

REAL ESTATE
(COVENANTS)



Too many new buildings, too few tenants.

PROPERTY

The Party's Over

Shanghai's real-estate bubble has burst

By Pamela Yatsko in Shanghai

Back in 1994, buying three offices in a 26-storey tower in central Shanghai seemed a smart idea to Cynthia Poa. Having read reams of rosy reports about the city's soaring rents and dearth of commercial space, the 42-year-old Singaporean health-food executive looked forward to a neat 20% return from the lease of her offices to foreigners. Her Hong Kong developer said she would have no trouble finding tenants before the tower's completion.

But when the building was ready late last year, Poa hadn't found any. So many new office blocks had come into the market that once-desperate foreign firms could finally shop around for space. By April, Poa had cut her asking rent some 30% to fill two of the three vacancies. She's now settling for a 12% return. "I'm just realistic," she says.

After several boom years that saw prime office rents soar past \$70 per square metre per month, some segments of Shanghai's real-estate market are now characterized by tumbling prices and empty units. "Landlords who had expected strong demand from foreign multinationals are now in a situation where they are forced to drop prices, and even then are not guaranteed to lease their units," says Richard Gelber, a Shanghai-based representative of property agents Colliers Jardine.

What happened? The demand cer-

tainly hasn't collapsed. While contracted foreign investment grew slower in 1995 than in previous years, the stream of expatriates moving into the city remains steady, say property agents. Indeed, membership of the American Chamber of Commerce has swelled past 800 from 375 in 1994.

But at the same time, the supply of office space has gone through the roof. According to international property consultants Jones Lang Wootton, 1995 saw 49,746 square metres of grade-A office space built in Shanghai, and 127,645 square metres in the financial zone of the eastern district of Pudong. Many of the new buildings are being let out more slowly than before, and rents are being slashed—by 15%-30% in Shanghai, and by even more in the Pudong area.

Where prospective tenants once fought bidding battles for available space, landlords of new buildings now fight price wars of their own. "Our competitor is taking away tenants from us because of the cheap prices it's offering," grumbles the manager of a Hong Kong developer that has just finished a 38-storey building on one of Shanghai's main shopping streets. "Getting tenants is not easy."

Indeed, one Pudong builder even offered the Hong Kong developer a rent-free floor for its offices for an entire year. "I guess they wanted some lights to be on at night," the manager says.

It's just as hard to find buyers for new projects. According to Paul Swenson, chief

negotiator for British property agency Vickers China, developers are happy if they can presell 20% of the space in their buildings; a few years ago, they had no trouble selling 70%. As a result, some foreign builders are starting to pay more attention to Shanghai's emerging domestic market, where demand is being fuelled both by newly prosperous Chinese and by the government, which aims to dramatically expand the supply of low-cost housing (see accompanying story).

The property glut is good news for tenants: They can now bargain with landlords. When Jonathan Goldberg, an American, found a 100-square-metre apartment in downtown Shanghai earlier

this year, he was able to negotiate a monthly rent \$800 lower than the previous tenant paid. Apartments "that were out of my budget are now within my budget," says Goldberg, a manager at Coca-Cola.

Developers should have seen the glut coming. Some of the signs were visible in the early 1990s when Shanghai's municipal government passed on to individual city districts control over the leasing of land. The districts were quick to grab the opportunity to raise revenue: They leased 600 parcels of land the size of New York city blocks to developers between 1992 and 1994. With no central body overseeing the lease-off and subsequent construction frenzy, the pace of building lost all relation to demand.

Property experts now predict that if all the land leased by the end of 1995 is developed, Shanghai will have almost 30 million square metres of new buildings—a third of which will be office space—by 2000. "The problem is that expected office demand is only half that amount," says Daniel Yang, deputy general manager of Shanghai Hang Bond Properties Development, a part of Hong Kong's Hang Lung Group.

Even if some of these projects are delayed and others stopped due to cash shortages, property agents say supply will significantly outpace demand over the next few years.

If the commercial-space market is getting tough, oversupply is hitting hardest in some segments of Shanghai's residential sector. In Pudong, for instance, the average occupancy for completed housing developments—roughly 20 apartment towers and several villas—is 20%, according to Swenson. With few foreigners willing to live there until basic infrastructure

such as hospitals and supermarkets is in place, some buildings have only one or two tenants.

Of the roughly 20,000 housing units available in Shanghai proper, Swenson says average occupancy runs at around 40%. Those suffering are generally the poorly located apartments and villas that offer few facilities and come with flawed design and lax management. "Before, people could build almost anything and it would sell; now they must be more careful about quality," says Sam Crispin, chief representative for Brooke Hillier Parker in Shanghai.

Take Gubei New District, a concrete colony of high- and low-rises in the western Hongqiao district. An American who is the general manager of a large British trading company moved there with his wife in August 1994, having been told it would become a quiet residential area with ample green space. Though put off by the poor design, they agreed to pay \$3,800 a month for the 100-square metre, two-bedroom flat. "It had the facade of being a modern complex," the husband says.

More than a year and a half later, the promised green space is a 50-square-metre rock garden, and there's an unending din of trucks and pile drivers. Their toilet leaks, the walls are cracked, and power and water outages are frequent. Though loath to move—the couple

have just had a baby—they're looking for something better.

Not surprisingly, many landlords in Gubei are having a hard time keeping tenants and attracting new ones. Many have been forced to renovate and slash rents by 30%-50%.

New residential towers and low-rise apartments nearer the city centre are far-

ing better, with occupancy rates in the region of 70%-80%. But even there, many landlords are dropping their rents by 15%-25% and upgrading their units in order to ensure that occupancy rates remain high.

Poor quality is also hurting the commercial-space sector. Few of the new office towers are up to international standards. Many suffer from low space efficiency, poor management and design flaws such as low ceilings and a paucity of elevators. "You can still count on one hand the number of good buildings here," says Gelber of Colliers Jardine.

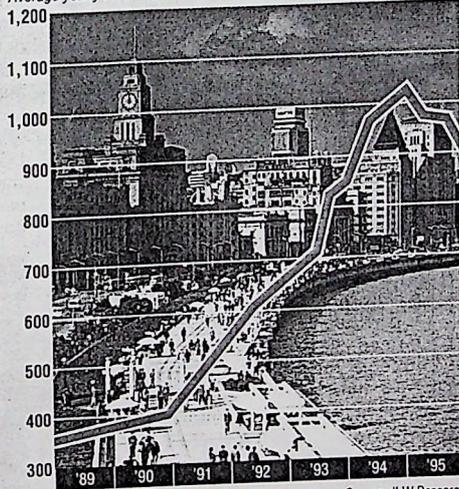
Given that roughly 10 international-standard buildings are due to be completed in 1997-98 and that further rent-slashing is predicted, many foreign companies are hesitant to move out of their existing offices, even if they desperately need more space. Some are getting better deals from anxious landlords. Others are opting for significantly cheaper space in renovated factories—thereby shrinking even further the pool of tenants willing to pay the going daily rental of \$1.5 per square metre for top-of-the-line commercial space.

"By 1999 there will be enough superior grade-A buildings to satisfy all multinationals, leaving the other buildings struggling to find tenants who can pay the price owners had hoped to get," says Gelber.

Too Much, Too Fast

A glut of new buildings has let the air out of Shanghai's property bubble

Average yearly rent of prime office space (\$ per square metre)



Source: JLW Research

PHOTO: GUY LAWRENCE FOR THE NEW YORK TIMES

Inside Looking Out

Books and TV dramas about life overseas reflect existing Chinese biases

By Pamela Yatsko

Enter Lucia Speare stage right. Fresh out of the shower, the bathrobed American bounds across the set of a Beverly Hills living room, her infant in one arm and a razor in the other. The infant's Chinese nanny, Jiang Zhuojun, tries to grab the razor from the mother's gesticulating hand. Finally setting the baby down, the American perches on the edge of the couch and starts shaving her legs, prompting a discussion between the two women about Asian and Western body hair. Lucia explains to Jiang that American women shave so men will find them sexy. American men, she adds, especially like Eastern women's hairless limbs.

So goes a scene in *The Student's Wife*, a play directed by Yu Luosheng, which attracted packed houses during a three-month run last year in Shanghai. Based on a semiautobiographical novel by Wang Zhousheng, the drama's Chinese cast reflects the tens of thousands of Chinese who left China in the 1980s to study or work overseas. Armed with a first-hand view of life abroad, Wang and many of her fellow returnees have created a genre of their own by sharing their experiences and perceptions with their countrymen through books, plays, TV shows and other media.

The works satisfy a pent-up Chinese hunger for information in a far more compelling way than the country's traditional staple of lifeless textbooks and news clips. But as the leg-shaving scene attests, they also often reflect existing Chinese prejudices about foreigners and themselves.

