Jones Lang LaSalle 仲量聯行

Property Trends

Investment

Investment sales volume surpassed $5 billion in 1Q06, setting a new peak for this decade.

Following a record setting year of 2005, the investment sales momentum followed through to the first quarter of 2006. Preliminary data has shown that the total investment sales increased by 13% q-o-q to $5.1 billion this quarter (excluding REIT securitisation deals). Y-o-y, it has almost reached more than three and a half times the $1.48 billion recorded in 1Q05. Coupled with stronger economic growth and stable market fundamentals, it is expected that the eventual investment sales volume for 2006 will surpass if not match last year's record.

There was almost a fair share of investment sales coming from development sites (47%) and those from income purpose transactions (53%). This keen response signalled that local developers are seeking good landbanking opportunities while foreign investors and property funds are hunting for income purpose investments in Singapore. A large proportion (89%) of the total investment sales were derived from the private sector. Only 11% or $561.3 million worth of investment transactions was a result of public sales.

From the Government Land Sales Programme, the commercial site along Orchard Rd/Somerset Rd was awarded to Orchard City Pte Ltd (a subsidiary of Far East Organisation) with the highest bid of $421.1 million or $1,085 psf per gross floor area. From the Confirmed List, JTC Corporation awarded a 30-year lease industrial site at Pioneer Road to Soilbuild Group Holdings Ltd for $3.028 million. Subsequently, the Singapore Land Authority sold a 42,843 sq ft site next to Northpoint Shopping Centre to the mall's owner, Frasers Centrepoint Ltd for $55 million. The Housing and Development Board awarded Sim Lian Land Singapore's first privately developed public housing site in Tampines Ave 6 under the Design, Build and Sell Scheme for $82.2 million.

From the private sector, the biggest transaction recorded for this decade was sealed with the purchase of Raffles City by the joint venture of CapitaCommercial Trust (60%) and CapitaMall Trust (40%) for $2.085 billion. This deal constituted for about 48% of the private sector investment sales. Other major commercial buildings changing ownerships include One Phillip Street ($37.6 million), Liang Court Shopping Centre ($175 million), Tampines Centre & Pavilion Complex ($288.9 million) as well as a 55% stake in 79 Anson Rd ($90 million).

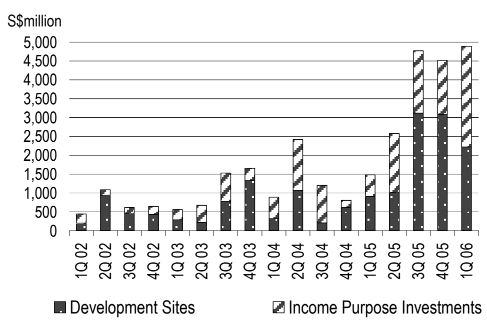
On the residential front, 13 units in The Tomlinson were bought by Mr Simon Cheong of SC Global for the transacted price of $55 million. A subsidiary of SC Global, Kimmingston Pte Ltd, purchased an industrial site at 38 Martin Road for $17.8 million that could be developed into a 15-storey residential and commercial development. Similarly, Grandon Pte Ltd (another subsidiary of SC Global) concluded the largest collective sale in quantum in three years by purchasing Paterson Tower for $266 million or $666 psf per plot ratio (ppr).

A total of 13 collective sales worth about $1.27 billion were transacted in the first quarter of 2006. The other 12 collective sales concluded in this quarter include Amberville, Angullia Mansions, Kim Yam Mansions, Waterfall Gardens, The Esquire, Pacific Court, Eng Lok Mansion, Avenue Park, Chez Bright Apartments, Gardenia Court, The Vermont, Paterson Tower and Paterson Lodge. Out of which, the owners of Paterson Lodge unanimously agreed on an unique collective exchange deal where they will not be paid in cash for their units. Instead, the owners will each get a new unit in the project that will be developed on their land.

A-REIT remained the main driving force in the industrial investment sector with six yield accretive acquisitions worth a total of $159.3 million. This represented 71% of the total industrial investment sales for income purposes which stands at $223.4 million. REIT acquisitions will continue to be a major contributor to the investment sales market.

Two new REITs were listed this quarter bringing the total number of REITs listed on the Singapore Exchange to nine. Allco Commercial Real Estate Investment Trust (Allco REIT) was publicly listed on 30 March 2006, while Ascott Residence Trust (ART) was listed on 31 March 2006.

