

2007 Survey Results of Office Requirements in Shanghai

December 20, 2007

- Business performance of multinational firms in Shanghai has been strong. It is expected that multinationals will continue to see exceptional growth in the foreseeable future.
- The financial services & insurance industry will require additional office space and employees to accommodate business growth.
- As an office relocation option, Lujiazui is popular especially among financial services & insurance firms.

Mori Building Co., Ltd. (Headquarters: Roppongi, Minato-ku, Tokyo , President and CEO: Minoru Mori) has conducted successive “Survey Results of Office Requirements in Shanghai” annually since 2004. This study is conducted in order to survey major foreign firms in Shanghai on the current state and prospects of business activities in Shanghai and office demand in future, and aims to grasp trends of those firms and demand trends in the office market. We have compiled this fourth survey which was conducted from September through October 2007 and hereby report the results.

<Framework of 2007 Office Requirements Survey in Shanghai>

- ☐ Research Period : September-October 2007
- ☐ Research Sample : 3,679 multinational firms in Shanghai
Canada/USA
Austria/France/Germany/Italy/Switzerland/UK/Other EU Nations
Australia/Korea/Japan/Singapore
- ☐ Response : 662 companies (18.0%)

(Reference) Framework of 2006 Office Requirements Survey in Shanghai

- 3,607 multinational firms in Shanghai
- 475(13.2%) companies responded.

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1 The current state and forecast of business in Shanghai

- 41% of all firms responding (up 6% from last year) achieved business performance beyond expectations. Overall business performance has been in good form.
- All industries expect that they will expand their business in future.

In terms of business performance of foreign firms in Shanghai during the past year, 41% of responding firms answered “Beyond expectations” (Chart 1). Increased “Beyond expectations” responses from 2004 to 2006 and an increase of 6% from the past year prove that the business performance of foreign firms in Shanghai has been strong.

For business performance prospects over the next three years, 76% of firms responded “Better than now (business expansion)” although the number of responses was slightly lower compared to last year. This would indicate that overall business performance of foreign firms in Shanghai will continue the trend of expansion in the future.

A breakdown by industry of the firms which anticipated business expansion over the next three years shows that, in the financial services & insurance industry, the percentage of firms anticipating business expansion is on the increase for the second consecutive year. In this survey, 69% of firms from the industry indicated as such. On the other hand, most manufacturing and non-manufacturing firms also plan to expand their business, though the percentage of firms has slightly decreased (Chart 3).

