

Quick Stats

| | Current | Change from last | |
|----------------------|------------|------------------|------|
| | | Yr. | Qtr. |
| OFFICE | | | |
| Prime rents | \$7.50psf | ↓ | ↓ |
| Prime capital values | \$1,550psf | ↓ | ↓ |
| RESIDENTIAL | | | |
| Prime rents | \$4.10psf | ↓ | ↑ |
| Prime capital values | \$1,150psf | ↓ | ↔ |
| INDUSTRIAL | | | |
| Islandwide rents | \$1.28psf | ↓ | ↔ |
| Capital values | \$199psf | ↓ | ↔ |
| RETAIL | | | |
| Prime rents | \$32.90psf | ↓ | ↓ |
| Prime capital values | \$5,780psf | ↓ | ↔ |

CB RICHARD ELLIS

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INVESTMENT SALES

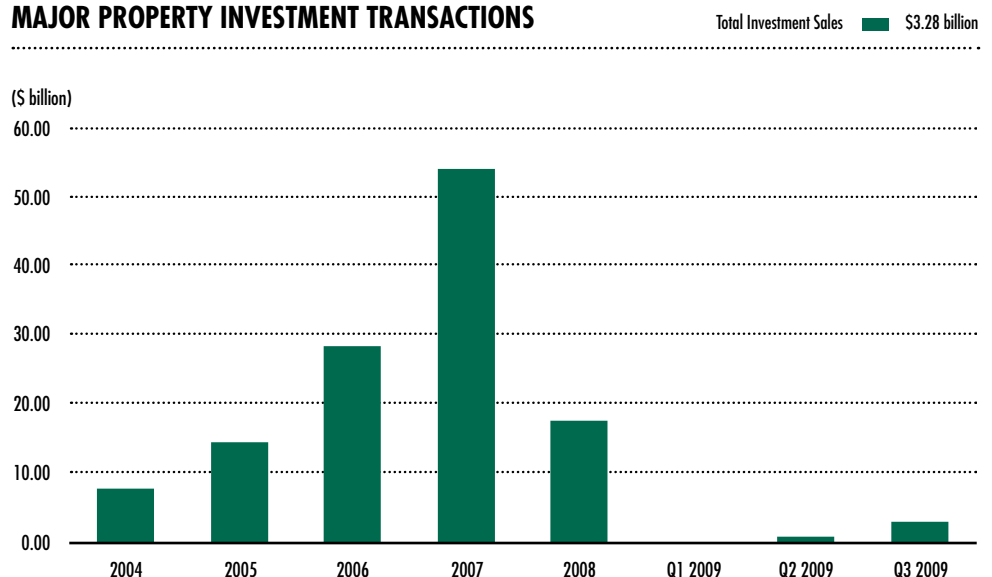
THE INVESTMENT SALES MARKET CONTINUES TO GAIN STEADY MOMENTUM

The investment sales market continued to improve during the third quarter, building on the momentum that started in the second quarter. Positive sentiment in the residential market as well as more favourable economic reports led to an increase in investment transactions. Total investment sales for the third quarter amounted to \$3.28 billion, an increase of 70.5% from the previous quarter. During the same period, two industrial sites, a hotel site and three residential sites were awarded from the GLS (government land sale) programme.

The total residential investment sales

including Good Class Bungalow (GCB) sales accounted for \$2,205.06 million in transacted value or 67.25% of the quarter's total investment sales. This was 91.5% higher than the \$1,151.43 million residential investment sales recorded in the previous quarter. The number of GCB sales also remained strong with 35 such transactions, totalling some \$535.04 million in the months from July to September. Several of these GCBs were above \$1,000 psf on land and these included the sale of 6 Leedon Park for \$19.4 million, as well as 42 Dalvey Road and 12 Bishopgate for \$19.0 million each.

