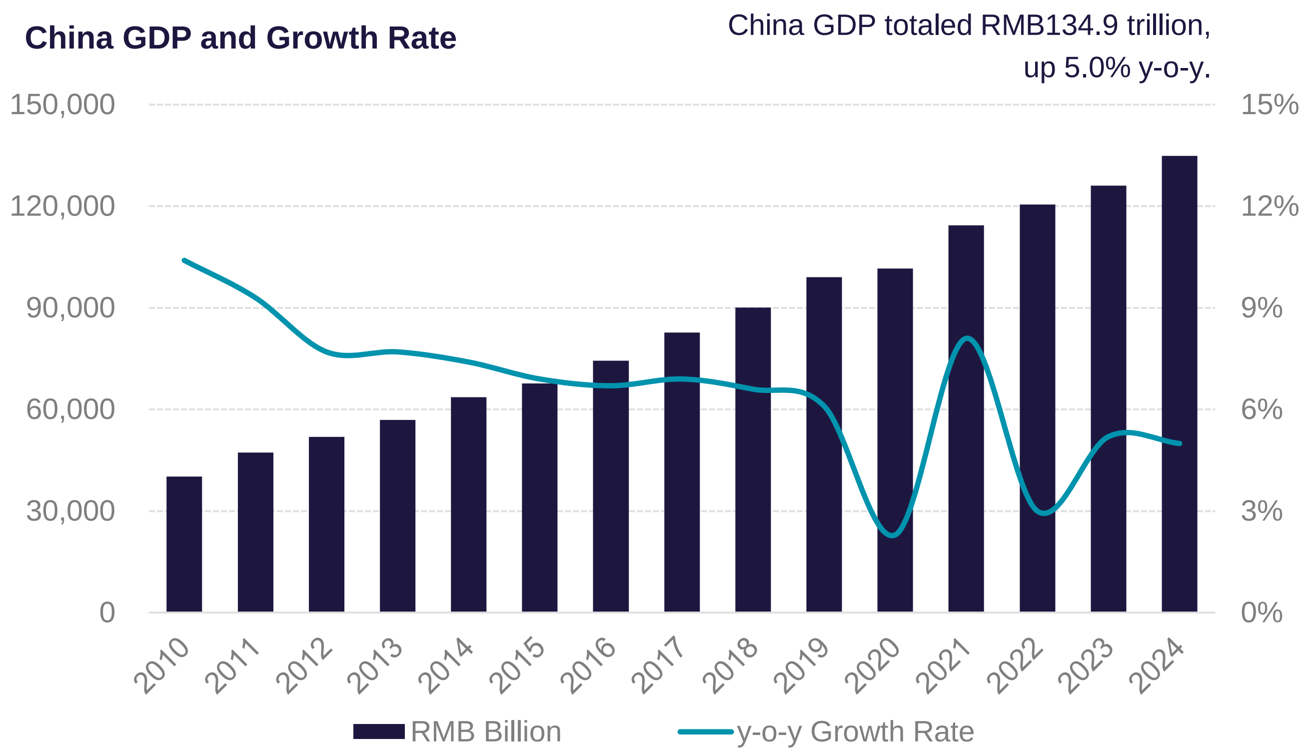
China's economic output for the year exceeded the RMB130 trillion mark

Despite the impact of multiple factors, including insufficient effective domestic demand and a complex international environment, China's GDP still achieved y-o-y growth of 5% in 2024, propelling total economic output for the year past the RMB130 trillion threshold.

The launch of a package of incremental policy combinations in September boosted market confidence. The GDP y-o-y growth rate in Q4 alone accelerated by 0.8 percentage points from Q3 to record 5.4%, in turn pulling full-year GDP growth up to achieve the 5% target and demonstrating the resilience of the domestic economy.

By industry, the information transmission, software and information technology services sector grew by 10.9% y-o-y, while the rental and business services sector grew by 10.4% y-o-y. Consumption in accommodation and food services continued to strengthen, growing by 6.4% y-o-y. However, the real estate sector continued to act as a drag on overall economic growth, declining by 10.6% y-o-y in 2024, a further 1.0 percentage point drop from 2023.

China GDP and Growth Rate



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

Investment, consumption, exports sustained recovery, but real estate remained a drag on growth momentum

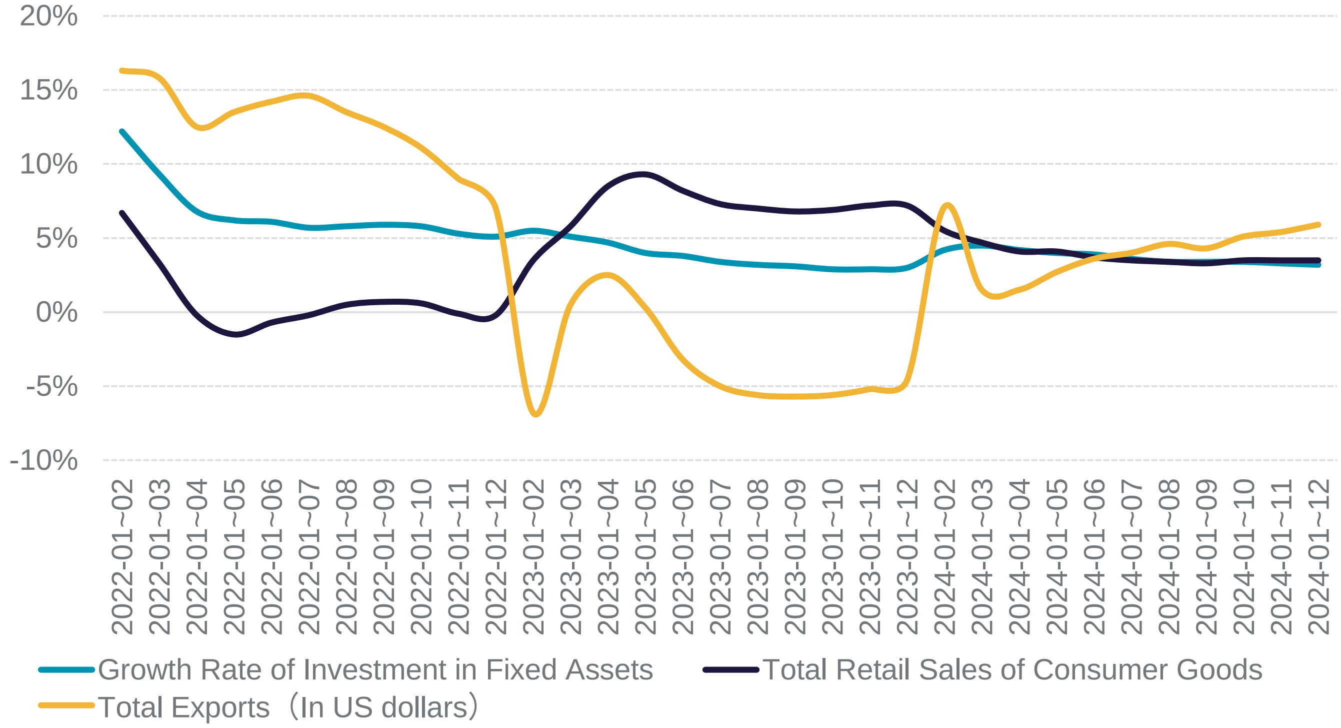
In 2024, the y-o-y growth rates of China's investment in fixed assets, total retail sales of consumer goods, and total exports, (in US$) were at 3.2%, 3.5%, and 5.9%, respectively, showcasing their contributions to driving stable yet progressive economic development.

