

**QUICK STATS**

	Current	Change From Last	
		Yr	Qtr
<b>OFFICE</b>			
Prime rents	\$12.60psf	↑	↑
Prime capital values	\$2,900psf	↑	↑
Prime yields	4.32%	↓	↑
<b>RESIDENTIAL</b>			
Prime rents	\$3.60psf	↑	↑
Prime capital values	\$1,400psf	↑	↑
Prime yields	2.55%	↓	↔
<b>INDUSTRIAL</b>			
Prime rents	\$1.28psf	↑	↑
Prime capital values	\$359psf	↑	↑
Prime yields	2.94%	↓	↓
<b>RETAIL</b>			
Prime rents	\$34.60psf	↑	↑
Prime capital values	\$6,100psf	↑	↔
Prime yields	5.75%	↑	↓

**CB RICHARD ELLIS**

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**INVESTMENT SALES**

**\$45 BILLION TO \$50 BILLION OF INVESTMENT SALES EXPECTED IN 2007**

A total of \$15.69 billion worth of investment transactions was recorded in the third quarter of 2007, reflecting investors' confidence in the Singapore property market on the back of continued positive economic growth and outlook. This was 93.9% higher than the \$8.09 billion for the same period last year. The private sector accounted for 64.3% or \$10.09 billion of the third quarter's total investment sales. Public sector land sales, which contributed the remaining 35.7% or \$5.60 billion, were very active. The total investment sales of \$40.95 billion for the first nine months of 2007 has already exceeded the 2006 full-year volume by 34.0%.

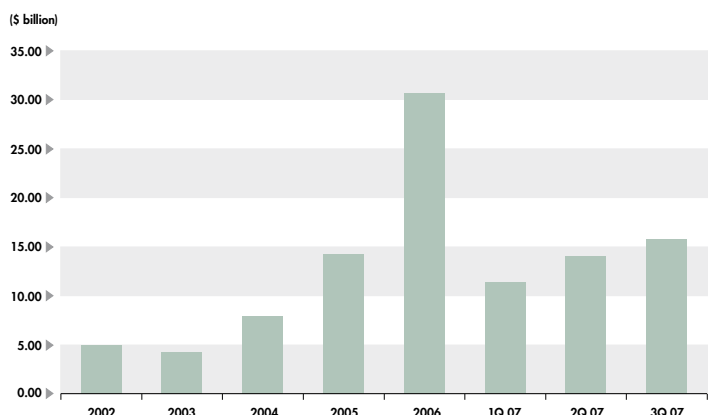
On 25 September, a prime "white" 1.02-ha site at Marina View (Land Parcel A) was awarded to Macquarie Global Property Advisors for \$2.02 billion (\$1,409 psf/plot ratio). Another 3.5-ha commercial site at Beach Road was awarded to a consortium comprising City Developments Ltd, the Istithmar Group and the El-Ad Group for \$1.69 billion (\$1,069 psf/plot ratio). The tender was conducted through a two-envelope system. A 15-year leasehold office site at Scotts Road was sold to a joint venture between Hwa Hong Corporation and KOP Capital for \$37 million (\$219

psf/plot ratio). The tender drew strong interest from developers, attracting 11 bids. Other public sector sales included two residential sites at Woodsville Close and Ang Mo Kio Avenue 8, which were awarded to Frasers Centrepoint for \$50.68 million (\$434 psf/plot ratio) and Far East Organization for \$202.88 million (\$601 psf/plot ratio) respectively. The government also sold a hotel site at Tanjong Pagar Road/Tras Street to Chng Gim Huat for \$97.07 million (\$562 psf/plot ratio) as well as two office sites at Anson Road/Enggor Street to Mapletree Investments for \$391.93 million (\$1,021 psf/plot ratio) and Anson Road to LaSalle Investment Management for \$237.2 million (\$941 psf/plot ratio) respectively. In addition, a condominium site at Sentosa Cove was sold to SC Global for \$268.3 million (\$1,800 psf/plot ratio).