Known as Overseas Student Literature—although some works have nothing to do with students—each dissects a part of the Chinese overseas experience. For instance, the television series *Shanghai in Tokyo*, which entertained Shanghai audiences in January and February, examines the travails of Chinese students forced to take menial jobs to finance their studies in the Japanese capital. Others explore the difficulties of readjusting to life in China after a stint away, the loneliness of being left behind by a spouse abroad or the ups and downs of Chinese entrepreneurs overseas.

What's the fascination for Chinese audiences? Many people have relatives, friends or neighbours abroad and want to

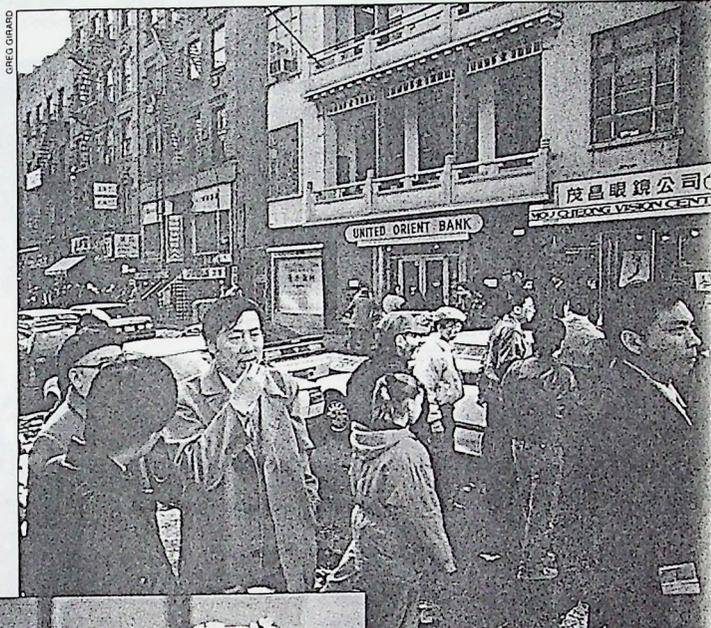
learn more about their lives, says director Yu. Some watch to satisfy unrequited dreams of living overseas themselves.

Those who have already returned to China look for characters who share experiences similar to their own. "It makes me feel less lonely," says a 40-something Shanghaiese who spent six years in North America. Not always able to express her feelings, she makes her family

watch the shows in hopes they will gain a better appreciation for what she's been through.

By far, the most popular of the genre are the TV series *Beijinger in New York* and the autobiography *Chinese Woman in Manhattan*, which sold 200,000-300,000 copies. They have intrigued Chinese audiences primarily because the protagonist in each moves to America and quickly makes a fortune.

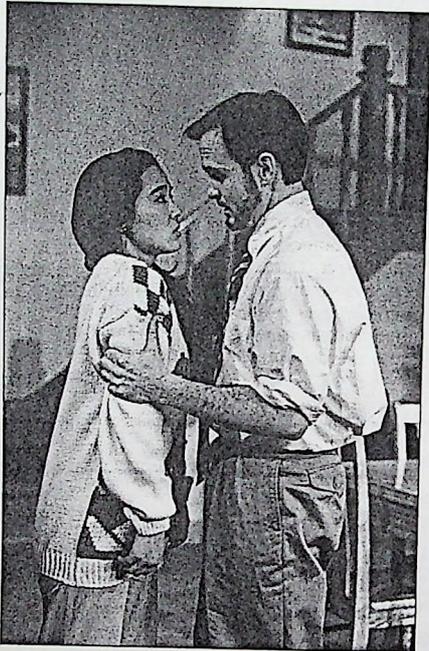
According to Mao Shi-An, deputy secretary-general of the Shanghai Writers Association, Chinese captivation with the subject stems from the country's unrelenting stress in recent years on economic development. "There's a feeling that only if you have money are you a success, and if you don't, you're a failure," he says. Adds Chinese lawyer Danny Guan, who



Chinese abroad: the stuff of made-in-China dramas such as *A Beijinger in New York* (left) and *The Student's Wife* (opposite page).

spent five years in the United States, people like *Beijinger* because they want to strike it rich quick, too.

If Chinese have a common criticism of the TV series, it's that it makes becoming a millionaire in America seem too easy. Few, though, question the fact that Chinese hero Wang Qiming and his American arch-rival, David McCarthy, both do business by sleazy means. Says Mao: "A lot of Chinese people have the idea that a capitalist society is a dishonest society.



The TV show confirms the impression that this is the only way to succeed."

People seem to take in stride the sometimes extreme attitudes toward money depicted in these works. A scene in *Beijinger* has McCarthy's Chinese wife asking what he loves more, money or her. His reply: "Money."

In *The Student's Wife*, the American protagonist Lucia explains to her nanny Jiang that American women marry for money and American men marry for sex. That is why American women watch their weight so closely: They can't hook a rich man if they're fat. A shocked Jiang naively asks: "But don't feelings matter?" Apparently not to Lucia.

American Robert Daly, who played McCarthy in *Beijinger* and Lucia's husband in *The Student's Wife*, noticed little attempt in either production to portray Americans or their lifestyles realistically. *Beijinger's* director, Zheng Xiaolong, was unabashed about wanting to satisfy Chinese preconceived notions, telling Daly, for instance, to play a "Hollywood macho

type." In one scene in the TV series, his character actually knocks on Wang's door, saying, "I'm taking your wife."

"This was unquestionably the stereotype," Daly says, adding that even his physical appearance had to conform with Chinese notions of hirsute Westerners. "I never wear a beard, but they made me do it—hormones you know."

Daly, a fluent Mandarin speaker who spent nearly six years working as a diplomat in China, had greater success modifying a few of the more obvious solecisms in *The Student's Wife*. He persuaded Yu, for instance, to insert a line saying that all American women are *not* like Lucia.

That concession, however, probably did little to compensate for two hours of watching the Lucia character on stage. Why else would a well-educated but untravelled Chinese journalist ask an American after seeing the play whether American women really see marriage as an exchange of sex for money?

According to Tan Zheng, an associate professor of literature at Fudan University, many Chinese have no way to separate American reality from fiction since their reference points on the subject are still so limited. As a result, sights such as a razor-swinging Lucia may leave lasting impressions. "There must be a lot of people who think these works are realistic," Tan says.

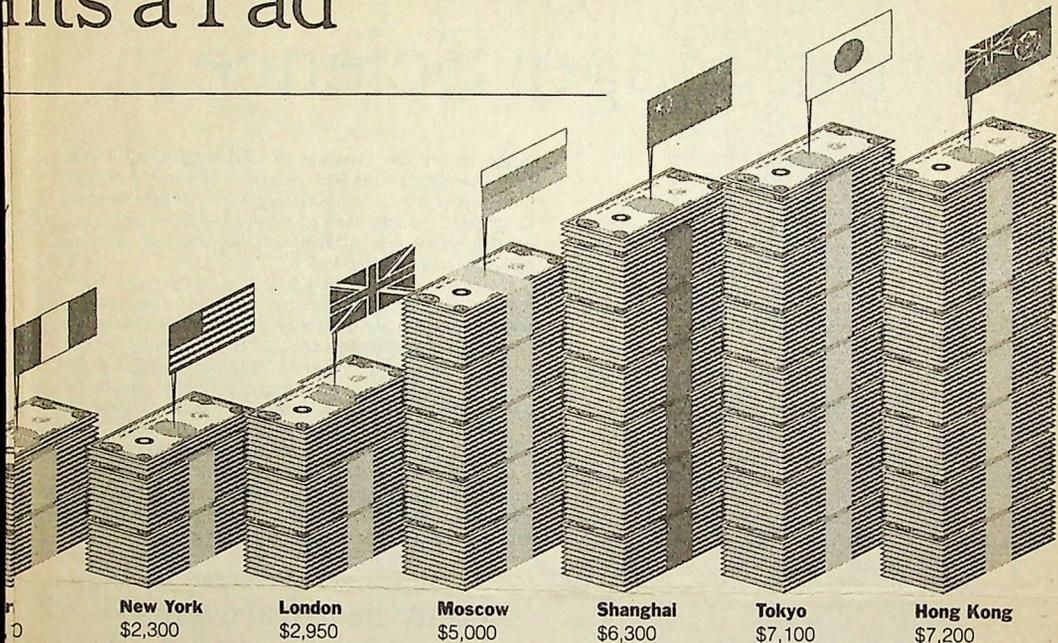
But if Chinese writers and directors serve up fantasies of America, Americans themselves share the blame. The "Hollywood macho type" that director Zheng told the American actor to play was not just a product of Chinese imagination. "The stereotypes that Chinese have, come from America's own mass culture," says Daly.

Meanwhile, compatriots often view returned Chinese as experts on America—no matter how narrow their experience, says Tan, himself a returned student. But just like many Westerners in China, Chinese in the U.S. often stick close to their fellow countrymen. They usually make few American friends and study science-related subjects that shed little light on the local culture.

