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## INDUSTRY OVERVIEW

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*The information and statistics set out in this section has been derived from various official government publications. This information has not been independently verified by us, our Controlling Shareholders. None of our Company and our Controlling Shareholders make any representation as to the accuracy of such information and statistics, which may be inaccurate, incomplete, out-of-date or inconsistent with each other or with other information compiled within or outside the PRC. Furthermore, due to the inherent time-lag involved in collecting any industry and economic data, some of the data contained in this section may only represent the state of affairs at the time such data was collected, and as such, you should also take into account subsequent movements in the industry and the PRC economy when you evaluate the information contained in this section.*

We have engaged Jones Lang LaSalle Sallmanns Limited (“Jones Lang LaSalle Sallmanns”) to conduct a detailed analysis of the property markets in Shanghai, Tianjin, Beijing, Wuxi, Suzhou, Nantong, Hefei, Shenyang and Harbin. Jones Lang LaSalle Sallmanns prepared an industry research report dated [●] 2009 (the “**Research Report**”) for each of the cities, which includes:

- an overview of China’s economy;
- an overview of the economy in the abovementioned cities;
- an overview of the property market in China;
- an overview of the property market, residential sector, retail property sector, office property sector and/or hotel sector for the cities;
- the trends of demand in various property sectors;
- an estimation of future supply in various property sectors; and
- the prospects regarding various property sectors.

The Research Report was prepared based on economic and demographic data from the Chinese Government and the proprietary databases of Jones Lang LaSalle Sallmanns. In the course of research, Jones Lang LaSalle Sallmanns conducted numerous interviews with local developers, buyers and potential buyers, local marketing agents, and market observers in each market. We have included certain information from the Research Report for purposes of this document because we believe such information facilitates an understanding of these markets for potential investors. We were charged a total of US\$60,000 for services provided by Jones Lang LaSalle Sallmanns.

Jones Lang LaSalle Sallmanns also serves as our property valuer. A property valuation report which is delineated from market research contained in the Research Report prepared by Jones Lang LaSalle Sallmanns and relates to our property interests will be included in this document. Jones Lang LaSalle Sallmanns provided services through two business functions which are independent from each other. The Research Report was prepared primarily by the designated market research teams of Jones Lang LaSalle Sallmanns in Hong Kong and Mainland China. In the course of researching, no consultation was made with Jones Lang LaSalle Sallmanns’ valuation department in Hong Kong or Mainland China and with the exception of the Jones Lang LaSalle Sallmanns market research team referred to above, the Research Report has not been released to any other parties.

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Jones Lang LaSalle Sallmanns is an international real estate consultancy group, which provides a range of services including valuation, agency and consultancy for occupiers, investors and developers across all sectors of the real estate market. Jones Lang LaSalle Sallmanns has licensed offices in Beijing, Shanghai, Guangzhou and Shenzhen in Mainland China, as well as Hong Kong, Singapore and other cities in Southeast Asia with over 160 staff servicing various clients in more than 150 cities of China. The research team of Jones Lang LaSalle Sallmanns was led by Chen Yan Song, who is a Chartered Surveyor of the Royal Institute of Chartered Surveyors with approximately 16 years of experience in the professional property valuation sector in Hong Kong and China.

### OVERVIEW OF THE PRC ECONOMY

Over the last quarter of a century, China’s economy has been gradually transformed from a centrally planned system to a more market-oriented economy with various market liberalisation initiatives aimed at making China an economically developed country. The fast economic development has been further accelerated by China’s entry into the World Trade Organisation (“WTO”) in 2001 and China has achieved an average GDP growth rate of approximately 10% from 2000 to 2008, as illustrated in the table below.

**Major Economic Indicators of China (2000-2008)**

	2000	2001	2002	2003	2004	2005	2006	2007	2008*	2000-2008
										CAGR
Population (million).....	1,267	1,276	1,285	1,292	1,300	1,308	1,314	1,321	1,328	0.6%
Nominal GDP (RMB billion).	9,921	10,966	12,033	13,582	15,988	18,322	21,192*	24,953*	30,067	14.9%
Real GDP growth (%).....	8.4	8.3	9.1	10.0	10.1	10.4	11.6*	11.9*	9.0	N/A
GDP per capita (RMB).....	7,858	8,622	9,398	10,542	12,336	14,053	16,165	18,934	N/A	N/A
CPI growth (%).....	0.4	0.7	-0.8	1.2	3.9	1.8	1.5	4.8	5.9	N/A
Urban population (million)....	459.1	480.6	502.1	523.8	542.8	562.1	577.1	593.8	606.7	3.5%
Urbanisation (%).....	36.2	37.7	39.1	40.5	41.8	43.0	43.9	44.9	45.7	N/A
Unemployment rate (%).....	3.1	3.6	4.0	4.3	4.2	4.2	4.1	4.0	4.2	N/A
Per capita disposable income (RMB).....	6,280	6,860	7,703	8,472	9,422	10,493	11,759	13,786	15,718	12.2%
Retail sales of consumer goods (RMB billion).....	3,911	4,306	4,814	5,252	5,950	6,718	7,641	8,921	10,849	13.6%
Foreign direct investment (US\$ billion).....	40.7	46.9	52.7	53.5	60.6	60.3	69.5	74.8	92.4	10.8%
Fixed asset investment (RMB billion).....	3,292	3,721	4,350	5,557	7,048	8,877	11,000	13,724	14,817	20.7%
Real estate investment (RMB billion).....	498	634	779	1,015	1,316	1,591	1,942	2,528	3,058	25.5%

Source: China Statistical Yearbooks, 2001-2008

2008 China National Economy and Social Development Statistical Communique

Notes: (1) N/A represents not applicable or not available.

(2) \*Revised figure announced by National Statistics Bureau on 26 February 2009.

(3) CAGR refers to compound annual growth rate.

#### • GDP and Growth Rate

China’s economy has experienced remarkable expansion over the past two decades. Real GDP growth rate accelerated from 8.3% in 2001 to a new record of 11.9% in 2007. In 2008, the slowing global economy had a slight adverse impact on China’s economy with the real GDP growth rate

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decreasing to 9%. In terms of the GDP quantum, it continued to increase to RMB30,067 billion in 2008, making it the third largest economy in the world. GDP per capita also more than doubled from 2000 to 2007 to RMB18,934.

During the second half of 2008, the Chinese government implemented a series of stimulus measures to increase investment and domestic consumption to cushion the impact of a deteriorating global economy. The Chinese government unveiled a RMB4 trillion stimulus package to be implemented through 2010 aimed at boosting economic development and increasing domestic demand.

- **Population**

China is the most populous country in the world. Given the “One Child” policy imposed by the Chinese Government, its population growth has been relatively stable in recent years, increasing from 1,267 million in 2000 to 1,328 million in 2008. The large population provides an abundance of labour and creates a large domestic demand particularly for the real estate and retail markets.

- **Foreign Direct Investment (“FDI”)**

China has attracted the most FDI amongst developing nations since 1992 with the adoption of the “Open Door” policy, the continued fast economic growth and China’s entry into the WTO. From 2000 to 2008, FDI increased at a CAGR of 10.8% in China. FDI in 2008 reached a new record of US\$92.4 billion, an increase of 23.5% compared to 2007. Despite the global economic crisis, it is expected that foreign funds will continue to flow into China in the coming years due to its status as one of the most prosperous emerging countries and the expectation of future Renminbi appreciation.

- **Disposable Income and Consumption**

The rapid economic development in China has resulted in stellar growth in per capita disposable income of urban residents, rising from RMB6,280 in 2000 to RMB15,718 in 2008, representing a CAGR of 12.2% since 2000. Disposable income has a direct impact on domestic consumption, which includes spending on consumer goods and residential properties. Since 2000, total retail sales of consumer goods increased at a CAGR of 13.6% in 2008 and the total sales of residential properties in China grew at a CAGR of 34.4% in 2007. China is gradually progressing from an export-led economy to a more balanced economy with growing domestic consumer demand.

The Consumer Price Index (“CPI”) was 1.5% in 2006. It increased to 4.8% in 2007 and 5.9% in 2008, mainly due to the general increase in cost of food and housing.

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- **Urbanisation**

China’s rapid economic development has boosted the pace of urbanisation. The urbanisation rate increased from 36.2% in 2000 to 45.7% in 2008. Rapid urbanisation, coupled with contemporaneous industrialisation, has created robust demand for housing as well as consumer goods and investment in infrastructure facilities, which together contribute to further economic growth.

### CHINA PROPERTY MARKET OVERVIEW

#### Trends of the Property Market in China

After reforming the land use regulations and developing a private property ownership system, “commodity properties” which mainly include residential, retail and office properties appeared in the late 1980s. Demand for various properties especially residential properties has increased significantly. The fast growing economy and the increase in disposable income of the Chinese citizens, as well as the favourable monetary policies encouraged individual and corporate investment in real estate. Since 2000, the real estate industry has played an increasingly important role in China’s economy.

The table below sets out selected property market indicators of China between 2000 and 2008:

**Property Market Indicators of China (2000-2008)**

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2000-2008 CAGR
Real estate investment (RMB billion) .....	498	634	779	1,015	1,316	1,591	1,942	2,528	3,058	25.5%
GFA of new commencements of commodity properties (million sq.m.) .....	296	374	428	547	604	681	793	954	976	16.1%
GFA of commodity properties completed (million sq.m.) ...	251	299	350	415	425	534	558	606	585	11.2%
GFA of commodity properties sold (million sq.m.) .....	186	224	268	337	382	555	619	774	621	16.3%
GFA of residential properties sold (million sq.m.) .....	166	199	237	298	338	496	554	701	559	16.4%

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	2000	2001	2002	2003	2004	2005	2006	2007	2008	2000-2007 CAGR
Average selling price of commodity properties (RMB per sq.m.).....	2,112	2,170	2,250	2,359	2,778	3,168	3,367	3,864	N/A	9.0%
Average selling price of residential properties (RMB per sq.m.).....	1,948	2,017	2,092	2,197	2,608	2,937	3,119	3,645	N/A	9.4%
Average selling price of office properties (RMB per sq.m.).....	4,751	4,588	4,336	4,196	5,744	6,923	8,053	8,667	N/A	9.0%
Average selling price of retail properties (RMB per sq.m.).....	3,260	3,274	3,489	3,675	3,884	5,022	5,247	5,574	N/A	8.0%

Source: China Statistical Yearbooks, 2001-2008

2008 China National Economy and Social Development Statistical Communique

Note: (1) N/A refers to not available.

