Office sector briefing

Beijing, China

May 5, 2008

"Strong and sustained demand for quality office space will continue alongside significant new supply during 2008, reflecting the robust performance and positive sentiment in the Beijing office market"

- Q1/2008 witnesses a fall in supply from Q4/2007
- Average rents edge up by 3.6 per cent compared with Q4/2007
- Average vacancy rate declines to 12.6 per cent
- Active sales transactions recorded on Beijing Finance Street
- Large supply is expected in the the second quarter
- Grade 'A' office rents are expected to continue to rise as top office project launched during 2008

Image: Sino Steel Plaza (Left) and E-World (Right), Zhongguancun

Savills Research

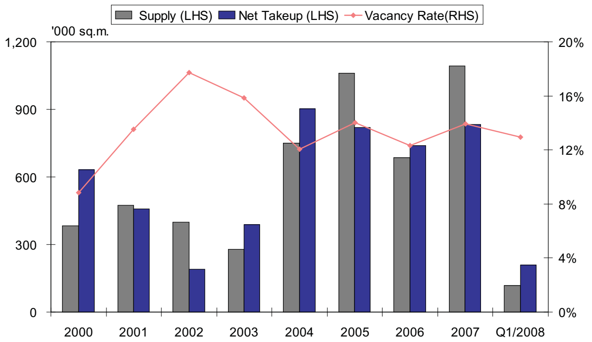
www.savills.com

Office sector briefing

Supply

In Q1/2008, new leasable office supply stood at 116,538 sq.m. with the launch of two new projects, Tai Kang Finance Tower and The 5th Square. By the end of 2007, the stock of Grade 'A' office space for lease totalled 7,877,160 sq.m., of which a significant 13.9 per cent was completed in 2007 including 391,875 sq.m. launched in Q4/2007. After experiencing such a supply hike in 2007, this quarter witnessed a fall in new completions.

Grade 'A' Office Market Supply, Net Take-up and Vacancy Rate, 2000 - Q1/2008



Source: Savills Research & Consultancy

Note: since 2007, the supply refers to the lease-only office space and the net take up refers to leasing take up.

Office Buildings Launched onto the Market in Q1/2008

Project Name	Location	Total GFA (sq.m.)
Tai King Finance Tower	CBD Vicinity	65,000
The 5th Square	East 2nd Ring Road	86,908

Source: Savills Research & Consultancy

Vacancy Rates

The market's rapid absorption of office space has surpassed expectations over Q1/2008. The vacancy rate of Grade 'A' offices dropped slightly in Q1/2008, standing at 12.6 per cent, 1.3 per cent lower than that of Q4/2007. Demand remained strong with quarterly net take-up recorded at 209,354 sq.m. compared with 87,627 sq.m. in Q4/2007. The source of demand and the accelerating take up of space was due to business expansion, relocation and start-up.

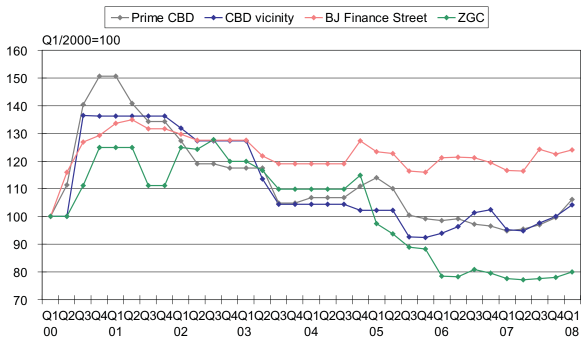
In order to maintain high occupancy rates, developers and landlords offered tenants incentives such as longer rent free periods and fit out periods.

In summary, vacancy rates in Beijing Grade 'A' office market have remained stable between 12 and 15 per cent since 2004.

Rents

Average rents for the Beijing Grade 'A' office market remained robust, reaching RMB180.0 (US$25.4) per sq.m. per month in Q1/2008, edging up 3.6 per cent compared with the previous quarter. The rents in the Grade 'A' office market look set to continue to rise over Q1/2008, irrespective of the significant influx of supply in 2007. Although this seems to be a paradox and contrary to the basic laws of supply and demand, the surging demand for Grade 'A' office space and large number of high quality projects entering the market are the main factors which explain why rents have been increasing.

