

QUICK STATS

	Current	Change From Last	
		Yr	Qtr
OFFICE			
Prime rents	\$8.60psf	↑	↑
Prime capital values	\$1,800psf	↑	↑
Prime yields	4.56%	↓	↓
RESIDENTIAL			
Prime rents	\$3.00psf	↑	↑
Prime capital values	\$1,100psf	↑	↑
Prime yields	2.95%	↓	↓
INDUSTRIAL			
Prime rents	\$1.18psf	↑	↑
Prime capital values	\$317psf	↑	↑
Prime yields	2.99%	↑	↑
RETAIL			
Prime rents	\$34.80psf	↑	↑
Prime capital values	\$6,000psf	↑	↑
Prime yields	5.99%	↑	↔

CB RICHARD ELLIS

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INVESTMENT SALES

STRONG INVESTMENT SALES MOMENTUM IN LINE FOR ANOTHER BUMPER YEAR

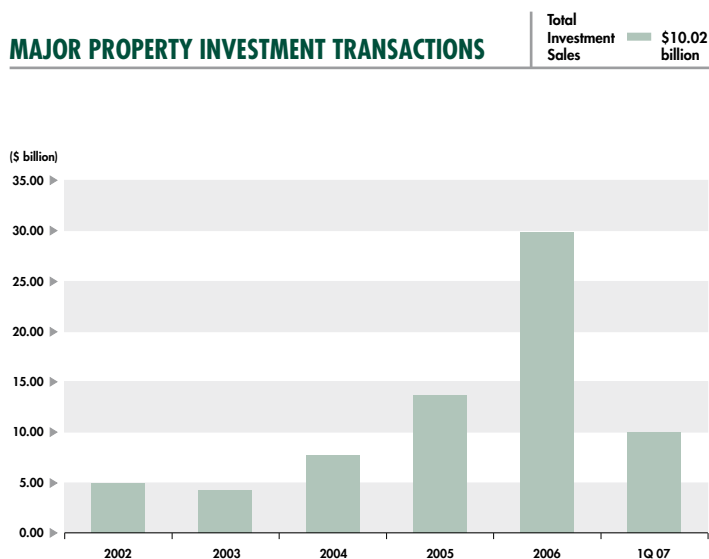
Following a record setting year in 2006, the Singapore property investment sales market got off to a positive start in the first quarter of 2007. A total of \$10.02 billion of investment sales were recorded for the three-month period, 67% higher than the \$6.0 billion for the same period last year. This was credited to the high volume of acquisition of development sites.

Investment sales in the private sector totalled \$8.37 billion in the first quarter, representing 84% of the quarter's total investment sales. The remaining 16% or \$1.65 billion came from the public sector, which comprised the sale of six government sites and the award of Sentosa Cove residential land parcels. In February, a 13,813-sf commercial site at New Bridge Road/North Canal Road was awarded to Kim Eng Properties for \$44 million (\$758 psf/plot ratio). The tender drew strong bidding interest from 11 developers, reflecting investors' positive outlook for the office sector. The winning bid was more than double the reserve price of \$371 psf/plot ratio. Other public sector sales included a hotel site at Sinaran Drive which was sold to Far East Organization for \$131.12 million (\$501 psf/plot ratio), a residential

site at Handy Road which was awarded to Allgreen Properties for \$72.3 million (\$669 psf/plot ratio) as well as the sale of three industrial sites for a total of \$31.41 million. In addition, a condominium site and selected bungalow plots at Sentosa Cove were sold for a total of \$576.97 million.

In terms of sectoral performance, the residential sector commanded the lion's share, accounting for 61% of total investment sales or \$6.13 billion (including Good Class Bungalow sales). The collective sales market remained active with a total of 27 sites sold, amounting to \$3.88 billion. The quarter also witnessed two significant transactions in terms of absolute dollar quantum — the collective sale of Gillman Heights to Capitaland for \$548 million (\$363 psf/plot ratio) and Horizon Towers to a joint venture between Hotel Properties Ltd and two foreign funds for \$500 million (\$820 psf/plot ratio). Both are 99-year leasehold sites. Other notable en bloc transactions included Anderson 18 which was sold to a joint venture between City Developments Ltd and Wing Tai for \$477.70 million (\$1,650 psf/plot ratio), Hillcourt Apartments which was sold to

MAJOR PROPERTY INVESTMENT TRANSACTIONS



Source: CBRE Research

Sing Holdings for \$361 million (\$1,542 psf/plot ratio), Minton Rise which was sold to Kheng Leong for \$209 million (\$236 psf/plot ratio) and Tampines Court which was sold to a joint venture between Frasers Centrepoint and Far East Organization for \$405 million (\$260 psf/plot ratio).

