

Real Estate Highlights

Singapore • 1st Quarter Jan - Mar 2006

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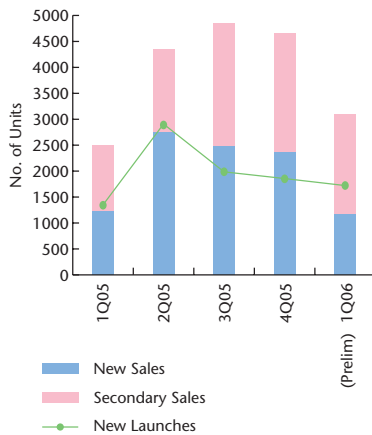
Executive Summary

- Price recovery in the private residential market remained patchy with the high-end segment leading the market. Similarly, recovery in the leasing market was mostly in the high-end and lifestyle driven developments with the increasing number of foreigner working in Singapore. Public housing policy changes could increase the activities in this market segment.
- The retail sector remained rosy as strong demand in the absence of new major shopping developments at prime Orchard Road area resulted in a 14-year low vacancy rate of 3%. Average monthly rentals of prime retail space in the Orchard Road area rose by about 1% qoq.
- The office sector continued to gain positive momentum in 1Q 2006 on the back of robust economic growth and improving business sentiment. Prime office rentals in all the sub-markets enjoyed varying degree of increases.
- The industrial sector experienced high average occupancy rate at the beginning of 2006 since the previous peak in 2001. Rentals for conventional flatted industrial space remained flat qoq while high-tech space edged up by 1% to 2% qoq.

Singapore Residential Property Highlights

Private Residential Sector

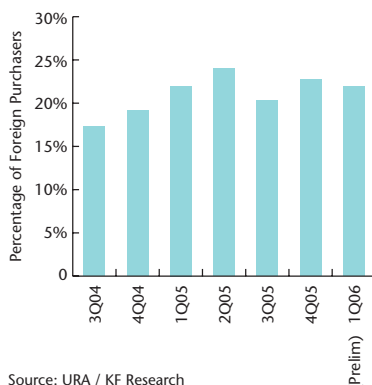
Chart 1
Private Home Launches & Sales Trends



Source: URA / KF Research

"The number of private homes launched in 1Q 2006 was estimated to be just below 1,800 units"

Chart 2
Proportion of Foreign Purchasers in Singapore



Source: URA / KF Research

Supply and Demand

Property developers' confidence in the recovery of the private residential market was evident from the lofty 8,201 uncompleted units that were launched for sale in the whole of 2005. Correspondingly, developer's sales in the primary market surge to a three-year high of 8,955 units, an increase of almost 55% from 2004's 5,785 units. Induced by 2005's brilliant performance, developers started off the New Year with three major launches, namely The Raintree, The Esta and The Stellar. However, the number of launches fell sharply in February as developers held back their stock in anticipation of positive news from Budget 2006. Launch activities regained momentum in March. However, the projects launched this time were mostly smaller developments with less than 100 units each.

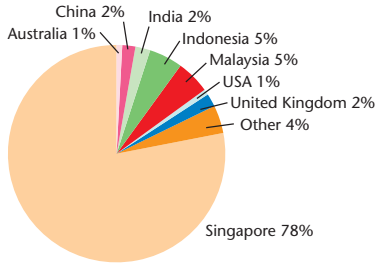
As such, the number of private homes launched in 1Q 2006 was estimated to be just below 1,800 units, lower than that in the previous quarter. Novelty Group was the most active developer in terms of number of project launched in the first quarter. It launched 4 small and medium-sized developments namely, Amanusa, Atrium Residences, Murano and Vitra. Some major developers which were very active with project launches in the previous quarter did not launch any project in 1Q 2006 as they turned their attention to selling their existing stock.

An estimated 1,200 private homes were sold by developers in 1Q 2006. This amounted to a drop of almost 100% in primary market transactions as compared to 4Q 2005. However, the figure is not alarming because in the past 3 years, the lowest number of primary market sales for that year was usually recorded in the first quarter of each year.

Although sales in the secondary market, which consists of both sub-sale and resale transactions, are expected to remain buoyant, there is little evidence of speculative activities. The secondary market sale volume in 1Q 2006 is about 2,000 homes, slightly below the 2,311 units in the preceding quarter. Two factors that could contribute to the sustained activities in the secondary home sale market are the rising number of successful en bloc sales and the active marketing of unsold units in developments that have newly obtained their Temporary Occupation Permit (TOP). The total number of sub-sale caveats in 1Q 2006 fell to a more moderate level, amounting to less than 100 units or about 3% of the total sales in the secondary market, indicating that speculators have retreated to the sideline.

With fewer prime residential projects launched in 1Q 2006, the proportion of foreign purchasers in that quarter could fall by about 4-percentage points quarter-on-quarter (qoq). Nevertheless, foreigners would still make up about 22% of the total number of private home buyers in 1Q 2006, which is within the 20% to 25% range experienced in 2005. Indonesians and Malaysians remained as the biggest group of foreign buyers in Singapore's private residential market. China, India and UK nationals are fast expanding their market share but they are unlikely to overtake the Indonesians and Malaysians, who has traditionally been the largest groups of foreign home buyers.

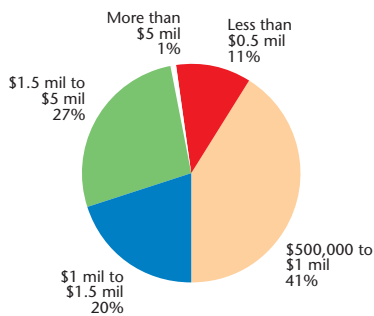
Chart 3
Estimated Breakdown of Nationality of Purchasers in 1Q 2006



Source: URA / KF Research

"Indonesians and Malaysians remained as the biggest group of foreign buyers in Singapore's private residential market. China, India and UK nationals are fast expanding their market share..."

