COLLIERS INTERNATIONAL
QUARTERLY RESEARCH REPORT

SINGAPORE

OCTOBER 2006

THE KNOWLEDGE

Property Market Overview

Market Conditions as of September 2006

Singapore Economy

GDP Grew By An Estimated 8.6% In The First Three Quarters of 2006

Singapore's economy is estimated to have expanded by 8.6% on a year-on-year (YoY) basis in the first three quarters of the year. This comes after advanced estimates from the Ministry of Trade & Industry (MTI) showing that the economy grew by 7.1% on a YoY basis in 3Q 2006.

The manufacturing sector, also the best performing sector in 3Q 2006, was estimated to have grown by 10.0% in the period, moderating from 12.2% in the last quarter. This was mainly attributed to slower growth in the biomedical manufacturing, electronics and chemicals clusters.

The services-producing industries also experienced easing growth, from 6.9% in 2Q 2006 to 6.6% in 3Q 2006. The stronger growth registered by the wholesale and retail trade, and hotel and restaurants sectors in 3Q 2006 was offset by slower growth in all other services sectors.

The construction sector saw its strongest positive growth this year with a 1.0% expansion in 3Q 2006 after registering a 0.3% growth in 2Q 2006 and 0.8% contraction in 1Q 2006.

The MTI's current gross domestic product forecast for the whole of 2006 remains at between 6.5% and 7.5%.

YEAR-ON-YEAR GROWTH IN GROSS DOMESTIC PRODUCT

	2005	1Q 2006	2Q 2006	3Q 2006*	Jan - Sep 06 Average*
Overall GDP	6.4	10.6	8.0	7.1	8.6
Goods Producing Industries					
Manufacturing	9.3	20.1	12.2	10.0	14.1
Construction	-1.1	-0.8	0.3	1.0	0.2
Services Producing Industries	6.0	8.2	6.9	6.6	7.2

*Based on 3Q 2006 advanced estimates

Source: Ministry of Trade and Industry / Colliers International Singapore Research

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Investment Sales

Sustained Collective Sales Fever Led To 55% YoY Rise In Price of Residential Land In Luxury Belt

Developers and investors continued in their aggressive acquisitions which culminated in a total of $6.8 billion worth of investment properties and development sites being transacted in 3Q 2006, some 2.6% more than the $6.6 billion accumulated in the last quarter.

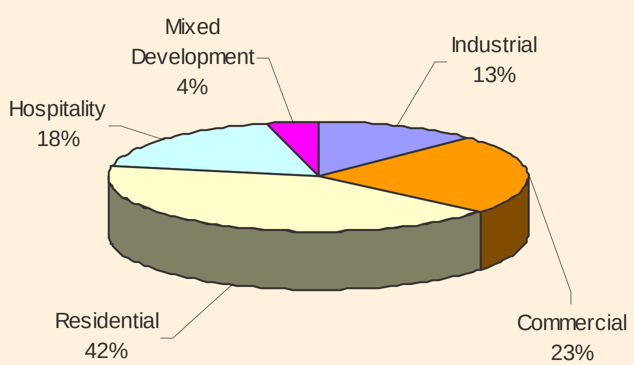
TOTAL INVESTMENT SALES (PRIVATE & PUBLIC)

Property Sector	3Q 2006 ($mil)	2Q 2006 ($mil)	QoQ (%)
Commercial	$1,579.0	$1,410.1	12.0%
Hospitality	$1,242.4	$91.3	1260.8%
Industrial	$854.1	$300.3	184.4%
Residential	$2,846.5	$3,611.0	-21.2%
Mixed Development	$255.0	$1,200.0	-78.8%
Others	$9.2	$0	-
Total	**$6,786.1**	**6,612.7**	**2.6%**

Source: Colliers International Singapore Research

Investment sales in 3Q 2006 were powered mainly by the launch of three real estate investment trusts (REITs), and residential land sales. Cambridge Industrial Trust, Fraser Centrepoint Trust and CDL Hospitality Trust were listed on the Singapore Stock Exchange in the period, contributing some $2.3 billion or 33.3% to the total investment sales value. Excluding transfers of properties from sponsors to newly listed REITs, investment sales for the quarter amounted to $5.0 billion, 15.6% lower than the $6.0 billion similarly amassed in the previous quarter.

Composition of Investment Sales in 3Q 2006

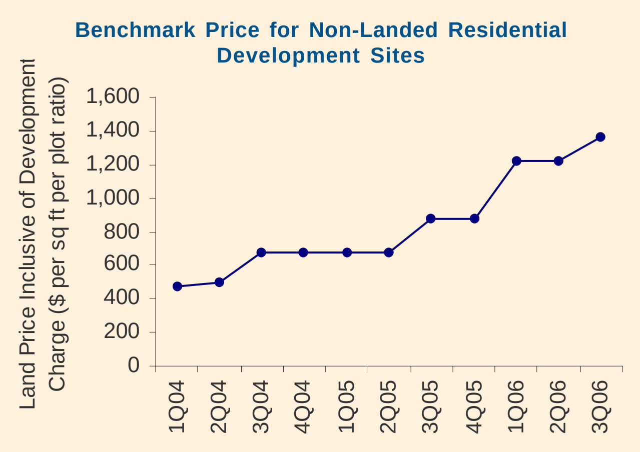


Source: Colliers International Singapore Research

The residential property segment was the best performer for 3Q 2006, chalking up a total investment sales value of $2.8 billion. This was, however, some 21.2% lower than the $3.6 billion achieved in 2Q 2006. Private residential collective sales, although still strong, were showing some signs of slowing with 17 residential development sites worth $2.1 billion sold on a collective basis compared to 19 sites sold for $2.9 billion in the last quarter.

Despite this, more records were broken in 3Q 2006 in terms of higher unit prices (inclusive of development charge) with at least three sites being transacted at prices exceeding the highest unit price of $1,184 per sq ft per plot ratio (inclusive of development charge) commanded by Beverly Mai last quarter. These three transactions were Habitat 1, Grange Tower and Pin Tjoe Court which were sold at $1,228 per sq ft per plot ratio, $1,207 per sq ft per plot ratio and $1,358 per sq ft per plot ratio respectively. As of 3Q 2006, the benchmark price for residential development sites ($1,358 per sq ft per plot ratio) had risen more than 55% from a year ago and had almost tripled the record of $479 per sq ft per plot ratio set in 1Q 2004. This continued hike in residential land prices indicated that despite being more selective, developers were still willing to pay for sites in luxury locations, as they were optimistic of the segment's sustained bull run. They were also willing to pay for sites that could be amalgamated with their earlier cheaper acquisitions or adjoining state land resulting in a collectively lower unit acquisition price as in the case of Habitat 1.

