COLLIERS INTERNATIONAL | SHANGHAI

The Knowledge Report

RETAIL PROPERTY | THIRD QUARTER | 2007

Shanghai Retail Property Market
上海零售物业市场

Economic and Overall Retail Property Market Review

The robust economic growth and modest inflation, along with the steady asset price appreciation, have continued to render support to the local consumption market. In the first three quarters of 2007, Shanghai's real GDP has witnessed a growth of 13.4% YoY, with the growth in Q3 edging up further from that in H1. Inflation remained generally modest in Shanghai, with Consumer Price Index (CPI) raised by 2.5% in the first three quarters, lower than the national level of 4.1%. During this period, consumption market was buoyant, underlined by the double digit growth in total sales of consumer goods. On the production side, wholesale and retail industry achieved a 10.6% YoY growth in Q3, driving the demand in the retail property market upwards.

The economic growth has similarly boosted the strong growth in per capital income of urban residents, which reached a growth of 14% YoY in Q1-Q3. On the other hand, supported by China's strong economic fundamentals and abundant liquidity, the stock market kept surging by nearly 110% during the first three quarters of 2007. As investors reaped profits in the booming stock market, the wealth effect so generated to some extent also fuelled the growth in consumer spending. During Q1-Q3, total retail sales of consumer goods in Shanghai has risen by 14.3% YoY, up 1.2 percentage points , and kept uprising momentum. Meanwhile, Shanghai residents' consumption pattern adjusted further, with spending on food & beverage, luxury goods, together with services maintaining strong growth impetus.

Against the backdrop of solid economic development and escalation of purchasing power of local residents, foreign investors are stepping up expansion and planning in their retail business. During Q1-Q3, the total retail sales from utilized foreign capital increased by 15.8% YoY. With the further opening of retail market to foreign investors, overseas brands, especially the high-end retailers will continue to expand their operations in the local market.

经济及整体零售物业市场回顾

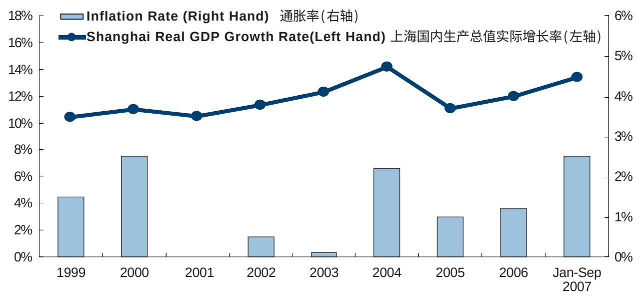
经济的强劲增长、温和的通胀以及资产价格的稳步上升，为本地消费市场发展持续创造有利环境。2007年前三季度上海国内生产总值同比增长13.4%，本季度增速较上半年有所加快。相对于全国前三季度4.1%的通胀率，上海仍然维持在较为温和的通胀水平上，同期为2.5%。消费市场持续繁荣，社会消费品零售总额继续维持两位数增长。产业方面，批发和零售业获得了10.6%的成长，继续推动零售物业市场的需求。

经济增长同样促进了城市居民可支配收入的大幅增长，前三季度的增速达到14%。另一方面，受中国经济基本面的支撑以及货币流动性充裕的影响，沪深股市持续上行。今年前三季度，上海股票市场综合指数上涨近110%。股市繁荣令投资者获得了可观的收益，所产生的财富效应也在一定程度上促进了消费的增长。一至三季度，上海社会消费品零售总额比去年同期增长14.3%，增幅同比提高1.2个百分点，延续了高速成长的态势。与此同时，上海居民消费结构进一步调整，餐饮、高端消费品以及服务性消费保持了强劲的增长势头。

在整体经济强劲发展及本地居民购买力不断提升的背景下，外资纷纷加紧其在商业零售方面的扩充和布局。2007年前三季度，实际外资实现社会消费品零售总额比去年同期增长15.8%。随着零售业对外资的全面开放，外资零售品牌，尤其是高端品牌还将继续拓展本地市场。