Yu of *The Student's Wife*, for example, insists he did not exaggerate American quirks, but instead kept as close as possible to the novel on which the play is based. "The author understood the situation, so wrote about it," he says. But Wang, who penned the book after a four-year stint in the U.S., admits she really didn't understand American life very well at the time. "If I were to write it now," she says, "I'd write it differently."

Pamela Yatsko is a REVIEW correspondent based in Shanghai.

Agents a Pad



The New York Times

look seemed to say, "You?" I couldn't resist asking and not to hear, and looked as if we made our way down a street lined by teeming cyclists. Lucy wore on, Lucy allowed that only six months before she was a high-school teacher making a good living and that she was now making a fortune in commissions. "So good," she said. "I'm too long enough for all the show. We have one big forter another coming, and rments! The only problem to accept the prices." was in the northern side of he had a home that would rfectly: A town house sur-on a quiet street. own a muddy alleyway — ractly — and we arrived at here a second agent was ed to introduce me, but I r her because a team of as at work on the building quiet," exactly. stood a withered tree in small square of mud. "This Lucy said, sweeping an arm ough it were a vast lawn. ashed cement floor led to a grey walls smeared with s. Stray wires peeked out pparently meant to be an An odor of urine emanated

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ONE learns, in any tough real estate market, to tell an agent exactly what size and price one is seeking. Yet in Shanghai, it doesn't seem to do any good. You tell them, and they ignore you, taking you to one disaster after another. At some point, one is tempted to ask: "How hard would it be to wipe the wall clean, or put in an electrical socket?" But with demand as it is, agents generally seem ready to drop the picky customer for the next one, who will doubtless be more pliable. Although foreigners were once restricted to certain housing, presumably so they could be monitored more easily, such rules are now ignored in Shanghai. They could presumably be reinvoked, as they were recently in Beijing. For now, getting housing means a readiness to dole out cash, lots of it. My second try was with Jed Goldman, a displaced New York real estate agent with short hair and a wide smile. He picked me up in a Buick. "It's a lot harder than in New York," Jed said. "The prices, they're a lot different.

"The first place we're going is north of here," he said. I had a sinking feeling when he led me down a familiar muddy path. The same second agent was waiting by the iron gate, and the same jackhammers were at work on the building next door. "That's amazing," said Jed, when he realized that I'd already seen the place. "I can't believe that." He showed me a second place that was operating as an office for a Chinese company, and looked characteristically overstaffed, with a middle-aged man lolling over a newspaper at one desk and a young woman chatting on a phone at the next. "They'll move out as soon as you take it," he said. "How much is it?" I asked, more out of curiosity than anything else. "Eight thousand dollars a month," said Jed. "This stuff I'm showing you," he said later, "I couldn't rent it in New York at any price. That first place was \$6,000. For that in New York, you could get a palace." In the end, I got lucky. Not a palace, by any means, but a comfortable apartment in a government-managed building, where the guy in charge said a two-bedroom had become available an hour before I walked into his office (without an agent). At \$3,400, it's a steal. The water goes off from time to time, the noise from a construction site next door goes on all night. But who's complaining? In Shanghai, nightmares do come true.

Ideas & Trends

A Surprising Muse For the Stage: Science

By EDWARD ROTHSTEIN

"YOU cannot stir things apart," observes a 13-year-old prodigy in Tom Stoppard's "Arcadia," which is playing in New York City. She points out that if you stir jam in rice pudding, you cannot unstir it by moving the spoon backward. "Do you not think this is odd?"

Indeed it is. It seems to violate a principle of simple Newtonian physics, that all motion is reversible and all stirring un-stirrable. And odder still is the idea that "Arcadia" and other recent theatrical events should encompass the weighty world of science at all. Nuclear fission, chaos theory and encryption procedures can sometimes seem to be replacing such familiar fare as love and death.

The prodigy of "Arcadia," whose name, Thomasina, echoes the author's own, goes on, for example, to ask even more tantalizing questions: What is the algebraic equation governing the growth of a leaf? And why can't an engine use the energy it produces to run itself? But the oddest thing of all is that she is asking these questions in 1809. She discovers fractal geometry — a study of peculiar curves with infinitely detailed parts — more than a century and a half before Benoit Mandelbrot. She senses the Second Law of Thermodynamics years before it was articulated. And she probably would have proved Fermat's last theorem long before its recent conqueror, if she hadn't come to an untimely end.

We are, though, entirely ready to accept Thomasina's visionary insights because Mr. Stoppard takes scientific ideas seriously. He does not treat them as heralds of a utopia or a sci-fi disaster. His characters consider them as if they had as much importance as matters of the heart, which, in Mr. Stoppard's world, they do.

Sweet Mysteries of Science

This is a novelty indeed, even among today's relative spate of theatrical productions dealing with scientific and mathematical affairs. More often, such ideas on the stage (or screen) are treated as occasions for taking political and non-scientific positions. Stephen Paulus's "The Woman at Otowi Crossing," which the Opera of St. Louis premiered last month, juxtaposed an idealized mysticism of Pueblo Indians with the far less appealing atomic-bomb activities of the Manhattan Project, tapping ready-made sentiments that identify death and overgrown rationality with Western science. Two recent plays, Hugh Whitmore's "Breaking the Code" and Kevin Patterson's "A Most Secret War," were about the mathematician Alan Turing, but they, too, chose to emphasize political ideas over scientific ones, placing Turing's homosexuality at the center of the dramas.

Even a more classic example like Berthold Brecht's "Life of Galileo," which contains descriptions of Galileo's astronomical observations and mechanical experiments, is primarily interested in Galileo's recan-

tation before the pressure of the Inquisition. Brecht wrote the play as the Nazis came to power and revised it after Hiroshima. In his strange view, Galileo's recantation betrayed the idea of a "science for the people," turning science on an abstract, ruthless path that led directly to the atomic bomb.

This harsh judgment of science is even more obvious in popular culture, where it is often seen as heartless and untrustworthy as the white-coated researchers in Steven Spielberg's "E.T." Science is chiefly seen as good for weapons building, oppression and self-destruction. The archetypal scientific sin is the creation of Frankenstein's monster (whose fictional life began during Thomasina's era). The alien DNA in the horror movie "Species," the recreated dinosaurs in "Jurassic Park," the many comic book characters who parade about as monstrous mutants, all attest to science gone awry. And while some devotees of "cyber-space" and its culture harbor a utopian view of cyber-

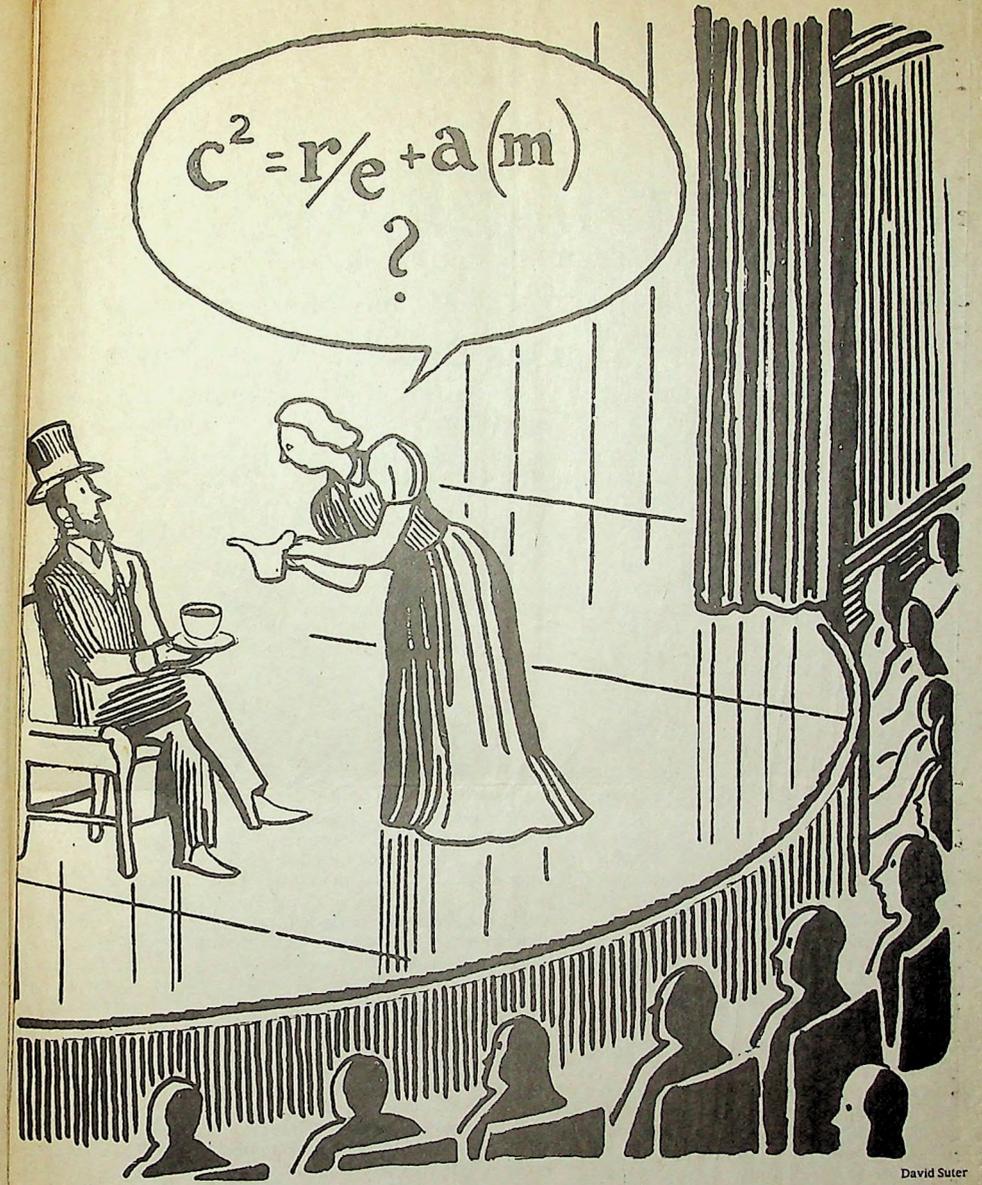
Recent theatrical events commingle art with physics and mathematics.

