

Market Report

Chengdu 1Q07



Chengdu

- Chengdu is the capital city of the Sichuan province and the 5th most populous city in China with over 10 million inhabitants.
- Chengdu is one of the most important financial, historical, cultural, educational, and pharmaceutical centers as well as transportation and communication hubs in China. Key industries in Chengdu include manufacturing, textiles, financial, IT, pharmaceutical, and tourism.
- Chengdu is considered by some to be “China’s party city” because it has many tea houses and bars.
- In 2006, Chengdu had an economic growth of 13.5 percent and it is expected to improve even more during 2007. Its inhabitants have the highest per capita income in Southwest China



Jinli Street

Climate

- Generally speaking, the west of Chengdu is cool while the east is warm at the same time.
- The annual average temperature is around 61 °F.
- There is not much precipitation in winter and spring while in summer and autumn the volume is 44 inches.
- The wind speed is 5 feet per minute.

History

- Chengdu was founded in the 4th century BC by the king of ancient Shu, Kaiming IX.
- Kaiming IX named the city “Cheng Du,” which means “become a capital.”
- The first widely used paper money in the world was invented in Chengdu around 960 AD.
- Chengdu has the longest history for gas exploration and utilization in China.
- Chengdu was also the first town to begin tea trade.



Chengdu, China

Real Estate Market Overview

- Overall the real estate market in Chengdu is positive and it is expected to improve even more in the future.
- A positive macro-economic environment is attracting many foreign and domestic enterprises, and nowadays Chengdu is home to several key industries that have big impact in domestic and international markets.
- Industrial, retail, and residential markets have plenty of stock, but the excess of demand for office space has reduced the supply of stock and it is causing a slight increase in rental cost.
- Domestic businesses are upgrading to better facilities while international firms are leasing more space. Both, International and domestic firms are establishing facilities in Chengdu to take advantage of the benefits that this market offers.

Economic Indicators

	2006	2007F
Inflation	2.00%	2.00%
Unemployment	4.70%	4.00%
GDP	12.00%	12.00%

Labor Force & Education

- Chengdu’s good economy attracts a wide variety of skilled workers that satisfies the demand of different industries.
- A big percentage of the workforce speaks English, which facilitates operations for many foreign companies.
- The city now has 66 institutions of higher education and technical secondary schools that prepare the working force of Chengdu.
- Chengdu University of Technology is known internationally and it has relationships with more than 30 international universities.



Chengdu is a very active city

Some Multinationals in Chengdu

- Intel
- Microsoft
- Coca-Cola
- Shell
- Toyota
- Cisco
- IBM
- Bayer
- Citigroup
- McDonald’s
- Isuzu
- Carrefour
- Siemens
- Ericsson
- HSBC
- ABN AMRO

Major Office Districts

- Renmin Road
- Chunxilu Yanshikou
- Shuncheng Street-Luomashi

Major Buildings

- Huiji-Yangkuo Plaza
- Central Plaza
- First City Plaza
- Times Plaza
- Tianfulvzhou Building



Downtown Chengdu



Chengdu International Airport

Industrial Market – Business Parks

- The industrial market experienced a high level of activity in 2006.
- The majority of demand came from international high-tech companies.
- Most industrial zones have high occupancy rates. High occupancy rates and shortage of supply have caused the development of new industrial facilities.
- Nokia, NEC, and Sinnex recently set up their R&D centre in Tianfu Software Park. Microsoft has its R&D centre in Chengdu Hi-Tech Hatching Park.

Business Parks Rental Rates (US\$/SF/Month)

Zone	Average Rent
Chengdu Hi-Tech	\$0.33
Qingyang	\$0.33
Jinjiang	\$0.28
Wuhou	\$0.23
National Cross-Straight	\$0.20
Jinniu	\$0.12

Major Business Parks

- Chengdu Hi-Tech Development Zone
- Qingyang Concentrated Development Zone
- Jinjiang Industrial Zone
- Wuhou National Science Park
- National Cross-Straight Technology
- Jinniu Concentrated Development Zone
- Chengdu Hi-Tech Hatching Park
- Tianfu Software Park
- Economic and Technology Development Zone.

Infrastructure

- With infrastructure projects recently completed, Chengdu offers first class technology centers, new bridges, well-connected highways and railways, numerous five star hotels, and a renovated international airport.
- Chengdu Shuangliu International Airport, located 10 miles southwest of Chengdu, is the sixth largest airport in China.
- There are more than 209 international flights and over 1,336 domestic flights per week from Chengdu Airport



Central Business District

Office Market

- There has been a high level of leasing activity in the last three years.
- Most foreign enterprises target Grade A office when investing in Chengdu.
- Demand is greater than supply. A small amount of new stock is expected for this year; however, some buildings will be completed in 2008.
- In 2006, new office supply was 1,087,000 sq. ft., but take up was 1,407,000 sq. ft.
- With 6.38%, Shuncheng Street-Luomashi had the lowest vacancy rate and Chunxilu had the highest vacancy rate with 24.37% in 2006 (CBD).

Office Rental Rates (US\$/SF/Month)

Grade A	Average Rent	Vacancy
CBD	\$0.90 - \$1.54	6% - 24%
Non-CBD	\$0.75 - \$1.10	6% - 34%

Forecast for the rest of 2007

- **Office:**
 - Shangri-La hotel, with 476,612 square feet, will be the only supplier of office grade A.
 - Rentals will increase as high as 10%
 - Vacancy rate is estimated to drop lower than 10%.
 - In 2008-2009, Hongda International Plaza, Lippor, and Oriental Plaza will be available for usage.
- **Industrial – Business Parks:**
 - The software industry will continue to demand more space in the industrial market.
 - There will be high demand of space; however, it is unlikely that rentals will increase.
 - Capital value is expected to rise due to increase in land price for new projects.
 - Tianfu Software Phase II will be completed by the end of this year bringing 5,381,000 sf to the market.
- **Industrial - Manufacturing:**
 - Demand for manufacturing space will increase due to Chengdu’s strong economic performance.
 - Market supply will increase and it could cause a decrease in rental cost. 2.8 million square feet are expected to be available in the third quarter of this year.

Major Manufacturing Zones

- Chengdu Hi-Tech Development Zone
- Qingyang Concentrated Development Zone
- Economic & Technology Development Zone.
- Jinniu Concentrated Development Zone
- Modern Industry Port
- National Cross-Straight Technology
- Mold Industrial Park
- Longquanyi
- Wenjiang
- Pi County




Industrial Market – Manufacturing

- The manufacturing sector performed well last year, and is expected to keep growing during this year.
- Most enterprises continue to opt for built-to-suit or self-built facilities.
- Companies in precision mould industries, export-oriented, electronic products, precision components, and food processing continue playing a key role in the manufacturing market.

Manufacturing Rental Rates
(US\$/SF/Month)

Zone	Average Rent
Chengdu Hi-Tech	\$0.19
Qingyang	\$0.17
Economic and Technology	\$0.14
Jinniu	\$0.12
Modern Industry Port	\$0.11
National Cross-Straight	\$0.10

Short Term Outlook
Rental Rates

Office	
Industrial Business Parks	
Industrial Manufacturing	

ASIAPAC INTERNATIONAL

2540 N. First St. Suite 102 – San Jose, CA 95131 – Tel: (408) 232-9700 – Fax: (408) 232-9705 – www.asiapacintl.com

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