Chart 1
Company's business during the past year

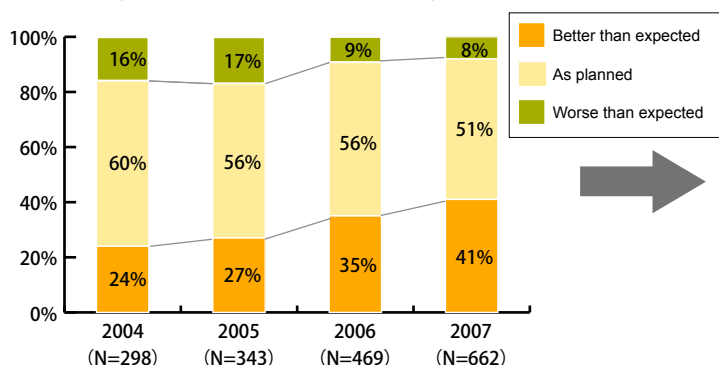


Chart 2
Business expansion plans over the next three years

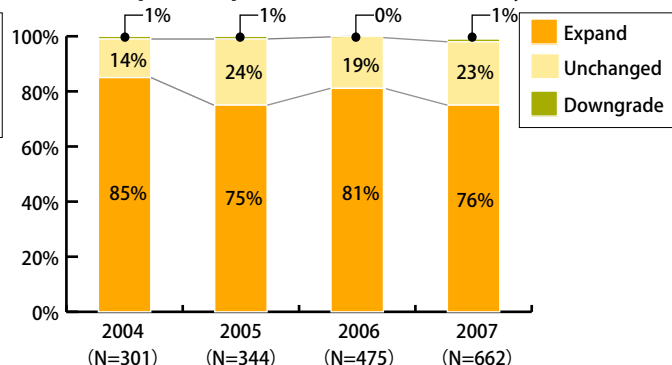
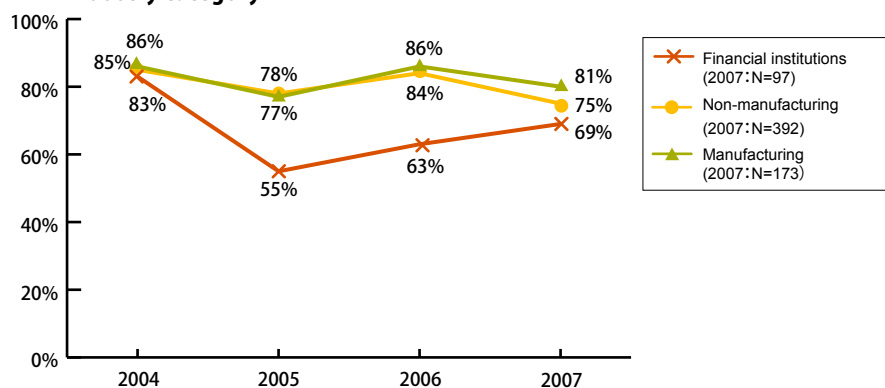


Chart 3
Breakdown of companies that expand their business by industry category



2 Future prospects of Shanghai offices over the next three years

- The responding firms' Shanghai offices expanded their management areas to Asia/Pacific Rim.
- The financial services & insurance industry will require additional office space and employees to accommodate business expansion.

With regards to the present geographic area managed by responding firms' Shanghai offices, the top answer was "China (including Hong Kong)" (59%) followed by "Shanghai and vicinity" (15%), "Asia/Pacific Rim" (10%), and "Huadong region (East China)" (10%). More than half the firms said their offices are positioned as headquarters for China. Although there has not been much change in the percentage of firms responding that they have positioned their Shanghai office as the headquarters for Asia/Pacific Rim, from 9% to 10%, over the next three years, the percentage is forecast to increase to 15%, which implies firms' Shanghai offices will become increasingly important in the coming years. (Chart 4)

In terms of employee and office floor space plans over the next three years, as many as 65% of the firms responded that they will increase their number of employees, and about half of the firms intend to expand their office floor space (Chart 5, 6).

When broken down by industry, we see that each industry will continue to increase the number of employees and office floor space, however, for the past year the increase in the number of firms anticipating employee expansion and expansion of office floor space in the financial services & insurance industry is more pronounced compared to other industries.