Grade 'A' Office Rental Index, Q1/2000 - Q1/2008



Source: Savills Research & Consultancy

Note: the exchange rate used in this report is RMB7.10/1US$ as quoted on 31 March 2008.

High quality office buildings completed in 2007 such as China Central Place (CCP), Chemsunny Plaza and Prosper Centre (one of the first buildings in Beijing to achieve a LEED certification) have achieved higher than average rents in the Grade 'A' office market even though there is downward pressure on market rents overall as a result of continuouslly expanding supply.

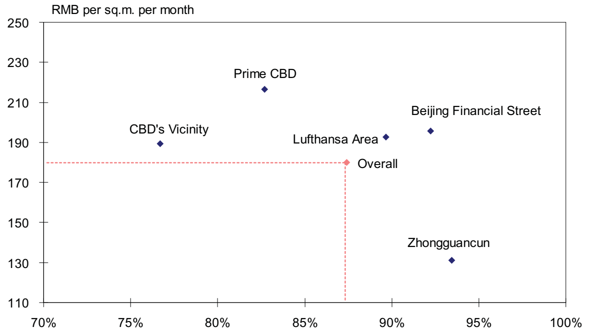
Office sector briefing

Submarket comparison

In Q1/2008, the average Grade 'A' office rent in the prime CBD stood at RMB216.5 (US$30.5) per sq.m. per month, while Zhongguancun was still at the bottom of the rental range at RMB131.1 (US$18.5) per sq.m. per month. Compared with Q4/2007, average rents in major submarkets all experienced increases in Q1/2008, of which office submarkets of the CBD and its vicinity experienced the greatest rent increases of six per cent and five per cent respectively, reflecting growing market demand and the improved quality of new office buildings in these two areas.

In terms of the occupancy rates, among these submarkets the CBD and its vicinity recorded the lowest rates of 82.7 and 76.7 per cent respectively due to the increasing supply in the two areas. Beijing Financial Street achieved the second highest occupancy rate of 92.2 per cent after Zhongguancun, indicating the accelerated concentration of financial industries in this area.

Submarket Comparison, Rents and Occupancy Rates, Q1/2008



Source: Savills Research & Consultanch

Note: East 2nd Ring Road, East Chang'an Avenue and other areas are not shown on this chart, but the overall rental level and overall vacancy rate include these areas.

Leasing Transaction

The Beijing Municipal Contruction Committee has introduced a ban which will cease construction during the Olympic Games from July 20 to September 20 in order to improve air quality. The first quarter of the year is traditionally the low season, however, Q1/2008 has seen larger volume of transactions than usual. Furthermore, there are more leasing transactions still in the process of site inspection and negotiation. The core demand of leasing transactions stems from the finance sector, professional services and the high-tech industry. Notable transactions in Q1/2008 include Export-Import Bank of China leasing 47,000 sq.m. in Chemsunny Plaza; Sun Microsystems leasing 3,268 sq.m. in China Central Place Tower 2 and Schlumberger leasing 2,500 sq.m. in Central Point.

Selected Major Office Leasing Transactions, Q1/2008

Projects	Location	Tenants	Area (sq.m.)
China Central Place	CBD Vicinity	Sun Microsystems	3,268
Twin Towers	CBD Vicinity	Guotai Junan Futures	482
Pacific Century Place	CBD Vicinity	Monsanto	1,200
Yintai Centre	CBD	Fortis Insurance	600
Gemdale Plaza	CBD	Dolby	600
The Exchange	CBD	Samsung (China) Investment	426
Central Point	East 2nd Ring Road	Schlumberger	2,500
Oriental Plaza	East Chang'an Avenue	SAS Institute China	1,000
Chemsunny Plaza	Finance Street	Export-Import Bank of China	47,000
Taikang International Center	Finance Street	Grandall Law Firm	2,000

Source: Savills Research & Consultancy

Sales Market

There were several en-bloc sales in Q1/2008. Domestic and foreign investors are actively looking to acquire quality office assets in Beijing and the number of large acquisitions demonstrates their faith and optimism in the long-term success of the office market. Demand for Grade 'A' office space continues to come primarily from large scale domestic companies that recognise the importance of locating themselves in quality buildings and the impact office grade has on positioning the company within the market.

