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MarketView
Singapore

FIRST QUARTER 2006

QUICK STATS

	Current	Change From Last Yr	Change From Last Qtr
OFFICE			
Prime rents	$5.60psf	↑	↑
Prime capital values	$1,050psf	↑	↑
Prime yields	4.73%	↑	↑
RESIDENTIAL			
Prime rents	$2.50psf	↑	↑
Prime capital values	$800psf	↑	↑
Prime yields	3.16%	↑	↑
INDUSTRIAL			
Prime rents	$1.13psf	↑	↑
Prime capital values	$301psf	↑	↑
Prime yields	2.96%	↑	↑
RETAIL			
Prime rents	$33.30psf	↑	↑
Prime capital values	$5,390psf	↑	↑
Prime yields	5.96%	↓	↔

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INVESTMENT SALES

UNPRECEDENTED INVESTMENT SALES QUANTUM IN THE FIRST QUARTER

Providing an unusual buzz at the start of the new year, investment sales totalled $5,666.92 million in the first quarter, higher than the previous quarterly record of $5,369.29 million set in third quarter 2005. The robust economic growth forecast as well as a pick-up in market sentiment saw a series of purchases by private funds and Reits, in addition to active acquisition of prime development sites.

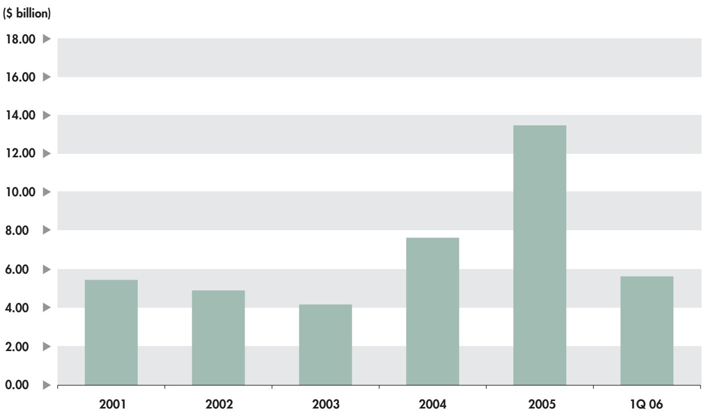
The commercial sector accounted for 61.1% or $3,463.89 million of total investment sales in the first quarter. The joint acquisition of Raffles City by CapitaMall Trust and CapitaCommercial Trust (40% and 60% stake respectively) commanded the highest price of $2.166 billion in the first quarter. The development above the City Hall MRT station comprises an office tower, two hotels as well as a seven-storey podium accommodating a mall, convention centre and basement carparks.

In other transactions, Pramerica Asia won the bid for DBS Tampines Centre and the Pavilion, paying $288.9 million ($785 psf /plot ratio) for the two adjoining sites. It was reported that Pramerica bought the site on behalf of Asian Retail Mall Fund II and that the two buildings would be redeveloped into a single commercial development with a 6% property yield. Asian Retail Mall Fund II also bought Liang Court Shopping Centre for $175 million ($686 psf). The Lippo Group acquired a 55% stake in 79 Anson Road for $95 million ($850 psf), and its indirect subsidiary Auric Pacific Pte Ltd purchased One Phillip Street for $37.60 million ($1,044 psf).

On 20 Jan, the Orchard/Killiney Road site was awarded to Far East Organization (Orchard City Pte Ltd) for $421.10 million ($1,085 psf/plot ratio). A commercial development with an underground shopping mall could be developed on this parcel, which sits on the former Glutton Square. Another Somerset site was made available on the reserve list at end-March. This new 0.7-ha Somerset Central site, which will require the provision of a through-block link from Orchard Road to Somerset Road as well as a pedestrian mall over part of the Stamford Canal, is also expected to generate much bidding interest.

MAJOR PROPERTY INVESTMENT TRANSACTIONS

Total Investment Sales $5.67 billion



Source: CBRE Research

Developers' acquisitions of residential sites continued unabated since the second half of 2005. Residential investment sales totalled $1,696.42 million for the first three months of 2006, higher than $919.25 million recorded in the same period a year ago. There were 11 collective sales and seven private treaty sales as at end-March, up from eight collective sales and one private treaty sale in the same period a year ago.

