Savills World Research
Shenzhen

Briefing
Residential sector

May 2015

Image: The Importance of Living, Nanshan district

SUMMARY

A large amount of new supply is expected onto the residential market this year. Additionally, new stimulation policies are expected to support the continuous rise of both prices and transaction volumes.

- Serviced apartment rents fell 2.5% quarter-on-quarter (QoQ) to an average of RMB235.3 per sq m per month, down 1.9% year-on-year (YoY), while city-wide occupancy rates rose 0.6 of a percentage point (ppt) QoQ to roughly 87.0%.

- High-end, strata-title apartment rents increased 1.6% QoQ to RMB110.4 per sq m per month, up 6.7% YoY. Occupancy rates remained unchanged at 86.2%.

- First-hand transaction prices rose 6.8% in Q1/2015 to an average of RMB26,829 per sq m, as transaction volumes decreased 24.6% QoQ to a total of 1.36 million sq m.

- A slight decrease was observed in the second-hand residential market where transaction volumes dropped 0.4% QoQ to 1.78 million sq m, up 71.4% YoY.

- One new sales project "The Importance of Living" (林语堂), was launched in Q1/2015 In Shekou, in the Nanshan district, adding 30 units onto the market. The project, developed by Bozhu real estate company, comprises units ranging from 207-506 sq m in a building spanning nine floors with an average asking price of approximately RMB70,000 per sq m.

"With no new projects entering the market this quarter, both serviced apartment and luxury apartment markets witnessed stable demand."

Sam He, Savills Research

Leasing market overview

No new projects were launched onto the market in Q1/2015, with both supply and demand remaining relatively flat. The serviced apartment market saw an increase in occupancy rate and a slight decrease in rents. The high-end, strata-title apartment market saw an increase in both rents and occupancy rates.

Serviced apartment leasing market

Average rents decreased 2.5% QoQ to RMB235.3 per sq m. Despite mild ups-and-downs throughout the year, the market remained relatively flat YoY. Rents in both the Luohu and Futian districts saw a decrease, while Nanshan is still popular with tenants and saw an increase in average rents.

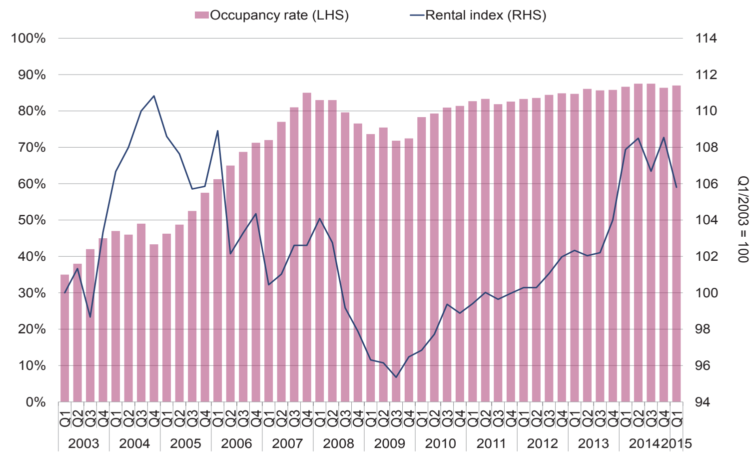
The first quarter saw occupancy rates rise 0.6 of a percentage point (ppt) to 87.0%, up 0.3 of a ppt YoY, with a majority of the projects witnessing stable vacancy rates. The Shenzhen residential leasing market has seen little new supply come onto the market in the past few years but the second quarter is expected to see the launch of Savills Residence Daxin Shenzhen Bay (大新深圳港湾), adding 335 units to the market.

High-end strata-title apartment leasing market

High-end, strata-title apartment rents increased 1.6% QoQ to RMB110.4 per sq m per month, up 6.7% YoY. Occupancy rates remained unchanged at 86.2%. On the back of recent rapid development in the office market in the Futian district, the area now commands some of the highest rents in the city, with further growth expected. However, due to very limited new supply of office buildings in the Nanshan district,

