

Quick Stats

	Current	Change from last	
		Yr.	Qtr.
OFFICE			
Prime rents	\$6.75psf	↓	↓
Prime capital values	\$1,550psf	↓	↔
RESIDENTIAL			
Prime rents	\$4.00psf	↓	↔
Prime capital values	\$1,350psf	↑	↑
INDUSTRIAL			
Prime rents	\$1.28psf	↓	↔
Prime capital values	\$199psf	↓	↔
RETAIL			
Prime rents	\$32.4psf	↓	↔
Prime capital values	\$5,700psf	↓	↓

CB RICHARD ELLIS

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INVESTMENT SALES

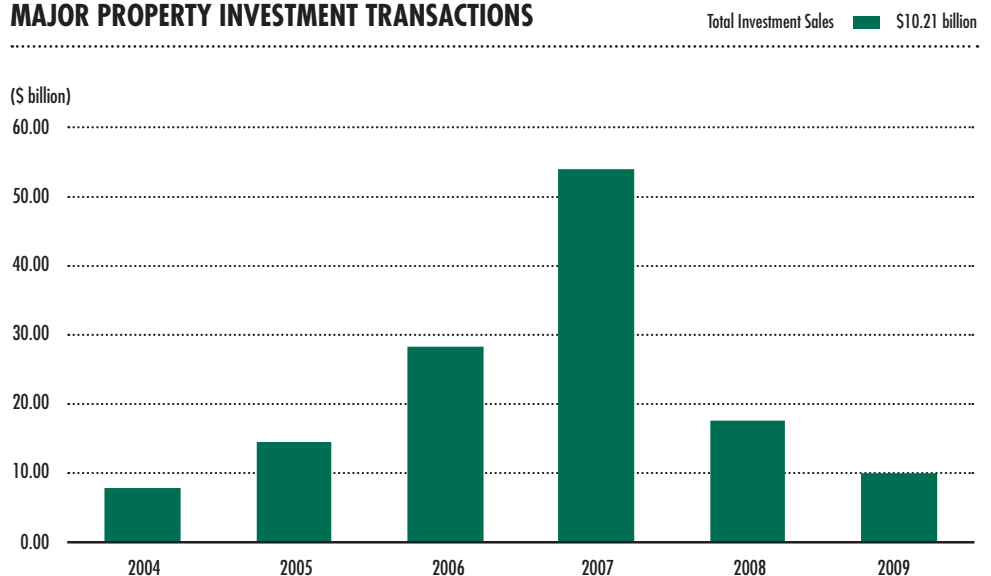
INVESTMENT SALES MARKET IN 2009 NOT AS BAD AS INITIALLY FEARED

On the whole, the investment market performed much better than initially feared at the start of the year when the economic recession loomed large. Even though the total real estate investment sales of \$10.21 billion was 43.1% less than the \$17.94 billion in 2008, this figure is nevertheless much more robust when compared to an initial estimate of \$1.35 billion at the beginning of 2009.

The investment sales market remained fairly active in the fourth quarter with continued confidence

in the residential market and as a result of government reports that GDP growth for 2009 would not be as negative as originally projected. As the residential market took a breather from the intense activity witnessed from February to October, total investment sales for the fourth quarter amounted to \$3.86 billion, a decrease of 7.2% from the previous quarter. Three residential sites and one industrial site from the GLS (government land sale) programme and a HDB-built mall in Clementi were sold in Q4 2009.

MAJOR PROPERTY INVESTMENT TRANSACTIONS



Source: CBRE Research

Total residential investment sales including Good Class Bungalow (GCB) sales accounted for \$2,548.90 million in transacted value or 66.1% of the quarter's total investment sales. This 17.2% decrease from the \$3,077.16 million residential investment sales recorded in the previous quarter, was due to the residential market entering a simmer phase after the strong pace of sales in previous months. For the entire year, the total residential investment sales was \$6,927.40 million, some 8.7% higher than the \$6,372.79 million in 2008.

There were 17 GCB sales totalling some \$353.68 million transacted in the months from October to December. As in the previous quarter, several of these GCBs were above \$1,000 psf on land and these included the sale of 6A Leedon Park for \$35.5 million (\$1,407 psf on land) and 20 Victoria Park Road for \$38.7 million (\$1,205 psf on land).

In the first collective sale in 2009, Dragon Mansion at Spottiswoode Park was sold to RL Developments Pte Ltd (a unit of Roxy-Pacific Holdings) for \$101.2 million (inclusive of Development Charge), reflecting a price of \$863 psf/plot ratio. Dragon Mansion has a land area of 41,874 sf, and a new development on the site could potentially yield a maximum gross floor area of about 117,248 sf or about 120 apartments of 1,000 sf each. Mitre Hotel at Killiney Road was also sold to the joint venture of Heeton Holdings, KSH Holdings and Tee International for residential redevelopment at a price of \$121.0 million or \$1,088 psf/plot ratio.