On 28 Feb, the government revised the rates of development charges (DC rates) for the period 1 Mar to 31 Aug 2006. DC rates have risen in tandem with the property market. While we do not expect rising DC rates to dampen the fervour for collective sales, there is now more motivation for developers to obtain outline planning permission and lock in DC rates quickly for their projects.

The industrial sector chalked up $190.18 million worth of investment sales in the first quarter. This reflects a 51% reduction in industrial sales year-on-year as industrial Reits made fewer local property purchases this quarter. The lack of transactions in Singapore could be due to discrepancies in buyers' and sellers' price and yield expectations.

Barring any unforeseen circumstances, we expect the property market to remain active for all sectors throughout 2006. Local developers are likely to continue to buy development sites. We are also seeing more foreign investors and property funds, especially those that used to focus on North Asia, due to the strengthening domestic economy. Reit-related acquisitions will continue to be a major contributor to both retail and industrial investment activity. In view of these factors, we are confident that full-year investment sales will match the record $13.5 billion in 2005.

OFFICE

STRONG DEMAND LEADS TO RENTAL HIKES FOR QUALITY OFFICE SPACE

The Singapore office market continued to witness buoyant leasing momentum during the first quarter of 2006. Strong economic performance, the return of business confidence and tenants' expansion activities contributed to the tightening availability of office space. Demand improved particularly for premier stock and large-scale schemes and this led prime and Grade A rents to head north.

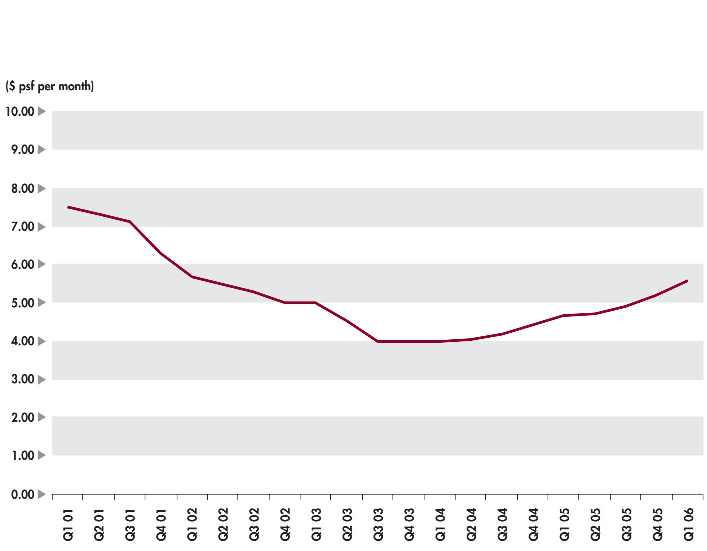
The vacancy rate for the Core CBD area rose marginally to 9.5% from 8.6% the previous quarter. This is due to the inclusion of the recently completed Samsung Hub (formerly known as 3 Church Street) to our basket of office stock. On the other hand, strong leasing momentum at One George Street contributed to the higher take-up in Grade A space. As a result, Grade A vacancy dipped below 5.0% in the first quarter of 2006, a level not seen since the first quarter of 2002. The current Grade A vacancy of 4.9% reflects an improvement over the 5.9% in the first quarter 2005 and is lower than the 7.5% reported last quarter.

High pre-commitment levels of bigger schemes boosted demand. Some tenants at the yet-to-be-completed One Raffles Quay (ORQ) were exercising foresight and catering for future expansion needs within the development. However, not many tenants enjoyed the luxury of this option. Single-digit vacancies prevailed in many traditional office sub-markets such as Marina Centre, Shenton Way, City Hall and Orchard Road. In some decentralised areas like the Tampines Regional Centre, Jurong East Regional Centre and Thomson/ Novena, vacancies were even lower, hovering around 2.0% in the first quarter. As such, the limited supply of quality space is compromising tenants' expansion/relocation options, while strengthening the bargaining position of landlords in renewals.

Leasing activities continued to be dominated by the financial and banking sector this quarter. Good take-up was seen at One George Street and ORQ. The Royal Bank of Scotland took up approximately 29,000 sf at One George St while CLSA reportedly leased 12,000 sf at Suntec City Tower 4. New leases at ORQ in the first quarter included Barclays, Reuters and Norton Rose. It was noted that ORQ led rental growth this quarter, with asking rents of about $8.50 psf/ month.

