

Real Estate Highlights

Singapore • 2nd Quarter Apr - Jun 2008

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Executive Summary

- The growth of private home prices has decelerated in the first half of 2008 where average private home prices rose by a mere 0.2% qoq in 2Q 2008. On the other hand, the public housing market in 2Q 2008 appeared to have performed better than the private residential market in terms of resale prices and volume.
- Despite experiencing a slowdown in the global economy, the domestic retail sector is expected to stay resilient in terms of retail sales and rentals. Prime retail rentals along the Orchard Road shopping belt inched up by 1.5% quarter-on-quarter (qoq) in 2Q 2008 to reach S\$48.60 per square foot (psf) per month.
- The office supply crunch is easing. As the supply of new office space outpaced that of demand, the overall occupancy rate slipped to about 92%. Office rentals are still increasing, but at a slower rate. Rentals of Grade B office space generally had a bigger increase than that of Grade A offices.
- The manufacturing sector has seen contractions in the months of April and May this year but experienced a slight rebound in June when it grew by 2.5% yoy. Total new demand for factory space in 1Q 2008 exceeded the quarter's total new supply, indicating that the market is generally still expanding. The high-tech industrial space and business park segments experienced strong growth where average rentals continued to soar upwards in 2Q 2008.
- During the first half of 2008 (1H 2008), while commercial investment sale market remained rather dynamic with a significant number of transactions of office buildings, the collective sale market turned quiet. Total investment sales value achieved in 1H 2008 was about S\$10.7 billion, which reflected a 49.0% decrease from the same period last year. In view of a subdued property market and poor demand for development sites, the Ministry of National Development released fewer sites for sale in the Government Land Sales Programme for 2H 2008 in June 2008. It is expected that the residential collective sale market to remain quiet in 2H 2008.
- A total of 476 properties were put up for auction by the five property auction houses, a decrease of 12.0% compared to 2H 2007. Since 1H 2005, the number of properties put up for sale has decreased steadily from a high of 1,268 to the current 476 properties for sale.

Singapore Residential Property Highlights

Private Residential Sector

"Regardless of the pick up in volume to about 1,800, this figure is accentuated primarily due to the low volume experienced in the previous quarter."

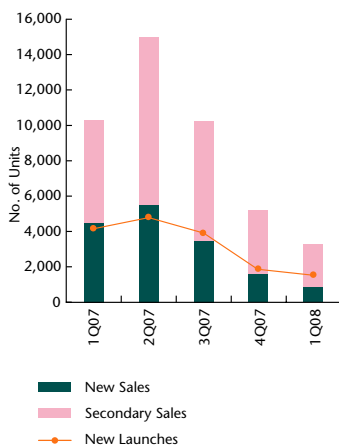
Launch Market Heading Towards Moderation

Following through from the second half of 2007, the private residential sector faced a protracted lull in the launch market in the opening months of 2008. Where the cautionary mood did not seem to wear thin, project launches persisted to be slight. Based on quarterly figures from the Urban Redevelopment Authority (URA), the total number of launches in 1Q 2008 stood at 1,343 units. This figure reflects a 20.3% quarter-on-quarter (qoq) drop in the number of units launched. Monthly figures from URA indicate that numbers in April hit a low of 271 units launched, about a third of the monthly average figures, reflecting the smallest quantity since monthly data was made available.

In 2Q 2008, behaviour in the launch market bore semblance to the previous quarter, where more projects were being launched in non-prime areas. Notwithstanding the pick up in the number of launches in the Core Central Region and the Rest of the Central Region to 179 and 178 units respectively in May 2008, there were still a larger proportion of launches in areas Outside of the Central Region, which according to preliminary figures, contributed to almost half of new launches in the market.

Regardless of the pick up in volume to about 1,800 new units launched by developers in the second quarter of 2008, this figure is accentuated primarily due to the low volume experienced in the previous quarter. The 35.1% increase in the number of launches alludes to the possibility of the launch volume in the primary market leveling out in the short term.

Chart 1
Private Home Launches and Sales Volumes Islandwide



Source: Urban Redevelopment Authority,
Knight Frank Research

"It is estimated that in 2Q 2008, the number of primary market sales would be within the range of 1,400 to 1,600 units."

Pick up in Primary Market Sales

The recent malaise of subdued consumer and investor attitudes was manifested when only 762 private homes were sold in the primary market in 1Q 2008, denoting a 48% qoq decline. This quarterly figure was only about half of what developers sold in the previous quarter, representing the second lowest home sale figure in the past twelve years. The lowest primary market quarterly sale of 427 units was recorded when fear gripped the market during the SARS outbreak in 1Q 2003.

Out of the units sold in the primary market at the onset of the year, just 30.0% were in the prime Core Central Region and 27.5% were in the Rest of the Central Region. The remaining majority, 42.5% of all new sales, was in the suburban areas Outside of the Central Region.

Based on monthly statistics from the URA, April and May garnered a total of 725 units sold, accounting for about 91.2% of the total new sales achieved in 1Q 2008. The trend of sales Outside of the Central Region comprising the larger portion of total new sales was synonymous with the prior quarter, where presently, just about 57.0% of sales were in this region.

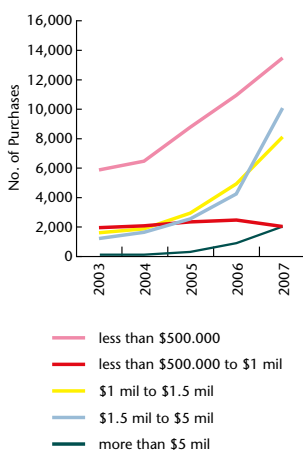
Though primary sales are not hitting previous heights of that in the first half of 2007, the improvement of monthly sales in May suggests that transaction volume of new sales may be at its incipient stages of moderation due to pent up consumer demand. It is estimated that in 2Q 2008, the number of primary market sales would be within the range of 1,400 to 1,600 units.

Some Possible Major Launches in Next 6 Months

Projects	Tenure	District	Developer	Location	Units
The Quayside Isle	99-yr	4	City Developments Ltd	Sentosa Cove	236
Seascape	99-yr	4	Ho Bee Group/IOI Land	Sentosa Cove	151
One Devonshire	FH	9	Allgreen Properties Ltd	Devonshire Rd/Killiney Rd	152
Urban Resort	FH	9	Capital Land Residential Limited	Cairnhill Road	64
Paterson Suites*	FH	9	Bukit Sembawang Estates Ltd	Paterson Rd/Lengkok Angsa	102
Martin Place Residences*	FH	9	Frasers Centrepoint Homes	Kim Yam Road	302
The Oliv	FH	10	TG Development Pte Ltd	Balmoral Road	23
Holland Residences	FH	10	Allgreen Properties Ltd	Taman Warna	83
Verdure	FH	10	Bukit Sembawang Estates Ltd	Holland Road	75
Latitude*	FH	10	CapitaLand Ltd	Jalan Mutiara	127
Nathan Residences	FH	10	Tat Aik Property Pte Ltd	Nathan Road	91
LIVIV	FH	11	Wing Tai Asia	Newton Road	100
Parc Centennial *	FH	11	EL Development Pte Ltd	Kampong Java Road	51
Woodsville 28	99-yr	13	Frasers Centrepoint Homes	Woodsville Close	110
Silversea	99-yr	15	Far East Organization	Amber Road	383
Residential Development	99-yr	18	Chip Eng Seng	Elias Road	380
D'Pavilion	FH	19	MCL Land Ltd	Upper Serangoon Road	50
The Cascadia	FH	21	Allgreen Properties Ltd	Bukit Timah Road	536
Former Rainbow Garden	999-yr	21	Lasalle Investment Management	Toh Tuck Road	129
Floridian	FH	21	Far East Organization/ WingTai Holdings Ltd	Bukit Timah Road	336

* Projects currently under preview
Source: Knight Frank Research

Chart 2
Number of Foreign Homebuyers
by Price Range



Source: Knight Frank Research

"Statistics indicate that the total number of secondary sales islandwide dropped by a marginal 4.6% from 2,586 units in 1Q 2008 to 2,466 units in 2Q 2008."

Secondary Market Sales Tapering Off

The global credit crunch and rising economic uncertainty led to a dampening effect on resale market activity in the second half of 2007. 1Q 2008 figures of approximately 2,586 units bespoke a fall of 34.0% yoy. This prolonged decline, hinted at continued deflated confidence sparked by global economic uncertainty. Mirroring that of the preceding quarter, the greatest number of resale transactions occurred Outside the Central Region, where 1,206 units or about 55.1% of all resale transactions were made.

Statistics indicate that the total number of secondary sales islandwide dropped by a marginal 4.6% from 2,586 units in 1Q 2008 to 2,466 units in 2Q 2008. The decline in secondary market sale volume can also be attributed to the decline of activity in the collective sales market. In the entire 2007, an approximate 6,000 units were sold in the collective sale market, compared to the meagre sum of less than 20 units that were reportedly sold collectively in the first half of 2008.

Speculative home sales has been falling since it peaked in the third quarter of 2007. In 1Q 2008, the islandwide proportion of sub-sales in the market was 3 percentage points lower than its peak of 14.9% in 3Q 2007. At its peak, it was the Core Central Region that had the largest proportion of sub-sale activity. Sub-sales, which are conventionally a measure of the level of speculation in the private residential property market, persisted to dip in the first half of 2008. In the first quarter of 2008, the proportion of sub-sales islandwide declined to 11.9% from 12.3% in 4Q 2007. Although this represents a 0.4 percentage point decrease from the preceding quarter, it is still 6.9 percentage points above the 5-year average value. In the Core Central Region, sub-sales remained at 21.7% of the total number of

sales, reflecting current market sentiments. On the contrary, the proportion of sub-sales in the Rest of the Central Region climbed marginally, recording a figure of 13.7%. Although the sub-sale activity in the suburban areas Outside the Central Region grew the strongest among the three major regions, the growth was a mere 0.4 percentage points to record 6.7% of all sales in the region. Since its peak in 3Q 2007, the level of speculation saw the sharpest decline in the prime Core Central Region.

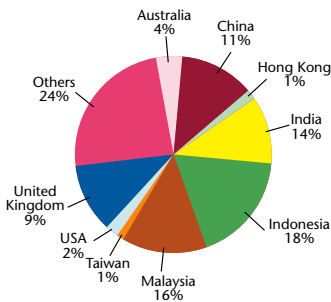
Modest Demand from Foreign Homebuyers

"In 2Q 2008, figures attest that the proportion of foreign buyers islandwide, though marginally declining, still recorded a significant proportion of 25.7%."

