

**QUICK STATS**

	Current	Change From Last	
		Yr	Qtr
<b>OFFICE</b>			
Prime rents	\$6.00psf	↑	↑
Prime capital values	\$1,150psf	↑	↑
Prime yields	4.7%	↑	↓
<b>RESIDENTIAL</b>			
Prime rents	\$2.60psf	↑	↑
Prime capital values	\$900psf	↑	↑
Prime yields	3.0%	↓	↓
<b>INDUSTRIAL</b>			
Prime rents	\$1.13psf	↑	↔
Prime capital values	\$301psf	↑	↔
Prime yields	2.9%	↑	↔
<b>RETAIL</b>			
Prime rents	\$33.60psf	↑	↑
Prime capital values	\$5,590psf	↑	↑
Prime yields	5.8%	↓	↓

**CB RICHARD ELLIS**

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**INVESTMENT SALES**

**PACE OF INVESTMENT SALES ACCELERATES WITH INCREASED OPTIMISM**

Boosted by strong economic fundamentals, the robust momentum of investment sales continued into the second quarter with a total of \$7,372.42 million worth of investment assets recorded. Compared to the \$5,732.18 million in the first quarter, investment activities had outperformed the preceding quarter by 29%. This was characterized by a high volume of acquisitions of prime development sites and REIT-related purchases.

The residential sector accounted for the largest proportion of sales during the second quarter, contributing \$4,151.03 million in transacted value or 56% of total investment sales. Developers remained enthusiastic in the acquisition of residential sites as they continued to seek opportunities to replenish their land bank from both private and public land sources. A total of 20 collective sales were recorded, amounting to almost \$3.0 billion, about triple the amount in the previous quarter. Notable transactions in the quarter included Beverly Mai at Tomlinson Road which was sold to Hotel

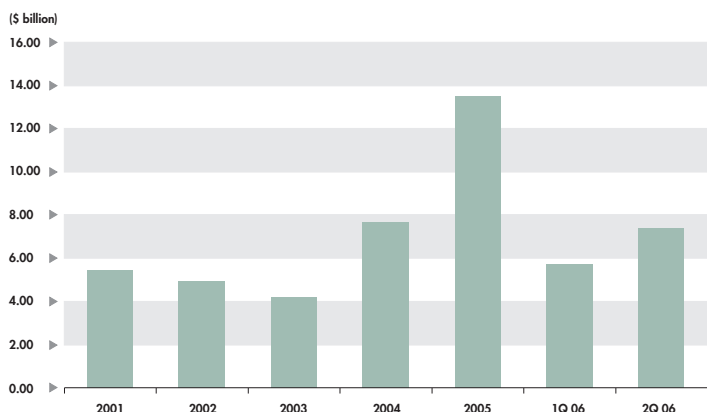
Properties Ltd for \$238 million (\$1,184 psf/plot ratio), Lucky Tower at Grange Road which was sold to CDL for \$383 million (\$1,134 psf/plot ratio) and Far East Mansion which was sold to Frasers Centrepoint for \$256 million (\$674 psf/plot ratio).

In the public sector, the government awarded a condominium site at Tanah Merah Kechil Ave to the joint-venture of NTUC Choice Homes and Wing Tai who submitted a winning bid of \$210 million (\$318 psf/plot ratio). A total of seven bids were submitted for this site, indicating strong interest for development sites in suburban areas. An industrial parcel at Tuas South Ave 2/3 was awarded to Yee Lee Construction Pte Ltd for \$5.8 million (\$15 psf/plot ratio) and a site at Bedok North Ave 4 was awarded to Richland Group Ltd for \$5.118 million (\$24 psf/plot ratio) during the quarter.

The commercial sector contributed 21% of total investment sales or \$1.56 billion in the quarter. Investment activity in the

## MAJOR PROPERTY INVESTMENT TRANSACTIONS

Total Investment Sales \$7.37 billion



Source: CBRE Research

office market increased significantly. For its debut on the stock exchange, Keppel office REIT acquired Prudential Tower (44% stake), Keppel Towers, GE Towers and Bugis Junction Towers for \$630.70 million. Allco REIT announced its first acquisition after being listed in the SGX market in the first quarter. It acquired 55 Market Street (former Sinsov Building) for \$72.50 million (\$969 psf). Robinson Centre was sold to Alpha Investments Partners, a subsidiary of Keppel Land, for \$145 million (\$1,115 psf). SIA building was sold to TSO Investment Pte Ltd, a fund managed by CLSA Capital Partners for \$343.88 million (\$1,165 psf). Prime office developments as well as yield-accretive investment properties will continue to be sought after by institutional investors.

