

China Property

GBA home market experts call key takeaways

Industry Overview

Centaline expert call key takeaways

On 19th Jan, as part of our Greater China Property Call Series, we hosted a conference call with Mr. He Yu, CEO of Fangzhidao – a leading property consulting & agency company in Greater Bay Area (GBA). **Key takeaways on physical market as below:**

Recap for Shenzhen home market: post the new round of easing in late-Nov 2023 (mainly lowered the secondary home's downpayment), the transaction volume in both primary and secondary home market improved but came in at the cost of aggressive pricing cut and more promotions (such as "0" downpayment) from developers.

Mixed picture for home pricing: Mr. He cannot tell where the support is for Shenzhen home prices given still challenging affordability. In addition, some talent housing offerings at affordable pricing also face tepid demand, as buyers expect home prices to further drop in the future. According to Mr. He, among home listings, around 20-30% are at fire sale prices. However, there are some positive signs: (1) some investors are buying the dip recently; (2) some homeowners are pulling back listings due to low prices.

BofA: According to Centaline index, we note Shenzhen's secondary home prices have come down by 28% compared to peak levels. According to Mr. He, the eastern part of Shenzhen witnessed a larger secondary home price drop (30-40%). Finally, there are few primary projects at substantial price discounts compared to nearby secondary projects. Shenzhen's rental dropped about 10% on average compared to the peak. As a result, Shenzhen home market's rental yield stood at around 1.7%.

Shenzhen policy makers may be reluctant to carry out major easing: Mr. He only expects minor policy relaxations such as preferential tax treatment for home transactions or just a fine-tuning of the home purchase restrictions. Mr. He believes Shenzhen will not roll out house coupons amid urban village redevelopment. In addition, he believes urban village redevelopment would still face many uncertainties though it could proceed faster than before. Given the assumption of minor policy relaxation, Mr. He expects flat home transaction volume (primary + secondary combined) in Shenzhen in 2024.

Commission rates see limited upside

Existing home commission rates: 1) it has become common for both home buyers and home sellers to pay commissions (vs. buyer only previously). Commissions increased to 1.8% from 1.5%. 2) But expert believes there is limited upside. 3) Expert did not hear from local regulator's push to lower commission rates. **New home commission rate:** increases to 3-4% but also believes there is limited upside. **Home brokerage industry:** 1) industry has passed the downsizing phase and has started to recover since 4Q23. 2) expert sees a stable competition landscape among the players. 3) other market leaders have learned from Beike's high service quality – hence becoming a less important competitive advantage, and the ability to close deal becomes the key edge.

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