

Residential Leasing

1 November 2011

“The residential leasing market remained active in the third quarter with serviced-apartment and Grade A apartment rents rising rapidly.”



Image: Xanadu, Chaoyang district

- No new serviced-apartment projects were handed over to the market in the third quarter, representing the fifth consecutive quarter with no new supply.
- Serviced-apartment, high-end villa and Grade A apartment occupancy rates increased by 1.1, 0.8, and 0.4 of a percentage point quarter-on-quarter to 88.2%, 90.9% and 88.4% respectively.
- Serviced-apartment and Grade A apartment rents rose by 2.3% and 5.2% quarter-on-quarter to an average of RMB178.5 and RMB121.4 per sq m per month respectively, while high-end villa rents remained unchanged at RMB122.1 per sq m per month.
- Only one Grade A apartment project is expected to enter the leasing market in the fourth quarter.
- Limited new supply in 2012 is expected to support a rise in occupancy rates and rents in all major high-end residential leasing submarkets.

Leasing market overview

Strong demand in the high-end residential leasing market was supported by the expansion of multinational corporations (MNCs) in the third quarter. Firms such as Hewlett Packard, Daimler, Benz, General Electric and UBS announced intentions of setting up new branches in Beijing, while Microsoft plans to expand its R&D centre. Increased secondment numbers, as a result, continued to push up high-end residential rents and occupancy rates.

Residential leasing market overview, Q3/2011

	Rent (RMB per sq m per month)	QoQ change (%)	Occupancy rate (%)	QoQ change (%)
Serviced apartment	178.5	2.4	88.2	1.1
Serviced apartment (luxury)	217.5	3.9	88.7	3.0
Villa	122.1	0	90.9	0.8
Villa (luxury)	152.6	0	95.2	2.2
Grade A apartment	121.4	5.2	88.4	0.4
Grade A apartment (luxury)	145.5	9.1	83.6	0.4

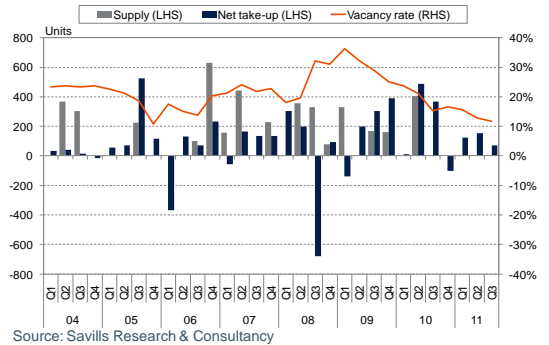
Source: Savills Research & Consultancy

Serviced-apartment market

No new serviced-apartment projects were handed over to the market in the third quarter, representing the fifth consecutive quarter with no new supply. Consequently, the city-wide vacancy rate fell by 1.1 percentage points quarter-on-quarter to 11.8%, representing a 3.5-percentage point decline year-on-year. Projects such as Lanson Place, Somerset Zhongguancun, Lufthansa Apartment and King Stone International Apartment all saw full or near to full occupancy rates at the end of the third quarter.

Serviced-apartment rents increased by 2.3% quarter-on-quarter to an average of RMB178.5 per sq m per month, representing an 11% increase since bottoming out in Q1/2010. Meanwhile, luxury serviced-apartment rents increased by 3.9% quarter-on-quarter to an average of RMB217.5 per sq m per month, a high not seen since the end of 2004.

Serviced-apartment supply, take-up and vacancy rates, Q1/2004–Q3/2011



Source: Savills Research & Consultancy

Rental appreciation in the luxury market has outpaced that of the overall market in recent years, despite conservative housing budgets, as limited supply and strong brand-building keeps occupancy rates for many projects above 95%.

