



OFFICE SNAPSHOT SINGAPORE

APRIL 2006

Summary

Office Market Update

- Leasing activities in the office market is expected to remain upbeat with economic growth expected to reach 6% in 2006.
- Prime office rents have increased by 2.37% over February to an average of \$5.50 per sq. ft./month (US\$40.68 per sq. ft./year) in March. It rose by an average of 8.1% in Q1 2006 from Q4 2005.
- Office rents for the Top 25 grade A office buildings in the CBD area now stands at an average of \$5.84 per sq. ft./month (US\$43.19 per sq. ft./year), an increase of 2.33% in March over February's rate.
- The vacancy for prime office space has maintained at a moderate rate of 5.1% in Q1 2006 over Q4 2005.

Major Events and Key Issues

Market Movements

- 3 office buildings; Natwest Centre, Asia Chambers and 1 Shenton Way will be taken off the office supply in 2006. This will cause a further reduction to the office stock. With a limited supply of prime office space and an increase in the demand for office space by different industries for business expansion, relocation or consolidations, rentals are expected to continue growing in 2006 and 2007. In addition, there is no new major office development in this year with the exception of One Raffles Quay, which is currently 80% pre-leased.

Samsung Hub

- Previously known as 3 Church Street, Samsung Hub, completed in January 2006 is a 30-storey intelligent office building which includes a 6-storey carpark block with 2 ground floor retail/banking units. With the completion of this building, a total net lettable area of approximately 291,284 sq. ft of Grade A office will be added to the limited prime office supply.

REITS

- In the 1st Reit IPO this year, Allco Reit debut on March 30 after offering 321.3 million units at \$1 each. The forecasted annualised distribution yield for the year is 5.77% and is projected to rise to 5.9% next year. Allco Reit will use this proceed to fund its acquisitions of properties in Singapore and Australia including Marsh & McLennan Centre at Cross Street, Singapore.

The Economic & Business Environment

- With bullish expectations for the global information technology market and strong growth regionally, Singapore GDP growth is expected to reach 5.9% for 2006. The GDP growth in Q1 is expected to be a strong 7.9% before easing to 4.2% in the last quarter.
- With strong employment creation in 2005, the unemployment rate dropped significantly to 2.5% in December 2005 as compared to 3.8% in December 2003.
- CPI rose by 0.2% over January 2006. This was due mainly to higher cost of housing and more expensive clothing and footwear.
- Singapore was ranked the most cost competitive business location with the cost more than 22% below the US average according to a survey done by KPMG.

Prime Office Rents								
District	Achievable Rent (Net Effective)			% Change From (in S\$)				
	US\$ /Sq-F/Yr	Euro /Sq-M/Yr	S\$ /Sq-F/Mth	Last month	3 months ago	From Bottom (Aug 04)	Peak (Mar 01)	Short Term Trend
Raffles Place*	43.46	389.77	5.88	2.2%	8.8%	38.4%	-20.9%	↑
Rest of Golden Shoe Area*	35.12	315.03	4.75	6.6%	11.2%	36.1%	-27.3%	↑
City Hall/ Marina Centre /Bugis*	39.52	354.50	5.34	0.8%	7.8%	21.8%	-30.5%	↑
Orchard/ Museum / Scotts	41.62	373.27	5.63	0.5%	12.3%	28.9%	-17.9%	↑

* Constitutes Downtown Core
N.B. Rest of Golden Shoe Area include Anson Road, Robinson Road, Cecil Street, Maxwell Road & Tanjong Pagar Areas

Prime Office Values – 1Q 2006							
District	Achievable Price (Gross)			% Change From (S\$)			
	US\$ /Sq-F	Euro /Sq-M	S\$ /Sq-F	Last month	3 months ago	12 months ago	Peak (Mar01)
Raffles Place	666	5,971	1,080	N/A	4.9%	19.3%	-32.1%
Rest of Golden Shoe Area	462	4,146	750	N/A	2.7%	15.4%	-41.4%
City Hall/ Marina Centre /Bugis	661	5,528	1000	N/A	0.5%	9.9%	-34.5%
Orchard/ Museum / Scotts	555	4,975	900	N/A	3.4%	8.4%	-28.6%

N.B. Capital Values are tracked on a quarterly basis and the exchange rate is as at Mar 2006. Values derived are valuation-based.

Latest Economic Indicators – Apr 2006					
	Latest Release		Average 2005	Average 2006F	Average 2007F
Real GDP Growth	1 st Quarter 2006	7.9%	6.4%	6.0%	5.2%
Unemployment	4 th Quarter 2005	2.5%	3.0%	N/A	N/A
Prices (CPI)	February 2006	0.2%	0.5%	1.5%	1.4%
Prime Rate	March 2006	5.2%	5.3%	End Jun06 5.4%	End Mar07 5.6%

Source: Cushman & Wakefield, Asia Pacific Consensus Forecast, Department of Statistics, Monetary Authority of Singapore, Ministry of Manpower

Key Leasing Transactions

- Hitachi Tower (Raffles Place) – Thomson Asia leased a floor.
- Milenia Tower (City Hall/Marina Centre) – Camillo Eitzen leased a part floor.

Key Investment Transactions

- Raffles City (City Hall) – CapitaLand Trust bought the 99yrs leasehold Raffles City for \$2.085 billion. The 3.45 mil sq ft development with a shopping mall, an office tower, a convention centre and 2 hotels has a net lettable office space of 374,885 sq ft and retail space of 298,494 sq ft. CapitaCommercial Trust will own 60% of Raffles City with CapitaMall Trusts owning the remaining 40%.
- John Hancock (Raffles Place) – Samudera Shipping Line is buying 3 floors of office space at the John Hancock Tower for its own use. The total floor area is about 30,000 sq. ft with a purchase price of \$39.8m

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