

# Asian Cities Report **Macau Residential**

2H 2018



**TABLE 1**  
**Major investment transactions, Jan – Jun 2018**

Property	Location	Price	Buyer	Usage
A development site situated at Travessa do Roquete N° 11, Rua da Se N°S 9-11 in Sé, Macau	Macau Peninsula	HK\$800 mil	Private	Commercial
The Landmark Macau Hotel	Macau Peninsula	MOP4.6 bil	Macau Sun Tung Fong Group	Hotel/casino/commercial

Source: Savills Macau

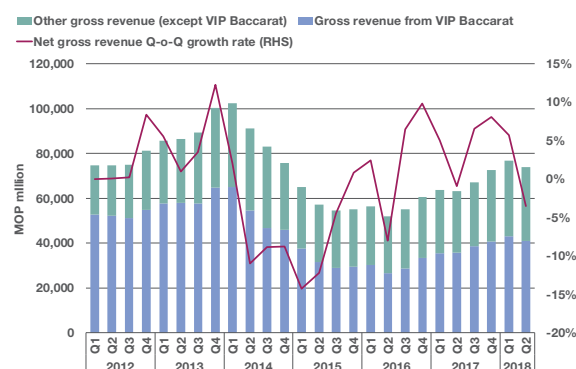
**TABLE 2**  
**New housing policies**

Policies	Measures
Stamp duty for non-first-time homebuyers	<ul style="list-style-type: none"> <li>Additional 5% stamp duty on the second property</li> <li>Additional 10% stamp duty on the third property and above</li> </ul>
Mortgage loan for Macau young residents first-time homebuyers*	<ul style="list-style-type: none"> <li>&gt; MOP8 mil (Max. mortgage loan of 50%)</li> <li>&gt; MOP3.3 mil to ≤ MOP8 mil (Max. mortgage loan of 80%)</li> <li>≤ MOP3.3 mil (Max. mortgage loan of 90%) (Max. mortgage loan of 80% for pre-sale unit)</li> </ul>
Tax on vacant units	6%

Source: DSEC, Savills Macau

Notes: \* Macau young residents first-time homebuyers: A Macau resident between 21 and 44 years in age who does not own 50% or more of a property in Macau.

**GRAPH 1**  
**Gross revenue from gaming activities, Q1/2012 – Q2/2018**



Source: Savills Macau

## Macau economy's sustained growth

Macau's economy is expected to grow at its fastest pace yet, with real GDP in the first half of 2018 increasing by 7.6% year-on-year (YoY). This growth is supported by Macau's pillar industries of gaming and tourism, with increases in gaming revenue and visitor spending. In the first half of 2018, gross gaming revenue (GGR) reached MOP150.22 billion, increasing by 18.9% quarter-on-quarter (QoQ); it's the biggest jump since February 2014. January to May 2018 spending by visitors (excluding gaming) reached MOP21.8 billion, up 28% YoY, and from May to July of 2018, the unemployment rate decreased gradually to 1.8%, the lowest jobless rate since 2017. The median income of local residents is now MOP19,000 per month.

The aggregate tally of visitor arrivals increased by 8.0% YoY to 16.81 million during the first half of 2018. Mainland China accounted for 69.9% of the total, up by 12.3% YoY, with 41% of mainland visitors coming from Guangdong Province. The average number of same-day visitors and overnight visitors in the first half of 2018 went up by 7.77% and 8.27% YoY respectively, to 13.41 million and 14.62 million. The average number of guests in hotels and guesthouses grew by 7.84% YoY in the first half of 2018 to 1.14 million. The average occupancy rate of hotels and guesthouses in June was 87.9%, up by 2.5ppts compared with the same month last year, and the average length of stay of guests rose to 1.5 days YoY. In addition, the number of hotel rooms taken in June rose to 39,428. Considering the 20 hotel projects under construction and 27 projects in planning stages during the first quarter of 2018, 12,750 new hotel rooms will be provided in the near future.