Chart 4
Estimated Breakdown of Foreign Purchasers (PRs & Non-PRs) in each Property Price Range in 1Q 2006



Source: URA / KF Research

Some Possible Launches in 2006 (next 6 months)

| Projects | Tenure | Developer | Location | Units |
|--|--------|---------------------------------------|--|-------|
| Developments from Government Land Sales | | | | |
| The Quartz | 99-yr | Guocoland | Buangkok Dr/ Compassvale Bow/ Sengkang Central | 625 |
| Condominium (un-named) | 99-yr | City Developments Ltd & TID | Ocean Drive, Sentosa Cove | 267 |
| one-north Condo | 99-yr | UOL / Kheng Leong Co. / Low Keng Huat | one-north | 425 |
| Developments from Private Land Sales | | | | |
| Botanika | FH | Tuan Sing Holdings | Holland Road | 34 |
| Southbank | 99-yr | United Overseas Land (UOL) | North Bridge Road | 257 |
| Blossoms | FH | Allgreen Properties | Woodleigh Close | 240 |
| Cairnhill Residences | FH | Allgreen Properties | Cairnhill Circle | 97 |
| Condominium (un-named) | FH | City Developments | Jiak Kim St | 177 |
| Condominium (un-named) | FH | Frasers Centrepoint | Jervois Close/ Jervois Road | 260 |
| Condominium (un-named) | FH | UIC, UOL | Chay Yan St | 163 |
| Condominium (un-named) | FH | UOL | Minbu Road | 184 |
| Orchard Scotts | 99-yr | Far East Organisation | Anthony Road | 387 |
| Residences @ Evelyn | FH | City Developments Ltd | Evelyn Road/ Newton Road | 208 |
| One Amber | FH | UIC, Singland & UOL | Amber Gardens | 562 |
| St Regis Residences | 999-yr | City Developments Ltd | Cuscaden Road | 187 |
| Urbanedge @ Holland | FH | Wee Hur Investments | Ford Avenue | 31 |
| The Chuan | 999-yr | Kheng Leong Co. | Lorong Chuan | 106 |
| The Infiniti | FH | Frasers Centrepoint | West Coast Park | 315 |
| The View | FH | Guocoland | Meyer Road | 45 |
| Developments from the Conversion of Office Buildings Sites in the CBD | | | | |
| The Lumiere | 99-yr | BS Capital | Mistra Road | - |

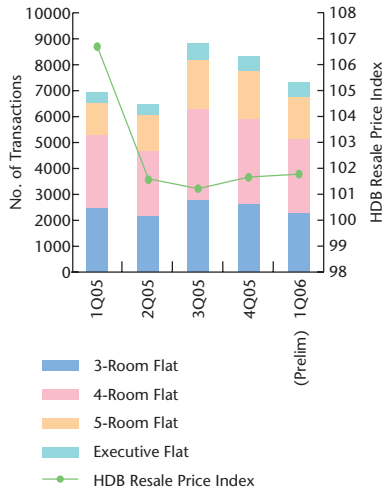
In 1Q 2006, the two most popular types of private homes among foreign purchasers, including foreigners with Singapore Permanent Resident (PR) status, were those that were priced between \$500,000 to \$1 million and \$1.5 million to \$5 million. Most of the foreigners who bought properties costing \$500,000 to \$1 million are PRs, while majority of those who bought properties with prices ranging from \$1.5 million to \$5 million are Non-PRs. This illustrated that the foreign homebuyers in Singapore are diverse with the average and the super-rich.

Prices and Rentals

The price recovery in the private residential market remained patchy. Price trends were not only segmented between the different market tiers but also between the primary market and secondary market.

Prices of high-end projects in 1Q 2006 continue to trend upwards with those in the primary market and secondary market rising by about 3% and 5% respectively. Conversely, prices of mass-market homes are relatively flat and lagged the recovery seen in the high-end segment. Overall, the private residential price index rose 1.5% qoq.

Chart 5
HDB Resale Transaction Volume and Price Index



Source: Housing & Development Board / KF Research

"Prices of high-end projects in 1Q 2006 continue to trend upwards with those in the primary market and secondary market rising by about 3% to 5% respectively"

In January and February 2006, there was a noticeable slow-down in the number of incoming foreign residential tenants due to the festive seasons. The market started to pick up in the later half of 1Q 2006 with the steady inflow of foreign talents. The resulting firming of residential leasing demand edged up rentals in certain properties. Nonetheless, recovery in the rental market is still fragmented with the high-end and lifestyle-driven developments performing better than the other segments. Noticeably, the contemporary styling in lifestyle-driven developments, such as the Caribbean At Keppel Bay and Newton Gems, seemed to attract a large variety of tenants of different nationalities.

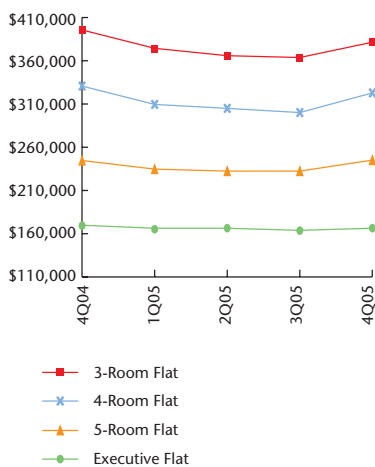
In 1Q 2006, rentals of high-end condominiums rose by between 1% and 3% qoq. The increase in leasing demand in the last 6 months of 2005 pushed up average rentals in this segment to about 6% year-on-year (yoy).

Public Housing Sector

After dipping for two quarters following April 2005's implementation of anti-cash-back measures, the HDB resale price index started its slow recovery in 4Q 2005, rising about 0.4% qoq and another 0.1% in 1Q 2006. Price recovery in 4Q 2005 was supported by the increasing number of families purchasing HDB flats in the city centre. This is illustrated by the rise in the valuation of HDB flats in mature estates such as the Central Area, Bukit Merah, Kallang and Whampoa.

