

Residential Sales



Resilience in the residential sales market

Despite subdued volumes recorded citywide pricing remains surprisingly stable.

- First-hand commodity residential supply increased 39.0% in Q4/2023 to 3.25 million sqm, down 22.5% YoY.
- First-hand commodity residential transaction volumes increased 1.4% QoQ to 1.98 million sqm, down 24.7% YoY.
- Average transaction prices decreased 1.9% QoQ to RMB68,983 per sqm, up 5.2% YoY.
- Jardin Des LYS and YUNE added 514 apartments to the market in Q4/2023.
- First-hand high-end apartment transaction volumes decreased 57.7% in Q4/2023 to 47,676 sqm, down 22.4% YoY.
- First-hand high-end apartment transaction prices edged down 1.17% in Q4/2023 to an average of RMB122,927 per sqm, roughly the same as last year.
- Second-hand residential sales volumes grew 1.0% QoQ to 3.3 million sqm, down 7.1% YoY; while average transaction prices edged up 1.6% QoQ to RMB41,607 psm up 2.0% YoY.

- A total of 29 residential plots were auctioned with a buildable area of 4.3 million sqm selling for RMB103.8 billion at an average accommodation value (AV) of RMB24,270 psm.

“The Shanghai residential market is in the midst of a substantial transformation. While the transition may present challenges, the long-term outlook suggests a healthier market.”

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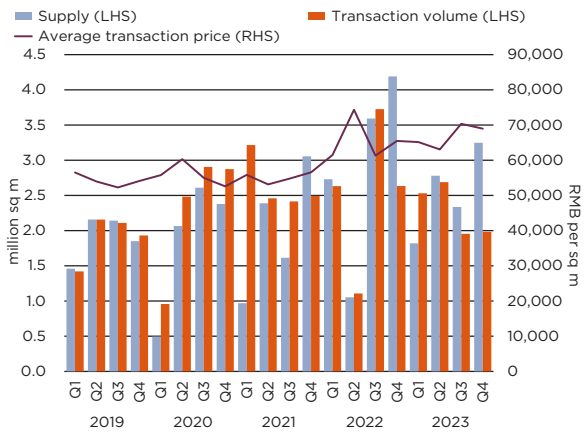
RESIDENTIAL SALES

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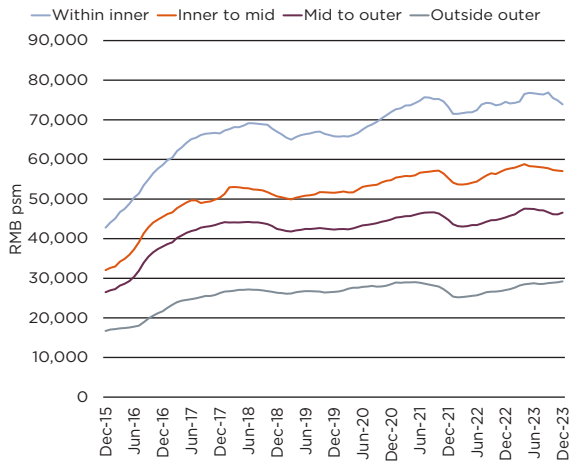
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GRAPH 1: First-Hand Commodity Residential Market Supply, Transaction Volume And Prices, Q1/2019 To Q4/2023



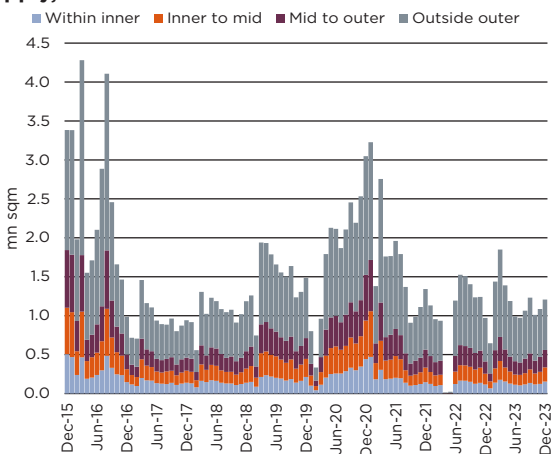
Source: Shanghai Real Estate Trading Center, Savills Research

GRAPH 2: Second-Hand Residential Sales Market Transactions And Prices, Dec 2015 To Dec 2023



Source: Shanghai Real Estate Trading Center, Savills Research

GRAPH 3: First-Hand, High-End Apartment Market Supply, Dec 2015 To Dec 2023



Source: Shanghai Real Estate Trading Center, Savills Research

MARKET FOCUS

Lower bar for home purchasers

The first-time home purchase downpayment rate fell from 35% to 30% in late 2023, while the second-time purchase downpayment rate was adjusted to 50% (formerly 50% for ordinary homes and 70% for non-ordinary homes). At the same time, the definition of ordinary homes was broadened to include the majority of units smaller than 144 sqm in multi-storeyed (5 floors and above) developments.

