

# Briefing Residential leasing

May 2017



Image: Ascott Beijing, Chaoyang district

## SUMMARY

Moderate leasing demand saw both serviced apartment and Grade A apartment rents register positive growth in Q1/2017.

■ No new projects launched onto the serviced apartment market in Q1/2017, allowing demand to absorb existing stock.

■ City-wide serviced apartment occupancy rates rose 1.6 percentage points (ppts) quarter-on-quarter (QoQ) and 2.8 ppts year-on-year (YoY) to 86.5% by the end of Q1/2017.

■ Leasing demand in the serviced apartment market remained relatively strong, largely backed by a growing number of domestic professionals and executives with high rent affordability, particularly from the finance sector.

Serviced apartment average rental increased 1.2% QoQ to RMB215.9 per sq m per month by the end of Q1/2017.

■ Soaring housing prices and high transaction levels in the second-hand housing market pushed average high-end apartment rents up 1.8% QoQ to RMB156.9 per sq m per month.

■ Limited supply, coupled with increased demand due to the commencement of the international school system's spring semester, caused high-end villa rents to reach RMB119.6 per sq m per month by the

end of Q1/2017, up 1.7% QoQ and 1.4% YoY.

.....  
 “The residential leasing market will see overall demand remain strong, likely increasing rents of serviced apartments and Grade A apartments.” Jack Xiong, Savills Research & Consultancy  
 .....

→ **Serviced apartment market**

No new projects launched onto the serviced apartment market in Q1/2017, giving demand an opportunity to absorb current stock.

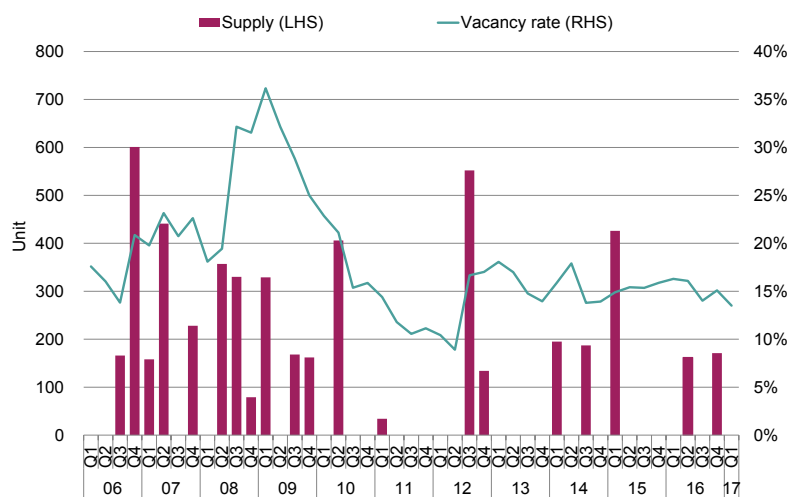
Serviced apartment occupancy rates rose 1.6 pts QoQ to 86.5% in Q1/2017, up 2.8 pts YoY. A spike in leasing demand after the Chinese New Year holiday (CNY) from finance and professional services companies, particularly law firms, helped strengthen market fundamentals. Certain projects also saw an increase in occupancy rates, such as Oakwood Serviced Apartments at the Damei Center (达美奥克伍德) and China World Century Tower (国贸世纪公寓), as they benefitted from the relocation of tenants from the recently withdrawn Fraser Residence, which sold at the end of 2016.

Due to the growing number of domestic professionals and executives, especially from the finance sector, with greater rental affordability, leasing demand in the serviced apartment market remained solid. Serviced apartment average rents saw an increase of 1.2% QoQ to RMB215.9 per sq m per month.

**High-end residential leasing market rents**

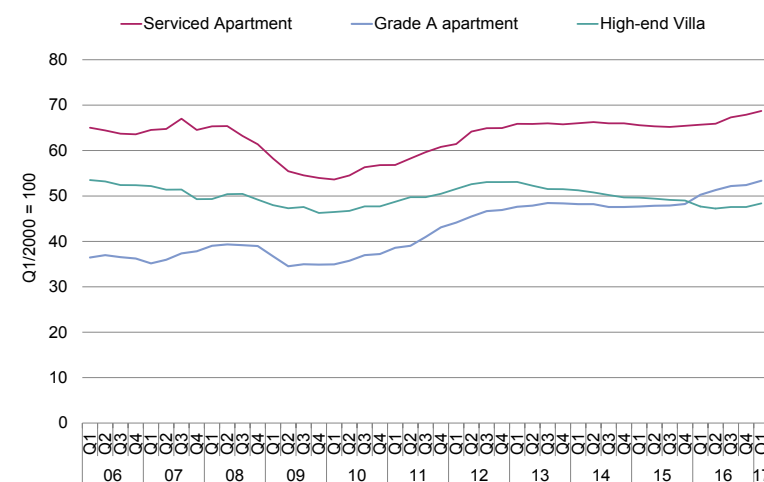
Affected by insufficient new home supply, the second-hand market witnessed an uptick in transaction activity after CNY, with many buyers purchasing properties for self-use. Consequently, the number of units available for lease has declined. Meanwhile, raised down payment requirements shifted some potential buyers to the leasing market, leading to an increase in leasing demand. As the supply-demand balance shifted in favour of the landlords, high-end apartment rents increased 1.8% QoQ to RMB156.9 per sq m per month.

GRAPH 1 **Serviced apartment supply and vacancy rates, Q1/2006–Q1/2017**



Source: Savills Research & Consultancy

GRAPH 2 **High-end residential leasing market rental index, Q1/2006–Q1/2017**



Source: Savills Research & Consultancy

Limited supply, coupled with increased demand due to the commencement of the international school system’s spring semester, caused high-end villa rents to reach RMB119.6 per sq m per month by the end of Q1/2017, up 1.7% QoQ and 1.4% YoY.

**Market outlook**

Only one new serviced apartment project is expected to debut in

the remainder of 2017 – Ascott Riverside Garden (雅诗阁山水文园服务公寓). Meanwhile, Pacific Century Place serviced apartments, which originally expected to launch in 1H/2017, may not enter the leasing market; it is rumoured they will enter the strata-title market instead.

Leasing demand is expected to remain strong in Q2/2017, backed by increasing demand from

domestic tenants and an increasing number of potential home buyers turning to the leasing market in the face of soaring housing prices in the city. Average rents of serviced apartments and Grade A apartments are forecast to increase steadily.

**Diversifying leasing apartment products**

With the state encouraging the development of the residential

leasing market, the market has welcomed an increasing variety of residential projects and services, including self-operated apartment brands by renowned developers, such as “Port Apartment” by Vanke and “Guan Yu” by Longfor. The city has also received more affordable apartments developed by agencies such as Homelink “Ziroom” and 5i5j “Xiang Yu”, as well as other entrepreneurial brands like “You+”,

and “Mofang”. Targetting a younger generation of urban office worker, the new apartment types will have a limited effect on the traditional serviced apartment market which appeal to older, middle-class professionals and executives. ■

**Please contact us for further information**

Research



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

Agency



**Anthony McQuade**  
Senior National Director,  
+8610 5925 2002  
anthony.mcquade@savills.com.cn

Research & Consultancy



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

Residential Leasing



**Stella Meng**  
Associate Director  
+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 700 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.