

Briefing Residential sector

November 2015



Image: Honour Mansion, Hexi district

SUMMARY

The Tianjin residential sales market witnessed a fall in transaction volumes, while downward pressure was placed on overall average prices. Fringe areas witnessed the highest proportion of transactions this quarter.

- No new serviced apartment projects were launched onto the leasing market for the fourth consecutive quarter in Q3/2015.
- Serviced apartment rents decreased 0.6% quarter-on-quarter (QoQ) to RMB196.3 per sq m per month, down 1.6% year-on-year (YoY).
- City-wide serviced apartment vacancy rates fell 5.4 percentage points (ppts) QoQ to 26.3%, down 11.2 ppts YoY.
- Mass-market residential supply increased 10.6% QoQ in Q3/2015 reaching 3.23 million sq m, down 19.8% YoY. Transaction volumes decreased 10.1% QoQ to 3.31 million sq m, up 57.3% YoY.
- Residential transaction prices in Q3/2015 averaged RMB11,567 per sq m, down 0.8% QoQ, while remaining up 8.1% YoY.
- City-wide, high-end residential prices decreased 0.2% QoQ to RMB25,200 in Q3/2015, down 1.1% YoY.

“The implementation of the Tianjin Real Estate Registration system in 2016 is likely to lead to an increased listing of second-hand properties in the short term, with the oversupply situation continuing.”
Jonathan Wang, Savills Research

➔ **Residential leasing market**

No new serviced apartment projects were launched onto the market for the fourth consecutive quarter in Q3/2015, allowing the market to absorb existing stock.

Due to the Binhai blast in August, several serviced apartments located in the city centre received a portion of clients relocating from apartments in the Binhai area, who were mostly expats. As a result, city-wide serviced apartment vacancy rates fell 5.4 pts QoQ to 26.3%, down 11.2 pts YoY. Disregarding the impact of this event, the city centre did not witness high levels of new demand this quarter. However, with the launch of the airbus delivery centre project by the beginning of next year, demand levels are expected to increase.

Rents

Serviced apartment rents decreased 0.6% QoQ to RMB 196.3 per sq m per month, down 1.6% YoY. In recent years, strata-titled apartments offering pricing incentives have led to a number of clients relocating from the serviced apartment market, becoming its biggest competitor. As a result of limited supply, further price incentives have been offered in order to retain and attract tenants.

Residential leasing outlook

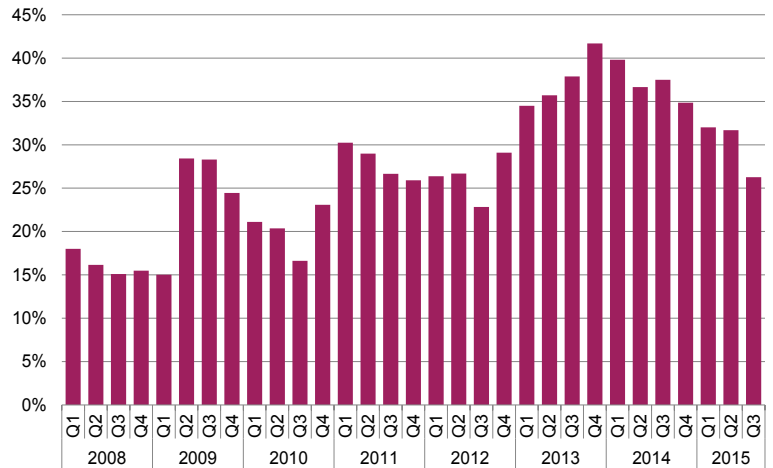
One new project is expected to be launched onto the city centre serviced apartment leasing market in Q4/2015, Fraser Place Tianjin in the Nankai district, adding more than a 100 units to the market. Additionally, the Shangri-La Hotel plans to launch a further 40 one- and two-bedroom units.

As a result of the Binhai explosion in August, Ascott TEDA MSD Tianjin decided to postpone its launch from Q4/2015 to next year. However, Marriott Executive Apartments decided to open as planned with occupancy rates reaching close to 30%.

