



OCT-DEC 2009/4TH QUARTER
REAL ESTATE
HIGHLIGHTS

Knight Frank

HIGHLIGHTS

- For the whole of 2009, prices of private residential properties achieved a 1.7% yoy increase. Meanwhile, prices of HDB resale flats increased by 8.2% yoy to reach a record high in 2009.
- Prime retail rents in Orchard Road and Marina Centre/City hall/Bugis corrected downwards by 14.2% and 6.2% yoy respectively, while that in suburban areas improved by 0.7% yoy in 2009.
- Office rents declined by 35% to 45% in 2009, with rents of prime offices leading the downward corrections.
- Rents of conventional industrial space in 2009 are about 10.9% lower than that in 2008, while rents of high-tech industrial space and business park fell yoy by 20.7% and 17.4% respectively in 2009.
- Property investment sales totalled \$5.77 billion in 2009, reflecting 61% yoy decline. The commercial sector dominated investment sales, by accounting for 57% of investment sales in 2009.
- The number of properties put up for auctions in the whole of 2009 totalled 688 units, reflecting 19.2% yoy decrease. However, the success rate improved from 8% in 2008, to 17% in 2009.

RESIDENTIAL PROPERTY MARKET

Prices of private residential properties increased by 7.3% qoq in 4Q 2009, a slowdown after prices increased by 15.8% qoq in 3Q 2009. For the whole of 2009, prices of private residential properties achieved a 1.7% increase compared to 2008. Meanwhile, prices of HDB resale flats increased by 8.2% yoy to reach a record high in 2009.

Private Residential Sector

Record Launch and Buoyant Sales Activity

The year 2009 ended with a significant slowdown in launch and sales activity in the primary market in 4Q 2009. A total of 2,227 units were launched by developers in 4Q 2009, reflecting a 62% qoq decrease compared to the record high of 5,899 units released in 3Q 2009. Nevertheless, the launch activity in 4Q 2009 was still considered healthy as a 10-year historical average showed that an average of 2,152 private residential units were launched each quarter.

However, for 2009 on the whole, a record total of 14,103 units were launched. The Outside Central Region (OCR) led the launch activity in 2009, with 5,956 units launched, reflecting a 150% yoy increase. This was the largest number of units launch since the data is available from 2004. This was followed

by the Rest of Central Region (RCR), where 4,554 units were launched, accounting for 33% of all units launched in 2009.

Sales activity was equally buoyant, with developers selling a total of 14,676 units in 2009, trailing behind only the record high of 14,811 units sold by developers in 2007. With a take-up of 14,676 units exceeding the 14,103 units launched in 2009, this suggested a number of projects, which were launched before 2009 could have been cleared in 2009 as homebuying sentiments reached a frenzy. Out of these 14,646 units, 5,974 units were sold in OCR. This was followed by the RCR, which accounted for a third, or 4,858 units, of the homes sold in the primary market. Developer projects with the largest number of transactions in 2009 are Caspian (632 transactions), Double Bay Residences (470 units), Trevista (397 units), The Arte (315 transactions) and Hundred Trees (310 transactions).

Revived Foreign Homebuying Interest

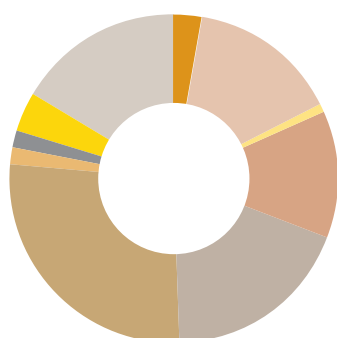
2009 was a year where there was revival in foreign homebuying interest in Singapore. After falling by 68% yoy in 2008, the number of private home transactions by foreigners doubled yoy in 2009, totalling 6,377 transactions (101% yoy increase). Although this was lower than the record high of 9,949 transactions in 2007, the number of home purchases by foreigners in 2009 exceeded that in 2004 to 2006. A larger number of homebuying by foreigners in 2009 reflected a keen foreigner interest for homes in Singapore, notwithstanding challenging economic conditions.



Foreigners accounted for 22.6% of overall private residential purchases in 2009, reflecting 1.8 percentage-points decline compared to 2008. Meanwhile, the share of Singaporean buyers increased by 4.9 percentage-points, from 71.7% in 2008, to 76.6% in 2009. Companies reduced their share, from 4.7% in 2008 to 1.6% in 2009, of overall private residential transactions.

Of all nationalities, Malaysians picked up the largest number of homes in 2009, with 1,723 transactions. Malaysians accounted for 27% of overall home purchases by foreigners in 2009, while Indonesians accounted for the next largest share, of 19%. The share by Indonesians have significantly reduced since 2008, as Indonesian buyers accounted for more than 20% share of overall foreigner home purchases in each year, since 1999. The share of foreign homebuying by Chinese nationals had however been increasing, from 7% in 2007, to 11% in 2008 and 15% in 2009. The share of buyers from India have been holding steady in this economic recession. The share of buyers from India increased from 11% in 2007 to 12% in 2008 and 2009.

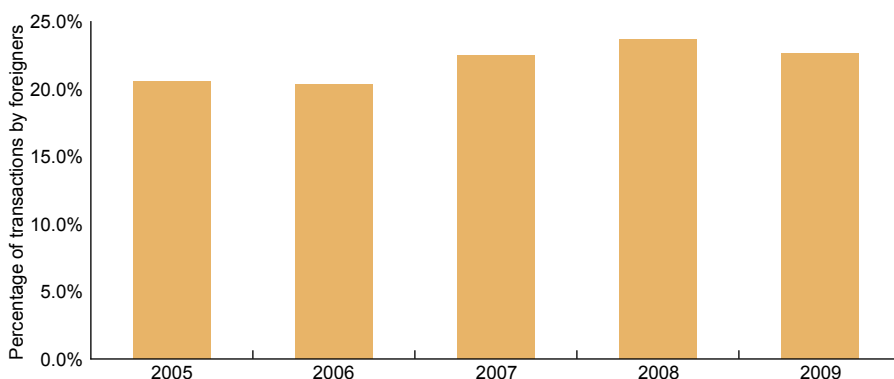
Chart 1
Proportion of Foreign Homebuyers as at 4Q 09



Australia	3.0%
China	15.0%
Hong Kong	1.0%
India	12.0%
Indonesia	19.0%
Malaysia	26.0%
Taiwan	2.0%
USA	2.0%
United Kingdom	4.0%
Others	16.0%

Source: Urban Redevelopment Authority, Knight Frank Research

Chart 2
Percentage of Transactions by Foreigners as at 4Q 09



Source: Urban Redevelopment Authority, Knight Frank Research

The Arte (89 purchases by foreigners), Martin Place Residences (81 purchases by foreigners), Sophia Residence (73 purchases by foreigners), Trevista (70 purchases by foreigners) and Caspian (68 purchases by foreigners) emerged as top-selling non-landed developer projects among foreign buyers in 2009. Rivergate (74 purchases by foreigners), The Metropolitan Condo (48 purchases by foreigners) and City Square Residences (47 purchases by foreigners), are top-selling non-landed sub-sale projects in 2009. Meanwhile, The Lakeshore (96 purchases by foreigners), Caribbean at Keppel bay (71 purchases by foreigners) and Melville Park (62 purchases by foreigners), are resale developments which were most favoured by foreigners in 2009.

Price Recovery in Mass and Mid-end Private Residential Segments

According to URA, the pace of price increase for private residential properties moderated in 4Q 2009. The 15.8% qoq price hike in 3Q 2009 could thus be seen as the first price recovery underpinned by pent-up sales demand. Prices rose by 7.3% qoq in 4Q 2009, with that of non-landed private

residential properties increased qoq by 7.3% in Core Central Region (CCR). Prices of those in Rest of Central Region (RCR) increased qoq by 9.5% while that in Outside Central Region (OCR) increased by 5.8% qoq in 4Q 2009.

For the whole of 2009, prices of residential properties achieved a 1.7% increase compared to 2008. This was an improvement, compared to 2008, where prices fell yoy by 4.7%. Prices of non-landed private residential properties decreased yoy by 1.8% in Core Central Region (CCR), while that in the RCR and OCR increased by 3.0% and 11.8% yoy respectively.

The CCR was the only planning region where prices of non-landed private residential properties in 2009 were still lower than the all-time high since the data of prices by different planning regions was available from 2004. Prices of non-landed private residential properties in CCR for 4Q 2009 were still 10.7% lower than the peak in 1Q 2008, while that for OCR exceeded the peak in 2Q 2008 by 3.6%. Prices of non-landed residential properties in the RCR were 5.6% lower than the peak in 2Q 2008.

Going by Knight Frank's data, average prices of private non-landed resale homes continued to increase in 4Q 2009. In fact, while the primary market has been relatively subdued in 3Q 2009, the secondary market reflected a moderate improvement,

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particularly as prices have not surged as significantly during 2Q 2009 and 3Q 2009. Prices of high-end resale residential properties, represented by luxury homes and freehold residential properties in the prime districts 9, 10 and 11, increased by 5.6% qoq, while that mass-market private residential properties increased by 6.1% qoq in 4Q 2009. The price increase for non-landed resale properties belonging to the mass-market segment increased 6.1% qoq in 4Q 2009, reflecting the interest for such homes in places like East Coast.

For the whole of 2009, prices of mass-market residential resale properties were 13.1% higher than that in 2008, while prices of mid-end resale properties were 15.6% higher than 2008. Prices of high-end residential properties increased by 5.5% yoy in 2009, reflecting a subdued interest compared to private residential properties in mass-market and mid-end segment.

Ease in Rental Corrections

According to URA, rents increased by 0.5% qoq in 4Q 2009. Rents of non-landed properties in CCR increased by 0.9% qoq, while that in RCR and OCR remained stable compared to 3Q 2009. Compared to 2008, rents of non-landed residential properties fell by 15.2%.

