

QUARTERLY OFFICE REVIEW

June 2007



Belfrey Partners quarterly survey, looking at office availability in Shanghai's city centre: focusing on units between 50-500sqm.

MARKET OVERVIEW

Office availability has remained generally stable over the quarter with a slight decline in the amount of smaller stock available in the market. Outside the city centre, good opportunities exist for clients looking for larger floor plates at significant discounts to prevailing mid-town rents, this is especially so in the Zhangjiang Hi-Tech zone and some areas in Hongqiao (around the line-2 subway extension). Purchasing offices in the city centre continues to be a challenge as most developments available to small landlords, continue to be closely held. Where they are available, smaller and medium sized offices in the downtown area offer excellent opportunities for companies to hedge against projected future rental inflation.

LARGER OFFICES

There was a rise in the availability of 300-500sqm offices through the quarter, up to 68. Availability of this stock was reasonably evenly spread, with 19 units in the RMB3.0-4.00/sqm/day range (i.e. mid-range Grade-B office towers) and a further 22 units available under RMB5.5/sqm/day. Excluding new developments, the more established Grade-A office towers showed a modest increase in units availability with 14 units in the 400-500sqm range.

SMALLER OFFICES

The number of units in the 200-300sqm rose significantly quarter-on-quarter with 75 available as of June. There were some 32 units available below RMB4.0/sqm/day rental bracket and a sharp rise to 50 units available between RMB4.0-8.0/sqm/day. Ben Ben Mansion continues to provide attractive alternatives for clients looking for newly completed of-

fices in this size range, although asking rents are ticking up here to around RMB5.5/sqm/day. Availability of smaller units in the sub 200sqm was almost unchanged at 154 in June. Distribution remained broadly constant with 65 units at the budget end in the sub RMB4.0/sqm/day range and a further 45 units available under RMB5.5/sqm/day.