Chart 4 Business role of Shanghai offices in Asia/Pacific rim

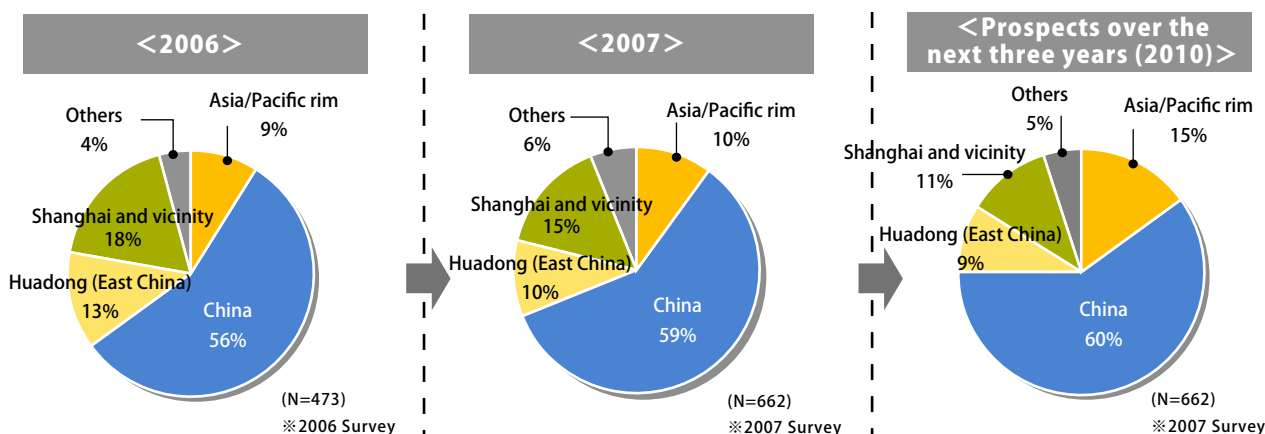


Chart 5 Employment plan over the next three years

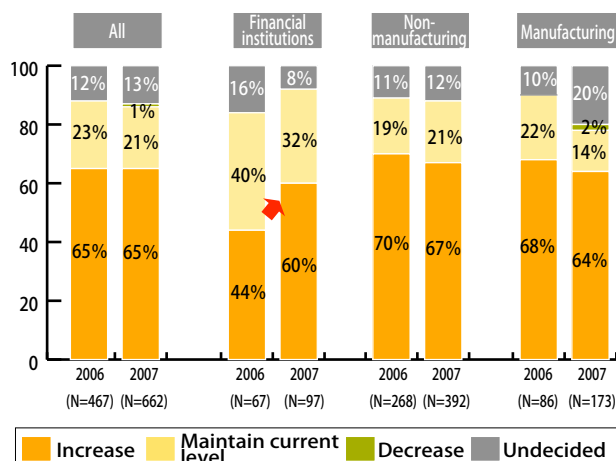
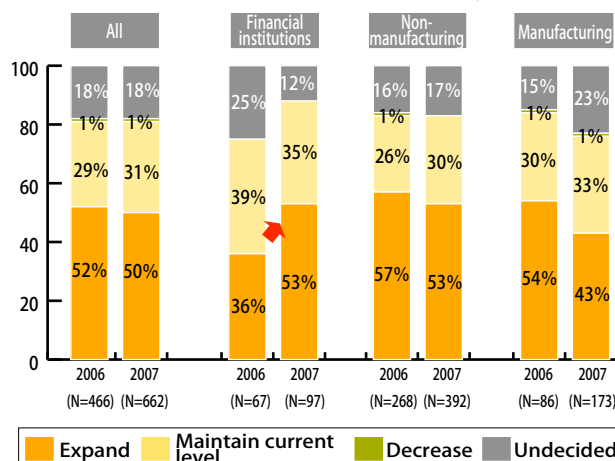


Chart 6 Office expansion plan over the next three years

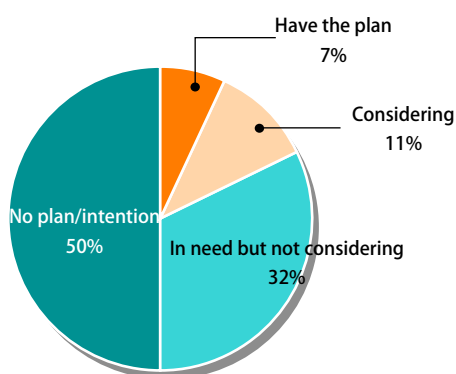


3 Future office relocation planned for central Shanghai

- The objectives of office expansion or relocation include increasing office floor space, having better facilities/functions, and for a better and more accessible location.
- Office quality and prestige are important for the financial services & insurance industry.

18 % of responding firms are planning to expand/relocate to offices in central Shanghai over the next three years. Including firms that need to expand/relocate (Chart 7).

Chart 7
Office relocation plan over the next three years (N=662)



< Reasons to expand/relocate offices >

Continuing the trend from last year, the top reason to expand/relocate their office is “to increase office floor space”(67%) followed by “for better facilities/functions” (40%) and “for better location/accessibility” (32%) (Chart 8). On the other hand, “to lower the costs for office” decreased by 4%, indicating that firms that plan to expand their businesses are more willing to prioritize securing office floor space and better functions and prestige of office building over costs.

Additionally, a breakdown by industry indicates that, compared to other industries, the financial services & insurance industry is more likely to place importance on better facilities/functions and prestige (Chart 9).