Similarly, Knight Frank's basket indicates rents of all non-landed private residential properties were increasingly stable as rents in 4Q 2009 remained similar to 3Q 2009. Specifically, rents of luxury residential properties dropped by 1.1% qoq, while that in other prime districts declined by 1.4% qoq in 4Q 2009. Rents of non-landed residential properties in Prime East Coast and The East held firm in 4Q 2009, while that of residential properties outside the prime districts and Prime East Coast declined qoq by 1% to 2% qoq.

For the year of 2009, rents of luxury residential properties underwent an 8.8%

yoy decline, while that of properties in the other prime districts corrected downwards by 2.8%. Although rents in the Prime East Coast have held firm qoq in 4Q 2009, rents have corrected by about 8.2% yoy for the whole of 2009. Similarly, rents of non-landed residential properties in the West declined yoy by 8.0%, while that for non-landed residential properties in Lower Bukit Timah and Yio Chu Kang corrected downwards yoy by 1.4% and 2.9% respectively.

On the whole, rents of non-landed residential properties have softened in 2009,

at less than 10% for the whole of 2009. These brought rents of non-landed private residential properties to around that in 1H 2007, before the rental escalations from 2H 2007. By returning to the level in 1H 2007, this also showed that the continued rental growth from in 4Q 2007 to 1H 2007 despite the sub-prime mortgage crisis was not sustainable. Rents of non-landed private residential properties have by now returned to a more realistic level, and are unlikely to decline any further as the economy pines for an upturn in 2010.

Chart 3

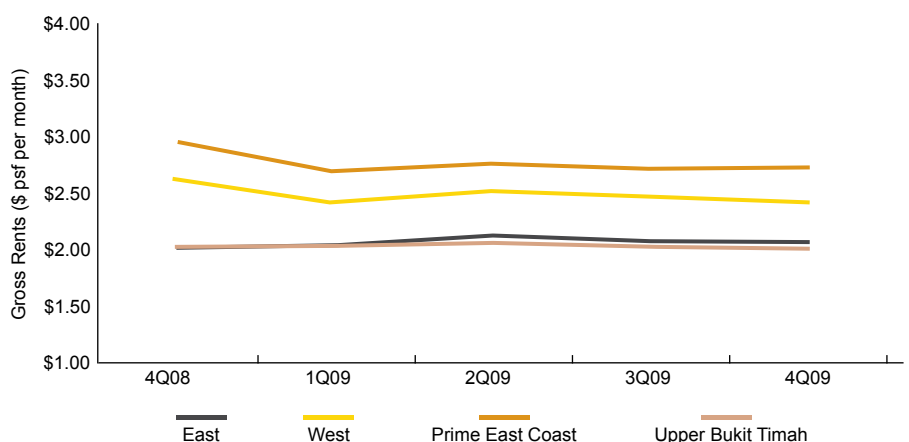
Monthly Gross Rents of Non-landed Residential Properties in Prime Districts



Source: Knight Frank Research

Chart 4

Monthly Gross Rents of Non-landed Residential Properties Outside Prime Districts



Source: Knight Frank Research



Public Housing Sector

Record High Prices of Resale Flats

The public residential market continued to achieve encouraging results in 4Q 2009. Prices of HDB resale flats increased by 3.9% qoq in 4Q 2009, after reaching a record high in 3Q 2009. Overall, prices of resale flats increased yoy by 8.2% in 2009, and are 45% higher than that three years ago.

This increase reflected keen interest for HDB resale flats, even in challenging economic times. Moreover, resale flats are good alternatives for immediate occupation, given applicants for Build-to-order (BTO) flats will usually have to wait for at least two years for the homes to be completed. A total of 13,500 flats were made available through the BTO in 2009, catering to homebuyers who could afford to wait for new homes to be completed.

A sustained interest for HDB resale flats was also due to some homebuyers who proceeded with buying flats in case prices may continue to escalate. Additionally, as prices were already at an all time high, some owners would be interested to sell their resale flats so long as the offer price is attractive. There may be some home seekers who ultimately purchased larger sized HDB flats instead of private properties for occupation, partly as prices of private residential properties were also rising in 2009.

Outlook for Private Residential Property Sector

Going forward, the private residential market in 2010 should see a modest yet healthy demand, reflecting a genuine and sustainable homebuying interest. Prime residential properties, which have been laggard in 2008 and 2009, are expected to shine in 2010. Prices of prime residential

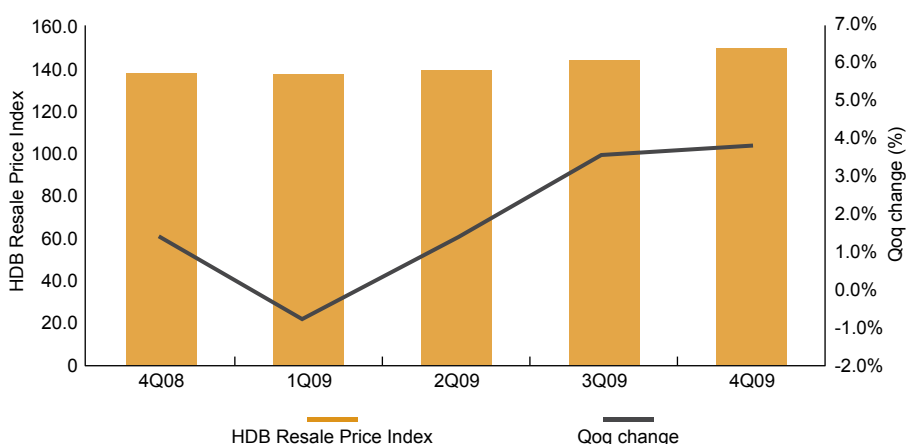
properties may grow by about 10 to 15% in the whole of 2010, in response to a renewed interest for high-end residential properties.

Prices for mass-market homes are expected to achieve moderate growth, of about 5%, in 2010, as the demand pool shrinks with many buyers who have made their purchases in 2009. In addition, there would be ample forthcoming supply of private residential homes, particularly from Government Land Sales Programme 1H 2010, including the Confirmed List. The homebuying sentiments in the mass-market residential sector will however remain positive, underpinned by increasing affordability as significant price increase is kept in check and disposable income is likely to improve in tandem with brighter economic prospects.

The leasing market, which was seemingly subdued in 2009, is expected to be more active in 2010 as the improved economic conditions may encourage businesses to incrementally hire more expatriates. Corporate expansion involving hiring senior expatriates would however be at a gradual pace as companies require awhile to assess business performance before proceeding with costlier headcounts. On the supply side, only 7,584 private residential units are scheduled for physical completion in 2010, 28% fewer than 10,488 units in 2009. This ensures tenants would not be flooded with choices, especially new completions that offer exclusive lifestyle concepts.

The opening of the integrated resorts (IRs) will enhance the attractiveness of Marina Bay, Sentosa Cove and Harbourfront, hence creating new residential enclaves and strengthening the overall living experience and character of these new clusters. The benefit of the IRs for high-end residential properties would extend from the immediate vicinity of the IRs to most high-end residential properties in Singapore, as the IRs could bring Singapore higher up the

Chart 5
HDB Resale Price Index



Source: Housing Development Board, Knight Frank Research

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rung of an international exposure. Visitors will be increasingly familiar and interested in the living context and investment opportunities in high-end residential properties in Singapore.

Outlook for Public Residential Property Sector

Going forward, the public residential market is expected to sustain the current momentum, although further price increase will be kept in check due to the prevailing

record high prices. The Government has assured that there would be sufficient homes to meet the growing demand, where 10,000 to 12,000 new flats would be offered for sale every year for the next five years. This will cater to homebuyers who are able to wait, especially those who currently own flats or have some forms of long-term accommodation. Meanwhile, rents of HDB flats are expected to hold, as tenants would be able to increase budgets when the economy recovers. A number of skilled foreign workers might be required to work in Singapore when the integrated resort at Sentosa is opened, adding to the pool of potential tenants of HDB flats.

Table 1

Rentals of Selected Private Residential (Apartment/Condominium) Units as at 4Q 2009

Locality	Monthly Rent (psf)
Districts 9, 10 and 11 (Luxury)	S\$ 4.15 – S\$ 4.65
Districts 9, 10 and 11 (Others)	S\$ 3.15 – S\$ 4.05
East Coast	S\$ 2.25 – S\$ 3.10
West	S\$ 2.05 – S\$ 2.65
Upper Bukit Timah	S\$ 1.75 – S\$ 2.20
Thomson, Toa Payoh, Bishan	S\$ 2.10 – S\$ 2.70
Yio Chu Kang, Yishun	S\$ 1.80 – S\$ 2.15

Source: Knight Frank Research

Table 2

Capital Values of Selected Private Residential (Apartment/Condominium) Units as at 4Q 2009

Locality	Capital Value (psf)	
	Freehold	99-year Leasehold
Districts 9, 10 and 11 (Luxury)	S\$ 1,690 – S\$ 1,840	-
Districts 9, 10 and 11 (Others)	S\$ 1,370 – S\$ 1,490	S\$ 990 – S\$ 1,190
East Coast	S\$ 800 – S\$ 1,000	S\$ 720 – S\$ 950
West	S\$ 720 – S\$ 820	S\$ 550 – S\$ 700
Upper Bukit Timah	S\$ 600 – S\$ 730	S\$ 550 – S\$ 700
Thomson, Toa Payoh, Bishan	S\$ 650 – S\$ 790	S\$ 550 – S\$ 690
Yio Chu Kang, Yishun	-	S\$ 520 – S\$ 630