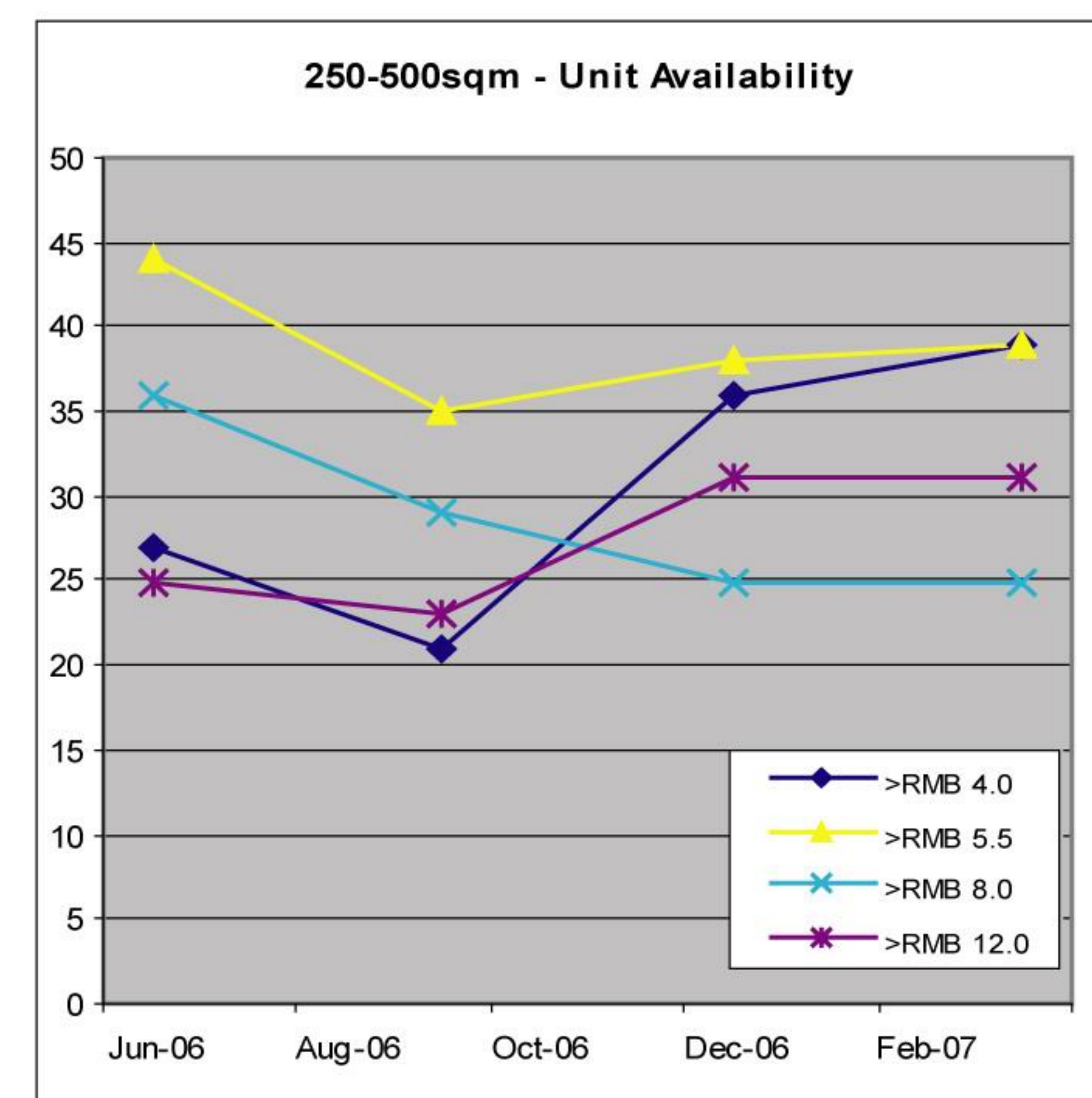
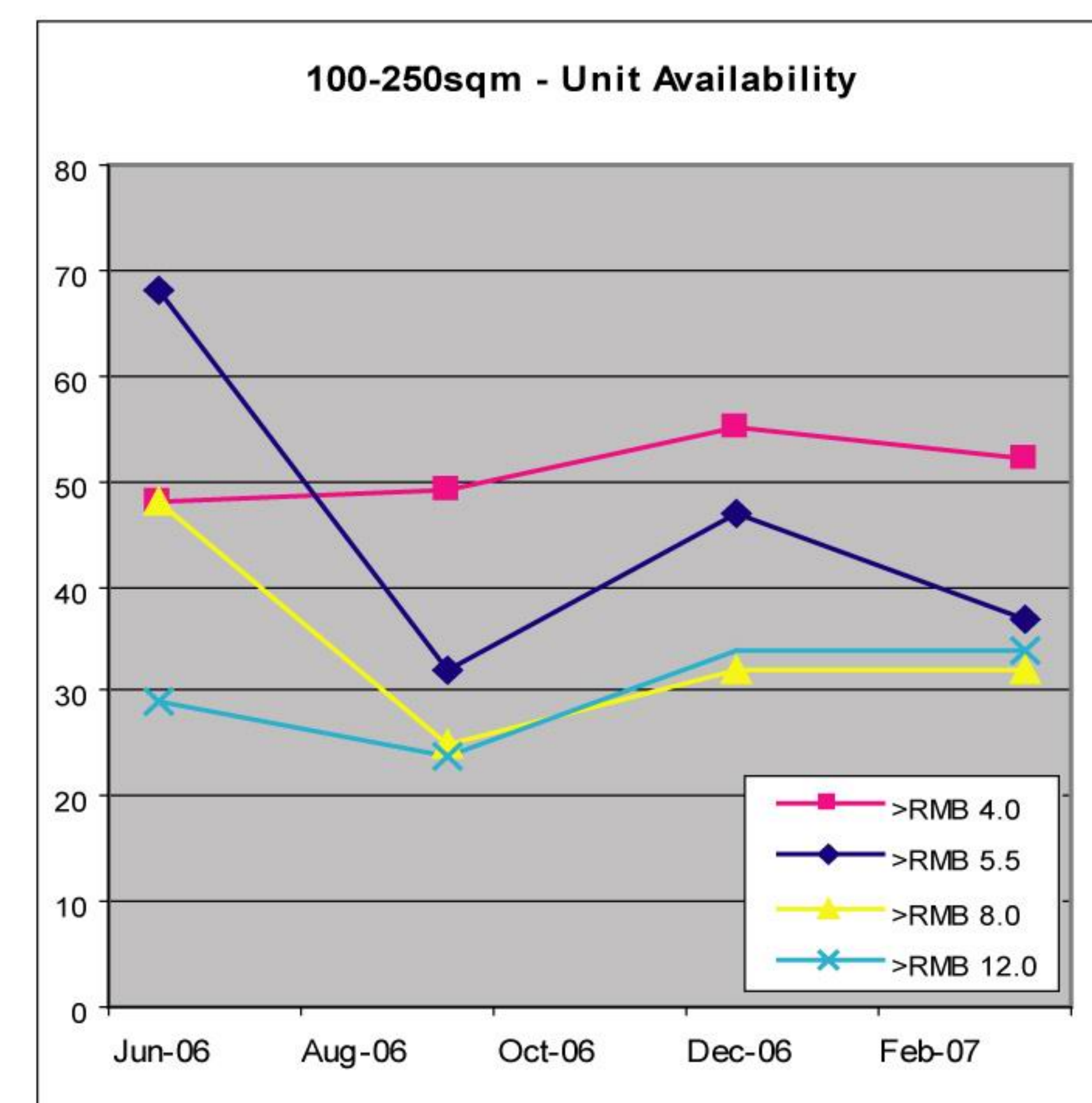
