

Property Market Monitor

pulse

Singapore Edition

Jones Lang LaSalle
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SPECIAL INTEREST ARTICLES

- [Asia Pacific Property Digest](#)
- [Retailer Sentiment Survey – Asia 2006](#)
- [Global Real Estate Transparency Index](#)

INDIVIDUAL HIGHLIGHTS

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The Economy

FULL-YEAR GROWTH FORECAST RAISED TO 7.5–8%

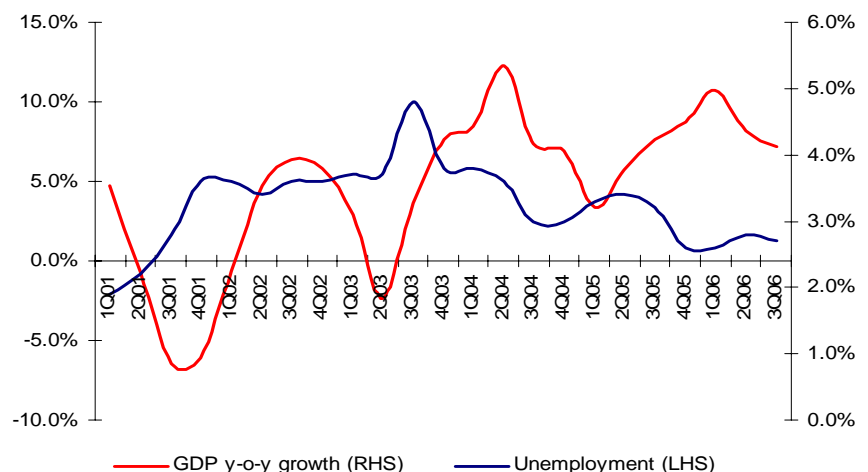
Growth of the Singapore economy eased to 7.2% y-o-y in 3Q06, following an 8.2% gain in 2Q06. Growth momentum (on an annualised q-o-q basis) rose to 5.7%, up from 3.9% in 2Q06. With the exception of wholesale and retail trade and construction, growth in the other sectors moderated over 3Q06.

According to the latest Economic Survey of Singapore released by the Ministry of Trade and Industry, the construction sector grew for the second consecutive quarter after staying in the doldrums over the past few years. Benefiting from the increased activity in the real estate sector, the construction sector grew some 2.3% in 3Q06 from the 0.4% registered in 2Q06. Contracts awarded grew an astounding 160% y-o-y in 3Q06, compared with the 43% y-o-y in the previous quarter. This was a result of the 242% jump in the private sector contracts awarded. Large contracts from the industrial and commercial segments contributed significantly to this spike.

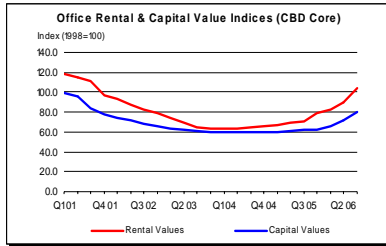
Growth in the manufacturing sector was led by the transport engineering cluster, which expanded 39% compared with a year ago. Overall, the growth in the manufacturing sector eased to 10.6% in 3Q06 from the 12.7% recorded three months earlier. Meanwhile, growth in the wholesale and retail trade increased 0.5% from 10.1% to 10.6% in 3Q06. The stronger non-oil re-export growth contributed to this healthy performance, even as retail sales growth moderated during this period. •

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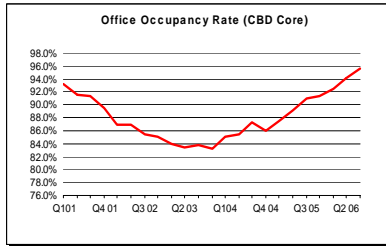
GDP Growth versus Unemployment



Source: DOS, Jones Lang LaSalle



Source: Jones Lang LaSalle, October 2006



Source: Jones Lang LaSalle, October 2006

OFFICE

MERRILL LYNCH TO OCCUPY ENTIRE HARBOURFRONT BUILDING

Having pre-leased 110,000 sq ft of space in the Harbourfront Place office building, Merrill Lynch announced that it would take up the remaining space in that building. The office tower, scheduled for completion in 2008, has a total net floor area of around 200,000 sq ft. This follows the company's plans to base one of its three global support centres in Singapore. In line with its growth plans, the company is retaining its existing offices at Marina Bayfront and Millenia Tower.