Some of the key developments in the public housing market in 1Q 2006 include the introduction of new policies such as the decision to resume the building of smaller flats, providing additional CPF Housing Grant to lower income families and the revision of the resale levy. Instead of being pegged to a percentage of the flat's selling price, the new resale levy will be a fixed sum of \$15,000 to \$50,000, according to the existing subsidized flat type. Generally, these policies aimed at creating more variety, mobility and more importantly, reduce the existing 9,000 stocks of unsold HDB flats in Singapore. Responses to these policies were mixed but brighter job prospects and HDB efforts in rectifying the disequilibrium in the market are largely viewed as stimulating to the HDB market, pushing the HDB resale price index recovery in 1Q 2006 by another 0.1%. The consecutive two quarters rise in HDB resale prices also indicates that confidence is gradually returning to the public housing market.

Chart 6
HDB Resale Valuation



Source: Housing & Development Board / KF Research

HDB resale transactions moderated in 4Q 2005 after hitting a peak of 8,933 units in 3Q 2005. This illustrates that the demand for HDB resale flats is price sensitive, rising when price falls and vice versa. On the other hand, the moderated volume of HDB transactions in 4Q 2005 may have contributed to the slow recovery in the private residential mass-market segment. HDB resale volume, which is seasonally low in 1Q 2006 saw another overall drop of about 10% qoq. Resale volume of all flat types fell except 1 & 2-room flats. The increase in interest of small flats may indicate that the government's extensions of the homeownership scheme to the low income and the aged households are starting to take effect.

"Average prices in the private residential market are projected to grow by 4% to 8% in the next 12 months"

The first HDB Design, Build and Sell Scheme (DBSS) tender that give private developers the opportunity to undertake the entire development process, from the purchase of the land, to designing, building, pricing and selling the HDB flats, was awarded in January 2006. The pilot site at Tampines Avenue 6 attracted bids from six mostly construction-based developers, with Sim Lian Land placing a higher-than-expected top bid of \$82.22 million or \$113.67 per square foot per plot ratio. Sim Lian Land plans to build 612 units on the site with a mix of 4- and 5-rooms flats. About 80% to 90% of the 612 units will be 5-rooms flats. Breakeven cost for the development amounts to about \$240 psf while projected selling price range from \$260 to \$270 psf or an estimated \$320,000 for a 5-room flat. Sim Lian plans to launch the flats for sale in 3Q 2006 and construction is expected to be completed in 2009. The launch price of the DBSS flats will be influenced by the prices of resale HDB flats. This could cause the the developer's profit margin to be lower than the 10%-15% that is usually expected for private residential developments.

Outlook

Amidst the threat of rising interest rates and the bird-flu pandemic, the recovery in the Singapore's private residential market is still on track. In the following quarter, the private home market can stand to benefit from the large variety of new private housings catering to the demands in the different niche markets. Apart from the availability of new iconic developments, the drought of new 99-year leasehold launches in the mass to mid-segment of the market is also expected to end with the launch of the new projects developed on five government land sales (GLS) sites, including two condominium plots at Sentosa Cove.

The launch prices of the three new suburban 99-year leasehold developments are likely to be priced at a slight premium relative to other suburban mass-market condominiums as they are all located next to the MRT stations. The launch of these projects could increase the sale volume in the mass-market segment and result in the long-awaited volume-led price recovery. However, the high-end segment, which had enjoyed spectacular rise in capital values, could experience a relatively slower price expansion. Overall, average prices in the private residential market are projected to grow by 4% to 8% in the next 12 months.

As the economy and employment improve, there is likely to be an increase in the number of foreign talents coming to work in Singapore in the near future. Hence, demand in the leasing market is expected to remain healthy. However, even though landlords are still having higher expectations on their rental returns, rentals are expected to consolidate. Demand in the rental market are expected to continue to focus on more compact apartments with lifestyle factors and high-end, high-profile developments such as Ardmore Park, The Ladyhill, The Boulevard Residences and Grange Residences.

The public housing market in the following quarters is likely to be more diverse. The pilot DBSS site is expected to introduce a new form of public housing in Singapore, which if successful, could partially satisfy the demand from the "sandwich class" which was currently served by the Executive Condominiums scheme. This is the class of homebuyers who aspire to own private homes but may not be able to do so. The stock of unsold 5-room and Executive HDB flats is projected to fall further with the conversion of some unsold 5-room and Executive flats in Jurong West to two-room flats. Plans are also in place to offer owners affected by the Selective Enbloc Redevelopment Scheme (SERS) replacement homes from the HDB's current stock of about 9,000 unsold flats instead of purpose-built units. A more active HDB market is likely to provide stronger upgraders' demand in the private residential market.

"Demand in the rental market are expected to continue to focus on more compact apartments with lifestyle factors and high-end, high-profile developments"

One emerging trend in the public housing market is that more families are interested to buy the limited stock of HDB flats in the city center. Hence, the revision of resale levy from a percentage of the resale value to a fixed amount, pegged to the flat type of the first subsidized flat may benefit existing owners of HDB flats in the central area because they will ask for higher prices when they sell their HDB flats as the levy that they have to pay to buy a second subsidized flat is no longer pegged to their selling price.

Another side effect expected to be brought by the HDB resale levy changes is that it may increase the demand for Executive Condominiums (ECs) and would deplete the already limited stock of new ECs in the market. ECs become more accessible to HDB upgraders with the fall in effective resale levy payable. With the freeze in new EC land sales, prices of the existing new ECs could edge up temporary.

Rental and Capital Value for Properties in 1Q 2006

Table 1: Rentals of New Private Residential (Apartment/ Condominium) Units¹ as at 1Q 2006

| Locality | Monthly Rent (\$ psf) |
|--|-----------------------|
| D. 9, 10 & 11 - Luxury | \$3.55 - \$4.25 |
| D. 9, 10 & 11 - Others | \$2.22 - \$2.97 |
| Other Areas - East Coast | \$1.45 - \$2.20 |
| Other Areas - West | \$1.10 - \$1.70 |
| Other Areas - Upp. Bt Timah | \$1.00 - \$1.35 |
| Other Areas - Thomson, Toa Payoh, Bishan | \$1.30 - \$1.80 |
| Other Areas - Yio Chu Kang, Yishun | \$0.90 - \$1.25 |

¹ New Private Residential Units refer to those projects with units less than 5 years old.

