

Briefing Residential sector

May 2016

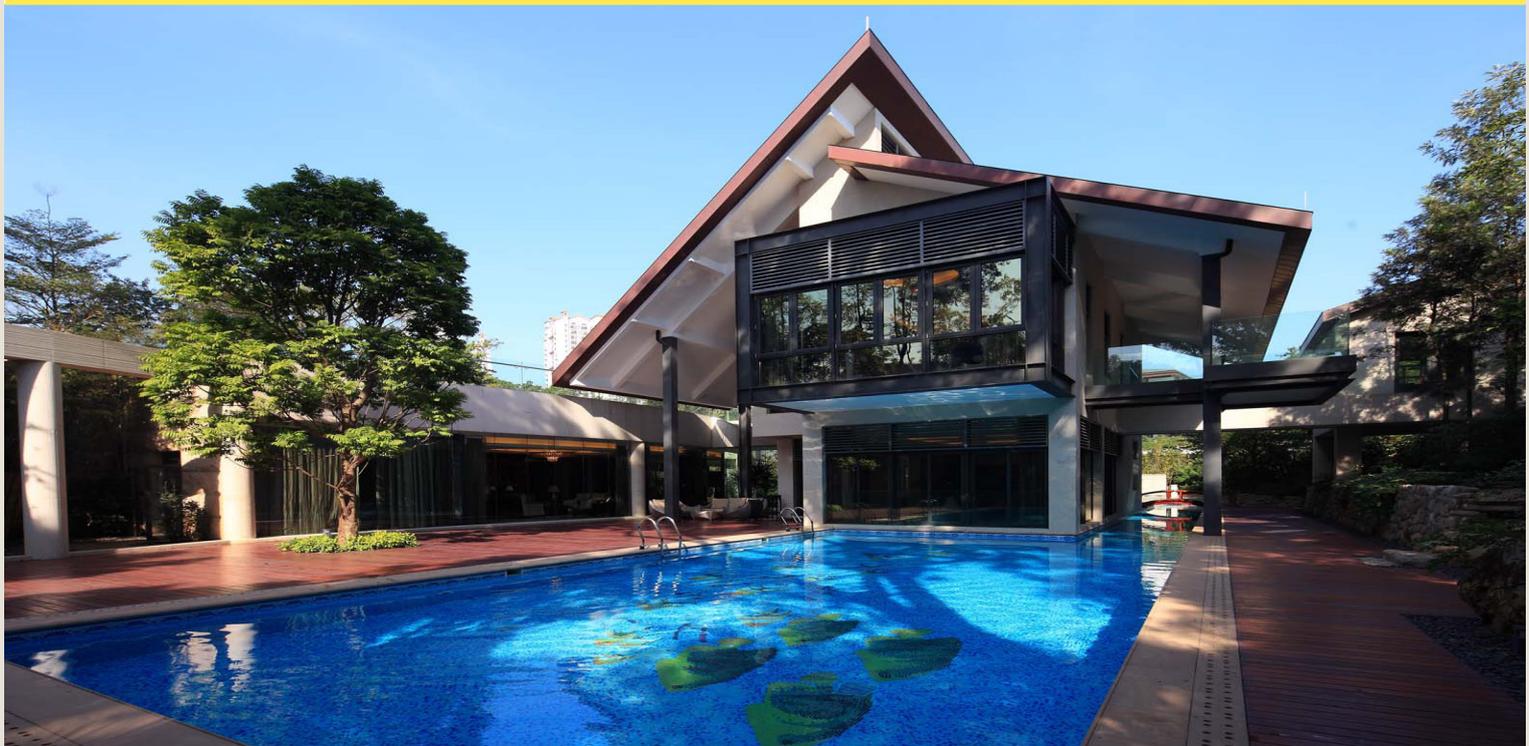


Image: Dayi Villa, Baiyun

SUMMARY

The residential sales market saw an increase in both transaction prices and volumes compared with last year.

