



OCT-DEC 2010/4TH QUARTER REAL ESTATE HIGHLIGHTS

Knight Frank

HIGHLIGHTS

- New sales activity surged by 11% y-o-y, surpassing the historical peak in 2007. Price increased by 2.7% q-o-q in private sector while public houses saw 2.5% q-o-q price increase.
- Retail rents performed well. However, a full recovery to peak levels in 2008 may be unlikely as the market is still adjusting to supply added in 2009 / 2010.
- The momentum of islandwide office recovery continued, led by rents of Grade A office space in Raffles Place which increased by 8.0% q-o-q while Orchard and Shenton Way/ Robinson Road/ Tanjong Pagar showed slower pace of improvement.
- The industrial property sector performed well alongside outstanding performance in the manufacturing sector. Overall rents and capital values of conventional factory space increased by 5% and 16.3% respectively in 2010.
- Investment sales for 2010 totalled \$21.47 billion, about 3.7 times higher than total investment sales achieved in 2009 (\$5.77 billion).
- The residential sector dominated by the highest number of properties put up and for the highest total value of properties sold at auctions.

RESIDENTIAL PROPERTY MARKET

New sales activity surged by 11% y-o-y, surpassing the historical peak in 2007. Price increased by 2.7% q-o-q in private sector while public houses saw 2.5% q-o-q price increase.

Private Residential Sector

Developer Sales: Strong Increase in Launches Activity in 4Q 2010

Unlike the usual quiet year-end period, the year 2010 saw a rather active final quarter in property market. Developer launches increased by 22% q-o-q with about 4,522 units launched in the last three months, which was twice the number of launches in 4Q 2009. On full year basis, 16,575 units were launched, 17.5% increase as compared to that in 2009. This is an indication of developers' positive perception toward property market in 2010, in line with strong Singapore economy growth of 14.7% in 2010. On top of that, another 1,659 executive condominium (EC) units were released to the market in 2010 when the government re-introduced EC concept after 5-year break since 2005. Amongst the most popular projects launched last year were Robinson Suites (167 units), Suites at Orchard (118 units), The Glyndebourne (150 units), Spottiswoode Residences (351 units), D'Leedon (1,715 units), Waterview (696 units), and The Lakefront Residences (629 units).

Many of the projects launched last year included shoe-box units of size ranging from 450-550 sq ft and take up rate for small size units were rather encouraging. This is a consequence of upward market when high demand for smaller units is observed among expatriates coming to Singapore, local singles and DINKs – Dual Income without Kids.

Developers' sales saw 17% increase q-o-q in 4Q 2010, which was more than double the sales volume in 4Q 2009. In total, there were 16,292 completed and uncompleted units sold in primary market in 2010, up 11% from 2009 new sales. The active market was underpinned by strong economic fundamentals such as stable economy growth, low unemployment rate, high wealth created as well as favorable interest rate environment and plenty of liquidity. Investors seeking higher returns view property favorably with the aim for potential upside.

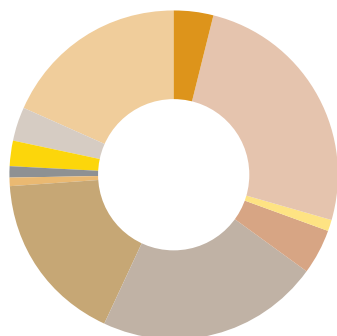
Biggest Share for China Homebuyers in 4Q2010

Foreigners accounted for some 12.9% while permanent residents (PRs) contributed 13.2% of private properties transactions in 4Q 2010, together they formed 26% of home deals in this quarter, up 5 percentage point as compared to that in 3Q 2010.

Noticeably, 23% of non-citizen home-buyers (foreigners and PRs) in 4Q 2010 came from China mainland. For the whole 2010, the share is 19%, making Chinese buyers the second largest group of non-Singaporean buyers in Singapore after the Malaysian. The presence of Chinese home buyers in Singapore increased significantly in 2010 due



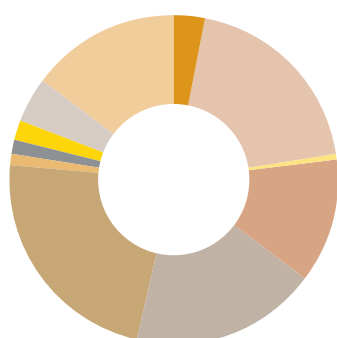
Chart 1
Percentage of Foreign Homebuyers (Non-PR) by Nationalities (4Q2010)



Australia	3.9%
China	25.7%
Hong Kong	1.2%
India	4.4%
Indonesia	21.9%
Malaysia	16.9%
Philippines	0.8%
Taiwan	1.2%
USA	2.4%
United Kingdom	3.5%
Others	18.1%

Source: REALIS, Knight Frank Research

Chart 2
Percentage of Non-Citizen Homebuyers (Foreigners & PRs) by Nationalities in 2010



Australia	3.3%
China	19.3%
Hong Kong	0.7%
India	12.1%
Indonesia	18.4%
Malaysia	22.7%
Philippines	1.0%
Taiwan	1.6%
USA	2.0%
United Kingdom	4.3%
Others	14.6%

Source: REALIS, Knight Frank Research

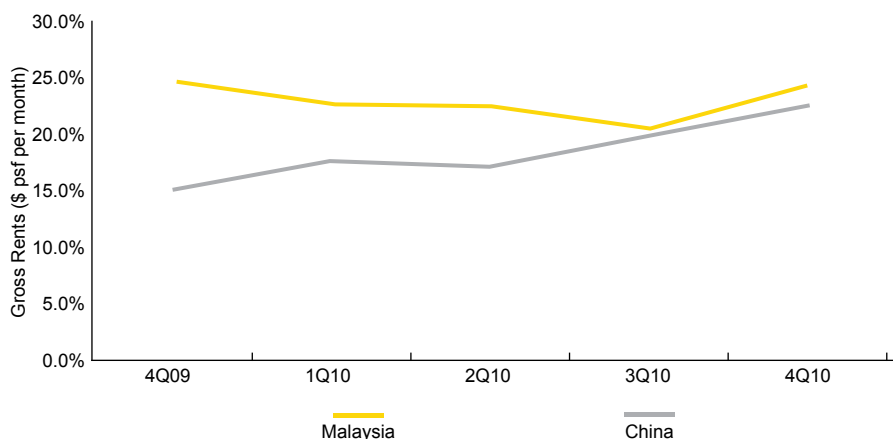
to tightened real estate regulations in China mainland and Hong Kong. As China authorities announced aggressive anti-speculation measures recently, Singapore become more attractive to property investors given its historic low interest rate and high liquidity.

In 2010, Malaysian buyers accounted for majority (23%) of private home transactions involving foreigners and PRs. This is a considerable decline from 27% share in 2009. The fourth quarter of 2010 was the first increase after five consecutive quarters decrease in proportion of Malaysian buyers since 4Q 2009.

Modest Price Increase

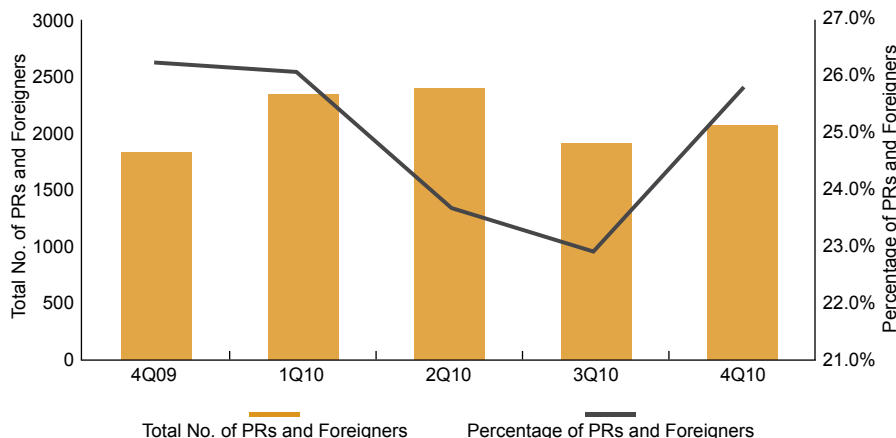
URA statistics showed an increase of 2.7% q-o-q in private residential properties across the island, translating into 17.6% y-o-y increase as compared to prices in 2009. Of which, home prices in Core Central Region, Rest of Central Region and Outside Central Region rose by 2.3%, 1.7% and 1.6% q-o-q respectively. Prices of luxury sector increased the most in 4Q2010 breaking 2008 record, though on a full year basis it was on par with the pace of mass market (14.3% vs. 14.5%).

Chart 3
Percentage of China and Malaysia Homebuyers



Source: REALIS, Knight Frank Research

Chart 4
Percentage of Property Transactions by Foreigners



Source: REALIS, Knight Frank Research

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According to the current Knight Frank residential properties basket, resale prices of high-end non-landed private properties is believed to increase by 3.9% q-o-q in 4Q 2010. Pace of price increase slows down as compared to 5.9% in 3Q 2010. High-end residential properties are represented by luxury and freehold homes in the prime districts 9, 10, 11. In year 2010, average resale price of luxury houses is estimated to be 24% higher than that in 2009. Properties in this category were transacted at \$1,700psf-\$2,800psf in the fourth quarter of the year, averaging \$2,250psf and overtaking the peak in 4Q 2007 when high-end homes were transacted at \$2,100 psf on average. Prices of high-end properties bottomed in 1Q 2009 and have chalked up by 47% ever since.

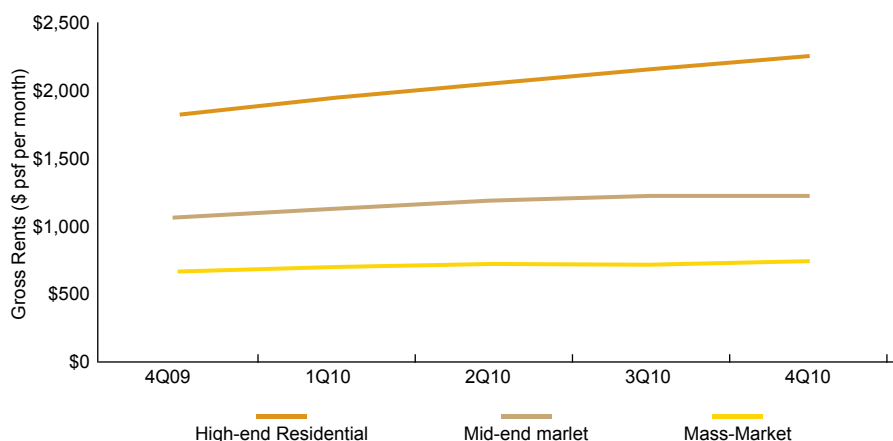
Mid-end properties, represented by freehold properties in Prime East Coast are, were transacted on average at \$1,220psf in the last quarter. This translated to a marginal q-o-q increase of 0.8%, down 1.7 percentage point as compared to the last quarter.