Serviced-apartment rental indices, Q1/2004–Q3/2011



Source: Savills Research & Consultancy

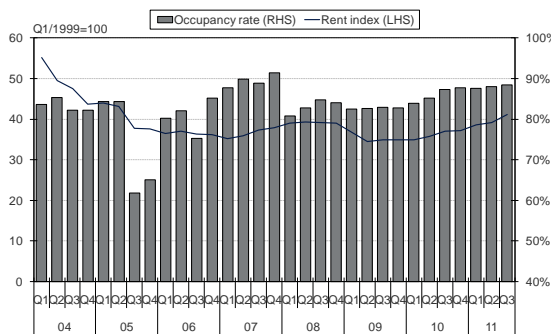
Grade A apartment market

The digestion period (the length of time needed to absorb the outstanding inventory based on the average transaction volume of the preceding three months) increased to 7.1 months for Grade A apartments by the end of June 2011.

Residential Leasing

The leasing market in the CBD continues to go from strength to strength as take-up in the office market picks up pace, with a lot of the expansion/relocation occurring in the CBD. Popular communities such as Central Park (CBD) and Park Avenue (Chaoyang), as well as newer projects like Xanadu (CBD), have all received strong interest from potential tenants. The same can be seen in the luxury market with projects such as Park Hyatt (CBD) and Fortune Heights (CBD) witnessing strong leasing activity.

Grade A apartment rental index and occupancy rates, Q1/2004–Q3/2011



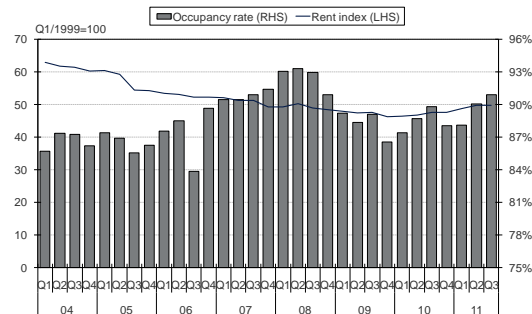
Source: Savills Research & Consultancy

Limited new supply amid strong demand allowed for rental appreciation. Grade A apartment rents increased by 5.2% quarter-on-quarter to RMB121.4 per sq m per month, while luxury Grade A apartment rents increased by 9.1% to RMB145.5 per sq m per month.

High-end villa market

The city-wide high-end villa market and luxury villa market saw occupancy rates increase by 0.8 and 2.2 percentage points quarter-on-quarter to 90.9% and 95.2% respectively. Meanwhile, city-wide high-end villa and luxury villa rents remained at RMB122.1 and RMB152.6 per sq m per month respectively.

High-end villa rental index and occupancy rates, Q1/2004–Q3/2011



Source: Savills Research & Consultancy

Project news

Ascott wins contract to manage property in Beijing



Ascott is reported to have signed a management contract with Sino-Ocean Land Holding Limited to operate a building under its serviced-apartment brand, Somerset, in Wangjing. The 187-unit Somerset Wangjing Beijing is scheduled to open by the end of 2012 and will be the sixth serviced-apartment project the Ascott Group manages in Beijing. The project will include a range of one- to three-bedroom units. With a limited number of competing projects nearby and several MNCs located in the Wangjing area, such as Caterpillar, Siemens and Motorola, the project is expected to be warmly received by the market.

Leasing market outlook

No new serviced apartments are expected to be handed over to the market for the remainder of the year, representing the first year of no supply since 2003. In 2012, however, 670 units are expected to be handed over to the market, with projects to be launched in Wangfujing, North Third Ring Road and Wangjing.

Gongsan Plaza, located in the Sanlitun area, is expected to be the only Grade A apartment project to be handed over in Q4/2011, adding 500 units to the market. The project, developed by Shimao Group, includes units ranging from 60-sq m studio apartments to 140-sq m two-bedroom units.

Robust demand has been and is expected to continue to be witnessed in the market, putting upward pressure on occupancy rates in the leasing market. As the developed world continues to register anaemic growth amid economic uncertainty, MNCs are expected to put increasing importance on the China market within their global operations. Similarly, rents in the leasing market are also expected receive upward pressure in the mid to long term.

