

# Briefing Residential sector

February 2015



Image: Above the Bund commercial-titled Serviced Apartment

## SUMMARY

In Q4/2014, due to the cancellation of HPRs and interest cuts for house loans by the Central Bank, Tianjin's real estate market showed signs of recovery, with residential transaction volumes increasing.

- No new serviced apartment projects were launched onto the market in Q4/2014, with leasing demands mainly absorbing existing stock.

- Serviced apartment rents remained almost unchanged from last quarter, averaging RMB198.9 per sq m per month, ending the downward trend seen over last five quarters.

- City-wide serviced apartment vacancy rates fell 2.6 percentage points (ppts) quarter-on-quarter (QoQ) to 34.9%, down 9.3 ppts year-on-year (YoY).

- Mass-market residential supply decreased 22.5% QoQ in Q4/2014 to 3.12 million sq m, down 19.6% YoY. Transaction volumes increased 47% QoQ to 3.1 million sq m, down 9.2% YoY.

- Residential prices rose 10.8% QoQ to an average of RMB11,861 per sq m, up 14.6% YoY.

- City-wide, high-end residential asking prices averaged RMB26,211 per sq m, up 0.7% QoQ.

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Jonathan Wang, Savills Research

### Review of 2014 Residential leasing market

In 2014, three new serviced apartments were launched onto the market – all apartment components of the Meijiang Centre Crowne Plaza Hotel located in the Xiqing district (40 units); the Pan Pacific Hotel in Hongqiao district (30 units); and the Shangri-La Hotel along the Haihe River in Hedong district (39 units). Due to continuous supply and tighter housing budgets, landlords mainly exercised price adjustments to retain customers. Currently, serviced apartment rents average RMB198.9 per sq m per month, down 3.3% YoY. City-wide vacancy rates showed a downturn throughout the year, registering at 34.9% at the year end, down 6.8 ppts YoY.

#### Residential leasing market

No new serviced apartments were launched onto the leasing market in Q4/2014, with leasing demands mainly absorbing existing stock. Some apartment units in certain projects were launched after temporary closure for upgrading and renovations, allowing clients to move in, leading to city-wide serviced apartment vacancy rates falling 2.6 ppts QoQ to 34.9%.

#### Rents

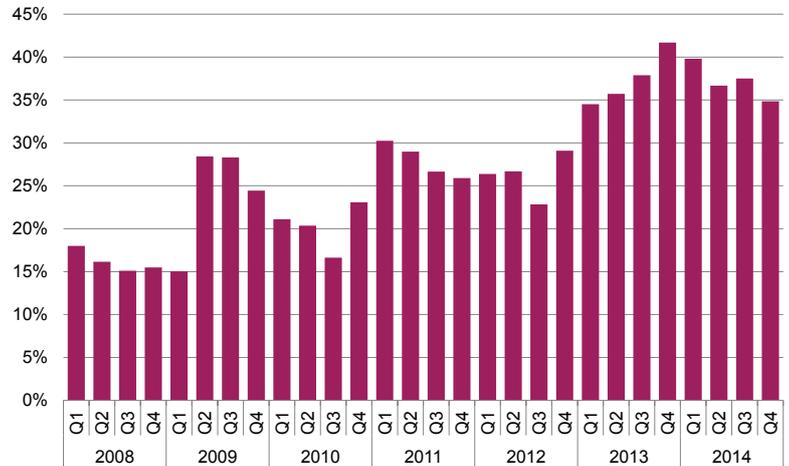
Serviced apartment rents remained almost unchanged from last quarter, averaging RMB198.9 per sq m per month, ending the continuous downward trend witnessed in the previous five quarters.

#### Residential leasing outlook

The Ritz Carlton Hotel, located along the Haihe River in Heping district, which opened in 2013, is expected to launch its serviced apartment component in 2015.

