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MarketView Singapore

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Second Quarter 2010

Quick Stats

	Current	Change from last Yr.	Change from last Qtr.
OFFICE			
Prime rents	$6.9psf	↓	↑
Prime capital values	$1,800psf	↑	↑
RESIDENTIAL			
Prime rents	$4.10psf	↔	↓
Prime capital values	$1,450psf	↑	↑
INDUSTRIAL			
Islandwide rents	$1.40psf	↑	↑
Capital values	$213psf	↑	↑
RETAIL			
Prime rents	$31.1psf	↓	↓
Prime capital values	$5,800psf	↑	↑

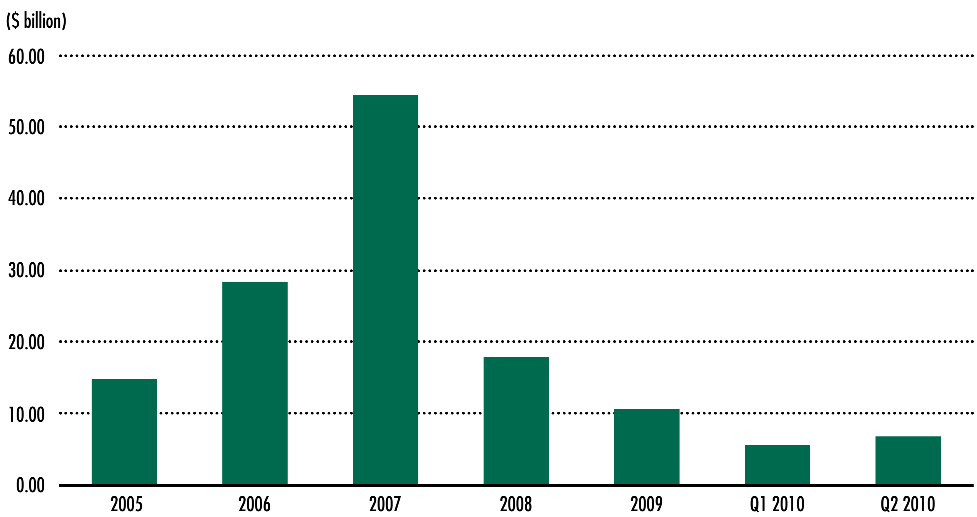
INVESTMENT SALES

TOTAL INVESTMENT SALES IN H1 2010 EXCEEDS TOTAL IN 2009

In the first half of 2010, the total investment sales has exceeded the entire total in 2009, with $12.45 billion in real estate investment sales recorded. This surpassed 2009's total of $10.62 billion by 17.2%. During the first six months of the year, the private sector accounted for $8.84 billion or 71.0% of investment sales, while the public sector (consisting of government land sales transactions) comprised $3.61 billion or 29.0%.

Activity in the real estate investment sales market continued to gain momentum in the second quarter of 2010. From April to June 2010, a significant proportion of investment sales was generated by the sale of 10 residential GLS (government land sale) sites, accounting for some $1.70 billion. This reflects 24.9% of the total investment sales in Q2 2010 as developers placed competitive bids for suburban condominium sites. Total investment sales amounted to $6.83 billion in the second quarter, 21.4% higher than the previous quarter and 255.7% more than the $1.92 billion registered in Q2 2009. The private investment sales market accounted for $4.22 billion or 61.8% of the quarter's total investment sales, while investment

MAJOR PROPERTY INVESTMENT TRANSACTIONS



Source: CBRE Research

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sales in the public sector contributed the remaining 38.2% or $2.61 billion.

In the residential sector, total investment sales including Good Class Bungalow (GCB) sales accounted for 73.6% of the quarter's total investment sales or $5.03 billion in transacted value. This was 59.2% higher than the $3.16 billion residential investment sales recorded in the previous quarter and a significant 337.4% higher than the $1.15 billion chalked up in Q2 2009. There were 10 residential GLS sites sold during the quarter. The highest land price (in terms of quantum) comprised the site at Boon Lay Way/ Lakeside Drive which was sold to Keppel Land (Mayfair) Pte Ltd for $302.98 million ($499 psf/plot ratio).

The collective sales market also saw an increase in activity level during the quarter, as six properties were sold for residential redevelopment for a total of $278.90 million. The most prominent was the reported sale of Pender Court for $95 million or $1,007 psf/ plot ratio to Hoi Hup Realty. In the months ahead there should be a steady flow of collective sales projects and private land sites being transacted, typically of land parcel sizes less than 100,000 sf.

