



Shanghai Overview

- Shanghai, the largest city of the Peoples republic of China and the eight largest in the world, is located on the banks of the Yangtze River delta in east China.
- It is commonly regarded as the hub of China's modern economy, the city also serves as one of the most important cultural, commercial, financial, industrial and communications centers of China.
- Shanghai has over 11 million inhabitants and a metropolitan population of over 18 million.
- Shanghai's skyscrapers and modern lifestyle mark the pinnacle of China's recent economic development.
- The GDP per capita in Shanghai was \$7,116 and GDP growth rate was 10.7% in 2006, which ranked 1st among the 659 cities in China.



Shanghai, China

Climate & Geography

- All four seasons occur in Shanghai. January is the coldest month with 37 °F, and July the warmest month with an average temperature of 85 °F.
- There is heavy rain at the beginning of summer and is very humid during mid-Summer. About 45 inches of precipitation fall annually.
- There are few typhoons that hit the city, none of which have caused much damage in the past.
- Shanghai municipality has an area of 2,400 square miles, and the city has an altitude of 10 to 16 feet above sea level.

History

- Shanghai means “the upper reaches of the sea.”
- Since the 19th century, Shanghai's ideal location at the mouth of the Yangtze River has given the city a competitive advantage.
- Shanghai was the first Chinese port to be opened to western trade.
- Many Russian refugees fled to Shanghai in the 1920s to escape civil war and later comprised the second largest foreign community in Shanghai.



Downtown Shanghai

Labor Force & Education

- China’s literacy rate of those aged 15 and over is 90%.
- Shanghai’s current unemployment rate in urban areas is around 4.3 percent while in rural areas is around 9.5 percent.
- Most people who live in Shanghai speak Mandarin as well as English.
- Shanghai is China’s leading centre on higher education and scientific research. It has 39 institutions of higher learning, 812 secondary schools, and 1533 elementary schools.
- Some of the well-known universities in Shanghai include Shanghai Jiao Tong University and Fudan University.



Shanghai Jiao Tong University



Pudong international airport

Economic Incentives

- Shanghai has pledged to improve the business environment for foreign companies by improving its laws that oversee foreign investment.
- The presence of special economic zones (SEZ’s) in shanghai benefit foreign investors because they typically have greater tax incentives and have greater independence in matters of international trade.
- There are 4 special economic zones in Shanghai, Song Jiang, Pudong, Liuji and Zhang Jiang.
- The Chinese government is actively encouraging foreign investment and has recently relaxed the mortgage market and policies on foreign ownership of property.

Logistics & Transportation

- Shanghai has an extensive public transportation system, largely based on buses, and a rapidly expanding metro system. For a city of Shanghai's size, road traffic is fairly smooth and convenient.
- Shanghai has the world's most extensive bus system with nearly one thousand bus lines.
- Shanghai has two airports: Hongqiao and Pudong International, which has the second highest (*combined*) traffic in China.
- Shanghai’s port, including the new Yangshan deep water port, is the largest in the world.

Some Multinationals in Shanghai

- IBM
- Coca-Cola
- HSBC
- Hewlett-Packard
- General Motors
- Citibank
- McDonald’s
- Wal-Mart
- Pfizer
- Mitsubishi
- Honda
- Toyota
- General Electric
- eBay

China’s Economic Indicators

	2005	2006
Inflation Rate	1.8%	1.5%
Urban Unemployment Rate	4.2%	4.3%
Real GDP Growth	10.2%	10%

Real Estate Market Overview

- All sectors of the real estate market in Shanghai continue to be strong, and it is expected to keep growing. Millions of square feet enter to the market every year and landlords are making improvement to current facilities in order to attract investors to the market.
- Demand continues to be strong in Shanghai driven by multinational expansions as well as new arrivals even though spaces available for lease are limited.
- Shanghai has emerged as the preferred destination for international firms due to its attractive banking, insurance, securities, and investment sectors
- More tenants in service industries will likely set up their offices in central Puxi in top-quality buildings, whereas more companies in the finance industry will choose Pudong's area.

Office Market

- Rental value increased in the last quarter of 2006
- New supply of Grade-A office space remains low compared to the high level of demand.
- Six office buildings were completed in the last quarter of 2006 providing 3.1 million square feet of office space to the market. Three of the six building built are class A; Bank of Shanghai Tower in Pudong, 2 Plaza 66 in Jing'an, and Hongyi Plaza in Huangpu
- Among the 3,552,000 square feet of new office space to be finished in Puxi this year, only 68 percent will be available for lease.
- As for Pudong, only 2,077,000 square feet are scheduled to be completed in this year.
- Due to limited supply in Puxi, more companies will move to Pudong which will see an increase of Grade-A office spaces in 2008.



