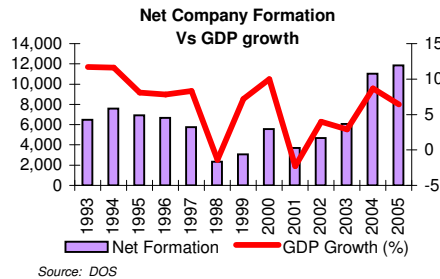


Singapore Economic Insight

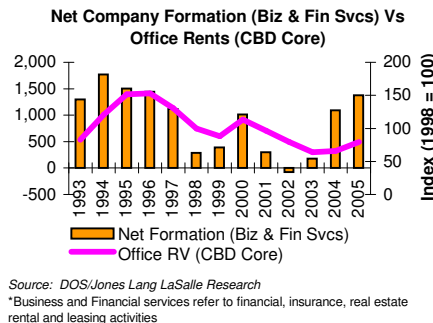
Net Formation of Companies and Movement of Rents

Singapore has consistently taken steps to increase her competitiveness as a business location. Compared to some of her regional neighbours, Singapore is unable to compete on costs alone. Instead she has been leveraging on her strengths and competencies to create a conducive business environment, and adding value to the business/company. Some of her strengths include the availability of skilled labour, favourable tax regime and a wide range of professional services such as auditing, accounting, market research, advertising, public relations, human resource and legal services.

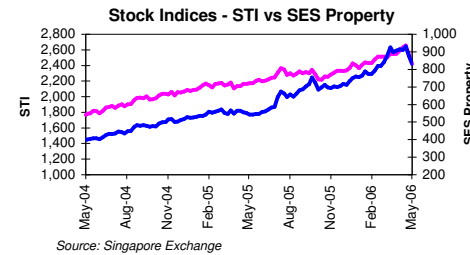


While the formation of new companies provides an indication of the general business sentiment and contributes to the performance of the economy, it is also a direct consumer of office space. The aggregate formation of companies across all sectors has persistently out-performed company cessation. There are two time periods when they almost met (1998/99 and 2001) and were largely due to the impact of the Asian Financial Crisis and terrorist threats. The net formation of companies has been on the uptrend since 2001 and hit a peak of approximately 12,000 in 2005. Recovery of the regional and domestic economies in line with the relative success of economic restructurings has contributed to this phenomenon. As indicated by the chart on the left, GDP growth and net formation have been moving in tandem.

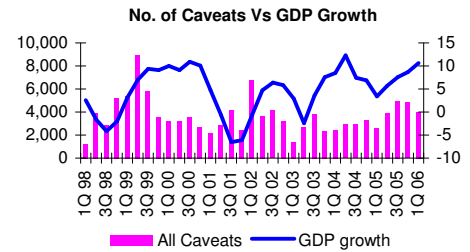
Looking only at the net formation of companies offering business and financial services (which include financial, insurance, real estate rental and leasing activities), the impact of the financial crisis was much greater. Since most of these companies are users of office space in the CBD Core area, a snapshot of the rental movements and net company formation, shown on the right, will provide some indication of the relationship between these two indicators. Despite following a similar trend (1993-2002), office rentals in the CBD Core appears to lag behind the net formation of companies over the last couple of years. In 2005, net company formation has exceeded its previous peak in 2000 and is close to the 1995/96 levels where rents were at their peak. Current rents in CBD Core are still some 26-28% off 2000 levels and a massive 46-48% off the 1996 peak. Coupled with the tight supply situation, we can expect a steep hike in office rentals over the next few years.



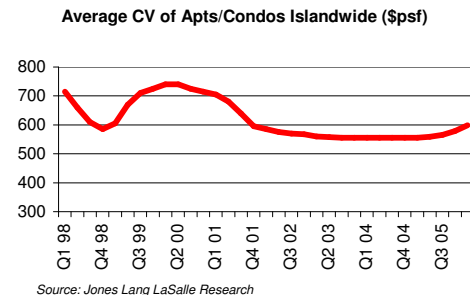
Market Indicators



↑	STI	17-Apr-06	22-May-06
		2,550	2,417
		-5.2%	
↑	SES Property	17-Apr-06	22-May-06
		908	830
		-8.5%	



↑	GDP Growth at 2000 Prices	4Q 05	1Q 06
		8.7%	10.6%
↓	No. of Caveats lodged	4Q 05	1Q 06
		4,830	4,015
		-16.9%	



↑	Islandwide Apartment and Condominium Capital Values (\$psf)	4Q05	1Q06
		580	600
		3.4%	

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...next issue June 28, 2006

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