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Savills World Research
Beijing

Briefing
Residential leasing

February 2016

Image: Central Park, CBD, Chaoyang district

SUMMARY

General economic stagnation in the market continues to see the tightening of housing budgets by multinational corporations. As a result, weaker appetite from expatriates will likely see a growing importance placed on domestic demand.

- No new projects were launched in the serviced apartment leasing market in Q4/2015, marking the sixth consecutive quarter of no new supply.

- City-wide high-end apartment and serviced apartment occupancy rates both grew 0.4 and 1.1 of a percentage point (ppt) quarter-on-quarter (QoQ) to 92.8% and 84.3%, respectively. Meanwhile, high-end villa occupancy rates declined 2.2 ppts QoQ to 84.2% by the end of the period.

- High-end apartment and serviced apartment rents both grew by 0.7% and 0.4% QoQ to RMB144.1 and RMB203.3 per sq m per month by the end of Q4/2015. Meanwhile, reflecting the slowing and shifting demands, high-end villa rents fell 0.3% QoQ to RMB119.9 per sq m per month.

- The shifting demand of tenants will see smaller-sized units continue to grow in popularity. Meanwhile, weaker demand from expatriates will likely see a growing importance placed on domestic demand. As a result, it is anticipated that occupancy rates and rents in the high-end villa leasing market will continue to face downwards pressure.

"Shifting demand will see smaller-sized units continue to grow in popularity." Jack Xiong, Savills Research & Consultancy

Leasing market overview

Beijing's high-end residential leasing market remained calm in the fourth quarter of 2015. Demand continued to be suppressed due to concerns over air pollution and tightened housing budgets. Family units, in particular, continued to show weak demand for the traditionally popular residences of high-end villas, with both occupancy rates and rents experiencing declines this quarter. On the other hand, the shift in demand of tenants for smaller-sized units saw the high-end apartment and serviced apartment sectors witness a slight pick-up in activity.

Serviced apartment market

No new projects were launched onto the serviced apartment market in Q4/2015. The lack of supply, combined with the removal of stock from the serviced apartment basket saw occupancy rates remain largely stable, with overall serviced apartments increasing only 1.1 ppts QoQ to 84.3%.

Lack of supply, combined with demand shifting away from the higher-cost option of high-end villas, supported the stability of prices in the serviced apartment market during the quarter. This was reflected in overall serviced apartment rents witnessing a marginal increase of 0.4% QoQ to RMB203.3 per sq m per month by the end of Q4/2015.

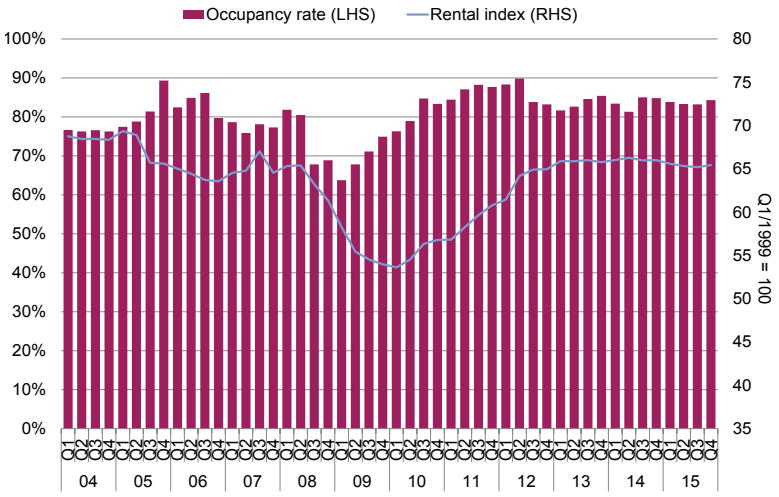
High-end apartment market

The high-end apartment market witnessed a marginal increase in activity in Q4/2015, largely due to a growing demand for smaller-sized units. As a result, overall city-wide occupancy rates increased 0.4 of a ppt QoQ to 92.8%.

While there appears to be a trend of growing demand for high-end apartments, a prolonged period of slow economic growth has seen rental appreciation largely supressed. As a result, overall high-end apartment rental growth was mild, up 0.7% QoQ to RMB144.1 per sq m per month.

