

Market Report

Shenzhen



Overview

- Shenzhen lies just across the border from Hong Kong on the southern coast of Guangdong Province.
- As of 2005, Shenzhen's population stands at about 5 million people, but the city is estimated to contain a total population of thirteen million in the metropolitan and its peripheral areas.
- The one-time fishing village of Shenzhen became China's first Special Economic Zone in 1980, offering privileged terms to foreign companies wanting to invest there.
- Since the late 1970s, Shenzhen has been one of the fastest growing cities in the world and the center for foreign investment. In the past twenty years, more than US\$30 billion has been invested by foreigners in Shenzhen building factories and forming joint ventures.
- The city's economy grew by 16.3 percent yearly from 2001 to 2005 on average.
- Shenzhen is one of the largest cities in the Pearl River Delta region, which is one of the economic powerhouses of China and is also the largest manufacturing base in the world.
- Shenzhen is also known as China's Silicon Valley. In addition to its success as a global technology center, Shenzhen benefits from its large and efficient port and proximity to Hong Kong.
- The city has six districts: Luohu, Futian, Nanshan and Yantian are inside the Special Economic Zone while Bao'an and Longgang are outside.

Office Market

- Futian District is the city's center of administration, information, and commerce. Luohu District is in the eastern part of the Special Economic Zone. It is Shenzhen's financial and trade center and base for network services.
- Average prime office monthly rental space remained steady at \$1.29 per square feet.
- The Futian district continued to be the focal point of new supply with the completion of two Grade A office buildings: the Huarong and CATIC buildings.
- There is still a strong demand for Grade A office space; however, overall vacancy is rising by 2% due to the large amount of new supply.
- Over 46,000 square feet of Grade A office space is expected to be completed by the end of 2006 with a majority of the new supply located in the Futian district.

Office Rental Rates (US\$/sq. ft./month)

	Low	High
Grade A Office Space		
Luohu	0.41	1.21
Futian	0.35	1.38
Nanshan	0.23	0.93
Yantian	0.23	0.76
Longgang	N/A	N/A
Bacan	0.09	0.70

Some multinationals in Shenzhen:

- IBM
- Intel
- HP
- Seagate
- Compaq
- DuPont
- Wal-Mart
- Hitachi
- Olympus
- Lucent Technologies

Industrial Market

- Located in the western part of the Shenzhen Special Economic Zone, Nanshan District is Shenzhen's hi-tech, higher learning and western logistics center.
- The city is a booming high-tech economy manufacturing US\$65 billion dollars a year of computers, printers, copy machines and other products.
- According to Enright, Scott & Associates, electronics products make up about 60% of Shenzhen's industrial output.
- In 2005, Shenzhen produced approximately US\$115 billion in exports, ranking highest among all mainland China cities for 13 consecutive years.



Nanshan District is the industrial center of Shenzhen

Special Economic Zone Incentives

- Favorable tax rate of 15% versus the national rate of 30%
- Greater independence on the part of companies in terms of international trade activities
- Zone has its own legislative power
- For foreign-invested enterprises, corporate income tax rate is decreased from the original 30% down to the present 15%, while the local income tax levied at the rate of 3% is exempted
- Financial agencies with headquarters or regional headquarters in Shenzhen can enjoy a one-time subsidy from the special-purpose fund as per the standard of 1000 yuan per square meter for their new office buildings

Industrial Rental Rates

(US\$/sq. ft./month)

	Factory Building	Warehouse
Districts		
Luohu	0.15	0.47
Futian	0.96	0.47
Nanshan	0.42	0.15
Yantian	0.19	0.15
Longgang	0.11	0.09
Bacan	0.11	0.12

Retail Market

- The Lo Wu Commercial City, located close to the railway stations, is the shopping mall most visited by tourists.
- Visitors cross the Hong Kong SAR/mainland China border into Shenzhen for shopping, where the goods and services are supposedly far cheaper than those in Hong Kong.
- Shenzhen International Arcade is number one in shopping service and environment tailored to upper-shopper markets and received well recognition in the Shenzhen retail shopping industries.
- Shenzhen's more than 600 retail markets sell electronics, automobiles, furniture, construction materials and clothing.
- Shenzhen's downtown area is filled with high-end stores such as Hugo Boss and Louis Vuitton.
- The MIXc is the largest shopping mall in Shenzhen with first-rate entertainment facilities.



Aerial view of MIXc Mall in Shenzhen

Education

- Some of the universities located in Shenzhen include:
 - Shenzhen University
 - Shenzhen Polytechnic
 - Shenzhen Institute of Technology
 - Xin'an Institute
 - Guangdong Jianhua Polytechnic
 - Shenzhen Senior Technical Institute

Infrastructure/Transportation

- Shenzhen is the only city in China which has marine, land and air ports.
- Shenzhen is a bridge linking Hong Kong with inland area and linking inland area with the rest of the world.
- In 2005, due to rising trade and increase of cargo shipments through this southern city, Shenzhen became the world's fourth busiest port.
- Shenzhen has also been taking a bigger share of southern China's cargo traffic from neighboring Hong Kong because of lower costs.
- Shenzhen's Bao'an International Airport services 148 domestic and 11 international destinations.
- Taxis are metered and come in three colors. Red taxis may travel anywhere, green ones are restricted to outside the SEZ, and yellow ones are restricted to inside the SEZ.



Shenzhen Bao'an International Airport



Shenzhen's downtown at night

OUTLOOK 2006

- The Shenzhen economy is still growing and demand for office space is expected to be healthy for the rest of 2006.
- Industrial market in Shenzhen is expected to slightly increase due to the city's favorable investment climate and good infrastructure.
- Retail in Shenzhen is expected to remain stable.

Short Term Outlook

Rental Rates	
Office	↑
Industrial	↑
Retail	→