Good class bungalows continued to sell well and at strengthening prices. From April to June, 29 GCBs were sold for a total of $610.06 million. When combined with the volume and value recorded in the first quarter, there have been 59 GCB sales, totalling $1.10 billion in the first half of the year.

The commercial investment market was less active, chalking up 12.9% of total investment sales in the quarter with $877.74 million. Notably, strata-titled office units sold in Suntec City Tower 1 and Suntec City Tower 2 have attained prices of $2,300 psf and $2,163 psf respectively. A white GLS site at Jurong Gateway Road closed in June with a top bid of $748.89 million ($650 psf/plot ratio). It was awarded to Lend Lease Retail Investments 3 Pte Ltd and Lend Lease Commercial Investments Pte Ltd, who will develop a mixed office and retail complex.

In the only hotel sale during the quarter, the Raffles Hotel was reportedly sold to Qatari Diar - the principal real estate entity of the Qatar Investment Authority - for $384.00 million.

In the industrial sector, there were 29 known transactions during the quarter making up $516.47 million or 7.56% of total investment sales. These included 25 private sector sales and four GLS sites in the various locations of Yishun, Woodlands and Tampines.

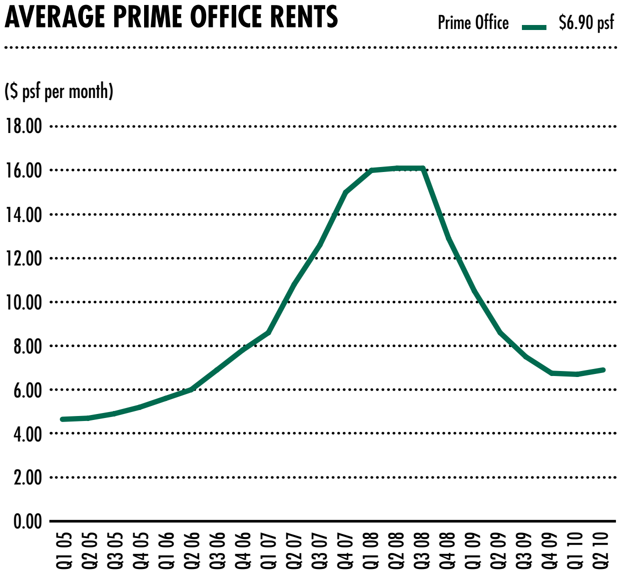
In the second half of 2010, residential property developers are still expected to be keen on development sites. Especially so with more locations now on offer from the GLS Confirmed and Reserve Lists. The land parcels with advantageous locational attributes will be in demand. More small-to-medium size private land/development lots could also be sold in the coming months. A significant new entrant to real estate in Singapore are developers from China who have been active in acquiring sites. Together with the growing level of buyers for commercial investment properties, total investment sales for 2010 is likely to overtake the initial forecast of $15.0 billion, and could perhaps reach the $17.90 billion last achieved in 2008.

OFFICE

RENTS TURNED AROUND IN Q2 2010

Office rents turned around in the second quarter of 2010 – after contracting for six consecutive quarters – on the back of a dramatic economic recovery and buoyed by pent-up demand. Some lingering concerns over the volume of impending supply and the hollowing-out of existing buildings within the CBD

AVERAGE PRIME OFFICE RENTS



Source: CBRE Research

remained, but we are seeing an increase in Core & Fringe CBD rentals.

Prime office rents grew 3.0% in Q2 2010 to average $6.90 psf/month from $6.70 psf/month in the previous quarter. Grade A rents rose 5.6% q-o-q to average $8.45 psf/month. Average Prime and Grade A rents grew by 2.2% and 4.3% in H1 2010 respectively.

Rents outside the traditional CBD in areas such as Orchard, Novena, Alexandra and Tampines remained stable for the past two to three quarters, presenting good opportunity for tenants searching for lower cost relocation alternatives.

Leasing momentum remained strong in part due to pent-up demand from MNCs which were finally in a position to act on their space needs. The virtual year-long hiatus post-Lehman crisis, when companies were unable to act on their space requirement, has undoubtedly passed. With confidence restored in late-2009, decision-makers initiated space planning, leading to a pick-up in requirements and ultimately increased leasing volume in 2010.

