Savills Research

Residential

High-end leasing receives new supply

Conrad Tianjin enters the city's high-end serviced apartment market.

- Conrad Tianjin (a Hilton brand), located in Tianta area, Nankai District, launched onto Tianjin’s residential market in Q3/2019 with a new supply of 50 units.
- The average vacancy rate of serviced apartments edged up by 0.2 of a percentage point (ppt) to 19.4%, while average rent moved up 1.7% quarter-on-quarter (QoQ) to RMB227 per sq m per month.
- Citywide residential transaction volume edged up by 0.6% QoQ and 10.5% year-on-year (YoY) to 3.718 million sq m.
- The first-hand residential sales price declined by 4.7% QoQ and 2.4% YoY to an average of RMB15,500 per sq m.
- Two new projects, No. 5 Binxi Road located in Youyi Road area and Gemdale Topview in the neighbouring Balitai area, entered the high-end residential market this quarter.
- High-end residential sales prices fell by 1.6% QoQ to RMB43,900 per sq m.
- The high-end residential market is expected to welcome two brand-new projects at the end of the year—a Poly project and a Ping’an project, both in the core city district.

Tianjin is expected to introduce talent-introduction policies and see some government functions relocate from Beijing. The improved business environment should help to promote purchasing demand based on the living aspect of housing (as opposed to speculation).

“Price-fixing regulations have been playing a significant role in the residential market. Most transactions were completed in fringe and suburban areas in Q3, leading to a decline in transaction prices.”

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**RESIDENTIAL LEASING MARKET**

Tianjin core city district welcomed a high-end serviced apartment—Conrad Tianjin (a Hilton brand)—located in Tianta area, Nankai District, bringing a new supply of 50 units to the market. The average vacancy rate recorded a slight uptick by 0.2 of a ppt to 19.4%, and average rent rose by 1.7% QoQ to RMB227 per sq m per month.

In addition, the renovated and rebranded Joyer Apt (formerly the JAL Hotel) came to the market in Q3/2019, contributing 400 units of long-term rental apartments. In the future, projects focusing on business tenants—especially those sites with strong transport connectivity and mature supporting facilities—will be the main supplier in the high-end leasing market. With the implementation of housing regulations and control policies in the city, potential purchasers are more likely to lease rather than buy. It's anticipated that leasing demand will increase slightly in Q4/2019.

**RESIDENTIAL SALES MARKET**

In Q3/2019, the Tianjin government released a new policy for project approvals; the city now allows shortened approval terms—less than 80 working days from land acquisition to project construction. Meanwhile, the total transacted amount of residential land rose by 57% QoQ to RMB76.9 billion, ranking third in China in 1H/2019.

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At the individual level, most purchasers adopted a wait-and-see approach rather than completing property transactions during the quarter. Additionally, thanks to new projects launching soon, there has been a spillover of housing stock, and consequently transaction prices were dragged down. The citywide commodity residential transaction volume reached 3.718 million sq m, up by 0.6% QoQ and 10.5% YoY. Transaction prices of first-hand residences decreased by 4.7% QoQ and 2.4% YoY to RMB15,500 per sq m.

Owing to the decreasing supply of land resources in the core city, high-end residential projects in this area are becoming much scarcer. Despite this, two brand-new projects, No. 5 Binxi Road located in Youyi Road area and Gemdale Topview in neighbouring Balitai area, launched onto the high-end residential market this quarter. Sales prices in the Magnetic Capital area and New Badali, both in the core city, moved up slightly, whereas other areas declined. Tianjin's overall average price dropped by 1.6% QoQ to RMB43,900 per sq m.

High-end residences entering the market will lead to upgraded community facilities and improved living environments in their surrounding areas. Second-hand housing prices surrounding these high-end projects are also gradually inching up. Due to the small volume supply of high-end projects, it will have a limited effect on the citywide prices.

**MARKET OUTLOOK**

The fast growth of housing prices is not in line with the central government’s positioning of the real estate market; therefore, house-purchasing and price-fixing regulations are not expected to loosen in the short term. It’s anticipated that housing prices and transaction volumes will continue to fall.

Although the outlook for Tianjin’s serviced apartment market should remain broadly positive, developers are still likely to react quickly to the potential impact of a downbeat economy by lowering their rents in exchange for stable occupancy rates in the coming quarter.

**TABLE 1: High-end Residential Sales Market, Q3/2019**

<table>
<thead>
<tr>
<th>DISTRICT</th>
<th>AVERAGE PRICE (RMB PER SQ M)</th>
<th>QoQ INDEXED CHANGE (%)</th>
<th>YoY INDEXED CHANGE (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Greater Meijiang</td>
<td>34,579</td>
<td>-0.1%</td>
<td>-10.0%</td>
</tr>
<tr>
<td>Olympic area</td>
<td>68,073</td>
<td>0.6%</td>
<td>-2.8%</td>
</tr>
<tr>
<td>Haihe Riverside</td>
<td>42,768</td>
<td>-0.7%</td>
<td>-3.6%</td>
</tr>
<tr>
<td>New Badali</td>
<td>39,438</td>
<td>0.2%</td>
<td>-2.2%</td>
</tr>
<tr>
<td>Other areas</td>
<td>42,162</td>
<td>-3.1%</td>
<td>-5.2%</td>
</tr>
</tbody>
</table>

Source: Savills Research