

Residential Sales



Mortgage rates bottom out

Overall first-hand supply and transaction volumes rose while the average price remained stable.

- Overall new commodity residential supply increased by 48.0% quarter-on-quarter (QoQ) to 2.16 million sq m, up 52.4% year-on-year (YoY).
- First-hand commodity residential transaction volumes increased by 51.7% QoQ, totalling 2.16 million sq m, up 48.9% YoY.
- Average transaction price decreased by 4.5% QoQ to RMB54,000 per sq m, up 8.2% YoY.
- First-hand high-end apartment supply decreased by 38.6% QoQ, totalling 33,000 sq m.
- First-hand high-end apartment transaction volume easily surpassed the supply volume with a total of 182,000 sqm, though it still recorded a decrease of 6.0% from Q1/2019.
- First-hand high-end apartment transaction prices remained stable on an index basis to an average of RMB110,000 per sq m.
- Ten pure for-sale residential land plots were transacted, with a total site area of 714,000 sq m and a total buildable area of 1.05 million sq m.
- Q2/2019 was very active in the second-hand market, with average prices falling.
- Shanghai is expected to see significant new supply in the high-end residential market in Q3/2019.
- The submarkets along Suzhou Creek and Lujiazui Riverside are expected to be the focus of the new high-end apartment supply.

“With supply and transactions increasing and price change remaining flat, the current stable policy environment is likely to continue.”

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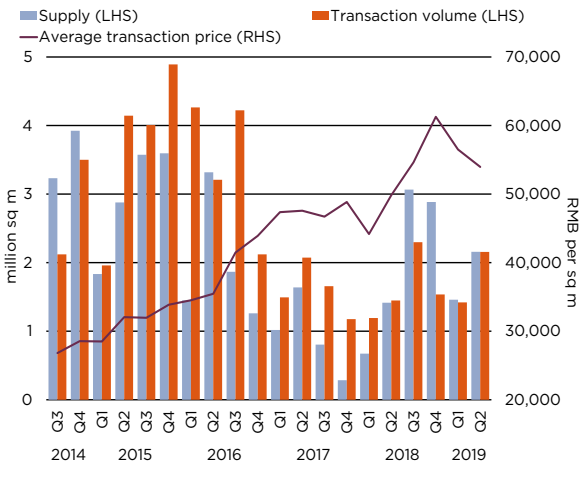
RESIDENTIAL SALES

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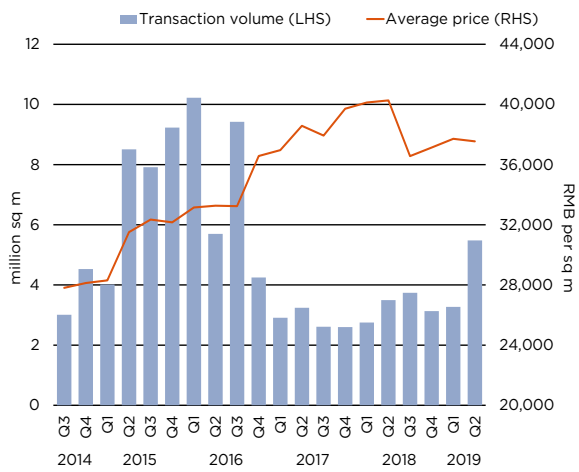
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GRAPH 1: First-Hand Commodity Residential Market Supply, Transaction Volume And Prices, Q3/2014-Q2/2019



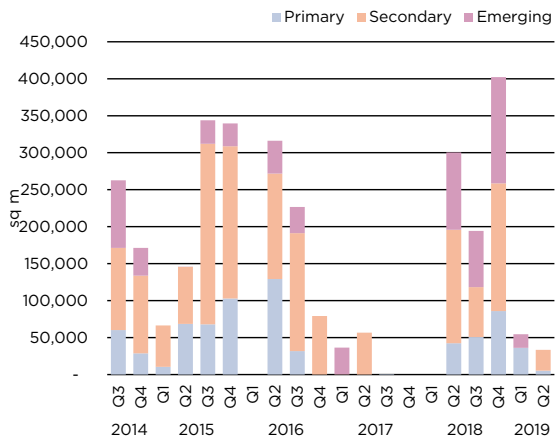
Source: Shanghai Real Estate Trading Center, Savills Research