The office sector was the star performer during the quarter, accounting for 43.5% of total investment sales or \$6.83 billion. This was more than quadruple the \$1.37 billion recorded in the previous quarter. On the back of the upbeat office market, prime office properties continued to be highly sought-after by investors, with some notable acquisitions made by REITs and foreign funds. The sale of Chevron

## MAJOR PROPERTY INVESTMENT TRANSACTIONS

Total Investment Sales \$15.69 billion



Source: CBRE Research

House (former Caltex House) set a new benchmark for office transactions when it was sold to Goldman Sachs for \$730 million (\$2,783 psf). Capitaland divested its interest in Wilkie Edge, a mixed development with offices, to CapitaCommercial Trust for a total of \$182.7 million. Separately, Capitaland raised its interest in One George Street and The Adelphi by acquiring the remaining 50% stake from its partner Eureka Office Fund Pte Ltd (EOF), for a total of \$715.75 million. In addition, both K-REIT and Suntec REIT each acquired a one-third stake in One Raffles Quay for a total of \$1.88 billion.

The residential sector contributed \$5.77 billion in transacted value (including Good Class Bungalow sales) or 36.8% of total investment sales. The collective sales market was fairly active with a total of 17 sites recorded, generating \$1.75 billion of investment sales. Notable en bloc transactions included The Grangeford which was sold to Overseas Union Enterprise for \$625 million (\$1,810 psf/plot ratio), Tulip Garden which was sold to Bravo Building Construction for \$516 million (\$1,018 psf/plot ratio) and Margate Mansion which was sold to Soilbuild for \$58 million (\$822 psf/plot ratio). Apart from landbanking activity, there were bulk purchases of 56 units at The Reflections at Keppel Bay and 180 units at Costa Del Sol for \$286 million and \$200.77 million respectively.

In addition, all 61 units at M21 were reported to have been sold to a fund representing US and UK investors for a total of \$100 million. It is likely that these buyers are looking for rental returns and/or capital appreciation.

The industrial sector enjoyed good sales momentum, contributing \$582.66 million or 3.7% to total investment sales, largely driven by REIT-related purchases. MacarthurCook Industrial REIT (MI-REIT) contributed the bulk of industrial investment sales by acquiring two properties for a total of \$109.3 million. Both Cambridge Industrial Trust (CIT) and MapletreeLog expanded their portfolio size and value in the quarter by acquiring properties for a total of \$108.5 million and \$62.4 million respectively.

Ascendas India Trust and Parkway Life REIT were listed on the SGX in August 2007. Ascendas India Trust is a business trust structured with REIT characteristics and its initial portfolio comprises four IT parks located in India worth a total of \$932.51 million. The second healthcare S-REIT, Parkway Life REIT, has an initial portfolio of three local hospitals, namely Gleneagles Hospital & Medical Centre, Mount Elizabeth Hospital & Medical Centre and East Shore Hospital, purchased collectively for \$774.6 million.

Looking ahead, the investment sales market is likely to remain active for the rest of the year, with significant contributions from public sector sales. In view of current market sentiments, we expect the total volume of investment sales for the full-year 2007 to range between \$45 billion and \$50 billion, a substantial increase from the \$35 billion estimated in the previous quarter.

## OFFICE

### RELIEF IN SIGHT FOR HARD-PRESSED OCCUPIERS AS GOVERNMENT BOLSTERS SUPPLY

In spite of recent uncertainties in the financial markets, there was no discernible dampening of demand for office space

in Singapore. Whilst demand remained broad-based with sectors such as energy, printing, IT, insurance and foreign law firms taking up office space in the third quarter, it was the financial and banking sector that continued to dominate as the potential source for large space requirements.

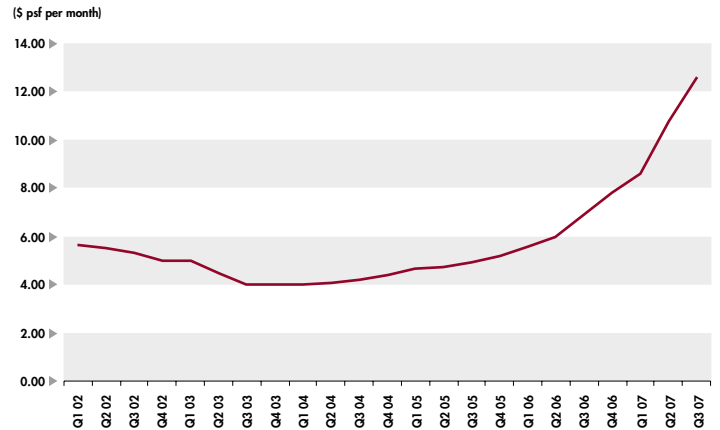
Prime office rent averaged \$12.60 psf/month, rising 16.7% q-o-q and 82.6% y-o-y. Prime rents have exceeded the historical peak in 1990 (\$11.50 psf/month) as well as our earlier forecast of \$12.50 psf/month for end-2007. Grade A office rent averaged \$14.90 psf/month, reflecting an increase of 13.7% q-o-q and 96.1% y-o-y. While we foresee further upside to rentals, we expect that the pace of rental growth may ease, going forward. We have observed tenants' increasing resistance to rental hikes. Occupiers are more prepared to explore lower cost locations and the option of relocating to alternative premises such as business parks & hi-tech spaces. The prospect of more future supply is also a consideration, although the time lag before such spaces are completed will still place constraints on occupiers.

