

Briefing Residential sector

August 2016



Image: Jiu Long Lake, Huadu

SUMMARY

The Guangzhou residential market witnessed a spike in transaction volumes during the second quarter.

- Residential transaction volumes rose 51.7% quarter-on-quarter (QoQ) to 2.72 million sq m.
- Average residential transaction unit prices decreased 0.4% QoQ to RMB18,325 per sq m.
- Average downtown¹ transaction unit prices decreased 14.5% QoQ to RMB29,135 per sq m, while total transaction volumes in the area reached 0.78 million sq m, up 73.1% QoQ.
- Average suburban² transaction unit prices increased 6.5% QoQ to RMB13,983 per sq m, while total transaction volumes in the area increased by 44.5% QoQ to 1.94 million sq m.

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

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

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 “The Guangzhou residential market continued to grow in 1H/2016, recording an increase in first-hand residential transaction volumes, though transaction unit prices declined slightly.” Sam He, Savills Research

➔ **Market overview**

The national economy remained stable in 1H/2016, with GDP achieving 6.7% year-on-year (YoY) growth. National real estate investment continued to grow, up 6.1% YoY. By comparison, national residential investment increased 5.6% YoY during the same period, of which the residential investment market accounted for 66.8%.

Loosening policies towards home purchases, lower interest rates and the construction of supporting infrastructures in suburban areas, has helped increase both transaction volumes and prices across the city's residential market in the last six months.

Strong demand increased city-wide transaction volumes in the second quarter to nearly 2.72 million sq m, up 51.7% QoQ and 17.7% YoY.

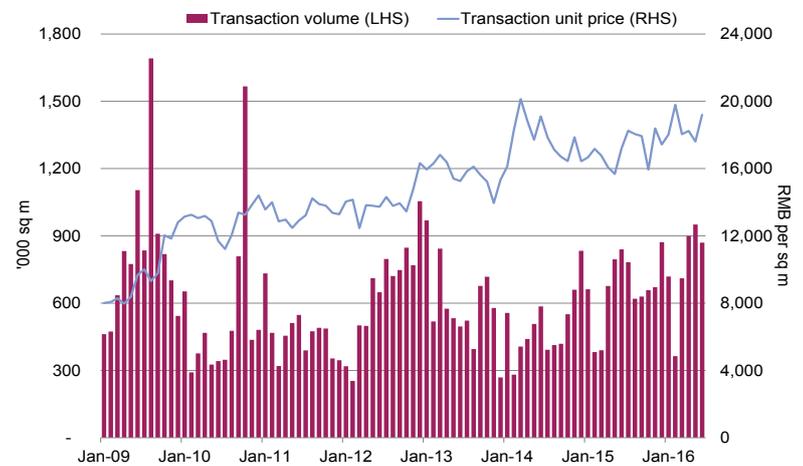
City-wide transaction unit prices decreased 0.4% QoQ to RMB18,325 per sq m, but remained up 12.1% YoY.

Transaction volumes in the downtown residential market were supported by an influx of new supply, reaching 780,000 sq m, up 73.1% QoQ. However, transaction unit prices in downtown areas were dragged down by several residential projects in the Liwan district.

Transaction unit prices witnessed a 14.5% decline QoQ in this quarter to an average of RMB29,135 per sq m.

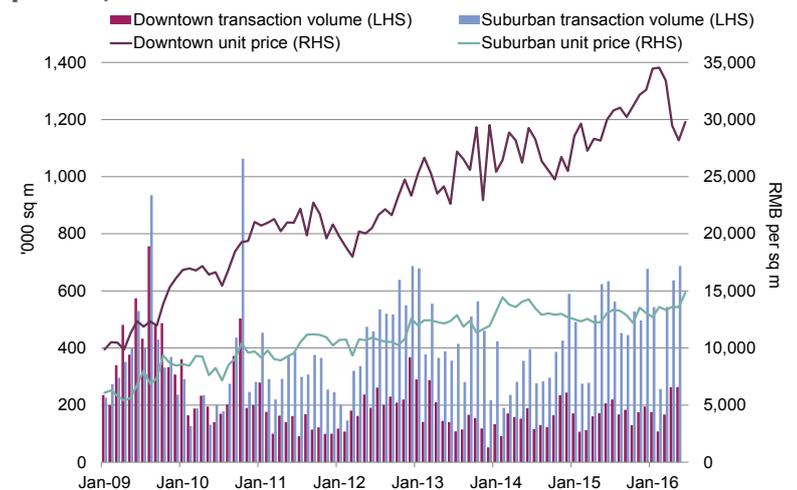
Relatively low prices in suburban areas, combined with the fast development of transportation services and supporting projects, have increased demand from suburban homebuyers. Total transaction volumes increased 44.5% QoQ, to 1.94 million sq m, while average transaction prices reached RMB13,983 per sq m, up 6.5% QoQ and 7.2% YoY.

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



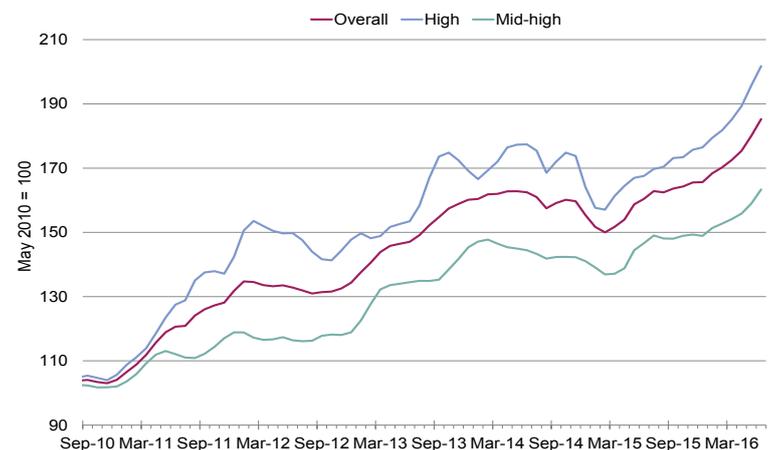
Source: Guangzhou Land Resources & Housing Bureau, Savills Research

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



Source: Guangzhou Land Resources & Housing Bureau, Savills Research

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



Source: Savills Research

High-end residential market

A few high-end residential projects recorded huge transactions in Q2/2016, which helped to push overall transaction unit prices in the submarket to RMB56,778 per sq m, up 5.8% QoQ and 14.3% YoY. Both the high-end and mid- to high-end residential markets saw an increase of 7.4% QoQ and 4.4% QoQ, to RMB70,872 and RMB44,249 per sq m respectively during the same period.

Average transaction unit prices for properties above RMB30,000 per sq m increased slightly, by 0.5% QoQ to RMB59,964 per sq m. However, transaction volumes skyrocketed to 397,893 sq m, a 67.0% increase QoQ. Total transacted units reached 3004, almost 80% greater than the total sold in Q1. ■

OUTLOOK

With favourable policies and supporting infrastructure projects, both first-time buyers and upgraders are the demand drivers in the city's residential market.

Favourable government policies will maintain demand amongst first-home buyers and upgraders over the short term. Citywide transaction volumes in the residential market will continue to increase.

Projects in the downtown area will remain the most highly sought after by buyers

and investors, which should increase the number of transactions in the area. Both the transaction volumes and unit prices in suburban areas are expected to continue increasing, benefiting from further infrastructure development.

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