Quarterly Investment Sales by Type



Source: Jones Lang LaSalle Research, March 2006

Office

Office rentals continued to climb amid tightening supply

Over 2005, the office sector saw the highest rental growth among all property sectors. Apart from rising occupancy costs for occupiers, the turnaround of the office rental market has attracted more investor interest. Albeit the market saw an annual growth of 23% in 2005 for offices between 2,000 – 5,000 sf, Singapore's prime rents remained around 30-60% lower than our regional competitors such as Hong Kong and Shanghai, as at the end of 2005.

In the first three months of 2006, Prime Grade A rents in the small space category (2,000 – 5,000 sf) continued on the upward trend which started in 2Q04. Rentals of Prime Grade A office buildings increased 5.1% q-o-q from $5.90 psf per month in 4Q05 to $6.20 psf per month by March 2006. Prime Grade B office buildings, which have also seen rising occupancy rates, saw average rentals climb 3.1% over the quarter to $4.95 psf per month, as at 1Q06. Average rents in these submarkets have recovered around 35% from their troughs in mid-2004 and are about 25% below their previous peaks in 2001.

Overall, the average rent for the CBD Core area increased from $4.40 psf per month last quarter to $4.60 psf per month in 1Q06. The other submarket which has seen similar rental growth to the CBD Core area is the Orchard Road Corridor. Grade A office rentals along Singapore's prime shopping district averaged $5.90 psf per month at the end of March 2006, up 7.3% from a quarter ago.

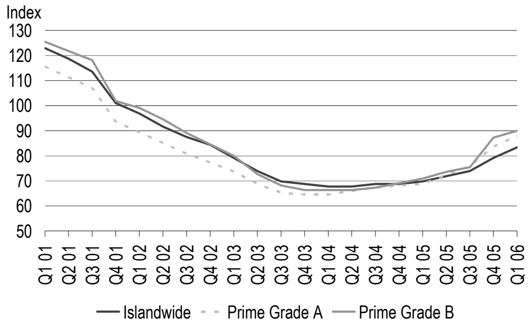
In the large space category (10,000 – 20,000 sf), rents of office buildings continued to rise over 1Q06, most notably in Raffles Place and Orchard Road. Average rents of Grade A and B office buildings in these two localities rose 10.2% and 9.6% over the quarter, from $4.90 and $4.70 psf per month last quarter to $5.40 and $5.15 psf per month respectively by 1Q06. In Marina Centre, rents in this category also saw a 9.1% q-o-q increase to $5.40 by 1Q06.

Supported by healthy take-up on the back of strong economic fundamentals and limited new developments, office rentals are expected to increase in the near term. As such, landlords may be more interested to undertake new speculative developments. For example, Mapletree is planning an office development, named HarbourFront Place, which will provide around 208,000 sf of new supply.

Some landlords have also begun refurbishing and redeveloping their office properties to capture higher rental income. An example will be the former Sinsov Building at 55 Market Street which is currently undergoing refurbishment and expected to be ready by mid-2006.

Given that no major CBD office development is expected from 2007 till the completion of the first phase of the Business and Financial Centre in 2010, rentals of the prime office sector will likely continue to face upward pressure. With the prospect of higher rental income, the office sector may see more investment activity such as the recent purchases of One Phillip Street and the 55% stake in 79 Anson Road by the Lippo group.

Office Rental Value Index (1998=100)



Source: Jones Lang LaSalle Research, March 2006

Retail

Retail markets flourished in tandem with the buoyant economic and consumer sentiments

The stellar economic performance in the second half of 2005 has led to high expectations of Singapore's economy to meet or even exceed the government's GDP forecast for 2006 of between 4% - 6%. Barring unforeseen circumstances, including the threats of terrorism and increasing oil prices, most economies in Asia are also expected to report favourable results in 2006.

Improving business and consumer sentiments were further boosted by the government's recent Budget 2006 announcement of pro-business measures. Coupled with the government's intention to distribute its S$2.6 billion budget surpluses to all Singaporeans, it all leads to a positive impact on the domestic demand and consumption.

Tourism statistics also reported positive results with 727,000 visitors to Singapore in February 2006 which reflected a 15.9% growth over the same period y-o-y. The Retail Sales Index in January rose by 4.8% compared to a year ago. Q-o-q, it showed a 3.2% increase. As a result, demand and investor interest in the retail property market remained bullish. With the islandwide supply of retail space remaining limited, it has led to an upward pressure on retail occupancies and rents in general.

