

# Briefing Residential sales

August 2016



Image: Fluxing Royale, Huangpu

## SUMMARY

Sales volumes fell in April and May, in response to tightening policies, but rebounded in June as buying sentiment recovered.

- New commodity residential supply recovered in the second quarter, jumping 128.8% quarter-on-quarter (QoQ) to 3.3 million sq m, up 15.3% year-on-year (YoY).
- Affected by the “3-25 policy” released in March 2016, first-hand commodity residential transaction volumes fell 24.8% in Q2/2016, to 3.2 million sq m.
- Average transaction prices continued to increase, rising by 2.7% QoQ to RMB35,500 per sq m in the second quarter.
- New high-end apartment supply stood at 316,200 sq m in Q2/2016, after no new supply was added in the first quarter.
- First-hand high-end apartment transaction volumes totalled 185,200 sq m in Q2/2016, down 28.0% QoQ but up 2.3% YoY.
- First-hand high-end apartment transaction prices continued their rise, increasing by 2.8% on an index basis in Q2/2016, to an average of RMB84,200 per sq m.
- Bidding on residential land plots proved highly competitive, pushing up premiums to 194.4%, close to the previous peak at the end of 2009.
- Shanghai residential sales prices are expected to increase, supported by significant upgrading demand.

“A strong residential sales market has encouraged developers to bid aggressively on new residential land plots, pushing land prices and premiums to new heights and fostering the expectation of further residential price growth as developers push costs on to the eventual home buyers.” James Macdonald, Savills Research

➔ **Market news**

The “3-25” policy, released in March, which stipulated a higher down payment requirement for second-time home buyers and a higher threshold for non-local buyers, helped cool the Shanghai residential sales market in the second quarter. Home buying sentiment fell as the tightening measures side-lined some potential buyers, though we started to see a recovery in sentiment in June.

Given the weaker sentiment, the recent Shanghai Property Exhibition held over the May holidays hosted fewer Shanghai properties than last year, including the absence of many projects by key developers, such as CMPD, Poly, Vanke and Gemdale. On the back of weak buying sentiment, transaction volumes in Q2/2016 fell

TABLE 1 **First-hand commodity residential market by property type, Q2/2016**

	Supply		Transactions		Average price	
	sq m	QoQ (%)	sq m	QoQ (%)	RMB psm	QoQ (%)
Apartment	2,965,100	+121.7%	2,682,400	-25.9%	35,500	+2.5%
Villa	352,200	+213.5%	526,400	-18.1%	35,200	+3.9%
Overall	3,317,400	+128.8%	3,208,700	-24.8%	35,500	+2.7%

Source: Shanghai Real Estate Trading Center; Savills Research

24.8% in the first-hand residential market and by 49.1% in second-hand residential market.

However, the influx of high-end residential supply and increasing demand from households looking to upgrade their premises, caused average transaction prices to increase 2.7% in Q2/2016, to RMB35,500 per sq m.

The second quarter also continued to see developers bid aggressively on residential plots, despite the fact that most available new plots are relatively far from the city centre. Several “land kings” (buyers who pay extraordinarily high premiums) were recorded, with premiums jumping to five-year highs and land prices at record highs. This wave of land buying has also spread to many other cities in recent months, including but not limited to, Nanjing, Suzhou, Hangzhou and Hefei.

As Shanghai residents continue to demand better living conditions, environmental issues have become a growing concern, leading more and more developers to integrate technology and eco-friendly designs into their new developments. Examples include the introduction of PM2.5 HVAC filters in Jinmao Palace (大宁金茂府) and the environmentally friendly residential compounds of Landsea Mileage (朗诗里程) and Sanxiang Forest Curio (三湘森林海尚).

**Overall commodity<sup>1</sup> residential market**

First-hand commodity residential supply recovered in the second quarter to 3.3 million sq m, higher than the five-year quarterly average of 2.7 million sq m.

