

Briefing Residential sales

July 2014

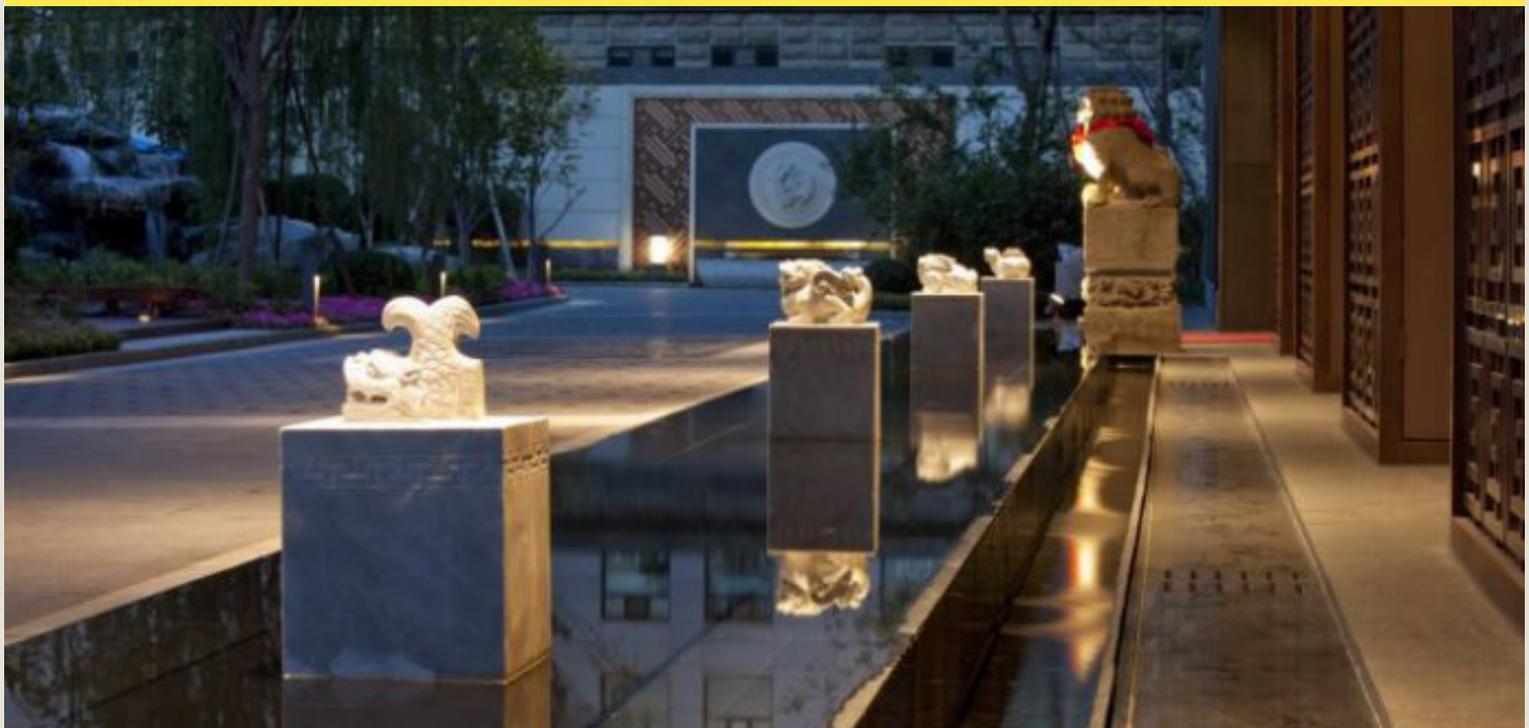


Image: Vanke North River No.77, Dongcheng district

SUMMARY

The price gap between the overall market and high-end sector widened further, as both high-end apartment and villa prices continued to witness steady growth.

■ Beijing's first-hand residential market was cool in the second quarter. Supply surged by 107% quarter-on-quarter (QoQ) to 3.3 million sq m, while transaction volumes fell 15% QoQ to 1.4 million sq m, the lowest level in the last five years.

■ Fierce competition between projects restricted overall price growth to just 1.3% in the first five months of 2014 compared with 15% in 2013.

■ Four Grade A apartments and five high-end villa projects entered the sales market in the second quarter, adding a total of 790 units.

■ Grade A apartment transaction volumes reached 339 units in the second quarter, only half of the quarterly average (654 units) in 2013. Prices, however, continued to grow and rose 5.3% QoQ to an average of RMB66,160 per sq m, up a significant 19.6% year-on-year (YoY).

■ High-end villa transaction volumes rose by nearly 40% QoQ to 232 units. As a result, prices appreciated by 4.9% QoQ to an average of RMB49,200 per sq m, up 2.2% YoY.