MAJOR PROPERTY INVESTMENT TRANSACTIONS



Source: CBRE Research

Fragrance Properties and World Class Land, a subsidiary of Aspial, continued to acquire small-sized land parcels during the quarter. Fragrance Properties bought sites at Pasir Panjang Road, Changi Road, Telok Kurau Road, Kerong Lane and Eastwood Road, while World Class Land purchased sites as well as shophouses at Cavan Road, Joo Chiat Road and Onan Road. In addition, the HDB Bukit Panjang S10a site at Chestnut Avenue was awarded to the joint venture of City Development's Sunny Vista Developments and Hong Leong's Group's Hong Realty, who put in a top bid of \$143.68 million. This reflects \$280 psf/plot ratio. In other GLS tenders, a land parcel at Dakota Crescent was awarded to UOL Development (Novena) Pte Ltd who put in the highest bid of \$329 million (\$508 psf/plot ratio), while Far East Organization placed a top bid of \$119 million (\$376 psf/plot ratio) for a mixed commercial/residential land parcel at Yio Chu Kang Road/Seletar Road.

The third quarter also witnessed the re-emergence of investors buying units in bulk in residential projects. An undisclosed buyer bought 21 units at Sui Generis for \$65.0 million, while 18 apartments at Hilltops condominium were reported to be purchased by a group led by former Parkway Holdings' Tony Tan for \$48.2 million.

In the office investment market, Aviva Building, Cecil House, Premier Centre as well as six storeys of Prudential Tower were sold. There was a total of \$261.4 million in commercial transactions, representing 7.97% of total investment sales. K-REIT Asia's acquisition of the six storeys at Prudential Tower was the largest office sale at \$106.29 million or \$1,579 psf on net lettable area. The deal includes income support from the seller that would guarantee a 5.2% yield.

ARA Asset Management purchased the Suntec International Convention & Exhibition Centre for

\$235.0 million, adding it to its portfolio of Suntec properties. Although ARA will own the convention centre, most of the office and mall space in Suntec City with this acquisition, the convention centre, will be owned under the ARA Harmony Fund which was created by ARA for this purpose. This is separate from Suntec REIT.

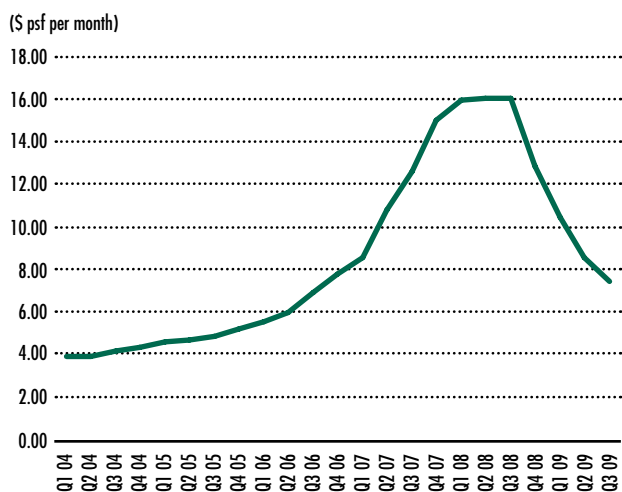
The biggest private sector deal of the quarter was from the hotel sector. The sale of Swissotel Merchant Court for \$260.0 million to TA Enterprise from Malaysia, reflects a price of \$546,200 per room. The sale comes with an Ebitda (earnings before interest, taxes, depreciation and amortisation) guarantee of \$19.0 million per year for four years reflecting a 7.3% yield on the sale price. In the third quarter, the total investment sales in the hotel sector was \$349.7 million or 10.67% of total investment sales.

In the industrial sector, most of the buyers continued to be end-users. There were 12 private and two public (GLS) investment transactions accounting for \$164.94 million or 5.03% of total investment sales for the quarter.

Investment sales for 2009 has now crossed the \$5-billion mark, having accumulated a total of \$5.475 billion in the first three quarters of the year. Although buyers are generally still cautious on big deals (above \$500 million), this is much more optimistic than in the first quarter of the year where sentiment was poor and economic difficulties loomed large. The credit market has improved and prominent property players no longer face major barriers to financing. Furthermore, the robust volume of transactions in the residential market have developers on the lookout for new sites. In light of these positive signs, it is expected that total investment sales for the entire year 2009 could reach \$7.5 billion. Though this total is lower than the \$17.98 billion recorded in 2008, it is significantly higher than what was originally anticipated.

AVERAGE PRIME OFFICE RENTS

Prime Office — \$7.50 psf



Source: CBRE Research

OFFICE

PACE OF RENTAL DECREASE EASES WITH IMPROVED BUSINESS OUTLOOK

Even as office rents fell for the fourth consecutive quarter, it became more evident that the pace of rental decline has eased as business confidence has generally returned.