In a far second place was the commercial segment whose $1.6 billion worth of transactions outdid the last quarter's $1.4 billion by 12.0%. About half of the value or $846.3 million was accounted for by the transfer of three retail malls – Anchorpoint at Alexandra Road, Causeway Point at Woodlands and Northpoint at Yishun Avenue, from Frasers Centrepoint Limited's portfolio into Frasers Centrepoint Trust when it was listed in July 2006. The single largest commercial transaction in the quarter was the award of the 78,702 sq ft Somerset Central Government Land Sales (GLS) site in Orchard Road to Lend Lease (an Australian global property group) for $617.2 million or $1,455 per sq ft per plot ratio. This aggressive bid was 34.1% higher



Source: Colliers International Singapore Research

than the $1,085 per sq ft per plot ratio paid by Far East Organization for the nearby Gluttons Square site in January this year and 42.6% higher than the $1,020 per sq ft per plot ratio paid by CapitaLand for the more prominent and prestigious Orchard Turn site one MRT station away in December 2005.

Investment sales in the hospitality segment, made up of hotels and service apartments, had a strong boost from the listing of the CDL Hospitality Trust in 3Q 2006. A total of $1.2 billion worth of properties changed hands in 3Q 2006, 13.6 times of last quarter's $91.3 million. Some 71.3% or $846.3 million of the total was made up of properties "transferred" from sponsor City Development's portfolio into the CDL Hospitality Trust including Copthorne Kings Hotel at Havelock Road, Grand Copthorne Waterfront Hotel at Havelock Road, M Hotel at Anson Road as well as Orchard Hotel and Shopping Arcade at Orchard Road. The remaining 28.7% consisted of CapitaLand's sale of its entire stake in Hotel Inter-Continental ($231.1 million) at Victoria Street to Pacific Coasts Assets Inc and the sale of Asia Insurance Building ($109.5 million) at Finlayson Green, which would be converted into a service apartment named Ascott Raffles Place after refurbishment.

The industrial property segment saw a total of $854.1 million worth of enbloc sales transacted in the period. Acquisitions by Cambridge Industrial Trust, which was listed in July 2006, made up 60.8% of the industrial investment sales value at $519.0 million. Cambridge Industrial Trust is the only industrial REIT in Singapore that is not affiliated with any major property developer.

The $255.0 million of mixed development investment sales was made up solely of the award of the Quayside Collection in Sentosa Cove to City Developments Ltd. Spanning 183,159 sq ft, the Quayside Collection comprises land parcels for a 320-room 5-star marina hotel, a 3-storey waterfront commercial site and two 6-storey condominium developments.

Going forward, the strong performance of the investment sales market may face some impediment, especially in the collective sale sites market due partially to increased development charge (DC) rates, a fee levied by the Government for enhancement in land values due to approval for intensification or change of land use. The latest round of DC rates revision by the Government saw the rates for non-landed residential sector being adjusted upwards by the largest magnitude of 12.6% on average, with the most significant upward movements between 35.7% and 37.9% seen in the luxury and prime residential enclaves of Leonie Hill/St Thomas, Oxley, Grange/ Chatsworth/Bishopgate, Nassim/OrangeGrove/ Ladyhill/Fernhill, Ardmore/Draycott/Claymore and Somerset MRT areas. The commercial use saw an average rise of 3.3% in DC rates with the steepest hikes of 26.7% in Somerset MRT and 22.0% in Orchard MRT areas. DC rates for landed residential use rose marginally by 1.6% with significant upsurge of 17.5% in Sentosa while those for hotel and industrial uses remained unchanged.

With the increase in DC rates, which would significantly affect development costs for sites with low base plot ratios, increasing caution and selection could be seen in the following quarters for residential collective sales. Nonetheless, residential properties, along with the commercial ones, would continue to

AVERAGE DEVELOPMENT CHARGE RATES ($PSM/GPR)

	Mar 2006	Sep 2006	% Change
Commercial	$1,510	$1,560	3.3%
Residential			
Landed*	$1,470	$1,494	1.6%
Non-landed	$1,842	$2,074	12.6%
Industrial	$336	$336	0.0%
Hotel	$1,298	$1,298	0.0%

*Rates are based on $psm of land

Source: Colliers International Singapore Research

be well sought after by developers and investors whilst hotel properties and development sites, which were fast rising in popularity, would also fare favourably. This growing interest in hotel sites was seen in the successful sale of one hotel GLS site and the triggering of two other hotel sites for sale from the GLS Reserve List[1] in 3Q 2006 after five quarters of inactivity.

From October, one more site with hotel component will be launched for sale from the 2H 2006 GLS Confirmed List and nine other sites which could be developed either into full hotel developments or mixed developments with hotel component are still available on the 2H 2006's GLS Reserve List. The majority of these are expected to be triggered for sale and successfully sold in the coming quarters as developers and hoteliers see the immense potential of this sector arising from the expected severe shortage in hotel rooms to cater to the doubling of visitor arrivals to Singapore in 2015.

Office

Office Market Brimming With Confidence, Manifesting In Continued Rental Hikes

Office rents continue to rise unabated, underpinned by a severe tightening in supply and active occupier demand on the back of an optimistic economic outlook.

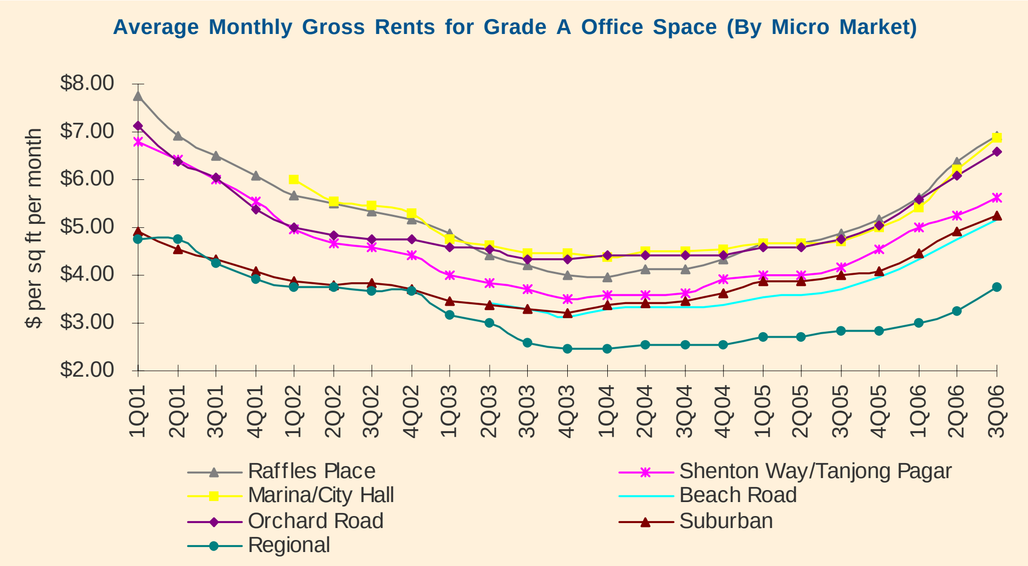
Average monthly gross rents for Grade A office space in Raffles Place rose a further 8.6% from last quarter's $6.37 per sq ft to reach $6.92 per sq ft in the September quarter. At this level, average monthly gross rents for Grade A office space in Raffles Place have already scaled by some 34% in the first nine months of the year, exceeding all highs recorded for the same period since the 1990s. Compared to the trough of ten quarters ago, today's average monthly gross rents for Grade A office space in Raffles Place are some 75.4% higher. If this blistering pace continues, average monthly gross rents for Grade A office space in Raffles Place will surpass 2001's peak of $7.77 per sq ft by the middle of next year, and 1996's all time high of $9.77 per sq ft by 2009 or earlier!

