



2016 Shanghai High-End Residential
Leasing Market Report & 2017 Forecast

SUMMARY 2016

The year of 2016 saw a continued decline in foreigners on 'expatriate packages', which will affect the high-end apartment rental market.

Service apartments have been on the rise with many corporations shifting towards a term assignment for their expatriate needs, to lower overhead costs that is associated with moving expatriates overseas on a full package.

3 new service apartment projects opened in 2016, with 2017 bringing many more onto the market. Only time will see whether the market will be able to absorb the entire amount smoothly or whether we will see an increase in vacancies rates due to more choices.

High-end apartments have also been on the rise, with many popular compounds having close to no availabilities left.

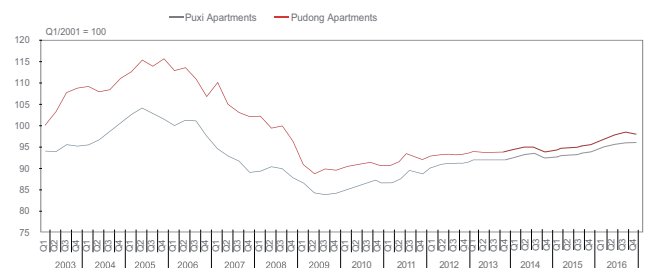
Villas compounds have been experiencing only minor growths, however popular villa compounds continue to have full or near full occupancy rates, with moderate rent increases.

Home sales, whilst on a decline compared to previous years, saw a raise on the prices of each square meter with both average costs of new homes and pre-owned homes rising to new heights. Central governments were quick to push cooling measures in the latter half of the year to combat the inflation of these prices which affected rental rates.

HIGH-END APARTMENT RENTALS

High-end apartments have performed very well this year, as high-end apartments benefit from a slightly lower costs than service apartments and any cost-saving factors are ever more appreciated by corporate, as they are looking for ways to curb costs, giving high-end apartments an advantage in a cost-conscious market. Vacancies in the high-end apartments have stayed low in 2016, with not only corporate employees renting high-end apartments or managed high-end apartments, if certain service apartments like services are required, but also more and more Chinese have been renting out. Managed high-end apartments, essentially apartments that provide services similar to service apartments, but are located in blocks of high-end apartments, are apartments managed by asset management companies. These asset management companies sign an agreement with individual landlords and then renovate and refurbish the apartments, before putting it back out on the market with extra add-on services charged as premium fees. These particular apartments experienced high vacancies rates in 2016, with many asset companies starting to offer competitive promotion packages since August, in order to attract more customers.

Apartment Rental Indicators



Further demand for high-end apartments are bolstered by local Chinese, this is due to many local Chinese renting or selling their homes in order to move to a larger unit (for a second child) or selling their homes as prices per square meter for new and pre-owned homes rose to new heights or simply because there is a growing trend to first rent in a variety of neighborhood, before buying an apartment there to experience the neighborhood. This has put a higher demand on the market for High-end apartments, with many of the popular compounds near full occupancy throughout the year. Many leasing tenants have also experienced uncertainties from their landlords, as landlords are potentially interested in selling their property, affecting renewals and continued leases. All these factors together have shown an increase in of 4.2% across the market to an average RMB172.5 per square meter per month, still cheaper than service apartments. This is up 5.7% from the YoY data.

High-End Apartment Indicator 2016

Location	Year		Occupancy Rate	
	2016	YoY Growth	2016	YoY Growth
Puxi First-tier Area	181.5	+4.5%	96.7%	+1.0%
Puxi Second-tier Area	146.0	+4.2%	95.2%	+0.8%
Pudong First-tier Area	165.8	+3.8%	95.1%	+0.6%
Pudong Second-tier Area	141.6	+3.7%	92.4%	+0.5%

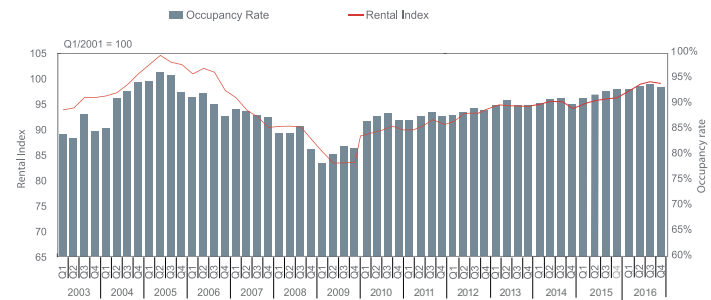
*First-tier area including Jing'an, Xintiandi, Former French Concession, Lujiazui (Pudong), and Jinqiao (Pudong). Second-tier area including Xujiahui, Zhongshan Park, Hongqiao, Gubei, Lianyang (Pudong) and Kangqiao (Pudong)