The recent grim situation aside, foreign homebuyers still had strong interest in Singapore's residential property market. Subsequent to 2007 when foreign homebuyers constituted a 13-year high of 25.7% of all private home purchases, the first quarter of 2008 also displayed unceasing demand when foreigners made up 27.9% of all landed and non-landed transactions. In 2Q 2008, figures attest that the proportion of foreign buyers islandwide, though marginally declining, still recorded a significant proportion of 25.7%, 3.7 percentage points higher than the 5-year average.

Historically, the majority of foreigners have been purchasing homes priced between S\$500,000 and S\$1,000,000. Homes that are above the S\$5,000,000 mark have grown in favour, especially in 2007, where the number of foreign purchases in this category reached a peak of 1,693 units islandwide. However, since its peak in 2Q 2007 where 555 transactions were concluded by foreigners in that quarter, the number of foreign purchasers in the price range of S\$5 million and above has been gradually declining. In 2Q 2008, as the number of transactions picked up marginally, the number of foreign buyers in this group also picked up from 103 to 117.

Chart 3
Proportion of Foreign Homebuyers Islandwide



Source: Urban Redevelopment Authority, Knight Frank Research

The high-end residential market, which appeals to a particular echelon of society, has always been a key interest to foreign buyers. There has been a steadily growing demand in this market and as at 2Q 2008, the proportion of foreign buyers in Districts 9, 10 and 11 stood at 34.5%, one percentage point above the 5-year average figure. Not only has the number of foreign purchases in the high-end market been substantial historically but also the types of properties purchased have been more lavish. Foreign purchases of private homes in the high-end market have escalated significantly, especially for properties that cost more than S\$5 million each. In 2007, 1,307 units were transacted in this category. Nonetheless, mirroring the trend of foreign purchasers islandwide, this figure experienced a moderate descend up till 1Q 2008 and as at the second quarter of this year, there was a slight pick up from 61 to 94 transactions in this category.

Softening of Prices

The growth of private home prices has decelerated in the first half of 2008. In 1Q 2008, average price of private homes increased by 3.7% qoq, which is slower than the 6.8% quarterly growth in 4Q 2007. But in 2Q 2008, average home price rose by a mere 0.2% qoq.

In 1Q 2008, private landed and non-landed residential property prices climbed by 24.7% and 30.5% yoy respectively. Despite the slowdown in quarterly expansion, for both sectors, yearly growth of landed properties increased by 1.3 percentage points, placing it at 16.9% behind the peak in 1996. On the other hand, the average price of non-landed properties in 1Q 2008 has surpassed the corresponding 1996 peak by 5.5%.

"The number of high-end apartments that were sold by developers at record-breaking prices remained subdued in the first six months of this year."

Overall price expansion in the private residential property market eased further in 2Q 2008 to register a slight 0.2% qoq increase. With regard to the different non-landed market segments, prices in the mid-tier (Rest of Central Region) and the mass (Outside Central Region) managed to maintain positive growth this quarter, with the mass market leading in its performance, registering a growth of 0.9% qoq. On the contrary, prices in the prime (Core Central Region) market dipped by 0.1% qoq in 2Q 2008, the first quarterly price decline since the property bull run started in 2Q 2004.

The number of high-end apartments that were sold by developers at record-breaking prices remained subdued in the first six months of this year. As at 2Q 2008, there were three units being transacted at above S\$4,000 per square foot (psf) in the private residential market, equivalent to that in 1Q 2008. The latest unit to be transacted above this benchmark price was in Scotts Square, where it was sold for about S\$5.71 million or S\$4,612 psf. As the potential for further robust price growth in the high-end segment began to lose steam in the short term, buyers became more cautious when deciding on the purchase of high-priced homes.

The average price of landed properties has been a laggard compared to that of non-landed properties. From 2005 to 2007, the average price of landed properties increased at a slower rate than that of apartments and condominiums. Now that the expansion of the average price of non-landed properties is slowing down, landed property prices are still growing at a relatively faster rate. Of all the sub-categories of landed homes, detached houses, semi-detached houses and terrace homes rose by 3.5%, 4.7% and 4.0% qoq respectively in 1Q 2008. In terms of sale volume, all three sub-categories of landed homes recorded the greatest transactions in 2Q 2007, after which the number of transactions in these sub-markets has dwindled gradually.

Rental Growth Hitting a Plateau

As islandwide residential rentals moderated to record a growth of 6.0% in 1Q 2008, this represented 3.6 percentage points above the 5-year average expansion rates of 2.4% quarterly. Private non-landed homes also witnessed an easing of rentals when, in 1Q 2008, increases were recorded at 5.9% qoq. Despite experiencing a slight slowdown in rental escalation by 0.8 percentage points, this figure was still 3.4 percentage points higher than 5-year average values. In 2Q 2008, rental growth continued to decelerate. For prime Districts 9, 10 and 11, there was an easing of a marginal 2.0% and 3.0% qoq. Similarly, the prime East Coast region also saw rental growth softening by approximately 2.0% this quarter.

A shift toward renting homes in areas where rates are more affordable subsequently caused rentals in those areas to appreciate. Rentals in the West strengthened to record a 3.0% qoq expansion. Despite the North Region registering an abatement of rental growth of about 3.8% qoq in 2Q 2008, it was still one of the areas that recorded larger positive growth.

"Leasing volume in 2006 and 2007 remained fairly constant at about 29,000 rental transactions annually."

Leasing volume in 2006 and 2007 remained fairly constant at about 29,000 rental transactions annually, despite a reported increase in the number of expatriates coming to work in Singapore in the past 3 years. The steady leasing volume could be due to some tenants choosing to buy their homes, rather than continuing to lease as rentals were rising sharply.

Public Housing Sector

Passive Market

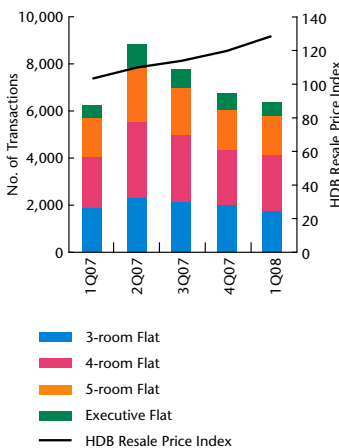
The volume of resale transactions in the HDB market of 6,358 units in 1Q 2008 was 20.2% lesser than the 5-year average value of 7,966. Of all the flat types, the number of resale applications plunged more significantly for the 1-room, 2-room and Executive flats, representing a decline of 57.1%, 26.3% and 13.5% respectively. In 2Q 2008, about 7,800 resale HDB flats exchanged hands, which initially appears that the resale market has strengthened significantly. However, closer examination shows that the resale volume has merely recovered to the level of 7,400 units, which is the quarterly average resale volume from the start of the price recovery in 4Q 2005 to present.

The public housing market in 2Q 2008 appeared to have performed better than the private residential market in terms of resale prices and volume. In the second quarter, the average prices of HDB resale flats increased by 4.5% qoq, stronger than the 3.7% growth in the previous quarter. On average, the smaller 1-room and 3-room HDB flats enjoyed the fastest price increase of 6.3% and 5.9% qoq respectively, while prices of the larger Executive flats grew at a slower 3.1% qoq.

The price growth of resale HDB flats together with the 22.1% escalation in resale applications in the second quarter of 2008 suggests that there could be a shift in demand by mass-market homebuyers, such as young working professionals and new Permanent Residents, from private properties to the HDB resale market.

"The public housing market in 2Q 2008 appeared to have performed better than the private residential market in terms of resale prices and volume."

Chart 4
HDB Resale Transaction Volume and Price Index



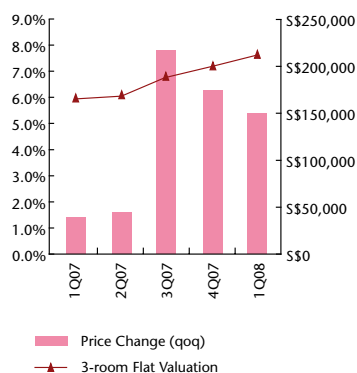
Source: Housing & Development Board,
Knight Frank Research

Avid interest in HDB flats with condo-like facilities has been a topic of contention of late. As City View @ Boon Keng, the second Design, Build and Sell Scheme (DBSS) sold about 70% of all its units at the onset of April with units priced between S\$349,000 and S\$727,000, a fifth DBSS site, located in Simei, was launched. Recently, the tender for this site has been awarded to Sim Lian Pte Ltd at a price of S\$52 million or S\$137 psf per plot ratio. However, with resale prices climbing, the sizeable prices that these DBSS units entail, and the supply of completed flats at a trough of approximately 1,300 units, homebuyers in the public residential market would have to consider more seriously the option of Build-to-Order (BTO) flats as an alternative. The downside to buying BTO flats would be the relatively long wait before buyers can occupy their flats. This, on top of the recent refinement to the rules and process of flat application would result in homebuyers making more prudent decisions in their plans for public home ownership.

In terms of the HDB rental market, median subletting rents was stronger for 4-room flat types in 2Q 2008. The number of rental subletting transactions rose by about 15% qoq to 4,122 leasing deals in 2Q 2008. This can be attributed to the increase in number of foreign workers in Singapore, especially more S-pass immigrant workers who have relatively lower housing budgets. With the rising housing rentals in Singapore, they can usually only afford to lease HDB flats, rather than private condominiums.

"For the whole of 2008, overall home prices are expected to grow between 1% and 5% year-on-year (yoy). Rentals, in contrast, are expected to enjoy stronger growth increases than prices in 2008, expanding within the range of 3% and 6% yoy."

Chart 5
HDB Resale Valuation for 3-room Flat



Source: Housing & Development Board,
Knight Frank Research

"Average HDB resale flat prices are projected to rise by 11% to 18% for the whole of 2008, but the rate of price growth would slow to between 6% and 12% in 2009."

Outlook for Private Residential Property Sector

Given its checkered history, the private residential property sector is expected to soldier on through this period of transition from a growth phase to the consolidation phase. Market performance is not anticipated to metastasize into disaster lest economic conditions take a turn for the worst.

It is foreseen that for the whole of 2008, overall home prices are expected to grow between 1% and 5% year-on-year (yoy). Rentals, in contrast, are expected to enjoy stronger growth increases than prices in 2008, expanding within the range of 3% and 6% yoy. Specifically for sale volume, it is estimated that in 2008, primary market sales is projected to be between 4,500 and 6,000 units. As for the secondary market, sale volume in 2008 is also expected to be lower than that of the previous year. This is because the impasse between sellers and buyers expected is to continue for the rest of 2008 as sellers resist reducing prices, while buyers offer lower bids after factoring in possible price declines in the near future. In addition, the evaporated volume of collective sales would contribute to the thinner secondary sale volume in 2008.

