

2007 Beijing Property Market Analysis

The property market impacts us all in so many ways. The rise and fall of house prices affects every individual's lifestyle and every family's fortune. In recent years property development has steadily increased its share of GDP in large cities and is now a major driver of China's economic development and therefore of particular concern to government and academics alike.

DATA SOURCES

It is with this in mind that we undertake our annual review of the market and analyze its statistics and trends. In recent years such analysis has been the subject of much debate: some rational, some emotional, some optimistic, some pessimistic. At SOHO we believe it is crucial that such analysis is balanced, and informed by an understanding of the inherent qualities of this market. Property is, by definition, highly locale-specific. Buildings vary from place to place, and even within a given area, individual buildings are not fungible. There can be significant price differentiation even within a single building: among apartments on different floors, or those that face in different directions, or between fully fitted-out apartments and those not yet complete. If we undertake highly aggregated statistical analysis, we run the risk of missing the subtle, but crucial, differences between particular property assets, and the results can therefore be misleading.

We rely for source data on three authoritative government databases:

- The Beijing Municipal Construction Committee created a system three years ago to record all sales and purchase of properties in Beijing. The government required that all Commercialized property transactions* in Beijing be registered online (www.bjfdc.gov.cn) before the contract can be validated. This database contained 148,000 transactions for 2007 and is a definitive data-set, not distorted by statistical generalization nor sample errors.
- From August 31, 2004 ("831"), China implemented the policy that all land grant transactions must be listed publicly. Every public land sale in Beijing since "831" is therefore listed online (www.bjtd.com), showing the average sales price (ASP), as well as the site area and gross floor area (GFA), of each transaction.
- In 2007, the Beijing Municipal Construction Committee compiled data to track secondary housing transactions. The secondary market is an integral and important part of the overall property market and yet, before this, had lacked reliable data.

*In China we define the market as having three types of property: Commercialized (freely traded property), Economic (government subsidized low-income housing), Public (government provided property that is not transactable) and two forms of transaction: Primary (the first time a property is sold after new development) and Secondary (all subsequent transactions)

Using the above three sources of data, we conducted our analysis of the Beijing property market and its macro evolution in the past few years. As we begin 2008, we present this analysis for public discussion.

MULTIVARIATE MARKET ANALYSIS

In 2007, the total value of Beijing primary property transactions was RMB 234.9 billion, an increase of 24% from 2006. The total GFA sold amounted to 18.9 million square meters, a decrease of 12% from 2006.

Over the years, there has been much debate about the relevance of the average selling price or ‘ASP’. Most would agree that ASP is, at best, a crude indicator of the state of the property market, as transactions in prime locations such as Wangfujin and CBD are combined with transactions in suburbs such as Pinggu, Huairou and Mentougou to arrive at a single figure. And yet this is hardly an apples to apples comparison. As Beijing ASP does not adequately reflect the direction of the market, we have used ‘multivariate analysis’ by which we hold other variables constant, and separately analyze the impact of particular individual factors.

- **District.** Chaoyang district, in 2007, represented 39% of the total GFA sold, and 48% of the total sales value in Beijing. If we analyze the districts individually, several ‘high price-point’ districts can be identified: CBD, East 2nd Ring Road, Lufthansa Area, Sanlitun, Zhongguancun and Xidan.
- **Seasonality.** When we analyze the sales results on a monthly basis, we find that sales are seasonal. Transaction volume is higher during in vacation times and lower during winter months.
- **Property Type.** In 2007, over 80% of the total GFA sold in Beijing was Residential, while Office properties accounted for 12% of total GFA, and Retail for only 7%. In terms of sales value, Residential properties represented close to 75% of the total.
- **ASP and GFA distribution.** By analyzing the volume of transactions at different ASP-points and their corresponding GFA, we found a sustained increase in the volume of higher priced units being sold. This information is of particular concern to existing and aspiring homeowners. In 2007, Beijing commercialized property sales had an ASP range from RMB 2,280/m² to RMB 55,364/m². The analysis of data from 2005 – 2007 shows that there has been a clear trend towards increasing volumes sold at higher price points.

OTHER FACTORS

We have examined three other factors for their potential impact on the development of the property market: secondary transactions, the supply of land, and movements in the equity markets.

- **The stimulation of the secondary transaction market is crucial to the future stability of the overall property market.** Secondary transactions are an integral part of the property market. In 2007, there were 94,000 units sold in secondary transactions, representing total value of RMB 55.9 billion and GFA of 9.9 million square meters. The data indicates that in 2007 secondary sales have increased steadily relative to primary transactions, and in December 2007 actually exceeded the number of units sold by developers. Over 50% of these secondary sales are of commercialized properties while the remaining units are from public housing and economic housing. If the government creates a more favorable environment for secondary transactions, especially within the public housing segment, the overall property market in Beijing should benefit from this increased supply.
- **Publicly granted land in Beijing for development did not match the demand from the property market.** In Beijing there appears to be a huge gap between the supply of publicly granted land for development and the demand in the property market. In 2004, the government granted the equivalent of only 26% of the total GFA sold of that year. That supply decreased to 20% for 2005 and then increased to 38% of the total GFA sold in 2006. In 2007, significant additional land was publicly granted representing 65% of total GFA sold in 2007.

Although government land granted through public transactions in 2004 and 2005 was quite limited, the market demand for land was partially filled by private sector land inventory accumulated prior to “831”. With demand outstripping supply by such a significant factor over the past 3 years, this private sector land inventory has been gradually exhausted. Without a sustained increase in publicly granted land supply, this excess demand will be a key factor affecting the 2008 Beijing property market.

Two other points are worth noting:

- Public land supply increased rapidly in the 4th quarter of 2007, with 29% of total 2007 public land transactions concluded in December alone.
- For the past 4 years, most of the publicly granted land in Beijing was outside of the city center. In 2007, less than 10% of the total land granted was within the 4th Ring Road.

- **The property market and the equity market do not appear to move in tandem.** After analyzing 3 years of data, the performance of the stock prices for publicly traded Chinese property developers is not obviously linked to the overall sales volume of the Beijing property market. Stock prices appear to be affected more by the prevailing sentiment regarding the regulatory environment. For this reason we did not pursue detailed analysis on this question.

Another factor that clearly impacts on investment in real estate is the rental yields achieved on investment properties. However, there is limited market data on this and we have therefore not been able to pursue analysis on this.

* * *

We wish to thank the Beijing Municipal Construction Committee and their Research Center for providing the valuable data and insightful discussions.

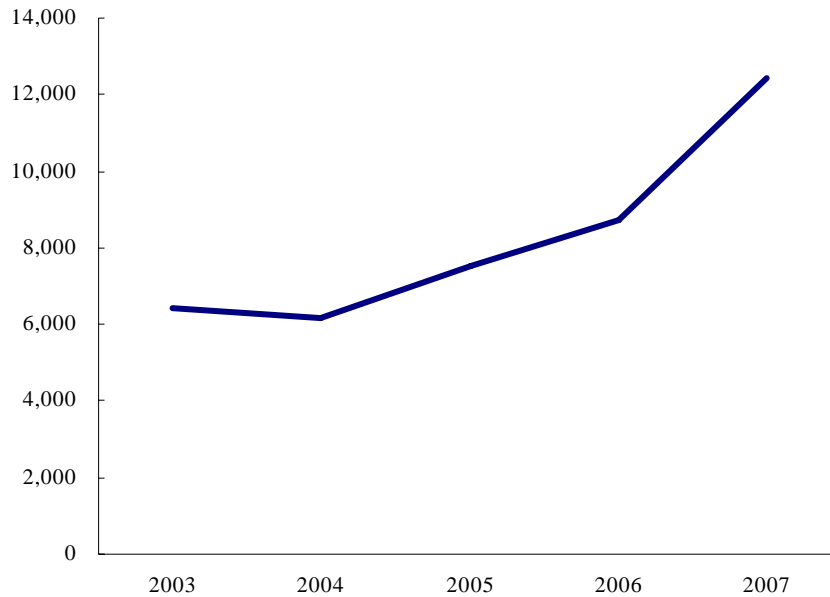
We also wish to thank our SOHO colleagues, Xu Yang, Sharon Tong, Amy Chen, Sean Hinton, Zhao Wei, Gao Chongzhi, Shirley Zhou, Sheng Xunlei, through whose diligent efforts this report was compiled.

For any further questions regarding this report, please contact our Investor Relations department on 010-5878 8101, or ir@sohochina.com

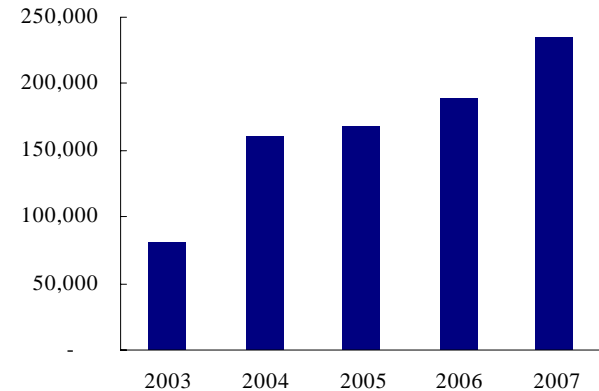
SOHO China's website is www.sohochina.com

2007 Average Selling Price in Beijing for Commercialized Property Exceeded RMB 10,000 for the First Time

Average Price (RMB/m²)

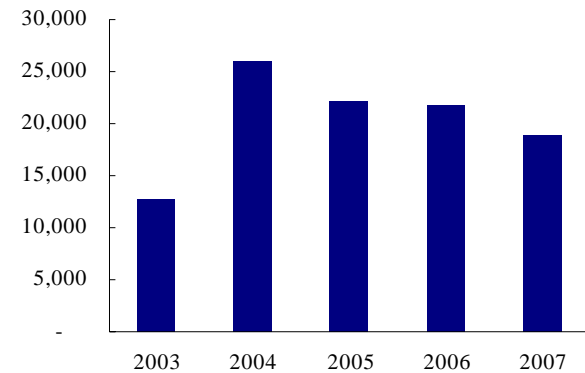


Total Sales Value (RMB million)