progress, the more widespread views of the computer universe are dark and disturbing. The term cyberspace, after all, was coined by the cyberpunk novelist, William Gibson, as a feature of a nightmarish dystopia.

Mr. Stoppard has other ideas in mind. He treats science not as the ugly source of the Industrial Revolution and not as the poor cousin of literary research (which is mercilessly lampooned throughout "Arcadia") but as an important part of a culture's cosmology: its view of itself and its place in the world.

Thomasina's musings throw into relief the transformation in human consciousness taking place around her. The classical garden of her parents' estate is being remodeled in the latest fashion, its ordered proportions overturned by unpredictable wildness, its image of cultivated nature being replaced by untamable eruptions of landscape and fake ruins. Arcadia — an artful classical paradise — is being supplanted by a world beyond reason and control, just as the artful simplicity of Newtonianism was being amplified by the more ornate theories of the French mathematician Jean Baptiste Fourier and the Scottish physicist James Clerk Maxwell.

There is, admittedly, less comfort in that near-modern world. Thomasina's radical questionings unsettle her brilliant tutor, Septimus; he sees them pointing to a cold, inhuman universe that will gradually disintegrate. He even ends his own life in madness and isolation, living in a hermitage on the remodeled estate, filling pages with calculations, trying to restore the order and clarity to the Arcadia he once knew. But that is not where Mr. Stoppard himself stops.



David Suter

Mr. Stoppard paints with a fairly broad brush and sometimes seems to be giving a course in the History of Ideas. Mr. Stoppard's science resembles Goethe's vision of it in "Faust": it is a combination of illumination and darkness, opportunity and danger. Mr. Stoppard answers fears of the new physics by having a young contemporary mathematician talk in wonder about the same phenomena that unhinge Septimus.

"The ordinary-size stuff which is our lives," the mathematician explains, "the things people write poetry about — clouds — daffodils — waterfalls — and what happens in a cup of coffee when the cream goes in — these things are full of mystery, as mysterious to us as the heavens were to the Greeks."

Mr. Stoppard's play may even be part of an increase in cosmological speculation during the past two decades, both among scientists and the public. Last year John Polkinghorne, a former Cambridge University professor of mathematical physics, tried to reconcile physics with his religious beliefs in "The Faith of a Physicist." And the physicist Stephen Hawking ends his

However, very few of them elevate the scientific above the political or personal.

best-selling book, "A Brief History of Time," with questions about "why it is that we and the universe exist."

"If we find the answer to that," Mr. Hawking writes, "it would be the ultimate triumph of human reason — for then we would know the mind of God." "Arcadia" stops short of such visionary pronouncements, but it gives an artful glimpse of modern modes of thought coming into being. In Mr. Stoppard's well-stirred mind, science finds too rare a home.

Ideas & Trends

Our Man in Shanghai Rents a Pad

By SETH FAISON

SHANGHAI

LOOKING for a compact two-bedroom apartment? If you're lucky you might get one for \$5,000 a month. Insist on a steady supply of water and electricity? You might have to spend twice as much.

Funny thing is, we're not talking about Paris or Tokyo.

Shanghai, in most respects, is a dump. With construction sites on nearly every block, dust and noise pervade. Main streets are as jammed as Grand Central at rush hour, all day long. If you don't like Chinese food, restaurants are a problem.

And as for the style and character of Shanghai's cosmopolitan heyday in the 1920's and 30's, only vestiges are still visible in old houses that mostly look like they've been left to rot, surrounded by the building-block, Communist-style structures that one sees all over China.

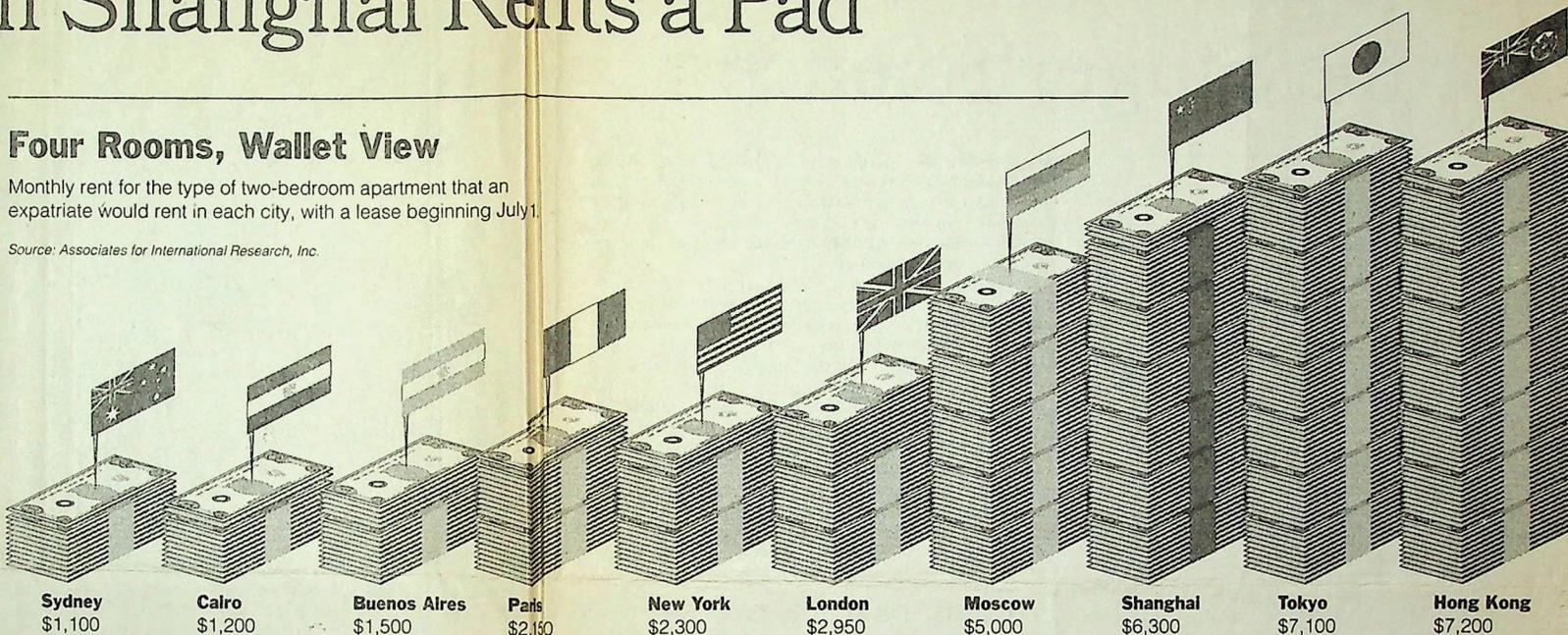
It seems appropriate that the average Shanghai family pays less than \$5 a month for housing, most of it one- and two-room apartments with common toilets and shared cooking, allotted by a government work unit. But a booming economy is now attracting all kinds of hungry outsiders, both foreign and Chinese, and the rush on available apartments in the past three years has driven prices ever skyward.

The real estate market here is now so eye-poppingly high-priced, and the standards of

Four Rooms, Wallet View

Monthly rent for the type of two-bedroom apartment that an expatriate would rent in each city, with a lease beginning July 1.

Source: Associates for International Research, Inc.



The New York Times

housing so low, that anyone seeking an apartment ought to be forgiven for feeling that they have passed through a looking glass, into a world where all previous sense of dimension disappears.

With a median two-bedroom going for \$6,300 a month, Shanghai is one of the most expensive cities in the world to live in, not far behind Hong Kong and Tokyo, and well ahead of New York, according to Associates for International Research, Inc.

Finding a place to live during a real estate craze is, at best, an adventure. And it means subjecting oneself to the largesse of real estate agents who — can you blame them? — act as if the world belongs to them.

