

# Briefing Residential sector

January 2016



Image: Ascott Maillen Shenzhen, Nanshan district

## SUMMARY

A number of projects in Qianhai and Houhai are expected to be handed over in 2016, increasing the appeal of Nanshan district, leading to high-speed development of the area. Due to limited supply this year, rents and occupancy rates of Shenzhen serviced apartments are expected to increase.

- Serviced apartment rental indices increased 3.3% quarter-on-quarter (QoQ) to an average of RMB203.9 per sq m per month, up 2.9% year-on-year (YoY), while city-wide occupancy rates fell 0.7 of a percentage point (ppt) QoQ to roughly 76.5%.

- High-end strata-title apartment rents increased 9.14% QoQ to RMB127 per sq m per month, up 18.73% YoY. QoQ, occupancy rates fell 0.2 of a ppt to 85.6%.

- First-hand housing transaction prices increased 14.0% in Q4/2015, to an average of RMB40,599 per sq m, as transaction volumes increased 11.5% QoQ to a total of 1.85 million sq m.

- A considerable decrease in transaction volumes in the second-hand housing market was observed, down 24.9% QoQ to 2.79 million sq m, up 56.4% YoY.

“Both the serviced apartment and luxury apartment markets remained stable throughout the fourth quarter. There was no new supply during this quarter, allowing the market to focus on absorbing current stock”

Sam He, Savills Research

➔ **Leasing market overview**

Both high-end strata-title apartments and serviced apartments saw no new supply in Q4/2015. The high-end residential market saw an increase in rents with a decrease in occupancy rates. Demand in the high-end residential market remained stable.

**Serviced apartment leasing market**

Rent indices increased 3.3% QoQ to RMB203.9 per sq m, up 2.9% YoY.

Affected by the traditional hot seasons of Golden September and Silver October, growth in the fourth quarter ranked first in 2015, seeing an increase of 9.14% QoQ. Due to new office buildings launched this quarter, and more due to be launched in the first quarter of 2016, in the Nanshan district, strong demand for high-end residences are expected, leading to rents increasing in Nanshan.

In Q4/2015, occupancy rates within the serviced apartment market decreased by 0.7 of a ppt QoQ to 76.5%, with the majority of projects experiencing stable vacancy rates. Rents increased by 3.3% QoQ to RMB203.9 per sq m per month. With limited new supply launched, the market focused on absorbing the current stock.

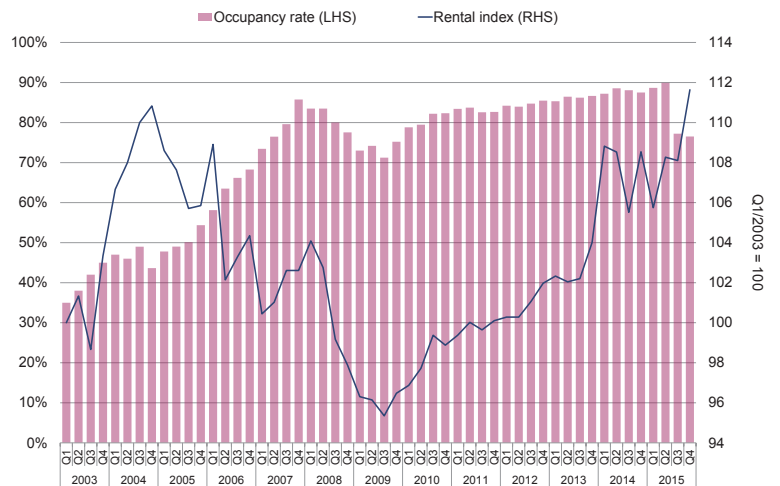
Savills Daxin Shenzhen Bay Phase II is expected to be handed over in 2016, adding 155 units onto the market.

**High-end strata-title apartment leasing market**

High-end strata-title apartment rent indices increased 9.14% QoQ to RMB127 per sq m per month, up 18.73% YoY, with occupancy rates increasing slightly to 85.6%. The market benefitted from the traditional hot seasons of Golden September and Silver October, as demand grew for high-end residences, resulting in an increase in rents.