Sales value of commercialized properties increases over the years

GFA Sold (1,000m²)



GFA sold in 2003 was mainly impacted by SARS panic

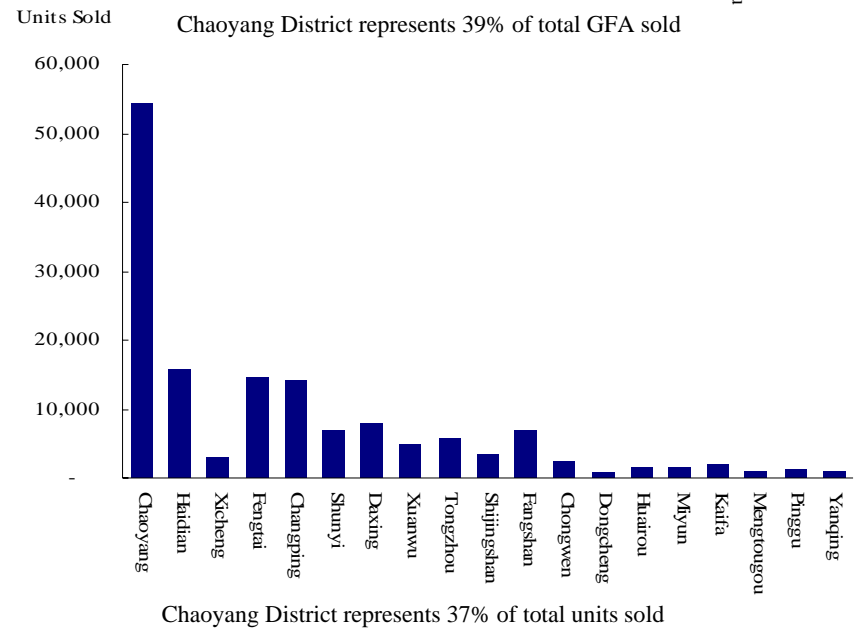
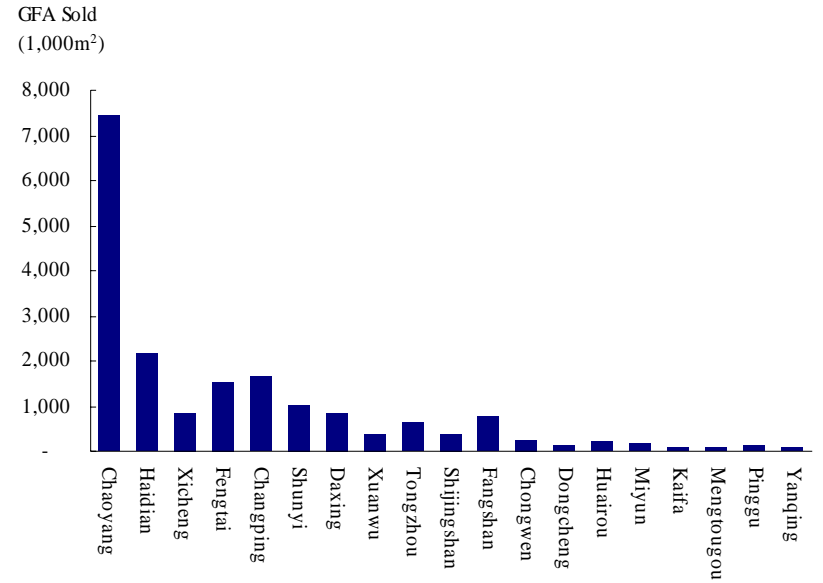
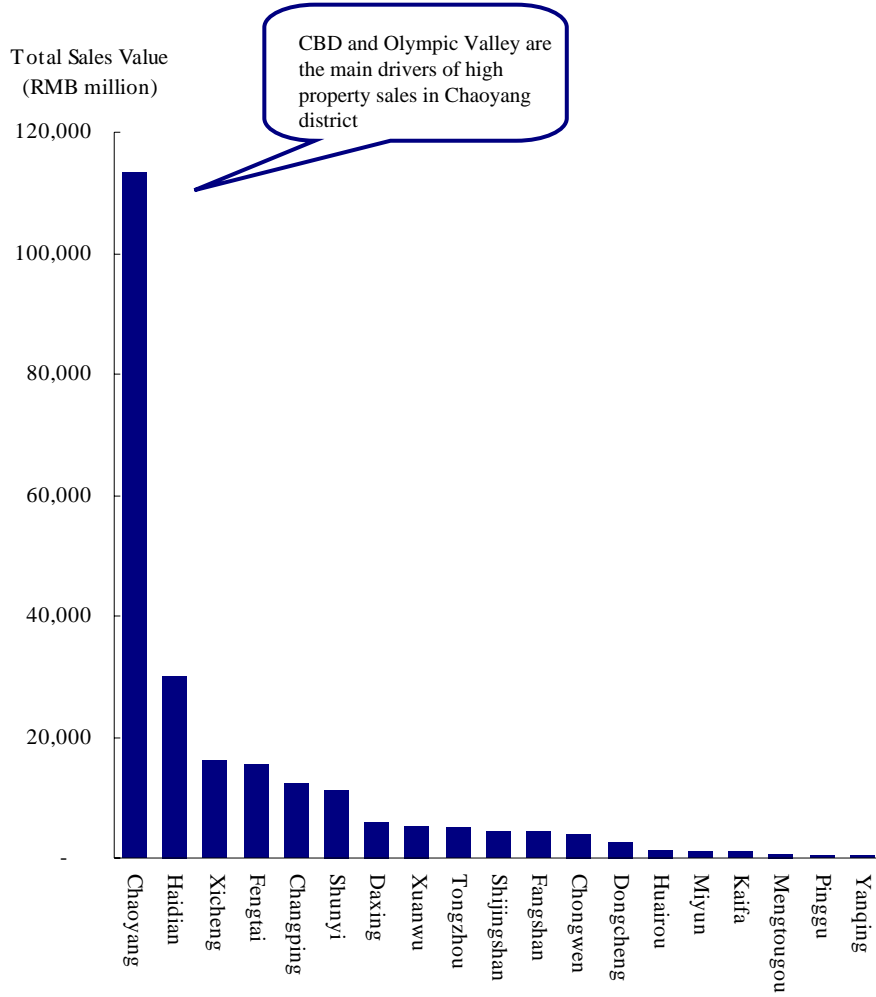
Year	GFA Sold (1,000m ²)	Total Sales Value (RMB million)	Average Price (RMB/m ²)
2003	12,615.30	81,216	6,437.90
2004	26,023.50	160,774	6,178.03
2005	22,168.20	167,023	7,534.35
2006	21,647.20	188,600	8,712.44
2007	18,886.30	234,874	12,436.20

