

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

Savills team

Please contact us for further information

RESEARCH

James Macdonald
Senior Director
China
+8621 6391 6688
james.macdonald@savills.com.cn

Jack Xiong
Director
Beijing
+8610 5925 2042
jack.xiong@savills.com.cn

CENTRAL MANAGEMENT

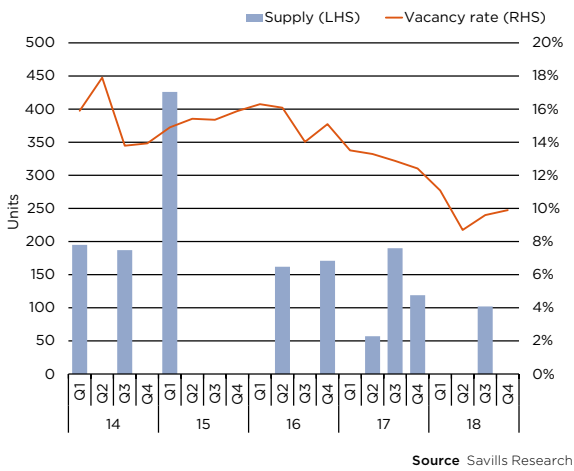
Anthony McQuade
Managing Director
North China
+8610 5925 2002
anthony.mcquade@savills.com.cn

RETAIL

Stella Meng
Director
Beijing
+8610 5925 2025
stella.meng@savills.com.cn

Savills plc
Savills is a leading global real estate service provider listed on the London Stock Exchange. The company established in 1855, has a rich heritage with unrivalled growth. It is a company that leads rather than follows, and now has over 600 offices and associates throughout the Americas, Europe, Asia Pacific, Africa and the Middle East. This report is for general informative purposes only. It may not be published, reproduced or quoted in part or in whole, nor may it be used as a basis for any contract, prospectus, agreement or other document without prior consent. Whilst every effort has been made to ensure its accuracy, Savills accepts no liability whatsoever for any direct or consequential loss arising from its use. The content is strictly copyright and reproduction of the whole or part of it in any form is prohibited without written permission from Savills Research.

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.

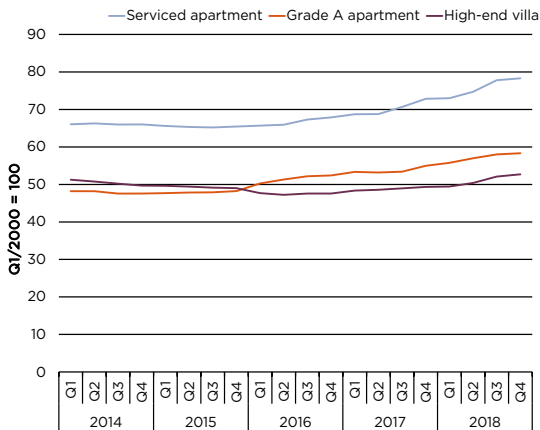
Employees from the automotive and manufacturing sectors remain the key demand drivers of tenancies. Meanwhile, the financial sector and international companies continue to account for a significant percentage of total demand. The majority of tenants are family units, and consequently demand has been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

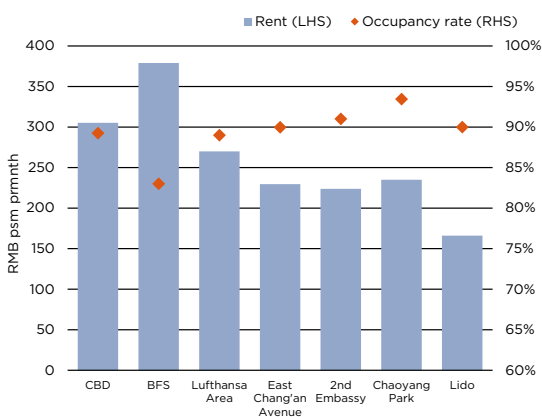
RENT AND OCCUPANCY RATES

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