As at end-March, average prime rents rose to $5.60 psf/ month. This reflected an increase of 7.7% q-o-q and 40.0% from the trough in early 2004. Grade A rents grew moderately by 5.3 % q-o-q to average $6.00 psf/month. In view of the current market conditions, we are projecting that average

AVERAGE PRIME OFFICE RENTS



Source: CBRE Research

monthly prime and Grade A rents will rise to $6.50 psf and $7.20 psf by end-2006.

Barring unforeseen circumstances, office demand is expected to remain around 2.0 million sf for 2006. Pipeline supply in the next three years will average 0.72 million sf per annum, with approximately 1.54 million sf coming on stream in 2006. The bulk of this year's supply will be from ORQ, but the 1.33 million-sf development is already 70% pre-committed. Other major new completions this year include Parakou Building, 55 Market Street (redevelopment) and SIF Building (redevelopment).

The discrepancies between demand projection and pipeline supply is likely to impact future new entrants or existing occupiers' expansion needs in the next three years. Large occupiers in the CBD may need to split operations as they run out of space for front office departments. While the relocation of backroom functions may aid in spurring demand for non-prime and decentralized offices, it is also likely to aggravate

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the current shortage of space in established decentralized office centres. Hikes in CBD office rents may also prompt tenants who qualify to relocate to Business Parks or built-to-suit facilities in the suburbs.

Office investment activity spilled over from the second half of 2005 and was dominated by foreign play. The Lippo Group acquired 55% stake in 79 Anson Road for $95 million ($809 psf), and its indirect subsidiary Auric Pacific Pte Ltd purchased One Phillip Street for $37.60 million ($1,044 psf). In strata-titled sales, a 14,300-sf unit at Suntec City Tower 1 was sold for $12.22 million ($850 psf). Average prime capital value inched up to $1,050 psf in the first quarter of 2006, from $1,000 psf at the end of 2005. As a result of increases in both rent and capital value, prime office yield rose from 4.5% in the previous quarter to 4.7% in the first quarter of 2006. Given the robust leasing market, we are likely to see further upside to prime rents and yield levels.

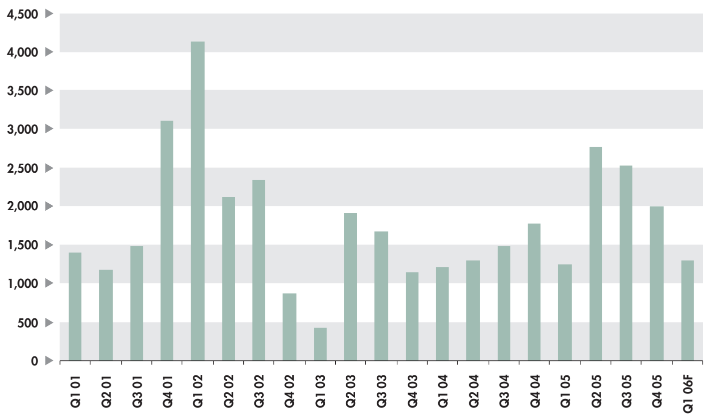
RESIDENTIAL

RESIDENTIAL PRICE INCREASE GAINS MOMENTUM

Home prices continued to increase for the eighth consecutive quarter, with its quarterly growth generally strengthening since its turnaround. The URA residential price index in the first quarter of 2006, based on the flash estimate, moved up 1.5% from the previous quarter. This reflects an increase of 4.7% year-on-year and 6.8% since the bottom of the market in first quarter 2004. For luxury properties, prices were still strong at an average of $1,550 psf during the first quarter of 2006 after ending 2005 on a high.

DEMAND FOR NEW RESIDENTIAL UNITS

New Units Sold 1,300 units



Source: URA, CBRE Research
Note: Figures exclude executive condominiums

The increase in home prices in the first three months of 2006 was due in part to the sales of existing projects, such as The Boulevard Residence, The Grange and Cairnhill Crest, at higher price points. The sale of luxury residences in the secondary market also contributed to the overall increase. Two units at Ardmore Park were transacted at $1,768 psf and $1,726 psf while two units at Cuscaden Residences were sold for $1,618 psf and $1,531 psf during the quarter. And at the end of March, an option to purchase was signed for another unit at Ardmore Park for above $1,900 psf. It was also reported that 13 freehold apartments at The Tomlinson along Cuscaden Road were purchased for about $55 million or $1,500 psf by Simon Cheong of SC Global.