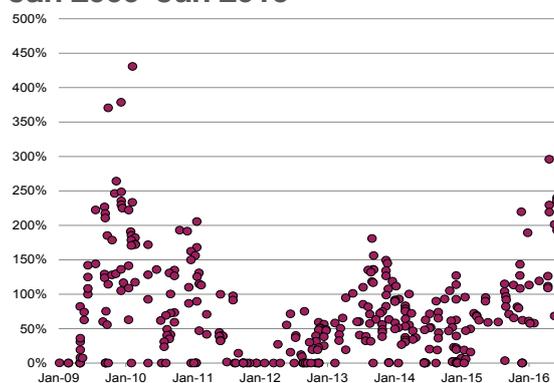
Affected by the “3-25 policy” released in March, first-hand commodity residential transaction volumes fell 24.8% in Q2/2016, to 3.2 million sq m. Transaction prices continued to increase, recording a 2.7% QoQ growth and reaching RMB35,500 per sq m in the second quarter.

Rainbow City (瑞虹新城) in the Hongkou district launched its seventh phase of The Gallery (悦庭) in June 2016, adding 320 units and bringing 39,700 sq m onto the sales market. This followed the strong sales performance (97% sold within six months of launch) in the sixth phase of The Upper (怡庭) which was launched in Q4/2015. By the end of the second quarter, 178 units had been sold, with transaction prices averaging RMB94,100 per sq m, 30% higher than the sixth phase (RMB73,600 per sq m).

The decrease in activity was more noticeable in the second-hand residential market, with transaction volumes falling 49.1% from their peak in Q1/2016, to 5.0 million sq m in Q2/2016.

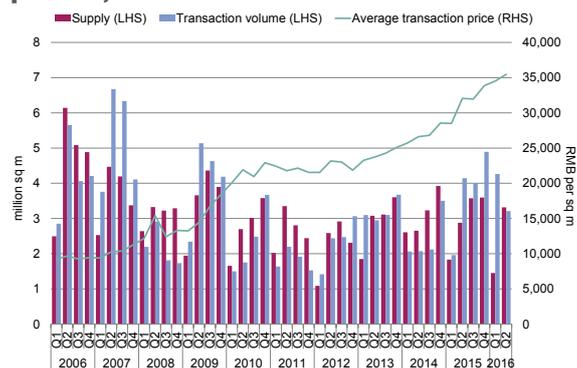
<sup>1</sup>Commodity housing excludes residential properties designated for relocated residents under urban redevelopment plans, as well as economical housing.

GRAPH 1 **Premiums for pure residential plots, Jan 2009–Jun 2016**



Source: Shanghai Municipal Bureau of Planning and Land Resources; Savills Research

GRAPH 2 **First-hand commodity residential market supply, transactions and prices, Q1/2006–Q2/2016**



Source: Shanghai Real Estate Trading Center; Savills Research

Average transaction prices in the second-hand residential market continued their upward trajectory, hitting a new high of RMB27,100 per sq m in the second quarter, up 1.4% QoQ but still slower than the 3.8% growth recorded in Q1.

### High-end residential sales market<sup>2</sup>

First-hand high-end apartment supply recovered in the second quarter, as 1,585 units totalling 316,200 sq m entered the market. This followed an absence of new supply in the first quarter, as a result of stringent issuance of pre-sale certificates.

Villa supply remains very limited, with only 3-4 high-end villa compounds completed each year. One high-end villa project, Queen's Gate (英庭名墅) in the Qingpu district, launched its second batch of 122 villas (67 detached villas and 55 townhouses) in May 2016, adding 30,200 sq m to the sales market.

Much like the mass market, first-hand high-end apartment transaction volumes fell to 185,200 sq m (826 units) in Q2/2016, a decrease of 28.0% QoQ and 53% YoY.

First-hand high-end apartment transaction prices continued their

<sup>2</sup> Judged by a number of criteria including location, building quality, total volumes, unit size, transaction price and property management

rise, increasing by 2.8% on an index basis in Q2/2016, to an average of RMB84,200 per sq m. Primary residential areas have seen the largest price increases (25%) since Q4/2014, compared to 11% and 12% recorded in secondary and emerging areas, respectively.

