

**QUICK STATS**

	Current	Change From Last	
		Yr	Qtr
<b>OFFICE</b>			
Prime rents	\$4.65psf	↑	↑
Prime capital values	\$980psf	↔	↔
Prime yields	4.02%	↑	↑
<b>RESIDENTIAL</b>			
Prime rents	\$2.30psf	↔	↔
Prime capital values	\$750psf	↔	↔
Prime yields	3.08%	↔	↔
<b>INDUSTRIAL</b>			
Prime rents	\$1.08psf	↔	↔
Prime capital values	\$295psf	↔	↔
Prime yields	2.84%	↔	↔
<b>RETAIL</b>			
Prime rents	\$32.40psf	↑	↔
Prime capital values	\$4,735psf	↑	↔
Prime yields	6.50%	↓	↔

**CB RICHARD ELLIS**

Headquartered in Los Angeles, CB Richard Ellis (NYSE:CBG) is the world's leading commercial real estate services firm (in terms of 2004 revenue). The company serves real estate owners, investors and occupiers by offering strategic advice and execution for property leasing and sales; property, facilities and project management; corporate services; debt and equity financing; investment management; valuation and appraisal; research and investment strategy; and consulting. Including partners and affiliates, CB Richard Ellis has more than 300 offices across 50 countries around the world. Please visit our website at [www.cbre.com.sg](http://www.cbre.com.sg)

**INVESTMENT SALES**

**A GOOD START FOR INVESTMENT SALES MARKET IN 2005**

The Singapore property investment sales market was off to a good start in the first quarter of 2005. A total of \$1.462 billion in investment sales were recorded for the three-month period, 41.3% higher than the \$1.035 billion for the same period last year. The property investment market conditions remained favourable in the first quarter – continued low interest rate and a positive growth projection for the economy.

The private sector accounted for about 84% or \$1.234 billion of total investment sales in the quarter. The remaining 16% came from two government land tenders awarded in the first quarter – a condominium site at Sengkang Central to GuocoLand (\$172.52 million or \$243 psf/plot ratio) and a hotel site at Bras Basah Road to Carlton Hotel Properties (\$55.60 million or \$299 psf/plot ratio).

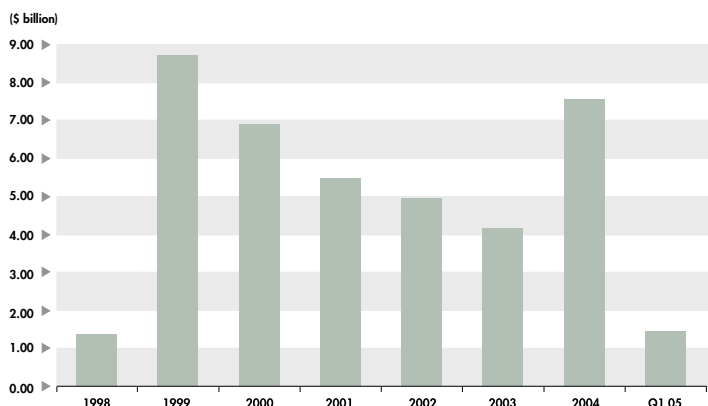
In terms of property sectors, the residential sector had the lion's share, accounting

for about 61% of total investment sales, or \$885.26 million. Collective sales generated \$571.36 million and the largest transaction was the sale of the freehold Maryland Park site for \$236.52 million (\$351 psf/plot ratio) to a joint venture between United Industrial Corporation, Singapore Land and United Overseas Land. The Good Class Bungalow (GCB) market saw investment sales of \$90.98 million in the quarter. A total of 10 GCB transactions were recorded in the quarter, compared to 14 in the same period last year. The sales momentum in the GCB market appeared to have slowed down due to vendors' higher price expectations and potential buyers' prolonged decision-making.

