



Local Market

- Beijing's nominal gross domestic product was US\$84 billion, an 11.1% growth from the previous year.
- Beijing is the host city for the 2008 Summer Olympic Games and it is racing to modernize its infrastructure before the Games. Beijing plans to invest US\$39.5 billion from 2005-08 in addition to the US\$20.2 billion invested from 2002-04 in construction.



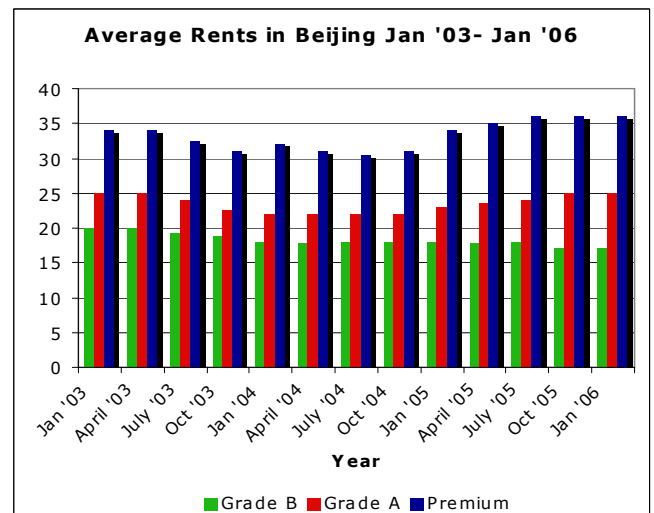
Artistic illustration of Fortune Center

Foreign Direct Investment

- During the first 11 months of 2005, Beijing attracted US\$5.79 billion in contracted foreign investment and utilized US\$3.42 billion.
- During 2001-05, the city attracted US\$21.23 billion in contracted FDI and actually used US\$12.2 billion, up 81.1% and 23.3% respectively, from the 1996-2000 period.
- More than half of the FDI in Beijing went to modern manufacturing.

Real Estate Market Summary

- The greater opening of China's market to the world in 2001 and the rapid economic growth in Beijing have contributed to the strong demand for office space in Beijing
- Net effective rents for Grade A offices increased by an average of 9.6%.
- The total Beijing Grade A office stock rose to 44.6 million square feet by the end of 2005.
- Estimates in early 2005 anticipate an addition of more than 107.64 million square feet of office space added by 2008.



*NOTE: Rents in US\$ /sq. ft/ month

CBD Office Market

- The CBD is home to around 3,000 domestic and foreign companies.
- A substantial supply of Grade A office space entered the CBD market in 2005.
- The total CBD Grade A office supply rose to 14.626 million square feet by the end of 2005.
- Some of the major constructions in the CBD are the NCI Tower, LG Tower, Full Tower and Fortune Plaza.



Industrial Market

- The General Office of the State Council reduced the supply of industrial land on August 2004 by enacting stricter measures over industrial land.
- This effectively restricts the future supply of land for industrial purposes.
- Currently there is a scarcity of vacant sites in the major industrial districts in Beijing.
- The Ministry of Land and Resources will implement a new system of land acquisition on July 1, 2006.
- *Goudi*, the new system of land acquisition, is an application system that includes the guaranteed price a party is willing to pay for obtaining a new site. Acquisition then occurs through a bidding process or listed sales methods based on the offers listed on the system.

Office rental rates in Beijing

(US\$/ sq. ft/ month)

Location	Low	High
CBD Office		
New Construction	2.79	3.75
Grade A	2.99	4.15
Grade B	1.85	2.60
Off CBD Office		
Grade A	1.05	1.99
Grade B	0.90	1.70

Vacancy Rates

- Vacancy levels remained considerably stable during 2005 as an adequate supply met a robust demand.
- Prime office space has been performing well in the market while Grade-B and lower facilities are taking longer to lease.
- The overall Grade A office vacancy rate is 13.4% for the beginning of 2006.

Industrial rental rates in Beijing

(US\$/ sq. ft/ month)

Industrial	Low	High
Bulk Warehouse	0.11	0.40
Manufacturing	0.17	0.50
R&D	0.45	0.85



Desheng Science Park of Zhongguancun

Abridged Directory of Development Zones

- Zhongguancun Science Park
 - Haidian Development Area
 - Yizhuang Science and Technology Area
- Beijing Economic & Technology Development Area
- Beijing Tianzhu Export Processing Area
- Shilong Industrial Development Area
- Tongzhou Industrial Development Area

Please contact AsiaPac Intl for complete directory

Retail Market

- The full opening of China’s retail sector in December 2004 has driven a substantial inflow of major international retailers.
- The retail market also experienced growth in 2005 driven by the strong Chinese economy.
- Wal-Mart, B&Q and Carrefour are some of the international retailers expanding into the Beijing retail market.
- International retailers have expanded into Beijing through acquisition.
- By April 2006, IKEA is set to open a 473,616 sq. feet store, its second largest store in the world, in the Beijing’s Chaoyang district.

Labor Force

- The city hosts 39 institutions of higher learning, including Peking University and Tsinghua University, China’s two most prestigious institutions.
- Fifty-nine tertiary level institutions are concentrated in Beijing, more than in any other city in China.
- Students from all over China are attracted to technical institutions such Beijing Institute of Technology, Beijing University of Chemical Technology, among others.
- There are 213 research institutions along with state-level laboratories and important engineering and technology centers.

Preferential Treatment in Zhongguancun Science Park

- Corporate income tax of 15% for new technology enterprises.
- Three-year income tax exemption for new technology enterprises.
- Two-year tax exemption after earning profits for productive enterprises with an operating period of 10 years or more; 50% tax reduction during the third to the fifth year.

Rental rates for prime retail space

(US\$/ sq. ft. / month)

Area	Low	High
Chaoyangmen	4.15	6.05
Jianguomen	6.05	16.70
Zhongguancun	5.60	9.30
Wangfujing	13.95	23.25






JinYuan Mall

Logistics

- Nine expressways, eleven national highways, five ring roads as well as city express routes connect the city to neighboring provinces.
- Beijing’s main airport, Beijing Capital International Airport, is the busiest in the country and located about 15 miles away from the city center.
- Beijing’s public transportation consists of a subway system, extensive bus and trolleybus routes. These services are expected to expand in preparation for the 2008 Olympics.

Short Term Outlook

Rental Rates	
Office	
Industrial	
Retail	

Outlook 2006

Office

- While there will be fewer Grade-A buildings entering the office market in 2006, rents are expected to remain stable during the first half of the year. Gradual increases can be expected towards the second half of the year.
- Some of the new buildings entering this year are *The Place*, *CBD International Mansion*, and the *Beijing Yintai Centre*.

Industrial

- It is expected that there will be 1,000 multinationals coming into the CBD in 2008, 400 of which are World Top 500 companies.
- The strict regulation of land supply will continue during 2006 and with the limited land supply, the price for commercial land is expected to increase.

Retail

- The limited supply of new retail space will drive up rental rates for available space.