

QUICK STATS

	Current	Change From Last	
		Yr	Qtr
OFFICE			
Prime rents	\$10.50psf	↑	↑
Prime capital values	\$2,500psf	↑	↑
Prime yields	4.10%	↓	↓
RESIDENTIAL			
Prime rents	\$3.40psf	↑	↑
Prime capital values	\$1,200psf	↑	↑
Prime yields	2.82%	↓	↔
INDUSTRIAL			
Prime rents	\$1.25psf	↑	↑
Prime capital values	\$332psf	↑	↑
Prime yields	3.09%	↑	↑
RETAIL			
Prime rents	\$34.40psf	↑	↑
Prime capital values	\$6,000psf	↑	↔
Prime yields	5.76%	↓	↓

CB RICHARD ELLIS

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INVESTMENT SALES

2007 SET FOR A RECORD YEAR IN INVESTMENT SALES

The bullish sentiment in the Singapore property investment sales market continued into the second quarter of 2007. A total of \$10.12 billion of investment sales was recorded, 21.3% higher than the previous quarterly benchmark of \$8.34 billion set in the same period of 2006. The robust momentum in the investment market was largely driven by active acquisitions of development sites by developers in both the private and public sectors.

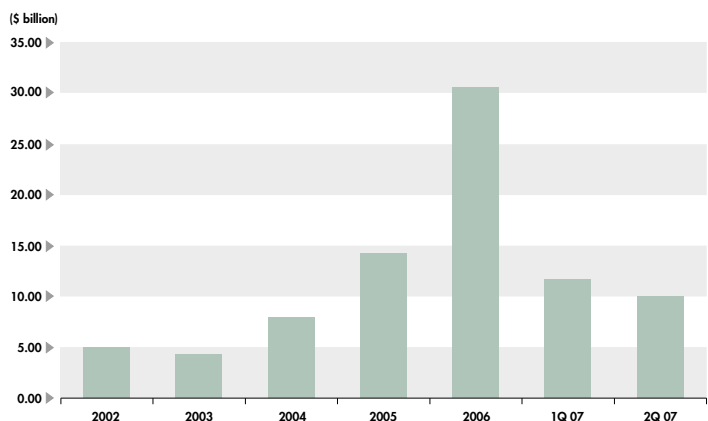
Investment sales in the private sector accounted for 90.0% or \$9.09 billion of the second quarter's total investment sales. Public sector land sales were also very brisk during the quarter, contributing the remaining 10.0% or \$1.03 billion. In May, the government sold a commercial site at Tampines Grande to City Developments Limited for \$225 million (\$622 psf/plot ratio) and a hotel site at Tanjong Pagar Road/Gopeng Street to the Carlton Group for \$123 million (\$573 psf/plot ratio). Other public sector sales included a mixed hotel-cum-retail site at Belilios Road/Klang Road which was sold to Hotel Grand Central for \$48.89 million (\$420 psf/plot ratio) and a residential site at Bishan Street

22/25 to Sim Lian Land Pte Ltd for \$310 million (\$375 psf/plot ratio). In addition, a sports-cum-recreation site at Fairy Hill Point was sold to HG Properties Pte Ltd for \$25.5 million (\$142 psf/plot ratio) and another residential site at Dakota Crescent to a joint venture between Ho Bee Group and NTUC Choice Homes for \$228.89 million (\$524 psf/plot ratio).

In terms of property sectors, the residential sector continued to account for the largest proportion of sales during the second quarter, contributing \$7.53 billion in transacted value (including Good Class Bungalow sales) or 74.4% of total investment sales. Residential land sales remained the focus of investment activity as developers sought to replenish their land banks for future development. A total of 38 collective sales was recorded, generating \$4.30 billion of investment sales. The collective sale of The Ardmore set a new benchmark in the second quarter when it was sold to SC Global for \$262 million (\$2,338 psf/plot ratio). Other notable en bloc transactions in the quarter included Leedon Heights, which was sold to Guocoland for \$835 million

MAJOR PROPERTY INVESTMENT TRANSACTIONS

Total Investment Sales \$10.12 billion



Source: CBRE Research

(\$1,062 psf/plot ratio), Char Yong Gardens which was sold to CapitaLand for \$420 million (\$1,788 psf/plot ratio), Himiko Court which was sold to Singapore Land for \$336 million (\$821 psf/plot ratio), Elmira Heights which was sold to Ho Bee Investments for \$279 million (\$990 psf/plot ratio) and Airview Towers which was sold to Bukit Sembawang Estates for \$202.17 million (\$1,038 psf/plot ratio).