2007 Commercialized Property Transactions by District

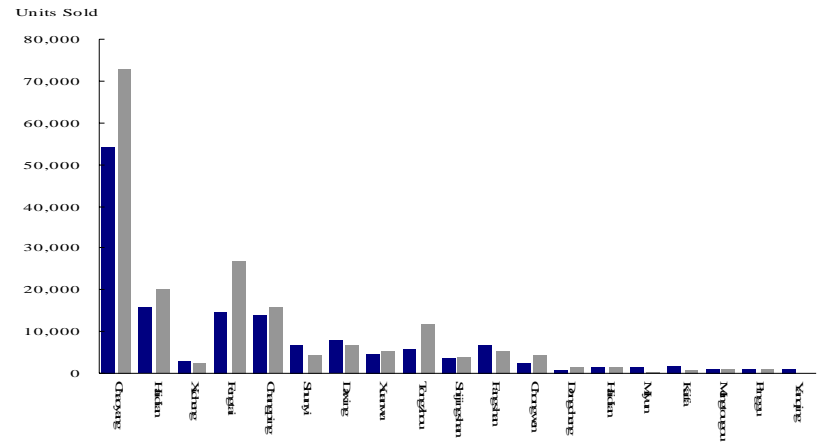
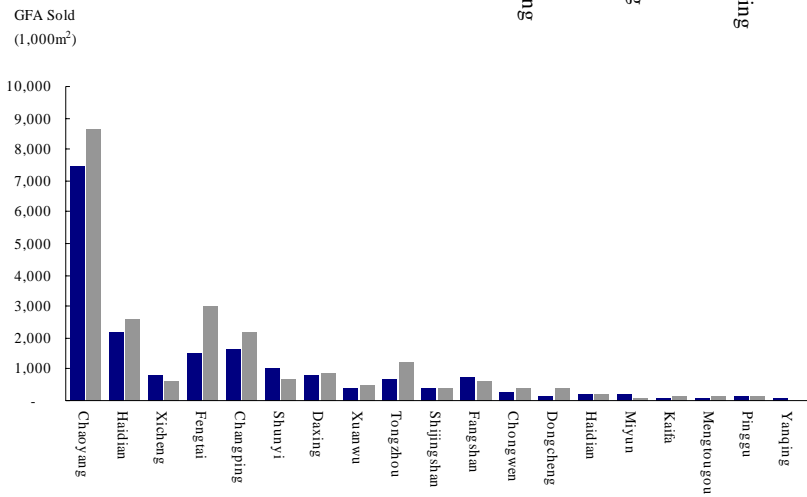
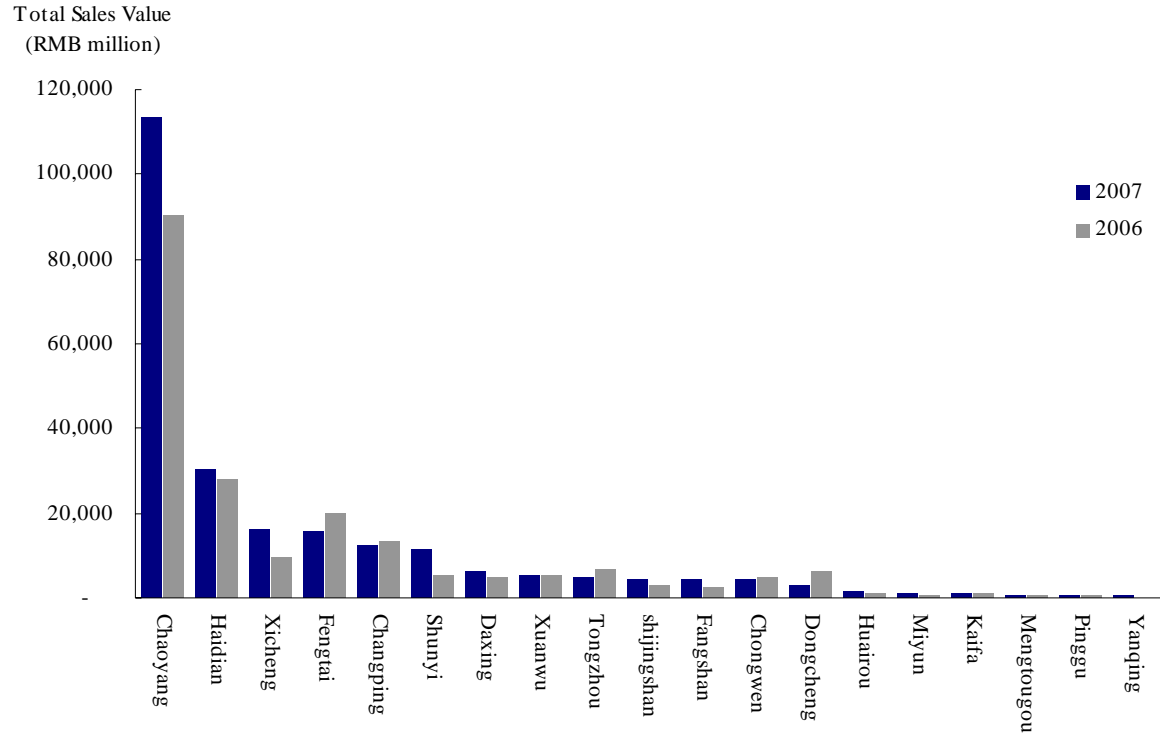
District	Units Sold	GFA Sold (1,000m ²)	Total Sales Value (RMB million)	Average Price (RMB/m ²)
Chaoyang	54,343	7,431.90	113,371	15,255
Haidian	15,792	2,170.80	30,024	13,831
Xicheng	3,040	832.80	16,074	19,301
Fengtai	14,681	1,519.80	15,563	10,240
Changping	13,968	1,656.90	12,230	7,381
Shunyi	6,866	1,035.20	11,351	10,965
Daxing	7,948	846.00	6,036	7,135
Xuanwu	4,835	388.90	5,290	13,602
Tongzhou	5,730	654.70	4,922	7,518
Shijingshan	3,499	378.00	4,295	11,362
Fangshan	6,819	774.50	4,212	5,438
Chongwen	2,363	249.70	4,069	16,296
Dongcheng	841	111.20	2,603	23,408
Huairou	1,563	216.30	1,470	6,796
Miyun*	1,412	189.10	975	5,156
Kaifa	1,865	91.10	922	10,121
Mengtougou	905	99.40	680	6,841
Pinggu	1,239	138.00	488	3,536
Yanqing*	1,047	102.00	300	2,941
Total	148,756	18,886.30	234,874	12,436

*County

2007 Chaoyang District Represents 48% of Total Sales of Commercialized Property



Chaoyang District in 2007 Registered High Growth in Sales Value

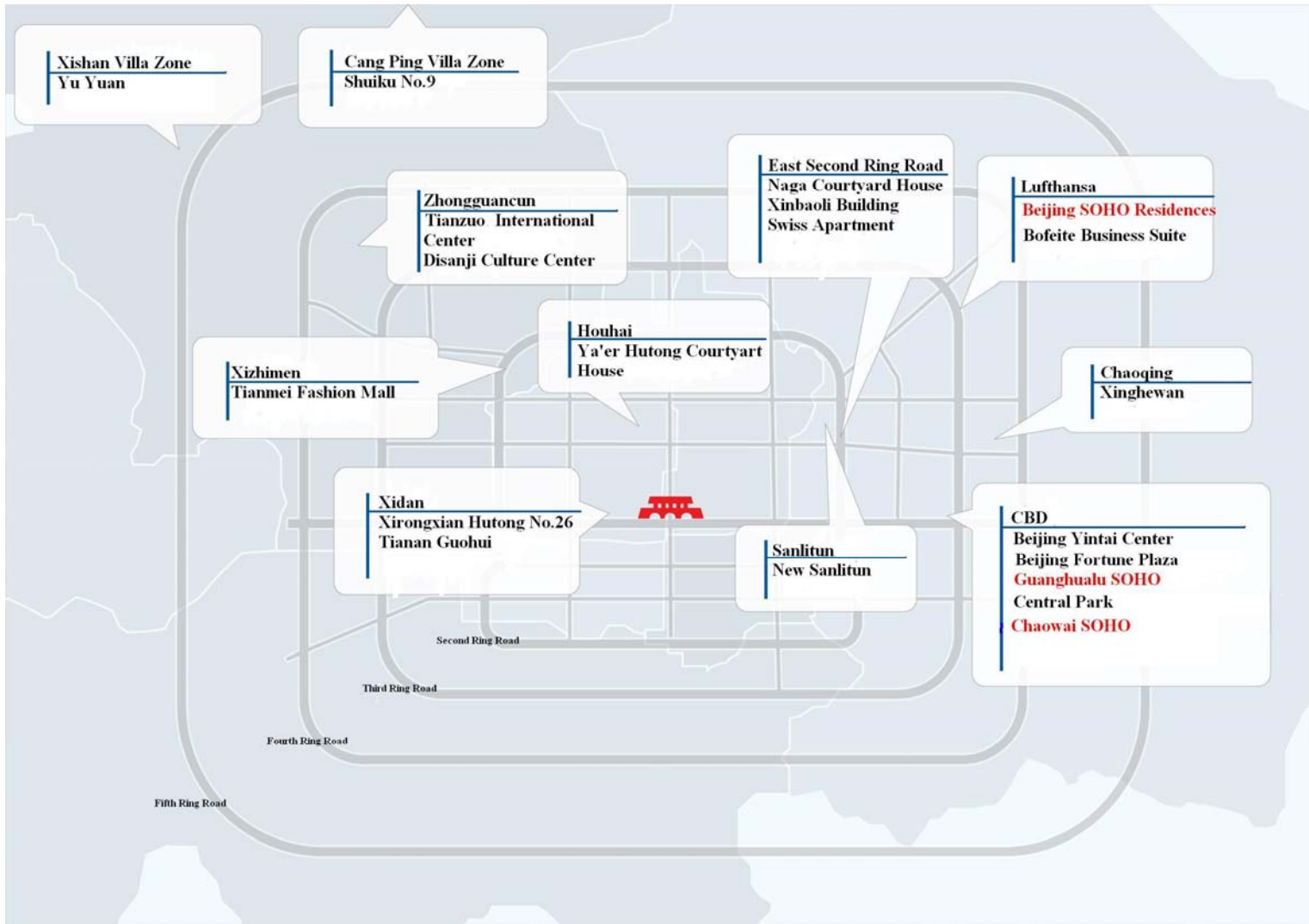


2007 Top 20 Beijing Properties by Average Price

Rank	Property	District	GFA Sold (m ²)	Average Price (RMB/m ²)
1	Beijing Yintai Center	CBD	13,265	55,364
2	Beijing SOHO Residences	Lufthansa	10,506	46,739
3	Xirongxian Hutong No.26	Xidan	1,086	38,396
4	Yu Yuan	Xishan Villa Zone	22,479	37,505
5	Shuiku No.9	Changping Villa Zone	6,022	37,352
6	Ya'er Hutong Courtyard House	Houhai	1,342	37,256
7	Yujintai	CBD	41,691	35,583
8	Tianan Guohui	Xidan	1,126	35,357
9	Guanghualu SOHO	CBD	61,820	34,034
10	Xincheng International Apartment	CBD	3,193	33,321
11	Naga Courtyard House	East 2nd Ring	4,757	32,286
12	Chaowai SOHO	CBD	27,494	31,935
13	Bofeite Business Suite	Lufthansa	1,848	31,817
14	Xinbaoli Building	East 2nd Ring	3,935	31,043
15	Tianzuo International Center	Zhongguancun	14,284	29,994
16	Xin Sanlitun	Sanlitun	164,087	29,253
17	Tianmei Shishang Famous Mall	Xizhimen	6,188	28,598
18	Disanji Culture Center	Zhongguancun	980	28,491
19	No.66 Apartment	East 2nd Ring	18,411	28,280
20	Xinghewan	Chaoqing	110,133	28,093

