

Property Market Monitor China

Beijing Headlines

Mainland REIT Rules to Be Released Soon

A flurry of news reports have pointed to the distinct possibility of the release of detailed rules governing the creation of Mainland-based real estate investment trusts (REITs), with the first REITs entering the market by the end of the year. According to the reports, a number of funds and brokerage firms have already submitted initial plans, including Harvest Fund, CITIC Securities and CICC. Initial plans seem to indicate that the first REITs will not be publicly listed, but rather would be bond-based and issued to institutional investors. Initial proposals include properties in Shanghai, Beijing and Tianjin. Although China's State Council has already given its blessing, several government agencies, including the China Banking Regulatory Commission and the China Securities Regulatory Commission, still need to approve the detailed plans. REITs are likely to add a new source of funding for property developers and allow them to offload some properties and focus on further development.

Shanghai Headlines

Shanghai Land Price Hits Historical High

On 17 September 2009, Shanghai's No.60 Land Auction was completed with two plots auctioned off at record-breaking high prices. Plot 1-8 and Plot 1-10 of Unit E18 Huangpu River are located right along the river. The asking prices started at RMB 1.936 billion and RMB 1.096 billion, respectively. The land usage is for global or regional headquarters of financial, shipping or logistics companies, as well as for buyer's self use. Daxinhua Logistics Holdings (Group), Haihang Real Estate Holdings (Group), and Haihang Industrial Holdings won Plot 1-10 paying a 66.2% premium with an accommodation value of RMB 36,500 per sqm. Poly Group won Plot 1-8 for a total price of RMB 3 billion.

Tianjin Headlines

Thailand's Central Department Store to Enter Tianjin

Thailand Central Retail Corporation signed a cooperation agreement with Tianjin Joy City, located in Tianjin Old Town Area, to establish its third department store in China. Central Retail Corporation is the largest department store retailer in Southeast Asia. With a total investment of over RMB 4 billion by COFCO Group, Tianjin Joy City is a 530,000 sqm mixed-use project including a 164,000 sqm shopping center, office building, serviced apartments and high-end residential buildings.

'Rising income levels are helping to drive consumer spending in most Tier-II markets. As a result international retailers are continually searching for expansion opportunities in these cities. The completion of high quality shopping centres, many of which are the first shopping malls in these cities, will provide suitable space for expanding brands.'

Nicole Sia
REIS China
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Guangzhou Headlines

Pazhou to Become New Business Area

The Guangzhou Municipal Government recently earmarked Pazhou as a future exhibition area within the city. According to the government, the existing Pazhou village will be demolished and redeveloped into a commercial area with a land size of 400,000 sqm and a total development GFA of about 1.04 million sqm. Tenders for the sale of this land will close on 20 October 2009. At present, Pazhou is already home to a number of exhibition centres and office buildings with two international branded hotels, InterContinental and Langham Hotels, already having entered into agreements to establish hotels in the areas. Pazhou lies on the southern bank of the Pearl River opposite Zhujiang New Town, Guangzhou's new emerging CBD.

Chengdu Headlines

1H09 Sichuan Real Estate Market Overview Released

In August 2009, the Sichuan Statistics Bureau released the 1H09 Sichuan real estate market overview. According to the overview, in 1H09, residential commodity housing involved a total investment of RMB 48.37 billion, down 0.3% y-o-y. Investment in office development totalled to RMB 1.59 billion, representing an annual growth rate of 57.1%, while retail development involved a total investment of RMB 5.98 billion, increasing 6.7% y-o-y. Development of other categories witnessed a total investment of RMB 9.86 billion, down 51.3% y-o-y. In 1H09, the total construction area of newly-launched commodity houses in Sichuan province reached 20.981 million sqm, down 25.1% y-o-y or 7.039 million sqm.

Qingdao Headlines

Xiaogang Bay Project Starts construction

Hutchison Whampoa Property's Xiaogang Bay project officially started construction on 16 September 2009. The 930,000 sqm mixed-use project will consist of mid to high end retail space and residential buildings.

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Investment

Beijing Yeland Acquires Beijing Qinglonghu Project

Beijing Yeland Real Estate Development and Shenzhen Daoqin Investment agreed to acquire Xinhailonghu Property, which belongs to Beijing Xin Hong Ji Sheng Cheng Real Estate and owns a residential property under development in Beijing. The total transaction price was at RMB 882.4 million. The residential project is located in Fengtai District, and has a planned GFA of 343,547 sqm. Through this acquisition, the Yeland Real Estate Development land stock increased to 3.7 million sqm. Recent residential sales prices in the area have exceeded RMB 6,000 per sqm.

Office Park Sells 5,000 sqm to SOE Subsidiary

Sino-Ocean Land announced the sale of 5,000 sqm of its Beijing CBD office property Office Park to China Marine Bunker Supply Company (CHIMBUSCO) for a total consideration of RMB 109 million or RMB 21,800 per sqm. This transaction is a company related transaction, however, because one of the shareholders of Sino-Ocean Land holds a 50% equity stake in CHIMBUSCO. Therefore, this transaction should not be regarded as a typical market investment transaction.

