

Briefing Residential sector

November 2015



Image: Yushan International Villa, Zengcheng

SUMMARY

Due to the continuous stream of stimulus policies rolled out by central government, Guangzhou's residential market saw an increase in transaction prices in July to August.

- Transaction volumes fell 9% quarter-on-quarter (QoQ) to 1.4 million sq m in July to August, up 71.8% year-on-year (YoY).
- Average residential transaction prices increased 11.3% QoQ in the third quarter to an average of RMB18,152 per sq m, up 3.8% YoY.
- Average downtown¹ transaction prices rose 7.3% QoQ to RMB30,916

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

per sq m, while transaction volumes reached 193,000 sq m, up 7.8% QoQ.

- Suburban² transaction prices increased 6.3% QoQ to RMB13,302 per sq m in this quarter, while transaction volumes fell to 507,000 sq m, down 14.1% QoQ.

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

.....
 “Although both downtown and suburban areas saw an increase in transaction prices in the residential sales market, only downtown areas saw an increase in transaction volumes, while suburban areas declined.”
 Sam He, Savills Research

➔ **Market overview**

Due to the current economic uncertainty, GDP growth reached 7% in Q3/2015, while real estate investment growth bottomed out at 2.6% during the same period, falling 9.9% YoY.

However, the residential market saw a recovery during the third quarter, due to a variety of stimulus policies rolled out by central government – such as the fifth rounds of cuts to interest rates this year and loan discount policies for the Housing Provident Fund (HPF). As a result, home buyers regained confidence and re-entered the market, prompting an increase in transaction volumes. City-wide transaction prices saw an increase of 11.3% QoQ to RMB18,152, up 3.8% YoY, while transaction volumes decreased 9.0% QoQ in July to August.

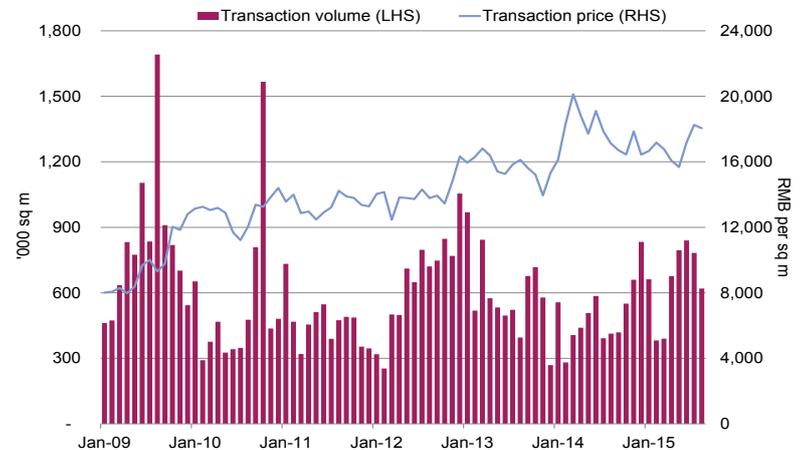
The recent Government stimulus policies have already gone some way to boost demand within the residential market. In addition, the fifth round of cuts to loan interest rates reduced purchase costs to a large extent, benefitting both buyers and investors. As a result, average transaction prices increased during the period.

Although average transaction prices increased in July to August, up 11.3% QoQ and 3.8% YoY, reaching an average of RMB18,152 per sq m, transaction volumes decreased 9% QoQ to 1.4 million, still up 71.8% YoY.

Benefitting from recent favourable policies, second-home buyers and investors contributed to a significant increase in both transaction volumes and prices in downtown areas. Average downtown transaction prices increased 7.3% QoQ to an average of RMB30,916 per sq m, while transaction volumes increased 7.8% QoQ, to 193,000 sq m.

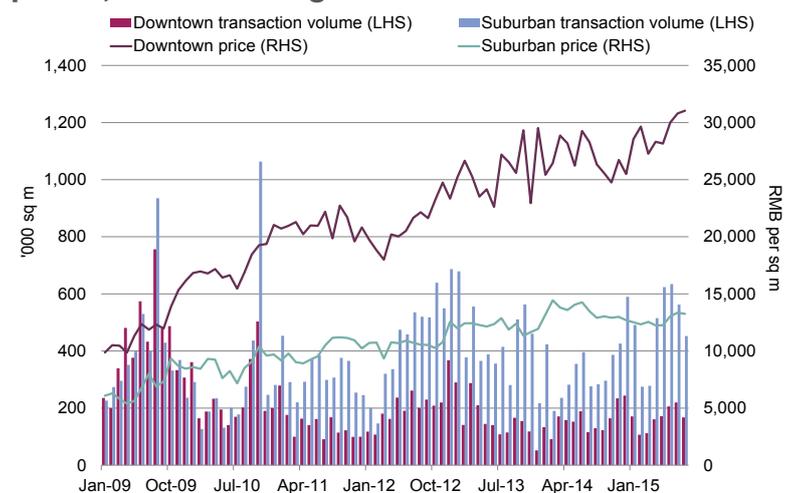
Suburban areas also saw a significant increase in transaction