LUCY ZHU, a tiny princess of a woman who likes to purse her lips, picked me up one afternoon in a black Cadillac. Enconced in the back seat, she gazed out the window regally as her white-gloved driver came round to open the door. We had not turned a corner before Lucy's mobile phone rang. "I've got him; we're just leaving now," she said conspiratorially. In the vulnerable position of a customer in need of a place to live, one foolishly looks for hints of trustworthiness in a real estate agent. Lucy's tone was not exactly reassuring, nor were her showy attitude and choice of car.

"Do you treat all your customers this way?" I asked warily.

"Of course!" she said, as though it were a silly question. You have to spend money to

make money, her look seemed to say.

"How old are you?" I couldn't resist asking. She pretended not to hear, and looked out the window as we made our way down a narrow street, slowed by teeming cyclists. But as the afternoon wore on, Lucy allowed that she was 24, that only six months before she had been a high-school teacher making \$100 a month, and that she was now making \$2,000 in monthly commissions.

"Business is too good," she said. "I'm too busy. A day isn't long enough for all the places I have to show. We have one big foreign company after another coming, and they all need apartments! The only problem is getting them to accept the prices."

Our first stop was in the northern side of town. Lucy said she had a home that would suit my needs perfectly: A town house surrounded by trees on a quiet street.

Lucy led me down a muddy alleyway — not a "street," exactly — and we arrived at a tall iron gate, where a second agent was waiting. Lucy tried to introduce me, but I could barely hear her because a team of jackhammers was at work on the building next door. Not "quiet," exactly.

Inside the gate stood a withered tree in the middle of a small square of mud. "This is the garden," Lucy said, sweeping an arm over the mud as though it were a vast lawn.

Inside, an unwashed cement floor led to a living room with grey walls smeared with black fingerprints. Stray wires peeked out of a square hole apparently meant to be an electrical socket. An odor of urine emanated

from the kitchen, which had no stove, no refrigerator and a cast iron sink with a single faucet. Lucy turned the faucet. No water.

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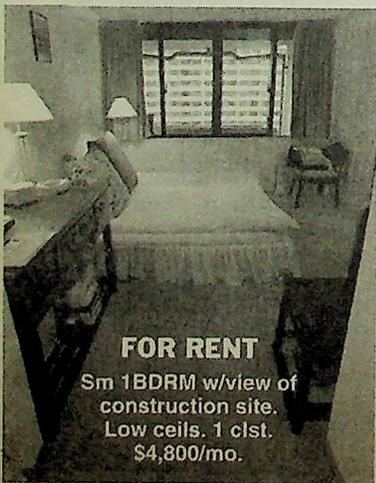
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At \$3,400, it's a steal. The water goes off from time to time, the noise from a construction site next door goes on all night. But who's complaining? In Shanghai, nightmares do come true.



FOR RENT

Sm 1BDRM w/view of construction site. Low ceils. 1 clst. \$4,800/mo.

Wang Gangfeng for The New York Times

A small apartment in a modern complex popular with foreigners in Shanghai.

Ideas & Trends

Our Man in Shanghai Rents a Pad

By SETH FAISON

LOOKING for a compact two-bedroom apartment? If you're lucky you might get one for \$5,000 a month. Insist on a steady supply of water and electricity? You might have to spend twice as much.

Funny thing is, we're not talking about Paris or Tokyo.

Shanghai, in most respects, is a dump. With construction sites on nearly every block, dust and noise pervade. Main streets are as jammed as Grand Central at rush hour, all day long. If you don't like Chinese food, restaurants are a problem.

And as for the style and character of Shanghai's cosmopolitan heyday in the 1920's and 30's, only vestiges are still visible in old houses that mostly look like they've been left to rot, surrounded by the building-block, Communist-style structures that one sees all over China.

It seems appropriate that the average Shanghai family pays less than \$5 a month for housing, most of it one- and two-room apartments with common toilets and shared cooking, allotted by a government work unit. But a booming economy is now attracting all kinds of hungry outsiders, both foreign and Chinese, and the rush on available apartments in the past three years has driven prices ever skyward.

The real estate market here is now so eye-poppingly high-priced, and the standards of



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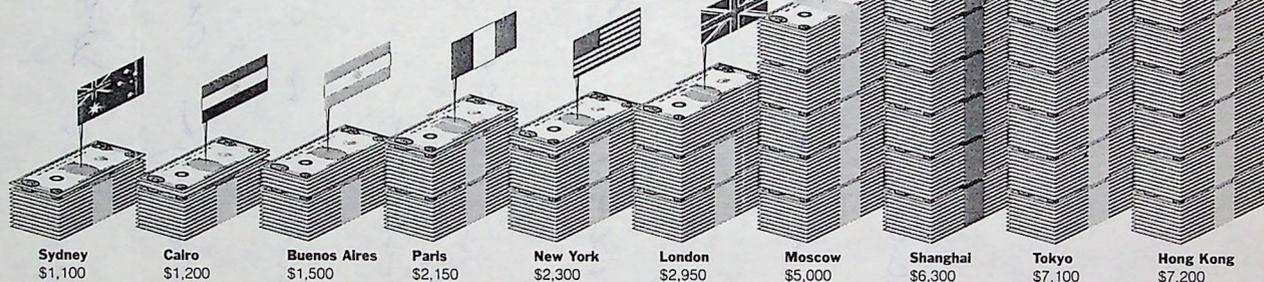
A small apartment in a modern complex popular with foreigners in Shanghai.

SHANGHAI

Four Rooms, Wallet View

Monthly rent for the type of two-bedroom apartment that an expatriate would rent in each city, with a lease beginning July 1.

Source: Associates for International Research, Inc.



The New York Times

housing so low, that anyone seeking an apartment ought to be forgiven for feeling that they have passed through a looking glass, into a world where all previous sense of dimension disappears.

With a median two-bedroom going for \$6,300 a month, Shanghai is one of the most expensive cities in the world to live in, not far behind Hong Kong and Tokyo, and well ahead of New York, according to Associates for International Research, Inc.

Finding a place to live during a real estate craze is, at best, an adventure. And it means subjecting oneself to the largesse of real estate agents who — can you blame them? — act as if the world belongs to them.

LUCY ZHU, a tiny princess of a woman who likes to purse her lips, picked me up one afternoon in a black Cadillac. Enconced in the back seat, she gazed out the window regally as her white-gloved driver came round to open the door. We had not turned a corner before Lucy's mobile phone rang. "I've got him; we're just leaving now," she said conspiratorially. In the vulnerable position of a customer in need of a place to live, one foolishly looks for hints of trustworthiness in a real estate agent. Lucy's tone was not exactly reassuring, nor were her showy attitude and choice of car.

"Do you treat all your customers this way?" I asked warily.
"Of course!" she said, as though it were a silly question. You have to spend money to

make money, her look seemed to say.

"How old are you?" I couldn't resist asking. She pretended not to hear, and looked out the window as we made our way down a narrow street, slowed by teeming cyclists. But as the afternoon wore on, Lucy allowed that she was 24, that only six months before she had been a high-school teacher making \$100 a month, and that she was now making \$2,000 in monthly commissions.

"Business is too good," she said. "I'm too busy. A day isn't long enough for all the places I have to show. We have one big foreign company after another coming, and they all need apartments! The only problem is getting them to accept the prices."

Our first stop was in the northern side of town. Lucy said she had a home that would suit my needs perfectly: A town house surrounded by trees on a quiet street.

Lucy led me down a muddy alleyway — not a "street," exactly — and we arrived at a tall iron gate, where a second agent was waiting. Lucy tried to introduce me, but I could barely hear her because a team of jackhammers was at work on the building next door. Not "quiet," exactly.

Inside the gate stood a withered tree in the middle of a small square of mud. "This is the garden," Lucy said, sweeping an arm over the mud as though it were a vast lawn.

Inside, an unwashed cement floor led to a living room with grey walls smeared with black fingerprints. Stray wires peeked out of a square hole apparently meant to be an electrical socket. An odor of urine emanated

from the kitchen, which had no stove, no refrigerator and a cast iron sink with a single faucet. Lucy turned the faucet. No water.

Two bedrooms waited upstairs, each with a small window overlooking the mud patch out front. Lucy must have noticed my frown. "Only \$6,000!" she exclaimed.

Back in the Cadillac, Lucy began to pout. "I think you are very picky," she said. "Very picky," I agreed.

ONE learns, in any tough real estate market, to tell an agent exactly what size and price one is seeking.

Yet in Shanghai, it doesn't seem to do any good. You tell them, and they ignore you, taking you to one disaster after another. At some point, one is tempted to ask: "How hard would it be to wipe the wall clean, or put in an electrical socket?" But with demand as it is, agents generally seem ready to drop the picky customer for the next one, who will doubtless be more pliable.

Although foreigners were once restricted to certain housing, presumably so they could be monitored more easily, such rules are now ignored in Shanghai. They could presumably be reinvoked, as they were recently in Beijing. For now, getting housing means a readiness to dole out cash, lots of it.