Source: Knight Frank Research



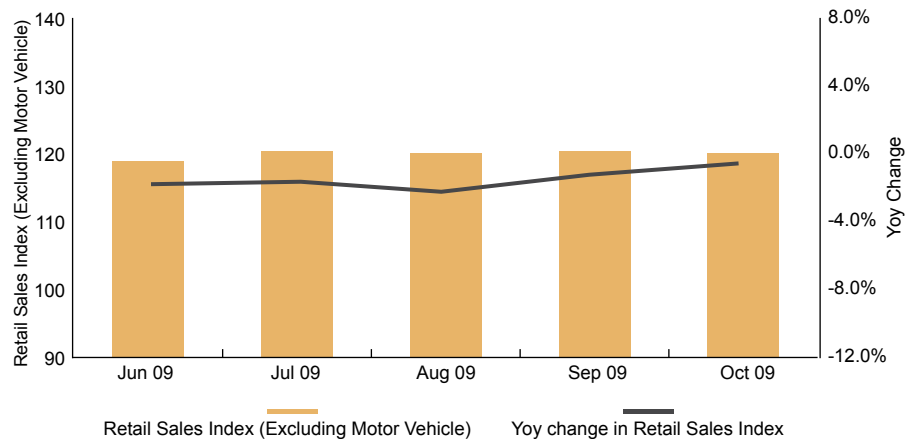
RETAIL PROPERTY MARKET

The retail property market was increasingly stable in 4Q 2009, with prime retail rents reflecting minor qoq declines of 1 to 3%. Prime retail rents in Orchard Road and Marina Centre/City Hall/Bugis corrected downwards by 14.2% yoy and 6.2% yoy respectively, while that in suburban areas improved 0.7% yoy in 2009.

Consumer Sentiments are Increasingly Stable

Although 2009 has been a year where there was muted growth in retail sales, retail sales performance seem to suggest that consumer sentiments were increasingly stable as the pace of decline in retail sales eased in 2H 2009. Compared to 1H 2009 where the nominal retail sales index (excluding motor vehicles) contracted by an average of 4.9% yoy per month, the months of July to October reflected that the retail sales index contracted an average of 1.7% yoy per month. In fact, normal retail sales index fell by only 0.8% yoy in October, following a 1.5% yoy contraction in September 2009. With the economy poised for a modest growth in 2010, shoppers could be increasingly encouraged to spend, although the majority is likely to remain cautious and avoid costly purchases.

Chart 1
Retail Sales Index at Current Price
(Excluding Motor Vehicle)



Source: Singapore Department of Statistics

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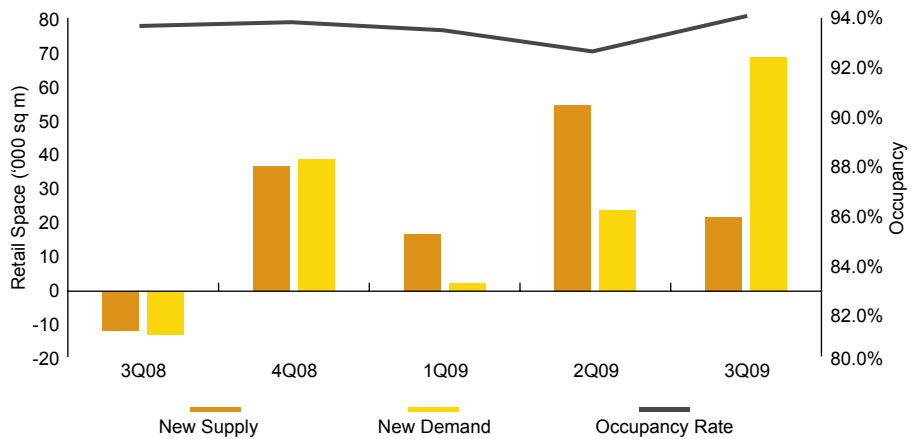
Marginal Rise in Occupancy

Occupancy of retail space rose by 1.5 percentage-points in 3Q 2009, ending two consecutive quarters of decline. Occupancy of retail space increased, from 92.5% in 2Q 2009, to 94% in 3Q 2009. This was largely due to the ease in new supply, as well as improved new demand. New supply, which totaled 581,251 sq ft in 2Q 2009, had moderated by more than half, to 226,040 sq ft in 3Q 2009. On the other hand, new demand almost doubled, from 247,570 sq ft in 2Q 2009, to 731,945 sq ft in 3Q 2009.

However, it must be noted that the improved occupancy in 3Q 2009 and the fall in occupancy in 2Q 2009 could be due to the laggard effect between the completion and the leasing of new malls. A large fall in occupancy in 2Q 2009 could be due to a surge in completions of new malls towards the end of 2Q 2009, where retailers commence operations in the following quarter. As such, this brought new demand and occupancy to reflect significant improvement in 3Q 2009. This is especially seen in Orchard Road, where vacancy rose qoq by 11.5 percentage-points in 2Q 2009 due to a surge of 0.64 mil sq ft of retail space, but fell qoq by 10.3 percentage-points in 3Q 2009 as new supply moderated to 32,292 sq ft.

The suburban shopping centres remain relatively affected during the challenging economic times. Occupancy of retail space in Outside Central Region continued to increase for the second consecutive quarter, to average 97% in 3Q 2009. Similarly, occupancy of retail space in the Fringe Area decreased qoq by 0.1 percentage-point in 3Q 2009, reflecting a stable leasing environment.

Chart 2
Islandwide Demand and Supply



Source: Urban Redevelopment Authority, Knight Frank Research

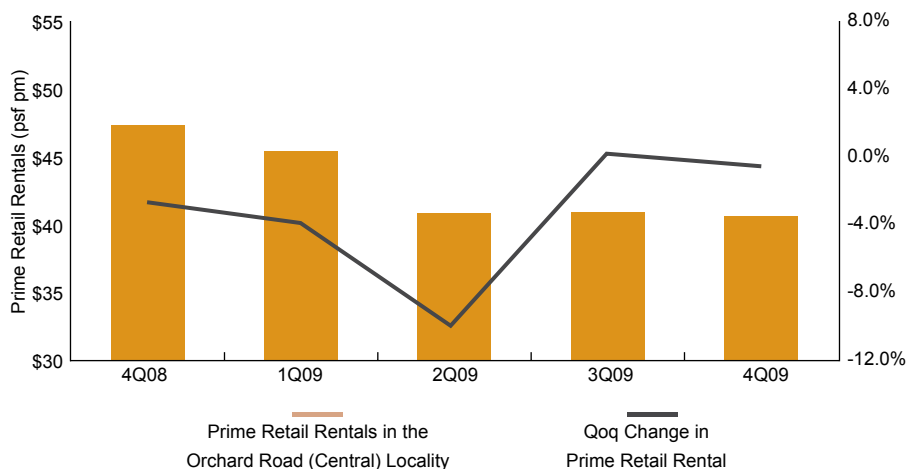
Rents up in suburban malls in 2009

Rents of retail space showed marginal declines in 4Q 2009, reflecting increasing stability notwithstanding a surge in new completions. Rents of prime retail space in Orchard Road (Central) fell 0.7% qoq, averaging of \$40.43 per sq ft per month. For the whole of 2009, rents of prime retail

space in Orchard Road (Central) corrected downwards by 14.2%.

Rents of prime retail space in Marina Centre/ Bugis/City Hall fell by 2.5% qoq in 4Q 2009, averaging \$28.14 per sq ft per month. However, rents in the area fell much lesser in the whole of 2009, by 6.2%. Meanwhile, rents of prime retail space in the City Fringe fell by 2.2% qoq in 4Q 2009, and 7.5% in the whole of 2009.

Chart 3
Prime Retail Rentals in the Orchard Road (Central) Locality





The suburban area was the only micro-market where rents stabilized amid the challenging economic times. Rents of prime retail space in the suburban area increased by 2.0% qoq in 4Q 2009, bringing rents of retail space in Suburban areas to increase by 0.7% in 2009. The rental gap between retail space in Orchard (Central) and Suburban areas is re-closing. The rental gap between suburban and Orchard Road (Central) prime retail rents have generally increased from 40% in 1H 2007 to about 60% in 2H 2008 but it has narrowed to 38% in 4Q 2009.

Outlook

The retail property market is expected to be increasingly stable in 2010, reflecting marginal rental declines compared to 2009. A marginal rental decline is expected, as the retail market adjust to the effects of significant new completions in 2009 and 2010. Prime retail rents are expected to correct downwards by about 3% to 5% in 2010, with a steeper fall to occur in 1H 2010 and a stable rental movement in 2H 2010.

The overall rental decline in 2010 will be marginal, as Singapore's economic fundamentals strengthen in 2010. According to the Ministry of Trade and Industry, the Singapore economy is forecast to grow by about 4.5% to 6.5% in 2010. In addition, the latest Mastercard consumer confidence survey showed a major turnaround in consumers' optimism for the coming six months. This could be seen from a jump in the average score of 31.2 out of 100 in March 2009, to 79.4 in October and November. Although consumers are likely to be cautious in spending in 2010 compared to the economic boom in 2006 and 2007, the economic recovery in 2010 is expected to encourage the man in the street to resume spending on reasonable forms of comfort.

Additionally, a turnaround in visitor arrivals for 2010 is on the cards. Visitor arrivals in November 2009 increased by 8.4% yoy, the second month in the past 18 months where visitor arrivals have increased. The opening of the two integrated resorts (IRs) in 2010, in Sentosa and Marina Bay, is expected to boost visitor arrivals and visitors spending in 2010. The benefits of the IRs will not be confined to retailers in the immediate vicinity of the IRs, as it enhances Singapore's international exposure. Visitors may be increasingly familiar with Singapore and interested in the shopping choices in retailing belts such as Orchard Road and Marina Centre/CityHall/Bugis.

