Research

Knight Frank

Real Estate Highlights

Singapore • 2nd Quarter Apr - Jun 2007

Contents

Executive Summary

- Demand for private residential properties remained strong, with positive buying sentiments spreading from the high-end market to the mid-tier and mass markets. The HDB resale market also showed positive signs of recovery though the price growth was not uniform across the different towns.

- The retail sector remained rosy in the absence of new major shopping developments. The Orchard Road shopping belt continued to be a sought-after retail location with a low vacancy rate of 4.6%.

- The office sector continued to experience a tight supply situation as vacant prime Grade A office space in the CBD area became increasingly scarce. Coupled with persistent strong demand, office rental hikes continued to be the central theme in 2Q 2007.

- The industrial sector experienced a strong increase in islandwide price and rental of both factory and warehouse space. There was also high demand for high-tech industrial and business park space due to spillover effect from the tight office market and relocation activities.

- Stellar performance in the real estate investment sales market for the first half of 2007 was led by strong interest in the residential collective sales and investment sales of office buildings. Both sectors witnessed deals that were transacted at all-time high prices.

- The number of properties put up for auction by banks and financial institutions decreased by 37.4% compared with 2H 2006 while those put up for auctions by owners and others climbed up by 38.9%.

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Singapore Residential Property Highlights

Private Residential Sector

Number of New Launches Remained at a High

"This is the second straight quarter that the number of new launches in the private residential market hit record highs."

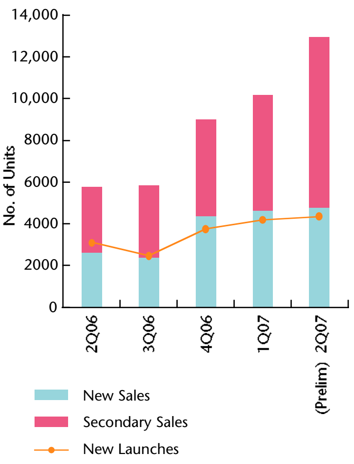
Amidst strong buying momentum in the private residential property market, developers continued to line the market with a slew of new project launches. The total number of private residential units that were launched in 2Q 2007 was 4,400 units, up from the 4,259 units launched in 1Q 2007. This is the second straight quarter that the number of new launches in the private residential market hit record highs.

Of the 4,400 units launched in the quarter, the bulk or 2,100 units (47.7%) were located outside the central region (suburban areas). 1,400 units (31.8%) were located in the rest of central region (city-fringe areas) while only 900 units (20.5%) were located in the core central region (prime areas). This reverses the trend seen in the last three quarters where new launches in the core central region dominate the property scene. This drop in the number of new launches in the core central region may be due to developers holding back the release of their high-end launches in hope of achieving higher selling prices in the near future.

Major residential projects that were launched in 2Q 2007 included Casa Merah (556 units), The Reflections at Keppel Bay (493 units) and Botannia (350 units). Capitalising on a dearth of new project launches in the North Region for the last 3 quarters, UIC Investment Pte Ltd released Northwood, their new condominium project, in Jalan Mata Ayer, which was well received by homebuyers. Sales at Northwood were brisk and the developer managed to sell all of its units within one month of its official launch.

Chart 1

Private Home Launches & Sales Trends



Source: URA / Knight Frank Research

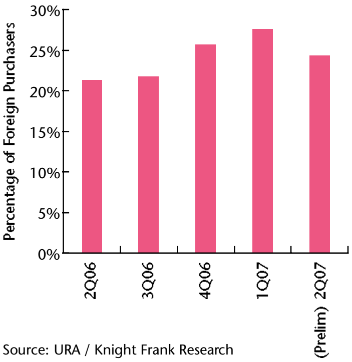
Some Possible Major Launches in next 6 months

Projects	Tenure	District	Developer	Location	Units
Developments from Government Land Sales					
The Quayside Isle	99-yr	4	City Developments	Sentosa Cove	236
The Marina Collection	99-yr	4	Lippo Group	Sentosa Cove	124
Soleil @ Sinaran	99-yr	11	Frasers Centrepoint	Sinaran Drive	417
Developments from Private Land Sales					
The Parc Condominium	FH	5	Chip Eng Leong/Lehman Brothers	West Coast Walk	668
Boulevard Vue	FH	9	Far East Organization	Angullia Park	28
Grange Infinite	FH	9	CEL Development Pte Ltd	Grange Road	68
Hilltops	FH	9	SC Global	Cairnhill Circle	241
One Devonshire	FH	9	Allgreen Properties	Devonshire Rd/Killiney Rd	152
Scotts Square	FH	9	Wheelock Properties	Scotts Road	338
The Lumos	FH	9	Koh Brothers / Heeton Holdings	Leonie Hill	53
The Marq	FH	9	SC Global	Paterson Hill	66
8 Napier	FH	10	Hasetrale Holdings	Napier Road	46
Former Nassim Park	FH	10	UOL & Kheng Leong	Nassim Road	100
Holland Residence	FH	10	Allgreen Properties	Taman Warna	100
Nathan Residences	FH	10	Tat Aik Property Pte Ltd	Nathan Road	91
The Latitude	FH	10	CapitaLand	Jalan Mutiara	127
Hillcrest Villa	FH	11	MCL	Hillcrest Road	163
Aalto	FH	15	Hong Leong Holdings Limited	Meyer Road	196
Amber Residences	FH	15	Expand Group	Amber Road	114
Versilia On Haig	FH	15	Hoi Hup Realty	Ipoh Lane	128
Jardine	99-yr	21	Far East Organization	Dunearn Road	140
The Cascadia	FH	21	Allgreen	Bukit Timah Road	536

Demand in the Primary Market Remained Buoyant

Chart 2

Percentage of Foreign Purchasers in Singapore



Source: URA / Knight Frank Research

Demand for new properties remained strong in the private residential property market, with positive buying sentiments spreading from the high-end market to the mid-tier and mass markets. In 2Q 2007, about 5,100 completed and uncompleted private residential units were sold in the primary market. This is 6.6% higher than the 4,783 units sold in 1Q 2007, which was an all-time high record at that time.

Out of the 4,800 uncompleted units sold in 2Q 2007, only 1,200 units (25%) were located in the core central region. By comparison, 1,500 units (31.2%) and 2,100 units (43.8%) were sold in the rest of central region and outside central region respectively. This was mainly due to the low number of new launches in the core central region in the quarter.

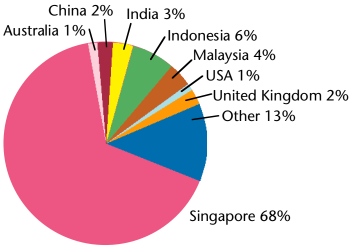
Other than attracting homebuyers who want to make a profit by riding on this current boom, the property market also drew genuine homebuyers who brought forward plans to purchase their private residential properties, because they feared that property prices would continue to escalate in the near future. New projects that recorded strong take-up in the primary market include Casa Merah, Montebleu, Northwood and The Riverine by the Park.

Sales in the Secondary Market Hit Another New Record-High

Despite sales volume in the secondary market recording an unprecedented level of 5,394 units in 1Q 2007, sales activity in the secondary market did not show any signs of abating in 2Q 2007. The number of transactions in the secondary market soared by 44% quarter-on-quarter (qoq) in 2Q 2007 to about 7,800 units, a level not seen before in the private property market. Activity in the secondary market was lifted mainly by the rising interest in properties located in the city-fringe and suburban areas.

Chart 3

Estimated Breakdown of Purchasers in 2Q 2007 by Nationality



Source: URA / Knight Frank Research

In particular, resale transactions of private residential properties located outside the central region witnessed the strongest growth in 2Q 2007, surging 54.6% over the 1,941 units sold in 1Q 2007 to 3,000 units. Demand for properties outside the central region were largely fuelled by three sources:

- HDB upgraders;
- Homeowners who had collectively sold their properties in prime areas and were looking for affordable replacement homes; and
- Middle-management expatriates who, in view of soaring rentals, decided to purchase rather than rent a property. As most of the properties in the central region were priced beyond their budget, they had to turn to properties located beyond this region, so as not to compromise on the size of their apartments.

The proportion of sub-sales out of total transactions, which is commonly used as an indicator of the level of speculation in the private residential property market, continued to rise for the fourth consecutive quarter in 2Q 2007 to about 9.7%. Although the level of sub-sales is a mark higher than the 7.4% recorded in 1Q 2007, it is still lower than the 10.6% and 23.7% recorded in the 1999 and 1996 market peaks respectively. The proportion of sub-sales in 2Q 2007 was particularly high in the core central region, where almost one in every five sales is a sub-sale. In contrast, sub-sales constituted only a mere 3.1% of total sales outside the Central Region.