Selected Major En-bloc Sales Transactions in the Grade 'A' Office Market, Q1/2008

Project	Vendor	Buyer	Area (sq.m.)	Transaction Price (RMB mil)
COFCO Fulinmen Building	Beijing Zhaotai Real Estate	COFCO Group	70,408	1,803
Beifeng C2 (Fengsheng Building)	Beijing Huihong Real Estate	CIPC	66,415	2,195
F3 Tower (Jinqi Tower)	Financial Street Holding	China Everbright Bank	90,351	2,168

Source: Savills Research & Consultancy

It is worth noting that Beijing Finance Street has become a popular area with a number of en-bloc sales transactions recorded over the past year. Completed transactions include Hangyu Building, Financial Street No.1, F3 Tower and Beifeng C2. Beijing Finance Street attracts many finance related enterprises and institutions, which see it as a preferred area for investment or for their own use.

Office sector briefing

Market Outlook

2008 will witness a large volume of supply in the second quarter of the year, with eight office buildings totalling 559,583 sq.m. planned for launch onto the market. The new projects include Global Trade Center Phase II on the North Third Ring Road, Fortune Resource International Centre and Heng'ao Center (E3) in Beijing Finance Street, Shengyuan Center Tower A & B and Pingan International Centre in Lufthansa area, and Nexus Center and Landgent Centre in the vicinity of the CBD.

Of these new projects, Global Trade Center Phase II is 187,000 sq.m., while Shengyuan Center Tower A & B and Pingan International Centre are expected to inject a total of 121,287 sq.m. into the Lufthansa area. For the remainder of 2008, despite the increased competition from new supply, we expect rents will continue to rise. We anticipate strong and sustained demand across the market while a surge in demand is anticipated after the Olympics in 2008.

In the office sales market, it is expected that domestic financial, insurance and real estate enterprises will continue to be the most active players.

For further information, please contact:

china

Randall Hall
Chief Executive Officer
+8621 6391 6688
rhall@savills-sh.com

beijing

Eric Chan
Deputy Managing Director, Head of Agency
+8610 5925 2001
echan@savills-bj.com

beijing

Joan Wang
Senior Research Manager
+8610 5925 2288
jqwang@savills-bj.com

research & consultancy, asia pacific

Simon Smith
Senior Director
+852 2842 4573
ssmith@savills.com.hk

address

Savills Property Services (Beijing) Company Limited
2101 East Tower
Twin Towers
B-12 Jianguomenwai Avenue
Chaoyang District
Beijing 100022, China
T: +8610 5925 2288
F: +8610 5925 2299

corporate website

www.savills.com

ASIAN HEADQUARTERS

23/F Two Exchange Square, Central, Hong Kong
Tel: (852) 2842 4400 Fax: (852) 2868 4386
E-mail: rmckellar@savills.com.hk
Contact: Robert McKellar CEO
savills.com

HONG KONG SAR

Savills (Hong Kong) Limited
23/F Two Exchange Square , Central, Hong Kong
Tel: (852) 2842 4534 Fax: (852) 2869 6738
Contact: Raymond Lee E-mail: rlee@savills.com.hk
EA Co. Licence: C-002450

Savills Valuation and Professional Services Limited
28/F Two Exchange Square, Central, Hong Kong
Tel: (852) 2801 6100 Fax: (852) 2501 5810
Contact: Charles Chan E-mail: ccchan@savills.com.hk
EA Co. Licence: C-023750