■ Q1/2016 saw residential transaction volumes total nearly 1.8 million sq m, up 25.1% year-on-year (YoY).

■ Average residential transaction prices increased 7.9% quarter-on-quarter (QoQ) and 10.1% YoY, to an average of RMB18,620 per sq m.

■ Average downtown¹ transaction prices increased 6.7% QoQ and

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

19.8% YoY to RMB34,137 per sq m, while total transaction volumes reached 0.45 million sq m, up 15.6% YoY.

■ Average suburban² transaction prices increased 2.2% QoQ and 6.0% YoY to RMB13,212 sq m, while total transaction volumes increased 28.6% YoY to 1.34 million sq m.

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

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 “Benefitting from the loosening of polices and proactive promotions by developers, buyers are showing enthusiasm for the residential market. Total transaction volumes for this quarter were up compared with last year.” Sam He, Savills Research

➔ **Market overview**

National GDP growth reached 6.7% in Q1/2016, as the economy continued to face downward pressure. National real estate investment saw a huge recovery in the first quarter, up 6.2% YoY, while the residential investment market occupied a high proportion of 66%.

Unlike Shanghai and Shenzhen, where stricter policies to raise purchasing requirements for non-local buyers have been launched, the Guangzhou residential market has enjoyed a comparatively looser policy environment. Along with proactive promotions by real estate developers, the demand from both first- and second-hand buyers has increased. As a result, the city's residential sales market saw an increase in both transaction volumes and prices compared with last year.

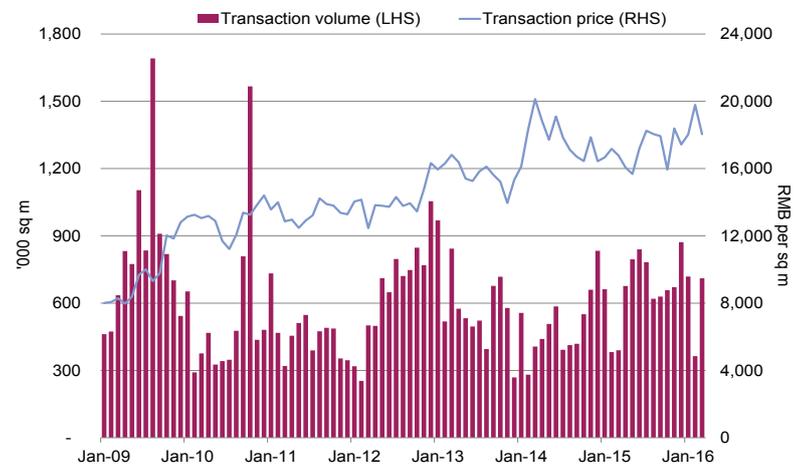
City-wide transaction volumes saw an increase in the first quarter to nearly 1.8 million sq m, up 25.1% YoY but down 18.52% QoQ, influenced by the Chinese Spring Festival.

High demand pushed up residential market transaction prices this quarter. City-wide transaction prices witnessed a 7.93% QoQ increase, up 25.1% YoY to RMB18,620 per sq m.

An influx of new supply in downtown areas supported the downtown residential market this quarter, as transaction volumes reached approximately 0.45 million sq m, up 15.6% YoY. Successful transactions in high-end projects helped increase the average transaction prices in the downtown area to RMB34,137 per sq m, up 6.7% QoQ and 19.8% YoY.