Highest Rents (RMB/sqm/month)

Puxi		Pudong	
Lakeville Regency 221.6 RMB	Fortune Residence 230.4 RMB	Le Chateau Huashan 96.2%	Green Court 96.5%
The Paragon 239.4 RMB	Yanlord Garden 236.7 RMB	Lakeville Regency 95.4%	Yanlord Garden 95.1%
Le Chateau Huashan 236.7 RMB	Skyline Mansion 230.7 RMB	8 Park Avenue 94.1%	Shimao Riviera 95.0%

Highest Occupancy

Apartment Market Occupancy/Rental Index



High-end Apartment Rental Benchmark

Best	Low	Mid	Upper
Layout			
1 bedroom	26,000-29,000	29,000-33,000	33,000-37,000
2 bedrooms	34,000-36,000	36,000-41,000	41,000-51,000
3 bedrooms	44,000-49,000	49,000-54,000	54,000-67,000
4 bedrooms	51,000-62,000	57,000-77,000	77,000-144,000
Superior			
Layout			
1 bedroom	21,000-26,000	26,000-31,000	28,000-33,000
2 bedrooms	26,000-31,000	31,000-36,000	36,000-46,000
3 bedrooms	41,000-46,000	46,000-51,000	56,000-62,000
4 bedrooms	46,000-51,000	51,000-56,000	62,000-67,000
Good			
Layout			
1 bedroom	15,000-19,000	19,000-24,000	24,000-28,000
2 bedrooms	19,000-24,000	24,000-29,000	29,000-34,000
3 bedrooms	26,000-31,000	31,000-36,000	36,000-46,000
4 bedrooms	36,000-44,000	44,000-49,000	49,000-59,000

Selected High-end Apartment Transactions

Compound	District	Size(sqm)	Rent (RMB)	Brs
Jing'an Four Seasons	Jing'an	127	26,000	2
The Paragon	Huangpu	218	60,000	3
Lakeville Regency	Huangpu	145	32,000	2
The Summit	Xuhui	163	30,000	3
8 Park Avenue	Jing'an	145	25,000	3
Shimao Riviera Garden	Pudong	237	32,000	3
Yanlord Town III	Pudong	188	25,000	3

*All transactions are 12 month leases starting from Q3 2016

SERVICED APARTMENT RENTALS

Demand for service apartments has been on the rise due to the continued downward trend of foreigners being sent on an 'expatriate package' overseas. More and more global MNCs are shifting towards a 'reassignment' trip lasting an average 3-6 months in order to minimize costs attached to relocation packages such as international school fees for accompany children, high housing costs and abundance of miscellaneous costs such moving, car rental, utilities and more.

This trend affected service apartments which saw an increase of 2.2% of QoQ to an average of RMB224.60 per sqm per month, whilst vacancy rates were stable at 1.6% YoY. The year saw three new service apartment projects open its doors: Parkside Service Suites, One Sunland Serviced Suites both by Lanson Place and Diamond Court, adding 182, 188 and 280 units respectively to the available market for service apartments. The trend of rise in service apartment will continue into 2017 with many more unique projects slated to open mid 2017.

According to Maxview interviews with more than 20 different service apartments' providers in Shanghai, the occupancy rate by local Chinese have continued to be on the rise in the past 3 years with a rate of 29% and rising across all service apartments. This will likely to continue into 2017 as the Chinese middle class emerge and are now looking towards service apartments to provide various services often previously provided via a maid.

Serviced Apartment Indicator 2016

Location	Rent (RMB/sqm/month)		Occupancy Rate	
	2016	YoY Growth	2016	YoY Growth
Puxi First-tier Area	271.6	5.2%	95.4%	1.3%
Puxi Second-tier Area	233.0	3.8%	92.8%	2.3%
Pudong First-tier Area	286.6	3.5%	95.5%	-2.0%
Pudong Second-tier Area	216.3	3.6%	95.3%	-1.5%

*First-tier area including Jing'an, Xintiandi, Former French Concession, Lujiazui (Pudong), and Jingqiao (Pudong). Second-tier area including Xujiahui, Zhongshan Park, Hongqiao, Gubei, Lianyang (Pudong) and Kangqiao (Pudong)

