

Briefing Residential sector

February 2014



Image: Regal Riviera, Tianhe

SUMMARY

The local government issued several new measures tightening the residential market in order to reach the annual control target, bringing total annual transaction volumes down.

■ Residential transaction volumes fell 41.4% year-on-year (YoY) to 1.56 million sq m in Q4/2013, down 1.9% quarter-on-quarter (QoQ).

■ Average residential transaction prices fell 6.6% QoQ to RMB14,767 per sq m, down 1.3% YoY.

■ Average downtown transaction prices rose 2.7% QoQ to RMB27,039 per sq m, while transaction volumes reached 324,500 sq m, down 16.5% QoQ.

■ Average suburban transaction prices fell 7.0% QoQ to RMB11,558 per sq m, while transaction volumes were up 2.8% QoQ to 1.24 million sq m.

“Since the Guangzhou government released six new control measures called Sui Liu Tiao, along with controls on pre-sale certificates and price caps, the residential market has tightened noticeably this quarter.” Lucy Lui, Savills Research

➔ **Market overview**

Guangzhou's local government released six new control measures, including increasing the down-payments for second house purchases and purchase qualifications for non-residential properties, and the continued tightening of pre-sale certificate approvals to cool the residential market. As a result, transaction prices and volumes significantly declined in Q4/2013.

Residential transaction volumes fell by over 40% YoY in Q4/2013, to 1.56 million sq m, due to the new government tightening measures. Average residential transaction prices also fell 6.6% QoQ and 1.3% YoY, to an average of RMB14,767 per sq m.

On the back of restrictions on the sale of high-end residential properties, downtown transaction volumes continued to fall, down 16.5% QoQ to 324,500 sq m, while transaction volumes in suburban areas increased by 2.8% QoQ to 1.24 million sq m.

Despite the fall in volumes, transaction prices in downtown areas rose by 2.7% QoQ to RMB27,039 per sq m, while suburban area transaction prices fell by 7.0% QoQ to RMB11,558 per sq m.

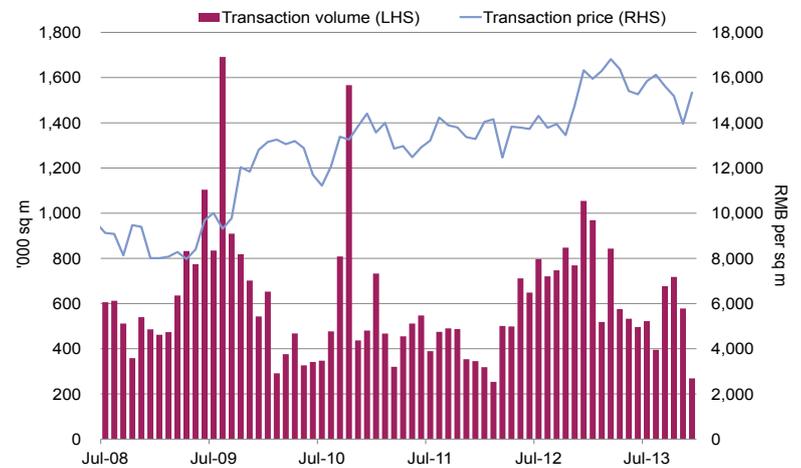
High-end residential market

The high-end residential market continued to improve in the fourth quarter, both in terms of pricing and transaction volumes.

Transaction volumes of properties priced above RMB30,000 per sq m increased 26.1% QoQ, while the high-end residential price index rose 0.2% from the last quarter, and the mid- to high-end market saw residential prices rise by 6.9% QoQ.

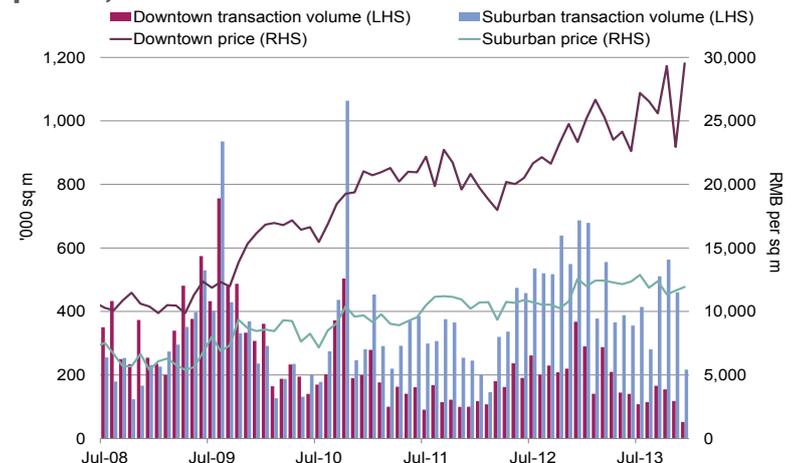
Average transaction prices of the top ten residential projects in Guangzhou rose from RMB59,541 per sq m in Q3/2013 to RMB63,121 per sq m in Q4/2013, up 6.0% QoQ. ■

GRAPH 1 **Residential transaction volumes and prices, Jan 2008–Dec 2013**



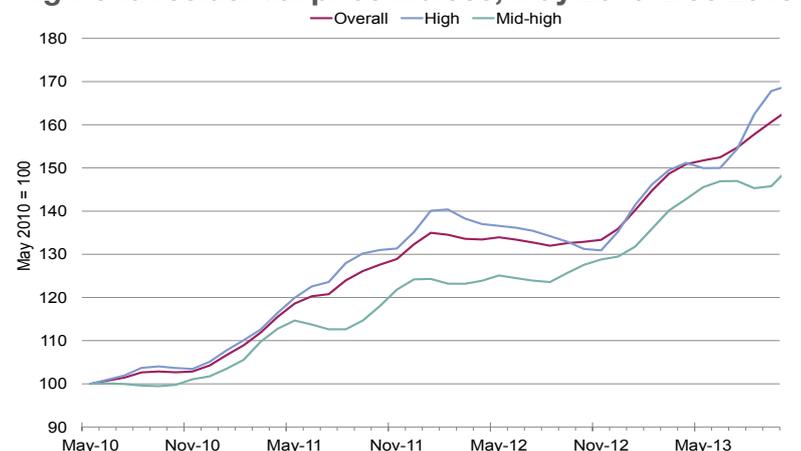
Source: Guangzhou Land Resources & Housing Bureau, Savills Research

GRAPH 2 **Suburban vs downtown transaction volumes and prices, Jan 2008–Dec 2013**



Source: Guangzhou Land Resources & Housing Bureau, Savills Research

GRAPH 3 **High-end residential price indices, May 2010–Dec 2013**



Source: Savills Research

OUTLOOK

Along with the land reform efforts and new real estate tax policies, the central government is looking to build a long-term control system for the residential market rather than short-term administrative restrictions.

■ Guangzhou's government has plans to try to abolish regulations on purchase restrictions and pre-sale price-caps for 2014, according to the Guangzhou Municipal Land Resources and Housing Administrative Bureau in

December 2013. Current restrictions will, however, continue to be strictly adhered to for the next few months.

■ On the back of land purchases at high premium rates and residential prices increasing sharply over 2013,

Guangzhou's residential market is expected to continue growing in 2014, in terms of both transaction volumes and prices.

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