

Residential Leasing



Increased Domestic and International Travel Boosts Demand

Policies encouraging greater inbound travel for business or pleasure boost demand for short-term stay accommodation.

- Citywide serviced apartment vacancy rate decreased by 0.9 ppts QoQ to 19.0% in Q2/2024 but increased by 0.6 ppts YoY. Serviced apartment average rents declined by 0.4% QoQ to RMB267.3 psm pmth, but representing a 0.3% YoY increase.
- Mid- to high-end rental market occupancy rates picked up in Q2/2024, thanks to the recent recovery of international tourism and business travel. Meanwhile, some apartments are offering discounted rates to stimulate incremental demand amidst market challenges, resulting in slight rent declines due to market fluctuations.
- Premium multifamily market average rents fell by 1.6% QoQ to an average of RMB177.7 psm pmth. The citywide vacancy rates meanwhile increased by 0.2 ppts QoQ to 19.7%.
- The Jinjiang Jing'an Hotel serviced apartment is expected to enter the market in Q4/2024, offering 62 units.

“While demand has picked up to an extent, the overall weak economic conditions weigh on household finances and their propensity to spend on non-essentials or seek out affordable options. Landlords need to ensure they provide value-for-money options, streamline operations, and reduce costs as best they can”

JAMES MACDONALD, SAVILLS RESEARCH

Savills team

Please contact us for further information

RESEARCH

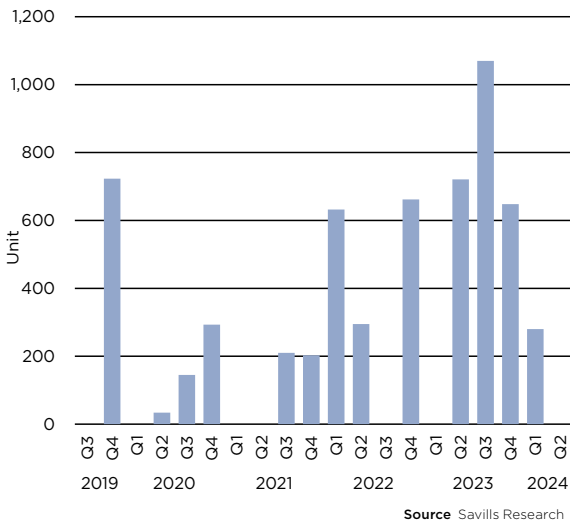
James Macdonald
 Senior Director
 China
 +8621 6391 6688
 james.macdonald@savills.com.cn

SAVILLS RESIDENCE

Louisa Zhu
 Director
 Shanghai
 +8621 6391 6688*8830
 louisa.zhu@savills.com.cn

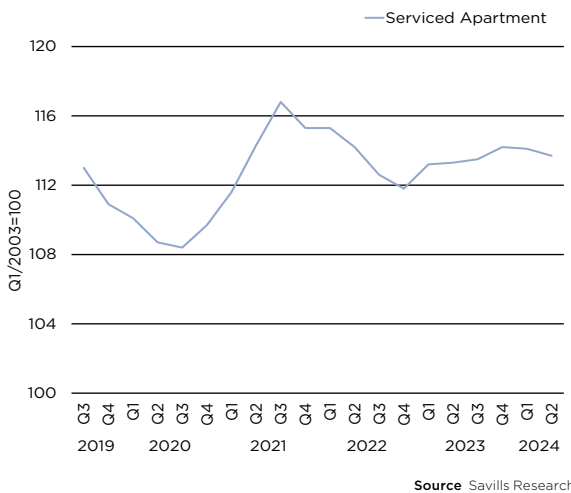
Savills plc
 Savills is a leading global real estate service provider listed on the London Stock Exchange. The company established in 1855, has a rich heritage with unrivalled growth. It is a company that leads rather than follows, and now has over 600 offices and associates throughout the Americas, 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 It may not be published, reproduced or quoted in part or in whole, nor may it be used as a basis for any contract, prospectus, agreement or other document without prior consent.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, Q3/2019 To Q2/2024



