

# Greater China

2<sup>nd</sup> Quarter 2008

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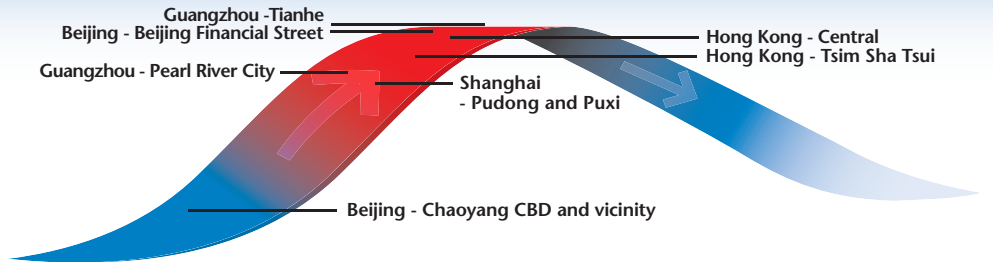


## Retail market highlights

- During the second quarter of 2008, the retail property market strengthened in Shanghai and Guangzhou, but weakened in Beijing and Hong Kong.
- In Shanghai, the rapidly-growing purchasing power of the middle class encouraged international retailers like Zara from Spain, Costa from the UK and Mannings from Hong Kong to expand their networks in the city. The prime retail vacancy rate declined from 7% to 6% during the second quarter.
- In Guangzhou, rentals were pushed up, with a number of landlords able to attract tenants with deeper pockets after repositioning their department stores and malls. Grandview Mall, for example, improved its tenant mix by securing a number of watch retailers, including Rolex and Tutor, upon the expiry of previous leases.
- In Beijing, retail leasing transactions shrank, as most major retailers had already secured retail space to grasp business opportunities arising from the Olympics. The government moratorium restricting fitting-out activities in the run-up to the Games also discouraged potential tenants from committing to new leasing agreements.
- In Hong Kong, a turbulent financial market slowed the growth of retail sales volume to 7% during the second quarter, from double digits in the previous three quarters. Except for tenants in the jewellery and watch industry, most tenants became cautious when it came to making leasing commitments.
- In the coming months, retail rental growth in the Mainland's key cities is likely to outpace that of Hong Kong. In Mainland China, foreign brands will continue to compete for footholds in major cities, while in Hong Kong, retailers may slow their pace of expansion, with the unemployment rate expected to rise and inflation expected to eat into real income.

## Prime office market

### Office rental cycle



### Outlook (3Q 2008)

City	Price	Rental
Beijing	↗	↔
Guangzhou	↘	↗
Shanghai	↗	↗
Hong Kong	↘	↗

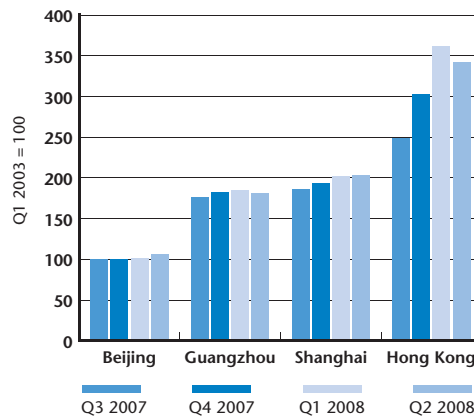
### Prices, rentals, vacancy rates and yields <sup>[1][2]</sup>

City	Price (US\$ psm)	Rent (US\$ psm per month)	Vacancy rate	Yields
Beijing	\$3,226	\$29.7	14.8%	7.9%
Guangzhou	\$3,546	\$21.4	10.7%	6.9%
Shanghai	\$6,467	\$44.2	3.9%	8.2%
Hong Kong	\$17,242	\$72.6	2.1%	3.8%