After 0.3% shrank in 3Q 2010, housing in mass-market segment, comprises leasehold properties in the West, East, Upper Bukit Timah and Yio Chu Kang, registered 2.8% q-o-q increase in transacted prices, or 13% y-o-y increase as compared to 4Q 2009.

Although prices increased across the board by some 2.5% q-o-q, transaction volume declined by about 14% in comparison with 3Q 2010. The slowdown was attributed to the traditional quiet holiday season and also government's new cooling measures. It appears that over the last quarter, market has fully absorbed the effect of stability measures announced on 30 August.

In total, an estimation of 36,840 private residential transactions took place in 2010, up 9.7% from that in 2009. Meanwhile, prices increased by some 20% y-o-y across the island. These Charts show positive buying momentum and strong interest in property market, as a result of Singapore healthy economy in the year 2010.

Chart 5
Prices of Private Properties by Segment



Source: Knight Frank Research

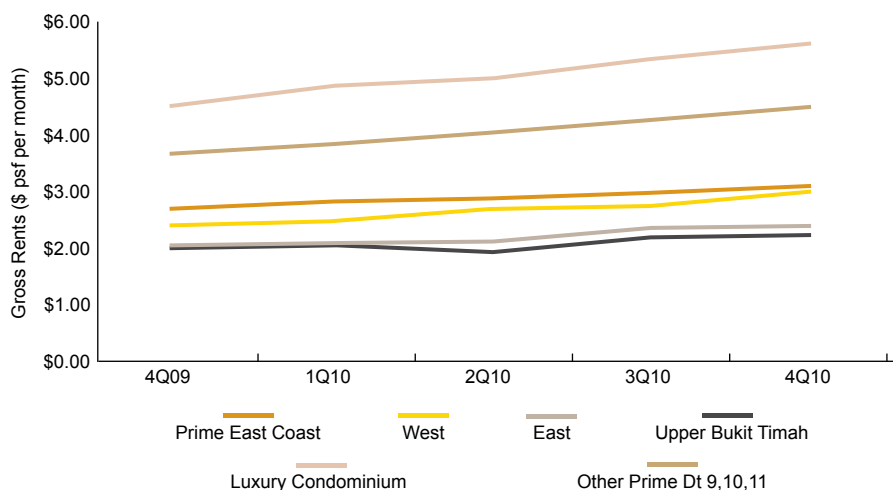
Positive Rental Growth

Knight Frank data shows encouraging growth in residential leasing market. Rents of high-end non-landed private properties in 4Q 2010 grew by 5.6%, up from 4.4% in 3Q 2010. On average, luxury homes and homes in district 9, 10, 11 were let out at \$5.05psf. Properties in prime location were in demand due to rising number of expatriates coming to Singapore.

Mass market rent also saw an increase of 4.0%, higher than that of 3.6% in 3Q 2010. Meanwhile, pace of rental increase of mid-tier properties slowed down to 2.6%, down 0.6 percentage point compared to the previous quarter.

Since beginning of 2010, rental market has grown significantly as compared to 2009, on a year-on-year basis rents expanded by 19%. The positive growth is in tandem with healthy economy growth in 2010 as rental try to catch up with capital appreciation.

Chart 6
Monthly Gross Rents of Non-landed Residential Properties



Source: Knight Frank Research



Public Housing Sector

Slowdown in HDB Resale Market Activities

Pace of price increase of public houses in 4Q 2010 slowed down significantly at 2.5% q-o-q going by HDB quarterly statistics, down from 4% in 3Q 2010. Since the record high COV in 3Q2010 of \$30,000, median COV dropped to \$23,000 in 4Q2010. Decrease in COV indicated stabilized resale prices, which was attributed to balanced supply and demand and impact of government measures. Launches of four executive condominiums in 2010 together with more flats released by HDB, patient buyers had more options and therefore no need to rush to buy resale flats. Resale market was hit by new ownership restriction on resale flats announced in August 2010, which increased the Minimum Occupation Period (MOP) of non-subsidised flats from three to five years.

On a yearly basis, resale flats prices increased by 14.1% in 2010, double that in 2009 when prices increased by 7.3%. The active public housing sector was in tandem with buoyant property market in 2010. Prior to the 30 August cooling measures, people including private property owners were keen to buy HDB flats, attracted by the high rental yield and favourable financial conditions. The greater demand pushed up prices of resale market.

Transaction volume shrank by about 21% q-o-q in 4Q 2010 or a decrease of 12.7% y-o-y arising from the impact of government cooling measures in stabilising property prices. Number of transactions in 2010 totaled 32,257 units, a 13% decline as compared to that in 2009.

Outlook

Stable private market

Following a buoyant market in 2010, sales activity is expected to sustain or slightly cool down in 2011 due to the new set of measures announced on 13th 2011. New home sales will slow down in the first half of 2011 given the uncertainties in the property market currently. Developer sales are estimated to decrease by at least 10% q-o-q in the first quarter of 2010, averaging 900-1000 units sold each month. Prices in 2010 had already passed historical peak in 2006 and are expected to stabilize in 2011. Luxury home prices are expected to increase by at most 2 to 3% in each of the next two quarters. Since prices have reached record highs and market has shown signs of cooling off after the fourth round of measures, market players might adapt the wait-and-see attitude while making more cautious investment decisions for the time being. Mass market property prices should stabilize for the next few quarters. Government will continue watching the market closely to prevent any property bubble. Property value growth should be expected to commensurate with economic growth, which is forecasted at

4 to 6% in 2011. On top of year-end excess supply of 35,000 private residential units, the government is releasing another 14,310 homes in suburban areas for first half of 2011, ensuring enough supply for mass market.

Moderate public market

Moving forward, HDB resale market is expected to be quiet over the next one or two quarters. Due to shorten MOP, people are more cautious when considering resale flat vs. private homes. Ample supply of HDB flats next year will certainly meet demand from first-timer households. On top of 22,000 new BTO flats planned for 2011, HDB will also release more land for DBSS and EC projects to cover demand of sandwiched income class.

Recently, the government has tightened rules on Permanent Residence (PR) application for foreigners residing in Singapore, suppressing the total number of Singapore residents (comprising Singapore citizens and PRs). This restricts the number of homebuyers eligible for HDB dwellers and as a result eases demand for public housing over the next few quarters.

Prices of resale HDB flats are expected to increase by 1 to 2.5% as valuation of HDB flats catches up with falling COV.

RETAIL PROPERTY MARKET

Retail rents performed well this quarter following improved consumer sentiments and visitor arrivals. However, a full recovery to peak levels in 2008 in the next few quarters may be unlikely as the market is still adjusting to the increased supply added in the last few years.

Market Pulse

Largest mall in North-east Region- Nex

Nex, the biggest shopping mall of more than 600,000 sq ft of net lettable area in the North-East Region, opened in November 2010. With shoppers coming from areas as far as Tampines, Ang Mo Kio, Nex is well-received with daily visitor-ship estimated to be about 70,000. Big brands like STUDIOTANGS, Isetan, which are usually found in Orchard Road or city areas also shown strong interest by taking up substantial retail spaces in the mall. Competing retailers optimistic of sales performances are also seen taking up spaces within the same roof such as Cold Storage and NTUC Fairprice, Food Junction and Food Republic.

Retail addition in CBD

Officially opened in November 2010, Phase 1 of Marina Bay Link Mall spans across the subterranean level linking to

Raffles Place MRT, street level of Marina Bay Front and also Level 33 of MBFC's Tower 1, comprising some 93,800 sq ft of retail space. The new mall, about 92% leased, offers 55 retail and dining shops to the working population and growing number of residents in the vicinity.

The mall is likely to see greater vibrancy when office towers such as Marina Bay Financial Centre and Asia Square are completed in 2012.

Rejuvenation in Fringe of CBD

Office workers and residents in the Tanjong Pagar will enjoy new shopping options in the next two years following the sale of the 1.5 ha white site above Tanjong Pagar MRT station to Guocoland and the upcoming refurbishment of Amara Shopping Centre. The 1.5 ha white site is able to provide up to some 500,000 sq ft of retail spaces. Assuming an efficiency of 65%, the net lettable area is approximately the same size as the retail component in Raffles City in City Hall. Following the Economic Strategies Committee's recommendation on Tanjong Pagar, this is likely to be one of the key landmark projects that will change the landscape in the vicinity.

The revamp of the nearby Amara Shopping Centre will also add more glitz to the area. Re-branded as 100AM, the 130,000 sq ft retail mall serves the lifestyle needs of the residents and office workers. Some of the key anchor tenants include Fairprice Finest and Koufu Food Court.



Consumer Sentiments

Improved consumer confidence

Consumers were spending more than a year ago. Retail Sales Index (RSI), excluding Motor Vehicle, in October remained positive with a 3.7% y-o-y growth compared to 2009. However, there were increasing concerns on rising inflation and lower economic growth in 2011. The exceptional full year GDP growth in 2010 of 14.5% is not likely to be repeated. As shown in MasterCard Worldwide Index of Consumer Confidence, index for 1H 2011 reflects a marginal drop from 86.6 to 86.1 where consumers were marginally less optimistic about the general economy, employment and stock market in the next six months.

The October 2010 RSI reflected a slight month-on-month (m-o-m) drop of about 1.9%. This decrease was largely caused by a drop in Telecommunications & Computers sales arising the higher sales base in September generated by COMEX 2010 (an extensive computer fair of 345,000 sq ft of retail space featuring 820 leading manufacturers and suppliers). On a y-o-y basis, Telecommunications & Computers sales remained positive with a 4.4% growth.

Exuberance visitor arrivals and high tourist receipt

Visitor arrivals in 2010 was phenomenal with a total of 11.6 million tourist, achieving total tourist receipt of \$18.8 billion.

However, in terms of shopping expenditure as a proportion of total tourist expenditure, we note that the tourists have been spending lesser on shopping as opposed to other expenditure such as sightseeing & entertainment and medical services. Proportion of shopping expenditure out

of the total tourist expenditure decreased from about 30% in 2006 to an estimated 23% in 2010.

4Q 2010 Retail Rents

URA Retail Rental Index performed well with first positive y-o-y growth since 1Q 2009

URA Retail Rental Index for Central Region and Central Area registered first positive y-o-y growth of 2.9% and 2.7% since 1Q 2009 while y-o-y growth for Fringe Area followed positive momentum from 3Q 2010 with a y-o-y growth of 4.0%. Quarter on quarter, the upward trend for the respective indexes continued with marginal growth of 1.7%, 1.6% and 1.8%.