The industrial sector accounted for about 25% of total investment sales in the quarter, or \$369.08 million. The most significant acquisition in the quarter was the four properties bought by the Ascendas Real Estate Investment Trust (A-REIT) from Singapore Telecommunications

## MAJOR PROPERTY INVESTMENT TRANSACTIONS

Total Investment Sales \$1.46 billion



Source: CB Richard Ellis Global Research & Client Services

Ltd for a total of \$316.30 million. The four properties are Telepark, Kim Chuan Telecommunications Complex, KA Centre and KA Place. In the same quarter, A-REIT also announced the purchases of two other industrial properties, the AEM Evertech Building (\$14 million) and Hyflux Building (\$19 million).

The commercial sector saw only the purchase of the HSBC Building by CapitaCommercial Trust for \$152 million, which included the price of the property and the cost of the façade works on the building. There was no shopping centre sale in the quarter. The lack of transactions in the commercial sector reflects the lack of suitable assets for sale rather than any decline in investors' interest.

Looking ahead, a significant portion of investment sales in 2005 will come from the government land sales (GLS) programme. The current GLS reserve sites will likely generate more interest from developers, especially with two newly

added sites in the Orchard Road area. The tenders of the Business and Financial Centre site and the entertainment site in Bugis are already underway. The two tenders will be closed in the second quarter. Other reserve sites that could be sold within this year include the residential sites at Tanah Merah Kechil Ave and Tiong Bahru Road.

Overall, the investment sales market is likely to remain active. The official economic growth of 3–5% projected for this year, albeit lower than last year's 8.4%, is still encouraging. Developers would remain keen to acquire selective development sites or yield-accretive investment properties as long as the current interest rate uptrend is manageable and gradual.

## OFFICE

### A ROBUST OFFICE LEASING MARKET IN THE FIRST QUARTER

In the first quarter of 2005, the office leasing market remained robust. The islandwide occupancy rate, which started to rise since the beginning of last year, continued to improve in the first three months this year. At end-March 2005, the islandwide occupancy rate was estimated to be 84.5%, compared to 84.0% three months ago. The market recovery has become more broad-based and is generated by a wider spectrum of office tenants, such as professional services, asset management, hedge funds and selective enterprises in the manufacturing sector.

The current market recovery has prompted landlords, particularly those who own prime office buildings, to raise their rental expectations. Some tenants responded by locking

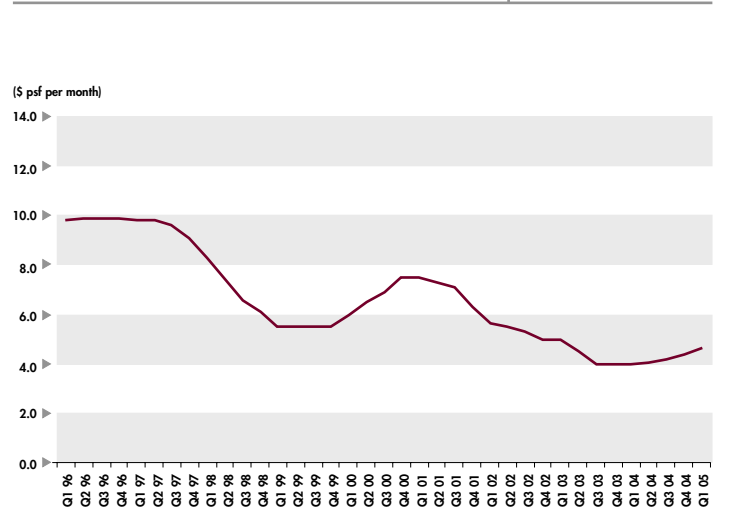
in current rentals against future increases. A sign of the tightening supply of quality office space is that some tenants have resorted to competitive bidding for such space, which was unheard of a year ago.

At end-March 2005, the average occupancy rate of Grade A office space was 94.1%, an improvement from 93.2% three months ago. This points to a dearth of quality office options open to larger tenants considering a move. If an occupier requires 40,000 sf on contiguous floors, there would be only a handful of Grade A building options, but if this requirement increases to more than 50,000 sf, then the choices would be even more limited. In terms of new completions, we do not expect any in 2005. For next year, the most significant office supply is One Raffles Quay. More than 40% of the space in this project has been pre-let to a number of the world's leading financial institutions such as ABN Amro, while another 15% of the space is in an advanced stage of negotiation. The expected completion of the project, which comprises two towers, is in the second quarter of 2006.

