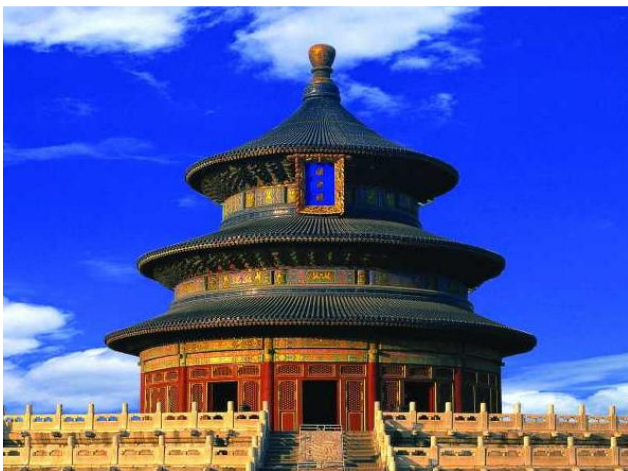




### Beijing Overview

- Beijing, with a population of about 14.9 million people, is the capital and second largest city in the People's Republic of China after Shanghai. It is also the political, educational, and cultural center of the country.
- The city has seen a dramatic change since it was elected to host the 2008 Summer Olympic Games. The Chinese government has invested million of dollars to modernize all areas of the city in order to offer better facilities and transportation to the millions of visitors expected to come to the games.
- Beijing's economic growth has remained very strong, and it is expected to improve even more and attract more foreign investors with the exposure from the Olympic Games coming next year.
- Beijing's strategic location, multitask work force, and low production costs are some of the benefits that the city offers to the many domestic and international businesses that operate every year.



Temple of Heaven

### Geography & Climate

- Beijing is located on northeast China. Its density in the metropolitan area consists of 343 square miles.
- The city's climate is a monsoon-influenced humid continental climate. Characterized by hot, humid summers due to the East Asian monsoon, and harshly cold, windy, dry winters.

### History

- Beijing literally means "Northern Capital," and it was formerly known as Peking or Peiking.
- It is believed that Beijing was the largest city in the world from 1425 to 1650 and from 1710 to 1825.
- While in Beijing, Mao Zedong announced the creation of the People's Republic of China in October of 1949.



Temple of Heaven

### **Labor Force & Education**

- China's literacy rate of those aged 15 and over is 90%, and its labor force is about 798 million people.
- Beijing is home to a great number of colleges and universities, and its inhabitants have relatively higher educational level than that of any region in China.
- The city hosts 59 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.
- There are 213 research institutions along with state-level laboratories and important engineering and technology centers.

### **Economy**

- China's economy in the last quarter century has changed dramatically, it has turned into an economy with a rapid growth rate and China as a whole is increasingly becoming a world player.
- The restructuring of the economy and resulting efficiency gains have contributed to a more than tenfold increase in GDP since 1978.
- China in 2006 stood as the second-largest economy in the world after the US.
- In 2006 China had the largest current account surplus in the world - nearly \$180 billion.
- At the end of 2004, China became the world's third largest trading nation behind the United States and Germany
- By the end of 2006, the value of FDI reached 4.55\$ billion this is up 29.1% year on year. This is the eight consecutive year of double digit GDP growth for Beijing.
- The strong economic growth in Beijing was powered by the Second industry and the Tertiary industry, which grew by 17.8% and 11.9% respectively.
- Beijing's GDP and urban resident per capita grew 12% and 14% respectively in 2006.



University of Beijing

### **Logistics & Transportation**

- Due to economic reforms, the city is constantly growing and has changed into an elaborate network of infrastructure and transportation.
- Beijing is a major transportation hub, with dozens of railways, roads and expressways entering and leaving it in all directions, and its transportation system is expected to expand even more in preparation for the 2008 Olympics
- Nine expressways, eleven national highways, five ring roads as well as city express routes connect the city to neighboring provinces.
- It has two main railway stations; Beijing Railway Station (the central station) and Beijing West Railway Station, where respectively 167 to 176 trains stop daily.
- Beijing also has international trains that run to cities in Russia and Pyongyang in North Korea.
- Beijing Capital International Airport (PEK) is the main airport in Beijing and one of the busiest in Asia. It is situated about 15 miles northeast of downtown Beijing.



Beijing's Airport is one of the busiest in Asia

### Some Multinationals in Beijing

- General motors
- Xerox
- Wall Mart
- Google.
- UPS
- Microsoft
- Nike
- AT&T
- Intel
- MC Donald's
- Boeing
- Dell

### 2006 Economic Indicators

	Beijing	China
<b>Inflation Rate</b>	1.0%	1.5%
<b>Urban Unemployment Rate</b>	4.2%	4.3%
<b>Real GDP Growth</b>	12.2%	10%
<b>Interest Rate (1-3 years)</b>	5.76%	N/A