The most significant residential land sales came from the GLS programme. The URA site at

Serangoon Avenue 3 was awarded to the Hong Leong Group's Intrepid Investments Pte Ltd, who put in a top bid of \$221.2 million. This reflects \$529 psf/plot ratio. In another GLS tender, a land parcel at Upper Thomson Road was awarded to Treasure Well Investments Limited (a unit of Hong Kong tycoon Li Ka-shing's Cheung Kong Holdings) who put in the highest bid of \$251.3 million (\$533 psf/plot ratio).

In the office investment market, ERC Holdings bought nearly all of North Bridge Commercial Complex, a 999-year leasehold building in North Bridge Road for \$46.0 million from City Developments. With the purchase of 60 units, or 38,534 sf, ERC now owns 91.3% of the strata-titled development. Interestingly, it was in the retail market that two substantial investment sales were transacted. In November, a consortium of investors – including CapitaLand's former head of retail Pua Seck Guan – bought Katong Mall from Tuan Sing Holdings for \$247.6 million. The new owners will invest an additional \$55.0 million to refurbish the property, which is expected to increase the mall's net lettable area by about 20%, from 172,170 sf to over 206,000 sf. Within the same month, a joint venture of Singapore Press Holdings' (SPH) subsidiary Times Properties, NTUC FairPrice Co-op and NTUC Income Insurance Co-op was awarded a mall being developed in Clementi Town Centre by the Housing & Development Board (HDB) after having placed the top bid of \$541.898 million. This mall comprises two basement levels and five storeys above ground with 193,750 sf of retail space. The purchase price works out to \$2,797 psf on the maximum allowable retail net floor area or \$3,055 psf when an estimated fitting-out cost of about \$50.0 million is added.

In all, a total of \$888.75 million in commercial transactions was made during the fourth quarter, representing 23.05% of total investment sales in Q4 2009. For the whole year 2009, commercial transactions registered \$1,553.01 million.

In the industrial sector, MacarthurCook Industrial Reit purchased the four industrial properties, 23 Tai Seng Drive, 3 Toh Tuck Link, 56 Serangoon North Avenue 4 and 30/32 Tuas West Road from AMP Capital Properties for a combined amount of \$68.6 million. There were 17 private and one public (GLS) industrial investment transactions accounting for \$360.54 million or 9.35% of total investment sales in the quarter. Altogether, industrial properties chalked up \$1,005.53 million for the year.

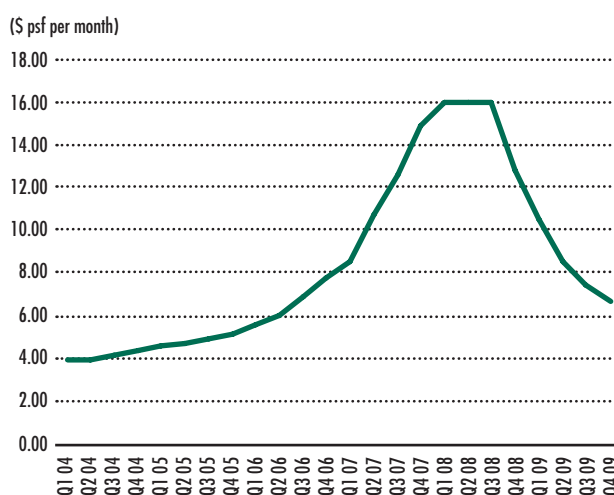
After a slow start to the year, investment sales gathered momentum to end the year above \$10.0 billion. While this is slightly over half of last year's figure of \$17.9 billion, the market was fairly active despite the economic recession.

Going forward, 2010 is expected to be a better year with about \$15.0 billion worth of investment sales deals, similar to that of 2005. Economic fundamentals should catch up with the positive sentiments in the stock market and the residential market, and we should see the return of stability in the financial and business sectors. Developers of residential projects should continue to vie for GLS land parcels, especially with the Government's commitment to restart sale of residential sites in H1 2009 through its confirmed list.

In addition, there is a growing number of people who feel that the office market has bottomed and the appetite for office, which has been weak in the