Shanghai's Central Business District

Major Offices Districts

- Huangpu
- Xuhui
- Xangning
- Luwan
- Jingan

**Office Rental Rates
(US\$/SF/MONTH)**

District	Low - High	Vacancy
CBD		
New Construction	\$2.50 - \$4.08	1.5%
Grade A	\$2.00 - \$3.66	3.2%
Grade B	\$1.13 - \$1.62	5.5%
Non-CBD		
New Construction	\$0.88 - \$1.38	4.5%
Grade A	\$0.62 - \$1.13	5.4%
Grade B	\$0.45 - \$0.63	6.4%

Retail Market

- The rental growth has increased 28.9% throughout the year due to the wave of international retailers entering the Shanghai market.
- The first 11 months of 2006 showed a 13% increase in retail sales volume with a stronger confidence in the market.
- In 4Q06, the vacancy rate reached 9%, brought by many shopping malls completing interior renovation.
- International Fashion retailers such Kenzo, Givenchy and fair Whale looked for more outlets due to their upcoming expansion plans.
- The banking sector showed considerable interest in Pudong.
- Around 2,475,000 square feet were added to the market, in the Yangpu district.

Industrial Market- Business Parks

- Demand for high-quality business parks properties in proximity to transport systems remained solid.
- An increasing number of IT companies and other large-space tenants prefer decentralized business parks to establish their R&D centres or back-office facilities.
- Of all the business parks, Zhangjiang High-Tech Park remained the most attractive area in attracting new clients due to a wider selection of high-quality properties and good amenities nearby.
- There were two new projects that completed construction this quarter, adding 431,000 square feet of space to the market.

Business Park Rental Rates
(US\$/SF/MONTH)

Zone	Average Effective Rent
Knowledge and Innovation Centre	\$1.37
Waigaoqiao	\$1.14
Zhangjiang	\$1.11
Caohejing	\$0.92
Shibei	\$0.65
Zizhu	\$0.58



Shanghai is a very active market

Major Retail Districts

- Wanda Commercial Plaza
- Changzhou Commercial
- Shimao International Plaza

Class A Retail Rental Rates			
(US\$/SF/MONTH)			
Area	Low	High	Vacancy
Downtown	\$5.00	\$12.50	2.8%
Neighborhood Service Centers	\$1.50	\$7.50	2.0%
Regional Malls	\$3.75	\$7.50	5.0%
Solus Food Stores	\$0.25	\$0.63	N/A



Shanghai stock exchange building

Industrial Market- Manufacturing

- Demand for manufacturing parks is slowing down.
- Industrial zones beyond 12.4 miles from the city are having more leasing and sales activities, due to the availability of space.
- The biggest manufacturing zones are the Baoshan and Jiading zones.
- Baoshan Industrial Zone introduced 430,000 square feet of new facility space while the Jiading Industrial Zone brought in 1,076,000 square feet.

Forecast for the rest of 2007

- **Office:**
 - This year is expected to see a significant increase in new supply. Over 6 million square feet are scheduled for completion in this year.
 - Vacancy may increase slightly due to new supply; however, it will remain in the single digits.
- **Industrial – Business Parks:**
 - Over 9,687,000 square feet of business park space is expected to be completed by the end of this year.
 - This figure is equivalent to the sum of all business park supply developed before 2006.
 - More technology companies are expected to move into business parks in 2007.
 - There is expected to be a moderate rental increase in the coming year.
- **Industrial - Manufacturing:**
 - Land rule changes have temporarily put land sales on hold.
 - Industrial zones in Shanghai will continue to shift preferences towards R&D.
 - New manufacturing projects will primarily opt for the Jiangsu and Zhejiang special economic zones.

Manufacturing Park Rental Rates
(US\$/SF/MONTH)

Zone	Average Effective Rent
Xinzhuang	\$0.30
Songjiang	\$0.26
Baoshan	\$0.24
Nanhui	\$0.23
Qingpu	\$0.21
Fengpu	\$0.20
Jiading	\$0.19

Major Industrial & Manufacturing Zones

- Xinzhuang
- Songjiang
- Baoshan
- Nanhui
- Qingpu
- Fengpu

Short Term Outlook
Rental Rates

Office	↑
Industrial Business Parks	↔
Industrial Manufacturing	↑



All market are expected to continue expanding

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