

2006 Survey Results of Office Requirements in Shanghai

January 18, 2007

- **Business growth is resulting in a growing demand for employees and office space.**
- **The preference for better grade office buildings is growing.**
- **Lujiazui, long the home of financial institutions, is becoming a popular office location among non-manufacturing companies.**

The “Office Requirements in Shanghai” survey, the annual survey conducted by Mori Building Co., Ltd., was first published in 2004 with the goal of assessing the office requirements trends of multinational firms in Shanghai. The respondents to this survey are senior executives involved in the decision making regarding their firms’ office location and business set-up in Shanghai. This year the “Office Requirements in Shanghai” survey was distributed to 3,607 multinational firms in Shanghai, and of these 475 responded. The respondents cover organizations of all sizes in all major industry sectors.

<Framework of 2006 Office Requirements Survey in Shanghai>

- Research Period : October - November 2006
- Research Sample : 3,607 multinational firms in Shanghai
Canada/USA
Austria/France/Germany/Italy/Switzerland/UK/Other EU Nations
Australia/Korea/Japan/Singapore
- Response : 475 companies (13.2%)

(Reference) Framework of 2005 Office Requirements Survey in Shanghai

- 4,800 multinational firms in Shanghai
- 347 (7.2%) companies responded.

1 The current state and forecast of business in Shanghai

More respondents, compared to the 2005 survey, experienced better than expected business results in 2006.

The state of business during the past year in Shanghai remains high, with 35% of respondents experiencing better business than they expected. This compares to 27% the previous year. 3 year business forecasts have remained high for the last three years since the start of the survey, with 81% of respondents anticipating expansion of their business, an increase of 6% from 2005.

business expansion, 84% of non-manufacturing companies, and 63% of financial institutions. In all industries forecasts increased from last year by approximately 10%.

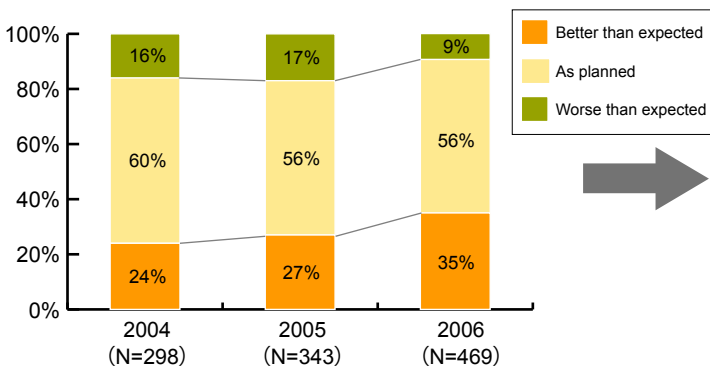
Forecasts among financial institutions remains low compared to the other industries, however, over the next few years multinational financial institutions are expected to show growing anticipation in reflection of the governmental policy of releasing Chinese yuan retail services.

<Breakdown of forecast by industry category>

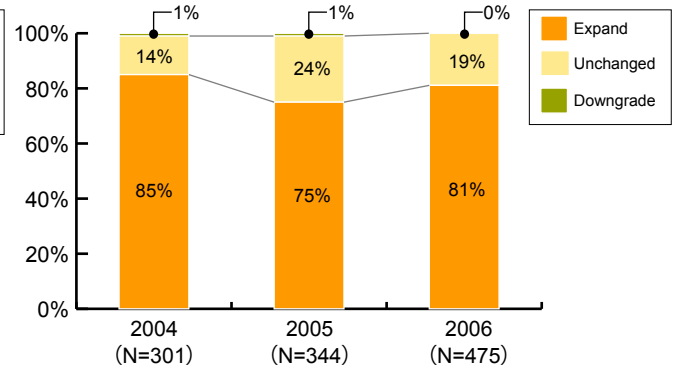
Business forecast over the next three years increased in all industries.