My second try was with Jed Goldman, a displaced New York real estate agent with short hair and a wide smile. He picked me up in a Buick. "It's a lot harder than in New York," Jed said. "The prices, they're a lot different."

"The first place we're going is north of here," he said. I had a sinking feeling when he led me down a familiar muddy path.

The same second agent was waiting by the iron gate, and the same jackhammers were at work on the building next door.

"That's amazing," said Jed, when he realized that I'd already seen the place. "I can't believe that."

He showed me a second place that was operating as an office for a Chinese company, and looked characteristically overstuffed, with a middle-aged man lolling over a newspaper at one desk and a young woman chatting on a phone at the next. "They'll move out as soon as you take it," he said.

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Shopper? Unbelievable Louise
and she is a great shopper. She
seemed to find stuff ^{in China} I've never
seen before - a very good eye.

Tithuanian is a bitch but it's
fun learning the history. Everything
seems like it's out of a fairy tale.
Women so far - although one of the
Minnesota boys says he wants to
visit. I move into condo in October.

Write!

Susan

Shanghai's Neo-Capitalists Find Real Estate

By SETH FAISON

SHANGHAI, June 23 — When he was posted here last fall, the United States Consul General was pleased to find an attractive villa in a new development called Elegant Garden. Warned about high rents, the consul got what he thought was a good deal: \$7,500 a month for a four-bedroom house with a lawn and a driveway.

Even before he moved in, the new consul, Joseph Borich, noticed that his name and position were being used in brochures to attract new tenants. But after other villas filled up at rents higher than his, the management announced that he was no

longer welcome.

Mr. Borich pointed out that he had signed a contract, though contracts are not worth much in China these days. The management turned off his electricity and hot water. After a bitter fight, Mr. Borich decided to move to another location outside the development. His new rent: \$15,000 a month.

Most Shanghai residents pay less than \$5 a month for rent in state-run housing. A box lunch of stir-fried beef, vegetables and rice costs 75

cents, while a taxi ride across town is less than \$2. But prices on the open real estate market are so high and available property is so limited that local real estate agents are manipulating newly arrived businessmen with an abandon that even a crafty New York real estate agent would admire.

In just three years, Shanghai's real estate market has been transformed from a cheap backwater to one of the most expensive in the world. With a surging demand from American and other foreign companies streaming into China regardless

170 W. END AVENUE HAS BEEN LIBERATED from the cable monopoly! Better building-wide service. Better prices. Call Liberty Cable 212/891-7777—Adv

Continued on Page 2, Column 1

City. Ford Motor Company, for one, spends an average of \$10,000 a month for two- and three-bedroom housing for its 30 expatriate staff members in Shanghai, or \$3.6 million a year.

Runzheimer International consultants, who advise American companies on the cost of living in cities around the world, estimate that a \$100,000-a-year executive who moves to Shanghai with a spouse and two children needs an extra \$92,000 a year to cover housing and other costs, up from \$52,000 in 1992.

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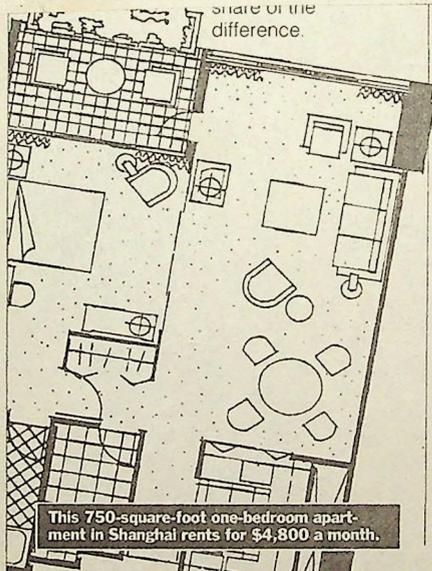
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"It really is outrageous, if you think about it," said Andrew Ness, a real estate consultant for Richard Ellis Research and Development Consultancy in Hong Kong. "No one saw it coming. It's a real hot spot."

Hottest, perhaps, for shady real estate agents. A common tactic is for an agent to use one contract with a tenant, saying that all rent will be paid to the agent, and to use a different contract with the landlord, saying nothing about when the rent will be passed on.

If a tenant is lucky, the agent will produce the rent after several months of using it elsewhere. If unlucky, a tenant may find that the agent has packed up and left, along with the rent. An eviction notice, from an exasperated owner, usually follows.

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Real Estate

More Big Items

KEY

- Shanghai expenses
- New York expenses

is and renters' comparable residences in comparable

\$74,167

TRANSPORTATION

Includes the fixed and operating costs of a car.

\$20,014

\$5,590



GOODS AND SERVICES

Includes the total amounts paid for a variety of items such as food, furnishings and medical care.

\$26,079

\$23,450

Pinching Pennies on Small Ones

While the total cost of goods and services are more expensive in Shanghai many everyday items are less costly than in New York.

▼ CIGARETTES \$1.50

\$2.50

▼ CAN OF COCA-COLA

\$0.40

\$1.00

▼ MOVIE TICKET

\$0.65



\$8.00

Source: Runzheimer International Consultants

The New York Times

to take advantage of the high price, a building boom is under way. The availability of grade-A office space is expected to soar from the current 2 million square feet to 40 million square feet over the next five years, according to Jones Lang Wootton, an international property consultant based in London.

"A lot of new companies are still coming into Shanghai, so the demand has been pretty steady," said John Shui, president of L & D Shanghai, a real estate consultancy.

Shanghai is now a landlord's market. Real estate agents say there may not be a better place to make money right now.

"The demand is phenomenal," said Sam Crispin, a real estate consultant with Brooke Hillier Parker, pointing at a list of top office buildings. "All these buildings are at virtually 100 percent occupancy. I have three large multinational companies looking for office space, and I've got nothing to show them."

Shanghai's Neo-Capitalists Discover Real Estate

Continued From Page A1

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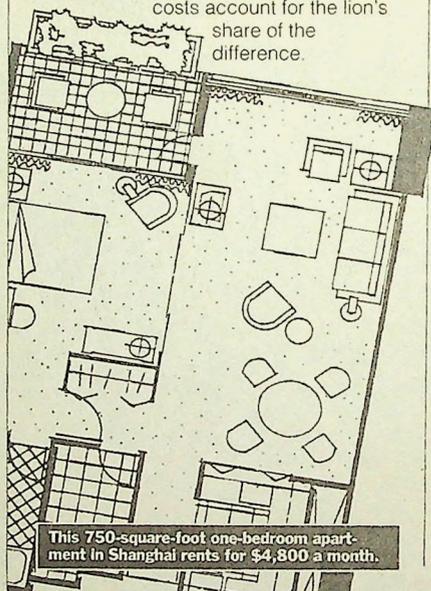
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WHAT IT COSTS

New York and Shanghai: A Lot and Even More

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Breaking Down the Big Items

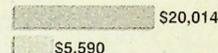
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Includes rent, utilities and renters' insurance in comparable residences in comparable neighborhoods.



▼ TRANSPORTATION

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▼ GOODS AND SERVICES

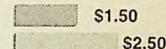
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Pinching Pennies on Small Ones

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▼ CIGARETTES



▼ CAN OF COCA-COLA



▼ MOVIE TICKET



Source: Runzheimer International Consultants

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New York Times

New York: Today, partly cloudy, thunderstorms possible. High 78. Tonight, cloudy. Low 65. Tomorrow, risk of thunderstorms. High 80. Yesterday, high 73, low 63. Details, page 32.

NEW YORK, SATURDAY, JUNE 24, 1995

\$1 beyond the greater New York metropolitan area.

60 CENTS

GOVERNMENT ACTS TO SET ITS POLICY ON RACE PROGRAMS

RESPONSE TO HIGH COURT

Direction From Justice Dept.
Is Due, but Some Agencies
Are Moving With Haste

By STEVEN A. HOLMES

WASHINGTON, June 23 — Little more than a week after the Supreme Court ruled that Federal preference programs based on race must be held to an exacting constitutional standard, the Clinton Administration is beginning, with occasional fits and starts, to develop its response.

Administration officials said today that the Justice Department would provide legal guidance on affirmative action to Federal agencies next week and ask them to review their programs to make sure of meeting the standard laid down by the court.

It already, in an announcement yesterday, the Federal Communications Commission has said that it plans to drop its program of preferences for men and minorities in its coming auction of wireless-telephone licenses. In lead, F.C.C. officials said, those advantages will now be given to all business generally.

On the other hand, the Transportation Department today gave Oregon officials a go-ahead to continue with a program in which states are encouraged to set aside a percentage of federally financed highway construction projects for companies owned by women or members of minority groups. Oregon officials had suspended bidding on five such projects earlier this week, fearing that the Court's ruling left the contracts vulnerable to lawsuits.