Number of Foreign Homebuyers Increased Despite Reduction in their Proportion

"The proportion of foreign homebuyers in Singapore eased to 24.5% in 2Q 2007, from an all-time high of 27% in 1Q 2007"

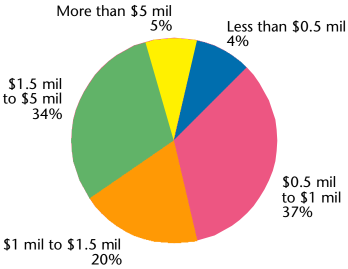
The proportion of foreign homebuyers out of the total homebuyers in Singapore eased to 24.5% in 2Q 2007, from an all-time high of 27% in 1Q 2007. This reduction in the proportion of foreign homebuyers in Singapore was caused by a more than proportionate rise in the number of local homebuyers, rather than a drop in the number of foreign homebuyers.

Nevertheless, the number of foreign homebuyers in Singapore actually rose by an estimated 27.5% qoq in 2Q 2007. In particular, there was a noticeable increase in the number of foreign homebuyers from regional countries such as China, Korea, Philippines and Thailand. In 2Q 2007, developments that attracted more foreign than local homebuyers include Cairnhill Crest, One Shenton, Waterfall Garden and The Trillium, which are primarily high-end properties.

The proportion of foreign homebuyers purchasing properties that cost between $1.5 million and $5 million continued to set new peaks, rising from 32% in 1Q 2007 to 34% in 2Q 2007. Foreign interest in properties in this price range is almost on par with that in the range of $0.5 million to $1 million, which has traditionally been the dominant price range of properties that foreign homebuyers would purchase.

Chart 4

Estimated Breakdown of Foreign Purchasers (PRs & Non-PRs) in each Property Price Range in 2Q 2007



Source: URA / Knight Frank Research

Prices in the Rest of Central Region Showed Strongest Growth

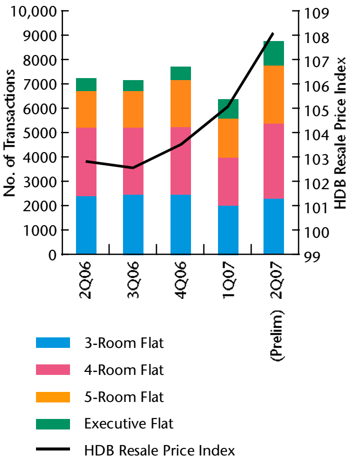
In 2Q 2007, overall private residential property prices in Singapore grew by 8.3% qoq and 21.0% yoy. This is the highest qoq and yoy growth since 2Q 1999 and 1Q 2000 respectively. As of 2Q 2007, private residential property prices is already 5.3% higher than the last market peak in 2Q 2000 but still about 18.5% lower than the former market peak in 2Q 1996. This price level is similar to the level seen in second half of 1994.

"For the first time since 3Q 2005, price growth in the private residential property market was led by non-landed private residential properties in the rest of central region."

For the first time since 3Q 2005, price growth in the private residential property market was led by non-landed private residential properties in the rest of central region. The rest of central region, which covers areas such as Marine Parade, Queenstown and Toa Payoh, grew by 8.1% qoq. In the core central region, which comprises areas such as Orchard Road where projects were reportedly sold at new price records, the price growth was at a more modest 7.9%. This trend can be attributed to a growing number of homebuyers who are purchasing replacement properties in the city-fringe areas after selling their existing properties in en-bloc deals, as well as new local and foreign homebuyers who are priced out of prime locations.

Prices of non-landed private residential properties outside the central region also showed their strongest performance since the market bottomed out in 1Q 2004, growing by 7.2% qoq as compared to the 2.0% recorded in 1Q 2007. This is an indication that price increase of mass-market private residential properties is accelerating.

Chart 5
HDB Resale Transaction Volume and Price Index



Source: Housing & Development Board / Knight Frank Research

Rental Growth Continues to Outpace Price Growth

In 2Q 2007, overall private residential property rentals in Singapore grew by 10.4% qoq and 31.2% yoy. This is the highest qoq and yoy growth since URA made rental data available to the public. It is also the first time that rentals in the private residential market exhibit double-digit growth in a quarter. Nonetheless, as of 2Q 2007, private residential property rentals are still about 21.4% lower than the all-time high in 1Q 1996.

Tight supply of rental units, coupled with strong housing demand, continued to benefit landlords. Rental growths continued to be led by properties in the core central region which grew by a hefty 12.0% qoq as compared to 7.6% in 1Q 2007. Buoyant demand for rental housing in the prime areas continued to filter down to the rest of the market as seen from the 10.0% and 9.4% qoq growth in the properties located in the rest of central region and outside central region respectively. Based on Knight Frank's research, properties located in the East Coast, Thomson and Bishan areas grew by a strong 10% to 12% qoq in 2Q 2007, matching the average rental growth seen in properties in the core central region.

Noticeably, more foreign companies and expatriates are becoming more concerned with rising housing rentals and costs. Nonetheless, their top priority is be able to enroll their children in the international schools locally, where the supply of teachers and space for students is far more inelastic when compared to rental properties. Many international schools are experiencing long waiting lists due to the growing number of expatriates in Singapore.

Public Housing Sector - Development of a Two-Tier Market

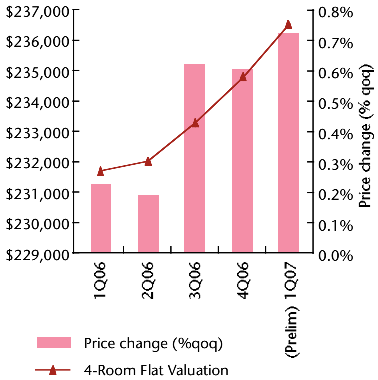
"Overall HDB resale prices grew by 3.0% qoq in 2Q 2007, the highest quarterly growth in almost 8 years."

Mirroring the phenomenon seen in the initial stages of recovery of the private residential market, which was led by price growth in the high-end segment, a two-tier market is also developing in the Housing and Development Board (HDB) resale market. In particular, prices of HDB flats in prime areas such as Queenstown, Kallang, Whampoa and Marine Parade area have reportedly grown at an average 7% to 11% qoq as compared to the 0% to 3% qoq price growth seen in the outskirts. Lifted by the strong demand for HDB flats in prime areas or with good views, overall HDB resale prices grew by 3.0% qoq in 2Q 2007, the highest quarterly growth in almost 8 years.

Although there were recent reports of record prices achieved for flats in the HDB resale market such as the $720,000 paid for a five-room resale flat at Kim Tian Place in June 2007, which was almost $150,000 above its market value, such transactions remain isolated cases and are not reflective of the performance of HDB resale market as a whole. Data released by the HDB showed that not all the resale flats were transacted above valuation or command a high Cash-over-Valuation (COV) premium. Of the resale flats transacted in 2Q 2007, about 70% were transacted above valuation while the remaining 30% were transacted at or below valuation. Overall, the average COV amount was only about $7,000.

Although overall HDB rentals have risen, they remain generally affordable, ranging from $1,000 to $1,400 per month for a 4-room flat and $1,100 to $1,500 per month for a 5-room flat. HDB flats in Bukit Merah, Kallang, Whampoa, Marine Parade and Queenstown are noted to have been able to command higher rentals as compared to HDB flats in the rest of the island.

Chart 6
HDB Resale Valuation for 4-room Flat



Source: Housing & Development Board / Knight Frank Research

HDB resale transactions rebounded by a strong 38% qoq in 2Q 2007 to 8,700 units after a 20% qoq correction in 1Q 2007. Demand was particularly strong for large apartments, especially the 5-room and Executive flats, which grew by a hefty 64% and 67% qoq respectively. Demand drivers in this segment include cash-rich homebuyers who have collectively sold their private apartments in the last 2 years and are looking for affordable replacement homes, homebuyers who are priced out of the private property market and upgraders who were encouraged by better economic and property market sentiments. Resale transactions for 3-room and 4-room flats also grew but at a more modest rate of 25% and 31% qoq respectively.

"Barring unforeseen circumstances, the general private property prices are still expected to grow by 23% to 30% for the whole of 2007."

Outlook for Private Residential Property Sector

The burgeoning property market has led to a few announcements, signals and supply-side initiative by the government, such as the announcement that there is sufficient supply of housing units in the market to meet demand, so as to prevent panic buying leading to sharp price increases in the property market. In all, about 43,000 new private residential units to be completed from 2H 2007 to 2010, of which the bulk will be completed in 2009 and 2010.

Following the above announcement, the government also revised the Development Charge (DC) rate from 50% to 70% of the appreciation in land value, which took effect on 18 July 2007. This increase in taxation will increase developers' land cost, although its immediate effect would not slow down the home purchases or price increases. However it could pose challenges to some collective sale properties that have high Development Charge liabilities. This could result in the marginal reduction in the number of collective sales and subsequently slow down the rental growth by decelerating the decline in the availability of rental properties.

The frequency of these announcements could make homebuyers more wary when committing to a property due to the uncertainty over whether the government would implement some demand-side measures in the short term. However, barring unforeseen circumstances, the general private property prices are still expected to grow by 23% to 30% for the whole of 2007.