Rental Index levels of 116.6, 119.5 and 104.1 for the Central Region, Central Area and Fringe Area depict healthy levels close to those in the late 2007 as seen in the chart below. Improved retail rents were likely due to better consumer confidence and business

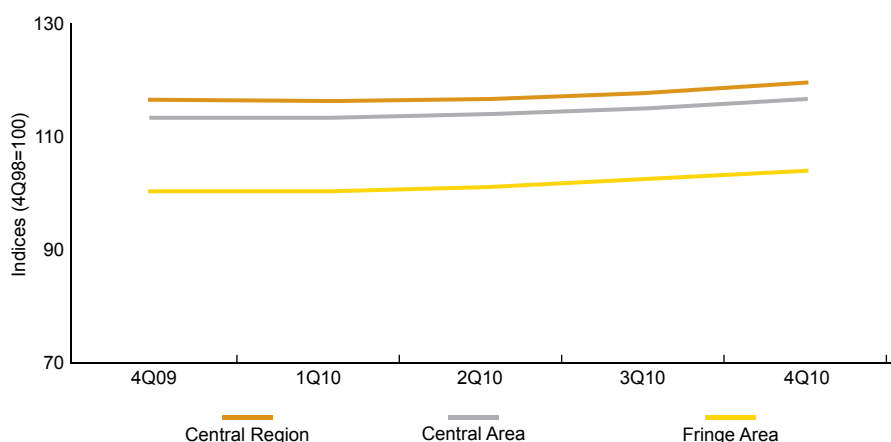
sentiments driven by the high fourth quarter GDP growth of 12.5% and more stabilized retail supply.

Whilst we see economic condition and consumer confidence as the key impacts on retail rents in 2009 or early 2010, the continued optimistic q-o-q and y-o-y growth may indicate that retail rents in 2011 are likely to be more dependent on retailers' financial capacity for expansion and retailers' ability to absorb the new retail supply released in the last two years.

4Q 2010 island-wide rents for prime spaces remain firm

Overall 4Q 2010 island wide average rentals for first level prime, good frontage spaces stabilized and inched up to \$29.24 psf. Although retailers are cautious in view of rising business cost from increasing foreign worker levies and inflation, retailers' sentiments for 4Q 2010 were generally more optimistic, hence resulted in the marginal q-o-q growth of 1.1%.

Chart 1
URA Retail Rental Index



Source: Knight Frank Research

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Table 1
Current Rentals of Prime Shopping Centre Space

4Q 2010	Monthly Gross Rents for prime spaces* (\$/psf)
Islandwide	S\$ 29.24
Orchard (Central)	S\$ 41.81
Orchard (Fringe)	S\$ 22.61
Marina Centre, City Hall, Bugis	S\$ 30.21
City Fringe	S\$ 20.45
Suburban	S\$ 31.12

* Based on pre-defined portfolio of properties; refers to prime specialty shop space on ground level with good frontage and of up to 1,500 sq ft
Source: Knight Frank Research

On the whole, average prime spaces in the Marina Bay, City Hall and Bugis area have increased to \$30.21 psf due to strong demand in The Shoppes at Marina Bay Sands as retailers bank on the potential of the gaming crowd in Marina Bay Sands and the shoppers from the many new residential and office spaces in the vicinity. However, overall retail rents are likely to face downward pressure in the future when additional new supply from Asia Square and Phase 2 of Marina Bay Link Mall is completed in 2011 and 2012.

Orchard Road average retail rents in Q4 for prime spaces remained relatively flat at \$41.81 psf and \$22.61 psf for Orchard Road (Central) and Orchard Road (Fringe) respectively. Overall, retail rents in these malls are expected to stay firm due to stabilized supply in this area. However, we can expect downward pressure on rentals for malls in the Orchard fringe area or older malls in Orchard area arising from possible flight to newer malls from retailers. Retail space “reshuffling” may be more prominent in 2013 when some 210,000 sq ft of retail space in the Former Hotel Phoenix, Orchard Emerald and Specialists’ Shopping Centre is completed. On the other hand, retail rents in suburbs continued trading upwards as the average 4Q 2010 suburban rents for prime first-storey spaces increased 3.4% q-o-q to \$31.12.

4Q Retail Occupancy

Retail occupancy across all regions performed well with marginal positive q-o-q growth

Largely due to the opening of Nex in Serangoon, total retail stock this quarter increased to 36,758,718 sq ft. Beside Nex, we also see new supply being released partially from other suburban malls such as Bedok Point and myVillage in Serangoon Garden.

Despite new supply of 365,972 sq ft, retail occupancy in this quarter performed well with an island-wide occupancy rate of 94.2%. Overall, with steady supply in the Central Region, occupancy in Orchard Area, Downtown Core, Rest of Central Area and Fringe Area experienced marginal q-o-q growth and attained occupancy rate of 95.0%, 91.6%, 91.0% and 93.8% respectively. Outside Central Region occupancy rate stabilized at 96.6% despite new supply released in this region.

Outlook

While 2010 is a period of economy recovery with high GDP growth and better employment prospect, island wide average retail rentals for both prime spaces and non-prime spaces has yet to recover to the record high in 2008. A full recovery to the 2008 level may be unlikely, given the increasing concerns on rising business costs and market’s adjustments to the additional retail spaces released in Central Area in 2009/2010. Nonetheless, following general positive sentiments, we can still expect y-o-y growth in 2011 island wide average retail rents for non-prime spaces to tread upwards marginally up to some 1%. Island wide average retail rentals for prime, good frontage spaces are to increase at a greater rate of up to 3%.

With pockets of non-prime spaces in Orchard Road still available in the market, average retail rents for these non-prime spaces are expected to stay flat. On the other hand, Orchard Road prime spaces, which are better sought-after and mostly occupied, are likely to mirror the island wide prime spaces rental growth of up to 3%. We note that there is potential for more rentals upside in this area if more could be done to tap on the exuberance visitor arrivals and to encourage greater tourist dollars and retail sales. Spurring more tourist dollars in the retail industry is increasingly vital in view of the greater competition among retailers arising from the many new malls.

Average suburban retail rentals for prime spaces are also expected to increase marginally at some 2% – 3%, following improved consumer confidence, stronger employment and greater propensity to spend, notwithstanding new supply from malls, such as Clementi Mall and Former Katong Mall, which are slated to open next year.



OFFICE PROPERTY MARKET

The momentum of islandwide office recovery continued in 4Q 2010 led by rents of Grade A office space in Raffles Place which increased by 8.0% q-o-q. Rents of Grade A office in Orchard grew at a slower pace of 5.8% q-o-q. However, rents of Grade A office space in Shenton Way / Robinson Road / Tanjong Pagar improved marginally by only 1.3%.

economy registered at 14.5% growth in 2010, largely driven by surge in manufacturing output in electronics and biomedical sectors. Supported by the increased activities for fund management and commercial bank lending, the financial services sector grew by 12.2% y-o-y. Tourism-related sectors rebounded strongly due to the openings of the two Integrated Resorts as evident from the record visitors arrivals. The outlook of the Singapore economy remains positive though the pace of expansion is expected to moderate in 2011. Singapore economic growth in 2011 is forecasted to be within the range of 4 – 6%.

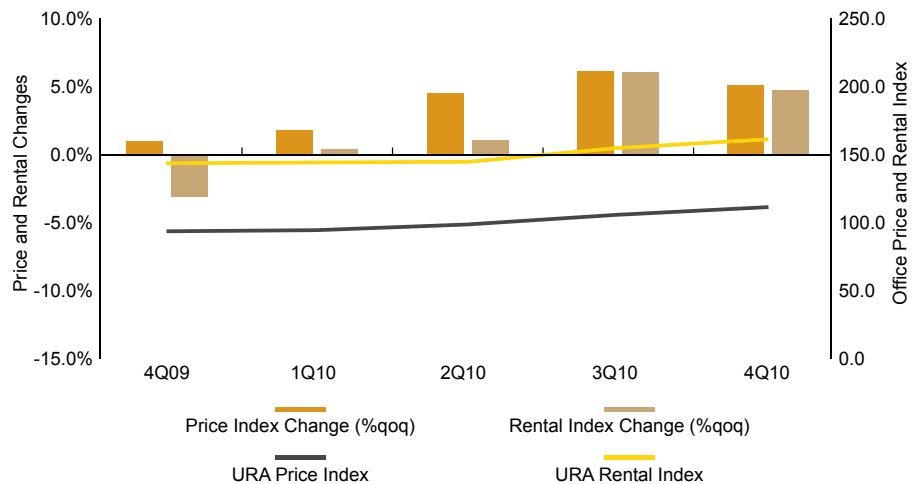
Strong Economic Performance in 2010

For the whole year of 2010, Singapore economy recovered strongly from 2009 financial crisis, a sharp reversal from the contraction of 0.8 per cent in 2009. The

Robust Office Demand

The robust economy performance led to strong demand for office space across the

Chart 1
Islandwide Office Price and Rental Index



Source: Urban Redevelopment Authority, Knight Frank Research

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island. Total new demand for the island stood at 754,000 sq ft, the highest level since 1Q 2007. The surge reflects the close relationship of economic performance and office space demand. Islandwide office space occupancy reached 87.9% in 4Q 2010, up by 0.92% compared to last quarter as tenants shifts into new developments. Out of the 754,000 sq ft islandwide of new demand, about 86% originated from the Downtown Core which drove occupancy rate in this region to 88.2%. As at 4Q2010, some 97,000 sq ft of space were added to the office stock.

Overall as at 4Q 2010, the islandwide stock of office space stood at 75.9 million sq ft, which translates into 2.6% y-o-y increase. The bulk of the new supply (about 1.97 million sq ft) was completed in the first three quarters of the year. This had included the Marina Bay Financial Centre Tower 1 & 2, Mapletree Business City and Tokio Marine Centre. New office supply of some 65,000 sq ft that came on stream in 4Q 2010 contributed a marginal 0.09% of the entire stock.

Offices at the Fringe Area saw an occupancy rate of 90.9% in 4Q 2010 albeit being marginally lower compared to the previous

quarter. The decline of occupancy rate was due to completion of new office space which surpassed new demand. The occupancy office space in Orchard and Outside Central Region saw an improvement of 1.01% and 0.75% respectively from the previous quarter as there was no new completions. Additionally, some 22,000 sq ft of office supply was also removed in Outside Central Region. Occupancy rate in Rest of Central Region dipped for three consecutive quarters to 88.1% in 4Q 2010.