Honglou Group Acquires Shanghai Qianpeng Real Estate for RMB 460 million

China Honglou Group recently purchased the Shanghai Qianpeng Real Estate Company, a fully owned subsidiary company of Shanghai Qiangsheng Group, for RMB 460 million. The main asset of Qianpeng Real Estate is Fudu Commercial building, which is located on No. 399 Renmin Road in Huangpu district, right inside the City God Temple and Yu Garden commercial area. The building covers a site area of 3,840 sqm with a total GFA of 16,900 sqm with two underground stories and six aboveground stories. Levels 4 to 6 of the building contain 36 office units while levels B1 to 3F are for retail use and B2 is used to house 56 parking spaces. The building is vacant at the moment.

KWG Properties Acquired Office Site in Zhujiang New Town

On 20 September 2009, KWG Properties won an auction for a parcel of office-use land in Zhujiang New Town. Located in the northern part of Zhujiang New Town, the site (No.D3-4) was acquired for a total consideration of RMB 465 million. Based on the maximum developable GFA allowed on the site, the purchase price is equivalent to an accommodation value of RMB 13,538 per sqm, which is more expensive than the previous high in the area of RMB 11,912 per sqm paid in 2007.

Skyfame Sells Skyfame Tower and Westin Hotel in Guangzhou

Skyfame Realty has announced that it has entered into an agreement with HNA Hotel to sell Skyfame Tower and the Westin Guangzhou. The target properties, which are part of an integrated complex, are located in Tianhe district along Linhe Zhong Road. Excluded from the sale are the 17th to 22nd office floors of Skyfame Tower which had been previously sold. The total consideration was reported to be RMB 1.1 billion.

Shanghai Forte Land Acquired Land Plot in Chengdu

On 18 August 2009, Shanghai Forte Land acquired a residential land plot for RMB 4 million per mu or RMB 6,000 per sqm. Located in the New South Area, the land plot is outside of the 3rd ring road and near the residential projects Phoenix City developed by China Resources Land, Orchid Garden developed by China Overseas and Arcadia Court developed by Kerry Properties. The land covers a site area of 95.82 mu (63,880 sqm) with a plot ratio of less than 3.6. The accommodation value for the transaction is RMB 1,667 per sqm with a total transacted price of approximately RMB 380 million.

Home Credit Group Enters Chengdu

Home Credit Group, a leading provider of consumer finance established in 1997 in the Czech Republic, set up an office in Chengdu. This is Home Credit Group's first office in western China and their third office across the nation. Home Credit Group offers petty loans ranging from RMB 540 to RMB 10,000. The company targets consumers younger than 35 years old with a stable income.

North City Tiandi by Shui On Launched in Chengdu

On 26 August 2009, North City Tiandi with a total investment of over RMB 3 billion officially started construction. North City Tiandi, invested by Shui On Group and Chengdu Xianglong Real Estate Corporation, is located in Jinniu District at the intersection of Jiefang Road and the 2nd Ring Road. The 57,600 sqm land plot, formerly a distressed asset, was acquired by Shui On Group for RMB 787 million in 2008. Similar to Xintiandi in Shanghai, North City Tiandi, with a total GFA of roughly 480,000 sqm, will be developed into a large-scale complex project including residential, office and retail space.

Ping An International Finance Center Begins Construction

Construction on Ping An Insurance Group's 588-meter Ping An International Finance Center in Shenzhen's Futian CBD commenced in August. The 115-storey office building will have a total GFA of 378,600 sqm and is set to be the tallest building in China by 2014.

Retail

UNIQLO Expands into Tianjin

Well-known international casual brand UNIQLO made its Tianjin debut on the first floor of Tianjin International Plaza. The new 1,326 sqm store of UNIQLO is the brand's first store in Tianjin. Originated in Japan, UNIQLO plans to open 100 stores in China each year.

Beitang Seafood Street Commences Operation

Located in north Tanggu District, Beitang Container Seafood Street opened for business. Covering an area of 60,000 sqm, Beitang Seafood Street has a GFA of 16,000 sqm with three parking lots. 23 restaurants built out of second-hand containers were constructed along the 300 meter long street.

7-Eleven Opened Two Chain Shops in Tianjin

The world's largest convenience store chain 7-Eleven completed site selection and fit-out for two locations in Tianjin. One store located on Rongye Avenue and another store in the Xiaobailou area were opened for business at the same time. 7-Eleven is expected to invest RMB 70 million in Tianjin to open 200 stores, each covering an area of 150 to 200 sqm. The annual sales target of each store is RMB 3.65 million, while total annual Tianjin revenue for the company is estimated to reach RMB 790 million in five years.

