More policies to curb speculation

The local government spent more effort on protecting rigid demand in the Guangzhou residential sales market.

- On 2 April 2021, the local government unveiled the Notice on Further Promoting Stable and Healthy Development of the Real Estate Market in Guangzhou, further strengthening its regulations on six aspects of the local residential market.

- On 21 April 2021, the government announced that it would raise the ownership period from two years to five years for value-added tax (VAT) exemption on the sale of individual houses.

- Affected by more government intervention, new supply of the Guangzhou first-hand residential sales market decreased by 27.4% year-on-year (YoY) to approximately 1.5 million sq m as of 18 June 2021.

- The citywide first-hand residential transaction volumes decreased by 27.8% quarter-on-quarter (QoQ) to 1.7 million sq m as of 15 June 2021 due to the disruption of a small COVID-19 outbreak.

- The citywide average transaction price increased structurally by 8.9% QoQ to RMB39,032 per sq m as more transactions were recorded in core areas.

- Supported by domestic leasing demand from some affluent individuals, the citywide average vacancy rate of the Guangzhou serviced apartment property market decreased to 14.6%, down 4.6 percentage points (ppt) QoQ and 15.4 ppt YoY, and the average rent increased to RMB217.0 per sq m per month, up 6.2% QoQ and 9.9% YoY on an index basis.

“In Q2/2021, the small COVID-19 outbreak in June was the main issue that led to a significant decrease in the citywide first-hand residential transaction volumes as site visits and deal signings were postponed due to prevention and control measures.”

CARLBY XIE, SAVILLS RESEARCH
Residential

GRAPH 1: Nine Districts’ Residential Transaction Volumes And Prices, Q3/2016 to Q2/2021

SALES MARKET

The Guangzhou residential sales market witnessed more local government’s efforts on protecting homebuyers with rigid demand as it was called upon to do so by the Ministry of Housing and Urban-Rural Development in early April 2021 to stabilise residential prices and curb speculations. On 2 April 2021, the local government unveiled the Notice on Further Promoting Stable and Healthy Development of the Real Estate Market in Guangzhou, further strengthening its regulations on six aspects of the local residential market, such as land supply, real estate financial management and extending the alienation restriction period of social security housing for talent to three years. Then on 21 April 2021, the government raised the ownership period from two years to five years for VAT exemption on the sale of individual houses. This is expected to help cool the market by increasing the transaction tax on the second-hand sales market.

Affected by more government intervention, new supply of the Guangzhou first-hand residential sales market decreased by 27.4% YoY to approximately 1.5 million sq m as of 18 June 2021, though it still increased by 19.2% QoQ. In Q2/2021, the small COVID-19 outbreak in June was the main issue that led to the significant 27.8% QoQ decrease in the citywide first-hand residential transaction volumes, which only recorded 1.7 million sq m as of 15 June 2021, as site visits and deal signings were postponed due to the prevention and control measures. Nevertheless, the citywide average transaction price increased structurally by 8.9% QoQ to RMB39,032 per sq m as 43.3% of transaction price increased structurally by measures. Nevertheless, the citywide average transaction price increased structurally by 8.9% QoQ to RMB39,032 per sq m as 43.3% of the total transaction volumes were recorded in core areas, which was 6.4 ppts higher than that of the Q1/2021.

Reflecting the positive movement during this quarter, the citywide average vacancy rate of the Guangzhou serviced apartment property market decreased to 14.6%, down 4.6 ppts QoQ and 15.4 ppts YoY, and the average rent increased to RMB217.0 per sq m per month, up 6.2% QoQ and 9.9% YoY on an index basis.

OUTLOOK

The policy environment and financial regulations on the Guangzhou residential sales market are expected to be further tightened in 2H/2021 in response to the central government’s calls. This should help curb housing speculation and stabilise prices, through which more rigid demand generated from the population expansion is anticipated to be protected. For the leasing market, demand from foreign occupiers is forecast to remain fragile as the border control policies should continue to be strict given the ongoing pandemic. Considering the relatively limited demand and the 435 units of new supply in Q3/2021, the citywide vacancy rate of the Guangzhou serviced apartment property market is expected to increase.

TABLE 1: Future Supply Of Serviced Apartments, Q3/2021

<table>
<thead>
<tr>
<th>PROJECT</th>
<th>DISTRICT</th>
<th>NO. OF UNITS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ascott ICC Guangzhou</td>
<td>Tianhe</td>
<td>260</td>
</tr>
<tr>
<td>Star Residence ICC Guangzhou</td>
<td>Tianhe</td>
<td>175</td>
</tr>
</tbody>
</table>

Source: Savills Research

savills.com.cn/research