The office investment market continued to witness buoyant levels of activity in the second quarter, contributing 17.3% to total investment sales or \$1.75 billion. A number of notable acquisitions were made by foreign funds as they continued to expand their investment reach in Singapore. CLSA Capital Partners sold SIA Building to SEB, a German pension fund for \$526 million (\$1,783 psf). The unit sale price was 53.0% above the amount which CLSA paid for in June 2006. Parakou Building was sold to New Star, a UK Insurance fund for \$128 million (\$2,013 psf), while 1 Finlayson Green was sold to another UK fund, Develica Asia-Pacific for \$230 million (\$2,661 psf). The quarter also saw an unnamed Taiwanese firm setting a new record for the office investment market with its acquisition of a floor at Central for about \$37.91 million (\$2,850 psf). Given the current robust rental growth in the office sector, investment

activity in the office market will remain strong and the value of office assets is expected to be further enhanced.

During the quarter, Lehman Brothers sold Novotel Clarke Quay Hotel to CDL Hospitality Trusts for \$201 million (\$505,025 per room), more than double what they paid for in August 2004. It was also reported that the 250-room Paramount Hotel was put up for sale with an asking price of \$200 million. In line with the positive tourism outlook, the hotel sector is poised to benefit from rising tourist arrivals, thus creating strong investors' demand for hotel assets in the medium term.

The second quarter also witnessed the launch of MacarthurCook Industrial REIT on the SGX in April 2007. This is the fourth industrial S-REIT which focused on warehouses and other logistics-related properties in the region. The trust has an initial portfolio of 12 properties valued at \$316.2 million.

Pramerica Asia was reported to be looking to divest its retail property portfolio via a REIT route. Shopping malls to be injected into its \$1-billion initial portfolio include Century Square, Hougang Plaza, Tiong Bahru Plaza and White Sands. Parkway Holdings was also reported to be exploring a healthcare REIT with an initial portfolio of three local hospitals worth \$765 million in total.

The investment sales market will continue to perform well in the second half of 2007, in line with the prevailing strong market sentiment. In addition, two highly anticipated GLS sites at Beach Road and Marina Bay are expected to generate keen interest from both local developers and foreign investors. The two tenders will close in the third quarter and these sites are likely to yield over \$2 billion worth of investment sales if they are awarded. The outlook for all property sectors remains positive. Total investment sales for 2007 will likely exceed \$35 billion, surpassing the record of \$30.51 billion set in 2006.

OFFICE

OFFICE RENTS AND CAPITAL VALUES ESCALATED ON THE BACK OF TIGHT SUPPLY

While leasing activity was dominated by the expanding financial and banking sector in the first quarter, demand was more broad-based from March to June 2007, with tenants from the shipping, energy, oil trading, law and I.T sectors taking up space in the Core CBD area. Transactions this quarter were weighted towards the 2,000 sf to 9,000 sf size range due to the limited availability of large contiguous space rather than a demand issue.

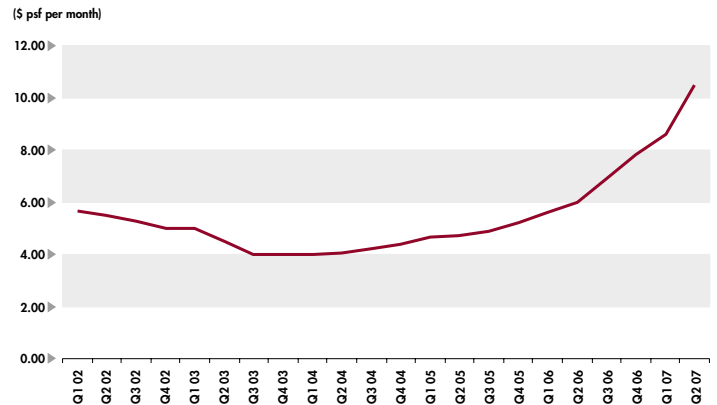
There is evidence that some corporate occupiers are showing greater acceptance for relocation to business parks. For example, Nestle relocated from Southpoint to take up a larger space in the newly completed Eightrium @ Changi Business Park. The driver in this trend was the containment of operating costs in a market where office rents are escalating as well as a hedge against future office rental increases. Some financial firms are also prepared to move support functions out of the CBD to take advantage of widening rental costs.

