



## Beijing Overview

- Beijing is located in the northeast of the People's Republic of China (PRC). Beijing is the capital of China and is one of the four municipalities in the republic. The entire municipality has a population of over 17.4 million, while the urban area has a population of 8.4 million people, making it the second largest city in China.
- Beijing is considered to be the center for politics, education, and culture in China, while Shanghai is more prominent economically. However, due to the 2008 Summer Olympic Games and the city's rapid expansion, Beijing is becoming a stronger contributor to the Chinese economy.
- There is a dual-party system in Beijing, in which the mayor of Beijing holds the most power in the city. However, The China Municipal Committee Secretary of the Communist Party controls all of the four municipalities.
- China's GDP is \$7.04 trillion, making it the second largest economy, behind only the United States. Since the late 1970s, the Chinese government has made many economic reforms to change China from a centrally focused economy to a major global contributor. Today, the economy is flourishing and expanding rapidly.
- Important industries in Beijing include mining and ore processing, machine building, textiles and apparel, consumer products, transportation equipment, telecommunications equipment, and armaments. Recently, Beijing has been a forerunner for innovative entrepreneurs and high-growth start-ups.
- Considered the center for higher education in China, Beijing has an extremely strong education system, with more tertiary-level learning facilities than any other city in China and many prestigious universities. This strong education system provides for a 90.9% literacy rate and a well-educated labor force of 803.3 million people.
- Since the area of Beijing was settled in 473 BC, there have been many power struggles between different rulers and dynasties. In 1949, after many name changes, the Beijing Municipality was declared the capital of The People's Republic of China.
- The urban area and the surrounding suburbs of the municipality have greatly expanded since 1949, and have brought on many urbanization problems in Beijing. In 2005, the government passed a plan to stop the extremely rapid expansion of Beijing, in order to eventually solve the problems of urbanization.
- The total area of the municipality is 6,487 mi<sup>2</sup>. It is in the northeast part of China and is bordered by the Jundu and the Xishan Mountains. The urban area of Beijing is positioned in the south-central part of the municipality.
- The Great Wall of China extends across the northern part of the municipality, while the major Yongding and Chaobai rivers run south through the municipality.
- The annual average low and high temperatures are 45°F and 63°F respectively. The annual average rainfall is 25.1 inches. The monsoon-influenced summers are hot and humid and the winters are extremely cold and dry.
- The coldest months are December and January, while the hottest months are June and July.



## Labor Force & Education

- The development of a well-educated and skilled workforce in Beijing has attracted many multinational companies to the municipality.
- The opportunities for jobs have brought over 200 million rural laborers to urban areas of China.
- Of the 803.3 million people in China's labor force, 43% work in agriculture, 25% work in industry, and 32% work in services.
- Although 43% of the labor force is in agriculture, only 11% of China's GDP comes from agriculture, while 49.5% comes from industry and 39.5% from services.
- A high level of education among the workforce is one of the main reasons of the high productivity in the municipality. China's overall literacy rate is about 90.9%.
- The minimum wage rate in Beijing recently rose to \$59.80 per month, and is expected to rise again in the next few months. The unemployment rate in Beijing is 6.1%.
- Beijing is home to some of the most prestigious universities in China. Some important universities in Beijing are: Peking University, People's University of China, Tsinghua University, and Central Institutes of Nationalities.
- Beijing has at least 59 tertiary learning institutions in the city, more than any other city in China.
- Beijing has enough primary and secondary institutions to accommodate every student in Beijing throughout their mandatory years of schooling. Three fifths of the students in Beijing move on to secondary schools from primary schools, a rate much higher than China's national average.



Peking University

## Transportation

- Beijing is considered to be one of the most important transportation centers internationally and domestically. There are five main railway stations in the metropolitan area, connecting domestically with Guangzhou, Shanghai, Harbin, and Baotou, and internationally with Russia, North Korea, and many other cities and countries.
- The municipality is directly connected with all major parts of China through nine expressways and eleven China National Highways. The urban area is connected by five rings of roads that encircle the city. These rings connect the suburbs of the city to the more urban areas.
- Beijing has over 200 airports, making the city essential for air travel in China. The Beijing International Airport was recently expanded, and is now one of the busiest air traffic centers in Asia.
- The public transportation in Beijing is still expanding to keep up with the rapid growth of the city. There are 599 bus and trolleybus routes, and large amounts of taxis. In anticipation for the 2008 Olympics, there has been a lot of work done to correct problems with traffic and the inefficiency of public transportation.