(2) GFA refers to gross floor area.

The booming real estate market has been reflected in the supply side of the commodity property sector. The GFA of new commencements of commodity properties increased from 296 million sq.m. in 2000 to 976 million sq.m. in 2008, representing a CAGR of 16.1%. Amongst these, new residential property developments accounted for approximately 80%.

The fast development of the real estate market has been underpinned by strong demand, which is primarily driven by economic growth and improved income of residents. From 2000 to 2004, the percentage of properties sold vs. properties completed (by GFA) gradually increased from 74% to 90%. Driven by rapidly growing demand from local and foreign investors and end-users, the GFA of properties sold exceeded GFA completed with take-up ratios exceeding 100% since 2005. From 2000 to 2008, GFA of commodity properties sold increased at a CAGR of 16.3%.

The growing demand has pushed property prices up since 2000. The average selling price of commodity properties increased from RMB2,112 per sq.m. in 2000 to RMB3,864 per sq.m. in 2007, representing a CAGR of 9.0%. This strong demand was particularly reflected in the residential sector due to an inherent demand for housing. The national average residential price increased at a CAGR of 9.4% from RMB1,948 per sq.m. to RMB3,645 per sq.m. during the period from 2000 to 2007.

The strong economic performance and consumer demand have benefited the office and retail sectors. The average selling price of office and retail properties increased with a CAGR of 9.0% and 8.0% from 2000 to 2007, respectively. Average selling price of office properties in China increased from RMB4,751 per sq.m. in 2000 to RMB8,667 per sq.m. in 2007, whilst average retail property prices reached RMB5,574 per sq.m. in 2007 from RMB3,260 per sq.m. in 2000.

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The property market in China had shown a significant upward trend between 2000 and 2007. Real estate investment grew rapidly at a CAGR of 26.1% during the same period, recording a historical high of 30.2% growth on a year-on-year basis in 2007. However, this growth slowed in 2008 with an increase of 21% due to a series of government austerity measures and an increased cost of financing since 2007. At the same time, the GFA of completed properties and properties sold in 2008 also decreased by approximately 3% and 20% respectively, with a slight decrease in the property prices.

The global economic downturn which began in the second half of 2008 resulted in a general deterioration in the performance of the PRC property industry. Such economic downturn and financial crisis resulted in a credit crunch, both globally and in the PRC, an increased level of commercial and consumer delinquencies, a lack of consumer confidence and an increase in market volatility, which in turn caused a decrease in the average selling price of, and demand for, real estate properties in the PRC during the second half of 2008.

In addition, the global economic downturn and the financial crisis has also led to a general global tightening of credit facilities available to property development businesses in the PRC. Such tightening of credit availability has had a significant adverse impact on the liquidity of the PRC property developers and their ability to obtain financings. In particular, on 29 July 2008, the PBOC and China Banking Regulatory Commission issued a Notice on Promoting Economical and Intensive Use of Land through Finance 《關於金融促進節約集約用地的通知》 to further restrict the financing activities of property developers across the nation.

According to the “Housing Price Index of 70 Major Cities” jointly released by the National Statistics Bureau (“NSB”) and the National Development and Reform Commission, the average price of residential property in 70 major cities in China decreased by 1% in December 2008 on a year-on-year basis. Since September 2008, the People’s Bank of China has lowered the benchmark lending rate five times and the minimum down payment ratio of residential mortgage for first-time buyers. This contributed to an increase of the number of residential property transactions in the first 4 months of 2009. Residential prices have also since stabilised.

### **Key Drivers of the Property Market in China**

- **Government Policies, Laws and Regulations**

From 1999, the Chinese Government promulgated a series of reform regulations relating to land, building construction, property sale and mortgage provisions, which accelerated the development of the real estate market and led to the establishment of a large number of real estate developers. In August 2003, the State Council issued a notice aimed at increasing the supply of commodity residential properties, facilitating the re-sale of state-allocated housing and rejuvenating the secondary residential market.

In March 2005, the State Council issued proposing measures to curb increases in property prices, which included adjusting the supply and demand structure of the property market to encourage an increase in the supply of commodity residential property, economically affordable housing and low

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rent housing. In May 2006, the PRC Government issued new measures to encourage developers to increase the supply of small-to-medium sized housing and regulating the real estate market via taxation, loan and land supply.

In October 2007, the “PRC Property Right Law (中華人民共和國物權法)” came into effect, which aims to protect the rights of property owners. Under this law, the lease term of residential land use rights, not more than 70 years, will be automatically and indefinitely extended. It will encourage people to buy and own residential properties.

In December 2008, the General Office of the State Council issued various guidance opinions to promote healthy development of the real estate market (關於促進房地產市場健康發展的若干意見) including encouraging commodity residential property ownership, providing financing support for developers and facilitating affordable residential property construction. In May 2009, the minimum proportion of capital required has been lowered from 35% to 20% for affordable and commodity residential property development and from 35% to 30% for other types of property development.

- **Rising Disposable Income**

Rising disposable income improves the affordability of residential properties and stimulates demand for residential properties with higher quality, larger area, better amenities and an improved living environment. In addition, demand for real estate will grow with increasing income.

- **FDI Growth and China’s Entry into the WTO**

After China’s entry into the WTO, the country attracted more attention from foreign companies and investors, driving up foreign investment inflows into newly liberalised sectors including retail, banking and financial services and telecommunications. The growth in these sectors has created increasing demand for office, retail, residential and hotel properties. With the expectation of China’s strong economic growth, FDI is expected to increase consistently, contributing to the growth in demand for property in the PRC.

- **Population and Urbanisation**

China’s large population provides a fundamental demand for residential properties. Although population growth is gradual, the number of households are increasing as family sizes become smaller and new families are formed by married couples every year. These two factors are expected to stimulate demand for residential properties.

In 2005, the average residential floor area occupied per capita is 26.1 sq.m. According to the plans by the Ministry of Construction of China, this area is expected to increase to 35 sq.m. by 2020. Together with rising disposable income and a larger population size, the need for an improvement in living conditions would underpin the demand in the residential market in the long run.

China has experienced rapid urbanisation and industrialisation with an increase in the urban population and an expansion of the urban area, resulting in a growing demand for properties in urban areas.

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- **Housing System Reform**

In 1998, the Chinese government abolished its state-allocated housing policy, which fundamentally changed the demand and supply structure. Since then, all accommodation needs must be met by purchasing or renting in the real estate market.

- **Residential Mortgage**

After launching the housing system reforms, a series of policies including residential mortgage policies, were introduced. Housing mortgages have become an important and profitable business favoured by commercial banks. With the introduction of mortgage loans, more and more people are able to purchase new houses which significantly enhances the development of the property market in China. According to the statistics published by the NSB, the outstanding individual residential mortgage loans increased to RMB2,700 billion at the end of 2007 from RMB560 billion at the end of 2001, an increase of 4.8x in six years.

### **Property Market Development in the PRC**

In 1998, the state-allocated housing policy was abolished and people were encouraged to buy their own houses or pay rent at rates closer to prevailing market rates. As more and more people entered the property market, the mortgage financing market also flourished. Having policies that encouraged individuals to purchase their own properties with mortgage financing, the PRC real estate market experienced rapid growth. These housing reforms, together with the rapid economic growth and urbanisation in China, and the emergence of mortgage financing, have enabled and sustained a rapidly developing real estate market. These factors are expected to continue to encourage private property ownership and boost real estate investment in all asset types and classes in China. A brief timeline of the key housing reforms is set out below:

1988	The National People’s Congress amended the national constitution permit the transfer of state-owned land use rights.
1992	Public housing sales to private enterprises and individuals in major cities were permitted.
1994	Further implementation of real estate reform and establishment of an employer/employee-funded housing fund system.
1995	A regulatory framework was established for real estate sales. Parties intending to engage in such transfers should enter into a property transfer contract in writing and register the transfer with the property administration authority having jurisdiction.
1998	The PRC Government promulgated a series of regulations and policies related to the reformation of housing system and abolished the welfare-oriented public housing distribution system.



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- 1999 The maximum mortgage term was extended to 30 years and the maximum percentage of mortgage financing was increased from 70% to 80%, both encouraging more lending to private individuals to purchase properties.
- 2000 The PRC Government issued regulations and national standards to standardise the quality of construction projects, establishing a more rigorous framework for quality control in construction.
- 2001 Regulatory Measures were enacted in relation to the sale of commodity properties.
- 2002 The PRC government promulgated the “Rules Regarding the Grant of State-owned Land Use Rights by Way of Tender, Auction and Listing-For-Sale (招標拍賣掛牌出讓國有土地使用權規定)” which further transformed the property development industry into a market-oriented sector. The PRC government eliminated the dual system for domestic and overseas home buyers in China, enabling the merging of two originally distinct markets.
- 2003 New rules were promulgated to specify the requirements for banks to provide loans for the purposes of property development and individual home mortgage.
- 2004 Notice issued by the State Council requiring that real estate development projects (excluding affordable housing programmes) had to be financed by developers themselves from their capital funds which amounted to 35%, rather than 20%, of the total projected capital outlay for such projects.
- The China Banking Regulatory Commission further strengthened the risk control of commercial banks over their real estate financing.
- 2005 The PRC Government instituted additional measures to discourage speculation in the real estate market such as increasing the minimum down payment to 30% of the total purchase price, eliminating the preferential mortgage interest rate for residential housing, imposing a business tax of 5% on the proceeds from re-sale of properties that occur within two years of purchase, and prohibiting re-sale of uncompleted properties.
- 2006 The PRC Government announced further measures to “promote healthy development of the real estate market”. Such measures included: (i) 70% of residential developments in stipulated regions should be allocated to units no larger than 90 sq.m. by GFA; (ii) A business tax of 5% being levied on the total proceeds from the sale of residential housing purchased and held for less than 5 years; (iii) Commercial banks are not allowed to provide financing to development projects until the developer has committed more than 35% of total project costs; (iv) Land granted to a developer but has been left idle or not developed within the timeframe specified in the land grant contract might attract hefty penalties or be revoked by local governments; (v) Restrictions on foreigners to purchase residential properties in China; and (vi) Restrictions on off-shore institutional investors to invest in Chinese property market.