For the full-year, the y-o-y growth rate of investment in fixed assets slipped to 3.2%, down from 4.5% in Q1. Excluding the negative impact of real estate development investment, national fixed asset investment would have grown by 7.2%.

The y-o-y growth rate of total retail sales of consumer goods was at 3.5% for the full-year 2024, down from 5.5% in the early part of the year, with domestic effective demand remaining insufficient.

China's export performance progressed steadily, notably in new energy vehicles, lithium batteries, and solar cells. The export value of China's 'New Three' products exceeded RMB1 trillion for the first time in 2024.

Growth Rate of Investment in Fixed Assets, Total Retail Sales of Consumer Goods, and Total Exports



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

02

RESIDENTIAL MARKET

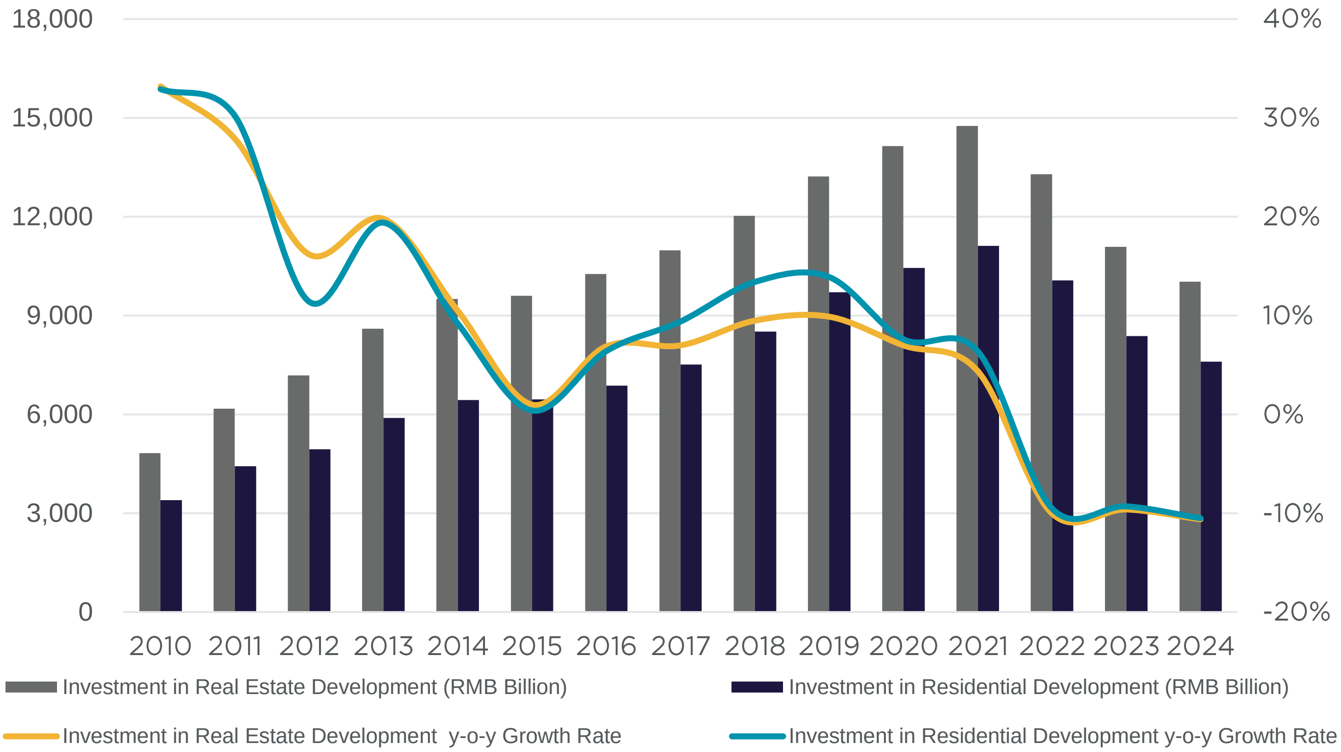
Supported by demand for quality upgrades, the decline in residential development investment is expected to slow

The nation's total investment in real estate development for 2024 was at RMB10.0 trillion, down 10.6% y-o-y, while investment in residential development was at RMB7.60 trillion, down 10.5% y-o-y.

Influenced by the relaxation of home buying rules introduced in May and September, market confidence in residential unit purchasing was somewhat restored in 2024. The steep decline in property development investment is expected to moderate. At the same time, high-quality residential units are becoming popular, driven by growing demand for upgrading and improved home quality. The development of fourth-generation housing is expected to gradually stimulate demand and boost sales and will in turn support real estate companies to reinvest in new home projects.

Real Estate and Residential Development Investment

Real estate: RMB10.0 trillion, down 10.6%
Residential: RMB7.6 trillion, down 10.5%



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

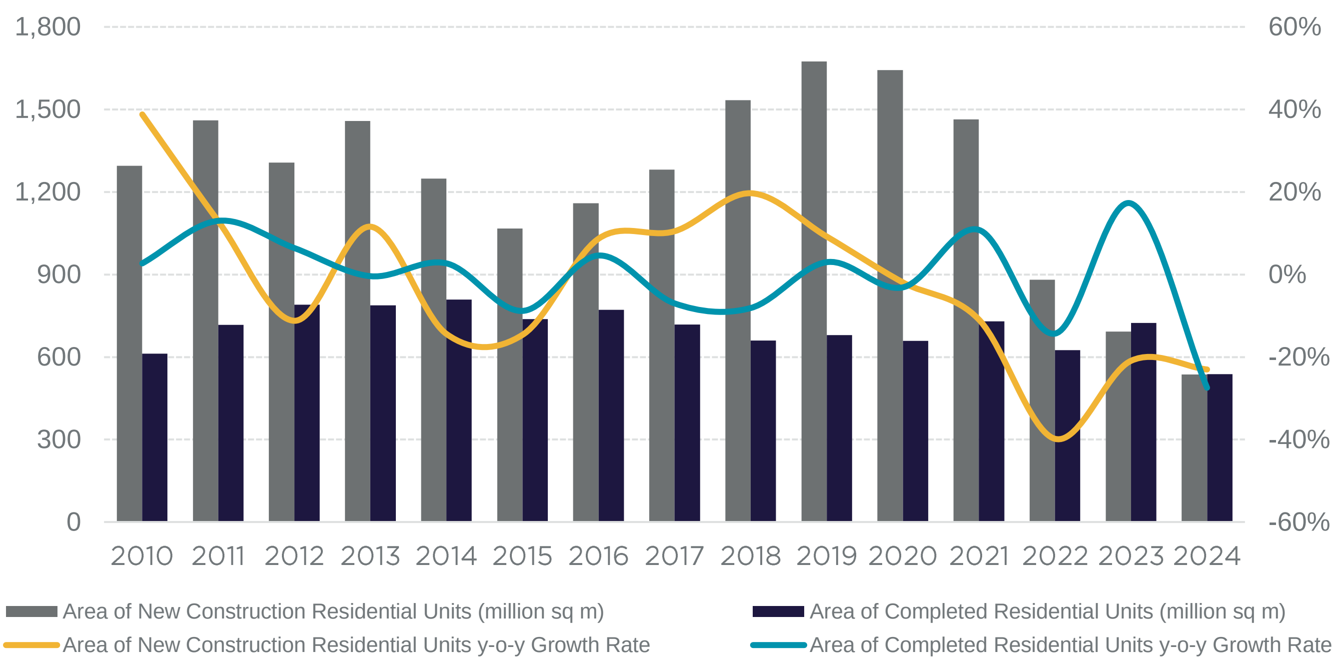
Confidence recovering, softer decline in new residential construction area

The y-o-y growth rates of the total area of new construction residential units, and the total area of completed residential units, fell a further 2.1 percentage points and 44.6 percentage points y-o-y to record -23.0% and -27.4%, respectively. The rates of decline demonstrated a softer fall in the total area of new construction residential units.