Year 2010 has been a good year for the Office sector where it experienced strong rebound of rental and nascent built up of leasing momentum. Downtown Core experienced the most significant improvement arising from new demand of 1.43 million sq ft vis-à-vis new completion of 1.66 million sq ft. Strong economic growth led the economy to operate at full employment level where the total employment increased by 112,500 in 2010. According to official statistics released by Ministry of Trade and Industry (MTI), significant employment gains were registered in business services (27,300) and financial services (16,200) which contributed to the surge in demand of office space especially those located in CBD.

Strong Office Recovery Momentum Continued

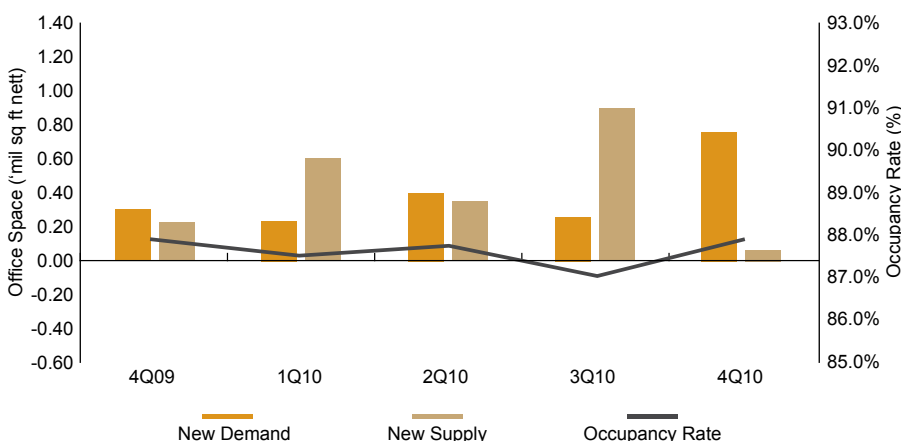
Singapore office market continued to show strong signs of recovery, reflecting three-straight-quarters of positive growth as a result of better economic performance and improved business expectations. The optimistic outlook consequently led to the realization of business expansion and attracted new players into the market.

Raffles Place leads the pack jumping by an average 10.7% q-o-q, driven largely by increasing demand for older offices in the area. The average monthly rents of Grade A office in Raffles Place rose 8.0% q-o-q to \$9.61 psf, increasing at an increasing rate as compared to 3Q 2010 when rents grew at 7.2% q-o-q. Interestingly, the average monthly rents of older offices surged by nearly 18% at \$7.40 psf from \$6.30 psf in 3Q 2010.

Following the substantial rents improvement of 10.6% q-o-q in 3Q 2010, growth of average office rents in Shenton Way/Robinson Road/Tanjong Pagar slowed down increasing by 3.1% in 4Q 2010. Rents of Grade A offices in this area inched up marginally by 1.3% q-o-q to \$7.09 psf per month.

It is interesting to note that whilst new office buildings with state-of-the-art specifications might seem appealing, location still emerges as the single most important consideration for location-sensitive companies. For instance, recruitment agencies generally prefer to locate near to its clients, which include MNCs and major financial companies that are located in Raffles Place. These companies do not mind being located in older office buildings so long as it is within core CBD. Consequently, this phenomenal causes rents of these older buildings to surpass rents of Grade A offices in Shenton Way/Robinson Road/Tanjong Pagar. This trend is expected to be more prominent during nascent economic recovery where office rent in CBD bottoms out.

Chart 2
Islandwide New Demand, New Supply and Occupancy
(Private and Public Sectors)



Source: Urban Redevelopment Authority, Knight Frank Research



In 4Q 2010, rents of Grade A offices in Orchard narrowed the gap with rents of offices in Raffles Place, reflecting an average monthly rent of \$9.15 psf and about 5% lower than Grade A rents in Raffles Place. On average, Grade A office rent in Orchard increased by 5.8% q-o-q. This is also its first rental turnaround since 2Q 2010. For the next few quarters, office rent in Orchard is expected to rise but at a moderated pace.

Consistently, office rents in suburban locations improved albeit at a slower pace in 4Q 2010, up 9.5% q-o-q compared to 14.4% in 3Q 2010. Average monthly rent for these offices stood at \$5.93 psf. Strong recovery of suburban office rents was seen in the Eastern region similar to offices in the suburban North where rental surged 15.6% q-o-q to \$7.05 psf per month.

Outlook

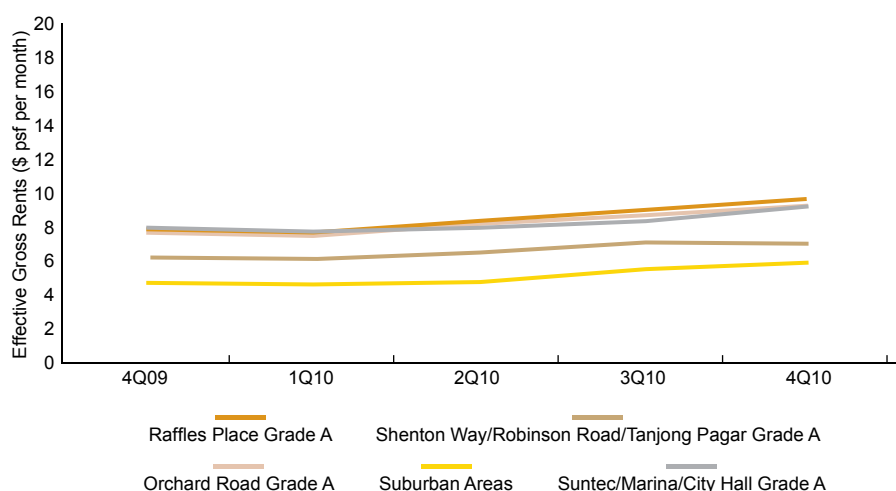
Office market experienced its first rental turnaround in 2Q 2010 and have seen three consecutive quarters of growth. Overall, Grade A Raffles Place office rents in 4Q 2010 recovered by 23% y-o-y to \$9.61 psf per month from \$7.80 psf per month in 2009 despite the huge supply that came on stream to the market. Whilst Singapore has achieved record high GDP, low unemployment rate and better business sentiment, the office sector is at the nascent stage of recovery and far from the historical high in 2008.

According to the latest Economic Survey of Singapore, 2010 released by MTI, the business expectation for the financial, real estate and business services has been positive since 2Q 2009. For the coming 6 months from 4Q 2010, business expectation for employment should continue to be positive as the competition for talent continues to be keen.

Notwithstanding the positive outlook, 3 key risks may affect the recovery in office market. First, about 3.2 million sq ft are expected to be completed next year including OUE Bayfront, One Raffles Place Tower 2, Asia Square Tower 1 and Ocean Financial Centre. While an estimated 49% of new supply has been pre-committed, they posed strong competition to existing office spaces as the “flight to quality” momentum continues. Second, 2010 has been a phenomenal year in terms of economic performance where the service sector grew by 8.8% y-o-y fuelled by strong growth from the financial sector. Going forward in 2011, the growth in the service sector is expected to moderate by some 6 to 6.5% arising from a higher base level from 2010. Third, downside risks remain real as a protracted economic recovery in US, potential worsening of sovereign debt problems in EU and further tightening measures to combat rising inflation may derail economic recovery.

Should the macroeconomic situation stabilise and risks contained subsequently, Singapore office rent should continue to trend up and is expected to grow a further 10 – 15% in 2011.

Chart 3
Average Effective Rentals



Source: Knight Frank Research

Table 1
Effective Monthly Rentals in 4Q 2010

Location	Effective Monthly Gross Rentals (psf)
CBD (Grade A)	
Raffles Place	S\$ 9.20 - S\$ 10.00
Marina Centre / City Hall	S\$ 8.60 - S\$ 9.80
Shenton Way / Robinson Road	S\$ 6.60 - S\$ 7.60
Orchard Road	S\$ 8.90 - S\$ 9.50
Non-CBD	
Beach Road / Middle Road	S\$ 6.40 - S\$ 7.00
Suburban (North)	S\$ 6.80 - S\$ 7.30
Suburban (East)	S\$ 4.20 - S\$ 4.70
Suburban (West)	S\$ 6.00 - S\$ 6.60

Source: Knight Frank Research

INDUSTRIAL PROPERTY MARKET

The industrial property sector performed well this year alongside the outstanding performance in the manufacturing sector. Overall rents and capital values of conventional factory space have increased by 5% and 16.3% respectively in 2010.

Recovery in performance of manufacturing sector

2010 has been a good year for the industrial sector, with the double digit manufacturing growth experienced over several quarters largely contributed by biomedical manufacturing. The economy expanded by 14.5% this year.

The manufacturing sector has expanded for the third consecutive month with the Purchasing Manager's Index registering a

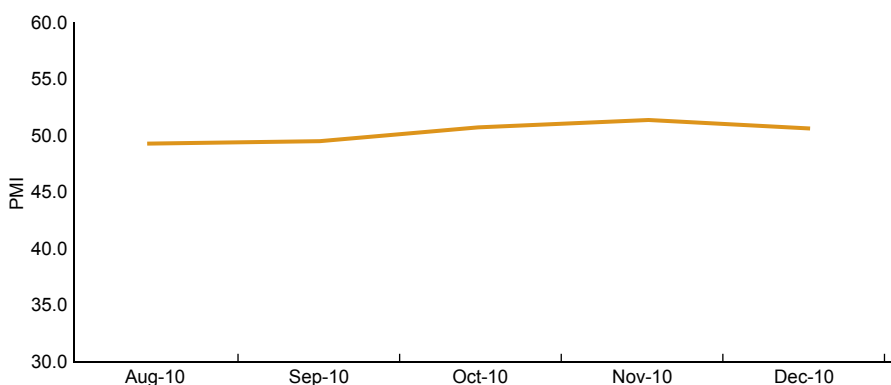
reading of 50.7 in December. This was due to an expansion in overall orders, production output, stockholding of finished goods, input prices and employment.

Major new supply that came onstream this year was from Mapletree Business City at Pasir Panjang, Midview City at Sin Ming Lane and a Business Park Development at Changi Business Park.

Overall occupancy of conventional factory space is on the rise achieving 93.6% in 2010, an improvement from 92.4% in 2009. While the existing supply increased by 1.6% from 2009 and new demand by 8% year on year, the new supply decreased by 58% compared to the previous year.

The recovering economy with production expansions in the manufacturing sector has resulted in business expansions. In 4Q10, overall factory space vacancy was at a six quarter low of 7.2% with the single user factory space at its highest occupancy rate of 95.2% since 1997. On the other hand, Business park occupancy dropped to 75.5% in 2010 from 80.8% in 2009.