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2007 The State of Tax Administration issued a notice requiring local tax authorities to strictly enforce the collection of Land Appreciation Tax (“LAT”). Further requirements were stipulated in relation to the grant of loans with respect to the second and subsequent purchases of properties by individuals. The minimum down payment for non-first home buyers was increased from 30% to 40%, while the mortgage rate for non-first home buyers was increased from 85% to 110% of the standard interest rate.

2008 The State Council issued the *Notice on Promoting the Saving and Intensification of Use of Land* (國務院關於促進節約集約用地的通知). The notice requires that not less than 70% of any residential land development project must be used for developing low-cost rental units, small to medium sized units, low to medium cost units and units with a GFA of less than 90 sq.m. The notice also imposes an additional land premium surcharge on idle land.

The Ministry of Finance and the State Administration of Taxation of the PRC adjusted real estate related tax rates for individual property sale or purchase, including temporarily lowering the deed tax rate to 1% for individual purchase of first residential house with a GFA of no more than 90 sq.m., suspending land appreciation tax for sale of residential properties and suspending stamp duty for purchase or sale of residential properties.

On 20 December 2008, the State Council implemented several tax related policies, including shortening the business tax exemption term for the transfer of ordinary residential properties from five years to two years beginning the earlier of the date of issuance of building ownership certificates or the date of the deed tax payment receipt, and revising the basis for calculating the business tax by fixing it at the balance between the transfer price and the purchase price if the individual owner transfers the property within two years after purchase.

On 27 October 2008, in support of first time purchasers of ordinary residential properties, the PBOC adjusted the lower limit of the lending rate for residential properties of a commercial nature for individuals to 70% of the benchmark lending rate and adjusted the minimum down payment to 20% of the total purchase price. The PBOC also lowered the lending rate for real estate developers of low-rent housing to 90% of the bench mark lending rate.

## SHANGHAI PROPERTY MARKET

Shanghai is the leading financial and commercial centre in China, as well as one of the fastest growing financial capitals in the world. In 2008, Shanghai had a population of 13.9 million, representing a CAGR of 0.6% from 2000 to 2008.

As one of the most prosperous cities in China and the economic bellweather in the Yangtze River Delta Region, Shanghai maintained double-digit GDP growth from 1992 to 2007. However, due to the global financial crisis, real GDP growth in Shanghai declined to 9.7% in 2008 and 3.1% in the first quarter of 2009. Total GDP reached RMB1,370 billion in 2008 and GDP per capita still ranked first amongst all the provinces and municipalities in China.

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The table below sets out selected economic indicators of Shanghai between 2000 and 2008:

**Economic Indicators of Shanghai (2000-2008)**

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2000-2008 CAGR
Population (million) .....	13.2	13.3	13.3	13.4	13.5	13.6	13.7	13.8	13.9	0.6%
Nominal GDP (RMB billion) .....	477	521	574	669	807	916	1,037	1,219	1,370	14.1%
Real GDP growth rate (%) .	11.0	10.5	11.3	12.3	14.2	11.1	12.0	14.3	9.7	N/A
GDP per capita (RMB) .....	30,047	32,333	35,445	40,130	46,755	52,060	57,695	66,367	73,124	11.8%
FDI (US\$ billion).....	3.2	4.4	5.0	5.9	6.5	6.9	7.1	7.9	10.1	15.5%
Retail sales of consumer goods (RMB billion) .....	186.5	201.6	220.4	240.5	265.7	297.3	336.0	384.8	453.7	11.8%
Fixed asset investment (RMB billion) .....	187.0	199.5	218.7	245.2	308.5	354.3	392.5	445.9	482.9	12.6%
Urbanisation (%).....	74.6	75.3	76.4	77.6	81.2	84.5	85.8	86.8	87.5	N/A
Per capita disposable income (RMB).....	11,718	12,883	13,250	14,867	16,683	18,645	20,668	23,623	26,675	10.8%

*Source: Shanghai Statistics Bureau*

*Note: N/A refers to not applicable.*

A large number of foreign companies and investors have entered the Shanghai market because of its rapid economic growth and prominent leading position as a financial centre in China. FDI in Shanghai grew rapidly with a CAGR of 15.5% from US\$3.2 billion in 2000 to US\$10.1 billion in 2008. Although the global financial crisis has depressed foreign investment by large multinational companies and individuals, FDI in Shanghai in the first four months of 2009 grew by 3.0% on a year-on-year basis.

Per capita disposable income in Shanghai has increased steadily over the past few years. In 2000, the per capita disposable income was RMB11,718, rising to RMB26,675 in 2008, representing a CAGR of 10.8%. In addition, retail sales of consumer goods in Shanghai reached RMB453.7 billion in 2008, representing a CAGR of 11.8% since 2000. In the first four months of 2009, sales revenues continued to grow by 14.0% compared with the same period in 2008.

Shanghai is expected to continue strong economic growth, benefitting from its open investment environment and well developed social welfare systems. The Shanghai World Expo in 2010 will also enhance Shanghai’s reputation in the world, promote the development of its international exhibition and conference industry and drive the growth of its tertiary industry. In the long term, the Shanghai economy will be further spurred by the central government’s policies issued in April 2009 to develop Shanghai into an international financial and shipping centre and to enhance the development of its service and advanced manufacturing industries.

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### Infrastructure Developments

To further improve living conditions and prepare for the 2010 Shanghai World Expo, the Shanghai government increased its infrastructure investment in recent years. Government investment in Shanghai reached RMB173.3 billion in 2008, representing an increase of 18.2% over 2007. The key planned infrastructure developments in Shanghai in the next few years include:

- 6 metro lines and light railways to be completed in Shanghai by 2012;
- The Shanghai-Beijing Express Railway scheduled to be completed in 2013; and
- Various infrastructure projects serviced for the Shanghai World Expo, including roads, ports and parks construction.

### Real Estate Investment in Shanghai

Real estate investment in Shanghai grew steadily between 2000 and 2008 at a CAGR of 11.7%. It surged in 2004 at an increased rate of 30.4% compared to 2003 and then maintained a stable rate of growth from 2004 to 2008, reaching RMB136.7 billion in 2008.

The GFA of completed commodity properties peaked in 2005. Given the impact of government austerity measures on the real estate market, property developments and transactions slowed down slightly in 2005 and 2006. In 2007, the GFA of commodity properties sold picked up and recorded a new high of 36.9 million sq.m. However, the global financial crisis hampered the near term growth of Shanghai's economy and property market, resulting in a decline of volume sold to 23.0 million sq.m. in 2008.

In 2008, 17.6 million sq.m. and 19.7 million sq.m. of residential GFA were completed and sold respectively, representing a decline of 36.0% and 40.0% compared to that in 2007. Developers slowed down the construction of projects in light of the cooling property market, resulting in a continuous decrease of supply in 2008 and the first four months of 2009. However, on the demand front, the market gradually warmed up and this contributed to a slight increase of the volume of properties sold from January to April of 2009.

Property prices in Shanghai maintained robust growth since 2000 with a CAGR of more than 11%, except for a slight decline in 2008. The price of commodity and residential properties averaged at RMB8,255 per sq.m. and RMB8,182 per sq.m. respectively in 2008.

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The table below sets out selected property market indicators of Shanghai between 2000 and 2008:

### Property Market Indicators of Shanghai (2000-2008)

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2000-2008 CAGR
Real estate investment (RMB billion) .....	56.6	63.1	74.9	90.1	117.5	124.7	127.6	130.8	136.7	11.7%
GFA of commodity properties completed (million sq.m.).....	16.4	17.9	19.8	24.9	34.4	40.0	32.7	33.8	24.8	5.3%
GFA of residential properties completed (million sq.m.).....	13.9	15.2	17.1	21.4	30.8	27.4	27.0	27.5	17.6	3.0%
GFA of commodity properties sold (million sq.m.).....	15.6	18.0	19.7	23.8	34.9	31.6	30.3	36.9	23.0	5.0%
GFA of residential properties sold (million sq.m.).....	14.5	16.8	18.5	22.2	32.3	28.5	26.2	32.8	19.7	3.9%
Average selling price of commodity properties (RMB per sq.m.).....	3,565	3,866	4,134	5,118	6,489	6,842	7,196	8,361	8,255	11.1%
Average selling price of residential properties (RMB per sq.m.).....	3,326	3,659	4,007	4,989	6,385	6,698	7,039	8,253	8,182	11.9%

*Source: Shanghai Statistics Bureau*

### Mid to Upper-end Residential Market in Shanghai

Shanghai's mid to upper-end residential properties mainly concentrate in the ten urban districts with well-developed ancillary facilities.

Demand for mid to upper-end residential properties in Shanghai comes mainly from end-users. In addition, Shanghai is an international metropolis and its property market is gradually maturing. Hence, investment demand for residential properties is expected to account for a steadily growing proportion despite certain government policies or the global financial crisis. Demand will be further driven by:

- Improving city infrastructure and social environment including economy, politics and culture;
- Increasing income of the emerging middle class and the enlargement of wealthy groups; and
- Growing number of expatriates and migrants as a result of the growth of Multinational Companies (MNCs) and business activities in Shanghai.

It is expected that average price of mid to upper-end residential properties may grow steadily in the coming years, due to increasing income of residents and the active leasing market as a result of steady inflow of expatriates as well as the inflow of tourists during the Shanghai World Expo.

