

MARKETBEAT

BEIJING RESIDENTIAL REPORT

A CUSHMAN & WAKEFIELD RESEARCH PUBLICATION



3Q08

Serviced Apartments Lead Buoyant Leasing Activity

- Driven by the Beijing Olympics, the residential leasing market remained buoyant in the past quarter with rentals rising rapidly across the board. The average rentals for both luxury and mid-market (based on a long-term leasing contract) had an increase of 3.82% and 6.83% quarter-on-quarter (q-o-q), to RMB161.72 (US\$23.71) and RMB98.76 (US\$14.48) per sq m per month, respectively.
- At the end of 3Q 2008, the average vacancy rate for luxury and mid-market edged up to 20.34% and 11.17%, respectively, as a result of the expiration of many short-term leasing contracts and a lower demand than earlier expectation, especially for the apartment sector.

Actual Rental Level Lower than Landlord's Olympic Expectations

- According to the experience of many other Olympic host cities, Beijing's landlords had a high confidence of rental incomes based on a positive prediction of strong demand, especially for those preferring a short-term leasing, which brought an overall rental hike. While demand was not as optimistic as forecasted because of policy restriction of foreigners' visa to Beijing as well as the competition from the hotel sector, which caused the actual market rental level to be lower than landlord's Olympic expectations.

Macro Intelligence of Residential Market

- According to the data released from the Beijing Bureau of Statistics, the residential development investment in Beijing amounted to RMB48.6 billion, with a year-on-year (y-o-y) decrease of 10.8% in the past eight months of 2008. Meanwhile, residential sales declined remarkably by 55.5% compared with the same period last year, to 4.49 million sq m. Even so, the sales price for new residential houses witnessed a y-o-y rise of 15.2%, maintaining a rising trend.
- Restricted by the Government monetary policies and weak sales, most real estate developers faced a problem of financial constraints. A more cautious wait-and-see attitude was observed among the homebuyers as an anticipation of a further price cutting in the near future.

New Metro and Light Rail Opened

- Metro line No.10 phase I (length of 24.65 km), Line 8-Olympic Line (length of 4.5 km), Airport Line (length of 27.3 km) as well as Beijing-Tianjin Light Railway (length of 120 km) were officially opened for service in Q3 2008 which may bring a higher price for housing alongside the railway line.

RESIDENTIAL RENTS – 3Q 2008

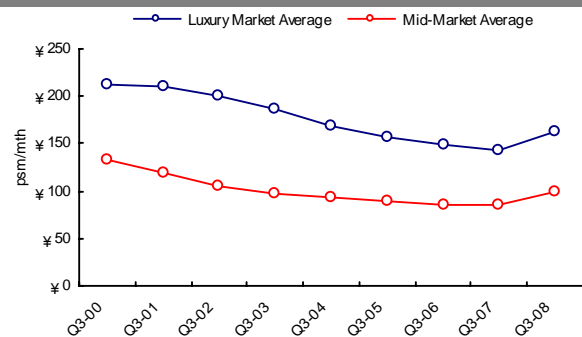
	GROSS RENTS		% CHANGE FROM		
	RMB/ SQM/MTH	US\$/ SQM/MTH	3 MONTHS AGO	6 MONTHS AGO	12 MONTHS AGO
Luxury Market	161.72	23.71	3.82%	5.98%	13.02%
Villas	132.77	19.47	1.25%	4.13%	4.70%
Apartments	175.98	25.80	4.78%	6.68%	16.46%
Mid-Market Average	98.76	14.48	6.83%	12.07%	16.66%
Villas	109.31	16.03	1.39%	3.86%	5.61%
Apartments	95.61	14.02	8.79%	15.18%	20.99%

Source: Cushman & Wakefield Research.

Note: Rental calculated based on a long term contract, not the short term contract during Olympics

The exchange rate: USD 1 = RMB6.8203

RESIDENTIAL RENTAL VALUES LUXURY VS. MID



Source: Cushman & Wakefield Research.

Note: "Luxury" signifies the best quality residential projects. C&W's basket of luxury apartments includes developments such as Embassy House and Oriental Plaza. Luxury Villas include River Garden, Beijing Riviera and Yosemite Villa. "Mid-Market" refers to good quality projects popular amongst expatriates. C&W's basket of mid-market apartments includes developments such as Seasons Park and Global Trade Mansion. Our basket of mid-market villas includes Lane Bridge and Dynasty Garden.

AVAILABILITY AT POPULAR DEVELOPMENTS

NAME	TYPE	GROSS AREA (SQ M)	ASKING RENTS	COMMENTS
Upper East Side Phase III	3 bedrooms 4 bedrooms	190 320	US\$2,932-US\$3,226 US\$5,132-US\$5,865	Located at Lido area, on East 4 th Ring Road, comprising ten architecture groups with different style buildings, completed facilities inside the compound, brand new opened.
Dragon Bay	3 bedrooms 4 bedrooms	290 350	US\$4,105-US\$4,692 US\$5,132-US\$5,865	Located next to Wenyu River, 15-minute ride to the airport, the architectural design combines both western and eastern style.
Yosemite – Chinese Villa (C)	4 bedrooms 5 bedrooms	560 550	US\$8,797-US\$9,530 US\$8,797-US\$9,530	Located next to Wenyu River, close to ISB School, Chinese style exteriors, western style interiors, luxurious club house.
Marriott Executive Apartments Palm Spring, Beijing	2 bedrooms 3 bedrooms	178 245	US\$5,865-US\$6,158 US\$8,797-US\$9,530	Located at Chaoyang Park area, on East 4 th Ring Road, features interior of colours, fabrics and wood veneers, luxurious apartment.
Shama Luxe Chang'an	2 bedrooms 3 bedrooms	126-156 155-166	US\$4,105-US\$4,692 US\$5,278-US\$5,572	Located at Jianguomen area, close to the city's Central Business District, a vast clubhouse with sports, recreation and children's facilities and a large, private garden.
Lanson Place Central Park	2 bedrooms 3 bedrooms 4 bedrooms	136 180 274	US\$4,692- US\$5,278 US\$5,865- US\$7,038 US\$8,650- US\$9,970	Located in the heart of Beijing's Central Business District, adjacent to the Foreign Embassy District, comprehensive facilities and favorable service



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