Prime office rents averaged \$7.50 psf/month in the third quarter. This reflected a 12.8% q-o-q decrease compared with the 18.1% decline in Q2 2009 and 18.6% contraction in Q1 2009. In all, prime rents have fallen 53.4% since the peak in Q3 2008. Similarly, Grade A rents are at \$8.80 psf/month, reflecting a 13.3% q-o-q decline, which is an improvement over the 18.0% contraction seen in Q1 2009 and 17.5% decline in Q2 2009.

With the improvement in economic outlook, the office leasing market was particularly active in Q3 2009. There was an increase in premises planning activity and requests for proposals from occupiers, many of which are likely to firm up in the near future.

Occupiers are, in the main, still looking for lower costs and better value options, but there are selective companies seeking to expand.

There were some notable leasing deals done in the quarter. Servcorp pre-committed 22,000 sf at the MBFC Tower 2. QBE and Sumitomo Corporation took up about 65,000 sf collectively at the newly completed Mapletree Anson, whilst a major anchor tenant committed to the bulk of 78 Shenton Way (South Tower). The other tenants that took up space this quarter included those from the legal, insurance and pharmaceutical sectors.

Approximately 575,000 sf were added to office stock this quarter with the completion of 78 Shenton Way (South Tower), Mapletree Anson, The Spazio and Land Parcel B at Scotts/Anthony Road. The occupancy rate for Tanjong Pagar fell from 86.2% in Q1 2009 to 80.1%, primarily due to the recent completion of Mapletree Anson and 78 Shenton Way South Tower.

Grade A vacancy rose to 4.2% in Q2 2009 up from 3.6% in the past quarter. It was 1.2% just a year ago in Q3 2008. The take-up for Grade A space for the first three quarters in 2009 amounted to negative 223,397 sf.

The islandwide take-up was negative 570,000 sf for the first half of the year. Demand is likely to remain in negative territory for the rest of 2009. Going forward, vacancy rates can be expected to remain double-digit through the next couple of years due to the high volume of supply, although we expect the recovery in office market to kick in earlier in 2010 rather than in 2011 as estimated previously. Nonetheless, the office market will remain fairly fragile in the short-term – a condition that all in the industry should recognise even as other sectors such as residential are subject to scrutiny and possible measures to curb speculation after a frenetic period of sales activity.

The office investment market was reasonably active, dominated by local developers buying for development potential as well as owner-occupation. Most of the properties transacted are of a smaller plot size and with a price tag within the \$50 million to \$65 million range. We have as yet not seen a Grade A building being transacted in this cycle.

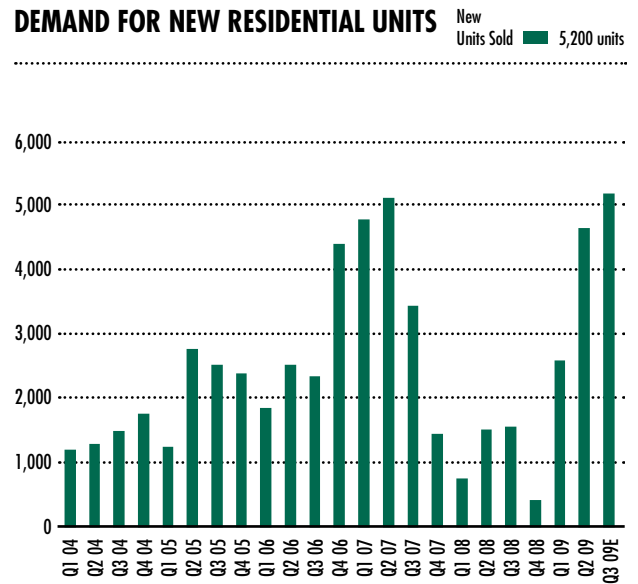
The Premier Centre, sold for \$18.0 million in the quarter, is likely to be converted to a hotel by the Fragrance Group when its leases expire in 2011. Over at Shenton Way, Yi Kai and Fission Group bought three buildings in June and July – Aviva Building, Cecil House and VTB Building (total strata area of 185,019 sf) for a total of \$172.0 million. These older office blocks, which sit on individual plot size of about 8,000 to 9,000 sf, are likely to be redeveloped as residential units once the planning authority gives the green light. KREIT made its first purchase in 2009, raising its stake within Prudential Towers by paying \$106.29 million (\$1,579 psf) for levels 20 to 25.