Source: KF Research

Table 2: Capital Values of New Private Residential (Apartment/ Condominium) Units¹ as at 1Q 2006

| Locality | Capital Value (\$ psf) |
|------------------------------------|------------------------|
| Luxury Condo (FH) | \$1,455 - \$1,625 |
| D. 9, 10 & 11 (other FH condo) | \$735 - \$800 |
| East Coast (FH) | \$665 - \$710 |
| East Coast (99-yr) | \$460 - \$645 |
| West (FH) | \$500 - \$540 |
| West (99-yr) | \$395 - \$445 |
| Upp. Bt Timah (FH) | \$435 - \$475 |
| Thomson, Toa Payoh, Bishan (FH) | \$525 - \$595 |
| Thomson, Toa Payoh, Bishan (99-yr) | \$430 - \$470 |
| Yio Chu Kang, Yishun (99-yr) | \$330 - \$365 |

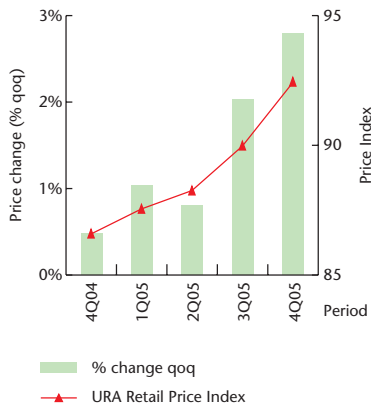
¹ New Private Residential Units refer to those projects with units less than 5 years old.

² FH & 99-year refer to Freehold & 99-year leasehold properties respectively.

Source: KF Research

Singapore Retail Property Highlights

Chart 1
Retail Price Trends



Source: URA / KF Research

Market Indicators

- Overall retail sales for January 2006 increased by 3.2% compared to December hitting \$2,896 million. The Lunar New Year period generated large volume of sales for food & beverages, supermarkets and sundry shops. This offset the slowdown of sales of major retailers, which experienced a surge earlier in December 2005. As a large portion was due to increase in sales of motor vehicles and petrol, retail sales excluding motor vehicles fell by 6.2% over the previous month. However, year-on-year (yoy) performance registered a healthy 9.7% improvement, which indicates higher consumer spending. Singapore Press Holdings' quarterly survey echoed the same sentiment as its findings showed that consumer confidence is the highest in six years.
- The efforts by Singapore Tourism Board (STB) to boost tourist arrivals continued to pay off. It is evident from the 767,000 visitors who embarked in January that recorded a 14.1% jump over the same period a year ago. Tourism receipts in 2005 were \$10.8 billion, up 10% over 2004.

Supply and Demand

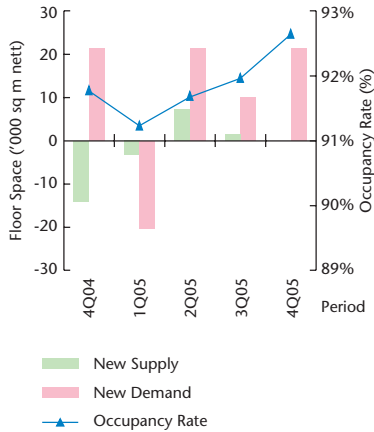
- Whilst there was no increase in the stock of retail space in 4Q 2005, new demand amounted to 226,000 sq ft. As a result, occupancy rate increased by 0.6 percentage point to 92.6%. The most sought-after retail location is the prime Orchard Road area, where vacancy rate declined to a 14-year low of 3%.
- In the absence of new major shopping developments, retail space supply had been tight for the last two years. However, the existing stock will be boosted by about 1.57 million sq ft of shop space in 2006 with the completion from developments such as Square 2, Centrepoint Shopping Centre expansion, The Cathay, The Central, Tampines warehouse and VivoCity. In particular, much attention has been drawn to VivoCity, which boast a net lettable area of 1.1 million sq ft. Slated for opening in October 2006, the retail and lifestyle mall, owned by Temasek's Mapletree Investments, had already secured tenants for more than 65% of the lettable area. Among major tenants who have signed up are Dairy Farm (120,000 sq ft), Golden Village (90,000 sq ft), CK Tangs (86,000 sq ft) and Royal Sporting House (50,000 sq ft).

"The most sought-after retail location is the prime Orchard Road area, where vacancy rate declined to a 14-year low of 3%"

"New shopping malls have become more inclined to 'niche retailing'"

- New shopping malls have become more inclined to 'niche retailing', shunning away from the conventional buffet-styled concept where one size fits all. Malls aim to possess their own distinct image and focus on a specific target consumer market. For instance, Far East Organization tied up with Parco to create a Japanese hip, contemporary shopping concept at The Central, the mall above Clarke Quay MRT station. The mall planned to offer Japanese shops that will target females in the mid 20s as their main customers, capitalising on the increasing disposable income of this group. Velocity @ Novena Square has also seen potential in the sports arena where people are increasingly becoming more health-conscious, giving rise to its sport-theme concept. In addition, located beside Velocity @ Novena Square, will be Singapore's first Korean-themed mall known as Square 2. The one-of-its-kind mall will have a sizeable number of Korean retailers as well as local retailers who sell Korean products. There will also be restaurants and cafes serving Korean cuisine. The trendy mall will add vibrancy to the Novena fringe area that is expected to become a thriving area just outside the city.

Chart 2
**Demand & Supply of Retail Space
 (Private & Public Sectors)**



Source: URA / KF Research

- Singapore's retail scene receives further boost with the influx of famous foreign fashion brands setting up flagship stores here. A large US apparel retailer, The Gap Company and its Banana Republic offshoot signed a franchise deal with FJ Benjamin to open up to 15 stores in both Singapore and Malaysia by 2010, generating much hype in the industry. The first Gap outlet will be opened in the third quarter of this year. Gap carries basic wear, like Denim jeans and tee-shirts while Banana Republic appeals to a higher-priced consumer group. Likewise, Royal Sporting House brought in Spanish brand Massimo Dutti that has a collection of apparel, footwear and accessories for men and women. A flagship outlet at Liat Towers had commenced business in end January 2006.