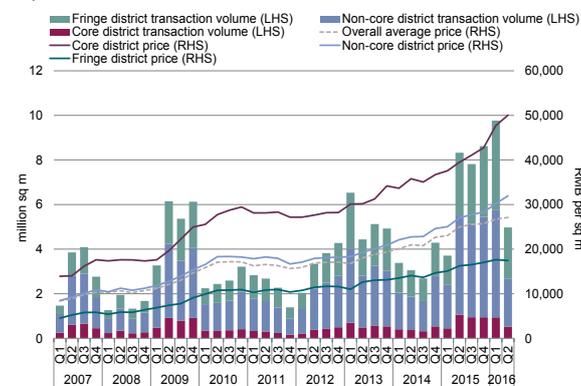
### Notable high-end residential transactions

A recent villa transaction made headlines, recording the highest per sq m value for a first-hand property sale. A townhouse in Building 11 in the high-end residential project Suhe Creek (苏河湾华侨城) was sold on 19 April for RMB242 million. Given its GFA of 701.7 sq m, this is a per sq m valuation of RMB344,925.

A week later, on 25 April, a townhouse in Building 10 in the project was sold for RMB126.2 million, a per sq m price of RMB225,921. The sales were the first villa transactions in this compound.

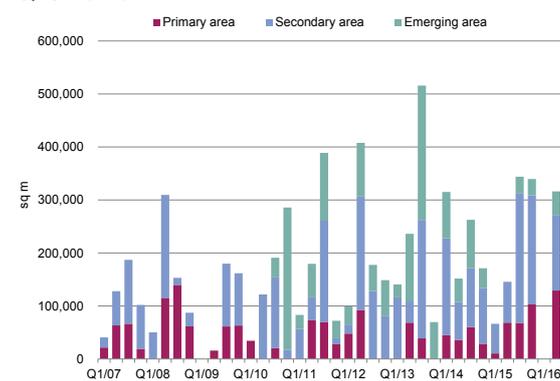
Generally, average prices for villa products are higher than apartments, primarily as a result of rarity, higher efficiency rates (nearly 100%, versus 75-80% for apartments) and more additional spaces (such as garden, rooftop terrace and basement) included in the sales value but not in the GFA calculation.

GRAPH 3 Second-hand residential sales market transactions and prices, Q1/2007-Q2/2016



Source: Shanghai Real Estate Transaction Centre, Savills Research  
 \*Core districts: Changqing, Jing'an, Xuhui and Huangpu.  
 Non-core districts: Hongkou, Putuo, Zhaipei, Yangpu, Minhang and Pudong (including Nanhu)  
 Fringe: Baoshan, Fengxian, Chongming, Jinshan, Qingpu and Songjiang.

GRAPH 4 First-hand high-end apartment market transactions and prices, Q1/2007-Q2/2016



Source: Shanghai Real Estate Transaction Centre, Savills Research  
 \*Primary: Well-established luxury residential enclaves within the inner ring road (Huaihai Road (M), Lujiazui Riverside, Xinhua Road, etc.).  
 Secondary: Developing high-end residential enclaves within the middle ring road (Huamu, Dapujiao, Gubei, etc.).  
 Emerging: Emerging high-end residential enclaves outside the middle ring road (New Jiangwan Town, Sanlin, Waigaoqiao, etc.).

