

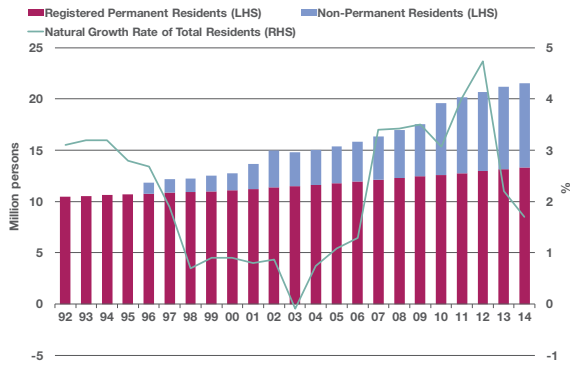
# Asian Cities Report **Beijing Residential**

2H 2015



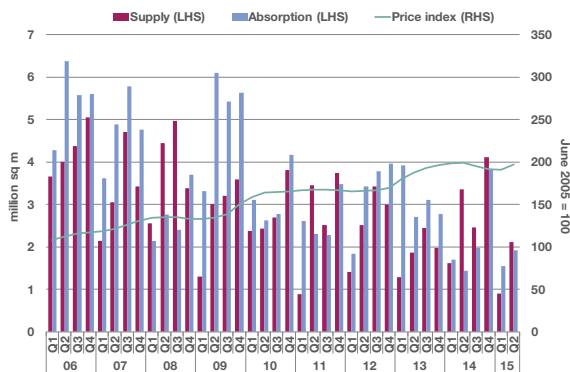


**GRAPH 1**  
**Beijing population and growth rate, 1992–2014**



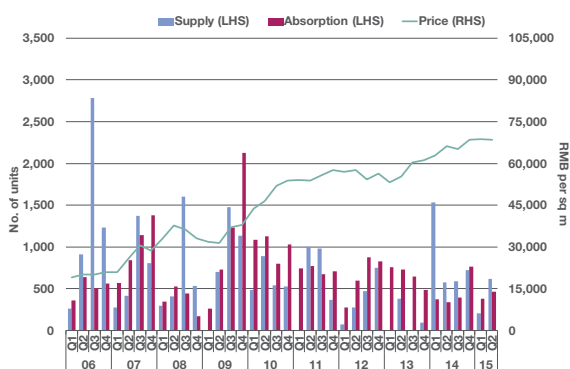
Source: Beijing Municipal Bureau of Statistics

**GRAPH 2**  
**First-hand mass-market residential supply, absorption and price index, Q1/2006–Q2/2015**



Source: Savills Research & Consultancy

**GRAPH 3**  
**First-hand Grade A apartment market supply, absorption and price, Q1/2006–Q2/2015**



Source: Savills Research & Consultancy

## Economic overview

A softening global economy has seen China's latest GDP figure reach 7.0% growth in Q2/2015, according to the National Statistics Bureau, dropping from 7.4% this time last year. It is forecast to fall further by 2016. While this figure is lower than previously seen, the rebalancing of the economy is expected to continue and growth will continue at a comparably faster rate than other major world cities. Beijing's GDP growth also reached 7.0% in the first half of 2015, dropping from 7.2% this time last year, according to the Beijing Statistics Bureau.

## Government policy

The performance of the Beijing residential market has shown a high correlation to the policies launched by the government in recent years. Since late 2010, with the major purpose of restraining price growth and speculative demand, authorities have launched several rounds of restrictive policies.

The restrictive policies proved effective, with market prices slowing and eventually stagnating at the beginning of 2014. However, amid economic uncertainties and weak consumer confidence the market saw prices fall into a subsequent year-long slide. Looking to revive the momentum of the slowing property market, the Beijing government began to intervene with a series of policies aimed at stimulating the sector starting in the second half of 2014.

## Overall market

Despite strong demand levels, average transaction volumes between 2011 and 2012 were down 19% to 11.8 million sq m per annum compared with the average between 2008 and 2010. This decrease is largely a result of the restrictive policies limiting the eligibility of many potential buyers, combined with tightened mortgage policies. Weak performance in the sales market has frustrated many developers and led them to postpone launching their projects, causing annual supply to fall by 17% to 10.5 million sq m between 2011 and 2012, compared

with the average between 2008 and 2010. Consequently, first-hand price growth was constrained to just 1.6% between 2011 and 2012, from a CAGR of 11.4% between 2008 and 2010.

In spite of this, the market started to warm up again in 2013, with both transaction volumes and prices witnessing strong growth. Despite annual supply falling to just 7.6 million sq m – down 28% from the average between 2011 and 2012 – transaction volumes rose 6% to 12.5 million sq m, largely due to strong demand and more buyers turning to the new housing market rather than the second-hand housing market. Such strong demand can be attributed to the People's Bank of China lowering benchmark interest rates twice in the second half of 2012, stimulating a number of wait-and-see buyers to conclude their deals. As a result, first-hand residential prices appreciated 15% in 2013, the largest growth of the past five years.