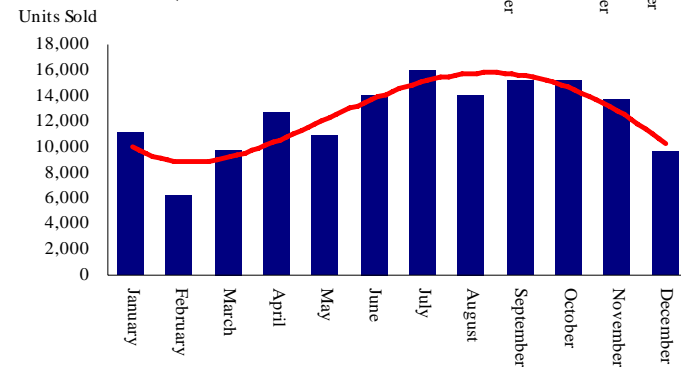
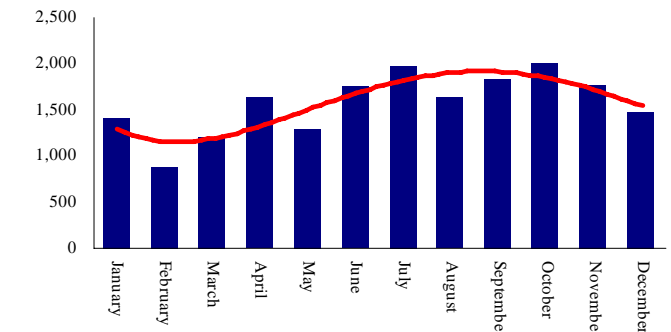
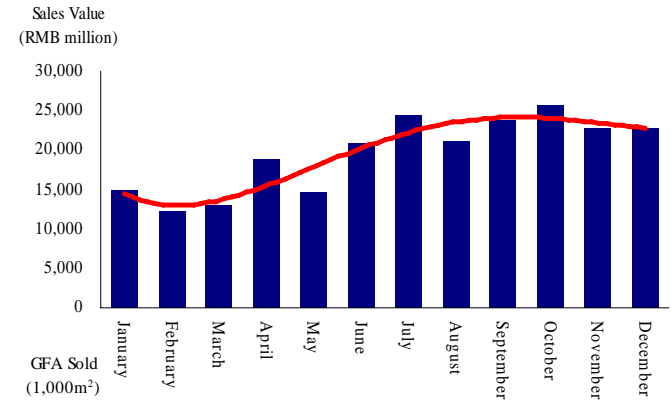
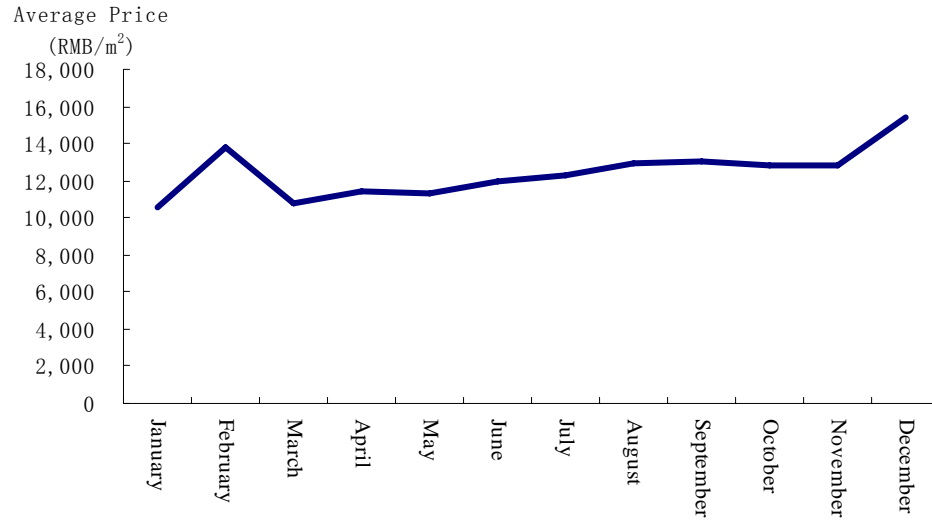
Note: SOHO China projects are in red.

2007 Highest Price Point Districts in Beijing



Note: SOHO China projects are in red.

2007 Beijing Monthly Average Selling Price Trend Is Increasing, with Significant Rise in December



Month	Units Sold	GFA Sold (1,000m ²)	Sales Value (RMB million)	Average Price (RMB/m ²)
January	11,137	1,415	14,947	10,563
February	6,159	880	12,133	13,783
March	9,801	1,203	12,941	10,760
April	12,721	1,640	18,732	11,419
May	10,913	1,292	14,644	11,332
June	14,121	1,749	20,886	11,939
July	15,940	1,977	24,340	12,311
August	14,114	1,638	21,174	12,930
September	15,222	1,829	23,854	13,041
October	15,274	2,010	25,698	12,786
November	13,715	1,777	22,708	12,780
December	9,639	1,479	22,857	15,454
Total	148,756	18,890	234,900	12,436

Property sales increase in summer months

2007 Top 20 Beijing Residential Properties by Total Sales Value

Rank	Property	Units Sold	GFA Sold (m ²)	Total Sales Value (RMB)	Average Price (RMB/m ²)
1	Guoao Village	1143	233,632	4,515,408,852	19,327
2	Fanhai International Residence	941	206,888	4,058,974,958	19,619
3	Xinghewan	299	110,133	3,093,914,597	28,093
4	Shimao Aolin Garden	627	125,914	2,644,380,977	21,001
5	North Latitude 40	1712	187,861	2,282,591,269	12,150
6	Yuanyang Shanshui	1759	165,482	1,809,472,159	10,935
7	Yanlanshan Manor	265	65,878	1,727,567,979	26,224
8	Qiumadu	353	75,263	1,628,306,809	21,635
9	Zhujiangdijing Home	704	87,572	1,605,384,326	18,332
10	Maohuajing City	771	109,107	1,503,987,650	13,784
11	Media Village	1057	121,407	1,414,038,463	11,647
12	Yosemite	66	61,999	1,319,603,616	21,284
13	Holiday View	994	111,327	1,312,560,000	11,790
14	Xicheng Jinghua House	503	58,220	1,271,482,366	21,839
15	Yuecheng International	504	71,469	1,269,239,322	17,759
16	Swan Lake House	545	87,653	1,257,112,400	14,342
17	Ligong Villa	68	56,692	1,242,785,580	21,922
18	Fuli Peach House	1091	109,585	1,204,742,802	10,994
19	Rongke Olive City.Junyi	677	91,077	1,129,205,426	12,398
20	Xiangtibanbu Manor	703	81,692	1,121,849,196	13,733

2007 Top 20 Beijing Office Properties by Total Sales Value

Rank	Property	Units Sold	GFA Sold (m ²)	Total Sales Value (RMB)	Average Price (RMB/m ²)
1	Aerospace Building	3	72,493	2,061,669,920	28,440
2	Jinqi Building	30	71,283	1,710,793,200	24,000
3	Xuhui.Aodu	2680	190,206	1,605,681,822	8,442
4	Meibang International Center	1	91,772	1,515,711,637	16,516
5	Jinding Building	38	71,818	1,382,494,575	19,250
6	Fuliaidingbao Mansion	360	76,252	1,372,543,560	18,000
7	Desheng International Center	56	78,114	1,216,752,180	15,577
8	Beijing Yintai Center	3	75,307	1,204,915,360	16,000
9	Guanghualu SOHO	162	37,636	1,114,274,992	29,607
10	Centry Tea Trade Center	2337	81,134	883,707,887	10,892
11	Silicon Liangcheng	116	89,710	828,596,891	9,236
12	Youlehui Center	911	64,628	799,604,734	12,372
13	WHOSE	12	38,469	795,684,724	20,684
14	Shijicaifu Center	14	31,255	781,379,000	25,000
15	Tianyuangang Center	182	42,700	723,403,652	16,942
16	Zhongguancun Mansion	597	36,903	698,377,118	18,925
17	East Asia Shangbei Center	1348	74,161	675,828,379	9,113
18	Ducheng Building	13	39,852	671,000,000	16,837
19	East Asia.Wangjing	1085	66,709	632,325,785	9,479
20	Zizai Xiangshan	100	30,299	572,091,594	18,882

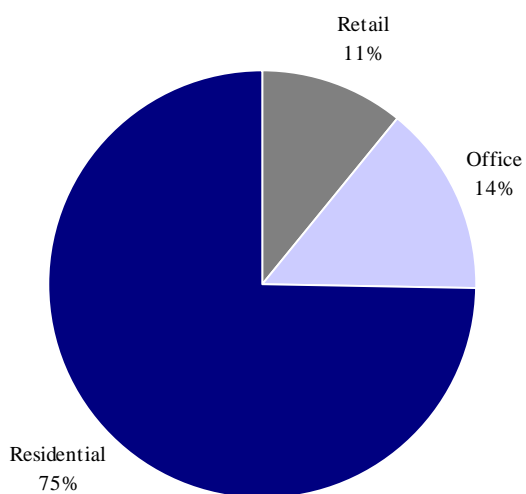
Note: SOHO China projects are in red.

2007 Top 20 Beijing Retail Properties by Total Sales Value

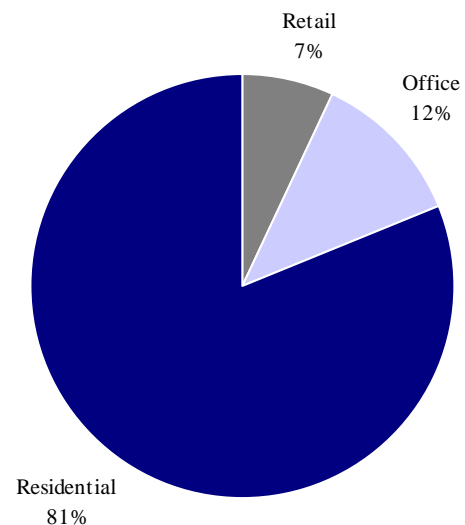
Rank	Property	Units Sold	GFA Sold (m ²)	Total Sales Value (RMB)	Average Price (RMB/m ²)
1	Xin Sanlitun	22	135,310	4,698,000,000	34,720
2	Meibang International	38	105,036	2,653,415,700	25,262
3	Guanghualu SOHO	140	20,142	963,474,527	47,835
4	Xin Hualian International	5	56,363	845,449,200	15,000
5	Zhongguancun Financial Center	7	55,291	828,694,493	14,988
6	Dazhongsi International Square	916	24,285	791,841,737	32,606
7	Ritan International Square	411	35,707	471,201,980	13,196
8	Chaowai SOHO	80	12,025	452,624,470	37,641
9	Beijing Xiangsong	20	37,737	449,685,424	11,916
10	Liubaiben	162	17,580	420,151,992	23,899
11	Dacheng International Center	202	21,379	419,181,651	19,607
12	Phoenix City	2	32,029	379,606,174	11,852
13	Tianzuo International Center	758	9,848	358,753,217	36,428
14	Shilibao House	5	33,006	357,052,501	10,818
15	Centry Tea Trade Center	396	14,800	333,018,129	22,502
16	Mingtian Diyicheng	280	35,258	298,912,618	8,478
17	Wante Mall	520	9,264	291,010,895	31,412
18	Ducheng Building	4	12,331	289,000,000	23,438
19	Lifangting	156	9,680	271,794,413	28,078
20	Guomei Diyicheng	70	23,396	267,755,644	11,445

Note: SOHO China projects are in red.