Prime office rent averaged \$10.50 psf/month, rising 22.1% q-o-q and 75.0% y-o-y. Prime rents have exceeded the 1996 peak (\$9.90 psf/month) and are fast closing on the 1990 historic peak of \$11.50 psf/month. Grade A office rent averaged \$12.40 psf/month, reflecting an increase of 17.0% q-o-q and 82.4% y-o-y.

According to CBRE's latest Global Market Rents survey, Singapore was found to be the 24th most expensive office market worldwide with the fifth fastest rate of rental growth. Tokyo (Inner Central and Outer Central ranked third and fourth respectively) and Hong Kong (in tenth position) represented the only key Asian cities within the top ten most expensive markets. New Delhi (ranked second) and

AVERAGE PRIME OFFICE RENTS

Prime Office ■ \$10.50 psf



The average capital value for prime offices was estimated at \$2,500 psf in Q2 07, reflecting an increase of 38.9% q-o-q and 117.4% y-o-y. Prime office yields were at 4.10% down from 4.56% in Q1 07 and 4.70% in Q2 06. Although prime rents rose 22.1% in the quarter, capital values are growing at an even more frenetic pace. With growing interest by foreign funds, we expect yield compression to continue over the next two quarters.

There was only one bid for the Tampines Grande (Tampines P15) site which closed on 15 May. This was surprising in view of the tight supply situation and strong demand for backroom office locations. The site was awarded to City Development Limited (Fairsteps Properties Pte Ltd) for \$225 million (\$622 psf/plot ratio) on 23 May. We expect that an office development will likely be completed by 2010 and the site could potentially yield a lettable area of 290,000 sf.

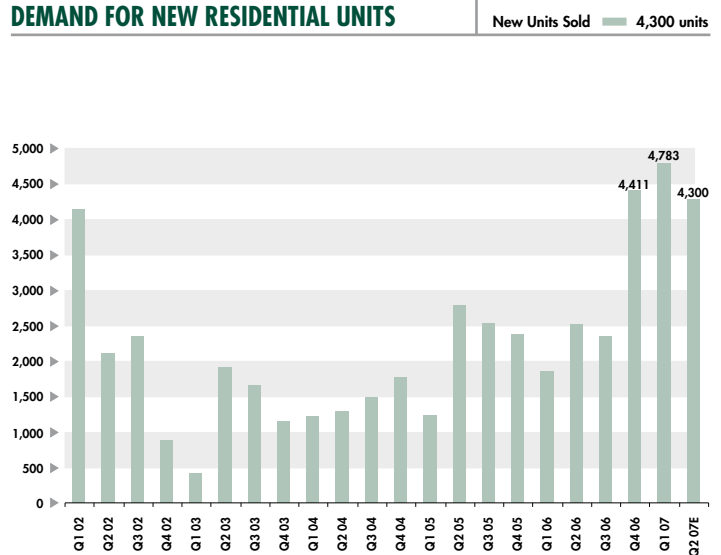
Further rental upside is a given with office supply remaining tight in the next two to three years. We do however expect the pace of rental increase to be tempered by increasing tenants' resistance. Interest in lower cost locations such as business parks is also likely to accelerate as companies increasingly review the "affordability" factor. We are observing a number of large occupiers pre-committing to future schemes. Going forward, we expect that more small to medium enterprises will be prepared to pre-commit as far as 2010.

RESIDENTIAL

SIGNS OF RECOVERY IN RESIDENTIAL SUBURBAN MARKET

After several months of anticipation, the vigour of the luxury residential market finally filtered down to the suburban market. Three major suburban projects, Casa Merah (556 units), Northwood (140 units) and Parc Mondrian (100 units) were fully sold within weeks of their launch. Meanwhile,

DEMAND FOR NEW RESIDENTIAL UNITS



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

luxury projects continued to perform well and new price benchmarks for certain locations were achieved.

The launch of 99-year leasehold Casa Merah attracted a long queue of potential buyers on the first day of its preview in April. Prices for the first batch of units averaged \$590 psf and rose quickly to average \$700 psf for the final batch. The project sold well because of its location and proximity to Tanah Merah MRT station. There was a limited supply of new homes in this price range as most of the new launches in the past 12 months were high-end projects. Subsequently, the launch of Northwood in Jalan Mata Ayer at \$620 psf and Parc Mondrian in Woodleigh Close at \$680 psf also saw brisk sales. Over in West Coast Park, the first batch of units in Botannia (493 units) was launched at \$690 psf and by end-June, units were marketed at \$710 psf. Around 200 units have been sold.