As of March 2006, the supply of Secondary and Suburban Shopping Areas remained unchanged. The supply of the Primary Shopping Area increased by 110,000 sf with the introduction of The Cathay.

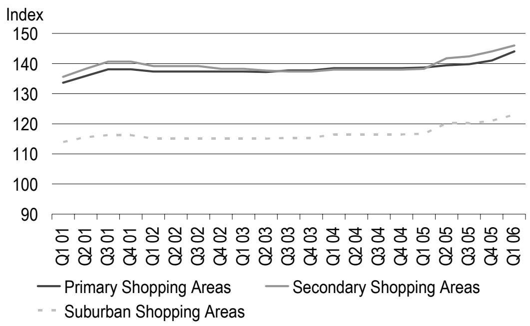
The average rental for predominantly tourist-dependant Primary and Secondary Shopping Areas saw significant increases. Average rental for prime-level space in Grade A malls along Orchard Road rose 1.7% q-o-q to $38.45 psf per month in 1Q06. The average rental for similar space in the Secondary Shopping Areas increased 1.6% q-o-q to $24.80 psf per month. The Suburban Shopping Areas saw its average rental for prime-level space in Grade A malls inched up 0.8% to $26.40 psf per month.

With respect to the capital values, the Primary Shopping Area led the herd this quarter when it posted a 5.6% q-o-q increase to achieve an average capital value of $2,750 psf. The Secondary Shopping Areas saw its average capital value increased by 3.1% to $1,550 psf; while the Suburban Shopping Areas improved by 1.6% to $910 psf in 1Q06.

In the first quarter of 2006, there was a flurry of activity in the retail investment market. CapitaMall Trust sealed the purchase of Raffles City through a joint venture with CapitaCommercial Trust (60%) for $2.085 billion. Asia Retail Mall Fund II, a fund managed by Pramerica Real Estate Investors also sealed the purchase of two retail malls; one involving Liang Court Shopping Centre for $175 million, and another the DBS Tampines Centre & Pavilion Complex for $288.9 million.

This quarter also witnessed the successful closure of the Request for Proposals (RFP) for the Integrated Resort (IR) at Marina Bay with four bids vying to be the pioneer Integrated Resort operator with gaming facilities. The RFP for the IR at Sentosa to be launched on 28 April 2006 will close on 10 October 2006. The award of the IR project at Marina Bay is expected to be announced in mid 2006 while that in Sentosa is expected towards the end of 2006.

Prime Level Retail Rental Index



Source: Jones Lang LaSalle Research, March 2006

Industrial

Government's R&D investments to drive new demand

As analysts foresee a slowdown in the electronics sector by the end 2006, the Purchasing Managers' Index (PMI) fell into negative territory in March after ten continuous months in the expansionary zone. Nonetheless, the growth of manufacturing output rebounded strongly in February, registering a 37.2% y-o-y growth, boosted by the biomedical sector and the lower base as a result of Chinese New Year closures in February 2005.

As the hi-tech industrial sector continues to see healthy demand, upward pressure on rental values can be felt in areas such as Changi Business Park and International Business Park; with several buildings approaching full occupancy. As a result, the average rental of hi-tech industrial space saw its fourth consecutive quarter of growth in 1Q06, edging up another 2.8% to $1.85 psf per month.

After increasing for the past two quarters, the average rental of conventional industrial space held firm at $1.25 and $0.85 psf per month in 1Q06. As Singapore's manufacturing sector undergoes more structural changes, functionally obsolete conventional industrial will either be upgraded or converted to other uses. For example, some warehouses along Jalan Benaan Kapal were recently converted for indoor sports.

Hard disk drive maker, Seagate technology, announced expansion plans for its Woodlands facility which will cost them US$300 million and increase their headcount by 2,200. Panasonic Semiconductor Asia, a subsidiary of Matsushita Electric Industrial Co, is also investing $150 million in Singapore for a new facility to process wafers for digital cameras and mobile phones. It will separately set up another factory to boost the strength of its R&D team.

In the biomedical sector, the Lonza Group and Bio*One, the investment arm of the Economic Development Board, will jointly invest US$250 million to build a large-scale mammalian cell culture plant.