As for the rental market, essentially, rental growth of private homes is observed to be gradually flattening out. While it is anticipated that rental growth would remain fairly flat for the rest of 2008, leasing volume is expected to be approximately between 29,000 and 30,000 leasing transactions, which is about the same level as in 2006 and 2007. Average rental level could increasingly come under downward pressure in 2009 as more residential developments are completed and compete for tenants.

As in previous property downturns, by the time property sellers start to accept the new reality of a weakening market and start to offer price discounts, which could happen by end-2008 or early-2009, homebuyers would have already retreated to the sideline and adopted a wait-and-see attitude. The sellers would then have to offer a steeper discount in order to attract buyers.

Outlook for Public Housing Sector

In the short term, potential purchasers of HDB flats would not only face the predicament of financial constraints with high resale prices of flats but also the issue of shortage in supply of completed flats in the public market. With this number hitting a low, coupled with a host of other concerns such as the lengthy wait for BTO flats, homebuyers would need to plan more carefully in terms of finances and the timing of their housing needs.

On the other hand, the strength of resale price increase and sale volume is likely to continue for the next one to two quarters as the uncertain economic climate would encourage some homebuyers to purchase resale HDB flats rather than private real estate. Average HDB resale flat prices are projected to rise by 11% to 18% for the whole of 2008, but the rate of price growth would slow to between 6% and 12% in 2009 as the expected economic slowdown would have affected the HDB market by then. Additionally, for total resale volume, it is anticipated that there will be about 30,000 flats transacted in the whole of 2008.

Rentals and Capital Values for Private Residential Properties in 2Q 2008

Table 1
**Rentals of Selected Private Residential (Apartment/Condominium) Units
as at 2Q 2008**

Locality	Monthly Rent (psf)
Districts 9, 10 & 11 - Luxury	S\$5.20 - S\$6.10
Districts 9, 10 & 11 - Others	S\$4.50 - S\$5.40
East Coast	S\$3.10 - S\$4.20
West	S\$2.70 - S\$3.50
Upper Bukit Timah	S\$2.30 - S\$2.80
Thomson, Toa Payoh, Bishan	S\$2.70 - S\$3.20
Yio Chu Kang, Yishun	S\$2.20 - S\$2.70

Table 2
**Capital Values of Selected Private Residential (Apartment/Condominium) Units
as at 2Q 2008**

Locality	Capital Value (psf)	
	Freehold	99-year Leasehold
Districts 9, 10 & 11 - Luxury	S\$2,340 - S\$2,480	-
Districts 9, 10 & 11 - Others	S\$1,780 - S\$1,830	S\$1,180 - S\$1,610
East Coast	S\$1,140 - S\$1,210	S\$ 940 - S\$1,120
West	S\$ 750 - S\$ 820	S\$ 680 - S\$ 780
Upper Bukit Timah	S\$ 670 - S\$ 740	S\$ 560 - S\$ 740
Thomson, Toa Payoh, Bishan	S\$ 830 - S\$ 880	S\$ 620 - S\$ 670
Yio Chu Kang, Yishun	-	S\$ 520 - S\$ 600

Singapore Retail Property Highlights

Maintenance of Upward Momentum

"Despite weak investor sentiments due to the anticipation of general economic slowdown and other uncertainties, the Singapore retail sector maintained its positive form in the first half of 2008."

Despite weak investor sentiments due to the anticipation of general economic slowdown and other uncertainties, the Singapore retail sector maintained its positive form in the first half of 2008. In real terms, the retail sales index (excluding motor vehicles) rose by 5.0% year-on-year (yoy), while nominal retail sales (including motor vehicles) climbed 4.7% yoy to reach an approximate S\$8.8 billion in 1Q 2008. In May 2008, nominal retail sales expanded by 4.8% yoy, sustaining its upward momentum for the second quarter of 2008. Unfortunately though, the increase in the retail sales index over the past few months was mainly a consequence of mounting energy and food prices due to high inflationary pressures, while the real increase in consumer expenditure has been marginal.

Consumer sentiments, however, were evidently lively when the Great Singapore Sale (GSS) was greeted with much fanfare as crowds had been streaming into Orchard Road malls since the very first day of the annual event. The GSS marks its 15th anniversary this year and is scheduled to last for nearly two months, from 23 May till 20 July 2008. With little respite in rising labour and rental costs as well as the expected economic slowdown, this unwavering enthusiasm displayed by consumers for the event is a timely confidence booster for retailers. Nevertheless, the jury is still out for retailers' showing in the GSS. It would be interesting to examine if consumer sentiments have weakened in the face of unfavourable economic conditions, translating to more discerning consumer spending.

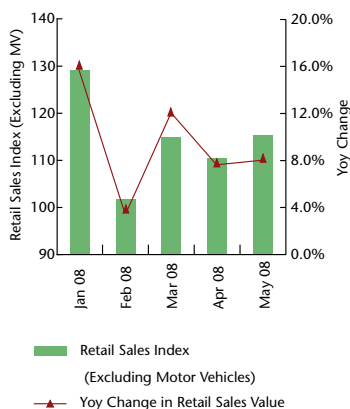
Besides the GSS aiming to encourage shopping sprees, the arrival of PC Show 2008 was also well timed for consumers to indulge in the latest Information Technology (IT) gadgets. Into its 18th year, the four-day IT fair started on 12 June 2008 and was held at Suntec City Exhibition Centre. By the end of the event, it had attracted over one million bargain hunters and raked in sales of roughly S\$1.7 million, almost double the amount achieved last year. Two more IT shows, COMEX in August and SITEX in November, will round up the activity-filled calendar of IT events for the year.

After 51 consecutive months of year-on-year growth in visitor arrivals since March 2004, visitor arrivals to Singapore in June 2008 declined by 4.1% compared to June 2007. Including the 816,000 visitor arrivals in June this year, Singapore welcomed approximately 5.07 million visitors in 1H 2008, representing a 2.9% increase in visitor arrivals over the same period last year. An estimated S\$6.5 billion in tourism receipts was generated in 1H 2008, which was a marginal decrease of 0.2% compared to 1H 2007.

The current slowdown in the global economic climate, combined with higher air travel costs/fuel prices and Singapore's strong currency, are key factors causing some deceleration in the growth of the republic's tourism numbers. Nevertheless, Singapore is still on track to meet its target of 10.8 million visitor arrivals and S\$15.5 billion in tourism receipts for 2008.

To entice overseas shoppers, tourists are entitled to special discounts on a variety of products at participating outlets by flashing their passport and Tourist Privilege Card, issued by the Singapore Tourism Board (STB). Tourism receipts accounted for 40% of retailers' takings of S\$5.5 billion during last year's GSS and continue to be a vital component of the domestic retail market.

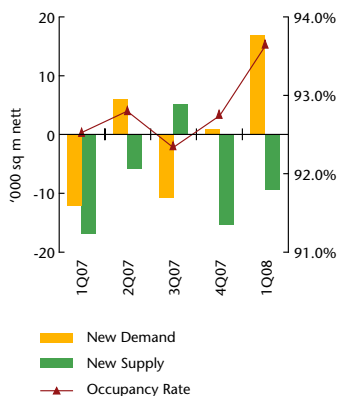
Chart 1
Retail Sales Index at Current Price
(Excluding Motor Vehicle)



Source: Singapore Department of Statistics

"Demand for retail space showed little sign of letting up as retailers continue to vie for scant quality retail space, causing vacant stock to fall to its lowest levels in more than a decade."

Chart 2
Islandwide Demand & Supply



Source: Urban Redevelopment Authority,
Knight Frank Research

"About S\$40 million worth of upgrading plans were also in place to include more art sculptures, water features and walkways."

Strong Demand and Limited Supply

Demand for retail space showed little sign of letting up as retailers continue to vie for scant quality retail space, causing vacant stock to fall to its lowest levels in more than a decade. Exacerbating the short supply situation, more shopping malls are also undergoing asset enhancement and some of which have resulted in a reduction in overall available retail stock. Competitive demand for retail space coupled with limited supply brought about a rise in islandwide occupancy rates, which hit a peak of 93.6% in 1Q 2008, the highest since 1Q 1993. Total available retail stock decreased by 97,000 square feet (sq ft) in 1Q 2008, of which the revamp of Mandarin Gallery located in the Somerset shopping area was a major factor. The decrease in supply, however, was partially offset by the completion of Fusionopolis Phase 1, a 1.3 million sq ft infocommunications and media research complex at one-north, as this mixed development also houses five levels of retail and food and beverage outlets.

Among other projects, major retail properties currently undergoing development or refurbishment include West Coast Plaza, Iluma, Sembawang Shopping Centre and extensions to Jurong Point and Northpoint Shopping Centre. While a handful of retail projects are expected to be ready by end-2008, the opening of Orchard Central and ION Orchard has been revised from 4Q 2008 to 1Q 2009.

Approximately two million sq ft of shop space are envisaged to add to the existing retail space by the end of this year.

Rejuvenation of Orchard Road

The thrust to invigorate our Orchard Road shopping belt began as early as October 2003, when a "Remaking Orchard Road" committee comprising STB, Urban Redevelopment Authority (URA) and Land Transport Authority (LTA) was formed. The premier shopping corridor, a long-time popular shopping destination among locals and foreigners, was at risk of being marginalized by major upcoming shopping areas around the globe. Hence the committee was tasked to make the prime shopping belt an even more compelling shopping destination for both Singaporeans and tourists, and to mold it into one of the world's greatest shopping streets.

By 2005, the taskforce had unveiled a holistic upgrading plan that aimed to enhance retail diversity, improve pedestrian and street experience, and encourage innovative and quality developments along the Orchard Road shopping belt. About S\$40 million worth of upgrading plans were also in place to include more art sculptures, water features and walkways there. In addition, three vacant plots of land along the premier shopping street were released through the Government Land Sales Programme between end-2005 and 2006, which attracted lively response from developers. By early 2009, the republic's first new retail development along the Orchard Road shopping belt in more than a decade will finally be ready to welcome enthusiastic shoppers.

"A straw poll was conducted to gather shoppers' views with regard to the remaking of the Orchard Road shopping belt."

Perspectives on Remaking of Orchard Road

A straw poll was conducted to gather shoppers' views with regard to the remaking of the Orchard Road shopping belt. In this poll, a total of 57 local shoppers, aged between 15 and 40 years and covering both genders, provided valuable opinions on their expectations of this prime shopping street when the revamp is fully completed.