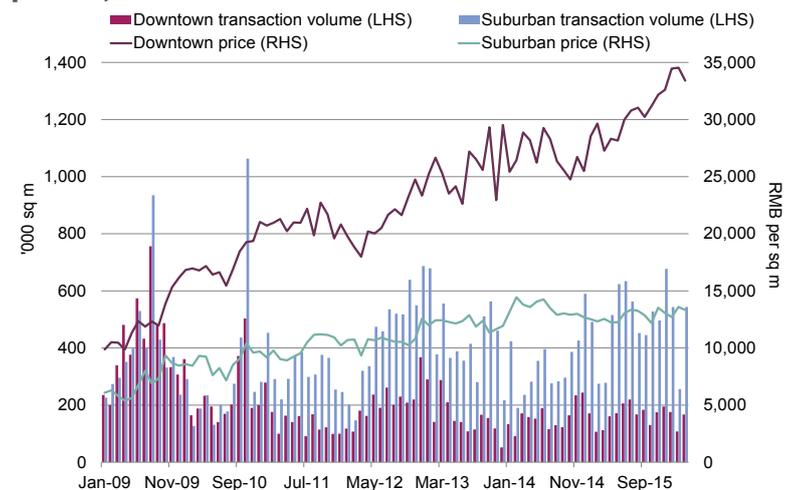
Stable demand continued in suburban areas. This, combined with government-led public facilities construction, meant the suburban market saw a positive increase this quarter. Total transaction volumes increased 28.6% YoY, to 1.34 million sq m, while average transaction

GRAPH 1
Residential transaction volumes and prices, Jan 2009–March 2016



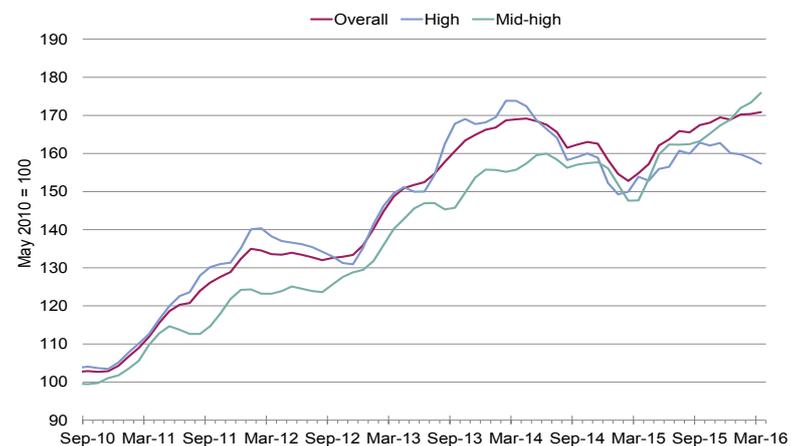
Source: Guangzhou Land Resources & Housing Bureau, Savills Research

GRAPH 2
Suburban vs downtown transaction volumes and prices, Jan 2009–March 2016



Source: Guangzhou Land Resources & Housing Bureau, Savills Research

GRAPH 3
High-end residential price indices, Sep 2010–Mar 2016



Source: Savills Research

prices reached RMB13,212 per sq m, up 2.2% QoQ and 6.0% YoY.

High-end residential market

Transaction prices in the high-end residential market witnessed a slight growth throughout Q1/2016, up 5.0% YoY but down 1.9% QoQ to RMB52,703 per sq m. The mid- to high-end residential market saw an increase of 3.9% QoQ and 16.5% YoY to RMB41,307 per sq m during the same period.

Average transaction prices for properties above RMB30,000 per sq m witnessed an increase of 4.2% QoQ to RMB59,658 per sq m. Transaction volumes also showed an increase to 238,266 sq m, up 3.2% QoQ, while transaction units reached 1644, 24 units more than last quarter. ■

OUTLOOK

The city's residential market remains a healthy environment compared with other first-tier cities. A stable number of buyers and upgraders are expected to keep contributing to the residential sales market, resulting in an increase in both transaction volumes and prices.

The city continues to have some of the lowest unsold inventory levels it has seen to date. Tightening housing policies launched by the Shenzhen and Shanghai governments, imposing restrictions on home buying, could indirectly place pressure on purchasers in Guangzhou, helping to push up total transaction volumes.

Transaction volumes in suburban areas are expected to continue to grow as a result of the government-led, fast development of transportation and supporting infrastructure projects in these areas.

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