



APR-JUN 2010/2ND QUARTER
REAL ESTATE
HIGHLIGHTS

Knight Frank

HIGHLIGHTS

- Prices of private residential properties rose 5.2% qoq in 2Q 2010, with private homes in Outside Central Region reaching a record high. Similarly, prices of HDB resale flats reached a record high and achieved a 3.8% qoq increase.
- Office rentals achieved a general 3% to 4% qoq increase across the island, with rents of Grade A office space in Raffles Place increasing by 3.3% qoq in 2Q 2010.
- Prime rentals remained similar to 1Q 2010, reflecting a marginal 0.3% qoq average increase.
- Rents of conventional industrial space improved by 3.3% qoq in 2Q 2010, while rents of high-tech space and business increased by 1.6% and 1.4% qoq respectively in 2Q 2010.
- Investment sales totalled \$7.15 billion in 1H 2010, a 44% increase from 2H 2009 and 24% increase from the entire year of 2009.
- 345 properties were put up for auction in 1H2010, reflecting a decrease of 11% compared to 2H 2009. The success rate dropped from 17% in 2H2009 to 13% in 1H 2010.

RESIDENTIAL PROPERTY MARKET

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Private Residential Sector

Developer Sales Slowed in May and June 2010

Although a total of 4,132 units were launched in 2Q 2010, similar to 4,375 units launched in 1Q 2010, developer launch and sales activity which peaked in April slowed in May and June 2010. A total of 2,084 units were launched in April but the number of units launched in May moderated to 1,134 units. The number of private residential units launched in the month of June 2010 continued to slow. It totalled 1,010 units, reflecting 11% m-o-m slowdown from 1,134 units launched in May.

The developer sales market is seen to have slowed in 2Q 2010, especially in May and June 2010. However, the slowdown could be partially due to the craze for World Cup 2010, where potential buyers were drawn away from visiting showflats. Meanwhile, developers were also in no hurry to launch projects, after releasing a number of projects

in the earlier part of 2010. The slowdown is also reflective of a cautious yet optimistic launch and developer sale environment, in view of the uncertainty in the Euro-zone.

Nevertheless, 4,132 units were sold in the primary market in 2Q 2010, reflecting 98% take-up. The majority, or 43% (1,770 units), of units were sold in the RCR in 2Q 2010. This was followed by the OCR, where 1,648 units were sold in 2Q 2010. CCR accounted for only 17% of the units sold in 2Q 2010.

The highest-priced non-landed residential unit sold in the primary market in 2Q 2010 was The Orchard Residences, sold for \$4,207 psf in April. The lowest-priced non-landed residential unit for 2Q 2010 was sold in June was Cerelia Vista, for \$423 psf.

Sustained Foreign Homebuying Interest

The number of foreign homebuyers for private residential properties decreased qoq by 28.4% in 2Q 2010. The decrease was in line with an overall slowdown in the sales activity of private residential properties. However, the share of foreign homebuyers maintained in the range of 20 to 25%, i.e. at 23% of all private residential home transactions in 2Q 2010.

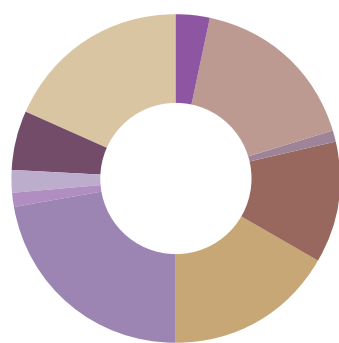
Malaysians continued to account for the largest share of transactions by foreigners in 2Q 2010, with 369 transactions. Malaysians maintained the 22% of overall home purchases by foreigners in 2Q 2010. Meanwhile, Indonesians accounted for the



next largest share, of 16.6% share of home purchases by foreigners. This was similar to the 17% which Indonesian buyers accounted for in 1Q 2010.

Waterbank at Dakota (59 purchases by foreigners), Treehouse (38 purchases by foreigners) and The Interlace (12 purchases by foreigners) emerged as top-selling non-landed developer projects among foreign buyers in 2Q 2010. Marina Bay Residences (11 purchases by foreigners), The Parc Condominium (11 purchases by foreigners) and Sky @ Eleven (10 purchases by foreigners), are top-selling non-landed sub-sale projects in 2Q 2010. Meanwhile, Costa Del Sol (17 purchases by foreigners), Melville Park (16 purchases by foreigners) and Citylights (15 purchases by foreigners), are resale developments most favoured by foreigners in 2Q 2010.

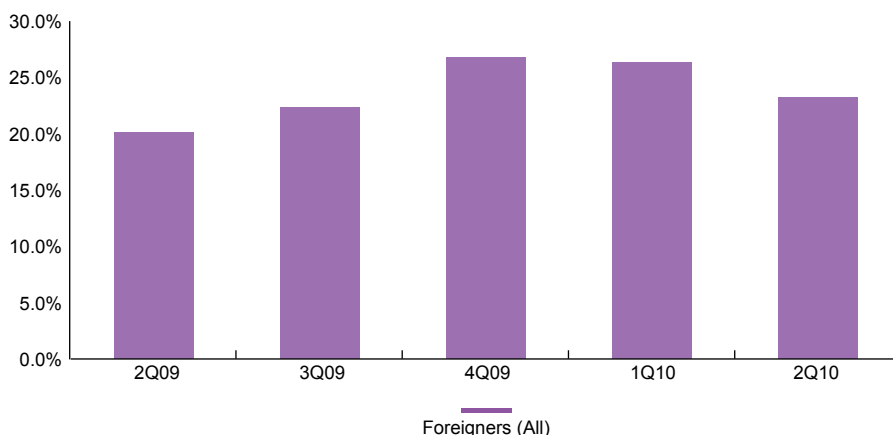
Chart 1
Proportion of Foreign Homebuyers as at 2Q 2010