A number of investment banks are following the initial wave of lease commitments made in H1 2010, with multiple leasing deals in motion focused on the new developments completing in 2011. We have also noted rising demand in the insurance sector, professional services, private equity and hedge funds (noting that the latter sector is generally a smaller contributor to office space requirements). Foreign legal firms have been very prominent in the market.

Vacancies across all micro-markets have dropped dramatically this quarter. The vacancy rate for Core CBD area fell from 8.1% to 6.7% this quarter, while the vacancy rate in the Decentralised markets fell from 8.2% to 6.8%. In addition, the Fringe CBD saw a 3.2 percentage point decrease in vacancy rate to 9.6% in Q2 2010.

Whilst Grade A office vacancy rose from 5.5% in Q1 2010 to 6.4% this quarter, this appears to be an anomaly and we anticipate this segment of the market will increase occupancy through the balance of 2010. It should be highlighted that the 650,000 sf MBFC Tower 1, completed in April 2010, represented the only new building that was added to office stock. The building was fully let upon completion.

About 6.9 million sf of offices is scheduled to come on stream in H2 2010 – 2015. The average annual take-up in the past five years was about 1.28 million sf, off an average GDP of 5.0%. With a decent economic outlook, we would expect the market to be able to absorb new office space averaging 1.50 million sf per annum over the next four and a half year period. Just over 50.0% of the total future supply is already pre-leased. The absolute volume of supply looks increasingly manageable.

One can also identify some 1.2 million sf will be redeveloped to other uses from 2011 to post-2013. The redevelopment & conversion of existing office stock and ongoing development of apartments within the CBD will continue the gradual gentrification of older parts of the city's commercial centre, further reducing the spectre of oversupply. Whilst the focus of leasing activity in the next 12 months is likely to fall on Grade A supply, we are confident that older buildings will attract replacement tenants if rents are set appropriately.

More office parcels will be released by the government to cater to the needs of the business community. Other than a sole parcel in the Tanjong Pagar micro-market, two other new major commercial sites at Jurong East and Paya Lebar were launched, initiating the government's vision of creating new decentralised commercial hubs in the eastern and western parts of the island. However, the most noteworthy observation on the GLS H2 2010 programme was what was excluded rather than included. It was surprising that prime development land in the heart of the financial and business district was not made available for tender. Projecting forward four to five years, some early concerns on a potential gap in the office supply pipeline start to emerge.

The outlook remained favorable as underlying local market conditions and business confidence is strong. The only caution at present arises from external macro-economic issues such as EU debt. This could dampen Singapore's economic growth, leading to a slightly lower level of leasing activity in H2 2010. Nonetheless, medium-term demand is expected to remain positive as business expands and MNCs continue to view Singapore as one of the few growth stories to help counter the more sluggish markets in Europe and the US.

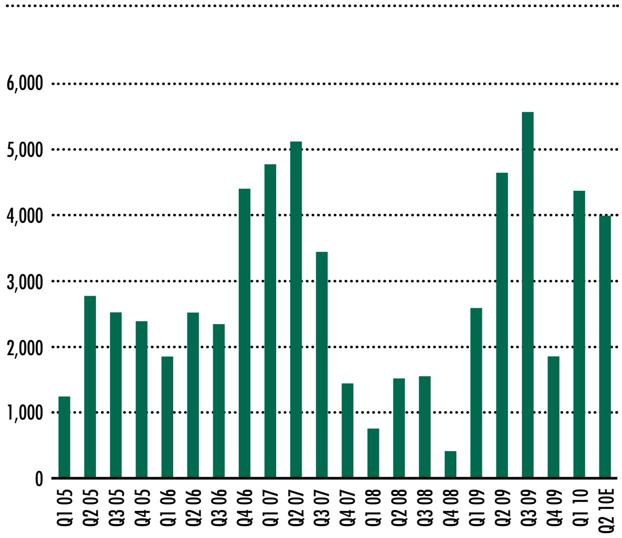
RESIDENTIAL

H1 2010 NEW HOME VOLUME MORE THAN HALF OF 2009'S

The robust pace of new home sales in the first quarter of 2010 spilled over to April until uncertainties crept in from late-May. News of the European debt crisis triggered volatility in the global stock markets and caused the momentum of home sales to slow down from late-May onwards. Nevertheless, some 4,000 new homes were sold in the second quarter which, together with the 4,380 units sold in the first quarter, added up to around 8,400 new homes being sold in the first half of 2010. This is more than half (57.0%) of the 14,688 new homes sold in 2009.