The policy of guaranteeing delivery of pre-sale units has achieved significant results. Real estate enterprises have been focusing more effort on the product design aspects of new development projects. Considering that the central government is encouraging the implementation of new quality home construction instructions, the market is expected to see greater upgrades and superior quality homes in the upcoming new supply.

Area of New Construction Residential Units and Completed Residential Units

New construction: 536.6 million sq m, down 23.0%
Completed: 537.4 million sq m, down 27.4%



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

Policy optimization yields results: New home sales area in Q4 rose by 2.9% y-o-y

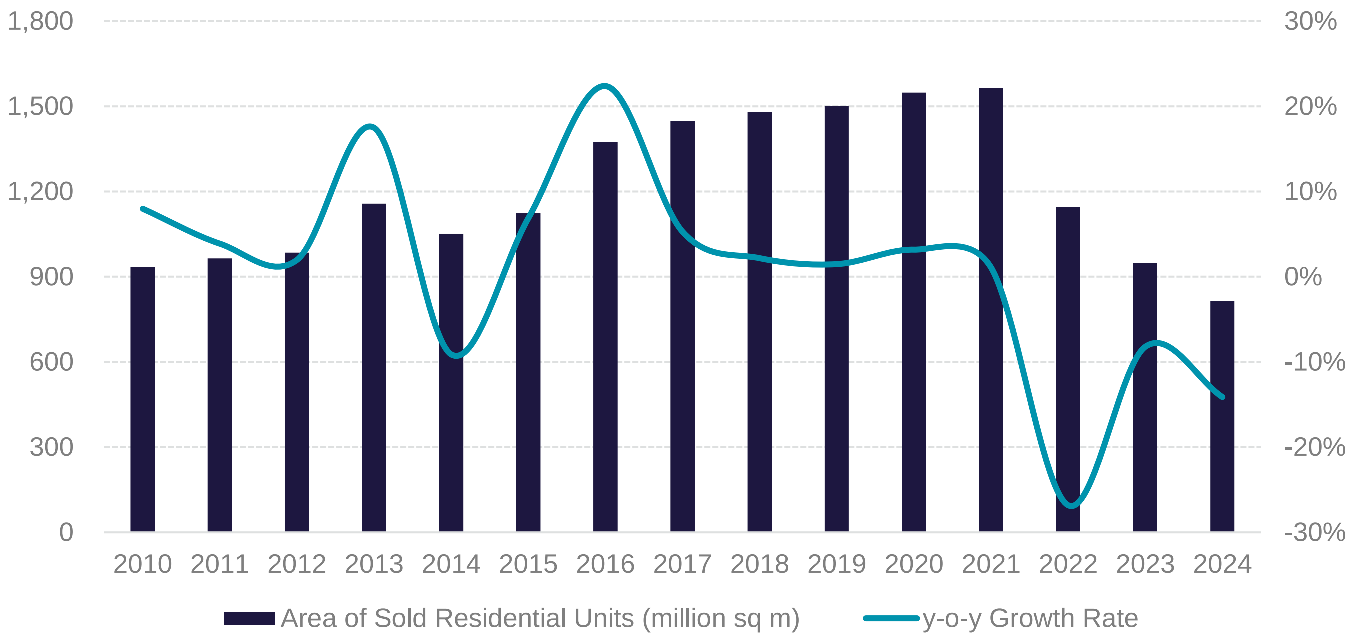
The total floor area of sold new residential units has contracted for three consecutive years, with the sold area in 2024 at only half that of the 2021 peak and the lowest since 2009, falling 14.1% y-o-y to record just 814.5 million sq m.

Supported by multiple property market-promoting policies, the sales area of new residential units across the country saw a softer y-o-y decline through the year, with notable improvements in November and December. Specifically, the monthly transaction area in these two months exceeded the same period in 2023, registering respective y-on-y growth rates of 4.2% and 4.5%.

Along with the strengthening of market confidence overall, cities experiencing relatively moderate inventory pressures such as Hangzhou and Shanghai are expected to see renewed market activity. In contrast, lower-tier cities facing greater inventory challenges are likely to encounter more significant difficulties. Ahead, we can expect to see overall property market performance to be further differentiated city by city.

Total Area of Sold New Residential Units

Total floor space of sold residential units was 0.81 billion sq m, down 14.1% y-o-y.



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

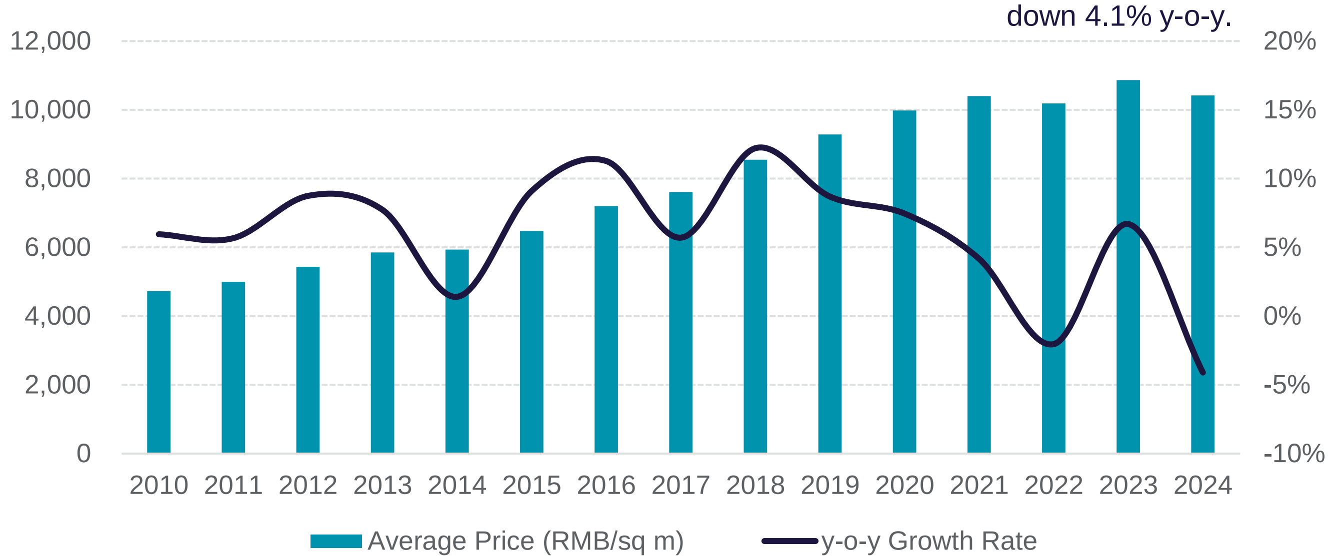
Recovery in the transaction area of new homes sold at year-end slowed the overall downward trend in prices

Weak demand continued to exert downwards pressure on prices through 2024, with the price-for-transaction strategy remaining the primary marketing approach. The national average new residential housing price in 2024 was at RMB10,419 per sq m, down 4.1% y-o-y.