The industrial sector continued to enjoy good sales momentum due to acquisitions by REITs. Mapletree Logistics Trust (MLT) was a key player in the quarter, acquiring five industrial properties for a total of \$97.8 million. Overall, the industrial sector accounted for 2.9% of total investment sales or \$216.30 million in the second quarter.

REIT-related parties will continue to lend major support to the investment market, showing strong interest particularly in office and retail properties. Two highly anticipated REITs, Frasers Centrepont Trust (FCT) and CDL Hospitality REIT (H-REIT) are expected to be listed on the stock exchange soon. Both REITs plan to offer distribution yields of 5.68% and 6.37% respectively. Shopping malls which are injected into FCT's initial portfolio, valued at \$915.2 million, include Causeway Point, Northpoint Shopping Centre and Anchorpoint. H-REIT's initial portfolio, valued at \$846.3 million, will comprise four Singapore hotels and a shopping arcade. The S-REIT market is expected to grow rapidly with the entry of more industry players, positioning Singapore as a major hub for cross-border REITs.

Looking ahead, the property investment market is expected to remain positive and active. Selective buying interest in residential development sites will continue in both the private and public sectors. Investment interest in quality income-producing office and retail assets will remain strong. The outlook for all sectors will remain positive and the full-year investment sales for 2006 is likely to be above \$20 billion, exceeding the record of \$13 billion in 2005.

## OFFICE RISING RENTS AS AVAILABLE SPACE TIGHTENS

Prime and Grade A rents continued to increase during the second quarter as the availability of quality office space in the CBD tightened further. Broad-based growth of the economy, with the financial services sector being the main driver, and buoyant business sentiment have contributed to the higher occupancy levels and rents.

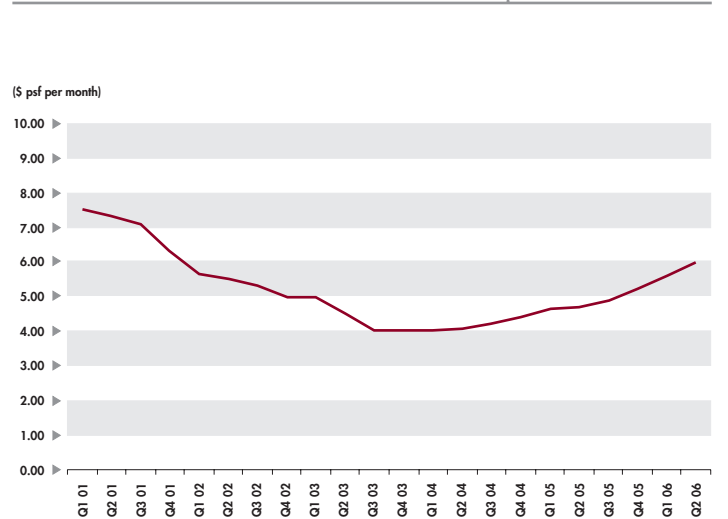
As at end-June, average prime rents rose to \$6.00 psf/month. This reflected an increase of 7.1% q-o-q and 50.0% from the trough in early 2004. Grade A rents grew by 13.3% q-o-q to average \$6.80 psf/month. In view of the current positive market conditions, we are revising our previous year-end projections of \$6.50 psf/month and \$7.20 psf/month for prime and Grade A rents to \$7.00 psf and \$8.00 psf respectively by end-2006.

With the increasing rents, Singapore is now ranked 43rd in a CBRE Global Market Rent study in May 2006, climbing 20 notches from 63rd as at August 2005. Nevertheless, Singapore is still relatively competitive when compared to other major regional and global cities. Hong Kong was the 5th highest in terms of occupancy cost, while Seoul occupied 14th and Shanghai (Pudong) 37th position.