On a positive aspect, the new completions will expand the shopping choices in Singapore. The year 2010 will see a new premier shopping cluster, Marina Bay, with the arrival of The Shoppes at Marina Bay Sands and Marina Bay Link Mall. The Marina Bay shopping cluster is likely to develop an exclusive shopping character, catering especially for visitors to the integrated resort and the working crowd in the Central Business Districts. This will complement the identity of each of the existing key shopping clusters, such as Orchard Road and Marina Centre/City Hall/Bugis.

Table 1
Current Rentals of Prime Shopping Centre Space

Locality	Prime Monthly Gross Rentals ¹ (psf)
Orchard (Central)	S\$ 40.43
Orchard (Fringe)	S\$ 22.38
Marina Centre, City Hall, Bugis	S\$ 28.14
City Fringe	S\$ 21.40
Suburban	S\$ 29.32

¹ Based on pre-defined portfolio of properties; refers to prime shop space of between 400 and 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: Knight Frank Research

OFFICE PROPERTY MARKET

Rents of office space reflected increasing stability in 4Q 2009, with that in most geographical office sub-markets staging 2 to 4% qoq decline, compared to a 5 to 7% general decline in 3Q 2009. Overall, office rents corrected by 35 to 45% in 2009, with rents of prime offices leading the downward correction.

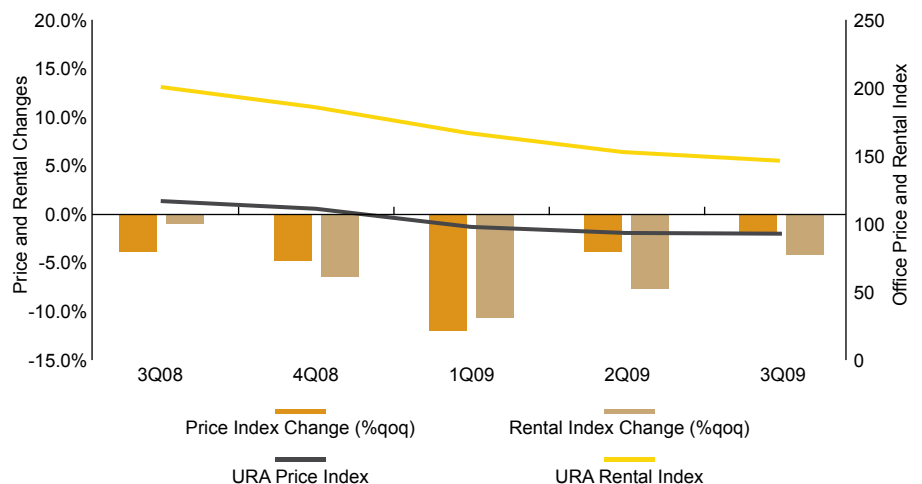
three consecutive quarters of contractions. Although growth of the financial services moderated from 22.5% in 2Q 2009, the financial services sector still expanded by 3.9% in 3Q 2009. With these positive results, the MTI forecasted in November Singapore's economic growth for 2009, at -2.5% to -2.0%. The flash estimates in January 2010 have also showed that Singapore's economy have contracted by 2.1% in 2009, in line with the forecast made in November.

MTI also expects the Singapore economy to grow by 4.5% to 6.5% in 2010. However, the outlook in 2010 is still cautiously optimistic, due to the drag on demand in the developed economies and tight credit conditions. Although the economic and financial conditions in US and Europe might be gradually improving, the recent Dubai debt crisis has reflected that the world is yet to be free from debt-laden issues. The economic recovery in 2010 is thus likely to be modest, with firms adopting an incremental expansionary drive.

Positive Economic Forecast for 2010

The Singapore economy reflected encouraging improvement since 3Q 2009. According to the Ministry of Trade and Industry (MTI), the economy grew by 0.6% yoy in 3Q 2009, the first expansion after

Chart 1
Islandwide Office Price and Rental Index



Source: Urban Redevelopment Authority, Knight Frank Research



Demand for Office Space Turned Positive

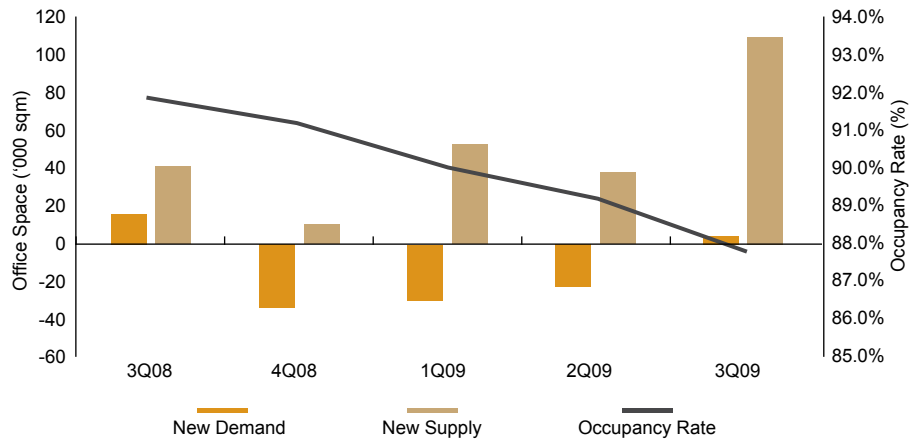
After three consecutive quarters of contraction, new demand for office space in 3Q 2009 turned positive. However, this was a mere 32,290 sq ft, way below a five-year average of 279,860 sq ft per quarter. New demand for office space was also outstripped by a surge in new completions in 3Q 2009, totaling 1.17 mil sq ft. As such, occupancy of office space continued to fall, from 89.2% in 2Q 2009, to 87.8% in 3Q 2009. This brought occupancy of office space in each quarter to be the highest in the past three years.

Occupancy of office space fell most in Downtown Core, from 90.2% in 2Q 2009, to 87.5% in 3Q 2009, reflecting a fall of 2.7 percentage-points. The fall was due to both a surge in new supply, of 785,760 sq ft, as well as a 129,167 sq ft contraction in demand. Notable new completions in Downtown Core in 3Q 2009 include the office building at 71 Robinson Road, Mapletree Anson and The Spazio.

However, occupancy of office space in the Fringe Area and Outside Central Region stabilized in 3Q 2009 and 4Q 2009.

Occupancy of office space in the Fringe Area increased by 0.7 percentage-point, reflecting a stable leasing environment. Similarly, occupancy of office space in Outside Central Region fell qoq by only 0.4 percentage-point in 3Q 2009, after a major 5.3 percentage-point qoq decline in 2Q 2009. The stabilization in occupancy of office space in these two regions was due to limited new supply, and improving leasing interest.

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



Source: Urban Redevelopment Authority, Knight Frank Research

Ease In Rental Decline

The pace of rental decline further moderated in 4Q 2009, with the effective monthly gross rents in all sub-markets staging less than 5% qoq decline. This was an improvement, compared to a 10-15% qoq in 2Q 2009 and 5-7% qoq decline in 3Q 2009. Overall, office rents corrected downwards by about 30 to 45% in 2009, with prime offices leading the rental correction.

Of note, rents of Grade A offices in Raffles Place corrected by 3.1% qoq to average \$7.80 per sq ft, about half the 6.1% qoq decline in 3Q 2009. Overall, rents of Grade A offices in Raffles Place corrected by 45.4% in 2009, reflecting that the rental escalations of prime offices in 2007 was not sustainable.

Rents of Grade A offices in Shenton Way/ Robinson Road/Tanjong Pagar fell by 3.2%

qoq to average \$6.10 per sq ft per month, while that of Grade A offices in Orchard Road dropped by 2.5% qoq to average \$7.80 per sq ft per month. Office rents in Suntec/Marina/City Hall averaged \$7.90 per sq ft per month (3.1% qoq decline) in 4Q 2009. Overall, in 2009, rents in these areas reflected a smaller correction, ranging from 30-40% yoy decline. This was due to limited new completions in some of these areas, as well as a comparatively gradual rental increase in 2007.

Similarly, rents of offices in Orchard Road fell 32% for the whole of 2009, averaging \$7.70 per sq ft per month. This was due to limited office stock and to some extent, the working experience in Orchard Road was further enhanced by the makeover of Orchard Road, where three new malls, ION Orchard, Orchard Central and 313@ Somerset were completed in 2009.

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Rents of offices in suburban locations continued to be relatively stable in 3Q 2009, falling by an average of 2.6% qoq. Overall,

office rents declined by 27.9% in 2009, milder than the pace of rental decline of prime offices.

Outlook

Going forward into 2010, the office property market is expected to be increasingly stable. Office rents are expected to reflect yoy rental declines of about 8% to 10% in 2010, a major improvement compared to about 35% to 45% yoy decline in 2009.

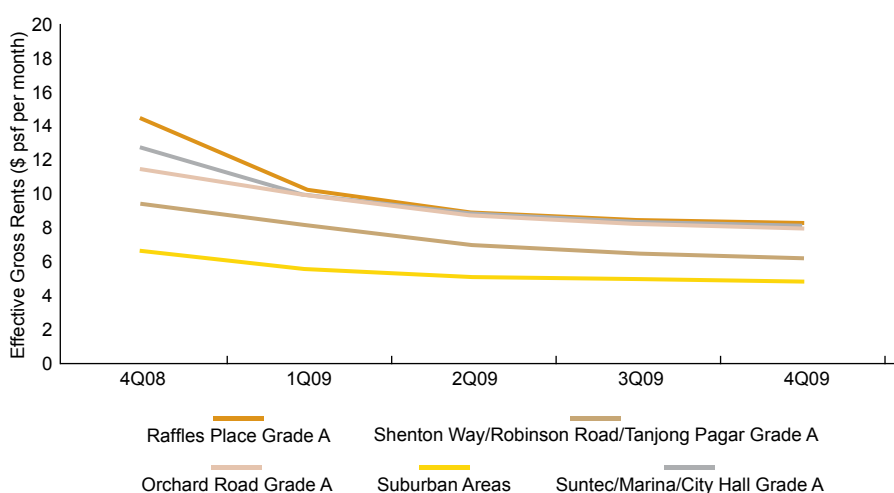
The rental decline in 2010 will be due to substantial new supply of office space although new demand is expected to improve in 2010. New demand for office space is estimated to be about 1 mil sq ft, which will be outstripped by about 2.5 mil sq ft of new supply in 2010.