Australia	3.5%
China	16.9%
Hong Kong	1.0%
India	12.0%
Indonesia	16.6%
Malaysia	22.3%
Taiwan	1.3%
USA	2.3%
United Kingdom	5.7%
Others	18.3%

Source: Urban Redevelopment Authority, Knight Frank Research

Chart 2
Chart Percentage of Transactions by Foreigners as at 2Q 2010



Source: Urban Redevelopment Authority, Knight Frank Research

Slowdown in Pace of Price Increase

According to the flash estimates of URA, prices of private residential properties rose from 175.0 points in the 1Q 2010 to 184.1 points in the 2Q 2010, reflecting 5.2% qoq increase. The 5.2% qoq increase in 2Q 2010 was similar to a 5.6% qoq increase in 1Q 2010.

Flash estimates also showed that prices of non-landed private residential properties increased qoq by 5.1% in Core Central Region (CCR) and 4.5% in Rest of Central Region (RCR). The qoq price increase of non-landed residential properties in Outside Central Region (OCR) was the most significant, of 5.7%. This reversed the trend in 1Q 2010 where prices of non-landed residential properties in OCR staged the lowest qoq increase, of 4.3%.

Going by Knight Frank's data, average prices of private non-landed resale homes increased in 2Q 2010 but the pace of price

increase moderated. Prices of high-end resale residential properties, represented by luxury homes and freehold residential properties in the prime districts 9, 10 and 11, increased by 5.1% qoq. The price increase for high-end residential properties slowed from an average 7% qoq increase in 1Q 2010. Meanwhile, prices of mass-market private residential properties increased by 4.5% qoq in 2Q 2010. Prices of mass-market residential properties increased more than the previous quarter, partly supported by HDB upgraders who may capitalize on the rising HDB prices and current low interest rates as well as the optimistic bids and some record prices received residential land sold through Government Land Sales in the quarter. Prices of homes in the mid-end segment, such as East Coast, has also increased in tandem rising by 3.6% qoq in 2Q 2010.

APR-JUN 2010/2ND QUARTER REAL ESTATE HIGHLIGHTS

Continued Rental Recovery

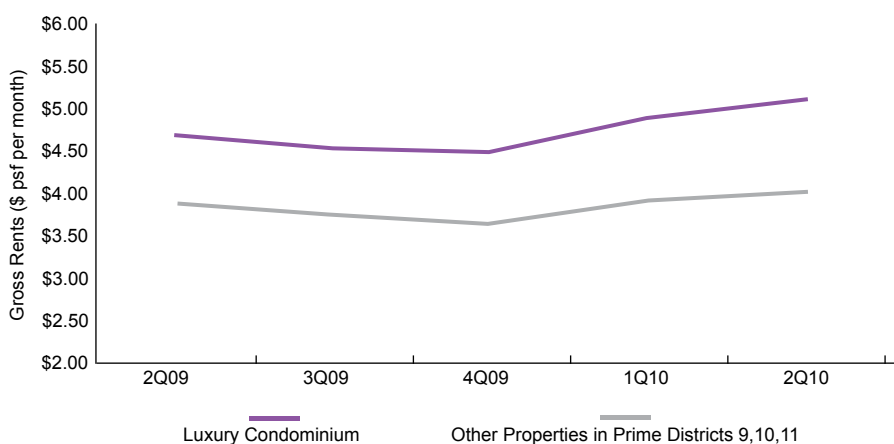
The leasing market, which has been laggard in 2009 compared to the residential sales, saw encouraging improvement in 2010. Rents of all non-landed private residential properties continue to recover in 2Q 2010,

following the first turnaround in 1Q 2010. Rents of luxury residential properties increased by 5.2 % qoq, a moderation compared to 7.8% qoq increase in 1Q 2010. Rents of high-end non-landed residential properties, comprising luxury condominiums and all residential properties in the prime districts 9, 10 and 11, increased qoq by

4.6%, while that of mid-end non-landed residential properties improved qoq by 5.4% in 2Q 2010. Rents of mass-market non-landed residential properties improved by 4.6% qoq in 2Q 2010.

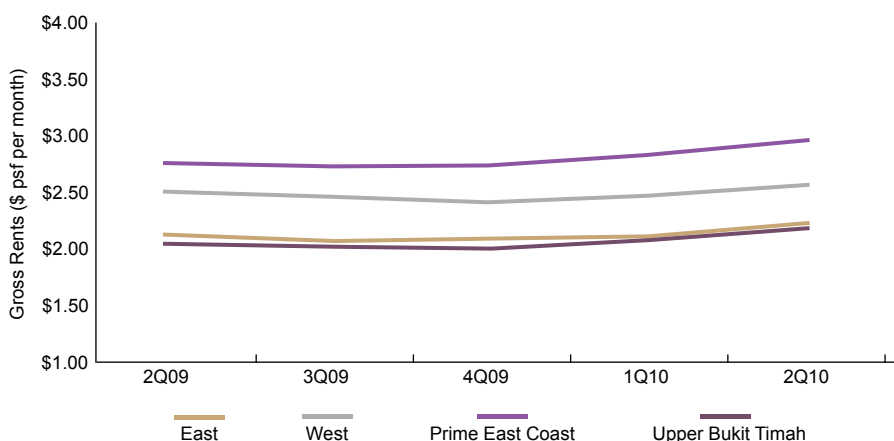
Compared to half a year ago, rents of high-end residential properties are 11.7% higher in 1H 2010, while rents of mid-end residential properties in 1H 2010 are 9.3% higher than that in end 2009. Rents of mass-market residential properties have increased by 4.6% over the half year in 1H 2010. However, rents in 1H 2010 are still lower than that in 2Q 2008 by some 15.9% for high-end residential properties, 21.1% for mid-end residential properties and 12.9% for suburban condominiums.

