

ASIA PACIFIC LEGAL MONITOR



SHANGHAI

SEPTEMBER 2013

ECONOMY

- Shanghai's GDP growth exceeded expectations during the first half of 2013, hitting 7.7% or just slightly higher than national GDP growth of 7.6%.
- Inflation levels remained modest in the first half of 2013 with the city's CPI having risen 2.3 percentage points over the same period a year earlier.

MARKET OVERVIEW

- Although asking rents have remained relatively stable, most downtown office buildings have more room for rent negotiation as landlords seek to sign or retain prime tenants in the face of competition from new quality buildings in emerging submarkets.
- Grade A office rents in key submarkets stood at an average of ¥405/sq.m./mo (US\$6.13 psf/mo) in the second quarter, a decline of 2.5% year-on-year. Grade A office vacancy stood at 6.2%, up slightly from year end 2012.

SECTOR NEWS & TRENDS

- Chinese law firms continue to have expansion requirements and are upgrading their office space. "Right-sizing" and ongoing expansion suggest mixed requirements for international law firms.
- Firm decentralization is gathering pace as indicated by Nixon Peabody's recent move from West Nanjing Road to Hongkou submarket. Lack of viable alternatives is driving renewals among firms situated in downtown or core locations.
- Seyfarth Shaw entered the Shanghai market with its office opening in June 2013 at the new Kerry Centre Tower II located at West Nanjing Road. Meanwhile, Vinson & Elkins recently confirmed it will close its Shanghai office in order to consolidate its China operations.

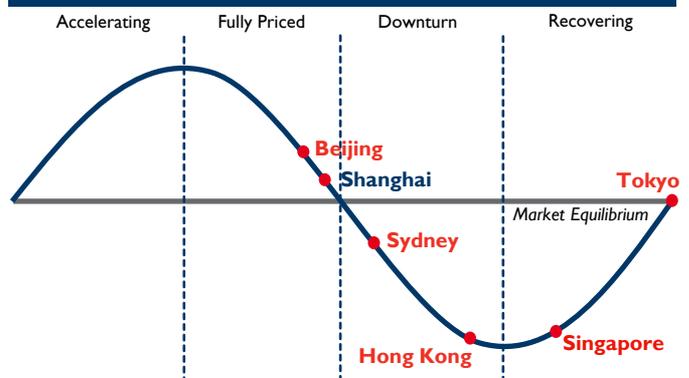
OUTLOOK

- In 2013 the new supply of Shanghai's major office submarkets will total roughly 250,000 sq.m. This is lower than the historical annual average, and will support stable rents in key submarkets given a stable demand outlook.
- The next supply peak will likely appear in 2015. Several firms are awaiting the completion of new stock in the core Huaihai Road and Lujiazui submarkets before considering alternative relocation options.

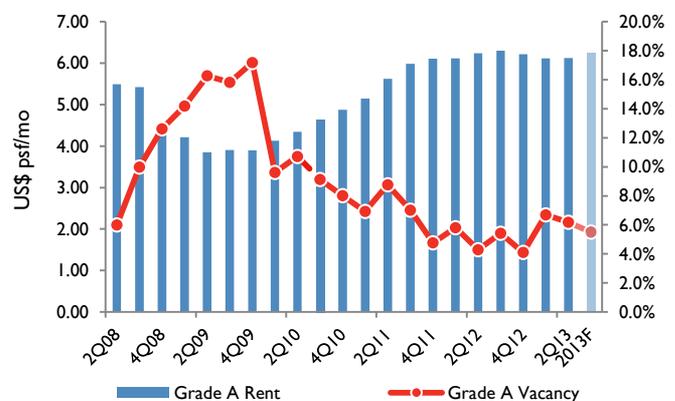
RECENT LEASE TRANSACTIONS

BUILDING	TENANT	SQUARE METER
Kerry Center II	Weil, Gotshal & Manges	1,300
Plaza 66 II	O'Melveny & Myers	2,100
CITIC Square	White & Case	470
Aiza Center	Winston & Strawn	800

OFFICE RENTAL CYCLE



GRADE A RENT & VACANCY



* In Q1 2013 Zhuyuan was included as one of Shanghai's Grade A office submarkets



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