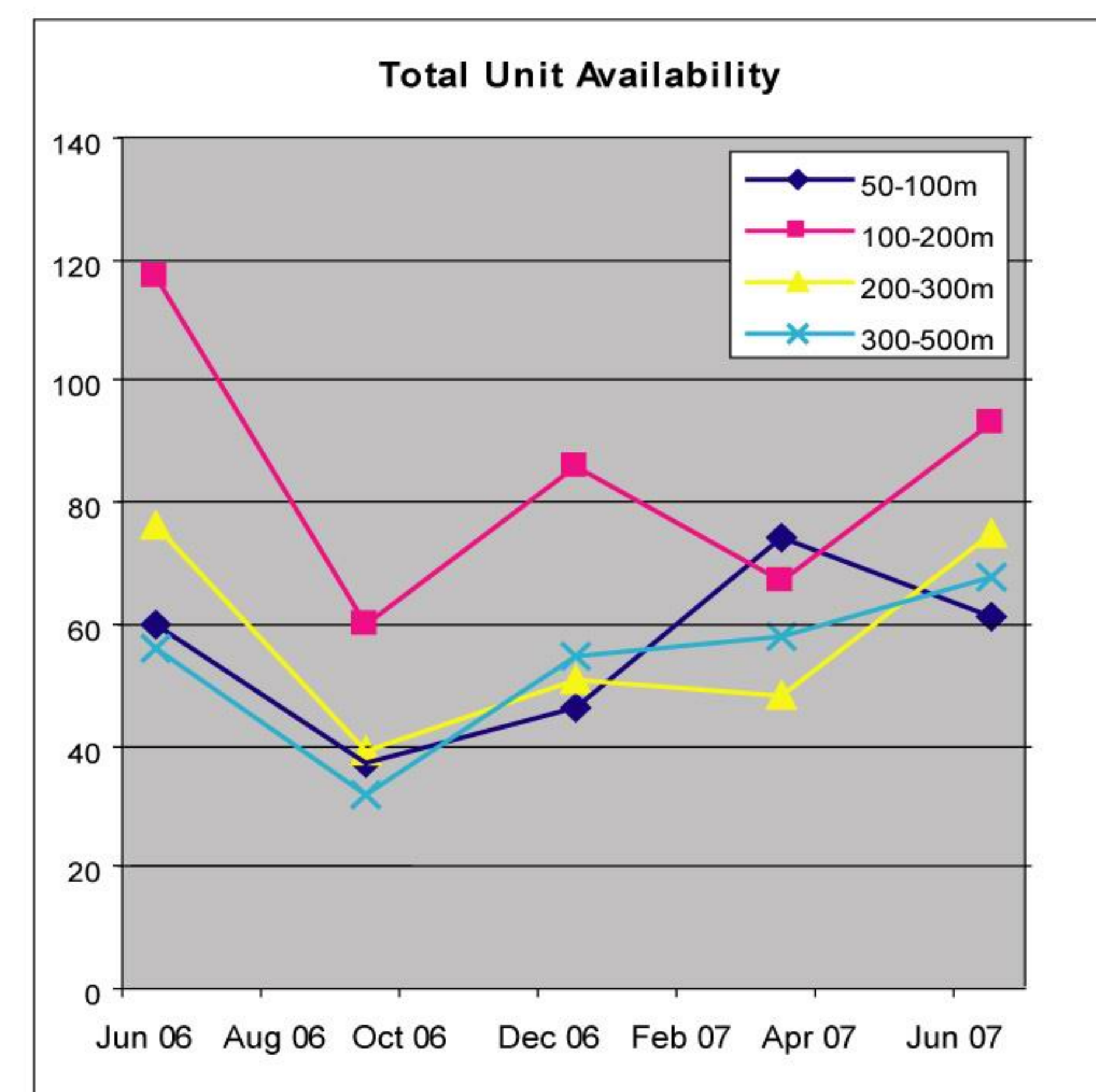
OUT OF TOWN

