

Briefing Residential sector

February 2017

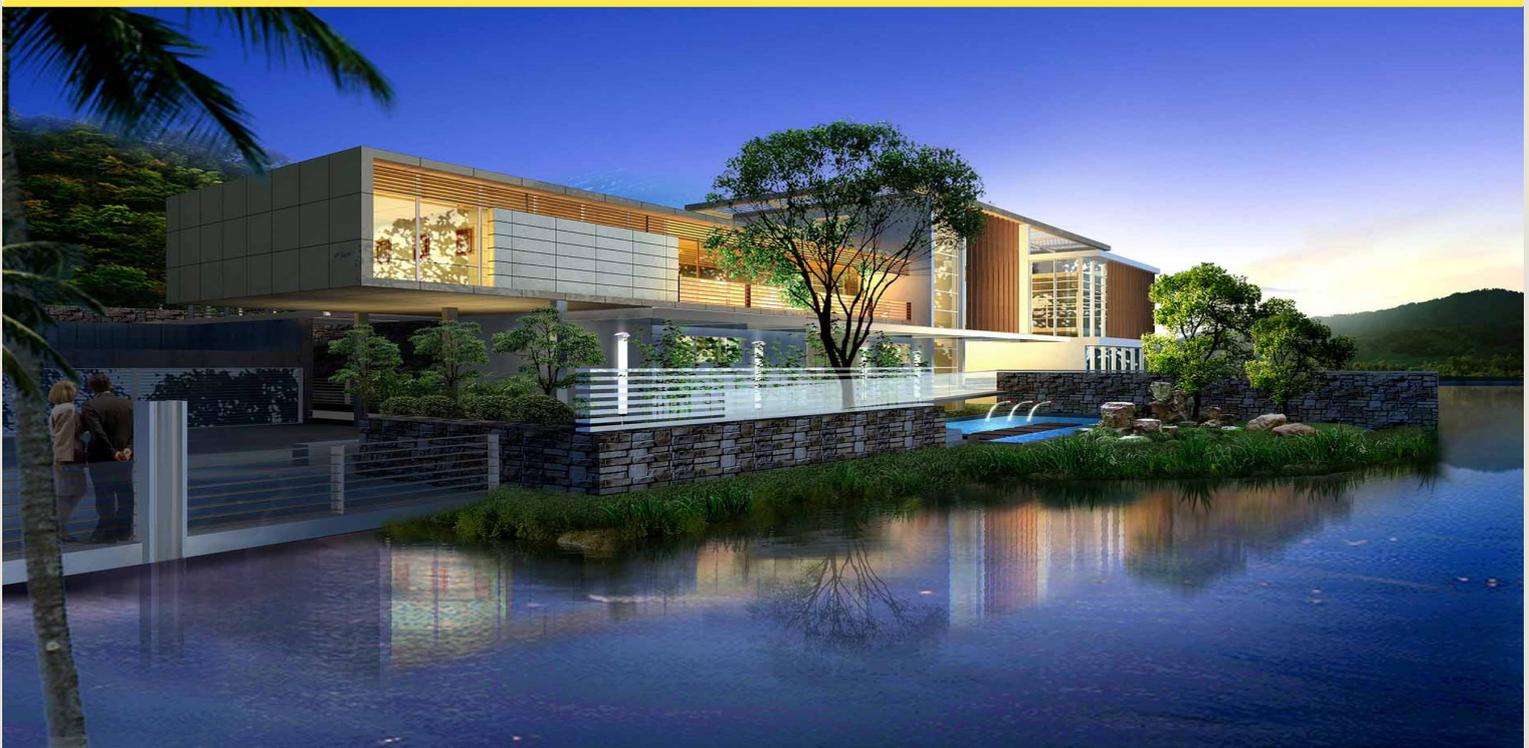


Image: The World Villa, Baiyun

SUMMARY

The first-hand transaction market saw an increase in transaction volumes in a strictly regulated environment.

■ Residential transaction volumes increased 9.9% quarter-on-quarter (QoQ) to almost 2.8 million sq m, up 26.8% year-on-year (YoY).

■ Average residential transaction unit prices decreased slightly by 2.0% QoQ to RMB20,053 per sq m, but up 16.1% YoY.

■ Average downtown¹ transaction unit prices increased 6.4% QoQ to

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

RMB36,347 per sq m, while total transaction volumes in the area dropped 27.2% QoQ to nearly 550,000 sq m.

■ Average suburban² transaction unit prices increased 9.4% QoQ to RMB16,091 per sq m, while total transaction volumes in the area surged by 25.5% QoQ to 2.24 million sq m.

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

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 “The city is maintaining a healthy competitive environment compared with other first and hot second-tier cities, with the residential sales market continuing to experience an increase in transaction volumes. However, the growth rates of transaction unit prices registered a negative level due to structure adjustment.” Savills Research

➔ **Market overview**

The city's GDP achieved an 8.2% YoY growth. This was especially evident in the tertiary industry, which increased 1.45 percentage points (ppts) YoY, contributing 77.0% to city-wide economic growth.

In the fourth quarter of 2016, the land auction market was very active, with more than 15 land plots achieving a high premium rate.