Chart 8 Reason to relocate offices (multiple choice)

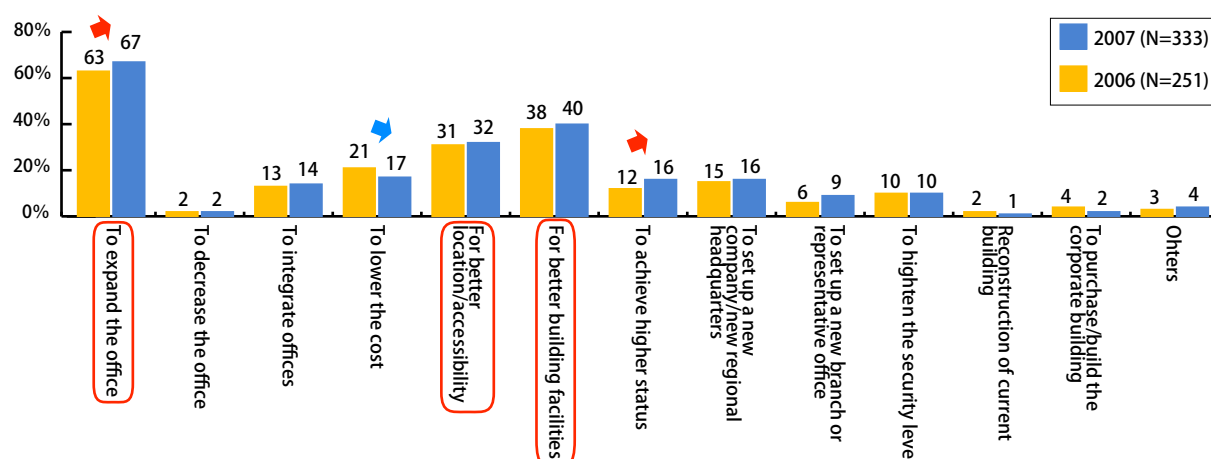


Chart 9 Breakdown of reason to relocate office by industry category

<div></div> 0% - 9%	<div></div> 10% - 19%	<div></div> 20% - 29%	<div></div> 30% - 39%	<div></div> 40% - 49%	<div></div> 50% -								
Industry	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 heighten the security level	Reconstruction of current building	To purchase/ build the corporate building	Others
Financial institutions	68%	2%	18%	8%	28%	52%	32%	24%	16%	14%	0%	0%	8%
Non-manufacturing	64%	1%	12%	19%	33%	41%	12%	11%	8%	9%	1%	1%	3%
Manufacturing	75%	3%	19%	19%	30%	30%	14%	23%	6%	10%	1%	4%	3%

4 Popular area for office location

- The most popular destination area for office relocation is the Lujiazui area.
- The image of the district, concentration of financial institutions and quality of office buildings are the characteristics of the Lujiazui area that positively affect business.

The most popular destination area for office relocation is "Lujiazui area" (31%), at nearly double the rate compared to the next two most popular areas, "Huai Hai Road area" (17%) and "Hongqiao development zone" (15%) (Chart 10).

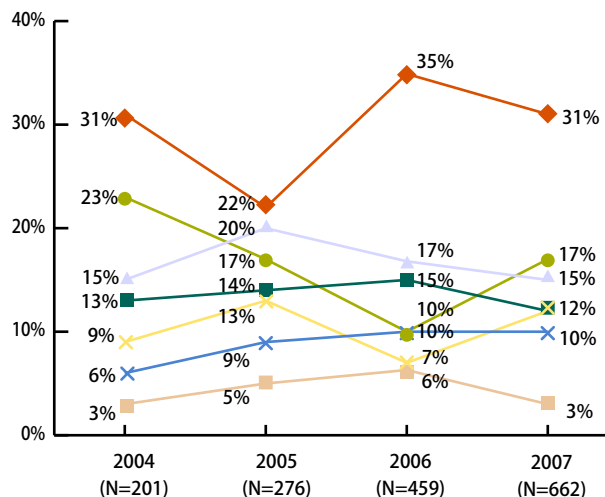
In the breakdown by industry, the Lujiazui area is seen as the most popular for all the industries, and, particularly among the financial services & insurance industry, more than half the responding firms chose this area as the most interesting.

<Evaluation of business environment in Lujiazui area>

Among the characteristics which positively affect business in Lujiazui area, which has the highest popularity rate, the top three consist of "Image of the district (76%)", "Concentration of financial institutions (73%)" and "Quality of office building (64%)".