Generally, there was a high level of awareness of the rejuvenation of the Orchard Road shopping district, with only seven respondents (12.3%) unaware of the revamp in progress. In fact, 43 respondents (75.4%) expressed zeal and excitement about the ongoing rejuvenation. However, the remaining seven respondents (12.3%) were relatively nonchalant and appeared disinterested in the issue. Nevertheless, the high level of enthusiasm shown by the majority of the respondents affirms the strong affiliation local shoppers have with the Orchard Road shopping belt and hence any transformation pertaining to it would inevitably attract much attention.

A number of respondents were looking forward to visiting new retail concepts such as duplex stores along the rejuvenated shopping street. When allowed a maximum of two choices, 27 respondents (47.4%) indicated that they were particularly eager to be wowed by novel retail concepts, while as many respondents expressed joy with simply having more retail developments in which to shop. Another 16 respondents (28.1%) yearned for a larger collection of foreign labels along the prime shopping belt. Highlighting Singaporeans' love for dining, 20 respondents (35.1%) were also salivating for more food and beverage outlets.

Despite wide media coverage of the substantial investment made by the Government to enhance the street furniture along the Orchard Road retail corridor, only eight respondents (14.0%) were looking forward to the improvements. Though failing to arouse strong reception from respondents, the strategic development of the shopping belt's street furniture is, however, vital. Street furniture with a distinctive identity, yet serving a practical purpose, would allow shoppers to assimilate seamlessly into the vibrant environment while enabling the premier shopping corridor to compare with the world's most desirable shopping streets.

Although anticipation levels among respondents were relatively high, a majority of respondents felt that the novelty would lose its shine sooner or later. Despite bearing witness to the Orchard Road shopping belt's first new retail mall in more than a decade by early 2009, 23 respondents (40.4%) reckoned that the hype is likely to be short-lived and the novelty is unlikely to sustain for a prolonged period of time. Six respondents (10.5%) thought that the revamp would be insignificant, while another two respondents (3.5%) even expressed concerns that the shopping belt may be worse off, especially if the flow of human and vehicular traffic is compromised. Notwithstanding these negative views by a portion of respondents, 26 respondents (45.6%), on the contrary, believed that the prime shopping belt is currently undergoing a promising makeover that will enrich their shopping experience and will be capable of leaving a lasting impression on shoppers.

"This timely makeover, together with other concurrent events, promise to raise Singapore's profile on the global retail stage."

The straw poll, by its very nature, may not be representative of the Singapore population, but does indicate that the remaking of the Orchard Road shopping belt has created some buzz among locals. This timely makeover, together with other concurrent events such as the Formula One night race, recent opening of the Singapore Flyer and opening of the two Integrated Resorts in 2009 and 2010, promise to raise Singapore's profile on the global retail stage while creating a strong local retail identity.

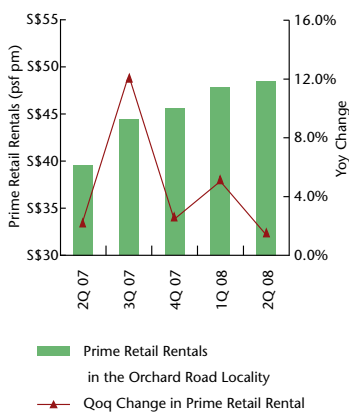
Continued Rise in Prime Retail Rentals

"Prime retail rentals in the Orchard Road locality are expected to maintain their upward trend in 3Q 2008 when tourist figures are likely to reach unprecedented levels, brought about by the inaugural Formula One night race in September 2008."

In the second quarter of 2008, prime retail rentals along the Orchard Road shopping belt inched up by 1.5% quarter-on-quarter (qoq) to reach S\$48.60 per square foot (psf) per month. Prime shop spaces on the ground floor with good frontage that maximises shop visibility are, traditionally, choice locations for established retailers to capitalize on the flow of shoppers. Retailers would also wish to seize the opportunity to develop a strong foothold and introduce new brands into the premier shopping corridor, especially when an influx of shoppers is drawn to this area due to the opening of ION Orchard and Orchard Central early next year. Therefore, prime retail rentals in the Orchard Road locality are expected to maintain their upward trend in 3Q 2008 when tourist figures are likely to reach unprecedented levels, brought about by the inaugural Formula One night race in September 2008.

Elsewhere, malls in suburban locations saw prime retail rentals climb by a marginal 0.6% qoq to achieve S\$29.20 psf per month in 2Q 2008. At the same time, rentals around the city fringe and City Hall/Bugis/Marina vicinity remained largely unchanged.

Chart 3
Prime Retail Rentals in the Orchard Road Locality



Source: Knight Frank Research

"Prime retail rentals in the Orchard Road locality are expected to increase by a further 2% to 5% qoq in 3Q 2008, while islandwide prime retail rentals are projected to appreciate by 10% to 15% for the entire 2008."

Outlook

Stemming from stock market uncertainties, inflation and high energy prices, the resulting pessimism in the economic outlook recently is likely to adversely affect consumer sentiments. However, the retail sector is still anticipated to display some resilience in retail sales and rentals in the second half of 2008. Escalating business costs in the form of higher retail rentals, costs of goods and labour costs could possibly persist in the following few quarters and retailers would have to carefully consider the additional cost to be passed on to consumers.

While giving the occasional discounts to entice shoppers may be effective when used judiciously, retailers should focus more on enhancing sales productivity to cope with the rising business costs. For instance, employing an additional worker should be accompanied by a higher marginal return than the last worker, *ceteris paribus*, to justify the additional labour cost. For retailers who are not expanding in the short run, providing appropriate training for their existing staff and higher quality of customer service may also yield higher sales productivity.

Prime retail rentals in the Orchard Road locality are expected to increase by a further 2% to 5% qoq in 3Q 2008, while islandwide prime retail rentals are projected to appreciate by 10% to 15% for the entire 2008.

Current Rentals of Prime Shopping Centre Space

Locality	Average Prime Monthly Gross Rental ¹ (psf)
Orchard (Central)	S\$48.60
Orchard (Fringe)	S\$23.90
Marina Centre, City Hall, Bugis	S\$30.20
City Fringe	S\$24.10
Suburban	S\$29.20

¹ Based on pre-defined portfolio of properties; Refers to prime shop space of between 400 - 800 sq ft 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

Singapore Office Property Highlights

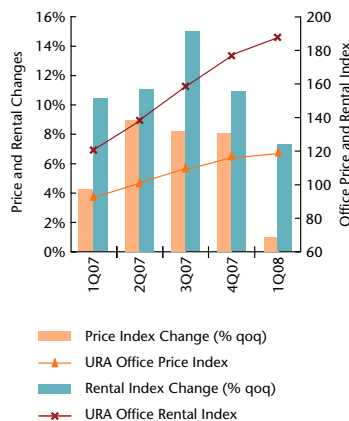
Market Review

"The financial and business services sectors are still expanding robustly by 13.4% quarter-on-quarter (qoq) and 8.3% qoq respectively in 1Q 2008."

The financial and business services sectors are still expanding robustly by 13.4% quarter-on-quarter (qoq) and 8.3% qoq respectively in 1Q 2008. Regardless of abatement in growth figures, both sectors still recorded a larger increase over the 8-year average growth rates. Specifically, performance strengthened by 6.6 percentage points and 4.4 percentage points for the financial and business services sectors respectively.

GDP growth for 2008 based on the Monetary Authority of Singapore's (MAS) poll of economists and analysts for the month of June have been revised to 5.5% year-on-year (yoy), a minor decline from the preceding quarter's figure of 5.6%. Essentially, this figure is still within the Ministry of Trade and Industry's (MTI) range of between 4% and 6% yoy. As the Singapore economy is not expected to experience a recession, the office property market is anticipated to expand gradually.

Chart 1
Prices and Rentals



Source: Urban Redevelopment Authority, Knight Frank Research

The healthy demand for office space in the past 12 months was aided by numerous factors. Singapore's conducive business climate would be a key aspect and a recent study by a French credit insurance firm, Coface's Business Climate @ ratings attest this. It ranked Singapore in the top range when it comes to overall business environment. In addition, on MasterCard's Worldwide Centers of Commerce Index in 2008, Singapore was triumphant when it emerged as the second most influential financial center in Asia, losing the top spot to Tokyo.

Such accolades help to improve investment sentiments and thus assist in generating greater foreign demand from corporations who wish to set up operations in Singapore. For example, it has been reported that more Japanese firms have set up regional headquarters in Singapore over the past two years. Fundamentally, such laudable achievements would ultimately help boost demand for office space.

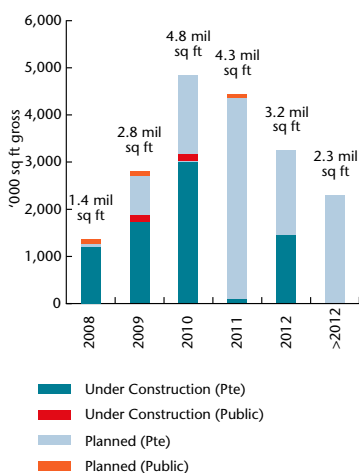
The Demand-Supply Quagmire

In 1Q 2008, the new supply of office space outmatched demand significantly for the first time in the past four years. The corresponding average new supply and demand figures for office space stood at approximately 680,000 square feet (sq ft) and 280,000 sq ft respectively. As a result, the islandwide occupancy level slipped from 92.7% at end-2007 to 92.3% as at 1Q 2008 with the Downtown Core region having the highest occupancy rate of 94.6%. Quarterly figures indicate that occupancy levels have dipped in the entire Central Region, other than the slight improvement in occupancy in the Fringe Area. Offices that had the lowest occupancy rate were those in areas Outside the Central Region, where the occupancy rate stood at about 88%.

The marginal decline in occupancy levels can be attributable to the increase in total islandwide space stock by 1.0% due to the completion of some office blocks such as VisionCrest, located at Penang Road, and The Central, located at Eu Tong Sen Street. The total new office supply, which added about 1.0% to the total stock, was almost 2.4 times the average quarterly office space that entered the market in the previous 10 years.

"The marginal decline in occupancy levels can be attributable to the increase in total islandwide space stock by 1.0%."

Chart 2
**Supply of Office Space
 (Private and Public Sectors)**



Source: Urban Redevelopment Authority,
 Knight Frank Research

"There were a total of six major sale transactions of commercial space in 2Q 2008, slightly higher than the four transactions in the previous quarter."

In 1H 2008, government agencies were still studying supplementary measures to further allay the supply situation when they were asked to re-assess their office space needs in preparation for the possibility of compacting their offices. This followed an earlier decision to move government offices housed in the Central Business District (CBD) to make available space in the city for the private sector. While not physically relocating elsewhere like what the Singapore Land Authority (SLA) or the Economic Development Board (EDB) has done, the Urban Redevelopment Authority (URA) has made a decision to instead re-look at their office space usage to maximize efficiency. Whilst this does not entail a complete vacation of premises, some office space would be available for rental by the private sector.