The mortgage rate is now set at 4.1% for first-home buyers, which is 10 bps lower than the 5-year LPR, and 4.5% for second-home buyers, 30 bps above the 5-year LPR. These policy adjustments result in reduced financial burdens for home buyers and broaden options for those seeking an enhanced living environment, potentially stimulating demand.

Starting in early January 2024, Qingpu and Fengxian now permit qualified non-local individuals working in those districts to purchase a home, provided they don't own any in Shanghai and have paid social insurance or individual income tax for more than three years.

OVERALL COMMODITY RESIDENTIAL MARKET

First-hand Market - First-hand commodity residential supply increased 39.0% in Q4/2023 to 3.25 million sqm, down 22.5% YoY. The transaction volumes increased 1.4% QoQ to 1.98 million sqm, down 24.7% YoY.

Average transaction prices decreased 1.9% QoQ to RMB68,983 per sqm, up 5.2% YoY.

In 2023, a total of 86,368 units were introduced to the Shanghai real estate market across 12 batches. This marked an increase in the frequency of supply releases compared to previous years, reaching a peak in the fourth quarter. However, market sentiment experienced a decline from the second half of the year, evident in reduced subscription rates. Despite the growing disparity between demand and supply, projects situated in prime locations maintained their popularity.

Second-hand Market - Second-hand residential sales volumes grew 1.0% QoQ to 3.3 million sqm, down 7.1% YoY; while average transaction prices edged up 1.6% QoQ to RMB41,607 psm up 2.0% YoY.

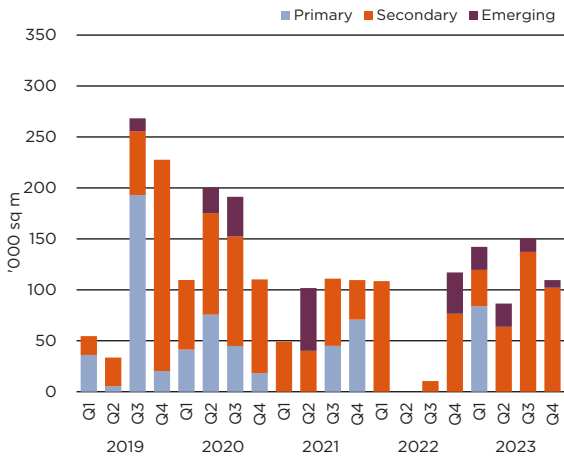
Second-hand transactions received a short-term boost in September when the definition of first home purchases was adjusted to include those purchasers who had fully repaid previous mortgage policies. Average monthly listings increased to 40,666 in 2023 up from 37,791 in 2022, with a peak towards the end of the year in November of 46,051 units. Listings do not always indicate an intention to sell and are often to help homeowners gauge sentiment and pricing, nevertheless, more households may be looking to reduce liabilities and hedge bets on the property market in the short term.

TABLE1: First-Hand Commodity Residential Market By Property Type, Q4/2023

| | | APARTMENT | VILLA | OVERALL |
|---------------|---------|-----------|---------|-----------|
| SUPPLY | SQ M | 3,021,662 | 226,580 | 3,248,243 |
| | YoY (%) | -25.2% | 51.5% | -22.5% |
| TRANSACTIONS | SQ M | 1,799,140 | 183,235 | 1,982,375 |
| | YoY (%) | -26.2% | -6.4% | -24.7% |
| AVERAGE PRICE | RMB PSM | 66,378 | 94,566 | 68,983 |
| | YoY (%) | 4.5% | 3.7% | 5.2% |

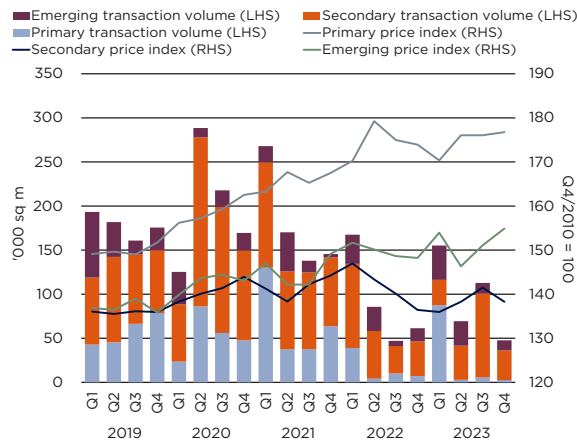
Source: Shanghai Real Estate Trading Center, Savills Research