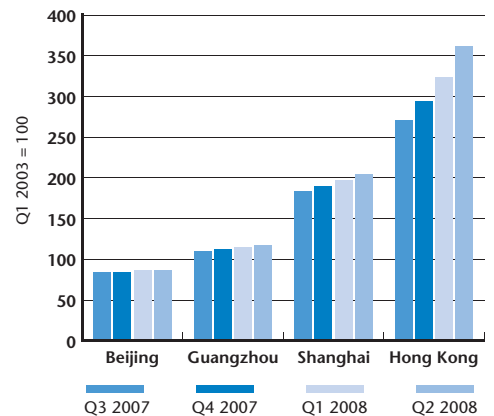
[1] Average prices and rentals are derived from different baskets of buildings, hence the two should not be used to estimate the average yield.

[2] Prices and rents are calculated on gross floor areas.

### Grade-A office price index



### Grade-A office rental index



### Supply and demand indicators













City	Indicators	Comments
Beijing	<ul style="list-style-type: none"> <li>209,238 sq m of Grade-A office space was completed.</li> <li>Take-up of Grade-A offices was 138,822 sq m.</li> </ul>	<ul style="list-style-type: none"> <li>Leasing transactions shrank due to the moratorium that restricted fitting-out activities in the run-up to the Olympics.</li> </ul>
Guangzhou	<ul style="list-style-type: none"> <li>Two Grade-A office projects in Pearl River City were launched, providing about 160,000 sq m of new office space for sale.</li> </ul>	<ul style="list-style-type: none"> <li>The launch of new space at low prices boosted the sales market, with transacted area surging 230% compared with the last quarter. A surge in supply of quality space encouraged companies from the IT and financial sectors to upgrade their offices.</li> </ul>
Shanghai	<ul style="list-style-type: none"> <li>47,690 sq m of space was completed.</li> <li>New space completed in the first quarter was absorbed rapidly.</li> </ul>	<ul style="list-style-type: none"> <li>Chamtime Int'l Financial Centre in Zhuyuan CBD was completed, adding about 47,690 sq m of Grade-A office space to the stock.</li> </ul>
Hong Kong	<ul style="list-style-type: none"> <li>Four buildings in Kowloon East will be completed in 2008, providing about 273,000 sq m of new Grade-A office space.</li> <li>No Grade-A office buildings are slated for completion in Central in 2008.</li> </ul>	<ul style="list-style-type: none"> <li>Amid low vacancy rates, Grade-A office rentals on Hong Kong Island will continue to follow an upward trend in the coming months, albeit at a slower rate.</li> </ul>

## Major sales transactions

City	District	Development	Floor / Unit	Area (sq m)	Price (US\$ million)	Price (US\$ per sq m)
Beijing	Dongcheng	Metro World Centre (to be renamed Chaoyangmen SOHO after acquisition)	En bloc	432,000	\$790.5	\$1,830
Beijing	Chaoyang	Shengyuan Centre	En bloc	42,380	\$86.3	\$2,035
Guangzhou	Tianhe	Center Plaza	Tower B / 9/F	1,211	\$3.5	\$2,899
Guangzhou	Tianhe	China Shine Plaza	20/F	1,022	\$4.0	\$3,926
Shanghai	Jing'an	The Centre	En bloc	98,300	\$637.8	\$6,489
Shanghai	Pudong	Dejia Zhidi Tower	B2	1,224	\$8.3	\$6,772
Hong Kong	Wan Chai	Convention Plaza Office Tower	49/F / unit 5	143	\$3.8	\$26,853
Hong Kong	Admiralty	Far East Finance Centre	47/F / unit 4	237	\$6.3	\$26,679

“In Guangzhou, Grade-A office sales are expected to edge down in the third quarter, due to a lack of supply and seasonal weakness during the summer holiday.”