However, as occupancy costs and business costs have become more competitive, this will encourage business re-expansions and new set ups. The early stage of a sustained economic recovery from 2010 is expected to attract international firms, which are keen in Singapore as a gateway to Asia.

Companies, especially those which underwent business consolidations in the past two years, are likely to incrementally expand from 2010. According to the latest BT-UniSIM Business Climate Survey, business optimism jumped for all types of firms from October 2009 to January 2010, led by larger and foreign-owned companies. Banks are actively hiring, after undergoing significant business consolidations during the last financial crisis. These include DBS Bank, British-based Barclays Bank, HSBC Bank and Australian-based ANZ Bank, which are increasing headcount in 2010. A pickup in office leasing activity is expected in 2010, as a result of gradual business expansion.

Chart 3

Average Effective Rentals



Source: Knight Frank Research

Table 1

Effective Monthly Rentals in 4Q 2009

Location	Effective Monthly Gross Rentals (psf)
CBD (Grade A)	
Raffles Place	S\$ 7.70 - S\$ 7.90
Marina Centre / City Hall	S\$ 7.80 - S\$ 8.10
Shenton Way / Robinson Road	S\$ 5.90 - S\$ 6.20
Orchard Road	S\$ 7.60 - S\$ 8.00
Non-CBD	
Beach Road / Middle Road	S\$ 5.00 - S\$ 5.80
Suburban (North)	S\$ 5.20 - S\$ 5.70
Suburban (East)	S\$ 3.40 - S\$ 3.80
Suburban (West)	S\$ 4.80 - S\$ 5.40

Source: Knight Frank Research



INDUSTRIAL PROPERTY MARKET

Rents of conventional industrial space remained stable in 4Q 2009. On the whole, rents of conventional industrial space in 2009 are about 10.9% lower than that in 2008 while rents of high-tech space and business parks fell yoy by 20.7% and 17.4% in 2009.

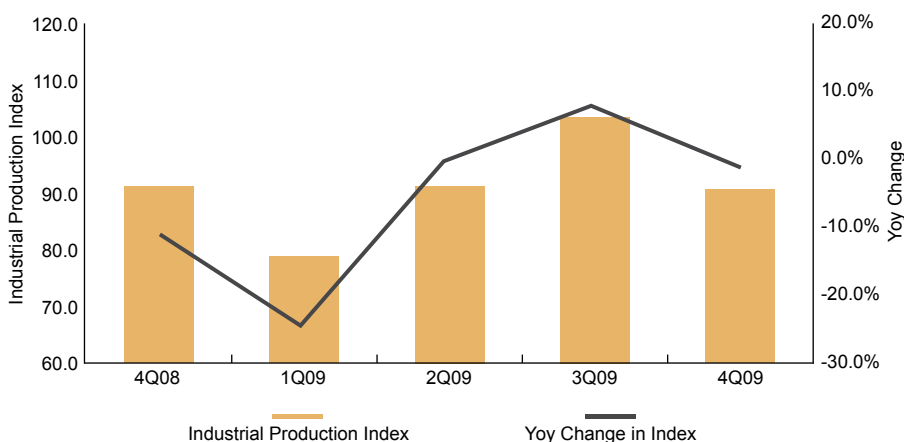
2009, largely as manufacturing output dipped. The decline in manufacturing output was led by a decline in biomedical output, which contracted by 48.9% yoy in November. However, this was seasonal, as biomedical output production tends to fluctuate and decline, with the closure of plants for maintenance after undergoing robust production activities. The electronics, chemical and precision engineering clusters still posted positive growth in the first two months of 4Q 2009.

Recovery in Performance of Manufacturing Sector

The encouraging performance of the manufacturing sector in 3Q 2009 was not carried into the first two months of 4Q

Similarly, the Purchasing Managers' Index (PMI) posted a reading of 50.2 in October and 52.0 in November, and a reading of above 50 indicates that there is an expansion in orders and new export orders. While the PMI for electronics fell from 52.4 in September to 49.6 in October, it rebounded to 51.3 in November, reflecting that the

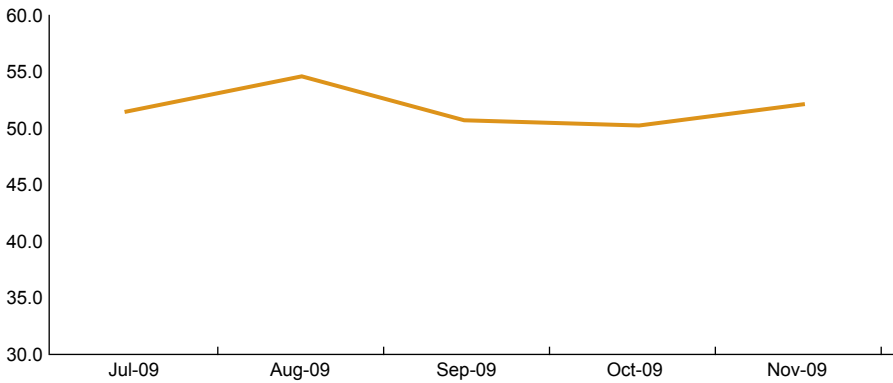
Chart 1
Singapore's Index of Industrial Production



Source: Economic Development Board

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Chart 2
PMI



Source: Knight Frank Research

electronics sector is generally expanding in terms of new orders from domestic and overseas markets.

Ease in Fall of Occupancy

Occupancy of factory space stabilized in 3Q 2009. It dropped qoq by 0.2 percentage-point in 3Q 2009, to 91.9%, reflecting an increasingly stable leasing interest for

industrial properties. This was largely due to an improvement in new demand, with the level of new supply remaining similar to that in 2Q 2009. New demand of factory space increased from 1.50 mil sq ft in 2Q 2009, to 3.19 mil sq ft in 3Q 2009, while new supply decreased by 53,820 sq ft in 3Q 2009 to total 4.27 mil sq ft.

However, the occupancy of business parks fell significantly qoq, by 6.1 percentage-points in 3Q 2009. It dropped from 90.3% in 2Q 2009, to 84.2% in 3Q 2009. This was

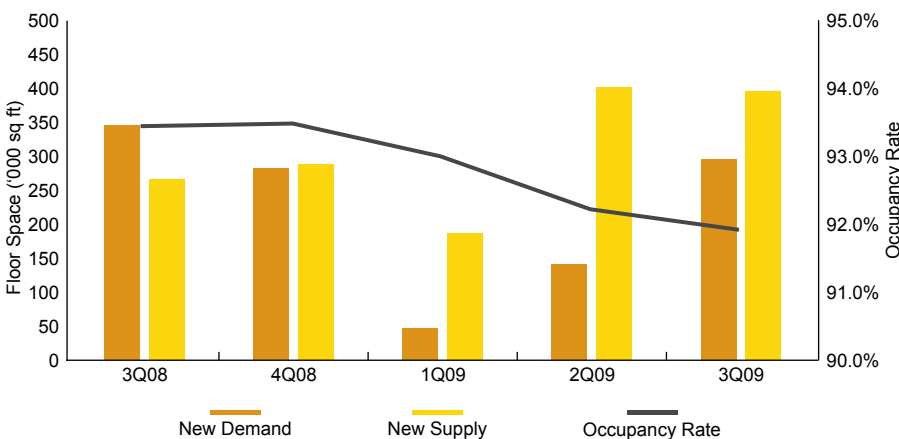
largely due to a surge in new supply of business park space, which totaled 796,529 sq ft in 3Q 2009. This was also due to the closure in the rental gap between business parks and conventional office space, which made business parks appear as less attractive as alternatives to conventional office space. Meanwhile, some businesses saw the opportunity to return to occupy office space, as rents have significantly moderated and are expected to remain modest in the coming years due to the substantial supply of office space scheduled for completion.

Stabilizing Rents and Capital Values

Rents of conventional industrial space in 4Q 2009 remained similar to 3Q 2009. This was the second quarter of stagnation in rents of conventional industrial space, indicating an increasingly stable platform for industrial rents. On the whole, rents of conventional industrial space in 2009 are about 10.9% lower than that in 2008 and 11.4% lower than the all-time high in 2Q 2008. The record high rentals in 2Q 2008 were due to a shortage of supply, amid pessimistic worldwide economic conditions.

However, rents of high-tech industrial space and business park space continued to correct in 4Q 2009. Rents of high-tech industrial space corrected downwards by about 5.8% qoq to average \$3.25 per sqft per mth, while that of business park space fell 6.3% qoq to average \$3.75 per sqft per mth. On the whole, rents of high-tech space fell yoy by 20.7% in 2009 while rents of business parks declined by 17.4% for the whole of 2009. These brought rents of such industrial space to the level in 2Q 2007, erasing all the gains since 1H 2007 (in 2H 2007 and 1H 2008).

Chart 3
Demand and Supply of Factory Space
(Private and Public Sector)



Source: Urban Redevelopment Authority, Knight Frank Research



The capital values of conventional industrial space remained similar to 3Q 2009, after reflecting a less than 1% qoq increase in 3Q 2009. Prices of conventional factories are 10.9% lower than that in 2008, and comparable to that in 2H 2007, before prices appreciated amid supply shortage.