The Political Bureau of the Central Committee's proposal to “stop falling and stabilize” the property market bolstered public confidence. The lifting of restrictive policies also stimulated household home upgrade and improvement demand. Supported by the rebound in transaction area seen in Q4, the average price for the full year 2024 rose by 1.7% compared with the January to September period.

However, economic growth pressures and real estate industry risks remain. Market competition is seen to be more intense. With the new release of residential construction instructions to build superior quality homes, the asset value gap between new and old residential products will become even more apparent.

Average Sale Price of New Residential Units



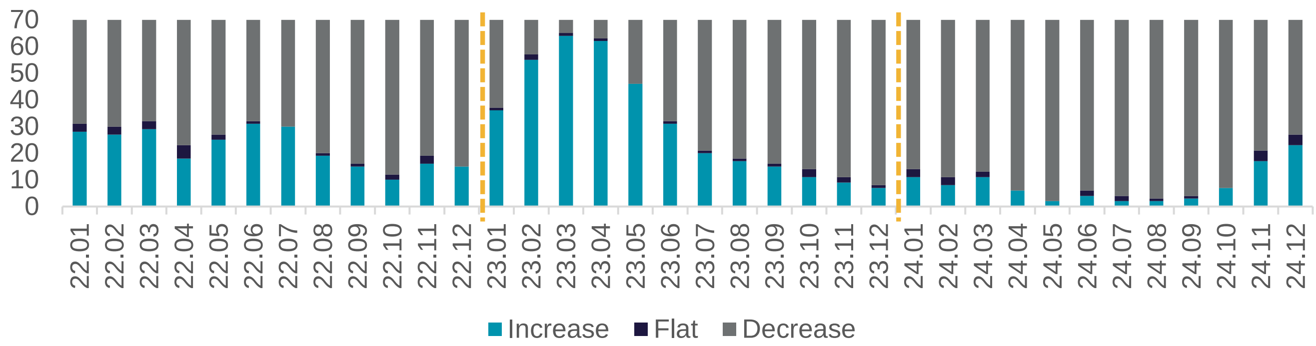
Sources: National Bureau of Statistics of China, Cushman & Wakefield Research.

Some newly constructed and secondary-housing markets in 70 cities group rebuild confidence under favorable policies

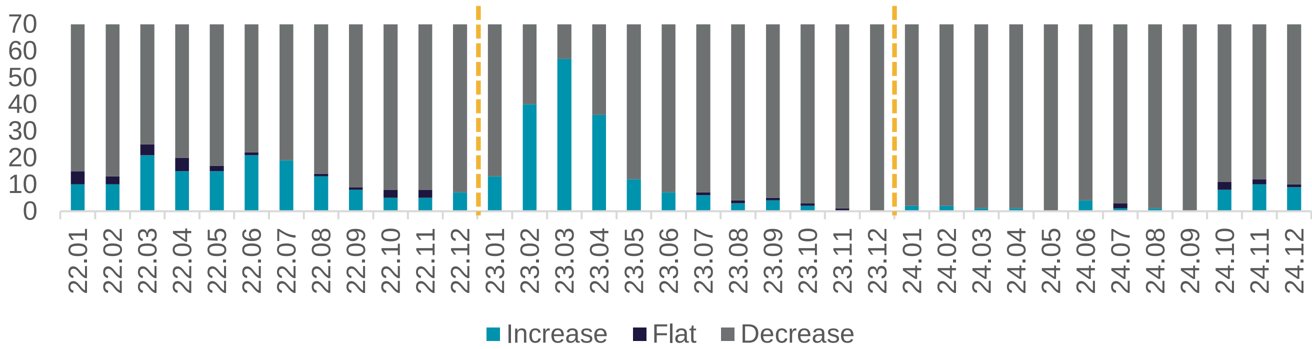
On a month-on-month basis, the number of cities in the 70 Large and Medium-Sized Cities group we track that experienced sales price growth expanded in Q4. The newly constructed housing market index recorded 23 cities with price growth in December, and the secondary-housing market index recorded nine.

The effect of the property market promotion policy in September was significant, stimulating the release of upgrade and first-time buyer demand. In turn, market transaction areas expanded and supported a steady recovery in prices. The active performance of the newly constructed and secondary-housing markets reflected improved household confidence. In some markets landlords have increased selling asking prices. The recovery of residential market transaction areas plays a pivotal role in sustaining overall property prices.

Price Change Trend for Newly Constructed Housing in 70 Large and Medium-Sized Cities



Price Change Trend for Secondary-Housing in 70 Large and Medium-Sized Cities



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

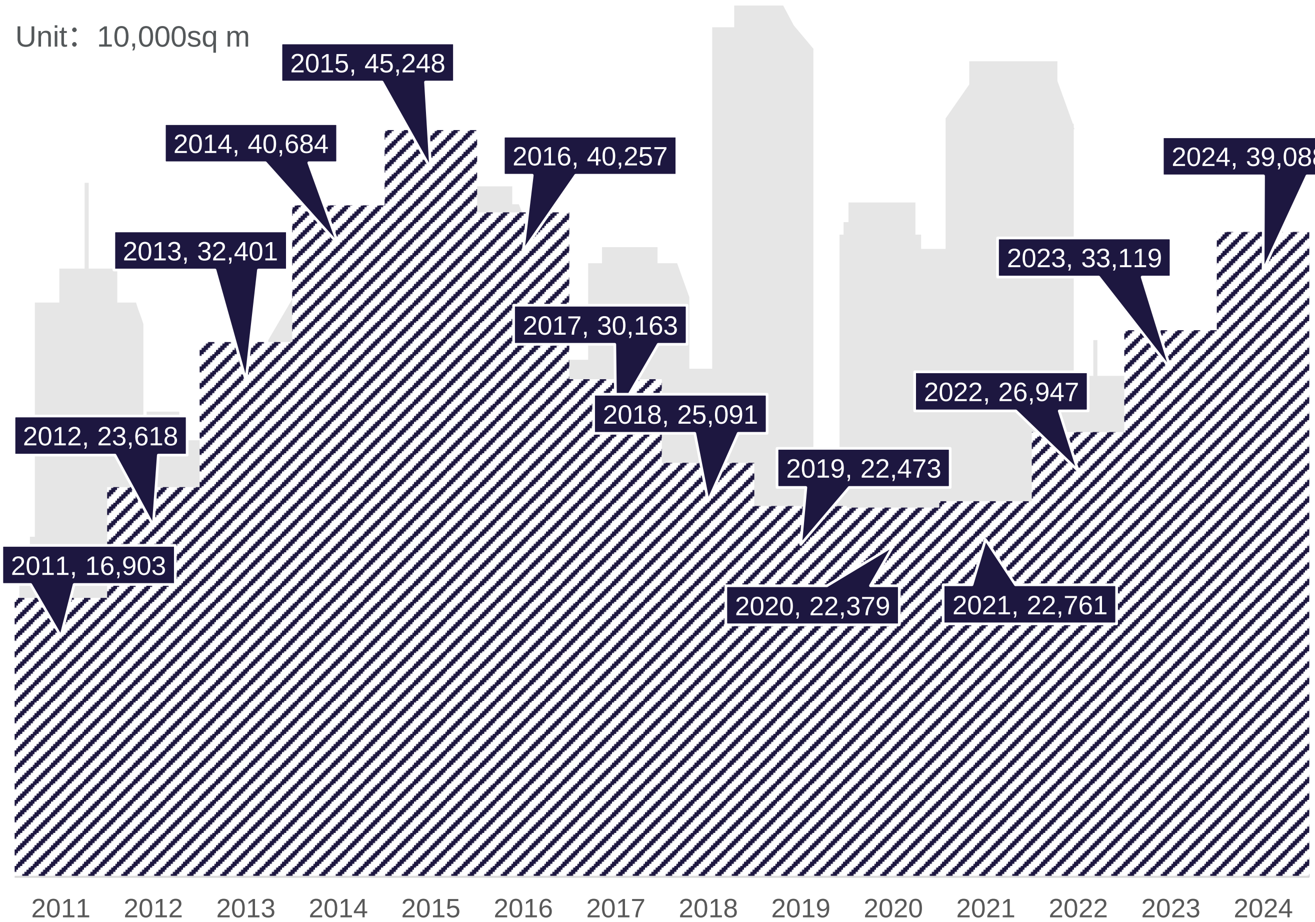
Housing supply surge in Q4 results in slight inventory rise