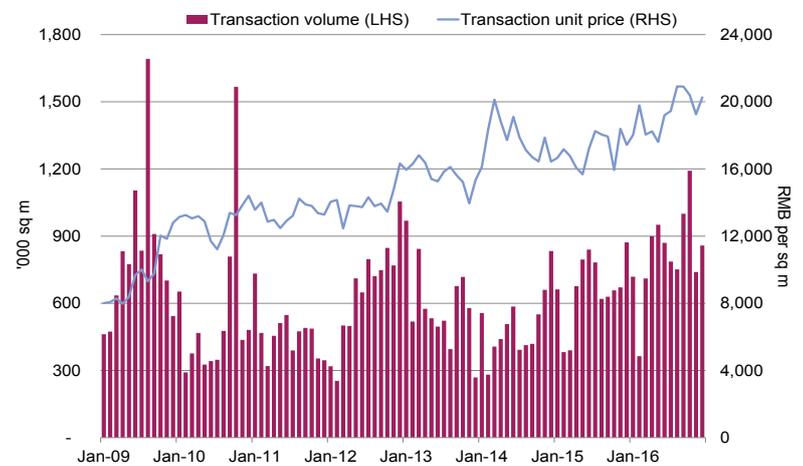
The active market pushed down the cycle of residential market deleveraging to less than eight months. In Q4/2016, the city's residential sales market saw first-hand transaction volumes increase 9.9% QoQ and 26.8% YoY to almost 2.8 million sq m.

City-wide first-hand transaction unit prices in Q4/2016 saw a slight decrease after the surge experienced in the third quarter, down 2.0% QoQ to RMB20,053 per sq m. However, average transaction unit prices increased 16.1% YoY, primarily as a result of renewed purchasers' confidence due to the growth of the residential market driving up sales prices.

In Q4/2016, transaction volumes in the downtown residential market decreased 27.2% QoQ to almost 550,000 sq m, but up 9.2% YoY. However, the continued construction of city infrastructure boosted the suburban residential sales market, with suburban transaction volumes increasing by 25.5% QoQ to 2.24 million sq m, up 31.9% YoY.

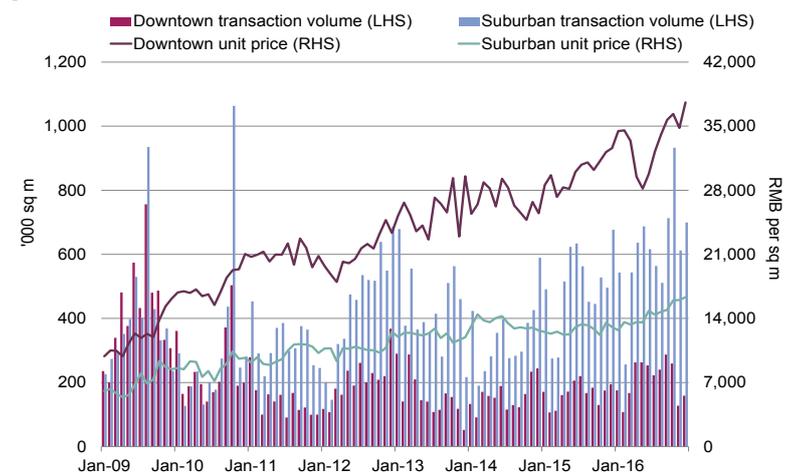
Transaction unit prices of residential sales in the downtown area remained stable, with an increase of 6.4% QoQ and 13.3% YoY; the suburban market registered a better performance, up 9.4% QoQ and 24.5% YoY.

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



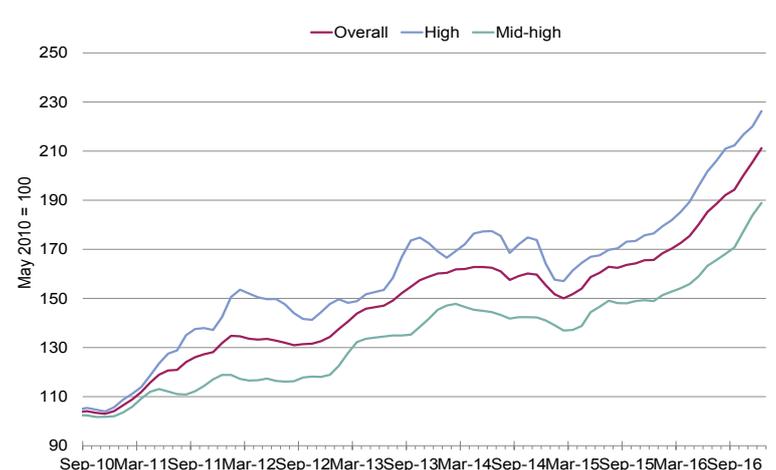
Source: Guangzhou Land Resources & Housing Bureau, Savills Research

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



Source: Guangzhou Land Resources & Housing Bureau, Savills Research

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



Source: Savills Research

High-end residential market

The city's high-end residential market saw continuous growth in transaction unit prices in Q4/2016, increasing 8.7% QoQ to an average of RMB64,927 per sq m, up 26.1% YoY. The mid- to high-end residential market saw an increase of 10.8% QoQ to RMB51,454 per sq m, up 25.1% YoY.

Average transaction unit prices for properties above RMB30,000 per sq m continued to increase in Q4/2016, up 25.3% QoQ to RMB75,550 per sq m, an increase of 32.0% YoY. However, transaction volumes saw a huge decrease over the same period, down 42.4% QoQ to 391,757 sq m, but up 69.7% YoY. ■

Market Outlook

Transaction unit prices in downtown areas remain stable, while the suburban market becomes increasingly attractive due to lower unit prices and the increased availability of convenient transportation.

The city's residential market is relatively healthy, however, new rounds of purchasing restriction policies have already gone some way towards affecting the city's residential sales market. As a result, the market is undergoing an adjustment period and is expected to see a slowdown in transaction volumes.

The active land transaction market is likely to up confidence in purchasers, encouraging them to enter the market. The downtown residential sales market is expected to remain strong, while the suburban market still has room for development, thanks to the relatively low prices and gradually improving rail transit infrastructure.

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