



OFFICE SNAPSHOT SINGAPORE

NOVEMBER 2007

Market Overview

Demand, Supply & Vacancy

- Completion rate for offices continue to remain low for the first 9 months of 2007. Overall net office supply for Singapore between Q406 and Q307 declined by 12000 sqm as developers begin to demolish offices building within Singapore Central area (CBD). Net supply within central area had declined by 43000 sqm since the start of year exceeding new completed supply of 31000 sqm outside the central area. Total office stock islandwide remain flat registering 6,517,000 sqm in Q307 against 6,529,000 in Q306.
- Net demand for offices continues to remain robust reaching 180,000 sqm for the first nine months of 2007 compare to 171,000 sqm for the same period last year. According to the URA, vacancy rate for offices within central area stood at 6.5% in Q3 2007 declined from 10.2% in Q3 2006. Island-wide office vacancy has dropped too from 10.5% in Q3 2006 to 7.3% in Q3 2007.

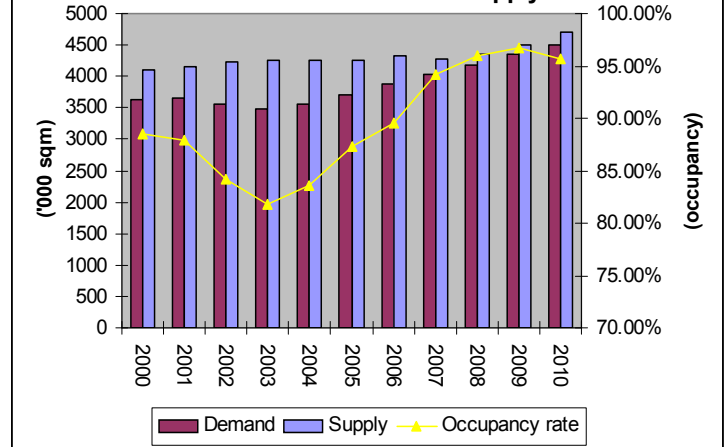
Incoming Office supply (2008-2011)

- As at end of Q3 07 it is estimated that new offices to be completed between Q4 07 to Q4 08 will remain below historical average. A total of 99760 sqm new office space is expected come on stream within the next 5 quarters much lower than the expected annual net demand of 180,000 sqm to 210,000 sqm for 2008 & 2009. Supply is also expected to be low for 2009 with an influx of new completion expected to hit the market in 2010. Expected incoming supply for 2009 and 2010 will be 127730 sqm and 281200 sqm respectively. (See table 5 for detail)
- Between 2008 and 2011 Singapore central area (CBD) should see 546,150 sqm of new office space. Most of this space will be completed by 2H 2009 and 2010. Incoming office supply (2008-2011) outside the central area is estimated to be around 84470 sqm. The biggest office supply within the CBD area will be located in Singapore business & financial centre at Marina Bay. The project is expected to supply 180,000 sqm of new office space sometime in 2010. In addition to the Marina bay office supply others mega office supply expected to come on stream within CBD includes Keppel Land's Ocean financial center project (58140 sqm), an office redevelopment project at Oversea Union house (45920 sqm) and Lehman-Kajima redevelopment project at Robinson Road (25630 sqm). URA data also indicates OUB centre is expected to undergo addition & alteration work soon. Planning permission had been granted in August 2007 and once completed in 2011 it will supply Singapore CBD with an additional 28000 sqm office space.

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	12 months ago	From Bottom (Aug 04)	Peak (Mar 01)	Short Term Trend
Raffles Place*	129.1	963.8	15.60	12.1	206	267.9	110	↗
Rest of Golden Shoe Area*	84.6	631.4	10.22	0.4	72	192.8	56.5	↗
City Hall/ Marina Centre /Bugis*	118.1	881.6	14.27	7.9	200	225.1	85.6	↗
Orchard/ Museum / Scotts	104.3	778.4	12.60	21.4	87.8	189	83.9	↗

Central area Demand & Supply



Rental & Capital value

- According to URA rental & price Index, median rent of offices within central area increased by 15.1% in Q307 from Q207 where as price has increased by 8.2% from Q207. Similarly median rental for offices within fringe area for Q307 increased to \$39.2/sqm per month from \$27.3 a year ago. CW Grade A, B & C office rent within central area had increased by 8.3%, 12% and 16.4% in Q307 from Q207. (see table 1 for detail)
- As at end of Oct 07 CW Grade A buildings' rent continue to increase. The latest prime office rent in central area posted a month to month increase of 6.9%. Similarly Grade B & Grade C office rent as at end oct 07 within CBD too had increase by 11.4% and 8.4% against sept 07.

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The Economic & Business Environment

- Ministry of Manpower recently indicates Singapore unemployment rate had dropped to an all time low at 1.5% in Sept 07. Employment continue to grow strongly as the economy maintained its rapid expansion. Of the 57600 jobs created in Q307, 34500 were related to the services sector.
- Singapore Sept 07 CPI went up by 2.7% compare to the same period last year. The biggest component of increase in the basket was contributed by food cost (up 3.8%), health care cost (up 5.8%) and recreation cost (up 4.1%). Housing cost remain relatively stable when compare to the same period last year.
- Despite a negative industrial production year on year growth for the month of September 07, the manufacturing sector posted another double digit growth rate for 3Q07. Industrial production is estimated to have grown by 10.5% between Jul07-sep07 compared to the same period a year ago. Sept 07 production index decline is attributed to lower production in the pharmaceutical sector.