AVERAGE PRIME OFFICE RENTS

Prime Office — \$6.75 psf



Source: CBRE Research

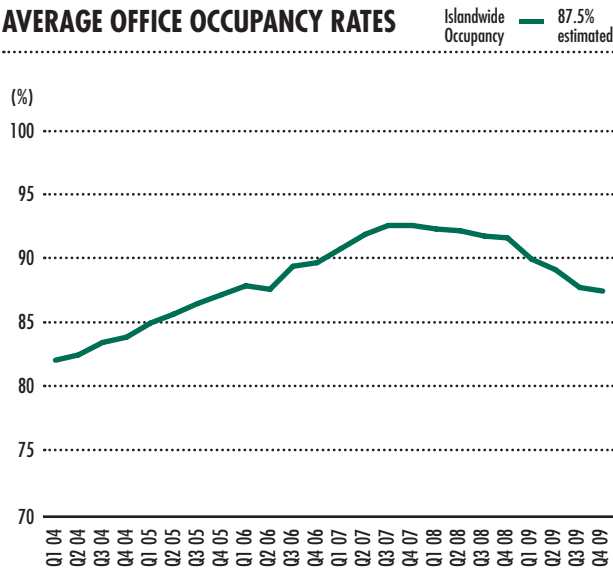
past 12 months or so, will likely pick up again. Nevertheless, the deal flow may be limited as many of the sellers who were keener to sell have probably already sold. While there should be activity in the collective sales market in 2010, the majority of collective sales that are coming to the market have fairly hefty price tags, as most are revivals with attachments to previous reserve prices. With owners unwilling to reduce asking prices given the high cost of finding replacement properties, developers could find en bloc sellers' asking prices too high in the next six months.

OFFICE

A YEAR OF TWO HALVES

It was a year of two halves literally. In H1 2009, transaction volume thinned against the background of a weakening economy and the wider financial crisis. Take-up dipped into negative territory as tenants downsized or relocated to lower cost options. In the meantime, the supply of shadow

AVERAGE OFFICE OCCUPANCY RATES



Source: URA, CBRE Research

space crept up. Landlords naturally became more responsive and competitive. Pre-commitments stalled as corporates grappled with the immediate challenges, putting long-term premises planning on hold.

As the economic outlook improved in the second half of the year, activity surrounding premises planning and relocation alternatives increased. Tenants, who delayed decision-making on renewal or relocation options earlier in the year, became increasingly more involved. Relocation deals gathered pace but with the focus centred on relocation to cheaper alternatives and relocation due to redevelopment of existing premises.

We witnessed a strong recovery in leasing activity in the fourth quarter. The Tanjong Pagar micro-market in particular attracted many upgraders. AIG's commitment to 78 Shenton Way Tower 2 and leases by BlackRock and CSC in 20 Anson Road showed that confidence is returning and occupiers are finally able to move forward with premises

plans. A number of large financial institutions are seemingly ready to move forward with expansion plans, which is a very encouraging sign. There were even cases where prospective occupiers competed for space.

Grade A office vacancy rose from 4.2% in Q3 2009 to 6.2% this quarter. It was 0.9% in Q4 2008. This increase in vacancy was largely due to the completion of a new development 71 Robinson Road and masked the fact that the Grade A sector has enjoyed improved leasing activity as well as a flight to quality. We also observed a sharp contraction in the volume of shadow vacant space (ie sublease space) as many occupiers reversed plans to release space once headcount firmed up.

It is estimated that islandwide vacancy would remain at 12.2% in Q4 2009. In spite of the surprising small positive take-up in islandwide office space in the third quarter, take-up may disappoint in Q4 2009. This is because the job attrition and right-sizing activities in H1 2009 may only translate to statistical events in H2 2009. We expect full-year office demand to be in the region of negative 600,000 sf.

Although the islandwide vacancy rate is still expected to rise due to the high supply (in excess of 2.0 million sf) coming on-stream next year, we are cautiously optimistic that office take-up will turn positive in 2010 and more assuredly in 2011 (by 1.0 million sf and 2.0 million sf respectively).

Notwithstanding the 7.1 million sf of confirmed supply expected between 2010–2014, one should not underestimate the pace at which space could be absorbed when the market recovery gathers

pace. By way of reference, the annual take-up for year 2000 was a staggering 4.22 million sf on the back of recovery from the Asian Financial Crisis.

Office rents fell for the fifth consecutive quarter, but are now looking like they are close to bottoming out. Prime office rents averaged \$6.75 psf/month in the final quarter of 2009. This reflected a 10.0% q-o-q contraction compared with the 12.8% decline in Q3 2009. On a year-on-year basis, prime rents had fallen 47.7%. Grade A rents were at \$8.10 psf/month, reflecting a decline of 8.0% q-o-q and 46.0% y-o-y.

Most micro-markets continued to see rental decline on a quarterly basis in Q4 2009. The Marina Bay, Raffles Place, Cecil Street and Marina Centre sub-markets saw higher rental corrections on a year-on-year basis with the decline ranging from 43.0% to 54.0%. Notably, Tanjong Pagar out-performed the rest of the market with rents remaining stable in the quarter. This was in part due to the recent injection of high quality stock to this micro-market, which was very well received by occupiers.

Activity picked up in the office investment market in Q2 2009, as the economy showed initial signs of recovery. Unlike 2008 where buyers are mainly funds and foreign investors, transactions in 2009 were dominated by local purchasers buying for development potential as well as for owner-occupation.

