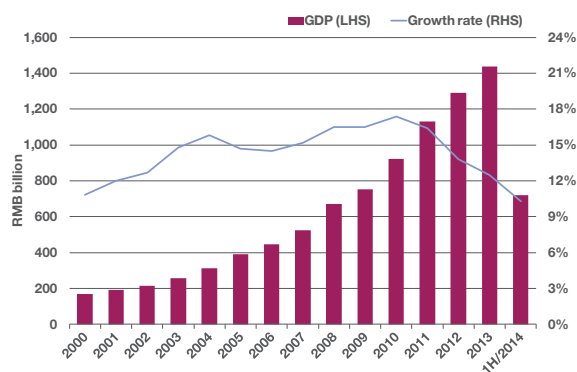


Asian Cities Report **Tianjin Residential**

2H 2014

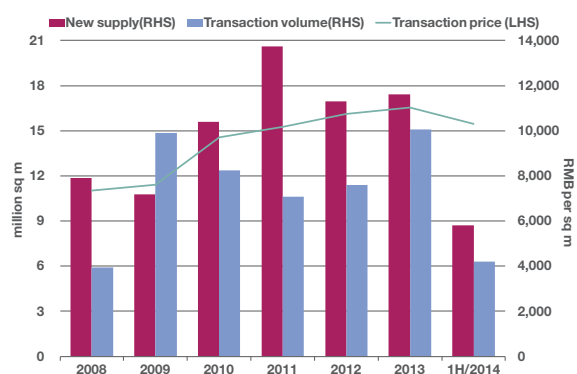


GRAPH 1
GDP and growth rate, 2000–1H/2014



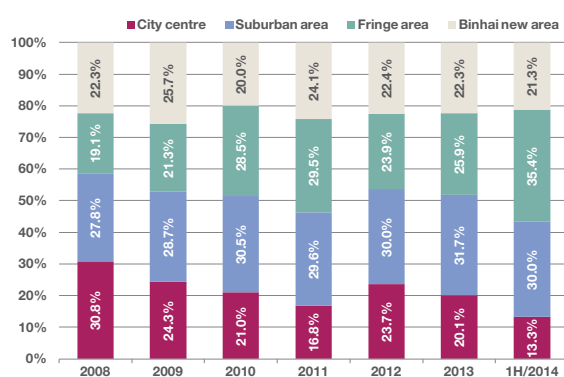
Source: Savills Research & Consultancy

GRAPH 2
First-hand mass-market residential supply, transaction volume and price, 2008–1H/2014



Source: Savills Research & Consultancy

GRAPH 3
First-hand mass-market residential transaction distribution, 2008–1H/2014



Source: Savills Research & Consultancy

City overview

Tianjin is a municipality in northern China and the fourth largest city in the country. As part of the Bohai economic rim, it is the largest coastal city in northern China. Bordering Heibei province and Beijing municipality, it is considered “the Pearl of the Bohai Sea”, becoming the transport hub of North China and the gateway to Beijing.

By the end of 2013, Tianjin’s population reached 14.72 million, of which 4.41 million were migrants. Its growing migrant population largely accounted for a recent 81.2% increase in the municipality’s population, which was a main driver of demand in the residential property market.

In 2H/2014, Tianjin’s gross domestic product (GDP) reached RMB18.5 billion with a growth rate of 10.3%, 2.9 percentage points higher than the national average. Economic growth has been supported by fixed asset investment and foreign direct investment, reaching RMB605.2 billion and RMB12.3 billion, respectively, in the same period.

Tianjin’s real estate investment continued to increase from RMB108 billion in 2011 to RMB148 billion in 2013. From 2000 to 2013, 67% (RMB852.8 billion) of total real estate investment was in residential. In 1H/2014, real estate investment stood at RMB94.37 billion, up 16.5% year-on-year.

Residential market overview

Tianjin’s mass residential market has seen rapid development since 2008, with an annual average supply of 18.3 million sq m between 2011 and 2013. In 2011 a supply peak of 20.6 sq m was recorded. However, only 8.7 million sq m of supply was entered the market this year-to-date.

In late 2010, Tianjin implemented housing purchase restrictions which

resulted in a drop in residential transaction volumes between 2010 and 2011. However, in 2013, the market rebounded when transaction volumes reached 15.1 million sq m, up 32% year on year. This indicates an increasing demand from end users and upgraders. In 1H/2014, city-wide commodity residential transaction volumes reached 6.3 million sq m.