The government has reacted to escalating office costs and the lack of expansion space by injecting more sites for sale under the H2 2007 Government Land Sales (GLS) programme. As at end-August, full potential supply (the aggregate from known private sector project supply, awarded GLS sites as well as potential supply from expected future land sales) amounted to 10.837 million sf for 2007–2012. This reflects an increase of 147% in absolute quantum, from the full potential supply of 4.389 million sf that we were able to identify at end-Q1 07, just two quarters ago. This works out to an average potential annual supply of 1.806 million sf for the next six years, higher than the past ten-year average supply of 1.53 million sf per annum.

Based on our projected average annual take-up of 1.6 million sf for 2007–2012, even if full potential supply materialises, we forecast that there will be relative equilibrium between supply and take-up over this period and occupancy levels will remain in the range of 91.0% to 95.0%.

### AVERAGE PRIME OFFICE RENTS

Prime Office ■ \$12.60 psf



Source: CBRE Research

The office investment market remained active with some \$3.47 billion worth of private transactions chalked up during the third quarter. Notably, a fund linked to Goldman Sachs bought Chevron House from CapitaLand for \$730 million (\$2,783 psf over NLA), setting a new price benchmark which exceeds the rate of \$2,650 psf for One Finlayson Green.

The average capital value for prime offices was estimated at \$2,900 psf in Q3 07, reflecting an increase of 16.0% q-o-q and 114.8% y-o-y. Prime office yields were at 4.32% up slightly from 4.23% in Q2 07.

In terms of land sales, Macquarie Global Property Advisors was awarded the 1.02-ha site at Marina View after submitting the top bid of \$2.02 billion or \$1,409 psf/plot ratio. The Anson Road/Enggor Street site was awarded to Mapletree (St James Power Station Pte Ltd) for \$391.93 million (\$1,021 psf/plot ratio). Mapletree announced that a new 18-storey (floor plate of 22,000 sf) development is likely to be completed by end-2009. The adjacent Anson Road site was awarded to LaSalle Investment Management for \$237.2 million (\$941 psf/plot ratio) on 29 August. A 20-storey development of about 200,000 sf NLA is being planned. The project is likely to complete in 2010. The

Scotts Road site was awarded on 27 August to a JV between KOP Capital and Hwa Hong Corporation (Scotts Spazio Pte Ltd) for \$37 million (\$219 psf/plot ratio). URA had extended the lease for this 1.04-ha parcel from 10 years to 15 years. It was surprising that there were 11 bids for the site, as the tender closed in the midst of a market reeling from the US sub-prime crisis and the resulting credit crunch. This seemed to suggest that developers' appetite for well-located sites remained healthy. Following the successful sale of this parcel, URA launched another parcel at Tampines Concourse/Tampines Avenue 5 for transitional office use.

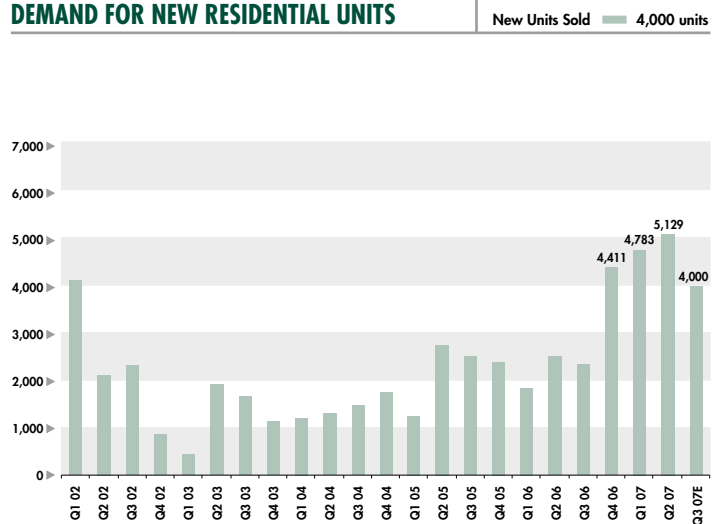
Going forward, we remain optimistic about the prospects for the office market, even as we move into a period of more modest rental growth. We expect more announcements of sizeable lease pre-commitment over the remainder of the year, with deals by the banking and insurance sector. On the supply side, the government's reaction has been measured so far, but care is required in monitoring any future change in demand for office space. As such, it may be timely for all in the sector – landlords, tenants, policy-makers etc. to take stock of the market dynamics in setting out policy and making decisions.