Selected Serviced Apartment Transactions

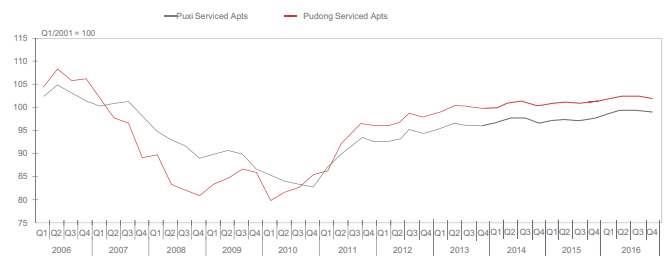
Compound	District	Size(sqm)	Rent (RMB)	Bedrooms
Parkside Service Suites	Huangpu	145	33,000	2
IFC Residence	Lujiazui	213	64,000	3
Mandarin Oriental	Lujiazui	100	30,000	1
Kerry Parkside	Pudong	110	30,000	1
Shanghai Centre	Jing'an	133	37,000	3
Fraser Suites Top Glory	Lujiazui	247	52,000	3+1
Ascott Huaihai	Huangpu	179	41,000	2
Lanson Place	Huangpu	185	51,000	3
Time Square	Huangpu	118	32,000	2

*All transactions are 12 month leases starting from Q3 2016

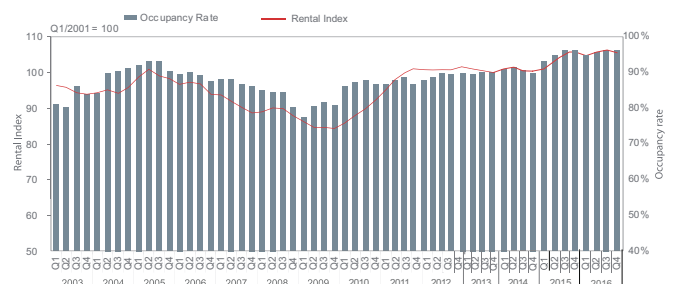
Serviced Apartment Rental Benchmark

Layout	Low	Mid	Upper
1 bedroom	19,000-26,000	26,000-31,000	28,000-33,000
2 bedrooms	26,000-31,000	31,000-36,000	36,000-47,000
3 bedrooms	42,000-47,000	47,000-52,000	57,000-62,000
4 bedrooms	47,000-52,000	52,000-62,000	62,000-88,000

Serviced Apartment Rental Indexes



Serviced Apartment Occupancy/Rental Index



VILLA RENTALS

On average the markets for villas have been only experiencing moderate growth with a YoY increase of rental rates of only 0.5% with a slight decrease in the vacancies rates. However highly sought after compounds which are in the vicinity of popular amenities such as International Schools have been in high demand, to the point where some of them had to implement waiting lists. For example the Green City area has around 2000 villa units, however 48% of the available units are rented out to long-term Chinese tenants and thus are unavailable to the market. Green Court/Green Villa which is managed by Shanghai Jin Qiao Export Processing Zone Development Co., Ltd manages a variety of different villa types totaling exactly 500 villa units is a prime example. They have full occupancy rates across the year and unlike other villa compound, does not maintain a waiting list, it is so popular, its units are on a first come first serve basis. Therefore even though expatriates have been on the decline, the rates for popular compounds will continue to be on the rise.

Villa Indicator 2015

Location \ Year	Occupancy Rate			
	2015	YoY Growth	2015	YoY Growth
Puxi	133.1	4.5%	91.3%	3.8%
Pudong	145.7	4.0%	93.6%	1.2%

Highest Rents (RMB/sqm/month)

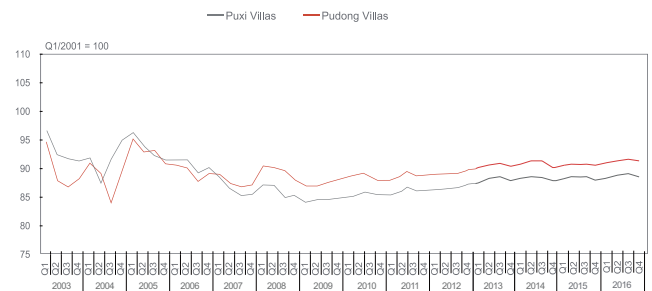
Highest Rents (RMB/sqm/month)		Highest Occupancy	
Puxi	Pudong	Puxi	Pudong
Green Valley Villa 227.9 RMB	Green Villa 218.6 RMB	Green Valley Villa 96.7%	Green Villa 100%
Windsor Place 237.8 RMB	Willowbrook 238.8 RMB	Windsor Place 95.2%	Willowbrook 95.5%
Forest Manor 237.1 RMB	Seasons Villa 243.2 RMB	Jasmin Garden 94.1%	Dongjiao Guest House 95.2%