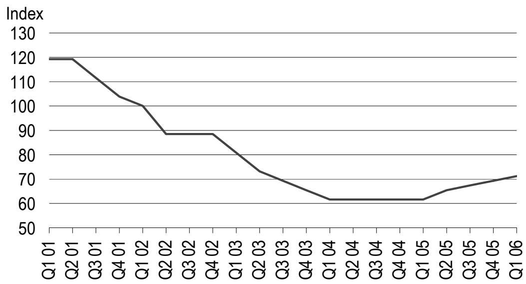
As Singapore targets to be an aviation hub, another joint venture between Rolls Royce and SIA was recently announced. They will set up an overhaul and repair facility for Rolls Royce's Trent 900 aircraft engines. At the same time, the engine and turbine systems specialist opened a regional procurement headquarters in Singapore to handle the management of suppliers in South Korea, Taiwan, Malaysia, India and Singapore.

Also over the first quarter, two industrial sites at Tuas South Ave 2/3 and Bedok North Ave 4 have been launched for tender under the Government Industrial Land Sales Programme – Confirmed List 1H06. Four other sites under this scheme have been scheduled to be launched for tender during the rest of 1H06.

As the government steps up effort to boost Singapore's R&D capabilities through the National Research Foundation (NRF), further changes in Singapore's manufacturing makeup will likely result in new occupier demand. Also, NRF will spend $5 billion over the next five years on R&D activities, focusing on three sector - the biomedical sciences; environmental and water technologies; and interactive and digital media. This will likely result in more built-to-suit facilities, driven by the unique requirements of these occupiers.

In the near term, the leasing market continues to favour the hi-tech industrial and modern warehouse/logistics sectors where occupiers have increasingly opted to go into sale-and-leaseback arrangements with REITs to lighten their balance sheet. Also, the Changi Business Park will see a new speculative development – Eightrium – in 2007. Developed by the Soilbuild group, the hi-tech industrial development will inject around 200,000 sf into the business park.

Hi-Tech Industrial Rental Value Index (1998=100)



Source: Jones Lang LaSalle Research, March 2006

Residential

Market at the start of an uptrend

The performance of the private residential market in 2H05 has signalled the start of a recovery and a strong performance can be expected in 2006. However, the recovery was led mainly by the high-end segment of the market where demand is driven by foreign buyers and high-net worth individuals who are cash-rich and undeterred by rising home loan rates. Given prices are at the start of an upturn, the potential for future capital appreciation is strong and is driving demand from buyers looking for capital gains.

The rental market, dominated mainly by expatriates, is also poised for a boost in light of the strong economic performance, the attractiveness of Singapore as a business location given its political stability, transparency and tax treatment. The various iconic developments planned in the next few years like the BFC, the two IRs will benefit both the sales and leasing market as well.

City Dev six-star St. Regis Residences is expected to set a new benchmark price for high-end luxurious condominiums when it is finally launched in 2006. The delay was possibly a result of the developer opting to hold out for higher returns in line with the recovery of the market. Six months ago, the targeted selling price was around $2,000 psf and recently, there were market talks of average pricing hitting $2,600 psf. Developers will continue to remain confident of the performance of the high-end sector and release such projects. Many are also looking for strategic sites to add to their landbank. An increasing number of collective sale sites have been put up for tender recently, but the asking prices of the individual owners may prove to be a barrier for sales to proceed.

In 1Q06, a total of 1,600 private residential units were launched, reflecting a 18% q-o-q drop. Of these, around 90% were apartments/condominiums and major launches include The Esta ($690 psf), The Stellar ($550 psf), Meyer Residence ($760 psf) and also Phase 2 of The Raintree ($470 psf). The remaining units of The Arc at Draycott ($1,800 psf) and the subsequent phase of Park Infinia at Wee Nam were the two significant launches coming from the prime districts. Developers appear to be waiting for the launch of St. Regis Residences before releasing their projects at new benchmark prices.