SLA had also in May 2008 launched for tender the previous site of the Ministry of Home Affairs at Phoenix Park. The site, which has a gross floor area of 143,160 sq ft, has an initial lease of three years, and is another effort by the government to help ease the tight supply situation. While the site may be desirable, a catch is that a sizeable amount of money has to be invested to refurbish the premises before it can be leased out. It seems that there could be an arduous task ahead for the successful bidder especially when others' past experiences include difficulties such as power supply issues, amongst others. Despite such setbacks, there were eventual plus sides to this situation such as offices having their own buildings, front entrances etc, that has intangible benefits to the firm.

Conclusively, such short to medium term actions are propitious moves by the government to alleviate the supply situation, at least until a more substantial inflow arrives between 2009 and 2011.

Investment Sales of Office Developments

There were a total of six major sale transactions of commercial space in 2Q 2008, slightly higher than the four transactions in the previous quarter. What was notable in the office investment sales market was the record price achieved from the sale of 71 Robinson Road. It was sold to Commerzbank for a total sum of about S\$744 million, which worked out to be S\$3,125 psf of net lettable area (NLA). This record price was approximately 7.6% higher than the sale of Hitachi Tower in January 2008. Hitachi Tower, with a current NLA of 279,600 sq ft, was sold to Goldman Sachs for S\$2,901 psf of current NLA.

More recently, City Developments Ltd sold Commerce Point, which has a NLA of 82,160 sq ft, for S\$181 million or about S\$2,200 psf of NLA to Morley Fund Management. This price was lower than its neighbour, One Phillip Street, which was transacted at S\$2,736 psf of NLA in February 2008. Although this lower price may be partly due to the more cautious mood that is starting to emerge in the commercial space market, investors are still seeking actively seeking suitable assets to acquire.

Government Land Sales

The Government Land Sales (GLS) programme for 2H 2008 had a total of four new commercial sites added to the Confirmed and Reserve Lists, potentially adding another 105,830 square metres (sq m) of commercial space that could be developed on the sites that are already available.

Specifically, the two new commercial sites at Mohamed Sultan Road and Mountbatten Road with a site area of 0.6 ha and 1.2 ha respectively would be tendered out on 15-year leases for the development of transitional office space. Since August 2007, the Urban Redevelopment Authority (URA) has already sold five transitional office sites. With the office supply crunch easing in the next two years, the demand for additional transitional office sites may be limited, especially since the office space that could be developed on any new sites that are sold after 3Q 2008 would have to compete indirectly with the 4.8 million sq ft of new office space that would be completed in 2010.

Table 1

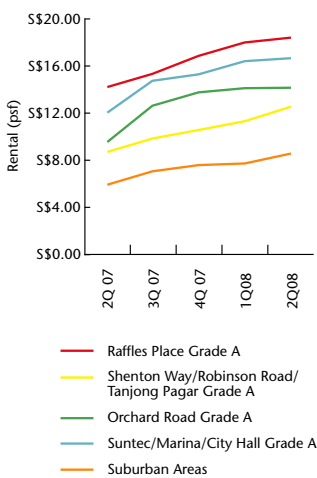
Extract of New Commercial Sites from Government Land Sales Programme for 2H 2008

S/N	Location	Site Area (ha)	Gross Plot Ratio	Est Commercial Space (sq m)	Est Available Date
Confirmed List (Commercial Sites)					
1	Mohamed Sultan Road	0.6	1.5	9,240	August 2008
2	Mountbatten Road	1.20	1.0	12,000	September 2008
3	North Bridge Road / Stamford Road	1.45	3.5	20,750	December 2008
Reserve List (White Site)					
1	Jurong East Street 13	2.17	4.9	63,840	November 2008

Source: Urban Redevelopment Authority, Knight Frank Research

Rentals

Chart 3
Average Office Rentals



Source: Knight Frank Research

Although growth momentum of office rentals has been easing marginally, rentals still persisted on an upward trend in 2Q 2008. For average Grade A and B office rentals in the Raffles Place area, quarterly increases were a smaller 1.5% and 0.9% respectively, a decline of 5 and 9.2 percentage points from the previous quarter. Similarly, offices such as those in the Suntec/Marina/City Hall area as well as the Orchard Road area witnessed curtailment in growth this quarter. Rentals for offices in these areas recorded expansion up to 0.4% qoq.

On the other hand, in 2Q 2008, rental growth of Grade B office space was stronger in the Shenton Way/Robinson Road/Tanjong Pagar areas. Grade A and B office space in this part of the CBD registered an increase of 0.6 and 1.3 percentage points correspondingly. A contributing factor to the relatively more robust expansion of the rentals of Grade B office space in these areas could be the gradual appeal of less costly office space. It should also be noted that despite recording a climb in these areas, these increases in rentals are still smaller than the average rental growth in the past two years for both Grade A and Grade B offices which stands at 13.4% and 12.8% respectively.

On the whole, offices in non-CBD locations also echoed the general slowdown in rental growth this quarter. Other than the Suburban West, which achieved further escalation in rentals by 5.4% qoq, other areas generally saw abatement in rental growth. In particular, it was observed that the rate of rental growth of offices in the Beach Road/Middle Road area dipped by 0.9% qoq.

Generally, despite the office rental market gradually moderating, the rate of rental growth is still expected to be positive with demand still relatively strong.

"For the whole of 2008, average office rentals are expected to expand between 16% and 22% yoy."

Outlook

With global economic uncertainty still lingering in the air, the office property market is gradually experiencing a more cautious mood. As a result, there could be increasing cases of mismatch between landlords' asking rents and tenants' offers.

As the Singapore economy is expected to expand steadily for the rest of the year, the demand for office space is still anticipated to be sufficient to absorb most of the new supply in 2008. Therefore, overall rentals are still expected to increase, but at a more moderate pace. For the whole of 2008, average office rentals are expected to expand between 16% and 22% yoy. In the second half of 2008, about one million sq ft of new office space is expected to be completed. The new supply will steadily increase to about 2.8 million sq ft of office space in 2009. For the rest of 2008, the average occupancy rate would still be the highest in the Downtown Core at about 95%, while the average nationwide occupancy rate would vary between 92% and 93%.

Table 1

Average Effective Monthly Rentals in 2Q 2008

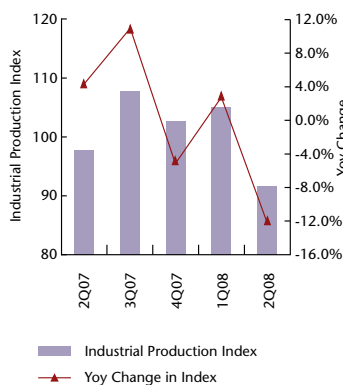
Location	Average Effective Monthly Gross Rental (psf)
CBD (Grade A)	
Raffles Place	S\$17.40 - S\$18.40
Marina Centre / City Hall	S\$15.40 - S\$16.90
Shenton Way / Robinson Road	S\$11.70 - S\$12.70
Orchard Road	S\$13.90 - S\$14.50
Non-CBD	
Beach Road / Middle Road	S\$10.10 - S\$10.90
Suburban (North)	S\$ 8.60 - S\$ 9.50
Suburban (East)	S\$ 6.80 - S\$ 7.30
Suburban (West)	S\$ 7.80 - S\$ 8.30

Source: Knight Frank Research

Singapore Industrial Property Highlights

Overall Performance of Manufacturing Sector

Chart 1
Industrial Production Index



Source: Singapore Department of Statistics

"Manufacturing sector has seen contractions in the months of April and May this year with output falling by 4.9% and 13.3% year-on-year (yoy) respectively. June's output however, experienced a slight rebound when it grew by 2.5% yoy."

The manufacturing sector has seen contractions in the months of April and May this year with output falling by 4.9% and 13.3% year-on-year (yoy) respectively. June's output however, experienced a slight rebound when it grew by 2.5% yoy. The contractions in April and May are mainly attributed to the dismal performance of the biomedical manufacturing cluster, which dipped 23.0% yoy in April and a further 55.4% yoy in May 2008. The significant decreases in biomedical manufacturing cluster are in stark contrast with its robust performance in March 2008 when its output rose to a high of 101.8% yoy. However, such volatility has been inherent to the biomedical cluster as manufacturing facilities are prone to temporary shutdowns when production switches from one drug to another. The electronic cluster also recovered from its poor performance in April when it expanded by 2.6% yoy and 2.7% yoy in May and June respectively. Despite uncertainties in the biomedical cluster, the transport engineering cluster remained as the bright spot in the manufacturing sector, expanding for the fifth consecutive month when it grew by 8.0% in June.

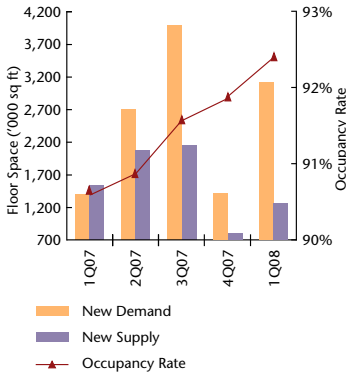
The Singapore Purchasing Managers' Index (PMI) is a forward-looking barometer, not just for the manufacturing sector, but also for the economy as a whole. A PMI reading of 50 or higher generally indicates that the manufacturing industry is expanding. The PMI reading of 49.0 in May is the third consecutive contraction posted by the manufacturing sector and the lowest in six years. For the month of June 2008 however, the PMI saw a welcomed turnaround to register 50.6 points, providing respite in a consecutive six-month contraction. The factory index propelled above negative territory due to higher production output and inventory level as well as increases in stock of finished goods. However, growing concerns over the US economy continue to dominate manufacturers' sentiments, as evident from contractions in overall imports and employment. Slow demand from overseas, especially the US, is likely to remain as the major obstacle to a quick rebound in the manufacturing sector.

Singapore's export contracted as its non-oil domestic exports (NODX) fell by 10.5% yoy in June 2008. The larger than expected decrease represents the steepest monthly drop in more than two years. The decline was mainly attributed to the contracting electronics trade, specifically due to weaker domestic exports of ICs (integrated circuits), parts of PCs (personal computers) and telecommunications equipment. Exports to the US, which is Singapore's single largest export market, fell by 24.0% yoy in June, surpassing the 22.3% yoy drop in May. Fears of a US recession have cast a shadow over the American consumers' and manufacturers' sentiments, which ultimately affected US imports. The non-electronic export sector also dipped by 7.9% yoy in June due to lower domestic exports of pharmaceuticals, disk media products, petrochemicals and civil engineering equipment parts.