The completed residential unit area in Q4 alone was equivalent to the combined figure for the January to September period. Despite renewed market activity in Q4, the nationwide residential inventory area for sale then expanded to 390.88 million sq m as at the end of 2024.

The consecutive three-year decline in residential development investment is expected to impact future housing supply, while signs of market recovery may create conditions for an upward trajectory in new housing transaction area. Additionally, the absorption of existing housing stock through Special-Purpose Bonds is projected to contribute to a gradual reduction in future inventory levels.

Area of Residential Units for Sale

Unit：10,000sq m



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

03

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

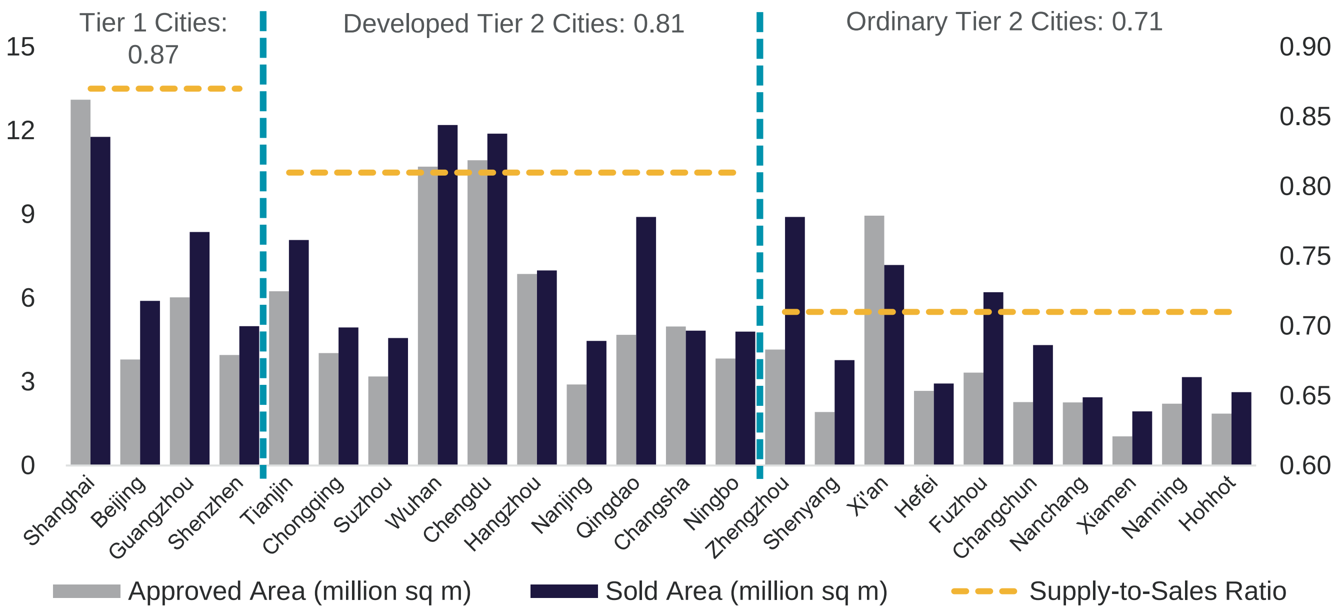
Ordinary Tier 2 cities: Zhengzhou, Shenyang, Xi'an, Hefei, Fuzhou, Changchun, Nanchang, Xiamen, Nanning and Hohhot

Demand and supply both on the rise

The accumulative area approved for sale in the 24 key cities group for 2024 dropped 16.3% y-o-y to 115.96 million sq m, while the total sold area fell by 15.5% y-o-y to 146.2 million sq m. However, the Q4 period witnessed a rebound in market sentiment across key cities. The approved-for-sale area totaled 32.67 million sq m, up 4.4% y-o-y and 15.2% q-o-q, while the sold area totaled 51.45 million sq m, up 24.9% y-o-y and 65.0% q-o-q.

Rapid growth in demand led to a decline in the supply-sales ratios in all tracked cities, with supply-sales ratios in Tier 1 cities falling by 0.09 to 0.87 from January to September, and those in developed Tier 2 and ordinary Tier 2 cities dropping by 0.08 and 0.05 to 0.81 and 0.71, respectively.

Accumulative Approved Area and Sold Area of New Residential in Key Cities (2024)