Outlook

The industrial property market is expected to enjoy modest recovery in 2010, as the Singapore economy poises for a 4.5% to 6.5% growth. With the improvement in demand for manufactures, industrialists

would be more willing to offer higher occupancy costs for quality industrial space. These would provide support for a sustainable growth in industrial occupancy and rents.

However, the performance of the property market may differ, as the prospects for conventional factory types may be better than that for business and high-tech industrial space. This is because business parks and high-tech industrial space are losing their appeal as an alternative to conventional office space, as rents of offices are expected to continue to correct. In addition, there has been substantial supply of business parks which were completed in the recent years. Conversely, rents of conventional factories are already at competitive levels and would be attractive for manufacturers when business conditions improve.

Similarly, among conventional factory types, there is a dichotomy in the demand for multi-user and single-user (landed) factories. There is a limited demand for the substantial supply of multi-user flatted factories, while interest for single-user landed factories is underpinned by a shortage of supply. This dichotomy is likely to persist in 2010, with the interest, particularly for landed factories with larger floor plates, expected to remain strong.

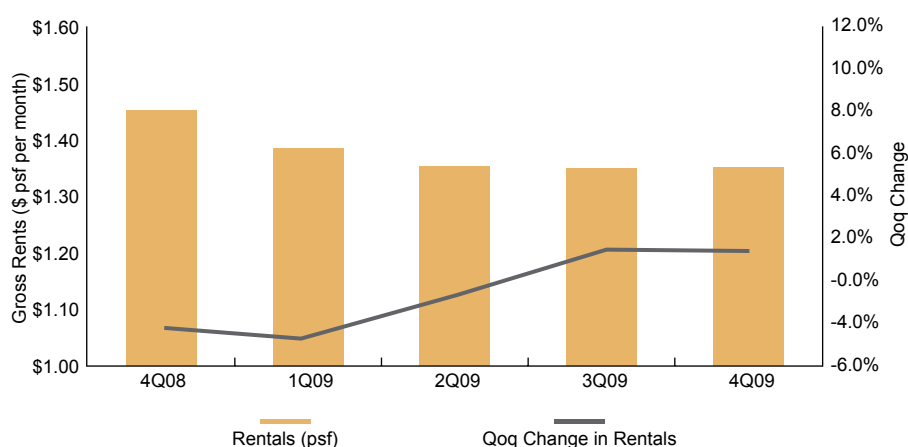
Meanwhile, prices of industrial properties are expected to reflect better stability from 2010 when investor interest improves. With Singapore poised for a gradual economic recovery, there may be some investors who are interested to lock in investments by acquiring industrial buildings or strata units.

Table 1
Rents and Capital Values of Sample Factory/Warehouse (Upper Floors) and Business Park Space in 4Q 2009

Locality	Monthly Gross Rentals (psf)	Capital Values (psf)
Conventional Industrial Space		
MacPherson / Paya Lebar	S\$ 1.48 – S\$ 1.79	S\$ 175 – S\$ 305
Kaki Bukit	S\$ 1.23 – S\$ 1.46	S\$ 110 – S\$ 305 (60-year leasehold)
Admiralty	S\$ 1.05 – S\$ 1.33	S\$ 105 – S\$ 245 (60-year leasehold)
High-tech Factory Space		
Islandwide	S\$ 3.05 – S\$ 3.35	N.A.
Business Park Space		
Islandwide	S\$ 3.55 – S\$ 3.95	N.A.

Source: Knight Frank Research

Chart 4
Factory Space Rentals

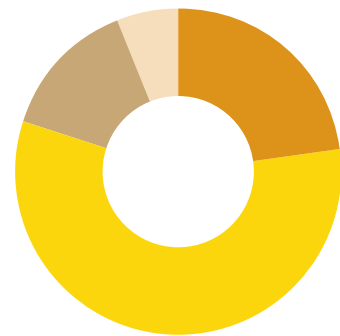


Source: Knight Frank Research

INVESTMENT SALES PROPERTY MARKET

The property investment market continued to decline in 2009, with investment sales totalling \$5.77 billion. This was a 61% yoy decline. The commercial sector dominated investment sales, by accounting for 57% of investment sales in 2009.

Chart 2
Share of Property Investment Sales in 2009



Residential	23%
Commercial	57%
Industrial	14%
Mixed	0%
Hotel	6%
Others	0%

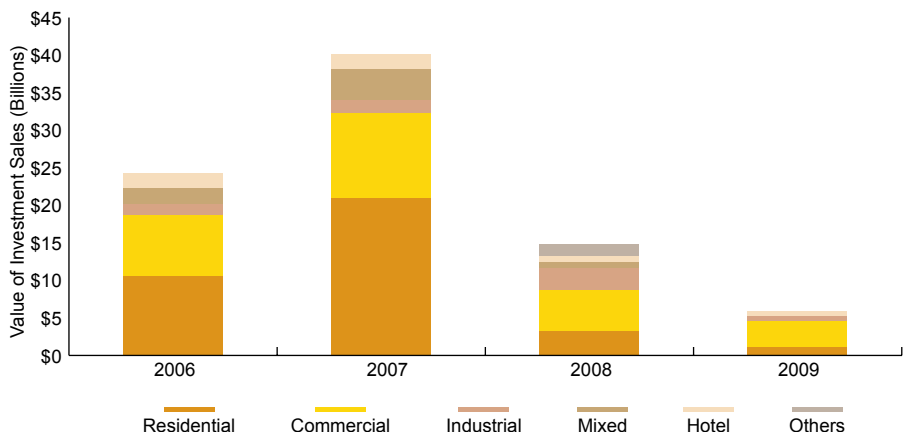
Source: Knight Frank Research

Nevertheless, on a half-year basis, total investment sales increased by about five times in 2H 2009 compared to 2H 2008.

Total Investment Sales

2009 was a subdued year for the property investment sales market. Property investment sales totalled only \$5.77 billion, reflecting a 61% yoy decline. The commercial sector dominated investment sales in 2009, by accounting for 57% of total investment sales in 2009. This was a sharp rise compared to 2008, where the office sector accounted for 37% of total value of investment sales.

Chart 1
Total Value of Property Investment Sales in 2009



Source: Knight Frank Research



bil in 2H 2009. Investment sales totaled \$4.97 bil in 2H 2009, with a significant improvement in both the public and private investment market. Investment sales in the public investment market totaled \$1.74 bil in 2H 2009, largely due to developers who were interested in buying sites from the Government Land Sales Programme for residential development. The value of private investment sales in 2H 2009 was four times more than that in 1H 2009, as investor interest improved with a turnaround in economic performance.

Public Property Investment Activities Revived in 2H 2009

The public property investment market was enlivened in 2H 2009, with a total of \$1.7 bil worth of sites sold through Government Land Sales (GLS). 11 sites were sold through the GLS in 2H 2009, compared to only one site was sold through GLS in 1H 2009. Of these 11 sites, 6 were for residential development, which received optimistic bids. These include sites for condominium development, Serangoon Ave 3, Dakota Crescent, Upper Thomson, which were sold for at least double the reserve price. The keen interest was largely due to a robust take-up for mass-market homes in 2Q and 3Q 2009, where developers became active in acquiring new sites for residential development. Meanwhile, some developers find that their landbank for mass-market private homes are depleting as several projects were launched.

Similarly, the site at Westwood Avenue, for landed housing development, received 28 bids upon tender closure. There was also a revived interest for industrial sites. For example, an industrial

site along Kaki Bukit Road 2, put up for sale by the government, drew 18 bids when the tender closes in August 2009. The highest bid received for the 30-year leasehold site was \$12.1 million, more than double the minimum bid price of \$5 million. Only 1 site for commercial development was sold in 2009, being the site for Clementi Mall which was sold at \$541.9 mil, 49% above the second highest bid.

Private Investment Sales Improved in 2H 2009

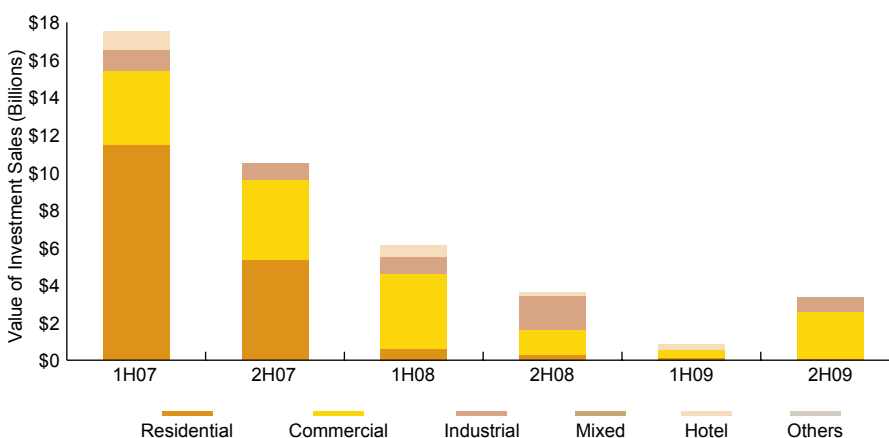
Private investment sales totalled S\$3.99 bil in 2009, with 81%, or \$3.23 bil, concluded in 2H 2009. Nevertheless, the \$3.99 bil worth of private investment sales in 2009 was 59% lower than the \$9.61 bil worth of investment sales in 2008.

Commercial properties accounted for \$2.38 bil, or three-quarter of the total property investment sales in 2009. Key commercial property investment transactions were

largely office buildings in the region of \$1,000 psf of net lettable area. There were a total of eight commercial properties transacted in 2009, including one which comprise of six levels of office space in Prudential Tower which was sold for \$106.3 mil, reflecting an average price of \$1,579 per sq ft of net floor area and a guaranteed net yield of 5.2%.