TABLE 2 High-end apartment supply, Q2/2016

Project (EN)	Project (CN)	Launch date	Area	District	Developer	Launch unit	GFA (sq m)	No. of units sold in new batches
Bund House, 5th batch	绿城黄浦湾, 第五批	Apr	Primary	Huangpu	Huazhe Waitan	162	41,620	30
The E18, 2nd batch	滨江壹十八, 第二批	Apr	Primary	Pudong	Wharf	131	42,069	70
Fuxing Royale, 2nd batch	复兴珑御, 第二批	Jun	Primary	Huangpu	Wanye Enterprise	136	28,461	16
Joffre Classic, 2nd batch	淮海名邸, 第二批	Jun	Primary	Changning	BM Holdings	78	16,985	3
Yanlord on the Park, 2nd batch	仁恒世纪公寓, 第二批	Apr	Secondary	Pudong	Yanlord	247	50,801	87
Venezia, 2nd phase	百汇园, 二期	May	Secondary	Xuhui	Baihui	346	52,064	58
Jinmao Palace, 2nd phase	金茂府, 东区	May	Secondary	Jing'an	China Jinmao	282	39,854	154
Yanlord Sunland Gardens, 11th batch	仁恒森林雅苑, 第11批	Apr	Emerging	Pudong	Yanlord	5	1,042	2
Star River, 2nd phase	星河湾花园, 二期	May	Emerging	Minhang	Star River	198	43,308	24

Source: Shanghai Real Estate Transaction Centre, Savills Research

### Project focus

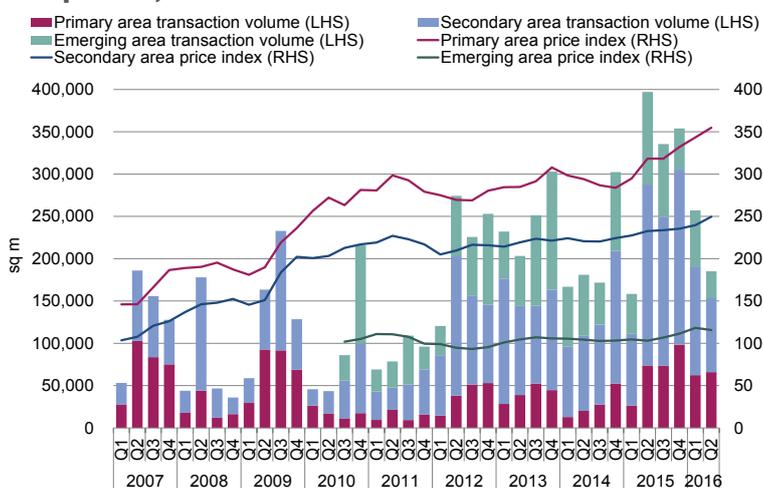
Lakeville Luxe (翠湖天地隽荟)



Located in the Xintiandi area in the Huangpu district, Lakeville Luxe is the fourth phase of the high-end residential complex developed by Shui On Land. The project enjoys easy access to the Xintiandi Metro Station (lines 10 and 13) and is within walking distance of the Huaihai Road (M) central business district (CBD).

GRAPH 5

### First-hand high-end apartment market transactions and prices, Q1/2007-Q2/2016



Source: Shanghai Real Estate Transaction Centre, Savills Research

TABLE 3

### Top five residential projects by first-hand transaction prices, Q2/2016

	Project	District	Area	Average transaction price
Apartment	Ocean One	Pudong	Lujiazui Riverside	168,700
	Tomson Riviera	Pudong	Lujiazui Riverside	164,800
	Suhe Creek	Jing'an	Suhe Creek	164,700
	Shanghai Arch	Pudong	Lujiazui Riverside	157,800
	The Paragon	Huangpu	Huaihai Road (M)	146,000
Villa	Suhe Creek	Jing'an	Suzhou Creek	292,200
	Dongjiao Yi Hao	Pudong	Dongjiao	218,000
	Xijiao 299	Changning	Xijiao	175,100
	Top Forest Villa II	Songjiang	Sijing	151,600
	Park Mansion	Pudong	Yangjing	134,100

Source: Shanghai Real Estate Transaction Centre, Savills Research

TABLE 4

### Developed/ developing phases information

	Lakeville Regency I (Phase 1)	Lakeville Regency II (Phase 2)	Lakeville Regency III/ The Manor (Phase 3)	Lakeville Luxe (Phase 4 – Batch 1)
Address	168 Ji'nan Road	168 Shunchang Road	506 Huangpi Road (S)	260 Ji'nan Road
Launch year	2002	2006	2008	2015
No. of unit	284	645	452	301
Residential GFA (sq m)	58,000	127,100	78,400	88,000
Average transaction price (RMB psm)	20,000	50,000	85,000	132,000