Residential Properties Account for 75% of Total Property Sales Value and 81% of Total GFA Sold



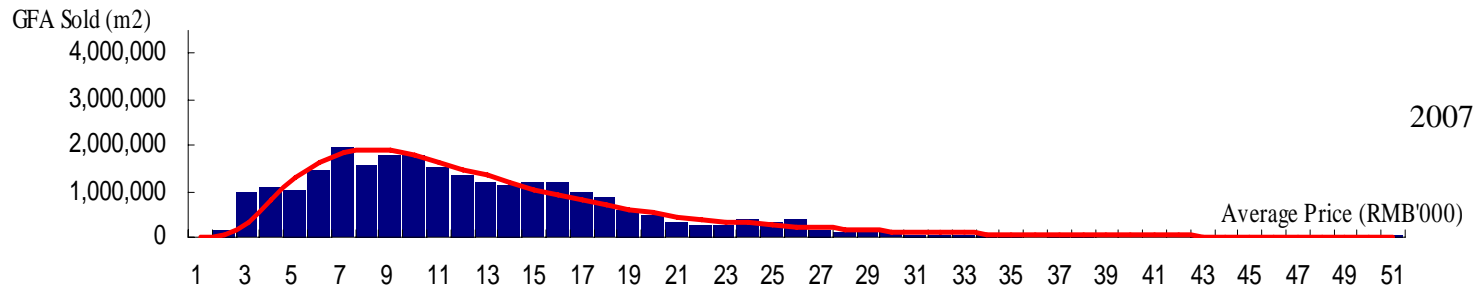
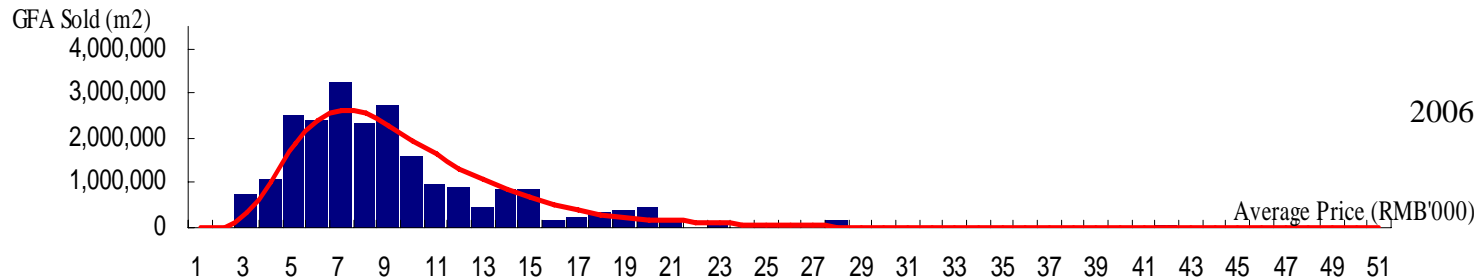
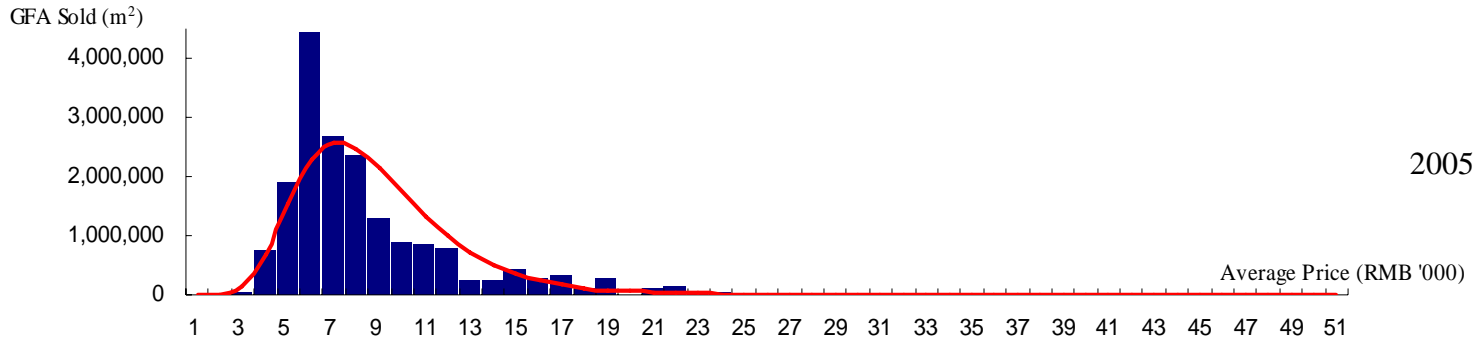
Sales Value



GFA Sold

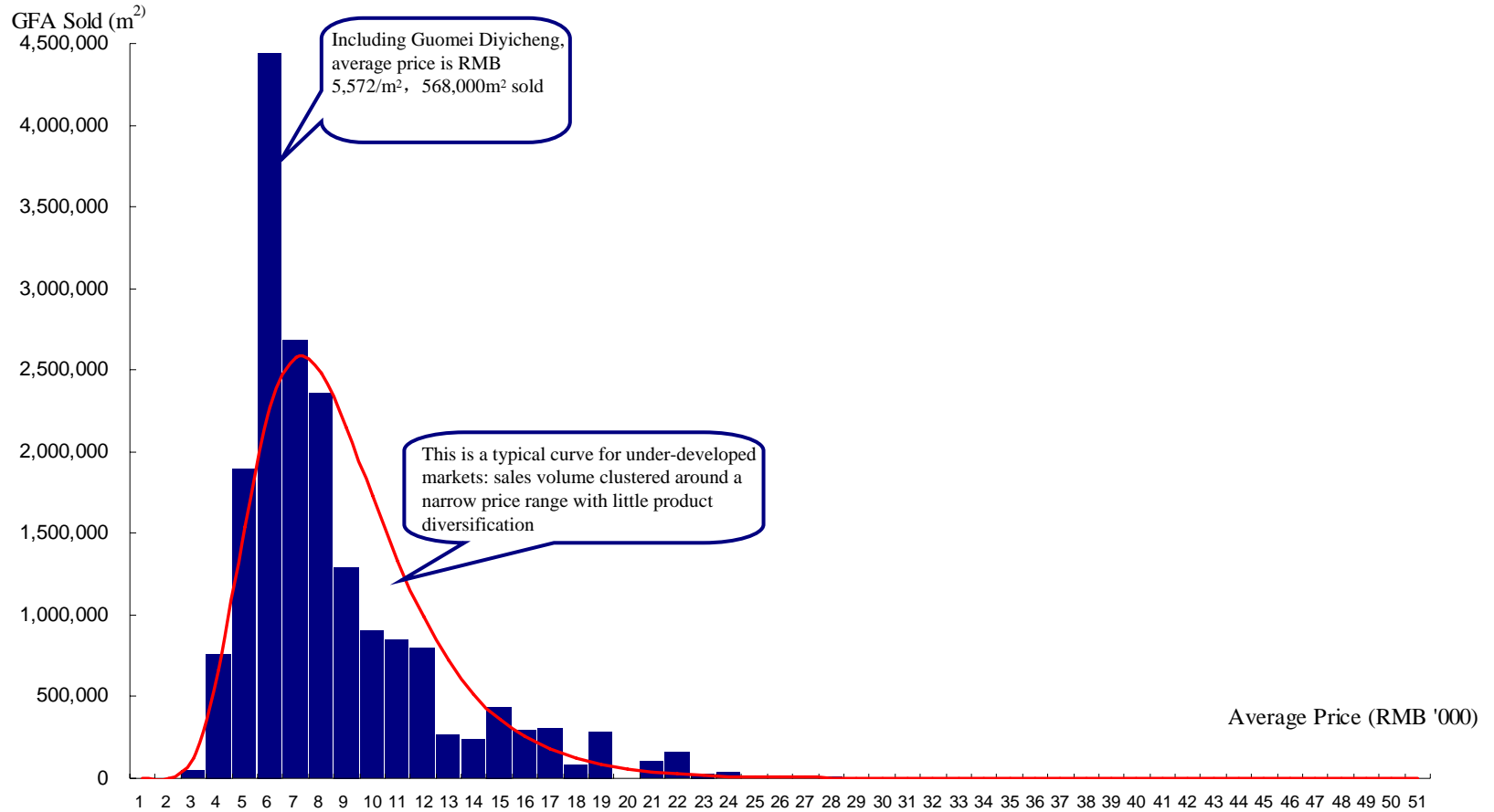
	Units Sold	GFA Sold (m ²)	Total Sales Value (RMB m)	Average Price (RMB/m ²)	SOHO China Project Average Price (RMB/m ²)
Retail	9,228	1,302	25,367	19,474	39,768
Office	15,521	2,241	33,753	15,060	28,072
Residential	124,007	15,346	175,781	11,454	46,739
Total	148,756	18,890	234,900	12,436	38,193