It is encouraging to note that the rate of attrition slowed for the banking sector. Business confidence is also improving for the advertising, IT and legal sectors. With the gradual return of confidence to the business community and the high availability of more competitive-cost office accommodation compared with the other key cities in the region, we generally believe that Singapore is very well positioned to capitalise in the recovery phase in the region. There are a number of MNCs that are implementing plans for an increased presence in the Republic. The next six to 12 months looks promising.

RESIDENTIAL

RECORD SALES VOLUME DEFIES RECESSIONARY WOES

Demand for new homes may hit 5,200 units in the



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

third quarter although the Singapore economy is not out of the woods yet. Market confidence continued to strengthen as the stock market remained stable in the quarter and government statistics showed a slight improvement in economic fundamentals. The buying spree was partly motivated by the fear that home prices could never return to current levels again. The release of some long-awaited projects and strong support from HDB upgraders because of the resilience witnessed in the HDB resale market also helped to boost sales volume.

The expected 5,200 units sold in the third quarter would be the highest quarterly volume registered. The highest recorded volume of 5,128 units sold was seen in the second quarter of 2007. In the nine months from January to September 2009, we expect 12,450 units to be sold, which is nearly three times the 4,264 new homes sold in 2008.

There were key performers in the various segments of the market. In the low-end segment, which catered mainly to HDB upgraders, 294 out of 297 units of Optima @ Tanah Merah were sold, followed by 293

units (89.1%) of The Gale in Upper Changi and 470 units (79.7%) of Trevista in Toa Payoh. The average prices of these three 99-year leasehold projects were \$830 psf, \$720 psf and \$943 psf respectively. In the mid-tier segment, all 70 units of Airstream in St Michael's Road and 75 out of 78 units of Luxus Hills were sold. Airstream was priced at \$1,085 psf on the average while the terrace houses of Luxus Hills were priced at \$1.6 million – \$1.9 million each. In the prime districts, 82 units (96.5%) of Volari in Balmoral Road, 205 units (87.2%) of Viva in Thomson and 210 units (77.2%) of Sophia Residence were sold. Their respective average prices were \$2,059 psf, \$1,537 psf and \$1,590 psf.

The brisk pace of home sales was mirrored in the resale and sub-sale markets. Based on caveats lodged, we estimate that 2,800 – 3,000 resale homes and 700 – 750 sub-sales will be sold during the quarter. Although these figures would be slightly lower than the 3,059 resale homes and 940 sub-sales sold in the second quarter, they would be much higher than the 1,144 resale homes and 412 sub-sales contracted in the first quarter.

The caveats lodged in the third quarter showed that the median price of non-landed homes sold were higher than those in the second quarter. The median price of new leasehold projects was \$916,000 (\$769 psf), 11.0% higher than the \$825,000 (\$660 psf) registered previously. The new projects sold in the third quarter were Double Bay Residences, Livia, Optima @ Tanah Merah, Trevista and Waterfront Keys. As for new freehold homes, the price jump was 32.2% from \$1.06 million (\$949 psf) to \$1.40 million (\$1,241 psf) because more of the projects launched were located in the prime districts. Examples include Sophia Residences, Viva and Volari.

As developers have launched and sold over 12,400 units from their inventory in the first nine months of

2009, they needed to start looking for development sites. Four sites from the reserve list of the government land sales programme were launched for sale by tender. Three of these have been awarded. These were at Chestnut Avenue – awarded to City Developments Ltd at \$143.7 million (\$280 psf/plot ratio), Dakota Crescent – awarded to UOL Land at \$329.0 million (\$508 psf/plot ratio) and Seletar Road – awarded to Far East Organization at \$119.1 million (\$376 psf/plot ratio). Smaller freehold parcels from the private sector supply were also sold to mid-sized developers. The more prominent ones included Telok Kurau Court and two adjoining sites that were bought by the Fragrance Group at \$36.5 million (\$389 psf/plot ratio) and two rows of shophouses at Joo Chiat/Onan Roads that were bought by World Class Land at \$25.63 million (\$316 psf/plot ratio).