■ Both transaction volumes and prices in the high-end residential

market are expected to grow in the coming six months, given that several prime residential projects are scheduled to enter the market with high proposed prices.

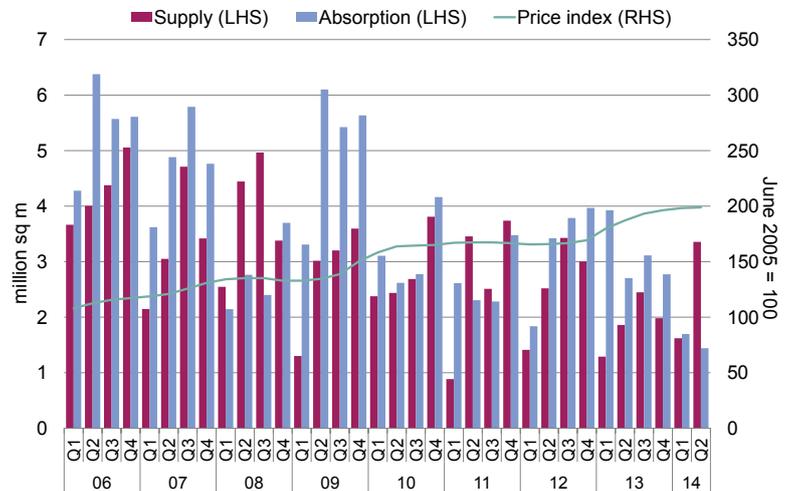
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 “Despite a weak performance in the overall market, several prime residential projects entered the market on schedule with high pre-sale prices.” Joan Wang, Savills Research

➔ **First-hand mass-market overview**

Similar to many other cities across China, Beijing's first-hand residential market was cool in the second quarter in terms of transaction volumes compared with 2013. A total of 97 residential projects were granted pre-sales certificates, pushing supply up by 107% QoQ to 3.3 million sq m. A number of developers are eager to launch their projects given the large supply of self-use commodity housing in the pipeline and in exchange for cash flow under a tightened credit environment.

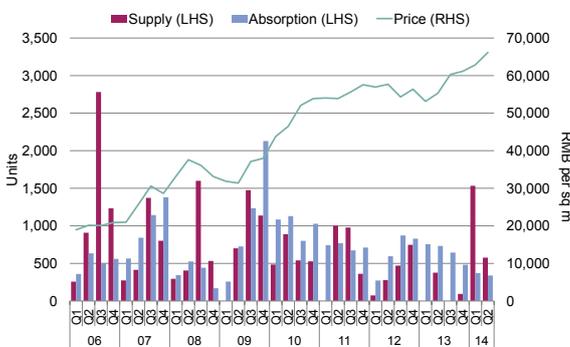
Transaction volumes, however, fell 15% QoQ to 1.4 million sq m, the lowest level over the past five years. This can be attributed to an increasing wait-and-see attitude

GRAPH 1 **First-hand mass-market residential supply, take-up and price index, Q1/2006–Q2/2014**



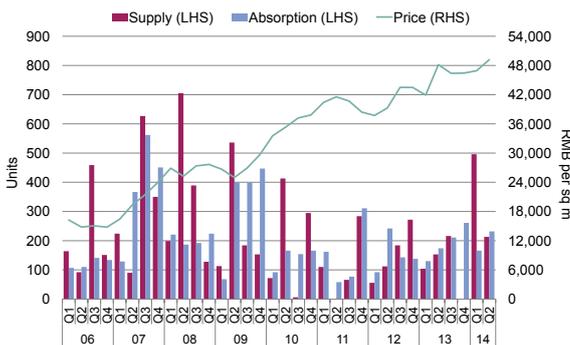
Source: Beijing Real Estate Transaction and Management Bureau, Beijing Municipal Bureau of Statistics, Savills Research

GRAPH 2 **First-hand Grade A apartment market supply, take-up and price, Q1/2006–Q2/2014**



Source: Savills Research

GRAPH 3 **First-hand high-end villa market supply, take-up and price, Q1/2006–Q2/2014**



Source: Savills Research

among consumers given the weak performance in terms of both transactions volumes and price growth. Additionally, two self-use commodity housing projects, BBMG Huixing Garden (金隅·汇星苑) and BJ Capital Land Yueduhui (首创·悦都汇), have entered the market and another nine are scheduled to be launched in the near future, offering a total of nearly 18,000 units with proposed prices ranging from approximately RMB10,000 per sq m to RMB22,000 per sq m, much lower than their counterparts in the vicinity and consequently freezing some end-user demand in the short term.

Consequently, fierce competition between projects constrained overall price growth to just 1.3% in the first five months of 2014, compared with 15.0% in 2013.