The projects that sold well in the second quarter were mostly in the low- to mid-tier price range. For example, all 429 units in Tree House condominium in Chestnut Avenue were sold at the median price of $830 psf and The Minton in Hougang Street 11 reported over 350 units sold out of its 1,145 units, at $850 psf. In the mid-tier price range, Waterbank at Dakota Crescent sold all its 616 units at $1,150 psf while The Interlace at Alexandra Road sold another 200 units at $1,050 psf. Landed homes – perceived as a value-for-money product because of the large living space they offer – also sold well. All 48 terrace house of Luxus Hills Phase 3 as well as all 25 terrace

DEMAND FOR NEW RESIDENTIAL UNITS



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

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houses of Pavilion Park Phase 2E were sold. These landed homes were priced between $1.8 million and $2.2 million each.

The sales of new up-market homes moved at a slower pace in the second quarter as foreign investors held back their purchase due to the weakening of some foreign currencies against the Singapore dollar. 40 units of Marina Bay Suites (Phase 2) and 33 units of Goodwood Residence were sold at a median price of $2,600 psf and $2,480 psf respectively. In the Nassim enclave, three luxury units in Sage were sold around $3,220 psf while two units of Nassim Park Residences were reportedly sold above $3,700 psf each.

Based on caveats lodged, about 33.7% of the new home buyers in the second quarter of 2010 were HDB addressees, commonly regarded as HDB upgraders. A quarter ago, HDB upgraders accounted for some 37.9% of the buyers of new homes. The reduction could be attributed to a smaller supply of mass-market type of projects being launched in the second quarter compared to the first quarter.

In the resale market, sales activity was almost the same pace as that in the new homes market. Some 3,400–3,600 resale homes were estimated to be sold in the second quarter, 15.0%–20.0% lower than the 4,261 resale homes sold in the previous quarter. Sub-sales numbered around 500, down from 806 in the previous quarter as the market became less bullish and sellers were mindful of the stamp duty payable if they sold their property within a year of purchase.

The price points of new mass-market projects launched in the second quarter were at similar levels to those launched in the previous quarter, but those in the mid-tier segment (city-fringe locations and landed homes) have inched up. URA flash estimates showed that the residential price index for Q2 2010 rose by 5.2%.

Developers participated competitively in the government land sales programme in the second quarter of 2010 to acquire residential sites. They bought another 10 sites on top of the five sites acquired in the last quarter. Among the most hotly contested sites were the three which were located very close to MRT stations, garnering 14 to 18 bids each. At Boon Lay Way, near Lakeside MRT station, a 173,486-sf site was won by Keppel Land with a bid of $302.98 million ($499 psf/plot ratio). At Simei Street 3, opposite Simei MRT station, CEL Development captured a 291,963-sf site with a bid of $152.69 million ($523 psf/plot ratio). At Pheng Geck Avenue, adjacent to Potong Pasir MRT station, Chinese developer Qingdao Construction put in the top bid of $113.74 million ($607 psf/plot ratio) for a 53,516-sf site. These land prices imply that the new projects on-site could command prices of $900 psf–$1,000 psf if they are launched in six to nine-months' time.

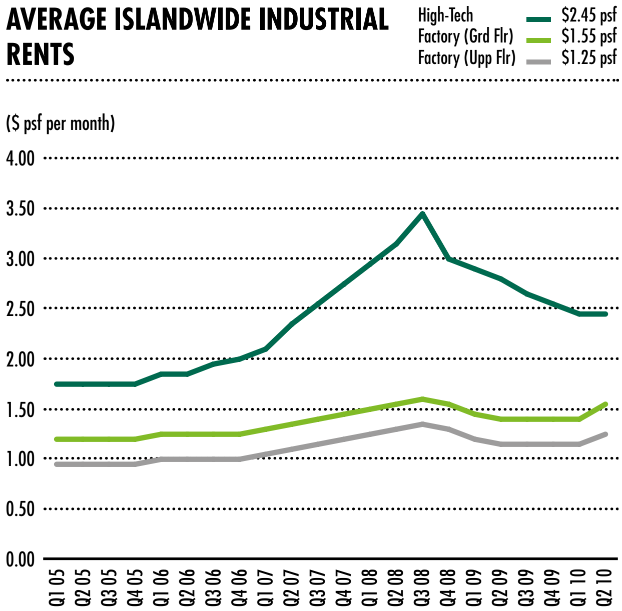
The Singapore economy seems on-track to achieve its forecast growth of 7.0%–9.0% for 2010 because of a strong boom in manufacturing and exports. New launches in Q3 2010 may include Waterfront Gold at Bedok Reservoir, The Scala at Serangoon Avenue 3, The Waterline at Poh Huat Road West and 368 Thomson Road among others. While the volume of new homes sold in the third quarter may be reduced to around 2,000 units, home prices are likely to remain firm.