Demand for homes in the secondary market was more robust due to a lack of launches in the new home market. From January to March 2006, we estimate that 1,600 to 1,700 units were sold in the secondary market, while 1,300 to 1,400 units were sold in the primary market.

The new home market in the first quarter of 2006 was relatively quiet compared to the activity seen in the last three quarters of 2005. For the past three years, the first quarter of each year has been typically slower compared to the rest of the year in terms of take-up. This seasonal effect notwithstanding, developers were also not in a hurry to launch their projects, choosing to hold their launches in expectation of further price increases. Except for The Esta at Amber Gardens, there were not many large-scale projects launched during the first quarter.

In total, around 1,600 new units were launched from January to March, about 15% less than the 1,873 new homes that were launched in the previous quarter. The Esta ($690-750 psf), a freehold project at Amber Gardens, sold about 330 units out of 400 units during the first three months of the year. The Raintree ($470 psf), a 99-year leasehold project, sold 150 of its 315 units during the quarter. The Stellar ($550 psf), a freehold project at West Coast Road, sold about 75 units since it was launched in February. Amanusa ($1.3-1.8 million per unit), a 99-year leasehold cluster housing development at Upper Thomson Road, was reported to have sold 20 out of its 36 units in the first quarter.

The private land sales market continued to be active during the first three months of the year. Of the eighteen sites sold, eleven were from collective sales and the remaining seven sites were sold by private treaty. These sites had a total transactional value of about $1.29 billion, with a potential to be developed into some 1,775 new units. In a record breaking collective sale, Eng Lok Mansion at Napier Road was sold to Hasetrale Holdings at a price of $138 million or $1,218 psf/plot ratio. It is estimated that about 80 units can be developed on the site. The largest of the sites sold was the former HUDC development Amberville at Amber Road. Purchased by Far East Organization at a price of $183 million or $396 psf/plot ratio, this 99-year leasehold site can yield an estimated 530 units. Developers are expected to remain active in acquiring development sites for residential development during the first half of 2006.

Looking ahead, sales volume should return from the second quarter of 2006 onwards. On the back of healthy GDP growth, demand for new private homes is likely to pick up pace with the expected launch of several projects. These include St Regis Residences at Cuscaden Road and Residences@Evelyn at Evelyn Road by City Developments, The Infiniti at Faber Drive/West Coast Park by Centrepoint Properties, One Amber at Amber Gardens by UIC, UOL and SingLand, Blossoms at Woodleigh Close by Allgreen Properties and The Quartz, a 99-year leasehold site at Buangkok by GuocoLand. Another highly anticipated project expected to be launched is the third condominium development at Sentosa Cove by City Developments and TID Pte Ltd.

INDUSTRIAL

HIGH-TECH AND FACTORY RENTS INCREASE MARGINALLY

The positive sentiment in 2005 continued to be evident in the first quarter of 2006, as average rents for high-tech and factory space increased for the first time since 2003. Occupancy rates for all industrial space also continued to increase. However, industrial Reit companies were quieter on the local front during the quarter.

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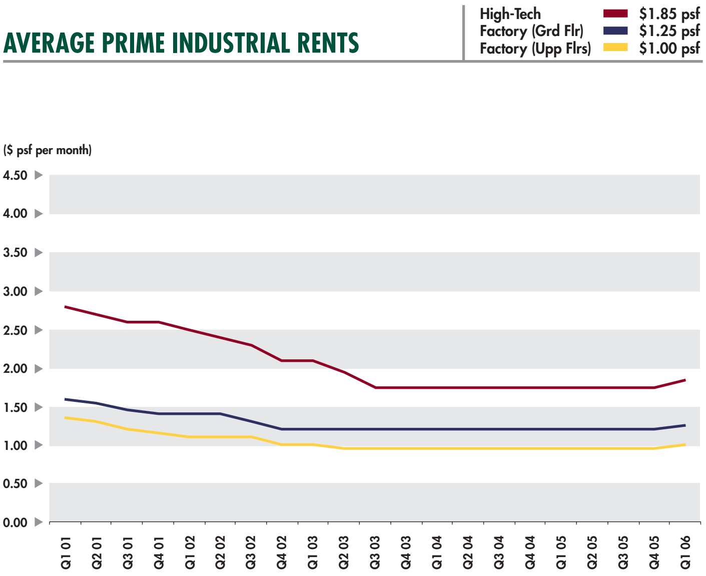
AVERAGE PRIME INDUSTRIAL RENTS