Prices for mid-tier projects also moved up, as seen in projects such as The Seafront On Meyer (322 units) and Riverine By The Park (96 units) at Kallang Road, which were launched between \$1,400 psf and \$1,500 psf. The latter established a new price benchmark for its location and was

reportedly sold out by end-June. Reflections At Keppel Bay also established a new level for the Telok Blangah area when it was launched at \$1,900 psf. The project has a total of 1,129 units but in this first offering, around 400 units were launched and some 360 units were sold during the quarter. For the luxury segment, Suites @ Cairnhill (44 units) was sold en-bloc to a Thai tycoon at an average of \$2,550 psf. Previews were held for Leonie Parc View, Cliveden At Grange and The Marq at Paterson Hill at around \$2,600 psf, \$3,500 psf and \$3,800 psf respectively. A unit in Parkview Eclat was reportedly sold for nearly \$4,200 psf, a new high for the Grange Road area. For the landed segment, take-up was good as seen in the near sell-out of Pavilion Park Phase 1C (44 terrace and semi-detached houses), Palm Grove Regency (20 strata terrace and semi-detached houses) and Dunsfold 18 (18 strata bungalows). Total new homes sold in the second quarter could exceed 4,300 units.

With the brisk sale of new launches, developers were prepared to pay more for development sites, particularly those located in the prime districts, on the city fringe or near MRT stations. The Ardmore was sold at \$262 million (\$2,338 psf/plot ratio), the highest achieved for prime sites. In addition, Char Yong Garden was sold at \$420 million (\$1,788 psf/plot ratio) and Leedon Heights at \$835 million (\$1,062 psf/lot ratio). At the city fringe, Spottiswoode Park and its neighbour, Oakswood, were sold at \$79.5 million (\$730 psf/plot ratio) and \$132 million (\$740 psf/plot ratio) respectively. In suburban locations, Regent Garden at West Coast Road was sold for \$34 million (\$392 psf/plot ratio) while Laurel Park at Lorong Chuan was sold for \$36.1 million (\$396 psf/plot ratio). Under the government's land sales programme, two 99-year leasehold condominium sites at Bishan Street 22 and Dakota Crescent were sold at \$375 psf/plot ratio and \$524 psf/plot ratio respectively. These higher land prices reflect higher breakeven prices, which will in turn translate to higher selling prices when these projects are launched, assuming market conditions remain positive.

The secondary market is likely to register over 4,000 transactions, higher than the 3,866 sales in the previous quarter, due to an increase in the number of collective sales, as well as purchases by collective sale home owners who bought replacement properties. The increase in the number of sub-sales of popular projects also added to the higher numbers. Some notable transactions included the sub-sale of a 6,017-sf penthouse in St Regis Residences at \$4,653 psf and a 4,187-sf unit in Draycott Eight (99-year leasehold) at \$3,176 psf.

We expect the URA residential price index to increase more than 5% for the second quarter, higher than the 4.8% increase in the previous quarter.

We expect the current positive sentiment to continue into the third quarter of 2007. Developers will offer a variety of projects as they take advantage of the strong demand for new homes. In the high-end segment, Hilltops, Scotts Square and the condominium at Marina Collection (99-year leasehold) may be launched. In the prime and mid-tier segments, we could expect the launch of the condominium projects at Sinaran Drive (99-year leasehold), Jalan Mutiara (site of former Dragon View Park) and Meyer Road (site of former Eastern Mansion). As for suburban projects, the condominium on the former site of Westpeak in West Coast Walk and Versilia On Haig may be launched. Take-up of new homes is likely to exceed 3,000 units while home prices may continue to rise by another 3% to 5%.