With the reduction in existing housing stock (due to the collective sales activities that took place during the last 2 years) projected to exceed the number of new completions in the next 6 to 12 months, strong demand for rental properties is expected to continue to place upward pressure on rentals causing average rentals to grow by 30% to 40% year-on-year, especially in Districts 9, 10, 11, 15 and 16.

Outlook for Public Housing Sector

As property prices in the private residential market continue to move northwards, the public housing sector could stand to benefit from the spillover demand for private homes. Coupled with a healthy economic environment, overall HDB resale prices for the whole of 2007 could grow by 7% to 12% yoy.

"Overall HDB resale prices for the whole of 2007 could grow by 7% to 12% yoy."

The widening price gap between properties in the private residential market and the public housing market have also induced the government to introduce more upmarket housing choices in the public housing market such as the release of an Executive Condominium (EC) site at Punggol on the reserve list of the Government Land Sales Programme for the second half of 2007 to cater to the re-emerging sandwiched class. Together with the second DBSS site at Boon Keng Road, which was awarded to a consortium comprising Hoi Hup Realty, Oriental Worldwide Investments and Sunway Concrete Products in June 2007, more housing choice will be made available to homebuyers in the public housing market. The proposed 700-unit new development at Boon Keng Road will like its predecessor, The Premiere@Tampines, outshine other HDB flats with its condo-like finishes.

Concern that people may make haste decisions in purchasing their homes on the back of reports on high selling prices for selected HDB flats, HDB also released more data on the prevailing trend of the HDB resale market to assist both flat buyers and sellers in making informed decisions. These new information can help homebuyers readjust their price expectations and hence would be beneficial to the overall well being of the public housing market.

Rental and Capital Value for Properties in 2Q 2007

Table 1

Rentals of New Private Residential (Apartment/Condominium) Units[1] as at 2Q 2007

Locality	Monthly Rent ($psf)
D. 9, 10 & 11 - Luxury	$4.45 - $5.25
D. 9, 10 & 11 - Others	$3.15 - $3.85
Other Areas - East Coast	$2.60 - $3.05
Other Areas - West	$1.45 - $2.10
Other Areas - Upp. Bt Timah	$1.25 - $1.75
Other Areas - Thomson, Toa Payoh, Bishan	$1.75 - $2.35
Other Areas - Yio Chu Kang, Yishun	$1.00 - $1.50

[1] New Private Residential Units refer to projects that are less than 5 years old.

Table 2

Capital Values of New Private Residential (Apartment/Condominium) Units[1] as at 2Q 2007

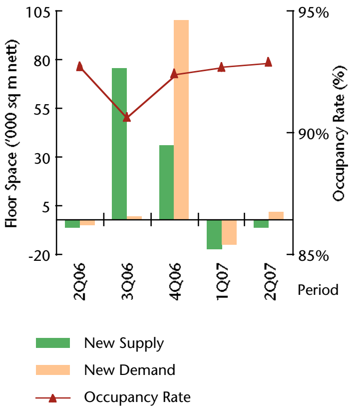
Locality	Capital Value ($psf)
Luxury Condo (FH)	$1,800 - $2,300
D. 9, 10 & 11 (other FH condo)	$1,100 - $1,500
East Coast (FH)	$730 - $1,200
East Coast (99-yr)	$650 - $1,000
West (FH)	$600 - $700
West (99-yr)	$470 - $600
Upp. Bt Timah (FH)	$475 - $700
Thomson, Toa Payoh, Bishan (FH)	$600 - $750
Thomson, Toa Payoh, Bishan (99-yr)	$445 - $550
Yio Chu Kang, Yishun (99-yr)	$360 - $500

[1] New Private Residential Units refer to projects that are less than 5 years old.

[2] FH & 99-yr refers to Freehold & 99-year leasehold properties respectively.

Singapore Retail Property Highlights

Chart 1
Demand & Supply of Retail Space (Private & Public Sectors)



Source: URA / Knight Frank Research

Market Indicators

Retail sales, excluding motor vehicle sales, rose by 5.3% year-on-year (yoy) in April 2007 and are expected to expand in the coming months due to the Great Singapore Sale (GSS). Retail takings for this year's GSS are anticipated to outperform last year's due to current strong economic fundamentals, such as a buoyant economy and low unemployment. The impending GST hike from 5% to 7%, which takes effect from 1 July 2007 onwards, will also positively impact sales figures in May and June.

Tourist arrivals grew by 7.1% yoy in May 2007. Singapore welcomed 820,000 visitors, a record high for visitor arrivals for the month of May. Strong marketing and promotional efforts in India paid off as visitor arrivals from India set a new high record and became the second highest visitor-generating market after Indonesia. Overall tourist numbers in June and July are expected to see another significant rise in tandem with the GSS.

Moreover, the tourism sector received a huge boost when it was announced in May 2007 that Singapore would host Formula One Grand Prix motorcar-racing from 2008. The arrival of one of the most-watched sporting events will bring multiple benefits to the economy, especially in the retail and hospitality sectors.

Supply and Demand

Islandwide occupancy rate as at 2Q 2007 increased to 92.8% from 92.5%. The Orchard Road shopping belt remains the most sought-after retail location nationwide with a vacancy rate of 4.6%. Island-wide supply remained relatively stable in 2Q 2007 with no new completed shopping malls. The lull in supply signals an end to the retail supply boom that began in 3Q 2006 and saw the emergence of ten retail developments. Despite the lack of new retail developments in 2Q 2007, existing shopping malls such as Raffles City and Suntec City carried out asset enhancement works in a bid to freshen up the shopping experience. For instance, asset enhancement works at Suntec City resulted in the emergence of a new youth zone 'MY.PLAYGround' and Phase 1 of the Fashion Zone at Galleria in May and June respectively.

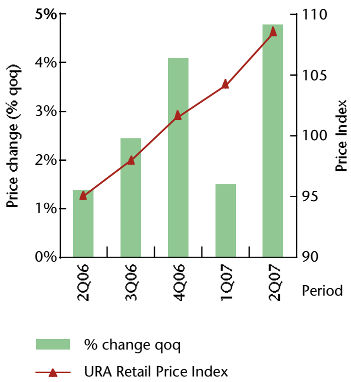
"The Orchard Road shopping belt remains the most sought-after retail location nationwide with a vacancy rate of 4.6%."

Retail Trends

Rising affluence and higher disposable income of Singaporeans have attracted luxury retailers to set up shops or step up expansion in Singapore and they have been reaping the rewards. A report by global consulting firm LEK Consulting indicates that luxury goods and high-end consumer spending exhibited above-average takings in 2006. A separate report, Lifestyle Index and Spending Trends by American Express, echoed the same view, citing a revenue increase of 70% yoy in 1Q 2007 for high-end retailers in Singapore. With the forthcoming Formula One Grand Prix event and Integrated Resorts, revenue of luxury retailers will be further boosted by the influx of more affluent tourists.

Chart 2

Retail Price Index



Source: URA / Knight Frank Research

Besides luxury goods, Singaporeans were also splurging more on fashion and electronic products ahead of the impending GST tax increase, evident from the rosy sales figures during the GSS and recent PC Show 2007 held from 31 May 2007 to 3 June 2007. Digital-savvy consumers reportedly spent a total of more than $20 million on the latest gadgets during the PC Show 2007, which sent cash registers ringing to a record high. The 2-month long GSS began with a bang and, according to MasterCard, spending by its cardholders during the first weekend rose to about $45 million, an increase of 48% as compared to last year. Based on this strong showing, retailers are on course to better last year's $5 billion takings.

A possible new REIT in the making

Pramerica Real Estate Investors (Asia) is contemplating the option of divesting assets from its property funds via a REIT. Assets held by its various property funds include shopping malls such as Jurong Point Extension development, Hougang Mall, Tiong Bahru Plaza, Century Square, White Sands, Tampines 1 and Liang Court Shopping Centre. Some of these shopping malls may be grouped together to form a $1 billion REIT possibly by end 2007.

Aging strata-titled malls gear up for collective sales

"There was relatively more activity in the retail investment market in 2Q 2007 as compared to 1Q 2007. "

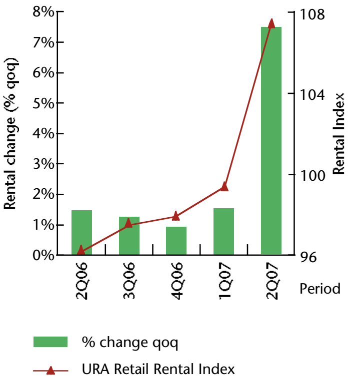
There was relatively more activity in the retail investment market in 2Q 2007 as compared to 1Q 2007. Tanglin Shopping Centre and Orchard Plaza, both aging shopping malls, reportedly have plans to head down the collective sales route after Orchard Towers was put up for sale at $1,800 psf per plot ratio.

Tanglin Shopping Centre comprises a 7-storey retail podium and a 12-storey office tower with a total GFA of about 300,000 sq ft. City Developments is seen as a potential strong bidder for this strata-titled property if it becomes available, as it has stakes in St Regis Residences and hotel located just beside the shopping mall. A redeveloped Tanglin Shopping Centre would help to ensure that the spanking, luxurious St Regis Residences would not be juxtaposed with a tired-looking neighbour. If successful, the redevelopment of Orchard Towers and Tanglin Shopping Centre would result in a rejuvenation of the Tanglin shopping area, often seen as a senescent part of the Orchard Road shopping belt.