Figure 1 **Shanghai GDP Growth Rate and Inflation**

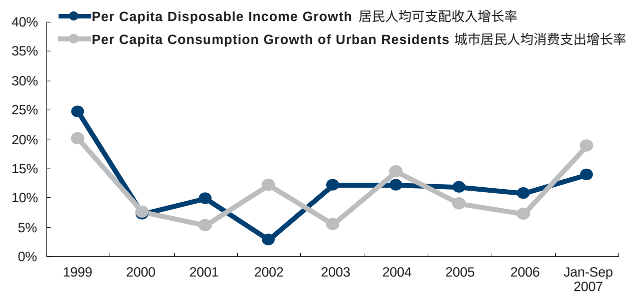
图1 上海国内生产总值及通货膨胀



Source: Shanghai Statistics Bureau
数据来源：上海统计局

Figure 2 **Shanghai Per Capita Disposable Income and Consumption of Urban Residents Growth Rate**

图2 上海城市居民人均可支配收入及人均消费增长率



Source: Shanghai Statistics Bureau
数据来源：上海统计局

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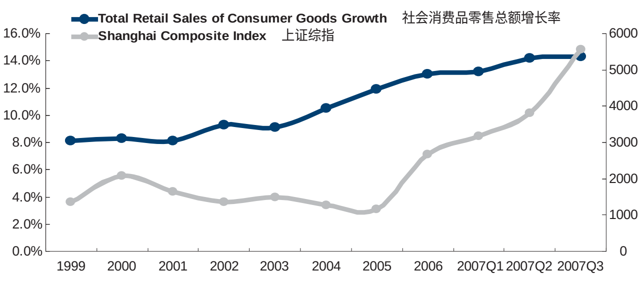
Underpinned by the prosperous retail market, expectation of further appreciation of RMB as well as rapid growth of the economy, Shanghai's retail property market registered strong performance. According to the monthly record of transactions, total take-up areas during January to August in 2007 exceeded those of new supply for the first time in three years, with a ratio of 1.45, suggesting that supply was not able to meet demand.

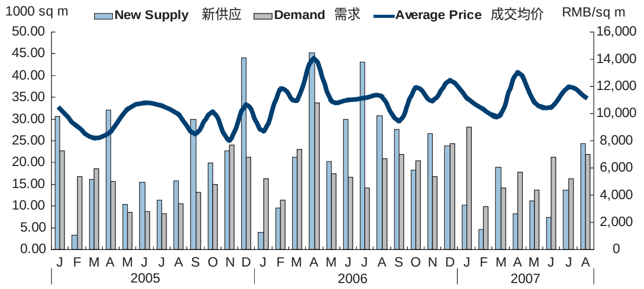
在国民经济高速运行，人民币升值预期以及零售市场繁荣的背景下，上海零售物业销售市场表现强劲。根据月度成交分析，今年1到8月份成交面积首次大于上市面积，两者之比达到1.45，反映出零售物业市场供不应求的态势。

Figure 3 **Shanghai Total Retail Sales of Consumer Goods Growth and Shanghai Composite Index**
图3 社会消费品零售总额增长及上证综指走势



Source: Shanghai Statistics Bureau; Shanghai Stock Exchange
数据来源：上海市统计局；上海证券交易所

Figure 4 **Monthly New Supply, Transaction and Average Price in Shanghai Retail Property Market**
图4 上海零售物业市场月度供应、成交及均价



Source: Shanghai Real Estate Transaction Centre
数据来源：上海房地产交易中心

Shopping Centre Market Condition

购物中心市场状况

Supply, Demand & Vacancy

供应，需求及空置分析

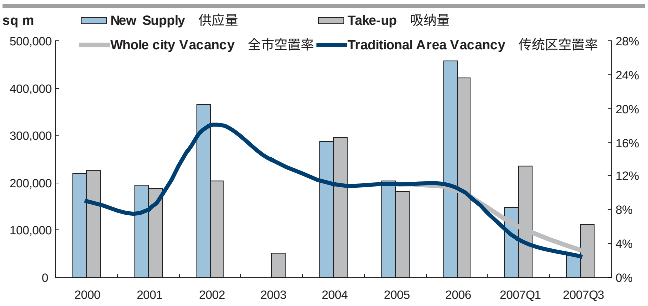
As a leading regional business hub, Shanghai has been witnessing sustained growth in residents' purchasing power, and also successive inflow of affluent consumers from both overseas and other provinces. As a result, both local and international premium retailers are getting more aggressive with their expansion plans in the market of Shanghai. This spurs strong demand in the market of shopping centers.