AVERAGE MONTHLY GROSS RENTS FOR OFFICE SPACE

	Average Monthly Gross Rents ($ per sq ft)					
	3Q 2006		2Q 2006		QoQ Change	
Micro Markets	Grade A	Grade B	Grade A	Grade B	Grade A	Grade B
Raffles Place	$6.92	$5.05	$6.37	$4.38	8.6%	15.3%
Shenton Way / Tanjong Pagar	$5.63	$4.80	$5.23	$4.48	7.6%	7.1%
Marina / City Hall	$6.87	-	$6.22	-	10.5%	-
Beach Road	$5.17	$3.29	$4.77	$3.21	8.4%	2.5%
Orchard Road	$6.58	$5.65	$6.08	$5.30	8.2%	6.6%
Suburban	$5.25	$3.12	$4.91	$2.92	6.9%	6.8%
Regional	$3.75	$2.58	$3.25	$2.58	15.4%	0.0%

Source: Colliers International Singapore Research

[1] A GLS site from the Reserve List can be triggered for sale once an interested party submits a bid that meets the reserve price. This party would then be committed to participate in the actual tender at a bid price that is not lower than his triggering bid.

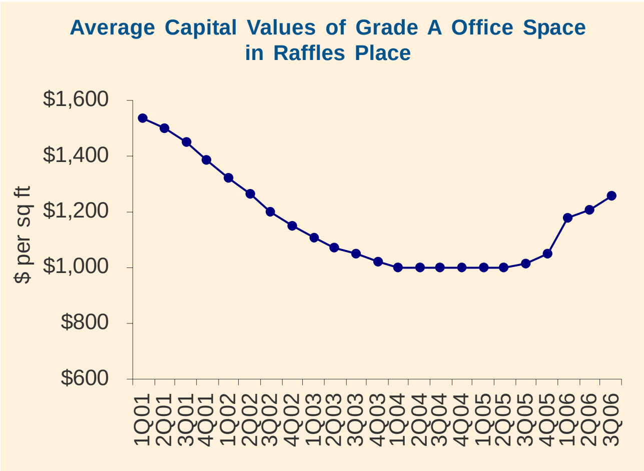


Source: Colliers International Singapore Research

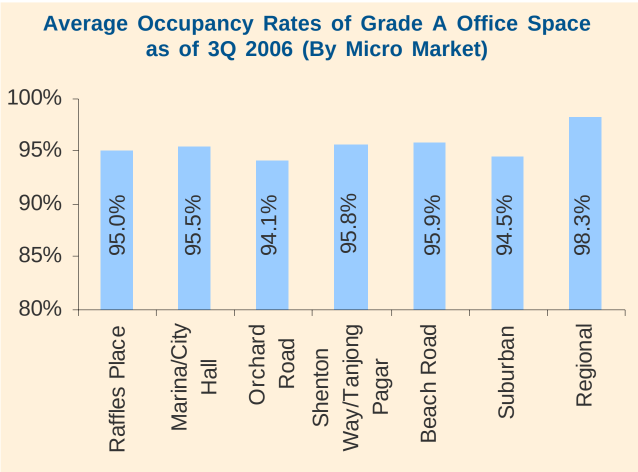
Rental growth in 3Q 2006 was broad-based, with Grade A office space in regional locations such as Tampines experiencing the largest hike in rent amounting to 15.4% on a QoQ basis. Grade B office space in the Raffles Place micro market was a close second, chalking up quarterly rental growth of 15.3%.

Rents of office properties have been racing ahead of capital values, leading to rising net yields of strata office properties, from 3.2% in 1Q 2004 to 5.1% as of 3Q 2006. Although values have been slower to adjust than rents, they are nevertheless moving firmly forward. As of September 2006, Grade A office space in Raffles Place commanded an average capital value of $1,260 per sq ft, 4.1% up from last quarter's $1,210 per sq ft and 26.4% from the recent low of $997 per sq ft in 1Q 2004.

Lack of new completion amidst severe tightening of existing stock is seen as the main factor contributing to the current spate of hike in office rents. The average islandwide occupancy rate of offices had gained 6.5 percentage points in 11 quarters, rising rapidly from a low of 82.1% in 4Q 2003 to an estimated 88.8% as of 3Q 2006. Grade A office supply across the island is so tight that less than 5% is now available for lease. In Raffles Place, tenants have filled up about 95.0% of Grade A buildings.



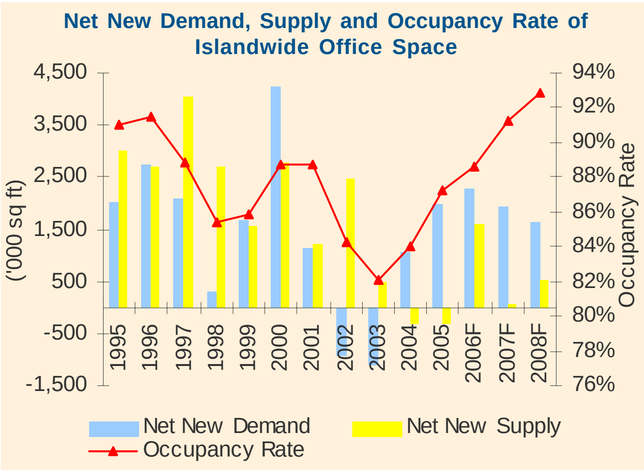
Source: Colliers International Singapore Research



Source: Colliers International Singapore Research

Such limited supply of office space available for lease, particularly the Grade A ones, has greatly compromised companies' expansion plans. This situation had therefore prompted some major banks, such as UBS and Deutsche Bank to consider keeping and setting aside some space from their current premises to allow for future expansion after they move into One Raffles Quay. This will tighten supply further.