Chart 3
Monthly Gross Rents of Non-landed Residential Properties in Prime Districts



Source: Knight Frank Research

Chart 4
Monthly Gross Rents of Non-landed Residential Properties Outside Prime Districts



Source: Knight Frank Research

Public Housing Sector

Resale Flats Achieved Record High Prices

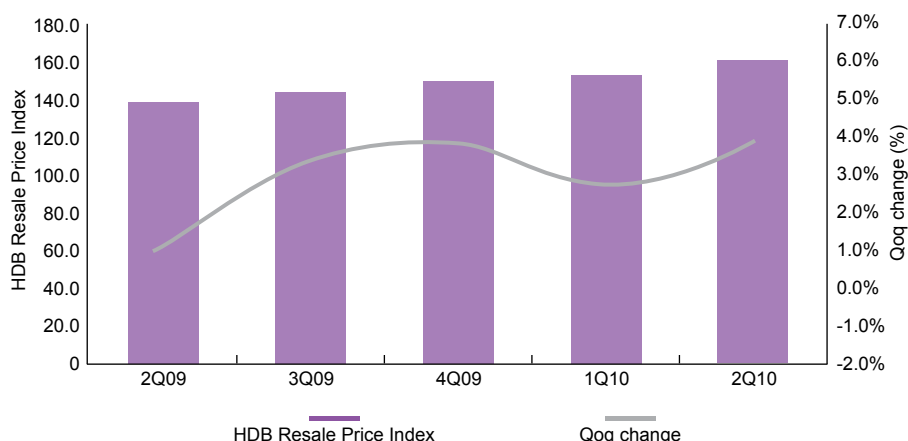
Prices of HDB resale flats in 2Q 2010 continued to breach record high in 1Q 2010. According to HDB's flash estimates, prices of HDB resale flats increased by 3.8% qoq and was 14.8% higher compared to the same period a year ago.

The price increase was notably higher than the 2.8% qoq increase in 1Q 2010, reflecting continued strong interest for resale flats in 2Q 2010. The rise was in tandem with a sustained economic recovery and the attractiveness of resale flats as dwellings which offer almost immediate occupation compared to cheaper flats offered under the Build-to-order (BTO) scheme but requires at least two years to be constructed.

To address increased demand for public housing, HDB has offered several BTO projects in 1H 2010, with three most recent



Chart 5
HDB Resale Price Index



* Flash estimates

Source: Housing Development Board, Knight Frank Research

ones in Punggol and Sengkang. In 1H 2010 alone, HDB offered 8,828 flats under the BTO, similar to the total number of flats offered in 2009's BTO exercise. HDB plans to launch a total of 12,000 flats by September if there is sufficient demand. These supply-side reliefs are expected to cool or moderate the rise in prices of HDB resale flats.

Outlook for Private Residential Property Sector

Following a robust sales activity in 1H 2010, the private residential market is expected to moderate in 2H 2010, in the form of take-up and slower pace in price increase. A moderation in homebuying sentiments is anticipated, in light of a cautious economic environment arising from the uncertainty in the Euro-zone although strong economic growth is anticipated for Singapore in 2010. Buyers may also re-think about purchases, should interest rates increase in 2H 2010.

Developer sales are expected to average in the region of 800 to 1,000 units in each

month of 2H 2010. Although developer sales will moderate, it is still reflective of a healthy residential market, where growth is incremental and sustainable. In the months ahead, the private residential market should be able to enjoy more direct benefit from the integrated resorts, which would be operational for awhile.

Prices of high-end residential properties are expected to reflect marginal increase in 2H 2010. Prices of prime residential properties, having grown by 12% in 1H 2010, is expected to increase by 2 to 3% in each of 3Q 2010 and 4Q 2010, bringing prices of high-end residential properties in end 2010 to be about 15 to 18% higher than 2009.

Prices of suburban private residential properties, which have reached record highs, are expected to stabilize in 2H 2010. The price stability will be underpinned by more suburban housing choices, particularly projects which will be developed from land purchased through the Government Land Sales in 1H 2010. Additionally, there is a variety of sites available for purchase through the GLS 2H 2010 and homebuyers are beginning to show lethargy in prolonged price increase which impacts affordability. For the whole year of 2010, prices of

suburban homes are expected to be about 10% higher than that in 2009.

The prospects for the private residential leasing market are increasingly positive, although it will be subdued compared to 2006 and 2007. Companies are expanding and increasingly hiring expatriates to start new business units but the decision to hire costly headcounts requiring generous housing allowance will be cautious. Rents are expected to grow qoq by 3 to 5% in each of 3Q 2010 and 4Q 2010, bringing rents of non-landed residential properties in 2010 to be 10 to 15% higher than 2009.

Outlook for Public Residential Property Sector

Having experienced buoyant sales and record high prices of resale flat, the buying sentiments for resale flats is expected to moderate in 2H 2010. The moderation will be the result of twin effects, arising from an increasingly realistic homebuying decision as well as Government measures to cool speculations of resale flats. Potential homeowners are expected to be increasingly resisting skyrocketing resale flat prices, which affect affordability. The government measures which were introduced in 1Q 2010, particularly where the minimum occupation period is raised, will serve to minimize opportunistic buyers who wish to re-sell flats within a year.