Selected Villa Transactions

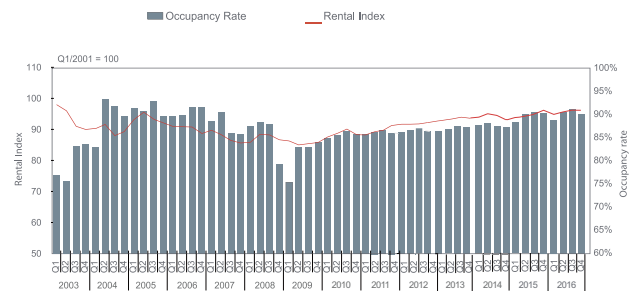
Compound	District	Size	Rent (RMB)	Bedrooms
Racho Santa Fe	Minhang	304	45,000	4
Dongjiao Guest House	Jinqiao	420	58,000	4
Forest Manor	Minhang	300	55,000	4
Elegant Garden	Hongqiao	300	60,000	4
Willowbrook	Jinqiao	420	74,000	4
San Marino Bridge	Pudong	270	42,000	4
Regency Park	Century Park	380	58,000	4
Season Villa	Century Park	250	55,000	3+1
Vizcaya	Jinqiao	300	50,000	3+1

*All transactions are 12 month leases starting from Q3 2015

Villa Rental Indicators



Villa Rental Index/Occupancy Trends



Vizcaya

Villa Rental Benchmark

Best			
Layout	Low	Mid	Upper
3 bedroom	46,000-51,000	51,000-56,000	56,000-61,000
4 bedrooms	61,000-66,000	66,000-71,000	71,000-86,000
5 bedrooms	66,000-71,000	71,000-76,000	76,000-120,000
Superior			
Layout	Low	Mid	Upper
3 bedrooms	41,000-46,000	46,000-51,000	56,000-61,000
4 bedrooms	51,000-56,000	56,000-61,000	66,000-71,000
5 bedrooms	55,000-61,000	61,000-66,000	66,000-71,000
Good			
Layout	Low	Mid	Upper
3 bedrooms	28,500-41,000	41,000-46,000	46,000-51,000
4 bedrooms	40,500-45,500	45,500-51,000	51,000-56,000
5 bedrooms	46,000-51,000	51,000-56,000	56,000-61,000

Visa & Immigration

The 4th Quarter of 2016 saw the implementation of the long-awaited update to the work visa. Over the recent years many changes and updates have occurred to the various visas including the popular business visa in 2015. Now in 2016, the work visa was completely overhauled, essentially affecting everyone who used to stay using a Z or R visa. The changes were aimed at further clarifying, streamlining and simplifying the process by combining the separate Z and R visas and the authorities issuing them.

In the old system, the conventional work visa (Z) and the rare talent visa (R) were handled by the Ministry of Human Resources and Social Security (MOHRSS) and the State Administration of Foreign Expert Affairs (SAFEA) respectively, with a long bureaucratic and paper-based procedure, that often was not very transparent on the exact requirement needed. The new work visa introduced and rolled out to pilot cities which include Shanghai and Beijing in November. The new work visa

will divide foreign work applicants into three categories: Class A, B or C. Class A is designated for top professional, special merit and high academic accredited applicants. This is essentially a replacement for people who used to apply for the R visa. Class B is for professionals who are of valued to China's economic development, in other words most previous Z visa applicants. Class C is reserved for unskilled or service industry workers, who may not fulfill the requirements for B or A such as academic certificates, salary levels or experience, but who nevertheless occupy positions of need across various services. These individuals will have very limited quotas in the new system per year.

This new system will include a work visa permit ID card, which will be similar to the Chinese National Identity Card, so foreigners potentially will be able to have easy access to an officially acceptable ID besides the rather cumbersome passport, if they are able to apply for a work visa.

Whilst certain classes of are able to automatically qualify for a certain class and apply directly for the visa category, other people who do not automatically qualify have to complete a points system to see how many points they score in order to determine their visa class. For Class A one must score 85 or more points, for Class B 60-85 points and for Class C anything below 60. Class A have unlimited quotas and if the score is correct they may essentially be granted visas immediately, whereas B or C may face limitation depending on what industry they work in.