GRAPH 2: Second-Hand Residential Sales Market Transactions And Prices, Q3/2014-Q2/2019



Source: Shanghai Real Estate Trading Center, Savills Research

GRAPH 3: First-Hand, High-End Apartment Market Supply, Q3/2014-Q2/2019



Source: Shanghai Real Estate Trading Center, Savills Research

MARKET OVERVIEW

The average Shanghai mortgage rate fell to 4.91% in June according to Rong 360, close to the PBOC base lending rate of 4.90%. The rate has been falling since September 2017. New supply and transaction volume of first-hand residential properties increased 48.0% and 51.7% QoQ, respectively, offering new opportunities for first-time buyers. Compared to Q1/2019, transaction volume increased significantly outside the outer ring road, suppressing the average price to RMB54,000 per sq m. For the second-hand residential market, the average transaction price decreased slightly to RMB37,500 per sq m. Overall, the residential market supply and transaction rebounded significantly while the market price remained stable on a like-for-like basis.

First-hand Market - New commodity residential supply increased by 48.0% QoQ to 2.16 million sq m, up 52.4% YoY. First-hand commodity residential transaction volumes increased by 48.9% QoQ, totalling 2.16 million sq m, up 51.7% YoY. Geographically, the transaction volume of first-hand residential properties between the outer and suburban ring roads and outside of the suburban ring road significantly increased by 71.0% and 75.1% QoQ, suppressing the overall city average transaction price to RMB54,000 per sq m. Q2/2019 saw transactions match new supply which kept prices stable.

Second-hand Market - The second-hand residential market in Shanghai was active in Q2/2019. A total of 5.48 million sq m was sold during the quarter, recording an increase of 67.5% QoQ. The transaction price remained stable compared to Q1/2019, with only a slight decrease to an average of RMB37,500 per sq m. Thanks to the supply increase of first-hand residential market, demand in housing upgrade recovered and resulted in an increase in new supply in the second-hand residential market. Also,

the significant increase in the second-hand residential market has caused the digest cycle to drop to 5.2 months.

HIGH-END RESIDENTIAL SALES MARKET

Only 33,000 sq m new supply launched in the first-hand high-end residential market in Q2/2019, down 38.6% QoQ. New supply came from batches of the Joffre Classic (淮海名邸), located on Xinhua Rd., and Jinmao Palace (大宁金茂府), for a total 185 units. The transaction volume of the first-hand high-end residential totalled approximately 182,000 sq m, down 6.0% QoQ. The price index of the first-hand high-end residential remained basically unchanged from Q1/2019, and the average price reached RMB110,000 per sq m.

The price index of primary and secondary areas decreased slightly, while that of emerging areas showed an upward trend. Total supply of first-hand high-end residential remained at a historically low level during 1H/2019, and it is anticipated that a large amount of new supply will launch into the high-end market in 2H/2019. New supply will cluster along the Suzhou River in the regions of Suhe Creek and Hanzhong Road, while Lujiazui Riviera, Dongjiadu and Laoximen will also see new batches of existing high-end projects launching onto the market.

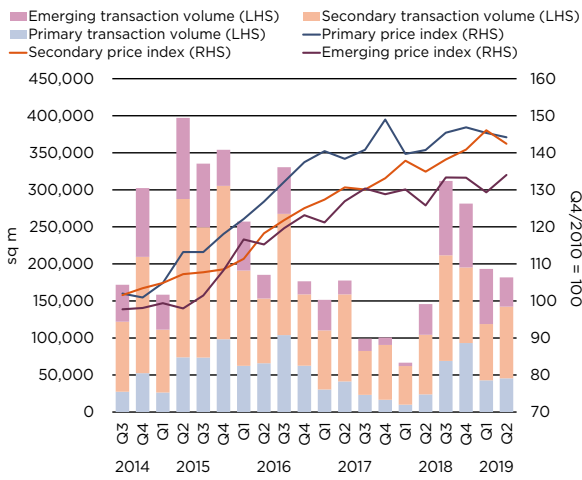
The average price of second-hand high-end properties reached RMB97,400 per sq m. Shimao Riviera Garden (世茂滨江花园) continues to lead the transactions with 45 units and 8,851 sq m, followed by Yanlord Garden (仁恒滨江园) with 25 units and Eastern Manhattan (东方曼哈顿) with 23 units. Annual transaction of Shimao Riviera Garden is about 180 units, and taking the total 3578 units into consideration, the average holding period for homeowners is about 20 years.

