

Briefing Residential sector

August 2016



Image: Gree Coast

SUMMARY

The residential market witnessed a peak in both transaction prices and volumes in 1H/2016, due to the cancellation of purchase restrictions. The western part of the city enjoyed the largest increase in transaction prices.

■ Zhuhai's residential market saw a sharp growth in 1H/2016. City-wide there were 33,222 transactions, which surpassed the total for 2015.

■ The average transaction price of first-hand residences in Zhuhai increased by 2.14% quarter-on-quarter (QoQ), and 25.06% year-on-year (YoY) to RMB16,432 per sq m.

■ The average transaction price of first-hand residences in the Doumen district increased by 7.5% QoQ, and 57.5% YoY to RMB11,380 per sq

m. 11,904 transactions took place in Q2/2016, totalling 1,155,600 sq m.

■ The average transaction price in the Jinwan district increased by 3.9% QoQ, and 55.5% YoY to RMB13,069 per sq m. There were 4,703 transactions, totalling 476,000 sq m.

■ The average transaction price of first-hand residences in the Hengqin district increased by 0.87% QoQ, and 13.44% YoY to RMB41,596 per sq m. There were 1,512 transactions, totalling 137,600 sq m.

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 “The market is very active under the influence of a series of stimulating policies. The western part of the city is expected to be the predominant area for the residential market, due to limited supply in the main urban area.”
 Sophia Huang, Savills Project & Development Consultancy

➔ **Market overview**

National GDP growth reached 6.7% in 1H/2016, as the economy continued to grow steadily. The investment in real estate saw a steady rise and although the indexes remained high, there was an obvious decline in the increase rate. The growth of national real estate investment increased by 6.1% YoY and was down by 0.9 of a percentage point (ppt) compared with the rate in May. The residential investment market occupied a high proportion of 66.8%.

Benefitting from a variety of favourable policies rolled out by the government, the city's residential market welcomed an increase in growth. City-wide transaction volumes increased 72.44% to 32,222 transactions, surpassing the number from last year and reaching 2,945,200 sq m.

As of 30 June 2016, the city's market stock decreased by 15.4% to 32,549 sq m while 32,222 transactions were completed. As a result, supply and demand will be unbalanced.

Transaction prices saw a sharp increase due to a series of favourable policies. The city-wide average price in the residential market increased 2.14% QoQ and 25.06% YoY to RMB16,432 per sq m. The transaction price of first-hand residences has shown strong growth momentum and surpassed that of second-hand residences since February 2016.

There was a noticeable change in the city's residential market. Although 54% of transactions occurred in the western area, investors were the main force behind this housing boom. As housing prices continue to grow in the main urban area, many people are forced to move out to the suburbs where property is more affordable.

GRAPH 1
Residential supply, sales area and saleable area, 2011 – 1H/2016



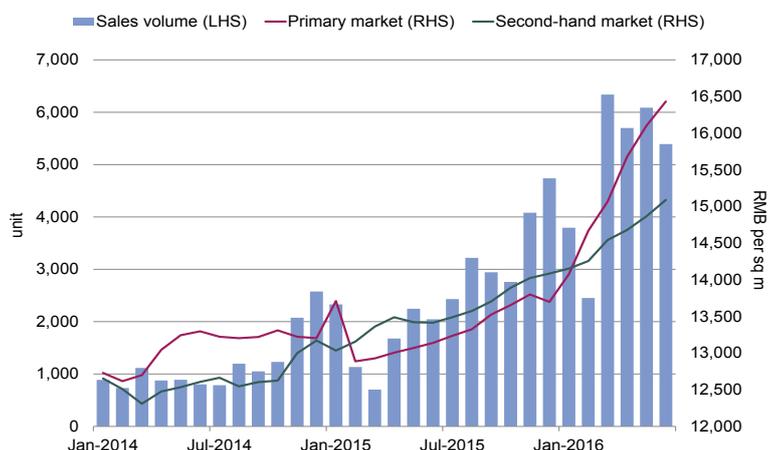
Source: Zhuhai statistics Bureau

GRAPH 2
Residential construction area and completed area, 2011-1H/2016



Source: Zhuhai statistics Bureau

GRAPH 3
Residential sales volumes, average transaction prices of primary and second-hand market, 2014-1H/2016



Source: Savills Research

In 1H/ 2016, the western area became a hotspot for investment due to limited available land in the main urban area. The Doumen district has the most saleable projects, of which the price of first-hand residences increased 7.5% QoQ and 57.5% YoY to RMB11,380 per sq m. The Jinwan district held the highest housing price in the western area. The price of first-hand residences increased 3.9% QoQ and 55.5% YoY to RMB13,069 per sq m. The price of first-hand residences in Hengqin increased 0.87% QoQ to RMB41,596 per sq m. ■

Market outlook

The Zhuhai residential market is expected to maintain a stable growth in 2H/2016, due to a variety of government stimulus policies.

The residential market was extremely active in Q2/2016, as it was stimulated by a series of favourable policies such as lowering the required down payment, adjusting the deed tax payment and cancelling purchase restrictions.

Many projects' prices reached a relatively high level due to a series of favourable policies and the transaction volume in 1H/2016 was on a par with that of last year. Many projects are expected to be handed over in the second half of the year and transaction volumes and prices are expected to grow steadily, benefitting from the favourable policies.

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