Chart 1
Purchasing Managers' index



Source: Singapore Institute of Purchasing & Materials Management



New supply of warehouse space decreased significantly from 269,000sqm in 2009 to 85,000sqm in 2010. New demand on the other hand increased from 56,000sqm in 2009 to 181,000sqm in 2010. Occupancy of warehouse space as a result increased marginally to 91.5% in 2010.

Rental and Price Recovery

Rents of industrial space performed well this year with conventional industrial space achieving rents 5% higher than that in 2009. Rents for high spec factory space increased by 3.7% while business park space saw the highest rental increase of 6.7% amongst the various industrial asset classes for 2010.

Within 4Q 2010 itself, Industrial rents have remained stable. Across the various industrial classes, only high specification factory space experienced rental growth with a q-o-q. increase of 3.7% to \$3.37 psf. This could be attributed to an expansion in the electronics sector.

Capital values of conventional industrial space rose by 16.3% in 2010. 4Q 2010 continued the rise at a moderated pace, with an average of \$241psf and a growth of 2% from 3Q 2010.

Outlook

In 2011, external macroeconomic conditions are likely to remain supportive of growth with advanced economies growing at a relatively slow but steady pace. Singapore is expected to further benefit from the boost in intra-regional trade flows alongside new capacity additions in the manufacturing sector and progressive openings of recreational facilities in the tourism-related services industries. Capacity expansion in the electronics and biomedical manufacturing clusters will support manufacturing sector growth and business investments as a result should continue to pick up.

Nevertheless, the increasing commodity prices, inflationary pressures, sovereign debt issues in mature economies and political tension surfacing, systemic risks abound for 2011. MTI forecasts inflation in 2011 to be in the range of 3 to 4 per cent and economy growth of 4 to 6 per cent.

Rents as a result, are expected to remain stable and capital values with a marginal increase in light of business expansions and new investor interest stemming from the tighter restrictions in place for residential property investment.

Table 1

Rentals and Capital Values of Sample Factory/Warehouse (Upper Floors) and Business Park Space in 4Q 2010

Locality	Monthly Gross Rentals (psf)	Capital Values (psf)
Conventional Industrial Space		
MacPherson / Paya Lebar	S\$ 1.49 – S\$ 1.86	S\$208 – S\$352
Kaki Bukit	S\$ 1.29 – S\$ 1.74	S\$146 – S\$345 (60-year leasehold)
Admiralty	S\$ 1.05 – S\$ 1.33	S\$120 – S\$275 (60-year leasehold)
High-tech Factory Space		
Islandwide	S\$ 3.18 – S\$ 3.56	N.A.
Business Park Space		
Islandwide	S\$ 3.82 – S\$ 4.18	N.A.

Source: Knight Frank Research

INVESTMENT SALES PROPERTY MARKET

Investment sales for 2010 totalled \$21.47 billion, about 3.7 times higher than total investment sales achieved in 2009 (\$5.77 billion).

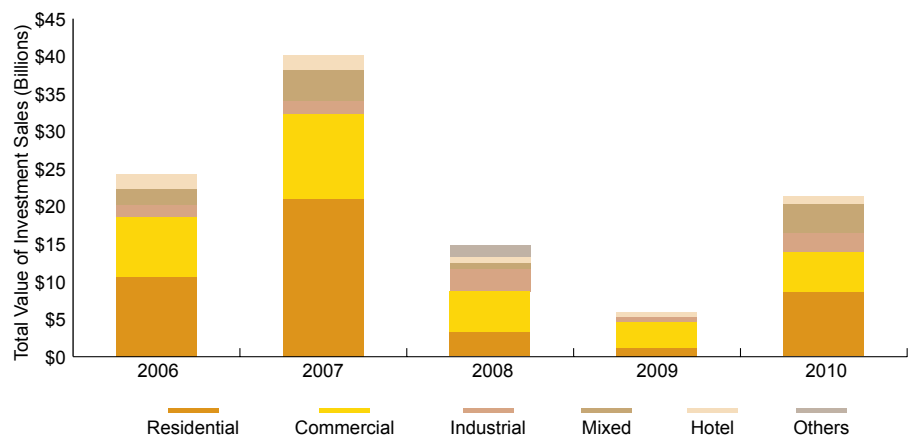
Total Investment Sales Including Public and Private Sectors

Investment sales for 2010 totalled \$21.47 billion, about 3.7 times higher than the total sales achieved in 2009 (\$5.77 billion). The strong rebound of the economy, healthy investor sentiment and a buoyant residential market contributed to the improvement of investment sales for the year. Investment deals for the year were dominated by the residential sector, which accounted for 40% of total transactions. Several residential sites released via the

Government Land Sales Programme were snapped up by developers to refill depleting landbanks. The commercial sector was relatively active as well, accounting for 25% of total investment sales. Overall, there were fewer commercial transactions, but the quantum of a few deals were sizeable and in excess of \$1 billion.

In 2H 2010, the total value of investment sales stood at \$14.36 billion, compared to \$7.11 billion in 1H 2010. During the earlier months of the year, the commercial sector had yet to pick up. By mid year, investor confidence in the commercial market began to build up and gained momentum. The strong demand for mass market homes from the first half of the year flowed into the second half, until the government's property market cooling measures on 30 August 2010. Meanwhile, the continuous supply of residential land through the Government Land Sale (GLS) programme was absorbed by the market. All in all, this led to a larger proportion of deals transacted in 2H 2010.

Chart 1
Total Investment Sales



Source: URA, JTC, HDB, Knight Frank

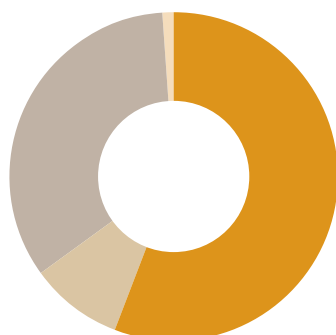


Public Property Investment Activities

2010 was an eventful year for the GLS programme. As at the end of 2010, a total of \$10.19 billion worth of GLS sites were sold. The residential sector dominated public investment sales and accounted for 56% of transactions closed. The mixed use sector comprised of a few strategically located large sites with high values, and accounted for a good 34% of public transactions for the year. On other hand, the commercial sector (office and retail spaces) was relatively played down for the year. Most of the commercial activity occurred in the private sector. Lastly, the industrial sector accounted for 9% of public investment sales. 9 industrial and 4 transport sites were sold.

The first half of the year was mostly driven by the residential sector (75% share of public sector transactions in 1H 2010) whilst, the other sectors were comparatively

Chart 2
Percentage Share of Public Investment Sales in 2010 by Value



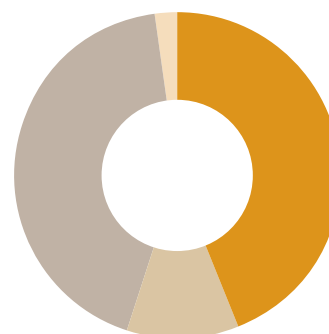
Residential	56%
Commercial	0%
Industrial	9%
Mixed	34%
Hotel	1%
Others	0%

Source: URA, JTC, HDB, Knight Frank

muted. The only noteworthy transaction was the acquisition of the white site in Jurong Gateway by Australian developer Lend Lease. As mentioned earlier, 1H 2010 saw great consumer demand from the residential mass market segment. During this half, many of GLS residential sites received competitive bids from several developers. The highest number of bidders received stood at eighteen bidders for the Simei Street 3 site. The progressive increase in bid prices coupled with strong consumer demand collectively began to inflate home prices. In order to meet the strong demand and whilst maintaining affordability, the government introduced market cooling measures and made available a larger supply of land through the GLS programme. The first round of measures was exercised in September 2009 and the latest measures were exercised in August this year. The last measures entailed increasing the Seller's Stamp Duty duration from one year to three years and for property buyers who already have one or more outstanding housing loans at the time of the new housing purchase, the down payment requirement was increased from 5% to 10% and the Loan to Value ratio was further compressed from 80% to 70%. Meanwhile, the GLS programme for 2H 2010 contained a healthy supply of land, which could yield 8,135 residential units from the confirmed list alone. This set the record high since the inception of the GLS programme in 2H 2001. The sites released on the 2H 2010 GLS programme were all sold out with the exception of one EC site (Jurong West Street 42).

The cooling measures enforced in August and good supply of GLS residential sites appears to have dampened the mass market home prices for the second half of the year. This was reflected in the lower number of bidders for GLS sites in 2H 2010. However, the Punggol site boasting conservation Matilda House was awarded at \$363 million

Chart 3
Percentage Share Public Investment Sales in 2H 2010 by Sector



Residential	44%
Commercial	0%
Industrial	11%
Mixed	43%
Hotel	2%
Others	0%

Source: URA, JTC, HDB, Knight Frank

to Sim Lian in December. This site was heavily contested by the top two bidders and Sim Lian beat Qingdao Construction by a marginal 0.36%.

A general observation was made on the sale of EC sites. Before 2010, the last EC site sold was in 2004 (currently La Casa in Woodlands). To cater to the needs for the sandwich income class, several EC sites were released in 2010. Eight EC sites were sold during the year and attracted healthy interest from developers. Popular EC sites already launched include Esparina Residences and The Canopy. Both these developments were over subscribed at the launches. 4 DBSS sites were sold within the year.

In 2H 2010, the non residential sector picked up in momentum. The solid economic fundamentals of Singapore gave confidence to both local and foreign developers/ investors to take part in the bidding of well located non residential sites.

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Three mixed use sites were sold and the total transaction value rivalled that of the residential sector. The most notable was the white site located on Peck Seah/Choon Guan Streets in Tanjong Pagar which was sold for \$1.71 billion to GuocoLand. This site is set to enhance the quality of office space in the area and increase the amount of hotel rooms available in the CBD. Meanwhile, the unique Capitol Theatre site was contested for by fourteen local and foreign bidders. Capitol Theatre holds significant historical and architectural value in Singapore's built environment and is to be redeveloped for lifestyle and entertainment purposes. The tender was conducted via a Concept and Price Revenue Tender to ensure that the winning bidder will develop a high quality development. It was sold for \$250 million to a consortium of investors comprised of Pua Seck Guan's Perennial Real Estate, Kwee Liong Seen's Chesham Properties and Sukmawati Widjaja's Top Global group. The industrial sector was relatively robust and a total of 5 sites were sold. A prime plot of industrial land located on Ubi Road 1 attracted 11 bids and was sold for \$158.1 million (\$169 psf/ppr). This is significantly higher than the typical sub \$100 psf/ppr for industrial land. The high price is attributed to the diminishing supply of industrial land in such the central region.