Residential sales market

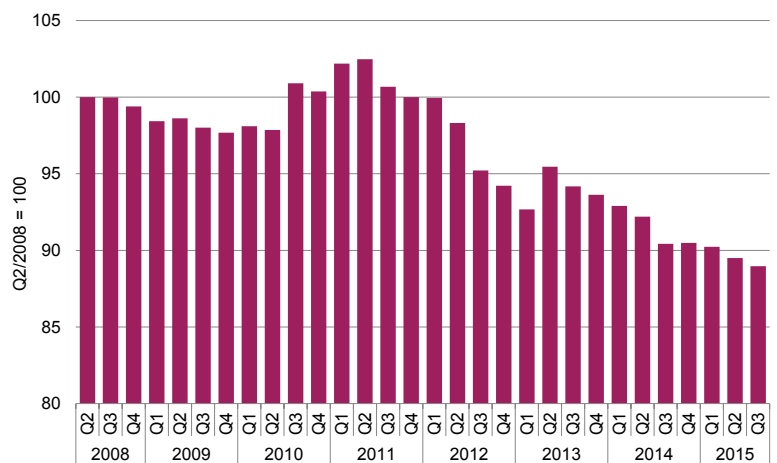
Mass-market residential supply increased 10.6% QoQ in Q3/2015

GRAPH 1 **High-end serviced apartment vacancy rates, Q1/2008–Q3/2015**



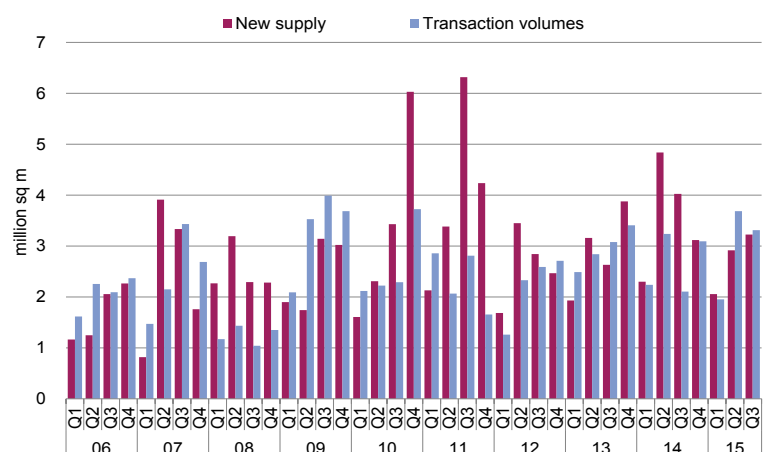
Source: Savills Project & Development Consultanc

GRAPH 2 **High-end serviced apartment rental index, Q2/2008–Q3/2015**



Source: Savills Project & Development Consultanc

GRAPH 3 **Supply and transaction volumes, Q1/2006–Q3/2015**



Source: Savills Project & Development Consultanc

→ to 3.23 million sq m, down 19.8% YoY. Transaction volumes decreased 10.1% QoQ to 3.31 million sq m, up 57.3% YoY. Binhai New Area witnessed a decrease in transaction volumes due to the blast in August. The suspension of trading due to the closure of sales centres in the area was a direct contributor to the decrease in transactions this quarter. A number of home seekers shifted their focus to other areas due to fears of the environmental pollution in Binhai, a trend that is expected to continue in the short term.

All areas, including urban, suburban and Binhai, witnessed an increase in prices in Q3/2015, and among these Binhai New Area enjoyed the strongest growth of 2.9% QoQ, averaging RMB10,166 per sq m. However, as a larger proportion of transactions was recorded in fringe areas, city-wide average prices fell to RMB11,567 per sq m, down 0.8% QoQ, while still remaining up 8.1% YoY.

High-end, commercial-titled apartment sales market

In Q3/2015, Nobel Centre located in the Hebei district launched 371 units

onto the high-end serviced apartment sales market, adding 25,000 sq m to the market.

High-end serviced apartment transactions increased 49% QoQ to 40,469 sq m in Q3/2015, with approximately 22.3% of total transacted area accounted for by deals recorded in Tai'an 5 in the Heping district for an average price of RMB 43,000 per sq m. Driven by the high-priced Tai'an 5 project, overall average prices experienced an increase of 27% QoQ to RMB 24,000 per sq m, recording the strongest growth in history.

High-end residential sales market

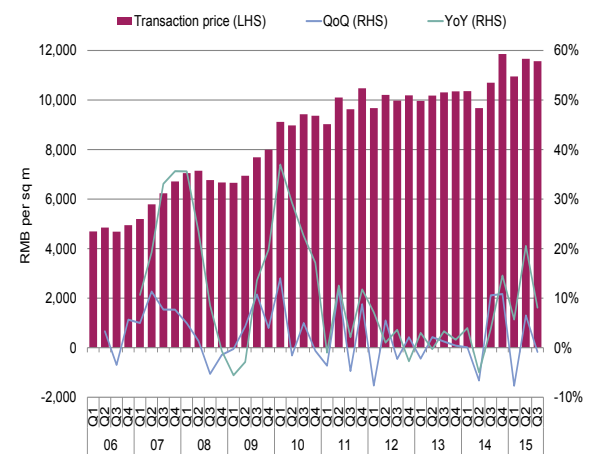
Three new projects, Honour Mansion, Culture Metropolis and National Village, were launched onto the high-end residential market in Q3/2015. City-wide high-end residential prices decreased 0.2% QoQ to RMB 25,200 in Q3/2015, down 1.1% YoY.

