Residential land remains attractive

The residential land sales market in Guangzhou continued to attract local and domestic developers for their long-term development.

- The publication of the Outline Development Plan for the Guangdong-Hong Kong-Macao Greater Bay Area (GBA) depicted a positive outlook for the real estate market.
- New supply in the Guangzhou residential property market totalled 1.36 million sq m by the end of Q1/2019.
- The demand profile of the Guangzhou residential property market remained relatively unchanged, driven primarily by the combination of rigid demand and home upgrade demand.
- During Q1/2019, the transaction volume totalled 1.67 million sq m, down 20.9% QoQ.
- The average transaction price of the Guangzhou primary residential property market grew marginally by 0.5% QoQ to RMB27,307 per sq m by the end of Q1/2019.
- During Q1/2019, the Jumeirah Living Guangzhou in Tianhe district launched, injecting 168 units of new serviced apartments in to the market.
- Average rent for the Guangzhou serviced apartment market increased by 3.5% QoQ though the average occupancy rate decreased by six percentage points (ppts) QoQ by the end of Q1/2019.
- According to Guangzhou’s Key Projects Plan 2019, the Guangzhou government will accelerate the construction pace of 52 urban regeneration projects in 2019 in a bid to increase the supply of residential property in old districts.

“While the residential land sales market remained attractive to most developers familiar and active in the locality, the serviced apartment investment market continued to see some interest from overseas investors looking for quality assets in established districts.”

CARLBY XIE, SAVILLS RESEARCH
MARKET OVERVIEW
No new policy was enacted for the residential property market in Guangzhou during Q1/2019. In addition, unlike some other cities in the country, bank mortgage rates remained largely unchanged in the locality during Q1/2019.

Overall, the performance of the Guangzhou residential property market continued to be impacted by seasonality, resulting in a relatively calm Q1 market scene across the board—particularly during the period from January to February when the Chinese Lunar New Year delayed or prolonged business activities and decision-making processes. Partly owing to this, both supply and sales transaction volumes decreased considerably relative to the previous two quarters (Q3/2018 and Q4/2018).

One positive note was that the central government promulgated the Outline Development Plan for the Guangdong-Hong Kong-Macao Greater Bay Area in mid-February 2019, depicting a very positive outlook for the real estate market, including the Guangzhou residential sector, and tremendously boosting market confidence. This was followed almost seamlessly by a resilient market performance from the beginning of March, evidenced by a strong uptick in new launches, market inquiries and site inspections, as well as sales transaction volume as of the end of the quarter.

SALES MARKET
By the end of Q1/2019, new supply in the Guangzhou residential property market totalled 1.36 million sq m. Of these new launches, YueXiu Binhai New Town (越秀滨海新城) in Nansha district, the Asian Games City (广州亚运城) in Panyu district, and Sense Wood (兰亭盛荟) in Tianhe district were worth mentioning for their quality and outstanding sales performances.

The demand profile of the Guangzhou residential property market remained relatively unchanged, driven primarily by the combination of rigid demand and home upgrade demand. During Q1/2019, transaction volume decreased to 1.67 million sq m, down 20.6% QoQ. The sales transaction volume of the Guangzhou residential property market slipped during the period from January to February 2019 but subsequently rebounded by approximately 142% in March, compared to February.

The average transaction price of the Guangzhou primary residential property market grew marginally by 0.5% QoQ to RMB27,307 per sq m as of the end of Q1/2019.

LEASING MARKET
Similar to the sales market, January and February marked the low season for the Guangzhou serviced apartment leasing market. After the Chinese New Year holiday, however, the market witnessed a sound pick-up, with a significant amount of site inspections and leasing transactions by returned and newly arrived expatriates from some of the best-known MNCs in Guangzhou. During Q1/2019, the Jumeirah Living Guangzhou in Tianhe district launched, injecting 168 units to the market. By the end of March, the city-wide average occupancy rate for the Guangzhou serviced apartment sector decreased by 6 ppts QoQ to 84%. Owing to annual rental reviews and newly released pricing strategies by many serviced apartment operators on the market, the city-wide average rent for the sector rose by 3.9% QoQ to approximately RMB216.1 per sq m per month.

LAND SALES AND INVESTMENT MARKET
The land sales market in Guangzhou was active during Q1/2019 although the amount of greenfield available for new residential development in the city centre remained scarce and transaction volume of residential land sales was comparatively limited as a consequence. As a vast city with a long history, Guangzhou has been set for an urban regeneration campaign for some time now, for neighbourhood redevelopment and environmental upgrades. According to Guangzhou’s Key Projects Plan 2019, the Guangzhou government will accelerate the construction pace of 52 urban regeneration projects in 2019 in a bid to increase the supply of residential property in old districts. This presents an alternative investment opportunity with much lower capital requirements and higher profit margins to those experienced local Chinese developers in comparison with the conventional approach of building a land bank for residential development through the land bidding, auction and quotation system.

MARKET OUTLOOK
The overall policy environment in the Guangzhou residential property market should remain tightened. The latest intelligence extracted from the National People’s Congress and the Chinese Political Consultative Conference, dated 15 March 2019, unveils the notion of further curbs should remain tightened. The latest intelligence extracted from the National People’s Congress and the Chinese Political Consultative Conference, dated 15 March 2019, unveils the notion of further curbs to price growth in the residential property market, to promote a more stable and healthier environment from both the financial and socio-political contexts. In conjunction with the continued development of the GBA—where Guangzhou remains one of the four core cities—the area’s growing population is expected to lead to increased demand for residential properties for either owner-occupancy or investment purposes. The collective impact of the optimism of many developers towards market sales and the improving affordability by prospective buyers combined with ample liquidity and limited investment channels in the locality should help market digestion.

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