Quick Stats

	Current	Change from last Yr.	Change from last Qtr.
OFFICE			
Prime rents	$6.70psf	↓	↓
Prime capital values	$1,700psf	↓	↑
RESIDENTIAL			
Prime rents	$4.10psf	↔	↑
Prime capital values	$1,330psf	↑	↑
INDUSTRIAL			
Islandwide rents	$1.28psf	↓	↔
Capital values	$199psf	↓	↔
RETAIL			
Prime rents	$32.20psf	↓	↓
Prime capital values	$5,700psf	↓	↔

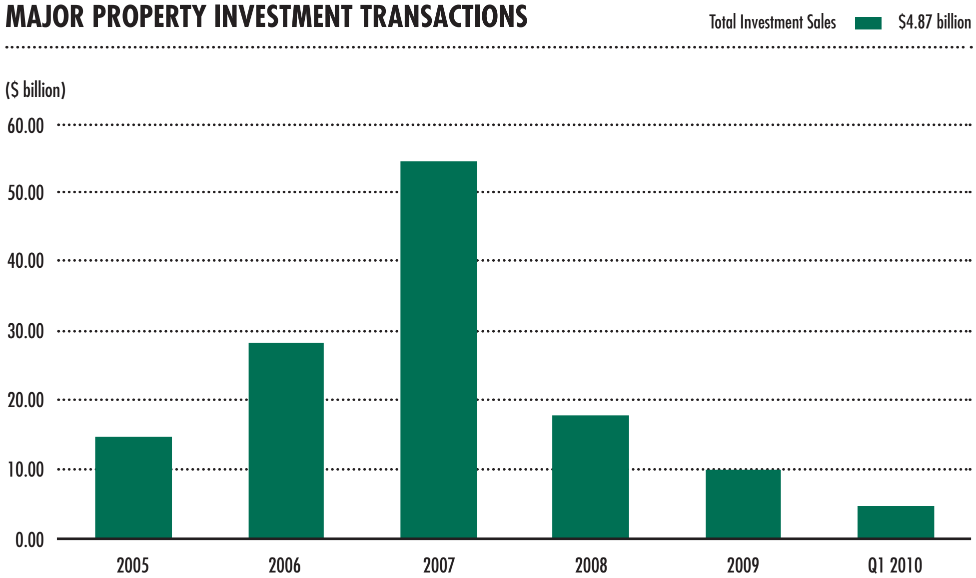
INVESTMENT SALES

ROBUST SALE OF RESIDENTIAL GLS SITES AT THE START OF 2010

With the Singapore economy on the road to recovery, activity in the real estate investment sales market started to strengthen in the beginning of 2010. In just the first three months of the year, the sale of residential GLS (government land sale) sites have already accounted for some $934.66 million, with developers displaying a hunger for land. Activity in the commercial sector as well as the industrial sector also showed significant signs of interest and increase. In light of the improved climate, total investment sales amounted to $4.87 billion in the first quarter, almost 18 times more than the paltry $273.83 million registered in Q1 2009. The private investment sales market accounted for $3.86 billion or 79.3% of the quarter's total investment sales, while investment sales in the public sector contributed the remaining 20.7% or $1.01 billion.

Total residential investment sales including Good Class Bungalow (GCB) sales accounted for 49.3% of the quarter's total investment sales or $2.40 billion in transacted value. While this was 16.9% lower than the $2.88 billion residential investment sales recorded in the last three months of 2009, it was significantly higher than the $149.91

MAJOR PROPERTY INVESTMENT TRANSACTIONS



Source: CBRE Research

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million chalked up in Q1 2009. The GLS tender for the Sengkang West Avenue site closed in February with a top bid of $200.5 million ($365 psf/plot ratio), and was awarded to City Developments Limited. Also during the month of February, the mixed commercial and residential Ten Mile Junction at Choa Chu Kang Road/Woodlands Road was awarded to Far East Organization for $163.99 million or $437 psf/plot ratio. A site at Tampines Avenue 1 was sold to Sim Lian Land Pte Ltd, who had submitted a successful bid of $302.00 million ($421 psf/plot ratio).

Two executive condominium (EC) sites were also sold during the quarter. The Compassvale Bow EC site received a winning bid of $193.28 million or $315 psf/plot ratio from Opal Star Pte Ltd (a joint venture of Fraser Centrepoint Limited & Lum Chang Building Contractors Pte Ltd), while a top bid of $127.80 million or $281 psf/plot ratio secured the site at Yishun Avenue 11 for MCC Land (Singapore) Pte Ltd, a new Chinese developer.