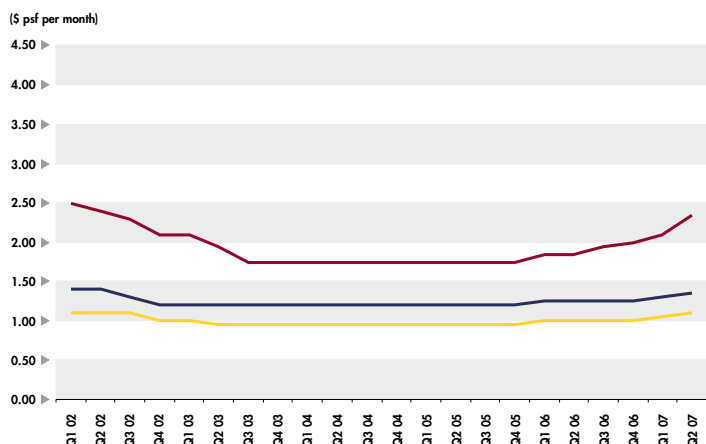
INDUSTRIAL

STRONG DEMAND DRIVES GROWTH IN INDUSTRIAL RENT

Average rents for all industrial space increased in the second quarter of 2007, with hi-tech space rising the fastest. The quarter also saw the completion of two major industrial projects and the launch of a fourth industrial REIT.

AVERAGE PRIME INDUSTRIAL RENTS

High-Tech \$2.35 psf
 Factory (Grd Flr) \$1.35 psf
 Factory (Upp Flrs) \$1.10 psf



Source: CBRE Research

Average rents for hi-tech space increased from \$2.10 psf in the first quarter to \$2.35 psf in the second quarter. The 11.9% rise is the highest quarterly increase in the past five years. The limited supply of office space coupled with rising rents encouraged many qualifying companies to look to hi-tech properties to meet their spatial needs. Further rent increases for hi-tech space during the second half of the year is expected as demand for offices is unlikely to let up and the supply of office space remains tight.

During the second quarter, average monthly rents for factories saw another \$0.05 psf quarter-on-quarter increase to \$1.35 psf for ground floor units and \$1.10 psf for upper floor units. Average monthly rents for warehouses also saw a quarter-on-quarter increase with rents for ground floor units increasing 11.5% to \$1.45 psf while upper floor units rose by a smaller 4.5% to \$1.15 psf.

Likewise, average capital values for factories improved over the first quarter. Average capital values for freehold factory space rose by about 5.0% to \$366 psf and \$298 psf for ground floor units and upper floor units respectively. However, average capital values for freehold warehouses

stayed firm at \$404 psf for ground floor units and \$352 psf for upper floor units due to lack of transaction evidence.

In the second quarter, only one industrial site was awarded. The Tampines Street 92/Simei Avenue site was awarded to Storhub Self Storage Pte Ltd for \$8.69 million (\$29 psf/plot ratio). The tender for a second industrial site – Kaki Bukit Road 3 – on the confirmed list was launched in June and will close in August. Car companies are expected to show keen interest in the site.

Sime Darby's Enterprise Centre and Soilbuild's Eightrium @ Changi Business Park were officially launched for lease in the quarter. Enterprise Centre is located off Jalan Bukit Merah and has a total lettable area of about 4,413 sm (47,500 sf). Eightrium @ Changi Business Park has a net lettable area of 16,537 sm (178,000 sf) and is achieving rents of \$3.20 psf to \$3.50 psf.

A fourth industrial REIT – MacarthurCook Industrial REIT (MI-REIT) – was launched in April. Its initial portfolio of 12 Singapore properties, with an aggregate net lettable area of 194,981 sm (2.10 million sf), was valued at \$316.2 million in November 2006. MI-REIT's initial portfolio is the smallest in terms of quantum when compared to the initial portfolios of the other three industrial REITs. The public offer closed on 17 April after some \$312.5 million was raised.

The investment market for industrial properties was quieter in the second quarter primarily due to limited properties available for sale. During the quarter, CIT bought six properties for \$93.1 million unlike the first quarter when it bought only one property for \$18.8 million. The other two industrial REITs were less active. From April to June, MapletreeLog bought a total of two overseas properties, both from abroad. It bought six overseas properties for \$368.6 million in the first quarter. A-REIT did not buy any properties during the second quarter, unlike the previous quarter when it bought six local properties for \$81.7 million.

The manufacturing sector is growing as demonstrated by the improving manufacturing indicators. Growth in key sectors, such as electronics, has led manufacturers to be more optimistic and thus increase their demand for space. Keen competition for investment-grade industrial properties has resulted in REIT players lowering their yield expectations for properties to be acquired.