INDUSTRIAL

INCREASE IN RENTS AND CAPITAL VALUES

Driven by a pick-up in demand, rents and capital values for industrial properties increased in Q2 2010. Some activity was also seen in the investment market for industrial properties. MapletreeLog bought a property along Tai Seng Avenue and four industrial sites on the GLS programme were awarded for prices

AVERAGE ISLANDWIDE INDUSTRIAL RENTS



Source: CBRE Research

ranging from $71 psf/plot ratio to $77 psf/plot ratio.

The average monthly rents for ground floor factory units rose by 10.7% to $1.55 psf in Q2 2010. Similarly, average monthly rents for upper floor units increased by 8.7% to $1.25 psf in the quarter. The increase in rent is in line with the improved economic conditions and better business sentiments. A survey conducted by EDB in Q2 2010 showed that more manufacturers are positive about business conditions for the second half of the year compared to an earlier survey conducted in the previous quarter.

An increase in enquiries for warehouse space was noted in the second quarter. The average monthly rent for ground floor warehouse units rose by 11.1% to $1.50 psf while rents for upper floor units increased by 9.5% to $1.15 psf. The higher rates of increase in warehouse rents compared to factory rents reflect slightly more interest in warehouse space than factory space.

On the other hand, the monthly rent for hi-tech spaces stayed constant at $2.45 psf in Q2 2010 due to the existing slowdown in demand as tenants in the non-CBD areas did not enjoy much rental savings by moving to hi-tech buildings. This can be attributed to a lack of significant rental savings between hi-tech buildings and offices outside the CBD. However, the situation could change if rents for office space increase significantly.

The capital values for leasehold factory space increased by about 7.0% to $246 psf for ground floor units and $180 psf for upper floor units. Meanwhile, capital values for freehold warehouse space increased by about 3.0% to $371 psf and $324 psf for ground and upper floor units respectively.

Four industrial sites from the GLS programme were awarded during the quarter. Of the four sites, the land parcel located at Tampines Industrial Avenue 4 was the only plot from the confirmed list. The 30-year leasehold site was awarded to Soon Tock Tuas Development Pte Ltd for $33.1 million ($77 psf/plot ratio). OKH Management Pte Ltd paid $27.2 million ($71 psf/plot ratio) for Yishun Avenue 6 (Parcel 1) while Soilbuild Group Holdings Ltd bought nearby Yishun Avenue 6 (Parcel 8) for $29.3 million ($76 psf/plot ratio). A site at Woodlands Avenue 12 (Parcel 1) was awarded to Boon Keng Development Pte Ltd for $65.2 million ($75 psf/plot ratio). The above three sites have a tenure of 60 years each.

StorHub (a joint venture between CapitaLand and Hersing) bought four properties for its self-storage business. The company paid $5.9 million ($87 psf based on GFA) for 15 Changi South Street 1, $8.0 million ($142 psf based on GFA) for 25A Changi South Street 1, $20.6 million ($160 psf based on GFA) for 615 Lorong 4 Toa Payoh and $25.5 million ($230 psf based on GFA) for 743 Lorong 5 Toa Payoh. MapletreeLog was the only REIT player who bought a local property in the quarter. The Trust purchased 29 Tai Seng Avenue for $53.0 million ($250 psf based on GFA).

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The Singapore government has revised an earlier forecasted GDP growth of 4.5% to 6.5% upwards to 7.0% to 9.0% for 2010. Driven by a robust economy, the general outlook for the industrial property sector is positive with further increases expected for rents and capital values in the remaining half of 2010.