86% of manufacturing companies anticipated

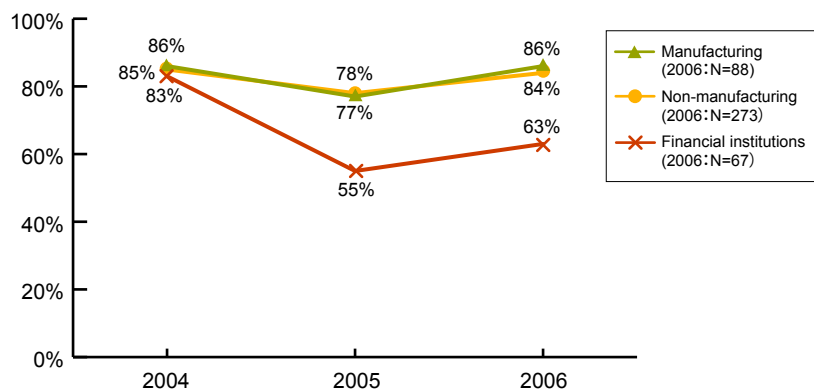
Company's business during the past year



Business expansion plans over the next three years



Breakdown of companies that expand their business by industry category



2 Future prospects of Shanghai offices over the next three years

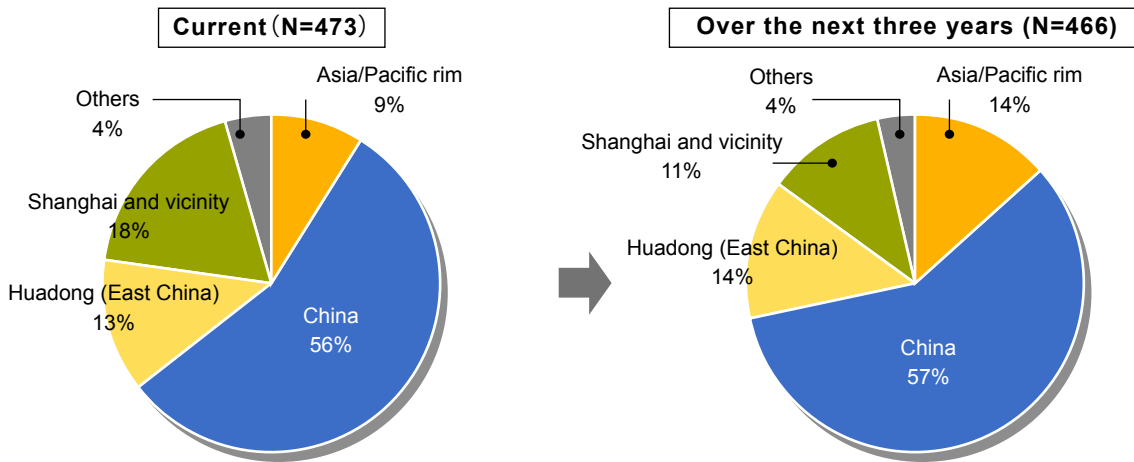
Shanghai offices will play a larger role in managing the Asia/Pacific Region.

Currently 56% of the respondent companies said their offices are responsible for their business for the whole of China, 18% for Shanghai City only, 13% for Kato region, and 9% responded they cover the entire Asia/Pacific rim. Over the next three years, however, respondents who answered they will cover bigger regions increased, especially the companies that cover Asia/Pacific rim show the largest increase from 9% to 14%. Shanghai offices are expected to increase their role in Asia/Pacific region over the next few years.

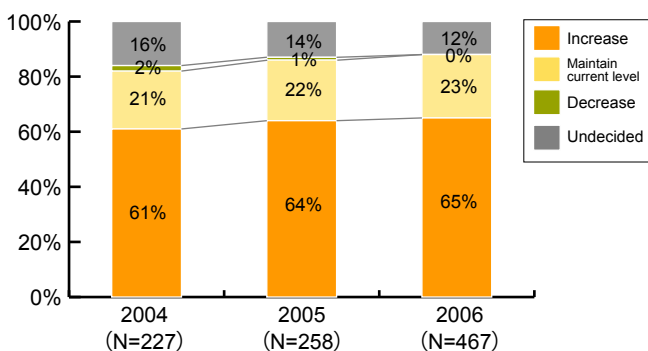
Shanghai offices continue to increase the number of employees and expand their offices.