The vacancy rate for the Core CBD area dropped to 7.1% from 9.5% in the previous quarter. The improvement in overall occupancy levels was led by strong leasing momentum in both prime and Grade A office buildings. As such, Grade A vacancy dipped further to 2.7% in the second quarter of 2006 from 4.9% in the first quarter. At this level, Grade A vacancy was the lowest level since the first quarter of 2001.

Traditional office sub-markets such as Marina Centre, Shenton Way, City Hall and Orchard Road all enjoyed single-digit vacancies. Quality space outside the CBD was also in demand as tight availability was evident in the decentralised areas. Tampines Regional Centre, Jurong East Regional Centre and Thomson/Novena, had vacancies hovering around 2.0% while the vacancy rate for River Valley was 6.5% during the quarter. It will be increasingly

**AVERAGE PRIME OFFICE RENTS**



Source: CBRE Research

difficult for tenants looking for good quality office space, whether in or outside the CBD. At the same time, landlords' expectations have risen significantly and they are now in a stronger negotiating position.

Financial institutions and banks dominated the office leasing market this quarter. Of particular note is the dramatic level of expansion from existing tenants in One Raffles Quay (ORQ). The three anchor tenants, Deutsche Bank, ABN Amro and UBS, have all significantly increased their original space commitments. Credit Suisse also leased approximately 110,000 sf at the development. As in the previous quarter, ORQ continues to lead rentals, with rents testing previous market highs. Outside of the CBD, notable transactions included Merrill Lynch's lease of 44,000 sf at Harbourfront Centre and its pre-lease of 110,000 sf or almost 60% of the space at Harbourfront Tower 5, a development that is not due to complete until the third quarter of 2008.

The new supply of office space from the second half of 2006 to 2010 will average 0.6 million sf per annum.

Given that office demand is projected to be above 2.0 million sf for 2006 and that tenant demand is expected to remain strong, the limited supply in the next five years could start to impact occupiers' ability to accommodate space expansion. Existing tenants in the CBD looking for space would have to compromise their choice of location, whilst facing higher rents across all office grades.

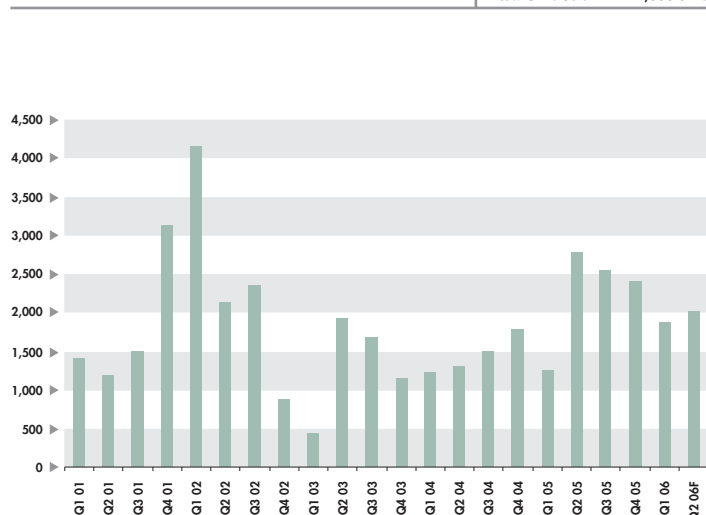
Activity in the office investment market remained healthy and was largely dominated by the REITs. K-REIT completed their purchase of a 44% stake in Prudential Tower (\$1,089 psf), Keppel Towers and GE Towers (\$815 psf) and Bugis Junction Tower (\$645 psf) for a total of \$630.7 million. SIA building was sold to TSO Investment Pte Ltd, a fund managed by CLSA Capital Partners for \$343.88 million (\$1,165 psf), while a fund managed by Keppel Land's subsidiary, Alpha Investment Partners, purchased Robinson Centre for \$145 million (\$1,115 psf). The average prime capital value grew by 9.5% to \$1,150 psf in the second quarter from \$1,050 psf in the previous quarter, and is expected to increase further in the months ahead. As a result of increases in both rents and capital values, the prime office yield compressed slightly from 4.73% in the first quarter to 4.7% as at end-June.