RETAIL

RENTS DIPPED EXCEPT AT PRIME SUBURBAN MALLS

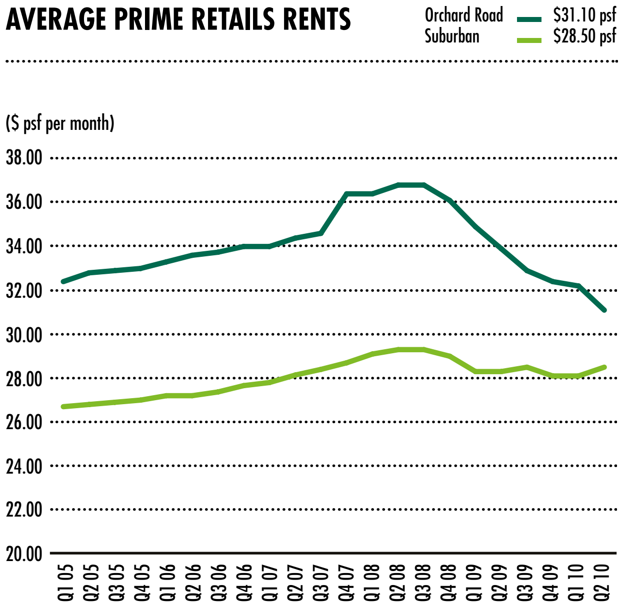
Consumer confidence is returning as the local economy made a dramatic recovery in early-2010. Combined with the annual Great Singapore Sale (GSS), it is likely that the cashiers' till will continue ringing throughout the second quarter of 2010. On a cautionary note however, real wages have not increased in tandem with the spectacular GDP growth. This in addition with inflationary pressures could dampen consumer spending post-GSS 2010.

With the exception of Suburban malls, the other retail micro-markets witnessed a decline in rental rates in Q2 2010. Prime Orchard Road rents averaged $31.10 psf, reflecting a 3.4% decrease from $32.20 psf in Q1 10. Suburban malls on the other hand, saw a 1.4% rental increase q-o-q, to average $28.50 psf/ month.

A similar trend is observed in H1 2010, where Prime Orchard rents fell 4.1% but Prime Suburban saw a marginal 1.4% increase in rentals. The sharpest decline for the first half of 2010 was seen in the City Fringe markets, which saw a 6.5% reduction. This was in part due to the influx of retail completions throughout the island.

The retail leasing market remained active in the quarter, with spaces along the Orchard Road corridor as well as within the Integrated Resorts highly sought after by new-to-market labels and foreign retailers. For example, Uniqlo planned to open five more outlets in the next two years to carry the full collection for consumers locally, while luxury footwear brand Stella Luna and Candylicious will be opening in September at Resorts World Sentosa.

AVERAGE PRIME RETAILS RENTS



Source: CBRE Research

As F&B operators and fashion labels continued to be the prominent occupiers of retail space, we have also observed growing demand from commercial schools and entertainment businesses. The government initiatives to promote Singapore as an education hub as well as the rise of an increasingly varied clubbing scene post-IRs completions, contributed to this trend.

The commercial site at Stamford Road/ North Bridge Road was triggered for sale in April. An undisclosed developer has committed to bid at least $100.0 million ($184 psf over maximum permissible GFA) for the 1.43-ha site on the reserve list. The parcel comprises a cluster of three architecture landmarks – Capitol Theatre, Capitol Building and Stamford House – which the successful bidder has to restore and put to adaptive re-use. The Concept-and-Price Revenue tender system for this plot will close on 18 August.

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Over at the Jurong Lake District, URA launched a 1.9-ha white site on 26 April. The parcel is strategically located next to the Jurong East MRT Station and could potentially yield GFA of 1.15 million sf. Six bids were received when tender closed on 24 June. Lend Lease emerged with a top bid of $748.888 million ($650 psf/plot ratio). Given the strong background of Lend Lease and its joint partner, the Asian Retail Investment Fund in retail development, it is likely that retail would feature prominently, notwithstanding the mandatory 30.0% designated for office use.

More retail supply could materalise at one-north. JTC launched a 1.8-ha commercial site at the junction of North Buona Vista Road and Commonwealth Avenue West on 2 June. It was designated that some 21,528 sf has to be set aside for retail use.

The newly opened Marina Bay Sands (MBS) is expected to cast a shadow on the traditional shopping street at Orchard Road. It is still early days, and shoppers have yet to turn up in throes, as not all retailers are ready to open. Shoppers were also impeded by the exorbitant car-parking fees and taxi surcharges at MBS.

For the second half of 2010, we expect the retail leasing scene to remain active. Rents are likely to come under pressure especially for selected city fringe malls with high vacancy rates as well as in malls with chunks of space up for renewal. We expect Prime Orchard Road rents to dip 5.0% to 10.0% in 2010 due to the settling of business and trading patterns. But Prime Suburban rents are likely to see a 3.0% to 5.0% upside in the same period, 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)

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