First-hand Grade A apartment market

Three new Grade A apartments and the new phase of one existing project entered the market in the second quarter, adding a total of 577 units, down 62.4% QoQ. As a result, total supply of Grade A apartments accumulated to 2,110 units in the first half of 2014, nearly five times that in 2013FY.

Despite supply registering its

second highest level since Q1/2013, transaction volumes recorded a relatively low 339 units in the second quarter. This figure is lower than the average of 558 in the past four quarters, although it has remained relatively stable compared with the last quarter. This was largely a result of several property purchases by high net worth individuals (HNWIs) being postponed or even suspended either by current economic uncertainties or a growing appetite in overseas investments.

Despite suppressed transaction volumes, transaction prices held firm in the second quarter, and grew 5.3% QoQ to an average of RMB66,160 per sq m, up 19.6% YoY. This was supported by a growing pool of HNWIs in the capital city combined with a decreasing number of prime residential projects.

Following the government's relaxation of the approval process for pre-sales certificates for high-end projects in early 2014, three prime projects entered the market on schedule.

- Vanke North River No.77 (万科北河沿甲柒拾柒号), an existing project located in Dongcheng district acquired by Vanke from CapitaLand for a unit price of approximately

RMB54,000 per sq m in 2013, entered the sales market with an asking price between RMB100,000 and RMB150,000 per sq m;

- Poly Hyde Park (保利海德公园) was granted approval with a pre-sale price of RMB97,000 per sq m, the highest in the first half of 2014. The plot was the land king in 2010 with an accommodation value (AV) of RMB30,000 per sq m and was acquired by Poly Real Estate through an equity acquisition of the previous landlord in 2011. Apart from apartments, Poly Hyde Park also includes villa and office components;

- COL Fontaine Mansion (中海枫丹公馆), located in the CBD vicinity, Chaoyang district, and targeting wealthy consumers with strong upgrade demand, entered the market with pre-sale prices ranging from RMB89,000 to RMB94,000 per sq m.

First-hand high-end villa market

One new high-end villa, Poly Hyde Park (保利海德公园), entered the market offering 24 units. Additionally, four existing projects, namely Royal Spring Villa (金科王府), Wonderland Mansion (燕西华府), Chinoiserie Villa (九章别墅) and Linyu villa (鸿坤林语墅), launched their new phases adding a total of 189 units to the market. Consequently, supply totalled 213 units in the second quarter, down 56.9% QoQ.

Given the positive performance of several prime projects launched in recent quarters, however, transaction volumes rose 39.8% QoQ to 232 units, up 33.3% YoY.

In the second quarter, three prime projects launched in the past few quarters, namely Life Beyond Golden Dream (龙湖·双珑原著), Thaihot Beijing Yards (泰禾·北京院子) and Linyu Villa (鸿坤林语墅), outperformed in the market in terms of transaction volumes, with their units accounting for more than half of the total, and prices reaching RMB35,000 to RMB60,000 per sq m.

As a result, high-end villa transaction prices appreciated by 4.9% QoQ to an average of RMB49,200 per sq m

TABLE 1

Beijing self-use commodity housing projects

Project	Location	Units	Proposed price (RMB per sq m)
BBMG Huixing Garden (金隅·汇星苑)	Chaoyang district	1,800	22,000
Yueduhui (首创·悦都汇)	Chaoyang district	540	16,000
Yueruhui (首创·悦洵汇)	Pinggu district	1,600	11,000
Yuanxiangjiayuan (中国铁建·原香嘉苑)	Fangshan district	1,400	10,500
Shunxinjiayuan (中国铁建·顺新嘉苑)	Shunyi district	290	16,000
Jiuyuancheng (紫峰·九院城)	Tongzhou district	1,100	10,000
Manfangting (住总正华新国展满庭芳)	Shunyi district	1,160	19,000
Dangdai MOMA (当代采育满庭春MOMA)	Daxing district	1,400	9,500
Huijingyuan (金隅·汇景苑)	Chaoyang district	3,400	22,000
Yujingwan (恒大御景湾)	Chaoyang district	2,000	22,000
Huilanmeiju (富力惠兰美居)	Chaoyang district	3,300	16,000

Source: Savills Research

TABLE 2

New high-end apartments, Q2/2014

Project	Location	Units	Pre-sales price (RMB per sq m)
Vanke North River No.77 (万科北河沿甲柒柒柒号)	Dongcheng district	25	100,000-150,000
Poly Hyde Park (保利海德公园)	Haidian district	139	97,000
Fountain Mansion (中海枫丹公馆)	Chaoyang district	313	89,000-94,000
Zhen Garden (臻园)	Chaoyang district	100	47,000-50,000

Source: Savills Research

by the end of the second quarter, representing a YoY growth of 2.2%.

Residential land market

The land market was quiet in the second quarter, with only 39 land plots transacted for a total consideration of RMB36.2 billion, down 51.9% QoQ. Eighty-four percent of land plots were transacted in April in terms of transaction volume, while only five were transacted in May and June.