For further information, please contact:

china

Raymond Lee
CEO
Savills Greater China
+852 2842 4518
rlee@savills.com.hk

beijing

Billy Chau
Managing Director
+8610 5925 2288
billy.chau@savills.com.cn

beijing

Joan Wang
Director, Research & Consultancy
+8610 5925 2288
joan.wang@savills.com.cn

research & consultancy, asia pacific

Simon Smith
Senior Director
+852 2842 4573
ssmith@savills.com.hk

address

Savills Property Services (Beijing) Company Limited
2010 East Tower, Twin Towers
B-12 Jianguomenwai Avenue
Chaoyang District
Beijing 100022, China
T: +8610 5925 2288
F: +8610 5925 2299

corporate website

www.savills.com.cn

ASIA PACIFIC HEADQUARTERS

23/F Two Exchange Square, Central, Hong Kong
Tel: (852) 2842 4400 Fax: (852) 2868 4386

Robert McKellar - CEO, Asia Pacific
Raymond Lee - CEO, Greater China
Albert Lau - Managing Director, China
Chris Marriott - CEO, South East Asia
Charles Chan - MD, Valuation & Professional Services, Greater China

HONG KONG SAR

Savills (Hong Kong) Limited

23/F Two Exchange Square, Central, Hong Kong
Tel: (852) 2842 4534 Fax: (852) 2869 6738
Contact: Raymond Lee E-mail: rlee@savills.com.hk
EA Co. Licence: C-002450

Savills Valuation and Professional Services Limited

28/F Two Exchange Square, Central, Hong Kong
Tel: (852) 2801 6100 Fax: (852) 2501 5810
Contact: Charles Chan E-mail: ccchan@savills.com.hk
EA Co. Licence: C-023750

Savills Property Management Holdings Limited

8/F Cityplaza One, 1111 King's Road, Taikoo Shing, Hong Kong
Tel: (852) 2534 1688 Fax: (852) 2851 1249
Contact: Kendrick Leung E-mail: kleung@savills.com.hk
EA Co. Licence: C-002993

Savills Guardian (Holdings) Limited

7/F Cityplaza One, 1111 King's Road, Taikoo Shing, Hong Kong
Tel: (852) 2512 1838 Fax: (852) 2887 3698
Contact: Peter Ho E-mail: peterho@savillsguardian.com.hk

MACAU SAR

Savills - Macau

Savills (Macau) Limited
Suite 1310, 13/F Macau Landmark, 555 Avenida da Amizade, Macau
Tel: (853) 8506 6288 Fax: (853) 2878 1805
Contact: Franco Liu E-mail: fliu@savills.com.mo

CHINA

Savills - Shanghai

20/F Shanghai Central Plaza, 381 Huaihai Middle Road, Shanghai 200020, China
Tel: (86) 21 6391 6688 Fax: (86) 21 6391 6699
Contact: Albert Lau E-mail: albert.lau@savills.com.cn

Savills - Beijing

2101 East Tower, Twin Towers, B-12 Jianguomenwai Avenue, Chaoyang District
Beijing 100022, China
Tel: (86) 10 5925 2288 Fax: (86) 10 5925 2299
Contact: Billy Chau E-mail: billy.chau@savills.com.cn

Savills - Guangzhou

Room 906, R & F Centre, No. 10 Hua Xia Road, Zhu Jiang New Town,
Guangzhou, 510623, China
Tel: (86) 3892 7168 Fax: (86) 3892 7030
Contact: Woody Lam E-mail: woody.lam@savills.com.cn

Savills - Shenzhen

Unit A, 5/F, Anlian Plaza, 4018 Jintian Road, Futian District, Shenzhen 518026,
China
Tel: (86) 755 8828 5707 Fax: (86) 755 8828 5676
Contact: Woody Lam E-mail: woody.lam@savills.com.cn
Offices in Chengdu, Chongqing, Dalian, Hangzhou, Shenyang, Tianjin, Xiamen,
Zhuhai