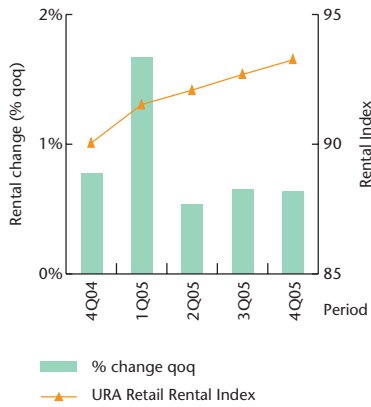
- The former Glutton's Square, which was located beside the Somerset MRT Station, was the second site in the Orchard Road area sold since November 2005. Far East Organization's winning bid of \$421.1 mil or \$1,085 psf / gpr was higher than the \$1,020 psf / gpr paid for the Orchard Turn site by CapitaLand and Sun Hung Kai in December 2005. The 99-year leasehold Glutton's Square commercial site could yield a gross floor area of 387,984 sq ft. On 28 March 2006, the Government offered another 99-year leasehold commercial site situated about 50 metre from the Glutton's Square site for sale. The 78,700 sq ft land parcel could potentially be developed into a 16-storey 424,200 sq ft building. In addition, the Singapore Tourism Board (STB) will launch the site next to Faber House for short-term lease.

- The new malls that could be developed on these sites could be completed in 2009 or 2010, about the same time when the Integrated Resorts would be completed. This would allow them to tap onto the expected increase in tourist arrivals. Furthermore the new malls could also provide new retail concepts and choices that would boost the shopping experience of consumers. For example, the 53-storey Orchard Turn tower is expected to consist of an eight-level mall, which will have about 600,00 to 700,000 sq ft net lettable area and apartments on the other floors. The building will feature a glass facade that glows in the dark and one of the top three floors will house an observation deck for the public to admire the picturesque city scenery. Instead of having anchor tenants such as department stores and supermarkets that occupy larger spaces but pay lower rental per sq ft, the mall will consist of mainly 'mini-anchors', each occupying 3,000 to 5,000 sq ft. Besides adding more variety into the mall, mini-anchors are also more rent-lucrative.

"Other major transactions included the sale of Raffles City Complex to the two CapitaLand REITs for S\$2.09 billion"

- The other Government Land Sale in the quarter involved Singapore Land Authority's direct sale of a site next to Northpoint Shopping Centre to the mall's owner, Centrepont Properties for \$55 million. Centrepont Properties plans to use the area for extensions to the current mall but 21,500 sq ft of gross floor area (GFA) must be set aside for a public library.
- In private retail property investment market, Pramerica Asia has been actively acquiring retail malls to add to its Asian Retail Mall Fund portfolio. Shortly after it bagged Liang Court Shopping Centre for \$175 million from Ascott Group in January 2006, it won the bid for DBS Tampines Centre and the adjacent Pavilion complex near Tampines MRT station by forking out \$288.9 million. DBS Centre was securitised by DBS Bank in 1999 while Pavilion was owned by Cathay Organisation. The combined site of 90,689 sq ft will be redeveloped into a new mall with a total gross floor area of about 380,894 sq ft. The new mall will also ride on the trend of having 'mini-anchors' rather than hypermarkets or furniture retailers so as to avoid competition with Dairy Farm, Ikea and Courts that will be housed nearby under the Warehouse Retail Scheme.

Chart 3
Retail Rental Trends



Source: URA / KF Research

- Other major transactions included the sale of Raffles City Complex to the two CapitaLand REITs (CapitaCommercial Trust: 60%, CapitaMall Trust: 40%) for \$2.09 billion. Raffles Holdings decided to unlock the property value through the sale and distribute the sale proceeds to shareholders. Raffles City Complex is an integrated development that has in its premises a shopping mall, an office tower, a convention centre and two hotels, namely Raffles The Plaza and Swissotel The Stamford. OCBC is also close to selling its stake in Robinsons department stores to Lippo Group as part of its agenda to divest non-core banking assets. Indonesian conglomerate Lippo Group has been increasing its presence in Singapore over the last couple of years by acquiring substantial interests in office properties such as the most recent purchase of One Philip Street as well as participated in high profile tender bids for the Business and Financial Centre site and the Orchard Turn site.

Prices and Rentals

- Average rentals of prime shopping centers in Orchard rose by about 1% to \$37.80 in 1Q 2006. The rise is due to strong demand for prime retail space from both local and foreign retailers, who are either starting up new ventures or seeking expansion for their products. As Orchard Turn and Somerset sites will only be available in a few years' time, supply in the Orchard vicinity remains tight. On the other hand, average rentals for suburban malls edged upward by less than 1% to \$26.50, mainly due to the continuing efforts by REITs to maximise rental yields.

"Average rentals of prime shopping centres in Orchard rose in 1Q 2006 ...due to strong demand for prime retail space from both local and foreign retailers"

Outlook

Supply of retail space had been tight over the last five years with average growth of less than 1% per annum. Year 2006 will see a quantum leap in supply with the bulk coming from VivoCity, the largest shopping mall in Singapore. This is accompanied by a recently unveiling of the largest suburban mall, planned for completion in 2008 to 2009 that will integrate with the existing Jurong Point, totaling a massive 700,000 sq ft of total lettable space. As a result, rental increases in the suburban malls could be limited to about 1% to 2% for the entire 2006. Average rentals of prime retail space along Orchard Road could still experience upwards pressure due to the absence of new major developments in that area. The buzz around the remaking of Orchard Road coupled with the expected spillover from the Integrated Resorts will continue to draw retailers and consumers. The rentals in these areas could potentially increase by another 4% to 5% for the whole of 2006.