Owners of Orchard Plaza are looking into opportunities for a collective sale too. Located next to Le Meridien Singapore Hotel, Orchard Plaza was developed by Far East Organization more than 20 years ago. Strata unit sales in the mall were inactive in the past but had seen a recent surge in interest when news of potential en-bloc surfaced. A redeveloped Orchard Plaza would allow it to keep pace with the new malls that are slated to come on stream along the Somerset stretch of Orchard Road.

Prices and Rentals

Chart 3
Retail Rental Index



Source: URA / Knight Frank Research

The Orchard Road area remains a magnet for shoppers and retailers as average monthly rentals of prime retail space in 2Q 2007 rose 2.1% quarter-on-quarter to reach $39.60 psf. The appreciation of rentals in the area is due to bullish market sentiment as well as healthy demand for prime retail space from retailers. As the three new Orchard shopping malls will only commence operations from late 2008 onwards, coupled with the potential redevelopment of various aging shopping malls, supply in the Orchard Road vicinity remains tight, thereby translating into higher rentals. Prime rentals in the Orchard Road fringe area, Marina Centre locality and city fringe areas were, however, largely unchanged. Retail rents in the suburban malls similarly remained relatively stable.

Outlook

New supply of retail space remains tight for the remainder of the year as the redeveloped Kallang Leisure Park remains the only major shopping mall to be ready for opening in 2H 2007. There will, however, be an exciting line-up of shopping malls from 2H 2008 onwards. The trio of new malls, namely Orchard Central, Orchard Turn and Somerset Central, will be ready in succession to revitalise the Orchard Road shopping belt. Bugis Urban Entertainment Centre will be another centre of attraction and the revamped Tekka Mall will give retailers and shoppers something to look forward to. Suburban shoppers will also have reason to cheer as a brand new West Coast Plaza emerges with a new concept. For the entire 2007, prime retail rentals are poised to rise by 12% to 20%, while islandwide rentals are projected to increase by 10% to 15%.

"New supply of retail space remains tight for the remainder of the year."

Current Rentals of Prime Shopping Centre Space

Locality	Average Prime Monthly Gross Rental ($ psf)[1]
Orchard (Central)	$39.60
Orchard (Fringe)	$20.30
Marina Centre, City Hall, Bugis	$27.80
City Fringe	$22.00
Suburban	$27.20

[1] Based on pre-defined portfolio of properties; Refers to prime shop space of between 400 - 800 sf typically located on ground level with good frontage; Any yields implied refer only to such prime space and may not be reflective of the entire shopping centre

Source: Knight Frank Research

Singapore Office Property Highlights

Office Market Review

"In 2Q 2007, the office sector remained firm on an expansionary trajectory with both price and rental soaring."

The Singapore economy showed sustainable growth with a healthy 8.2% year-on-year (yoy) expansion in 2Q 2007. Barring uncertainties which include a potential slowdown in the US economy, vulnerability of oil prices due to supply shocks and a disorderly unwinding of global imbalances, Singapore's economic growth is expected to remain sanguine. As such, the Ministry of Trade and Industry maintained the 2007 GDP growth forecast at 5% - 7%. A poll from private economists also point to a full year growth forecast of 7% - 8%.

In 2Q 2007, the office sector remained firm on an expansionary trajectory with both price and rental soaring. Official statistics from Urban Redevelopment Authority (URA) indicated that average islandwide prices for 2Q 2007 rose by 27% yoy while average rentals surged by 46% yoy. The URA rental index has now surpassed both the peaks of 2001 and 1996.

Demand-Supply Imbalance

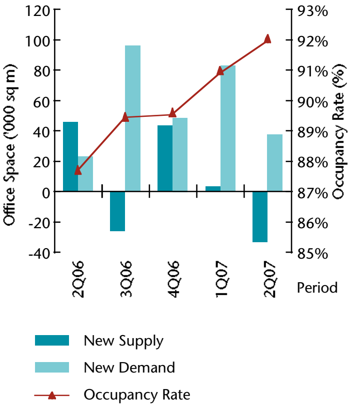
"In a bid to ease the current office supply crunch, the Singapore government has implemented various supply-side initiatives."

The office market began 2007 with a roaring start similar to how it ended last year. The new supply of office space, which decreased by 290,625 sq ft due to conversion of office space into other use, could not keep pace with the 1.29 million sq ft of new demand in 1H 2007. As a result, islandwide occupancy rate further rose to 92%, up from 90.9%.

Shortage of office space is accentuated in the Central Business District (CBD) where occupancy for prime office space in 2Q 2007 reached 99.3%, up from 98.3% in the preceding quarter. Demand for prime office space continued to be propel by financial institutions and business services. To meet the demands of Asia's unprecedented rapid growth in wealth management, financial institutions are using Singapore as a financial hub to set up offices. 2006 has seen the likes of foreign investment banks such as Merrill Lynch, Barclays Capital, UBS Bank, Credit Suisse, Deutsche Bank and Royal Bank of Scotland snapping up large office floor plates either for expansion or relocation of their global operations hub. Following in the footsteps of these banking giants is Standard Chartered Bank which signed one of Singapore's largest office-leasing deals in April 2007. The British bank will lease about half a million sq ft of office space, equivalent to 24 floors at the Marina Bay Financial Centre (MBFC) that is slated for completion in 2010.

In a bid to ease the current office supply crunch, the Singapore government has implemented a few supply-side initiatives, such as disallowing the conversion of office space to other uses until the end of 2009. This stop-gap measure will, in the short term, prevent developers from redeveloping office buildings into other uses, such as residential apartments. While the redevelopment of aging buildings into residential blocks or service apartments provides a rejuvenated look to the older parts of the CBD, it will at the same time, further exacerbate the tight office supply situation by removing available office stock and causing tenants to relocate and contribute to the growing demand for office space.
The change in policy does not apply to office buildings that are going to be tear down for redevelopment into new office blocks. Although during the redevelopment period, the office stock will also be reduced in the short term. This policy will cease by end-2009, which is when the large supply of Grade A office supply becomes available at the MBFC.

Chart 1
Demand & Supply Of Office Space (Private & Public Sectors)



Source: URA / Knight Frank Research

"The Singapore Land Authority received strong interest for the vacant State properties put up for lease as offices."

Another supply-side initiative by the government is to offer vacant government buildings for lease as offices. The Singapore Land Authority received strong interest for the vacant State properties put up for lease as offices. The former River Valley Primary School site was awarded to ERC Holdings Pte Ltd at a monthly rent of about $75,000. Three other tenders for the former CPIB Building, former Moulmein Community Centre and former Pasir Panjang ITE, which closed in May 2007, also drew strong biddings. The properties were offered on an initial lease period of three years, with options to renew for three-year terms up to 2016. In particular, the former CPIB Building, well located within the CBD drew 15 bids. The bids ranged between $27,000 and $91,731 per month, with Bravo Building Construction Pte Ltd's bid being the highest at 69% above the guide rent. On the other hand, Phillip Securities Pte Ltd topped the bid for Moulmein Community Centre with a tendered monthly rent of $35,000, while RichZone Properties Investment Pte Ltd emerged the highest bidder by offering $289,000 per month for Pasir Panjang ITE, 45% more than the guide rent. All these three tenders are still under evaluation.

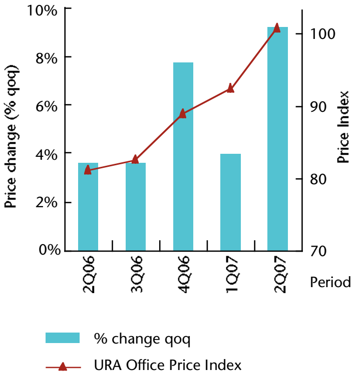
Investment Sales of Office Developments

"Bolstered by strong market sentiment, exuberance was seen in the office investment market."

Bolstered by strong market sentiment, exuberance was seen in the office investment market. German pension fund manager SEB has been given an option to purchase SIA Building at Robinson Road for $525 million ($1,780 psf/NLA). The selling price is 50% more than what seller TSO Investment, a subsidiary of property fund managed by CLSA Capital Partners paid for 10 months ago. Parakou Building which was completed in 2Q 2006 has also been sold at $128 million ($2,013 psf/NLA). The most notable transaction in the quarter belonged to the sale of 1 Finalyson Green. An overseas fund made an offer of about $190 million ($2,500 psf/NLA) for the building which broke the previous record price of $2,200 psf set in 1996.

Government Land Sales

Chart 2
Office Price Index



Source: URA / Knight Frank Research

In 2Q 2007, the commercial site at Tampines Grande was sold to City Developments for $225 million ($622 psf/gpr). Located next to the AIA Building, the land can be built up to 360,000 sq ft of gross floor area (GFA). The site was expected to generate substantial interest as there is demand by financial institutions to house backroom operations out of the CBD. Surprisingly, City Developments emerged the only bidder. This could be the consequence of a wait-and-see approach adopted by developers in anticipation of more sites for potential office space to be released under the Government Land Sales Programme 2H 2007.