## Market activity

	Sales		Leasing	
	2Q 08 vs 1Q 08	3Q 08 Outlook	2Q 08 vs 1Q 08	3Q 08 Outlook
Beijing				
Guangzhou				
Shanghai				
Hong Kong				

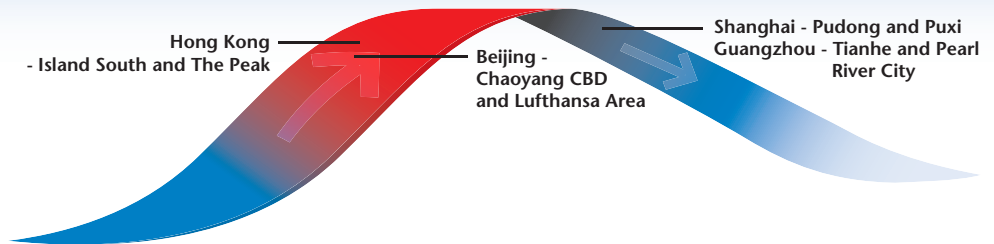
## Major leasing transactions

City	District	Development	Floor / Unit	Area (sq m)	Monthly rental (US\$)	Rental (US\$ per sq m)
Beijing	Chaoyang	China Central Place	Tower 3 / 14-19/F	13,000	\$317,620	\$24.4
Beijing	Xicheng	Winland International Centre	8/F	340	\$15,392	\$45.3
Guangzhou	Tianhe	Center Plaza	13/F / unit 9	138	\$2,619	\$19.0
Guangzhou	Tianhe	China Shine Plaza	7/F / unit 18	550	\$8,853	\$16.1
Shanghai	Pudong	Standard Chartered Tower	Low floor	2,895	\$107,522	\$37.1
Shanghai	Luwan	Lippo Plaza	High floor	222	\$11,653	\$52.4
Hong Kong	Tsim Sha Tsui	International Commerce Centre Phase Two	50-66/F (13 floors)	42,271	N/A	N/A
Hong Kong	Central	Exchange Square Three	6 floors	6,132	N/A	N/A

Note: All data are subject to revision.

## Luxury residential market

### Residential rental cycle



### Outlook (3Q 2008)

City	Price	Rental
Beijing	↔	↘
Guangzhou	↗	↘
Shanghai	↗	↗
Hong Kong	↘	↔

### Prices, rentals, vacancy rates and yields <sup>[1][2]</sup>

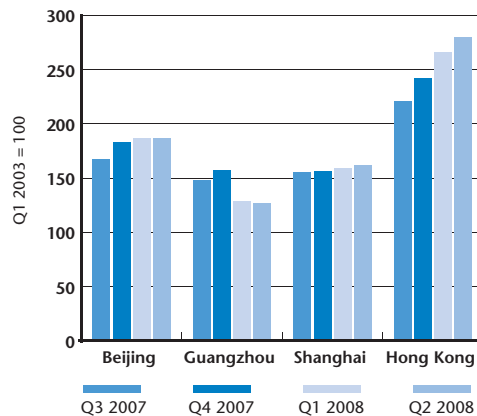
City	Price (US\$ psm)	Rent (US\$ psm per month)	Vacancy rate	Yields
Beijing	\$4,292	\$21.3	20.9%	6.1%
Guangzhou	\$3,074	\$16.1	11.0%	6.3%
Shanghai	\$4,083	\$23.1	16.9%	6.8%
Hong Kong	\$25,097	\$68.2	8.4% <sup>[3]</sup>	3.8%

[1] Average prices and rentals are derived from different baskets of buildings, hence the two should not be used to estimate the average yield.

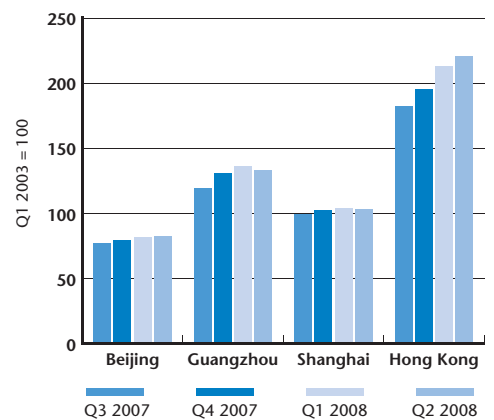
[2] Prices and rents are calculated on gross floor areas.

