

QUARTERLY OFFICE REVIEW

September 2007



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

MARKET OVERVIEW

There has been a sharp decline across all size categories over the last quarter, with available stock at its lowest level for the last 12-months. 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 properties such as Metro Plaza and IBP park in the Hongqiao area. In general rents seem to have remained broadly stable over the last quarter, certainly not the rises being pushed through earlier in the year. We see this as breathing space as landlords assess market reaction and acceptance. Our expectation is rents will remain relatively stable through to the end of the year.

LARGER OFFICES

There was a marked drop in the availability of 300-500sqm offices through the quarter, down to 50 from 68 last quarter. Availability of stock breaks into two main price categories, the first being the budget office towers in the RMB4.5-5.5/sqm/day range with 15 units in this range. The second category was at the top end of the market, with 14 units in the RMB12/sqm/day range, representing a similar number to the last quarter. The biggest struggle for space was at the budget end of the market where we could find only 7 units price below RMB4.0/sqm/day.

SMALLER OFFICES

The number of units in the 200-300sqm dropped precipitously quarter-on-quarter with only 36 units available as of September. There were only 6 units available below RMB4.0/sqm/day rental bracket.

The largest congregation of availability was around the RMB5.5/sqm/day rental range with 18 in this category. Availability of smaller units in the sub 200sqm also showed a drop to 109 in September. Distribution remained broadly constant with the majority (38) of units in the RMB5.5/sqm/day range. However, there were only 19 units in the sub RMB4.0/sqm/day range. Again an indication that rents at the lower end of the market continue to be pulled along by the higher end developments.

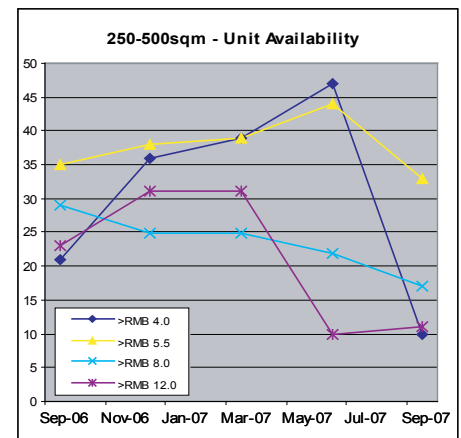
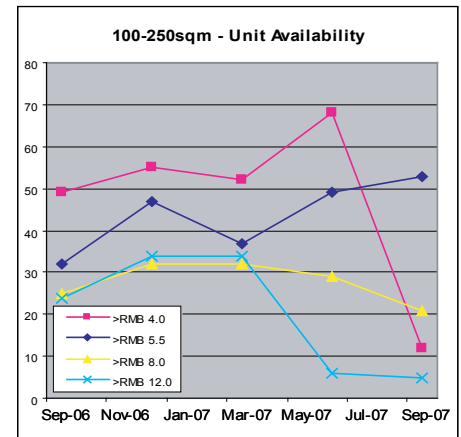
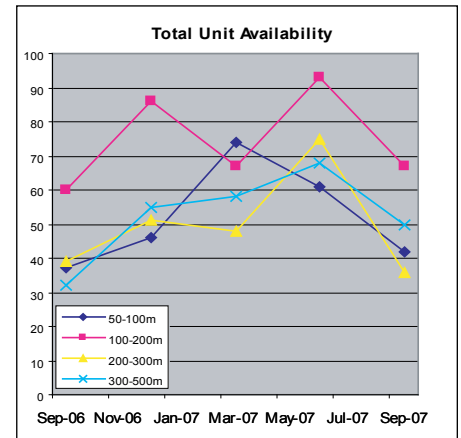
PUDONG

Out of 79 buildings surveyed in Pudong we found that 39 who claimed they were 100% let, giving an indication of current demand in the area. Of 16 units priced below RMB4.5/sqm/day only 2 were above 250sqm showing the shortage of budget space for medium and larger sized offices. Of 21 units priced between RMB4.5-6.5/sqm/day there were only 5 over 250sqm. For good value office towers we are currently recommending Tompson Commercial and New Shanghai Intl Plaza, which both currently have smaller units available. Just over the river in Honkou district, Ruifeng Plaza which enjoys sweeping views over to both Pudong and the Bund offers excellent value at RMB5.5/sqm/day while being within 3-mins walk of the closest subway station (line 4).

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. A interesting development on Hongcao Rd. features renovated former fac-

tory accommodation now being offered as offices in sizes from 800-4,000sqm at rents of just RMB2.5/sqm/day. While in Putuo District there are a number of smaller office developments offering excellent value at rents of just RMB1.9-2.0/sqm/day.



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HOT PROPERTY



Type: Campus style offices
Location: Shanghai South Railway
Metro: 15-min to line 1
Size: 300-3,000sqm
Rent: RMB 4.5/sqm/day
Mng fee: TBC

Description:
Beautiful location next to a small river provides campus style offices ideal for head office operations. High ceilings and excellent light.

Head office accommodation



Type: Grade-A offices
Location: Hongkou District
Metro: 3-min to line 4
Size: 80-2,000sqm
Rent: RMB 5.5/sqm/day
Mng fee: RMB 26/sqm/month

Description:
Newly completed office tower in Hongkou area, close to the metro. The southern units offer sweeping views across the Huangpu river.

Excellent value new offices.



Type: Campus style offices
Location: Caohejing
Metro: Not available
Size: 800-3,000sqm
Rent: RMB 2.4/sqm/day
Mng fee: RMB 10/sqm/month

Description:
Newly completed renovation of former factory compound. Offering campus style accommodation with excellent natural light and high ceilings at excellent prices.

Excellent value offices.



Type: Grade-A Offices
Location: Pudong
Metro: 10-min to line 4
Size: 185-1,000sqm
Rent: RMB 5.8/sqm/day
Mng fee: RMB 28/sqm/month

Description:
Excellent value offices within easy reach of the Lujiazui financial centre. Offering natural light, and quality finishes with an imposing lobby. Ideal for budget conscious operations.

Good value Grade-A



Type: Grade-A offices
Location: Hongqiao
Metro: 2-min to line 2
Size: 200-2,000sqm
Rent: RMB 6.0/sqm/day
Mng fee: RMB 30/sqm/month

Description:
Newly completed high rise building offering excellent value in the heart of the Hongqiao area. Conveniently located near the extension to line 2 subway. Combining offices with a large retail podium.

Excellent value new offices.



Type: Grade-A Offices
Location: Pudong
Metro: 2-min to line 4
Size: 200-1,000sqm
Rent: RMB 5.5/sqm/day
Mng fee: RMB 26/sqm/month

Description:
Newly completed office tower near a Four Point Marriott Hotel. Combining a large shopping centre area with offices above. Offices enjoy excellent natural light and high specification finishes.

New office building.