Source: Shanghai Real Estate Transaction Centre, Savills Research

The overall complex has a total planned GFA of 534,000 sq m, broken into six phases. The first three phases have been sold out to individual owners. The fourth phase, Lakeville Luxe, is comprised of eight residential buildings totalling 301 apartment units. Unit types are planned to range from 170 sq m to 800 sq m.

In November 2015, the project launched the first batch of its fourth phase, adding 183 apartment units, totalling 45,300 sq m, to the sales market. The main offerings were three- to four-bedroom (172-288 sq m) units. Asking prices started from RMB130,000 per sq m in Q2/2016.

96 units were registered as sold at the end of Q2/2016. Transaction prices ranged from RMB110,000 to RMB170,000 per sq m, depending on location, unit type and floor level. The average transaction price for the fourth phase of the project was approximately 55% higher than the third phase, which was launched onto the market in 2008.

A private clubhouse is accessible to residents, with full facilities including an indoor heated swimming pool, gym, yoga room, children's play room and banquet hall.

### Residential land market

After no new land plots were auctioned in April, 12 residential (including purely residential and mixed-use) land plots were

transacted in May and June, totalling 1.2 million sq m of buildable area. All the land plots transacted are located in suburban districts such as Songjiang, Baoshan, Jiading, Fengxian and Chongming.

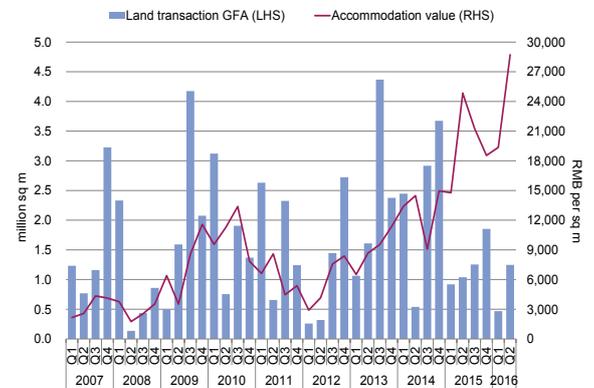
Average accommodation values (AV) for transacted plots reached a new high of RMB28,700 per sq m in Q2/2016, up 48.4% QoQ. Like for like, assessments are difficult to gauge though it is clear that aggressive bidding on new plots has resulted in the significant growth of land prices over the last 12-18 months.

Bidding on residential land plots was highly competitive, pushing up premiums to 194.4% from an average of 93.8% in Q1/2016, evidence of developers' sustained confidence in the Shanghai market. Domestic second-tier developers have had a growing presence in recent land auctions in recent quarters.

• **296% – Zhoupu site, Pudong**

One of the most notable deals was the acquisition by Poly Real Estate of a purely residential land plot in the Zhoupu area in Pudong, for RMB5.5 billion on 18 May 2016, beating out 36 competitors including Longfor, Vanke, Shimao, CR Land, Wharf, Lujiazui, COFCO, Evergrande and KPG. The site has an area of 69,400 sq m and a plot ratio of 1.8, giving it an AV of RMB43,600 per sq m (RMB54,500 after a reduction for the

GRAPH 6 Residential land transaction area (buildable area) and AV, Q1/2007–Q2/2016



Source: Shanghai Real Estate Transaction Center; Savills Research

5% affordable housing allocation and 15% designated as self-use or lease only). The acquisition achieved a relatively high premium of 296%.

Beijing Capital Land has agreed to inject no more than RMB2.8 billion into the parcel, giving it a 51% interest in the JV.

