Sales Market Rebounds

Developers accelerated their project launches and supply notably increased.

- With the continued resumption of work and production upon effective COVID-19 epidemic prevention and control, economic activities in Guangzhou improved during Q2/2020.

- The expansionary monetary policy enhanced market liquidity, with Loan Prime Rate (LPR) decreasing compared with last quarter. According to Rong360, average mortgage rates for Guangzhou's first-home buyers decreased to 4.96%.

- The new supply of the Guangzhou residential property sales market increased 124.4% quarter-on-quarter (QoQ) to 2.9 million sq m. The total transaction area of the first-hand residential sales market grew by 104.8% QoQ to 2.4 million sq m.

- The average transaction price of the Guangzhou residential market decreased structurally by 1.1% QoQ and 3.3% year-on-year (YoY) to RMB26,883 per sq m.

- The vacancy rate of the Guangzhou serviced apartment market increased by 5.0 percentage points (ppts) QoQ to 30.1% by the end of Q2/2020.

- The average rent of the Guangzhou serviced apartment market decreased by 4.9% QoQ and 14% YoY to RMB194 per sq m per month.

- New supply in 2H/2020 is projected to increase, though most of the new supply is located in suburban areas such as Nansha, Zengcheng, Huadu and Conghua.

“Some pent-up purchasing demand was released to the market, resulting in a rebound in the sales transactions in the first-hand residential market. However, the demand for leasing market continued to shrink following on from Q1/2020.”

CARLBY XIE, SAVILLS RESEARCH
Chinese visa remained valid, dramatically for foreign passport holders even if their Chinese visa applications and denied entries included the continued suspension on the strict border control measures, which feel the effects of COVID-19. In particular, the serviced apartment market continued to lose momentum during Q2/2020. Market liquidity increased as monetary policy loosened, with Loan Prime Rate (LPR) decreasing compared with last quarter. According to Rong360, average mortgage rates for Guangzhou’s first-home buyers decreased to 4.96%. Meanwhile, the ongoing talent schemes remained effective in growing the local population and attracting capital from outside Guangzhou, generating more potential purchasing demand for the Guangzhou residential property market. Correspondingly, market activities in the residential property sales market increased, and the volume of sales transactions grew by 104.8% QoQ in Q2/2020.

SALES MARKET
Benefiting from the improved epidemic prevention and control environment and, reflected in the resumption of work and production, many developers started to accelerate their project launches in Q2/2020. This has resulted in a notable increase in supply. New supply in the Guangzhou residential property market increased by 23% QoQ, the citywide average transaction price in Tianhe District dropped to 2.4 million sq m. However, as the average residential sales increased by 104.8% QoQ in Q2/2020.

Correspondingly, market activities in the Guangzhou serviced apartment market continued to accelerate their project launches in Q2/2020. Expansionary monetary and fiscal policy is expected to continue, bringing more liquidity into the market. Despite the continued Home-Purchase Restrictions (HPRs), most developers maintain a positive outlook for the residential market as reflected in the active land sales market. With the increasing project launches, new supply in 2H/2020 is projected to increase, though most of the new supply will be located in suburban areas such as Nansha, Zengcheng, Huadu and Conghua. The average transaction price of the first-hand residential property market in urban areas is expected to edge up in 2H/2020, and that in suburban areas should remain steady.

The performance of the leasing market in the serviced apartment sector will continue to rely on the changes in visa and entry exit policies in the remainder of the year. A financial lost among most serviced apartment operators or landlords is looking increasingly inevitable for 2020, and the likelihood of more operators promoting short-stay services at many properties is expected to increase.