Sustained Increase in Volume for Higher Price Point Commercialized Properties in 2007

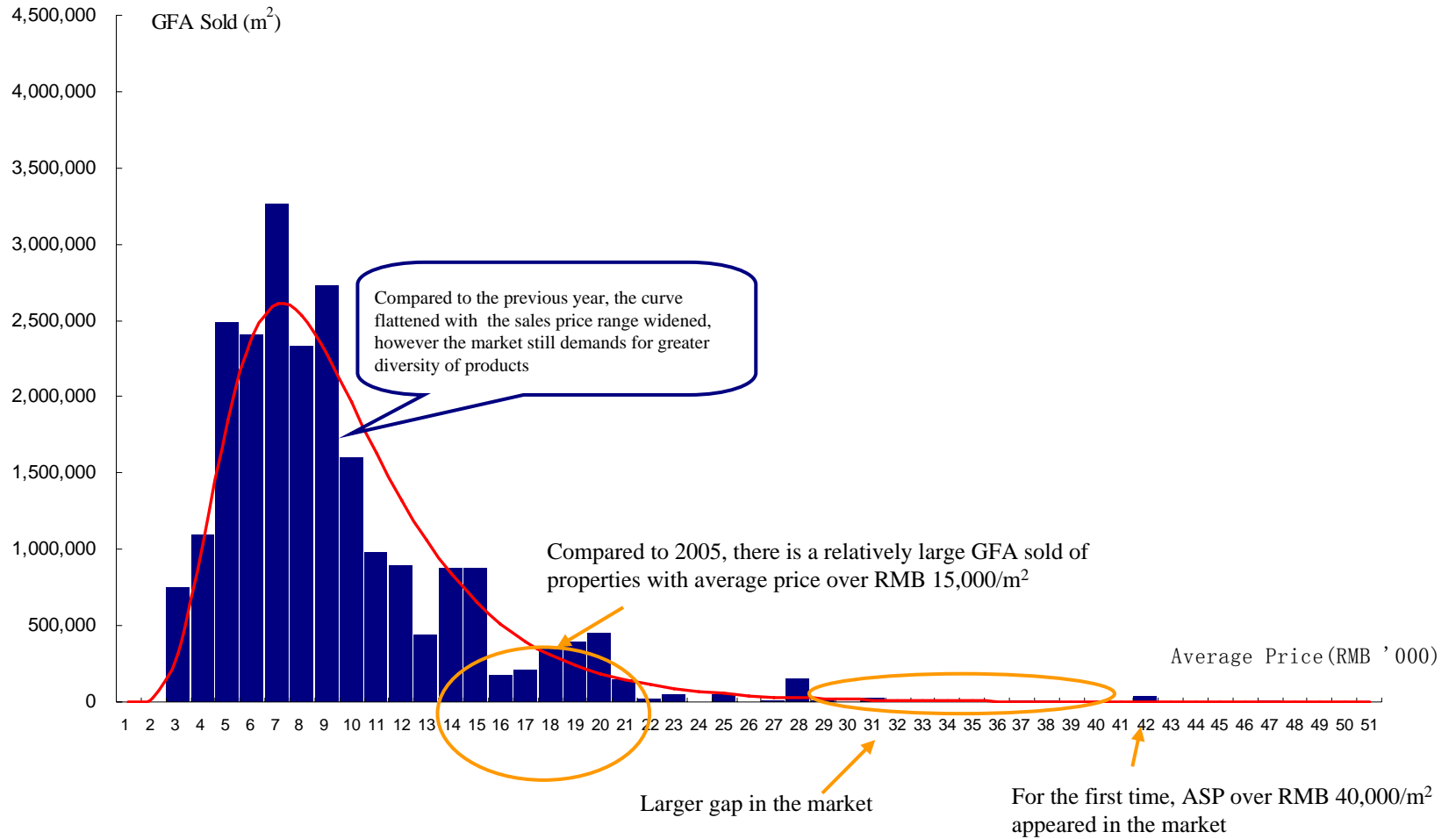


Note: the red line represents the lognormal distribution curve

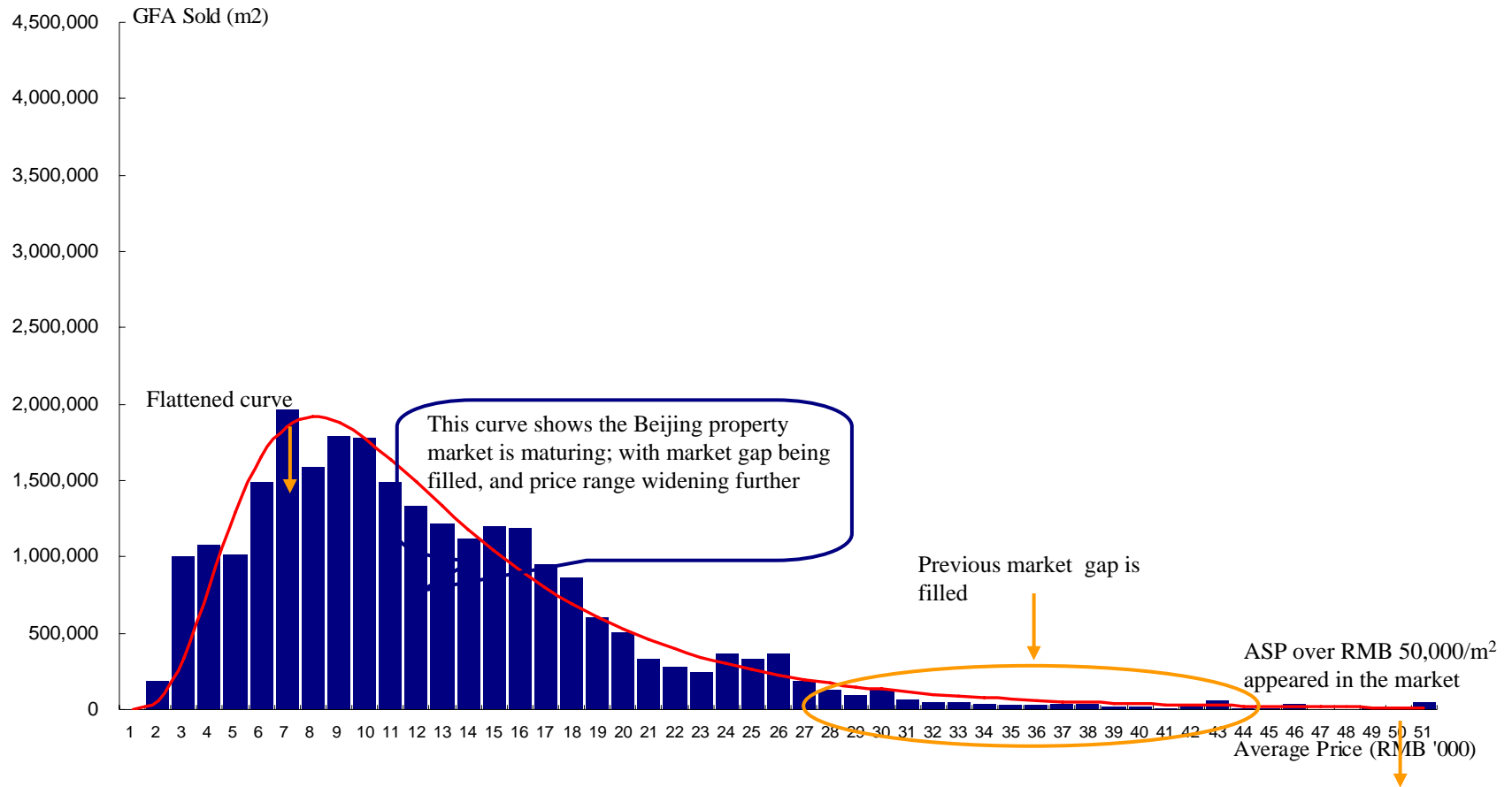
Prices for Beijing Commercialized Property Clustered around RMB 5000-6000/m² in 2005