The commercial sector contributed 32% of total investment sales or \$3.16 billion in the first quarter of 2007 as investors displayed strong interest in acquiring office developments. The most significant transaction in the quarter was the sale of Temasek Tower to a fund managed by Macquarie Global Property Advisors for \$1.04 billion (\$1,550 psf). The office block at VisionCrest as well as The House of Tan Yeok Nee was also sold to Union Investment Real Estate AG for \$260 million (\$1,555 psf) while Singapore Exchange Ltd sold its stake in SGX Centre to UOB Ltd for \$271 million (\$1,599 psf). In addition, both OCBC Bank and Capitaland have divested their stakes in Samsung Hub in separate transactions for a total of \$275.3 million. In view of ongoing strong economic fundamentals and the shortage of supply in the medium term, prime office developments as well as yield-accretive investment properties will continue to be sought after by property funds and institutional investors in anticipation of further capital value and rental appreciation.

Investment in the industrial sector was largely driven by REIT-related purchases and accounted for 3.4% of total investment sales or \$338.70 million in the first quarter. Ascendas REIT contributed the bulk of industrial investment sales by acquiring five industrial properties for a total of \$81.7 million. Both Cambridge Industrial Trust and the yet-to-be listed MacarthurCook Industrial REIT acquired properties for \$18.8 million and \$46.6 million respectively.

During the quarter, activity in the hotel investment market remained healthy. The most significant transaction in the quarter was the sale of Hotel Asia by The Ascott Group for \$147 million. LaSalle Investment Management was reported to have acquired Swissotel Merchant Court hotel and another unnamed hotel for an undisclosed price. Given the upbeat outlook of the tourism industry, investment activity in the hotel sector will remain active, especially with the limited supply of hotel rooms in the medium term.

Looking ahead, investment activity for all sectors will continue to be robust. Developers' interest in residential development sites will remain strong while yield-accretive commercial properties will continue to be highly sought-after by foreign funds and institutional investors. The investment market is also likely to see more activity in the public sector in the next quarter and the rest of 2007, going by the positive responses to the sites in the confirmed GLS list.

OFFICE

RENTS CONTINUED DOUBLE-DIGIT PERCENTAGE CLIMB AS SUPPLY TIGHTENS

The leasing market remained active in the first quarter of 2007 in spite of the tight supply situation. Vacated pocket space was quickly taken-up. Leasing deals continued to be dominated by the expanding financial and banking sectors.

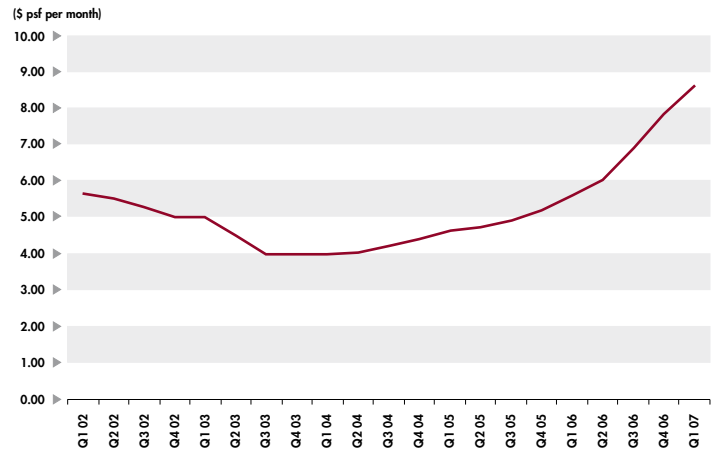
Supply remains extremely tight in the Core CBD as well as in the Fringe and Decentralised areas – all under 5% vacancy with the exception of the Tanjong Pagar and Paya Lebar micro-markets where vacancy was nonetheless still below 10%. The vacancy of Grade A office space dropped even further from 0.8% in Q4 06 to 0.4% this quarter. The completion of SIF Building (68,000 sf) early this quarter, provided little respite to the tight availability situation. The market will face the impending loss of some 473,000 sf of office stock from the redevelopment of Ocean Building and 71 Robinson Road in the next few years.

