

GLOBAL SPOTLIGHT

Beijing, China



Despite Economic Challenges, Beijing Economy Appears Strong

- The global financial crisis has slowed Beijing's growth. GDP declined 2.9% from to 6.1%, a first since the reform. The commercial real estate industry, one of the mainstay industries of the Chinese economy, is facing great challenges as a result.
- Due to the 2008 Olympic Games and the expectation of an improved post-Olympic economy, a large amount of new supply has been added to Beijing's office market since 2008. This excessive supply of office space is unlikely to be absorbed for a time. Due to the centralized supply of new projects, as well as the adverse impact of the global financial crisis on office leasing, the average asking rental rate has fallen 5-10%.
- Some multinational companies have opted to put aside or halt expansion plans temporarily. However, that is having relatively little impact on domestic companies. Therefore, it is expected that the future tenant structure of the Beijing office market will be changed, with domestic enterprises assuming a more important role in the more immediate future.
- Beijing's high-end retail market slumped in early 2009 as vacancies increased by 4.5% and rental rates declined by 5.16% compared with year-end 2008. According to the recent Chinese industry statistics, the domestic top 100 retail chains are expected to slow their rate of new store openings by 30%, while foreign retailers will continue to 'wait and see' in the market.
- With the recovery of the global economy expected to take some time, investors are cautious and still waiting for prices to fall before entering the market in the hopes of maximizing their ROI. In addition, prime property assets in mature business districts are in the spotlight for their advantage of cash flow and risk aversion.

Beijing At A Glance

| | |
|---------------------|---------------------------------|
| Population (10,000) | 1,695 |
| Location | Northern China |
| Unemployment | 10% |
| Interest Rate | 5.4% |
| Inflation Rate | -1.10% |
| Conversion | 1 USD = 6.8316 CNY (April 2009) |

| Property | Rent/SF/Year | | Vacancy Rate |
|---------------------------|--------------|------------|--------------|
| | Low | High | |
| Class A Office CBD | CNY 225.42 | CNY 296.23 | 25.5% |
| Suburban Office Class A | CNY 209.53 | CNY 251.17 | 18% |
| Industrial Bulk/Warehouse | CNY 135.83 | CNY 165.70 | N/A |
| Prime Retail | CNY 707.92 | CNY 780.39 | 16.6% |

NAI Imperial Real Estate provides local market expertise in the greater Beijing, China region. NAI Global has eight offices serving the Beijing, Chengdu, Hangzhou, Hong Kong, Qingdao, Shanghai, Xiamen and Xi'an markets in China.

About NAI Global

NAI Global is one of the world's leading providers of commercial real estate services. We bring together people and resources wherever needed to deliver outstanding results for our clients.

At A Glance

| | |
|--------------|----------------------------|
| 325 | Offices |
| 55 | Countries |
| 5,000 | Professionals |
| \$45 billion | Annual Transaction Volume |
| 200 | MSF of Property Management |

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