## RESIDENTIAL

### MARKET TOOK A BREATHER

The pace of the residential market slowed down a little during the third quarter, due partly to the seasonal effect of the Lunar Seventh Month (13 August to 10 September) and partly to the credit tightening which resulted from the US sub-prime mortgage problems. Generally, developers launched fewer new projects for sale, totalling around 3,500–4,000 units, compared to an average of 4,300 units in each of the previous two quarters. Factoring in the slowdown, it is likely that the total new homes sold in the third quarter will be around 4,000 units, including sales from ongoing projects. This is lower than the 5,129 and 4,783 units sold in the second and first quarters respectively.

### DEMAND FOR NEW RESIDENTIAL UNITS



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

Nevertheless, there were some star performers among the new projects launched. For example, The Rochester (366 units, average \$1,275 psf) at one-north and The Parc Condominium (659 units, \$880 psf) in west coast were both sold out very quickly. Soleil @ Sinaran (417 units, \$1,400–\$1,500 psf) was sold out except for the penthouses while M21 (61 units) in Minbu Road was bought en bloc by a Fund representing UK and US investors at \$1,400 psf. The first 170 units of Scotts Square (338 units) were previewed and sold at \$4,428 psf on the average. New benchmarks were achieved by the sale of a penthouse each in The Marq at \$5,100 psf and in The Orchard Residences at \$5,500 psf. According to URA's preliminary estimates, the private residential price index increased by 8.0% in the third quarter.

A weaker market sentiment was felt in the secondary market. Anecdotal evidence suggested that sub-sale activities have been muted as investors become more cautious. While the first and second quarters saw secondary market sales volume of 4,645 and 6,514 units respectively, it is likely that the third quarter figures will be lower, in the region of 4,000–4,500 units. The proportion of sub-sales to total sales (primary and secondary markets) is likely to fall below the 7.4% and 9.7% registered in the preceding quarters.

A cautious mood was also seen in the private land sales market due to the global credit tightening, the higher price tags as well as the two rounds of revision to development charge (DC) rates. Only 24 sites (\$1.96 billion) were sold compared to 51 (\$6.92 billion) in the previous quarter. Two of the major collective sales during the quarter were Tulip Garden and The Grangeford. The former was sold to Bravo Building Construction at \$516.00 million (\$1,018 psf/plot ratio) while the latter was sold to OUE at \$625.00 million (\$1,810 psf/plot ratio). On 18 July, the government announced that DC rates will be based on 70% of the enhanced land value instead of 50% previously, so as to achieve a 'more equitable sharing of gains between land owners and the state'. On 31 August, as part of its regular revision exercise, the government raised DC rates in view of the substantial appreciation in land values in the past six months. The non-landed segment bore the brunt of the increase as seen in 100% to 112% hike in Downtown, Everton/ Spottiswoode Park area, Newton/ Surrey/ Lincoln Roads and River Valley/ Jalan Mutiara areas. Islandwide, DC rates rose by 58% on average.

At the same time, government land sales sped up partly because more sites were being offered, and partly because they do not attract DC. A site at Woodsville Close was awarded to Frasers Centrepoint at \$50.68 million (\$ 434 psf/plot ratio) and another at Ang Mo Kio Avenue 8 to Far East Organization at \$202.88 million (\$601 psf/plot ratio). The latter was extremely popular as it garnered 14 bids with the top bid nearly double the reserve price of \$302 psf/plot ratio. The Beachfront Collection in Sentosa Cove was awarded to SC Global at \$268.3 million, reflecting the highest land rate of \$1,800 psf/plot ratio for a condominium plot in the resort island.

Residential rents have gone up significantly due to the shortage of apartments for lease following the slew of collective sales of existing developments in the past two years. In the first half of 2007, the rental index rose 18.7%, compared to 14.1% for the whole 2006. Another 8% to 10% rise is expected in the third quarter. More and more

expatriates opted to buy their own homes or move out of the prime districts for cheaper accommodation elsewhere.

