

Briefing Residential sector

August 2018



Image: Canton Bay, Liwan District

SUMMARY

Guangzhou's primary residential sales market saw increases in both transaction volume and prices in spite of strict home purchasing restrictions in Q2/2018.

■ Transaction volume for the primary residential market increased to 1.77 million sq m, up 48.3% quarter-on-quarter (QoQ) in Q2/2018.

■ Average residential unit sales prices increased to RMB23,091 per sq m, up 11.3% QoQ and 22% year-on-year (YoY).

■ Transaction volume for the downtown areas (Yuexiu, Liwan, Haizhu, Tianhe and Baiyuan) increased by 85.9% QoQ and

130.8% YoY to 499,833 sq m. The average sales price for these areas rose to RMB42,034 per sq m, up 5.9% QoQ and 21.3% YoY.

■ Transaction volume for the suburban areas (Panyu, Huadu, Nansha and Huangpu) increased by 37.3% QoQ but decreased by 18.6% YoY to 1.27 million sq m. The average sales price for these areas increased to RMB15,612 per sq m, up 2.6% QoQ.

“Despite the stringent home purchasing restrictions, strong demand from first-time home buyers as well as property upgrades and increased investment will support the steady development of the residential market in the near term.” Carlby Xie, Savills Southern China

→ Market overview

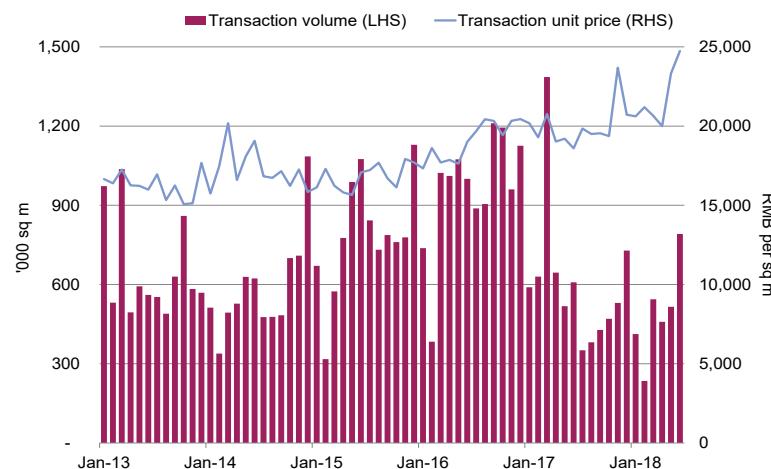
Guangzhou maintained its tightened housing restrictions to curb speculative investment demand. In spite of this, the overall residential sales market in Guangzhou remained fairly stable in terms of sales transaction volume and price trends. During Q2/2018, some purchasing demand was released to the market after an observation period caused by one of the local home purchasing restrictions (the “2017-3.30 Policy”). As a result of an improved infrastructure network, including expressways and an underground, an overall better living environment and less expensive unit prices, the residential property sales market was comparatively active in suburban areas such as Nansha and Huangpu.

The land sales market in Guangzhou was also active in Q2/2018. However, all the land sale transactions occurred in Zengcheng. This is because land in the city centre that is available for development or redevelopment is extremely scarce, and developers have adopted a “decentralisation” mantra. In Q2/2018, the Guangzhou Land Resources and Planning Commission issued a Blue Book on Guangzhou Land Supply for Commercial Use in 2018. According to the book, the residential land supply will be approximately 6.25 million sq m, accounting for 39% of the total land supply across the city. The blue book designated 44 parcels of residential land supply for development, most of which are located in the suburban areas such as Nansha, Huadu, Conghua and Zengcheng.

By the end of Q2/2018, Guangzhou’s first-hand residential transaction volume in nine purchasing-restricted districts (excluding Zengcheng and Conghua) increased to 1.77 million sq m, up 48.3% QoQ. The average transaction price increased by 11.3% QoQ and 22% YoY to RMB23,091 per sq m.

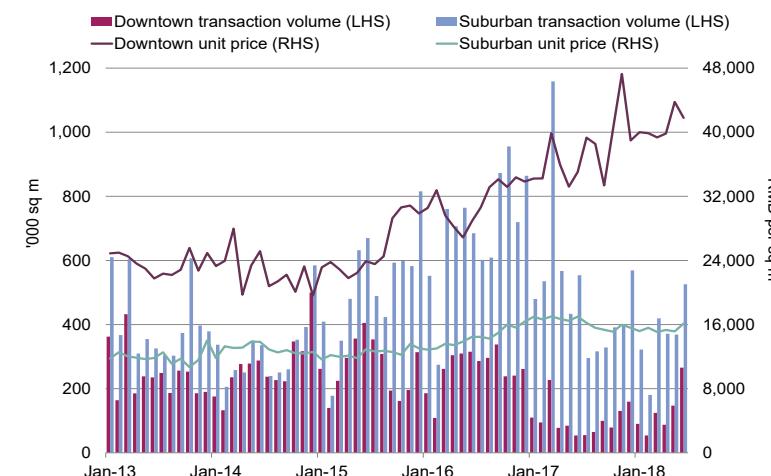
By the end of Q2/2018, the transaction volume in downtown areas increased to 499,833 sq m, up 85.9% QoQ and 130.8% YoY. The average transaction price in the downtown areas grew on par with the

GRAPH 1
Residential transaction volume and prices across nine districts, Q1/2013-Q2/2018



Source: CRIC, Savills Research

GRAPH 2
Suburban vs. downtown transaction volume and prices, Q1/2013-Q2/2018



Source: CRIC, Savills Research

strong demand, increasing by 5.9% QoQ and 21.3% YoY to RMB42,034 per sq m. Among the five downtown areas, Yuexiu and Liwan recorded the most significant growth, up 111.7% QoQ to 9,030 sq m and 132.4% QoQ to 174,641 sq m, respectively.