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## INDUSTRY OVERVIEW

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### Mid to upper-end Retail Market in Shanghai

Shopping centres and department stores are the major retail properties in Shanghai. Retail spaces are mainly located in the six central areas, namely West Nanjing Road in the Jing'an District, East Nanjing Road in the Huangpu District, Huaihai Road in the Luwan District, Xujiahui in the Xuhui District, Zhongshan Park in the Changning District, Lujiazui in the Pudong District, and emerging commercial centres such as the Wujiaochang Area in the Yangpu District and Daning International Area in the Zhabei District. With limited land supply in the central areas, mid to upper-end retail properties will see strong demand in the long term.

As retail properties are typically considered as a long-term investment asset the majority of units within shopping centres and department stores are only for lease.

Given the growing number of wealthy residents and expatriates, and increasing investment from foreign retailers, demand for mid to upper-end retail spaces is likely to grow strongly. Retail sales in Shanghai grew at a CAGR of 11.8% from RMB186.5 billion in 2000 to RMB 453.7 billion in 2008, and the growth rate has gradually increased during this period. Although vacancies at mid to upper-end retail facilities increased slightly in the first four months of 2009 mainly because of the renovation of several retail projects in central areas, rentals still continued their upward trend compared with the same period of 2008.

### Shanghai Five-star Hotel Market

Demand for five-star hotels in Shanghai will be further boosted by the growing number of domestic and international visitors to Shanghai, together with large scale business events and the upward economic trend. Since 2000, the number of international visitors has grown at a CAGR of 17.1%, reaching 6.4 million in 2008. Shanghai has become a key destination for conventions and exhibitions in Asia, and its M.I.C.E. (meetings, incentives, conferences and exhibitions) industry has been developing rapidly in recent years.

Shanghai has been ranked amongst the cities with the highest room rate for five-star hotels in mainland China. The average daily room rate (ADR) of five-star hotels in Shanghai increased at a CAGR of 12.2% from RMB888 in 2002 to RMB1,406 in 2006 according to Shanghai Statistics Bureau. However, the ADR declined to RMB1,336 in 2007 and RMB1,233 in 2008 mainly due to the larger supply of hotels in recent years.

### TIANJIN PROPERTY MARKET

Tianjin is one of the most important industrial cities in Northern China, which is located to the southeast of Beijing. It is also an international transportation hub with superior port facilities and is one of two major cities in the Bohai Rim Economic Zone. Tianjin covers an area of 11,760 sq.km. and its population was 9.7 million in 2008.

Tianjin has maintained rapid GDP growth since 2003 with real GDP growth rate higher than 14.0% from 2003 to 2008. Its GDP output reached RMB635.4 billion in 2008. In the first quarter of 2009, real GDP growth in Tianjin reached 16% compared with the national growth rate of 6.1%.

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Disposable income per urban resident in Tianjin has increased steadily over the past eight years. In 2000, per capita disposable income was RMB8,141, rising to RMB19,423 in 2008, representing a CAGR of 11.5% during the period.

The table below sets out selected economic indicators of Tianjin between 2000 and 2008:

**Economic Indicators of Tianjin (2000-2008)**

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2000-2008
										CAGR
Population (million) .....	9.1	9.1	9.2	9.3	9.3	9.4	9.5	9.6	9.7	0.8%
Nominal GDP										
(RMB billion).....	170.2	191.9	215.1	257.8	311.1	369.8	434.4	505.0	635.4	17.9%
Real GDP growth rate (%) ..	10.8	12.0	12.7	14.8	15.8	14.7	14.5	15.1	16.5	N/A
GDP per capita (RMB).....	17,353	19,141	21,387	25,544	30,575	35,783	41,022	46,122	55,473	15.6%
FDI (US\$ billion).....	2.6	3.2	3.8	1.6	2.5	3.3	4.1	5.3	7.4	14.0%
Fixed asset investment										
(RMB billion).....	60.9	70.5	81.1	104.7	125.9	151.7	185.0	238.9	340.4	24.0%
Urbanisation (%).....	58.4	58.6	58.9	59.4	59.6	59.9	60.2	60.5	60.7	N/A
Per capita disposable										
income (RMB).....	8,141	8,959	9,338	10,313	11,467	12,639	14,283	16,357	19,423	11.5%

*Source: Tianjin Statistics Bureau*

*Note: N/A refers to not applicable or not available.*

### Infrastructure Developments

In order to implement its development plan both in the city area and the Bohai Rim Economic Zone, the Tianjin government has increased investment in infrastructure developments. Some of the key projects in the next three years include:

- The third Jing-Jin-Tang Expressway linking Beijing, Tianjin and Tanggu of Tianjin to be constructed in 2009;
- The Jin-Qin Express Railway linking Tianjin and Qinhuangdao is under construction;
- The Jing-Hu Express Railway linking Beijing, Tianjin and Shanghai is under construction;
- The Chengde-Tianjin Expressway is under construction;
- Extension Project Phase Two of Tianjin Binhai International Airport to be completed in 2012; and
- Metro Lines 2 and 3 to be completed by 2010.

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## INDUSTRY OVERVIEW

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### Real Estate Investment in Tianjin

Real estate investment in Tianjin increased steadily from RMB13.4 billion in 2000 to RMB65.4 billion in 2008, representing a CAGR of 21.9%.

The GFA of commodity properties completed and sold in Tianjin rapidly grew at CAGR of 20.4% and 15.7% respectively from 2000 to 2008. Completion and transaction volumes in terms of GFA surged in 2005 mainly due to the implementation of the city redevelopment plans and the plan of the Binhai New Area. In 2008, the GFA of commodity properties completed increased by 50.6% mainly due to a large number of developers outside Tianjin entering the market since 2005. In addition, commercial properties (mainly including office and retail properties) completed accounted for an increasing percentage, 41.0% of the commodity properties completed in 2008.

The average selling price of commodity properties in Tianjin increased rapidly at a CAGR of 12.6% between 2000 and 2008. Since 2004, the price has increased significantly and recorded a new high of RMB6,015 per sq.m. in 2008, representing a growth rate of 3.5% compared with 2007.

The table below sets out selected property market indicators of Tianjin between 2000 and 2008:

**Property Market Indicators of Tianjin (2000-2008)**

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2000-2008 CAGR
Real estate investment (RMB billion) .....	13.4	16.1	17.6	21.1	26.4	32.8	40.2	50.5	65.4	21.9%
GFA of commodity properties completed (million sq.m.).....	5.8	6.9	7.5	9.1	11.1	14.8	15.2	17.0	25.6	20.4%
GFA of residential properties completed (million sq.m.).....	5.3	6.3	6.7	7.5	10.1	12.7	13.1	14.0	15.1	14.0%
GFA of commodity properties sold (million sq.m.).....	3.9	5.4	5.6	7.9	8.5	14.1	14.6	15.5	12.5	15.7%
GFA of residential properties sold (million sq.m.).....	3.8	5.1	5.4	7.2	8.0	12.6	13.3	14.0	N/A	N/A
Average selling price of commodity properties (RMB per sq.m.) .....	2,328	2,375	2,487	2,518	3,115	4,055	4,774	5,811	6,015	12.6%
Average selling price of residential properties (RMB per sq.m.) .....	2,274	2,308	2,414	2,393	2,950	3,987	4,649	5,576	N/A	N/A

*Source: Tianjin Statistics Bureau*

*Note: N/A refers to not available or applicable.*



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## INDUSTRY OVERVIEW

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### Mid to upper-end Residential Market in Tianjin

The mid to upper-end residential developments are mainly situated in urban areas, such as Hexi, Nankai, Hedong districts, and Tianjin Economic and Technological Development Area of Binhai New Area. Given the plan of development eastward in Tianjin, Hedong is expected to witness a rapid development in the mid to upper-end residential market due to its well developed transportation network between the traditional urban area and Binhai New Area.

Binhai New Area is expected to be booming for mid to upper-end residential developments in the coming years. Driven by the robust growth potential, a great number of foreign companies and high-income expatriates as well as migrant workers will swarm into Tianjin, especially Binhai New Area. According to the “Eleventh Five Year Plan for Tianjin Economic and Social Development (天津市國民經濟和社會發展第十一個五年規劃)”, the population in Binhai is expected to reach 1.8 million in 2010 and 3.0 million in 2020. Thus, the demand for mid to upper-end residential properties in this area will be expected to steadily increase.

The affordability of mid to upper-end residential properties in Tianjin will be further improved by strong economic growth. Influenced by the integrated development strategy of Beijing, Tianjin and Hebei Province and the Beijing-Tianjin Express Railway commissioned in 2008, more investors are attracted into the property market of Tianjin, resulting in growth of investment demand for mid to upper-end residential properties.

As more developers enter the market and introduce new products, such as well-furnished housing and professional property management services, it will enhance the quality of mid to upper-end residential properties and will stimulate growth in property prices.

### Tianjin Five-star Hotel Market

Strong demand for five-star hotel accommodation is expected as Tianjin is an international harbor city and the economic centre of Northern China. It attracts an increasing number of international and domestic companies along with business and social-economic activities. According to the Tianjin Statistics Bureau, between 2000 and 2008, the number of international visitors grew at a CAGR of 19.2% and international tourism revenue increased at a CAGR of 23.2%.

The average daily room rate of five-star hotels in Tianjin increased steadily in recent years. From 2010 to 2012, because of the increasing new supply, the average occupancy rate is expected to decline slightly but the average room rate is expected to increase due to the participation and entry of a larger number of international branded hotels in the market, which provide higher quality services and charge higher room rates.

## BEIJING PROPERTY MARKET

After successfully hosting the 2008 Olympic Games, Beijing captured the world’s attention with its rapidly improving social and economic surroundings.

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At the end of 2008, Beijing covered an area of 16,411 sq.km. and had a population of 12.3 million, which has grown at a CAGR of 1.3% from 2000 to 2008. It has also maintained strong growth in its economy since 2000 with Nominal GDP growing from RMB316 billion in 2000 to RMB1,049 billion in 2008, representing a CAGR of 16.2%. In addition, its GDP per capita grew at a CAGR of 12.8% from 2000 to 2008 and reached RMB63,029 in 2008, making it the second highest amongst the Chinese provinces and municipalities after Shanghai.