POSITIVE BUSINESS SENTIMENT IN THE NEXT SIX MONTHS

According to the latest Business Expectations Survey by the Department of Statistics, a net weighted balance of 24% of firms in the services sector foresee better business prospects for the next six months. Despite recording a lower net balance compared with three months earlier, this is still higher than the 22% registered a year ago. The business and financial services industries reported net weighted balances of 30% and 29%, respectively.

GULF BANKS SET UP PRESENCE IN SINGAPORE

A growing number of Arab banks have set up their businesses here in Singapore. The latest to have done so is Emirates Bank, which is opening a representative office in Raffles Place. This follows the recent new set-ups by Qatar National Bank and Doha Bank, both from Qatar, which is a member of the Gulf Cooperation Council. The only Arab bank with a wholesale licence here is the National Bank of Kuwait.

OUE TO SPEND SGD 450 MILLION TO REFURBISH PROPERTIES

Overseas Union Enterprise (OUE) could spend as much as SGD 450 million to refurbish three of its properties – Meritus Mandarin Hotel, Overseas Union House and the adjacent Change Alley Aerial Plaza. Overseas Union House will be redeveloped into an 18-storey Grade A office tower that will offer 20,000 sq ft of column-free floor plates. It is expected to be completed in late 2009. With OUE being one of the eight bidders for the nearby Collyer Quay GLS site, the two developments could potentially be integrated. •

Key Indicators

Occupancy Rates (end-quarter)	2Q06 (%)	3Q06 (%)	q-o-q Change (%)	3Q05 (%)	y-o-y Change (%)
Average CBD Core	94.2	95.6	+1.4	89.1	+6.5
- Raffles Place and vicinity	94.6	95.6	+1	89.6	+6
- Shenton Way	94.4	98	+3.6	94.3	+3.7
- Cecil Street	94.4	95	+0.6	85.6	+9.4
- Robinson Road	95.1	95.9	+0.8	88.6	+7.3

Source: Jones Lang LaSalle, October 2006

CBD Core Office Market	2Q06	3Q06	q-o-q Change (%)	3Q05	y-o-y Change (%)
Capital value index	74.7	80.4	+7.6	61.7	+30.3
Rental value index	90.1	104.5	+16	71.2	+46.8

Source: Jones Lang LaSalle, October 2006

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RESIDENTIAL

IT'S ALL ABOUT LOCATION, LOCATION, LOCATION

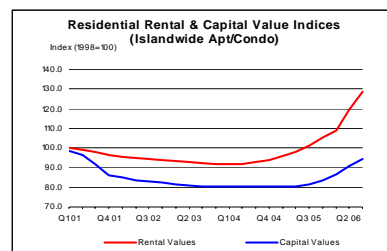
Demand continues to remain healthy as several new developments received good take-up during the first few days of their launches. This overwhelming response is more evident in projects located near MRT stations such as The Ford@Holland and Metropolitan. The Ford@Holland, located near the future Holland Village MRT station, sold out all its units on the day of its launch. The first phase of Metropolitan was also sold out over the weekend. Its proximity to the city and the Redhill MRT station was a major pull factor.

IMPACT OF GST HIKE ON PROPERTIES

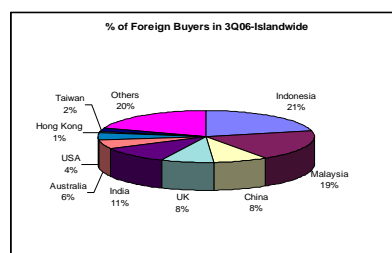
A 2% increase in GST may cause a direct rise in the break-even point for residential properties. Developers are exempted from paying GST on land zoned or approved for residential use. However, GST is charged on construction cost, architectural fees and marketing expenses in the course of the development. As such, developers may pass on the increase to home buyers, which may lead to a further increase in home price.