The strengthening of the Singapore dollar, which eroded local export competitiveness, has been a major contributory factor for the poor showing. As of end-June, the Singapore dollar has appreciated approximately 5.1% against the US dollar since the start of the year. On the flipside, although domestic exports have become more expensive, the stronger Singapore dollar has helped companies to purchase components and raw materials at cheaper prices abroad. Thus despite the impending US downturn and a stronger Singapore currency, local companies have continued to perform reasonably well.

Islandwide Demand and Supply

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



Source: Urban Redevelopment Authority,
Knight Frank Research

"New demand for factories surged to 3.09 million square feet (sq ft) as compared to the 4Q 2007 figure of 1.36 million sq ft while new supply for 1Q 2008 has similarly rose to 1.26 million sq ft as compared to 0.76 million sq ft in 4Q 2007."

Total new demand for factory space in 1Q 2008 exceeded the quarter's total new supply, indicating that the market is still expanding. The increase in demand for factory space resulted in a 0.6 point increase in the overall nationwide occupancy rate from 4Q 2007 to hit 92.4% in 1Q 2008, the highest in a decade. New demand for factories surged to 3.09 million square feet (sq ft) as compared to the 4Q 2007 figure of 1.36 million sq ft while new supply for 1Q 2008 has similarly rose to 1.26 million sq ft as compared to 0.76 million sq ft in 4Q 2007.

Likewise, total new demand for warehouse space has also been higher than new supply since 2Q 2007. Total new demand for warehouse space in 1Q 2008 amounted to 1.04 million sq ft, which marginally outpaced the new supply of 1.02 million sq ft. Occupancy rate inched forward by 0.1 percentage point from end-2007 to achieve 91.6% in the first quarter. Warehouse, being a function of the logistic sector, is likely to sustain its healthy performance in the following few quarters bolstered by a growing global logistic trade. Singapore, leveraging on her strategic location amid the fast growing markets in Asia Pacific, is poised to capitalize from the burgeoning global logistics market. The economic growth in Asia will serve to propel Singapore's logistics industry in the mid to long term, heightening the demand for warehouse space.

Despite strong demand for business park space, due partly to rising office rentals, occupancy rate for business parks has fallen 1.4 percentage points to 88.0% in 1Q 2008 from 89.4% in the previous quarter. The drop in occupancy rate was brought about by the larger supply of business park space entering the market in 1Q 2008 with the completion of Hansapoint at Changi Business Park and Fusionopolis at Ayer Rejoh. About 700,000 sq ft of new supply was added to the existing stock in 1Q 2008. However, occupancy rates are still strong when compared to the period in 2004 where average occupancy rate hovered around 72.5%. With the office space crunch not expected to subside in 2008, demand for business parks as an alternative office space is not expected to let up in the next 12 months.

Government Land Sales Programme

Under the 1H 2008 Government Land Sales programme, a total of four sites have been released in 2Q 2008. URA released three industrial sites, one from the Confirmed List for sale by tender and two from the Reserve List for application while JTC released one site for application under the Reserve List in 2Q 2008.

The sites released by URA are situated at Woodlands Industrial Park E5, Kallang Pudding Road and Ubi Avenue 4. The only site in the Confirmed List, at Woodlands Industrial Park E5, was launched in May 2008 while the other two sites are up for application under the Reserve List. The 60-year leasehold Woodlands site, which can be developed to a maximum height of 10 storeys, is the largest among the three, with a site area of 180,834.6 sq ft. Both of the land parcels at Kallang Pudding Road and Ubi Avenue 4 are 60-year leasehold sites with site areas of 61,756.8 sq ft and 123,693.4 sq ft respectively. The only site that was released by JTC and open for application under the Reserve List in April 2008 was located at the junction of Yio Chu Kang Road and Ang Mo Kio Avenue 5 and is zoned under Business 1. The 60-year leasehold site has a site area of approximately 869,292.6 sq ft with a plot ratio of 2.5.

Under the industrial land sales programme for 2H 2008, the Ministry of Trade and Industry has placed a single site at Tampines Industrial Ave 4 in the Confirmed List. The 30-year leasehold site, which has a site area of approximately 538,196 sq ft, is scheduled to be open for tender in November this year. This site is likely to be for wafer fabrication and/or related activities to form part of Jurong Town Corporation's (JTC) Tampines Wafer Fab Park. In the Reserve List, a new site at Pioneer Road North / Soon Lee Road was included in the list. The newly included site, to be open for application in October this year, has a land area of 204,514 sq ft and a maximum gross floor area (GFA) of 409,028.6 sq ft. The remaining six sites in the 2H 2008 Reserve List were carried over from the first half of the year, including Kallang Pudding Road and Ubi Avenue 4, which is now open for application to be tendered for sale.

"REITs acquisition activities were quiet in 2Q 2008, with the majority of the industrial REITs merely completing the acquisition process for buildings they had already purchased earlier."

Industrial REIT Acquisition Activity

REITs acquisition activities were quiet in 2Q 2008, with the majority of the industrial REITs merely completing the acquisition process for buildings they had already purchased earlier. These include the industrial properties at 76 Pioneer Road and 3A Jalan Terusan, of which Mapletree Logistics Trust Management Ltd (MapletreeLog) completed the acquisitions in April and May 2008 respectively. During the month of May, Ascendas REIT (A-REIT) also completed the purchase of the property at 8 Loyang Way 1 for S\$25.0 million.

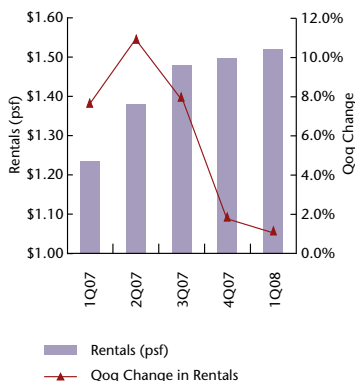
Industrial Rentals and Capital Values

Uncertainties in the US market have tapered the increase of average islandwide industrial rentals in 2Q 2008 to 2.3% quarter-on-quarter (qoq) from the 5.7% increase in the previous quarter. In 2Q 2008, the achievable monthly rental rates of upper floor industrial space in the Kaki Bukit and Admiralty areas remained unchanged from the previous quarter at S\$1.50 per square foot (psf) and S\$1.20 psf respectively. Average industrial rentals in the MacPherson/Paya Lebar locality grew by a marginal 3.1% qoq to reach S\$2.00 psf per month.

In line with the rentals, capital value remained stable in 2Q 2008. Capital values in the Admiralty locality appreciated by 2.1% qoq to a range of between S\$125 psf and S\$285 psf while no significant changes were observed for capital values within the MacPherson/Paya Lebar and Kaki Bukit vicinity.

Stronger growth was experienced in the high-tech industrial space and business park segments where average rentals continued to soar upwards in 2Q 2008. Rentals for high-tech space grew 3.2% qoq to achieve S\$4.15 psf per month, while rentals for business park space accelerated a robust 12.7% qoq to hit an unprecedented S\$4.55 per per month. Demand for business park space has been particularly strong in the past few quarters driven by a supply shortage of office space and soaring office rentals, which led several firms to shift their back-end operations to business parks.

Chart 3
Factory Space Rentals



Source: Knight Frank Research

"Uncertainties in the US market have tapered the increase of average islandwide industrial rentals in 2Q 2008 to 2.3% quarter-on-quarter (qoq) from the 5.7% increase in the previous quarter."

Table 1

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

Locality	Average Monthly Gross Rental (psf)	Average Capital Value (psf)
Conventional Industrial Space		
MacPherson/Paya Lebar	S\$1.85 - S\$2.20	S\$195 - S\$340
Kaki Bukit	S\$1.35 - S\$1.70	S\$130 - S\$350 (60-year leasehold)
Admiralty	S\$1.10 - S\$1.35	S\$120 - S\$280 (60-year leasehold)
High-tech Factory Space		
Islandwide	S\$3.90 - S\$4.40	NA
Business Park Space		
Islandwide	S\$4.25 - S\$4.85	NA

Source: Knight Frank Research

"In view of the demand and supply dynamics, average rentals of industrial space are anticipated to increase by a healthy 6% to 12% yoy for the entire 2008."

Outlook

The growth in demand for industrial space for the rest of 2008 could be segmented with business parks enjoying stronger demand than other types of industrial space, evident by the strong interest shown in Changi Business Park and International Business Park. Average nationwide factory occupancy rate is expected to vary between 92.0% and 93.0% for 3Q 2008. In addition, demand for warehouses is also likely to remain resilient as global logistics maintain its drive forward, resulting in average occupancy rates of 91.0% to 92.0%, which is an improvement over the 89.0% seen in 1H 2007. In view of the demand and supply dynamics, average rentals of industrial space are anticipated to increase by a healthy 6% to 12% yoy for the entire 2008.

Singapore Investment Sales Property Highlights Review of 1H 2008

Overview

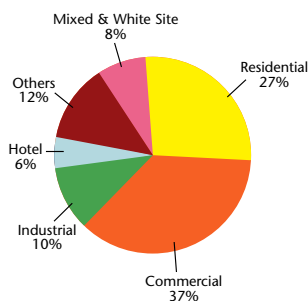
"During the first half of 2008 (1H 2008), while commercial investment sales market remained rather dynamic with a significant number of transactions of office buildings, the collective sale market turned quiet. Total investment sales value achieved in 1H 2008 was about S\$10.7 billion, which reflected a 49% decrease from the same period last year."

Year 2007 had been a fruitful year for the investment sales market in Singapore with total investment sales escalating to nearly S\$40 billion and vigorous growth in the collective sale market. However, during the first half of 2008 (1H 2008), while the commercial investment sale market remained rather dynamic with a significant number of transactions of office buildings, the collective sale market turned quiet with only three completed transactions recorded. Total investment sales value achieved in 1H 2008 was about S\$10.7 billion, which reflected a 49% decrease from the same period last year. Among all sectors, commercial property transactions made up the biggest portion, accounting for 37% of the total investment sales value in 1H 2008.

Government Land Sales

In 1H 2008, the current cautious mood and slow sale activity in the residential market in particular have made the public land sales less flamboyant. In terms of value, in 1H 2008, public land sales value, which comprises sales of sites under the Government Land Sales (GLS) Programme, Design Build and Sell Scheme (DBSS) and land parcels at Sentosa Cove, amounted to about S\$4.6 billion and accounted for 43% of total investment sales value. This amount is estimated to be 47% lower than the record value of S\$8.7 billion achieved in 2H 2007.

