



2018 Shanghai High-End Residential Leasing Market Report & 2019 Forecast

Executive Summary

THE year 2018 saw a continuation of the gradual shift towards residential leasing initiated by the government via policies, affecting investors, businesses and consumers alike.

The 'emerging' Chinese middle class is no longer simply emerging, but is now an economic power house whose demands and spending power are now dictating market terms. This in particular has influenced their purchasing power in the mid-to-high end residential sector, where many expatriates have move out, only to be replaced by these Chinese middle class.

- **GOVERNMENTAL** policies are continuing the drive towards 'affordable housing', with many new developmental zones being marked as residential leases only, not residential sales. Furthermore individual district quotas to built long-term rentals such as service apartments, hotels and the like have enabled these corporate developers to develop and built more projects than in the last couple years.
- **SINCE** 2016 the numbers of foreign nationals on an expatriate package continue to decline and the 2018 Sino-US trade war continues the trend, affecting Shanghai in particular. High-end residential compounds are increasingly overtaken by Chinese residents, as foreign residents move out.
- **RENTAL** prices remain at an all-time high, with a 4.3 year-on-year (YoY) increase, mainly due to influx of Chinese renters that take up vacant high-end residential vacancies. However mid-tier options have continuously sprung up due to property management corporations who are increasingly signing older apartments and completely renovating them into modern contemporary ones, increasing options.
- **MID-TIER** service apartments have been on the rise, in particular new projects, with 5 new prominent projects this year adding a total of 1075 units to the market.
- **PROPERTY** management corporations are on the rise, as the apartments that they manage tend more often be recently renovated, with designer-influenced contemporary furnishings and come with dedicated customer support services.
- **NEW** laws affecting foreign nationals in regards to tax are introduced, which are tougher and conform to existing international tax laws.
- **EXISTING** immigration policies are further streamlined to attract high-end talents and tightening existing visa application procedures.

2018 saw the continuation of the gradual shift towards residential leasing policies initiated in 2016

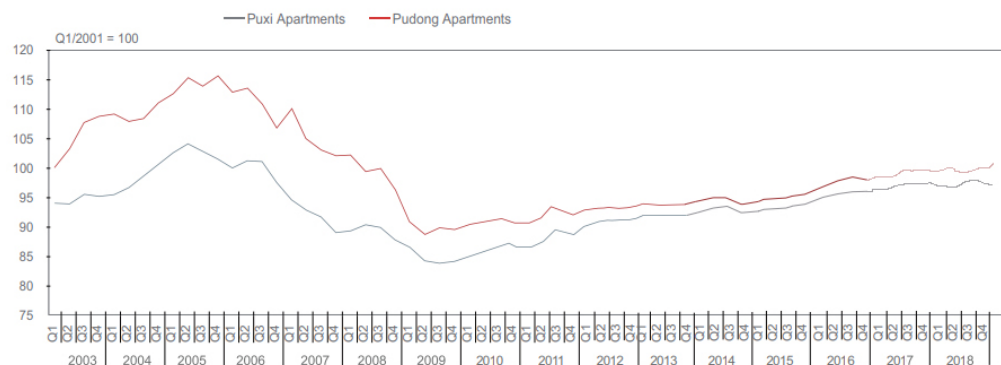
Shanghai High-End Apartments

2018 felt the effect of over two years of cooling down policies and rental quota enacted by the central government in the past years and the general lack of new residential zones available in the inner districts. Many of the new projects are mostly located in the outer districts or far from expatriate congregating places, thus they are not considered and covered in this report.

That said, the high-end residential leasing market is not yet as affected, most of the governmental policies are currently aimed at providing 'affordable housings' to the working class of China. China has the world's largest middle class and over the years the increase on luxury dining, retailing and housing has increased. Even though the cycle has stagnated in the past couple years, the sheer amount of consumers outweighs much of the available resources, in particular for well located, maintained and well priced housings, such as the ones near central locations or international schools, as residential zones are mostly occupied by existing projects. However the make up of these high-end residential compounds have changed from heavily expatriate (70% in 2000) to almost 78% local Chinese in high-end residential compounds, in particular the central city locations.

Shanghai has seen in 2018 an increase of 4.3% YoY increase in rentals overall but a slight decrease in Puxi. To the right we have also listed the average apartment rentals in Shanghai, categorized by location and furnishing.