This new system however has various advantages including: High transparency: gone are the days when you are unable to identify what and how you can apply for visas; streamlined application procedure: now most work visas are processed within 30 business days and

certain parts can be done online in the future; no limitation on work experience or academic degrees: whilst they help it is not required for anyone to need a degree or 2 years of work experience anymore, which was the minimum requirements for a Z visa before. Now if you can speak Chinese, have a high salary cap have an impact and many other factors are considered as well.

Near the end of 2016 we also saw further changes made to student visa allowing them now to work, once they have applied for special entries into their visa, such as by including entrepreneurship or internship into their visa status. Permanent Residence Permit regulations were also relaxed immensely, allowing foreigners various ways of applying for Permanent Residence permits and actually be able to obtain them.



Real Estate Sales

The first half of 2016 saw a 50% percent drop of total transacted value of real estate (minus land sales) down to US\$6.9 billion from US\$13.4 billion during the same time last year. However prices per square-meter turned up in the second half of the year, with exponential growth across the market, till the end of the year, when cooling measures were implemented by the central government to curb exorbitant per square-meter prices. Average costs of new homes in the second half of the year reached new records of over 40,000 yuan per square-meter (US\$5,990), which also affected the

prices of pre-owned homes in Shanghai raising it to an average of 27,500 yuan per square-meter (US\$3,900) also a new record for Shanghai.

Further cool down policies have been included such as having to put down 35% percent down payment, up 5% from the previous 30% rule for first time buyers. Second-home buyers will have to put down 70% down payment for a home designated 'non-normal' home and 50% for a home designated as 'normal'. The exact definition of 'non-normal' and 'normal' homes are based on the total cost of the apartments and on the location. The more expensive and central apartments, once across a threshold set by the government will be considered 'non-normal'.

For foreigners purchasing properties in China, the general requirement stays the same, with having studied or worked a minimum of one year in China. Specific requirements vary from region to region, with Shanghai foreigners having to be married and prove they have paid taxes via tax receipts for 12 months.

2017 OUTLOOK

As the last quarter of 2016 saw a drop of buyers for new homes due to the cooling measures implemented by the central government and the continued trend of fewer investment in the real estate development and the lesser numbers purchasing real estate, all trends that will continue into 2017, the market is poised on cooling down and stabilizing itself. Housing prices will grow more slowly, with many of the first tier cities seeing larger setbacks, as many of the housing in Shanghai are already considered inflated and

policies are implemented to correct itself mostly in the coming year. Demand for High-end apartments will continue to be on the rise and managed High-end apartments will likely take a portion of the service apartment industry.

On the rise will be service apartments and the like with many new developments poised to open in 2017, such as the upcoming HKRI Taikoo Hui and the massive Bund Finance Center just to name a few. However despite such upcoming service apartment units coming to the market thus increasing supply and competition, the continued rise of wealthy Chinese leasing and purchasing such units, will continue affecting the rental prices of such units, along with inflation, with a projected growth of 5-10% in rental cost for the coming year.

Another very unique project is the Jianyeli District, one of Shanghai's largest Shikumen neighborhoods spearheaded by Shanghai's Hengfu Investment & Development Co. Ltd., located in the This neighborhood is undergoing similar development to Xintiandi where the exterior Shikumen style will be preserved, whereas the interior will be completed renovated. The project, originally on hold since 2012, has already partially opened some businesses to the public but the entire project is planning for a March 2017 opening. Besides your usual Food & Bar and Entertainment businesses moving into the designated 4000 square meter area reserved for commercial facilities, the neighborhood is comprised of 55 Shikumen style hotel units and 40 service apartments managed by Atlanta-based Capella Hotel Group. So expatriate fancy living in Shikumen style rooms but only staying on for a short-term assignment will now still be able to experience living in these housing even if they are just passing by.

Continued decline of full package expatriates into short reassignments that last anywhere from three months to six months have been on the rise, as MNCs are looking to cut personnel cost and other costs.



ABOUT THIS REPORT

Maxview China is one of the very few companies that specialize in high-end residential leasing market analysis. The data for this report was gathered by our market research team of property data analysts who interviewed over 100 representatives of corporate residential complexes and landlords and liaised with industry experts to gain the most up-to-date industry information in order to accurately take the pulse of the market. While every attempt has been made to ensure its accuracy, the information in this report should be used as a guideline only.

Maxview is one of China's premier relocation services and residential real estate service group. We offer a host of customised, cost effective DSP relocation programs that enable companies and their employees to integrate smoothly into their destination region.

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