The Court's decision, and the Government's effort to determine how that decision ought to apply to



Associated Press

Hoping in Vain for a Reprieve

Mayor Beverly O'Neill of Long Beach, Calif., waited intently yesterday for what turned out to be bad news on her city's military base. Page 8.

A Gingrich Budget Gain

In G.O.P. Accord on Plan to Reduce Deficit,
Speaker Has Mainly Prevailed Over Dole

By MICHAEL WINES

WASHINGTON, June 23 — The Republican balanced-budget proposal unveiled with some flourish on Thursday evening is a compromise

for control of the Federal purse. And what it says is that that ideology is moving to the right.

The plan contains a mix of propos-

SESSION EXTENDED BY U.S. AND JAPAN IN IMPASSE ON CARS

LITTLE PROGRESS IS SEEN

Trade Talks at Geneva to Keep
Going Through Weekend —
Deadline Is 4 Days Off

By DAVID E. SANGER

GENEVA, Saturday, June 24 — Japanese and American negotiators agreed early this morning to keep talking through the weekend in an effort to head off the imposition of \$5.9 billion in sanctions against Japanese imports that loom just four days away. But officials from each country said neither side gave much ground in a day and night of intense talks.

Long after this city had shut down for the night, the Japanese and American teams remained holed up in a small American trade office on the edge of Lake Geneva, arguing over the demands from Washington for fundamental changes in the way Japan regulates its economy and organizes its industry to keep outsiders — both foreign and Japanese — at bay.

"There was no indication of any significant progress," a senior Administration official said.

As the evening wore on, the Japanese negotiators appeared to be in constant communication with Japan's car makers back in Tokyo, apparently in an effort to coax them into issuing "voluntary plans" for the purchase of American parts that could form the basis of an agreement. But there were no signs of any breakthroughs and several officials familiar with the talks said they still suspected that the Japanese plans would fall far short of what the Administration had demanded.

The painstaking progress underlined the uncomfortable choice facing President Clinton over the next

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Continued From Page A1

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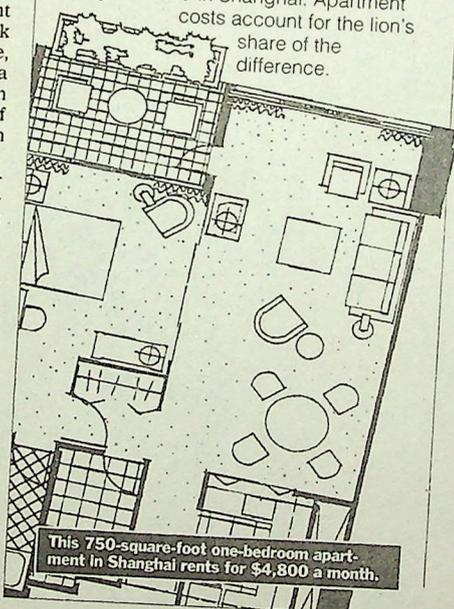
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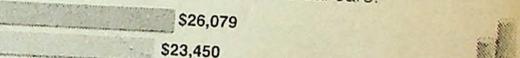
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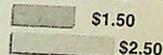
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A brief front-page summary on Wednesday for an article about the nation center in Elizabeth, N.J., misstated some elements of discussions between immigration officials and James F. Statterly, chairman of the company that ran the center. While Mr. Statterly said he had discussed tensions at the center with the officials, he did not characterize those discussions as a warning. And Mr. Statterly did not say the officials had asked him not to speak publicly about the incident.

Because of an editing error, a front-page article yesterday about the discovery of a gene that predisposes people to various cancers omitted the name of the scientific

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Ideas & Trends

Our Man in Shanghai Rents a Pad

By SETH FAISON

LOOKING for a compact two-bedroom apartment? If you're lucky you might get one for \$5,000 a month. Insist on a steady supply of water and electricity? You might have to spend twice as much.

Funny thing is, we're not talking about Paris or Tokyo.

Shanghai, in most respects, is a dump. With construction sites on nearly every block, dust and noise pervade. Main streets are as jammed as Grand Central at rush hour, all day long. If you don't like Chinese food, restaurants are a problem.

And as for the style and character of Shanghai's cosmopolitan heyday in the 1920's and 30's, only vestiges are still visible in old houses that mostly look like they've been left to rot, surrounded by the building-block, Communist-style structures that one sees all over China.

It seems appropriate that the average Shanghai family pays less than \$5 a month for housing, most of it one- and two-room apartments with common toilets and shared cooking, allotted by a government work unit. But a booming economy is now attracting all kinds of hungry outsiders, both foreign and Chinese, and the rush on available apartments in the past three years has driven prices ever skyward.

The real estate market here is now so eye-poppingly high-priced, and the standards of



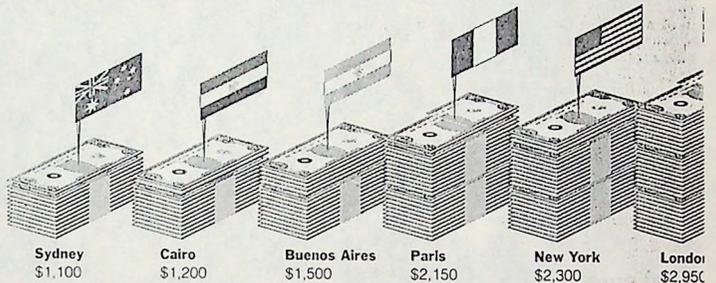
Wang Ganzheng for The New York Times
A small apartment in a modern complex popular with foreigners in Shanghai.

SHANGHAI

Four Rooms, Wallet View

Monthly rent for the type of two-bedroom apartment that an expatriate would rent in each city, with a lease beginning July 1.

Source: Associates for International Research, Inc.



housing so low, that anyone seeking an apartment ought to be forgiven for feeling that they have passed through a looking glass, into a world where all previous sense of dimension disappears.

With a median two-bedroom going for \$6,300 a month, Shanghai is one of the most expensive cities in the world to live in, not far behind Hong Kong and Tokyo, and well ahead of New York, according to Associates for International Research, Inc.

Finding a place to live during a real estate craze is, at best, an adventure. And it means subjecting oneself to the largesse of real estate agents who — can you blame them? — act as if the world belongs to them.

LUCY ZHU, a tiny princess of a woman who likes to purse her lips, picked me up one afternoon in a black Cadillac. Ensnared in the back seat, she gazed out the window regally as her white-gloved driver came round to open the door. We had not turned a corner before Lucy's mobile phone rang. "I've got him; we're just leaving now," she said conspiratorially. In the vulnerable position of a customer in need of a place to live, one foolishly looks for hints of trustworthiness in a real estate agent. Lucy's tone was not exactly reassuring, nor were her showy attitude and choice of car.

"Do you treat all your customers this way?" I asked warily.
"Of course!" she said, as though it were a silly question. You have to spend money to

make money, her look seemed to say.

"How old are you?" I couldn't resist asking. She pretended not to hear, and looked out the window as we made our way down a narrow street, slowed by teeming cyclists. But as the afternoon wore on, Lucy allowed that she was 24, that only six months before she had been a high-school teacher making \$100 a month, and that she was now making \$2,000 in monthly commissions.

"Business is too good," she said. "I'm too busy. A day isn't long enough for all the places I have to show. We have one big foreign company after another coming, and they all need apartments! The only problem is getting them to accept the prices."

Our first stop was in the northern side of town. Lucy said she had a home that would suit my needs perfectly: A town house surrounded by trees on a quiet street.

Lucy led me down a muddy alleyway — not a "street," exactly — and we arrived at a tall iron gate, where a second agent was waiting. Lucy tried to introduce me, but I could barely hear her because a team of jackhammers was at work on the building next door. Not "quiet," exactly.

Inside the gate stood a withered tree in the middle of a small square of mud. "This is the garden," Lucy said, sweeping an arm over the mud as though it were a vast lawn.

Inside, an unwashed cement floor led to a living room with grey walls smeared with black fingerprints. Stray wires peeked out of a square hole apparently meant to be an electrical socket. An odor of urine emanated

from the refrigerator faucet. I

Two boys in small uniforms stood in front of the door. "Only Back in the U.S.A.!" "I think," "Very

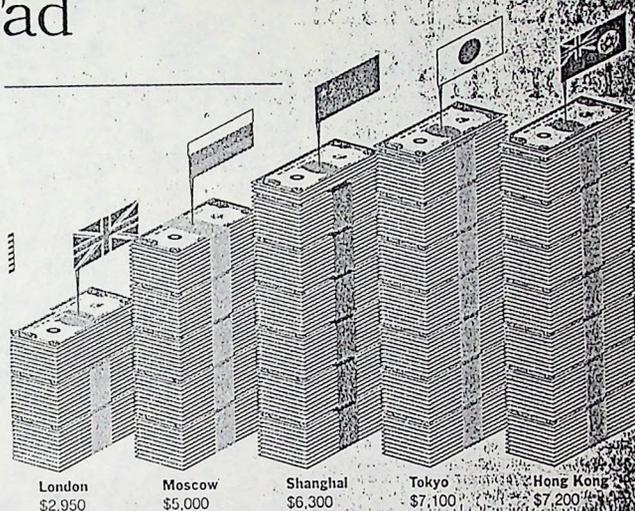
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from the kitchen, which had no stove, no refrigerator and a cast iron sink with a single faucet. Lucy turned the faucet. No water.