No respite is seen for the tight supply situation in the short-to-medium term. This is because not only will new supply from the rest of 2006 to 2010 average only 0.7 million sq ft per annum as of 3Q 2006, some 1.5 million sq ft of office space is expected to be withdrawn from stock as office buildings in the likes of Natwest Centre, 1 Shenton Way, Asia Chambers, Straits Trading Building, Ocean Building and 71 Robinson Road undergo redevelopment over the next few years. With annual net absorption expected to reach 2.3 million sq ft in 2006 and 1.9 million sq ft in 2007, islandwide occupancy rate is forecast to finally break the 90% level by end-2007, the first time since 1Q 1997.



Source: URA / Colliers International Singapore Research

As rents are expected to continue to climb by between 6% and 8% in the final quarter of the year, and a further 15% to 18% in 2007 for Grade A office space in Raffles Place, it would be prudent for companies whose leases are expiring soon to explore the possibility of early renewal, so as to lock in rents ahead of further rent appreciation. Larger companies may also consider negotiating for longer lease periods of more than three years before any new supply of quality space from the first phase of the Business and Financial Centre comes on stream in 2010.

Retail

Move To Become A Global Shopping Destination Well Underway

The third quarter of 2006 marks a milestone for Singapore's retail sector with the completion of Singapore's largest retail mall, and the award of the last of the three GLS sites along Orchard Road targeted at rejuvenating this premier shopping street in Singapore.

The 1.0 million sq ft VivoCity at Harbourfront which accommodates some 300 retail stores, received temporary occupation permit in September although it is slated to open for business only in October. Positioned as a one-stop lifestyle enclave for leisure and shopping, tapping on tourists and islandwide-population, the mall has achieved a take-up rate of 93% with tenants comprising a mix of local and international retailers, many of whom are new in the Singapore retail scene. The mall counts Golden Village (89,986 sq ft), Dairy Farm Group (114,000 sq ft) and Tangs (86,000 sq ft) as its three largest tenants.

Together with the completion of three other retail developments, the new supply in 3Q 2006 totalled 1.2 million sq ft, the highest ever recorded in the history of Singapore. The other three retail developments completed in the quarter were the 40,000 sq ft new extension at The Raffles MarketPlace in basement one of Raffles City, Ikea's flagship home furnishing store in Tampines, and Fernvale Point in Sengkang.

The quarter also saw the award of Somerset Central GLS site, the last remaining of the three prime development sites to be tendered out by the Government as part of its efforts to rejuvenate Orchard Road. The site was awarded in August to Lend Lease who intends to develop it into a mid-market fashion and general merchandise retail mall with a capacity of 301,389 sq ft of net lettable retail space by 2010.

MAJOR RETAIL DEVELOPMENTS COMPLETED IN 3Q 2006

Name of Development	Location	Net Lettable Area (sq ft)	Estimated Take-Up Rate
Within CBD Area			
Raffles City Shopping Centre's extension	City Hall	40,000	100%
Outside CBD Area			
VivoCity	HarbourFront Walk	1,040,000	93%
Warehouse Retail Development - Ikea*	Tampines Ave 10, Tampines Expressway	97,951	100%
Fernvale Point	Sengkang West Ave	34,444	72%

*Partial TOP obtained

Source: Colliers International Singapore Research

The developments of the first two sites awarded earlier are progressing smoothly. Piling works at the Orchard Turn site are due to commence soon with the closure of the underground pedestrian walkway linking neighbouring Wisma Atria and Orchard MRT station on 30 September 2006. At the former Gluttons Square site which was awarded in 1Q 2006, Far East Organization who clinched the site, announced that it will be developed into a 12-storey (10 above-ground and two basements) shopping mall named Orchard Central. It will be the tallest pure-retail development in Singapore and will have a cluster layout with separate areas devoted to sports and lifestyle, youth, food and beverage amongst others.

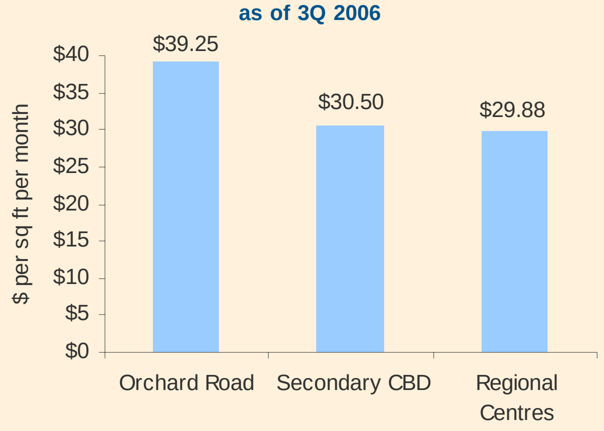
The completion of VivoCity and the impending completion of many more including the three sites in Orchard Road and the Marina Bay Shoppes by Las Vegas Sands, will widen the playground for both local and international retailers, providing them with greater choices in terms of location. The award of the final (for now) GLS site in Orchard Road signals the accomplishment of a major part of the Government's plan to rejuvenate Orchard Road. With these, Singapore's move to become an international global shopping destination is well underway.

Indeed, in recent times, Singapore has witnessed an influx of international retailers and brands into the local retail scene. Malls such as Paragon, Takashimaya, Tangs and Wisma Atria have been intensely infusing their tenant mix with new international retailers.

International retailers and brands who had newly arrived in Singapore in the quarter included Pull and Bear, Ben Sherman, Celio, Uomo, Porter International and Fornarina. More are expected to arrive in the forthcoming quarter and they include Hogan, Guess? by Marciano, Gap, Spain2Dream, Nota Bene and Naf Naf. Besides new entrants, existing international retailers are also seen to be actively increasing their presence through expansion, via either opening more stand-alone, flagship or concept stores.

With such a vibrant retail scene, it is no wonder that market sentiment in the retail property market was upbeat in 3Q 2006. This has culminated in a rise in prime retail rents. Average monthly gross rents for prime ground floor retail space in Orchard Road, secondary CBD and regional centres edged up by 3.3%, 0.8% and 0.8% to $39.25 per sq ft, $30.50 per sq ft and $29.88 per sq ft respectively.

Average Monthly Gross Rents for Prime Retail Space as of 3Q 2006



Source: Colliers International Singapore Research

This positive market sentiment in the retail sector is expected to be sustained in the short-to-medium term on the back of expected continued growth in visitor arrivals and rising consumer confidence.