GRAPH 1

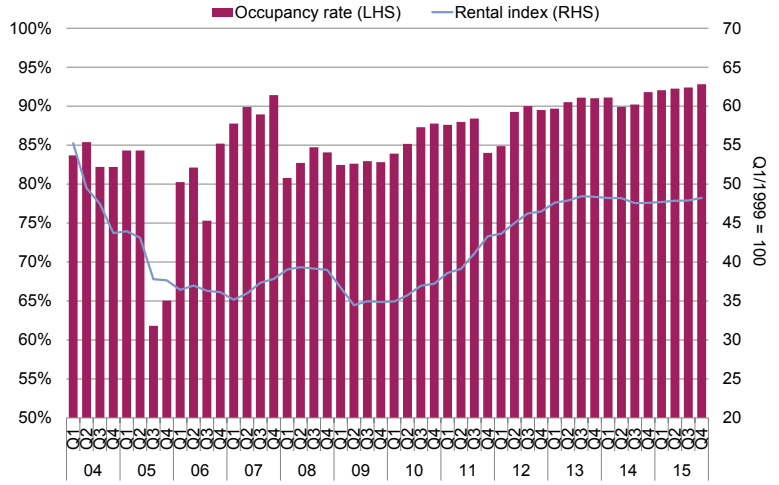
Serviced apartment rental index and occupancy rates, Q1/2004–Q4/2015



Source: Savills Research & Consultancy

GRAPH 2

High-end apartment rental index and occupancy rates, Q1/2004–Q4/2015



Source: Savills Research & Consultancy

TABLE 1

Residential leasing market overview, Q4/2015

	Rent (RMB per sq m per month)	QoQ change (%)	Occupancy rate (%)	QoQ change (ppt)
Serviced apartment	203.3	0.4	84.3	1.1
High-end apartment	144.1	0.7	92.8	0.4
High-end Villa	119.9	-0.3	84.2	-2.2

Source: Savills Research& Consultancy

High-end villa market

The high-end villa market experienced the weakest performance of all sectors, with declines across the board in Q4/2015. A slowing national economy, combined with weakening demand from expatriates (particularly family units), has seen occupancy rates for high-end villas decline, down 2.2 ppts QoQ to 84.2%. Landlords were forced to offer rental discounts due to declining demand, thus high-end villa rents fell during the period, down 0.3% QoQ to RMB119.9 per sq m per month.

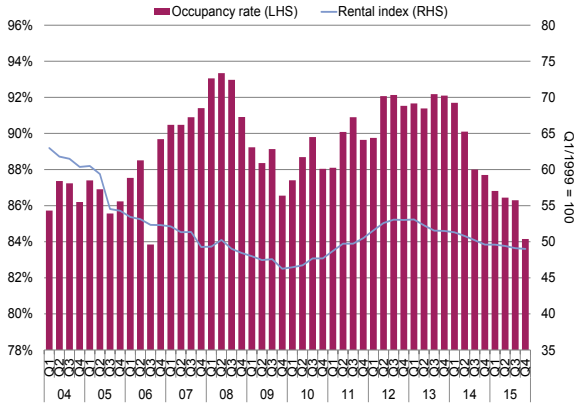
Leasing market outlook

2016 will see the market welcome new supply, with two new serviced apartments – Ascott Riverside Garden Beijing (雅诗阁山水文园服务公寓) and Oakwood Residence at Damei Central Plaza (奥克伍德服务式公寓 - 达美中心) – both scheduled to enter the market in the Chaoyang district. Meanwhile, the Ascott Beijing (北京雅诗阁服务公寓) located in CBD district, will reopen in the second quarter of 2016.

Smaller-sized units will continue to grow in popularity. Weaker demand from expatriates will likely see a growing importance placed on domestic demand. As a result, it is anticipated that occupancy rates and rents in the high-end villa leasing market will continue to face downwards pressure.

GRAPH 3

High-end villa rental index and occupancy rates, Q1/2004–Q4/2015



Source:Savills Research & Consultancy

TABLE 2

Future supply, 2016

Project name	Property type	Type	Location	No. of units
Oakwood Residence at Damei Central Plaza (奥克伍德服务式公寓 - 达美中心)	Serviced apartment	New supply	Chaoyang	171
Ascott Riverside Garden Beijing (雅诗阁山水文园服务公寓)	Serviced apartment	New supply	Chaoyang	TBC
Ascott Beijing (北京雅诗阁服务公寓)	Serviced apartment	Reopen	Chaoyang	162

Source: Savills Research

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