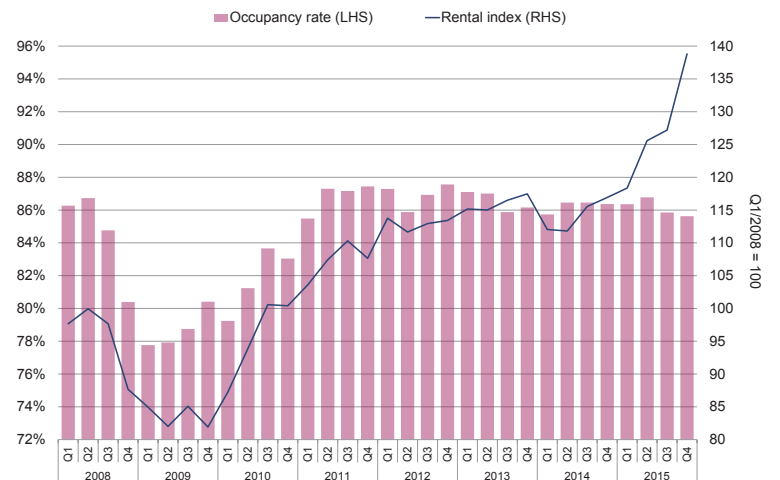
Due to continued development in the Qianhai FTZ and Houhai areas,

GRAPH 1 **Serviced apartment rental index and occupancy rate, Q1/2003–Q4/2015**



Source: Savills Research

GRAPH 2 **High-end strata-title apartment rental index and occupancy rate, Q1/2008–Q4/2015**



Source: Savills Research

interest has been maintained in the high-end residential market and rents are expected to experience an upward trend. With no new policies released in 2016, the Shenzhen real estate market is expected to experience a gradual narrowing of growth in rents and an increase in occupancy rates.

**Leasing market outlook**

Savills Daxin Shenzhen Bay Phase II, located in Nanshan, is expected to add 155 units onto the market in 2016. In the short term, this may

result in a strong demand for high-end residences. A number of Houhai projects will launch onto the market in 2016, causing the occupancy rates to increase as a whole due to current limitations in supply.

**Sales market overview**

In the fourth quarter, both the first-hand residential transaction volume and price experienced an increase in growth, while the second-hand residential transaction volume decreased 24.9% QoQ. However, an increase in growth of 56.4% YoY

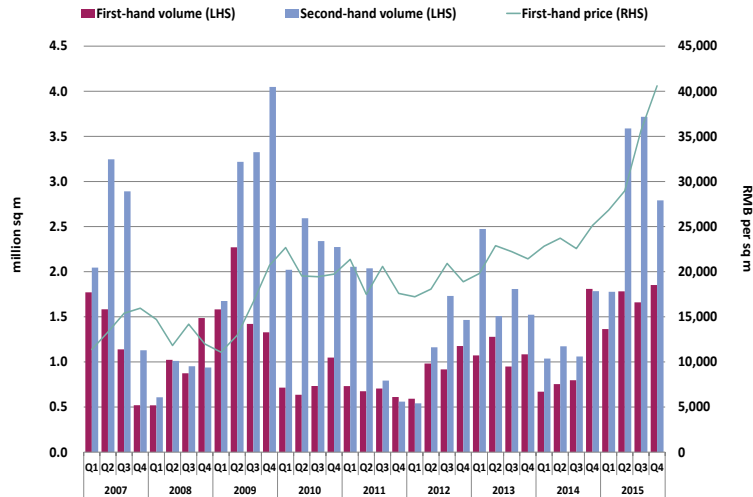
→ could be seen in the second-hand transaction volume in Q4/2015. The sales market, especially the second-hand housing market, is sensitive to new policy implementations. Without any new policies set to be implemented in 2016, the average prices of the residential market are expected to increase and the growth may fluctuate.

**Mass-market residential market**

First-hand housing transaction prices increased 14% QoQ to an average of RMB40,599 per sq m, up 61.6% YoY. First-hand transaction volumes increased 11.5% QoQ to 1.85 million sq m, whereas second-hand transaction volumes were 2.79 million sq m, down 24.9% QoQ but up 56.4% YoY.

In the fourth quarter, the first-hand residential market was affected by the traditional hot season, with both the residential transaction volume and price increasing, while the second-hand residential transaction volume decreased. After showing a continuous increase in Q2 and Q3/2015, the second-hand transaction volume showed a decrease in Q4/2015. The first-hand residential market performed better

GRAPH 3 **Mass-market residential transaction volumes and prices, Q1/2007–Q4/2015**



Source: Savills Research

than the second-hand residential market during the Golden September and Silver October period in 2015.

**Sales market outlook**

New projects are expected to launch at the Houhai headquarter base in 2016, leading to an increase of average prices for the surrounding residences. Residential projects will soon be launched in Houhai, causing the average prices in Nanshan to surpass the current city-wide average

and result in the prices competing with those in the Futian district.

New office buildings are expected to launch in Qianhai after 2016, pushing the residential prices to a higher level in the near future. Nanshan will enjoy rapid development but it will result in the market having to bear the pressure of absorbing the residential stock. ■

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