

# Residential Leasing



## No new serviced apartments completed in Q4

The overall occupancy rate declined slightly while rental growth registered a slowdown.

- No new serviced apartment projects were launched in Q4/2018. Total stock of serviced apartments registered 8,321 units at the end of Q4/2018.
- Longfor Dongyingfang in the Second Embassy area began their trial operations in December.
- The city-wide occupancy rate of serviced apartments decreased by 0.3 of a percentage point (ppt) quarter-on-quarter (QoQ) to 90.1%, although the rate was up 2.5 ppts year-on-year (YoY).
- Serviced apartment average rent reached RMB256.28 per sq m per month by the end of Q4/2018, with the rental index up by 0.7% QoQ and 7.5% YoY.
- High-end apartment average rent registered a growth of 0.5% QoQ and 6.1% YoY to RMB172.3 per sq m per month.
- Demand for high-end villas weakened slightly during Q4/2018. The average occupancy rate dropped by 0.2 ppts QoQ to 88.8%.
- The average rent of high-end villas edged up 3.4% QoQ and 6.4% YoY to RMB129.6 per sq m per month by the end of Q4/2018.
- Four new projects are scheduled to launch in 2019, which will deliver a combined 809 units to the market.

“While there is still space for rental growth in the serviced apartment market, operators will be forced to take into consideration the current occupancy rate and new supply pipeline and, consequently, rental growth is expected to be limited.”

JACK XIONG, SAVILLS RESEARCH & CONSULTANCY

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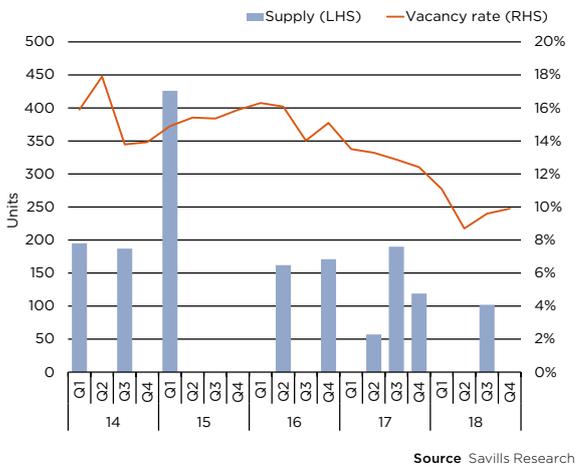
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**GRAPH 1: Serviced Apartment Supply And Vacancy Rate, Q1/2014 to Q4/2018**



Source Savills Research

**SUPPLY AND TAKE UP**

Only one new serviced apartment project was launched in 2018, with Orientino Executive Apartments, located in the CBD district, contributing 102 units to the market. Meanwhile, China World Apartments in the CBD closed for refurbishment in Q1/2018, removing 400 units from the market. Total stock of serviced apartments declined to 8,321 units by the end of 2018. Longfor Dongyingfang in the Second Embassy area began their trial operations in December.

The leasing market was largely active in Q4/2018, primarily due to the popularity of companies and their employees to resettle, relocate and renew leasing agreements around the year-end and Chinese New Year periods.

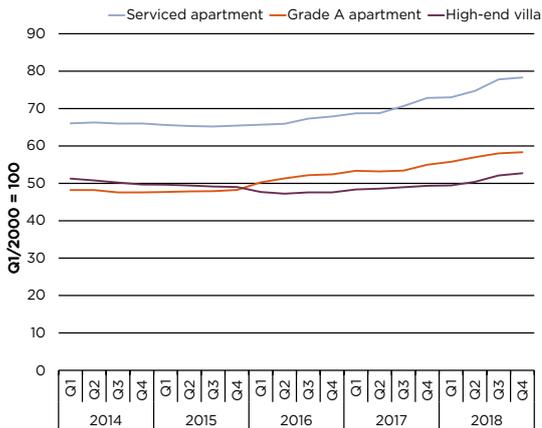
Employees from the automotive and manufacturing sectors remain the key demand drivers of tenancies. Meanwhile, the financial sector and international companies continue to account for a significant percentage of total demand. The majority of tenants are family units, and consequently demand has been high for two-to-three bedroom apartments.

**MARKET OUTLOOK**

Four new projects are scheduled to launch in 2019 – Longfor Dongyingfang, Grand Hyatt Hotel Apartments Phase II, Orientino Executive Apartments and the refurbished China World Trade Centre Apartments. The projects will deliver a combined 809 units to the market. Despite the fast approaching closure of Ascott Beijing and subsequent removal of 162 units from the market, the large quantity of new supply is expected to exert pressure on leasing apartment operators. As a result, it is anticipated the serviced apartment city-wide vacancy rate will rise in the short term.

While the majority of leasing apartment operators are predicted to adjust rental levels in Q1/2019, rental growth is projected to be limited as operators are forced to take into consideration current occupancy rates and new supply pipeline in the market.

**GRAPH 2: High-End Residential Leasing Market Rental Index, Q1/2014 to Q4/2018**



Source Savills Research

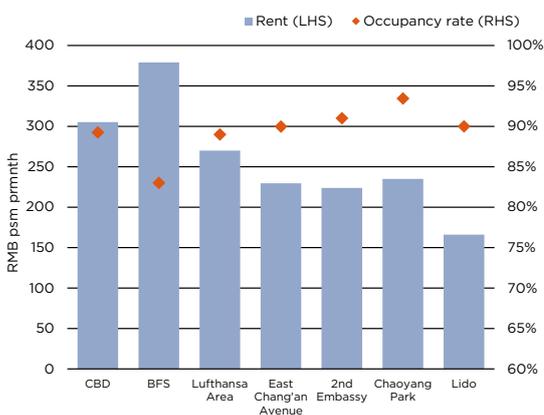
**RENT AND OCCUPANCY RATES**

Strong affordability by tenants from international companies pushed serviced apartment average rent up by 0.7% QoQ and 7.5% YoY to RMB256.28 per sq m per month by the end of Q4/2018. The city-wide occupancy rate of serviced apartments decreased by 0.3 ppts QoQ to 90.1%, although the rate was up 2.5 ppts YoY.

Fueled by stable demand, average rent increased by 0.5% QoQ and 6.1% YoY to RMB172.3 per sq m per month. Meanwhile, the high-end apartment average occupancy rate decreased slightly by 0.2 ppts QoQ to 92.7%.

The average occupancy rate of high-end villas dropped by 0.2 of a ppt QoQ to 88.8%. Meanwhile, average rent edged up by 1.2% QoQ and 7.0% YoY to RMB131 per sq m per month.

**GRAPH 3: Submarket Rents And Occupancy Rates, Q4/2018**



Source Savills Research

**TABLE 1: Future Supply Of Serviced Apartments, 2019**

PROJECT NAME	LOCATION	UNITS	COMPLETION TIME
Longfor Dongyingfang	2nd Embassy	100	Q1/2019
Grand Hyatt Hotel Apartments Phase II	East Chang'an Ave.	103	Q1/2019
China World Trade Centre Apartments	CBD	406	Q2/2019
Orientino Executive Apartments	CBD	200	Q4/2019

Source Savills Research