"Rent" (64%) is cited as the top negative characteristic, and it is worth noting that it is followed by "Facilities to support living" (38%), "Pedestrian environment" (28%) and "Cultural and recreational facilities" (26%). While the area enjoys increasing acclaim as a business environment including high quality office buildings and higher concentration of financial institutions, in the future Lujiazui needs better transportation infrastructure, including for pedestrians, and an enhancement of ancillary facilities to broadly support office life like cultural and recreational facilities. (Chart 12).

Chart 10 The most interested area as office location



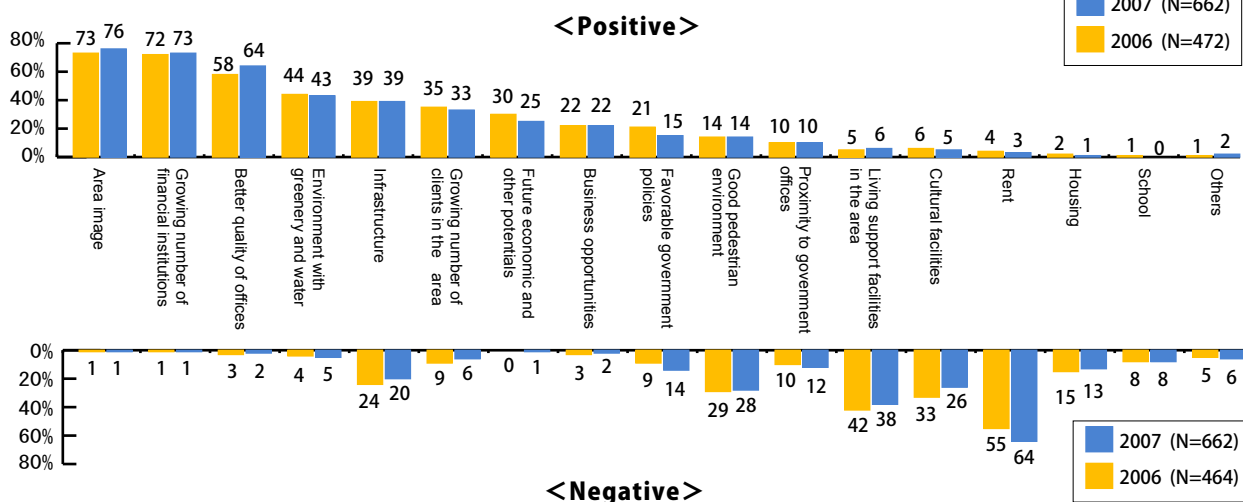
Legend: Lujiazui (red diamond), Hongqiao (light blue triangle), People's Square (blue cross), Nanjing West Road (green square), Huai Hai Road (yellow circle), Bund (orange square), Others (yellow star)

Chart 11
[Breakdown by industry]
The most interested area as office location

Industry	Lujiazui	Hongqiao	Nanjing West Road	People's Square	Huai Hai Road	Bund	Others
Financial institutions	57%	14%	6%	6%	11%	2%	4%
Non-manufacturing	27%	13%	16%	12%	17%	3%	12%
Manufacturing	27%	18%	8%	10%	19%	2%	16%

Legend: 0% - 9% (white), 10% - 19% (light yellow), 20% - 29% (orange), 30% - (yellow)

Chart 12 Business environment in Lujiazui (multiple choice)



Column: "Environmental" awareness of foreign firms in Shanghai

As there is now a growing concern of environment issues such as global warming, companies are also expected to take environmental initiatives. As a result, this survey asks foreign firms currently expanding in Shanghai about the environmental policies implemented in their Shanghai offices.

Environmental activities implemented in Shanghai offices

92% of all responding firms currently implement environmental preservation policies in one way or another. Their specific activities include "Exercising thrift with copying" (78%), "Promoting energy savings" (71%), "Cool/warm business attire protocol" (30%), and "Trash separation, recycling" (25%) and so on. Regarding the outlook for such activities in the future, "Expand" (59%) and "No change" (41%) indicate that many firms will enhance their environmental preservation policies (Chart 13).

Environment-consciousness as basis of office building selection

As noted above, in terms of awareness of firms in Shanghai, there is a growing trend to place importance on environmental-consciousness, but what about with regard to building selection? Here, when responding firms were asked how much importance they will place on whether office buildings they select from are accredited by any benchmark of comprehensive assessment of environmental efficiency, the responses resulted in "Will place great importance (19%)" and "Will place some importance (46%)". Thus, about two thirds of the responding firms place importance on environmental issues when selecting an office building.

