

Briefing Residential sector

February 2016



Image: Fraser Place Tianjin, Nankai district

SUMMARY

2015 saw residential transactions recording an historical high, with prices growing at a rate of 9.8%.

- A new serviced apartment project, Fraser Place Tianjin in the Nankai district, has added 192 units onto the leasing market. Additionally, the Shangri-La Hotel launched another 20 units in Q4/2015, made up of one- and two-bedroom apartments.

- Serviced apartment rents remained unchanged from last quarter at RMB210 per sq m per month in Q4/2015, down 0.8% year-on-year (YoY).

- Due to new supply, city-wide serviced apartment vacancy rates increased 8.6 percentage points

(ppts) quarter-on-quarter (QoQ) to 37.6% in Q4/2015, up 2.7 ppts YoY.

- Mass-market residential supply totalled 2.75 million sq m in Q4/2015, down 34.2% QoQ and 11.6% YoY. Transaction volumes increased 18.9% QoQ to 4.69 million sq m, up 51.5% YoY.

- Residential transaction prices in Q4/2015 averaged RMB12,066 per sq m, up 3.4% QoQ and 1.7% YoY.

- City-wide high-end residential prices increased 0.3% QoQ to RMB25,576 per sq m in Q4/2015, down 0.3% YoY.

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 “Under continuously relaxed regulations, more first- and second-time buyers are expected to enter the market. The uptrend is set to continue.” Jonathan Wang, Savills Project & Development Consultancy

➔ **Residential leasing market**

A new serviced apartment project, Fraser Place Tianjin in the Nankai district, has added 192 units onto the leasing market. Additionally, the Shangri-La Hotel launched another 20 units in Q4/2015, made up of one- and two-bedroom apartments. Due to new supply, city-wide serviced apartment vacancy rates increased 8.6 pts QoQ to 37.6%, up 2.7 pts YoY.

Tianjin's secondary industry-predominated economy has resulted in a constraint in the serviced apartment leasing market. This is due to the majority of demand stemming from the manufacturing industry and their supporting sectors, as well as from senior personnel serving the local offices and branches of multinational companies in Tianjin. Compared with first-tier cities that enjoy ample housing demands from large financial enterprises and headquarters of international companies, Tianjin saw an insufficiency in demand. However, with the introduction of industry and influx of organisations due to the Beijing-Tianjin-Hebei integration, serviced apartment leasing demands are expected to increase.

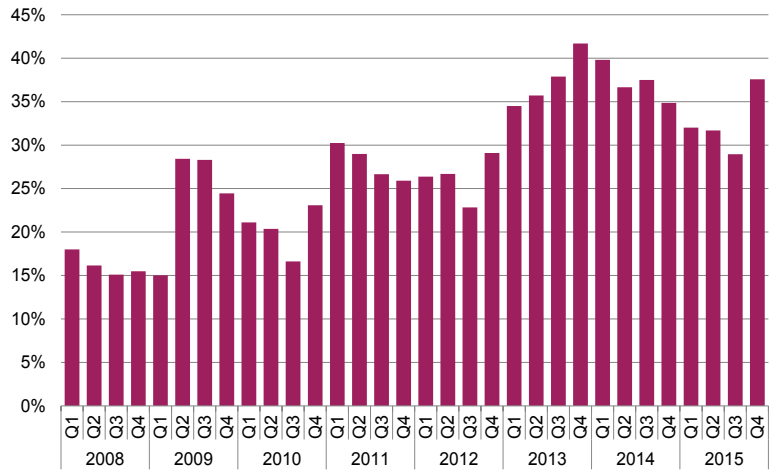
Rents

Constrained by a slowing world economy, multinational companies have begun to limit expatriates' housing allowances. Serviced apartment rents remained unchanged from last quarter at RMB210 per sq m per month in Q4/2015, down 0.8% YoY.

