More downtown properties receive pre-sale

First-hand average price reached a new high as transaction structures leaned towards areas within the outer ring.

- New commodity residential supply dropped by 5.9% quarter-on-quarter (QoQ) in Q4/2018 to 2.9 million sq m.
- Average transaction prices increased by 12.2% QoQ to RMB61,300 per sq m, reaching a historical new high.
- First-hand, high-end apartment supply totalled 402,000 sq m in Q4/2018, up 50.1% QoQ.
- Second-hand commodity transaction volume dropped by 16.3% QoQ to 3.1 million sq m in Q4/2018. The average transaction price slightly increased by 1.6% to RMB37,000 per sq m.
- The average transaction price of second-hand high-end apartments in Q4/2018 remained stable, with only a slight decrease of 0.7% to RMB99,200 per sq m.
- Four for-sale residential land plots transacted at or near the reserve price in Q4/2018, with a total land area of 147,000 sq m and a total GFA of 296,000 sq m. The average accommodation value (AV) was about RMB27,600 per sq m.
- By the end of 2018, 57 plots of pure residential for-lease plots launched into the market, and will provide at least 51,000 units in the leasing sector.

“2H/2018 witnessed a number of high-end apartments launching onto the market, and as they sell, they help push up the average price of first-hand commodity housing to a historical new high.”

JAMES MACDONALD, SAVILLS RESEARCH
MARKET OVERVIEW

New commodity residential supply dropped slightly compared to Q3/2018. With the decrease in transaction volume, unsold inventory totalled 71.1 million sq m. By the end of December 2018, the digestion period of first-hand stock increased to 6.8 months, while the digestion period of second-hand stock dropped slightly to 6.7 months. On the price side, the new commodity apartment average transaction price topped RMB61,300 per sq m, while the second-hand commodity apartment average transaction price reached RMB57,000 per sq m.

First-hand Market - New commodity residential supply dropped by 5.9% in Q4/2018 to 2.9 million sq m. First-hand commodity residential transaction volumes decreased by 33.2% QoQ, totalling 1.5 million sq m, though still up 30.5% year-on-year (YoY).

First-hand commodity transaction structure evolved as more projects within the outer ring road launched and transacted in 2018. Data shows transaction volumes between the inner ring road and middle ring road increased by 51% in Q4/2018 compared to the transaction volumes in 2017. As quite a few high-end residential projects launched in the central urban area, Shanghai’s overall first-hand commodity transaction price increased by 25.4% YoY, reaching a new high of RMB61,300 per sq m.

Second-hand Market - Second-hand residential transaction volumes decreased in Q4/2018. With homebuyers’ market expectations changing, second-hand commodity transaction volume remained at a low level. The average transaction price increased by 1.6% QoQ to RMB37,000 per sq m.

Second-hand properties are said to be selling for below-market values as economic stress places individuals under more pressure, however, a backlog of potential buyers should support the market. As the selling cycle slowed down, buying opportunities emerged.

HIGH-END RESIDENTIAL SALES MARKET

First-hand, high-end apartment supply increased significantly. The supply totalled 402,000 sq m in Q4/2018, with an increase of 50.1% QoQ, reaching a new quarterly high for the past five years. Among them, new supply from Baidu (百度) and Nove Mansion (九庐) added 279 units to the market, while the remaining supply comes from new batches of existing projects. On the transaction side, the first-hand, high-end apartment market recorded a decrease in transaction volumes of 9.8% from Q3/2018, and totalled 281,000 sq m in Q4/2018. On an index basis in Q4/2018, first-hand high-end apartment transaction prices rose 2.1% QoQ to an average of RMB103,700 per sq m.

Shanghai’s stricter housing policies in the first-hand market in 2018, including limited pre-sale permits and commodity price caps, along with other housing purchasing policies, continued to suppress the first-hand high-end apartment market. Unlike the fluctuations in the first-hand market, the average transaction price of second-hand high-end apartments in Q4/2018 remained stable, with only a slight decrease of 0.7% to RMB99,200 per sq m. With fewer policy interventions and as residential for-sale land plots became rarer in urban central areas, the importance of the second-hand high-end market gradually increased as a market indicator. Compared to the value decrease in the overall second-hand market, the high-end apartment market in Shanghai remains a store of value.

RESIDENTIAL LAND MARKET

Four pure residential for-sale land plots were transacted in Q4/2018, with a total land area of 147,000 sq m and a total GFA of 296,000 sq m. Those plots were transacted with an accommodation value of RMB27,568 per sq m and were traded basically with no premium. Six pure residential for-lease land plots were...
transacted at their reserve price in Q4/2018. The total GFA is about 430,000 sq m, with plot ratio varying from 1.52 to 2.5. Most of the plots are located in the suburban area: three in Baoshan and the remaining three in Pudong, Putuo and Minhang.

Shanghai transacted 27 pure residential plots in 2018 with a total GFA of 739,000 sq m and transacted 35 pure residential for-lease plots with a total GFA of 1.31 million sq m. By the end of 2018, 57 plots of pure residential for-lease plots launched into the market, and will provide at least 51,000 units to the leasing sector.

RESIDENTIAL SALES MARKET OUTLOOK
The overall residential policy environment for Shanghai is expected to remain tight, with a subdued housing market expected to become the new normal – “houses are for living, not for speculating”.

On the supply side, with restrictive policies not being relaxed, developers are no longer holding out for a rebound of the market and are releasing previously reserved stock. They may also be monetising real estate holdings to pay down debt or to reinvest in more promising sectors.

The Shanghai government has introduced a number of for-lease residential plots in the last year; a move that is expected to continue and accelerate in 2019.

As the land market cools and long-term planning calls for more limited expansion of construction land, the Shanghai government will have to look for alternative revenue sources going forwards – the property tax is still one possibility, but the timeline remains uncertain.