The trend to increase their role in the Asia/Pacific region has resulted in 65% of the companies responding that they will hire more people, and that more than half of the companies plan to expand their offices.

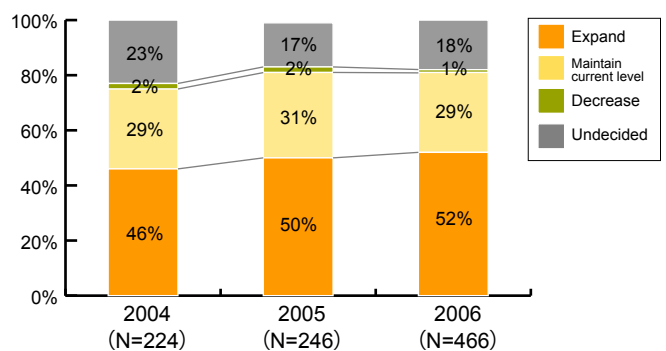
Business role of Shanghai offices in Asia/Pacific rim



Employment plan over the next three years



Office expansion plan over the next three years



3 Future office relocation planned for central Shanghai

Companies plan to relocate their offices in need of more space and better facilities.

19% of the companies plan to relocate their office to central Shanghai over the next three years. Companies that are in need of office relocation account for more than half of the respondents. Expansion of the office is seen as the biggest reason to relocate their offices, followed by relocating to an office with better facilities and moving to a better location.

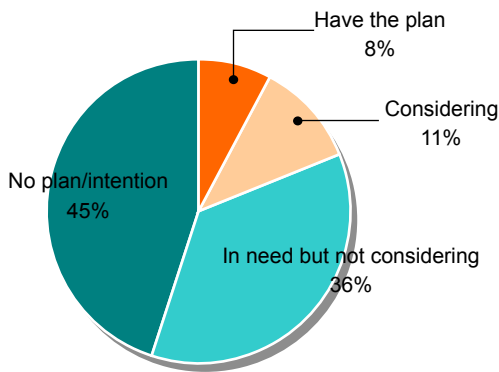
Compared to 2005, requirements for better facilities increased from 17% to 38%, and for better security from 4% to 10%, showing the largest increase.

<Breakdown of reason to relocate office by industry category>

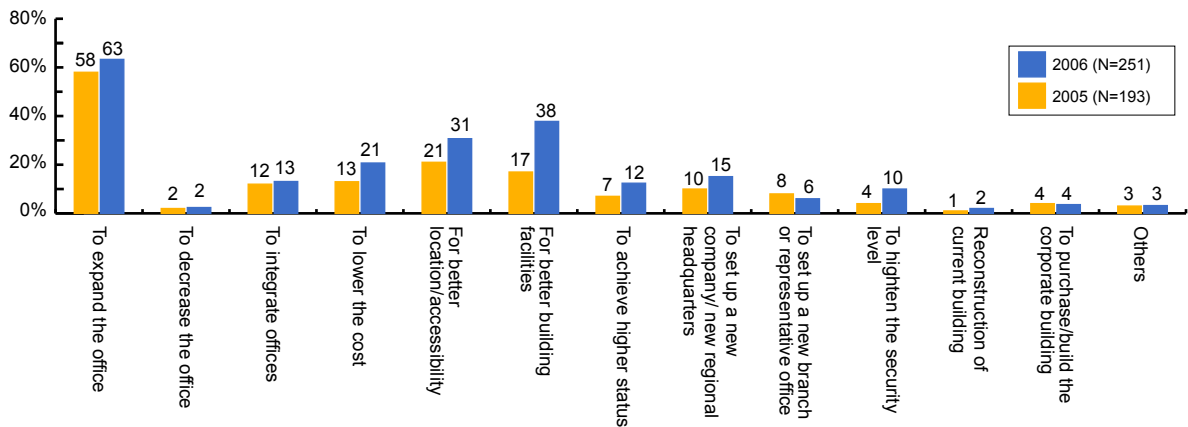
The demand for higher grade offices increased, especially among financial institutions.