Source: CBRE Research

In the first quarter of 2006, average monthly rents for prime factory space increased by $0.05 psf for both ground and upper floors to stand at $1.25 psf and $1.00 psf respectively. Average capital values for freehold factories increased by 2% to $332 psf for ground floor units and $270 psf for upper floor units. Average rents and capital values have been flat since 2003. The marginal increase in this quarter not only reflects the positive business sentiment and a strong economy but is also a result of the accumulative and sustained improvement in the market over the second half of 2005.

Average rents for high-tech space also showed an increase of almost 6% to $1.85 psf in the first quarter. This increase can be attributed to some companies that meet the guidelines set by URA to lease industrial space moving their backroom operations to high-tech space due to rising prime office rentals.

Average rents remained unchanged for warehouses in the first quarter. Average monthly prime warehouse rents remained at $1.25 psf for the ground floor units and $1.05 psf for upper floor units. Average capital values for freehold warehouses continued to hold firm at $385 psf for ground floor units and $335 psf for upper floor units.

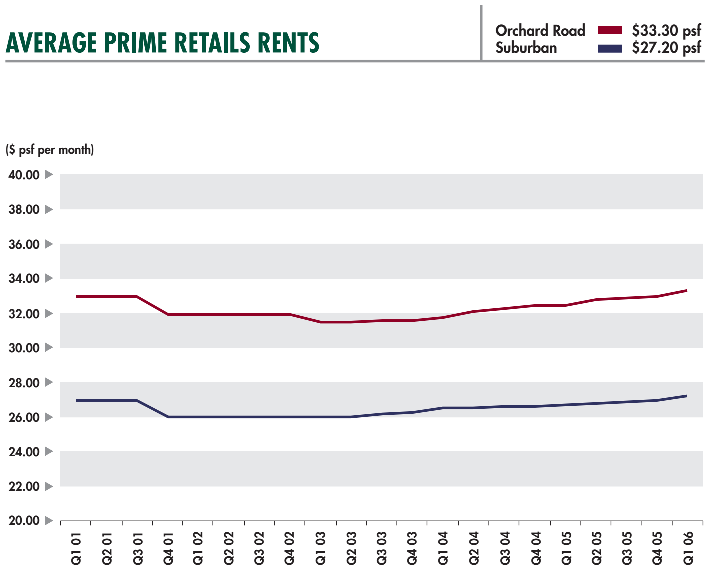
Occupancy rates continued to move upwards for all industrial space in the first quarter of the year. The average occupancy rate for high-tech space was 86.5% at end-2005 and rose to 88.1% by end-March. Similarly, the occupancy rate for business parks and science parks is estimated to be 84.0% at end-March, an improvement from 82.4% at end-2005. The overall occupancy rate for warehouse is also estimated to have risen from 87.0% at end-2005 to 88.5% as of end-March.

In the investment sales market, only one site was awarded under the government land sales programme during the first quarter. The Pioneer Road site was awarded in January to developer Soilbuild Group Holdings Ltd who submitted the top bid of $3.03 million ($14 psf/plot ratio) for the 30-year leasehold site. The first industrial site on the confirmed list for the first half of 2006 was launched in February. The Tuas South Avenue 2/3 site has a land area of 3.6 ha and plot ratio of 1.0. The winning bid for the 60-year leasehold site is expected to be between $15-18 psf/plot ratio. The tender for the site will close in April. A second industrial site on the confirmed list was launched in March and the tender will close in May. The Bedok North Avenue 4 site has a land area of 0.9 ha, plot ratio of 2.0 and a 30-year tenure.

A-Reit bought four Singapore properties in the first quarter compared to eight bought in the same period last year. While MapletreeLog bought several overseas properties, they did not buy any Singapore properties during the quarter. The lack of transactions in Singapore could be due to sellers' higher expectations.