PRIME RENTAL MAY INCREASE DUE TO SUPPLY CRUNCH

The redevelopment of collective sales sites sold in the past two years could shrink the stock of apartments in the prime districts. This may result in a shortage of accommodation especially for lease. Tenants of properties that are undergoing en-bloc sales may have to move out in search of new accommodations. The immediate demand may create opportunities for landlords to raise rents, which will lead to a rise in the prime rental market. •



Source: Jones Lang LaSalle, October 2006



Source: Jones Lang LaSalle, October 2006

Major Recent New Launches

Project	Developer	Tenure	Units Launched	Average Price (SGD per sq ft)
The Ford@Holland	Hoi Hup Realty Pte Ltd	FH	85	1,210
Tribeca By The Waterfront	City Development	FH	75	1,420
Metropolitan	CapitaLand and Lippo (JV)	99 years	100	800

Source: Jones Lang LaSalle, November 2006

Selected Major Sales Transactions (Prime Apartment/Condominium)

Project	Unit No	Floor Area (sq ft)	Price (SGD million)	Average Price (SGD per sq ft)
Ardmore II	29-03	2,024	5.02	2,481
Ardmore II	18-03	2,024	4.36	2,157
Draycott Eight	13-08	2,863	5.82	2,033
Four Seasons Park	24-01	2,874	5.50	1,914

Source: REALIS, November 2006

Selected Major Leasing Transactions

District	Property	Floor Area (sq ft)	Monthly Rental (SGD)	SGD per sq ft per month
Prime	Belmond Green, Blk 15A #12-06	1,600	9,000	5.63
Prime	Cairnhill Crest, Blk 8 #12-12	1,206	6,600	5.47
Prime	Robertson Blue, Blk 88 #07-08	1,270	6,400	5.04
Prime	The Imperial, Blk 9 #08-12	1,808	8,000	4.42
Prime	Amaryllis Ville, Blk 20 #07-05	1,259	5,400	4.29
Prime	Grange Residences, Blk 95 #13-09	2,591	11,000	4.25
Prime	Leonie Condotel, Blk 2 #18-04	2,568	10,700	4.17

Source: Info-Tools, Jones Lang LaSalle, July/August 2006

RETAIL

IMPACT OF THE GST HIKE ON DIFFERENT BUYING GROUPS

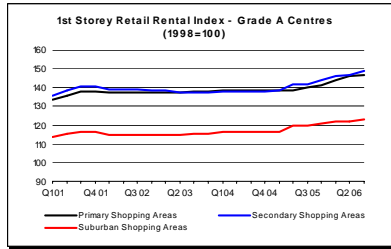
The raising of GST to 7% in 2007 will still leave Singapore's rate as one of the lowest in the world. The tourism industry should not be affected by the GST hike in 2007 as tourists are allowed to claim tax refunds on big-ticket purchases. This refund scheme is one of the friendliest in countries with value-added tax or GST schemes. Tourists are able to claim their tax from shops with the tax-free shopping or tax refund logo.

The local market is expected to take a hit when the GST hike, from 5% to 7%, takes place. However, this impact will be temporary and most retailers regard it as a knee-jerk reaction in the short term. Consumers may be making big purchases just before the GST rate kicks in. However, the effect is expected to be absorbed within six months after the GST increase is accepted.

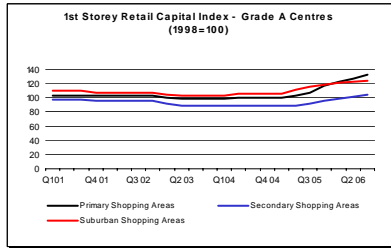
OVERSUPPLY: NOT AN ISSUE

An average of 1 million sq ft of retail space will be completed from 2006 to 2010. However, these extra malls coming on-stream have not caused much concern on the oversupply issue as Singapore's retail space per capita will still be lower than the other major shopping cities of Hong Kong, Japan and the United States. According to the report by Urbis JHD, Singapore currently has 10.5 sq ft of retail space per capita compared to Hong Kong and Japan which have 13.2 sq ft and 11.2 sq ft respectively. The United States has the highest level at 38.2 sq ft per capita.