Singapore welcomed a total of 1,783,430 visitors in July and August this year, 5.6% more than that recorded for the corresponding months last year. The month of July saw a breakthrough record of 913,678 visitor arrivals. The cumulative visitor arrivals to Singapore had reached 6,470,092 in the first eight months of 2006 or close to 70% of the 9.4 million visitors targeted for 2006 by the Singapore Tourism Board. With mega events such as the IMF/World Bank meetings held in September and the forthcoming school as well as festive season holidays in December, the number of visitor arrivals in 2006 will likely exceed the annual target.

The Government has also announced further programmes to boost visitor arrivals and tourism receipts, the latest being the plan to commit $170 million alone on attracting business-related travellers to grow the MICE (Meetings, Incentives, Conventions and Exhibitions) receipts, and raise Singapore's international profile during the next five years.

Rising local consumer confidence fuelled by a healthy economy and job market will further contribute to booming retail business. The retail sales index is forecast to grow by 8.6% on a YoY basis to $16 billion in 2H 2006, according to the latest MasterIndex of retail sales forecast.

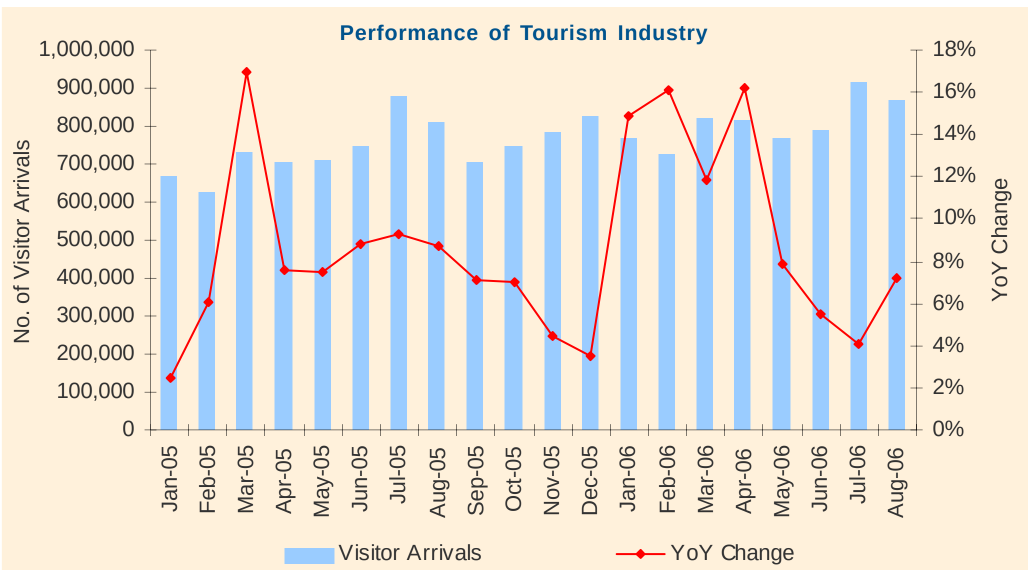
These positive demand indicators will lend support for further rental growth despite the large looming supply in the pipeline. Prime retail rents are forecast to strengthen by between 3% and 5% per annum in the short-to-medium term.

Industrial

Significant Jump In Volume of New Strata Sales

Sentiments for the manufacturing sector in Singapore remained positive in the quarter with continual expansion of existing firms and new set ups. This provided support for the leasing market, which saw a 49.4% surge in total rental value of new leases signed although the number of contracts signed only increased by 4.8% in the months of July and August, as compared to the preceding two months. Significant leasing deals include Siemens Pte Ltd which leased 45,000 sq ft at 27 Senoko Drive, Rutherford Power Asia, which leased 15,200 sq ft at 5 Joo Koon Road, Pacific Integrated Logistics which leased 22,000 sq ft at 1 Tuas Avenue 1, Khai Huat Trading which leased 7,220 sq ft at 15 Tai Seng Drive, and Steward Pte Ltd which leased 5,000 sq ft at Alexandra Techno Park.

The increase in rents was seen across all industrial segments, with the steepest QoQ increase of 7.6% seen for hi-specs ground floor space, in line with the growing demand for such space by research and



Source: Singapore Tourism Board / Colliers International Singapore Research

AVERAGE MONTHLY GROSS RENTS FOR PRIME INDUSTRIAL SPACE AS OF 3Q 2006

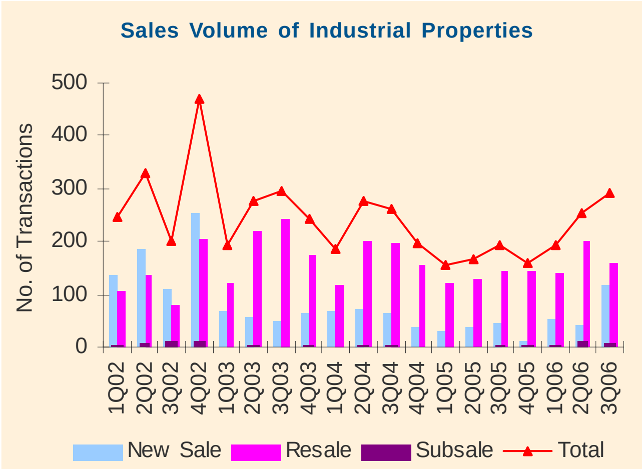
Type	Floor	Average Monthly Gross Rents ($ per sq ft)	QoQ Change	YoY Change
Prime Flatted Factory	Ground	$1.65	1.2%	5.1%
	Upper	$1.25	3.3%	6.8%
Prime Flatted Warehouse	Ground	$1.50	2.0%	5.6%
	Upper	$1.08	3.8%	8.0%
Hi-Specs Factory	Ground	$2.12	7.6%	7.6%
	Upper	$1.92	4.9%	6.7%

Source: Colliers International Singapore Research

development firms and high-value-added manufacturing industries.

Upward adjustments in rents were achieved despite the addition of some 2.1 million sq ft of new industrial space in the period. This was 3.7 times more than the 570,000 sq ft added onto stock in 2Q 2006. Some of these new completions would include Far East Organization's terrace factories at Linkpoint Place (255,600 sq ft), LabOne's hi-specs factory at International Business Park (127,811 sq ft), the partial completion of Ikea's warehouse retail development at Tampines (230,025 sq ft), a flight training centre at 30 Changi North Rise (75,487 sq ft), and some single-user industrial developments including MSD Technology's extension to its existing factory at Tuas South Avenue 6 (101,041 sq ft), 50 Alps Avenue (269,098 sq ft), 40 Changi North Crescent (112,546 sq ft) and 19 Changi North Way (87,058 sq ft).