Layout	Best Location/ Furnishing	Mid-range Location/ Furnishing	Low Location/ Furnishing
1 BR	20,000 – 25,000	10,000 – 16,000	6,000 – 10,000
2 BR	32,000 – 45,000	25,000 – 30,000	13,000 – 18,000
3 BR	45,000 – 65,000	28,000 – 40,000	16,000 – 22,000
4 BR	75,000 – 100,000	35,000 – 50,000	25,000 – 35,000



Popular Apartment Compounds

#1 Shimao Riviera Garden

Coming at number one this year, situated in Lujiazui on the banks of Huangpu River, Shimao Riviera's every apartment has a spectacular view of the River due to careful architecture planning. With its stunning scenery from your bedroom and living rooms, it is thus no wonder that this compound has time after time found itself within the top 5 compounds.



Shimao Riviera

#2 Embassy Court

Ambassy Court features a bit for everyone, with three towers: two dedicated to long-term and one for short-term rental. Located in the heart of the French concession Embassy Court is conveniently next to a row of dining options along with easy access to many shopping malls just a few streets away, thus its always rated high on convenience and access.

#3 Palace Court

Just opposite the IAPM mall, which houses an Apple store and City Super, Palace Court is the epitome of central - of all the apartments that call themselves central.

#4 Lakeville Regency

Lakeville is an upmarket residency project in Xintiandi. Regency in particular is its phase II project. As benefitting its upmarket location and price range, it boast top of the line clubhouse, services and also clientele, with many celebrities living in Shanghai making their home here.

#5 Casa Lakeville

Also a Lakeville project, completed after Regency, Casa is much more modern and thus commands a slightly higher price.



Casa Lakeville

#6 Jing'an Four Seasons

Similar with Palace Court, located on top of Nanjing West Station, Jing'an Four Season is as central as one can get. Upon exiting the compound one is also greeted with the Wujiang Dining and Shopping street, which also features White Castle, Tacobell, Joe's Pizza and the biggest Starbucks Roastery in the world - making Americans especially, feel right at home.

Popular Apartment Compounds

#7 Yanlord Garden

Near to Shimao Riviera, it also overlooks the Huangpu river, but many apartments also feature Garden views instead, which boasts one greeniest apartments compound in the city.



Yanlord Garden

#8 Chevalier Place

With a single building of 33 stories, Chevalier Place is a bit small compared to the others here. It is however famed for its security, as guards know every resident living here, making it a very secure apartment compound in the city.

#9 The Summit

Just opposite Chevalier Place, The Summit is one the most popular foreign compound community in the city. There's a restaurant and bar, by the door, a playground in the center, and a peaceful walkway that wraps around the outer edge. Step outside and your on Anfu Road, Changshu Road and you have even more options.

#10 Joffre Garden

Joffre Garden has managed the impossible: residents are both ensconced in a private, international-style retreat, and, simultaneously, tucked away in a typical Shanghai neighborhood. It's at the outer wall where the two worlds collide, with IAPM mall just opposite it.

#11 Begravia Place

Belgravia place is a single tower in the French Concession. Besides its excellent location, what makes its unique is the stunning lightning from the large windows, bathing most of the apartments in brilliant natural light.

#12 Top of City

Top of City's center location used to be a focal point for many expatriates living in the city. This can be especially seen through the many dining and expatriate service options on the street right outside Top of City on Dagou Road, where some of the most prestigious restaurants and brands for expatriates are located on.



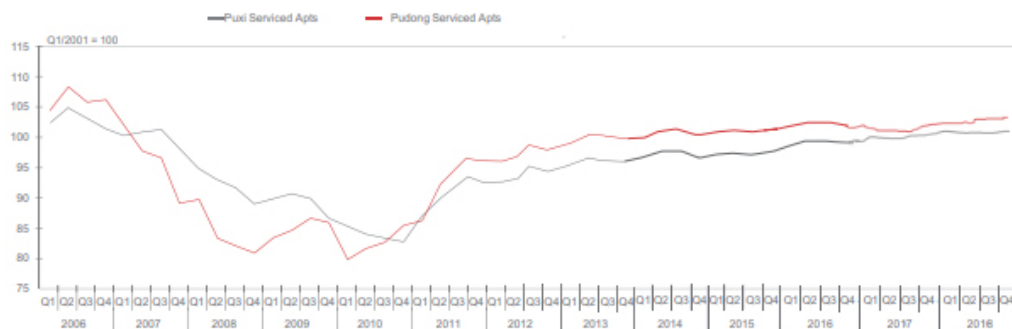
Top of City

Shanghai High-End Service Apartments

Service apartments are currently on a rise, with both the central government supporting rentals and district authorities having to meet quotas on rental projects - which both hotels and service apartments can fulfill. Thus many new options are available this year, in particular to the mid-tier options.