As such, the average cash-over-valuations is expected to maintain or see some minor downward adjustments than before while valuation continue to move up. Affordability will continue to be a concern for potential homebuyers. As such demand for new HDB flats are likely to remain strong which attract homebuyers who are not underpinned by an urgency to get a public dwelling unit.

RETAIL PROPERTY MARKET

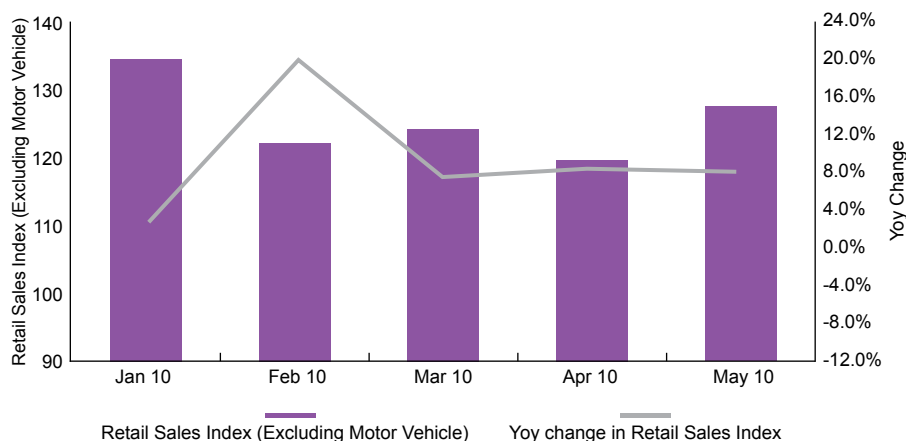
Increased consumer confidence has led to higher retail sales index y-o-y in February, March and April. This positive sentiment in the retail markets also brought about marginal increase in island-wide prime rentals of 0.3% q-o-q. With more moderated retail space supply, occupancy has also stabilized at 94.2%.

Positive Consumer Sentiments

The Singapore retail landscape looks optimistic in 2Q 2010, with more consumers opening their wallets in shopping malls. Based on Nielsen's Global Consumer Confidence Index, there is a rise in Singapore Consumer level as compared to 3Q 2009. This was also shown in the Retail Sales Index in February, March and April 2010, which respectively increased by 20.1%, 7.2% and 7.4% y-o-y.

Comparing month-on-month, the retail sales index in February, March, and April

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



Source: Singapore Department of Statistics, Knight Frank Research



2010 was lower than the festive seasons of December and January as historically, the year-end festive season tends to bring in higher retail sales. As seen in previous years, February retail sales generally fall by an average of 20% from the January Retail Sales Index. However in 2010, retail sales seem rosier with the February Retail Sales Index falling only by about 9%. Additionally, the retail sales index in the subsequent two months remains at a healthy reading of about 120.

The Great Singapore Sale (GSS) 2010 has also been well received both by locals and tourists. Based on the statistics from MasterCard, local cardholders are spending 13% more as compared to last year. Visiting Mastercard cardholders, a proxy to tourist expenditure, also show a 31% increase in expenditure from GSS 2009. This increase in expenditure is encouraging, reflecting growing consumer confidence.

Notwithstanding the positive consumer sentiments, the uncertainty in Euro zone fiscal crisis is expected to have some impact on consumer spending in the coming months. This comes in the form of weaker foreign currency as compared to the Singapore Dollar. Locals are expected to be more cautious and take a "wait-and-see" approach in their spending habits if the situation in Europe takes a further down turn, while foreigners are expected to be less generous in splurging on bigger-ticket items and luxury goods.

Nevertheless, the overall Singapore economic outlook is positive, backed by an improving business climate, job stability and employment prospects. These will encourage the majority of Singaporeans to spend on reasonable forms of comfort and retailers may look forward to higher retail sales.

Stabilised Occupancy in Retail Space

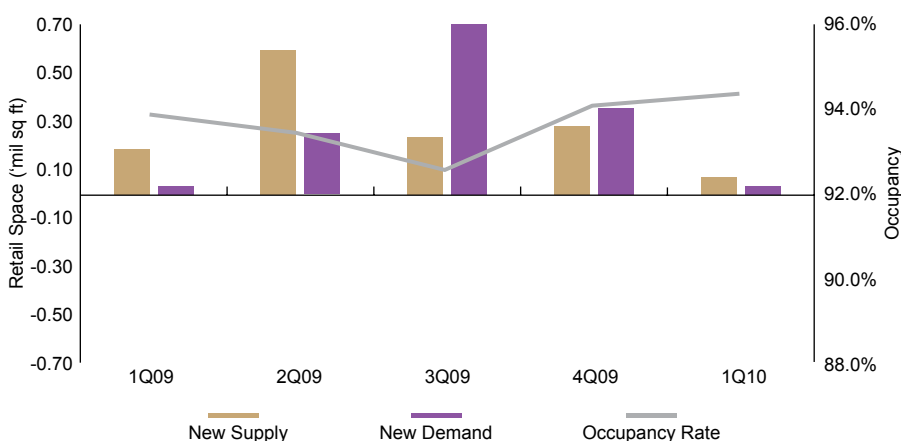
Compared to 4Q 2009, the new retail space supply in 1Q 2010 have moderated. Although only 5,000 sq m of retail space were completed in 1Q 2010, the new completions in 1Q 2010 offer exciting concepts. These include the Marina Bay Link Mall (Phase 1) which cater for the working crowd in the CBD and *Scape which caters for the younger crowd and added buzz in Orchard Road. As of June 2010, 80% of Phase 1 in Marina Bay Link Mall has been taken up and *Scape has been 90% leased.