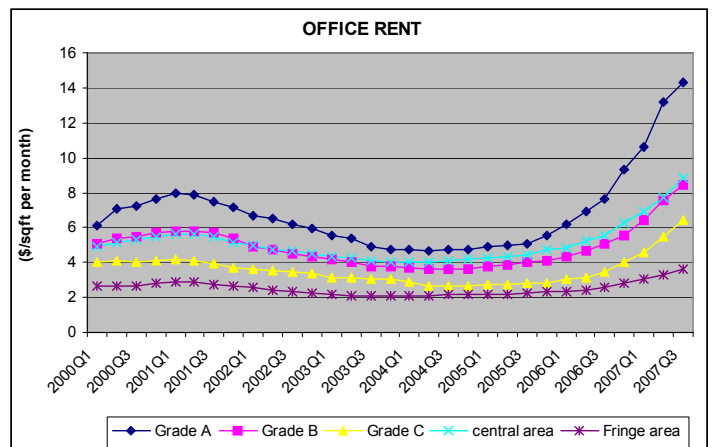
Outlook for office market in 2008 to 2011

- We expect demand to be strong for the rest of the next 4 quarters. Assuming Singapore GDP continues to register an average growth of 6% in 2008 and 2009; net demand for overall offices in the next 2 years is estimated to be around 180,000 sqm & 210,000 sqm respectively. Occupancy rate for offices within central area (CBD) is likely to increase further from the current 93.5% to 96% by end Q408 before stabilizing in 2009 & 2010 as influx of new supply enters the market.
- With the low incoming supply and high occupancy rate for 2008 we continue to expect CBD rental to increase for the next 4 quarters. Cushman's in-house econometric model indicates URA median rent for offices within Central area (CBD) is likely to increase to \$10.8/psf per month by end 2008 and remain flat thereafter as influx of supply in 2009 & 2010 curtail further rental growth. Grade A office rent within CBD could increase by another 16.5% in 2008 before stabilizing. Grade A rent had posted a year on year increase of 88% as at end Q307. Given the escalating rent within CBD in 2008 we also expect demand will soon be diverted to the fringe area by early 2009. Occupancy rate for fringe area is expected to increase from the current 92.6% to 93% by end 2008 and accelerate to 96.5% by end 2009. Our simulation indicates under such scenario; the median office rent at fringe area could breach previous high of \$4/psf recorded in 1996 by mid 2009. (see table 2 below for detail)

Average Office Values – 3Q 2007		
Achievable Price (Gross)		
US\$ / Sq-F	Euro / Sq-M	S\$ / Sq-F
1400 – 1767	10863 – 13709	2100 – 2650
967 – 1400	7501 – 10863	1450 – 2100
1067 – 1467	8277 – 11381	1600 – 2200
1067 -1467	8277 – 11381	1600 – 2200

Latest Economic Indicators – NOV 2007					
	Latest Release		Average 2006	Average 2007F	Average 2008F
Real GDP Growth	3 rd Quarter 2007	9.4%*	7.9%	7.0%	4% - 6%
Unemployment	3 rd Quarter 2007	1.5%	2.7%	N/A	N/A
Prices (CPI)	Sep 2007	2.7%	1.0%	1.5%	2%
MAS 1 st month Inter Bank rate	Oct 2007	2.38%	3.4%	NA	NA

*MTI Advance estimate



*Central area & Fringe area series is based on URA median rent data. Grade A, B & C is based on CW database. All CW office is located in central area.

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Table 1: Cushman Weighted average office rent (central area) per sqft per month by Grade (Q306 – Q307)*

	Q3 06	Q4 06	Q1 07	Q2 07	Q3 07
Grade A	\$7.6	\$9.3	\$10.6	\$13.2	\$14.3
Grade A-	\$6.3	\$7.3	\$8.5	\$10.3	\$11.8
Grade B	\$5	\$5.5	\$6.4	\$7.5	\$8.4
Grade C	\$3.5	\$4	\$4.6	\$5.5	\$6.4
URA median rent for central area	\$5.58	\$6.24	\$6.91	\$7.72	\$8.88

*All offices tracked by cushman is located within URA Central area (CBD)

Table 2: Cushman & Wakefield Projected office rent per sqft per month

	Q4 2007	Q1 2008	Q4 2008	Q4 2009	Q4 2010
CW Grade A	\$16.4	\$17.9	\$19.1	\$18.9	\$18.8
CW Grade B	\$9.8	\$10.7	\$11.8	\$11.7	\$11.6
CW Grade C	\$7.3	\$8.1	\$9	\$9	\$8.9
URA median rent for central area	\$9.72	\$10.33	\$10.80	\$10.67	\$10.61
URA median rent for fringe area	\$3.82	\$3.89	\$3.87	\$4.25	\$4.57

Table 3: Median Office price/sqm within Central area (CBD) & Fringe Area (Q306 –Q307)

	Q3 06	Q4 06	Q1 07	Q2 07	Q3 07
Central area	\$7761	\$8376	\$8823	\$9541	\$10323
Fringe Area	\$5728	\$5910	\$6054	\$6478	\$6986

*Source: URA

Table 4: Median Office rental/sqm per month within Central area (CBD) & Fringe area (Q306 –Q307)

	Q3 06	Q4 06	Q1 07	Q2 07	Q3 07
Central area	\$60.1/sqm	\$67.1/sqm	\$74.4/sqm	\$83/sqm	\$95.5/sqm
Fringe Area	\$27.3/sqm	\$30.2/sqm	\$32.6/sqm	\$35.3/sqm	\$39.2/sqm

*Source: URA

Table 5: Incoming Office supply by URA planning location

	2008	2009	2010	2011
Central area (CBD)	75720 sqm	127730 sqm	221370 sqm	121330 sqm
Fringe Area	22720 sqm	Nil	60430 sqm	Nil
Outside Central region	1320 sqm	Nil	Nil	Nil
Total overall supply	99760 sqm	127730 sqm	281800 sqm	121330 sqm

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