

Briefing Residential sector

February 2016



Image: MayLand City China, Huadu

SUMMARY

The Guangzhou residential market, particularly the suburbs, saw a huge increase in transaction volumes from January to November.

■ Average residential transaction volumes from January to November totalled 7.10 million sq m, up 36.3% year-on-year (YoY).

■ Average residential transaction prices decreased 4.11% YoY from January to November, to an average of RMB17,102 per sq m.

■ From January to November 2016, average downtown¹ transaction

¹ Downtown districts: Yuexiu, Liwan, Haizhu, Tianhe, Baiyun

prices increased 10.56% YoY to RMB29,760 per sq m, while total transaction volumes reached 1.8 million sq m, up 8.59% YoY.

■ Average suburban² transaction prices decreased 5.73% YoY to RMB12,738 per sq m from January to November, while total transaction volumes increased 49.29% YoY to 5.3 million sq m.

² Suburban districts: Panyu, Huadu, Nansha and Huangpu.

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 “The downtown area saw an increase in both transaction prices and transaction volumes from January to November. However, the huge increase of transaction volumes and decrease of transaction prices in the suburban area dragged down city-wide average transaction prices year-on-year.” Sam He, Savills Research

➔ **Market overview**

National GDP growth reached 6.8% in Q4/2015, while investment bottomed out at 1.0% as the economy continued to face downward pressure.

The Guangzhou residential market continued to recover, benefitting from favourable policies, such as the sixth round of cuts to interest rates in October and the loan limit increase of the Housing Provident Fund (HPF) which stimulated the potential growth of the Guangzhou residential market. Home buyers regained confidence and re-entered the market, resulting in a huge increase in transaction volumes. Specifically, downtown and suburban transaction volumes increased 8.59% YoY and 49.29% YoY respectively from January to November.

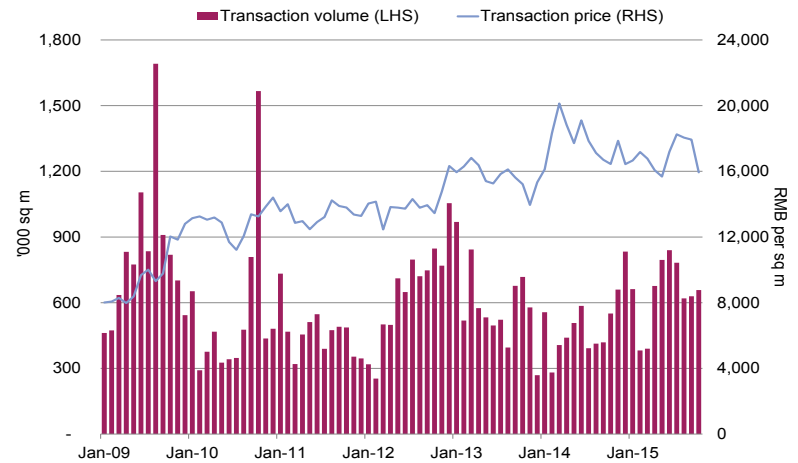
Supportive government policies and a looser monetary environment saw the Guangzhou residential market continue to attract potential investors. As a result, city-wide transaction volumes saw an increase during January to November to 7.1 million sq m, up 36.3% YoY.

However, average transaction prices decreased 4.11% YoY to RMB17,102 per sq m, resulting in a large supply in suburban areas.

Upgraders continued to contribute to the downtown residential market, resulting in an increase in both transaction volumes and average transaction prices. Average transaction volumes increased 8.59% YoY from January to November, to 1.8 million sq m, while average transaction prices reached RMB29,760 per sq m, up 10.56% YoY.