"Rental increases for the entire 2006 could be limited to about 1% to 2% for suburban malls and 4% to 5% for prime retail space along Orchard Road"

Current Rentals of Prime Shopping Centre Space

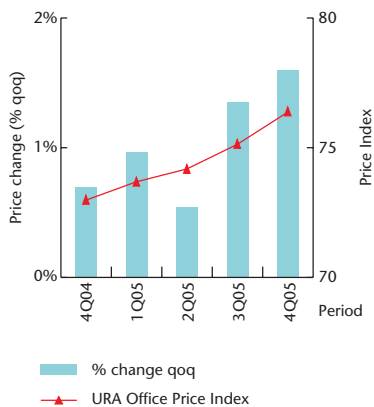
| Locality | Average Prime Monthly Gross Rental (\$ psf) ¹ |
|---------------------------------|--|
| Orchard (Central) | \$37.80 |
| Orchard (Fringe) | \$19.40 |
| Marina Centre, City Hall, Bugis | \$26.60 |
| City Fringe | \$20.30 |
| Suburban | \$26.50 |

¹ Based on pre-defined portfolio of properties; Refers to prime shop space of between 400 - 800 sf typically located on ground level with good frontage; Any yields implied refer only to such prime space and may not be reflective of the entire shopping centre

Source: KF Research

Singapore Office Property Highlights

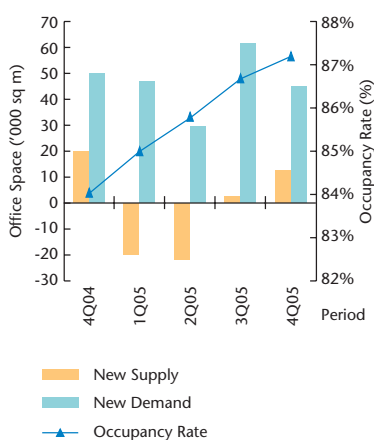
Chart 1
Office Price Trends



Source: URA / KF Research

"...occupancy rate increased steadily from the trough of 82.1% at the end of 2003 to 87.2% at the beginning of 2006"

Chart 2
Demand & Supply of Office Space (Private & Public Sectors)



Source: URA / KF Research

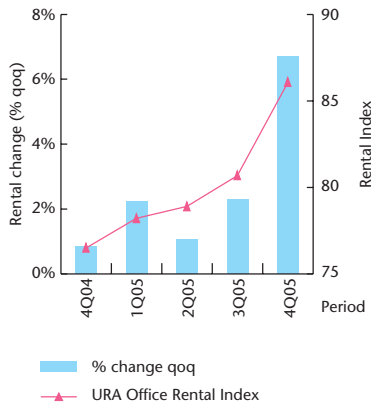
Office Market Review

- The Singapore economy achieved a robust 6.4% economic expansion for the whole of 2005 with a spectacular burst of 12.6% growth in the fourth quarter over the previous quarter. In 4Q 2005, the financial and insurance services segments which were the bigger users of office space demand saw business rose by 50.6% year-on-year (yoy). The information technology (IT) industry also achieved a 5.2% yoy growth in 4Q 2005, up from 3.2% in 3Q. The strong performance stretched into this year with an expected 9.1% GDP growth in 1Q 2006.
- 2005 was a stellar year for the office sector as price and rental growth gained positive momentum. Official statistics showed that average office capital values for the whole of 2005 increased by 4.5% yoy while average rental enjoyed a 12.7% upsurge yoy. Office space in the Central Area and Fringe Area achieved an impressive rental growth of 13.3% and 7.0% yoy respectively.

Demand and Supply

- In the past 2 years, growing demand for office space has outpaced new supply. Net demand for office space for the whole of 2005 stood at 1.96 million sq ft, which is higher than the 1.07 million sq ft taken up in 2004 due to the expanding economy and improving business sentiments. Coupled with net supply falling by about 334,000 sq ft and 300,000 sq ft in 2004 and 2005 respectively, average occupancy rate increased steadily from the trough of 82.1% at the end of 2003 to 87.2% at the beginning of 2006. As a result, office space in new developments such as One George Street and One Raffles Quay (ORQ) enjoyed good take-up.
- Due to the strong demand, the amount of available vacant space in prime office buildings became very limited in 1Q 2006. The demand was mainly driven by the financial and business services sectors. Information technology companies were also active in their expansion and relocation activities.
- In 4Q 2005, new supply of office space originated mainly from the 295,000 sq ft Samsung Hub, which was located at 3 Church Street. 2005 was the second consecutive year that available office space shrank, this time by 300,000 sq ft. The refurbishment of older parts of the Central Business District (CBD) was one of the leading factors for the shrinkage of office space. Euro Asia Centre, a 29-storey freehold building, was put up for sale in 1Q 2006 and could likely fetch between \$125 to \$135 million (\$650 to \$700 psf). The site which could probably be converted to residential use, contributed to the trend of replacing aging office buildings in the CBD with housing. In time to come, the CBD will take on a Manhattan-style identity where high-density residential blocks are located within the commercial district, creating a live-work environment.
- A notable office property investment sale in the quarter was Kewalram's sale of the office building at One Phillip Street back to the Lippo group for \$37.6 million or \$1,044 psf of net lettable area. The 999-year leasehold, 16-storey property with a net lettable area of about 36,000 sq ft is located within the prime Raffles Place area.

Chart 3
Office Rental Trends



Source: URA / KF Research

"The Central Business District will take on a Manhattan-style identity where high-density residential blocks are located within the commercial district..."

- Riding on the up-turn of office sector in both Singapore and Australia, Allco REIT lodged its preliminary prospectus with Monetary Authority of Singapore on 1 March 2006 and commenced trading on 30 March 2006. The first REIT to be listed in 2006, Allco REIT aimed to raise around \$315 to \$328 million. The initial \$684 million portfolio comprises a 100% interest in Singapore's China Square Central property, which includes the Marsh and McLennan Centre; a 50% interest in Central Park, Perth's tallest office building, and a 15.7% stake in Allco Wholesale Property Fund which has three assets in Sydney and Melbourne under its wing. Keppel Land's office REIT (K-Reit Asia) is also likely to begin trading by end-April upon shareholders' approval. K-Reit Asia's initial portfolio will consist of Prudential Tower, Keppel Towers, GE Towers and Bugis Junction Towers.

