

Residential



Headline policies unveil

Supply and transaction volumes decreased during Q3/2024.

- The average loan interest rate for first-time residential purchasers in Shenzhen decreased from 3.5% to 3.4% in late July 2024.
- As of 18 September 2024, the quarterly supply volume decreased by 35.6% QoQ and 64.5% YoY to 581,082 sqm.
- The citywide transaction volume decreased by 12.4% QoQ and 6.7% YoY to 818,551 sqm. Meanwhile, citywide transacted units decreased by 13.5% QoQ and 6.7% YoY to 7,853.
- First-hand residential transaction prices increased structurally by 5.7% QoQ to RMB64,264 psm as of 18 September 2024.
- With the new policy support, the market transaction volume is expected to increase in Q4/2024.

“The central government held a meeting in late September, cascading headline policy guidelines to boost residential property market growth nationwide. Market activities are expected to increase in the locality in Q4/2024.”

CARLBY XIE, SAVILLS RESEARCH

Savills team

Please contact us for further information

RESEARCH

James Macdonald
Senior Director
China
+8621 6391 6688
james.macdonald@savills.com.cn

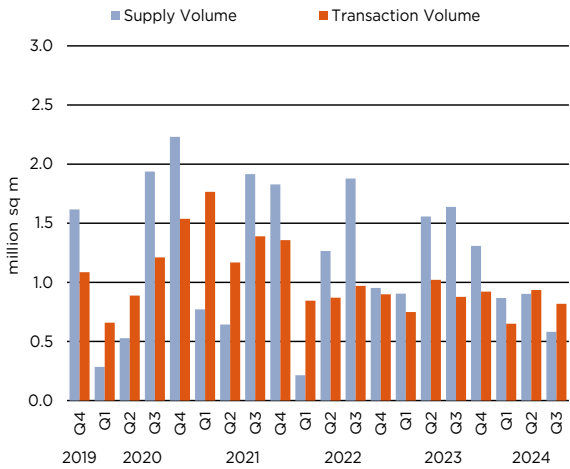
Carlby Xie
Director
Southern China
+8620 3665 4874
carlby.xie@savills.com.cn

CENTRAL MANAGEMENT

Ray Wu
Managing Director
Shenzhen
+86755 8436 7008
ray.wu@savills.com.cn

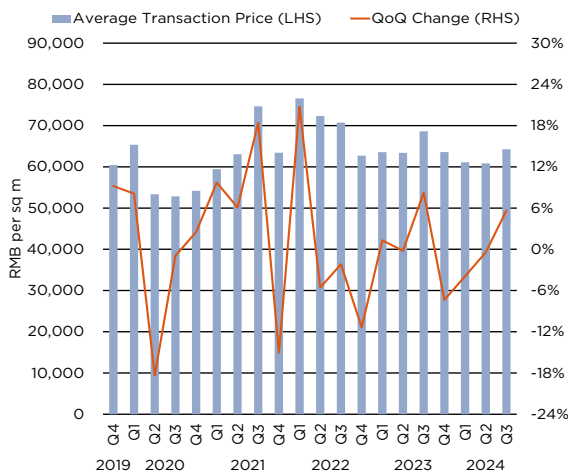
Savills plc
Savills is a leading global real estate service provider listed on the London Stock Exchange. The company established in 1855, has a rich heritage with unrivalled growth. It is a company that leads rather than follows, and now has over 600 offices and associates throughout the Americas, Europe, Asia Pacific, Africa and the Middle East. This report is for general informative purposes only. It may not be published, reproduced or quoted in part or in whole, nor may it be used as a basis for any contract, prospectus, agreement or other document without prior consent. Whilst every effort has been made to ensure its accuracy, Savills accepts no liability whatsoever for any direct or consequential loss arising from its use. The content is strictly copyright and reproduction of the whole or part of it in any form is prohibited without written permission from Savills Research.

