

Briefing Residential leasing

April 2016



Image: Lee Garden, Chaoyang district

SUMMARY

No new serviced apartment projects launched in Q1/2016. One project closed during this period, reducing the total stock of serviced apartments.

- No new projects were launched in the serviced apartment leasing market in Q1/2016.

- Serviced apartment rents increase 0.4% quarter-on-quarter (QoQ) to an average of RMB204.2 per sq m per month, while occupancy rates remained stable at 83.3%.

- High-end apartment rents increased by 4.2% QoQ to an average of RMB149.4 per sq m per month, while

occupancy rates increased by 0.4 of a percentage point (ppt) QoQ to 93.2%.

- High-end villa rents fell 2.7% QoQ to RMB117.4 per sq m per month, while occupancy rates decreased 1.3 ppts QoQ to 82.8%

- Somerset ZGC (中关村盛捷服务式公寓) serviced apartments closed in Q1/2016. Embassy House (万国公寓) was acquired by CITIC PE & Brahma.

- Suppressed demand from expatriate family units, combined with tightened housing allowances, is expected to see smaller-sized units continue to grow in popularity.

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 “Due to growing domestic demand, high-end apartments seem to be gaining in popularity.”

Jack Xiong, Savills Research & Consultancy

➔ **Leasing market overview**

The high-end residential leasing market remained stable in the first quarter of 2016. The demand of tenants for smaller-sized units remained strong, while demand for larger-sized units weakened. As a result, serviced apartment and high-end apartment rents continued to increase.

No new serviced apartments were launched in Q1/2016. Somerset ZGC (中关村盛捷服务式公寓), acquired by the Qian Hai Zhong Jin Group, closed at the end of March, removing 154 units from the serviced apartment basket. This, combined with a lack of supply, saw occupancy rates remain stable at 83.3%.

Average rents were up 0.4% QoQ to RMB 204.2 per sq m per month.

CITIC PE & Brahma acquired Embassy House (万国公寓) in the Second Embassy district from Gaw Capital for a total consideration of RMB2.23 billion in January 2016.

High-end apartment market

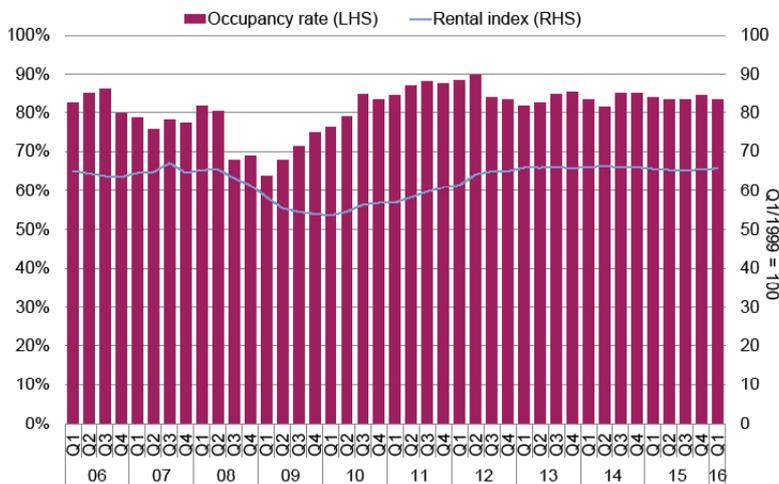
Compared with serviced apartments and high-end villas, high-end apartments generally have smaller units and lower rents, which are more attractive to domestic tenants. As a result, Grade A apartment occupancy rates grew by 0.4 of a ppt QoQ to 93.2%.

Due to growing demand, average rents of high-end apartments increased, up 4.2 % QoQ to RMB149.4 per sq m per month.