Prime office rents continued their upward movement in the first quarter of 2005, averaging at \$4.65 psf per month and representing an increase of 5.7% quarter-on-quarter. The average rent of prime Grade A properties, which is a subset of our basket of prime office properties, was \$4.80 psf at the end of the first quarter, up from \$4.60 psf three months ago.

In March, the government released the Business and Financial Centre (BFC) site for tender, after accepting the minimum price of \$165 psf/plot ratio. The tender will close on 21 June 2005 and if the site is awarded in the second half of the

### AVERAGE PRIME OFFICE RENTS



Source: CB Richard Ellis Global Research & Client Services

year, the earliest completion of the first phase will probably be in the first half of 2009. The 3.55-hectare site will have a gross floor area of about 4.7 million sf, of which a minimum of 60% has to be for office use. The rest may be allocated to hotel, residential and recreation/entertainment use. On the back of the positive outlook for the office sector, there would be keen interest in the BFC site among developers.

Looking ahead, there is an extremely limited development pipeline over the next four years, averaging only 0.57 million sf, much lower than the historical 10-year average annual new supply of 2.06 million sf. We expect overall office occupancy rates in the market to increase. This will serve to underpin sustainable rental growth in the months ahead. We expect the full-year growth of prime office rents in 2005 to be 10–15%, which works out to about \$4.80–5.10 psf in absolute terms. However, it should be noted that the range is still lower than the 10-year historical average prime office rent of \$6.70 psf.

Future demand for office space could be boosted by the government's recent budget announcements to enhance Singapore's position as regional headquarters for corporate financial treasury operations and as Asia's premier wealth management centre. These measures include concessionary tax for associate companies of finance and treasury centres and tax exemptions for funds managed by approved start-up fund managers. These incentives could lead to expansions of current operations or new fund management companies being set up in Singapore.

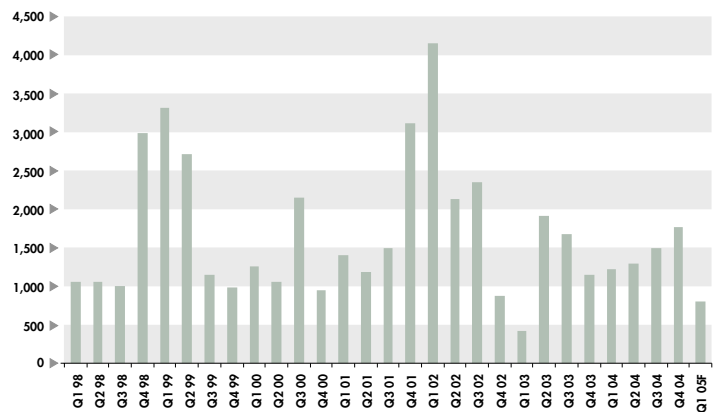
## RESIDENTIAL

### MORE HOME SALES IN SECONDARY MARKET THAN PRIMARY MARKET

The secondary market was more active in the first quarter of 2005 compared to the primary market. Around 1,000 caveats were lodged for secondary sales while for new homes, only around 800 were sold. The stronger sales activity in the secondary market could be attributed to the better buys that homebuyers could find among older properties. At the same time, the lower sales volume seen in the primary market was largely due to the smaller number of new homes launched compared to the previous quarter and, among them, the lack of suitable projects to attract the mass market. Although the secondary market saw a contraction of 27% in sales volume from the previous quarter, it proved to be more resilient than the primary market.

More than one quarter of the homes sold in the secondary market were landed homes. In contrast, less than 5% sold in

### DEMAND FOR NEW RESIDENTIAL UNITS



Source: URA, CB Richard Ellis Global Research & Client Services  
Note: Figures exclude ECs

the primary market were landed homes. This was because there were very few such properties for sale in the primary market. Terrace houses accounted for the bulk of the landed homes sold in the secondary market and those in non-prime locations were sold at prices ranging \$650,000 to \$950,000. For luxury properties, one unit in Ardmore Park was sold at above \$1,700 psf. Since the fourth quarter of 2003, it has been observed that at least one unit in Ardmore Park was sold at this level in every quarter.