GRAPH 4: First-hand, High-End Apartment Supply, Q1/2019 To Q4/2023



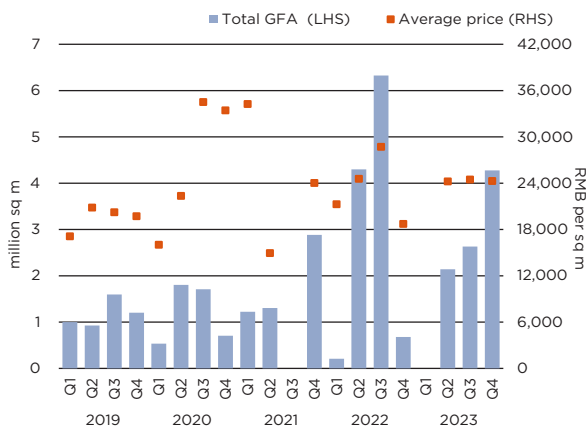
Source: Shanghai Real Estate Trading Center, Savills Research

GRAPH 5: First-hand, High-End Apartment Transaction Volumes And Prices, Q1/2019 To Q4/2023



Source: Shanghai Real Estate Trading Center, Savills Research

GRAPH 6: For-sale Residential Land Transaction Area (Buildable Area) And AV, Q1/2019 To Q4/2023



Source: Shanghai Real Estate Trading Center, Savills Research

Sufficient first-hand supply and cautious sentiment in the market will continue to weigh on the market. Transactions picked up at the end of the quarter, though remain low by historical levels.

HIGH-END RESIDENTIAL SALES MARKET

Jardin Des LYS and YUNE added 514 apartments to the market in Q4/2023. First-hand high-end apartment transaction volumes fell 57.7% in Q4/2023 to 47,676 sqm, down 22.4% YoY. The transaction prices edged down 1.17% in Q4/2023 to an average of RMB122,927 per sqm, roughly the same as last year.

Premium developments with comprehensive amenities in central prime locations continue to be highly preferred. The adjustment in the definition of ordinary homes will also have made some projects more accessible and affordable.

RESIDENTIAL LAND MARKET

Shanghai's third and fourth land auctions were held in October/December, the former involving 17 residential plots with a buildable area of 2.7 million sqm and a total consideration of RMB67.6 billion, with an average accommodation value (AV) of RMB25,000 per sqm.

One plot in Longhua, Xuhui got high attention and was sold at the reserve price

of RMB24 billion with a buildable area of 673,200 sqm.

The fourth batch had 12 plots totalling 1.58 million sqm, sold for RMB36.2 billion. The average AV was RMB22,960 per sqm. Downtown districts Xuhui, Putuo and Yangpu received new supply.

MARKET OUTLOOK

Shanghai will see its first batch of 22 new projects containing 4,335 residential units in January, including a new phase of a high-end project in Huangpu District. More high-end projects are expected in 2024.

Since the second half of 2023, the market experienced a cooldown with potential buyers shelving home purchases, leading to a larger discrepancy between supply and demand. However, the latest policies changes may help unlock some latent demand, especially for home upgrades, meanwhile more districts continue to see scope for relaxations similar to Jinshan, Fengxian and Qingpu.

It may still take time for the market to respond, but as the economy bottoms out, Shanghai will continue to attract talent to fuel the industry's development.

TABLE2: Top Five Apartment Projects By First-hand Transaction Prices, Q4/2023

| PROJECT | DISTRICT | AREA | TRANSACTION AREA (SQM) | AVERAGE TRANSACTION PRICE (RMB PSM) |
|-----------------------|----------|--------------------|------------------------|-------------------------------------|
| The Bound of Bund | Huangpu | Huangpu Riverfront | 334 | 176,863 |
| Greenland Bund Centre | Huangpu | Huangpu Riverfront | 290 | 155,530 |
| Lakeville V | Huangpu | Huaihai Road M | 212 | 143,607 |
| Hyde One | Pudong | Sanlin | 286 | 143,191 |
| Mount Baron | Xuhui | Longhua | 456 | 141,312 |

Source: Shanghai Real Estate Trading Center, Savills Research