With the opening of the integrated resorts, Singapore's tourism industry is predicted to expand. A hotel site strategically situated on Clemenceau Avenue and Havelock Road was purchased for \$101.11 million by RB Capital Hotels. This site was triggered from the Reserve list for \$40.8 million. At tender closure, a total of 13 bids were submitted.

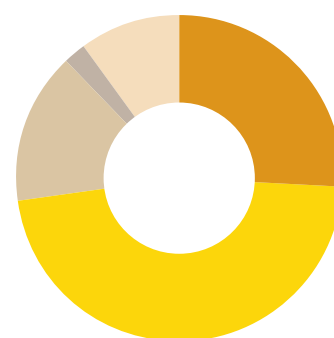
To sum up public investment sales for the year, the 1H 2010 was mainly driven by the mass market residential sector. In the second half of the year, the government maintained a good supply of residential land to the market and stepped up on the non-residential sectors as the economy gained momentum and foreigners began looking to Singapore for real estate investment opportunities. Strategically located mixed

use, hotel and industrial sites were released and received healthy interest.

Private Investment Sales

Private investment sales totalled \$11.28 billion in 2010. This reflects a 183% increase from the \$3.99 billion of total investment sales in 2009. Unlike the public sector, the private investment sector was dominated by commercial sales and accounted for 47% of total sales. Although a good number of residential collective sale sites were sold, the values of the sites were more often than not below \$100 million. With the new Land Titles (Strata) Act enforced last year and further changes early this year, large residential developments face greater challenges in achieving the 80% consensus. Towards the year end, the residential sector accounted for 26% of private investment sales. The industrial sector was mainly driven by the acquisition of sites by REITS, most notably the recently listed Shariah Compliant Sabana REIT.

Chart 4
Percentage Share Private Investment Sales in the Year 2010 by Sector

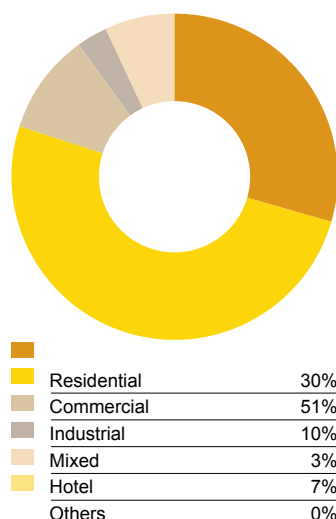


Residential	26%
Commercial	47%
Industrial	15%
Mixed	2%
Hotel	10%
Others	0%

Source: Knight Frank



Chart 5
Percentage Share of Private Investment Sales in 2H 2010



Source: Knight Frank

Activity in private investment during 1H 2010 was relatively quiet compared to 2H 2010. In 1H 2010, \$3.77 billion worth of deals were transacted. There were a number of commercial transactions and the most notable acquisitions were of Clarke Quay by CapitaMall Asia and Robinson Point by private fund AEW Capital Management. Other transactions were made up of smaller central region office buildings and those outside of central region properties. A good number of industrial sites were transacted involving both REITs and private industrial players. The hotel sector saw some action when the Raffles Hotel was acquired by the Qatari sovereign wealth fund from a joint entity made up of Saudi Arabian Prince and US based Colony Capital through a complex sale structure. A few residential en bloc sites were sold.

The second half of the year accounted for the bulk of transactions in 2010. A total amount of \$7.94 billion (70%) of transactions were closed during this period. This reflects a substantial half yearly increase of 138% from \$3.34 billion in 1H 2010.

51% (\$4.09 billion) of private investment sales in 2H 2010 was in the commercial

sector as there was renewed interest from foreign funds and REITs. The sale of Chevron House in prime Raffles Place to German fund Deka Immobilien for \$547 million translates to \$2,083 psf over net lettable area. Suntec Reit purchased approximately 580,000 square feet of office space in Marina Bay Financial Centre (MBFC) from Cheung Kong Holdings for \$1.5 billion including rental support. Keppel Land and K-Reit entered an asset swap that involved about 580,000 square feet of space in MBFC and Keppel and GE Towers which is to be redeveloped as residential condominiums. Keppel and GE Towers were sold to Keppel Land at an agreed price of \$573 million.

Private residential investment sales accounted for 30% (\$2.34 billion) of 2H 2010 private transactions. This was made up of about 21 collective sale sites, a number of bulk sales in the prime districts of 9, 10 and 11 and the conversion of commercial buildings into residential developments. The largest en-bloc transaction in the second half was Meng Gardens situated off Killiney Road for \$137 million (\$1,373 psf/ppr excluding development charge) by TG Development. The other notable purchase was the acquisition of Pastoral View packaged with an adjoining site owned by OCBC in district 11 by Far East Organisation for \$122 million (\$848 psf/ppr). The bulk sale transactions were of relatively higher values due to their prime locations. These deals typically involved private funds or investors from the buyer's side.

The industrial sector accounted for 10% (\$767.8 million) of transactions in 2H 2010. Most of the industrial properties were purchased by REITs. Sabana Shariah Compliant REIT was one of the more active REITs in its acquisitions during the second half of the year. Paramount Hotel was acquired for \$214 million by Far East Organisation. Under the Master Plan 2008, the site is zoned for hotel use. However, subject to approval from the authorities, the purchaser has the options to redevelop the site for hotel, commercial, residential or a

combination of the uses. The development charges payable will vary according to use. Three hotels were privately transacted and accounted for 7% (\$525 million) in 2H 2010. They were Citadines Mount Sophia, Ibis Singapore and park Regis.

Overall, private investment sales in 2010 were focused in the non-residential sectors as the good economic fundamentals fuelled interest from local and foreign investors. The residential segment in the private sector is traditionally skewed towards prime locations and collective sale sites. The uncertainty in the US and Europe has limited the flow of foreign investors looking for trading opportunities in the prime residential sector. In addition to the uncertainty in the global economy, the changes in the Land Titles (Strata) Act adds challenges to the collective sales process and adds to further uncertainty to homeowners unsure of whether to jump on the collective sale band wagon.

Government Land Sales Programme 1H 2011

The amount of land made available on the GLS programme for 1H 2011 will provide no disappointment to any developer/investor keen to participate in the real estate market in Singapore. In order to address strong demand and affordability, the government has kept up the momentum of releasing a solid supply of sites to the market as it did in 2H 2010. The aim of this is keep affordability levels and the rate of growth for home prices at a more sustainable rate.

The confirmed and reserve list combined, consists of 44 sites. The GLS programme for 1H 2011 can yield a new historical high of 14,310 residential units, 3,375 hotel rooms and 317,860 square metres of commercial space. Some sites not triggered or sold from the 2H 2010 programme has been transferred to the 1H 2010 list.

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Table 1
Total Number of GLS Sites in 2H 2010

List	Residential	Commercial	Commercial & Residential	White Site	Hotel	Yield
Confirmed	16 (including 3 EC sites)	2	1	0	0	i. 8,125 residential units ii. 98,120 sm commercial space
Reserve	12 (including 1 EC site)	3	1	1	8	i. 6,185 residential units ii. 219,740 sm commercial space iii. 3,735 hotel rooms
Total	28 (including 4 EC sites)	5	2	1	8	i. 14,310 residential units ii. 317,860 sm commercial space iii. 3,375 hotel rooms

Source: Urban Redevelopment Authority, Knight Frank Research

In light of the large supply of land, developers will have a wider variety sites to choose from and consequently, reduce the competitiveness and compress the bullishness of bid prices and number of bidders per site. The commercial sites on the GLS programme cover both central and non-central areas. Office and hotel sites in the core central area have been put on the GLS programme to meet the growing demand from the financial and business sector. Non-CBD commercial sites have been targeted at the Paya Lebar area in particular as the authorities are planning to create this area as a complementary commercial hub to the CBD. The release of commercial site in this location works in conjunction with the release of a number of hotel sites released in the vicinity to create another waterfront lifestyle precinct in Singapore.

The GLS programme for the next half did not include many commercial plots within the CBD. More commercial space is expected from the 6 plots of land which is to be developed by the joint venture between M+S Pte Ltd and the Malaysian government.

Outlook

The outlook for investment sales in 1H 2011 is generally optimistic in all sectors. Coming out of the recession and a low

base, the GDP for the past year stood at an extraordinary 15% which placed Singapore as the fastest growing economy in the world. On a more moderate basis, the MTI has predicted the GDP for the coming year to be a sustainable 4% to 6%.

Given the low interest rates, liquidity for funds is high. Not to mention, the \$600 billion bond purchase by the US government adds further liquidity to the global market. Strong economic fundamentals and good governance places Singapore as a healthy and attractive country for foreign investors looking for investment opportunities and local property players to expand further. The renewed interest of foreign funds in 2010 is likely to continue well into the following year.

CBD office rents have bottomed out and appear to have entered the early stages of an up cycle opening up potential trading or yield accretive investment opportunities. The near completion of Marina Bay Financial Centre and Ocean Financial Centre will leave older office buildings in the traditional Raffles Place area with refurbishment or upgrading potential open for investors who are keen to participate in the up cycle. Manufacturing output in 2010 has been reported to have hit 31% as the government has been advocating the growth of clean industries to local small to medium enterprises and also to attract international firms to set up regional headquarters here.

The past year has seen the purchase of several industrial properties by REITs, in particular the recently listed Sabana Shariah Compliant REIT.

With the opening of Marina Bay Sands and Sentosa Resorts world, the tourism industry is set to power on which will create a spill over effects in to the retail and hotel sectors.

The solid economic growth and rising wages will further fuel demand for mass-market homes. However, the announcement of a healthy supply of residential development sites on the GLS programme is likely to keep land prices relatively stable and in turn, home prices stable. As at 2010, one or two large en bloc sites worth more than \$1 billion in land value were launched and/or is currently awaiting approval from the Strata Titles Board. Meanwhile, small and large developments in popular neighbourhoods are working towards reaching the 80% consensus. This will be another source development land for developers in the coming year.

Although the prime residential sector of Districts 9, 10 and 11 still hovers below the historical highs of above \$5,000 per square feet, luxury home prices have already picked up. The few bulk purchases in the second half of the year and the improvement in luxury home prices is an indication for the return of investors looking for fast capital appreciation in the luxury residential sector.



