SUMMARY

The residential market is still being affected by housing regulations, and both supply and transaction volumes are trending down.

- No new projects were launched onto the serviced apartment market in Q1/2018.

- With no new supply, the market was able to absorb existing stock. The city-wide serviced apartment vacancy rate edged up by 0.7 of a percentage point (ppt) quarter-on-quarter (QoQ) to 27.3%. Core area serviced apartment rents decreased by 0.4% QoQ to an average of RMB211.8 per sq m per month.

- Both supply and transaction volumes fell in Q1/2018. New supply declined by 72% QoQ to 1.04 million sq m, down 23.5% year-on-year (YoY). Meanwhile, total transaction volumes decreased by 53.9% QoQ to 1.21 million sq m, down 57% YoY.

- City-wide residential prices increased by 11.4% QoQ to an average of RMB16,910 per sq m in Q1/2018, an increase of 0.8% YoY.

- High-end residential prices increased by 1.3% QoQ to an average of RMB44,238 per sq m.

“The tightened housing regulations have affected transaction volumes and prices. As existing stock is absorbed, the housing policy is expected to further impact the market.”

Jack Xiong, Savills Research & Consultancy
Residential Leasing Market
With no new supply, the market was able to absorb existing stock levels in Q1/2018. The city-wide serviced apartment vacancy rate edged up by 0.7 of a ppt QoQ to 27.3%, but down 5.8 ppts YoY.

Rents
Core area serviced apartment rents were down by 0.4% QoQ to an average of RMB211.8 per sq m per month.

Market Outlook
The land transaction policy is expected to bring more leasable resources into the residential market as land auctions are determined by both price and developer-owned space for rent. Additionally, Tianjin will continue to benefit from Beijing-Tianjin-Hebei integration plans and could welcome businesses that are driven away from Beijing. As such, vacancy rates should continue to trend down.

Residential Sales Market
Cooling government policies continued to affect the residential sales market. New supply continued its downward trend, allowing the market to absorb existing stock. Developers struggled to obtain the required house purchasing qualification and ensure their home loan capabilities. Residential transaction volumes saw a decline, while average prices saw slight growth.

First-Hand Commodity Residential Sales Market
The first-hand commodity residential sales market saw a sharp decline in new supply levels during Q1/2018, down 72% QoQ and 23.5% YoY to 1.04 million sq m. Meanwhile, city-wide residential transaction volumes achieved 1.21 million sq m, down 53.9% QoQ and 57% YoY. However, residential prices edged up by 11.4% QoQ and 0.8% YoY to an average of RMB16,910 per sq m by the end of Q1/2018.

Commercial-Titled Apartment Sales Market
The commercial-titled apartment sales market saw no new supply in Q1/2018. Under the recent lending curbs and purchase restrictions, the commercial-titled apartment sales market experienced considerable transaction volume. Creative Blocks delivered outstanding transaction volume at 229 units, for a total of 13,486 sq m. Core area commercial-titled apartments prices increased by 1.4% QoQ to an average of RMB26,473 per sq m.

Market Outlook
As the potential for financial risk in the real estate industry remains an area of concern, it is expected that the government will continue to tightly regulate the residential market. With fading investment demand, the market will reappraise existing stock and adjust prices in the residential market accordingly.

High-quality residential projects still enjoy a considerable level of market acceptance, subsequently setting a higher standard for upcoming projects.
### TABLE 1

#### High-end residential sales market, Q1/2018

<table>
<thead>
<tr>
<th>District</th>
<th>Average asking price (RMB per sq m)</th>
<th>Q4/2017</th>
<th>Q1/2018</th>
<th>QoQ indexed change (%)</th>
<th>YoY indexed change (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Greater MeiJiang</td>
<td>43,520</td>
<td>44,250</td>
<td>1.8%</td>
<td>-3.8%</td>
<td></td>
</tr>
<tr>
<td>Olympic area</td>
<td>50,200</td>
<td>51,160</td>
<td>4.3%</td>
<td>7.5%</td>
<td></td>
</tr>
<tr>
<td>Haihe Riverside</td>
<td>45,200</td>
<td>45,000</td>
<td>-0.4%</td>
<td>2.2%</td>
<td></td>
</tr>
<tr>
<td>New Badali area</td>
<td>40,500</td>
<td>40,800</td>
<td>0.5%</td>
<td>3.3%</td>
<td></td>
</tr>
<tr>
<td>Other areas</td>
<td>40,600</td>
<td>41,600</td>
<td>0.5%</td>
<td>3.5%</td>
<td></td>
</tr>
</tbody>
</table>

Source: Savills Research and Consultancy

### TABLE 2

#### Selected commercial-titled apartment average prices, Q1/2018

<table>
<thead>
<tr>
<th>Project name</th>
<th>Location</th>
<th>Launch date</th>
<th>Average asking price (RMB per sq m)</th>
<th>Sales Rates (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Residence 1882</td>
<td>Nankai</td>
<td>Nov 2012</td>
<td>35,106</td>
<td>81</td>
</tr>
<tr>
<td>Horizon Capital</td>
<td>Hexi</td>
<td>Dec 2012</td>
<td>24,420</td>
<td>89</td>
</tr>
<tr>
<td>Metropolis Smart Apartment</td>
<td>Heping</td>
<td>Nov 2013</td>
<td>36,176</td>
<td>83</td>
</tr>
<tr>
<td>Lane No.9 Apartment</td>
<td>Hexi</td>
<td>Jan 2015</td>
<td>25,113</td>
<td>89</td>
</tr>
<tr>
<td>Hopsca Centre</td>
<td>Nankai</td>
<td>Mar 2016</td>
<td>26,161</td>
<td>64</td>
</tr>
<tr>
<td>Honour Mansion</td>
<td>Hexi</td>
<td>May 2016</td>
<td>25,898</td>
<td>55</td>
</tr>
</tbody>
</table>

Source: Savills Research and Consultancy

---

Please contact us for further information

**Research**

James Macdonald  
Senior Director  
China  
+8621 6391 6688  
james.macdonald@savills.com.cn

**Agency**

Andy Chee  
Senior Director  
Beijing  
+8622 5830 8886  
andy.chee@savills.com.cn

**Project & Development Consultancy**

Jack Xiong  
Director  
North China  
+8610 5925 2042  
jack.xiong@savills.com.cn

---

Savills plc  
Savills is a leading global real estate service provider listed on the London Stock Exchange. The company established in 1855, has a rich heritage with unrivalled growth. It is a company that leads rather than follows, and now has over 600 offices and associates throughout the Americas, Europe, Asia Pacific, Africa and the Middle East.

This report is for general informative purposes only. It may not be published, reproduced or quoted in part or in whole, nor may it be used as a basis for any contract, prospectus, agreement or other document without prior consent. Whilst every effort has been made to ensure its accuracy, Savills accepts no liability whatsoever for any direct or consequential loss arising from its use. The content is strictly copyright and reproduction of the whole or part of it in any form is prohibited without written permission from Savills Research.