Given demand for high-end properties is still strong, the average capital values of prime apartments/ condominiums have edged up 4.9% q-o-q in 1Q06 to reach $748 psf while y-o-y, the increase was 10.5%. This is a result of the stronger demand and shortage of supply for larger unit types. However, average capital values of prime apartments/condominiums are still some 28% off its peak in 1996. Upmarket luxurious apartments located in the prime districts continued its strong performance in 1Q06, with average capital values increasing 9.1% q-o-q to hit $1,200 psf. Compared to the same period in 2005, the increase was a massive 25%. The average capital values of non-prime apartments/condominiums continued its upward movement in 1Q06, albeit at a slower pace. Average capital values of non-prime apartments/condominiums stood at $450 psf, up 1.1% q-o-q while y-o-y, the increase was 3.4%. Stronger economic fundamentals and a better employment situation have led to improved take-up of projects outside the prime districts.

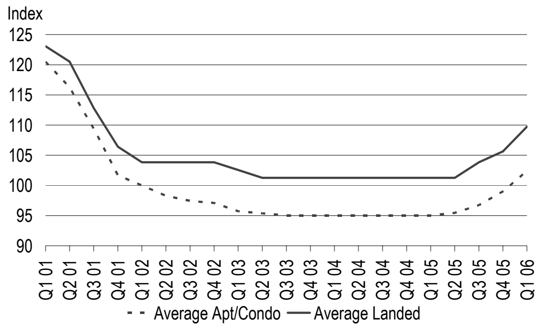
Looking at the leasing market, upmarket prime units continued its strong growth due to the improving demand and tight supply. The average rental values for these luxurious units stood at $4.40 psf per month in 1Q06 compared to $4.24 psf per month in 4Q05. Meanwhile, the average rents for prime apartments/ condominiums increased 1.0% q-o-q to hit $2.93 psf per month while rents in non-prime districts remained unchanged.

Buying sentiment from the high-end segment is likely to filter downwards to the high-mid and mid-range priced projects. Projects located on the fringes of district 9 & 10 and in districts 11, 15 and 16 ($650-900 psf) are likely to see greater activity in 2006. A good mix of investors and owner-occupiers will make-up the demand. The recent launch of The Esta and subsequent phases of Park Infinia at Wee Nam are good examples. Looking at the niche market segments, sales on Sentosa Cove is likely to be brisk for the two condominiums sites: the 267-unit development by CDL and TID as well as Ho Bee's Baywater Collection. Average prices of these luxurious waterfront housing are expected to fetch between $1,100-1,300 psf.

The mass market recovery is much dependent on policy changes and strong economic fundamentals. Given the strong performance of the economy is expected to sustain into 2006 and the employment outlook is good, the mass market is slated for a delayed recovery. Prices of mass market projects are not expected to move as much as the top-end market segment, but an improvement in take-up should help support prices. New mass market projects will continue to be launched in phases to avoid over-flooding the market. Another positive indicator of improving sentiment would be the recent triggering of a residential site at Tanah Merah Kechil Avenue from the Reserve List under the GLS.

As such, while prices of apartments and condominiums at the top-tier of the high-end market will continue to edge up in the coming months, prices in the mid- to lower-end of the market are likely to remain stable in the next three to six months until there is a substantial pick up in sales volume. Rents of apartments/condominiums in the prime districts will continue to lead the market recovery buoyed by increased inflows of expatriates into Singapore. Singapore is still widely regarded as a popular location for the setting-up of regional HQs and HQs in Asia, while the positive outlook of the regional as well as domestic economies should help ease housing budgets in the next three to six months.

Residential Capital Value Index (1998=100)



Source: Jones Lang LaSalle Research, March 2006

Summary of Major Property Related Events

January

- Melco International Development Ltd and Australia's Publishing & Broadcasting withdrew their joint bid to build Singapore's first casino.
- City Developments Ltd said on 16 January that it has withdrawn from a joint bid with Las Vegas Sands Corp to build Singapore's first casino resort at Marina Bay.
- Entities controlled by Simon Cheong of SC Global Developments bought six Good Class Bungalows (GCBs) along Peirce Road for a total of $35 million, or an average of $365 psf based on the freehold site's total land area of 95,839 sf.
- A-REIT has turned developer and will build two warehouse retail facilities – for Courts and Diary Farm Group's Giant - costing up to $128 million.

February

- The Lakefront Collection, in the exclusive residential enclave Sentosa Cove, comprises coveted residential bungalow sites beside Serapong Lake, while a prime site that can house posh shops, restaurants, a hotel and two condominiums is also on offer. The Quayside Collection, a 48,611 sq m site, will be the only commercial site for sale and foreign developers are believed to be keen.
- Shopping centres at Causeway Point, Northpoint and Anchorpoint with a combined book value of $655 million are expected to be the main holdings of a Fraser & Neave (F&N) real estate investment trust (REIT) to be listed in the middle of this year.