AUCTION PROPERTY MARKET

The residential sector dominated by the highest number of properties put up and for the highest total value of properties sold at auctions. The total value of residential properties sold in 2010 increased by 5% to \$107.31million. A large bulk of this was driven by the sale of four Good Class Bungalows (GCBs)

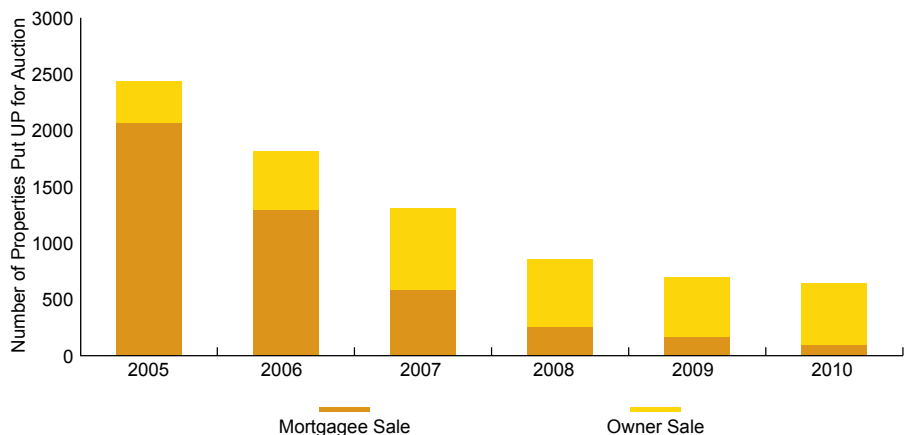
4% for 2010. In 2010, prices across all sectors of the market bottomed out and entered an uptrend, in particular the residential sector. Prices escalated as the climate of the real estate market improved, whilst the robust economy reduced the likelihood of non performing loans and foreclosure sales.

The surge in the residential mass market led to an additional round of cooling measures in late August. The measures entailed increasing the Seller's Stamp Duty duration from one year to three years and for property buyers who already have one or more outstanding housing loans at the time of the new housing purchase, the down payment requirement was increased from 5% to 10% and the Loan to Value ratio was further compressed from 80% to 70%. As the cooling measures dampened bullishness, lesser owner sale properties were put up for auction in the second half of the year after the last round of cooling measures were enforced. In other words, owner sales properties increased in 2010

Number of Properties Put Up for Auction

The total number properties put up for auction in 2010 stood at 641. This reflects a 7% decrease from 2009 where 688 properties were put up for auction. It was observed that there were less mortgagee sale properties although the number of owner sale properties increased by about

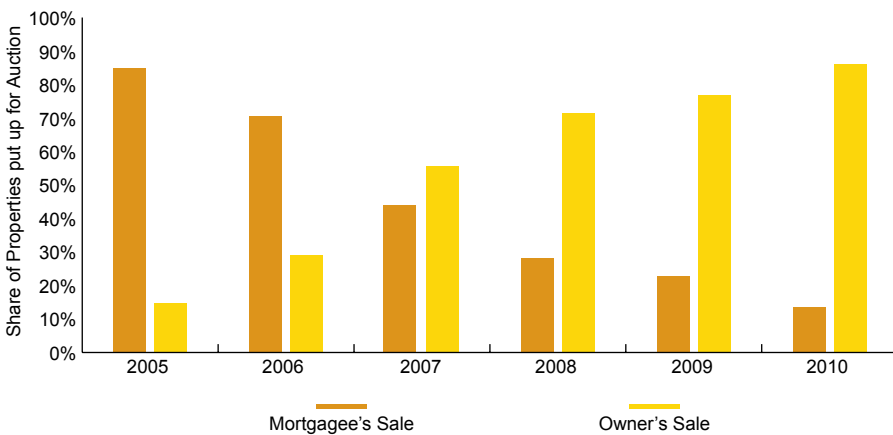
Chart 1
Total Number of Properties Put Up for Auction



Source: Knight Frank Research

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Chart 2
Percentage Share Proportion of Mortgagee and Owner Sales Put Up for Auctions



Source: Knight Frank Research

but a larger proportion of owner sales were put up for auction in the first half of the year. The overall number of properties put up for auctions in 2010 was reduced as the residential sector is the major driver of the auctions market.

Over the years, the number of mortgagee sale properties decreased significantly while the number of owner sale properties had not increased by much. Thus, the growing trend of owner sales taking a majority proportion of auctioned properties continued. It was observed that the number of mortgagee sale properties began to drop drastically in the mid 2000s and did not pick up even during the global financial crisis. In fact, the number of mortgagee sale properties decreased further. On the other hand, it was noticed that the number of owner sales has continuously hovered in the range of 500 to 700 properties per year from 2005 and through the global financial crisis. Thus, the increase in proportion of owner sales is rather a result of the faster decline in mortgage sales, not because of the increase of owner sales.

Traditionally mortgagee sales should increase during a downmarket as the number of non performing loans increase. Nonetheless, the market managed to buck the trend despite undergoing a

global financial crisis. This could be partly attributable to the quick recovery of the market and the changing approach of banks. The asking prices of mortgagee properties are typically closer to the valuation price and expectations of the seller are more realistic. This is the contrary for owner sales where sellers tend to have higher expectations and hope to achieve highest maximum sale price through auction sales. The process and mechanism of mortgagee sales eliminate the potential for greater although less realistic upside in prices achieved. To deal with this

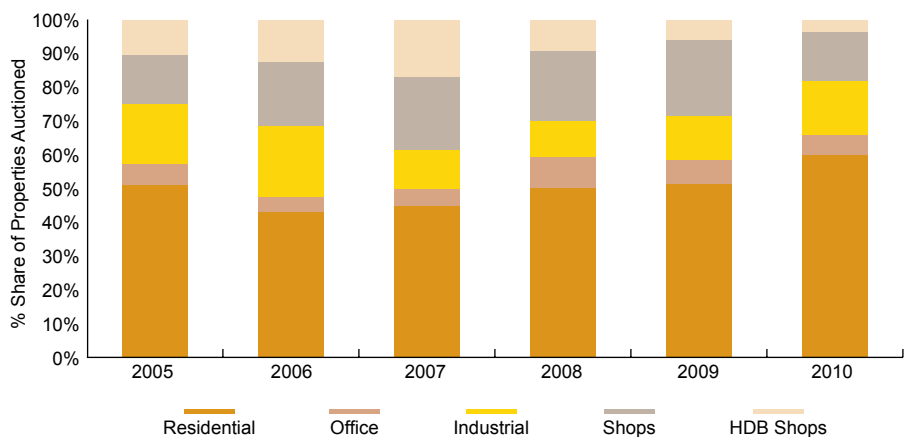
issue, banks now choose to allow owners to place their properties on auction as an owner sale in attempt to achieve better prices.

Residential sector dominates the Auction scene

The residential sector remained the star player in the auction market and made up 60% of properties put up for auction. In 2009, 354 residential properties were put up for auction. In 2010 it increased by 9% to 386 residential properties which runs in tandem with the solid performance of the residential sector. Auctioneering becomes an avenue where sellers and buyers can purchase already completed properties or larger sized older properties (as units in new developments are generally smaller). In addition to this, some players in the market are beginning to view auctions as a place to acquire prime properties or a mode of sale that can achieve higher prices via competitive bidding.

Not only did the residential sector dominate by the highest number of properties put up, it also accounted for the highest total value of properties sold at auctions. In 2010,

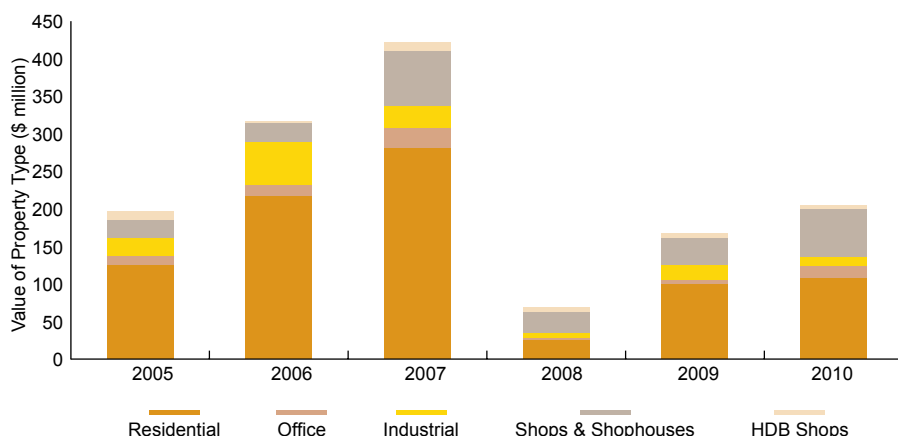
Chart 3
Percentage Share of Properties Auctioned by Sector



Source: Knight Frank Research

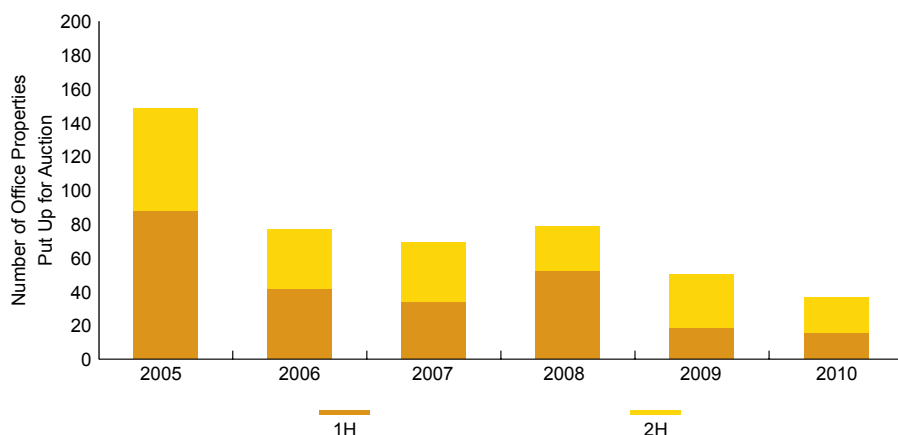


Chart 4
Total Value of Properties Auctioned by Sector



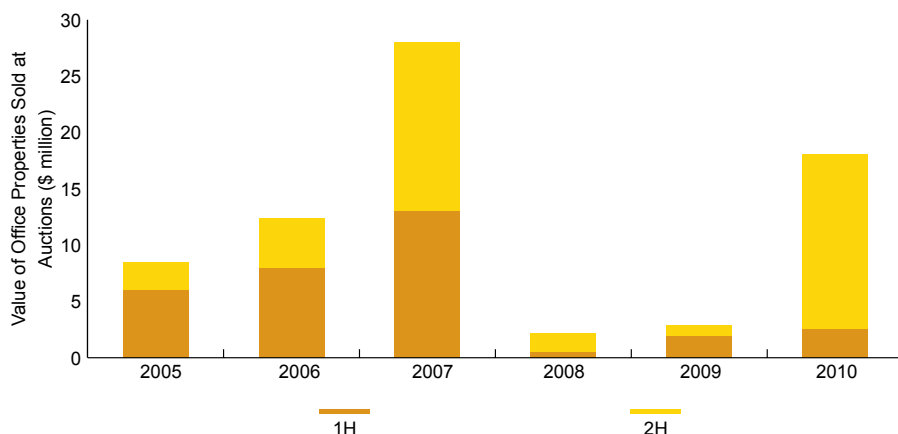
Source: Knight Frank Research

Chart 5
Total Number of Office Properties Put Up for Auction



Source: Knight Frank Research

Chart 6
Total Value of Office Properties Sold at Auctions (\$ million)



Source: Knight Frank Research

the total value of residential properties was \$107.31 million, reflecting an increase of 5% from \$102.26 million in 2009. A large bulk of this was driven by the successful sale of four Good Class Bungalow (GCB) homes and accounted for \$57.4 million in total. Auctions did not see a large number of mass market homes put up for auction. Meanwhile, prime non-landed residential and landed properties made a good appearance at auctions and accounted for most of the remaining total value of residential properties sold.