Beijing Railway Station

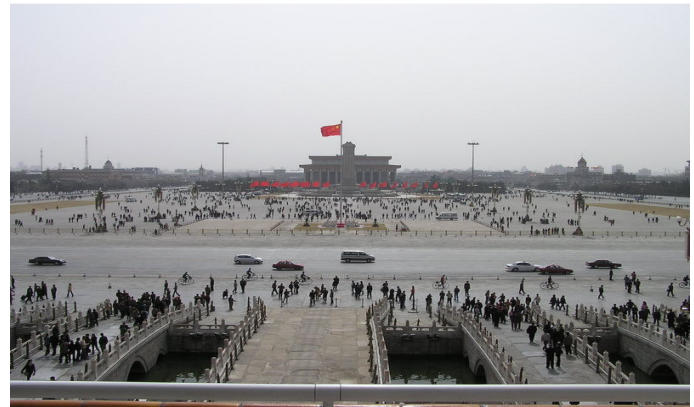
## Government

- China is a Communist State that is divided into 23 provinces, five autonomous regions, and four municipalities. The main political party is the Chinese Communist Party, but there are eight other registered parties.
- Beijing's local government is made up of a mayor, vice mayors, and other bureaus that maintain civil economic, social, and cultural matters.
- Beijing is one of the four municipalities in the People's Republic of China. The Mayor of Beijing, currently Guo Jinlong, is the leading official in the People's Government of Beijing.

- Because Beijing is the national capital, there are many important political institutions located in the city, including the National People’s Congress, State Council, and the Supreme People’s Court.

**Economy & Incentives**

- Before the 1970s China had a very internally focused economy. Since the late 1970s the government has successfully worked to transform China into a strong contributor to the global economy.
- Beijing’s already expanding economy has experienced a significant boost with the upcoming 2008 Summer Olympic Games. Over the past four years, the GDP has grown at an average rate of 9.8% per year and 1.82 millions jobs have been created.
- Beijing is home to 23,800 industrial enterprises in electronics, machinery, chemicals, light industry, textile, and car manufacturing.
- Beijing’s high technology sector is crucial to the expansion of the economy. The Zhonguancun area, called “China’s Silicon Valley,” is one of the driving forces for the boost in Beijing’s economy.
- Unlike most major cities, agriculture in Beijing plays a major role in the economy. The farm belt surrounding the city is one of the most mechanized agricultural areas in China.
- The industry sector of the economy has significantly expanded in recent years following economic reforms, but recent concerns for the environment have hindered further growth in industry.
- Beijing has become the leader for steel and iron production, machinery production, and textile production in China.
- The Act on Foreign Investment Enterprises and Foreign Enterprises has created preferential tax policies for start-up high technology enterprises.
- The tax policies in Beijing encourage firms to remain in the city for longer periods of time by granting tax concessions, refunds, and cuts for businesses in Beijing after a certain amount of time.



Tiananmen Square

<b>Beijing</b>	
Municipality Population	17.4 million
Population Density	2,685.8/ mi <sup>2</sup>
Urban Population	8.4 million
Municipality Area	6,487 mi <sup>2</sup>
GDP	\$128 billion
GDP Per Capita	\$7,200
<b>China</b>	
Population	1.32 billion
Population Growth Rate	0.606%
Total Area	3,705,406 mi <sup>2</sup>
GDP Purchasing PP	\$7.04 trillion
Real GDP Growth	11.4%
GDP Per Capita	\$5,300
Inflation Rate	4.7%
Labor Force	803.3 million
Unemployment Rate	6.1%
Currency	Chinese Yuan
Literacy Rate	90.9%
Average High Temp	63°F
Average Low Temp.	45°F
Average Annual Rainfall	25.1 inches
Official Language	Mandarin
Government Type	Communist State

**Real Estate Market**

- The commercial real estate in Beijing continues to expand due to the upcoming Olympics. There have been massive completions of commercial real estate projects in order to accommodate the influx of businesses and people coming to Beijing in 2008.
- In 2007 over \$28.5 billion were invested in Beijing’s real estate market, an increase of 16% from 2006.
- The total office space is 148 million square feet. Office space is predominately located in the CBD, Zhongguancun, Finance Street, Lufthansa, and Chaoyangmen.

- The total space in the retail market is 42.3 million square feet, with 3 million available. All property markets in Beijing are expected to continue expanding, and rental rates are expected to continue rising.
- The industrial market has many new projects under construction that are expected to boost the logistics market and maintain the gradually expanding factory and industrial office markets.