### Commercial Real Estate Market Overview

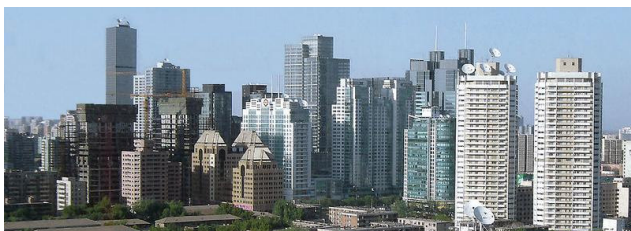
- All sectors of the commercial real estate market in Beijing have grown in the past year. Developers and investors are building both residential and commercial developments in anticipation of the Olympic Games.
- The investment in real estate during 2006 in Beijing rose to over \$11.5 billion up 16.8% year-on-year. Despite the increase of supply in all sectors of the real estate market, prices remained stable in anticipation of the increase of demand. There has also been considerable renewal activity in Beijing, demand has been broad based.
- In Beijing, like in the entire Chinese republic, all land titles belong to the government. The government grants long-term land use permits with varying degrees of length depending on the proposed use for the land.

### Office Market

- Demand for office space remains very strong, which has led to a fall of 1.6% in vacancy rates. Demand has been particularly active in the financial service sector.
- Supply slightly outpaced demand in the prime office sector in 2006; however, rental prices increased 8.2%.
- Over 6.1 million of square feet of new office supply were completed in 2006. In 4Q06 New Poly Plaza and The Gate were completed offering 1.5 million square feet.
- Business parks have made a resurgence of demand as a result of MNC's wanting to outsource some of their departments to lower their costs.



Beijing's Central Business District



Beijing's office market remains strong

### Office Rental Rates (US\$/SF/MONTH)

District	Low - High	Vacancy
<b>CBD</b>		
New	\$2.78 - \$3.71	N/A
Grade A	\$2.97 - \$4.18	12.8%
Grade B	\$1.85 - \$2.60	8.9%
<b>Non-CBD</b>		
Grade A	\$1.12 - \$2.13	N/A
Grade B	\$0.70 - \$1.67	N/A

### Major Retail Districts

- Chaoyang District
- Chongwen district
- Xidan

### Major Office Districts

- Pudong.
- Puxi.
- Financial Street.
- Xizhimen.
- Luwan.
- Huangpu.

### Retail Rates (US\$/SF/MONTH)

Zone	Low	High	Vacancy Rate
<b>Downtown</b>	\$12.54	\$17.66	2.0%
<b>Service Centers</b>	\$1.02	\$7.43	1.0%
<b>Community Power Center</b>	\$0.55	\$4.65	1.0%
<b>Regional Malls</b>	\$9.29	\$16.72	7.0%



Xidan retail district

### Major Industrial Zones

- Tianzhu Airport Industrial Zone
- Beijing Liangxiang Industrial Development Area
- Beijing Xinggu Development Area
- Beijing Linhe Industrial Development Area
- Beijing Economic-Technological Development Area
- Beijing Shilong Industrial Development Area

### Retail Market

- Both the leasing and investment markets for prime retail were both extremely active in 4Q06.
- The retail market has continued to attract both domestic and international retailer's capital for expansion.
- Leasing demand across many retail sectors including fashion, jewellery, and department stores are very strong.
- Emerging areas have been growing well as a result of a desire to set up before the Olympic Games.
- Retail properties targeting the mass consumer are very sought after as a result of the huge increase expected customer base, as a result of the summer 08 Olympics.

### Industrial Market

- Beijing's major industrial enterprises reported profits of over \$4.2 billion in the first in 2006, 15.9% increase over 2005.
- This is an excellent indicator that Beijing will continue to be a top choice for industrial enterprises.
- The Zhongguancun Science Park reported that on average, ten high technology companies were set up each day.
- The total number of enterprises in the park totaled 18,000 by the end of 2006.
- The Zhongguancun Science Park the largest in China which is also a major indicator of the Beijing industrial sector has reported a 30% increase in the year on year total revenue.




### Industrial Rates (US\$/SF/MONTH)

Zone	Low - High	Vacancy Rate
<b>Warehouse</b>	\$0.11 - \$0.45	5.0%
<b>Manufacturing</b>	\$0.19 - \$0.58	4.0%
<b>High Tech /R&amp;D</b>	\$0.54 - \$0.98	2.0%

**Forecast for the rest of 2007**

- **Office:**
  - Despite good demand 2007 will be a very competitive year.
  - The rental outlook appears to be unchanging in the face of new supply this intern has lead to an excellent time for corporate expansion.
  - The En Bloc sales market is expected to be twice as active in 2007 as it was the year before.
  - About 3,200,000 square feet are planned for completion by early second quarter.
- **Industrial:**
  - The demand for high quality logistics facilities by MNC’s will continue to be high.
  - There is a scarcity of facilities that meet the standards of many occupiers this has lead to an increase in supply in the coming years.
  - Beijing will continue to grow in the business park sector as it is a prominent expansion area.
- **Retail:**
  - There has been and will continue to be a good level of growth in Beijing’s retail sector due to the upcoming 2008 Olympic games.
  - It is forecasted to be a massive increase in supply which should come into the market over the next 2 years.
  - Strong demand will counter the effect of increased supply keeping the rental prices up due to the vast majority of the new supply being pre-leased.

**Short Term Outlook  
Rental Rates**

<b>Office</b>	
<b>Industrial</b>	
<b>Retail</b>	



Chaoyang District

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