[3] End-2007 vacancy rate of units sized over 100 sq m from Rating and Valuation Department, HKSAR.

### Luxury residential price index



### Luxury residential rental index



### Supply and demand indicators

















City	Indicators	Comments
Beijing	<ul style="list-style-type: none"> <li>14 new properties added a total of 3,823 units to the luxury residential market.</li> <li>3,051 units were taken up.</li> </ul>	<ul style="list-style-type: none"> <li>3,267 new apartments, including 1,682 serviced apartment units, entered the market. The supply of new villas increased to 556 units.</li> <li>Short-term leasing demand for serviced apartments remained robust.</li> </ul>
Guangzhou	<ul style="list-style-type: none"> <li>81,000 sq m of luxury residential properties in North Tianhe and Pearl River City were launched.</li> <li>Transactions in North Tianhe and Pearl River City were up 68% from last quarter.</li> </ul>	<ul style="list-style-type: none"> <li>Pearl River City, a popular area for investment, saw more new units for lease along with the completion of new residential developments.</li> </ul>
Shanghai	<ul style="list-style-type: none"> <li>Tomson Riviera, which was intended for sales, was relaunched for lease, adding about 4,340 sq m of space to the luxury residential leasing market.</li> </ul>	<ul style="list-style-type: none"> <li>Demand for serviced apartments shrank as the government tightened business visa approvals.</li> </ul>
Hong Kong	<ul style="list-style-type: none"> <li>There were 1,781 luxury residential transactions (worth at least US\$1.3 million each) during the quarter, a rise of 7% compared with the first quarter of the year.</li> </ul>	<ul style="list-style-type: none"> <li>Two large-scale residential projects, The Palazzo and Celestial Heights, were launched, providing about 2,000 units.</li> </ul>

## Major sales transactions

City	District	Development	Floor / Unit	Area (sq m)	Price (US\$ million)	Price (US\$ per sq m)
Beijing	Chaoyang	Fortune Plaza	N/A	253	\$2.0	\$7,952
Beijing	Chaoyang	Park Hyatt Penthouse	N/A	549	\$5.4	\$9,788
Guangzhou	Tianhe	Riverside Garden	Tower A9 / 23/F	217	\$0.7	\$3,328
Guangzhou	Tianhe	The Cosmos	32/F	250	\$0.9	\$3,611
Shanghai	Pudong	Regency Park Phase VII	Unit 366	316	\$3.7	\$11,842
Shanghai	Luwan	Casa Lakeville	N/A	130	\$1.4	\$11,037
Hong Kong	Peak	Severn 8	House 2	471	\$36.4	\$77,273
Hong Kong	Tsim Sha Tsui	The Arch	Block 2A / 80/F	511	\$29.0	\$56,759

“The influx of visitors for the Olympics has pushed up luxury residential rentals in recent months. After the Games, units vacated by these short-term tenants are expected to be taken up by local tenants, restoring rentals to normal levels.”

## Market activity

	Sales		Leasing	
	2Q 08 vs 1Q 08	3Q 08 Outlook	2Q 08 vs 1Q 08	3Q 08 Outlook
Beijing				
Guangzhou				
Shanghai				
Hong Kong				