High-end villa market

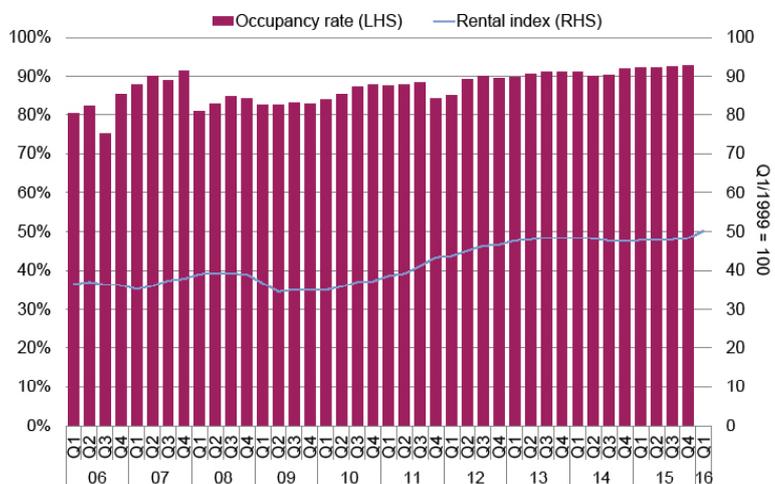
Demand for larger-sized units has weakened as expatriates leave the city, citing one of the reasons as concern over air pollution. This has resulted in reduced demand from expatriates, particularly in family units, which has seen occupancy

GRAPH 1 **Serviced apartment rental index and occupancy rates, Q1/2006–Q1/2016**



Source: Savills Research & Consultancy

GRAPH 2 **High-end apartment rental index and occupancy rates, Q1/2006–Q1/2016**



Source: Savills Research & Consultancy

TABLE 1 **Residential leasing market overview, Q1/2016**

	Rent (RMB per sq m per month)	QoQ change (%)	Occupancy rate (%)	QoQ change (ppt)
Serviced apartment	204.2	0.4	83.3	-1.0
High-end apartment	149.4	4.2	93.2	0.4
High-end Villa	117.4	-2.7	82.8	-1.3

Source: Savills Research & Consultancy

rates for high-end villas decline, down 1.3 ppts QoQ to 82.8%. Rents were down 2.7% QoQ to RMB117.4 per sq m per month.

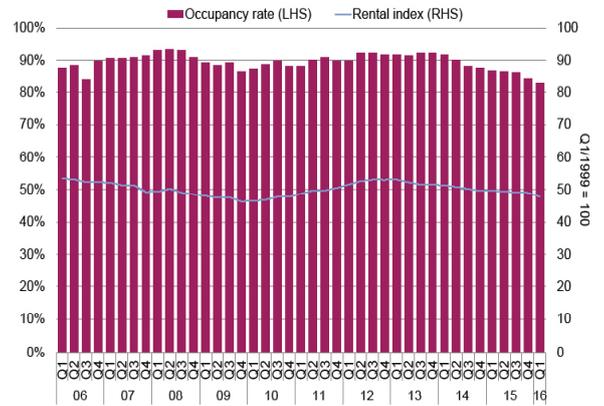
Leasing market outlook

The market will welcome two new projects in 2016. Oakwood Residence at Damei Central Plaza (奥克伍德服务式公寓-达美中心) in the Chaoyang district is scheduled to launch in this year, contributing 171 units to the market. Ascott Beijing (北京雅诗阁服务式公寓), located in the CBD, is expected to reopen in Q2/2016, which will see 162 units re-join the market.

Two serviced apartment projects will be closing this year. Due to general concerns with return on investment in the serviced apartment market, it is expected that more projects will be sold in the future. As a result of the decrease in stock, it is expected that some projects will see both rents and occupancy rates pushed up.

Suppressed demand from expatriate family units, combined with tightened housing allowances, is expected to see smaller-sized units continue to grow in popularity. ■

GRAPH 3 High-end villa rental index and occupancy rates, Q1/2006–Q1/2016



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 Beijing (北京雅诗阁服务式公寓)	Serviced apartment	Reopen	Chaoyang	162

Source: Savills Research & Consultancy

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