From January to March, 23 GCBs were sold for a combined total of $345.99 million. With the current momentum in the GCB market, a possible 80 to 90 GCBs could be sold in 2010, translating to some $1.2 billion to $1.4 billion in value.

The commercial investment market was also active, chalking up 25.3% of total investment sales in the quarter with $1.23 billion. Frasers Centrepoint Trust (FCT) acquired Northpoint 2 at Yishun for $164.55 million and YewTee Point in Choa Chu Kang for $125.65 million from its sponsor Frasers Centrepoint, the property arm of Fraser and Neave. CapitaMall Trust (CMT) bought Clarke Quay from parent company CapitaMalls Asia for $268.00 million. In January, CapitaCommercial Trust sold Robinson Point – a freehold, 21-storey office building – for $203.3 million or $1,527 psf based on its lettable area of 133,139 sf to fund manager AEW Asia. 1 Finlayson Green was sold for about $145.0 million or $1,629 psf on its lettable area of around 89,000 sf. Another development that has been launched for sale, is 21 Merchant Road comprising some 52,000 sf of office space.

In the industrial sector, there were 26 known transactions during the quarter making up $1.16 billion or 23.8% of total investment sales. While many of the transactions in the industrial sector last year were from end-users, the start of 2010 witnessed the return of REITs (such as A-REIT and MapletreeLog) making selective purchases. The soon-to-be listed REIT, Cache Logistics Trust also purchased six properties that will comprise its portfolio when it is listed.

Compared to a year ago, 2010's prospects in the investment sales market are positive and more than $15.0 billion worth of investment sales could be transacted during the year. While much of the major investment sales in 2009 was dominated by Asian investors, there is now a more diverse pool of buyers. Among these would include local as well as foreign developers competing for GLS sites for residential development. Investment funds will be looking around for opportunities. S-REITs will also be back on the acquisition trail after weathering financial troubles a year ago. These S-REITs will make purchases should the targeted properties have attractive yields.

OFFICE

RENTS AND OCCUPANCY AT A CROSSROADS

The strong leasing momentum seen in H2 2009 spilled over to the start of the current year. Whilst rents contracted for the sixth consecutive quarter the rate of decline was marginal and rents appear to have stabilised off the back of positive demand and a brighter economic outlook. At the end of Q1 2010, prime rents averaged $6.70 psf/month, down 0.7%

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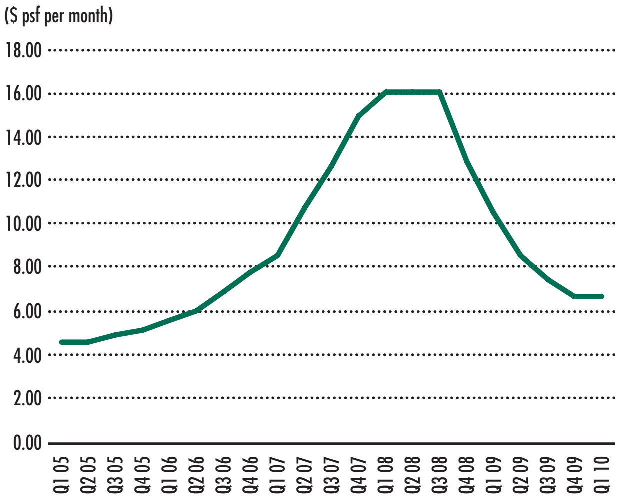
AVERAGE PRIME OFFICE RENTS

Prime Office — $6.70 psf



Source: CBRE Research

q-o-q and 36.2% y-o-y. Prime rents have contracted 58.4% since the rental peak in Q3 2008. Grade A rents are at $8.00 psf/month in Q1 2010 compared with $8.10 psf/month a quarter ago.

As we emerged from the recent recession, occupiers that had necessarily held off decisions on premises started to gear up to take advantage of competitive rents. Flight to quality space has been in evidence and this has served to preserve decent occupancy and support rents in both prime and well-maintained non-prime offices. Conversely rents for the older and less well-maintained buildings will likely come under even further pressure as the overall quality of the CBD office stock is upgraded with an influx of high quality new developments that will come online from 2010 to 2012.