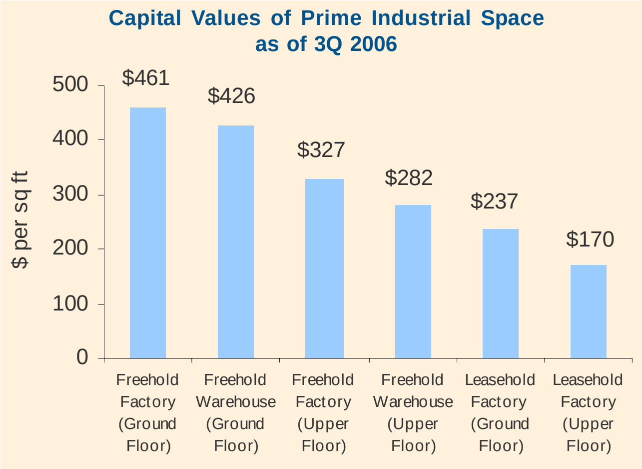
The sales market was also active in the quarter, boosted by developers' sale of new strata industrial units. The total number of developers' sales was estimated to have exceeded 300 in 3Q 2006, the highest quarterly figure since the last peak in 4Q 2002. The successful sale of new units in The Alexcier in the quarter was the sole reason for this surge in activity. Launched unofficially for sale in mid-September 2006 by Wintech Redhill Pte Ltd, The Alexcier is a 30-year leasehold partial ramp-up, partial flatted terrace factory located between Alexandra Road and Leng Kee Road. Some 103 units or 85.8% of the project were sold within two weeks of its launch. The fast take-up could be largely attributed to the project's affordable pricing due to small unit sizes (which start from 614 sq ft), short 30-year leasehold tenure as well as the project's proximity to the Redhill MRT station.



Source: Realis / Colliers International Singapore Research

On the whole, a pick-up in sales momentum was observed for 2006. For the first three quarters of the year, the total number of sales transactions was estimated to have reached 750, far exceeding the 673 transactions registered in the entire year of 2005. Significantly, of these 750 transactions, close to 30% were accounted for by three new strata-titled projects, namely The Alexcier, Tradehub 21 (previously known as 8 @ Tradehub 21) and Cendex Centre. The top-performing project was The Alexcier with an estimated 103 transactions. The other two projects, Midview Realty's Tradehub 21 at Boon Lay Way and Sim Lian's Cendex Centre at Lower Delta Road (both 60-year leasehold projects built on GLS sites) recorded 70 and 36 transactions respectively.

Although buying demand for strata-titled industrial space was seen to be strengthening, the volume was not sufficient to nudge capital values up. As such, capital values of the various categories of industrial properties had remained at last quarter's levels.



Source: Colliers International Singapore Research

Moving on, demand for industrial space is likely to continue to grow, with committed investments and planned expansion in the pipeline, particularly by the manufacturing and research & development industries. These include Seagate Technology, which would spend $1.3 billion over the next four years to build its third recording media plant (581,251 sq ft) near to its existing facilities in Woodlands; Soitec, the world's leading manufacturer of silicon-on-insulator (SOI) wafers, which would invest $446.5 million into the building of a cleanroom facility on 2.7 ha of land in the Pasir Ris Wafer Fab Park; and Merck, Sharp & Dohme Technology Singapore which would embark on a $100 million expansion of its production facilities at its 20 ha site at Tuas Biomedical Park.

Furthermore, demand drivers of industrial space remained strong. These include continued Government support including the injection of $1.5 billion into the biomedical sciences sector over the next five years to boost health-care standards and clinic research capabilities.

New completions in 4Q 2006 are expected to reach some three million sq ft, marking a 42.9% increase over the new completions in 3Q 2006. However, this surge in supply is not expected to derail the recovery in industrial rents. This is because some of this new supply has already achieved high pre-commitment levels. For example, Fusionopolis (formerly known as Fusionpolis), a mixed development with some 950,883 sq ft of hi-specs space catering to the info-communication and media industries, is already 98.0% pre-committed. Furthermore, a significant portion of this new supply is made up of single-user developments built by end-users for their own occupation, such as Gallaher Singapore's 149,403 sq ft factory at Loyang Drive and Akai Sales' 129,274 sq ft factory at Commonwealth Lane.

In the coming quarters, more supply of strata-titled industrial space can also be expected to come on stream from GLS sites awarded since 4Q 2005. As of the end of September, there were a total of seven awarded GLS sites that have yet to be launched for sale by the developers. These sites could potentially yield up to 2.9 million sq ft of strata-titled industrial space for sale. The influx of strata-titled industrial space for sale will likely put a cap on capital values at current levels for the medium term.

POTENTIAL SUPPLY OF STRATA-TITLED INDUSTRIAL SPACE AS OF 3Q 2006

Location	Use	Tenure (years)	Permissible Gross Floor Area (sq ft)
Woodlands Industrial Park E5	Business 2	60	113,555
Pioneer Road	Business 2	30	213,750
Tuas South Ave 2 / Ave 3	Business 2	60	387,500
Bedok North Ave 4	Business 2	30	212,740
Woodland Industrial Park E2 / E9	Business 2	60	167,034
Serangoon North Ave 4	Business 1	60	786,437
Ubi Ave 4 / Ubi Link	Business 1	60	1,038,111
Total			**2,919,127**

Source: URA / Colliers International Singapore Research

Residential

A Records-Filled Quarter

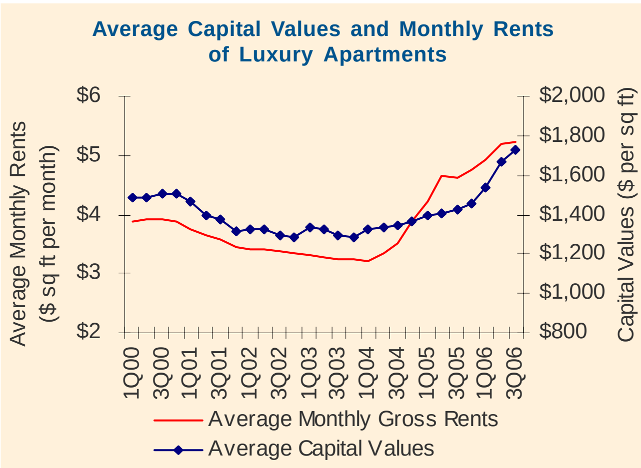
The residential property market saw numerous records being set in the third quarter of the year despite the extended Hungry Ghost Festival, which stretched from 25 July to 21 September. The Hungry Ghost Festival which falls on the seventh month of the Lunar calendar typically lasts for a month. This year, however, due to a leap year seventh lunar month, the festival occurred twice. The Chinese community tends to abstain from making housing commitments during this period as it is considered inauspicious.