Two bedrooms waited upstairs, each with a small window overlooking the mud patch out front. Lucy must have noticed my frown.

"Only \$6,000!" she exclaimed.

Back in the Cadillac, Lucy began to pout. "I think you are very picky," she said.

"Very picky," I agreed.

ONE learns, in any tough real estate market, to tell an agent exactly what size and price one is seeking.

Yet in Shanghai, it doesn't seem to do any good. You tell them, and they ignore you, taking you to one disaster after another. At some point, one is tempted to ask: "How hard would it be to wipe the wall clean, or put in an electrical socket?" But with demand as it is, agents generally seem ready to drop the picky customer for the next one, who will doubtless be more pliable.

Although foreigners were once restricted to certain housing, presumably so they could be monitored more easily, such rules are now ignored in Shanghai. They could presumably be reinvented, as they were recently in Beijing. For now, getting housing means a readiness to dole out cash, lots of it.

My second try was with Jed Goldman, a displaced New York real estate agent with short hair and a wide smile. He picked me up in a truck. "It's a lot harder than in New York," Jed said. "The prices, they're a lot different.

"The first place we're going is north of here," he said. I had a sinking feeling when he led me down a familiar muddy path.

The same second agent was waiting by the iron gate, and the same jackhammers were at work on the building next door.

"That's amazing," said Jed, when he realized that I'd already seen the place. "I can't believe that."

He showed me a second place that was operating as an office for a Chinese company and looked characteristically overstaffed, with a middle-aged man lolling over a newspaper at one desk and a young woman chatting on a phone at the next.

"They'll move out as soon as you take it," he said.

"How much is it?" I asked, more out of curiosity than anything else.

"Eight thousand dollars a month," said Jed.

"This stuff I'm showing you," he said later, "I couldn't rent it in New York at any price. That first place was \$6,000. For that in New York, you could get a palace."

In the end, I got lucky. Not a palace, by any means, but a comfortable apartment in a government-managed building, where the guy in charge said a two-bedroom had become available an hour before I walked into his office (without an agent).

At \$3,400, it's a steal. The water goes off from time to time, the noise from a construction site next door goes on all night. But who's complaining? In Shanghai, nightmares do come true.

For Scott Reynolds - Apt. 2707 279-8800

Shanghai's Neo-Capitalists Find Real Estate

By SETH FAISON

SHANGHAI, June 23 — When he was posted here last fall, the United States Consul General was pleased to find an attractive villa in a new development called Elegant Garden. Warned about high rents, the consul got what he thought was a good deal: \$7,500 a month for a four-bedroom house with a lawn and a driveway.

Even before he moved in, the new consul, Joseph Borich, noticed that his name and position were being used in brochures to attract new tenants. But after other villas filled up at rents higher than his, the management announced that he was no

longer welcome.

Mr. Borich pointed out that he had signed a contract, though contracts are not worth much in China these days. The management turned off his electricity and hot water. After a bitter fight, Mr. Borich decided to move to another location outside the development. His new rent: \$15,000 a month.

Most Shanghai residents pay less than \$5 a month for rent in state-run housing. A box lunch of stir-fried beef, vegetables and rice costs 75

cents, while a taxi ride across town is less than \$2. But prices on the open real estate market are so high and available property is so limited that local real estate agents are manipulating newly arrived businessmen with an abandon that even a crafty New York real estate agent would admire.

In just three years, Shanghai's real estate market has been transformed from a cheap backwater to one of the most expensive in the world. With a surging demand from American and other foreign companies streaming into China regardless

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Continued on Page 2, Column 1

THE NEW YORK TIMES INTERNATIONAL SATURDAY, JUNE

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Continued From Page A1

of cost, real estate agents estimate that typical residential and office rents have more than doubled since 1992, drawing all manner of con artists into the market.

Forced onto waiting lists, and into homes with paper-thin walls, faulty electrical systems and brown water, Americans determined to crack the China market are paying a high price: two and three times the rent of similar-sized homes in New York City. Ford Motor Company, for one, spends an average of \$10,000 a month for two- and three-bedroom housing for its 30 expatriate staff members in Shanghai, or \$3.6 million a year.

Runzheimer International consultants, who advise American companies on the cost of living in cities around the world, estimate that a \$100,000-a-year executive who moves to Shanghai with a spouse and two children needs an extra \$92,000 a year to cover housing and other costs, up from \$52,000 in 1992.

Although sky-high rents have been a fact of life in Asian cities like Tokyo and Hong Kong for years, what is remarkable in Shanghai — and in Beijing and Bombay, where similar phenomena are unfolding — is that the prices are rising in a city that is decidedly third-world.

Low-quality construction can also have another price: Last weekend, a faulty gas pipe led to an explosion in a new, high-priced housing complex where some foreigners live, killing five local residents.

"It really is outrageous, if you think about it," said Andrew Ness, a real estate consultant for Richard Ellis Research and Development Consultancy in Hong Kong. "No one saw it coming. It's a real hot spot."

Hottest, perhaps, for shady real estate agents. A common tactic is for an agent to use one contract with a tenant, saying that all rent will be paid to the agent, and to use a different contract with the landlord, saying nothing about when the rent will be passed on.

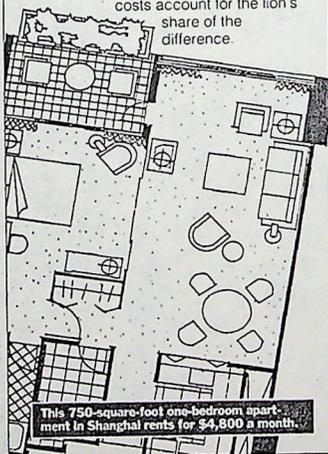
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The cost of living a western lifestyle in Shanghai is steep for American expatriates — even by New York standards. A couple who spend \$44,809 to live in New York, would have to spend \$120,260 to achieve the same living standard in Shanghai. Apartment costs account for the lion's share of the difference.



Breaking Down the Big Items

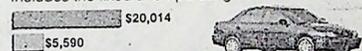
HOUSING

Includes rent, utilities and renters' insurance in comparable residences in comparable neighborhoods.



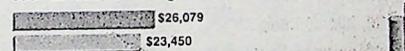
TRANSPORTATION

Includes the fixed and operating costs of a car.



GOODS AND SERVICES

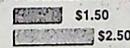
Includes the total amounts paid for a variety of items such as food, furnishings and medical care.



Pinching Pennies on Small Ones

While the total cost of goods and services are more expensive in Shanghai many everyday items are less costly than in New York.

CIGARETTES



CAN OF COCA-COLA



MOVIE TICKET



Source: Runzheimer International Consultants



The New York Times

twice as many illegitimate operations. "With such ongoing demand, this kind of thing is bound to happen."

Together with the overwhelming demand is a short supply. All land in China is technically owned by the state, but in 1988 local governments began granting long-term leases to developers. After instructions in 1992 from Deng Xiaoping, China's paramount leader, to develop Shanghai even faster, the municipal government suddenly began releasing hundreds of plots to local and Hong Kong developers, just as demand from newly arriving American and other foreign companies began to take off.

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At the top end, a place like Grosvenor House, managed by a Chinese

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A more common home for American executives is Shanghai Center, an American-managed building where the standard price for a 1,000 square-foot, two-bedroom apartment is \$6,300 a month. Although it is considered a prime site in Shanghai, with a guaranteed supply of electricity in a country where blackouts are routine, the apartments would be considered ordinary in Manhattan, where a similar-sized apartment would not cost half as much.

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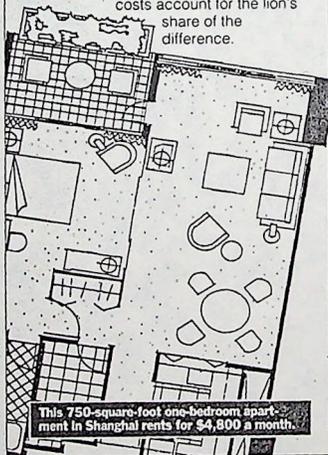
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KEY
 ■ Shanghai expenses
 ■ New York expenses

Breaking Down the Big Items

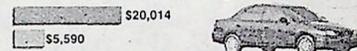
▼ HOUSING

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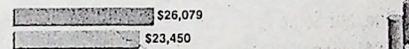
▼ TRANSPORTATION

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▼ CIGARETTES

■ \$1.50

■ \$2.50

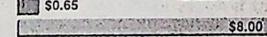
▼ CAN OF COCA-COLA

■ \$0.40

■ \$1.00

▼ MOVIE TICKET

■ \$0.65



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The New York Times

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