• **112%, 109% – Sijing sites, Songjiang**

The Sijing area in the Songjiang district saw two purely residential plots transacted in May 2016. One was acquired by Sunac for a total consideration of RMB3.0 billion, an AV of RMB38,300 per sq m and a premium of 112%. The other was bought by Gree Real Estate for RMB2.0 billion, an AV of RMB 37,700 per sq m and a 109% premium over the reserve price.

TABLE 5 Top five residential land deals by AV, Q2/2016

Plot name	District	Site area (sq m)	Plot ratio	Transacted price (RMB million)	AV (RMB psm)	Premium (%)	Developer	Date
周浦镇西社区pdp0-1001单元a-03-11	Pudong	69,433	1.8	5,450	43,607	296%	Poly	18-May
泗泾镇sjsb0003单元12-01	Songjiang	43,599	1.8	3,005	38,291	112%	Sunac	11-May
泗泾镇sjsb0003单元10-05	Songjiang	32,598	1.6	1,965	37,675	109%	Gree	11-May
宝山新城顾村a单元10-03、10-05 (mixed use)	Baoshan	106,369	1.5	5,805	36,383	303%	Cinda	1-Jun
新场旅游综合服务区a10-1	Pudong	56,887	1.2	2,440	35,744	236%	COFCO	29-Jun

Source: Shanghai Real Estate Transaction Centre, Savills Research

• **303% – Gucun site, Baoshan**  
 State-owned enterprises (SOEs) continued to bid aggressively at the recent land auctions. Cinda Real Estate bought a residential and commercial land parcel in the Gucun area of the Baoshan district for RMB5.8 billion on 1 June 2016, beating more than 20 rival bidders. Given a buildable area of 159,554 sq m, this represented an AV of RMB36,400 per sq m and a premium of 303%. This was followed by an announcement of an additional purchase by a JV between Cinda and Vanke in the Binjiang district, Hangzhou for a total consideration of RMB12.3 billion, which was the most expensive land deal in terms of total price year-to-date (YTD) in the country.

### Residential sales market outlook

The existing policies designed to control price growth in the residential market, such as housing purchase restrictions (HPR) and other controlling measures, are expected to remain in effect for the foreseeable future.

As less developable land is available in the city centre, the next few years are expected to see more high-end residential supply in newer business districts such as Yangpu Riverside, Qiantan (New Bund) and New Jing'an. Taking Yangpu Riverside as an example, Bund Wonder (阳光城滨江悦), a brand new high-end residential project by Yango Group, has recently launched its first batch of 278 apartment units (35,200 sq m) in July 2016, with asking prices starting from RMB100,000 per sq m. Another notable new addition will be Bai Dai Tou Residence (八埭头滨江园) by Portman Group & Zhongwei Real Estate, which is expected to launch in Q3/2016.

Transaction volumes are expected to recover in the second half of the year as new supply makes its way onto the market and the impact of the latest policy tightening is absorbed by the market.

Purchasers and recent land kings will have to position their projects at the mid- to high-end of the market in order to achieve price levels that will

afford them a profitable development, placing upward pressure on the market and stretching affordability further.

According to a recent report by Hurun, China now has the most billionaires in the world. The accelerated growth of innovative industries is driving the emergence of a new high net worth individual (HNWI) segment, the 'new rich' – young Chinese people who have rapidly accumulated their wealth and are included in HNWI group in the last few years. The next decade is expected to see increasing demand for super luxury residences from those 'new riches' belonging to the technology, internet, finance and culture & entertainment industries. ■

## Please contact us for further information

### Research



**James Macdonald**  
 Director  
 +8621 6391 6688  
 james.macdonald@savills.com.cn

### Agency



**Siu Wing Chu**  
 Deputy Managing Director  
 +8621 6391 6688  
 siuwing.chu@savills.com.cn



**Shirley Tang**  
 Senior Director  
 +8621 6391 6688  
 shirley.tang@savills.com.cn

### Project & Development Consultancy



**Kitty Tan**  
 Director  
 +8621 6391 6688  
 kitty.tan@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 700 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.