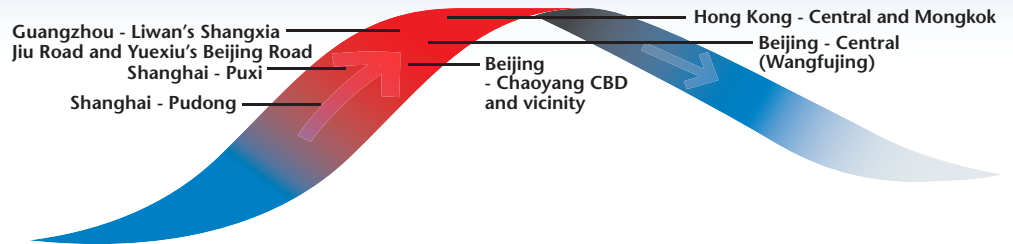
## Major leasing transactions

City	District	Development	Floor / Unit	Area (sq m)	Monthly rental (US\$)	Rental (US\$ per sq m)
Beijing	Chaoyang	Chateau Regency	N/A	84	\$1,724	\$20.5
Beijing	Chaoyang	Central Park	N/A	89	\$2,414	\$27.1
Guangzhou	Tianhe	Hilton Sunshine	10/F	146	\$1,437	\$9.8
Guangzhou	Tianhe	The Cosmos	10/F	202	\$1,724	\$8.5
Shanghai	Luwan	Lakeville	Low floor unit	281	\$9,369	\$33.3
Shanghai	Jing'an	Central Residence 2	Mid floor unit	134	\$3,678	\$27.5
Hong Kong	Tsim Sha Tsui	The Arch	Block 1A / high floor / unit A	155	\$13,463	\$87.0
Hong Kong	Mid-Levels West	CentreStage	Tower 1 / high floor / unit D	113	\$8,976	\$79.3

Note: All data are subject to revision.

## Prime retail market

### Retail rental cycle



### Outlook (3Q 2008)

City	Price	Rental
Beijing	N/A	↗
Guangzhou	↗	↗
Shanghai	↗	↗
Hong Kong	↔	↔

### Prices, rentals, vacancy rates and yields <sup>[1][2]</sup>

City	Price (US\$ psm)	Rent (US\$ psm per month)	Vacancy rate	Yields
Beijing	N/A	\$85.4	9.9%	9.2%
Guangzhou	\$27,918	\$209.3	2.0%	9.0%
Shanghai	\$17,713	\$115.1	6.0%	7.8%
Hong Kong	\$183,048	\$581.2	8.1% <sup>[3]</sup>	4.2% <sup>[4]</sup>

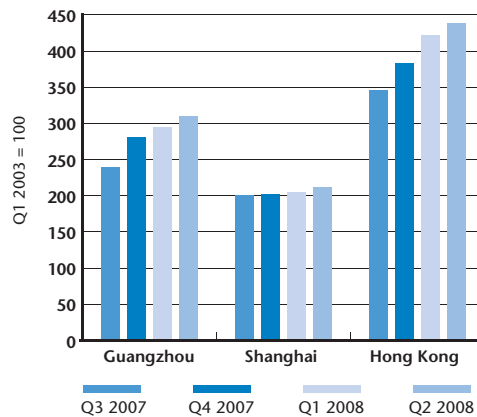
[1] Average prices and rentals are derived from different baskets of buildings, hence the two should not be used to estimate the average yield.

[2] Prices and rents are calculated on gross floor areas.

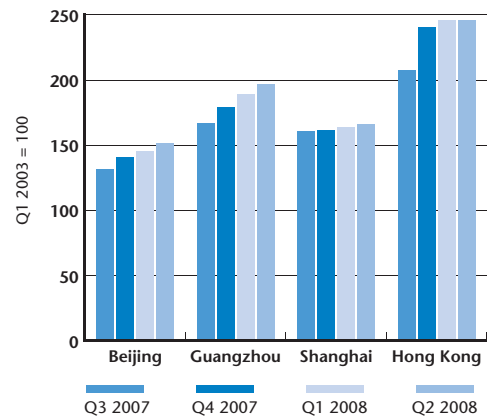
[3] End-2007 overall vacancy rate from Rating and Valuation Department, HKSAR.

[4] Overall yield from Rating and Valuation Department, HKSAR.