Two commercial sites at Tanjong Pagar were put up for tender in 2Q 2007. The commercial site at Anson Road/Enggor Street was triggered for sale after a bid of $172 million ($448 psf/gpr) was received in May 2007. The site is strategically located within Tanjong Pagar, beside the residential project The Icon. Just across the street is a site situated beside International Plaza and facing Springleaf Tower. This site was similarly triggered for sale after URA received a committed bid of $116.2 million ($460 psf/gpr) in June 2007. Both prime sites are expected to be hotly contested by major developers and investment funds.

Various white sites that have office use were also put up for sale in 2Q 2007. One of them is the site of the former Singapore Armed Forces Non-Commissioned Officers Club that has a maximum GFA of 376,295 sq ft, of which 40% must be set aside for office use. The site is well located beside the Suntec International Convention and Exhibition Centre and is expected to receive strong biddings around $950 million to $1.1 billion. Another site at Central Boulevard/ Shenton Way was launched on 30 May 2007 and is likely to attract a lot of interest, given its prime location in the intersection between Raffles Place and Marina Bay. Although classified as a white site, at least 70% of the 1.43 mil sq ft of GFA must be developed as office space.

"The Ministry of National Development announced the Government Land Sales (GLS) programme for 2H 2007 where a total of four sites for office use have been put on both the confirmed and reserve lists."

The Ministry of National Development announced the Government Land Sales (GLS) programme for 2H 2007 where a total of four sites for office use have been put on both the confirmed and reserve lists. Although this is a slight decline in number as compared to the six sites on the GLS programme for 1H 2007, the supply is quite evenly paced. As it normally takes two to three years for office buildings to be completed, releasing too many sites now will not alleviate the current undersupply and may instead result in a future oversupply. With the most recent GLS programme, the government is sending a strong signal that the tight office supply situation has not gone unnoticed but at the same time they are not in favour of flooding the market with too many sites.

Table 1

Government Land Sales Programme for 2H 2007

S/N	Location	Site Area (ha)	Gloss Plot Ratio	Est Commercial Space (sq m)
Confirmed List				
1	Marina View	0.87	3.0	84,830
Reserved List				
1	Anson Road	0.26	9.24	24,020
2	Tampines Concourse	0.5	4.2	21,000
3	Outram Road / Eu Tong Sen Street	2.48	5.6	90,270

Source: Ministry of National Development/ KF Research

"The choice site at Marina view is likely to generate a lot of interest given its prime location."

Unlike the GLS programme that is more geared for the medium term, sites made available for the development of transitional offices are relatively more able to provide some relief to the tight office supply situation. The Ministry of National Development is working closely with other government agencies and has so far identified one suitable site, located next to Newton MRT station. The 10-year leasehold site, which could yield a GFA of 168,630 sq ft, is expected to have a development of about three to four storeys that can be quickly built in about a year at relatively low cost.

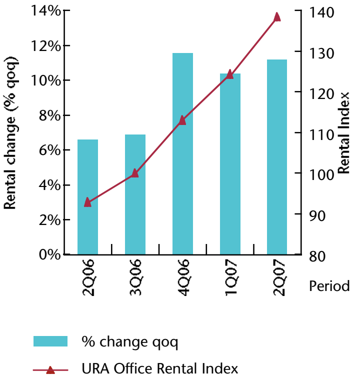
Office Rentals continued to Rise

With a surging demand for prime office space emanating from financial institutions which is not met by a persistently tight office supply, rentals for Grade A office buildings in the CBD experienced another significant rise in 1Q 2007 as office landlords renewed leases at higher rents.

As vacant prime Grade A office space in the CBD area became increasingly scarce, coupled with persistent strong demand, office rental hikes continued to be the central theme in 2Q 2007. While Suntec, Marina Centre and City Hall area were the big growth winner in 1Q 2007, 2Q 2007 saw Raffles Place area lead the way for growth once again. Grade A office space in the Raffles Place area achieved a robust increase of 34% qoq (59% in 1H 2007) and commanded an average monthly rental of $14.50 psf. Average monthly rentals of Grade A office space in Suntec, Marina Centre and City Hall area jumped 11% qoq (52% in 1H 2007) to reach $12.20 psf. The Shenton Way and Robinson Road also saw rentals climbing up by 17% qoq (39% in 1H 2007) to $9.30 psf per month. Rental growth was equally upbeat in Orchard Road area, surging up by another 22% qoq (33% in 1H 2007) to hit $9.80 psf per month. Average Grade A office rentals charged up by 26% qoq (52% in 1H 2007) to $12.40 psf per month.

Chart 3

Office Rental Index



Source: URA / Knight Frank Research

The tight supply of Grade A office space resulted in a strong demand for Grade B office space which translated into in a rental advance of 14% qoq (42% in 1H 2007). Office rentals in the suburban areas also benefited from the supply crunch in the CBD. The West area saw rentals trend upwards 28% qoq to $5.50 psf while the North and East area witnessed qoq rental increase of 14% and 10% respectively to reach $7 psf and $5.80 psf.

"Rental hikes of better quality office space are expected to continue. For 2H 2007, the Grade A office sector is projected to witness another rental increase of about 30%."

Outlook

As most of the major office developments will be added to the market only from 2009 onwards, the demand-supply imbalance could continue in the short-term. Rental hikes of better quality office space are expected to continue. For 2H 2007, the Grade A office sector is projected to witness another rental increase of about 30%. Tenants who find the rising rentals of Grade A office buildings too high for their budget may have to shift in part or whole to Grade B, suburban office buildings or if they qualify, to high-tech industrial space. This filtering-down effect has been apparent in 1H 2007 and is likely to persist in 2H 2007. As a result, islandwide office rentals are forecast to rise by another 15% to 25% in 2H 2007. Rental appreciation is expected to ease when major office developments come on-stream from 2009 onwards.

Table 2

Average Effective Monthly Rental

Location	Average Effective Monthly Gross Rental ($psf)
CBD (Grade A)	
Raffles Place	$14.20 - $14.90
Marina Centre / City Hall	$11.80 - $12.60
Shenton Way / Robinson Road	$9.00 - $9.50
Orchard Road	$9.50 - $10.00
Non-CBD	
Beach Road / Middle Road	$7.80 - $8.40
Suburban (North)	$6.80 - $7.20
Suburban (East)	$5.60 - $6.00
Suburban (West)	$5.10 - $5.90

Source: Knight Frank Research

Table 3

Major Office Projects Under Development

Project Description & Location	Office GFA (sq m)	Name of Developer	Estimated Year of Completion
The Central	46,780	Riverhub Pte Ltd	2007
VisionCrest	14,980	Winpeak Investments Pte Ltd	2007
Passenger Terminal Building 3	19,820	Civil Aviation Authority Of Singapore	2007
Merrill Lynch HarbourFront	22,720	The HarbourFront Pte Ltd	2008
Wilkie Edge	13,970	Capitaland Selegie Pte Ltd	2008
200 Newton	4,270	SC Global	2008
Redevelopment of Dapenso Building	11,480	Remarkable Investment Pte Ltd	2008
A&A to OUB Centre	4,830	OUB Centre Ltd	2008
Redevelopment of Straits Trading Building	18,570	Straits Developments Pte Ltd	2009
A&A to Funan Digitalife Mall	14,860	HSBC Institutional Trust Services (S) Ltd	2009
Office Development at Alexandra Distripark	45,990	Alexandra Distripark Pte Ltd	2009
Office Development at 71 Robinson Road	25,630	Kajima-Lehman (Robinson) Development Pte Ltd	2009
Extension to building at Kitchener Road	11,180	People's Association	2009
Marina Bay Financial Centre Phase 1	180,000	BFC Development Pte Ltd	2010
Redevelopment of Ocean Tower	58,140	Ocean Properties Pte Ltd	2010
Redevelopment of Overseas Union House & Change Alley Aerial Plaza	44,740	Clifford Development Pte Ltd	2010

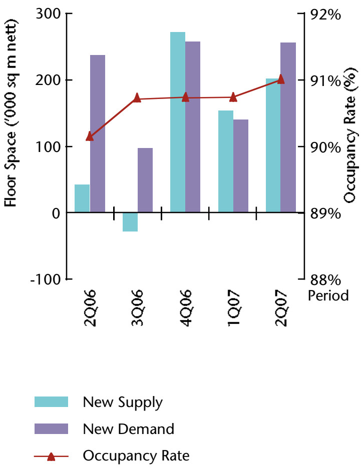
Source: Urban Redevelopment Authority/ KF Research

Singapore Industrial Property Highlights

Overall Growth in Manufacturing Output

Chart 1

Demand & Supply of Factory Space (Private & Public Sectors)



Source: URA / Knight Frank Research

In May 2007, manufacturing output achieved 17.7% year-on-year (yoy) growth, riding on strong growth from the biomedical manufacturing and transport engineering clusters. The transport engineering cluster attained its fifth consecutive yoy gain in May 2007, with cumulative output for the first five months in 2007 increasing by 26.8% compared to the same period last year. At the beginning of the quarter, business expectation from the Economic Development Board (EDB) for the period from April 2007 to September 2007 was optimistic with the positive business sentiment led by the electronics cluster. However, there has been a slowdown in the electronics cluster, of which output in May 2007 was at the same level as a year ago. Three segments in the electronics cluster, namely computer peripherals, data storage and infocomms & consumer electronics, contracted for the first five months this year.