In Q4 2009, 60 strata units at North Bridge Commercial Complex, opposite Bugis Junction, were sold to ERC Holdings. The six-storey building at 470 North Bridge Road would be re-named ERC Complex after a \$3.5 million–\$5.0 million

renovation. The property will be used as a commercial school.

With the market in a transitional phase, there are some investors looking for opportunistic buys in the office investment market. But there are few sellers and hardly any distressed sales. As market sentiments improve, the gap between vendors' expectations and what potential buyers are willing to pay might widen, possibly thinning transaction volume.

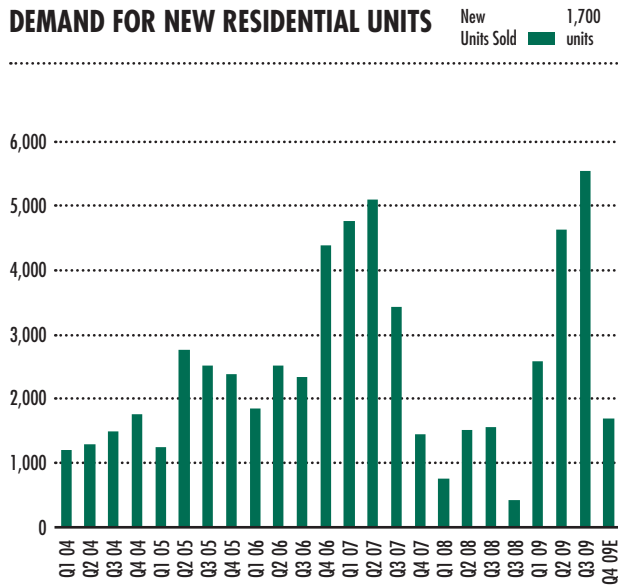
On the whole, the market has weathered the storm much better than had been predicted at the onset of the year. We are cautiously optimistic about the outlook of the office market as the economy regains its footing and moves into a more stable growth mode. For MNCs looking for growth within Asia, Singapore with its ample office supply at by now relatively competitive rent levels will be an attractive locational choice. The Republic is also well-positioned to grow as a base for financial institutions. We look forward to a positive start to the new decade in the office sector.

RESIDENTIAL

SALES QUANTUM IN 2009 ONLY 60% OF 2007

A robust residential market in the midst of the economic recession in 2009 turned in the second highest number of new homes sold. As many as 14,500 new homes are expected to be sold in the whole of 2009, second to the record take-up of 14,811 units in 2007. Despite the high volume of new sales in 2009, the caveats lodged to date showed that the total quantum in 2009 is only 58.7% of that in 2007. The lower quantum could

DEMAND FOR NEW RESIDENTIAL UNITS



Source: URA, CBRE Research

Note: Figures exclude executive condominiums

be attributed to the dominance of mass market and mid-tier homes that were sold in 2009 compared to 2007, when high-end homes stole the limelight. The launch of these projects in the first half of 2009 at attractive prices, coupled with the stock market rally, brought about the return of homebuyers. The strong take-up then filtered upward to the prime segment by the second half of 2009, underpinned by the strengthening economic fundamentals which gave a further boost to market confidence.

In 2009, the large-scale mass market projects that were either fully sold or nearly sold out include Caspian at Lakeside Drive, Double Bay Residences in Simei Street 3, Mi Casa in Choa Chu Kang Drive, 8@Woodleigh, The Gale in Flora Road, Optima@Tanah Merah and Trevista in Lorong 2 Toa Payoh. Successful projects in the mid-tier segment included The Arte and Vista Residences in Jalan Datoh, Ascentia Sky in Alexandra Road, Meadows@Peirce in Upper Thomson and Hundred Trees in West Coast Drive. The number of units sold

from these two segments made up about 60.0% of the total sales quantum in 2009. In contrast, back in 2007, it was the high-end projects in the Core Central Region (districts 9, 10, 11, Marina Bay and Sentosa Cove) that made up 64.2% of the total sales quantum.

Another noteworthy trend that emerged in 2009 was the increase in the number of small-format apartments sold in 2009 compared to 2007. To date, a total of 540 caveats were lodged for units 500 sf and below in 2009 whereas only 221 of such units were sold in the whole of 2007. Examples of small-format projects launched in 2009 were The Alexis at Alexandra Road, The Mercury in Shanghai Road, Illuminaire On Devonshire, Attitude At Kim Yam, City Loft in Race Course Road and Suites@ Guillemard in Lim Ah Woo Road. Most of these projects were fully sold within a few days of their launch because each unit cost between \$300,000 and \$600,000, which is a very affordable amount for single professionals and investors.

As developers whet the appetite of enthusiastic homebuyers by supplying nearly 12,000 new homes for sale in the first nine months of the year, they ran short of supply of mass-market projects by the fourth quarter. Most of the projects launched in Q4 2009 were located in the prime residential districts, pricing out buyers with smaller budgets. Moreover, with the government's warning that the recovery might not be sustainable, homebuyers turned cautious and held back their purchase decisions. This slowdown provided a much-needed breather after three quarters of frenetic sales momentum.