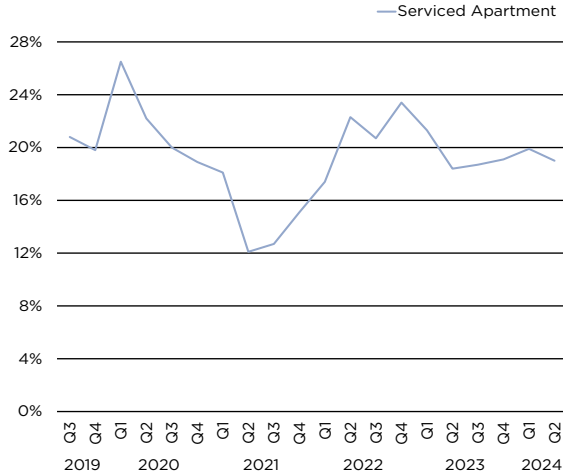
Source: Savills Research

GRAPH 2: Serviced Apartment Rental Index, Q3/2019 To Q2/2024



Source: Savills Research

GRAPH 3: Serviced Apartment Vacancy Rate, Q3/2019 To Q2/2024



Source: Savills Research

MARKET OVERVIEW

There were no new serviced apartments handed over in Q2/2024.

The Shanghai Jinjiang Jing'an Hotel serviced apartment is expected to launch in Q4/2024. The project is located at No. 370 Huashan Road, Jing'an District. The 62-unit property was formerly the Haige Building, and started undergoing renovation in 2022.

Over the last few years Shanghai has received an influx of affordable rental housing (ARH), significantly intensifying competition. By the end of June, Shanghai had constructed and procured 376,000 ARH units during the "14th Five-Year Plan" period (2021-2025), achieving 80% of the total planned new supply.

The increase in ARH is a double-edged sword; on one side it represents competition at the lower end of range of market-orientated housing or at least provides a cost comparison, on the flipside, an expanded ARH sector can act as a feeder market, familiarizing households with the idea of leasing from institutional properties. No matter what, rental properties are becoming increasingly competitive and landlords/operators will have to prioritize cost saving and efficiencies in order to offer the best value for money to tenants.

RENTS AND VACANCY RATES

Improved inbound tourism policies, including visa on arrival, visa-free entry for certain nationalities, the 144-hour transit visa-free policy, improved digital payment accessibility, and increased international flights, have boosted tourism numbers. This combined with a pickup in international secondments (admittedly from a low base) and business travel have boosted occupancy rates in the mid-to-high-end rental market that caters to these demographics.

Despite the boost to the short-term rental market, weaker economic conditions continue to weigh on the sector's prospects

with some apartments offering rent discounts to stimulate demand resulting in a slight decline in rents.

The citywide serviced apartment vacancy rate decreased 0.9 ppts in Q2/2024 to 19.0% but rose 0.6 ppts YoY. Premium and luxury serviced apartments rates fell 1.5 and 1.3 ppts QoQ respectively, while the mainstream serviced apartment rates increased 1.6 ppts QoQ.

Serviced apartment rents fell 0.4% QoQ to an average of RMB267.3 psm pmth, up 0.3% YoY. Premium rents fell 0.4% QoQ but were up 1.2% YoY, while luxury rents fell 0.3% QoQ, up 0.9% YoY and mainstream rents fell 0.6% QoQ while remaining unchanged YoY.

The more fiercely competed premium multifamily sector saw rents fall 1.6% QoQ to an average of RMB177.7 psm pmth while citywide vacancy rates increased by 0.2 ppts QoQ to 19.7%.

MARKET OUTLOOK

Serviced apartment supply is expected to be moderate in 2024. However, the market is seeing an influx of mass-market products, including multifamily projects and ARH units. Existing stock is upgrading interiors and service offerings to stand out in an increasingly competitive market.

Understanding local market conditions, the project's positioning, and the target demographic's needs is crucial. This includes preferences for unit size, affordability, and the growth trajectory of specific tenant groups. Identifying potential renters, the amenities and features they value most, and their willingness to pay is essential. Additionally, maintaining consistency in service quality, achieving cost efficiency in operations, and leveraging effective marketing and sales channels are vital for success. Strong branding and a clear value proposition also help attract and retain tenants in a crowded market.

TABLE 1: Selected Serviced Apartment Future Supply, 2H/2024

Project Name	Location	No. of units
Jinjiang Jing'an Hotel serviced apartments	Jinan	62

Source: Savills Research