GRAPH 1

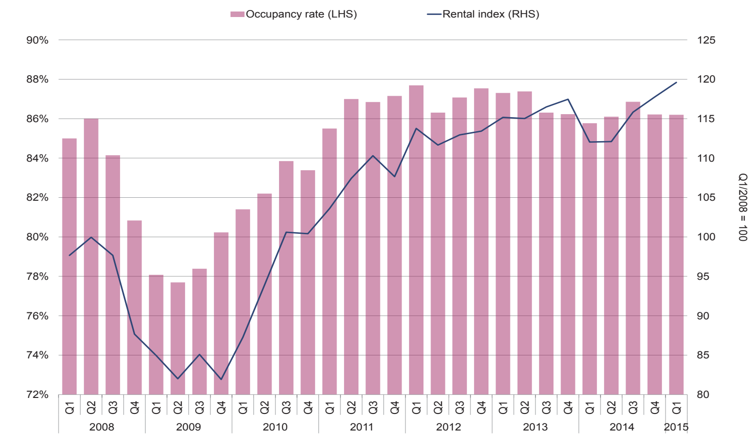
Serviced apartment rental index and occupancy rate, Q1/2003–Q1/2015



Source: Savills Research

GRAPH 2

Serviced apartment rental index and occupancy rate, Q1/2003–Q1/2015



Source: Savills Research

high-end, strata-title apartment rents in this area have witnessed little growth and remain stable.

Leasing market outlook

One new serviced apartment, Savills Residence Daxin Shenzhen Bay (大新深圳港湾), is expected to be launched in Q2/2015, adding 335 units to the market.

As a result of the increasing new supply of office buildings in Shenzhen, more professionals may be attracted to the city which will boost demand and rents may increase over the course of 2015.

Sales market overview

This quarter saw a limited amount of new, high-end residential supply in the Shenzhen market, including only one project located in Nanshan offering 30 new units.

Several newly released policies have managed to stimulate buyer demand in the market, leading to higher transaction volumes. Shenzhen has already implemented the new transaction tax policy, but the down payment ratio remains at 70%. Both prices and transaction volumes in the residential saw increases in the first quarter.

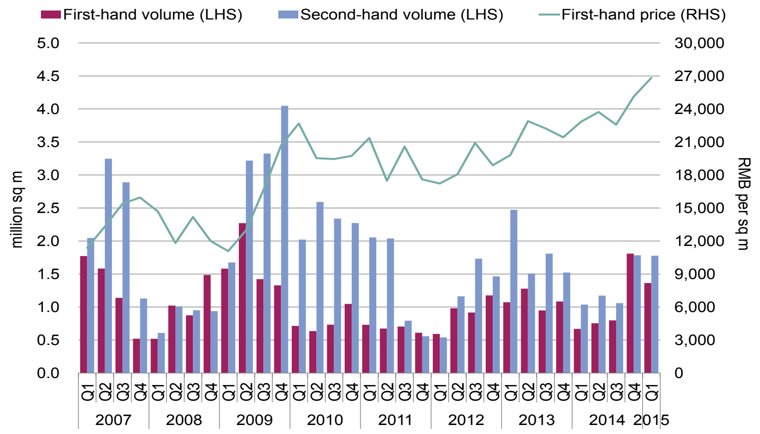
Mass-market residential market

First-hand transaction prices rose 6.8% QoQ to an average of RMB26,829 per sq m, up 17.5% YoY. First-hand transaction volumes fell 24.6% QoQ to 1.36 million sq m, whereas second-hand transaction volumes reached 1.78 million sq m, down 0.4% QoQ and up 71.4% YoY.

The first quarter is traditionally known as the quiet season due to the Spring Festival holiday. As a result, Q1/2015 saw transaction volumes fall QoQ; however they remain up 103.7% YoY. Prices also witnessed steady growth throughout the quiet period. The increase in transaction volumes YoY can be attributed to the large amount of new supply launched onto the market in the first quarter as well as newly-implemented policies boosting demand in the market.

GRAPH 3

Mass-market residential transaction volumes and prices, Q1/2007–Q1/2015



Source: Savills Research

Sales market outlook

In 2015, more than 100 new projects are expected to be launched onto the Shenzhen residential market, mainly in the Longgang, Bao'an, Longhua and Nanshan districts. This large influx of supply may limit the price growth rate in the coming year. However, favourable stimulation policies, coupled with renewed demand in the market may lead to continued price growth.

Houhai and the Qianhai free trade zone are expected to become more established over the next few years, which may lead to an increase in office and high-end residential demand in both areas. Both areas are expected to command high prices in both the leasing and sales market due to limited stock.

Please contact us for further information

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