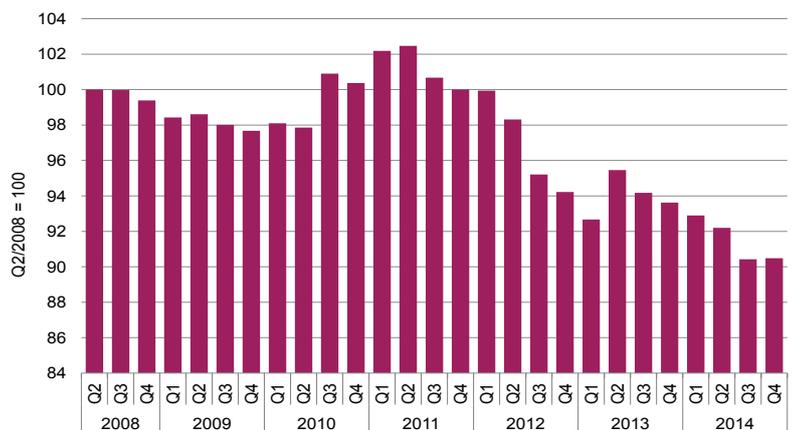
The newly-launched projects this year will place some pressure on the absorption of the vacant units in 2015, which may push up vacancy rates in the short term. Due to the uncertainty of the national economic situation, many multinational companies are leaning more towards “local hires”, reducing the number of seconded employees, in an effort to reduce money spent on housing budgets. This is particularly obvious in the R&D, manufacturing and production sectors. Meanwhile, second-hand apartments owned by individual landlords and second-hand commodity housing has begun differentiating some leasing

GRAPH 1 High-end serviced apartment vacancy rates, Q1/2008–Q4/2014



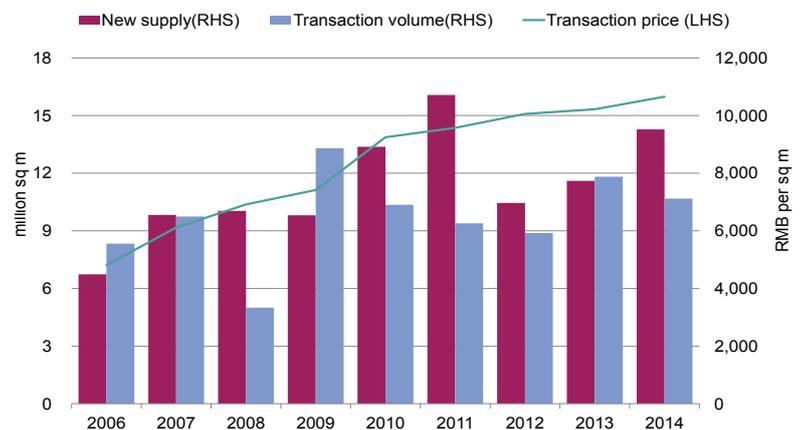
Source: Savills Project & Development Consultanc

GRAPH 2 High-end serviced apartment rental index, Q2/2008–Q4/2014



Source: Savills Project & Development Consultanc

GRAPH 3 Supply, transaction and prices, 2006–2014



Source: Savills Project & Development Consultanc

→ demands and is expected to put downward pressure on rents.

### Review of 2014 Residential sales market

In 2014, the Tianjin residential market fluctuated, influenced by policy changes. In the first half, there was a heavy 'wait-and-see' sentiment in the residential market due to tightened credit and the cancellation of quasi-hukou. Entering the second half, the residential market turned for the better, thanks to the cancellation of HPRs and interest cuts for house loans by the Central Bank, as well as a Free Trade Zone approved by the State Council. With improvement demands stimulated, increased market activity resulted in a steady growth in housing prices.

In 2014, mass-market residential supply reached 14.28 million sq m, up 23.1% YoY. Transaction volumes dropped 9.6% YoY to 10.68 million sq m, with city-wide average prices reaching RMB10,655 per sq m, up 4.3% YoY.