TABLE 1: First-Hand Commodity Residential Market By Property Type, Q2/2019

		APARTMENT	VILLA	OVERALL
SUPPLY	SQ M	1,979,798	179,082	2,158,880
	QoQ (%)	44.1%	111.4%	48.0%
TRANSACTIONS	SQ M	1,873,513	282,765	2,156,278
	QoQ (%)	47.6%	85.8%	51.7%
AVERAGE PRICE	RMB PSM	53,807	54,937	53,955
	QoQ (%)	-6.3%	12.6%	-4.5%

Source: Shanghai Real Estate Trading Center, Savills Research

GRAPH 4: First-Hand, High-End Apartment Market Transaction Volumes And Prices, Q3/2014-Q2/2019



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

RESIDENTIAL LAND MARKET

Ten pure for-sale residential land plots were transacted with a total site area of 713,000 sq m and a total buildable area of 1.05 million sq m. Most land plots were in fringe districts such as Jinshan and Chongming. Two plots, however, were in central areas: One in Shibei High-tech Zone, Jing'an District, with an accommodation value (AV) of RMB47,100 per sq m and another one in Jiangpu Community, Yangpu District, with an AV of RMB53,000 per sq m.

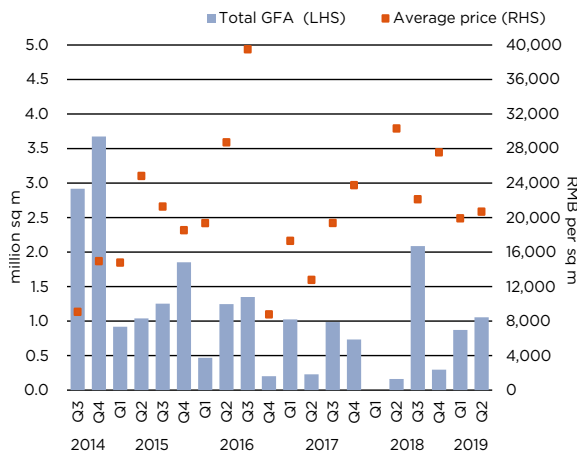
Four pure for-lease residential land plots were sold at their reserve price with a buildable area of 151,000 sq m—two plots located in Songjiang and Qingpu with an AVs of about RMB3,500 per sq m, and two located in Shibei High-tech Zone, Jing'an District, and Liangcheng, Hongkou District, with average AVs of RMB7,500 per sq m and RMB9,400 per sq m, respectively. SOEs are still the main buyers of these for-lease lands.

RESIDENTIAL SALES MARKET OUTLOOK

Pricing remained stable in the first half of 2019 amid a relatively unchanged policy environment and an increase in new supply being met with a corresponding uptick in demand. Given stable pricing, there is unlikely to be any significant policy shift specific to the Shanghai market in the second half of 2019.

More than ten projects with a pre-sale price higher than RMB100,000 per sq m are expected to launch onto the high-end market in the second half of the year, totalling more than 3,000 developable units. The submarkets along Suzhou Creek and Lujiazui Riverside are expected to be the focus of the new supply.

GRAPH 5: For-Sale Residential Land Transaction Area (Buildable Area) And AV, Q3/2014-Q2/2019



Source: Savills Research

TABLE 2: Top Five Apartment Projects By First-hand Transaction Prices, Q2/2019

PROJECTS	DISTRICT	AREA	TRANSACTION AREA (SQ M)	AVERAGE TRANSACTION PRICE (RMB PSM)
Bund House	Huangpu	Huangpu Riviera	863	173,999
The Paragon	Huangpu	Huaihai Road (M)	2,270	145,641
Joffre Classic	Changning	Xinhua Road	3,011	130,993
Jinmao Palace	Zhabei	Danang	4,630	129,763
Oceanwide International	Huangpu	Huangpu Riviera	5,816	126,760

Source: Shanghai Real Estate Trading Center, Savills Research