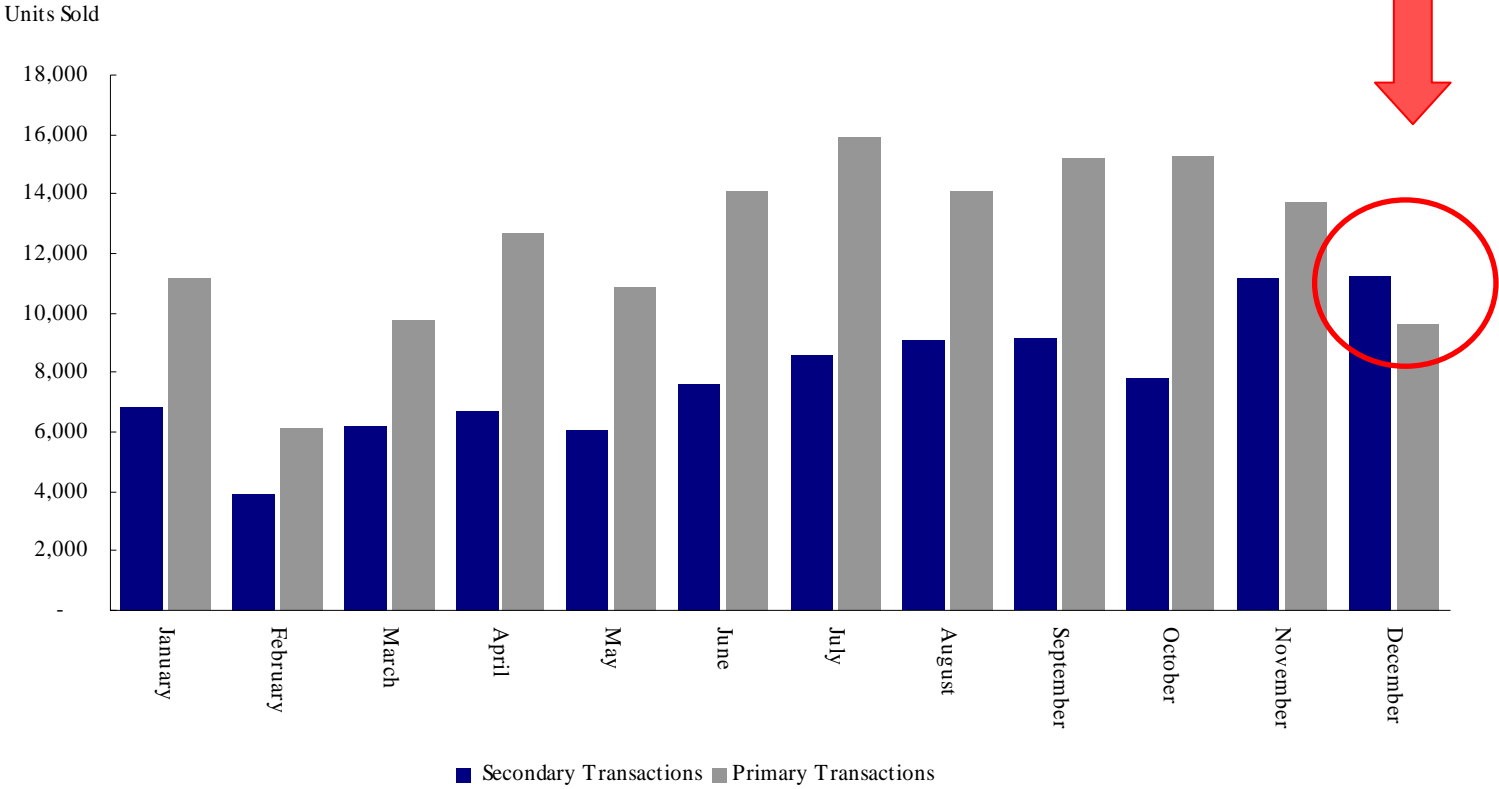
The Lognormal Curve Flattens Significantly in 2006 and the Price Bar Formed a Shape of Sawtooth



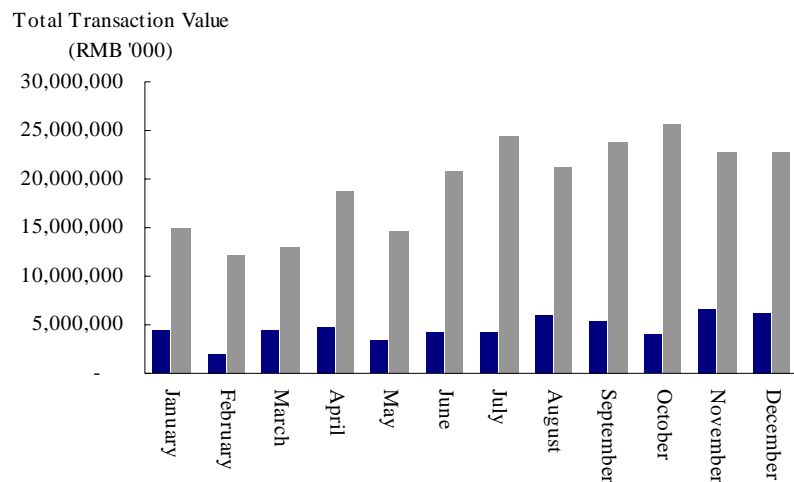
The Distribution Curve Flattens Further in 2007, with More Diversified Supply of Properties in Wider Price Range



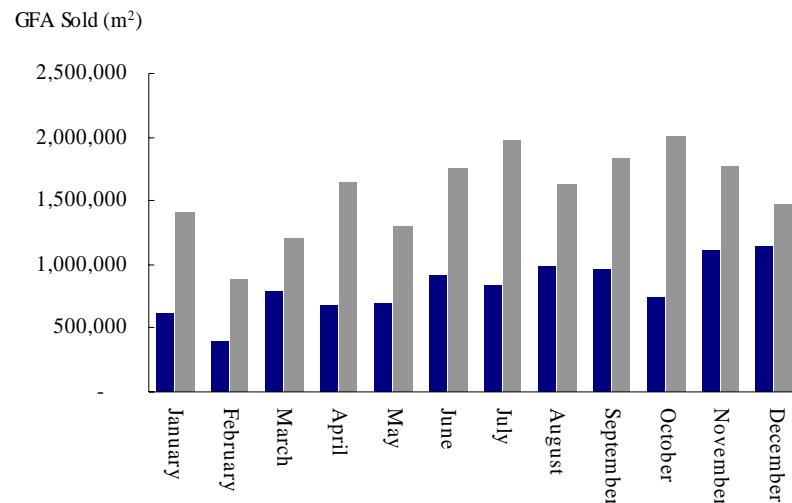
In December 2007, the Number of Units Sold in Secondary Property Transactions Exceeded that of Primary Transaction for the First Time



Secondary Property Transactions Increased in 2007, but Mostly in the Lower Price Range



Secondary property is cheaper, and its total sales value is only 24% of that of primary property



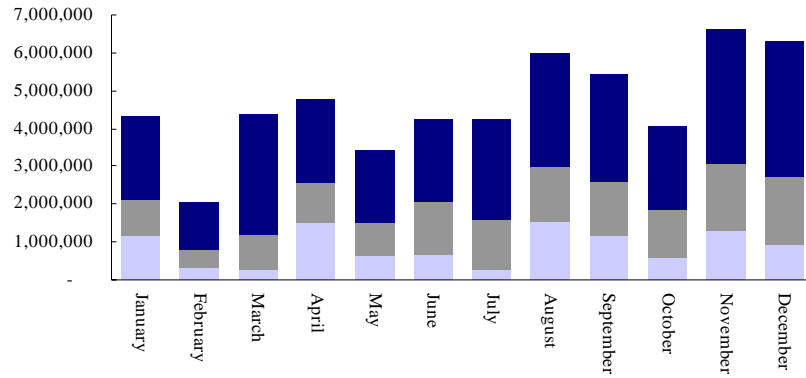
The GFA sold of secondary property represents 50% of that of primary property

2007	January	February	March	April	May	June	July	August	September	October	November	December	Total
Secondary Transactions													
Units Sold	6,805	3,930	6,228	6,670	6,085	7,629	8,599	9,094	9,132	7,844	11,164	11,259	94,439
GFA Sold (m ²)	624,837	389,507	793,015	688,049	702,620	918,105	842,814	976,174	967,515	750,647	1,101,285	1,138,407	9,892,975
Total Transaction Value (RMB million)	4,342	2,076	4,362	4,773	3,433	4,243	4,260	5,996	5,419	4,074	6,598	6,293	55,869
Average Price (RMB/m ²)	6,949	5,330	5,501	6,937	4,886	4,622	5,055	6,142	5,601	5,427	5,991	5,528	5,647
Primary Transactions													
Units Sold	11,137	6,159	9,801	12,721	10,913	14,121	15,940	14,114	15,222	15,274	13,715	9,639	148,756
GFA Sold (m ²)	1,415,000	880,300	1,202,700	1,640,400	1,292,300	1,749,100	1,977,100	1,637,600	1,829,100	2,009,800	1,776,900	1,479,000	18,889,300
Total Transaction Value (RMB million)	14,947	12,133	12,941	18,732	14,644	20,886	24,340	21,174	23,854	25,698	22,708	22,857	234,900
Average Price (RMB/m ²)	10,563	13,783	10,760	11,419	11,332	11,941	12,311	12,930	13,041	12,786	12,780	15,454	12,436

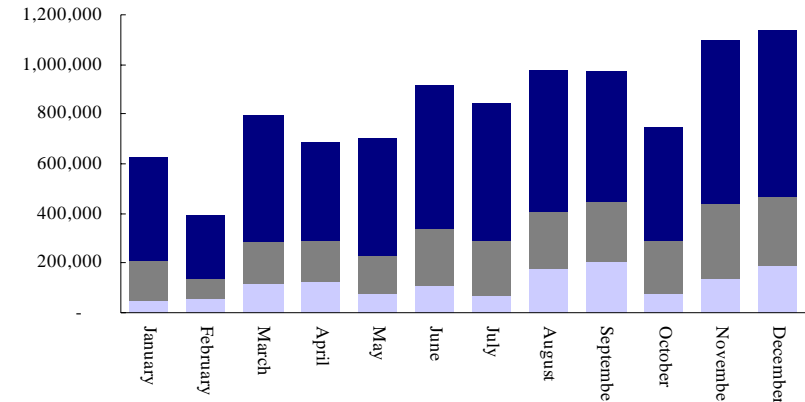
Public Housing Possesses Inherent Potential for the Secondary Property Market.