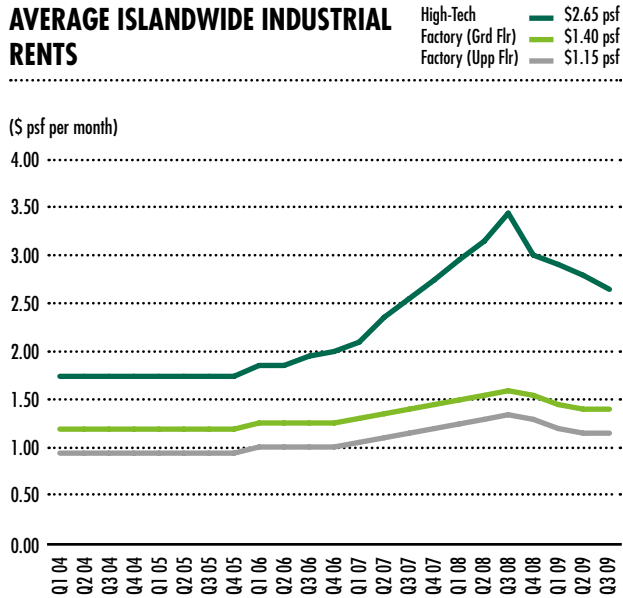
Looking to the fourth quarter, the residential sales momentum is likely to moderate because of the latest government measures to stabilise the market and fewer large-scale new launches. New home sales for the full-year should exceed 14,000 units with a possibility of surpassing the market peak of 14,811 units in 2007. Further price increases will be checked because they had climbed substantially in the last six months and some resistance can be expected. New projects in the line-up include Elliot At The East Coast, Parvis, Siglap V, The Interlace and a condominium in Yishun Avenue 1.

INDUSTRIAL

RENTS AND CAPITAL VALUES HOLD FIRM

During the third quarter, manufacturing indices, such as manufacturing output, NODX and PMI, all showed early signs of a strengthening manufacturing sector. Monthly rents and capital values for factory and warehouse space stabilised in the third quarter in line with an improving manufacturing sector. The

AVERAGE ISLANDWIDE INDUSTRIAL RENTS



Source: CBRE Research

quarter also saw the award of two industrial sites which were the first industrial sites to be awarded under the government land sales programme for 2009.

Monthly rent for hi-tech spaces fell from \$2.80 psf in Q2 2009 to \$2.65 psf in Q3 2009. Hi-tech rent continued to decrease because the narrowing rental gap between hi-tech buildings and offices resulted in fewer office tenants moving to hi-tech buildings.

The average monthly rents for ground and upper floor factory units stayed at \$1.40 psf and \$1.15 psf respectively during the third quarter. Likewise, the average monthly rent for warehouses held firm at \$1.35 psf for ground floor units and \$1.05 psf for upper floor units. In the previous quarter, rents for ground and upper floor factories and warehouses fell by \$0.05 psf.

During the third quarter, the average capital values for 60-year leasehold strata-titled factory units and freehold warehouse units were constant. The average capital values for factories remained at

\$230 psf for ground floor units and \$168 psf for upper floor units. The average capital values for ground floor freehold warehouses units held firm at \$341 psf while upper floor units stayed at \$299 psf. During the previous quarter, capital values for both types of industrial properties declined by about 8.0% q-o-q.

JTC announced that it would invite the private sector to submit their tender to build and manage the General Aviation Centre in Seletar Aerospace. The proposed development will feature a business jet hangar, a general aviation hangar, an apron and a two-storey office building that would be shared by several users. Results of the tender will be announced in early 2010. At the same time, JTC will build a 7,005-sm (75,402-sf) building to house the offices of companies currently operating in the West Camp. The upcoming \$14.0-million Business Aviation Centre is expected to be completed in 2011.

In Q3 2009, two industrial sites were awarded under the government land sales programme. The site at Woodlands Industrial Park E5/Woodlands Avenue 4 was awarded to Wee Hur Development for \$22.9 million (\$34 psf/plot ratio) while the site along Kaki Bukit Road 2 was awarded to Kng Development for \$12.1 million (\$105 psf/plot ratio). No sites were awarded in the first half of the year. The award of these sites in the third quarter indicate a pick-up in interest for industrial parcels.