The conversion/redevelopment of older office blocks to other uses is likely to increase due to a combination of factors. Firstly, rising vacancy and falling rents in functionally obsolete older buildings will encourage owners to sell to developers who are hungry for development sites. Secondly, the booming residential market and strong demand for inner city condominiums will drive many existing commercial building owners towards redevelopment as in the case of Starhub Centre and 76 Shenton Way. In all, we estimated that about 1.3 million sf of offices will be converted to mainly residential use up to 2013. Nonetheless with a sizable pipeline of confirmed large office developments, there will be a net addition of 7.0 million sf to office stock through this period.

As we had anticipated, the trend towards decentralisation has ground to a halt, with no tenants relocating from the CBD in the past nine months. We saw a marginal improvement in the occupancy rates of both the Core CBD, Fringe CBD market as well Decentralised markets in Q1 2010. Most notably, Grade A vacancy dipped from 6.2% in Q4 09 to 5.5% this quarter. Whilst this clearly shows the strength of leasing activity focused on this segment of the market, we believe occupancy rates may still dip going into 2011 with a number of large Grade A developments coming on-stream in H1 2011.

The new Grade A projects here have attracted banks, professional services and expanding MNCs. Leasing momentum has improved markedly over the past six months with many tenants with space requirements of more than 75,000 sf. Pre-lease commitment levels in a number of schemes – most notably Marina Bay Financial Centre – have surged of late to the point where large occupiers are starting to find that the range of options available is tightening. Nonetheless, Grade A rents may still be contained in the next 12 to 18 months due to the new supply factor and increased availability in older buildings when tenants move to new space. There is approximately 4.1 million sf of Grade A office completing in 2010 and 2011, representing 77.7% of total supply.

It remains to be seen whether the level of leasing activity enjoyed in the past six months is sustainable,

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as there has been pent-up demand. That said, many sectors such as energy, professional services and banks are registering headcount growth. By way of example, Standard Chartered Bank's new space at the MBFC is already fully utilised and as such, the bank may continue leasing part of its existing premises at 6 Battery Road to accommodate the overspill.

Whilst there is every sign that rents have stabilised, it may be premature to make a call on an early return to rental growth. The impending supply of new completions as well as a substantial amount of secondary supply from tenants relocating to new mega-schemes, may place a brake on rental recovery until 2011. On a positive note for landlords, the spectre of significant over-supply has receded as the Singapore office market has once again displayed remarkable powers of recovery. We will continue to monitor the market closely.

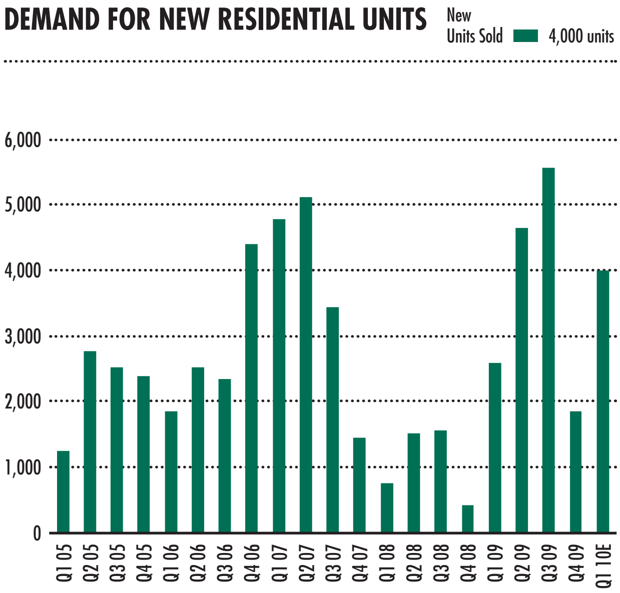
RESIDENTIAL

VOLUME RECOVERED IN STRENGTH

Demand for new homes in Q1 2010 more than doubled that of the fourth quarter of 2009. Notwithstanding the introduction of another set of property curbs in February 2010, following the previous set in September 2009, response to new projects launched in the first three months of the year chalked up close to 4,000 homes compared to only 1,860 in the previous quarter. This showed the resilience of residential demand from both owner-occupiers and investors. Nevertheless, the property measures seemed to be effective in weeding out short term speculators.

The February measures came in the wake of 1,480 new homes sold in January alone, nearly 1.5 times the average monthly volume of 620 units in the

DEMAND FOR NEW RESIDENTIAL UNITS



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

previous quarter. In line with its objective of ensuring a more stable and sustainable residential market, the government announced a set of measures on 19 February 2010: a 3.0% stamp duty on residential properties sold within one year bought on/after 20 Feb 2010, and lowering of the loan-to-value limit from 90.0% to 80.0%. Although these measures caught the market off-guard, new home sales in February registered 1,196 units. The brisk pace continued in March and 1,200–1,400 new homes are expected to be sold.