Local interest in service apartments are also on the rise, particularly for the city center locations and also the new mid-tier options, which is evident due to the rapid expansion of both Shama and Base brands projects in last year combined with this year. Due to these interest the vacancy rates and rental rates have not been affected, even though locals make now a higher amount of than expatriates in these areas too. However a few of our service apartments sources that we have interviewed have confirmed to us, on the condition of anonymity, that high-end service apartments, in particular international branded and operated ones, still maintain a certain balance on the nationality of its residents for branding purposes. This is favorable to foreign nationals as preferential treatments to meet quotas might be possible in certain situations and certain locations.

Rental in service apartments saw an increase by 3.69% YoY with Pudong still commanding a higher price.



Layout	Best Location/ Furnishing	Mid-range Location/ Furnishing	Low Location/ Furnishing
1 BR	32,000 – 35,000	15,000 – 25,000	8,000 – 12,000
2 BR	40,000 – 50,000	20,000 – 30,000	15,000 – 25,000
3 BR	55,000 – 75,000	30,000 – 50,000	22,000 – 30,000
4 BR	58,000 – 80,000	35,000 – 50,000	N/A

Top 5 Popular Service Apartments

Service Apartments have been on the rise.

In particular the mid-tier options are increasing their presence in the city, from local brands to international ones. However the Top 10 popular list are still dominated by the high-end options with the best possible location, services or furnishing.

#1

Fraser Suite Top Glory | IFC | Mandarin Oriental



All three are in Lujiazui, Shanghai's financial center. With impeccable views on their higher floors, malls just at their footsteps and close to the airport, it is no wonder that these serviced apartments are the most popular, especially for people conducting business trips.

#2 Shanghai Centre |
Ascott Huaihai | Ascott Hengshan

Some of the most central, high-end serviced apartments with Nanjing Road and Huaihai Road as their address, these places are extremely convenient and popular.



#3 Greencourt Serviced Apartments | Kerry Parkside

Located both in Pudong, one in Green City the other in Century Park, both offer families the choice to live in luxurious serviced apartments near the International Schools. Both have a focus on children in their additional amenities and features, compared to others.



#4 Tyms | Grand Gateway | Savills Residence

Located in the Changning/Xuhui areas, these three serviced apartments are especially favored by residents looking to be central whilst commuting to the Western Districts of Shanghai for work.



#5 Stanford Xuhui | Stanford Jing'an | Lanson Yongye

All conveniently located, each offers exceptional service, standards and furnishings, making them all popular options with expatriates, although compared to the top 3 on the list here, which are right at the center, they are just a few km further away compared to them.

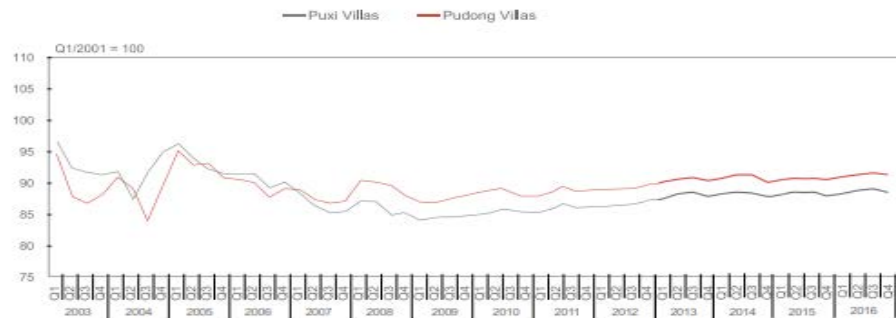
Shanghai High-End Villas

Shanghai's High-End villas are currently in a limbo.