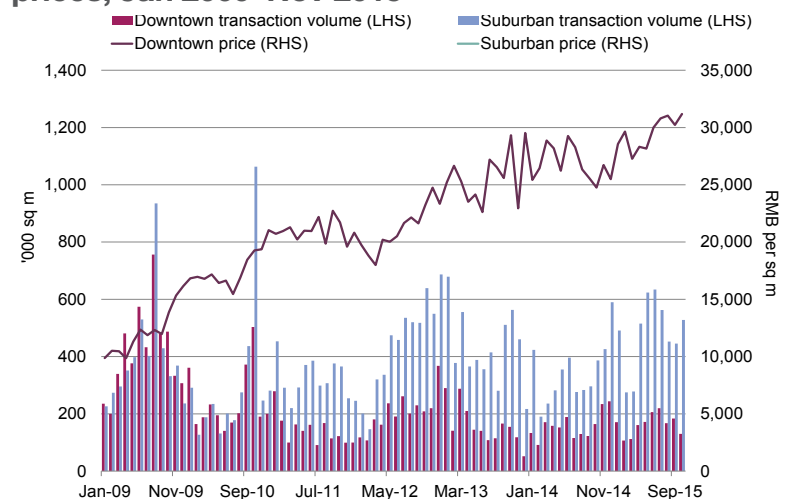
Suburban areas saw a huge increase in transaction volumes during Q4/2015, up 49.29% YoY. However, prices are being lowered in order to de-stock the large amount of supply,

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



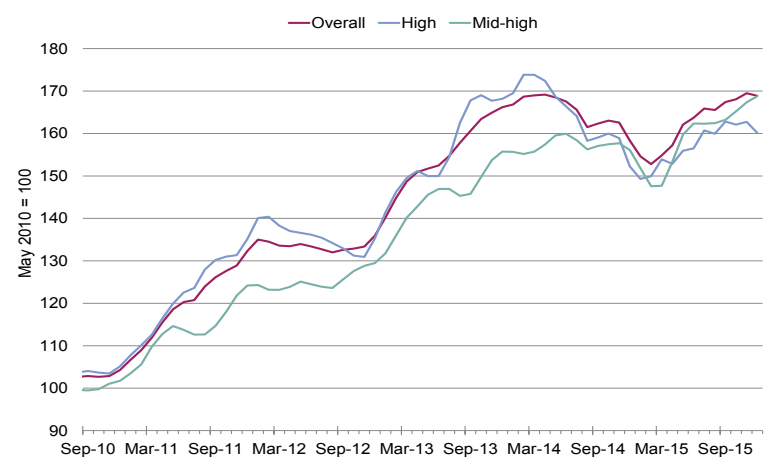
Source: Guangzhou Land Resources & Housing Bureau, Savills Research

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



Source: Guangzhou Land Resources & Housing Bureau, Savills Research

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



Source: Savills Research

resulting in a decrease of average transaction prices to RMB12,738 per sq m, down 5.73%.

High-end residential market

The high-end residential market remained stable throughout Q4/2015, while average prices stabilised at RMB53,599 per sq m, up 2.5% YoY. Mid- to high-end residential average prices increased 2.99% quarter-on-quarter (QoQ), and 6.47% YoY, reaching an average of RMB39,755 sq m.

In addition, average transaction prices for properties above RMB30,000 per sq m witnessed an increase of 2.6% QoQ and 6.7% YoY to RMB57,252 per sq m. Transaction volumes showed a large increase to 230,840 sq m, up 18.1% QoQ and 31% YoY. ■

OUTLOOK

The Guangzhou residential sales market is expected to continue to recover in 2016. Not only are buyers expected to regain their confidence but also upgraders and investors, resulting in an increase in transaction prices.

The Supported by government policies and a looser monetary environment, the Guangzhou residential market is expected to continue to see growth in transaction volumes in 2016. Additionally, a number of high-end projects are scheduled to be launched in the city centre, increasing average transaction prices.

Moreover, the land market is expected to restore confidence by 2017, which will lay a solid foundation for the whole residential market. As a result, both transaction volumes and prices of the first-hand residential market are forecasted to increase.

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