ASIA

Savills - Japan

Savills Japan Co., Ltd.
CR Kamiyacho Building 10F, 1-11-9 Azabudai, Minato-ku,
Tokyo 106-0041, Japan
Tel: (81) 3 5562 1700 Fax: (81) 3 5562 1705
Contact: Christian Mancini E-mail: cmancini@savills.co.jp

Savills - Korea

Savills Korea
11/F Seoul Finance Center, 84 Taeyungro-1-ga,
Chung-gu, Seoul, Korea 100-768
Tel: (82) 2 2124 4201 Fax: (82) 2 2124 4188
Contact: Moonduck Kim E-mail: mdkim@savills.co.kr

Savills, the international real estate advisor established in the UK since 1855 with over 200 offices and associates worldwide.

Savills - Malaysia

Savills Rahim & Co
Level 17, Menara Uni. Asia, 1008 Jalan Sultan Ismail, 50250
Kuala Lumpur, Malaysia
Tel: (60) 3 2691 9922 Fax: (60) 3 2691 0096
Contact: Robert Ang E-mail: robertang@savillsrahim-co.com

Savills - Singapore

Savills (Savills (Singapore) Pte Ltd.
30 Cecil Street, #20-03 Prudential Tower, Singapore 049712
Tel: (65) 6836 6888 Fax: (65) 6836 2668
Contact: Chris Marriott E-mail: cjmarriott@savills.asia

Savills - Taiwan

Savills (Taiwan) Limited
17F-1, Exchange Square, No. 89, Sung Ren Road
Xin-Yi District, Taipei, Taiwan
Tel: (886) 2 8789 5828 Fax: (886) 2 8789 5929
Contact: Cynthia Chu Email: cchu@savills.com.tw

Savills - Thailand

Savills (Thailand) Limited
26/F Abdulrahim Place, 990 Rama IV Road,
Silom, Bangrak, Bangkok 10500, Thailand
Tel: (66) 2 636 0300 Fax: (66) 2 636 0339
Contact: Robert Collins E-mail: robertc@savills.co.th

Savills - Vietnam

18/F, Fideco Tower, 81-85 Ham Nghi Street,
District 1, Ho Chi Minh City, Vietnam
Tel: (84) 8 3823 9205 Fax: (84) 8 3823 4571
Contact: Brett Ashton E-mail: bashton@savills.com.vn
Office in Hanoi

AUSTRALIA

Savills - Australia

Savills (Aust) Pty Ltd.
Level 7, 50 Bridge Street, Sydney, Australia
Tel: (61) 2 8215 8888 Fax: (61) 2 8215 8899
Contact: Paul McLean E-mail: pmclean@savills.com.au
*Offices throughout Adelaide, Brisbane, Canberra, Gold Coast, Liverpool, Melbourne,
Parramatta, Perth, Sunshine Coast and Sydney.*

NEW ZEALAND

Savills - New Zealand

Barfoot & Thompson
Level 5, 50 Kitchener Street, Auckland, New Zealand
Tel: (64) 9 307 5523 Fax: (64) 9 303 1689
Contact: Peter Thompson E-mail: peter@barfoot.co.nz

NORTH AMERICA

Savills - New York

Savills LLC
599 Lexington Avenue, 36th Floor, New York, NY 10022
Tel: (1) 212 328 2800 Fax: (1) 212 328 2828
Contact: John D. Lyons E-mail: jlyons@savills.com

UNITED KINGDOM / EUROPE / SOUTH AFRICA

Savills - Europe

20 Grosvenor Hill, London W1K 3HQ, U.K.
Tel: (44) 207 499 8644 Fax: (44) 207 495 3773
Contact: Jeremy Helsby E-mail: jhelsby@savills.com
*Offices throughout the United Kingdom, Belgium, France, Germany, Hungary, Italy,
Netherlands, Poland, Spain and Sweden. Associate offices in Austria, Greece,
Norway, Portugal, Russia, Turkey and South Africa.*