Parvis, a condominium project at Holland Hill, sold 105 of its 248 units at the average price of

\$1,480 psf. Cyan, at Bukit Timah Road, sold at least 80 units at \$1,850 psf. Two projects in Newton, Trilight and Lincoln Suites, each sold over 60 units at \$1,650 psf and \$1,680 psf respectively. Worthy of mention is Marina Bay Suites, which successfully sold 88 of the 92 units launched at its debut in end-November. The 221-unit project features up-market apartments in the heart of the new downtown and is part of the Marina Bay Financial Centre. Six whole floors were reportedly sold to Singaporeans and Singapore permanent residents from Indonesia and other Asian countries. The units sold achieved an average price of \$2,300 psf.

As at December 2009, prices of all segments of new residential projects were back at 2008 levels. URA's data reflected the median prices of luxury and prime projects at \$2,900 psf and \$1,660 psf respectively. For the rest of the island, the median

prices of freehold and 99-year leasehold projects stood at \$960 psf and \$800 psf.

Three residential sites from the government land sales (GLS) programme were sold in the fourth quarter. Two condominium sites, at Serangoon Avenue 3 and Upper Thomson Road, were respectively sold to the Hong Leong Group and Cheung Kong Holdings for \$221.2 million (\$529 psf/plot ratio) and \$251.3 million (\$533 psf/plot ratio). The third site – for landed homes – at Westwood Avenue, was sold to Kheng Leong Group for \$38.5 million (\$254 psf). This tender drew a record of 32 bidders because it is a relatively small site and is also the only landed site in the GLS programme for the second half of 2009. From the private sector supply, former Parisian site at Angullia Park was sold to China Sonangol Group for \$283.0 million (\$2,058 psf/plot ratio). December also saw the

HIGHLIGHTS OF SOME TOP-SELLING PROJECTS IN 2009

Projects	Location	Tenure	Launch Date	Total Units	Units sold as at Oct 09	Average Price psf
Caspian	Lakeside Drive	99y	Feb-09	712	712	\$600
Alexis	Alexandra Road	Fh	Feb-09	293	293	\$1,100
Double Bay Residences	Simei Street 4	99y	Mar-09	646	583	\$650
The Arte @ Thomson	Jalan Datoh	Fh	Mar-09	336	331	\$900
Mi Casa	Choa Chu Kang Drive	99y	Mar-09	457	348	\$625
One Devonshire	Devonshire Road	Fh	Jun-09	152	151	\$1,780
8 @ Woodleigh	Woodleigh Close	99y	Jun-09	330	330	\$800
The Gale	Flora Road	Fh	Jun-09	329	300	\$720
Optima @ Tanah Merah	Tanah Merah Kechil Ave	99y	Jul-09	297	297	\$820
Sophia Residence	Sophia Road	Fh	Jul-09	272	237	\$1,550
Viva	Suffolk Way	Fh	Aug-09	235	232	\$1,530
Trevista	Lorong 2 Toa Payoh	99y	Sep-09	590	468	\$943
Hundred Trees	West Coast Drive	999y	Sep-09	396	372	\$941

Source: URA; CBRE Research

Note:

1. The above list is not exhaustive, and not meant to list every project that did well in 2009.
2. The above list serves as an indication of the spread of projects that were in demand throughout the year.
3. The number of units sold are based on statistics from URA and CBRE Research where applicable.
4. While every effort has been made to provide the most up-to-date information, it is possible that some of these statistics have been overtaken by events.

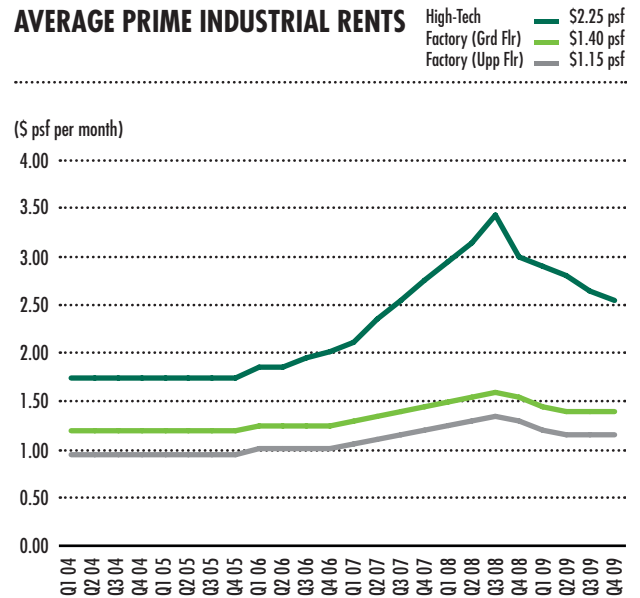
first collective sale this year. Dragon Mansion at Spottiswoode Park was sold to a subsidiary of Roxy-Pacific Holdings for \$101.2 million (\$863 psf/plot ratio).