### Prime retail price index



### Prime retail rental index



### Supply and demand indicators

City	Indicators	Comments
Beijing	<ul style="list-style-type: none"> <li>Three shopping malls opened in the second quarter, providing about 240,000 sq m of retail space.</li> <li>Take-up amounted to 172,700 sq m.</li> </ul>	<ul style="list-style-type: none"> <li>Leasing activities slowed as most major retailers had already secured retail space to grasp business opportunities arising from the Olympics.</li> </ul>
Guangzhou	<ul style="list-style-type: none"> <li>New retail supply amounted to 77,500 sq m.</li> <li>Primary transactions rose 20% quarter-on-quarter, with robust demand and abundant supply.</li> </ul>	<ul style="list-style-type: none"> <li>Primary retail property transactions concentrated in Tianhe, accounting for 32.2% of total sales. Only 2.1% of the deals were concluded in Yuexiu and Liwan, due to limited supply.</li> </ul>
Shanghai	<ul style="list-style-type: none"> <li>93,000 sq m of space was completed.</li> <li>The vacancy rate dropped from 7% to 6% during the quarter.</li> </ul>	<ul style="list-style-type: none"> <li>Encouraged by robust retail sales, international retailers accelerated their expansion in the city.</li> </ul>
Hong Kong	<ul style="list-style-type: none"> <li>No major shopping malls were opened in the quarter.</li> </ul>	<ul style="list-style-type: none"> <li>Pre-lease activities were underway in three major shopping malls, which will provide over 70,000 sq m of retail space in the months ahead.</li> </ul>

## Major sales transactions

City	District	Development	Floor / Unit	Area (sq m)	Price (US\$ million)	Price (US\$ per sq m)
Beijing	Chaoyang	Guanghualu SOHO	L1	52	\$0.5	\$9,684
Beijing	Chaoyang	Landgent Centre	L1	332	\$2.4	\$7,305
Guangzhou	Yuexiu	Beijing Road	L1	9	\$1.2	\$133,740
Guangzhou	Liwan	Xiajiu Road	L1	150	\$4.8	\$32,097
Shanghai	Hongkou	Rose Plaza	L1	168	\$1.8	\$10,760
Shanghai	Pudong	Ordos International Building	L1/ unit 136	43	\$0.4	\$9,042
Hong Kong	Tsim Sha Tsui	Rise Commercial Building	G/F / units 16-17	39	\$2.7	\$69,174
Hong Kong	Mongkok	Sincere Plaza	G/F / unit G30	10	\$1.3	\$131,746

“As international retail brands become increasingly accepted by consumers in Shanghai, the influx of overseas retailers will accelerate, enticed by promising returns in the city.”

## Market activity

	Sales		Leasing	
	2Q 08 vs 1Q 08	3Q 08 Outlook	2Q 08 vs 1Q 08	3Q 08 Outlook
Beijing				
Guangzhou				
Shanghai				
Hong Kong				

## Major leasing transactions

City	District	Development	Floor / Unit	Area (sq m)	Monthly rental (US\$)	Rental (US\$ per sq m)
Beijing	Dongcheng	Beijing APM	L2	220	\$21,846	\$99.3
Beijing	Chaoyang	CCP Shopping Centre	L3	800	N/A	N/A
Guangzhou	Yuexiu	Beijing Road	L1	25	\$21,557	\$862.3
Guangzhou	Liwan	Xiajiu Road	L1	70	\$7,042	\$100.6
Shanghai	Xuhui	Grand Gateway	L3	40	\$6,099	\$152.5
Shanghai	Pudong	Jinmao J-Life	L2	190	\$36,110	\$190.1
Hong Kong	Mongkok	Sino Centre	G/F / units 28-29	24	\$17,695	\$735.4
Hong Kong	Causeway Bay	Hoi To Court	G/F / unit 275	34	\$8,142	\$238.2

Note: All data are subject to revision.

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