With 18 residential plots transacted in the first quarter of 2014, only eight residential plots (or mainly for residential projects) were transacted in April, for a total consideration of

RMB17.5 billion, accounting for 48% of the total in the second quarter. No residential land plots were transacted in May or June. This was largely a result of the government intentionally squeezing land supply in reaction to the weak performance of the residential market combined with the declining enthusiasm of developers for land acquisition.

This decline in enthusiasm was evidenced by suppressed residential transactions over the past six months. In the second quarter, the most expensive residential plot was transacted under an adjusted AV of RMB26,100 per sq m, compared with seven residential plots which

were transacted under an adjusted AV of between RMB26,400 and RMB73,100 per sq m in 2013.

Market outlook

Given that overall residential price growth is expected to be further constrained due to the large amount of self-use commodity housing projects scheduled to enter the market, the government is expected to continue loosening approvals for pre-sales certificates for high-end projects in the coming six months, allowing more high-end projects to enter the market on schedule as a result.

Consequently, six Grade A apartments, including Kun Yu Palace (琨御府) and Wanliu Academy (中赫万柳书院) located in Haidian district, Wangfujing Mansion (王府井公馆) in Dongcheng district, and Central Park Plaza (中央公园广场), Sanlitun No.1 (三里屯壹号) and Kaisa Plaza (佳兆业广场) in Chaoyang district, are expected to enter the sales market in the coming 18 quarters. These new launches are expected to have high proposed prices (or pre-sale prices) ranging from RMB70,000 to RMB200,000 per sq m. Another two high-end villas, namely Xingchuang YiShu (兴创屹墅) located in Daxing district and Donghuafu (东华府) situated in Dongcheng district, are expected to be launched in the same period.

This new supply, combined with the undigested units launched over the past few quarters, should lead to high-end apartment transaction volumes growing while allowing average prices to continue to appreciate given their expected

TABLE 3
New high-end villas, Q2/2014

Project	Location	Units	Pre-sales price (RMB per sq m)
Poly Hyde Park (保利海德公园)	Chaoyang district	24	97,000
Royal Spring Villa (金科王府)	Changping district	36	43,000–52,000
Wonderland Mansion (燕西华府)	Fengtai district	85	30,000–40,000
Chinoiserie Villa (九章别墅)	Chaoyang district	18	51,200–91,000
Linyu Villa (鸿坤林语墅)	Daxing district	50	35,000–45,000

Source: Savills Research

TABLE 4
Major residential land transactions, Q2/2014

Plot	District	Purchaser	Site area (sq m)	GFA (sq m)	Adjusted AV (RMB per sq m)
Daxing Huangcunzhen plot	Daxing	Zhenghao Ltd	59,600	174,800	26,100
Beijing Fengtai district Changxindianzhenxinzhuanqiang village plot	Fengtai	Beijing Zhongchangheyuan Ltd	126,100	184,800	21,000
Beijing Mentougou district Yongding village plot	Mentougou	Sinohydro	69,200	174,300	20,000

Source: Savills Research

high proposed prices. This is likely to increase the price gap between the overall market and high-end segment.

Despite a cooling residential land market in the first half of 2014, we expect more active transactions in the residential land market over the rest of the year, given that more prime residential land plots are expected to be released onto the market to fulfil the government's

land supply plan. For instance, two residential plots located in Sunhe village in Chaoyang district are currently under transaction with a reserve AV of RMB26,100 per sq m and RMB35,000 per sq m respectively. Given their prime locations and expected high proposed prices under high land cost, these projects should enter the supply pipeline of high-end residences in the coming one to two years. ■

TABLE 5

Future supply, 2H/2014–2015

Project	Location	Type	Opening date	Proposed price (RMB per sq m)
Wanliu Academy (中赫万柳书院)	Haidian district	Grade A apartment	2H/2014	120,000–150,000
Kun yu Palace (琨御府)	Haidian district	Grade A apartment	2H/2014	70,000–90,000
Central Park Plaza (中央公园广场)	Chaoyang district	Grade A apartment	2H/2014–2015	100,000–150,000
Sanlitun No.1 (三里屯壹号)	Chaoyang district	Grade A apartment	2H/2014–2015	Around 200,000
Kaisa Plaza (佳兆业广场)	Chaoyang district	Grade A apartment	2H/2014–2015	N/A
Wangfujing Mansion (王府井公馆)	Dongcheng district	Grade A apartment	2H/2014–2015	N/A
Xingchuang YiShu (兴创屹墅)	Daxing district	High-end villa	2H/2014–2015	30,000–40,000
Donghuafu (东华府)	Dongcheng district	High-end villa	2H/2014–2015	N/A

Source: Savills Research

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