The strong take-up in the first quarter was anchored by selected new projects with strong locational and product attributes. They included:

1. Altez – 150 units sold out of 280 at the median price of $1,817 psf;
2. Cube 8 – 175 units sold out of 177 at the median price of $1,350 psf;
3. Holland Residences – 78 units sold out of 83 at the median price of $1,680 psf;
4. The Estuary – 520 units sold out of 608 at the median price of $760 psf;

5. The Laurels – 212 units sold out of 229 at the median price of $2,800 psf;
6. The Vision – 230 units sold out of 295 at $1,100 psf–$1,200 psf and
7. 76 @ Shenton – all 202 units sold at $1,600 psf–$2,600 psf.

Most of the new launches in the first quarter were freehold projects located in prime districts 9, 10 and 11 such as Cube 8, Holland Residences, The Laurels and Waterscape. In Tanjong Pagar, the take-up at Altez and 76 Shenton Way was brisk because of their city locations and composition of small-format apartments (one- and two-bedroom units from 500 sf–800 sf each). The Estuary's success could be attributed to strong demand from HDB upgraders as well as the project's view of Lower Seletar Reservoir and Orchid Country Club Golf Course.

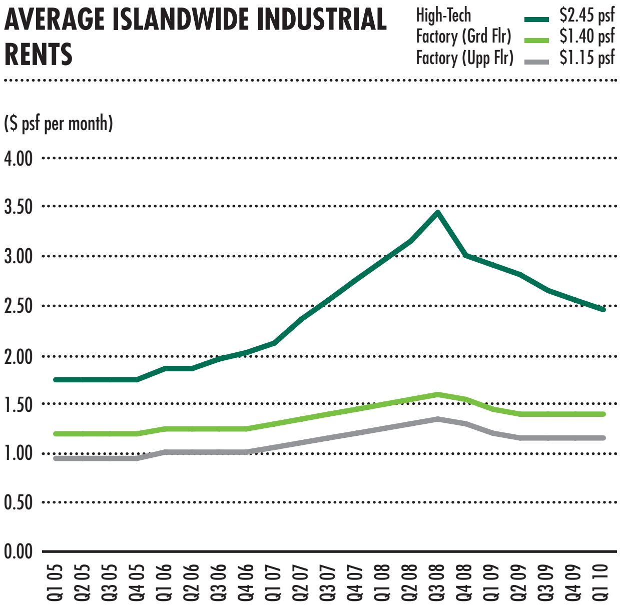
Based on caveats lodged to date, about 33.7% of the buyers in the first quarter of 2010 were HDB addressees, commonly regarded as HDB upgraders. In contrast, back in the first quarter of 2009 when sales volume returned after the lull in 2008, HDB upgraders made up 63.7% of the new home buyers. This was because most of the new launches then were mass-market type projects like Caspian, Double Bay Residences and Mi Casa. In the first quarter of 2010, most of the projects launched were more up-market and were located in the prime districts, Sentosa Cove and Downtown. Therefore, the buyers comprised more private homes-owners (66.3%) compared to HDB upgraders. Foreigners bought around 23.5% of the new homes in the first quarter, the top three groups being Indonesians, Malaysians and PRC Chinese.

Based on URA flash estimates, home prices in the first quarter reflected an upside of 5.1% over the fourth quarter of 2009, supported mainly by resale transactions as developers maintained prices of new launches in the same locations at last quarter's levels. For example, transactions in The Sail @ Marina Bay and Caribbean At Keppel Bay averaged at $2,213 psf and $1,372 psf respectively, up from the corresponding $2,101 psf and $1,346 psf in the fourth quarter of 2009. In the luxury segment, units in Ardmore Park were sold at $2,982 psf in the first quarter this year compared to $2,936 psf previously.

Developers participated ardently in the government land sales (GLS) programme in the first quarter of 2010 to acquire residential sites. A total of three condominium and two executive condominium (EC) sites were successfully sold, with each tender attracting eight to 11 bids. One of the condominium sites was that at Choa Chu Kang Road/Woodlands Road. It was put up for tender two years ago but was not sold because the $61.0 million ($162 psf/plot ratio) offer was deemed by the authorities as too low. This time, it was sold to Far East Organization who offered $164.0 million ($437 psf/plot ratio) for it. The residential apartments to be built will sit on top of the existing shopping podium. As for the two EC sites, the site at Compassvale Bow was awarded to the joint-venture of Frasers Centrepoint and Lum Chang Building Contractors at $193.3 million ($315 psf/plot ratio) while the one at Yishun Avenue 11 was awarded to new comer MCC Land (China-based Metallurgical Construction of China) at $127.8 million ($281 psf/plot ratio). These land prices were higher than those for earlier EC sites sold between 1997 and 2004 at $135 psf/plot ratio to $220 psf/plot ratio. This meant that the two new EC projects could be launched at above $600 psf on the average.

