

Briefing Residential sector

May 2014



Image: Regal Riviera, Tianhe Bei

SUMMARY

Due to the typically slow season during Chinese New Year, as well as the continued tightening measures, Guangzhou's residential market witnessed a fall in transaction volumes in Q1/2014.

■ Average residential transaction volumes decreased 20.5% quarter-on-quarter (QoQ) to 1.24 million sq m in Q1/2014, sharply falling 46.6% year-on-year (YoY).

■ Residential transaction prices registered an increase of 21.4% QoQ to an average of RMB17,925 per sq m in Q1/2014, up 9.7% YoY.

■ Downtown¹ transaction prices rose 0.4% QoQ to RMB27,151 per

1 Downtown districts: Yuexiu, Liwan, Haizhu, Tianhe Bei, Baiyun and Huangpu.

sq m in Q1/2014, and transaction volumes reached 395,000 sq m, up 21.7% QoQ.

■ Suburban² transaction prices rose by 18.0% QoQ to RMB13,639 per sq m in Q1/2014, while transaction volumes were down 31.5% QoQ to 849,500 sq m.

2 Suburb districts: Panyu, Huadu, Nansha and Luogang.

“Overall residential price growth in Guangzhou continued in the first quarter, mostly due to increasing prices in suburban districts, while downtown prices remained stable.” Lucy Lui, Savills Research

➔ **Market overview**

Government tightening measures on the residential market, including house-purchase regulations and pre-sale certificate approvals, are expected to continue throughout the year. Combined with the typically slow season of the first quarter, residential transaction volumes recorded a significant drop. However, average prices continued to rise.

Due to the typical slow season in the first quarter and the continuation of tightened regulations on the market, average residential transaction volumes fell 20.5% QoQ to 1.24 million sq m in Q1/2014, down 46.6% YoY.

Average residential transaction prices, however, rose 21.4% QoQ in the first quarter, to an average of RMB17,925 per sq m.

Market demand in the first quarter was boosted by the adjustment of administrative districts, which affected Huangpu and Luogang. Transaction volumes in downtown areas saw an increase of 21.7% QoQ to 395,000 sq m, the first growth recorded in the last five quarters. Transaction volumes in suburban areas fell by 31.5% QoQ to 849,500 sq m.

Transaction prices in downtown areas rose slightly by 0.4% QoQ to RMB27,151 per sq m, while suburban area transaction prices also rose by 18.0% QoQ to RMB13,639 per sq m in Q1/2014.

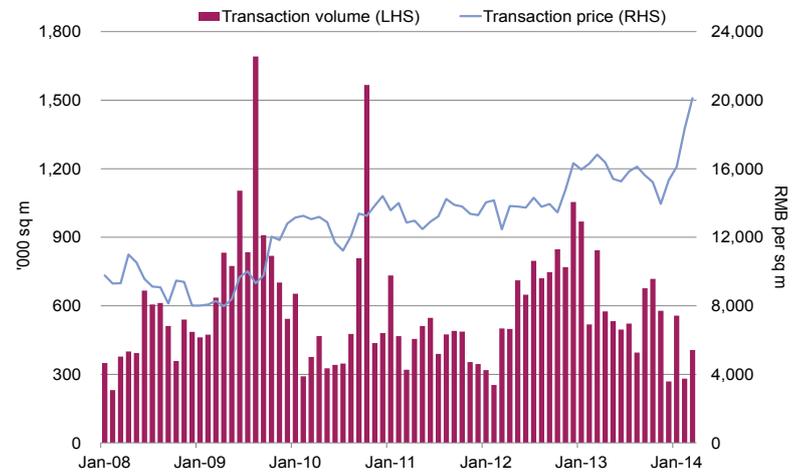
High-end residential market

Due to continued restrictions on the residential sales market, the high-end sector witnessed a decline in transaction prices and volumes in Q1/2014.

Transaction volumes of properties priced above RMB30,000 per sq m decreased 38.1% QoQ, while the high-end residential price index rose 3.4% from last quarter. Mid- to high-end residential prices remained unchanged QoQ.