Moving into the final quarter of 2007, the residential market will remain active as the government's projected economic growth of 7% to 8% for the year remains on track. Some new launches expected to come on-stream are Hilltops, Ritz-Carlton Residences, 21 Anderson, the second phase of Marina Bay Financial Centre, Turquoise condominium in Sentosa Cove and the first phase of Waterfront View redevelopment project. The sale of new homes may register 3,000–3,500 units while prices may rise by 6% to 8%, led by possible new benchmarks set by branded residences.

## INDUSTRIAL

### CONTINUED STEADY GROWTH FOR INDUSTRIAL RENTS

The third quarter saw another round of increase in rents for all industrial spaces except warehouses. The quarter also saw the award of one industrial site and two new upcoming developments in one-north.

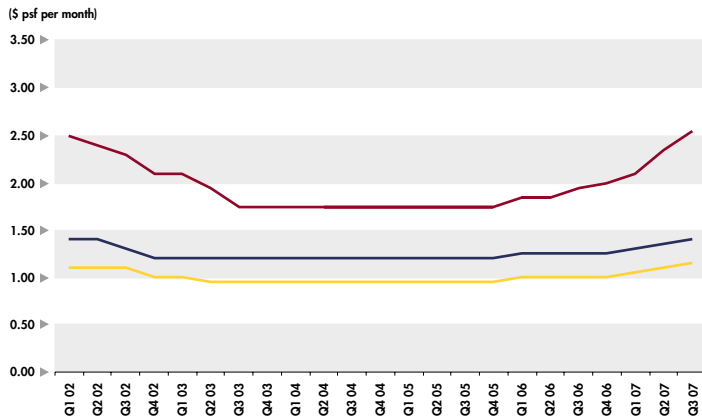
Average monthly rent for hi-tech space rose 8.5% during the third quarter to \$2.55 psf and is projected to reach \$2.75 psf by year-end. The continued supply crunch in the office sector coupled with growing demand from knowledge-based industries pushed up demand and thus rent for hi-tech space.

During the third quarter, average monthly rents for factories increased by \$0.05 psf quarter-on-quarter to \$1.40 psf for ground floor units and \$1.15 psf for upper floor units. Likewise, average capital values for freehold factories improved over the second quarter by about 8.0%. Average capital values rose to \$395 psf and \$322 psf for ground floor units and upper floor units respectively.

Average monthly rents for warehouses stayed firm at \$1.45 psf for ground floor units and \$1.15 psf for upper floor units.

## AVERAGE PRIME INDUSTRIAL RENTS

High-Tech \$2.55 psf  
 Factory (Grd Flr) \$1.40 psf  
 Factory (Upp Flrs) \$1.15 psf



Source: CBRE Research

However, average capital values for freehold warehouses rose by about 5.0% to \$424 psf and \$370 psf for ground floor and upper floor units respectively.

Only one industrial site was awarded during the third quarter. A 30-year leasehold site, located at Kaki Bukit Road 3, was awarded to Eastpoint Development Pte Ltd for \$5.7 million (\$72 psf/plot ratio). A tender for a 30-year leasehold site at Pioneer Road/Tuas Avenue 11 will close in October. Another three sites were also launched for tender in the third quarter and will close in the fourth quarter. The sites at Sin Ming Lane and Jalan Tepong are from the confirmed list. The Sin Ming Lane site has a tenure of 60 years and maximum GFA of 127,500 sm (1.37 million sf). The maximum GFA for the Jalan Tepong site is 29,400 sm (316,462 sf) and its tenure will expire at the end of 2030. The third site, located at Commonwealth Drive/Lane, was launched after JTC received a commitment to bid at least \$19.8 million (\$66 psf/plot ratio) from an unnamed party. The 11,175-sm (120,288-sf) plot has a maximum gross floor area of 27,938 sm (300,719 sf).

In September, JTC launched a Concept and Fixed Price Tender for Biopolis 3. Located beside Biopolis 2, the upcoming development will be a multi-tenanted facility targeting mainly private research institutes and incubator

research activities. The land parcel has a site area of 9,433 sm (101,537 sf) and an allowable GFA of 41,505 sm (446,760 sf) with retail space of 300 sm (3,229 sf). The tenure is 30 years with an option to renew for another 30 years. The tender will close in October.