Between 2011 and 2013, mass market transaction prices increased steadily, averaging RMB10,649 per sq m per annum. In 1H/2014, residential prices averaged RMB10,296 per sq m, down 6.6% year on year. This is because most of the transaction deals were concentrated in fringe areas such as Wuqing district.

After the quasi-hukou policy was cancelled at the end of May, the largest number of transactions in the municipality were in the fringe areas, with 35.4% of the total in terms of space. The city centre, suburban areas and Binhai New area accounted for 23.1%, 32% and 8.9%, respectively.

The most common units transacted were small to mid-size (about 70 to 90 sq m and 90 to 120 sq m), accounting for over 50% of the total. This can be attributed to the main drivers of demand being end users.

On the other hand, units larger than 144 sq m accounted for 22% of the total, which reflects the increasing demand from upgraders.

High-end residential market

The majority of the city’s high-end residential developments are concentrated within the areas of Greater Meijiang, Olympic Stadium, Laochengxiang and Haihe, with Badali an emerging area. Haihe area has the most high-end projects, including Tomson Riviera, Tai’an 5 and Horizon Capital. Tomson Riviera has the highest

prices, with asking prices at RMB40,000 per sq m. City-wide, high-end residential average prices doubled from RMB12,296 per sq m in Q2/2008 to RMB25,435 per sq m in Q2/2014, with this trend expected to continue.

During the first half of 2014, the Greater Meijiang area saw one new high-end residential project launched on to the market, namely New Meijiang Park Residence, developed by Vanke Real Estate Co. Additionally, Haihe Area saw Noble Centre, developed by China Railway Construction Engineering Group, enter the high-end residential sales market.

High-end residential projects are preferred by high net worth individuals seeking upgrades, whereas the commodity residential market is mainly driven by end users.

In the next few years, several high-end residential projects are expected to enter the market due to an increasing number of residential land plots recently purchased by major developers. These projects are located in favourable areas with promising prospects of appreciation.

Outlook

Tianjin's residential market is highly influenced by government policies. According to Tianjin's 12th Five-Year Plan, future residential development is expected to focus on the Greater Meijiang area. Subsequently, this area has rapidly expanded to become an eco-friendly, high-end residential community, with surrounding commercial and recreational spaces. Due to the ongoing development of the area, many major developers, including Vanke and Nongken Group, have established a presence there.

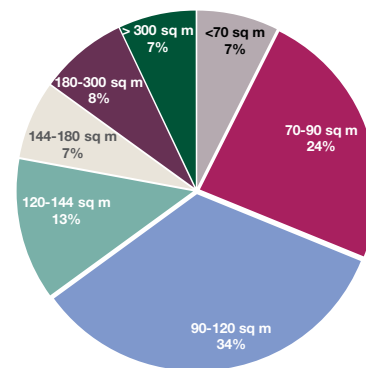
In March this year, the municipal government launched 21 key land plots within the city centre. Eight of

these, all located in the New Badali area, attracted many developers due to its location within the Hexi district and the plans to extend three metro lines to support the area.

Six land plots in the New Badali area have been acquired by major developers, including MCC and China Overseas Group, with residential prices ranging from RMB12,000 per sq m to RMB14,504 per sq m. Residential components account for 54% to 65% of three of the land plots. As a result, Badali is expected to become a cluster of high-end residential projects.

Additionally, the government has plans to list another 18 land plots for sale in the city centre in the second half of 2014 with a large portion allocated for residential use. This is expected to further satisfy the demand for high-end residential projects in the city centre. ■

GRAPH 4 Transacted units by size, 1H/2014



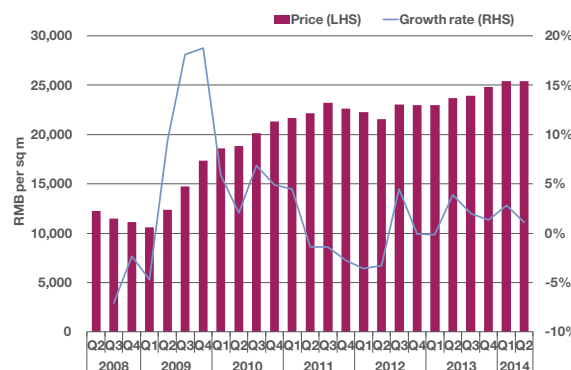
Source: CEIC, Savills Research & Consultancy

MAP 1 Tianjin high-end residential distribution, Q2/2014



Source: Savills Research & Consultancy

GRAPH 5 First-hand high-end residential asking prices and growth rates, Q2/2008-Q2/2014



Source: Savills Research & Consultancy

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