In response to the ever tightening supply situation and resultant constraints on business growth, the government responded by putting up six State properties for tender on short-term lease in the first half of 2007. If successfully awarded, these vacated schools or old government buildings could add approximately 334,000 sf of temporary offices to the market. Whilst helpful, this space is not expected to provide opportunity for occupiers who are tied to prime locations.

Leasing deals continued to be dominated by the expanding financial and banking sectors. There were also relocations by some law and shipping companies. At the same time, we are seeing some forward-looking tenants in advanced stages of pre-committing at the Marina Bay Financial Centre (MBFC–Phase 1). Prime office rent rose 10.1% in the quarter and 53.6% in the year to average \$8.60 psf per month. While Grade A offices rents averaged \$10.60 psf per month, up 21.4% q-o-q and 76.7% y-o-y.

In a span of nine quarters, we have witnessed a three-fold rental increase in buildings such as OUB Centre, Singapore Land Tower and Republic Plaza. Occupiers who have taken the opportunity in 2002/2003 to upgrade may be faced with an affordability crunch in upcoming lease renewals/rent reviews. We could see greater fluidity in the market as tenants seek to contain

AVERAGE PRIME OFFICE RENTS



Source: CBRE Research

occupancy costs. Business parks can be expected to gain from higher levels of interest.

The office investment market was active with increasing foreign investors' participation. These investors were attracted by the fast upswing in the office market recently. MGP Raffle Pte Ltd, a unit of Macquarie Global Property Advisors, bought Temasek Tower from Temesek Tower Limited (Capitaland) for \$1.04 billion (\$1,550 psf). The Singapore Exchange sold its stake in SGX Centre to UOB Limited for \$271 million (\$1,599 psf). This transaction included a leaseback agreement for a term of seven years with an option to renew for an additional three years.

Capital value (valuation-based) for prime offices was estimated at \$1,800 psf in the first quarter, reflecting an increase of 20% q-o-q and 71.43% y-o-y. Prime office yields were at 4.56%, down from 4.89% in Q4 06 and 4.73% in Q1 06. However, transaction evidence indicated that lower yields were being set.

With effect from 1 March 07, DC rates for the commercial sector was raised by an average of 12%. The hefty increase

of 44.4% to \$302 psf/plot ratio for the Battery Road/Chulia Street/Collyer Quay/Market Street/Church Street area could be accredited to the keen competition and bullish bids seen for the Collyer Quay site in December 2006. The Shenton Way and Tanjong Pagar micro-market also saw a DC rate increment ranging from 35.5% to 38.5% this round as a result of the many office enbloc sales in the past two quarters. The consortium developing the MBFC managed to secured savings estimated at \$63.35 million for phase 2 of the project by locking in a rate of \$435 psf/plot ratio just prior to the revision of DC rates.

Eleven tenderers submitted bids for a commercial site at New Bridge Road/North Canal Road. The site was awarded to Kim Eng Properties Pte Ltd who placed a bid of \$758.38 psf/plot ratio – a significant 200% above the reserve price. The parcel, which is located close to Clarke Quay MRT Station, could be developed into a 6-storey office development of about 50,000 sf.

In view of the critical shortage of supply, the market is anxiously watching the launch of the Central Boulevard site whilst there are expectations that the government would accelerate the land sales programme.