A breakdown by industry indicates that all industries attach importance to such accreditation. Also, specifically in the financial services & insurance industry, 74% of the firms place importance on environmental issues – an extremely high level.

Environmental awareness is growing globally. Global environment issues are of high interest even to foreign firms in Shanghai, with this particularly true of the financial services & insurance industry (Chart 14).

※Comprehensive assessment of environmental efficiency

System that comprehensively assesses the environmental efficiency of buildings based on global environment issues. It comprehensively gives an assessment not only on the aspects of environmental efficiency such as amenity of indoor conditions and consideration of the surrounding environment, but also on environment burden such as energy saving, resource saving and recycling efficiency. Various assessment systems are now developed internationally.

Chart 13
Implementation of environmental preservation activities in Shanghai offices

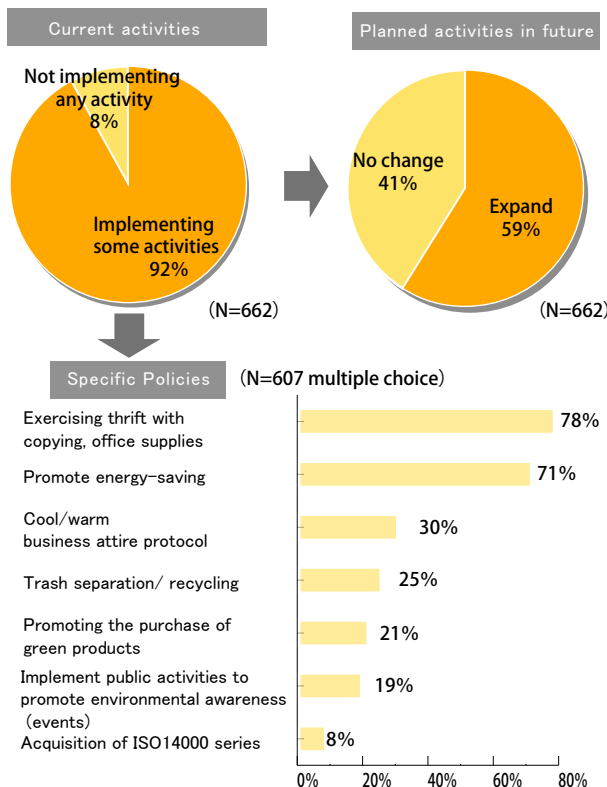
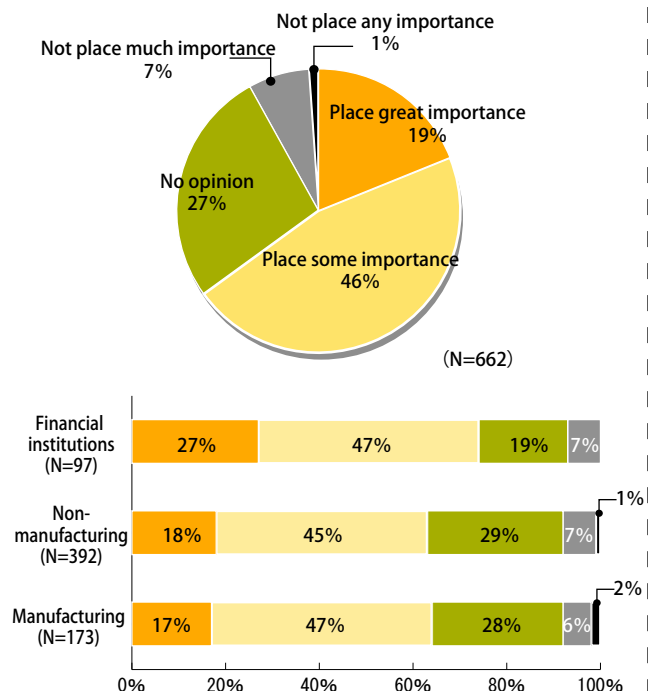


Chart 14
Level of importance of building being environment-conscious



Office area map of central Shanghai