Residential leasing outlook

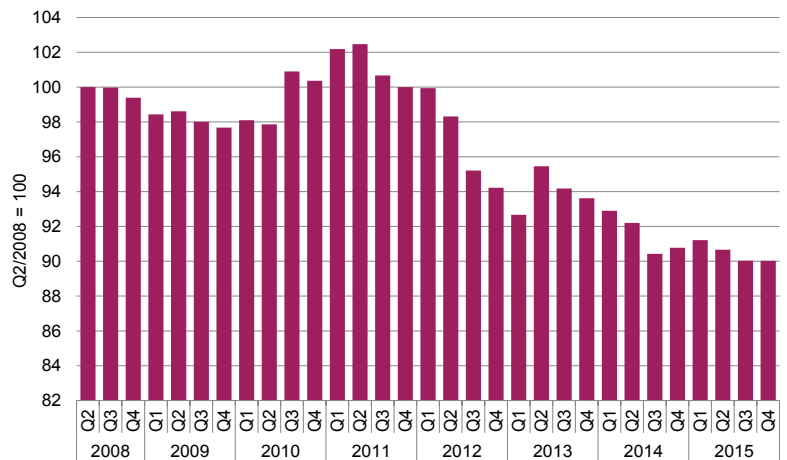
The apartment component of the Ritz Carlton Hotel is expected to

GRAPH 1 **High-end serviced apartment vacancy rates, Q1/2008 – Q4/2015**



Source: Savills Project & Development Consultanc

GRAPH 2 **High-end serviced apartment rental index, Q2/2008 – Q4/2015**



Source: Savills Project & Development Consultanc

be launched onto the city centre serviced apartment leasing market in 2016. Ascott TEDA MSD Tianjin, which had planned to open by the end of 2015, postponed its handover date until March 2016, due to the effects of the Binhai explosion in August.

A recurring trend shows more hoteliers opting to open hotel rooms and apartment units early, at staged times throughout the development. An increasing number of hotels are

following suit by turning more floors over for apartment development in an attempt to curb costs.

Residential sales market

As the central government rolled out many stimulating policies, the national real estate market has gained vitality after a recession, with increasing demand re-entering the market as a result of lowered thresholds for home buyers. Benefitting from the stimulus, Tianjin

→ saw city-wide residential transactions recording a historical high in 2015, with prices growing at a rate of 9.8%. The suburban areas saw the greatest growth of 10% YoY, followed by the fringe area with 7.3%.

Mass-market residential supply totalled 2.75 million sq m in Q4/2015, down 34.2% QoQ and 11.6% YoY. Transaction volumes increased 18.9% QoQ to 4.69 million sq m, up

51.5% YoY. Residential transaction prices in Q4/2015 averaged RMB12,066 per sq m, up 3.4% QoQ and 1.7% YoY.

High-end, commercial-titled apartment sales market

Three new projects were launched onto the high-end serviced apartment sales market in Q4/2015, namely Chengxiang Mansion in the Nankai district, Metropolis Smart Apartment

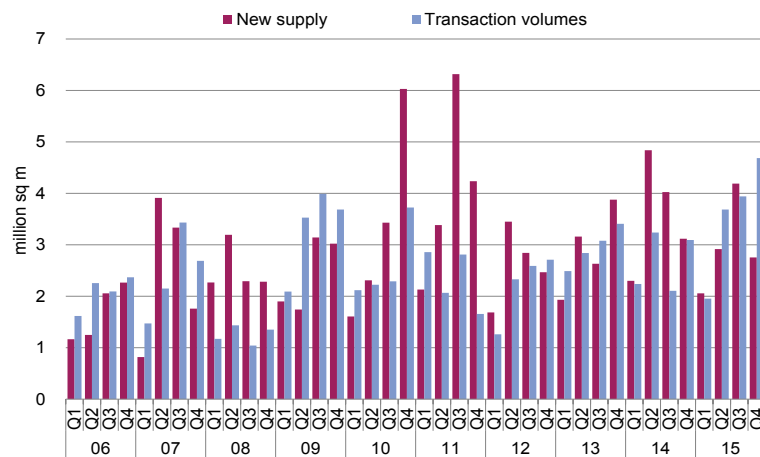
in the Heping district, and La Cite Apartments in the Hexi district, adding 116 units, 935 units and 516 units onto the market respectively.