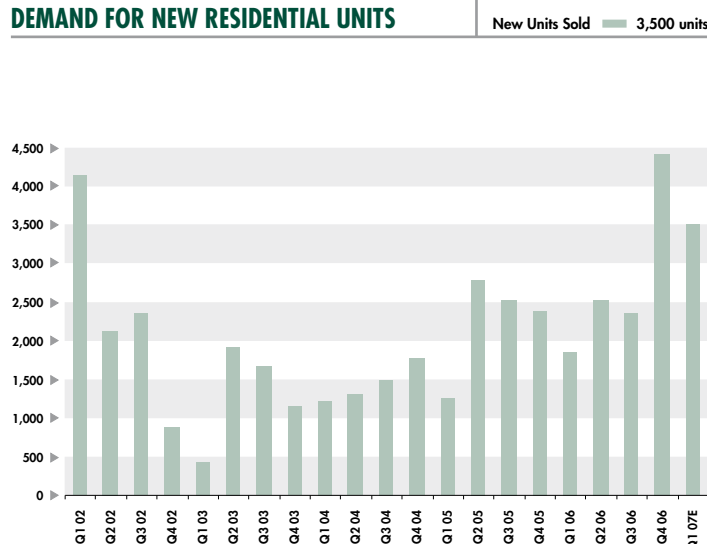
Looking ahead, we expect demand drivers to remain strong albeit demand levels in 2007 may lie below the exceptional 2.4 million sf in 2006 principally due to the constraints imposed by the lack of new supply as well as low vacancy. It is likely that some demand may divert to business parks as well as hi-tech industrial space.

RESIDENTIAL

LUXURY RESIDENTIAL PRICES MOVED INTO UNCHARTERED WATERS

The first quarter of 2007 saw residential prices moving into

DEMAND FOR NEW RESIDENTIAL UNITS



Source: URA, CBRE Research
Note: Figures exclude executive condominiums

unprecedented high levels as more luxury projects were launched and successfully sold. A 53rd storey penthouse at The Orchard Residences was reportedly sold at \$17 million (above \$4,080 psf) to a Singaporean businessman. Other penthouses and apartments on upper levels were also sold at above \$4,000 psf. This makes the project the most expensive in Singapore. In all, the developer announced that 40 of the 175 units in the iconic development were sold during its debut.

Since February, prior to The Orchard Residences being put on the market, units at Beaufort On Nassim in the exclusive Nassim enclave were previewed at just below \$3,000 psf. Likewise, the remaining units at St Regis Residences were known to be marketed at around \$3,000 psf, higher than its average launch price of \$2,600 psf in June 2006. Towards the end of March, units at Parkview Eclat in Grange Garden were also previewed at similar price levels. The prevailing strong interest in high-end homes has driven Singapore's luxury prices up by around 30% from the \$2,200 psf level in mid-2006. This mirrors the 31% increase in London's luxury prices in the year up to February 2007 (19 March 2007, Bloomberg).

New home sales moved at a brisk pace in the first three months of the year and take-up is likely to exceed 3,500 units which is lower than the record of 4,411 new homes sold in the previous quarter. Nevertheless it could be the second highest number of new homes ever sold in a quarter. New projects that were fully sold included The Axis, Clementi Woods, Mimosa Terrace Phase 6, one-north residences, and Sky@Eleven, representing the whole spectrum of high-end, mid-tier and mass market projects. Despite the strong take-up, significant price hikes were seen only in the high-end and mid-tier segments. The latter could be illustrated by one-north residences which was priced at \$900 psf, some 40% to 60% above the current rate of \$550–\$650 psf for existing condominiums nearby; and The View@Meyer, which average price of \$1,500 psf was double the \$750 psf for new projects in Meyer/Amber Road launched a year ago.

It is no surprise that URA's flash estimates showed that residential prices climbed by 4.6% in the first quarter. The uptrend of home prices lent support to speculative activity although this is very selective and confined to projects which are located in specific locations and with unique attributes. However, it is plausible that luxury residential properties are more likely to attract genuine home buyers – be it for longer term investment or owner-occupation purposes – because of the high quantum involved. Based on caveats lodged, foreigners and permanent residents bought 25% to 30% of the new homes.