In all industries, the top two reasons to relocate an office was to expand offices and to relocate to an office with better facilities. Compared to Manufacturing/Non-manufacturing industry companies that plan to relocate to an office in a better location and to cut their costs, financial institutions focus more on building grade, emphasizing those with better facilities and status.

Office relocation plan over the next three years



Reason to relocate offices (multiple choice)



Breakdown of reason to relocate office by industry category

| Industry | Reason | | | | | | | | | | | | |
|------------------------|------------------------|------------------------|----------------------|-------------------|-----------------------------------|--------------------------------|--------------------------|---|---|-------------------------------|------------------------------------|--|--------|
| | To increase the office | To decrease the office | To integrate offices | To lower the cost | For better location/accessibility | For better building facilities | To achieve higher status | To set up a new company/new regional headquarters | To set up a new branch or representative office | To lighten the security level | Reconstruction of current building | To purchase/build the corporate building | Others |
| Manufacturing | 55% | 2% | 17% | 24% | 26% | 33% | 9% | 17% | 5% | 9% | 3% | 7% | 2% |
| Non-manufacturing | 67% | 2% | 12% | 20% | 32% | 35% | 11% | 13% | 7% | 9% | 2% | 2% | 3% |
| Financial institutions | 54% | 7% | 14% | 18% | 29% | 43% | 25% | 18% | 4% | 7% | 0% | 0% | 7% |

4 Popular area for office location

Lujiazui was cited as the most popular area for an office location.

The most popular location for an office location is Lujiazui (35%), at more than double the rate for the two next popular destinations, Hongqiao (17%) and Nanjing West Road (15%). The popularity of Nanjing West Road and People's Square remains high, increasing gradually by 1%-2% from 2004. Lujiazui shows the largest increase in 2006, with 22% in 2005 to 35% in 2006.

<Breakdown of popular destinations by industry category>

The popularity of Lujiazui among financial institutions and non-manufacturing industries increased dramatically.

65% of financial institutions responded they are most interested in Lujiazui as their office location, increasing almost 20% from 2005 to 2006. The popularity of the area among manufacturing companies has fallen gradually since 2004. However, this year shows the trend shift among non-manufacturing companies, among whom the popularity of Lujiazui increased 15% from last year. Lujiazui has long been a home for financial institutions, and it is becoming popular as an office location among non-manufacturing companies.

<Lujiazui area>

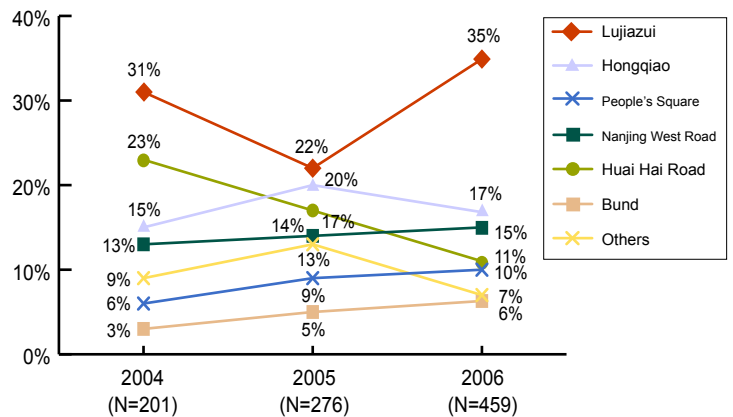
Good area image and growing number of financial institutions are key factors for the popularity of Lujiazui.

