

Briefing snapshot – creative offices

August 2012

→ Market overview

While the vast majority of Shanghai's office stock is dominated by high-rise office towers, the mass influx of creative agencies into Shanghai over the last few years has created a boom in the design and construction of office spaces suitable for these highly specialised firms.

The majority of the city's creative office stock is located in pre-1960s properties, ranging from post-modern renovated warehouses to 'eco-friendly' office boutiques, offering a wide variety of distinctive spaces. For companies in the creative industries, a 'hip' and idiosyncratic office can often be a major asset in creating an image and increasing agency brand recognition.

Aesthetic considerations aside, office space in creative parks offers several advantages over more traditional high-rise office towers. While they may lack access to public transportation and often feature fewer amenities, creative parks boast substantially discounted rents. Currently, creative parks lease at roughly a 40% discount from prime Shanghai properties, and a roughly 45% discount from pricier prime areas in downtown Puxi, which is incidentally where the majority of these projects are located.

The development of Shanghai's creative industries has been remarkably brisk in recent years. According to the Shanghai Municipal Development and Reform Commission (SMDRC), the overall value generated by creative industries increased from RMB49.3 billion in 2004 to RMB134 billion in 2011. During the same period of time, the SMDRC

also reports that creative industries have increased their percentage of Shanghai's overall GDP from 5.8% to 7.9%. The commission further states that, at present, there are roughly 90 creative parks throughout the city, with a total GFA of about 1.65 million sq m, catering to over 8,200 enterprises and more than 155,000 employees, having attracted over RMB100 billion of investment.

Creative office types

This relatively new market can be divided into two sections; creative parks and co-working facilities:

- Creative parks – Due to the city's efforts at preserving and developing old industrial structures, a number of creative parks have opened in what were formerly factory buildings and warehouses. The businesses in these parks are typically small and medium enterprises (SMEs) engaging in sectors including interior, industrial and fashion design, advertising, architecture, branding, marketing, game development and new media.

- Co-working facilities – This style of office involves a shared working environment and independent activity. Although these facilities may be superficially similar to more traditional business centres, those co-working are usually not employed by the same organisation. Co-working attracts work-at-home professionals, independent contractors, people who travel frequently or those who work in relative isolation. Many of these co-working offices provide bilingual receptionists, fax and copy machines, round-the-clock security, as well as daily cleaning services.



Creative park: Bridge 8



Creative park: Park2Place

Location

Although slightly more than 20% of all projects are located in suburban areas, the bulk of high-quality creative office supply is located in downtown areas; in particular, Xuhui, Changning, Hongkou and Jingan districts.

Typical lease terms and conditions of creative offices

Due to their locations in alternative and older properties, lease terms and conditions for creative offices can differ substantially from high-rise towers.

One major difference is that, because of registration issues, this type of office space may not be suitable for establishing representative offices.

The largest spaces normally available are roughly 1,000 sq m, while leasing terms are generally negotiated with a one-year minimum, although typical terms are two to three years. Additionally, as most creative offices feature SMEs, it may be difficult to obtain break, expansion, or first right of refusal options.

Outlook

Creative offices are a relatively recent development in the broader Shanghai commercial property market, and as such are characterised by limited prime district supply and strong and growing demand. As China increasingly looks towards its domestic market as a source of growth, the development of its creative industries is sure to follow, further increasing demand for alternative office spaces.

Creative offices are typically located in renovated properties, so there are inherent limits to the potential number of projects possible in Shanghai. While rents in creative offices should remain lower than those in larger, high-rise office developments, they are expected to increase along with the wider market. ■