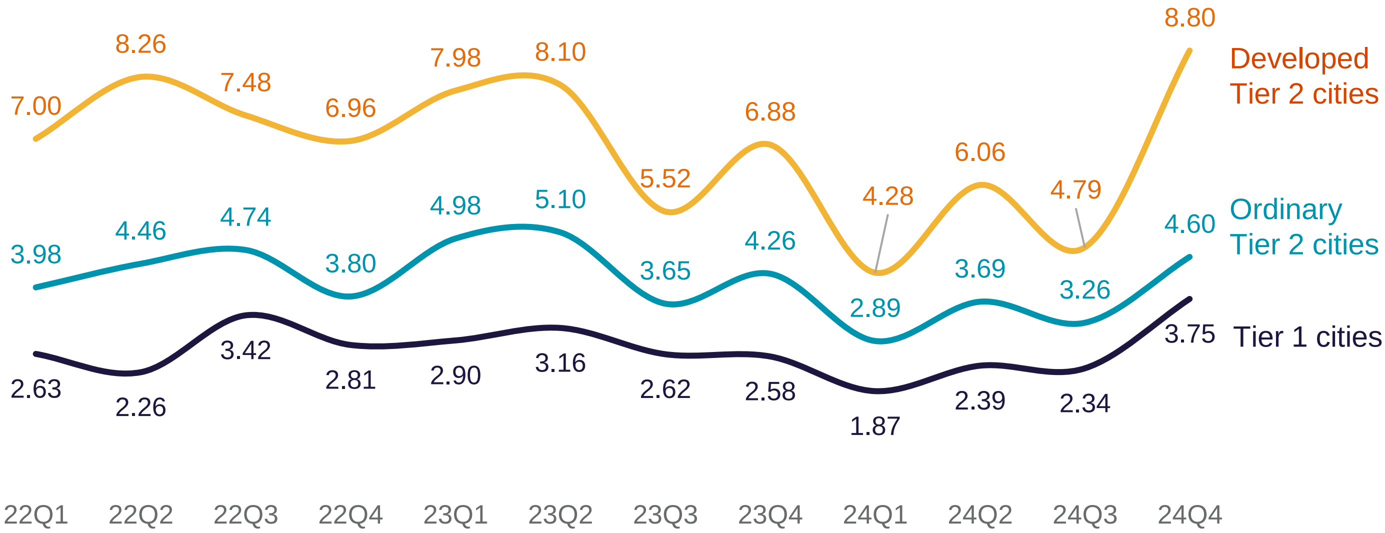
Sources: CREIS, Cushman & Wakefield Research.

"Combination punch" of policies to continue to activate the market

For the full-year 2024, new residential transaction areas in Tier 1, developed Tier 2, and ordinary Tier 2 cities registered y-o-y drops of 8.2%, 16.1%, and 19.1% respectively, with the declines slowing by 16.3, 17.9, and 9.3 percentage points compared to the January-September period. Two rounds of favorable policies supported the property market during the year.

The effectiveness of the two rounds of promotion policies has been remarkable. The new "5-17" policy led to a notable expansion in residential transaction area during June, recording month-on-month growth rates of 27.7%, 41.7%, and 27.6% in Tier 1, developed Tier 2, and ordinary Tier 2 cities, respectively. At the end of September, the favorable "combination punch" of policies led to the warming of property markets at all levels, with transaction areas in Tier 1, developed Tier 2 and ordinary Tier 2 cities in Q4 experiencing q-o-q increases of 60.5%, 83.5% and 41.1%, respectively; and achieving y-o-y growth of 45.4%, 27.8%, and 8.0%, respectively. With room still existing for policy relaxation in some markets, together with likely interest rate cuts, we can expect further favorable policies to support property market stabilization ahead.

Quarterly Trends of Monthly Average Transaction Area (Unit: million sq m)



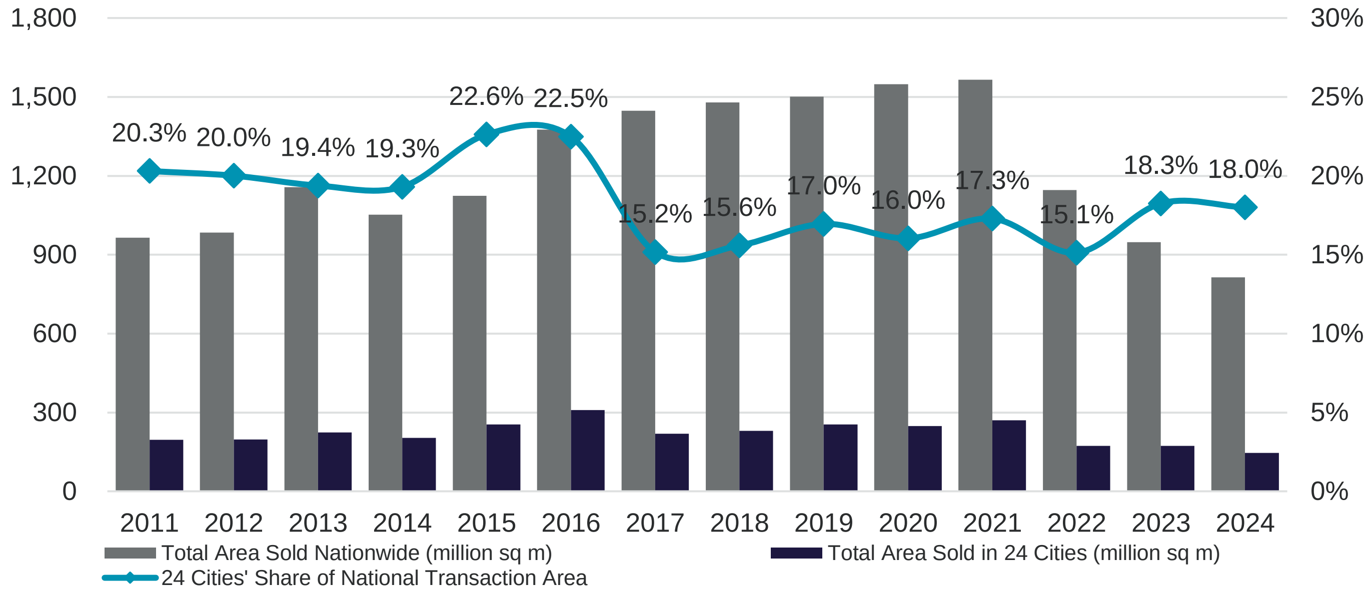
Sources: CREIS, Cushman & Wakefield Research.
Indicator reflects the sum of the average monthly transaction areas of the sample cities within the respective subgroups.

Key cities' share of total transactions expands, as transaction hotspot returns

The sales area of newly constructed residential units in the 24 key cities group accounted for 18.0% of the national total for the full-year 2024, increasing 2.4 percentage points from the January to September period. The upward trajectory of the key cities' share of transaction area throughout the year indicates a more pronounced recovery in housing demand in Tier 1 and Tier 2 cities.

In 2015 and 2016, Tier 1 and Tier 2 key cities initiated a property market upsurge, with residential transaction areas in the 24 key cities then peaking at more than 22% of the national total. As the upsurge then extended beyond the key cities, their share of total residential transaction area declined. However, in the past two years, this share has risen again, demonstrating that the national residential transaction hotspot has returned to the key cities.

24 Key Cities' Share of National New Residential Transaction Area



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

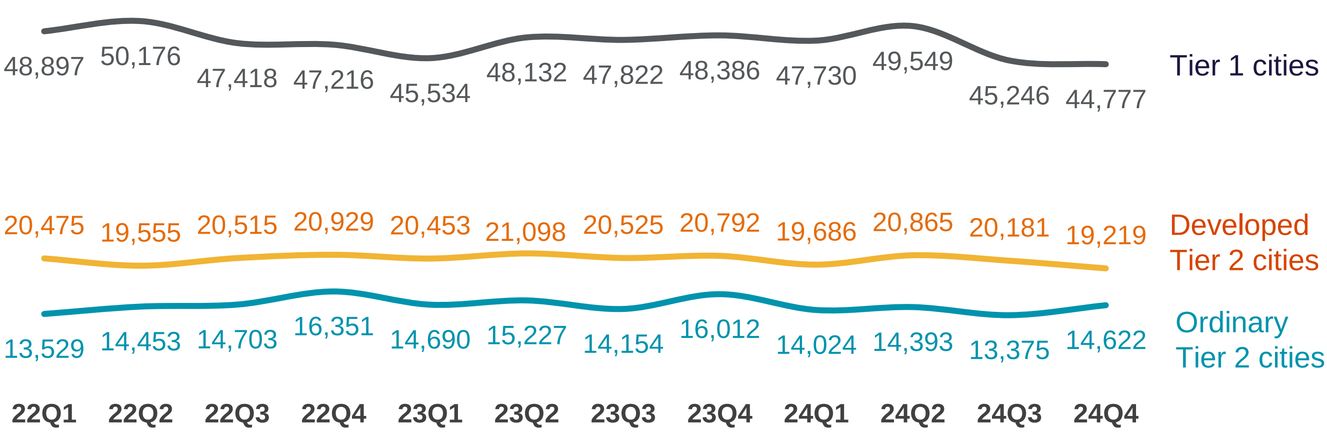
Demand unleashed by relaxed purchase policies; price-for-transaction area strategy evident in Tier 1 cities