After a year-long slide, Beijing's housing market has begun to see signs of recovery. The launch of a series of policies since late 2014 appears to be having a positive effect on the market, with a spike in both transaction volumes and prices in Q2/2015. Transaction volumes rose 24.7% quarter-on-quarter (QoQ) to around 1.9 million sq m, bringing the YTD volume to approximately 3.5 million sq m. After a three-quarter consecutive decline, the first-hand residential price index rose 3.1% QoQ in Q2/2015, a reflection of a returning confidence in the market.

## High-end market

Beijing's high-end residential market is comprised of two categories: Grade A apartments and high-end villas. Grade A apartment stock is predominately located within the Fourth Ring Road, CBD, Chaoyang Park, Lufthansa and Second Embassy areas. These areas prove attractive as they offer close proximity to the city's major business districts and retail catchments.

High-end villas are mainly found in suburban areas, offering great views and a pleasant environment, whilst maintaining a convenient distance from core areas. Major villa districts include Central Villa, North Olympic, Chaobai River and West Hill. Unlike the mass market, high-end residences remain one of the most popular investment vehicles for high-net-worth individuals (HNWIs).

#### Grade A apartment market

Limited developable residential land within the Fourth Ring Road has resulted in strong demand for Grade A apartments in Beijing. Developers continue to accelerate launch schedules of their high-end projects, looking to capitalise on the recent loosening of policies along with capturing the new-found wealth from the recent performance of the stock market. The first half of 2015 alone has seen six Grade A apartments launched onto the sales market, contributing a total of 818 units. Grade A apartment prices grew 3.6% YoY in Q2/2015 to an average of RMB68,500 per sq m. The highest transaction price in 2015 was for a unit at Wanliu Academy (万柳书院), achieving approximately RMB131,000 per sq m, further indicating the market is shifting towards an era of averages of over RMB100,000 per sq m.

#### High-end villa market

The high-end villa market welcomed a significant amount of new supply in the first half of 2015, with 10 projects entering the market offering a total of 886 units. The highest pre-sales price was over RMB200,000 per sq m. With price sensitivity not a key concern for buyers in this market, prices continued to soar, up 14.2% YoY to an average of RMB56,200 per sq m.

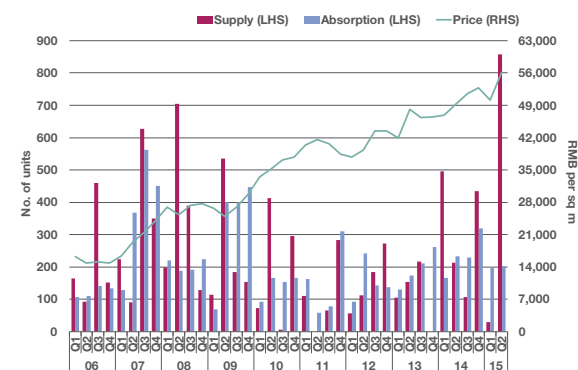
#### Market outlook

On the back of policies released by the government in late 2014 to stimulate the sector, combined with the loosening of home purchasing restrictions and the cutting of interest rates this year, the market appears to be regaining stability as consumer confidence grows. As a result, the first-hand residential market is expected to see transaction volumes

continue to pick-up and prices gradually increase throughout the remainder of the year.

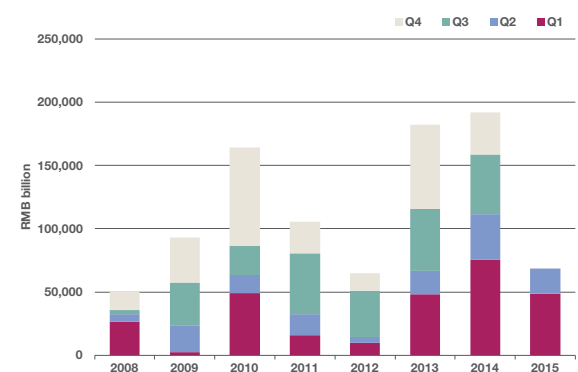
Backed by heavy demand from HNWIs, it is also anticipated the high-end market will continue to move towards an era of averages of over RMB100,000 per sq m. Strong appetite is also expected to result in absorption rates quickening over the short- to mid-term, largely as a result of the loosening of housing purchasing restrictions and new-found wealth from the recent performance of the stock market. ■

GRAPH 4  
First-hand high-end villa market supply, absorption and price, Q1/2006–Q2/2015



Source: Savills Research & Consultancy

GRAPH 5  
Land transaction volumes, Q1/2008–Q2/2015



Source: Savills Research & Consultancy

TABLE 1  
Beijing top ten residential projects, 2015

Rank	Project	Average transaction price (RMB per sq m)
1	SinoboWanliu	134,000
2	Grankhan's Axis	119,000
3	Jade Mansion	109,000
4	Pangu Plaza	107,000
5	Vanland Mansion	100,000
6	City Golf Greenery	99,000
7	Jin Mao Palace	92,000
8	Poly Hyde Park	90,000
9	CiticGuo'an Palace	81,000
10	TaiyangGongyuan	81,000

Source: Savills Research & Consultancy

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