MAP 1

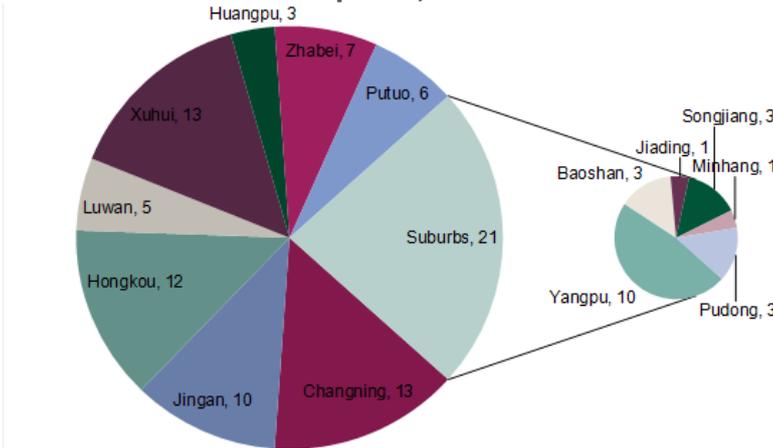
Major creative park locations



Source: Savills China Research

GRAPH 1

Distribution of creative parks, 2012



Source: Savills China Research

TABLE 1

Selected creative parks

Building	Bridge 8	Park 2 Place	800 Show	Deco Lofts	High Street Loft
Address	10 Jianguo Rd (M), Luwan	169 Mengzi Rd, Luwan	800 Changde Rd, Jing'an	861 Jiangning Rd, Jing'an	508 Jiashan Rd, Xuhui
Available area (sqm)	TBC	160	188	108	TBC
Asking rent (RMB/day)	6.5	6.5	7.0	6.0	6.0
Mgmt fee (RMB/month)	21	15	15	18	18
Distance to metro	Dapuqiao Station - 5 minutes	Madang Station - 5 minutes	Changde Rd Station - 1 minute	Changping Rd Station - 10 minutes	Jiashan Rd Station - 2 minutes

Source: Savills China Research

Case study

Bridge 8 Phase I

Inspired by the influx of creative firms into Shanghai, several developers have begun developing projects which focus on gentrifying historic buildings into high-end commercial space. One example of this is Bridge 8 Phase I.

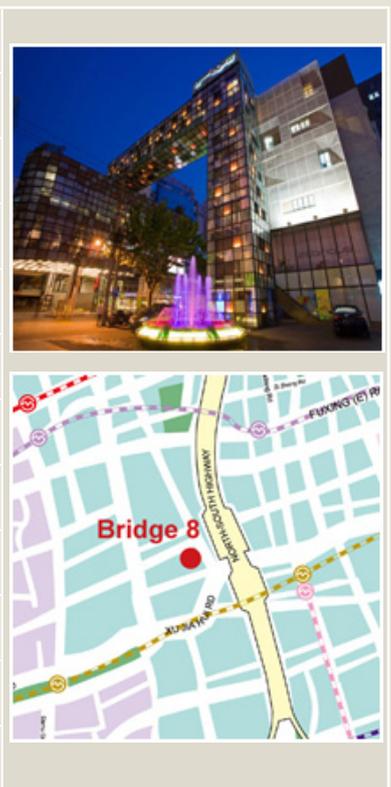
Bridge 8 is a creative hub and incubator converted from a former Shanghai automobile factory, featuring offices for creative professionals including architecture firms SOM, Alsop and David Chipperfield. Its two buildings are connected by a dramatic bridge which wraps up and over the street, using glass walls and providing glimpses of the creative production within.

Lifestyle Centre Group Limited have restored and rebuilt the park, bringing together 70 domestic and international creative firms, spread out over 10,000 sq m of office space and accompanied by coffee shops, international restaurants, beauty salons, art galleries and household stores.

The project, located near the intersection of Jianguo Road (W) and Sinan Road in the French Concession, was launched in 2009.

TABLE 2
Bridge 8 Phase I

Type	Creative Park
Location	10 Jianguo Road (M), Luwan
Total GFA	10,000 sq m (office)
Office floors	6
Floorplate	TBC
Efficiency	75%
Passenger lifts	2
Net ceiling height	3.4 m
Flooring	Cement screed
Anchor tenants	SOM, Alsop, David Chipperfield
Asking rent	RMB6.5 per sq m per
A/C and management fee	RMB21 per sq m per month



Source: Savills Research

Savills Research team

Please contact us for further information



Simon Smith
Senior Director
+852 2842 4573
ssmith@savills.com.hk



James Macdonald
Head of Research
+8621 6391 6688
james.macdonald@savills.com.cn

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