### Office Market

- The office market continues to be very active. Last year the market saw an overall absorption of 19.5 million sq ft and the addition of more than 22.5 million sq ft, an increase of 18% and 50% respectively. The total office space is now 148 million sq ft and the overall vacancy rate is 16.2%, an increase of 18.9% and 3.4% from 2006 respectively. The overall class A vacancy rate is 14.6%.
- The demand in Beijing mostly came from Finance and IT industries, and is primarily in the CBD. Approximately 65% of the new space introduced last year was completed in the CBD, and the area is expected to continue attracting foreign enterprises. Current space in the CBD totals 33.37 million sq ft.
- Rental rates continue to increase due to the high demand. The current overall rental price is \$2.47, while the rental rate for class A and class B is \$3.42 and \$2.10 respectively. The overall office capital value is \$292, while the overall investment yield is between 8.0% and 10.0%.
- The Zhongguancun area is the technology hub of Beijing and is located in the northwestern part of the city. It is home to many companies specializing in chip design, Internet applications, mobile telecommunications, digital technology, bio-medicine, and many other high technology and research industries. In 4Q 2007 there was no new property added to the market, while the constant demand in this area lowered the vacancy rates to 8.7%.
- Chang'an Avenue is located in the middle of the downtown area. Little new supply is expected in this location.
- The district of Lufthansa has very good facilities and the majority of its tenants are foreign companies.
- The Financial Street in Beijing is the international center for business and finance in Beijing. There are over 1,000 companies that make up this center for domestic and international financial business. In 4Q 2007 the Excel Centre entered the market, adding 427,585 square feet and pushing vacancy rates up 7.8% to 11.71%.
- In the coming year, it is expected that the CBD will continue to get the most new supply. The increase in supply will be absorbed quickly due to the growing economy and high demand for space in Beijing.
- The office market is expected to continue expanding at a promising rate. The CBD will see most of the new space in the next few months. Throughout 2008, approximately 13.5 million sq ft of class A will be added to the market and 9.15 million sq ft are forecasted to be absorbed. Demand will continue to increase, while rental rates will see little increase due to the large volume of new space being introduced.



Finance Street

Office Market (USD/Sq. Ft./Month)				
Office	Total Space	Class A Space	Rent	Vacancy
CBD	33.36 m sq ft	13.1 m sq ft	\$2.68 - \$3.65	26.1%
Zhongguancun	31.15 m sq ft	7.94 m sq ft	\$2.00 - \$2.55	9.3%
Finance Street	28.16 m sq ft	17.0 m sq ft	\$2.88 - \$3.40	11.7%
Lufthansa	15.46 m sq ft	5.94 m sq ft	\$2.72 - \$3.42	15.0%
Chang'an Avenue	10.73 m sq ft	6.42 m sq ft	\$2.77 - \$3.15	6.8%
Chaoyangmen	14.34 m sq ft	6.17 m sq ft	\$2.53 - \$3.50	20.4%
Asian Games Village	8.58 m sq ft		\$2.08	17.7%
Overall	148 m sq ft	72.7 m sq ft	\$2.47	16.2%
Overall Class A	72.7 m sq ft		\$3.42	14.6%
Overall Class B			\$2.10	16.8%

### Retail Market

- The upcoming Olympics and a rise in disposable income are increasing the demand for retail space, and raising rental prices. Prime ground floor rents have increased to \$12.46 and prime first floor to \$7.95 per sq ft per month. The overall prime rental rate is \$7.68 per sq ft per month.
- The overall vacancy rate is 7.1%, while the prime vacancy rate is 10.0%. The prime retail capital value is \$650 per sq ft and the investment yield ranges between 6.6% and 8.6%.
- The prime retail space is about 25 million sq ft, and approximately 15 million are expected to be added to the market in the next 20 months.
- The main areas in Beijing for retail are the Wangfujing area, the Xidan area, the Greater CBD area, and the Chaoyangmenwai & Lufthansa area. These areas are home to many department stores, boutiques, supermarkets, and other retail establishments.
- A substantial increase in the supply of retail properties is expected in 2008. Rental rates and vacancy rates are expected to continue increasing.

Prime Retail Market (USD/Sq. Ft./Month)		
	Rent	Vacancy
Ground Floor	\$12.46	7.1%
First Floor	\$7.95	
Capital Value		Investment Yield
\$650 per sq ft		6.6% - 8.6%

### Industrial Market

- The industrial market in Beijing is experiencing an increase in demand with a limited land supply. This trend has forced rental rates and land prices up.
- The average land value has increased 7.2% year-on-year to \$16.21 per square foot.
- There are a few projects underway, mostly in logistics that will help stabilize land prices. ProLogis Tongzhou Logistics Park is a major facility underway that will add 652,658 square feet to the logistics market.

Industrial Market USD/Sq. Ft./ Month)	
Overall	\$0.70
Factory	\$0.51
Warehouse/Logistics	\$0.39
Industrial Office	\$1.15
Beijing Airport Logistics Park	\$0.48
Zhongguancun Z Park	\$1.85
Tsinghua Science Park	\$2.18
Beijing Economic Tech. Dev. Area	\$1.09

### Some multinationals in Beijing

- Many multinational businesses have chosen to put offices in Beijing. There are thousands of international research, financial, and consumer companies in the city.
- Financial firms such as UBS, Goldman Sachs, JP Morgan, and Bank of America have chosen Beijing for some of their major offices.



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