More Public Housing Joining the Supply of Available Housing May Help Alleviate the Demand from Lower Income Homebuyers and Supplement Economic Housing

Total Sales Value (RMB'000)



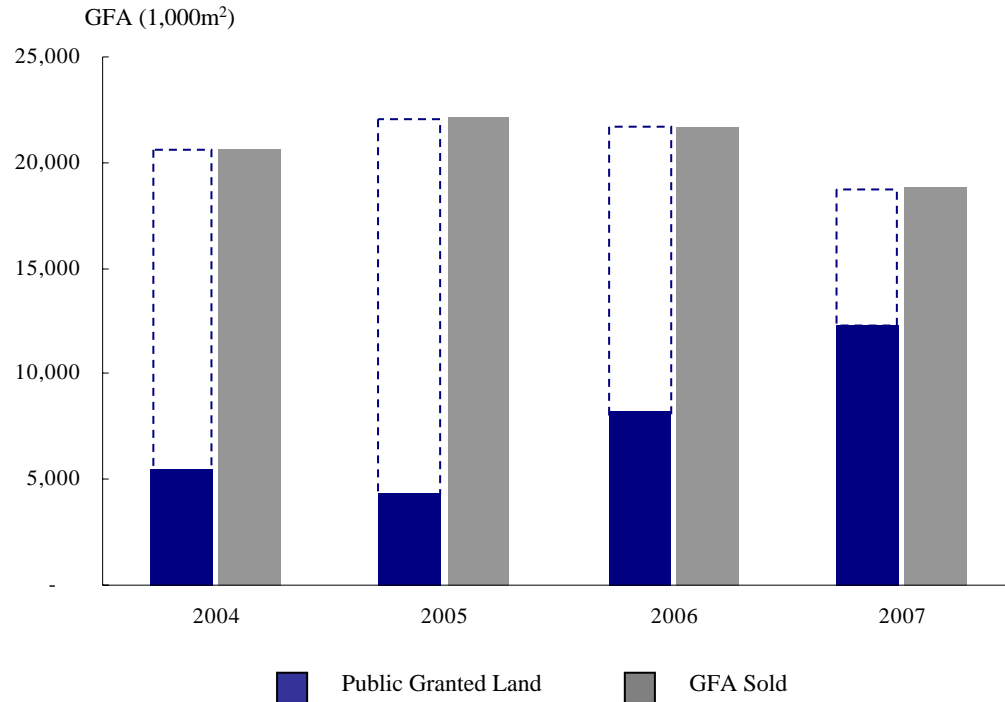
GFA Sold (m²)



■ Secondary Commercialized Properties
 ■ Public Housing
 ■ Economic Properties

2007	January	February	March	April	May	June	July	August	September	October	November	December	Total
GFA Sold (m²)													
Secondary Commercialized Properties	418,943	252,267	507,996	397,395	475,080	581,884	550,295	570,541	521,734	459,849	664,723	669,998	6,070,704
Public Housing	158,827	86,043	170,551	166,175	153,164	228,833	223,345	230,748	241,860	215,905	302,810	282,376	2,460,636
Economic Properties	47,067	51,196	114,469	124,479	74,376	107,388	69,174	174,885	203,921	74,893	133,752	186,033	1,361,634
Total	624,837	389,507	793,015	688,049	702,620	918,105	842,814	976,174	967,515	750,647	1,101,285	1,138,407	9,892,975
Total Sales Value (RMB million)													
Secondary Commercialized Properties	2,253	1,290	3,196	2,244	1,932	2,203	2,679	3,028	2,832	2,255	3,523	3,568	31,002
Public Housing	966	495	889	1,036	901	1,363	1,309	1,418	1,436	1,242	1,815	1,811	14,680
Economic Properties	1,124	291	278	1,494	599	678	272	1,549	1,151	577	1,260	914	10,186
Total	4,342	2,076	4,362	4,773	3,433	4,243	4,260	5,996	5,419	4,074	6,598	6,293	55,869

The Gap between the Limited Supply of Publicly Granted Land and Property Market Demand will Continue to Tighten the Supply of Properties



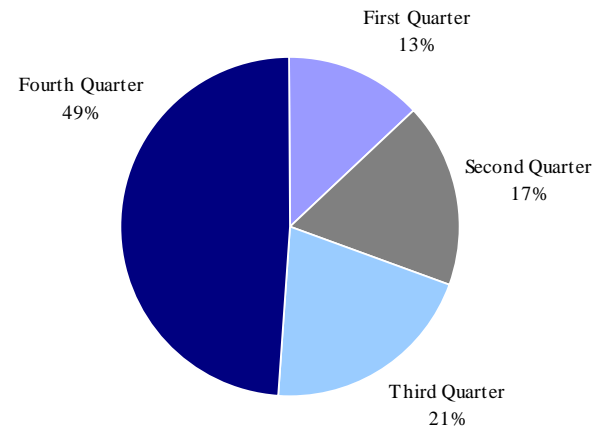
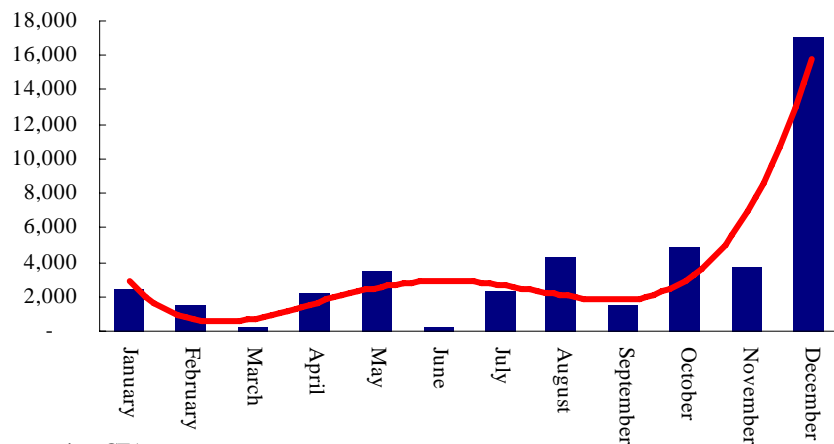
Year	Public Land Granted (1,000m ²)	GFA Sold (1,000m ²)
2004	5,463	20,624
2005	4,328	22,168
2006	8,240	21,647
2007	12,330	18,890

■ In Beijing there appears to be a huge gap between the supply of publicly granted land for development and the demand in the property market. In 2004, the government granted the equivalent of only 26% of the total GFA sold of that year. That supply decreased to 20% for 2005 and then increased to 38% of the total GFA sold in 2006. In 2007, significant additional land was publicly granted representing 65% of total GFA sold in 2007.

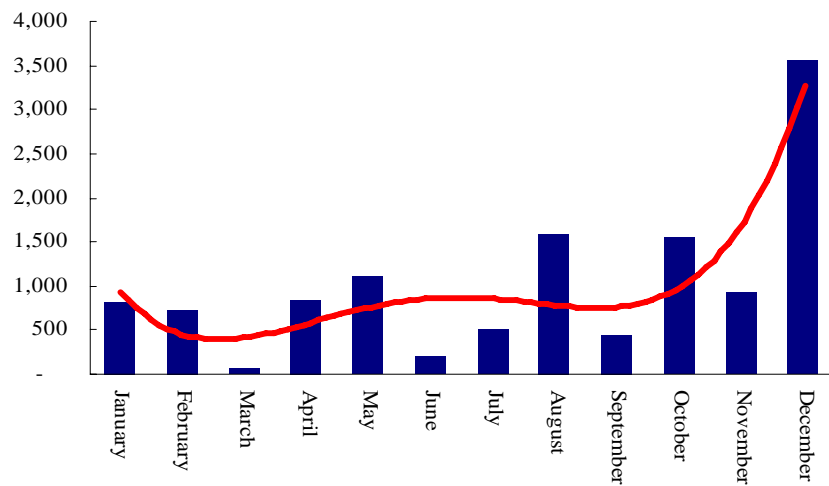
■ Although government land granted through public transactions in 2004 and 2005 was quite limited, the market demand for land was partially filled by private sector land inventory accumulated prior to “831”. With demand outstripping supply by such a significant factor over the past 3 years, this private sector land inventory has been gradually exhausted. Without a sustained increase in publicly granted land supply, this excess demand will be a key factor affecting the 2008 Beijing property market.

Publicly Granted Land Supply Increased Rapidly in the 4th Quarter, Representing 49% of the total GFA Granted in 2007

Transaction Value
(RMB million)

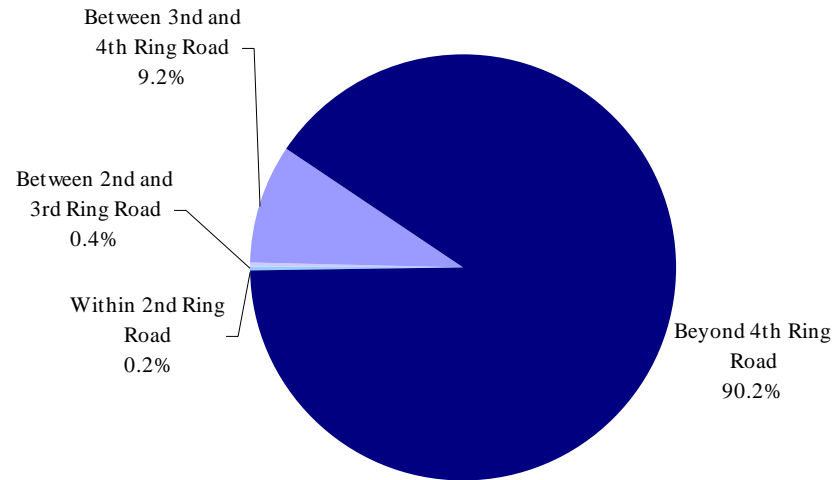


Transaction GFA
(1000m2)



Month	Planned GFA of Public Land Granted (1,000m ²)	Transaction Value (RMB million)
January	824.17	2450.57
February	719.97	1,466.29
March	55.91	229.77
April	832.31	2,207.48
May	1,110.71	3,494.52
June	207.91	209.72
July	504.96	2,270.50
August	1,596.50	4,257.48
September	443.23	1,518.30
October	1,553.93	4,901.60
November	926.93	3,675.71
December	3,553.55	17,128.30
Total	12,330.07	43,810.25

Less than 10% of Beijing Publicly Granted Land for 2007 was within the 4th Ring Road



2007	Planned GFA (m ²)	%
Within 2nd Ring Road	25,102	0.2%
Between 2nd and 3rd Ring Road	49,283	0.4%
Between 3rd and 4th Ring Road	1,138,685	9.2%
Beyond 4th Ring Road	11,116,994	90.2%
Total	12,330,065	100%

2007 Stock Price of Listed Property Developers does not Appear to Correlate with the Price of Beijing Properties