GRAPH 1
Residential transaction volumes and prices, Jan 2009–Aug 2015



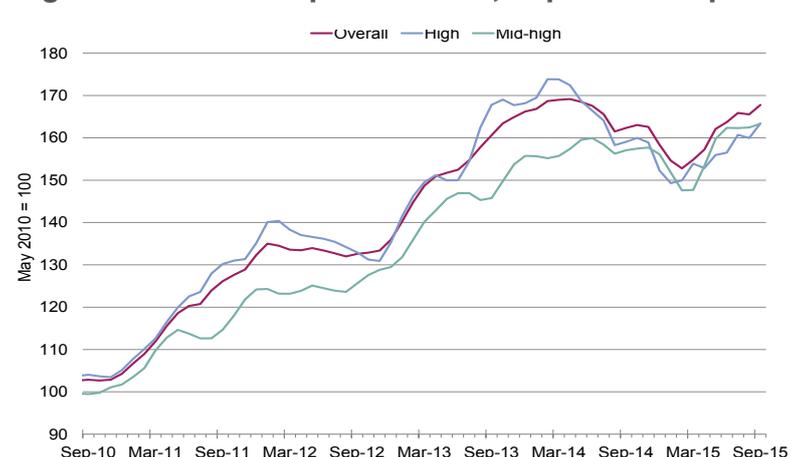
Source: Guangzhou Land Resources & Housing Bureau, Savills Research

GRAPH 2
Suburban vs downtown transaction volumes and prices, Jan 2009–Aug 2015



Source: Guangzhou Land Resources & Housing Bureau, Savills Research

GRAPH 3
High-end residential price indices, Sep 2010 – Sep 2015



Source: Savills Research

prices, up 6.3% QoQ to RMB13,302 per sq m in this quarter. However, transaction volumes fell 14.1% QoQ, reaching 507,000 sq m.

High-end residential market

The high-end residential market saw a continuous increase throughout Q3/2015. High-end residential average prices rose 3.96% QoQ to RMB53,666, while mid- to high-end residential average prices increased 2.7% QoQ, reaching an average of RMB38,648.

In addition, average transaction prices for properties above RMB30,000 per sq m witnessed an increase of 3.9% QoQ to RMB55,810, while transaction volumes also saw an increase of 3.7% QoQ to 195,516 sq m. ■

OUTLOOK

The Guangzhou residential sales market is expected to recover in the coming year due to the favourable policies recently implemented by the government. Buyers and investors are expected to regain confidence and re-enter the market, reflected in a steady increase in transaction volumes and prices.

■ The Guangzhou residential sales market is expected to continue to transition into a period of recovery as more developers choose to release more projects onto the market. As a result, New Hangpu, Panyu, and Huadu districts are all expected to receive more supply during the next quarter.

■ As confidence is restored in the land market and new policies are continuously rolled out by the central government, the whole residential market is set to see signs of recovery. Both transaction volumes and prices of the first-hand residential market are forecasted to increase in the last quarter of 2015.

Please contact us for further information

Savills Research



James Macdonald
 Director, China
 +8621 6391 6688
 james.macdonald@savills.com.cn



Sam He
 Senior Manager
 +8620 3892 7350
 sam.he@savills.com.cn



Woody Lam
 Managing Director
 +8620 3892 7108
 woody.lam@savills.com.cn

Project & Development Consultancy



Lucy Lui
 Director
 +8620 3892 7130
 lucy.lui@savills.com.cn

Savills plc

Savills is a leading global real estate service provider listed on the London Stock Exchange. The company established in 1855, has a rich heritage with unrivalled growth. It is a company that leads rather than follows, and now has over 600 offices and associates throughout the Americas, Europe, Asia Pacific, Africa and the Middle East.

This report is for general informative purposes only. It may not be published, reproduced or quoted in part or in whole, nor may it be used as a basis for any contract, prospectus, agreement or other document without prior consent. Whilst every effort has been made to ensure its accuracy, Savills accepts no liability whatsoever for any direct or consequential loss arising from its use. The content is strictly copyright and reproduction of the whole or part of it in any form is prohibited without written permission from Savills Research.