Most of the high-end villa compounds of interest to expatriates are currently approaching their 20-year life cycle and much of the properties are showing signs of age. The most popular compounds have seen constant back-to-back occupancy, such as ones in Green City area which are known for their waiting list - when someone moves out, it gets cleaned and someone immediately moves in at the shortest possible notice, leaving little room for maintaining, renovating and upgrading, nor do many of the landlords have the incentive to do so with the high demand.

Add to the fact that unlike apartments which often have new compounds with new furnishing, decoration and locations to compete with, or even service apartments, villas have mostly be placid and faced little new competition as there are close to nill new villa compounds over the years. As this continues and the villa's continue to age and through natrual wear and tear, it will get harder to find well maintained, reasonably priced villas, which is already an issue nowadays, but it will exponentially increase in the next coming years.

Finding ones with proper management companies, on-site customer service teams and cooperative landlords will be a major factor going into the next years rather than just a good location and neighbourhood. Finally the YoY growth in rental was stable at 0.89% across the city.



Layout	Best Location/ Furnishing	Mid-range Location/ Furnishing	Low Location/ Furnishing
3 BR	40,000 – 55,000	38,000 – 50,000	32,000 – 40,000
4 BR	50,000 – 60,000	42,000 – 55,000	35,000 – 50,000
5 BR	55,000 – 85,000	50,000 – 60,000	42,000 – 60,000

Popular Villa Compounds

Villa compounds are some of the most popular places for expatriates with children, in particular to North American and European nationalities, as it gives them a sense of home away from home. As these villas are mostly located in the outer districts of Minhang/Qingpu and Pudong, near international schools, we have separated them into two of the main districts of where they can be found.

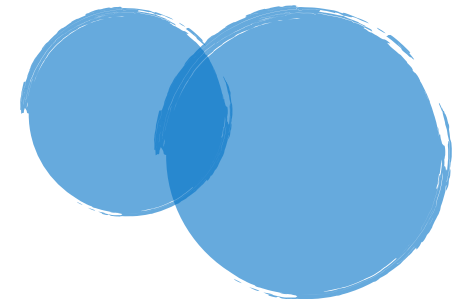


Minhang/ Qingpu

- #1 Forest Manor
- #2 Lakeside Ville
- #3 Rancho Santa Fe
- #4 Violet Country Villa
- #5 Leewah Villa

Pudong

- #1 Green Villa
- #2 Regency Park
- #3 The Emerald
- #4 Seasons Villa
- #5 Green Hills



Property Management Companies (PMC)

Intro

Apartments that are managed by a property management company tend to be more in line with expatriates' expectations, as they often come recently renovated, with contemporary furnishings and appliances, and are supported by a dedicated customer services department. Yet, emerging reports of risky market behavior, a lack of transparency between operators and tenants, and other factors have sparked concern among some corporate employers.

Current situation

The situation is of particular relevance as the number of apartments held by property management companies is set to grow significantly over the next five to ten years. Although China has one of the world's highest rates of homeownership at 90%, President Xi Jinping's statement in late 2017 that "houses are for living in, not for speculation" marked a distinct shift in focus towards expanding the rental market. With some estimates suggesting that China's rental market will hit \$440 billion by 2025, rental operators have begun flooding the market over the past year.



A Maison operated apartment, a popular PMC

Features & Services

Property asset management companies source their units from individual landlords. The units are then renovated, furnished, and modernized against a standardized template, before being rented out at a premium. Renting through a property management company simplifies the apartment hunting process for many customers, as a basic standard of design and quality is assured, and potential tenants are often able to settle on an apartment more quickly.

At the same time, property management companies typically offer their tenants a number of after-sales services, such as scheduled cleanings, free Wi-Fi, home maintenance, and so forth. It is considered a "win-win" for tenants and landlords alike, as it frees up landlords from having to worry about any day-to-day issues, while tenants are often able to enjoy a higher level of customer service than would otherwise be provided. This is particularly clear in the case of home repairs, where there is often a mismatch between expatriate expectations in regards to landlord responsibility and local practices.