Honour Mansion

Honour Mansion, developed by MCC Real Estate Group Co – a state-owned enterprise – is located near Dagunan Road. With close proximity to Chengtang Zhuang

metro station (line 1) and Haihe River, the development boasts easy accessibility and unparalleled views. The project consists of six six-storey low-rise buildings including three-bedroom units of 138 to 172 sq m – with a average price of RMB26,000; plus eight 22-23-storey high-rise buildings including two-bedroom units of 85 sq m and three-bedroom units of 133 sq m – with an average

GRAPH 4 Residential transaction prices, Q1/2006 –Q3/2015



Source: Savills Research

TABLE 1 Selected commercial-titled apartment average prices, Q3/2015

Project name	Location	Launch date	Asking price (RMB per sq m)	Sales Rates (%)
R&F Centre	Hexi district	Nov 2008	18,300	93
The Centro Tianjin China	Hexi district	May 2009	21,000	62
Haihe Xintian	Hebei district	Mar 2010	21,000	73
Baoli International Plaza	Nankai district	May 2011	17,000	99
International Trade Centre	Hexi district	Oct 2011	19,000	28
Tai'an 5	Heping district	Dec 2011	43,000	15
The Esplanade	Haihe area	Jun 2012	18,600	97
Residence 1882	Heping district	Nov 2012	29,300	14
Horizon Capital	Hexi district	Dec 2012	23,000	24
China Resources Ziyangli	Heping district	Nov 2013	23,700	27
Glorious Palace	Heping district	Jul 2014	17,000	68
No.8 Milestone SOHO apartment	Hexi district	Aug 2014	24,000	11
Song Jiang apartment	Nankai district	Nov 2014	20,000	2
Lane No.9 apartment	Hexi district	Jan 2015	20,400	5

Source: Savills Research

price recorded at RMB35,000 per sq m. Last year, the developer acquired “7-Li” – the first land plot available within the New Badali Area, for a total consideration of RMB4.9 billion, at an accommodation value of RMB 14,000 per sq m, a land king of 2014 in terms of both total consideration and accommodation value.

The Style “2-Li” in the New Badali area in the Hexi district and Luneng Mansion in the Nankai district are expected to be launched next quarter and have seen high levels of attention thus far.

Residential sales outlook

In Q3/2015, the People’s Bank of China announced the fourth interest rate cut since the beginning of the year. This, combined with the loan rate for housing fund loans decreasing 25 basis points, means that the costs related to home purchases are the lowest in history. Additionally, a reduction of down payments to 20% for second houses purchased through the housing fund was announced by the Ministry of Housing and Urban Development, which is likely to stimulate demand from upgraders.

TABLE 2 **High-end residential sales market, Q3/2015**

District	Average asking price (RMB per sq m)		QoQ indexed change (%)	YoY indexed change (%)
	Q2/2015	Q3/2015		
Greater Meijiang	21,333	21,167	-0.8%	-1.2%
Olympic area	30,350	32,000	4.4%	11.7%
Lao Chengxiang area	25,960	25,400	-2.2%	-4.1%
Haihe Riverside	25,753	25,668	-0.1%	-1.9%
Other areas	25,250	25,300	-0.1%	-0.9%

Source: Savills Project & Development Consultancy

An active transactions market in the Binhai New Area in Q3/2015 was encouraged by the approved FTZ and Beijing-Tianjin-Hebei Integration, helping to ease the pressure of high unsold inventory levels in the area. However, due to the unexpected explosions in August, the housing market in Binhai stalled under the uncertainty, placing pressure on the digestion of the existing stock in the short term. The development of projects currently for sale has slowed, which may lead to a number of projects postponing their hand-

over dates. In addition, home buyers have developed a strong wait-and-see attitude, reconsidering the location of their future purchases.

However, as developers’ social accountability was identified, and measures were taken accordingly, such as the repurchase and repair of damaged houses, local citizens have begun to regain their confidence in the housing market. In the long term, if the area continues to improve, demand is expected to slowly return to the market. ■

Please contact us for further information

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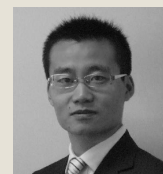
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