



OFFICE SNAPSHOT SINGAPORE

OCTOBER 2007

Summary

Office Market Update

- Prime office net effective rents are now at an average of \$12.71 per sq.ft./mth (US\$101.68 per sq.ft./year) in Sept 2007, an increase of 4.1% over August. Similarly net effective rents for the Top 25 grade A office buildings rents rose to an average of \$13.59 per sq.ft./mth (US\$108.72 per sq.ft./year) in Sept from \$13.03 per sq.ft./mth in Aug 2007. Grade A & A- office occupancy within CBD was estimated to have reached 99.8% and 98% respectively as at end Sept 2007.

Government Land sales for office development

- In order to alleviate the office space crunch and rising office rental within CBD area, the government had released more land parcels in suburban location to be developed as offices. On 25 Sept URA released another short tenure (15 years) office site with a size of 1.15 ha and GPR 1 in Tampines for public tender. Earlier in May 2007 an 8000 sqm (GPR 4.2, 99 years) plot of land in Tampines for office development was sold at \$255 million to a single bidder of the sites. An office site (1400 sqm, GPR 3) released by HDB at Toa Payoh was closed on 16 October. It attracted 9 bidders with the highest bid submitted by Sim Lian Development at \$38.2 million.

- Within CBD area the government had sold two office sites, one at Marina view (Parcel A) and the other at Anson Road. MGPA was the successful bidder for the former sites and LaSalle Investment Management for the latter. A white site in Marina view (Parcel B) of size 0.87 ha (99 years, GPR 13) was launched a few months ago and will close on 13 November.

Buoyant office investment sales within CBD

- Since late 2006, Singapore office market scene begins to exhibit a buoyant investment sales activity. Advanced estimate indicates total investment transaction within CBD had increased 5.5 times for the first nine month of 2007 against the same period last year. Within this period Singapore office investment scene observed active participation from overseas property fund making strategic acquisition for the whole block of office building within CBD. A few of the developers decided to invest additional amount to upgrade the office building and increase the overall net lettable area. For example US Lehman Brothers & partner Kajima Corporation decided to spend \$450 million to develop their recent acquired properties at 71 Robinson Road. In early Oct 2007 KOP capital acquired The Dapenso office building in Cecil road at \$120 million with a plan to spend another \$80 million to upgrade the building.
- As at end of 15 Oct there are at least 2 major office investment sales still under discussion. CGI is likely to acquire an office tower at 78 Shenton Way whereas Hitachi tower in Raffles place could be the next acquisition target of Goldman property fund. The transaction value for these two properties is estimated to be around \$1.5 billion.

The Economic & Business Environment

- Advanced estimate released by MTI on 10 Oct indicates Singapore economy growth remain robust with little sign of impact from US sub prime mortgage crisis. Singapore Q3 2007 GDP is reported to grow at 9.4% year on year. The 3rd quarter high growth rate is more driven by the manufacturing and construction sector with services sector showing sign of slight slowdown. Q3 2007 services sector growth was led by the finance sector.
- Overall retail sales rose marginally by 0.7% in Aug 07 over Jul 07 and increased by 6.7% against Aug 06. Sales in provision shop & supermarket posted a faster growth rate than departmental store. On the monetary front Singapore M1 money supply grew by 22% in Aug 07 against Aug 06 with little sign of slowing down.

| 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) | Peak (Jun 96) | Short Term Trend |
| Raffles Place* | 111.2 | 871.25 | 13.9 | 1.5 | 90 | 228 | 87.3 | 70.6 | ↗ |
| Rest of Golden Shoe Area* | 81.6 | 639.33 | 10.2 | 4.1 | 79 | 191.7 | 55.9 | 53.1 | ↗ |
| City Hall/ Marina Centre /Bugis* | 105.6 | 827.37 | 13.2 | 8.2 | 97 | 201.4 | 72 | 68.4 | ↗ |
| Orchard/ Museum / Scotts | 83.2 | 651.87 | 10.4 | 6.1 | 62.5 | 137.9 | 51.6 | 68.3 | ↗ |

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

| Average Office Values – 3Q 2007 | | | |
|---------------------------------|--------------------------|---------------|-------------|
| District | Achievable Price (Gross) | | |
| | US\$ / Sq-F | Euro / Sq-M | S\$ / Sq-F |
| Raffles Place | 1400 – 1767 | 10863 – 13709 | 2100 – 2650 |
| Rest of Golden Shoe Area | 967 – 1400 | 7501 – 10863 | 1450 – 2100 |
| City Hall/ Marina Centre /Bugis | 1067 – 1467 | 8277 – 11381 | 1600 – 2200 |
| Orchard/ Museum / Scotts | 1067 -1467 | 8277 – 11381 | 1600 – 2200 |

N.B. Capital Values are tracked on a quarterly basis and the exchange rate is as at Sept 2007. Values derived are valuation-based.

| Latest Economic Indicators – SEPT 2007 | | | | | |
|---|------------------------------|-------|--------------|---------------|---------------|
| | Latest Release | | Average 2006 | Average 2007F | Average 2008F |
| Real GDP Growth | 3 rd Quarter 2007 | 9.4%* | 7.9% | 7.0% | 6.4% |
| Unemployment | 2 nd Quarter 2007 | 2.9% | 2.7% | N/A | N/A |
| Prices (CPI) | Aug 2007 | 2.9% | 1.0% | 1.2% | 1.4% |
| MAS 1 st month Inter Bank rate | Sep 2007 | 2.5% | 3.4% | NA | NA |

Source: Cushman & Wakefield, Asia Pacific Consensus Forecast, Department of Statistics, Monetary Authority of Singapore, Ministry of Manpower, Ministry of Trade and Industry
* Preliminary Estimates

Key Leasing Transactions

- Lear Automotive relocated to a 4500 sqft office in Shaw centre
- BMT Asia relocated to a 11000 sqft office in HarbourFront Tower 2

Key Investment Transactions

- Prudential sold 6 floors in Prudential tower at \$141 million to LaSalle Investment Management.
- MGPA sold 12 floors of office in Spring leaf tower at \$225 million making a gross profit of \$91 million.

Key Investment Transactions (cont'd)

- Alco Commercial REIT bought Key Point office building on Beach road at \$370 million.
- KOP capital acquire The Dapenso office building in Cecil Road for \$120 million

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