- Indonesia's Riady family is in talks to set up a property trust in Singapore that will contain real estate assets belonging to its Lippo group worth S$300-400 million, sources said. The REIT will include the diversified conglomerate's office and commercial properties in Indonesia.
- Beijing Hualian Group has reportedly acquired Seiyu Singapore making it the first Chinese retail company to enter the Singaporean market. It bought the Singapore branch, with three stores currently in operation, of Japan-based Seiyu Ltd from CapitaLand Ltd. The acquisition cost $4 million.

March

- Significant increases in development charge (DC) rates to enhance land use could affect collective sales and the rejuvenation of the old CBD, property consultants say. Some of the increases - announced on 28 February - are the biggest in six years.
- The government will build a $68 million bridge at Marina Bay to link the Bayfront area to Marina Centre. When finished around 2009, the bridge will complete a walking route that visitors can take to the major attractions around the bay, including the Esplanade and the future integrated resort and Singapore Flyer ferris wheel.
- Mapletree Investments - the unlisted property arm of Temasek Holdings - plans to launch a second real estate investment trust (REIT) in 2007 and is negotiating to buy more than US$2 billion of industrial property in the region to pump into it.
- The Civil Aviation Authority of Singapore said in a statement that it has awarded a Changi Airport site for lease to LC Development Ltd to build and operate the city-state's first airport hotel. Named Crowne Plaza Changi Airport Hotel, the $92 million hotel is expected to be opened by mid-2008.
- Singapore Airlines is looking at selling its 35-storey SIA Building in Robinson Road. The sale will be done through an expressions-of-interest exercise that closes at the end of April 2006. Market watchers estimate the price could range from about $250-300 million.
- JTC Corporation is looking to the private sector to convert 20 of its black-and-white colonial bungalows in Rochester Park into either serviced villas or for other commercial uses. JTC has 40 colonial bungalows, built about 70 years ago. The 20 bungalows that it is offering to the private sector is expected to be ready by the middle of the year.
- The second commercial site near Somerset MRT Station - made available for application on 28 March by the Urban Redevelopment Authority (URA) - is expected to fetch more than the first plot, the former Glutton's Square site, which was sold to Far East Organization in January for $1,085 psf ppr.

Definitions

Area Taxonomy

The Core Central Business District (CBD) encompasses the "Golden Shoe" and extends to lower Shenton Way/Anson Rd. The core of the "Golden Shoe" is Raffles Place which are dominated mainly by Grade A and Grade B office buildings. Secondary office developments are located mainly in the Cecil Street, Robinson Road, Shenton Way area.

Primary Shopping Area refers to the Orchard/Scotts Roads corridor from the junction of Tanglin/Grange Roads to the Dhoby Ghaut MRT station.

The Prime Residential Area is located within Postal Districts 9, 10 and 11.

Jones Lang LaSalle Rental Value Index

The Jones Lang LaSalle Rental Value Index is a chain-link index based on a selective basket of properties with 1998 as the base year. Indices are developed for the office, retail, industrial and residential markets.

Gross Rental

Gross rental refers to the market rental of a basket of representative properties.

For commercial properties, this refers to the base rent payable plus service charges, under standard 3-year leases. Leasing incentives such as rent-free periods and landlord's contribution to tenant's fitting-out costs are excluded.

For the retail sector, this refers to the average achieved rental for retail and F&B shop units based on 3-year lease terms. It includes service charge, but excludes advertising and promotion charges.

Gross rents for residential units include maintenance fees.

Gross rents for high-tech industrial space include service charges and exclude air-conditioning charges.

Capital Value

This represents the market price of a basket of representative properties in the secondary market. It is based on the concept of a willing buyer and a willing seller. Where sales evidence is not available, an estimate is used as a proxy.

New Supply

This refers to projects which have actually commenced construction or have reached contractual agreement to do so. Except for residential properties, the year of new supply is that year in which the projects are expected to be completed and the supply will enter the market. In the case of residential properties, the year of new supply refers to that year in which the projects are expected to be marketed.

Occupancy

Occupancy is defined as the percentage of total net lettable area that is occupied at the end of the period.

Take-up

This refers to the number of available residential properties sold in the primary market.

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