Retail occupancy seems to have stabilized with three quarters remaining at a 10-year high of about 94%. Having decreased by only 0.1 percentage point from 4Q 2009, occupancy of retail space stood at 94.2% in 1Q 2010. The occupancy of retail space in Orchard Road, the prime shopping belt, underwent a 0.8 percentage-point decline,

from 94.2% in 4Q 2009, to 93.4% in 1Q 2010. With the major malls in Orchard Road completed in 2009, the premier shopping belt will see the completion of only smaller retail projects in 2010, such as TripleOne Somerset and Knightsbridge in Orchard. The occupancy in Orchard Road is expected to remain stable, at about 93% in 2010.

The occupancy of retail space in all regions, except the Outside Central Region, had marginally decreased in 1Q 2010. The occupancy in 1Q 2009 of retail space in the Downtown Core decreased from 94.8% in 4Q 2009 to 93.9% in 1Q 2010, while that of Rest of Central Area decreased qoq by 0.1 percentage-point to 91.4% in 1Q 2010. Conversely, the occupancy of retail space in the Outside Central Region inched from 97.1% in 4Q 2009 to 97.6% in 1Q 2010. This increase in occupancy is however due to a contraction in retail stock arising from demolition works, while new demand remained similar to the previous quarter.

Chart 2
Islandwide Demand and Supply



Source: Urban Redevelopment Authority, Knight Frank Research

APR-JUN 2010/2ND QUARTER REAL ESTATE HIGHLIGHTS

Marginal Rental Increase in 2Q 2010

Island-wide prime retail rentals in 2Q 2010 remained stable, reflecting marginal 0.3% qoq increase. The stability was on the back of gradual improvement in leasing activity, as retailers reflect optimism in business sentiments and expansion. However, in view of the substantial retail space completed in 2009, the increase in prime retail rents in 2Q 2010 was kept in check.

Prime retail rentals in Orchard Road (Central) remained conservative in 2Q 2010,

reflecting 0.1% qoq increase. This followed a 3.5% qoq rental increase of prime retail space in Orchard (Central) in 1Q 2010. The other regions across Singapore fared better, with prime retail rents increasing qoq by 0.2%, 0.4% and 0.8% in City Fringe, Suburban and Marina Centre/Bugis/City Hall area respectively.

Prime retail rents in the Downtown core area is likely to see a higher increase as the arrival of new supply such as Marina Bay Link Mall and Marina Bay Sands Shoppes have rejuvenated the Downtown Core Planning Area, adding a new retail backdrop

to the Central Business District. Hence, even with increasing supply of retail space in this area, there is likely to have a greater demand from retailers. Additionally, the convenience of Marina Centre/Bugis/City Hall is expected to be enhanced by the completion of the Esplanade station, a part of the Circle Line MRT stations.

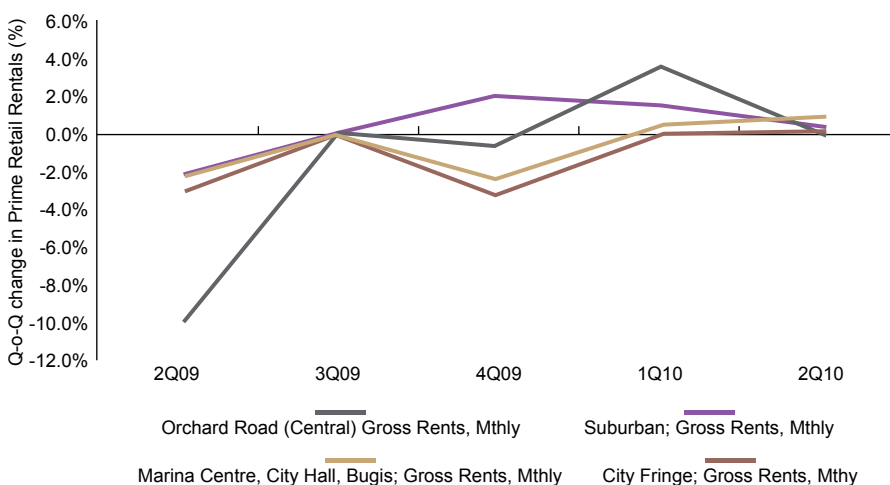
Outlook

With positive signs of healthy reading of retail sales index, higher consumer confidence and well-received GSS, island-wide rentals growth in 2010 is likely to remain positive with potential for an increase of up to 5%. The opening of Marina Bay Sands in 2Q 2010, coupled with the increased activities from Integrated Resorts, means that Singapore is set to welcomed more visitors. On the domestic front, wage growth and job market improvements also encourage more spending from Singaporeans.

Prime retail rental in Downtown core area has great potential for higher rental growth since high customer traffic is likely to be generated from the workforce in the Central Business District and residents from upcoming residential developments. On the other hand, rentals growth in Orchard will be more restrained. With the injection of newly completed malls like Tripleone Somerset, and upcoming Knightsbridge in Orchard Road, both retailers and landlords are still assessing the success of Orchard's makeover. Hence, the increase in rentals will be marginal.

Though market sentiments are generally positive, there are still concerns on the pending Euro zone fiscal crisis. Having just recovered from the recent recession, consumers tend to be more cautious and more reactive to negative news. With no impending downbeat news, the retail landscape looks to be healthy.