Non-oil domestic exports (NODX) kept on fluctuating since January 2007 and contracted slightly by 0.4% in April 2007, before rebounding by 3.7% in May 2007. Although there had been a sustained decline in electronic NODX for four consecutive months, growth in NODX was fuelled by stronger expansion in its non-electronic component. The stronger growth of non-electronic NODX was driven by higher domestic exports of pharmaceuticals, disk media products, printing bookbinding machinery and petrochemicals.

In April 2007, the reading of Singapore Purchasing Managers' Index (PMI) was 49.7, which indicated that the manufacturing economy contracted below 50 points for the first time after twelve months. However, the manufacturing economy moderated at a reading of 50 in May 2007 and may continue to remain close to this level.

Increasing Demand for Business Park and High-tech Industrial Space

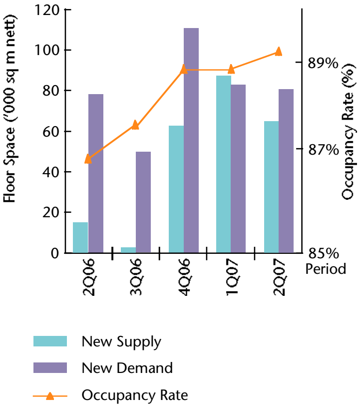
"New demand for business park space skyrocketed to 740,000 square feet, a nearly seven-fold increase compared with 1Q 2007."

2Q2007 saw a strong growth in price and rental of both factory and warehouse islandwide. Price index of multi-user factory space rose by 8% in 2Q2007, compared with 3.98% in the first quarter of the year. Price of warehouse even increased higher, recorded a 9% increase over 1Q2007. As demand outpaced supply, rental rate for factory space and warehouse space is also in an upswing in 2Q2007, increased by 6% and 10.7% respectively over previous quarter.

In 2Q2007, new supply of factory space was 2.1 million square feet, which is 34% higher than that in 1Q2007. New demand for factory space nearly doubled in the second quarter, jumping over 2.7 million square feet. The occupancy rate of factory space slightly rose to 90.9% in 2Q2007. Business park space enjoyed the strongest growth in the quarter in terms of new demand and new supply. New demand for business park space skyrocketed to 740,000 square feet, a nearly seven-fold increase compared with 1Q2007. Greater demand for high-tech industrial and business park space is explained by a spillover effect from the tight office market and an increase in the relocation of value-added manufacturing facilities from other countries to Singapore.

Chart 2

Demand & Supply of Warehouse Space (Private & Public Sectors)



Source: URA / Knight Frank Research

During 2Q 2007, Singapore has done well in attracting more multinational corporations (MNCs), e.g. DHL and Novellus, to open or relocate their regional headquarters here. Further, several other MNCs such as BASF and Infineon Technologies have expanded their R&D centres in Singapore. This rising demand, combined with a current tight supply of office space in the Central Business District, have made Business Park and high-tech industrial space a good alternative for office relocation. In April 2007, an industrial redevelopment project, Sime Darby Enterprise Centre, fetched a ten-fold increase in rental income and attained nearly 100% occupancy rate only three months after completion.

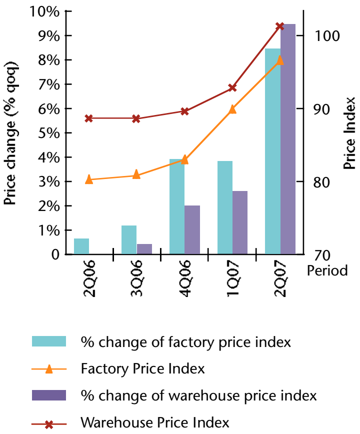
The eight-storey Eightrium @ Changi Business Park, which is a high-tech building developed by Soilbuild, obtained TOP three months ahead of schedule and reportedly received strong interest from MNCs in the high-tech and R&D sectors. As a result of this increasing demand for Business Park space, the vacancy rate of which kept falling at a steady pace in 2Q 2007.

Active Acquisition Activities by Industrial REITs

During 2Q 2007, industrial REITs were very active in their acquisition activities. Mapletree Logistics Trust (MLT) expanded its portfolio by purchasing three properties overseas. MLT Management agreed to acquire Grandtech Centre in Shatin, Hong Kong for S$152 million. In addition, it also bought two warehouse-cum-office buildings in Port Klang and Shah Alam (Selangor, Malaysia) for S$14 million and S$15.5 million respectively. Port Klang, which is about 40 km away from Kuala Lumpur, is planned to be "a regional transhipment base and a major logistics hub".

Chart 3

Factory & Warehouse Price Index



Source: URA / Knight Frank Research

Cambridge Industrial Trust (CIT) was also actively enhancing the quality of its portfolio in 2Q 2007 by acquiring seven industrial properties worth more than S$110 million. Notably, CIT bought 120 Pioneer Road and 7 Ubi Close for a total of S$47 million and acquired Armorcoat International Building at 361 Ubi Road 3 for S$18 million. CIT appeared to diversify its portfolio into different tenant trade sectors (e.g. industrial & warehouse, light industrial and workshop), in order to reduce the reliance of income stream on any single sector or major tenant.

In May 2007, JTC Corporation (JTC) announced its launch of a Request for Proposals (RFP) to explore the appointment of an external REIT manager for its divestment portfolios. JTC plans to divest 71 blocks of high-rise facilities and three multi-tenanted office blocks in International Business Park and Changi Business Park, of which the total net floor area is 1.7 million sq m. In view of the increasing demand for Business Park space, the REIT may include these three office blocks in the Business Parks in its portfolio to enhance its attractiveness.

Table 1

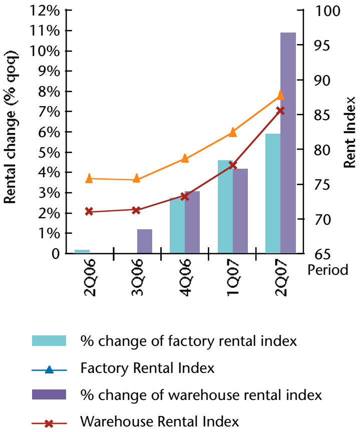
Comparison of Government Industrial Land Sales Programme for 1H 2007 and 2H 2007

	1H 2007			2H 2007		
	Confirmed List	Reserved List	**Total**	Confirmed List	Reserved List	**Total**
Zoned B1	1	3	**4**	1	6	**7**
Zoned B2	1	1	**2**	1	1	**2**
Total Number	2	4	**6**	2	7	**9**
Total Site Area (ha)	3.3	9.9	**13.2**	7.2	9.2	**16.4**
Total GFA (ha)	3.58	22.33	**25.91**	15.69	19.08	**34.77**

Source: Ministry of Trade and Industry/ Knight Frank Research

Government Industrial Land Sales Programme for 2H 2007

Chart 4
Factory & Warehouse Rental Index



Source: URA / Knight Frank Research

Under the Government Industrial Land Sales Programme (GILS), 2Q 2007 saw only one site, which is located at Tampines Street 92/Simei Avenue, sold from the Confirmed List. The 30-year leasehold site, with a site area of 19,963 sq m, attracted four bids and was subsequently awarded to Storhub Self Storage Pte Ltd for $8,688,000.00 on 11 April 2007.

However, to meet potential demand for industrial land, the Ministry of Trade and Industry (MTI) has added more sites to the GILS Programme for 2H 2007. There are 2 sites on the Confirmed List, one of which is at Sin Ming Lane. As this site was formerly on the Reserve List for 1H 2007, it is possible that the relevant authority had received some sign of interest and thus shifted it to the Confirmed List. Out of the 7 sites on the Reserve List for 2H 2007, 3 have been retained from 1H 2007's Reserve List while the other 4 sites are new additions. Although there are more sites on the Reserve List for 2H 2007, both the total site area and total GFA have actually decreased, dropping by 7.07% and 14.55% respectively. Instead, 2H 2007's Reserve List seems to be offering some variety of locations.

Rising Industrial Rentals

Industrial rentals continued to rise in 2Q 2007 with the strong growth observed in the areas of Macpherson/Paya Lebar and Kaki Bukit/Ubi. The average monthly rental for upper floor space in Macpherson/Paya Lebar was from S$1.20 to S$1.8 psf. In the Kaki Bukit/Ubi area, the average rental for upper floor industrial space was in the range from S$1.1 to S$1.5 psf.