On the supply side, in Q2, the debut launching of In-center in Xujiahui added 46,000 sq m new supply to the market. The analysis on this year's new projects shows that more new shopping centers run their operations based on a theme concept , and target at a finer segment of consumers. Meanwhile, some older shopping centers in downtown area were renovated for repositioning their tenant mix. For instance, Shanghai Plaza located in Huaihai Middle Road, after acquired by Morgan Stanley, reinvented itself with the brand "Infiniti" to progressively improve its quality and image to attract more international retailers to keep up with the upgrade of residents' consumption.

上海作为重要的区域商业中心，其本地居民持续增长的购买力，以及不断流入的境内外高端客户人群，令国内外一线零售商品牌加紧其在本地市场的拓展步伐，也使得上海购物中心物业市场需求保持了强劲的态势。

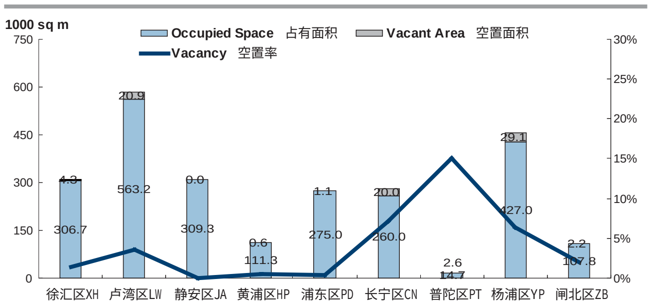
供应方面，今年第二季度，位于徐家汇商圈的星游城为市场提供了46,000平米的商场面积。通过对今年上市新项目的分析，我们发现，新建购物中心更多以主题化概念引导商业运营，对市场加以细分。另一方面，今年以来，上海市中心部分购物中心进行了改建以及业态调整。如位于淮海中路的上海广场，在被摩根士坦利整体收购后，以 " 无限度 " 品牌进行运营，逐步提升了其商业物业的标准，以期进一步引入国际品牌，满足居民消费的升级要求。

Figure 5 **Shanghai Shopping Centre Supply, Take-up & Vacancy**
图5 上海优质购物中心供应量，吸纳量和空置率



Source: Colliers International Shanghai (CIS) Research Database
数据来源：上海高力国际研究资料库

Figure 6 **Shanghai Shopping Centre Occupied & Vacant Stock by District in Q3 2007**
图6 2007年第三季度上海优质购物中心分区占有面积和空置面积

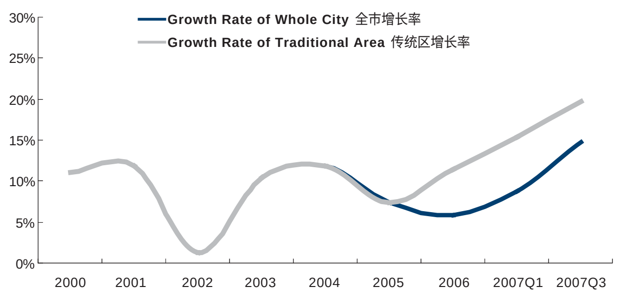


Source: CIS Research Database
数据来源：上海高力国际研究资料库

Owing to the strong demand for shopping centers in the downtown, coupled with the limited supply recently, the vacancy rate of whole market kept declining to 3.3% in Q3, representing a 7.4 percentage points decrease YoY, and a 2.8 percentage points fall as compared with half year ago. With respect to the specific transactions in Shanghai, the international fashion chain retailer, H&M, successively commenced three branches in 2007, together occupying around 6,400 sq m for operation, which indicates the robust growth of demand. Analyzed by district, the traditional area witnessed a steadily high demand, with the occupancy rates in Xuhui, Luwan, Jing'an, Huangpu and Pudong reaching a plateau, at over 95%. Although Changning district still saw a vacancy rate of 7%, it was 14 percentage points lower than 6 months ago. The vacancy rate in traditional area in Q3 declined to 2.5%, 8 percentage points drop on the YoY basis. It is worth mentioning that the dramatic drop of vacancy rate in emerging area, by 24.2 percentage points YoY, to 5.8%, reflected a robust demand. We expect that the leasing market is promising, thanks to the dual pulling effects from both consumer spending and retail expansion.

