I. Features of the Real Estate Market in 2009

Although the major economies have yet to display any clear development trends, and China’s economic growth has yet to develop a solid foundation in 2009, China’s real estate market has undergone a miraculous process from recession to recovery and then boom. The real estate housing climate index rose from a rock-bottom of 94.74 in March 2009 to 100.08 in August 2009, an increase of 5.34 points. The real estate industry has played a positive role in maintaining economic growth and expanding domestic demand, and made a considerable contribution to the recovery of the national economy.

A. Driven by Strong Demand, Total Real Estate Transactions Have Risen Rapidly, but the Link Relative Ratio Fluctuated Considerably

The volume of transactions is a significant index for assessing the market climate. The real estate market transaction volume declined sharply from 2008 to early 2009, due to China’s macro-economic control policy and the global financial crisis. In the first half of 2009, however, the government’s loose monetary policy and a series of policies to stimulate reasonable housing consumption played a role in the pickup of market expectations and market confidence. Inflation expectations, the demand for own-use housing, the demand for housing to improve existing living conditions, the demand for investment and the demand for speculation also entered the housing market, thus driving up the volume of transactions.

From January to August, the nationwide sales area of commercial housing totalled 494.16 million square meters, a year-on-year increase of 42.9 percent. Of this, the sales area of commercial housing increased by 44.5 percent, the sales area of office buildings increased 18.5 percent, and the sales area of commercial buildings increased by 29.4 percent. By region, the east and west saw a faster rate of growth, at
53 percent and 40.5 percent respectively, and the sales area of commercial housing in Beijing grew by 134.8 percent year-on-year. Coupled with this growth of sales area was a rise in sales revenue, which reached a total of RMB 2.3464 trillion from January to August, a year-on-year increase of 69.9 percent. Of this, sales revenue from commercial housing increased by 74.6 percent, that of office buildings by 35.6 percent, and that of commercial buildings by 43.5 percent.

The total sales area and sales revenue of commercial housing over the January–August period have remained at high levels in recent years, but remarkable fluctuations occurred in month-on-month growth. The sales area and sales revenue of commercial housing in June rose by 34.84 percent and 29.99 percent over May respectively; month-on-month growth in July however declined by 19.21 percent and 13.84 percent respectively; month-on-month growth in August then rose again by small margins, 0.19 percent and 1.69 percent respectively. The sales market was characterised by severely weakened growth and increased fluctuations, and fluctuations of this kind increase uncertainty over future market development.

B. Real Estate Investment Growth Accelerated, New Construction Area Recovered Rapidly, and the Development and Supply of Commercial Housing Returned to Steady Growth

From January to August, completed investment in real estate development nationwide was RMB 2.1147 trillion, a year-on-year increase of 14.7 percent, or 3.1 percentage points higher than the year-on-year growth figure for January–July. Completed investment in commercial housing was RMB 1.4848 trillion, a year-on-year increase of 10.9 percent, or 2.7 percentage points higher than the year-on-year growth for January–July.

It can be seen from the August data that the new housing construction area expanded, with a year-on-year drop of 5.9 percent, 3.2 percentage points lower than the rate of decline for January–July. The increase in new construction area reflects developers’ optimism and confidence in the market on the one hand, while on the other hand it guarantees the sustainable development of this market.

From January to August, real estate developers’ construction area and completed area registered year-on-year growth. The construction area of housing totalled 2.629 billion square meters, a year-on-year increase of 13.5 percent; the completed area of housing was 292