Developers continued to build up their landbank through the purchase of development sites. A total of 26 sites were acquired through collective sales and two sites through private treaty sales which could potentially yield 6,700 new homes. Two sites in the prime districts and one in district 4 were sold at record price tags. They were Anderson 18 (freehold), which fetched \$477.7 million (\$1,650 psf/plot ratio) and 99-year leasehold Horizon Towers, which fetched \$500 million (around \$810 psf/plot ratio), as

well as 99-year leasehold Gillman Heights, a privatised HUDC development, which went for \$548 million (\$363 psf/plot ratio). A 99-year leasehold condominium parcel in Sentosa Cove, The Seaview Collection, was sold at \$459.8 million (\$1,361 psf/plot ratio), setting a new benchmark for condominium land on the resort island. Such aggressive bidding for development sites shows that developers are very confident of the prospects of the residential market going forward.

Looking to the second quarter, we expect the current positive sentiment to stay as market players remained confident of the Singapore economy, given the financial strength of both local and foreign home buyers. We expect to see more high-end projects being offered, such as Scotts Square, Seafront@Meyer, The Quayside Isle and Reflections At Keppel Bay. Other new project launches may include Botania in West Coast Park, Casa Merah in Tanah Merah and One Rochester Park in Buona Vista. New home sales are likely to be around 3,000 units while home prices may increase by more than 5% if more high-end projects are successfully sold. For the whole year, home prices may see an increase of 10% to 15%.

INDUSTRIAL

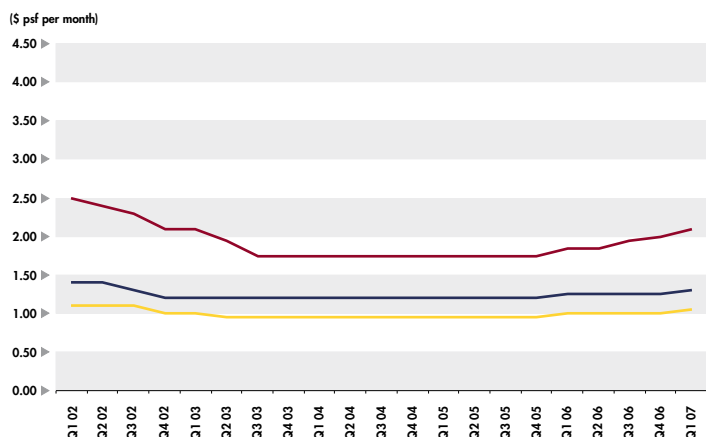
RENT INCREASES FOR ALL INDUSTRIAL SPACE

During the quarter, rents and capital values for all industrial space rose by about 5% with further increases expected later in the year. At the same time, developers' interest in industrial land remained strong as seen in the purchase of four sites.

Average rents for hi-tech space rose to \$2.10 psf in the first quarter of 2007 from \$2.00 psf in the previous quarter and \$1.85 psf in the first quarter of 2006. The increase in rent was driven mainly by demand from companies looking to

AVERAGE PRIME INDUSTRIAL RENTS

High-Tech \$2.10 psf
 Factory (Grd Flr) \$1.30 psf
 Factory (Upp Flrs) \$1.05 psf



Source: CBRE Research

hi-tech space as an alternative to limited traditional office space. Some companies are also turning to hi-tech and business & science park space to meet their needs for a back-up recovery office. Rents are expected to increase further during the year as the supply of office space becomes more limited.

The average monthly rents for factories rose by \$0.05 psf during the quarter to reach \$1.30 psf and \$1.05 psf for ground floor and upper floor units respectively. During the quarter, average capital values for freehold factory space rose by about 5% to \$349 psf for ground floor units and \$284 psf for upper floor units.

Likewise, the average monthly rent for warehouses improved by \$0.05 psf during the quarter to \$1.30 psf for ground floor units and \$1.10 psf for upper floor units. This is the first time that rents for warehouses showed an increase since 2003. Average capital values for freehold warehouses rose by about 5% during the quarter to \$404 psf and \$352 psf for ground floor and upper floor units respectively.