Q4/2015 saw total transactions of 497 units, up 6% QoQ. Most deals were seen in the newly-launched Metropolis Smart Apartment, accounting for 56% of total transaction spaces. The average prices dropped by 21% to RMB19,000 per sq m. The significant decrease was due to the much higher price level contributed by multiple deals seen in the Tai'an project in the third quarter.

High-end residential sales market

Four new projects, namely Luneng Mansion, Elegant Garden, La Cite and Waterfront House, were launched onto the high-end residential market in Q4/2015. City-wide high-end residential prices increased 0.3% QoQ to RMB25,576 per sq m in Q4/2015, down 0.3% YoY.

GRAPH 3 Supply and transaction volumes, Q1/2006 – Q4/2015



Source: Savills Project & Development Consultanc

TABLE 1 Chronicle of Big Events in 2015

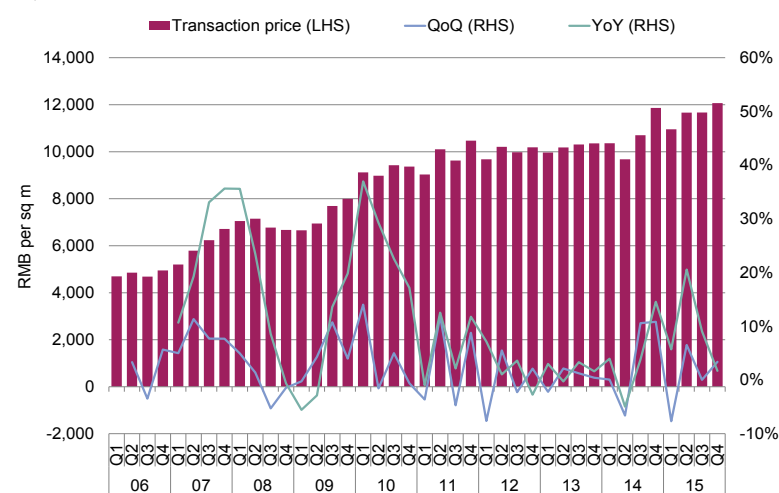
Project name	Location	Launch date	Asking price (RMB per sq m)
Interest rate cut	Mar/May/Jun/Aug/Oct	Central Bank of China (CBC)	The CBC announced interest rate cuts five times in 2015 alone, by 1.25 basis points (bps) in accumulative terms.
Down payment deduction	30 Mar	CBC, Ministry of Housing and Urban-Rural Development (MOHURD), China Banking Regulatory Commission	Down payment was reduced to 40% of the total consideration for first-house buyers, and to 20% for purchases through public housing funds.
Tax deduction	30 Mar	Ministry of Finance	Sales tax is exempt for purchasers of second-hand houses that have been held for two years or more by the first owner.
“One child” policy abolished	29 Oct	Fifth Plenary Session of 18th CPC Central Committee	The “one child” policy, which had been in place for more than three decades, was abolished, therefore allowing a couple to have two (or more) children.
Unit size restrictions relaxed	27 Mar	Ministry of Land and Resources, Ministry of Housing and Urban-Rural Development	The “7090” policy, specifying that 70% of the total GFA of commodity residential developments must be allocated to units of less than 90 sq m, was cancelled.
Cross-border purchase limit uplifted	27 Aug	MOHURD, Ministry of Commerce, National Development and Reform Commission, CBC, State Administration for Industry and Commerce and State Administration for Foreign Exchange	Qualified organisations and individuals abroad are permitted to purchase properties in China. This is the first nationwide relaxation since the enforcement in 2016.