Beijing maintained a rapid GDP growth rate of 11.9% per annum between 2000 and 2008. As a result of the slowdown in the Chinese and global economies in 2008, Beijing’s real GDP growth rate decreased to 9.0% in 2008, which is in line with the national level.

The table below sets out selected economic indicators of Beijing between 2000 and 2008:

### Economic Indicators of Beijing (2000-2008)

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2000-2008 CAGR
Population (million) .....	11.1	11.2	11.4	11.5	11.6	11.8	12.0	12.1	12.3	1.3%
Nominal GDP (RMB billion).....	316	371	433	502	606	689	787	935	1,049	16.2%
Real GDP growth rate (%) ..	11.8	11.7	11.5	11.0	14.1	11.8	12.8	13.3	9.0	N/A
GDP per capita (RMB).....	24,122	26,998	30,840	34,892	41,099	45,444	50,467	58,029	63,029	12.8%
FDI (US\$ billion).....	2.5	1.8	1.8	2.1	3.1	3.5	4.6	5.1	6.1	11.8%
Fixed asset investment (RMB billion).....	129.7	153.1	181.4	215.7	252.8	282.7	337.2	396.7	384.9	14.6%
Urbanisation (%).....	77.5	78.1	78.6	79.1	79.5	83.6	84.3	84.5	84.9	N/A
Per capita disposable income (RMB).....	10,350	11,578	12,464	13,883	15,638	17,653	19,978	21,989	24,725	11.5%

Source: Beijing Statistics Bureau

Note: N/A refers to not applicable.

### Infrastructure Developments

The Beijing government has invested a substantial amount in the city’s infrastructure in recent years. To further enhance the city’s development, the following infrastructure projects are expected:

- The new Subway Line 4 to be commissioned in September 2009;
- Five new subway lines including Daxing Line, Yizhuang Line, Phase I of Changping Line, Fangshan Line and Phase I of Line 15 which are scheduled to completed in 2010;
- Four new subway lines including nos 6, 8, 9 and Phase II of Line 10 scheduled to be completed by 2012; and

## INDUSTRY OVERVIEW

- The Beijing-Shanghai Express Railway commenced in 2008 and scheduled to be completed in 2013.

### Real Estate Investment in Beijing

Real estate investment in Beijing increased from RMB52.2 billion in 2000 to RMB199.6 billion in 2007, representing a CAGR of 21.1%. Real estate investment in 2008 decreased by 4.4% to RMB190.9 billion in 2008.

GFA completed and sold for commodity properties in Beijing grew at a CAGR of 22.4% and 23.9% respectively from 2000 to 2005. With the central government’s introduction of austerity measures and tighter control on bank lending activities after 2005, both completed area and sold area of commercial property decreased rapidly to 25.6 million sq.m. and 13.4 million sq.m. respectively in 2008. This is worsened due to the adverse impact of the economic downturn.

Property prices showed growth of over 20% in 2005 and 2006 but started to slow down in 2007 and 2008. In recent years, affordable housing investment was strengthened by the government policies with increasing relevant supply. This is expected to contribute to stabilising residential prices.

The table below sets out selected property market indicators of Beijing between 2000 and 2008:

### Property Market Indicators of Beijing (2000-2008)

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2000-2008 CAGR
Real estate investment (RMB billion) .....	52.2	78.4	98.9	120.3	147.3	152.5	172.0	199.6	190.9	17.6%
GFA of commodity properties completed (million sq.m.).....	13.7	17.1	23.8	25.9	30.7	37.7	31.9	28.9	25.6	8.1%
GFA of residential properties completed (million sq.m.).....	10.1	13.9	19.3	20.8	23.4	28.4	21.9	18.5	14.0	4.2%
GFA of commodity properties sold (million sq.m.).....	9.6	12.0	17.1	19.0	24.7	28.0	26.1	21.8	13.4	4.3%
GFA of residential properties sold (million sq.m.).....	9.0	11.3	16.0	17.7	22.9	25.7	22.1	17.3	10.3	1.7%
										<b>2000-2006 CAGR</b>
Average price of commodity properties (RMB per sq.m.)....	4,919	5,062	4,764	4,737	5,053	6,274	8,280	N/A	N/A	9.1%
Average Price of residential properties (RMB per sq.m.)....	4,557	4,716	4,467	4,456	4,747	5,853	7,376	N/A	N/A	8.4%

Source: Beijing Statistics Bureau

Note: N/A refers to not available.

## INDUSTRY OVERVIEW

### Mid to Upper-end Residential Market in Beijing

Mid to upper-end residential properties in Beijing are mainly concentrated within the 5th Ring Road. Due to the limited land supply in the urban areas and increasing demand for residential properties, new mid to upper-end residential properties in Beijing are expected to move toward suburban areas and their prices will be supported by the improving subway transportation system in the coming years.

Increasing disposable income is the key driver for the mid to upper-end residential market in Beijing. Economic growth and the growing population in Beijing will also provide strong support for its residential market. The annual growth rate of the permanent population in Beijing averaged at 2.8% from 2000 to 2008. In addition, corporates that set up offices in Beijing will create employment also help to create new demand for mid to upper-end residential properties in the future.

Beijing’s real estate market is largely influenced by the government macro adjustment measures. Since the second half of 2008, the Chinese government has eased the macro economic policies, including lowering the lending cost for five times and relaxing restrictions for foreign investment in real estate market. In addition, developers are adjusting their operations to capture sustainable demand. It is expected that the mid to upper-end residential property market will steadily increase in the long run.

### WUXI PROPERTY MARKET

Wuxi is a well-known tourist destination in China and is one of the economic hubs in the Yangtze River Delta Region. It is located in the southern part of Jiangsu Province with Shanghai to its east and Nanjing to its west. In 2008, it had a population of 4.6 million.

The GDP of Wuxi has maintained double-digit growth for more than ten years and has reached RMB442.0 billion in 2008.

The table below sets out selected economic indicators of Wuxi between 2000 and 2008:

**Economic Indicators of Wuxi (2000-2008)**

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2000-2008 CAGR
Population (million).....	4.3	4.4	4.4	4.4	4.5	4.5	4.6	4.6	4.6	0.8%
Nominal GDP (RMB billion).....	117.7	132.9	153.4	183.3	225.1	280.5	330.1	385.9	442.0	18.0%
Real GDP growth rate (%) .....	11.2	11.5	12.8	15.4	17.4	15.1	15.3	15.3	12.4	N/A
GDP per capita(RMB).....	27,109	30,526	35,087	41,616	50,592	50,958	57,719	65,212	73,053	13.2%
FDI (US\$ billion) .....	1.1	1.4	1.7	2.7	3.3	2.0	2.8	2.8	3.2	14.3%
Fixed asset investment										
(RMB billion) .....	35.0	40.5	53.8	89.3	111.4	133.6	147.5	167.4	187.7	23.4%
Per capita disposable income										
(RMB).....	8,603	9,454	9,988	11,647	13,588	16,005	18,189	20,898	23,605	13.4%

Source: Wuxi Statistics Bureau

Note: N/A refers to not applicable.

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## INDUSTRY OVERVIEW

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Fixed asset investments in Wuxi grew at a CAGR of 23.4% from 2000 to 2008, and reached RMB187.7 billion in 2008. There are also a number of planned infrastructure projects in Wuxi in the next few years such as the expansion of the current airport into an international airport.

### Real Estate Investment in Wuxi

Real estate investment in Wuxi grew rapidly at a CAGR of 33.4% between 2000 and 2008, reaching RMB45.0 billion in 2008.

The commodity property market in Wuxi has developed rapidly since 2000. Annual growth in the GFA of commodity and residential properties completed both reached 14.5% from 2000 to 2008. However, GFA sold for commodity properties decreased by approximately 29.9% from 7.7 million sq.m. in 2007 to 5.4 million sq.m in 2008. Average price however continued to increase during the period. Average price of commodity properties grew at CAGR of 15.3%, reaching RMB5,375 per sq.m in 2008.

The table below sets out selected property market indicators of Wuxi between 2000 and 2008:

**Property Market Indicators of Wuxi (2000-2008)**

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2000-2008 CAGR
Real estate investment (RMB billion) .....	4.5	4.9	7.7	13.2	19.6	22.8	27.7	37.8	45.0	33.4%
GFA of commodity properties completed (million sq.m.).....	2.4	2.5	2.9	5.1	4.8	6.9	7.9	7.4	7.1	14.5%
GFA of residential properties completed (million sq.m.).....	2.0	2.1	2.5	4.6	4.0	5.4	6.1	6.0	5.9	14.5%
GFA of commodity properties sold (million sq.m.).....	2.2	2.0	2.4	3.0	4.1	6.0	6.5	7.7	5.4	11.9%
GFA of residential properties sold (million sq.m.).....	2.0	1.8	2.2	2.8	3.5	5.1	5.5	6.8	4.6	11.0%
Average price of commodity properties (RMB per sq.m.)....	1,718	1,808	1,813	2,216	2,534	3,679	4,000	4,573	5,375	15.3%
Average price of residential properties (RMB per sq.m.)....	1,632	1,726	1,712	2,006	2,278	3,472	3,687	4,363	5,096	15.3%

Source: Wuxi Statistics Bureau

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## INDUSTRY OVERVIEW

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### Mid to Upper-end Residential Market in Wuxi

Mid to upper-end residential properties in Wuxi are scattered in three areas, namely Sub-central Area (including Nanchang (南川區), Beitang (北塘區) and Chong’an District (崇安區)), Binhu District (濱湖區) and the New District (新區). The Sub-central Area is close to the city downtown area, Binhu District has a pleasant environment and Wuxi New District has a national Economic Development Zone with a large number of enterprises established there.

Supply of mid to upper-end residential properties will slightly decrease in the coming two years due to limited land supply since 2007. Binhu District and Wuxi New District are expected to be the two prime areas for mid to upper-end residential property developments as developers and purchasers are attracted to the pleasant scenery in Binhu and the active strong leasing market in the New District.