## Commercial property transaction market hit

Boosted by the surging economy, the Macau Property Opportunities Fund Limited (MPO) sold its Senado Square retail redevelopment project to Ardent Success Limited and City Universe Limited for HK\$800 million (c. US\$102.3 million)<sup>1</sup> in February. According to MPO data, the sale price represents a premium of 14% to the property's valuation of HK\$703 million

(c. US\$90.0 million) as of 31 December 2017 and a gain of 541% over the acquisition cost of US\$15.96 million in October 2007. In April, the Macau Sun Tung Fong Group completed the acquisition of Macau Landmark Hotel for MOP4.6 billion from Macau Legend Development Ltd. The property is approximately 80,000 sq m with 439 rooms, a casino and a shopping mall, making it the largest hotel transaction project completed by local enterprises in recent years.

## Residential prices keep rising

Macau's residential market is dominated by first-time homebuyers, underpinned by strong economic drivers, low borrowing costs, and new housing regulations. In February, the government announced a series of new housing policies including a higher stamp duty for buyers who are non-first-time homebuyers, a relaxation of mortgage loans for Macau young residents who are first-time homebuyers and the imposition of a tax on vacant housing units. In light of the government's policy adjusting the proportion of mortgage loans for first-time homebuyers, residential transactions have grown sharply, particularly for prices below MOP8 million. In January of 2018, transaction volumes were 1,986 units, the highest since 2013, up by 234.9% QoQ. Among them, first-time homebuyers contributed approximately 30%. The average price was MOP124,481 per sq m, up by 28.3% QoQ. During the first half of 2018, the number of residential transactions increased by 24.68% QoQ, up 16.01% YoY, because many developers launched their projects for sale before the new housing policies were implemented. Meanwhile, first-time homebuyers accounted for 31.72% of activity in the first two months of the year. That was followed by a surge from March to June in which first-time homebuyers accounted for 83.23% of market activity, compared with 45.28% in the same period a year earlier.

New approvals of residential mortgage loans (RMLs) increased 51.2% month-on-month to MOP7.4 billion in June. New RMLs granted to residents accounted for 63.5% of the total, decreasing by 2.4% to MOP4.7 billion, while the non-resident proportion increased to MOP2.7 billion.

The monthly average of new RMLs approved between April and June 2018 was MOP5.4 billion, according to statistics released by the Monetary Authority of Macau (AMCM).

As to property sizes, over 62% of the total 10,405 units under construction and inspection are small units less than 75 sq m with no more than two bedrooms, so studios and one-bedroom units make up the largest proportion of new properties. In contrast, in 2013, the average unit purchased was about 104 sq m. As for those 20,707 units in the design stage, units between 75-150 sq m and units with three or more bedrooms account for 45% and 44% of the total, respectively.

This policy has led to prices rising due to increased demand from a younger demographic seeking units priced below MOP8 million. Prices have risen by approximately 8% in Q2/2018. The average price achieved was MOP171,160 per sq m in the first half of 2018, an increase of 24.29% YoY. Purchases and sales of existing residential units amounted to MOP14.58 billion, up by 23.3% in Q2/2018.

According to the Macau Statistics and Census Service (DESC), in terms of average price per square metre of usable area, the average price of pre-sale residential units (MOP153,044) and existing residential units (MOP98,134) increased by 11.0% and 5.0% respectively QoQ. The overall average price of residential units (MOP107,571) dropped by 4.2% QoQ due to a decrease in the proportion of relatively high-priced pre-sale residential units in the total transaction volume. The average prices of residential units in Taipa (MOP115,926) and Coloane (MOP129,259) fell by 1.2% and 6.2% respectively while the average price of those in the Macau Peninsula (MOP103,326) grew by 4.0%.