New buildings under construction and just complete in both the Hongqiao (West) and Zhangjiang Hi-Tech Zone (East - Pudong) offer excellent alternatives for companies requiring larger floor plates at rents significantly below those of the city centre. Many of these developments are characterised by their university campus style feel, complete with large areas of landscaping, water features and often a variety of staff canteens etc. In Hongqiao rents start at around RMB3.7/sqm/day for new build Grade-A offices. Comparative locations in Zhanjiang Hi-Tech Zone range from around RMB3.0-5.0/sqm/day depending on proximity to the subway station. We are seeing evidence of a number of clients looking to lock in attractive rental levels for the next 3-5 years in these locations, to avoid getting caught in the downtown squeeze.

INVESTMENT

A new area of the market we will be covering includes the purchase and sale of smaller commercial properties (up to US\$30m). As discussed above, while the market for offices in Grade-A & B towers mid-downtown remains very tight, we are also seeing some interesting larger historical properties being sold, particularly around the Bund area. These include historic buildings of between 800-2,000sqm, often as a portfolio investment, from SOEs or other similar local companies. Prices for this type of asset start around RMB25,000/sqm + land taxes. Such buildings offer interesting in-

vestment opportunities both for owner occupiers and smaller scale developers.



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HOT PROPERTY



Type: Grade-A offices
Location: Huangpu
Metro: 1-min to line 2
Size: 260sqm

Rent: RMB 6.5/sqm/day
Mng fee: RMB 29/sqm/month

Description:
Newly completed office tower on Nanjing Rd. offers high specification units at attractive prices and on flexible terms.

New office building.



Type: Grade-A offices
Location: Hongqiao
Metro: 10-min to line 2
Size: 500-1,000sqm

Rent: RMB 3.7/sqm/day
Mng fee: RMB 15/sqm/month

Description:
Newly completed office tower in Hongqiao area, close to the metro extension. Offering excellent value offices in a campus environment.

New office building.



Type: Grade-A offices
Location: Zhanjiang Hi-Tech Zone
Metro: 5-min to line 2 (bus)
Size: 500-3,000sqm

Rent: RMB 3.0/sqm/day
Mng fee: RMB 8.1/sqm/month

Description:
Newly completed low rise building offering excellent value in the heart Zhangjiang Hi-Tech Zone. Landlord is also offering 1/2-hourly shuttle bus to the local subway station as part of the rental package.

Excellent value new offices.



Type: Headquarters
Location: Huangpu District
Metro: 8-min to line 2
Size: 6,600sqm

Rent: RMB 4.0/sqm/day
Mng fee: Inc

Description:
Superb opportunity to lease this stand alone office building located close to the Bund. The building is available on a long-lease for up to 10-years.

Ideal for prestigious head office.



Type: Grade-A offices
Location: Zhanjiang Hi-Tech Zone
Metro: 5-min to line 2 (bus)
Size: 500-3,000sqm

Rent: RMB 3.5/sqm/day
Mng fee: RMB 12/sqm/month

Description:
Newly completed low rise building offering excellent value in the heart Zhangjiang Hi-Tech Zone. Beautiful landscaping to provide a campus style environment. Includes onsite canteens & sports facilities.

Excellent value new offices.



Type: Historic Building
Location: Huangpu District
Metro: 8-min to line 2
Size: 895sqm

Sale: RMB25,000/sqm
Total: RMB22m

Description:
Unique opportunity to acquire historic offices and shops. Layed out over 4-floors with the ground floor as retail and 3-upper floors providing offices. An unusual redevelopment opportunity.

FOR SALE