## RESIDENTIAL

### LUXURY HOMES LEAD THE MARKET

Luxury homes took the lead in the second quarter by achieving new benchmark prices. The launch of St Regis Residences established benchmarks at above \$3,000 psf, some 25% above the previous record of \$2,400 psf achieved in 1997. According to reports, around 60 of the

## DEMAND FOR NEW RESIDENTIAL UNITS



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

173 units in St Regis Residences were sold and all at prices above \$2,000 psf.

Sales in the secondary market is likely to reach 2,600-2,700 units for the second quarter, higher than the quarterly average of 2,340 units since the third quarter of 2005. The high sales volume could be partly due to the active collective sales market. A significant number of luxury apartments in the secondary market were sold at prices above \$1,500 psf. Based on caveats lodged at end-June, three units at Ardmore Park were transacted between \$2,011 psf and \$2,052 psf and two units at Cairnhill Crest were sold for above \$1,900 psf during the quarter. It was also reported that 46 apartments at Draycott Eight were sold to one party at an average of \$1,600 psf.

As for the primary market, around 2,800 new units were launched in the second quarter, more than the 2,111 new homes launched in the previous quarter. The new projects launched were a combination of prime, mid-range and

mass market projects. In terms of take-up, we estimate that 1,800 to 2,000 new units were sold during the quarter, similar to the 1,858 units in the previous quarter. This will bring the total new sales in the first half of 2006 to 3,600-3,800 units, lower than the 4,030 units sold in the first half of 2005.

Some of the new projects received relatively good response. Projects such as One Jervois (average \$950 psf), a freehold project in Jervois Road, saw a take-up of around 100 of its 275 units. Newton One (\$1,250 psf), a freehold project at Newton Road, reportedly sold over 70 of its 91 units. Southbank (\$600 psf), a 99-year leasehold project at North Bridge Road, saw around 170 units sold out of its total 197 units. Another 150 units of One Amber (\$725 psf) were sold during the quarter. This is a freehold project at Amber Gardens that was launched in March. Nearby, a 42-unit freehold project, Vertis (\$700 psf) was said to have sold 30% of the units when it was launched.

Activity in the private land sales market continued at a robust pace in the second quarter. A total of 25 sites were sold compared to the 18 sold in the previous quarter. Of the 25 sites sold, 20 were redevelopment sites from collective sales and the remaining five sites were sold by private treaty. The sites were worth a total of \$3.56 billion and could yield some 5,000 new units. A record-breaking collective sale was that of the 99-year leasehold Waterfront View, the biggest residential site to be sold so far. Far East Organization and Frasers Centrepoint jointly purchased the 809,037-sf site for \$385 million or \$241 psf/plot ratio. It was estimated that about 1,600 units could be developed on the site. This is the second former HUDC development that has been sold, after the sale of Amberville in January

06. Another notable sale was that of Lucky Tower in Grange Road. City Developments paid \$383 million or \$1,134 psf/plot ratio for it, the highest absolute price paid for a prime freehold residential site.

With so many high-value transactions taking place in the quarter, home prices continued its climb for the ninth consecutive quarter. The flash estimate for the URA residential price index in the second quarter of 2006 showed an increase of 1.6% from the previous quarter. This reflects an increase of 5.8% year-on-year and 8.5% since it bottomed out in first quarter 2004. For luxury properties alone, prices have risen to an average of \$1,670 psf, 7.7% above the first quarter's average of \$1,550 psf.

Looking ahead, we expect sales volume in the third quarter of 2006 to be 1,800-2,200 units. On the back of healthy GDP growth, demand for new private homes is sustainable with the launch of several projects, and prices may continue to see an upside. Expected new launches may include upmarket projects like CapitaLand's Scotts HighPark (freehold), Hong Leong's Tate Residence (freehold), Far East Organization's Orchard Scotts (99 years) and City Developments/TID's condominium in Sentosa (99 years), as well as mass market 99-year leasehold projects like Guthrie Group's The Centris in Jurong West and NTUC Choice Homes' apartments in the mixed use project in Yew Tee.