In September, JTC also awarded the Civic, Cultural and Retail (CCRC) site in one-north to Rock Productions Pte Ltd for almost \$189.0 million (\$314 psf/plot ratio). A development comprising a 30,000-sm (322,920-sf) Civic and Cultural Zone and a 26,000-sm (279,864-sf) Retail and Entertainment Zone will be constructed on the 1.93-ha site. Rock Productions sold the upcoming development in the Retail and Entertainment Zone to Capitaland Limited shortly after the tender was awarded. The entire development is slated for completion in 2011.

REIT players were more active in the third quarter compared to the previous quarter. MI-REIT bought two properties for \$109.3 million. One of the properties is Plot 4A in International Business Park which is slated for completion in December 2009. MapletreeLog purchased six properties worth \$62.4 million in Singapore and three overseas properties for \$136.0 million. In the previous quarter, it only bought two overseas properties for \$165.0 million. CIT was less active in the quarter. It made only three local purchases worth \$108.5 million, compared to the second quarter when it acquired four properties for the same amount.

The manufacturing sector is expected to continue on a healthy growth path with more MNCs setting up their hi-tech facility in Singapore. Therefore, rents are expected to continue rising on the back of strong demand for industrial space.

## RETAIL

### THE RETAIL SCENE CONTINUES TO EVOLVE

Retail sales registered a high of about \$3 billion in June 2007, on the back of a good labour market and the Great

Singapore Sale. There was also a rush by consumers to make big ticket item purchases before the 2% GST hike on 1 July 2007. The retail sales index, excluding motor vehicles, grew 19.4% y-o-y in June and 10.4% y-o-y in Q2 07. In particular, retail sales indices for watches and jewellery, furniture and household equipment, recreational goods, telecommunications apparatus and computers registered increases of between 21.3% and 48.4%, another evidence of pre-GST purchases.

The vibrant retail scene benefited niche retail destinations like Tanglin Village, which is slowly evolving into a popular hangout. Dempsey Hill is the latest development at Tanglin Village which consists of 16 new outlets that include a spa, a gourmet grocery store and a children’s play centre. This cluster of former army barracks offers an alternative place for retailers to lease. Rents have actually doubled in Tanglin Village since its successful inception some six years back.

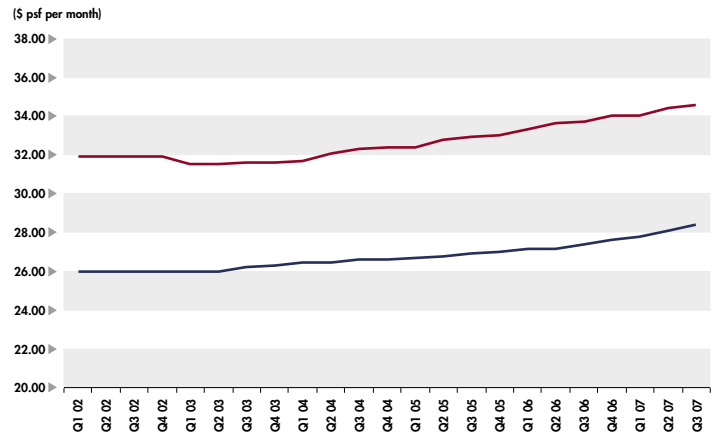
Meanwhile, the warehouse retail scheme has proven viable for the three pioneer companies in Tampines. IKEA, Courts and Giant were able to attract crowds to their standalone premises. A fourth site for warehouse retail use, at Jurong East Street 11, was sold to TT International, the company behind Akira, for slightly more than \$40 million on a 30-year lease.

The CBRE islandwide prime rental index remained relatively unchanged from the last quarter, growing by a slight 0.8%. The small increase was due to the limited rental renewals for prime space. Prime space refers to the floor with the heaviest traffic in a shopping complex, typically the first floor of a shopping complex. Malls in Orchard Road and the Suburban areas saw average prime rents climbing steadily by 0.6% and 1.1% to \$34.60 psf/month and \$28.40 psf/month respectively.

Revamps and reconfigurations in shopping malls continue to take place, especially in the older developments. Hotel Phoenix and Specialists’ Shopping Centre closed in August

### AVERAGE PRIME RETAILS RENTS

Orchard Road \$34.60 psf  
Suburban \$28.40 psf



presence here by setting up flagship stores in spite of the tight retail space. As such, the demand for larger space formats is growing alongside smaller shop units. ION Orchard will contain six duplex stores, while the plot of land beside Faber House could potentially be re-developed as a flagship store for a luxury brand. At the same time, small concept stores alongside larger format shops also contribute to a diverse shopping landscape.

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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)

### Singapore

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