Chart 3
Q-o-Q change in Prime Retail Rentals (%)



Source: Knight Frank Research

Table 1
Current Rentals of Prime Shopping Centre Space

Locality	Prime Monthly Gross Rentals ¹ (psf)
Orchard (Central)	S\$ 41.90
Orchard (Fringe)	S\$ 22.80
Marina Centre, City Hall, Bugis	S\$ 28.50
City Fringe	S\$ 21.23
Suburban	S\$ 29.90

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

Source: Knight Frank Research



OFFICE PROPERTY MARKET

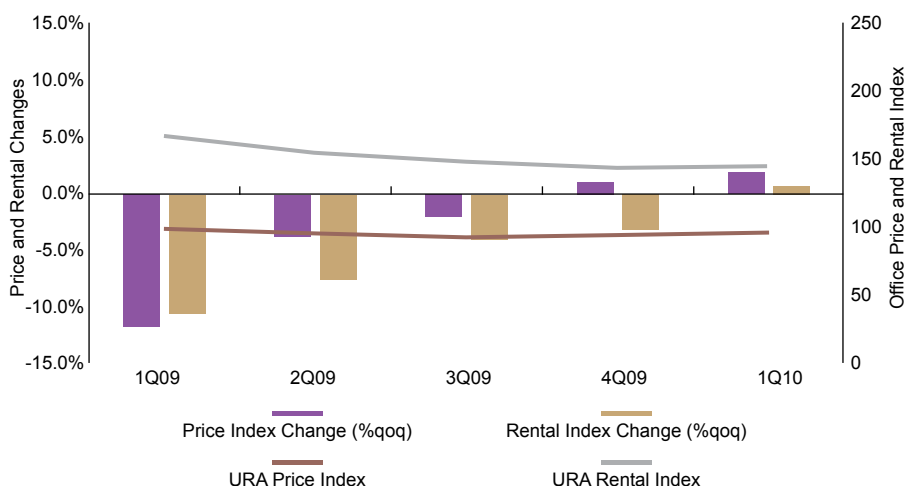
The office rental market saw a turnaround in 2Q 2010 after 6 straight quarters of decline, with a general 3% to 4% qoq rental increase across the island. Rents of Grade A office space in Raffles Place increased by 3.3% qoq in 2010, a result of improved business conditions especially in the financial sector.

driven by manufacturing sector which showed a buoyant growth of 32.9% on a year-on-year basis. However, despite the seemingly entrenched recovery backed by the better-than-expected GDP and the resumption of global demand, MTI maintained the GDP forecast for 2010 at 7.0% to 9.0%. This was in consideration of the downside risks from the uncertainties in Euro-zone and concerns over excessive asset price inflation in emerging Asia. Despite the rather cautiously optimistic official forecast, the recent GDP Citigroup forecasted a new high of 12.5% in economic growth, with the assumption of 16% in 2Q 2010 followed by a pull-back in sequential momentum in the second half. Amid the global recovery, Citigroup forecast incorporated some external risks such as the potential hike of global short-term interest rates and rising inflation.

Economic Forecast Remained for 2010

Singapore's economy recovered significantly by 15.5% on a year-on-year basis in 1Q 2010. The strong momentum was largely

Chart 1
Islandwide Office Price and Rental Index



Source: Urban Redevelopment Authority, Knight Frank Research

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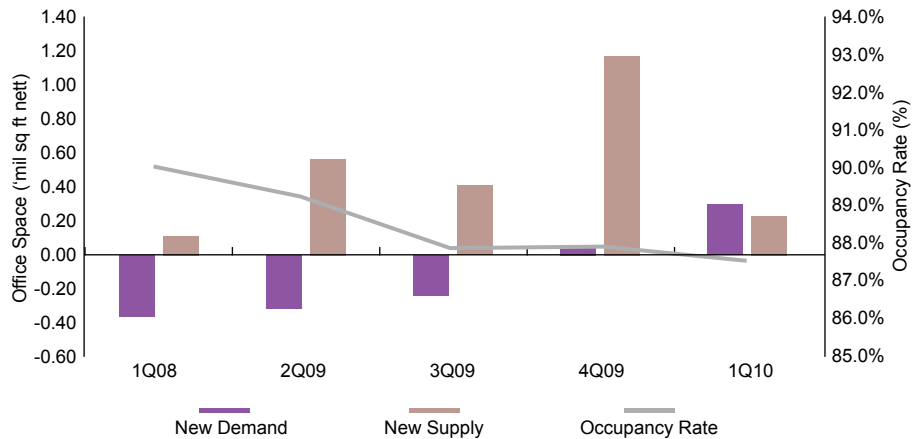
Recovery in Office Leasing Demand

The occupancy of office space, which saw the first turnaround in 4Q 2009, reflected a dip in 1Q 2010. Occupancy of office space fell from 87.9% in 4Q 2009, to 87.5% in 1Q 2010. The fall in occupancy was however due to an increase in new supply in 1Q 2010, whereas new demand remained similar to the previous quarter. Net supply of office space totaled 602,780 sq ft in 1Q 2010, reflecting a 167% qoq increase. On the other hand, net demand totaled 236,810 sq ft, a 21% qoq decrease.

Net demand in Downtown Core pointed north in 1Q 2010 after plunging for eight consecutive quarters. Net demand in Downtown Core totaled 344,450 sq ft in 1Q 2010 and emerged as the only planning area where net demand was positive in 1Q 2010. This was mainly due to the strong take-up in the Grade A Offices in Raffles Place such as Marine Bay Financial Centre where strong demand is seen from financial services firms and multinational corporations, and its Tower One and Tower Two are fully taken. The demand for Grade A office is expected to turn robust and more companies are more willing to commit as a higher real estate budget set forth by the companies for their overall expansion plans. The only new completion in Downtown Core in 1Q 2010 was Marina Bay Financial Centre where TOP was granted for a total space of 630,770 sq ft. On a qoq basis, the occupancy of office space in Downtown Core fell by 0.6 percentage-point to 86% in 1Q 2010 as a result of a surge in net supply of office space which amounted to 624,310 sq ft.

