

Briefing Residential sector

August 2015



Image: Peony Garden, Gaoxin Street, Gaoxin District

SUMMARY

The second quarter saw housing prices and supply in Xi'an remain relatively stable, with transaction volumes increasing.

- Total commodity housing supply in main urban areas fell 3% quarter-on-quarter (QoQ) in Q2/2015 to 2.73 million sq m, up 32% year-on-year (YoY).
- First-hand residential transaction volumes in urban areas reached 3.48 million sq m in Q2/2015, up 40% QoQ and 66% YoY.
- Average prices in the main urban areas increased 7% QoQ to RMB7,283 per sq m, up 1% YoY.
- Major transactions were concluded in the northern, eastern and southern parts of Xi'an, accounting for 21%, 26% and 27% of total transactions, respectively.
- Xi'an's overall prime land market supply reached 546,169 sq m, down 78% QoQ and 71% YoY.

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"As the housing market starts to show signs of recovery, homebuyers continue to favour projects by well-known developers. Projects by these renowned developers not only contributed heavily to the increase in transaction volumes in several areas, but also played an important role in sales rank in the first half of the year."

Dave Law, Savills Research

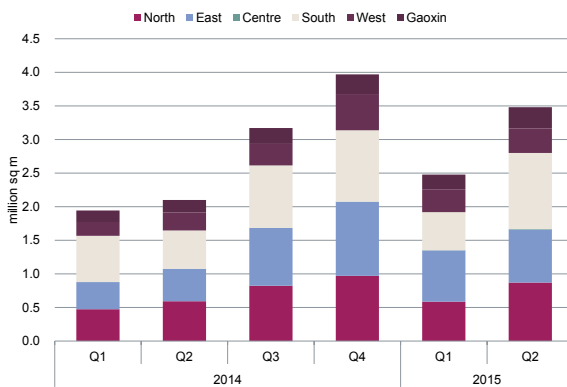
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➔ **Market overview**

With the implementation of several loosening policies on the market, a renewed demand has emerged, prompting an increase in transaction volumes. The second quarter saw first-hand transaction volumes in urban areas increase 40% QoQ to 3.48 million sq m, up 66% YoY. Projects by larger, well-known developers continue to be favoured by homebuyers and played an important part in the rise of transaction volumes this quarter. Developers such as Vanke, Greenland Group, China Overseas Property, and Poly all maintained their ranks within the top 10 sales performers in 1H/2015.

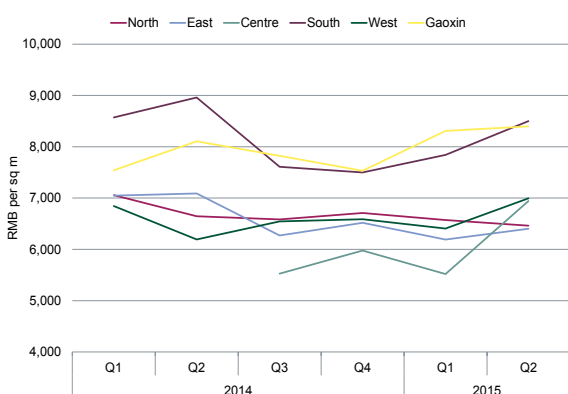
Total new commodity housing supply in Xi'an's major urban areas fell 3% in Q2/2015 to 2.73 million sq m, but remained up a healthy 32% YoY. The implementation of several favourable policies on the market, combined with