Advantages

- Simplified home search process due to an assured standard of quality across units
- Renovated housing units with tasteful and contemporary furnishings
- Large housing inventories, with a range of different locations
- Competitive pricing models, in contrast to serviced apartments
- Paired with tenant services (such as scheduled cleanings, maintenance, etc.)
- Professionally managed by in-house leasing and management staff
- Flexible conditions in regards to corporate guarantee letters and corporate policies

Disadvantages

- Deceptive or unfair market practices by a small number of operators
- Higher risk of bankruptcy, due to low yields and poor management decisions
- Lack of clear and transparent organized company structures
- Lack of onsite management services by some operators
- Concerns by corporate finance and legal teams regarding ownership
- Potential of a mismatch between the tenant's and the landlord's respective contracts with the property management company
- Above average rental prices due to renovations, add-on services, etc.

Risk Management

- Protect against financial loss by offsetting the rent or using a corporate letter in place of a deposit
- Confirm that both the tenant's and the landlord's respective contracts align
- Work only with reputable and financially secure firms
- Work with companies like Maxview to ensure that everything has been verified

2018 NEW SUPPLY

2018 has added a number of projects to the market, particularly in the mid-range, centrally located options. With the government driving the market towards residential leasing, the government continues its 2017 approach of effecting market cooling measures to curb overly residential sales speculations.

Projects

Unit Name	Address	No. of rooms	
<i>Somerset Gubei</i>	No. 99 Yao Hong Road, Minhang District	285	Ascott Group's mid-tier option, Somerset Gubei is located on the edge of Gubei – far removed from the traffics but close enough to easily reach all the amenities that Gubei has to offer
<i>Shama Changfeng</i>	No. 388 Daduhe Road, Putuo District	362	Situated in the economic zone of Putuo, opposite Changfeng park, this new Shama property overlooks idle greenery for miles, all the while offering excellent commuting options to Western Shanghai
<i>Shama Hongqiao</i>	No. 8, Lane 929, Shenhong Road, Minhang District	132	Close to the Hongqiao Transportation Hub near the Airport and the Railway, it is an excellent option, in particular to business travelers who regularly need to be on the move

Somerset Gubei





2018 Featured New Supply

The Middle House Residences is the newest addition to Swire Group's ever expanding China presence. The Middle House is the sixth hotel in Asia from Swire Hotels and the fourth House under Swire Hotels' award-winning – The House Collective. Located on Nanjing West Road it is literally in the heart of Shanghai, just next to also newly opened Taikoo Mall, a prestigious luxury mall.

Projects

Unit Name	Address	No. of rooms	
<i>The Middle House Residences</i>	No. 366 Shi Men Yi Road, Jing'an District	102	On the corner of Nanjing West Road and Shimen Yi Road, it cannot get any more central than this. Just above the major metro hub of Nanjing West Station and next Taikoo Hui high-end shopping mall, the Middle House is surrounded by shopping, dining and nightlife options

Upcoming Projects 2019

Shama Caojiadu

Slated to have been opened in 2018 along with their Changfeng and Hongqiao residences it has been pushed to mid-2019. Located in Northern Jing'an section of Caojiadu, with an estimated 159 units it is likely to be a mid-tier option for business-minded travelers, who will have easy access to Shanghai Railway station which is also nearby.

The Middle House Residences





Tax Law

The new tax laws have already affected almost every foreign national in the country already, as banks have reached out via SMS and calls to registered phone numbers to request individuals to come into the bank to sign additional forms that have become requirements due to the new tax reforms.

Progressively over the years, China has shifted its immigration and taxation policies regarding foreigners to welcome long-term, high-end talents and thus the laws have adjusted respectively. The new taxation law is aimed at long-term residents, who, if they stay in China for a prolonged period of time, are likely to become a “resident” and thus be subject to **Chinese tax on their worldwide income** (unlimited tax liability) regardless of any national boundaries of where the income was earned from.

2018 law changes

2018 saw a number of law changes, with the tax and immigration laws being the most impactful upon foreign nationals.

Here we list some specific laws that are the most likely to have an impact to most individuals.

However if the foreign national leaves China for more than 30 consecutive days or 90 cumulative days within a tax year, then they will be considered a non-resident taxpayer, which essentially means they do not have to pay tax on their worldwide incomes. Taxes for income earned within the country are still liable (limited tax liability).

Resident Taxpayers	Foreign individuals residing in China \geq 183 days within a tax year
Non-Resident Taxpayers	Foreign individuals residing in China $<$ 183 days within a tax year



Common Reporting Standard (CRS) and Exchange of Information (AEOI)

Last year China has officially joined the Common Reporting Standard (CRS) where over 90 nations signed and agreed to share individual's financial data to each other to combat tax evasion. Most of the CRS have been in effect since mid-2018 in China.

