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receive household registration. They would also have the same access to public resources as property owners.

"Establishing a housing system that promotes both buying and renting makes it easier for migrants to settle in cities," said Louisa Zhu, business development director of property consultancy Savills Residence.

"For developers, asset management and capital deployment can be potentially profitable."

For residents, a change of lifestyle can open their minds to more housing options. And professional operators can provide them not only a more comfortable and safe living environment but also friendly communities, Zhu said.

For many tenants, major problems with renting have included a lack of transparency, inadequate information and absence of regulation regarding contracts, said Li Yujia, a researcher with the Shenzhen Real Estate Institute.

Owning a property and living in a rented home are very different in terms of living experience. That is one of the major reasons why demand has soared in the sales market and prices have skyrocketed.

Buying a home is seen as investment in a valuable asset with potential for appreciation. But when a home is no longer viewed as just a place to live, financial risks can develop, said Li.

However, Li can see the benefits that will result when the government policies begin to see an impact. If living in a rented apartment is so good that the gap between renting and owning narrows; if the development of both the rental and sales segments is balanced; and if policies supporting the residential leasing market are implemented, then the property market would see sustainable growth, he said.

Experts said it will take time for the nationwide residential property market to see full implementation of such policies, but the trend is now established and appears irreversible.

"Honestly speaking, it's unlikely for all cities and all market players to embrace policies fostering the development of the for-lease market," said an official of a housing authority in a second-tier city in Central China's Hunan province, speaking on the condition of anonymity.

"Natural endowments of cities vary greatly. Smaller cities whose revenue is still highly reliant on land auctions and home sales, might have little incentive to support the home rental market," the official said.

But for larger cities with big populations and significant local economies, the supply of affordable and decent housing is more important. Good quality rental accommodation is essential to attract and retain talent, which is key to a city's growth in the long run.

The increasing mobility of talent in China is boosting demand for quality housing. A city that cannot offer quality accommodation risks losing talent to better options elsewhere.

# Property loses allure for investors

## Shanghai downtrend in home sale prices and rental yields has owners mulling alternative assets

By WU YIYAO

For many property owners in Shanghai, the downtrend in both rentals and home sale prices this year is quite different from previous years. And that is not good news.

The average price of pre-owned properties in Shanghai dropped from 52,640 yuan (\$8,060) per square meter in January to 50,674 yuan per sq m in September.

During the same period, rentals dropped by somewhere between 200 yuan per month and 1,000 yuan per month, depending on the home size and location.

Rents vary greatly, from 1,500 yuan per month to more than 30,000 yuan per month, according to anjuke.com, an online property services provider.

When home prices are not rising, some people choose to rent out their

properties rather than sell, which increases rental supplies and lowers prices, said a research note from Centaline Property.

However, some property owners said they are still going to sell, based on their calculations and comparisons of yields.

"If I sell my property at the average price, I could have about 7 million yuan, and annual yield could be above 260,000 yuan if I put it into wealth management products," said Peng Shanlin, a 67-year-old property owner in Shanghai. "But if I lease it, rental income would be about 84,000 yuan."

Real estate agents said that increasing numbers of homeowners are thinking of selling properties and investing the money in other assets.

"Home price growth in several key cities this year is already lower

than that of many wealth management products, and the low return rate of leasing out properties is not attractive," said Tao Yongliang, a real estate agent with Zhonghuan Property, in Shanghai.

The average yield of wealth management products offered through bank channels is above 4 percent, and home price growth is negative, while the yield of leasing out a property is below 2 percent in Shanghai.

"If you do the calculation, you would realize that a spare apartment is no longer an asset that will generate a relatively high yield. If the policies of making housing prices stable are continued for the next few years, more property owners are likely to consider shifting their wealth from property to other assets," said Tao.

Yan Yuejin, research director with E-house China R&D, a prop-

erty industry information provider, said cities where home price growth has slowed have affected investor sentiment.

"This is a good trend that makes residential properties serve their original purpose — that of providing a place to live in," he said.

Zhang Dawei, an analyst with Centaline Property in Beijing, said in a research note that in the remaining part of this year, key cities such as Beijing and Shanghai would see average home price growth stay low.

Speculative demand still exists, which is spilling over to lower tier cities located near key cities, said Zhang.

But, Yan from E-house China said, investing in residential properties in cities that do not have a solid foundation for population growth and employment growth could be risky.

# Money pours into youth apartments

## Property segment targeting young residents seeking convenience, sense of community takes off

By WU YIYAO

Prospective tenant Zhang Youyuan was asked some 20 questions at an interview by the operations team of a youth apartment community in Suzhou, in East China's Jiangsu province.

She sought to know her age, views on friendship and networking, whether she likes cooking, gardening and partying at night, even how she would talk to people she does not like.

"It felt like a really serious, formal job interview," she said.

Zhang was told she passed the test with flying colors, but was still put on the waiting list. The youth apartment community was fully booked in August. Should someone move out, she would get to rent a place this month.

In the interview, she scored big for her amiability and social networking skills, she was told. The interviewers told her she would make a nice "community buddy" in the neighborhood.

Zhang said she felt excited. She has been longing for an opportunity to live in a community of young tenants, imagining the ones she has seen in US television sitcoms such as *Friends* and *The Big Bang Theory*.

And when she found that youth apartment communities had mushroomed in China in recent months, she decided to move out from her parents' home.

For Zhang, renting a home marks



A block of high-end rental homes targets finance professionals working at Lujiazui in Shanghai. PROVIDED TO CHINA DAILY

the first step toward being really independent and having some fun. And for the market, millions of young tenants like Zhang yearning to live in such a community signify the taking off of a new sector in China.

Since the beginning of 2016, more than 20 brands of youth apartment communities have emerged across China, financially backed by real estate developers, venture capital firms, hospitality groups and real estate agencies.

Mofang Apartment, founded in 2009, operates more than 30,000 apartment units across China. It has received more than \$500 million in funding so far. Meanwhile, developer China Vanke plans to create

150,000 rental units by 2019, while Longfor Properties hopes to add 30,000 units in the next two years.

In Wuhan, postgraduate student She Youyuan launched a startup in 2017 targeting young residents, including Wuhan locals as well as students hailing from other places who wish to stay in rental apartments after graduation.

The startup received 10 million yuan (\$1.53 million) in funding in just one month. It kicked off its first community with 80 rental apartments.

"Each of the units is not really spacious but designed in a compact style, well facilitated and space-efficient," she said.

The benefit of living in a commu-

nity lies in spending time in common areas such as the lobby and the reading room.

"Big or small, investors are pouring money into the market as youth apartment communities are so widely accepted and embraced by young residents," said Wang Hongfan, a real estate agent with Shanghai Huayu Property Services.

Fixed rentals, renewable on an annual basis, and convenient services such as laundry and parcel delivery make young residents feel "well attended," said Wang.

The young tenants like to mingle and use common spaces in their spare time, which are not offered in ordinary rental apartments.

"It is really interesting to see that the young are willing to pay 4,500 yuan per month for a 25-square-meter studio," Wang said. "With that budget, they could have a two-bedroom apartment with a spacious living room. But they just don't want to stay alone."

The sense of community relies much on the operational capacity of the properties. Each such facility is expected to run a series of events to bring strangers together and make them acquainted.

"The monthly birthday party is essential, and other events such as oil-painting workshops, baking lessons and cycling club outings will add to our residents' living experience," said Mao Yu'er, operations team member at Yujia Property in Shanghai.