Prices and Rentals

- With a surging demand for prime office space, especially from financial institutions, and limited available supply, rentals for Grade A office buildings in the CBD experienced robust upward pressure in 1Q 2006. There were also many renewals of leases at higher rentals which contributed to the upward trend. The highest increase of 7.4% quarter-on-quarter (qoq) was seen in Raffles Place which remained the most sought-after office location, commanding an average monthly effective rental of \$5.90 psf. Rental performances in other micro markets were equally upbeat.
- Average monthly rentals in Shenton Way and Robinson Road area rose by 6.3% to \$4.30 psf while those in Orchard Road increased by 5.2% to \$5.80 psf. Prime office rentals in the Marina Centre and City Hall expanded by 2.7% to reach \$5.30 psf.
- Office rents in the suburban office markets also grew by 3.5% to 4.5%, with the largest increase in the North area, spurred by healthy take-up in good grade office buildings like Novena Square and Goldbell Towers. Office rental in the western areas also experienced a rental increase of 3.8%, which was mainly contributed by the rise in rental in Harbourfront Towers and Keppel Bay Tower.

"Rentals for Grade A office buildings in the Central Business District experienced robust upward pressure in 1Q 2006"

"...overall office occupancy rate would rise to around 90% to 92% by end of 2006"

Outlook

- Singapore's economic growth is expected to experience a slight moderation for the entire year but will still remain positive. Boosted by strong performance in 4Q 2005, The Ministry of Trade and Industry has raised its GDP forecast for 2006 to 4% to 6% while the median forecast from private sector's economists was a more bullish 5.9%.
- More positive news about the economy outlook is reflected in the latest poll by US-based Manpower, an employment services firm. It revealed that the Singapore job market in the second quarter is poised to be the brightest in 18 months with finance, insurance and real estate sectors most upbeat about employing new staff with a net employment outlook of 35%. This upbeat sentiment in the labour market is expected to translate into higher office demand and overall office occupancy rate would rise to around 90% to 92% by end of 2006.
- About 1.97 million sq ft of office space will be added to the office stock in 2006, which will come mainly from the completion of One Raffles Quay (ORQ) and three other smaller office buildings. However in the following year, new supply will fall to about 290,000 sq ft. Demand is projected to remain strong, evident from ORQ South Tower, which is going to be completed by April 2006, and is already 98% pre-leased while North Tower which is slated for completion in October 2006 is 86% pre-leased. Therefore the market is expected to be able to absorb the new supply in the next two years. As a result, office rentals, which rose in 1Q 2006 are likely to increase further by 10% to 15% in prime areas and 5% to 10% in suburban locations by the end of 2006.

Table 1: Average Effective Monthly Rental

| Location | Average Effective Monthly Gross Rental (\$ psf) |
|----------------------------|---|
| CBD (Grade A) | |
| Raffles Place | \$5.60 - \$6.10 |
| Marina Centre/ City Hall | \$5.00 - \$5.50 |
| Shenton Way/ Robinson Road | \$4.20 - \$4.50 |
| Orchard Road | \$5.60 - \$6.10 |
| Non-CBD | |
| Beach Road/ Middle Road | \$3.80 - \$4.30 |
| Suburban (North) | \$4.10 - \$4.50 |
| Suburban (East) | \$3.30 - \$3.60 |
| Suburban (West) | \$3.00 - \$3.40 |

Source: KF Research

Singapore Industrial Property Highlights

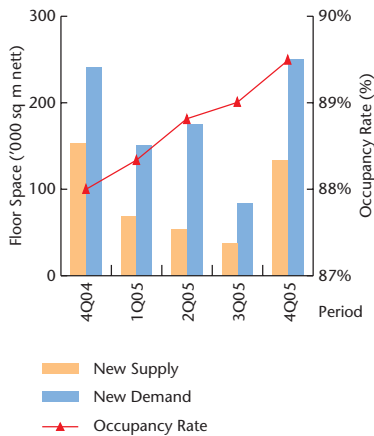
Economic Performance

The manufacturing sector which made up of 28% of Singapore's GDP in 2005 experienced remarkable growth of 13% to 14% year-on-year (yoy) in the final two quarters of the year, GDP growth for the entire year was at a robust 6.4%. Entering into 2006, January's manufacturing output had started to grow by a slower pace at 1.3% yoy due to fewer production days as well as shutdowns during the Chinese New Year period. However, excluding biomedical output, manufacturing was up by a healthy 11.2%.

Aided by a one-off surge of 32% yoy in December, Singapore's non-oil domestic exports (NODX) expanded by 8.2% in 2005. This was followed by a solid 17.5% growth in January 2006. Both electronic and non-electronic trade exports contributed to this recent strong NODX performance.

The Manufacturing Purchasing Managers' Index (PMI), however, revealed signs of moderation. Although PMI was still in expansion territory, it had fell for the third consecutive month in February 2006 to hit 50.8 points, just marginally above the 50-point threshold mark. But in March, it contracted further to 49.6. Weaker new orders and declining levels of production output and imports were cited as reasons for this slowdown. As the PMI is normally an early indicator of manufacturing output, manufacturing output for 1Q 2006 is thus expected to experience a downtrend in growth.

Chart 1
Demand & Supply of Factory Space
(Private & Public Sectors)



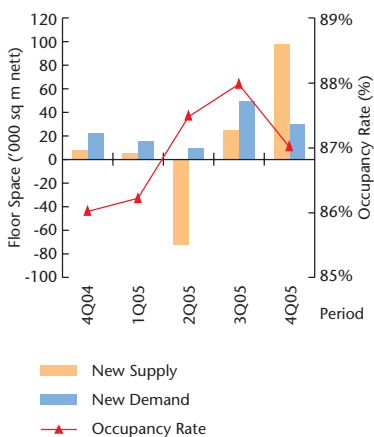
Source: URA / KF Research

"Average occupancy rate increased to 89.5% at the beginning of 2006, the highest level since the previous peak in 2001"

Supply and Demand

The fourth quarter of 2005 witnessed a substantial increase in the supply of factory space, with the majority of the growth, almost 44%, occurring in the west region. Total new supply of about 1.43 million sq ft of factory space was added to the stock in 4Q 2005, constituting 46% of total supply for the entire year. TradeHub 21, with a gross floor area (GFA) of 371,000 sq ft at 8 Boon Lay Way, was the main contributor. Despite having a spurt of supply space, new take-up in the quarter similarly reached a high at 2.68 million sq ft, a level not seen since 2Q 2000. As a result, average occupancy rate increased to 89.5% at the beginning of 2006, the highest level since the previous peak in 2001.