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Walton Premium Outlets Opened in Mid-September in Chengdu

Walton Premium Outlets Phase I, developed by Wharf Holdings, will open in mid-September 2009. The Outlets, with a total investment of RMB 2 billion, is located in Shuangliu Logistics and Trade Zone. The project covers a site area of 120 mu (80,000 sqm) with a total GFA of over 44,000 sqm. With over 250 stores, the project will host international brand boutiques, restaurants as well as other forms of recreation and entertainment. Phase I will have over 10,000 sqm of retail space.

Residential

Beijing's Most Expensive Apartments Upsets Government Guesthouse

Diaoyutai No. 7 Courtyard made news this summer when several units in the residential development sold for upward of RMB 70,000 per sqm, the most expensive price in the market this year. Unfortunately for the developer, however, the high-end project in Beijing's northwest is back in the news again, as local media has reported that it is under investigation for possible brand infringement. The state-owned Diaoyutai Guesthouse, which is a prominent hotel used for many visiting foreign dignitaries, reported the project to the Haidian District Administration of Industry and Commerce for violating the official guesthouse's brand name. An official from the district government said that most likely Diaoyutai No. 7 will be forced to change names.

Policy

Beijing Jumps on Private Equity Bandwagon

Following Shanghai's announcement that foreign firms in Pudong would be able to set up local private equity funds, the Beijing government has also announced plans to allow foreign private equity activity in the city. According to a city official, the city will set up a RMB 10 billion pilot policy fund, followed by several others focused on the industrial sector. These funds will cooperate with investment management firms to spur the creation of more private equity funds in the city. No specific details concerning the role of foreign firms were announced, though the official stated a note on the policy should be issued by the end of September with more detailed information. This announcement is one more step in the ongoing competition between Beijing and Shanghai for financial sector investment and office space occupiers.

Environmental Labels Required for Vehicles Entering Beijing

In order to strengthen the fight against air pollution in the capital city, the Ministry of Environmental Protection has issued a notice that vehicles without an environmental label will not be allowed to enter Beijing, effective 1 September 2009. Two types of environmental labels will be awarded, a green label and a yellow label, according to the vehicle's emissions. Beijing's law enforcement is instructed to take action against vehicles that enter Beijing illegally without an environmental label. Vehicles with a yellow label will be prohibited from driving on or inside the Fifth Ring Road before 1 October 2009. Once the National Holiday has passed, these vehicles will not be allowed to drive on or within the Sixth Ring Road.

Industrial

Unilever Opens Sixth Global R&D Centre in Shanghai

On 8 September 2009 Unilever's sixth global R&D Centre located at Changning District Shanghai was completed. This centre with a GFA of about 30,000 sqm and a total investment of EUR 50 million will be a core R&D centre of Unilever's global network and will employ 450 researchers from 15 countries. The completion of this centre indicated that China has grown in importance for Unilever's R&D business with Shanghai as a base for capital and intellectually intensive projects.

Hutchison to Expand Warehouse Facilities in Shenzhen

Shenzhen Hutchison Inland Container Depots (SHICD) has announced the expansion of their cargo handling capabilities at Yantian Port in Shenzhen with the development of two additional export-orientated warehouses along with plans to build phase II of the project. The construction of the first warehouse will commence in September 2009 and is scheduled to open in 2010. The second facility is expected to be completed in 2011. The completion of these two warehouses will raise the total GFA of phase I to 350,000 sqm. The completion of phase II will raise the SHICD total GFA to 600,000 sqm.

Infrastructure

Beijing's Sixth Ring Road Completed

As Beijing's urban sprawl spreads across the municipality, the city continues to build ring roads reaching peripheral suburban cities creating a vast network of roadways that can better support the region's constant movement of goods and people. This month, the large-scale Kuajunzhuang Swivelling Overpass on the West Sixth Ring Road was completed. Scheduled to open to traffic before the National Holiday on 1 October, this final link will achieve the interconnection of the entire 187.6 km Sixth Ring Road. Construction on the Sixth Ring Road started in December 1998 with a total investment of RMB 18.1 billion. It is currently the longest annular expressway in China.

Chengdu New Passenger Station to be Operational in 2010

One of the six national major passenger railway stations, Chengdu New Passenger Station is set to be operational in 2010. There will be 14 platforms which will be connected to urban roads by elevated roads. The elevated roads will serve cars entering the station's second floor while the ground floor will serve urban transportation networks.



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Real value in a changing world

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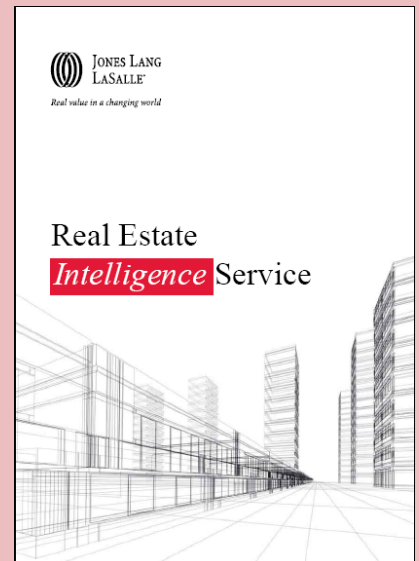
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