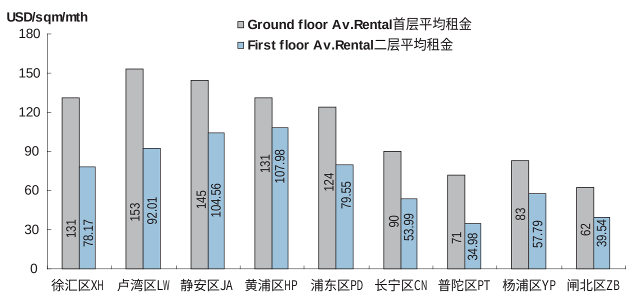
由于市场对于市区购物中心物业的需求强劲，加之近期市场供应量不大，整体市场空置率持续下降，第三季度末达到3.3%，比去年同期下降7.4个百分点，较半年前下降2.8个百分点。从具体个案来看，国际连锁服饰品牌H&M，今年以来持续在上海市区购物中心内开出3家分店，共租赁约6,400平米营业面积，需求增长十分明显。从区域情况来看，传统商圈租赁需求继续保持旺盛，徐汇、卢湾、静安、黄埔与浦东的出租率保持在较高水平，基本超过95%；而长宁空置率虽然达到7%，但相对于半年前下降了14个百分点。本季度，传统区域空置率跌至2.5%，比去年同期下降8个百分点。与此同时，新兴区域的强劲需求依然值得关注，市场空置率比去年同期大幅下降了24.2个百分点，达到5.8%，我们认为随着区域人口消费拉动及零售商地区渗透的双重作用，未来租赁形势依然向好。

Figure 7 **Shanghai Shopping Centre Ground Floor Rental YoY Growth Rate**
图7 上海优质购物中心底层租金年增长率



Source: CIS Research Database
数据来源：上海高力国际研究资料库

Figure 8 **Shanghai Shopping Centre Ground & First Floor Rent by District in Q3 2007**
图8 2007年三季度上海优质购物中心首层及二层分区租金



Source: CIS Research Database
数据来源：上海高力国际研究资料库

Rent & Gross Yield Analysis

租金及毛租金收益率分析

Based on the statistics in Q3 2007, the average rent of shopping centers in Shanghai has reached US$128 per sq m per month for ground floor, a remarkable rise of 14.8% YoY, and 6.1% increase compared with half year ago. The average first floor rent surged to US$ 83.1, up by 15.5% YoY, or 5.6% higher than 6 months ago. On the whole, the robust demand kept driving rentals higher. Analyzed by district, ground floor rental in the shopping centers in Luwan still topped the list, hitting a high of US$153 per sq m per month, followed by Jing'an, Huangpu and Xuhui, ranging from US$145 to 131 per sq m per month respectively. Due to a low base, rentals in emerging area achieved a relatively faster growth, increasing by 13.9%, whereas the average rental in traditional area rose by 5.3% comparing with half year ago. It can be expected that as time lapses, shopping centers based in emerging areas will also witness strong rental growth.

根据今年第三季度统计数据，目前上海购物中心市场底层租金达到每月每平米128.0美元，较去年同期大幅上扬14.8%，相比于半年前亦增长了6.1%。二层平均租金达到每月每平米83.1美元，比半年之前上涨5.6%，比去年同期上涨15.5%。总体来看，由于市场对于市区购物中心物业的需求增强，租金增长幅度有所提高。分区域来看，卢湾区购物中心底层租金仍保持全市最高水平，为每月每平米153美元；静安、黄浦、徐汇紧随其后，分别达到每月每平米145到131美元。新兴区域购物中心租金因基数较低所以增速相对较快，比半年前增长了13.9%；传统区域较半年前增长5.3%。可以预计目前开设在新型商业区域位置的购物中心，经过一段时间的运营，其租金上升潜力依然较大。

According to Colliers' survey on rental gross yield in Shanghai retail property market, the average gross yield level edged down by 0.3 percentage point from a year ago to 7.9% in Q3 2007. This reflected the declining trend of rental gross yield amidst ample liquidity and rising capital value.

根据高力国际对于上海零售物业市场租金收益率的调查显示，零售物业市场平均毛租金收益率为7.9%，较去年同期下降了约0.3个百分点，反映出资产价格高企以及资本流动性充裕的背景下，租金收益率不断下调的趋势。

Market Outlook

市场展望

Owing to the delay of several properties' construction, total new supply of shopping centers in 2007 will be somewhat lower than expected, at approximately 256,000 sq m. It is expected that there will be around 60,000 sq m completed in the rest of this year. 2008 will see relatively more abundant new supply, at 601,000 sq m, in which the traditional and emerging areas will account for 27% and 73% respectively. In line with the growth of shopping centers in emerging areas in the future, the fostering of commercial atmosphere there will form a critical mass, thus helps attracting more affluent consumers. As such, we see a bright prospect in the leasing market of retail properties in these areas.