The confirmed and reserve lists of government land for sale in the first half of 2007 were announced in January. Two

industrial sites, with a total site area of 3.3 ha, were placed on the confirmed list. The Tampines Street 92/Simei Avenue site was brought over from the previous reserve list while the Kaki Bukit Road 3 site is new. The reserve list for the first half of 2007 has four sites yielding a total site area of 9.9 ha. Two of the sites (Pioneer Road/Tuas Avenue 11 and Sin Ming Lane) were from the previous reserve list while the other sites (Yishun Avenue 6 and Commonwealth Drive/Commonwealth Lane) are new.

Under the government land sales programme, four industrial sites were awarded in the quarter, more than half the number of sites awarded in 2006. The four sites are located in Serangoon North Avenue 4 (\$61 psf/plot ratio), Woodlands Industrial Park E5 (\$28 psf/plot ratio), Tuas Bay Drive/Tuas South Avenue 3 (\$23 psf/plot ratio) and L1 Enterprises Road (\$38 psf/plot ratio). The unit prices paid for the four sites were higher than the unit prices paid for the sites sold in the previous quarter and the corresponding period in 2006. The only site awarded in Q4 06 was in Changi North Street 1 (\$27 psf/plot ratio) while Pioneer Road was the sole site awarded in Q1 06 (\$14 psf/plot ratio).

From January to March, A-REIT bought six properties for \$81.7 million. One of the properties bought is 27 International Business Park for \$18.6 million (\$190 psf). MapletreeLog did not buy any Singapore property during the quarter while CIT made its third purchase since its IPO last July. It bought 55 Ubi Avenue 3 for \$18.8 million (\$133 psf).

Business sentiment for the manufacturing sector in 2007 is still strong. While the outlook for the electronics cluster is less optimistic due to a slowdown in global demand for electronic consumer goods, the transport engineering cluster anticipates continued robust demand for oil rigs and rising demand for repair services for ships and airplanes. Industrial rents, especially for hi-tech and business &

science park space, are expected to rise even higher during the year. Investment interest is expected to pick up as several industrial REITs, such as the REIT sponsored by MacarthurCook, may launch their IPO in the year.

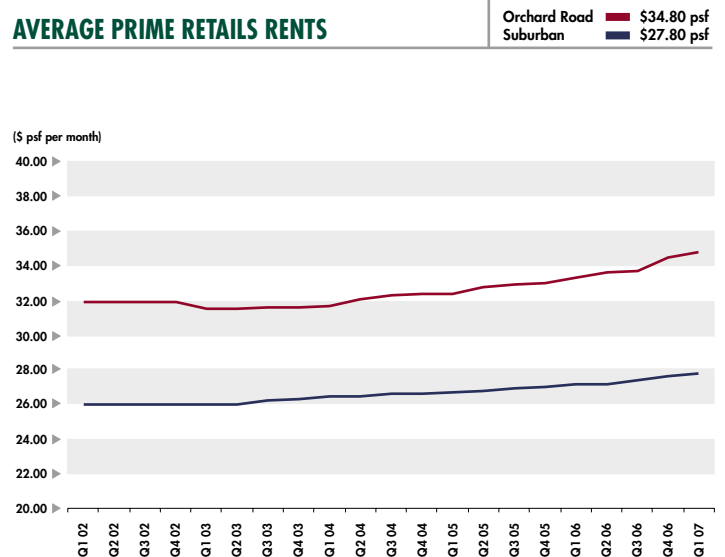
RETAIL

OPTIMISM IN THE RETAIL SECTOR REMAINS STRONG IN THE FIRST QUARTER

The healthy momentum in the retail sector and the uptrend of prime rents continued into the first quarter of 2007. Sentiment remained positive in light of projected healthy economic growth and increase in visitor arrivals. Tourist arrivals in January 2007 rose 7.4% y-o-y, reflecting a record high of 825,000 visitors for the month of January. And among Singaporeans, consumer sentiment was also encouraging as the MasterIndex of Consumer Confidence by MasterCard Worldwide revealed a score of 82.5 for the first half of 2007, higher than the score of 73.9 six months ago and 74.8 a year ago.