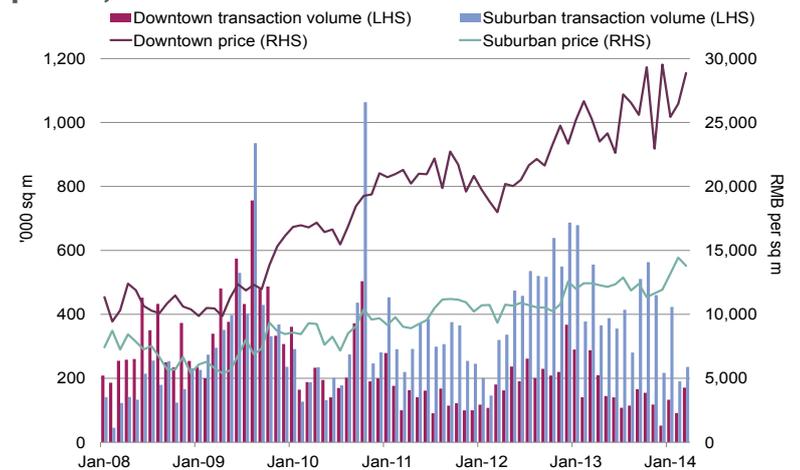
Average transaction prices of the top ten residential projects in Guangzhou fell from RMB63,121 per sq m in Q4/2013 to RMB59,016 per sq m in Q1/2014, down 6.5% QoQ. ■

GRAPH 1 **Residential transaction volumes and prices, Jan 2008–Mar 2014**



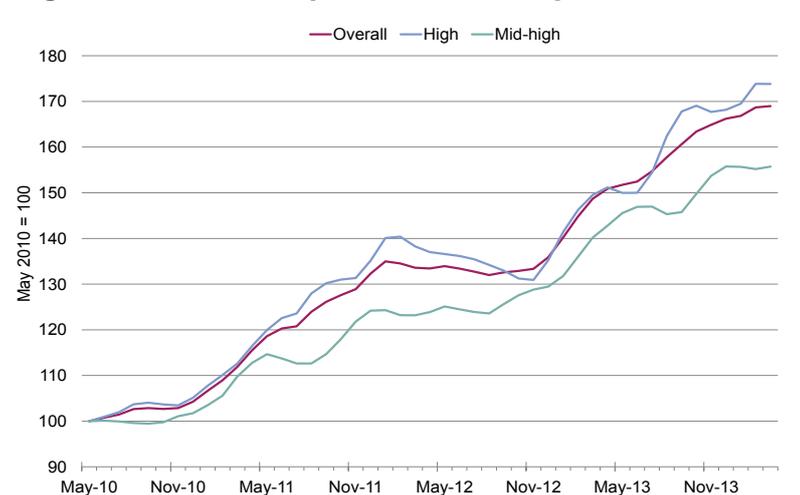
Source: Guangzhou Land Resources & Housing Bureau, Savills Research

GRAPH 2 **Suburban vs downtown transaction volumes and prices, Jan 2008–Mar 2014**



Source: Guangzhou Land Resources & Housing Bureau, Savills Research

GRAPH 3 **High-end residential price indices, May 2010–Mar 2014**



Source: Savills Research

OUTLOOK

As the local government continues to enforce tightening measures, market demand is expected to face downward pressure. Residential price growth is likely to slow slightly in Guangzhou this year.

■ Due to the large amount of total newly developed area in recent years, market supply should increase on a YoY basis. Effective demand is expected to decline due to rising prices, since most of this demand is from the wage-earning population with limited purchasing power. The high-end

residential market is still strictly controlled by government regulations, and therefore transaction volumes are expected to decrease further.

■ Housing price growth is expected to slow as developers start putting more effort into sales in a bid to meet this year's increased volume-based

sales targets. Low transaction volume levels in the first month of 2014 implied that developers were unable to cash-out on unsold inventory, which consequently reinforced the focus on sales volumes rather than prices.

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