Demand for mid to upper-end residential properties in Wuxi is underpinned by local wealthy residents and an influx of foreign talent. With the rapid increase in disposable income, demand for larger and newer apartments in Wuxi is increasing. Besides, Wuxi is a key manufacturing base for the Yangtze River Delta Region. According to the Wuxi Government, at the end of July 2007, 76 of the Fortune Global 500 Companies such as General Electric, Toyota Motor and Matsushita Electric had invested in Wuxi.

### Wuxi Five-star Hotel Market

As one of the most popular tourism centres in China, Wuxi has attracted a growing number of domestic and overseas visitors. Total number of visitors has grown at a CAGR of 15.9%, from 11.5 million in 2000 to 37.5 million in 2008.

International tourists and business travelers are the main source of guests for five-star hotels. The five-star hotel market in Wuxi was prosperous in the past few years due to rapid economic growth and limited room supply. In 2008, the average daily room rate and occupancy rates of five-star hotels fell slightly as a result of the global economic crisis, with the number of international tourists declining by 14.5% in 2008.

## SUZHOU PROPERTY MARKET

Suzhou, a well-known tourism and cultural city in China, is located in the south of Jiangsu Province and to the north of Shanghai. It covers a land area of 8,488 sq.km. with a registered population of 6.3 million in 2008.

GDP of Suzhou reached RMB670.1 billion in 2008, ranking 2nd among cities in the Yangtze River Delta Region. Its real GDP growth rate averaged at 14.9% from 2000 to 2008. GDP per capita increased at a rapid growth rate with a CAGR of 18.9% between 2000 and 2008.

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## INDUSTRY OVERVIEW

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The table below sets out selected economic indicators of Suzhou between 2000 and 2008:

### Economic Indicators of Suzhou (2000-2008)

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2000-2008 CAGR
Population (million).....	5.8	5.8	5.8	5.9	6.0	6.1	6.2	6.2	6.3	1.0%
Nominal GDP										
(RMB billion).....	154.1	176.0	208.0	280.2	345.0	402.7	482.0	570.0	670.1	20.2%
Real GDP growth rate (%) ...	12.6	12.3	14.5	18.0	17.6	15.3	15.5	16.0	12.5	N/A
GDP per capita (RMB).....	26,692	30,384	35,733	47,693	57,992	66,766	78,802	91,911	106,863	18.9%
FDI (US\$ billion) .....	2.9	3.0	4.8	6.8	5.0	5.1	6.1	7.2	8.1	13.7%
Fixed asset investment (RMB										
billion) .....	51.6	56.5	81.3	140.9	155.5	187.0	210.7	236.6	261.0	22.5%
Per capita disposable income										
(RMB).....	9,274	10,515	10,617	12,361	14,451	16,276	18,532	21,260	23,867	12.5%

*Source: Suzhou Statistics Bureau*

*Note: N/A refers to not applicable.*

### Real Estate Investment in Suzhou

Development of the real estate market in Suzhou has been largely supported by its attractive tourism environment and strong economy. Total GFA completed and sold for commodity properties in Suzhou kept increasing from 2000 to 2007, reaching 18.7 million sq.m. and 19.1 million sq.m. respectively in 2007. However, the slow down in China’s economic growth has negatively impacted on the economic growth and property market in Suzhou. Commodity properties GFA sold in 2008 decreased dramatically by 47.1%.

The average price of commodity properties has maintained an increasing trend since 2000, reaching RMB5,692 per sq.m. in 2008. However, the growth rate has continuously slowed down since 2004.

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## INDUSTRY OVERVIEW

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The table below sets out selected property market indicators of Suzhou between 2000 and 2008:

### Property Market Indicators of Suzhou (2000-2008)

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2000-2008 CAGR
Real estate investment (RMB billion) .....	6.1	6.9	10.7	17.8	33.4	41.4	47.1	60.2	71.8	36.1%
GFA of commodity properties completed (million sq.m.).....	4.4	4.7	5.6	8.3	14.6	16.8	18.2	18.7	14.8	16.4%
GFA of residential properties completed (million sq.m.).....	3.8	3.9	4.6	7.1	12.7	13.8	14.8	14.8	11.3	14.6%
GFA of commodity properties sold (million sq.m.).....	3.7	4.8	5.4	6.1	8.5	7.9	13.9	19.1	10.1	13.4%
GFA of residential properties sold (million sq.m.).....	3.3	4.3	4.8	5.3	7.5	6.8	11.9	16.5	8.3	12.2%
Average price of commodity properties (RMB per sq.m.)....	1,778	1,843	2,157	2,574	3,108	3,863	4,591	5,146	5,692	15.7%
Average price of residential properties (RMB per sq.m.)....	1,662	1,730	2,044	2,481	2,964	3,718	4,415	5,004	5,533	16.2%

*Source: Suzhou Statistics Bureau*

### Suzhou Residential Market

GFA of residential properties sold in Suzhou recorded a historical high in 2007 with 16.5 million sq.m. However, the volume in 2008 dropped significantly by 49.7% to approximately 8.3 million sq.m.

To stimulate the property market, the Suzhou government published some stimulus measures in October 2008 mainly including granting residents permits (“Hukou”), reducing transaction taxes and relaxing the payment term for developers’ purchase of land. Such measures have helped to increase liquidity of the second-hand property market.

Average price of residential properties in Suzhou grew at a CAGR of 16.2% from 2000 to 2008, reaching RMB5,533 per sq.m. in 2008. Property price increased rapidly in 2005 and 2006 on the back of the strong demand driven by robust economic growth, but such growth has slowed down gradually in the past two years. The anticipated economic growth in Suzhou and the government stimulus measures are expected to drive demand and price level of the residential properties in the coming years.



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## INDUSTRY OVERVIEW

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### NANTONG PROPERTY MARKET

Nantong is located in Jiangsu Province and to the northwest of Shanghai. It has a population of 7.6 million and is one of the most populous cities in Jiangsu Province. Its key economic drivers are manufacturing and port-related industries.

Nantong has experienced rapid economic growth, with the real GDP growth expanded from 10.9% in 2000 to 13.3% in 2008. Despite the GDP growth rate declining to 13.3% in 2008 from 16.2% in 2007, it was still 0.8% higher than the average for Jiangsu Province. GDP for Nantong reached RMB251.0 billion in 2008.

Given the rapid economic growth in Nantong, disposable income of urban residents also increased accordingly and reached RMB18,903 in 2008 with a growth rate of 14.9% compared to 2007. In addition, the Nantong government has increased much effort to attract investment in recent years. Utilised Foreign Investment grew rapidly between 2000 and 2008 at a CAGR of 45.4%, amounting to US\$2.9 billion in 2008.

The table below sets out selected economic indicators of Nantong from 2000 to 2008:

#### Economic Indicators of Nantong (2000-2008)

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2000-2008 CAGR
Population.....	7.8	7.8	7.8	7.8	7.7	7.7	7.7	7.7	7.6	-0.3%
Nominal GDP (RMB billion).....	72.1	79.0	86.5	98.0	119.6	147.2	175.8	211.2	251.0	16.9%
Real GDP growth rate (%) .....	10.9	10.1	11.1	13.4	15.6	15.4	15.7	16.2	13.3	N/A
GDP per capita (RMB).....	9,176	10,078	11,073	12,584	15,415	19,060	22,826	27,500	32,815	17.3%
Fixed asset investment (RMB billion) .....	24.0	25.8	31.0	44.8	60.5	81.5	104.9	126.6	150.5	25.8%
Per capita disposable income (RMB).....	7,911	8,485	8,640	9,598	10,937	12,384	14,058	16,451	18,903	11.5%

*Source: Nantong Statistics Bureau*

*Note: N/A refers to not applicable.*

### Infrastructure Developments

As one of the major cities in the Yangtze River Delta Region, key infrastructure projects in Nantong are planned for the next few years to further improve the transportation network, including:

- A railway from Nantong to Qidong to be constructed before 2010; and
- A railway from Nantong to Shanghai to be constructed before 2010.

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## INDUSTRY OVERVIEW

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### Real Estate Investment in Nantong

Real estate investment in Nantong grew strongly at a CAGR of 26.7% between 2000 and 2008 and reached RMB17.3 billion in 2008, representing an increase of 26.3% compared to 2007.

The GFA of commodity properties completed in 2008 was 5.2 million sq.m., in which 4.4 million sq.m. was constituted by residential properties. The GFA of commodity properties and residential properties sold in Nantong steadily increased between 2000 and 2007, reaching 5.2 million sq.m and 4.7 million sq.m in 2007, respectively. In 2008, the GFA of residential properties sold started to decrease by about 19.1% compared to 2007.

Average price of commodity properties has grown rapidly between 2000 and 2007, but it dropped by 9.1% to RMB3,247 per sq.m. in 2008. Average price for residential properties also dropped by 9.5% to RMB3,010 per sq.m. during the same year.

The table below sets out selected property market indicators of Nantong between 2000 and 2008:

**Property Market Indicators of Nantong (2000-2008)**

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2000-2008 CAGR
Real estate investment (RMB billion) .....	2.6	3.3	3.6	4.8	5.9	8.0	10.8	13.7	17.3	26.7%
GFA of commodity properties completed (million sq.m.).....	2.0	1.9	2.5	1.8	2.5	3.3	3.8	3.9	5.2	12.7%
GFA of residential properties completed (million sq.m.).....	1.7	1.7	2.1	1.4	2.1	2.8	3.1	3.4	4.3	12.3%
GFA of commodity properties sold (million sq.m.).....	1.7	1.6	2.0	2.0	2.3	3.3	4.7	5.2	4.2	12.0%
GFA of residential properties sold (million sq.m.).....	1.5	1.5	1.8	1.7	2.0	2.8	4.1	4.7	3.8	12.3%
Average price of commodity properties (RMB per sq.m.)....	1,405	1,533	1,631	1,829	2,119	2,579	3,212	3,571	3,247	11.0%
Average price of residential properties (RMB per sq.m.)....	1,298	1,484	1,564	1,765	1,899	2,304	2,926	3,325	3,010	11.1%

*Source: Nantong Statistics Bureau*

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## INDUSTRY OVERVIEW

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### Mid to Upper-end Residential Market in Nantong

Mid to upper-end residential properties in Nantong are concentrated mainly in the Chongchuan District (崇川區), including both the traditional and the new areas. The new area of Chongchuan District is a planned cultural, political and commercial centre in Nantong. Due to the limited land supply for mid to upper-end residential properties in 2007 and 2008, the properties completed in urban areas is expected to decrease in the coming years.