Transaction volume in suburban areas increased to 1.27 million sq m, up 37.3% QoQ by the end of Q2/2018. The average transaction price in the suburban areas increased 2.6% QoQ to RMB15,612 per sq m. Lower market entry requirements (property prices) and the expanding

underground network improved the confidence of many property purchasers in suburban areas.

High-end residential market

The performance of the high-end residential market was upbeat during Q2/2018. Demand was high during the quarter as evidenced by the growing sales transaction volume, which increased by 201.9% QoQ to 456,031 sq m, and the total for transacted units, which was up 237.3% QoQ to 3,893 units. In conjunction with higher

land values, increased costs for construction materials, and strong upgrade and investment demand, the average sales price of the top ten residential units (in terms of sales prices) increased by 2.3% YoY to RMB76,995 per sq m at the end of Q2/2018.

The average sales price for high-end and mid-to-high-end residential properties increased by 2.6% QoQ

and 7.3% YoY to RMB79,936 per sq m. The average sales price of high-end residential properties in the secondary market increased by 2% QoQ to RMB91,989 per sq m and that of the middle-to-high-end residential properties increased by 3% QoQ to RMB73,317 per sq m.

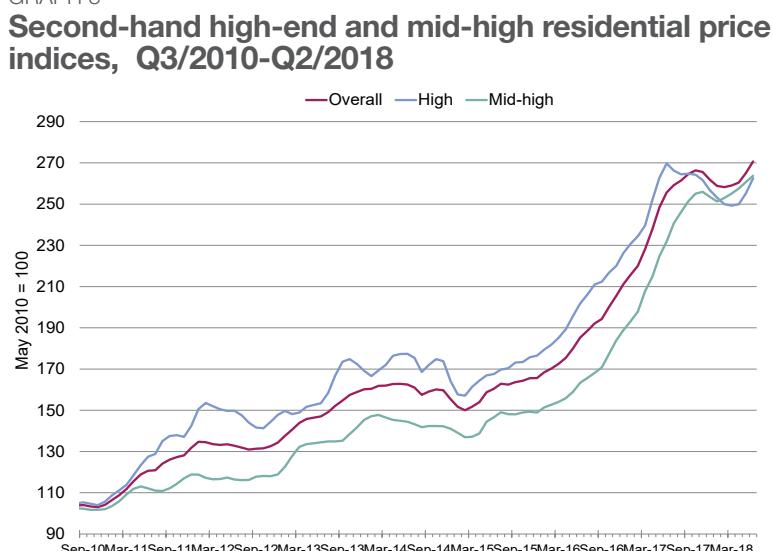
Market outlook

The Guangzhou residential property market should remain positive in

2H/2018 in spite of the existing home purchasing restrictions. In the short term, Guangzhou's residential market will be steady, supported by strong demand and investment requirements. The city-wide transaction volume in the residential property market is forecast to increase during the rest of the year. This will be more apparent in suburban areas such as Nansha and Zengcheng, where new supply, either property or land supply, is more abundant. Although Panyu and Huangpu should continue to provide ample new supply and remain two of the most preferred suburban areas for property purchasing, either for living or investment, the higher financial threshold will ward off some demand, pushing buyers to the outer areas of Guangzhou.

Many residential property developers are currently affected by government policies—like the reserve ratio target reduction—and should face a growing amount of pressure on funding for the remainder of the year. Consequently, many are expected to make use of a wide range of financing channels and sales tactics as well as renewed business development strategies for a healthier corporate cash-flow. ■

GRAPH 3



Source: Savills Research

Please contact us for further information

Research



James Macdonald

Senior Director
China
+8621 6391 6688
james.macdonald@savills.com.cn



Carly Xie

Director
South China
+8620 3892 7168
carly.xie@savills.com.cn

Central Management



Alvin Lau

Managing Director,
Guangzhou
+8620 3892 8590
alvin.lau@savills.com.cn

Savills plc

Savills is a leading global real estate service provider listed on the London Stock Exchange. The company established in 1855, has a rich heritage with unrivalled growth. It is a company that leads rather than follows, and now has over 600 offices and associates throughout the Americas, Europe, Asia Pacific, Africa and the Middle East.

This report is for general informative purposes only. It may not be published, reproduced or quoted in part or in whole, nor may it be used as a basis for any contract, prospectus, agreement or other document without prior consent. Whilst every effort has been made to ensure its accuracy, Savills accepts no liability whatsoever for any direct or consequential loss arising from its use. The content is strictly copyright and reproduction of the whole or part of it in any form is prohibited without written permission from Savills Research.