Source: Savills Project & Development Consultancy

- Luneng Mansion
 Luneng Mansion, developed by Luneng Real Estate Group Co, is the residential component of a mixed-use development, including an office, hotel and shopping mall. The residence is composed of five high-rise buildings, hosting a total of 478 three- and four-bedroom units. The average price is RMB38,000 to RMB40,000 per sq m. Luneng acquired the land plot for a total consideration of RMB4.62 billion in 2012, at an accommodation value of RMB15,000 per sq m, with a premium of 24.5%, achieving “land king” status for the year.

- Elegant Garden
 Elegant Garden, developed by Tianjin Bohai Real Estate Ltd. Co., is located in the New Badali area in the Hexi district. The project consists of 804 units in eight, six- to 12-storey

GRAPH 4
Residential transaction prices, Q1/2006 – Q4/2015



Source: Savills Research

low-rise buildings plus four, 25- to 29-storey high-rise buildings, with average prices of RMB26,000 per sq m and RMB34,000 per sq m respectively.

- La Cite
 La Cite, developed by China Overseas Land and Investment Ltd. Co., is located in the New Badali area in the Hexi district. The

TABLE 2
Selected commercial-titled apartment average prices, Q4/2015

Project name	Location	Launch date	Asking price (RMB per sq m)	Sales Rates (%)
R&F Centre	Hexi district	Nov 2008	18,300	95
The Centro Tianjin China	Hexi district	May 2009	21,000	66
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	32
The Esplanade	Haihe area	Jun 2012	19,000	97
Residence 1882	Heping district	Nov 2012	28,000	19
Horizon Capital	Hexi district	Dec 2012	23,000	33
China Resources Ziyangli	Heping district	Nov 2013	23,000	31
Glorious Palace	Heping district	Jul 2014	18,000	80
No.8 Milestone SOHO apartment	Hexi district	Aug 2014	24,000	12
Song Jiang apartment	Nankai district	Nov 2014	17,000	7
Lane No.9 apartment	Hexi district	Jan 2015	20,000	9
Noble Centre	Hebei district	Jun 2015	16,000	12
Chengxiang Mansion	Nankai district	Oct 2015	18,000	58
Metropolis Smart Apartment	Heping district	Oct 2015	19,000	37

Source: Savills Research

2,156-unit project consists of 17, ten-storey low-rise and 22- and 29-storey high-rise buildings. The high-rise and low-rise buildings are all beautifully decorated, and average prices are RMB27,000 per sq m and RMB36,000 per sq m respectively.

Residential sales outlook

At the Central Economic Work Conference (CEWC) that convened in December, “destocking” was put forward as one of the tasks to be prioritised in 2016. Many property-related supportive measures were delivered, including enlarging the housing demand with the Hukou reform by assisting rural residents to settle down in cities and buy properties. This encouraged property developers to adjust their marketing strategies and lower home prices as

TABLE 3 **High-end residential sales market, Q4/2015**

District	Average asking price (RMB per sq m)		QoQ indexed change (%)	YoY indexed change (%)
	Q3/2015	Q4/2015		
Greater Meijiang	21,167	21,333	0.8%	-1.2%
Olympic area	32,000	41,500	12.5%	23.9%
Lao Chengxiang area	25,400	25,200	-0.7%	-2.3%
Haihe Riverside	25,668	25,589	0.1%	-1.2%
Other areas	25,300	25,100	-0.4%	-0.4%

Source: Savills Project & Development Consultancy

part of an effort to reduce inventory, and revoking any obsolete restrictive measures.

2016 is going to see multiple metro lines reaching the outer ring neighbourhood. This will close the

distance between the suburban areas and the downtown area, resulting in a renewed interest for properties situated along the new metro lines. ■

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