Demand for mid to upper-end residential properties in Nantong will be underpinned by its increasing per capita disposable income as a result of industrial development. Nantong has a national economic development zone subject to various preferential policies. This could attract more domestic enterprises and multi-national corporations as the transportation network improves, such as Suzhou (Changshu)-Nantong Bridge and Shanghai-Nantong railway.

With the development of Yangkou Port, Nantong is well-positioned to be a top ship building base in Asia and a developed manufacturing base in the Yangtze River Delta Region according to the “Eleventh Five Year Plan for Nantong Economic and Social Development (南通市國民經濟和社會發展第十一個五年規劃)”. It is expected that the demand for mid to upper-end residential properties will maintain steady growth in the coming years.

### HEFEI PROPERTY MARKET

Hefei is the capital of Anhui Province. It is located in the central region of China between Yangtze and Huaihe Rivers and is close to the fast developing Yangtze River Delta Region. The city covers an area of 7,029 sq.km with 4.9 million registered population at the end of 2008. It possesses a strategically important location easily accessible from all directions of the country, and it connects the vast area of Central China.

Since its opening-up and reform, Hefei has enjoyed a constant state of economic and social development with two-digit rate GDP growth for more than 20 years. Its GDP reached RMB166.5 billion in 2008, and the real GDP growth rate was 17.2% which was only a slight decline from 2007 and 2008. In 2008, the total FDI in Hefei was US\$0.77 billion representing 11.5% decline compared to 2007, but given the higher base of FDI before 2007, the short term slow down should not change the trend for future increases.

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## INDUSTRY OVERVIEW

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The selected economic statistics of Hefei for the period between 2000 and 2008 are set out in the following table:

**Economic Indicators of Hefei (2000-2008)**

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2000-2008 CAGR
Population (million) .....	4.4	4.4	4.5	4.6	4.4	4.6	4.7	4.8	4.9	1.4%
Nominal GDP										
(RMB billion).....	36.9	42.4	49.7	59	72.2	87.8	107.4	133.4	166.5	20.7%
Real GDP growth rate (%) ..	12	15.2	16.4	16.8	17.3	17	17.5	17.8	17.2	N/A
GDP per capita (RMB).....	8,505	9,632	11,173	13,047	16,377	19,512	23,203	28,125	34,482	19.1%
FDI (USD billion).....	0.13	0.15	0.06	0.1	0.18	0.17	0.38	0.87	0.77	24.9%
Fixed assets investment										
(RMB billion).....	13.1	14.3	16.9	25.5	36.3	49.5	82.5	131	183.9	39.1%
Per capita disposable										
income (RMB).....	6,389	6,817	7,145	7,785	8,610	9,684	11,013	13,427	15,591	11.8%

*Source: Hefei Statistics Bureau, Anhui Statistics Bureau*

*Note: N/A refers to not applicable.*

Hefei is well-known for its scientific research resources and education institutions. More than 200 science and research institutes and almost 100 institutions of higher learning and technical colleges are located in Hefei. Two national-level development zones, Hefei Economy and Technology Development Area and Hefei Hi-tech Development Area, are situated in the south part of the city.

### Infrastructure Developments and Urban Planning

With the help of the central government’s “Central China Rise” policy, the Hefei government blueprinted the “One-Four-One” scheme in 2005 for city development including redeveloping the downtown area, developing four sub-centres to the east, west, south and north of the core city respectively and developing Binhu New District near Chao Lake to the southeast of the city to further boost its economic growth and city development. In the following years, the following key scheme will be implemented:

- Urban renewal plan;
- Construction of the outer ring road and the highways between the city and its 3 counties;
- The development of Binhu New District, started in 2006, with a total area of 190 sq. km.; and
- New airport in Hefei, Xinqiao International Airport, planned for completion by 2010.

## INDUSTRY OVERVIEW

### Real Estate Investment in Hefei

Real estate investment in Hefei has grown strongly since 2000. The total real estate investment reached RMB56.5 billion at the end of 2008, which was more than 24.6 times greater than that of 2000. More investments were pumped into the real estate market, especially after the city redevelopment launched in 2005, the annual net increase was around RMB10 billion which was twice as much as previous years.

The commodity property market in Hefei has grown rapidly since 2000. GFA of completed commodity property increased at 25.8% CAGR from 2000 to 2007. Meanwhile, the demand of commodity property has also grown robustly, resulting in the take-up ratio to increase to 115.7% in 2005, 120.8% in 2006, and 171.7% in 2007. Such strong demand has also provide support to property price.

In 2007, the average price of commodity properties in Hefei was RMB3,326 per sq.m. which was lower than the national average. Its CAGR was 8.4% that was generally consistent with the national level from 2000 to 2007.

The table below sets out selected property market indicators of Hefei between 2000 and 2008:

**Property Market Indicators of Hefei (2000-2008)**

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2000-2008 CAGR
Real estate investment (RMB billion) .....	2.3	2.6	4.0	9.0	14.0	19.0	28.1	38.5	56.5	49.2%
GFA of commodity properties completed (million sq.m.).....	1.2	1.4	2.2	3.3	4.7	5.1	5.3	6.0	N/A	N/A
GFA of residential properties completed (million sq.m.).....	0.9	1.2	1.8	2.6	3.9	4.1	4.4	5.1	N/A	N/A
GFA of commodity properties sold (million sq.m.).....	0.9	1.0	1.9	2.9	4.0	5.9	6.4	10.3	9.2	33.7%
GFA of residential properties sold (million sq.m.).....	0.8	0.8	1.8	2.4	3.5	5.3	5.8	9.4	8.6	34.6%
Average price of commodity properties (RMB) .....	1,893	1,893	1,750	2,095	2,492	3,015	3,131	3,326	N/A	N/A
Average price of residential properties (RMB) .....	1,678	1,676	1,616	1,895	2,314	2,807	2,891	3,172	N/A	N/A

Source: Hefei Statistics Bureau

Note: N/A refers to not applicable or not available.

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## INDUSTRY OVERVIEW

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### Mid to Upper-end Residential Market in Hefei

The residential properties in Hefei are decentralised in its eight urban districts. The mid and upper-end residential developments clustered mainly in the Baohe and Shushan Districts where there is a better natural environment and more high income population.

The demand for mid to upper-end residential properties in Hefei has been primarily underpinned by end-users and will be further driven by its economic growth and improved infrastructure as a result of the implementation of government’s “One-Four-One” scheme and “Central China Rise” policies in the following years.

The dynamic economic growth in Hefei has attracted more people moving to Hefei and speed up the urbanisation. According to the “Eleventh Five Year Plan for Hefei Economic and Social Development (合肥市經濟和社會發展第十一個五年規劃)”, the urbanisation rate is expected to reach 60% in 2010. With the enlarged urban population and limited land resources, it is estimated that price level mid to upper-end residential properties will continue to growth.

### Prime Retail Market in Hefei

The prime retail market in Hefei includes department stores and shopping centres. Most of the well-known department stores and shopping centres are located in its traditional retail area along Changjiang Zhong Road of Luyang District. The traditional retail area is being redeveloped and will function as the city’s retail centre. Two new retail areas will be developed in the east and west to radiate the city periphery and the neighboring cities by providing more convenient accessibility.

Growing disposable income provided strong support to the development of local retail market. The disposable income per urban resident in Hefei increased at a CAGR of 11.8% from 2000 to 2008 and the retail sales reached RMB58.8 billion in 2008 with an eight year CAGR of 18.8%. Meanwhile, as a regional transportation hub and gateway between the eastern and western part of China, Hefei is taking its geographical advantage to further strengthen its economic development, which is expected to create more opportunities for its prime retail market.

Most of the prime retail properties are for lease only, which are quoted either as fixed rentals or as a percentage of turnovers. Given the growing spending power, some industry leading domestic and international retailers such as Beijing Hualian, Wal-mart and Carrefour had already established presence in Hefei, and more large retailers are planning to come. According to the government website, Tesco and RT-Mart will invest RMB307 million and RMB 400 million respectively to set up their hypermarkets along Tongling Road in Yaohai District. The two multinational retailers will open their businesses at the end of 2010 and 2011. The entry of those large players could create strong demand for retail properties and produce opportunities for a series of related businesses.

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## INDUSTRY OVERVIEW

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### SHENYANG PROPERTY MARKET

Shenyang is the capital of Liaoning Province. It is a transportation hub of Northeast China and serves as the communication, commerce, science and culture centre in Northeast China. Shenyang covers an area of 12,980 sq.km. and it had a population of 7.8 million at the end of 2008.

As a nationally renowned heavy industrial base, Shenyang has experienced strong economic growth in recent years as a result of the central government policy of “Revitalising Northeast China”. GDP amount, disposable income per urban resident and retail sales of consumer goods kept a rapid growth in the recent four years.