At the close of 2009, global markets were hit by the news of the Dubai financial crisis but the Singapore economy seemed to be shielded from its full impact. Confidence prevails in light of the government's estimate that the economy would contract by 2.0% to 2.5% this year, less severe than the previous estimate of a 6.0% to 9.0% contraction. Going forward to 2010, the GDP forecast is in the positive zone of 3.0% to 5.0% as the economy is expected to get a boost from the opening of the two integrated resorts. The first half of 2010 will see a wider spread of project launches from mass market, to city fringe and to prime locations. For mass market and city fringe 99-year leasehold projects, prices are likely to cross the \$1,000 psf barrier because of their near-city location or if they are near an MRT station. New prime projects in the pipeline include Ardmore 3 and those on the collective sale sites of Farrer Court, Grangeford, Hillcourt, Parisian and others. Take-up in 2010 is expected to moderate to 8,000-10,000 units and home prices could rise by 5.0% to 10.0%.

INDUSTRIAL

A QUIET YEAR

Year 2009 was a quiet one for the industrial properties market. Rents and capital values for factories and warehouses fell in the first quarter but held firm in the remaining three quarters. Hi-tech rents decreased throughout the four quarters but the rate of decline slowed towards the end of the



Source: CBRE Research

year. The sale of Alexandra Technopark and the award of two industrial sites helped to prop up the investment market for industrial properties.

Monthly rent for hi-tech spaces fell by 3.8% q-o-q and 15.0% y-o-y to \$2.55 psf at year-end. Hi-tech rents reached a peak of \$3.45 psf in Q3 2008 but has been on a decline since. The decrease in rents was mainly driven by the narrowing rental gap between office and hi-tech space. Office tenants were less willing to relocate to hi-tech buildings because the cost savings were not enough to justify the move. Hi-tech buildings that were completed in 2009, such as the 28,300-sm (304,621-sf) Golden Agri Plaza and the 43,600-sm (469,310-sf) Admirax, posed more competition to existing facilities.

At end-2009, the average occupancy rate for hi-tech space fell by 5.2 percentage points y-o-y to an estimated 89.8%. The average occupancy rate for business parks declined from 93.8% at end-2008 to an estimated 86.5% at end-2009. The

drop in occupancy rates for business parks could be due to the injection of several large developments to stock during the year. These included the 12,200-sm (131,321-sf) Cintech IV, the 30,600-sm (329,378-sf) DBS Asia Hub and the 21,800-sm (234,655-sf) Standard Chartered @ Changi.

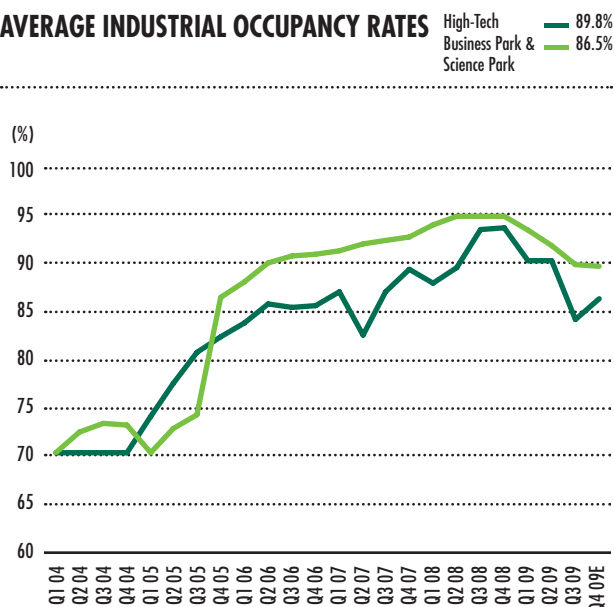
In 2009, the average monthly rents for factory units on the ground and upper floor units fell by 9.7% y-o-y and 11.5% y-o-y respectively but stayed constant during the fourth quarter. Average rent for factories was \$1.40 psf/month for ground floor units and \$1.15 psf/month for upper floor units at year-end.

Likewise, the average monthly rent for ground floor warehouses was flat for the fourth quarter of 2009 but declined by 10.0% y-o-y and 12.5% y-o-y for ground and upper floor units respectively. At the end of 2009, the average monthly rent for ground floor warehouse units was \$1.35 psf while the rent for upper floor units was \$1.05 psf.

The average capital values for 60-year leasehold strata-titled factory units and freehold warehouses remained unchanged in the fourth quarter. However, capital values for leasehold factory space fell by about 17.0% y-o-y to \$230 psf for ground floor units and \$168 psf for upper floor units. Capital values for freehold warehouse space also declined by about 17.0% annually to \$341 psf and \$299 psf for ground and upper floor units respectively.