With the availability of new malls, more international brands are expected to surface in the retail scene. Landlords may face the problem of attracting big international names into their malls to boost tenant mix. Nonetheless, each mall should aim to differentiate themselves from other malls in order to provide a holistic shopping experience for shoppers. This will help position Singapore as an international shopping haven for locals and tourists. •



Source: Jones Lang LaSalle, October 2006



Source: Jones Lang LaSalle, October 2006

Key Indicators

	September 2006	m-o-m (from August 2006 in %)	y-o-y (from September 2005 in %)
Retail sales index at current prices	98.5	2.8	1.7
Retail sales index at current prices (excluding motor vehicles)	100.9	-0.2	4.8
	September 2006	m-o-m (from August 2006 in %)	y-o-y (from September 2005 in %)
Visitor arrivals	715,000	-17.8	1.4
Average hotel occupancy (%)	82	-6.8	-3.8
Average hotel room rate (SGD per room night)	190	25.0	37.5
Average room yield	158.8	20.3	31.3

Source: Department of Statistics, STB, November 2006

Major Retail Sales Activity

Unit (No.)	Property/Location	Price (SGD million)	SGD per sq ft
#01-01	Riverside Piazza/Keng Chow Street	1.450	405
#02-56	Tanglin Shopping Centre/Tanglin Road	0.600	2,934
#02-65	Tanglin Shopping Centre/Tanglin Road	0.600	3,279
#04-81	Lucky Plaza/Orchard Road	1.375	4,121
#01-08	Kembangan Court/Jalan Masjid	0.838	633
#02-07	Grandlink Square/Guillemard Road	0.500	372

* Transactions above SGD 500,000 in November

Source: REALIS, Jones Lang LaSalle, November 2006

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INDUSTRIAL

MANUFACTURING OUTPUT GREW 1.5% IN OCTOBER

Industrial output grew at its slowest pace in October mainly due to a weakening in global demand for electronics. Compared with a year earlier, industrial output grew 1.5%, the lowest in 20 months. The electronics sector contracted by 14.3% due to weaker demand and the relocation of production to lower-cost countries.

ASCENDAS SECURES BUILD-AND-LEASE PROJECT

Ascendas will develop and lease a four-storey building at Serangoon North Ave 5 to Veritas' subsidiary, Veritas Geophysical (Asia Pacific). Veritas will occupy the entire building, which has a GFA of about 105,000 sq ft, under a 12-year lease. The project is scheduled for completion in late 2007.

A-REIT TO DEVELOP A PARTIAL BUILT-TO-SUIT DISTRIBUTION FACILITY

A-REIT will develop a two-storey distribution centre-cum-office facility at Changi LogisPark (North) worth SGD 32.5 million. Zuellig Pharma, a marketing and distribution company for pharmaceutical products, will be its anchor tenant. Zuellig Pharma will take up 80% of the total space for a period of 10 years from the completion of the building, with an option to renew for another 5+5 years upon the expiry of the initial lease.

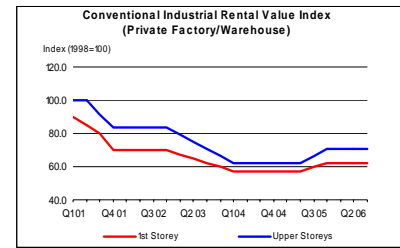
MAPLETREELOG TO BUY MARSILING PROPERTY FOR SGD 18 MILLION

Mapletree Logistics Trust sealed a sale-and-leaseback deal with Winstant & Co for its warehouse and office property at 6 Marsiling Lane. Winstant will lease the property for seven years with an option to further extend for up to another seven years. The property sits on a 208,254-sq-ft site and has a floor area of 174,451 sq ft.

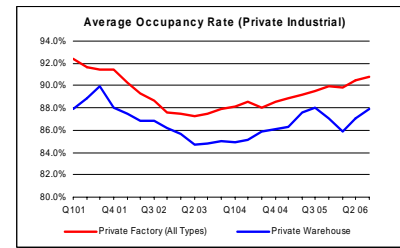
Key Indicators

Occupancy Rates (end of quarter)	2Q06 (%)	3Q06 (%)	q-o-q Change (%)	3Q05 (%)	y-o-y Change (%)
Private factory (all types)					
Multiple user	85.3	86.6	+1.3	83.4	+3.2
Single user	92.6	92.7	+0.1	92.0	+0.7
Business park	82.4	81.5	-0.9	79.3	+2.2
Private warehouse	87.1	87.9	+0.8	88.0	-0.1

Source: Jones Lang LaSalle, October 2006



Source: Jones Lang LaSalle, October 2006



Source: Jones Lang LaSalle, October 2006

FOR MORE INFORMATION,
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