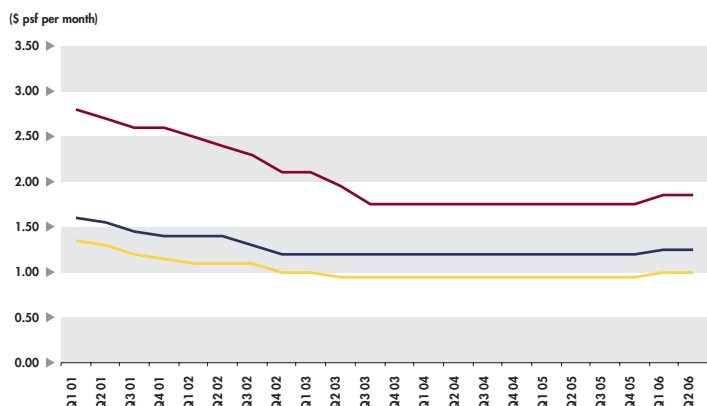
## INDUSTRIAL

### RENTS FIRM FOR INDUSTRIAL SPACE

In the second quarter, rents and capital values held firm. The investment sales market saw some activity with the award of

## AVERAGE PRIME INDUSTRIAL RENTS

High-Tech \$1.85 psf  
 Factory (Grd Flr) \$1.25 psf  
 Factory (Upp Flrs) \$1.00 psf



Source: CBRE Research

three sites on the confirmed list and the launch of another two sites. Industrial REITs managers bought fewer properties but are still on the lookout for quality purchases.

Average monthly rents for prime factory space remained at \$1.25 psf and \$1.00 psf for ground and upper floor units respectively while average capital values for freehold factories were unchanged at \$332 psf for ground floor units and \$270 psf for upper floor units. This was unlike the previous quarter where average monthly rents increased by \$0.05 psf and capital values grew by 2%.

Average monthly rent for high-tech space also held firm at \$1.85 psf in the quarter after rising 5.7% in the previous quarter. The average occupancy rate continued its upward climb from 88.1% in the first quarter to 90.1% in the second quarter as more companies set up research and development centres.

Average monthly prime warehouse rents continued to remain at \$1.25 psf for the ground floor units and \$1.05

psf for upper floor units. Similarly, average capital values for freehold warehouses were unchanged at \$385 psf and \$335 psf for ground and upper floor units respectively.

Three sites were awarded under the government land sales programme during the quarter. The Tuas South Avenue 2/3 site drew five bids when the tender closed in April. The 36,000-sm (387,504-sf) site, with a plot ratio of 1.0 and tenure of 60 years, was awarded to Yee Lee Construction Pte Ltd who placed the top bid of \$5.8 million (\$15 psf/plot ratio). The second site located in Bedok North Avenue 4 was awarded in May to local logistics firm, Richland Group Limited, who submitted the highest bid of \$5.118 million (\$24 psf/plot ratio). The 30-year leasehold site, which drew eight bids, has a plot ratio of 2.0 and a site area of 9,882 sm (106,370 sf). In June, URA awarded a 60-year leasehold site in Woodlands Industrial Park. The tender for the 15,518-sm (167,036-sf) site with a plot ratio of 1.0 attracted eight bids. The winning bid was submitted by contractor Evan Lim & Co. Pte Ltd who placed a bid of \$5.85 million (\$35 psf/plot ratio).

Another site, located in Serangoon North Avenue 4, was launched by JTC in May. The tender will close in July for the 60-year leasehold site with a site area of 2.92 ha and plot ratio of 2.5. The site in Ubi Avenue 4/Ubi Link was launched in June and will close in August. The 60-year leasehold land parcel has a site area of 3.9 ha and a plot ratio of 2.5.

MapletreeLog bought five Singapore properties during the quarter. Generally, fewer willing sellers as well as greater sellers' expectations could have contributed to the low transaction volume for the first half of 2006.

Although manufacturers expect the second half of the year to grow at a slower pace, there is still room for optimism, due to the recent upward revision of Singapore's GDP growth projections and a recovering manufacturing sector. With the strengthening economy and a positive outlook, rents for all industrial space are expected to increase by a further 1.0% to 1.5% by the end of 2006.