Leasing interest was unabated as fashion retailers and F&B operators entered the market or expanded. New fashion brands such as Banana Republic, River Island and Levis Strauss Signature made their debuts in the local retail scene. More overseas retail names are venturing into Singapore, with several principals such as Quiksilver and Marche entering the market directly. At the same time, F&B outlets have not seen any let-up in their growth, either as standalone restaurants offering unique environments, at Dempsey Road and Rochester Park, or as restaurants that are located in a mall's tenant mix. Within a retail development, the proportion of F&B has risen in relation to total tenancies, and is now a vital draw with crowds. An increase in the level of sophistication of F&B clusters in malls, such as The Pier and Marketplace at Raffles City, contributes to the evolving wine and dine culture in Singapore.

AVERAGE PRIME RETAILS RENTS



Source: CBRE Research

With continued activity in the retail sector, more of the older malls are either in the process of redevelopment, or are planning to redevelop. The malls currently undergoing redevelopment include Mandarin Gallery and Specialists' Shopping Centre.

The CBRE islandwide prime rental index rose 1.3% in the first quarter. More modest quarterly growth was seen in Orchard Road and the suburbs, where the average prime rent rose 1.0% to \$34.80 psf/month and 0.5% to \$27.80 psf/month respectively. However, a larger increase was seen in the Other City/City Fringe cluster as prime rents experienced a sharp increase of 40.3% q-o-q to \$17.40 psf/month. This was due primarily to the inclusion of several new malls such as Vivocity, Central and Square 2 to the Other City/City Fringe basket.

Retailers and landlords are confident about 2007. Retail trading prospects remain bright against strong economic growth projections, with take-up of new supply progressing well. The islandwide retail occupancy rate is expected to hover around 93% for most of 2007. Prime rents are projected to climb at a steady and moderate pace, with Orchard Road prime rents likely to increase by 4%–7% and

Suburban prime rents by 3%–5% for the year. The positive sentiment in the retail sector notwithstanding, competition is increasing.

Landlords would have to pay more attention to their immediate retail environment and strive to create a critical mass of shoppers that would achieve the necessary pedestrian traffic flow within a mall. This might include having well-known retailers as key anchor tenants who are able to draw large crowds, as well as the clustering of retailers for niche positioning. As malls strive to make the shopping experience more accessible and seamless, clustering in malls has become more evident. Similar trades are located together as a group, and the critical mass of similar products concentrated in a designated area makes for easier access for shoppers with a specific purchase in mind.

For more information on MarketView, please contact the Research team or Li Hiaw Ho, Executive Director
T. 6224 8181 F. 6533 3815

INVESTMENT Jennifer Teo (Analyst)
jennifer.teo@cbre.com.sg

OFFICE Elaine Chow (Senior Manager)
elaine.chow@cbre.com.sg

RESIDENTIAL Han Huan Mei (Senior Manager)
huanmei.han@cbre.com.sg

INDUSTRIAL Elizabeth Choong (Senior Analyst)
elizabeth.choong@cbre.com.sg

RETAIL Leonard Tay (Senior Manager)
leonard.tay@cbre.com.sg

For MarketView online and other publications, visit www.cbre.com.sg

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QUICK STATS TERMINOLOGY

PRIME RENTS

Average value derived from a basket of prime properties. Quoted on a per square foot net floor area and monthly basis.

PRIME CAPITAL VALUES

Average value derived from a basket of prime properties. For residential, industrial and retail, the basket is only of freehold properties. Quoted on a per square foot net floor area and strata basis (except for office values which are on an en bloc basis).

PRIME YIELDS

Derived from corresponding average annual prime rent (after service charge and property tax) and average prime capital value.

Prime properties are in the following locations:

OFFICE

Raffles Place, Raffles Quay and Marina Centre

RESIDENTIAL

Districts 9, 10 and 11 (apartments/condominiums)

INDUSTRIAL

Ubi, Paya Lebar, Aljunied Road, MacPherson Road, Kallang Pudding, Henderson Road, Jalan Bukit Merah and Alexandra Road

RETAIL

Orchard Road (units on level with heaviest traffic)

Singapore

CB Richard Ellis (Pte) Ltd
6 Battery Road #32-01

Singapore 049909

T (65) 6224 8181

F (65) 6225 1987

www.cbre.com.sg

Co. Reg. No. 197701161R