Industrial properties were the next in choice in 2009 for private property investors. 22% of private investment sales were for industrial properties, totalling \$752.8 mil. The majority, or 94%, of these industrial property investments were concluded in 2H 2009. These were four warehouses at Toh Tuck Link, Serangoon North Ave 4, Tuas West Road and Tai Seng Dr, which MacArthur Cook Industrial REIT purchased from AMP Capital. Warehouses and logistics facilities were preferred investments in 2009, partly as the occupancy and rents of warehouses were stable compared to high-tech and business parks. Although prices have corrected, investors were generally hesitant in acquiring high-tech and business park space for investments as these underwent major rental corrections.

Chart 3
Private Investment Sales

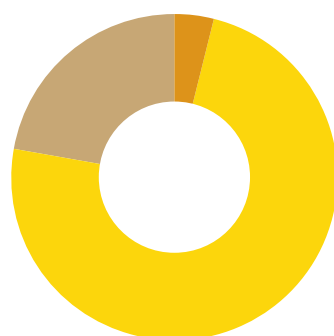


Source: Knight Frank Research

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While the residential sector was quiet in 2009 in terms of private investments, the year ended with the first collective sale of the year in December. This was the sale of Dragon Mansions for \$100.8 mil, reflecting \$863 per sq ft of plot ratio. The sale was concluded after a second round of signatures, as an offer lower than the expected selling price was given when the tender closes. Nevertheless, the closure of the deal reflects that owners are increasingly realistic in their asking price if it appears reasonable.

Chart 4
Share of Private Investment Sales in 2009



Residential	4%
Commercial	74%
Industrial	22%
Mixed	0%
Hotel	0%
Others	0%

Source: Knight Frank Research

Government Land Sales Programme 1H 2010

The Government Land Sales (GLS) Programme was released in November, specifically seem to be addressing the requirements for more sites for private residential development in 2010. The GLS programme for 1H 2010 is estimated to yield 10,550 private residential units, a 22% increase compared to 8,655 private residential units which can potentially be yielded from the GLS programme in 2H 2009. This increase was partly based on the recent strong interest for sites for private residential development, at Chestnut Avenue, Serangoon Ave 3, Dakota Crescent, Upper Thomson and Westwood Avenue 1. The majority of these sites received optimistic bids, ranging from twice to thrice the reserve price. Together with increasing signs of a sustained economic recovery in 2010 and recent buoyant homebuying interest for mass-market private residential homes, these point to a need for developers who have exhausted their landbank for mass-market private residential development to replenish stock by acquiring sites through the GLS programme in 2010.

The Confirmed List was re-introduced, after a hiatus of one year. Through the Confirmed List, there would be timely release of sites

Table 1
Potential Supply from GLS Programme

GLS	No. of Private Residential Units	% Change	Commercial GFA (sqm)	% Change	Hotel Rooms	% Change
2H2008	7,962	-3.5%	401,380	-2.6%	7,962	36.0%
1H2009	7,915	-0.6%	511,490	27.4%	5,160	-35.2%
2H2009	8,655	9.3%	448,550	-12.3%	4,430	-14.1%
1H2010	10,550	21.9%	417,740	-6.9%	4,515	1.9%

Source: Urban Redevelopment Authority, Knight Frank Research



for sale, hence ensuring that the demand for private housing development can be met. Besides three sites for private residential development, there would be two sites for development of executive condominiums.

Overall, the GLS for 1H 2010 reflects the Government's response to adjust to the requirements for land for development in 2010, based on the property market in 2009, and expected property market performance in 2010 should the economy stage an envisaged modest recovery. The GLS programme for 1H 2010 is also property sector specific, in that it strives to provide more choices for private residential development as demand is expected to surge on the back of a moderate supply and stronger residential market fundamentals. Meanwhile, the supply of new commercial sites is mitigated through the GLS programme for 1H 2010, in view of the abundant supply in the pipeline. With limited choices available and bearing in mind of the substantial potential supply, investors should continue to be interested in acquiring yield-accretive commercial buildings or those with turnaround opportunities, instead of buying new sites for commercial development.

Outlook

The property investment market is expected to improve in 2010, with increasing possibilities for a sustained economic recovery. Meanwhile, as assets have been re-priced in 2009, this would make them attractive for investors.

However, the focus in 2010 would still be for assets, priced in the mid- and upper-mid

range. This is partly because the economic growth in 2010 is expected to be modest, and investors are likely to remain cautious and incremental in expanding their investment portfolio. It would however be an opportune time for investors to test the property investment potential in this new market environment. If these incremental investments prove to be investment yielding, this would add confidence for further property investment acquisitions.

Together with less difficulty to secure financing from banks, investors including REITS, which have had a breather for the past two years in acquiring assets, may be interested in acquiring yield-accretive properties from 2010. With these acquisitions, REITs would be able to re-focus on inorganic growth strategies. These would include expanding their portfolios with the introduction of properties with turnaround properties. Inorganic growth strategies would be relevant for REITs and property funds, particularly as a number have already enhanced the properties in their portfolios, leaving limited opportunities to expand organically through further asset enhancements.

The public investment market is expected to be active in 2010, with developers keen to acquire sites as landbanks are depleting. This interest for acquiring land for development can possibly extend to collective sales, if the prime residential market stages a significant recovery in 2010. However, collective sales activity will still be modest due to the revised en bloc legislation in 2007, which makes the process of collective sale more tedious.

AUCTION PROPERTY MARKET

The number of properties put up for auctions in the whole of 2009 totaled 688 units, reflecting a 19.2% yoy decrease. However, the success rate, which is determined by the number of properties sold during auctions among the properties put up for auctions, improved from 8% in 2008, to 17% in 2009. This success rate exceeded that in 2007, which was 16%.

This increase was due to stabilization in the Singapore economy in 2H 2009 and a spike in the demand for private residential properties in 3Q2009.

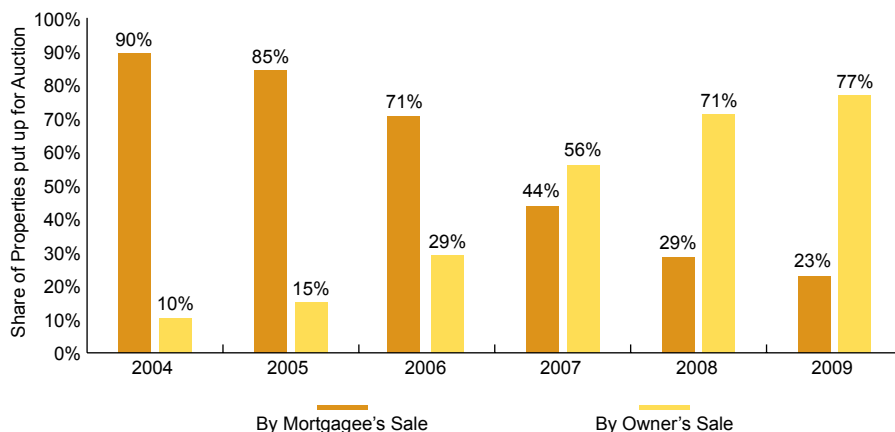
However, the number of properties put up for auctions in the whole of 2009 totaled 688 units, reflecting a 19.2% yoy decrease. The number of properties put up for auctions decreased in 2009, partly as the residential property market soared in 2Q and 3Q 2009, where fewer buyers turned to auctions as a venue to sell their properties.

The share of properties put up for auction through owner's sale continued to account for the majority of the overall number of properties put up for auction, since the trend emerged in 2007. Properties put up for auction through owner's sale accounted for 77% of properties put up for auctions in 2009, while that of mortgagee's sale dropped six percentage-points to 23%.

Fewer Properties Put Up for Auction

The number of properties put up for auctions in 2H 2009 totaled 387 units, reflecting an increase of 29% compared to 1H 2009.

Chart 1
Share of Properties Put Up For Auction
 Owner's and Mortgagee's Sale



Source: Knight Frank Auctions, Knight Frank Research



Residential Properties as Majority of Properties Auctioned

Residential properties continued to account for the majority, or 51%, of properties put up for auctions in 2009 (Figure 2). However, in terms of absolute numbers, the number of residential properties put up for auctions in 2009 totalled 354 units, reflecting a 17.3% decrease compared to 2008. This was in line with a moderate interest for secondary home sales market in 2009, unlike the homebuying interest for primary homes, which reached a frenzy in 2Q and 3Q 2009. Moreover, as most owners, including those who purchased at high prices in 2006 and 2007, seemed to be able to hold in 2009, there was no rush to dispose residential properties in channels such as auctions in 2009. The improving economic conditions in 2H 2009 was the critical factor for home owners who bought in 2005 to 2007 to continue financing their residential purchase.

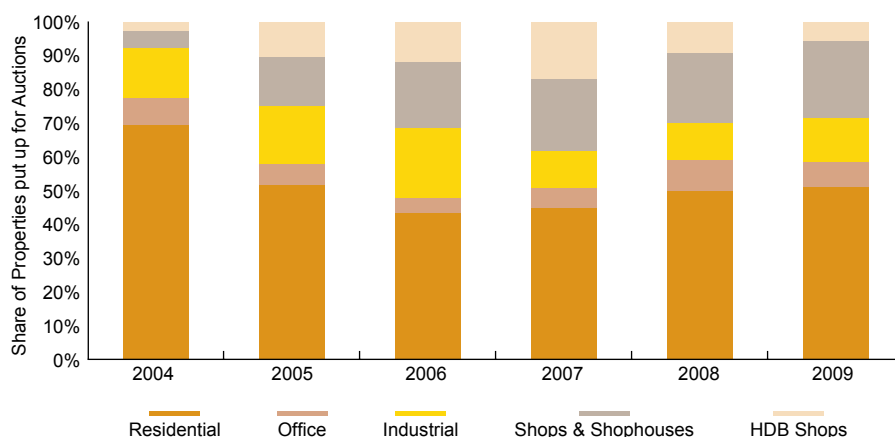
The number of office properties put up for auctions decreased from 79 in 2008, to only 51 in 2009. Office properties thus fell from a 9% share in 2008 to 7% share in 2009, of properties put up for auction. This was partly due to a continued weakening in the rents of office properties in 2009, which discouraged investor interest. Many investors were discouraged from buying office properties in 2009, as yields were low given a drastic 35 to 45% yoy average correction in rentals of office space in 2009. In addition, some potential buyers are anticipating that rents of office space will generally remain soft,

with marginal declines, in 2010, until after the completion of the two integrated resorts (IRs) boost the economic and business conditions in Singapore. Considering the substantial potential supply of office space as well, it may be awhile after the completion of the IRs, i.e. in 2011, where office rents bottomed and head for a sustainable recovery.