However, demand in the primary sales market has remained strong, especially for off-plan unit sales in Taipa, which have been picking up since September 2017. Over 76% of residential transactions within the first two months of Q2/2018 were located on the Macau Peninsula, including 1,338 completed development units and 202 off-plan

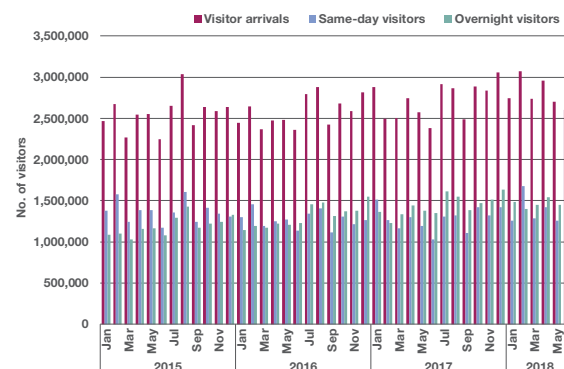
units. There were 119 off-plan unit transactions in Taipa with a high-average unit price of MOP167,202 per sq m. In the secondary market, half of the transactions were in buildings aged over 20 years, and prices ranged from MOP2 million to 5 million.

Figures from the Land, Public Works and Transport Bureau show 10,008 residential units, 341 commercial units and six office units were under construction and inspection in Q2/2018. These figures represent a 3.97% QoQ decline in residential units but a 12.91% rise in commercial and 2% rise in office units, QoQ. Concurrently, 21,190 residential units, 1,245 commercial and 33 office units were in the design phase in Q2/2018, up 2.28% QoQ for residential and 2.89% QoQ for commercial but down 12.12% QoQ for office units.

Looking ahead, several infrastructure projects - Macau international airport's recent terminal expansion; the new light rail transit (Taipa section) connecting the new Taipa Ferry Terminal and integrated resorts; and the Hong Kong-Zhuhai-Macau bridge - are likely to boost visitor numbers, support the gaming market and help to propel Macau's overall economic growth. However, owing to the launch of government housing policies, demand for property priced above MOP8 million is expected to slow or hold steady at best. On the contrary, properties priced below MOP8 million should dominate the market. ■

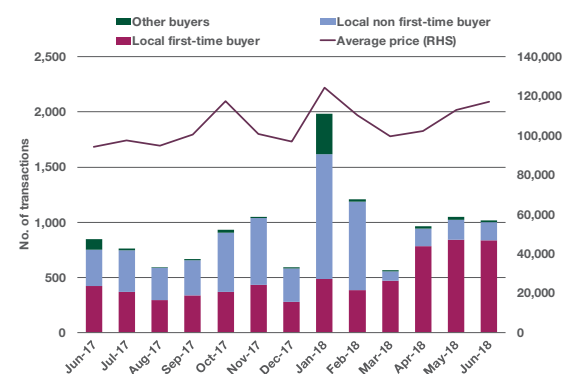
1 Based on a US\$/HK\$ exchange rate of 7.82 as at 1 February 2018.

GRAPH 2 Visitor arrivals, Jan 2015 – Jun 2018



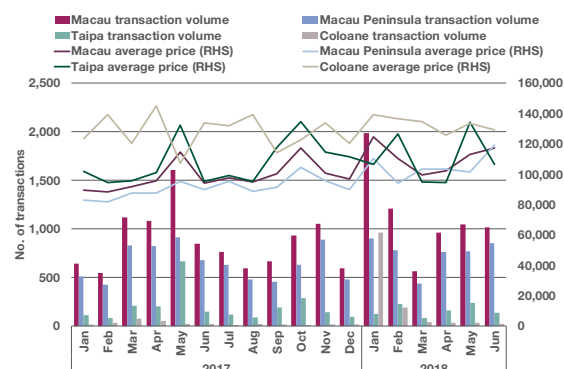
Source: Savills Macau

GRAPH 3 Residential transactions by buyers and average prices, Jun 2017 – Jun 2018



Source: Savills Macau

GRAPH 4 Residential transaction volumes and prices by area, Jan 2017 – Jun 2018



Source: Savills Macau

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Updated: 18 September 18

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