In addition, due to the increased demand for high-tech industrial and business park space, market rentals for high-tech factory space and business park space saw a considerable increase compared to those in 1Q 2007. Specifically, the average monthly rental for high-tech factory space achieved S$2.80 psf on average, which was 30% higher than that in 1Q 2007.

Table 1
Current Rentals and Capital Values of Sample Factory/Warehouse (Upper Floors) & Business Park Space

Type		Average Monthly Gross Rental ($psf)	Average Capital Value ($psf)
Conventional Industrial Space			
Locality	Macpherson/Paya Lebar	$1.20 - $1.80	$230 psf - $330 psf
	Kaki Bukit	$1.10 - $1.50	$133 psf - $215 psf (60 yr leasehold)
	Admiralty	$0.90 - $1.20	$110 psf - $125 psf (60 yr leasehold)
High Tech		$2.80	NA
Business Park		$2.90 - $3.90	NA

Source: Knight Frank Research

Outlook

The overall industrial property price level in 2Q2007 has not reached the peaks achieved in 1996 and 2000 yet. Specifically, the current price level is still 13% below the peak price in 2000 and 39% lower than the 1996's peak level. On the back of positive business sentiment and continued growth in the manufacturing sector, demand for factory space will continue to be healthy. Average rentals of factory space are projected to rise by 20% to 30% for the whole 2007. Capital value of factory space has grown by 12% in the first six months of 2007 and is expected to rise by another 20% to 30% for the whole of 2007.

"Average rentals of factory space are projected to rise by 20% to 30% for the whole 2007."

Knight Frank

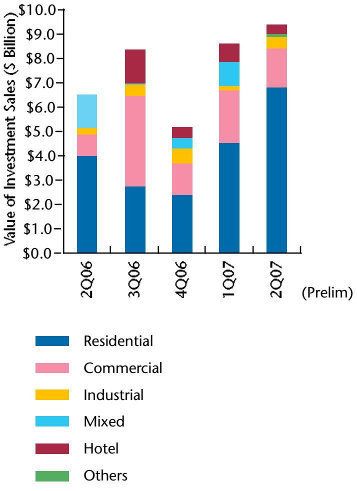
Singapore Investment Sales Property Highlights

Review of 1H 2007

"Stellar performance in 1H 2007 was led by strong interest in residential collective sales and investment sales of office buildings."

Chart 1

Total Investment Sales Value



Source: Knight Frank Research

Overview: Market on track for another record-breaking year

Positive growth in key economic indicators and continued inflow of new foreign funds boosted sentiments in the real estate investment sales market. The total value of investment sales for the first half of 2007 amounted to about $18 billion. This compares well with the $10.7 billion achieved during the same period last year and the $24.5 billion attained for the whole of 2006, indicating that the investment sales market in Singapore is on track for another record-breaking year. The stellar performance in 1H 2007 was led by strong interest in residential collective sales and investment sales of office buildings. Both sectors witnessed deals that were transacted at all-time high prices.

The sales of 1 Finlayson Green by Hong Leong Group and one entire floor at Central by Far East Organization were reportedly transacted at $2,671 psf of net lettable area (NLA) and $2,850 psf of NLA respectively. Both deals broke the previous price record set in January 1996 when Straits Steamship Land, now Keppel Land, sold 7 floors of what is known as Prudential Tower in the China Square area to Prudential Assurance Company Singapore for $2,200 psf of NLA. On the same note, The Ardmore, which is located in the heart of Singapore's priciest residential enclave, was recently sold to SC Global Group for $262 million, or $2,337 psf ppr, including a development charge of $16.55 million. This has surpassed the record of $1,788 psf ppr held by Char Yong Gardens by a whopping 31%. It is also the first time that a residential plot of land in Singapore has been sold beyond the $2,000 psf ppr level.

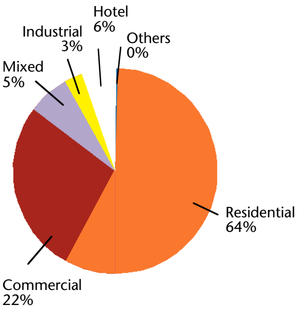
Government Land Sales (GLS): GLS performed well even without extraordinary deals

Lifted by the $1.805 billion sale of two prime plots of land for the development of integrated resorts at Marina Bay and Sentosa, the total value of Government Land Sales (GLS) in 2006 reached a high of $4.9 billion. By comparison, the total value of GLS, including land sales at Sentosa Cove, in the first half of 2007 amounted to about $2.9 billion. This is 26.1% more than the $2.3 billion worth of land sold by the public sector in 1H 2006 and only $2 billion short of matching the total value of GLS sites recorded in the whole of 2006. Brisk sales of GLS sites in 1H 2007 were largely helped by positive buying sentiments in the property market.

Out of the 32 GLS sites that were placed on the reserve list in the first half of 2007, applications from developers were received for a significant 6 of these sites to be put up for sale. Strong responses were also received for the 6 sites that were put up for tender via the confirmed list system. Of which, one site that drew exceptional interest from developers is the Dakota Crescent site that was awarded to Ho Bee and NTUC Choice Homes for close to $229 million or $524 psf ppr. The consortium's bid is just 3% higher than the second highest offer of $508 psf ppr, which came from IOI Land unit, Multi Wealth (Singapore). They also beat 13 other developers, most of whom submitted bids that were above $400 psf ppr.

"The total value of GLS, including land sales at Sentosa Cove, in the first half of 2007 amounted to about $2.9 billion."

Chart 2
Types of Investment Sales in 1H 2007



Source: Knight Frank Research

Demand for hotel sites was also very strong, given the need to ramp up the supply of hotel rooms to cater to growing tourist arrivals. Carlton's successful bid for the hotel site at Tanjong Pagar Road/Gopeng Street works out to $573 psf ppr, which is the one of the highest prices paid for a 99-year leasehold hotel site in recent years. In essence, bids for sites submitted by developers reflected their confidence in the Singapore tourism sector. No major plots of land for retail development were sold in 1H 2007 following the sale of three major plots of commercial land in the Orchard and Somerset areas between end 2005 and August 2006.

Overview of private investment sales: Overall market performed better than expected

The private investment sales market performed better than expected for the first half of 2007, with total private investment sales value amounting to about $15.1 billion. This is 77.6% higher than the $8.5 billion recorded for the same period in 2006 and already constitutes 77.0% of the $19.6 billion of private investment sales done for the whole of 2006. In the first half of 2007, private investment sales made up a hefty 83% of total investment sales, moving up from 79% a year ago.

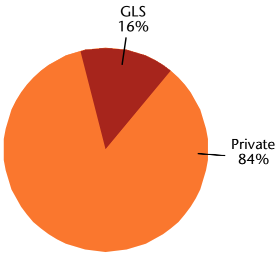
Private residential investment sales: Market remains in the limelight

"The total amount of private residential investment sales leads all the other sectors, chalking up approximately $9.2 billion worth of deals."

Robust performance in the private residential investment sales market was largely attributed to a huge jump in the number of collective sales transactions which made up about 93.7% of the total private residential investment sales market in the first half of 2007. Positive economic conditions, a continual surge in the high-end private residential sector, strong responses to new project launches and record prices set for prime housing sites revived developers' interest in collective sale sites that were not sold in 2006 as well as new collective sales sites that were put up for sale. The total invested sum in the collective sales market for the first half of 2007 ballooned to $8.6 billion, far exceeding the $8.0 billion recorded for the whole of 2006. Including the $636 million non-collective residential investment sales concluded in 1H 2007, the total amount of private residential investment sales leads all the other sectors, chalking up approximately $9.2 billion worth of deals.

In the first half of 2007, significant collective sales that took place in prime areas include the sale of The Ardmore to SC Global Group for $262 million ($2,337 psf ppr) and Char Yong Gardens as sold to CapitaLand for $420 million ($1,788psf ppr). Both exceeded the previous record of $1,734 psf ppr achieved by The Parisian, which was sold to OUE in December 2006. In late June 2007, a consortium comprising Koh Brothers Group, Heeton Holdings, KSH Holdings and Lian Beng Holdings paid $243 million, which works out to $1,449 psf ppr, for the Lincoln Lodge site. This is a record land price for the Newton area, beating the previous record held by Gilstead View, which was sold for $1,070 psf ppr in May 2007.

Chart 3
Source of Investment Sales in 1H 2007



Source: Knight Frank Research

Notably, developers were not only purchasing sites in prime districts, but also actively seeking investment opportunities across the island. Sites outside the prime districts that were sold include Gillman Heights ($363 psf ppr), Minton Rise ($236 psf ppr), Tampines Court ($260 psf ppr), Green Meadows Condominium ($400 psf ppr) and Fairways Condominium ($821 psf ppr). On the whole, these sites were also sold at higher prices as compared to similar developments sold in 2006.

Private non-residential investment sales: Sales of office buildings stand out

"Acquisition of prime office buildings by foreign funds in 1H 2007 lifted the commercial investment sales market to about $3.67 billion."