The new launches in the first quarter were mostly small freehold developments, in various locations. There were no new suburban leasehold projects that catered to the mass market. In total, around 1,200 new units were launched in the first quarter, 47% less than the 2,208 new homes that were launched in the previous quarter. Response to the new launches varied from project to project as homebuyers became very selective and took more time to decide. Overall, it was the stronger projects that moved even though their prices were steep.

For example, The Cosmopolitan (\$1,100 psf), an upmarket freehold project at River Valley Road was able to sell over 20 units. Watermark (\$850–870 psf) sold over 15 units during its preview and Parc Emily (\$750 psf) sold around 100 units. 8@Mount Sophia (\$730 psf), a 103-year leasehold condominium, reportedly sold 160 units. The Sail@Marina Bay and The Berth By The Cove in Sentosa Island, both 99-year leasehold projects launched at end-2004, sold over 140 units and 40 units respectively. By the end of the quarter, around 800 new homes were sold, about half of the 1,774 units in the previous quarter.

Preliminary estimates by URA show that the residential price index rose by 0.6% from the previous quarter. This is in line with the market as there were no significant price movements in new launches and the secondary market.

The land sales market was fairly active in the first three months of the year. One transaction was GuocoLand's successful bid for a 99-year leasehold condominium site in Sengkang Central at \$172.52 million or \$243 psf/plot ratio. The site could yield 520 new homes when developed. Another transaction was Lippo Group's purchase of Newton Heights and an adjoining State land at the price of \$47.54 million, or \$481 psf/plot ratio, inclusive of development charge. Around 95 apartments could be built on this prime site.

Sentosa Cove Pte Ltd launched 19 bungalow plots for sale in early March and 16 were sold within a few days. The plots fronting the southern seas were sold at \$312–367 psf while those fronting the waterway were sold at \$265–288 psf.

Around half of the buyers were foreigners and permanent residents.

A significant move made by the government in the first quarter was the relaxation of the rules for HDB owners to sublet their flats entirely. The minimum occupation period was reduced from 10 to five years for HDB owners who have paid up their mortgages, and from 15 to 10 years for those who still have an outstanding loan. Statistics from HDB show that about 537,000 flats or 65% of the HDB stock are eligible to be rented out. However, not all units will be available for lease as most of them are owner-occupied. Nevertheless, those that are available will add to the existing supply, thus exerting a downward pressure on both HDB rents as well as lower-end private apartment rents.

Looking ahead, the residential market is awaiting a return of sales volume in primary market. Some of the projects that are likely to be launched in the second quarter include the second phase of both Kovan Melody and The Sail@Marina Bay, City Square, Mera Springs and Rivergate. Home prices are likely to edge up slowly as sales volume improves.

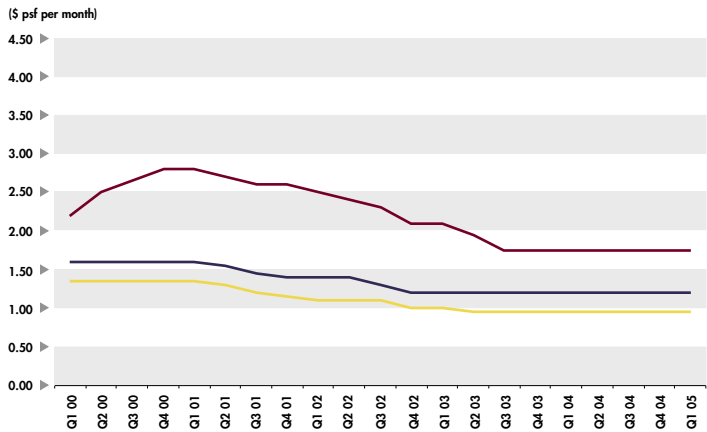
## INDUSTRIAL

### INDUSTRIAL SECTOR SEES SELECTIVE INCREASE IN LEASING ENQUIRIES

The industrial sector saw some positive signs in the first quarter of 2005. Market sentiment improved due to the 13.9% growth in the manufacturing sector last year, higher

**AVERAGE PRIME INDUSTRIAL RENTS**

High-Tech \$1.75 psf  
 Factory (Grd Flr) \$1.20 psf  
 Factory (Upp Flrs) \$0.95 psf



Source: CB Richard Ellis Global Research & Client Services

than the 2.7% growth in the preceding year. As a result, we noted more leasing enquiries in the first quarter, from certain industries such as engineering, printing, logistics and courier services. The industrial investment sales market in the first quarter saw active acquisitions by A-REIT.