The new-home sales area in the 24 key cities group in 2024 declined 15.5% y-o-y, accompanied by a drop in average prices. Average transaction prices in Tier 1, developed Tier 2, and ordinary Tier 2 cities fell by 2.0%, 3.9%, and 5.2% y-o-y respectively in 2024, aggravating the declines seen in 2023.

The average price in Tier 1 cities trended downwards overall through 2024, primarily due to the lifting of purchase restrictions and significant reductions in down payment ratios. These policy adjustments stimulated first-time buyer demand, thereby exerting downward pressure on overall price levels.

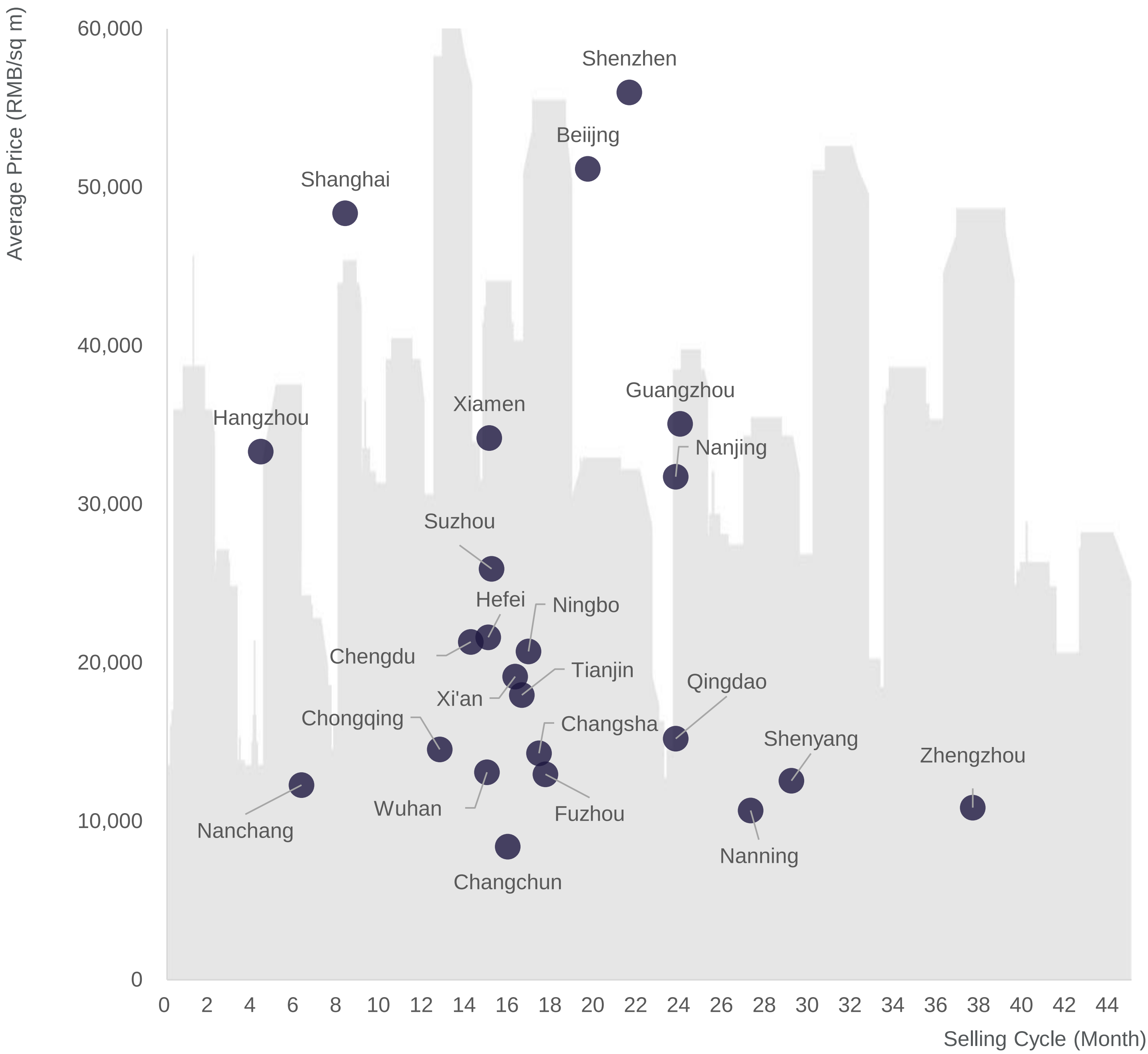
Prices in developed Tier 2 and ordinary Tier 2 cities were relatively flat for the full-year 2024. However, in Q4 the overall average prices in developed and ordinary Tier 2 cities fell by 4.8% and rose by 9.3% q-o-q, respectively. Structural market factors are the key reason for the fluctuations.

Quarterly Trends of Average New Home Prices (Unit: RMB/sq m)



Sources: CREIS, Cushman & Wakefield Research.

