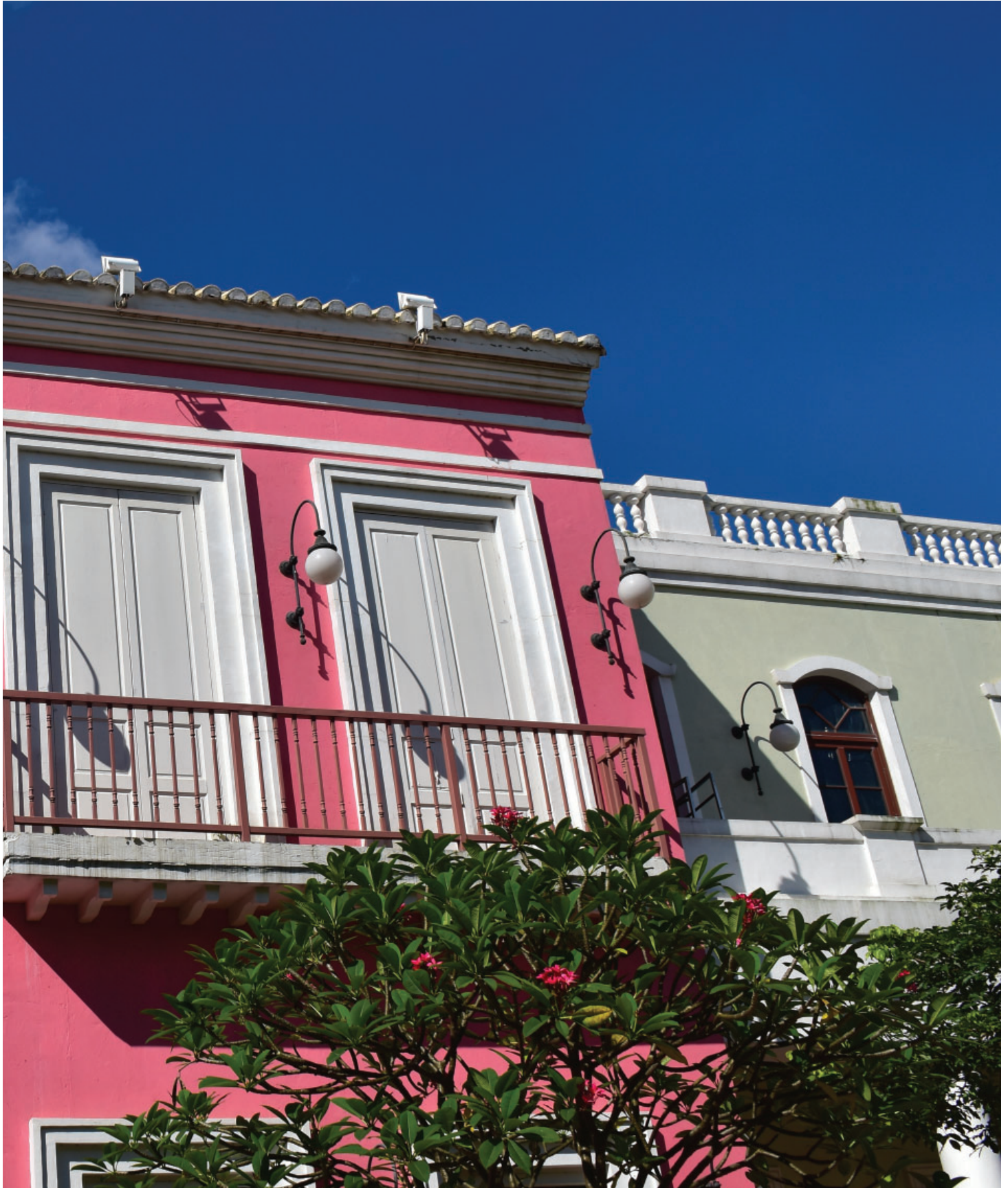


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**REPORT**  
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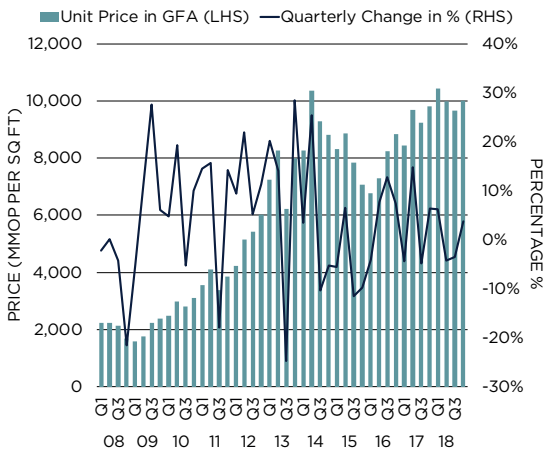
# Macau Residential