Higher Success Rate

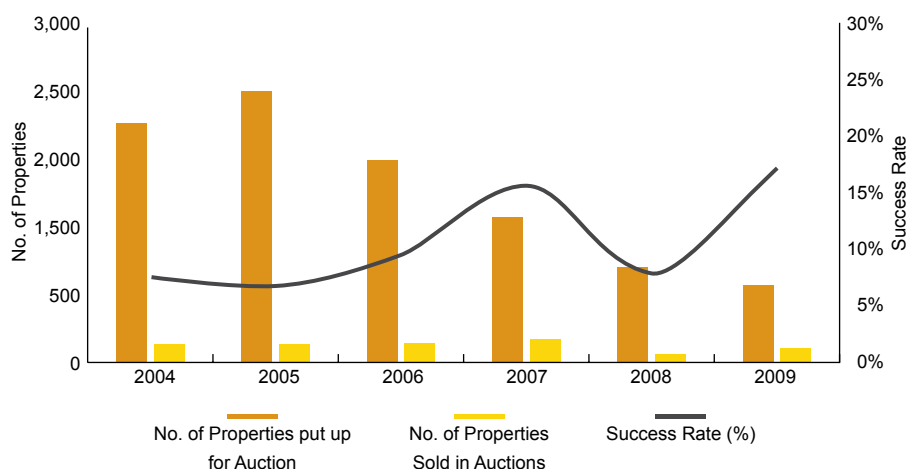
The number of properties sold in auctions increased, from 68 properties in 2008 to 120 properties in 2009. As such, the success rate, determined by the number of properties sold versus the number of properties sent for auctions, thus increased from 8% in 2008 to 17% in 2009.

Chart 2
Share of Properties Put Up for Auction
By Property Types



Source: Knight Frank Auctions, Knight Frank Research

Chart 3
Success Rate – No. of Properties Sold vs No. of Properties Put Up for Auctions



Source: Knight Frank Auctions, Knight Frank Research

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Increase in Total Value of Properties Sold During Auctions

The total value of properties sold totaled S\$168.9 million in 2009, reflecting a 42% increase compared to the S\$118.8 million of properties sold in auctions in 2008. This increase was partly because of improving economic conditions in 2H 2009, which encouraged property-buying interest in 2009.

Rise in value of residential properties sold in auctions

The residential sector continued to be the star performer for properties sold in auctions in 2009. Out of the S\$168.9 million worth of properties sold in auctions in 2009, 61%, or S\$102.3 million, were residential properties.

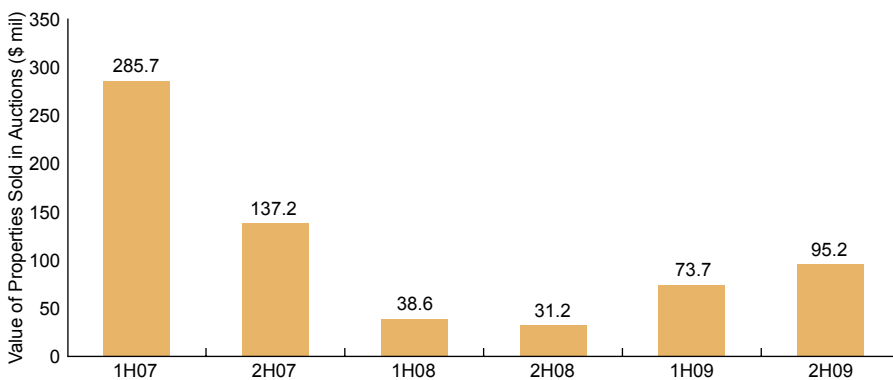
The S\$102.3 million worth of residential properties sold in auctions in 2009 reflected a 281% increase compared to 2008. The S\$102.3 million worth of residential properties sold in auctions in 2009 would be comparable to that in 2005, which totaled S\$128.7 million.

However, it must be noted that there were fewer residential properties sold in auctions in 2009, compared to 2005. Sales activity of residential properties in auctions in 2009 was lower than that in 2005. A total of 1,256 residential properties were sold in auctions in 2009, significantly exceeding the 354 residential properties sold in 2005. The value of residential properties sold in auctions in 2009 was comparable to 2005, as prices of residential properties in 2009 were significantly higher than that in 2005.

The value of industrial properties sold in auctions also increased from S\$6.2 million in 2008, to S\$20.2 million in 2009. The improvement was partly because buyers of industrial properties found increasing accessibility to financing, as the Government enhances financing schemes from February 2009 in the form of Special Risk-Sharing Initiative (SRI). Industrialists have found the SRI, which offer either New Bridging Loans or Trade Financing attractive in helping them to finance their business.

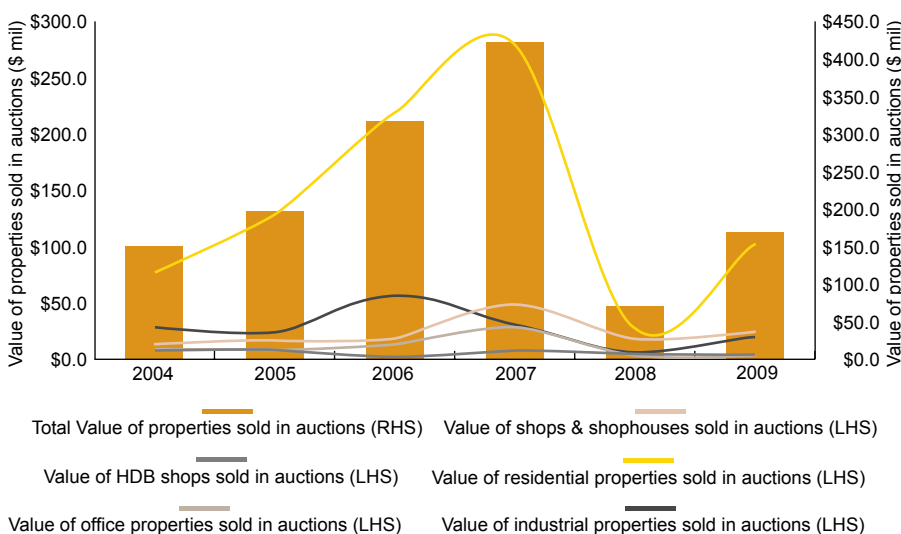
Similarly, the value of shops and shophouses sold in auctions in 2009 totaled S\$36.4 million, reflecting a 34% yoy increase. Although the value of shops and shophouses sold in auctions in 2009 was significantly lower than the S\$73.4 million worth of shops and shophouses sold in auctions in 2007, this exceeded that in 2004 to 2006, which totaled less than S\$30 million in each year.

Chart 4
Total Value of Properties Sold



Source: Knight Frank Auctions, Knight Frank Research

Chart 5
Value of Properties Sold by Property Types



Source: Knight Frank Auctions, Knight Frank Research



The improved buying interest for shops and shophouses in auctions reflected that buyers are recognizing the worth of strata shops and shophouses, which are underpinned by a dearth in new supply of such properties. In addition, as yields of shops and shophouses are generally attractive compared to residential properties, this encouraged a number of buyers to purchase shops and shophouses in auctions. Some investors also found that shops and shophouses are an attractive alternative to residential properties in 2009, as prices of residential properties significantly recovered in 2H 2009.

However, only S\$3 million worth of office properties sold in auctions were sold in 2009. Although it was higher than S\$2.3 million, which was sold in 2008, this was significantly lower than that in each of 2004 to 2006, which ranged from S\$9 million to S\$12.5 million per year.

Outlook

The auction property market is expected to continue to recover in terms of sales momentum, as overall property sentiments improve with a gradual sustained economic recovery forecasted for 2010. The auction property scene in 2010 is likely to be dominated by owners' sale, especially residential properties.

Prime residential properties could have increasing presence in the auction property market in 2010, as 2010 is likely to be the year for prime residential properties. With favourable prospects for high-end residential

properties, there may be increasing number of high-end residential property owners who are interested in putting their properties in the auction property market.

The number of office and industrial properties put up for auction in 2010 is also expected to increase, compared to 2009. Auction sales activity for strata office units is likely to show modest recovery, as investor sentiments for strata office units improve. While the office rental market would be on the whole affected by the substantial potential supply and shadow space, the impact from excessive supply would increasingly diminish as companies incrementally expand.

The number of shophouses and strata shop units transacted in the auction property market is expected to reflect moderate increase, underpinned by a general improvement in consumer sentiments and the retail property market. Although there would be about four million sq ft of forthcoming retail space, the majority of these retail space are single-owner and for lease. New supply of strata shops is fairly limited, lending support for investors' confidence in potential capital appreciation.

The value of properties sold in auctions is likely to continue an upward trend in 2010, as property prices reflect modest growth. An overall improvement in property buying sentiments could also encourage buying of pricier and larger properties, leading to an overall increase in value of properties sold in auctions.

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