Chart 1
Types of Investment Sales
in 1H 2008



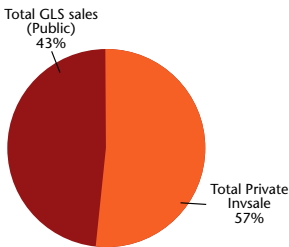
Source: Knight Frank Research

"In the residential segment, the plummeted sale volume in the primary market has diminished developers' appetite for development sites."

Among all sectors, there has been a huge drop in the sales value of public land sales for Hotel, Commercial and Mixed-use & White site. As illustrated in Chart 3, the sales value of Commercial public land sales dropped from a hefty S\$2.4 billion in 2H 2007 to a modest S\$96.7 million in 1H 2008. This might be explained by the fact that developers participated less actively in the tenders and the GLS Programme for 1H 2008 did not offer such strategic sites like those at Beach Road or Anson Road as in the GLS Programme of 2H 2007. Evidently, many tenders attracted either lower bidding prices or even no bid from developers. For example, one transition office site at Aljunied Road/Geylang East Avenue 1 was not awarded by the Urban Redevelopment Authority (URA) in January 2008 as the price offered was deemed to be too low by the government. Another example was a hotel site at Race Course Road/Bukit Timah Road, which received no bid when its tender closed in May 2008.

In the residential segment, the plummeted sale volume in the primary market has diminished developers' appetite for development sites. As in 1H 2008, developers sold about 2,300 new homes, which was nearly half of the 4,900 new units sold in 2H 2007. In addition, rising construction costs has also pushed developers to bid on the low side for several residential land parcels. The pressure to squeeze land prices is greater in the mass-market segment because the profit margin in this segment tends to be relatively lower. Two residential sites located at Westwood Avenue and Choa Chu Kang Road/Woodlands Road were not sold by the Government in March and April 2008 because the authorities viewed that the bids were too low. Two bids were received for each of the sites.

Chart 2
Source of Investment Sales
in 1H 2008

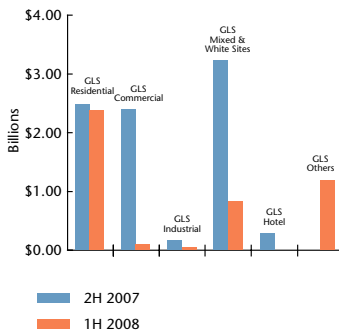


Source: Knight Frank Research

On the bright side, choice sites in good locations or sites that offer excellent views would still attract developers. In March 2008, a residential site at West Coast Crescent attracted 12 bids and was sold to Cheung Kong Holdings for S\$110.4 million (S\$ 305 per square foot per plot ratio). The high level of interest for the site at West Coast Crescent is likely because of its close proximity to foreign schools and future condominium on this site could offer a good view of Clementi Park, West Coast Park and the sea. A white site at Serangoon Central was bought by Pramerica Real Estate Investors in March for a bullish price of S\$800,900,000 (S\$850 psf ppr). The subject site has a strong potential to become a regional retail mall, as it serves a population catchment of about 1.3 million people within a 5-km radius and is served by the existing Northeast Line, future Circle Line and a new bus interchange. Last but not least, a hospital site at Novena Terrace/Irrawaddy Road was bought at S\$1.25 billion (S\$1,600 psf ppr) by Parkway Holdings. This aggressive bid is more than double the second-highest bid of S\$541 million from Napier Medical. The proposed hospital on this site would serve the expansion strategy of Parkway Holdings.

Stagnant Collective Sale Market

Chart 3
Value of Public Land Sales

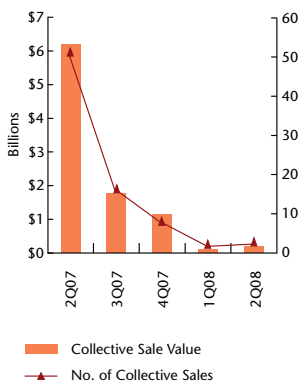


Source: Urban Redevelopment Authority, Knight Frank Research

The collective sale market showed signs of cooling down since the second half of 2007. In terms of sales value, the total value achieved in 2H 2007 was S\$2.86 billion, which was a drop of 70% as compared to the figure recorded in 1H 2007. The deceleration continued more drastically into 1H 2008, painting a gloomy picture of the collective sale market. Total transacted value in the collective sale market had dropped drastically, owing to slow developers' sales, negative impact from the US sub-prime crisis and the sluggish stock market. During the first half of 2008, there were only three collective sale deals completed, fetching a total value of only S\$86 million.

The stagnant collective sale market saw changes in action plans from both developers and owners. Currently, most developers are pursuing a "wait-and-see" strategy in the collective sale market as they have already accumulated a sufficient land bank over the past two years. Specifically, developers like Koh Brothers and GuocoLand who bought collective sale sites are now leasing out the units to existing occupants instead of tearing down the building. This will help generate some rental income to the developers while they are waiting for a pick-up in sales activity in the market. On the other hand, the credit crunch in the financial market could limit the credit available to some developers, as banks are concerned about the impact of the sluggish home sale market on the financial health of certain developers. As a result, some developers like Bravo Building Construction had to ask for extension of deadlines to complete the transactions and finally bailed out on three collective sale deals, namely Tulip Garden, Makeway View and Pender Court. The biggest of the three deals was the S\$516-million purchase of Tulip Garden, for which Bravo Building Construction had to forfeit its S\$25.8 million deposit.

Chart 4
Downtrend in Collective Sale Market (S\$)



Source: Knight Frank Research

On the owners' side, in an effort to attract bidders, many condominium developments like Landmark Tower, Cavenagh Gardens, Seletar Garden, Pinetree Condominium and Royalville have been put up again in the collective sale market at lower asking prices. The decrease in the asking prices is in the range of 10% to 30% as compared to the previous ones in 2007. For example, Cavenagh Gardens, a freehold condominium located near Orchard, is launched again at an asking price of about S\$450 to S\$455 million or S\$1,671 to S\$1,689 psf ppr in June 2008, which is around 27% lower than the expected price of S\$619 million (S\$2,308 psf ppr) last October. However, the response from developers and investors is likely to be lukewarm in this current market conditions.

The year 2007 saw a major trend of foreign funds pursuing bulk purchases of residential units in Singapore. However, in March 2008, Kuwait Finance House was reported to allow the purchase option of 97 condominium units at Goodwood Residences to lapse. This Kuwaiti investment fund had previously sought to buy these units from GuocoLand at S\$818.4 million (around S\$3,200 psf) in December 2007.

"Total commercial investment sales value achieved in 1H 2008 was S\$3.97 billion, which reflected a slight increase of 6.9% and 1.2% over 2H 2007 and 1H 2007 respectively."

Private Commercial Investment Sales still Active

Amid the underlying healthy demand for commercial space and increasing rental rates, the commercial investment sale market remained rather dynamic in 1H 2008. Total commercial investment sales value achieved in 1H 2008 was S\$3.97 billion, which reflected a slight decrease of 6.9% and 1.2% over 2H 2007 and 1H 2007 respectively.

In 1H 2008, new benchmark prices have been set in the office property market. Specifically, in January 2008, Hitachi Tower, a 37-storey office building, was sold to a Goldman Sachs's fund for S\$811 million (S\$2,900 psf of NLA). At the end of April 2008, another new record price was set in the sales transaction of 71 Robinson Road to Germany's CommerzReal for S\$743.8 million (S\$3,125 psf of NLA), which is 7.8% higher than the Hitachi Tower transaction.

The commercial property market does not show signs of cooling down as it has been actively supported by property funds seeking acquisitions or divesting properties. During the early stage of this market upswing (from 2005 to 2006), there was a growing number of property funds acquiring office properties. From end-2005 to mid-2008, capital values of office space in Singapore had escalated by 58%. As the office property market is expected to reach its peak soon and opportunistic funds seeking to acquire properties with a high risk/high return profile, 1H 2008 appeared to be a good time for the funds to divest properties that were acquired from 2005 to 2006 in order to achieve handsome capital gains. As in the case of 71 Robinson Road, Lehman Brothers and Kajima Overseas Asia bought the property (formerly known as Crosby House) in 2006 at S\$163.4 million and spent about S\$450 million for redevelopment. The sale to CommerzReal reflected a hefty capital gain for the sellers.

As for properties that were acquired in 2007, the investors should look for returns from mostly stable rental income rather than short-term capital gains in these investment deals, as further compression of yield would not be attractive to investors.

"In the industrial sector, REIT-related acquisitions still contributed to the bulk of total industrial sales volume."

In the industrial sector, REIT-related acquisitions still contributed to the bulk of total industrial sales volume. In 1H 2008, the total sales volume of industrial properties was S\$977 million, which registered a 45% increase as compared to the second half of 2007. While Real Estate Investment Trusts (REIT) listed in Singapore like Ascendas REIT, Mapletree Logistic Trust and Cambridge Industrial Trust were still the most active purchasers, it is noticeable that the industrial investment sales market now attracted more foreign investment funds. For example, SEB Asset Management purchased a hi-tech industrial building in Ubi Avenue for S\$200 million in June 2008, which is the second largest transaction up to date. More property funds are keeping an eye on logistics and warehouse properties as those assets can bring good yield.

Government Land Sales Programme 2H 2008

The Government Land Sales for the first half of 2008 introduced 37 sites, of which 26 sites are under the Reserve List. Up to June 2008, only five sites on the Confirmed List have been sold while none of the 26 sites on the Reserve List has been put up for tender. In view of a subdued property market and poor demand for development sites, the Ministry of National Development (MND) released fewer sites for sale in the Government Land Sales Programme for 2H 2008 in June 2008.

Overall, the Government Land Sales (GLS) Programme for 2H 2008 introduced 40 sites in various sectors like residential, hotel, commercial, hotel and white site. It is noticeable that the majority of the sites (32 out of 40) were put under the Reserve List. In the mean time, the Industrial GLS Programme for 2H 2008, which is managed by the Ministry of Trade and Industry, also put more sites on the Reserve List.

"Majority of the potential residential land supply in 2H 2008 has been shifted to the Reserve List."

Majority of the potential residential land supply in 2H 2008 has been shifted to the Reserve List. Of the 17 residential sites on the new Reserve List, we expect less than one-third of these sites to be triggered for sale. The decrease in more immediate potential supply hints at the more prudent stance taken by the Government especially in light of the current cautious market environment. On the other hand, more sites being put into the Reserve List helps to ensure and maintain the flexibility in the GLS Programme in the event that the market picks up in the later part of 2008.

Also in the GLS Programme for 2H 2008, only one hotel site, which is located at Bukit Chermin Road, is placed under the Confirmed List while another 10 hotel sites were placed in the Reserve List. The total potential supply of hotel rooms from these development sites, including those from commercial and white sites, is similar to that of the GLS Programme for 1H 2008. A total of about 5,750 hotel rooms from the Confirmed and Reserve List can potentially be developed from the land parcels.