Pick Up in the Office Sector

There was great uncertainty at the end of last year. The first half of 2010 remained relatively quiet for the office sector. However, the office sector bottomed out and began to tick upwards mid year. The good fundamentals and recovery of the economy instilled confidence in businesses and investors alike.

Only 38 strata office properties were put up for auction in 2010, compared to 51 strata office properties in 2009, reflecting a yoy 25% decrease. In an improving market, some owners prefer to hold on to their properties for the improved rental yield despite the pick up in capital values. However, the number of office properties put up for auction in 2H 2010 was higher than in 1H 2010.

The total value of office properties successfully sold at auctions in 2010 increased by a healthy 507% yoy - \$18.19 million in 2010 overshadowing the total value of only \$3 million in 2009. \$15.57 million (89%) worth of office properties was sold in 2H 2010, in line with the pick up in market post mid year.

The significantly higher value of properties successfully auctioned and the fewer number of properties put for sale is attributable to the high values of properties. 2H 2010 saw some large and centrally located office properties successfully auctioned.

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Industrial Sector

In line with the other sectors, the industrial sector improved. According to the EDB, the manufacturing industry registered an astounding yoy 39.8% growth, as at November 2010. As the economy recovered, prices and rental values entered an upside. The auctions market however, did not bode well for the industrial sector. Although there was a 102% rise in number of properties put up for auction, there was a 50% drop in total value of properties sold. The drop in total

value of industrial properties sold is because majority of the industrial properties sold at auctions in 2010 were smaller units and had lower total quantum values.

Strata Shops & Shophouses

Strata shops and shophouses performed similarly to the office sector. The total value of properties successfully sold at auctions

increased despite the decrease in number of properties put up for auction. The retail sector was relatively muted in 1H 2010 but picked up in the latter part of the year in tandem with the opening of the integrated resorts and boost in tourism. The number of strata shops and shophouses put up for auction dropped 40% from 155 in 2009 to 93 in 2010. But the total value of properties successfully sold at auctions increased 83% from \$36.38 million to \$66.47 million. The large increase in value is due to a large transaction of a petrol station sold at \$30.2 million (translates to 45% of the total value) in December. Meanwhile, there has been a strong demand for conservation shophouses throughout the year. As there is a limited supply of these properties, capital values have increased, especially for freehold conservation shophouses which command a premium. In July, there was a row of shophouses on Desker Road was sold for \$10.3 million. The decrease in number of shops and shophouses put up for auction does not equate to less optimism but is due to owners' preference to sell via private treaty.

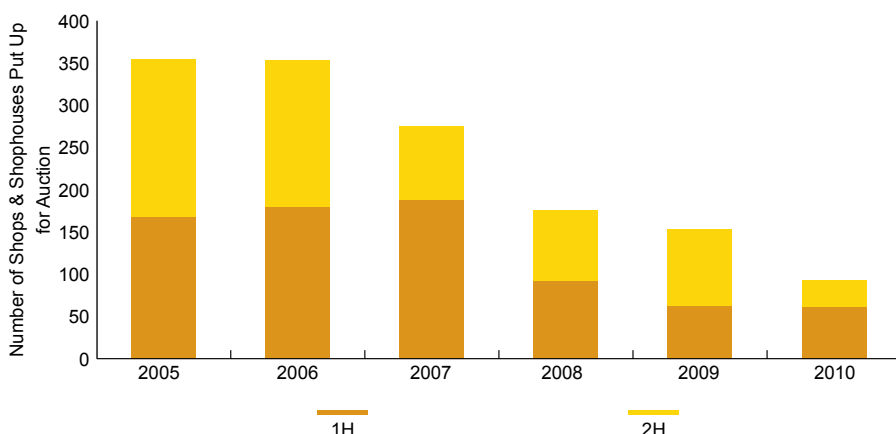
The strata shops and shop houses sector experienced the same phenomena as the office sector, whereby some owners prefer to hold on to their properties for the improved rental yield despite the pick up in prices.

HDB Shops

Owners of HDB shops have been increasing the asking prices of HDB shops, as capital values are on the rise. HDB shops are known for their versatility and flexibility as owners are able to carve up the units and lease their multiple tenants. In addition to this, there is an abundance of HDB shops in older estates but little new supply from new estates. The transactions of HDB shops have been more active via private treaty but less so in the auctions market.

Chart 7

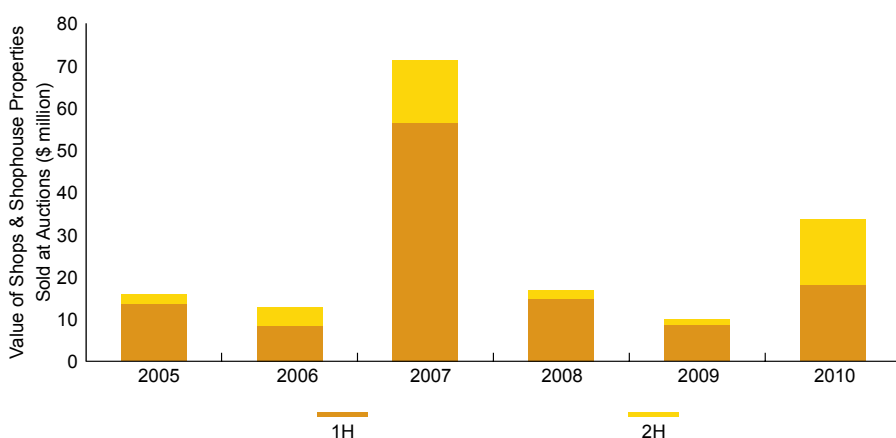
Total Number of Shops & Shophouses Put Up for Auction



Source: Knight Frank Research

Chart 8

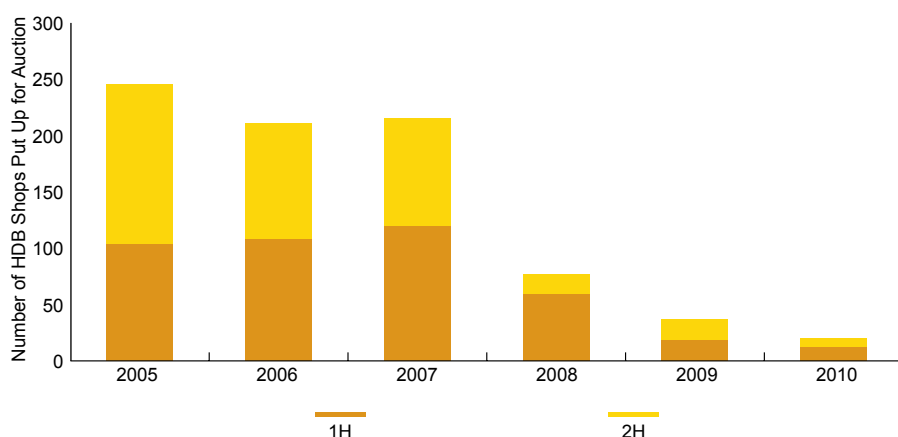
Total Value of Shops & Shophouse Properties Sold at Auctions (\$ million)



Source: Knight Frank Research

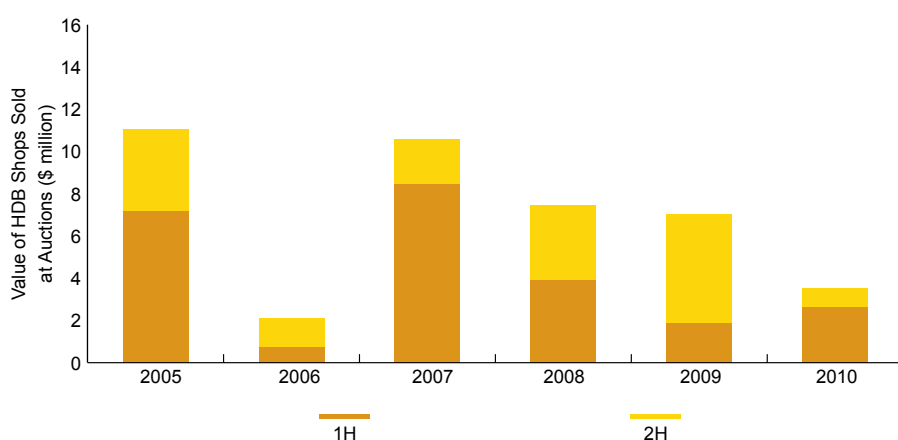


Chart 9
Total Number of HDB Shops Put Up for Auction



Source: Knight Frank Research

Chart 10
Total Value of HDB Shops Sold at Auctions



Source: Knight Frank Research

Outlook

The residential sector has mainly been driven by the landed and prime residential properties and will continue to do so in the coming year, due to high liquidity, a buoyant economy and foreign interest. The auctions market will continue to be a place for sellers to cash out on the capital gains of their properties and buyers to purchase coveted assets. The large supply of land from the GLS programme for 1H 2011 is unlikely to impact the performance of auctions significantly as the mass market do not constitute a significant proportion in auctions.

The commercial sectors collectively may pick up. The recovery in office rents cuts across the whole island. Thus, there will be demand from buyers looking for good rental income. In addition to this, low borrowing costs may encourage banks to ease lending standards to make up for narrowing interest margins. On the supply side, there will be two categories of owners for commercial properties. There will be owners looking to cash out and owners who will hold on to their properties for the growth in rental income and capital appreciation. This will further suppress supply and in turn, inflate prices. Auctions should continue to be an attractive avenue for buyers and sellers to explore.

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