At end-March, the average monthly rent for prime conventional flatted factory space stayed flat at \$1.20 psf for ground floor space and \$0.95 psf for upper floor space. Rents for high-tech space also stayed the same at an average of \$1.75 psf per month. Although market sentiment has improved, industrial landlords in general remained cautious in raising their rental expectations. Instead, their priority was to retain existing tenants at their premises by offering non-monetary concessions. Other factors of concern included the volatile manufacturing performance, the expected slower growth of the economy this year and the current surplus supply.

Sales of factory units were muted in the first quarter as there were 81 factory caveats lodged against 184 in the same

period a year ago. The lower sales could be attributed to fewer industrial launches during the festive season in January and February, especially those with 60-year leasehold tenure which are more affordable to industrialists.

Capital values of prime industrial space also remained unchanged in the first quarter. For prime freehold flatted factory, capital values averaged at \$325 psf for ground floor space and \$265 psf for upper floor space. Similarly, capital values for prime 60-year leasehold space remained at \$220 psf for the ground floor and \$160 psf for upper floors.

The industrial investment sales market in the first quarter saw A-REIT to be the main investor. Altogether, it announced acquisitions of six yield-accretive properties for a total of \$349.30 million. These included AEM-Evertch Building, Telepark, Kim Chuan Telecommunications Complex, KA Place, KA Centre and Hyflux Building. Meanwhile, Mapletree Investments is preparing to build up and eventually list its logistics REIT with assets worth over \$500 million by the second half of the year. As such, more acquisitions of industrial properties by these two parties will be seen, while competition for good quality properties increases.

In February, JTC put up a 30-year leasehold industrial site at Penjuru Road for sale by tender. This was the first JTC site released for sale under the government's industrial land sales programme for the first half of 2005, after a successful application by a developer who committed to a minimum bid of \$4 million. This translates to \$18.60 psf/plot ratio for the 215,280-sf site. The land has been earmarked for a Business 2 development, which caters to light industry,

general industry, warehousing, utilities or telecommunication uses.

In the months ahead, we expect overall demand in the industrial property market to remain moderate given the anticipated slowdown in the global demand for electronics and the current surplus industrial supply. Investment sales activity will stay at a healthy level as institutional investors and REITs continue to search for stable income-producing properties.

## RETAIL

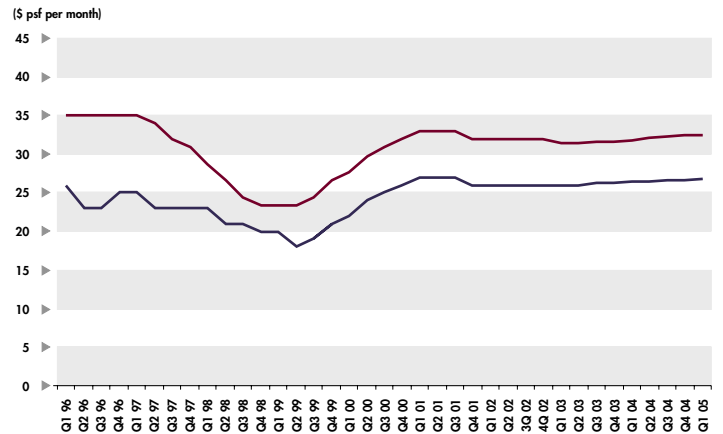
### RETAIL SECTOR POISED FOR AN EXCITING YEAR

If news in the first quarter is anything to go by, the retail sector looks set for an exciting year ahead. Leasing activity was brisk, with an even higher level of interest from retailers compared to the first half of 2004. This comes on the back of a strong retail sales performance during the festive period that began in the previous quarter and ended with the Lunar New Year in early February. The government's announcement of plans to revitalise Orchard Road also brought cheer to property owners and retailers.