GRAPH 1: First-hand Residential Sales Market Supply Volume And Transaction Volume, Q4/2019 To Q3/2024



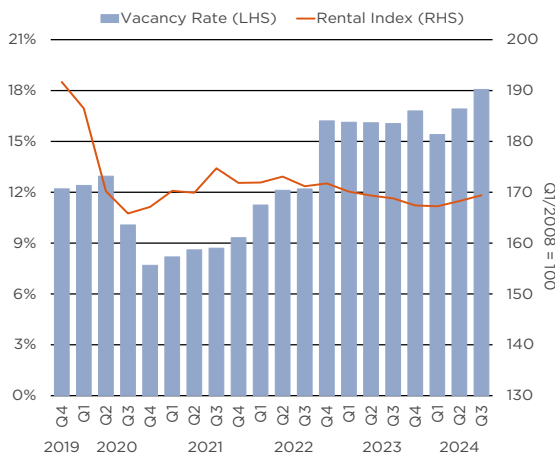
Source CREIS, Savills Research

GRAPH 2: First-hand Residential Sales Market Average Transaction Price, Q4/2019 To Q3/2024



Source CREIS, Savills Research

GRAPH 3: Luxury Apartment Market Vacancy Rate And Rental Index, Q4/2019 To Q3/2024



Source Savills Research

MARKET OVERVIEW

On 24 September 2024, the central bank, top securities regulator and financial regulator announced at a press conference a raft of monetary stimulus, property market support and capital market strengthening measures to stabilise the real estate sector and boost high-quality economic development across the country. It was revealed that the government would cut the reserve requirement ratio, lower mortgage rates on existing home loans, and create new monetary policy tool kits to support the market. Following the suit, the Shenzhen government on 29 September announced to ease restrictions on property buying rules to boost the local property market, including reducing the down-payment ratio, optimising district-specific property purchase restrictions for non-locals and cancelling property selling restrictions. Whilst these should have positive impacts on the market in Q4/2024, the market logged a decrease in both supply and transaction volumes by end-Q3/2024.

On 26 July 2024, the Bureau of Planning, Land and Resources of Shenzhen Municipality published the 2024 Plan of Construction Land Supply in Shenzhen, offering about 180 hectares of residential land areas for construction, 80 hectares of which were designated as commodity residential housing development. In comparison, residential land supply decreased by 61.0% YoY, reflecting the government’s commitment and further intervention in residential market supply and demand optimisation.

SUPPLY AND DEMAND

In the last two years, the Shenzhen government slowed land supply to alleviate the destocking pressure. Only two residential lands were transacted in the city year to date (a sharp contrast to 34 in 2022 and 39 in 2021) and that directly resulted in a notable decrease in residential supply. As of 18 September 2024, the quarterly supply volume decreased by 35.6% QoQ and 64.5% YoY to 581,082 sqm.

While the multiple policy incentives year to date boosted market transactions to some extent in the previous quarters, the overall market sentiment remained weak due mainly to the lack of market confidence and expectations of capital value appreciation among most purchasers. In conjunction with the impact of contracted new supply, the citywide transaction volume decreased by 12.4% QoQ and 6.7% YoY to 818,551 sqm in Q3/2024. Concurrently, the citywide transacted units decreased by 13.5% QoQ and 6.7% YoY to 7,853.

SALES PRICE

Despite the aforementioned, demand for a few high-end projects with locational advantages and other factors remained strong. Projects such as Haid Park (海德园) in Futian, Arcadia Bay (中海·深湾玖序) in Nanshan and Prestige Mansion (阅臻府) in Bao’an were sold faster than others. Subsequently, the proportion of transaction volume in core areas was 4.9 ppts higher than that of the last quarter, structurally pushing up the first-hand residential transaction price by 5.7% QoQ to RMB64,264 psm as of Q3/2024.

MARKET OUTLOOK

Following the policy guidelines as previously stated, more policy details with actionable ideas at the local level are expected to loom in Q4/2024 and these should help improve the overall market sentiment, unleashing some purchasing demand from both local and non-local potential buyers in Shenzhen’s first-hand residential market. Citywide transaction volume is expected to increase in Q4/2024.