Savills Property Management Holdings Limited
805-13, 8/F Cityplaza One, 1111 King's Road, Taikoo Shing, Hong Kong
Tel: (852) 2534 1688 Fax: (852) 2851 1249
Contact: Kendrew Leung E-mail: kleung@savills.com.hk
EA Co. Licence: C-002993

Savills Guardian (Holdings) Limited
7/F Cityplaza One, 1111 King's Road, Taikoo Shing, Hong Kong
Tel: (852) 2512 1838 Fax: (852) 2887 3698
Contact: Peter Ho E-mail: peterho@savillsguardian.com.hk

Savills - Macau
Savills (Macau) Limited
Suite 1310, 13/F Macau Landmark, 555 Avenida da Amizade, Macao
Tel: (853) 2878 0623 Fax: (853) 2878 1805
Contact: Franco Liu E-mail: fliu@savills.com.mo

CHINA

Savills - China
Contact: Randall Hall E-mail: rhall@savills-sh.com

Savills Property Services (Shanghai) Company Limited
20/F Shanghai Central Plaza, 381 Huaihai Middle Road, Shanghai 200020, China
Tel: (86) 21 6391 6688 Fax: (86) 21 6391 6699
Contact: Albert Lau E-mail: alau@savills-sh.com

Savills Property Services (Beijing) Company Limited
2101 East Tower, Twin Towers, B-12 Jianguomenwai Avenue, Chaoyang
Beijing 100022, China
Tel: (86) 10 5925 2288 Fax: (86) 10 5925 2299
Contact: Billy Chau E-mail: bchau@savills-bj.com

Savills Property Services (Beijing) Company Limited Dalian Branch
1703 Xiwang Tower, 136 Zhongshan Road, Zhongshan District, Dalian 116001, China
Tel: (86) 411 3966 8988 Fax: (86) 411 3966 8955
Contact: Shu Zhong Hua E-mail: zhshu@savills-dl.com

Savills Property Services (Guangzhou) Limited
Room 906, R & F Centre, No. 10 Hua Xia Road, Zhu Jiang New Town,
Guangzhou 510623, China
Tel: (86) 3892 7168 Fax: (86) 3892 7030
Contact: Woody Lam E-mail: wlam@savills.com.hk

Savills Property Services (Shenzhen) Limited
Unit A, 5/F, Anlian Plaza, 4018 Jintian Road, Futian District, Shenzhen 518026, China
Tel: (86) 755 8828 5707 Fax: (86) 755 8828 5676
Contact: Woody Lam E-mail: wlam@savills.com.hk

Savills Property Services (Shanghai) Company Limited
Zhejiang Representative Office
701 Jiahua International Business Center, 15 Hangda Road, Hangzhou 310007, China
Tel: (86) 571 5676 0088 Fax: (86) 571 5683 2023
Contact: Peter Hang E-mail: phang@savills-hz.com

Savills Property Services (Chengdu) Company Limited
Rm 1806, Block A, Times Plaza, 2 Zongfu Road, Chengdu 610016, China
Tel: (86) 28 8672 1810 Fax: (86) 28 8672 1250
Contact: Eric Wo E-mail: ewo@savills-cd.com

Savills Property Services (Beijing) Company Limited Tianjin Branch
Units 2601-02, Office Tower, Centre Plaza, 188 Jiefang Road, Heping
Tianjin 300042, China
Tel: (86) 22 5829 3388 Fax: (86) 22 5829 3355
Contact: James Zhu E-mail: jzhu@savills-tj.com

Savills (Taiwan) Limited
12F-3 Exchange Square, No. 89 Sung Ren Road, Xin-Yi District, Taipei, Taiwan
Tel: (886) 2 8789 5828 Fax: (886) 2 8789 5929
Contact: Cynthia Chu E-mail: cchu@savills.com.tw

ASIA

Savills - Japan
Savills Japan K.K.
Aoba Roppongi Building 3F, 3-16-33 Roppongi, Minato-ku
Tokyo 106-0032, Japan
Tel: (81) 3 5562 1700 Fax: (81) 3 5562 1705
Contact: Christian Mancini E-mail: cmancini@savills.co.jp