RETAIL

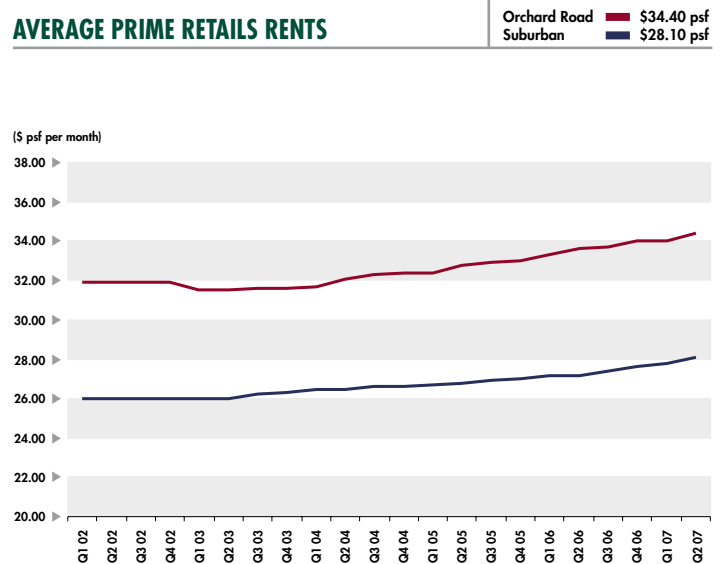
ORCHARD ROAD RENTS NEARING PRE-ASIAN FINANCIAL CRISIS PEAK IN 1996

Efforts to rejuvenate Orchard Road with a lot more vibrancy are beginning to pay off. The current rentals in Orchard Road appear to be fast approaching levels in 1996, before the Asian Financial Crisis in 1997. Average prime rent in Singapore’s most popular shopping destination registered an average of \$35.10 per square foot per month in 1996. This is close to the figures in the second quarter of 2007, where Orchard Road rents registered an average of \$34.40 per square foot per month.

Singapore remained an attractive place for foreign retailers. During this period, more new brands from Europe, US and Australia were seen setting up shop here. They include Roots (Canada) and Promod (France). Camper will make a comeback with the opening of its new outlet in VivoCity. In recent years Spanish labels have made significant strides in Singapore’s fashion arena. New Spanish entrant Cortefiel will join the ranks of Mango, Zara and Massimo Dutti to become part of the fashion retail scene here towards the end of the year. At the same time, department stores are still bringing in foreign labels, e.g. Episode, Jessica and Danish fashion chain Cottonfield can now be found in Robinson stores.

In view of the keen competition from upcoming new

AVERAGE PRIME RETAILS RENTS



Source: CBRE Research

malls, existing shopping centres are being upgraded and revamped to remain attractive to tenants and shoppers. This trend is evident in the Marina/City Hall area, with Raffles City adding more shop space and Suntec City creating new shopping zones. In addition, a large underutilized lobby at Suntec Convention Hall was converted into an avant garde food court. The 15,000-sf eating place, operated by Food Republic, is modeled after a gentleman’s library from the 19th Century.

The CBRE islandwide prime rental index remained relatively flat from last quarter, registering a marginal 1.4% increase. Average monthly prime rents in Suburban Malls and Orchard Road rose 1.0% to \$28.10 psf/mth and 1.8% to \$34.40 psf/mth. Higher rentals for revamped spaces at the malls in the City Hall/Marina Centre precinct brought up the average prime rent by 1.4% to \$25.90 psf/mth.

A number of retail properties were recently put up for sale. Apart from local developers, foreign institutional funds and REITs are among the buyers who might be keen to purchase retail properties for the stable return. A total of eight retail or mixed use buildings are available for en-bloc sale. They

include Kovan Centre, Peace Centre/Peace Mansion, Tanglin Shopping Centre, Orchard Towers, Orchard Plaza, Ruby Plaza and Balestier Towers. The indicative prices for these properties range between \$670 psf/plot ratio and \$2,000 psf/plot ratio.

During the quarter, the 99-year leasehold "white" site at Belilios Road was awarded to Hotel Grand Central. This parcel could yield some retail space within a 350 to 400-room hotel development.

Properties worth more than \$1 billion in the Asian Retail Mall Fund (ARMF) could be injected into a new REIT. The buildings include Century Square, Hougang Mall, Tiong Bahru Plaza and Central Plaza (the office block beside Tiong Bahru Plaza).

For the past two years, tenders for prime retail sites have been hotly contested. The Somerset Central site, one of the three Orchard Road sites which fetched record prices, was sold in 2006 at 40.0% higher than the Orchard Turn site that was sold in 2005. This year, capital values of retail properties are likely to be driven up in view of the potential collective sales against the backdrop of a buoyant retail outlook.

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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, Marina Bay 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)

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