Chart 2
Demand & Supply of Warehouse Space
(Private & Public Sectors)

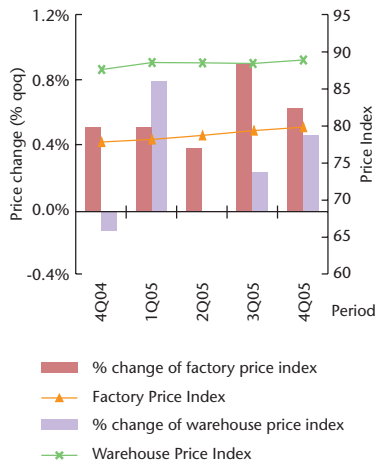


Source: URA / KF Research

On the investment front, Ascendas Real Estate Investment Trust (A-REIT) continued on its acquisition trail as it bought Plot 23 International Business Park. The development with GFA of 108,888 sq ft, is currently being built by LabOne Singapore. Going a step further, A-REIT has emerged as the first REIT in Singapore to develop properties. The two properties to be developed are for Cold Storage Singapore and Courts Singapore Limited. They are located on the sites for the Warehouse Retail Scheme at Tampines Avenue 10.

Mapletree Logistics Trust (MLT) was equally active in the 1Q of 2006, expanding its portfolio by acquiring industrial space both locally and overseas such as in China and Hong Kong. Shortly after announcing that it is looking to acquire \$500 million of assets over the first half of 2006, MLT revealed its plans to launch a second REIT in 2007. The proposed new REIT is expected to consist of industrial properties in the region that are estimated to worth a total of US\$2 billion.

Chart 3
Factory & Warehouse Price Index



Source: URA / KF Research

"Rentals for conventional flatted industrial space remained flat quarter on quarter, while high-tech industrial space had edged up by 1% to 2% quarter on quarter"

Currently there are only two industrial REITs in the market, namely A-REIT and MLT. Cambridge REIT could become the third listed industrial REIT in Singapore as it expects to lodge its preliminary prospectus with the Monetary Authority of Singapore (MAS) in the near future. Cambridge REIT will be an independent industrial REIT as it does not have a main sponsor, unlike A-REIT and MLT, which are backed by Ascendas and Mapletree respectively.

Other non-REIT investment sales in 1Q 2006 included the sale of Maxtor's building in Ang Mo Kio to United Test and Assembly Centre (UTAC) for \$18 million. Consequently, Maxtor will be left with its Yishun manufacturing facility while UTAC will relocate some of its current operations in Serangoon North to its newly acquired building.

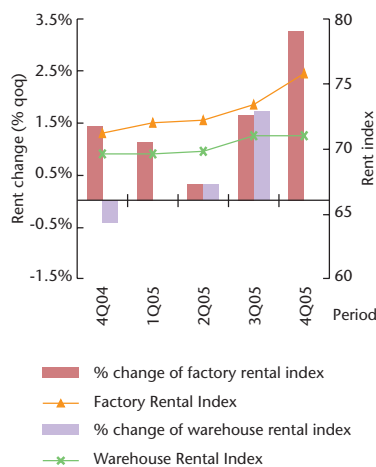
JTC's plans to divest 71 blocks of high-rise facilities and three multi-tenanted business park buildings will probably be finalised by the middle of the year but the decision had already sparked fears among Small and Medium Enterprises (SMEs). Their concerns revolved around expected accelerations of industrial rents, as private sector landlords and REITs seek to maximise yields, despite Government's assurance that it will closely monitor the supply of industrial space and release enough land through its land sales programme to curb any spike in industrial rent.

Five sites which totalled 12.9 ha had been placed on the Confirmed List under the Government Industrial Land Sales Programme for the first half of 2006. In February this year, the first site to be put up for tender by URA is the 3.6 ha industrial site in Tuas South Avenue Two and Three. The 60-year leasehold land parcel is the second largest industrial site on the list. The largest industrial site measured 3.9 ha and is situated along Ubi Road. It is expected to be put up for tender by JTC in June 2006. In addition, there are 5 other sites on the Reserve List.

Prices and Rentals

Our research indicated that average capital values and rentals of industrial space in most locations have remained relatively stable. Rentals for conventional fitted Industrial space remained flat qoq while high-tech industrial space had edged up by 1% - 2% qoq.

Chart 4
Factory & Warehouse Rental Index



Source: URA / KF Research

Table 1: Current Rentals and Capital Values of Sample Factory/Warehouse (Upper Floors) & Business Park Space

| Type | Average Monthly Gross Rental (\$ psf) | Average Capital Value (\$ psf) |
|--------------------------------------|---------------------------------------|--|
| Conventional Industrial Space | | |
| Locality | Macpherson / Paya Lebar | \$200 psf - \$310 psf |
| | Kakit Bukit | \$120 psf - \$180 psf (60 yr leasehold) |
| | Admiralty | \$110 - \$125 psf (60 yr leasehold) |
| Hi Tech | \$1.88 | NA |
| Business Park | \$2.28 | NA |

Source: KF Research

"Expected strong demand is likely to translate into stable or higher rentals"

Outlook

Singapore's economy is expected to moderate in 2006. The MAS has forecasted GDP to grow by 4% to 6% for the entire year. The bullish start of 9.1% growth in 1Q 2006 is projected to ease to 6.5% in the second quarter and then gradually decline to 5.3% and 4.2% in the third and fourth quarter respectively. Manufacturing is expected to expand by a slightly lower, but still healthy 8.5% for 2006 as compared to 9.2% in 2005.

Factory demand in 2005 reached 7.10 million sq ft, 23% higher than the 5.77 million sq ft taken up in 2004. As manufacturing performance is anticipated to remain upbeat, this could lead to buoyant demand for industrial space. This expected strong demand is likely to translate into stable or higher rentals. Rentals of conventional industrial space is projected to expand by 2% to 3% for the entire year while high tech industrial space will possibly see a rise of 3% to 4%.

Research

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