

Briefing Residential sector

November 2016



Image: Gold Arch Residence, Yuexiu

SUMMARY

The residential sales market remained robust and first-hand transaction unit prices saw an increase.

■ Residential transaction volumes decreased 6.7% quarter-on-quarter (QoQ) to 2.54 million sq m.

■ Average residential transaction unit prices increased 11.6% QoQ to RMB20,456 per sq m.

■ Average downtown¹ transaction unit prices increased 17.2% QoQ to RMB34,150 per sq m, while total

transaction volumes in the area reached 0.75 million sq m, down 3.8% QoQ.

■ Average suburban² transaction unit prices increased 5.2% QoQ to RMB14,715 sq m, while total transaction volumes in the area decreased by 7.8% QoQ to 1.79 million sq m.

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

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

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“Compared with other first-tier cities, the Guangzhou residential transaction market maintained healthy transaction unit prices and a fairly competitive environment. The city’s residential market recorded a huge increase in first-hand transaction prices this quarter, and still has room for growth.” Sam He, Savills Research

→ Market overview

The city's economy remained stable in Q3/2016, with GDP achieving an 8.1% year-on-year (YoY) growth, 1.4 percentage points (pps) higher than the national growth rate. Affected by tightened regulation policies, national real estate investment growth was down. In comparison, Guangzhou's real estate investment increased 12.3% YoY during the same period, 1.2 ppts higher than last quarter.

The land auction market remained active, with total transaction prices reaching a record high, which could affect purchasers' sentiment. More than 20 cities with hot residential markets nationwide released further restrictions to cool down the market.

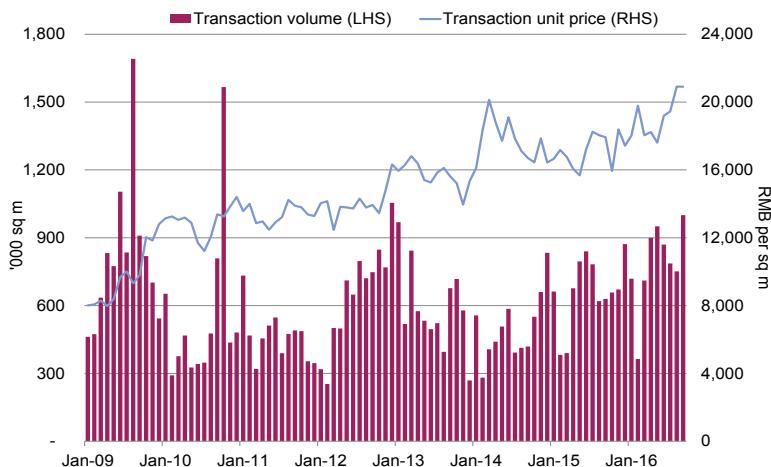
During Q3/2016, the city's residential market saw minor policy adjustments, including down payments for first-home buyers making use of a provident fund increased from 20% to 30%, and tightened regulations for real estate companies and the land auction market, such as pre-sales requirements and qualification control of those enterprises entering the land auction market.

The third quarter saw city-wide total first-hand transaction volumes fall 6.7% QoQ to 2.54 million sq m, up 25.0% YoY. However, first-hand transaction unit prices saw a significant increase of 11.6% QoQ to RMB20,456 per sq m, up 13.1% YoY.

The downtown residential sales market remained strong in the third quarter, with average transaction unit prices showing a significant increase of 17.2% QoQ to RMB34,150 per sq m, partly due to a few select major deals conducted in the high-end residential market. Transaction volumes, however, decreased in the downtown residential market, down 3.8% QoQ to 0.75 million sq m.