Good area image of Lujiazui was cited as the biggest contribution to their business (73%), followed by growing number of financial institutions (72%), office building grade (58%), and the environment with greenery and water (44%). Compared to 2005, growing number of financial institutions and growing number of business partners

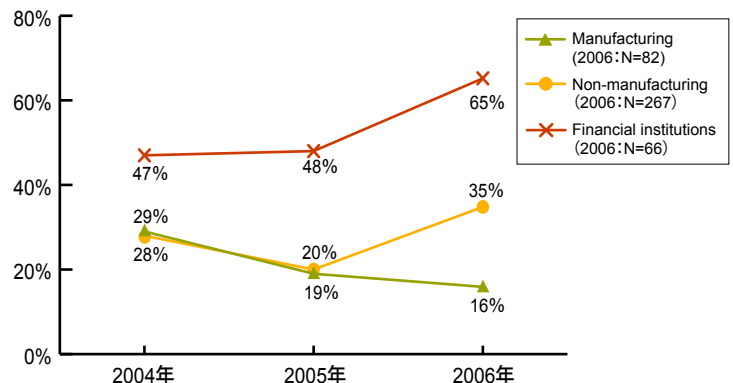
show the largest increase, which explains that more and more companies expect Lujiazui to become the focus of their business over the next years.

Also office building grade and better infrastructure show one of the largest increases compared to 2005. Recent office building supply in Lujiazui is expected improve its environment and thus contribute to its popularity.

The most interested area as office location



Breakdown of companies who are most interested in Lujiazui by industry category



<Lujiazui area>

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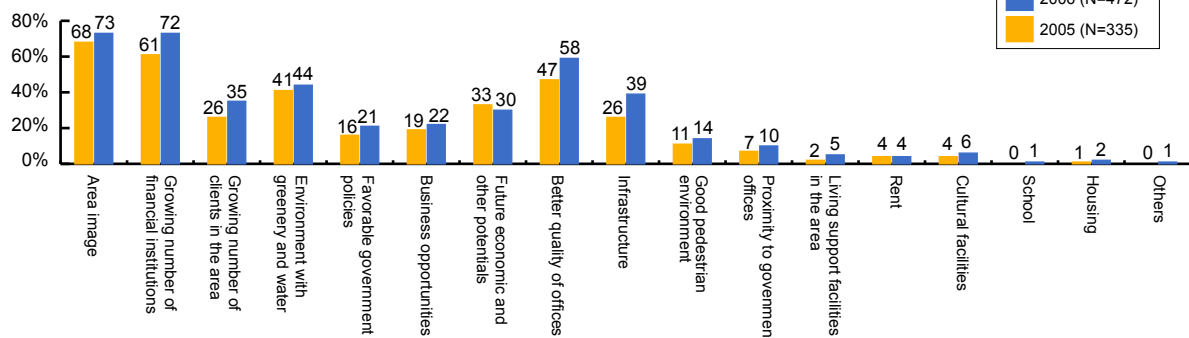
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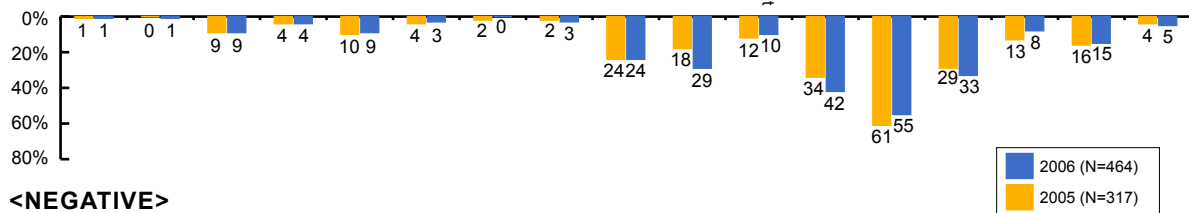
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Business environment in Lujiazui

<POSITIVE>



<NEGATIVE>



Office area map of central Shanghai

