

# Residential



## Transaction volume and price increase

Policy stimuli helped unleash some pent-up demand to the market during June 2024.

- On 17 May 2024, the central bank announced to lower the bar of downpayment, remove mortgage floor rates nationwide and lower housing provident loan interest rates. Following this, Guangzhou lowered the city's downpayment thresholds to 15% for first-home buyers and 25% for second-home buyers.
- The average loan interest rates were reduced from 3.85% to 3.4% for first-time buyers and from 4.25% to 3.8% for second-home buyers during the quarter.
- Prompted by policy stimuli, some potential purchasers took this opportunity to purchase target properties, reflected by a pick-up in monthly transaction volume citywide during June.
- Guangzhou's first-hand residential supply increased by 20.0% QoQ to 1.03 million sqm and the transaction volume of the Guangzhou first-hand residential property sales market increased by 55.1% QoQ to 1.54 million sqm by the end of Q2/2024.
- The average sales price of the Guangzhou first-hand residential market increased by 3.2% QoQ to RMB46,890 per sqm as of end-Q2/2024.
- Both central and local governments are expected to launch more incentives to further stimulate land and first-hand residential sales.

“Entry requirement for residential property purchasing in Guangzhou has reached a new low with 15% of lump sum downpayment. The favourable policy environment enticed some prospective purchasers to sign up Sale and Purchase Agreements with developers, marking up the quarterly transaction volume and average price of the Guangzhou residential sales market.”

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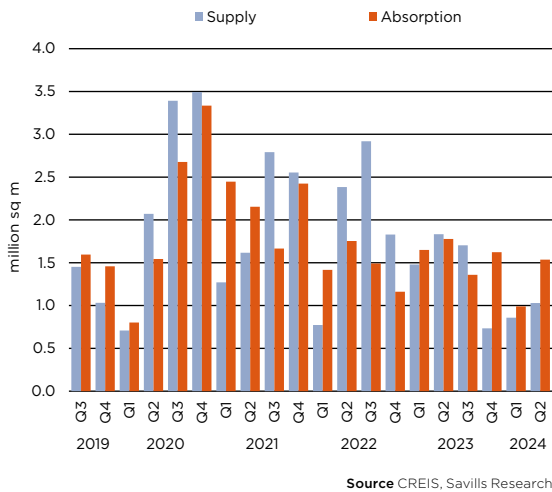
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**GRAPH 1: Nine Districts' Residential New Supply and Transaction Volumes, Q3/2019 To Q2/2024**



**MARKET OVERVIEW**

The financing environment was further in favour of individual home purchasers in the context of prudent purchasing sentiments during Q1/2024. On 17 May 2024, the central bank announced to lower the bar of downpayment, remove mortgage floor rates nationwide and lower housing provident loan interest rates. In response to this, Guangzhou lowered the city's downpayment threshold to 15% for first-home buyers and 25% for second-home buyers, according to the "Notice on Further Optimising Real Estate Policies" released by the Guangzhou municipal government on 28 May 2024. Following this, the average loan interest rates were reduced from 3.85% to 3.4% for first-time buyers and from 4.25% to 3.8% for second-home buyers during the quarter. The notification also noted that the city will continue to expand the home purchasing eligibility for non-local residents. These incentives accelerated the release of some pent-up demand in June; both the transaction volume and the average price increased QoQ.

However, challenges persisted given an oversupply relative to purchasing demand. The city's destocking cycle reached 26 months in April 2024, 3 times higher than the same period in 2021 (6.6 months), according to a third-party institution. The prolonged destocking cycle has dampened developers' land purchasing enthusiasm as only four out of eleven residential land lots were sold in 1H/2024, with the supply and transaction volume down by 73% and 87% YoY, respectively.

Guangzhou first-hand residential market increased by 55.1% QoQ to 1.54 million sqm by the end of Q2/2024.

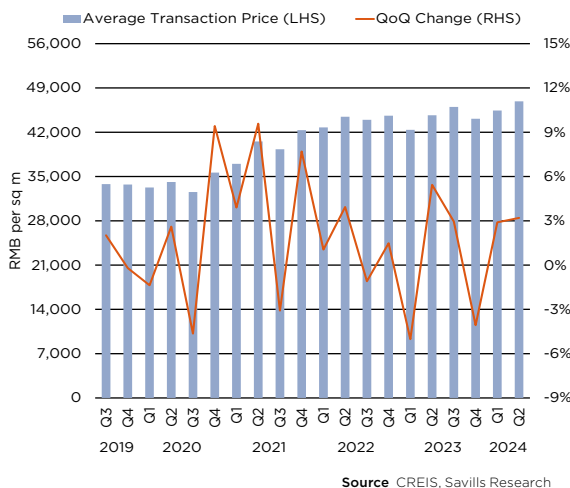
**SALES PRICE**

Most developers offered more financial incentives for higher project digestion against the prolonged destocking period, resulting in a decline in average transaction prices in some districts. However, due primarily to high average transactional prices of a few quality projects and an increasing proportion of transaction volume in urban areas, the average sales price of the Guangzhou first-hand residential market increased by 3.2% QoQ to RMB46,890 per sqm as of end-Q2/2024.

**OUTLOOK**

Both the central and local governments are expected to launch further stimuli to boost land and first-hand residential sales. As for land supply, Guangzhou Municipal Planning and Natural Resources Bureau has replanned six land lots in Pazhou from commercial to residential use in July 2024. This move is expected to enhance developers' enthusiasm for land acquisition in the short term, while aiming to meet housing demand in Pazhou and boost the area's sustainable development in the long term.

**GRAPH 2: Nine Districts' Residential Average Transaction Price, Q3/2019 To Q2/2024**



**SUPPLY AND DEMAND**

During Q2/2024, project launches were accelerated in areas including Nansha, Huangpu and Panyu. As of end-Q2/2024, new supply of the Guangzhou first-hand residential market increased by 20.0% QoQ from 0.86 sqm in Q1/2024 to 1.03 million sqm in Q2/2024. Prompted by national and local policy stimulations, some potential purchasers, especially those with strong rigid or upgrade demand, took this opportunity to purchase target properties, reflected by a pick-up in monthly transaction volume citywide in June. Consequently, the quarterly transaction volume of the

**GRAPH 3: Second-Hand High-End And Mid-High Residential Price Indices, Q3/2019 To Q2/2024**