The most prominent record set was the benchmark price of $1,039 per sq ft set for a 99-year leasehold bungalow land parcel in the South Cove precinct of Sentosa Cove, in an auction that was conducted right in the midst of the Hungry Ghost Festival. In fact, all of the 12 land parcels sold in that same auction achieved higher prices than the previous record of $500 per sq ft of land for a similar bungalow site in the Northern Precinct of Sentosa Cove in July 2005. The average price of $823 per sq ft of land area achieved for these 12 bungalow land parcels was 118% higher than the average price of $378 per sq ft of land for the last batch of bungalow plots in the Sentosa Cove awarded in September 2006. It was also 39% higher than the average price of $591 per sq ft of land for freehold Good Class Bungalows on the Mainland as of 3Q 2006. The high prices achieved for these 12 land parcels contributed to the seven-fold quarterly jump in the volume of residential properties being auctioned, from $18.09 million in 2Q 2006 to $124.05 million in 3Q 2006.

Benchmark prices were also set for luxury condominium developments, with St Regis Residences taking the lead. Several units in the development were sold at an all-time high of $3,030 per sq ft. This set the tone for higher selling prices of luxury projects launched in the quarter, which averaged between $1,800 per sq ft and $2,300 per sq ft compared to between $1,800 per sq ft and $2,000 per sq ft (excluding St Regis Residences) in the preceding quarter. As a result, average prices of luxury apartments chalked up a further 5.4% quarterly growth. As of the end of September, luxury apartments commanded an average price of $1,760 per sq ft, which was just a shade off 1997's peak of $1,778 per sq ft.

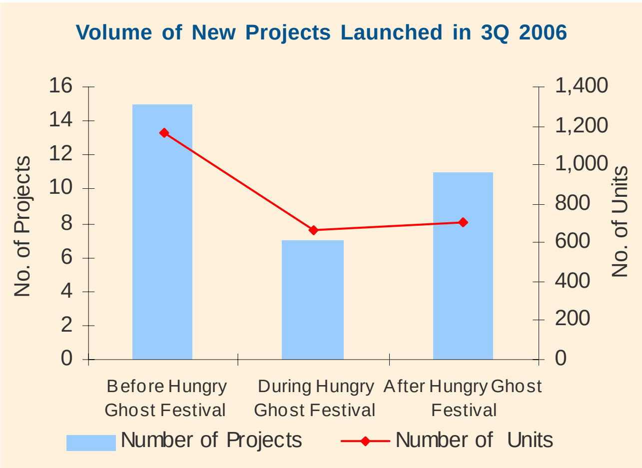
The benchmark prices achieved for luxury homes in the Orchard Road area spilled over to other high-end residential areas such as the Singapore River and Newton. The latest batch of condominium units in CapitaLand's RiverGate was launched at an average price of $1,600 per sq ft during the quarter, some 48% more than the $1,080 per sq ft when units were first launched in mid-2005. Yet a four-bedroom apartment in the project was sold at an astounding $1,702 per sq ft in August and another smaller unit at $1,716 per sq ft in September, setting new benchmarks for residential developments along Singapore River. Record prices were also achieved at the CapitaLand's Scotts Highpark in Scotts Road, next to the Newton MRT Station. A 4,209-sq ft duplex penthouse fetched more than $2,200 per sq ft, above the project's average selling price of $1,800 per sq ft and higher than the average selling prices of $1,200 per sq ft to $1,300 per sq ft for new projects in the locality, such as Newton One and Residences @ Evelyn.

Aggressive buys for high-end residential properties drove up URA's residential property price index for the quarter by the largest magnitude in more than six years. According to URA's advanced estimates, prices of all residential properties rose 2.5% in the quarter, bringing the sector's price recovery since the market bottomed in 2Q 2004 to 11.3%.



Source: Colliers International Singapore Research

Another remarkable achievement during the quarter was the number of residential units launched by developers. Although the superstition surrounding the Hungry Ghost Festival is fast eroding amongst the younger generation of homebuyers, developers generally continued to avoid launching major projects during this period. Instead, the festival period was an interlude for low-key soft launches and previews. Major public launches in the quarter were concentrated mainly during the three weeks before, and a week after the festival. Despite this short window period for public launches, 3Q 2006 witnessed a total of some 2,600 residential units from more than 34 projects being released for sale by developers. Although this reflected a fall of 14% from 2Q 2006's launch volume of 3,005 units, it was still the highest seen for the June to September quarter in the last three years! Developers launched some 2,010 units, 1,593 units and 1,513 units in 3Q 2005, 3Q 2004 and 3Q 2002 respectively.



Source: Colliers International Singapore Research

Non-landed projects accounted for 97% of the total units launched during the quarter, with high-end projects continuing to take centre-stage. However, smallish or boutique-style projects were also prominent. Developers launched some 19 of these developments in the quarter. The quarter also saw the launch of the year's second mass-market project. This was the 610-unit, 99-year leasehold The Centris in Jurong West by Guthrie, Lee Kim Tah and TMW Asia Property Fund.

Overall, newly-launched projects in 3Q 2006 achieved an average sales rate of approximately 50%, comparable to the take-up rate in the last quarter. The best performing project was Oceanfront @ Sentosa. This 264-unit, 99-year leasehold condominium development by City Developments Ltd was 85% sold during its preview in early July ahead of the official launch. Selling at an average price of $1,300 per sq ft, the project was 98% sold as of the end of September.

The slowdown in public launches during the two-month Hungry Ghost Festival had given rise to some pent-up demand, resulting in brisk sales for some post-festival project launches across all segments.

In the luxury segment, Wheelock Properties' Ardmore II was 52% snapped up on the first day of its soft launch during the last week of September. The 118-unit luxury condominium project was priced at $2,300 per sq ft on average, and was reportedly mostly (80%) bought by local purchasers. The 85-unit freehold The Tate Residences developed by Hong Leong Holdings was almost fully sold through private previews at an average price of $2,200 per sq ft as of the end of the quarter.

In the mid-tier segment, the 131-unit One St Michael's saw more than 30 of the 89 units released for sale being snapped up within the first two days of its weekend preview, whilst the 62-unit low-rise Blue @ East Coast was 50% sold during the first weekend of its official launch.

In the mass-market segment, 200 units of the 610-unit mixed development The Centris were previewed at an average of $500 - $550 per sq ft. Innovative marketing strategies were rolled out by the developer to attract buyers. These included early bird discounts and the opportunity for buyers to earn additional income from the development's car park. All of the 200 units previewed were sold within a few days of the preview.