Some of the larger factory and warehouse completions during the year included the 71,900-sm (773,932-sf) Food Xchange @ Admiralty, the 96,400-sm (1.04 million-sf) Vertex and the 64,400-sm (693,202-sf) Northstar @ AMK.

AVERAGE INDUSTRIAL OCCUPANCY RATES



Source: CBRE Research, URA

Note: For high-tech space, the average occupancy rate is derived from our basket of high-tech buildings.

For business park & science park space, the average occupancy rate is based on URA data.

Three industrial sites were launched for tender in 2009, down from the five plots launched in 2008. The three land parcels could yield a total maximum GFA of 111,169 sm (1.20 million sf). Two of the parcels were awarded in the third quarter for a total of \$35.0 million. The 60-year leasehold site in Woodlands Industrial Park E5/Woodlands Avenue 4 was awarded to Wee Hur Development Pte Ltd for \$22.9 million (\$34 psf/plot ratio) while Kng Development Pte Ltd was awarded a 30-year leasehold site along Kaki Bukit Road 2 for \$12.1 million (\$105 psf/plot ratio).

The tender for the site at Pioneer Road North/Soon Lee Drive closed in the fourth quarter with eight bids received. Kng Realty Pte Ltd placed the highest bid of \$19.4 million (\$48 psf/plot ratio) which was more than twice the application bid of \$8.2 million (\$20 psf/plot ratio).

The REIT players bought only seven industrial properties in 2009 but the amount paid for the properties added up to more than half of the total transaction value for the year. End-users emerged as the largest group of buyers of industrial properties this year.

In 2009, the largest investment transaction for industrial properties was the \$342.5-million sale (\$327 psf based on NLA) of Alexandra Technopark to Frasers Commercial Trust. Another notable sale was 7 Penjuru Close that MapletreeLog purchased for \$43.0 million (\$97 psf based on GFA). REIT players made several other purchases. A-REIT paid \$16.0 million (\$45 psf based on GFA) for a land parcel along Kim Chuan Road while MacarthurCook bought four properties for a total of \$68.6 million.

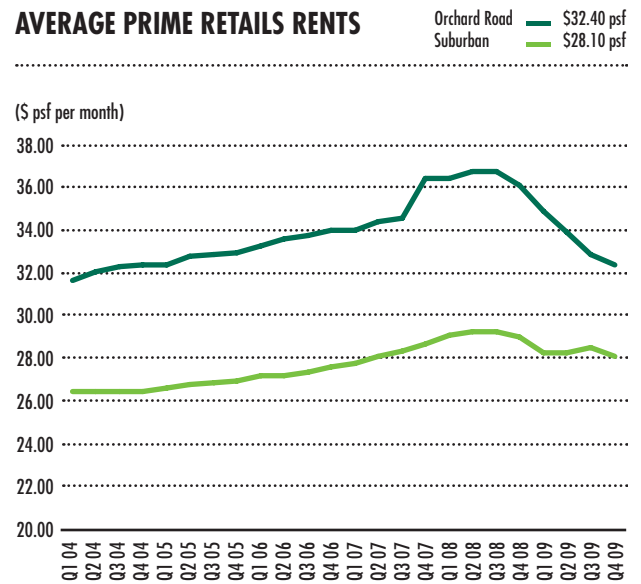
General business sentiment is on the upswing for 2010. This is borne by the Singapore government's forecast of 3.0% to 5.0% of growth for Singapore's GDP in 2010 while GDP for 2009 is expected to contract by 2.0% to 2.5%. As such, a healthy demand for industrial properties is expected in 2010 and rents are projected to begin their upward climb in the second half of the year.

RETAIL

A YEAR OF EVOLVING RETAIL LANDSCAPE

It was a year of changes for the retail market. New malls totaling about 1.7 million sf were completed in the first three quarters of 2009 in spite of the lacklustre economic conditions. About 39% of these spaces were in Orchard Road, debuting on the heels of the completion of STB's \$40-million

AVERAGE PRIME RETAILS RENTS



Source: CBRE Research

makeover of Orchard Road. Tampines 1, Yew Tee Point, City Square Mall and Iluma rose in the suburban and City Fringe areas, bringing many new-to-market labels to the heartlands.

The new malls injected a slew of new brands and shopping concepts which provided a greater variety of products, F&B and lifestyle choices to shoppers. Luxury labels took advantage of the abundant choice location available to expand their network aggressively. This included taking up prime space for their second and third line brands. Similarly, High Street fashion also took the opportunity to take up streetfront locations along Orchard Road.

F&B featured prominently in the new shopping centres and many landlords tailored their tenant mix to include more F&B outlets. This resulted in a proliferation of Japanese food halls, quick service kiosks and up-market foodcourts. The destination dining spot at Dempsey expanded its footprint with the addition of Dempsey Hill to its cluster. The former

warehouse & barracks space has been converted into more than 30 F&B outlet and 25 retail shops.