GRAPH 2 **Main urban supply volumes, Q1/2014-Q2/2015**



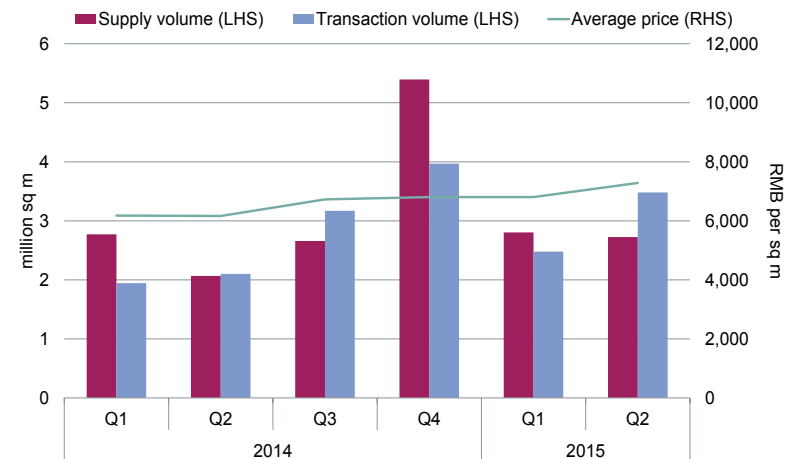
Source: Savills Research

GRAPH 3 **Main urban residential prices, Q1/2014-Q2/2015**



Source: Savills Research

GRAPH 1 **Main urban residential supply, take-up and prices, Q1/2014-Q2/2015**



Source: Savills Research

high levels of current stock, has led to a flat market.

Average price growth in urban areas increased 7% QoQ to RMB7,283 per sq m, up 1% YoY. Despite the implementation of loosening policies and a renewed buyer confidence in the market, developers remain cautious, preferring to offload existing inventory, and are therefore reluctant to raise prices.

The city's most mature residential area, located in southern Xi'an, witnessed an increase in average prices this quarter and continues to command the highest prices in the city.

After more than 16 years of development, Gaoxin district has become one of the most active areas in western China. Dedicated to R&D firms, the area also has a heavy presence of educational institutions. This, combined with a mature residential market, business environment and ongoing industrial development, has allowed Gaoxin district to see high demand levels from homebuyers.

With the local government relocating to the north of the city, and the launch of Xi'an metro line 2, northern Xi'an has seen a boost in interest and is beginning to be favoured for investment.

Land market

In compliance with the "National Land Supply Plan" issued by the China

Ministry of Land and Resources, the release of new housing policies issued by the Xi'an Housing Authority, and the overall current economic downturn, land supply in Xi'an decreased. Compared with the same period last year, developers are more cautious on land purchasing— Xi'an's prime land market supply reached 546,169 sq m, down 78% QoQ and 71% YoY in Q2/2015.

In June, the number of land auctions that were unsuccessful soared to seven plots in a single day, valued at a total of over RMB800 million. The rate has not been seen since 2013, indicating the market is beginning to slow.

Market outlook

On 25 June, the Xi'an Housing Authority issued guidelines to keep the housing market healthy (关于促进房地产市场平稳健康发展的若干意见). Following the release of the report, the authorities lowered down payments to 20% for houses less than 90 sq m. In addition, new regulations were released that allowed non-local homebuyers of units larger than 90 sq m to obtain a 'hukou'. The implementation of these policies is expected to boost market confidence and prompt homebuyers to return to the market with renewed confidence. Developers are expected to see the offloading of stocks increase, pushing transaction volumes up . ■

TABLE 1
Selected Future Project, H2/2015

Name	Developer	Expected Launch Date
Evergrande Riverbay	Evergrande	Aug 2015
Joyous Villa	China Oversea	Aug 2015
Oriental Legend	Vanke	Sept 2015
Heneng Residence	Heneng	Sept 2015

Source: Savills Research

Project focus

Oriental Legend Phase I

Vanke Oriental Legend is the second project Vanke has developed in Qujiang area. The project is located between the second and third ring roads, allowing good connectivity. The project offers a total GFA of around 490,000 sq m and comprises 18 residential buildings, a commercial street and a kindergarten. The project is expected to be developed in five phases, with the first phase expected to enter the market in Q3/2015. The first phase will see buildings 9, 10, 11, and 12 launched, with buildings 9 and 12 offering four-bedroom units between 140 and 165 sq m; buildings 10 and 11 offer three bedrooms between 89 and 125 sq m.

TABLE 2
Oriental Legend Phase I

Location	Yanxiang Road, South Huanggutou Road	
Developer	Vanke	
Operator	Vanke Property Management	
No. of buildings	18	
Transport Links	1 min walk to upcoming Yuejiazhai Station (metro line 5) Yanxiang Road connects 2nd ring road and 3rd ring road	
Expected Launch Date	Q3/2015	
Handover Date	Q4/2016	

Source: Savills Research

Please contact us for further information

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