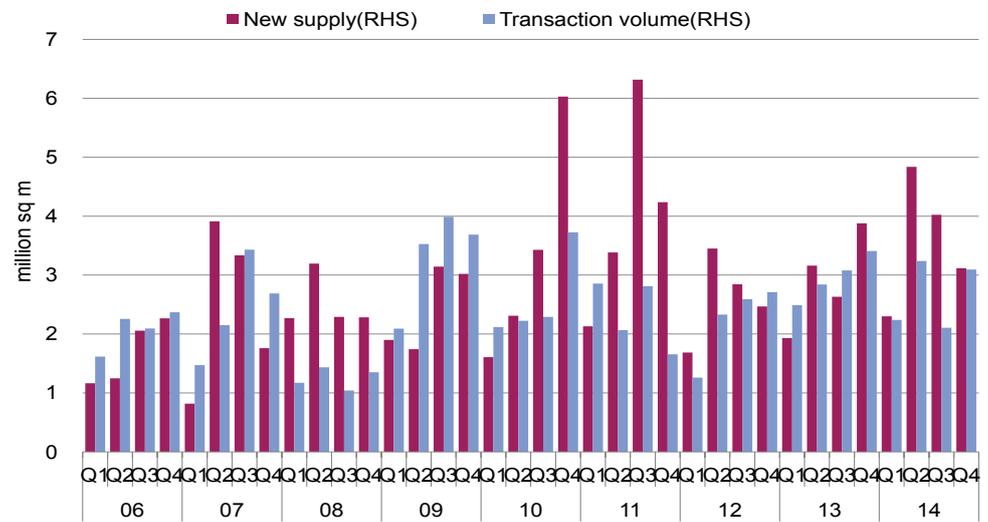
#### Residential sales market

Due to the cancellation of HPRs and interest cuts for house loans by the Central Bank, Tianjin's real estate market showed signs of recovery, with residential transactions increasing.

Under the "Sixteen Items" of regulation on the residential market introduced by Tianjin's municipal government in late October, document reviewing has been simplified, the identification of first home has been readjusted and the property tax has been reduced. Aided by a loan interest cut, home buyers with a previous 'wait-and-see' attitude re-entered the market, especially those upgraders who were suppressed

GRAPH 4

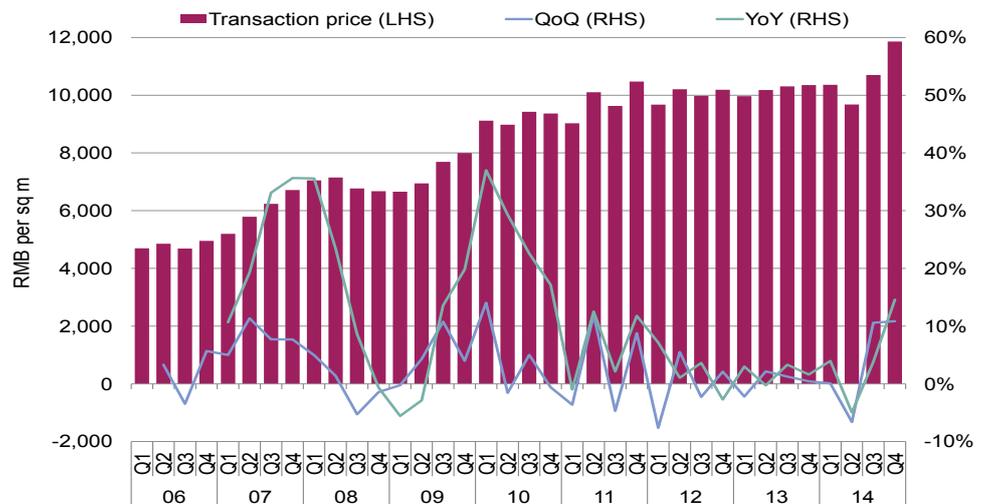
### Supply and transaction volumes, Q1/2006–Q4/2014



Source: Savills Research

GRAPH 5

### Residential transaction prices, Q1/2006–Q4/2014



Source: Savills Project & Development Consultanc

TABLE 1

### 2014 Chronicle of Events in Tianjin Residential Market

Date	Events	Effects on residential market
1H/2014	Tightening bank credit	Low transactions, heavy wait-and-see sentiment
May 2014	Cancellation of quasi-hukou	Hot transactions in fringe areas, lowering average prices
Sep. 2014	"930" house loan regulation	Housing demands gradually released, accelerating market recovery
Oct. 2014	"Sixteen Items", cancellation of HPRs	More improvement demands released
Nov. 2014	Loan interest cut by the Central Bank	Transaction volumes pushed up
Dec. 2014	Free Trade Zone approved by the State Council	Stimulating Tianjin, especially Binhai New Area residential market

Source: Savills Research

apartments with favourable locations, supported facilities and great views, are still attractive to young home buyers and investors.

#### High-end residential sales market

The cancellation of HPRs in Tianjin provides a boost for upgraders, who are stimulated to re-enter the market. High-end residential projects targeting improvement demands accelerated their launch time or launched new phases in advance, in order to seize the opportunity. Five new high-end residential sales projects, namely Wealth Mansion, La Premiere Meijiang, Purple Bustling Pavilion, Scenery Bay, and Grand Canal Milestone, were launched onto the city centre market in Q4/2014. City-wide average asking prices increased to RMB26,211 per sq m, up 0.7% QoQ.