The occupancy of office space in Orchard and Outside Central Region moved in tandem with Downtown Core. Occupancy of office space in Orchard and Outside Central Region dipped qoq by 0.5 percentage-point and 1.0 percentage point respectively in 1Q 2010. The decline in occupancy of

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



Source: Urban Redevelopment Authority, Knight Frank Research

both areas was generally due to marginal drop in net demand. The occupancy of office space in rest of Central Area and the Fringe Area remain unchanged at 87.6% and 92.6% respectively in 1Q 2010. As can be seen, the occupancy of office space in the Downtown Core improved on the back of declines or stagnation for areas outside the area. This could be the result of some companies which saw the opportunities arising from competitive prime office rentals in Downtown Core and have relocated from regional and suburban office space to the CBD.

First Office Rental Recovery

The office rental market saw a turnaround, where office rents reflected marginal increase after six consecutive quarters of decline. A modest decline in 1Q 2010 and a slight improvement in office rents indicated clear signs of turnaround in recovery of office rentals from 2Q 2010.

Rents of Grade A offices in Raffles Place improved by 3.3% qoq in 2Q 2010, following a 3.8% qoq correction in 1Q

2010. Rents of Grade A offices in Raffles Place averaged \$7.75 per sq ft, with newer Grade A offices in Raffles Place leased at \$7.00 psf to \$8.50 psf in the quarter. Meanwhile, older Grade A office buildings were leased in the region of \$6.80 to \$7.50 psf per month. Although Grade A office rents in Raffles Place increased in 2Q 2010, rents of prime office space are considered attractive compared to the pre Lehman Brother period where rents reached a record high of about \$17 per sq ft per month.

Rents of Grade A offices in Shenton Way/Robinson Road/Tanjong Pagar improved by 3.4% qoq to average \$6.10 per sq ft per month, while that of Grade A offices in Orchard Road improved by 3.3% qoq to average \$7.75 per sq ft per month. Meanwhile, office rents in Suntec/Marina/City Hall averaged \$7.95 per sq ft per month (3.2% qoq increase) in 2Q 2010.

Rents in these areas reflected better improvements, due to limited new completions in some of these areas in 2009 and forthcoming office projects. Rents in Suntec/Marina/City Hall continued to hold steady, partly due to the enriching working experience encompassing a variety of malls and the newly completed Esplanade station which enhanced the convenience of the location.



Rents of offices in suburban locations improved by an average of 3.6% qoq in 2Q 2010, averaging \$4.75 psf per month. The recovery of office rents in the suburban areas reflected strong interest for conventional office space, compared to a year ago. This is particularly significant for office space in the East which underwent

severe rental corrections in 2009 due to a surge in new completions such as Tampines Concourse and Tampines Grande as well as Changi Business Park. The strengthening of rents for offices in the East indicated improved leasing interest amid the substantial new completions.

Outlook

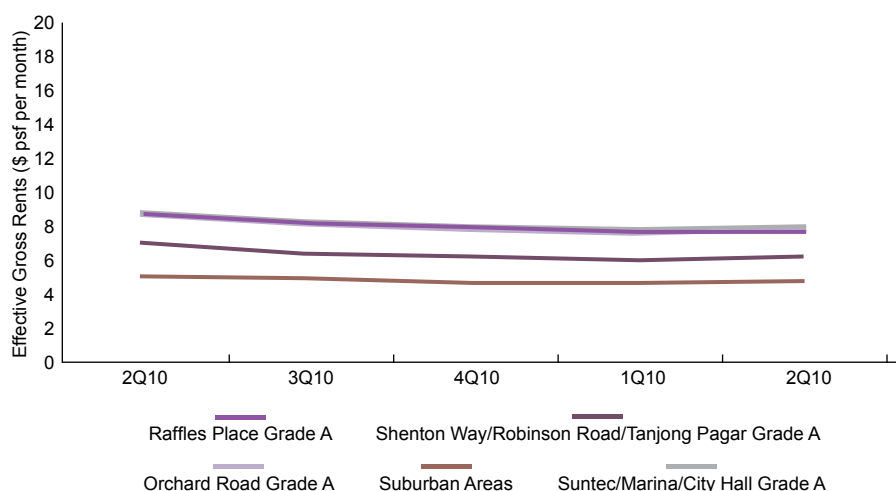
Singapore office rents are set to continually recover, after the first turnaround in 2Q 2010. For 2H 2010, office rents are expected to improve by about 3% qoq per quarter, leading to an overall increase of office rents by about 5 to 7% for the whole of 2010.

Already, several investment firms and foreign business entities have pre-committed to prime office space, as rents have become attractive compared to the period before the collapse of Lehman Brothers. The gradual rental recovery will be supported by corporate expansions and positive business sentiments due to the economic recovery. Shadow space is expected to continue to contract, as companies retract space which put up excess office space for lease during the last financial crisis for business re-expansion.

Nevertheless, the rental recovery is expected to be gradual in view of the substantial new office supply scheduled for completion in 2010 to 2012. A flight to quality office space is expected to persist, as companies relocate from older to newer office buildings in the CBD. This is expected to occur outside the CBD as well, where companies which have decentralized during 2007 are returning to the CBD as rents of prime office space have become more attractive. Additionally, while the Singapore economic prospects remained encouraging, businesses are likely to expand with caution amid some financial uncertainties in the Euro-zone which may have some bearing on the worldwide economy.