Existing malls like The Heeren and Paragon are undergoing or have completed A&A works to stay abreast with the changing retail landscape and trends. Orchard Emerald and Specialist Shopping Centre were boarded up for redevelopment. Others like Cathay Cineleisure would launch more A&P campaigns to reach out to its target customers.

In the final quarter of 2009, we saw the opening of more malls along Orchard Road, namely Mandarin Gallery, 313@Somerset and TripleOne Somerset. But each of these new completions presented a different shopping experience. For instance, Mandarin Gallery has flagship boutiques showcasing local designers' – Ashly Isham, Sunny Ang, Ben Wu and Trioon – ready-to-wear collections. While Zara and Forever 21 took up multi-storied units within 313@Somerset – the first time that fashion labels took up multiple-stacks within a mall locally.

The environmentally- and health-conscious crowd have reasons to cheer with the rising number of Green Mark certified malls, eco-friendly supermarkets and organic outlets. We saw the sprouting of more fruits and salad bars within the CBD this quarter. Higher demand for finer produce also saw the openings of more speciality supermarkets.

On the whole, the retail market saw some minor rental correction in the quarter. Prime Orchard Road rents averaged \$32.40 psf down 1.5% q-o-q and -10.2% y-o-y. Similarly, Prime Suburban rents dipped to \$28.10 psf/month in Q4 2009, reflecting a marginal decrease of 1.4% q-o-q and

3.1% y-o-y. Notwithstanding the 2.3 million sf completed this year, the y-o-y decline in retail rents was much smaller than expected, reinforcing the theory that demand for retail space is supply-led.

The retail investment market got off to a slow start, with no transactions chalked in Q1 2009. More transactions were seen only when the outlook for the economy cleared in H2 2009. In all \$801.5 million worth of transactions were concluded in the fourth quarter, making up 85.5% of the full-year total.

The sale of the four-storey Katong Mall and the uncompleted Clementi Mall dominated the headlines in November. Katong Mall was sold for \$247.55 million (\$1,438 psf over NLA) to Perennial Katong Retail Trust. The seller, Golden Cape Investment Ltd, bought the development for \$219.0 million in June 2008. Katong Mall will undergo a 12 to 15 month revamp costing an estimated \$55.0 million in 2010 to reposition it as a lifestyle-cum-F&B hub. Although there will be no change to the GFA after the revamp, the NLA is expected to increase to 206,000 sf from the 172,170 sf currently.

The tender for the 99-year Clementi Mall closed in November with six bidders. CM Domain Pte Ltd, a consortium comprising SPH, NTUC Fairprice and NTUC Income, was awarded the property based on a \$541.90 million bid (\$2,797 psf over NLA). HDB would construct the core and facade while the consortium would complete the internal of the mall. It was reported that NTUC Fairprice would lease 20,000-25,000 sf for a basement supermarket, while SPH could be taking up a kiosk space.

Second Chance Properties bought 22 retail units on the fifth storey of Sim Lim Square for \$35.0 million

(\$3,644 psf) in October. The units with a combined floor area of 9,604 sf are tenanted to 27 retailers.

The opening of the two IRs, more subterranean retail space at Marina Square, Raffles City, Marina Bay and at the various Circle Line stations in addition to more suburban malls at nex, Clementi and Bedok spell exciting times for the year ahead. With the addition of 2.5 million sf of retail space, we are also likely to see more new brands entrants in 2010.

Over at Orchard Road, the new injections in 2009 would need about six to eight months to adjust to the local retail scene and some attrition may occur. Based on initial observations, the pedestrian traffic is heavier on the right hand side of Orchard Road (traveling towards Marina Centre) post STB's upgrading works.

Looking ahead, we expect Prime Orchard Road rents to dip between 5.0% and 10.0% as businesses and trading patterns in Orchard Road adjust to the completion of new/refurbished malls. In the course of the next 12 to 18 months, rents should then stabilise. But Prime Suburban rents are likely to remain stable, underpinned by catchment demand.

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)

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

INVESTMENT Leonard Tay (Director)
leonard.tay@cbre.com.sg

OFFICE & RETAIL Elaine Chow (Associate Director)
elaine.chow@cbre.com.sg

RESIDENTIAL Han Huan Mei (Associate Director)
huanmei.han@cbre.com.sg

INDUSTRIAL Elizabeth Choong (Assistant Manager)
elizabeth.choong@cbre.com.sg

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Singapore

CB Richard Ellis (Pte) Ltd
6 Battery Road #32-01
Singapore 049909
T (65) 6224 8181
F (65) 6225 1987
www.cbre.com.sg
Co. Reg. No. 197701161R

CBRE
CB RICHARD ELLIS