

# Residential



## Transactional volume and price rise

Multiple policy stimuli, historical-low loan interest rates and the release of pent-up demand collectively resulted in increased transactions.

- The average loan interest rate for first-time residential purchasers in Shenzhen decreased from 3.85% to 3.50% in late May 2024, registering a historical low for the locality.
- As of 18 June 2024, the citywide supply volume decreased by 24.5% QoQ and 58.0% YoY to 654,693 sqm.
- The citywide transaction volume increased by 10.5% QoQ to 717,720 sqm as of 18 June 2024. The number of citywide transacted units increased by 11.4% QoQ to 6,936 simultaneously.
- First-hand residential transaction prices edged up by 0.6% QoQ to RMB61,438 psm.
- Both transactional activities and prices are expected to stabilise in the remainder of the year.

“In general, market confidence remained a conundrum in the Shenzhen residential sales market as it pledged more to the macroeconomic and demographic contexts. But demand for projects with premium quality was high as exemplified by the sales of several key projects.”

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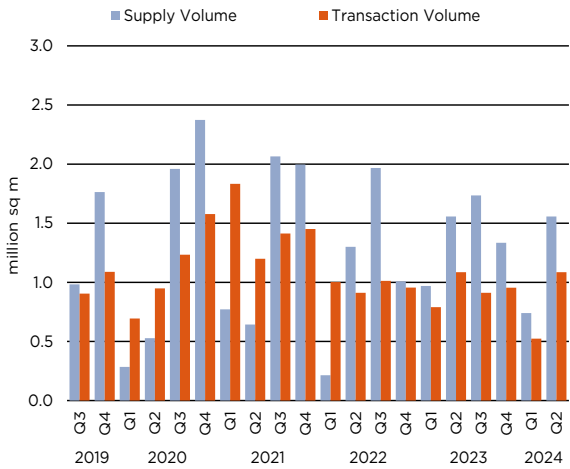
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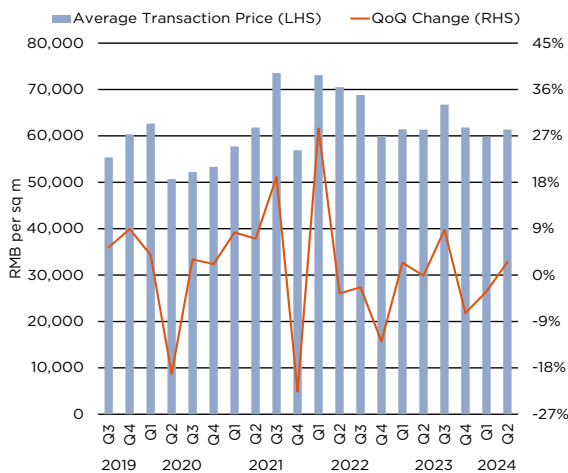
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**GRAPH 1: First-hand Residential Sales Market Supply Volume And Transaction Volume, Q3/2019 To Q2/2024**



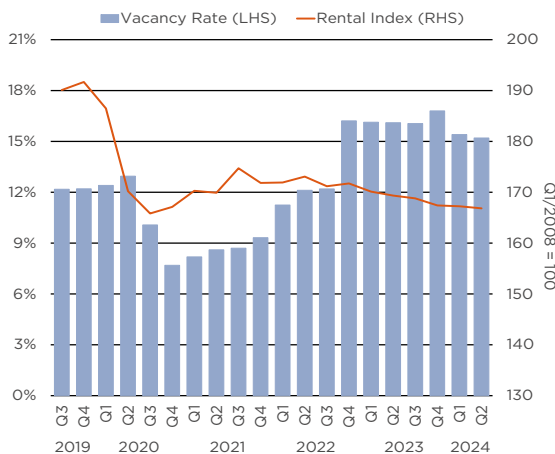
Source CREIS, Savills Research

**GRAPH 2: First-hand Residential Sales Market Average Transaction Price, Q3/2019 To Q2/2024**



Source CREIS, Savills Research

**GRAPH 3: Luxury Apartment Market Vacancy Rate And Rental Index, Q3/2019 To Q2/2024**



Source Savills Research

**MARKET OVERVIEW**

In response to persistently softening demand and weakening market expectations, both the central and local governments became more aware of the necessity of restoring market confidence and reversing the downturn in real estate sector development. Against this backdrop, more property stimulus measures were injected into the market. On 6 May 2024, the Shenzhen government issued a notification titled “Notice on Further Optimising Real Estate Policies”, which eased the purchasing eligibility for non-local residents and refined the restrictive areas. More importantly, following the central government’s “Three Arrows” policies on 17 May 2024, the Shenzhen government released relative policies on 29 May 2024, allowing for the minimum first home purchasing downpayment to be reduced to a historical low of 20% and residents’ second home purchase to no less than 30%. Simultaneously, the average loan interest rate for first-time residential purchasers in Shenzhen decreased from 3.85% to 3.50%. These could provide at least short-term fixes for property destocking and a longer-term boost for market sentiment, reflected by a pick-up in both transactional volume and price in Q2/2024.

**SUPPLY AND DEMAND**

Given the continuous market observation attitude and shrink of land supply since 2023, most developers slowed down project launches during Q2/2024. As of 18 June 2024, the citywide supply volume decreased by 24.5% QoQ and 58.0% YoY to 654,693 sqm.

Despite the reduction of supply, the overall transactional activities and site visits in the residential market showed signs of improvement during Q2/2024. Historical-low loan interest rates, plenty of policy incentives and the release of pent-up purchasing demand resulted in an uptick in both sales volumes and prices, as evidenced by a handful of rapidly digested projects. In Q2/2024, the market tended to be more divergent as projects with good quality and core location advantages continued to achieve high sales and logged subscription

rates of higher than 50% on their launch day, including Precious Mansion (鸿荣源胤璇) in Bao’an, Arcadia Bay (中海·深湾玖序) in Nanshan and City Icon (京基宸悦府) in Futian. That said, citywide transaction volume increased by 10.5% QoQ to 717,720 sqm as of 18 June 2024. The number of citywide transacted units increased by 11.4% QoQ to 6,936 simultaneously.

**SALES PRICE**

Developers’ market sentiment and price expectations increased during Q2/2024 as a result of the current policy environment, improved sales performance, and decreasing destocking cycles across most districts. Moreover, the proportion of total transaction units in core areas increased by 0.7 ppts QoQ, leading the first-hand residential transaction price to edge up by 0.6% QoQ to RMB61,438 psm as of 18 June 2024.

**MARKET OUTLOOK**

Shenzhen’s first-hand residential property prices have undergone a considerable price correction over the last three years. Despite a strong wait-and-see attitude and the possibility of further price adjustments in the short-term, rigid-demand purchasers and long-term investors appeared to seek potential opportunities with competitive asset prices and location advantages. More importantly, given the nation’s latest vision for new property development, plenty of room remains for further policy adjustments in Shenzhen, for example, removal of citywide HPRs, further cut in loan interest rate, etc. These should together help boost the overall purchasers’ sentiment, thus further stabilising the transactional activities and prices in the remainder of the year.