

# GLOBAL SPOTLIGHT

## Shanghai, China



## A modern metropolis, Shanghai is quickly becoming a global economic center

- Shanghai is one of the most developed cities in the People's Republic of China and is becoming a tourist destination for its renowned historical landmarks, modern and expanding Pudong skyline (including the Oriental Pearl Tower) and growing reputation as a culture and design center.
- With the completion of several new buildings in Lujiazui in 2008 and an additional 500,000 SM coming on the market in the first half of 2009, there will be 3.3 million SM of new Class A stock in Shanghai – bringing the total market to 15 million SM. Compared to international cities Paris, London or New York (36 million SM in Manhattan alone), Shanghai inventory numbers are not considerably high for a city of 18 million. In fact, Shanghai office stock is more comparable to Frankfurt, a city with 600,000 residents.
- Despite the global economic climate, rising production costs, wages and land prices, the industrial sector has remained strong. High demand for R&D centers and logistics offset the trend of manufacturing companies moving to second and third-tier cities in pursuit of cutting costs, resulting in high absorption rates for high quality space. Additionally, with the government implementing long existing zoning laws, availability of industrial land for development is dropping rapidly, ensuring that it will remain competitive.
- Retail is the strongest sector in Shanghai, as rapidly increasing individual income provides a solid foundation for retailers. With the exception of the newly erected Dragon Mall, city center supply is very hard to come by, with all new retail supply located outside of the center. Notably, downtown shopping malls have lengthy waiting lists and overall retail rents have increased 4.5%.
- With increasing legal restrictions for foreign investors, market entry has become more difficult. Demand is high, but with a total of 11 en-block transactions in Shanghai in 2008, transaction numbers are well below the average of other international markets. However, as Chinese banks are increasingly tightening credit, there is a correlating increase in Chinese developers seeking foreign equity partners.

## Shanghai At A Glance

Population	18.45 million
Location	At the mouth of the Yangtze River
GDP	\$171 billion
Inflation	6%
Unemployment	4.4%
Conversion Rate	1 CNY = 0.15 USD

Property	Rent/SF/Year Low	High	Vacancy Rate
Downtown Office Class A	\$23.00	\$84.00	7.4%
Suburban Office Class A	\$26.00	\$69.00	N/A
Industrial Bulk Warehouse	\$2.70	\$13.00	3.1%
Retail Downtown	\$104.00	\$313.00	3.3%

NAI Asia Pacific Properties provides local market expertise in the greater Shanghai, China region. NAI Global has eight members serving the Beijing, Chengdu, Hangzhou, Hong Kong, Qingdao, Shanghai, Xiamen and Xi'an markets in China.

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### At A Glance

325	Offices
55	Countries
5,000	Professionals
\$45 billion	Annual Transaction Volume
200	MSF of Property Management

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October 2008

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