因部分商用物业工程延期，本年总体供应量比预期有所减少，约为25.6万平米，而预计年内还将有6万余平米的商场面积竣工交付。2008年市场供应相对比较充裕，将达到60.1万，其中传统商业区和新兴商业区分别占总量的27%和73%。我们预计随着新兴区域购物中心物业的成长，该区域将会形成更为浓厚的商业氛围以产生聚集效应，伴随着新兴住宅社区对优质消费群的导入，此类物业未来租赁形势将十分看好。

Looking forward, owing to the more ample new supply, coupling with continuous renovation of some properties amidst keener competition, the vacancy rate in next year is expected to increase to 5% to 6%. Vacancy rates will be approximately 4% in traditional area and 8% in emerging area. International brands, especially for those in apparel, food & beverage and luxury goods, will nevertheless fetch for suitable locations to speed up the pace to expand their business to lock in affluent consumers.

由于明年市场供应较为充足，加上一些物业继续实施业态调整以便适应日渐激烈的市场竞争，我们预计明年市场空置率会有所提高，大约将位于5%-6%的区间水平，其中传统区域约为4%左右，新兴区域约为8%左右。但是一线品牌依然会加快其拓展业务的步伐，特别是服装、餐饮以及高档品牌，将继续锁定优质客户聚集区，寻找合适的租赁单元。

In spite of the expected increase in vacancy rate in 2008, we hold an optimistic view on the potential increase in rentals in 2008, as the impetus from steady economic growth and faster rise in residents' disposable income would render support. The increase of rental level in downtown will maintain its upward trajectory by virtue of the scarcity of new supply. On the other hand, there is ample space for rental growth in emerging area in line with its gradually maturing commercial atmosphere. On the whole, the overall rentals in the market will increase by 10% to 12% next year, among which rental of shopping centers in traditional area will outpace that in emerging area.

即使2008年市场空置率有所上调，但是在经济持续稳健发展以及居民可支配收入快速增长的有利推动下，我们对明年租金形势依然持乐观态度。由于市中心顶级地段的商业设施依然稀缺，因此未来其租金水平将保持上升趋势。而新兴区域商业环境的不断成熟使得未来租金的成长空间较大。综合来看，预计明年整体市场租金增长将达到10%-12%，其中传统区域增速将高于新兴区域。

Table1 Major Retail Transactions in Shanghai
表1　上海零售市场主要成交案例

Landlord/Seller Property 业主/卖方物业	Sale/Lease 买卖/租赁	Tenant/Buyer 租户/买方	Floor 楼层	Area (app sq m) 面积(约平方米)
Cloud Nine Shopping Mall 龙之梦购物中心	Lease 租赁	H&M	1/F	2,300
Shanghai Times Square 大上海时代广场	Lease 租赁	Masion Mode 美美百货	1-3/F	3,800
QiBao Mall 嘉茂购物广场	Lease 租赁	Landmark	4/F	1,300
Grand Gateway 港汇广场	Lease 租赁	C&A	3/F	1,300
Cloud Nine Shopping Mall 龙之梦购物中心	Lease 租赁	C&A	1/F	1,200
Super Brand Mall 正大广场	Lease 租赁	Hola 特力屋	1/B	1,350
Raffles City 来福士广场	Lease 租赁	Baby Doll 宝贝豆	2/F	500

Source: Collected by Colliers Based on Public Media Release
数据来源：上海高力物业根据媒体发布信息整理

* 报告中传统商业区包括南京东路，南京西路，豫园，淮海路，中山公园，四川北路，陆家嘴以及虹桥；新兴区域为除上述区域外正逐渐形成的商圈，如大宁和五角场等

* The traditional area quoted in our report refers to East and West Nanjing Road, Yu Garden, Huaihai Road, Zhongshan Park,Lujiazui and Hongqiao; the emerging area refers to others new commercial hubs, such as Daning and Wujiaochang etc.

267 OFFICES IN 57 COUNTRIES ON 6 CONTINENTS

USA 95
Canada 17
Latin America 17
Asia Pacific 53
EMEA 85

US$1.6 billion in annual revenue

77 million square metre under management

10,171 Professionals

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