Healthy leasing demand for office space, coupled with limited supply of office space in the medium term, have resulted in strong interest in completed office buildings, especially in the Central Business District (CBD). Acquisition of prime office buildings by foreign funds in 1H 2007 lifted the commercial investment sales market to about $3.67 billion, 35.92% higher than the $2.7 billion recorded in 1H 2006.

1 Finlayson Green by Hong Leong Group and one entire floor at Central by Far East Organization were reportedly sold at $2,671 psf of net lettable area (NLA) and $2,850 psf of NLA respectively in June 2007. Both deals broke the price record set in January 1996 when Straits Steamship Land, now Keppel Land, sold 7 floors of what is known as Prudential Tower in the China Square area to Prudential Assurance Company Singapore for $2,200 psf of NLA. Other major office deals include the $1.04 billion ($1,550 psf/NLA) sale of Temasek Tower by CapitaLand to Macquarie Global Property Advisor Group (MGPA), the $525 million ($1,776 psf/NLA) sale of SIA Building at Robinson Road to German Pension fund, SEB Asset Management, and the $128 million ($2,013 psf/NLA) purchase of Parakou Building by New Star, a UK fund manager.

Foreign funds are willing to offer higher prices for office buildings because they are looking at the total returns from the investment. Most of these foreign funds purchase the office buildings in anticipation of higher rentals from the renewal of leases in the next one to three years. Therefore, they are willing to accept a lower initial yield for their acquisitions.

"Industrial sector also performed well, helped by the listing of the new Macarthurcook REIT on the SGX in April 2007."

Investment sales in the industrial sector also performed well, helped by the listing of the new Macarthurcook REIT on the SGX in April 2007 plus the drive by A-REIT and Cambridge Industrial Trust to expand their portfolio. The industrial sector presents more yield-accretive options for REITs because their capital values in the past year have risen more slowly than those of commercial properties.

After recording all-time high private hotel investment sales amounting to close to $1.8 billion in 2006, the total value of private hotel sales retreated to only $720 million for the first half of 2007. This was mainly because most of the prized sites such as those occupied by InterContinental Hotel Singapore and Grand Plaza Parkroyal had already been sold, while owners of other hotels have no plans to sell their hotels in view of the growing hotel market in Singapore.

"Collective sales market is expected to grow at a more moderate pace for the rest of 2007."

Outlook

The government released 41 sites under the Government Land Sales (GLS) programme – 14 through the confirmed list and 27 in the reserve list – for the second half of 2007. The residential and hotel sites released for sale under the GLS programme for the second half of 2007 could generate about 8,000 new private residential units and 6,500 hotel rooms. These numbers are the highest under the GLS programme compared to the past few years. This is a signal from the government that there would be sufficient supply of new homes and hotel rooms to meet future demand, in a bid to alleviate a sharp increase in mass market home prices and hotel room rates. Given the large number of GLS sites put up for sale, 2007's land sales in the public sector may easily match the 2006 level, despite 2007 not having any sale of sites for Integrated Resorts.

With the dearth of new GLS commercial sites in the Orchard Road area, developers who wish to position themselves to ride on the expected rise in consumer spending and increase in tourist arrivals will likely turn their attention to the acquisition of old commercial developments such as Tanglin Shopping Centre, Orchard Tower and Orchard Plaza.

On the private residential investment sales front, particularly with regard to the collective sales market, wide media coverage on the burgeoning property market in Singapore as well as the rising cost of a replacement home have caused residents to place higher expectations on their selling prices, making it more difficult to reach the minimum 80% level of approval from owners in order to proceed with the collective sale of their development. Hence the reserve price would have to be revised upwards during the signing process to persuade owners to support the sale. On the other hand, developers, being faced with increasing redevelopment cost brought about by the sand ban, a tight construction market and the revision of the Development Charge (DC) rate from 50% to 70% of the appreciation in land value on 18 July 2007, would be more cautious in bidding for new sites at sky-high prices. The collective sales market is thus expected to grow at a more moderate pace for the rest of 2007.

Singapore Auction Property Highlights

Auction Market Performance – 1H 2007

More Properties Put Up for Auction by Owners

The total number of properties put up for auction in 1H 2007 was 752, as compared to 844 in 2H 2006. While the number of properties put up for auction by banks and financial institutions saw a drop of 37.4% compared to that in 2H 2006, those put up for auctions by owners and others climbed up by 38.9%.

Number and Value of Properties Sold at Auctions Scaled New Heights

"Total sales value from auctions in 1H 2007 increased by 36% compared with 2H 2006."

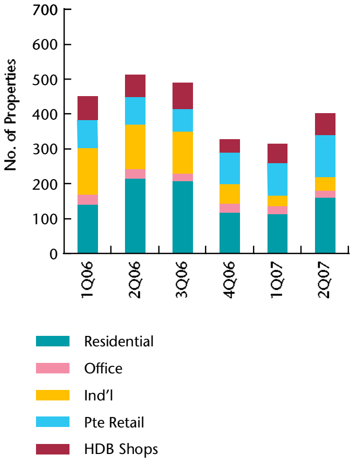
Despite a drop in the number of properties put up for auction, the number and value of properties sold at auctions scaled new heights in 1H 2007. Specifically, with 132 properties sold, the number of properties sold at auctions in 1H 2007 increased by more than 36% compared to 2H 2006. The total sales value from auctions in 1H 2007 was approximately S$286 million, which was 36% higher than that in 2H 2006. Also, it is notable that the sales value from sales by owners and others skyrocketed from S$115 million in 2H 2006 to S$207.8 million in 1H 2007.

Buoyant Demand Fuelled Owners' and Developers' Sales

"Properties put up for auction by Owners and others climbed up 38.9% compared with 2H 2006."

Fuelled by buoyant demand in the real estate market, owners and developers tended to put up more properties for sale through auction. In the high-end residential property market, many developers put up their uncompleted properties for auction, following overwhelming demand from both local and overseas buyers. In April 2007, twelve units at Botanika, which was the first-ever uncompleted development put up for auction, were sold at average prices ranging from S$1,710 per square foot (psf) to S$2,420 psf. Eight apartments at Leonie Parc View, which is another development under construction, were sold through auction for S$3,000 psf to S$4,000 psf. Vendors are now looking at auctions as an alternative avenue to market their properties, while buyers are turning to the auction market for faster purchase in this buoyant market, instead of having prolonged negotiations with property owners who keep shifting their targeted price upwards amidst bullish sentiments.

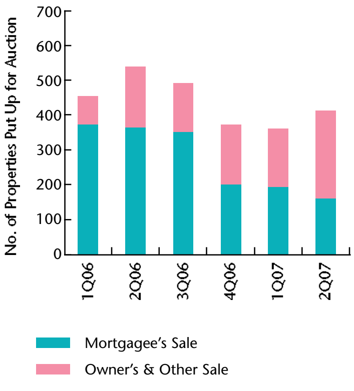
Chart 1
Total Number of Properties put up for auction by property type



Source: Knight Frank Auction / Knight Frank Research

Positive Signals from All Sectors

Chart 2
The Number of Properties Put Up for Auctions by type of sale



Source: KF Auction / KF Research

In 1H 2007, the auction market performed well with positive signals from all sectors. In the residential sector, the market witnessed good take-up for apartments across the island. In the high-end segment, developers were putting their properties up for auction. Strong interest in apartments was seen not only in prime districts, but also in outlying areas such as the Yishun, Bishan and Hillview areas. This is an indication that the demand for high-end properties is filtering down to the mass market.

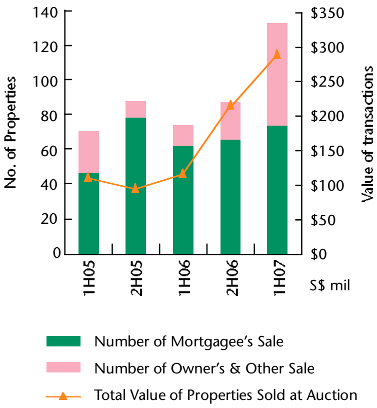
In the industrial sector, factories that were put up for auction were selling well too. For example, a detached factory building in Senoko Loop received 23 bids in an auction and was sold at S$3.65 million, which was 46% higher than the opening price.

The auction market is also benefiting from the booming office property market. There was a noticeable increase in the success rate for purpose-built factories and strata-titled factories, as owners can convert up to 40% of the industrial space for ancillary office use. Strata industrial units, such as those at Genting Warehouse, Ubi Techpark and Ubiplex 1, saw vigorous biddings at recent auctions. Shophouses in commercial zones such as North Bridge Road and South Bridge Road also attracted a lot of interest from bidders. This is because rising rentals made it more cost-efficient for small and medium-sized companies to utilize office space in shophouses and some factories.

Outlook

The auction market will remain robust in the second half of the year given the strong performance in the economy and property market as well as assurance from the government that they will not clamp down on the current buzzing property activities. At the same time, a greater variety of properties is expected to be offered for sale at auctions in the coming months.

Chart 3
Number and Value of Properties Sold at Auctions



Source: URA / Knight Frank Research

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