Savills - Singapore
Savills (Singapore) Pte Ltd.
2 Shenton Way, #17-01 SGX Centre 1, Singapore 068804
Tel: (65) 6415 3618 Fax: (65) 6538 5540
Contact: Michael Ng E-mail: mng@savills.com.sg

Savills - Thailand
Savills (Thailand) Limited
28/F, 990 Rama IV Road, Bangkok 10500, Thailand
Tel: (66) 2 636 0300 Fax: (66) 2 636 0339
Agency Contact: Robert Collins E-mail: robertc@savills.co.th
Property Management Contact: Pipob Wongchurdkwan
E-mail: pipobw@savills.co.th

Savills - Korea
KAA, Savills BHPK
11/F Seoul Finance Center, 84 Taepyungro-1-ga, Chung-ga, Seoul,
Korea 100-768
Tel: (82) 2 2124 4114 Fax: (82) 2 2124 4166
Contact: Hokyu Lee E-mail: hklee@bhpk.com

Savills - Hanoi
Savills Vietnam Limited
13/F Pacific Place, 83b Ly Thuong Kiet, Hoan Kiem District,
Hanoi, Vietnam
Tel: (84) 4 946 1300 Fax: (84) 4 946 1302
Contact: Vincent Giuge E-mail: vgiuge @savills.com.vn

Savills - Ho Chi Minh City
Savills Vietnam Limited
3F Opera View Building, 161 Dong Khoi Street, District 1,
Ho Chi Minh City, Vietnam
Tel: (84) 8 823 9205 Fax: (84) 8 823 4571
Contact: Brett Ashton E-mail: bashton@savills.com.vn

Savills - Malaysia
Savills Rahim & Co.
Level 17, Menara Uni. Asia, 1008 Jalan Sultan Ismail,
50250 Kuala Lumpur, Malaysia
Tel: (60) 3 2691 9922 Fax: (60) 3 2691 0096
Contact: Robert Ang E-mail: robertang@rahim-co.com

Savills - Dubai
Asteco Property Management LLC (Associate)
P.O. Box 1714, Level 6, Capricorn Tower, Shk. Zayed Road
Dubai, United Arab Emirates
Tel: (971) 4 403 7700 Fax: (971) 4 403 7778
Contact: Andrew Chambers E-mail: andrewc@asteco.com

Savills - Indonesia
PT. Procon Indah
19/F Indonesia Stock Exchange Building, Tower 2,
Jl Jenderal Sudirman Kav 52-53, Jakarta 12190 Indonesia
Tel: (62)21 515 3777 Fax: (62) 21 515 3232
Contact: Siswanto Widjaja E-mail: siswanto.widjaja@procon.co.id

AUSTRALIA

Savills - Australia
Savills (Aust) Pty Ltd.
Level 15, 120 Edward Street, Brisbane QLD 4000, Australia
Tel: (61) 7 3221 8355 Fax: (61) 7 3221 0870
Contact: Paul McLean E-mail: pmclean@savills.com.au
Offices in Adelaide, Gold Coast, Melbourne, Perth, the Sunshine Coast and Sydney

UNITED KINGDOM / EUROPE / SOUTH AFRICA

Savills - Europe
20 Grosvenor Hill, London W1K 3HQ, U.K.
Tel: (44) 207 499 8644 Fax: (44) 207 495 3773
Contact: Jeremy Helsby E-mail: jhelsby@savills.com
Offices throughout the United Kingdom, France, Germany, Greece, Hungary, Italy, Netherlands, Poland, Spain and Sweden. Associate offices in Austria, Portugal, Turkey and South Africa.

NORTH AMERICA

Savills - New York
Savills Granite
600 Madison Avenue, 11th Floor, New York, NY 10022
Tel: (212) 328 2800 Fax: (212) 328 2828
Contact: John D. Lyons E-mail: jlyons@savillsgranite.com

A real estate industry leader established over 150 years ago. Now with over 200 offices worldwide. Learn more at www.savills.com.hk

(IV/08)