Average new housing prices and selling cycles in key cities at the end of 2024

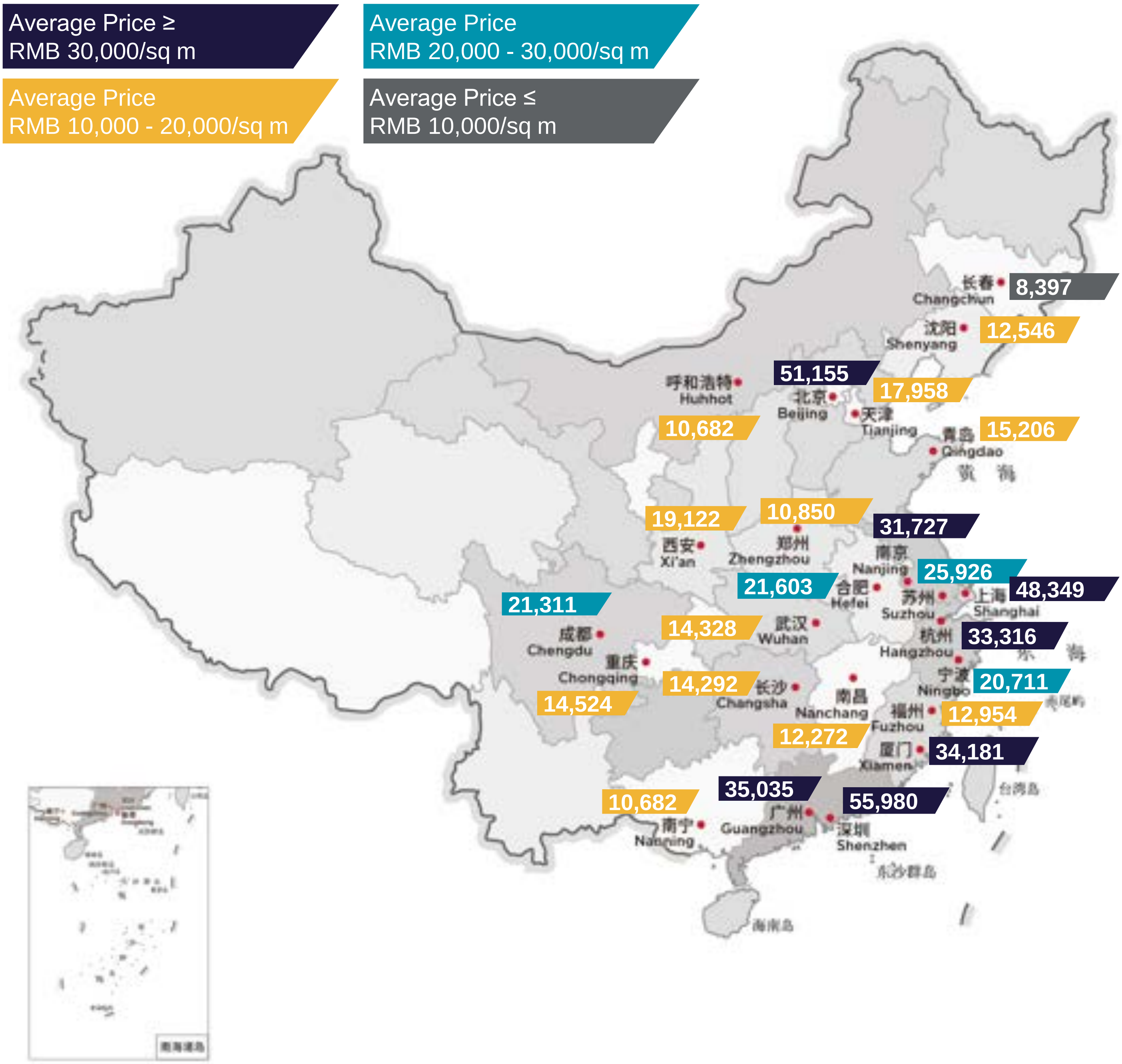


Sources: CREIS, urban planning, land management and statistics departments of selected cities, Cushman & Wakefield Research.
Note: The selling cycle is calculated using the average monthly sold area in the past year as the selling rate. The approved area is defined as the commercial housing area that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

Sold area of new residential units of key cities in 2024

Sources: CREIS, Cushman & Wakefield Research.

Average new housing selling prices in key cities in 2024



Note: Excluding the impact of government subsidized housing, the average prices in Beijing and Shanghai were RMB58,518/sq m and RMB76,160/sq m respectively.
Sources: CREIS, Cushman & Wakefield Research.

04

POLICIES AND OUTLOOK

Monetized resettlement for urban village renewal projects and housing acquisition projects may stabilize the property market

Lower deed tax rates to boost residential transactions; Expanded urban village renovation program; Monetized resettlement is expected to aid recovery of the property market

- Nov 13, MOF*, SAT* and MOHURD* issued an announcement on the adjustment of real estate tax policy. Deed tax: the current area standard for enjoying the preferential low tax rate of 1% was raised from 90 sq m to 140 sq m; and it was clarified that nationwide, a uniform 1% deed tax to be levied on the purchase of an individual's first and family's second home with an area not over 140 sq m. Value-added tax (VAT): in cities where the standards for ordinary and non-ordinary housing were abolished, individuals were exempted from VAT on the sale of homes that were purchased for more than two years (including two years).
- Nov 15, MOHURD and MOF jointly issued a circular to accelerate the renovation of urban villages. The first was to expand favorable-policy cities from 35 cities to nearly 300 cities. The second was the monetized resettlement scheme of urban village renewals. Thirdly, identifying urban village renewals as an essential element of urban renewal schemes.
- Dec 9, The meeting of the Political Bureau of the CPC* Central Committee reaffirmed to stabilize the property market. The meeting stressed "stabilizing the property market and stock market, preventing and resolving risks in key areas and external shocks, stabilizing expectations, stimulating vitality, and promoting a sustained economic recovery".
- Dec 25, MOHURD deployed key tasks, including stabilizing the real estate market, building a new model for real estate development, implementing urban renewal schemes, and building good homes that are safe, comfortable, green and smart.

Tier 1 cities have successively abolished the standards for ordinary and non-ordinary residential units

- Nov 11, Shenzhen announced the maximum amount of individual applications for provident fund loans to rise from RMB500,000 to RMB600,000; family applications raised from RMB900,000 to RMB1.1 million; the maximum amount could be increased by 40% if buying a first home or a family with multiple children. If buying affordable housing could be increased by 20%.
- Nov 18–22, Shanghai, Beijing, Shenzhen and Guangzhou successively abolished the standards for ordinary and non-ordinary housing.

Note: MOF (Ministry of Finance); SAT (State Taxation Administration of The People's Republic of China); MOHURD (Ministry of Housing and Urban-Rural Development); CPC (Communist Party of China).

Summary and Outlook

China's economy sustained a 5% y-o-y growth rate in 2024, but the macro economy environment remains under substantial pressure. As one of the major pillars of the domestic economy, the real estate industry has dragged down overall economic growth for several years. The residential market, representing the largest segment of the overall real estate sector, has exerted the most significant influence on investment growth. In 2024, China's residential new home transaction area and transaction volume were significantly lower than in 2023, declining by 14.1% and 17.6% y-o-y respectively, and dropping a further 5.9 and 11.6 percentage points from the declines of 2023. Given the multifaceted pressures confronting the macroeconomy, the real estate sector's impact on upstream and downstream industries, and the influence of housing assets — comprising a significant portion of household wealth — on consumer confidence, the importance of "stabilizing the housing market" cannot be overstated.

In Q4 2024, the nationwide new home sold area of 226.62 million sq m was up 21.4% q-o-q and 2.9% y-o-y. The sales value of RMB2.46 trillion was up 29.8% q-o-q and 4.0% y-o-y. With two rounds of favorable property market policies introduced during the year, the declining trend in the residential sales area was paused. However, growth rates for investment in residential development and the average sales price of residential new homes remained in negative territory.

We project that property market policies will maintain an accommodative stance in 2025, with room for further relaxation of restrictive measures in some cities, while loan interest rates may also adjust downwards. Meanwhile, proactive debt resolution measures will help mitigate systemic risks, while government purchases of existing home units are expected to both help accelerate affordable housing supply and to reduce inventory. Urban village monetized resettlement is also likely to stimulate demand.

The three consecutive years of downwards-trending residential development investment will impact future supply of new residential units, which in turn will affect the overall residential transaction area. In key cities with relatively manageable inventory pressures, positive industrial development trends should provide sustained support for real estate market recovery. Conversely, lower-tier cities facing significant inventory will encounter greater challenges in stabilizing their housing markets.

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