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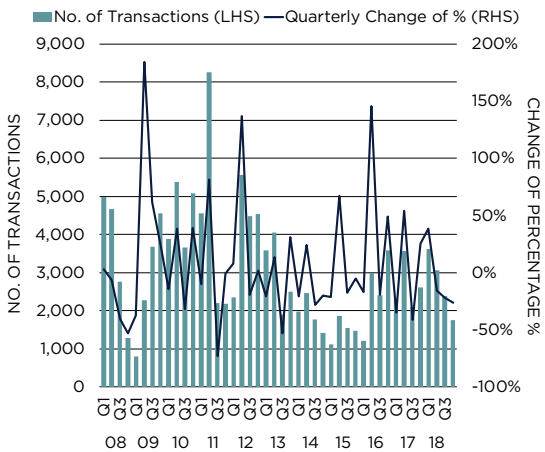
# Macau residential market - Waking up to demand from generations Y and Z

**GRAPH 1: Residential Unit Price, 2008 to 2018**



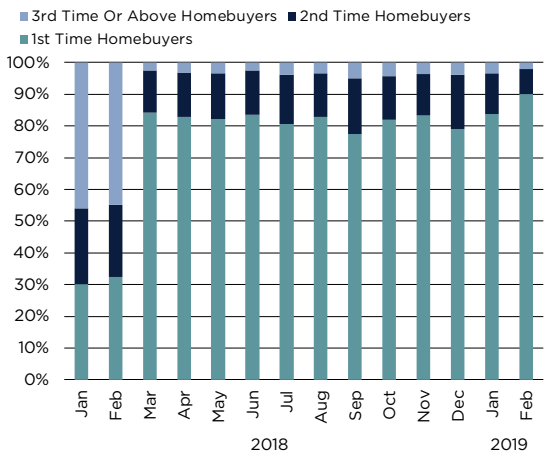
Source Savills Macau, Direcção dos Serviços de Estatística e Censos (DSEC)

**GRAPH 2: Residential Transaction Numbers And Quarterly Change, Q1/2008 to Q4/2018**



Source Savills Macau, DSEC

**GRAPH 3: Proportion Of First-time And Non-first-time Homebuyers, January 2018 to February 2019**



Source DSEC

**TRANSACTION NUMBERS SLIDE AFTER Q1/2018**

Macau’s residential market recorded increases of 1.3% and 10.6% for the number of transactions and average unit price, respectively, in 2018 year-on-year (YoY). With 10,822 transactions recorded and the average unit price hitting MOP10,076 per sq ft (GFA), the annual figures benefited from the massive market activity in January and February 2018. However, the total number of transactions slowed in subsequent quarters, and the market recorded its lowest single month of transactions—416 in December 2018—since February 2016, 34 months earlier, when 268 transactions concluded. It is generally believed that the weak performance was caused mainly by a reduced pool of investors, since second-time or more homebuyers are being charged extra stamp duty due to government measures implemented in February 2018. Additional external factors, including the trade dispute between China and United States, Brexit uncertainty and increased mortgage rates, also played a part.

Since the new property market measures were implemented in February 2018, over 80% of buyers have been first-time local homebuyers, and they’re expected to continue to dominate the market in 2019. The absorption rate for small-sized units was relatively high, while more pressure fell on larger-sized units requiring higher lump-sum down payments. For pre-sale or first-hand units, developers advertised special offers such as extending payment periods and providing redemptions of stamp duties. Some tried to offer mortgages more in line with the demands of the market, such as for potential buyers of larger units who faced difficulties buying residences over MOP8 million, where a 50% down payment was required and 5-10% extra stamp duty would be charged for second-time or more homebuyers. The strength and variety of special offers reflected the pressure developers faced to move units in their residential projects.

**SIGNS OF RISING REAL ECONOMY**

After their double-digit falls in 2015, Macau’s GDP and overall gaming revenue both reached new heights in 2018, recording 8.5% and 14% growth YoY, respectively, with standout performances in Q4/2018. As the main pillar of the economy, the gaming industry contributed over 50% to total GDP, driven by the overall growth of the market and the rise of tourism numbers. Visitor arrivals in 2018 reached a new peak of over 35 million—supported by the opening of the Hong Kong-Zhuhai-Macau Bridge (October 2018)—helping local retail revenue to finish the year over MOP76.8 billion, a 15.9% increase YoY.