## RETAIL

### HEALTHY LEASING DEMAND AND ACTIVE SALES IN THE RETAIL SECTOR

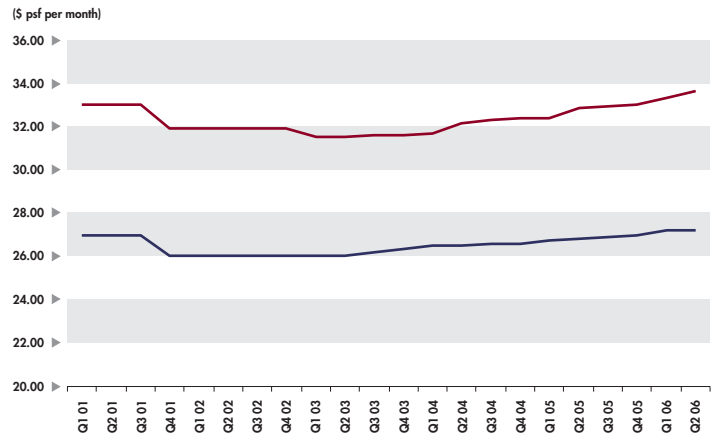
Healthy leasing demand and active retail sales marked the retail sector in the second quarter. The Great Singapore Sale, which started on May 26, 2006, will end on July 23, 2006. The target sales for this year is \$5.2 billion, up by about 4% from last year's \$5 billion.

Leasing demand during the quarter was still strong going by the commitment of retail space in the various new developments that are slated to open in the second half of 2006. Majority of these new shopping centres have already registered more than 80% take-up rate. Growing confidence in the Singapore retail market from luxury retailers was also evident from the market activity in the luxury goods segment. Cartier opened its first boutique worldwide showcasing its accessories at Ngee Ann City while Valentino plans to refurbish its outlets. In addition, principal-owned stores were also entering the Singapore market on their own.

Against this active market backdrop, the CB Richard Ellis islandwide prime rental index increased by 0.7% from the

### AVERAGE PRIME RETAILS RENTS

Orchard Road \$33.60 psf  
Suburban \$27.20 psf



Source: CBRE Research

previous quarter. The increase was largely attributed to rents in the City Hall/Marina Centre Area. Rents there rose by a higher 2.5%, due partly to the increase in rents at the newly renovated Marina Square and Suntec City, which is being upgraded. Prime rent in Orchard Road rose 0.9% to \$33.60 psf/month while the suburban prime rent remained at \$27.20 psf/month.

The pace of development and refurbishment of retail space saw no signs of slowing down. This refurbishment trend is especially active among the malls that are under REITs portfolios, e.g. the decanting and reconfiguration of IMM building and renovation of Hougang Mall. Food and beverage outlets are becoming increasingly important as a draw for shoppers to spend more time in shopping centres. As such, there is also a growing trend of F&B outlets occupying a larger proportion of space in malls.

The Marina Bay Integrated Resort (IR) could add a potential 117,100 sm of retail space which will be named Marina Bay Shoppes. Its developer Las Vegas Sands plans to

bring in global retail brands like Saks Fifth Avenue and Neiman Marcus when the IR is completed in 2009. Visitors to the future Marina Bay Sands can also look forward to new dining experiences at restaurants featuring internationally acclaimed celebrity-chefs.

In the government land sales programme, Somerset Central was opened for tender this quarter and will close on August 16, 2006. The retail, F&B and/or entertainment component has to be at least 60% of the maximum GFA of 39,419 sm (424,306 sf) and this could yield close to another 200,000 sf of retail space. There is a possibility for the Somerset Central site, the Orchard/Killiney Road site and the existing Specialists' Shopping Centre to be developed together to take advantage of the Orchard Road frontage. As this is possibly the last remaining prime site along Orchard Road, we expect to see aggressive bidding by developers.

Barring any unforeseen circumstances, landlords will continue to benefit from rising rentals, particularly those in the Orchard area, in view of the fact that the bulk of new supply will only come onstream in 2008 and 2009. Other factors like healthy tourist arrivals, increased interest by both local and foreign retailers for quality space and the Ministry of Trade and Industry's upward revision of 2006 GDP growth forecast to 5%-7% all bode well for the optimism in the retail market.

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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 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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