Industrialists are cautiously optimistic about the outlook in 2006. As the economy strengthens, occupancy rates should continue to improve while rents may hold firm or even increase marginally.

AVERAGE PRIME RETAILS RENTS



Source: CBRE Research

RETAIL

OPTIMISM IN RETAIL SECTOR STILL STRONG IN FIRST QUARTER

The strong leasing momentum in 2005 and uptrend of prime rents continued into the first quarter of 2006. Sentiment was positive in the light of projected healthy economic growth and increase in tourist arrivals. Early signs were promising as the retail sales index (excluding motor vehicle sales) for January went up 9.8% year-on-year while tourist arrivals rose 14.9%. The market's optimism was also reflected in the continued acquisition of development sites.

Leasing interest was unabated as more retailers entered the market or expanded. There were new concept stores from established retailers, such as Harris from Popular Books. More overseas retail names were seen venturing into Singapore, either through franchise deals or independently. Local retail distributors have also been seeking out brands to introduce in Singapore. New names included US brands Gap and Banana Republic, Massimo Dutti from Spain and Supperclub from Amsterdam. F&B outlets have not seen any let-up in their growth. One trend has been for restaurants to open in off-the-beaten-path locations, as standalone restaurants offering unique environments, such as in Dempsey Road, Rochester Park and Sentosa. Restaurants have also become increasingly vital in a mall's tenant mix. In many revamps, F&B has increased in its proportion to total tenancies.

The CBRE islandwide prime rental index rose 1.1% in the first quarter. More modest growth was seen in Orchard Road and the suburbs, where the average prime rent rose 0.9% to $33.30 psf/month and 0.7% to $27.20 psf/month respectively. A larger increase was seen in the Other City/ City Fringe cluster as prime rents here had experienced steeper falls previously and were still catching up. While prime rents continued to climb, islandwide rents were unlikely to have changed much in view of the substantial new supply in the next nine months. This totals nearly two million sf, although much of this is from the 1.1-million sf VivoCity. Take-up has been healthy; several projects due this year, including VivoCity, were 60-70% committed by end-March.

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Notwithstanding the supply this year as well as more than three million sf of known supply in the next five years, there was continued interest in development sites at prime or established locations. Three were sold in the first quarter. They are likely to yield new malls at Orchard/Killiney Road and Tampines Central, and an extension to Northpoint shopping mall in Yishun. In the months ahead, more sites are likely to be sold. We expect strong interest in the Somerset Central site. The integrated resort at Marina Bay is scheduled to be awarded by mid-year. Other sites include Clifford Pier and Sentosa Cove's Quayside Collection.

New retail supply will increase roughly in tandem with population growth. Currently, retail space per capita population is 7.8 sf and is at its lowest compared to 8-9 sf in the past 10 years. Adopting the past five-year average population growth rate of 1.3%, retail space per capita will increase to 8.9 sf by 2010 based on known and potential new supply. However, it should also be noted that the new supply is to cater to the expected growth in tourist arrivals.

Retailers and landlords are optimistic about 2006. Retail trading prospects remain bright against the strong economic growth projections. Take-up of the new supply is progressing well although average islandwide occupancy could see a small dip as leasing and physical occupation may lag behind completion. Prime rents are expected to climb at a steady and moderate pace, but the islandwide average rental growth will likely be minimal due to the large supply.

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Unless otherwise stated, all currencies are expressed in Singapore Dollars.

QUICK STATS TERMINOLOGY

PRIME RENTS

Average value derived from a basket of prime properties. Quoted on a per square foot net floor area and monthly basis.

PRIME CAPITAL VALUES

Average value derived from a basket of prime properties. For residential, industrial and retail, the basket is only of freehold properties. Quoted on a per square foot net floor area and strata basis (except for office values which are on an en bloc basis).

PRIME YIELDS

Derived from corresponding average annual prime rent (after service charge and property tax) and average prime capital value.

Prime properties are in the following locations:

OFFICE

Raffles Place and Marina Centre

RESIDENTIAL

Districts 9,10 and 11 (apartments/condominiums)

INDUSTRIAL

Ubi, Paya Lebar, Aljunied Road, MacPherson Road, Kallang Pudding, Henderson Road, Jalan Bukit Merah and Alexandra Road

RETAIL

Orchard Road (units on level with heaviest traffic)

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