**MARKET PERFORMANCE IN 2019**

In January 2019, 435 residential transactions were completed, a figure 4.5% higher than in December 2018. Over 70% of the transactions involved residences located on the Macau peninsula, where the majority of Macau’s total population lives. Most of sales (over 65%) were for units in buildings aged over 21 years, with an average price of MOP7,422 per sq ft, a 4.5% increase compared to January 2018. The average gross floor area (GFA) of units sold in these older buildings was 640 sq ft, resulting in an average lump sum per transaction of MOP4.75 million. That number is a threshold, allowing first-time homebuyers to apply for higher mortgage amounts, one of the benefits of the measures implemented in 2018.

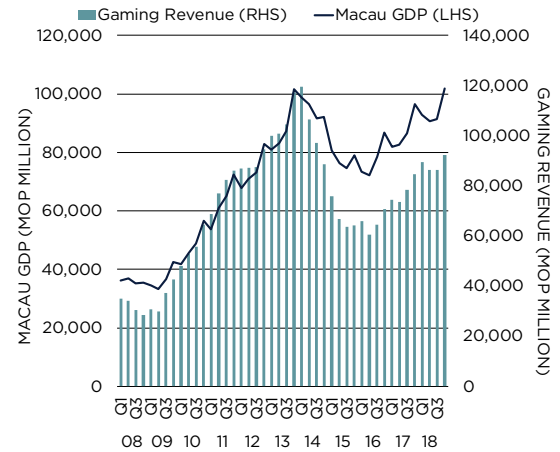
**FACTORS BENEFITING THE RESIDENTIAL MARKET IN FUTURE**

Generally, we expect that first-time local homebuyers and residential units selling for less than MOP8 million will continue to dominate the demand and supply sides, respectively, of the residential market in 2019. This dynamic is likely to push unit prices above last year’s growth levels: 3.4% for residences over MOP8 million and 12.8% for units under MOP8 million, at end-2018 YoY. Another factor will be the shortage of new supply for sale, of both developable land and residential units. In the last two years, the number of new approved-to-build residential units has decreased, by over 40% in 2017 and 50% in 2018 YoY. The diminished supply was a direct result of the massive development of lands hoarded after the new land law (no. 10/2013) came into effect in March 2014. The law allowed the government to claim back lands that remained undeveloped after the expiration of their leasing periods, forcing many land leaseholders to take action (i.e., build), to avoid losing their leasing rights.

**CHINA’S GRAND PLAN - THE GREATER BAY AREA AND ITS IMPACT ON MACAU**

In February 2019, the Central Government of the People’s Republic of China released its development plan for the “Guangdong-Hong Kong-Macao Greater Bay Area”, which indicated the main direction for, and function of, the “9+2” cities within the Greater Bay Area. The Macau SAR will be developed with the

**GRAPH 4: GDP And Gaming Revenue Of Macau, 2008 to 2018**

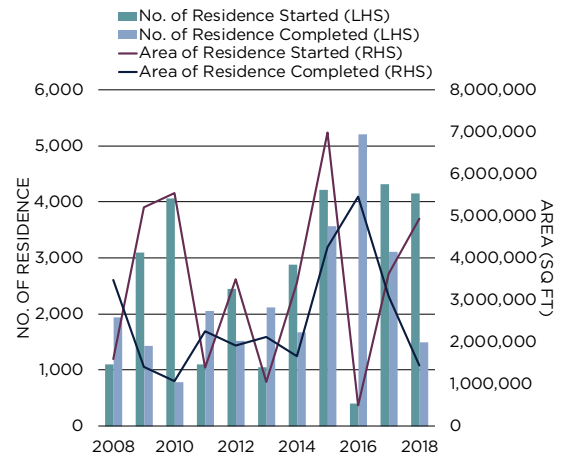


Source Savills Macau, DSEC

“We expect that first-time local homebuyers and residential units selling for less than MOP8 million will continue to dominate the demand and supply sides of the residential market in 2019.”

vision of becoming not only one of the most tourist-friendly cities in the world but also a platform and bridge for business between “Portuguese-speaking countries” and China. The government’s plan will be one of the most important guiding policies for Macau in the coming years, leading to the acceleration of growth in the city. The new strategy is predicted to bring more advantages to the commercial market of Macau, attract foreign investors and workers, and benefit the real estate industry as well.

**GRAPH 5: Residential Units Started And Completed, 2008 to 2018**



Source Savills Macau, DSEC

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