In the second quarter of 2010, the residential market can look forward to the launch of 99-year leasehold projects at Chestnut Avenue, Dakota Crescent and Lorong Ah Soo and prime freehold projects on the sites of former Parisian, Pin Tjoe Court and Anderson 18. As demand for new homes is expected to be around

AVERAGE ISLANDWIDE INDUSTRIAL RENTS



Source: CBRE Research

3,000 units, the GLS programme will be a viable source for developers to replenish their land bank. Home prices will rise at a gradual pace, checked by the government measures and buyers' prudence in financial management.

INDUSTRIAL

SOME LIGHT AT THE END OF THE TUNNEL

Signs of improvement can be seen in the first quarter of 2010. The tender for two industrial sites were launched and a few of the industrial REIT players made several purchases. Rents for factory and warehouse were constant but rents for hi-tech space showed a slight decline.

On Budget Day, the government announced that the Industrial Building Allowance (IBA) will be replaced by Land Intensification Allowance (LIA). The LIA is for capital expenditure incurred to construct buildings or structures on the site. Companies from nine sectors (pharmaceuticals, petrochemicals, petroleum, chemicals, semiconductor-wafer fabrication, aerospace, marine and offshore engineering, solar cell manufacturing and other specialty industries) can apply for LIA if they meet or exceed the gross plot ratio benchmark which is set around the 75th percentile of the actual gross plot ratio. Qualifying companies will be granted a first-time tax allowance of 25.0% and 5.0% thereafter for each year. The LIA will be in force for five years with effect from 1 July 2010.

The monthly rent for hi-tech spaces fell from $2.55 psf in Q4 2009 to $2.45 psf in Q1 2010. Continued downward pressure on hi-tech rents are expected for the remainder of the year due to fewer tenants relocating into hi-tech buildings as office rents are now much more competitive.

In the first quarter of 2010, the average monthly rents for factory units held firm at $1.40 psf for ground floor units and $1.15 psf for upper floor units. The average monthly rent for warehouses also stayed unchanged at $1.35 psf and $1.05 psf for ground and upper floor units respectively. Demand for factory and warehouse space was healthy but it has yet to translate into rental increases.

The capital values for leasehold factory space remained at $230 psf for ground floor units and $168 psf for upper floor units during the quarter. However, capital values for freehold warehouse space increased from $341 psf and $299 psf for ground and upper floor units in Q4 2009 to $360 psf and $315 psf for ground and upper floor units in Q1 2010.

URA received applications for three 60-year leasehold industrial sites during the quarter. The application prices for the three sites were about $30 psf/plot ratio. The sites at Yishun Avenue 6 (Parcel 1) and Yishun Avenue 6 (Parcel 8) were launched for tender in March and will close in April. The third site is located in Woodlands Avenue 12 and the tender for

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the site is expected to be launched in April. Together the three sites can yield a maximum GFA of 151,828 sm (1.63 million sf).

The two largest transactions for industrial properties were the sale of CWT Commodity Hub and CWT Cold Hub to Cache Logistics Trust. CWT Commodity Hub fetched $323.0 million ($141 psf based on GFA) and CWT Cold Hub sold for $122.0 million ($357 psf based on GFA). A-REIT made two purchases during the quarter, namely DBS Asia Hub for $116.0 million ($278 psf based on GFA) and 31 Joo Koon Circle for $15.0 million ($80 psf based on GFA). MapletreeLog paid $34.5 million ($138 psf based on GFA) for 15 Changi South Street 2. The REIT players are expected to continue on their acquisition path if there are yield-accretive opportunities.

The Singapore government has forecasted a GDP growth of 4.5% to 6.5% for 2010 and manufacturers were generally upbeat about business conditions. As such, improved demand for industrial space and a rise in rents can be expected towards the tail-end of the year.