Table 1

Summary of sites introduced in the GLS Programme for 2H 2008

Sector	Confirmed List	Reserve List	Total
Residential	4	17	21
Commercial	3	3	6
Hotel	1	10	11
White site	Nil	2	2
Industrial	1	17	8

Source: MND, MTI, Knight Frank Consultancy & Research

"The residential collective sale market is likely to remain quiet in 2H 2008."

Looking forward, the recovery in the collective sale market will very much depend on market sentiments and new sales activity, especially in the high-end residential market. Should the US economy recover in 2009, positive sentiments could return subsequently with resultant recovery for the residential market. However, the residential collective sale market is likely to remain quiet in 2H 2008.

"The commercial investment market is expected to remain stable in the second half of 2008 but gradually slow in 2009."

The commercial investment market is expected to remain stable in the second half of 2008 but will gradually slow in 2009. The key obstacle will still be the mismatch in price expectations between sellers and buyers.

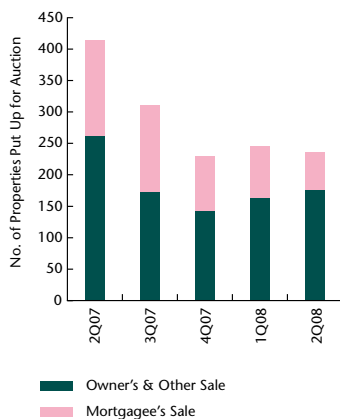
We believe that the industrial investment sale market will be resilient in the second half of the year. Given the spillover demand from the tight office space supply and high office rents in the Central Business District (CBD), business park space and hi-tech industrial space will still enjoy investors' support. As these investments in business park and warehouse space require much less capital outlay as compared to office buildings in the CBD and can also bring rather attractive yields to investors, they will be relatively more popular with property funds.

Singapore Auction Property Highlights

Auction Market Performance – 1H 2008

"The number of properties put up for auction continued its downward trend in the first half of 2008."

Chart 1
Number of Properties Put Up Under Owners and Mortgagee's Sale Since 2Q 2007



Source: Knight Frank Auction/
Knight Frank Research

"Total value of properties sold nose-dived by 71.9% from the S\$137.2 million in 2H 2007 to a mere S\$38.6 million in 1H 2008."

Fewer Properties Put Up for Auction

The number of properties put up for auction continued its downward trend in the first half of 2008. A total of 476 properties were put up for auction by the five property auction houses, a decrease of 12.0% compared to 2H 2007. Since 1H 2005, the number of properties put up for sale has decreased steadily from a high of 1,268 to the current 476 properties for sale. This phenomenon was largely attributable to significant reductions in properties put up under mortgagee's sale as banks see fewer mortgage defaults and foreclosures due to a fast recovering economy in 2005. The property market maintained form till 2H 2007, when unforeseen factors such as the US sub-prime crisis negatively affected investment sentiments.

However, even as the property bull-run comes to an abrupt end, counts on properties put up under mortgagee's sale remained low in 1H 2008. Out of the 476 properties put up for sale, 30.3% of the properties put up were mortgagee's sales, compared to a higher proportion of 40.9% in 2H 2007. On the flipside, more property owners are increasingly adopting auction as an alternative method of disposing their property. Proportion of properties put up under owner's sales and other sales have increased from a marginal 12.2% in 1H 2005 to 59.1% in 2H 2007. In 1H 2008, this proportion hit a high point of 69.7%, partly because the slow sales activities in the overall property market is pushing some owners to use auction as an alternative to private treaty sale by owners.

More Office Properties Put Up for Auction

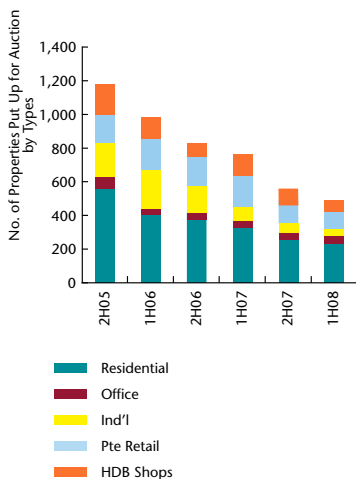
Residential property continued to make up the largest group put up for auction at 47.5%, followed by privately owned retail property, which constitutes 19.5% of all auction properties. It was observed that more owners were putting up strata-titled office properties for auction. The proportion of office properties put up for auction rose from 4.1% in 2H 2006 to the current 11.1% in 1H 2008. While the residential property market had lost its buzz in the past few quarters, office properties that are achieving high rental yields due to the strong demand, are still expected to attract investors. Owners of these strata-titled offices are therefore selling their properties via auction in an attempt to capitalize on the current healthy office market. Strata-titled office properties, such as those within the Golden Mile Complex, Peninsula Plaza and International Plaza are highly sought after in the auction market in 1H 2008.

Drop in Total Value of Properties Sold

Reflecting the lower auction sales figures in 1H 2008, the total value of properties sold nose-dived by 71.9% from the S\$137.2 million in 2H 2007 to a mere S\$38.6 million in 1H 2008. Compared to 2H 2007, the total value of properties sold in the residential and office sector experienced the greatest dip, decreasing by 83.4% and 95.8% respectively. This is primarily due to the high reserve prices set by the sellers, especially the strata-titled office property owners. However, the potential buyers have factored in a discount to the asking prices due to the risks associated with a possible market correction. Therefore, this mismatch in expectations led to the falling number and total value of properties sold in auctions.

Sharp Declines in Most Sectors

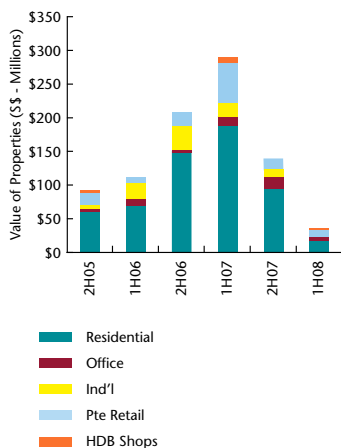
Chart 2
Types of Properties Put Up for Auction



Source: Knight Frank Auction / Knight Frank Research

"Total properties sold at auctions decreased by 47.9% from 2H 2007 to record an unremarkable 38 properties sold."

Chart 3
Total Value of Properties Sold



Source: Knight Frank Auction / Knight Frank Research

Beset by the growing market uncertainty, the auction market in 1H 2008 has at best, performed under par. Total properties sold at auctions decreased by 47.9% from 2H 2007 to record an unremarkable 38 properties sold. All real estate sectors registered a decline in the number of properties sold and also correspondingly, lower sales figures.

The residential sector managed a dismal ten properties sold, compared to the previous 33 properties sold in 2H 2007 and 81 properties sold in 1H 2007. Residential property in District 15 and 16 were more popular with five properties sold between the two districts. A freehold detached bungalow of more than 5,000 square feet (sq ft) located at Lorong Abu Talib in District 15 was sold for S\$4.4 million while another terrace house at Onan Road was sold for S\$1.5 million. Others sold in the vicinity was a 1,604 sq ft apartment at Kings Mansion and a 1,216 sq ft unit at Changi Green. They were sold for S\$1.59 million and S\$690,000 respectively.

Despite an increase in the number of office properties put up for sale, only one strata-titled office put up was sold, a decline of 85.7% compared to 2H 2007 when seven office properties were sold. The strata-titled office, 925 sq ft in size, located in Golden Mile Complex along Beach Road, has a remaining lease of approximately 60 years and was put up by the Inland Revenue Authority of Singapore (IRAS), in settlement of outstanding property taxes. The property was eventually sold for S\$630,000 or S\$681 psf.

An auction on behalf of Singapore Land Authority was also conducted for the tenancy of a 8-storey building at No. 11 Penang Lane. The tenancy attracted more than 10 bidders and was eventually awarded at the highest bid of S\$270,000 per month, almost S\$200,000 above its opening bid of S\$76,000.

The industrial sector performance was also fairly poor with eight properties sold in 1H 2008, a 42.9% fall in terms of properties sold compared to 2H 2007. Factories sold included a 30-year leasehold JTC ramp up factory at Woodlands East Industrial Estate and a strata-titled factory at Innovation Place at Mandai Estate. Both were offered for sale by their owners. Mortgagee's sale by the banks included one 60-year leasehold 47,037 sq ft JTC factory at Sungei Kadut. It attracted vigorous bidding and was eventually sold for S\$820,000, way above its opening bid of S\$250,000. Another foreclosed property at Ubi Techpark with a balance lease of 49 years was sold at S\$410,000.

While the retail market recorded healthy performances, the retail sector in the auction market however, failed to reflect such optimism. Total sales figure from the sale of 11 private retail properties decreased by 35.3% to reach S\$10.8 million in 1H 2008. HDB retail shops and shophouses on the other hand, were the best performers in 1H 2008, chalking up eight properties sold. Sales figure totaled S\$6.5 million and was almost triple the value achieved in 2H 2007. Six of the sales were mortgagee's sales and were snapped up by buyers in search of shophouses with good value, strong retail performance and attractive location. The HDB shops sold were located in housing estates such as Bukit Merah Central and Holland Close while shophouses successfully transacted were located at Tras Street and Jalan Besar.

"In the absence of any major shocks to the domestic market, buyers' who are searching for undervalued properties such as those foreclosed by banks, may be disappointed in 2008."

Outlook

The Singapore property market is currently in a transition period, where price growth has slowed down, but it has not started to suffer widespread decline yet. Therefore, there is a widening mismatch between the owners' reserved price and buyers' ceiling price, which is the maximum price that the buyer is willing to pay. This impasse is likely to persist for the next six months unless a major event is to jolt the market. Although the US financial crisis has decelerated the local rising property prices, real estate owners are still reluctant to lower their reserved prices, as they hold out for a possible recovery in the domestic property market. On the other hand, potential buyers have concurrently adjusted their ceiling price downwards to reflect the apparent risks in the property market. This price mismatch would inevitably result in low success rates during the auctions in the coming six months.

However, in the absence of any major shocks to the domestic market, buyers' who are searching for undervalued properties such as those foreclosed by banks, may be disappointed in 2008. As the Singapore economy is unlikely to slip into a recession this year and widespread mortgage defaults are not expected, in the short term, property auctions would not be dominated by mortgagees' sales. However, real estate prices, especially those of properties that were subjected to repeated auctions, may still eventually fall resulting from the lack of demand but the gradient of decline is likely to be gentle in 2008.

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