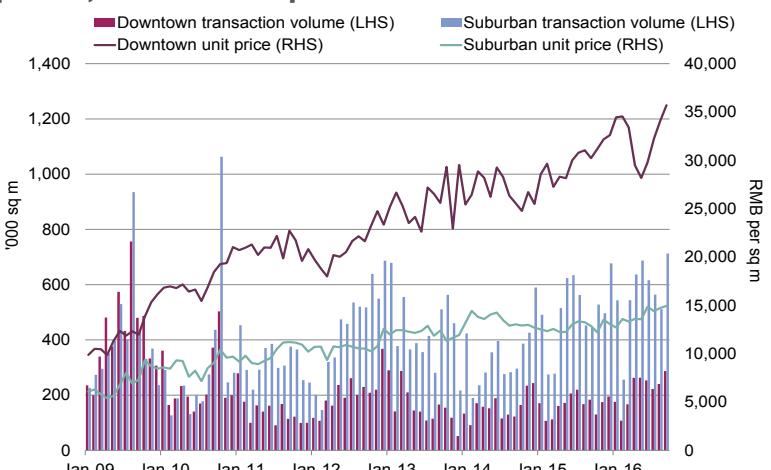
GRAPH 1

Residential transaction volumes and prices, Jan 2009–Sep 2016



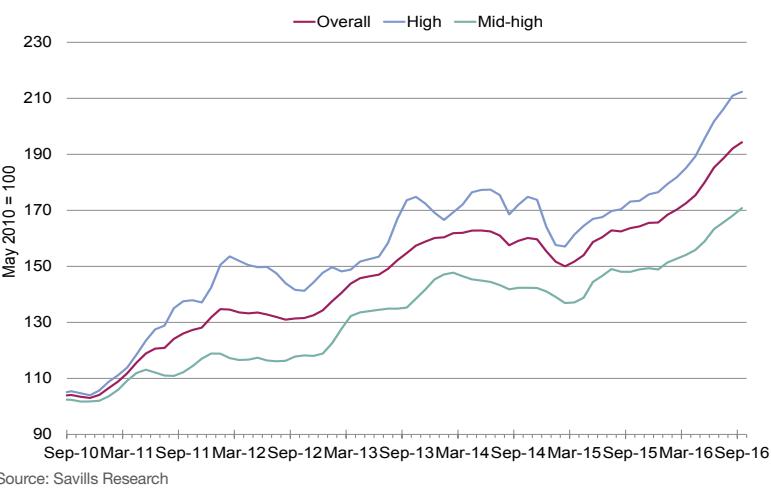
GRAPH 2

Suburban vs downtown transaction volumes and prices, Jan 2009–Sep 2016



GRAPH 3

High-end residential price indices, Sep 2010–Sep 2016



Suburban areas which have comparatively lower prices and improved accessibility attract those buyers looking to purchase for self-use as opposed to investment. The third quarter saw total transaction volumes in suburban areas decrease 7.8% QoQ to 1.79 million sq m, while average transaction unit prices rose 5.2% QoQ to RMB14,715 per sq m.

High-end residential market

Influenced by the thriving first-hand residential sales market, the high-end residential market witnessed active performances in Q3/2016. In Q3/2016, the city's high-end residential transaction unit prices increased 6.3% QoQ to an average

of RMB60,491 per sq m, up 17.6% YoY. Additionally, both the high-end and mid- to high-end residential markets saw an increase of 7.3% and 5.5% QoQ to RMB75,881 and RMB46,811 per sq m respectively. Average transaction unit prices for properties above RMB30,000 per sq m continued to increase, up 0.5% QoQ to RMB60,279 per sq m. Transaction volumes skyrocketed to 679,745 sq m, a 70.8% increase QoQ. Total transacted units reached 5,472 in the same period, up 82.8% QoQ.

Market outlook

Guangzhou and other cities experiencing a hot residential sales market are seeing new rounds of

property-purchasing restrictions and tightening of mortgage rules that will, to some extent, affect potential purchasers. As a result, first-hand transaction volumes are expected to slow in future.

Downtown areas will remain a safe heaven for both investors and buyers. However, benefitting from improved infrastructure and increased accessibility due to rail transit, the suburban areas will remain attractive to those looking to purchase for self-use as opposed to investment. ■

Please contact us for further information

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Savills plc

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