Entertainment was one of the most active segments during the quarter. Several high-profile leasing deals altogether taking up some 130,000 sf of space involved entertainment concepts – PowerStation, a mega entertainment complex at the former St James Power Station with nine clubs/bars and three restaurants; NTUC Club's new outlet at Esplanade Mall; and Onyx at One Fullerton with four bar concepts. The

### AVERAGE PRIME RETAILS RENTS

Orchard Road \$32.40 psf  
Suburban \$26.70 psf



Source: CB Richard Ellis Global Research & Client Services

first will start operations in 2006 after refurbishment and renovation works while the other two will open later this year. Fashion, wellness and beauty trades were also on expansion paths. Retailers were generally keen to secure spaces to stay ahead of the competition and before rentals rise further.

Against the strong leasing interest and healthy occupancies, the CB Richard Ellis islandwide prime rental index remained firm during the first quarter. Orchard Road rents stayed unchanged at \$32.40 psf per month on average while the average prime suburban rent rose 0.4% to \$26.70 psf per month.

Giving a boost to market sentiment was the government's vision to make Orchard Road "one of the greatest shopping streets of the world". A budget of \$40 million has been set aside to improve the infrastructure and landscape of Orchard Road over a three-year period. New schemes have been introduced to allow more innovative building designs and add more vibrancy to the streetscape. The schemes are likely

to encourage the redevelopment of existing buildings as they will allow more gross floor area to be built. Proposals may be submitted in the next five years and will have to be approved by the Orchard Road Development Commission, an inter-government agency group set up specially for the revamp of Singapore's prime shopping belt.

This year could well be the start of another major development phase in the retail property sector, similar to the emergence of suburban malls in the 1990s. In addition to potential redevelopment projects in Orchard Road, new retail space may arise from several development sites in the next few years. These include two sites in Orchard Road (made available for application in March); the Bugis entertainment site (tender closing in May), the integrated resort development (proposals being assessed), and the Business and Financial Centre site in Downtown@Marina Bay (tender closing in June). All this takes place in tandem with the broader remaking of Singapore and its expected economic, population and tourism growth.

For the rest of the year, the current upbeat mood among retailers and leasing interest are likely to continue. There is no significant new supply of retail space this year, except for Cathay Building towards year-end, although the marketing of next year's substantial supply will gradually pick up pace. Rents will see a moderate rise.

For more information on MarketView, please contact the Research team or Soon Su Lin, Executive Director  
T. 6224 8181 F. 6533 3815

**INVESTMENT/  
OFFICE** Alan Chow (Associate Director)  
alan.chow@cbre.com.sg

**RESIDENTIAL** Han Huan Mei (Senior Manager)  
huanmei.han@cbre.com.sg

**INDUSTRIAL** Samuel Oh (Analyst)  
samuel.oh@cbre.com.sg

**RETAIL** Hannah Tan (Senior Manager)  
hannah.tan@cbre.com.sg

For a weekly property update, visit  
**MARKET WATCH** <[www.cbre.com.sg](http://www.cbre.com.sg)>

- News highlights
- Market commentaries
- Latest launches

Plus MarketView online, property price indices and special features

Subscribe to the quarterly **SINGAPORE REAL ESTATE RESEARCH REPORT** for complete in-depth analysis and data. For enquiries, please call Alan Chow 6224 8181

For all enquiries on sales and leasing, please call 6224 8181



This report has been prepared solely for general informative purposes. The information contained herein has been derived from sources which we believe to be reliable, but we have not independently verified such information and we do not guarantee its accuracy or completeness. All opinions and estimates included in this report constitute our judgement as of this date. They are subject to change without notice and transactions should not be entered into in reliance upon the information, opinions and estimates set out herein.

Unless otherwise stated, all currencies are expressed in Singapore Dollars.

All rights reserved. No part of this publication may be reproduced in any form without prior written permission of CB Richard Ellis (Pte) Ltd, Singapore. MITA(P) 075/08/2004

## 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 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

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