

Residential



Serviced apartment rents slip

The first-hand residential property market saw an uptick in prices.

- New supply of the Guangzhou first-hand residential sales market decreased 24.0% quarter-on-quarter (QoQ) to 2.1 million sq m as of 17 December 2021, as developers postponed new projects launches to the end of December 2021 and the upcoming Spring Festival.
- Property purchasers continued to hold a strong wait-and-see attitude, and the citywide transaction volume decreased for four consecutive quarters in 2021 to 1.6 million sq m as of Q4/2021.
- The citywide average transaction price increased 6.9% QoQ to RMB 40,839 per sq m mainly due to the completed transactions of mid- to high-end projects in urban areas.
- Leasing demand for serviced apartment properties continued to subdue and the citywide vacancy rate edged up by 0.3 percentage points (ppts) QoQ to 24.6% as a result.
- The citywide average serviced apartment rent decreased 2.2% QoQ on a rental index basis to RMB218.5 per sq m per month.
- With Guangzhou's continued population growth, rigid purchasing demand should remain significant. Policy control will continue to tighten while the price growth of the residential property market should stay relatively steady.

“Although financing conditions relaxed moderately with expedited loan approval and release in Q4/2021, property purchasers continued to hold a strong wait-and-see attitude for property acquisition.”

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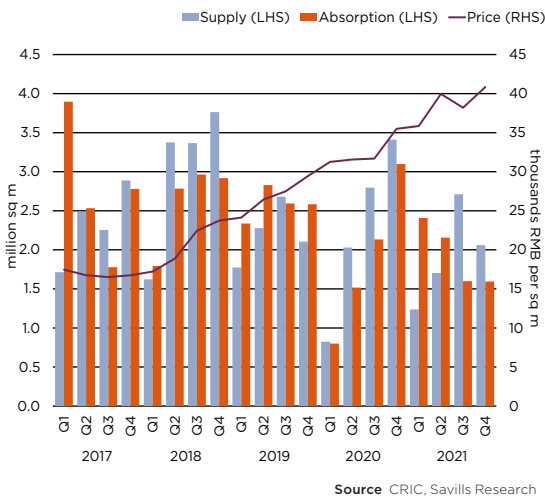
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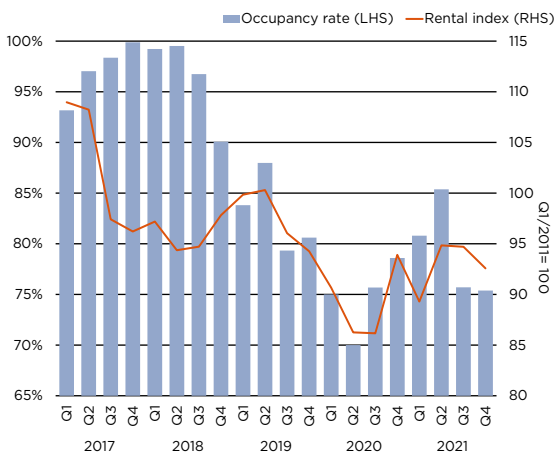
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GRAPH 1: Nine Districts' Residential Transaction Volumes And Prices, Q1/2017 to Q4/2021



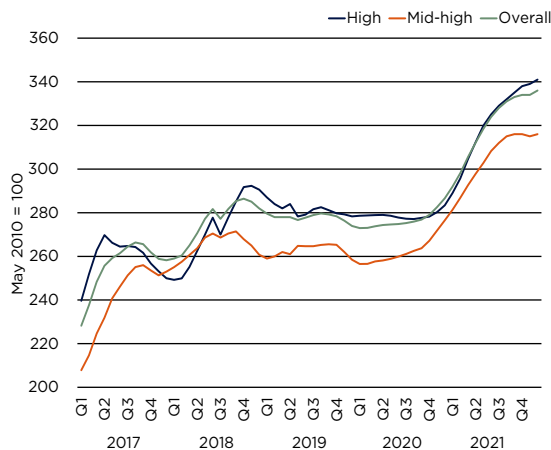
Source: CRIC, Savills Research

GRAPH 2: Serviced Apartment Occupancy Rates And Rental Indices, Q1/2017 to Q4/2021



Source: Savills Research

GRAPH 3: Second-Hand High-End And Mid-High Residential Price Indices, Q1/2017 to Q4/2021



Source: Savills Research

MARKET OVERVIEW

The consecutive decreases in the sales transaction volume since Q1/2021 and the cooling land sales market since Q3/2021 in the Guangzhou residential sales market prompted the government to take actions in stabilising the market development. In Q4/2021, financing conditions relaxed moderately with expedited loan approval and release. The government also lowered and/or reduced pre-conditions by reducing land sales prices and lifting the sales price limit of future developments to encourage further land acquisitions.

SALES MARKET

As some developers chose to launch new projects at the end of December and the upcoming Spring Festival, new supply of the Guangzhou first-hand residential sales market decreased 24.0% QoQ to 2.1 million sq m as of 17 December 2021. Although mortgage rates of some banks decreased by 20 basis points (bps) to 5.65% in Q4/2021, many property purchasers continued to hold a strong wait-and-see attitude, hoping for a better policy package in 2022. The citywide first-hand residential property transaction volume decreased for four consecutive quarters in 2021 to 1.6 million sq m as of 15 December 2021, but the decrement narrowed from 26% QoQ in Q3/2021 to 0.3% QoQ in Q4/2021. Nevertheless, the citywide average transaction price increased 6.9% QoQ to RMB 40,839 per sq m mainly due to the completed transactions of mid- to high-end projects in urban areas.

LEASING MARKET

No new supply entered the market in Q4/2021 and the total stock of the serviced apartments property market remained at 3,530 units. International arrivals continued to hover at a lower level relative to its pre-pandemic equivalent as strict border control policies remained in place for two years. Some large-scale MNCs and leading domestic companies which were traditionally active in outsourcing leasing demand for serviced apartments showed a cautious attitude toward personnel relocation, reducing housing benefits across the board. This was reflected in an increase in the average vacancy rate and a decrease in average rent. In Q4/2021, the citywide vacancy rate of the market increased by 0.3 ppts QoQ to 24.6% and the citywide average

rent decreased 2.2% QoQ on a rental index basis to RMB218.5 per sq m per month.

OUTLOOK

Guangzhou maintains a vibrant economic development, supported by relatively diversified economic industries, attracting many talents and workers to settle down in the city. This can be reflected by the 47.1% growth in the population over the last decade, according to the seventh national census. With Guangzhou's continued population growth, rigid demand for residential properties either for the first purchase or upgrade, should remain significant. Policy control on the market development is expected to remain tight, especially in terms of home purchase restrictions and financing conditions. In effect, price growth of the Guangzhou residential property market should stay relatively steady. As per Guangzhou's serviced apartment property market, a new project with 228 units is scheduled to enter the market in 2022, which is projected to bring about a mild increase in the citywide average vacancy rate. However, the strategic shift of clientele focus is expected to stabilise rental performance in 2022.