The table below sets out selected economic indicators of Shenyang between 2000 and 2008:

**Economic Indicators of Shenyang (2000-2008)**

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2000-2008 CAGR
Population (million) .....	6.9	6.9	6.9	6.9	6.9	7.0	7.0	7.1	7.8	1.5%
Nominal GDP										
(RMB billion) .....	106.7	117.4	132.6	150.2	177.3	208.4	252.0	322.1	386.1	17.4%
Real GDP growth rate (%) ..	10.3	10.1	13.1	14.2	15.5	16.0	16.7	22.8	16.3	N/A
GDP per capita ( RMB).....	15,666	17,084	19,242	21,798	25,640	29,935	35,940	45,582	54,106	16.8%
FDI (US\$ billion).....	0.71	0.85	1.4	2.2	2.4	2.1	3.0	5.0	6.0	30.6%
Fixed asset investment										
(RMB billion).....	26.2	30.3	40.2	58.3	97.1	136.3	179.0	236.2	300.9	35.7%
Per capita disposable										
income (RMB).....	5,850	6,386	7,050	7,961	8,924	10,098	11,651	14,607	17,295	14.5%

*Source: Shenyang Statistics Bureau*

*Note: N/A refers to not applicable*

### Infrastructure Developments

To improve city development, the Shenyang government initiated the following schemes:

- Metro Lines 1 and 2 to be completed in 2010;
- Construction of the Central Urban Corridor (“CUC”), stretching from north to south with the central axis integrating business, service, governmental affairs and cultural facilities; and
- Hunnan New Area, to be developed into one of the national top-ten high-tech industry areas.

## INDUSTRY OVERVIEW

### Real Estate Investment in Shenyang

Real estate investment in Shenyang grew rapidly at a CAGR of 41.2% from 2000 to 2008 and reached RMB101.1 billion in 2008, accounting for 33.6% of the fixed asset investment.

The real estate market in Shenyang has steadily grown from 2000 to 2008. Commodity properties with a total GFA of 12.9 million were completed in Shenyang in 2008, representing a CAGR of 17.7% since 2000. The GFA of commodity property sold achieved 14.7 million sq.m. in 2008 with a CAGR of 27.5% from 2000. The average price increased from RMB2,686 per sq.m. in 2000 to RMB4,127 per sq.m. in 2008 with a CAGR of 5.5%. The price growth in 2007 and 2008 has speeded up compared with the previous years with an annual growth rate averaging 10.6%. In early 2009, the Shenyang government promulgated “25 policies to stimulate Shenyang real estate market” and the property transactions in the first quarter showed a sound growth.

The table below sets out selected property market indicators of Shenyang between 2000 and 2008:

**Property market indicators of Shenyang (2000-2008)**

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2000-2008 CAGR
Real estate investment (RMB billion) .....	6.4	7.8	11.6	17.7	34.3	41.4	53.8	73.0	101.1	41.2%
GFA of commodity properties completed (million sq.m.).....	3.5	3.5	3.6	5.9	8.1	10.6	11.9	12.9	12.9	17.7%
GFA of residential properties completed (million sq.m.).....	2.9	3.0	3.1	4.9	7.2	9.3	10.2	10.9	11.0	18.1%
GFA of commodity properties sold (million sq.m.).....	2.1	2.0	2.1	3.2	5.2	10.0	12.4	14.6	14.7	27.5%
GFA of residential properties sold (million sq.m.).....	1.8	1.7	1.8	2.9	4.9	9.3	11.5	13.6	13.1	28.2%
Average price of commodity properties (RMB) .....	2,686	2,743	2,738	2,916	2,911	3,187	3,376	3,689	4,127	5.5%
Average price of residential properties (RMB) .....	2,545	2,609	2,601	2,753	2,852	3,027	3,184	3,525	3,856	5.3%

*Source: Shenyang Statistics Bureau*

### Mid to Upper-end Residential Market in Shenyang

Mid to upper-end residential developments in Shenyang are distributed mainly in the urban districts.

The mid to upper-end residential market is underpinned by growing demand of owner-occupiers from local and periphery cities. For local residents, wealthy people are pursuing higher quality properties for relocation purpose as a result of the urban redevelopment. Increasingly improved traffic facilities will further stimulate this demand.



## INDUSTRY OVERVIEW

Demand for mid to upper-end residential properties is expected to be spurred after the completion of Liaoning Central Ring Road in 2010, connecting six cities around Shenyang, including Tieling, Fushun, Benxi, Liaoyang, Liaozhong and Xinmin in 2010. The whole region will be integrated by convenient transportation links that could help to further fuel regional economic development and increase population mobility. As a core city in the area, Shenyang will be able to attract more investment and higher income human resources that will directly benefit the mid to upper-end residential market.

With economic growth, the price of mid to upper-end residential properties will continue to grow steadily as a result of increasingly developed infrastructure, including construction of Metro Lines, construction of Shenyang CBD and redevelopment of old Tiexi industrial area.

### HARBIN PROPERTY MARKET

As the capital of Heilongjiang Province, Harbin is well-known for its trade with Russia and characteristic tourist attractions, such as the ice-snow festival and ice & snow sport activities. It covers an area of 53,100 sq.km. with a population of 9.9 million, ranking second among the capital cities of provinces in China.

From 2000 to 2008, Harbin experienced rapid economic growth with real GDP growth rate of more than 13% since 2003. In 2008, the GDP amounted to RMB286.8 billion.

Along with strong economic growth, the disposable income of urban residents steadily increased in recent years at a CAGR of 12.6% from RMB5,632 in 2000 to RMB14,589 in 2008, up 1.6 times in nine years.

The table below sets out selected economic statistics of Harbin between 2000 and 2008:

**Economic Indicators of Harbin (2000-2008)**

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2000-2008 CAGR
Population (million) .....	9.4	9.4	9.5	9.5	9.7	9.7	9.8	9.9	9.9	0.6%
Nominal GDP										
(RMB billion).....	98.0	109.2	119.9	135.6	160.5	183.0	209.4	243.7	286.8	14.4%
Real GDP growth rate (%) ..	12.4	11.2	11.5	13.5	14.7	14.1	13.5	13.5	13.2	N/A
GDP per capita (RMB).....	10,322	11,547	12,642	14,254	16,674	18,821	21,374	24,768	29,012	13.8%
FDI (US\$ billion).....	0.17	0.18	0.21	0.23	0.26	0.31	0.37	0.44	0.57	16.3%
Fixed asset investment										
(RMB billion).....	25.4	31.2	36.1	43.6	53.3	63.9	81.0	103.1	134.1	23.1%
Per capita disposable										
income (RMB).....	5,632	6,407	7,004	7,907	8,490	10,065	11,231	12,772	14,589	12.6%

Source: Harbin Statistics Bureau

Note: N/A refers to not applicable.

## INDUSTRY OVERVIEW

### Infrastructure Developments

To further improve the city infrastructure, the Harbin government initiated the following schemes:

- Qunli New Area in the west Harbin, to be constructed as a new finance and ecological residential area;
- Daowai 20th Avenue Bridge, connecting Songbei District and central districts of Harbin across Songhua River, expected to be complete in 2010; and
- Phase I of Harbin subway to be completed in 2012.

### Real Estate Investment in Harbin

GFA of commodity properties completed and sold in Harbin peaked in 2007, reaching 7 million sq.m. and 7.5 million sq.m. respectively. However, GFA completed and sold decreased by 32.9% and 21.3% respectively in 2008.

From 2000 to 2007, GFA of residential properties completed and sold continually increased with a CAGR of 5.7% and 16.5% respectively. However in 2008, they both dropped more than 20% compare to 2007. The demand of residential properties in Harbin was strong, with the take-up ratio from 2003 to 2008 maintaining higher than 100%, resulting in continuous growth of average residential price during those years.

The table below sets out selected property market statistics of Harbin between 2000 and 2008:

**Property Market Indicators of Harbin (2000-2008)**

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2000-2008 CAGR
Real estate investment (RMB billion) .....	6.4	8.4	9.0	10.6	12.0	14.0	15.8	18.7	21.6	16.4%
GFA of commodity properties completed (million sq.m.).....	4.5	5.2	3.8	4.2	5.1	5.2	6.7	7.0	4.7	0.5%
GFA of residential properties completed (million sq.m.).....	3.4	4.3	3.2	3.0	3.4	3.9	5.4	5.0	3.9	1.7%
GFA of commodity properties sold (million sq.m.).....	2.7	3.2	3.5	3.9	4.6	5.8	6.7	7.5	5.9	10.3%
GFA of residential properties sold (million sq.m.).....	2.3	2.6	2.9	3.3	3.5	4.8	5.8	6.7	5.0	10.2%
Average price of commodity properties (RMB per sq.m.)....	2,154	2,257	2,336	2,353	2,494	2,700	2,703	3,053	N/A	N/A
Average price of residential properties (RMB per sq.m.)....	2,033	2,127	2,157	2,183	2,215	2,384	2,503	2,943	N/A	N/A

Source: Harbin Statistics Bureau

Note: N/A refers to not applicable or not available.

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## INDUSTRY OVERVIEW

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Harbin government announced new measures to “promote stable and healthy development of the real estate industry” in February 2009. These measures aim to stimulate consumption and investment in the real estate market, and are expected to have a positive impact on property market development, especially for residential market in Harbin. Such measures include tax reduction and exemption, favourable loan policies to consumers and some supporting policies to developers.

### **Mid to Upper-end Residential Market in Harbin**

The mid to upper-end residential developments in Harbin are largely concentrated in core urban districts. Nangang District and Daoli District are the top two areas in terms of supply. Positioned as a financial CBD and ecological residential area, Qunli New Area will be an emerging area for mid to upper-end residential supply in the coming years.

In addition, Songbei District will be a major area for mid to upper-end residential development as it has become the municipal administrative centre following the relocation of the Harbin government to Songbei District in 2005. With the improved transportation between traditional downtown areas and Songbei, the residential development in Songbei is expected to boom, particularly in the mid to upper-end sector.

The demand for mid to upper-end residential property in Harbin has been bigger than supply in recent years. This is especially true within the 2nd Ring Road because of its proximity to city centre and the limited land available for development.

A continuous increase in disposable income resulting from economic growth in Harbin will be the key driver of growth for the mid to upper-end residential sector. The economic growth in Harbin is expected to be fueled by the central government policy of “Revitalisation Northeast China” in the coming years. The Harbin government is determined to develop electro-machinery manufacturing and improve trade with Russia according to the “Eleventh Five Year Plan for Harbin Economic and Social Development (哈爾濱市國民經濟和社會發展第十一個五年規劃)”.