The REIT players did not make any purchases in the third quarter. Excluding the above-mentioned two industrial land parcels, investment transactions amounted to \$129.9 million which was way below the previous quarter's total of \$436.1 million. The amount recorded in Q2 2009 included the \$342.5-million sale of Alexandra Technopark. Most of the investment transactions during the third quarter came from owner-occupiers.

Despite the improving economic fundamentals for the sector, manufacturers are still cautious about expanding their operations. As such, rents and capital values are unlikely to see major adjustments in the fourth quarter.

RETAIL

HEALTHY PRE-COMMITMENT LEVELS AT NEW ORCHARD ROAD MALLS

To date, it has been an exciting year with many changes in the retail landscape, especially along Orchard Road. In spite of the gloomy economic conditions looming in the background, there is a lot of anticipation as new malls open their doors and beckon shoppers with a myriad of new retail formats, labels and concepts.

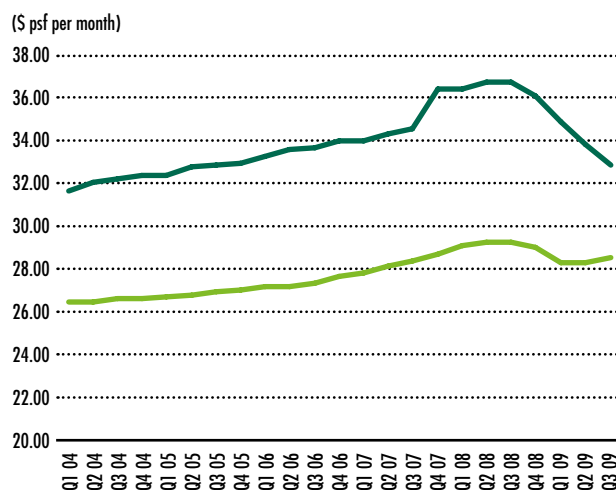
Luxury brands are taking advantage of the abundant in location choices available to expand their network. These retailers viewed Singapore as a major shopping hub in Asia and deemed it necessary to have a presence here. Some took up prime spaces in several malls along Orchard Road, not only for their flagship and branch, but for the other lines under their house as well.

With National Day just passed, it is especially heartwarming to see more local labels and old-time favorites making their first foray into the prime retail street. We are also seeing more cult brands setting up shop here. To cope with the competition, many mid-tier brands are evolving their product line as well as retail format to either appeal to a wider market or to cater to a niche.

With the close of the third quarter, leasing activities for the new Orchard Road space have somewhat stabilised and most tenancies have been committed. Mandarin Gallery is almost 100% occupied

AVERAGE PRIME RETAILS RENTS

Orchard Road — \$32.90 psf
Suburban — \$28.50 psf



Source: CBRE Research

ahead of its pre-Christmas opening. Knightsbridge announced that it is 50% pre-committed and expects the remaining leases to be finalised by Q3 2009. TripleOne Somerset is 60% pre-let. Across the street, 313@Somerset announced that it is 90% leased ahead of its late-November opening, with Zara, Forever 21, Uniqlo, New Look, HMV, Marche etc on its tenants list.

The new malls along Orchard Road/ Somerset are designed and built around their respective positionings with carefully selected tenant mixes, clearly reflecting their individual uniqueness in order to stand out among competition. It is perhaps timely for the older malls especially those located along the Tanglin/ Orchard/Scotts Road stretch to look into upgrading and repositioning to keep up with the changing retail landscape. However, some of these malls may find it difficult to garner a consensus to do so.

Prime Orchard Road rents averaged \$32.90 psf/month, reflecting a decrease of 3.0% q-o-q. However, Prime Suburban rents inched up 0.7% q-o-q to average

\$28.50 psf/month in Q3 2009, driven by competition for limited availability. In view of the reverse in rental trend, we now expect Prime Suburban rents to contract by 1.0% to 2.0% in 2009, compared with our earlier estimate of -2.0% to -3.0%.

Come 2010, we can look forward to the openings of the integrated resorts - two brand new and distinct shopping destinations. A lineup of old and new international brands along with local offerings and emerging labels is widely expected. These will be set against a backdrop of MICE facilities, theme parks, hotels and other leisure amenities. The developments which will reach out to a more cosmopolitan clientele, is likely to offer a different shopping experience from what we have encountered locally so far. It is indeed an exciting time for all in the retail scene.

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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