One of the documentation requested by the bank is for you to acknowledge this – where your data will be shared (personal identification, bank account number, balance and interest earned) and that you provide your tax identification number for your home country. If you do not sign these documentations, the banks will reveal your financial documentation relevant Chinese authorities, that you may be engaged in tax fraud, particularly if your Chinese bank account is subject to monetary transactions.

Is it possible to be taxed twice?

Yes, however China has signed tax treaties that allow individuals from certain countries to avoid double taxation.

With the complex tax system in place, it is best advised to approach certified tax advisors to seek their advice on how to best go forward.

Immigration updates

Since the 2016 major updates to work and business visa system, the government continues its policy to streamline the entire process:

In January 2018, the Ministry of Education announced the roll-out of a new online system for diploma verification. Under the new system, foreigners can submit a digital copy of their diploma to the website, where it will be reviewed and approved in as little as 20 business days. Currently, the website is available in Chinese only and can be found here:
<http://renzheng.cscse.edu.cn/Login.aspx>.

As of April 28th, all foreign nationals aged 14 to 70 must register their fingerprints electronically upon arrival at the airport. Diplomatic passport holders are exempt. The information is entered into the Chinese immigration service's database, and no subsequent fingerprinting is required.

The State Administration of Foreign Experts Affairs (SAFEA) announced that foreign companies must submit work permit renewal applications for their foreign workers at least 30 days before the work permit expires. If the company misses the deadline to renew the work permit, the company will need to follow the procedures for applying for a new work permit. The policy went into effect on February 28th, 2018. [However, given the length of time that it takes to go through the process, companies are generally advised to begin the renewal process 60-90 days before the work permit's expiry date.

The State Administration of Foreign Experts Affairs (SAFEA) made an announcement that clarified the requirements and regulations regarding the "Foreign Talent" (R Visa). The announcement also expanded the definition of what qualifies as 'high-level talent' and announced that visa fees for these will be waived and expedited. The change is expected to impact top foreign professionals, especially in science, technology, and other innovative fields, and it's seen an alternative to the M-Visa (Business Visa). The visas became available in March 2018.

On August 3rd, 2018 the State Council announced that residents of Taiwan, Hong Kong, and Macau ('THKM') will no longer require work permits to work in mainland China. However, THKM residents will continue to be treated differently than mainland Chinese residents in a number of employment-related areas, including social insurance benefits.

ABOUT THIS REPORT

Maxview China is one of the very few companies that specialize in high-end residential leasing market analysis. The data for this report was gathered by our market research team of property data analysts who interviewed over 100 representatives of corporate residential complexes and landlords and liaised with industry experts to gain the most up-to-date industry information in order to accurately take the pulse of the market. While every attempt has been made to ensure its accuracy, the information in this report should be used as a guideline only.

Maxview is one of China's premier relocation services and residential real estate service group. We offer a host of customized, cost effective DSP relocation programs that enable companies and their employees to integrate smoothly into their destination region. In addition to that Maxview also offers licensed visa services for corporations in the first tier cities. Should you wish to contact Maxview Group, please contact us here

Should you wish to contact Maxview Group, please contact us here:

Mr. Tony Huang
Managing Director
+86 21 3360 7060 ext. 8808
tony.huang@maxviewgroup.com

Mr. Mike Chang
Marketing Director
+86 21 3360 7160
mike.chang@maxviewgroup.com



Office Address

Room 507, Tower B, Wangxin Mansion, No.
28 Xiaoyun Road Chaoyang District, Beijing,
100020, P.R.C.



SHANGHAI • BEIJING • GUANGZHOU • SUZHOU • HONGKONG

This document is prepared by Maxview Realty for information only. Whilst reasonable care has been exercised in preparing this document, it is subject to change and these particulars do not constitute, nor constitute part of, an offer or contract; interested parties should not rely on the statements or representations of fact but must satisfy themselves by inspection or otherwise as to the accuracy. No person in the employment of the agent or the agent's principal has any authority to make any representations or warranties whatsoever in relation to these particulars and Maxview Realty cannot be held responsible for any liability whatsoever or for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this document. This publication may not be reproduced in any form or in any manner, in part or as a whole without written permission of the publisher, Maxview Group.