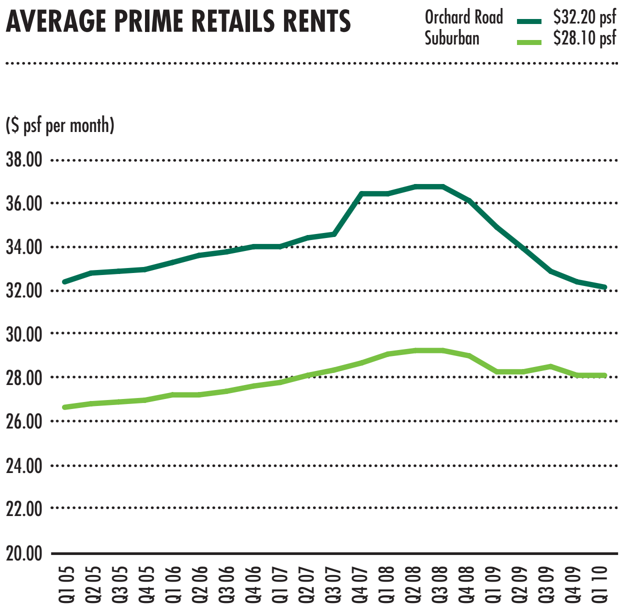
RETAIL

THE RETAIL LEASING MARKET CONTINUED TO BUZZ

The retail leasing market remained active in Q1 2010. *scape announced that it is 80.0% pre-committed ahead of its June opening while the new basement two linkage from Raffles City to Esplanade was reported to be more than 63% pre-let ahead of its July 2010 opening. Over in the suburbs, nex is nearing full occupancy ahead of its Q4 2010 completion.

On a broad perspective, F&B operations continued to flourish. We are seeing more 24-hour grocers, gourmet markets as well as shop-cafes and all-day breakfast outlets. With the increased demand for

AVERAGE PRIME RETAILS RENTS



Source: CBRE Research

F&B spaces, we have also seen upside increases in rents for such spaces, prompting tenants to exercise prudence before committing to spaces.

On the whole, prime retail rents remained relatively stable in Q1 2010. Prime Orchard Road rents averaged $32.20 psf/month down 0.7% from that in Q4 2009. The pace of prime Orchard Road rental decrease has slowed compared with that in the previous four quarters in 2009 (at -3.3%, -2.9%, -3.0%, -1.5% respectively). Prime Suburban rents remained stable at $28.10 psf/month, unchanged from Q4 2009.

It will be an interesting year ahead, as this part of the world eagerly awaits the opening of the two integrated resorts. Although not all the shops and F&B outlets have opened at Resorts World, we were given a sampling of what is to come. The expectations are up and we look forward to an even wider array of shops and retail experiences with the entry of more new-to-market labels and international brands – many of these are looking at Singapore as a springboard into the Asia market.

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The imminent opening of phase two of the Circle Line (CCL) from Bartley to Dhoby Ghaut will have an impact on retailers and shoppers. The 11-kilometre stretch comprises of 11 stations – Tai Seng, MacPherson, Paya Lebar, Dakota, Mountbatten, Stadium, Nicoll Highway, Promenade, Esplanade, Bras Basah and Dhoby Ghaut – will be opening in April. This would effectively facilitate islandwide mobility and redistribute shoppers' traffic. We are therefore likely to see higher traffic at Kallang Leisure Park, Millenia Walk and Marina Square.

Investment transactions in the quarter comprised mainly left to right pocket sales. In January, Frasers Centrepoint Trust (FCT) announced plans to acquire two new malls from the Frasers Centrepoint Mall stable, for $290.2 million, boosting the Trust's portfolio size to $1.5 billion. Both Northpoint2 (85,530 sf) and Yew Tee Point (72,382 sf) will be purchased at $164.55 million ($1,924 psf) and $125.65 mil ($1,736 psf) respectively. Both malls are located near major transportation nodes like bus interchange and MRT stations. The deal is expected to be completed by July 2010.

In February, CapitaMall Trust (CMT) bought Clarke Quay from Clarke Quay Pte Ltd for $268.0 million ($910 psf). The riverfront F&B, lifestyle and entertainment destination has a NLA of 294,610 sf.

Sun Plaza adjacent to the Sembawang MRT station is available for sale via expression of interest. The expression of interest will close on 12 April 2010. The development comprises a five-storey retail podium with two basements with a strata area of 231,000 sf. The residential tower blocks above the retail podium are not included in the sale.

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

Valuation based average value derived from a basket of prime properties. For residential 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 properties are in the following locations:

OFFICE

Raffles Place, Marina Bay and Marina Centre

RESIDENTIAL

Districts 9, 10 & 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)

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