Wealth Mansion, located at the intersection of Haihe East Road and Shizilin Street in the Hebei district, is developed by Tianjin TEDA Construction Group Co. Ltd. The project comprises of seven-storey low-rise buildings and 36- to 39-storey high-rise buildings, with a residential GFA of 200,000 sq m. The main unit size ranges from 68 to 192 sq m, with an average asking price of RMB24,000 per sq m.

La Premiere Meijiang, located alongside the Weijin Lake Park and

the Taihu Lake Park in the Hexi district, was developed by Haoting Real Estate, who are affiliated to JinQiao Holdings. The residences cover a site area of 60,000 sq m, and are composed of four, 11-storey high-rise buildings and ten, 22- to 30-storey high-rise buildings, with a total GFA of 180,000 sq m. The main unit size ranges from 89 to 180 sq m, with an average asking price of RMB23,000 per sq m.

Purple Bustling Pavilion, located at the intersection of Nanma Road and Chengxiang West Road in Nankai district, was developed by Tianjin Metro Resources Investment Co. Ltd. The complex includes residential, retail and office components, with a total GFA of 97,000 sq m. The residential component launched 87 to 177 sq m units in two 28-storey high-rise buildings and three eight-storey low-rise buildings, with an average asking price of RMB28,500 per sq m and RMB32,500 per sq m respectively.

Scenery Bay, located at the intersection of Haihe East Road and Haijin Bridge, was developed by China Merchants Property Development Co. Ltd., with a total GFA of 181,000 sq m. The residences include five six-storey low-rise buildings and 15 18- to 32-storey high-rise buildings, with an average asking price of RMB30,000

per sq m and RMB23,000 per sq m respectively. The main unit size ranges from 79 to 156 sq m.

Grand Canal Milestone, located at the West Station area, was developed by Beijing Capital Land Co. Ltd. The 230,000 sq m project includes five 16- to 17-storey high-rise buildings and five 32- to 33-storey high-rise buildings, with an average asking price of RMB21,000 per sq m. The main unit size ranges from 70 to 140 sq m.

#### Residential sales outlook

Supported by favourable regulation policies, Tianjin's real estate market is expected to recover and stabilise in 2015, with end-users remaining the main driving force of demand and improvement demands gradually become more visible on the market. Residential transactions and prices are both expected to increase.

Under the integration of Beijing-Tianjin-Hebei, Tianjin is expected to take on the migrant workforce associated with the relocation of industrial industries from Beijing to Tianjin. The elimination of restrictions imposed on non-local home buyers will not only benefit the inflow of the industrial workforce, but also establish Tianjin's real estate market as a more attractive offering for non-local buyers, creating more development opportunities. ■

TABLE 2

### Selected commercial-titled apartment asking prices, Q4/2014

Project name	Location	Launch date	Asking price (RMB per sq m)
The Centro Tianjin China	Hexi district	Oct 2009	26,000
Haihexintian	Hebei district	May 2010	21,000
R&F Centre	Xiaobailou	Nov 2010	18,000
International Trade Centre	Xiaobailou	Oct 2011	23,000
The Esplanade	Haihe area	Jun 2012	24,000
Residence 1882	Heping district	Nov 2012	36,000
Baoli International Plaza	Nankai district	Jan 2013	20,000
China Resources Ziyangli	Heping district	Nov 2013	26,000
No.8 Milestone SOHO apartment	Hexi district	Sep 2014	23,000
Above the Bund apartment	Hebei district	Oct 2014	30,000
Song Jiang apartment	Nankai district	Nov 2014	20,000

Source: Savills Project & Development Consultancy

TABLE 3  
**High-end residential sales market, Q4/2014**

District	Average asking price (RMB per sq m)		QoQ indexed change (%)	YoY indexed change (%)
	Q3/2014	Q4/2014		
Greater Meijiang	21,300	21,750	0.8	3.2
Olympic area	27,667	27,667	0.0	1.3
Laochengxiang area	26,833	27,750	2.6	13.1
Haihe River	27,467	27,741	1.0	9.0
Other area	26,500	25,563	-0.5	5.2

Source: Savills Project & Development Consultancy

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