MAJOR PROJECTS LAUNCHED IN 3Q 2006

Development Name	Location	Tenure	Developer	Average Launch Price ($ per sq ft)	Total No. of Units in Development
			Non-Landed		
Poshgrove East	East Coast Road	Freehold	Tong Eng Group	$680	76
The Treeline	Telok Kurau	Freehold	Roxy Homes	$515 - $625	34
Treasure Place	Lorong Sahad	Freehold	Feature Land Pte Ltd (Member of Tong Eng Group)	$620	54
The Bale	Lor H Telok Kurau	Freehold	Hoi Hup Development	$610	36
Orchard Scotts	Anthony Road	99-yr	Far East Organization	$1,400 - $1,800	180
The Clift	McCallum Street	99-yr	Far East Organization	$1,050 - $1,100	312
Butterworth 33	Butterworth Lane	Freehold	City Developments Ltd	$580 - $610	20
The Oceanfront @ Sentosa Cove	Sentosa Cove	99-yr	City Developments Ltd / Trade Industrial Development	$1,300	264
Scotts HighPark	Scotts Road	Freehold	CapitaLand	$1,800	73
Worthington	Haig Road	Freehold	Ban Kim Lee Development Pte Ltd	$630	36
Balmoral Hills	Balmoral Park	Freehold	Land Resources Group & Amston Properties	$1,350	62
Quinterra	Holland Road	99-yr	Ho Bee Group	$660 - $750	55
The Sensoria	Jalan Ulu Sembawang	Freehold	Frasers Centrepoint Homes	$550	73
The Inspira	Arnasalam Chetty Road / Narayana Chetty Road	Freehold	Meadows Bright Development Pte Ltd (Subsidiary of Tiong Aik Group)	$1,050	120
River Gate (Final Phase)	Martin Road	Freehold	CapitaLand / Hwa Hong	$1,600	545
One Jervois (Final Phase)	Jervois Road / St Thomas	Freehold	Frasers Centrepoint Homes	$950	275
The Acacias	Sommerville Road	Freehold	The Heritage Group	$650 Penthouse - $1.2 million	65
Buckley 18	Buckley Road	Freehold	Hong Realty Pte Ltd (Hong Leong Group)	$1,300	49
Draycott 8	Draycott Drive	99-yr	Wing Tai (Winworth Investment Pte Ltd)	$1,700 - $2,000	136
The Tate Residences	Claymore Road / Draycott Drive	Freehold	Hong Leong Holdings Limited	$2,200	85
The Merlot	Keng Lee Road	Freehold	Fragrance Properties Pte Ltd	$680	42
City Regency	St Michael's Road	Freehold	Fragrance Properties Pte Ltd	$580 - $610	56
One St Michael's	St Michael's Road	Freehold	Frasers Centrepoint Homes	$650	131
Le Merritt	Lor M Telok Kurau	Freehold	Primelot Properties Pte Ltd (A Member of Crescendas Group)	$640	23
Cadence Light	Telok Kurau Road	Freehold	Primelot Properties Pte Ltd (A Member of Crescendas Group)	$640	16
Bleu @ East Coast	Up East Coast Road	Freehold	Sim Lian (East Coast) Pte Ltd	$590 - $625	62
Residences @ Jansen	Jansen Road	999-yr	Ascendas Investment Pte Ltd	$600	18
Ardmore II	Ardmore Park	Freehold	Wheelock Properties	$2,300	118
St Patrick's Loft	St Patrick's Road	Freehold	Roxy Homes	$650	37
The Montage	Lor M Telok Kurau	Freehold	Roxy Homes	$680	33
The Centris	Jurong West Central	99-yr	Prime Point Realty (Joint Venture between Guthrie, Lee Kim Tah & TMW Asia Property Fund)	$500 - $550	610

Source: Colliers International Singapore Research

... to be continued

(cont'd)

MAJOR PROJECTS LAUNCHED IN 3Q 2006

Development Name	Location	Tenure	Developer	Average Launch Price ($ per sq ft)	Total No. of Units in Development
			Landed		
Teresa 8	Bt Teresa Close	Freehold	Aston Holdings Pte Ltd	$1.48 mil - $1.68 mil	11
Mimosa Terrace Phase 5	Seletar Hills	Freehold	Bukit Sembawang Estate	From $1.26 mil	120
Eight @ East Coast	East Coast Ave	Freehold	East Coast Properties Pte Ltd	$1.55 mil - $1.8 mil	12

Source: Colliers International Singapore Research

The only dark cloud in an otherwise optimistic quarter for the residential property market was the rising concern amongst our American expatriates over the changes in the tax treatment of their housing expenses. Under the Tax Increase Prevention and Reconciliation Act signed into law in the United States in May this year (but effective retrospectively from January 1 2006), high housing costs, much of which could be excluded from the computation of US tax previously, will now be treated as a taxable benefit and often taxed at 30 to 35 per cent. The maximum housing cost that could be excluded from the taxable income of Americans working abroad was unlimited previously. However, the exclusion is now capped at a maximum of US$11,536.

Whilst this change in tax ruling has yet to impact Singapore's residential leasing market, some bearing may be expected in the medium term. Existing American tenants may be prompted to look for cheaper housing alternatives, whilst landlords may face resistance from American tenants towards any rent increases. There could also be a minor shift in tenant profile as companies review their expatriate hiring preferences in favour of expatriates of other nationalities to save on tax expenses. Yet, there might be some shift in American expatriates' housing enclaves as companies review their housing budgets.

Amidst this uncertainty, average monthly gross rents for luxury apartments crept up by a marginal 1.0% in the quarter, from $5.18 per sq ft in 2Q 2006 to $5.23 per sq ft as of 3Q 2006.

In the final quarter of the year, the market can expect to see an exciting line-up of new project launches. These include several inner-city redevelopment projects such as The Lumiere (the former HMC Building) and the redeveloped No. 1 Shenton Way. The Business and Financial Centre's 428-unit luxury apartment tower at Marina Bay, which has already seen both local and international interests, will also be rolled out in the quarter. It is widely expected to set a new benchmark price for apartments in the Marina Bay area when launched.

At the mass-market tier, anticipated launches include Lippo Group and CRL Realty Pte Ltd's 99-year joint venture at Alexandra Road/Tiong Bahru Road and NTUC Choice Homes' mixed development in Yew Tee. All eyes will be on these mass-market projects, as it remains to be seen if the take-up would eventually translate into higher prices for the lower tier market.

For the luxury segment, however, prices are forecast to see sustained growth of up to 5% in the last quarter of this year. This is because Singapore's private residential property market will continue to be steered by foreign interest in the Republic.

Overall, the average price of all types of residential properties is forecast to strengthen by a further 2% to 3% in the December quarter.

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