Chart 3

Average Effective Rentals



Source: Knight Frank Research

Table 1

Effective Monthly Rentals in 2Q 2010

Location	Effective Monthly Gross Rental (psf)
CBD (Grade A)	
Raffles Place	S\$ 7.50 – S\$ 7.90
Suntec / Marina Centre / City Hall	S\$ 7.60 – S\$ 8.20
Shenton Way / Robinson Road	S\$ 5.80 – S\$ 6.20
Orchard Road	S\$ 7.50 – S\$ 8.00
Non-CBD	
Beach Road / Middle Road	S\$ 4.80 – S\$ 5.70
Suburban (North)	S\$ 5.20 – S\$ 5.60
Suburban (East)	S\$ 3.40 – S\$ 3.80
Suburban (West)	S\$ 4.80 – S\$ 5.50

Source: Knight Frank Research

INDUSTRIAL PROPERTY MARKET

Rents of conventional industrial space improved by 3.3% qoq in 2Q 2010. Meanwhile rents of high-tech space and business parks showed the first turnaround of 1.6% and 1.4% qoq respectively in 2Q 2010 after six consecutive quarters of decline.

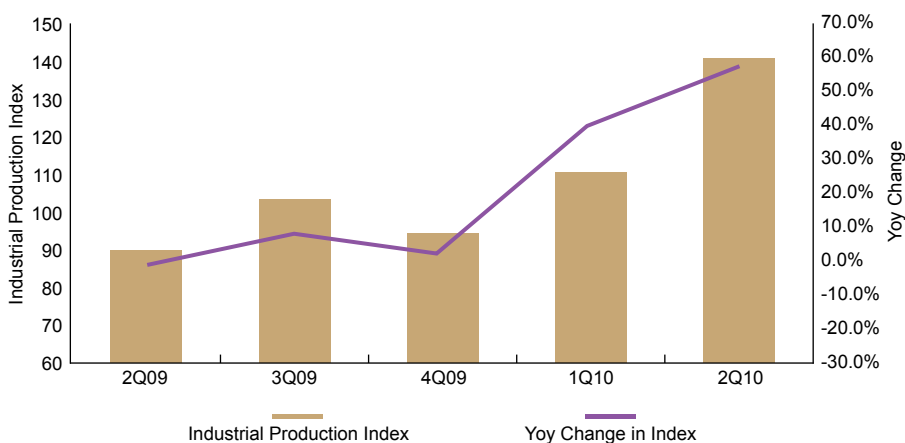
Recovery in Performance of Manufacturing Sector

The manufacturing sector achieved rapid expansion in 2Q 2010. Based on the first two months of 2Q 2010, manufacturing output expanded yoy by 56.7%. This was however in comparison to a low base in 2Q 2009, where manufacturing output was

subdued in light of the pessimistic economic conditions. However, this expansion was led by biomedical output, where output in 2Q 2010 increased by more than double compared to the same period a year ago. Biomedical output is usually seasonal, with some months seeing severe contraction while some months will show significant output. The output from the rest of the major manufacturing sectors in 2Q 2010, comprising the electronics, chemical, precision engineering clusters either slightly contracted or were similar to that in 1Q 2010.

Nevertheless, the Purchasing Managers' Index (PMI) posted a reading of 51.9 in April, 52.2 in May 2010 and 51.3 in June, and a reading of above 50 indicates that there is an expansion in orders and new export orders. The PMI expansion in April is the 12th consecutive expansion after an eight consecutive quarterly contraction. The PMI for electronics read 51.8 in April 2010, 53.7

Chart 1
Singapore's Index of Industrial Production

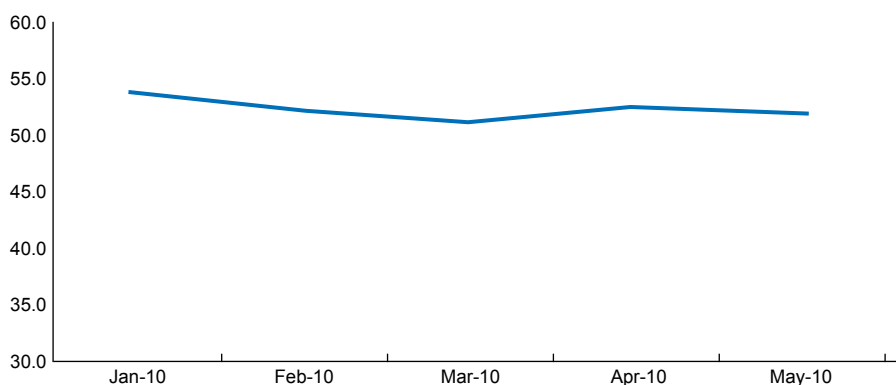


Source: Economic Development Board

*Based on April and May 2010



Chart 2
Purchasing Managers' index



Source: Singapore Institute of Purchasing & Materials Management

in May and 50.5 in June, reflecting that the electronics sector is generally expanding in terms of new orders from domestic and overseas markets.

Factory Space Occupancy Rises

After a year of consecutive quarterly decline in 2009, the occupancy of factory space rose qoq by 0.4 percentage-point in 2Q 2010. It increased from 91.9% in 4Q 2009 to 92.3% in 1Q 2010. This was largely due to a moderation in new supply, coupled with a

buoyant new demand for factory space. Net supply of factory space totalled 1.43 mil sq ft, while net demand stood at 2.49 mil sq ft in 1Q 2010. The net supply of factory space had decreased from 3.26 mil sq ft in 4Q 2009, to 1.43 mil sq ft in 1Q 2010.

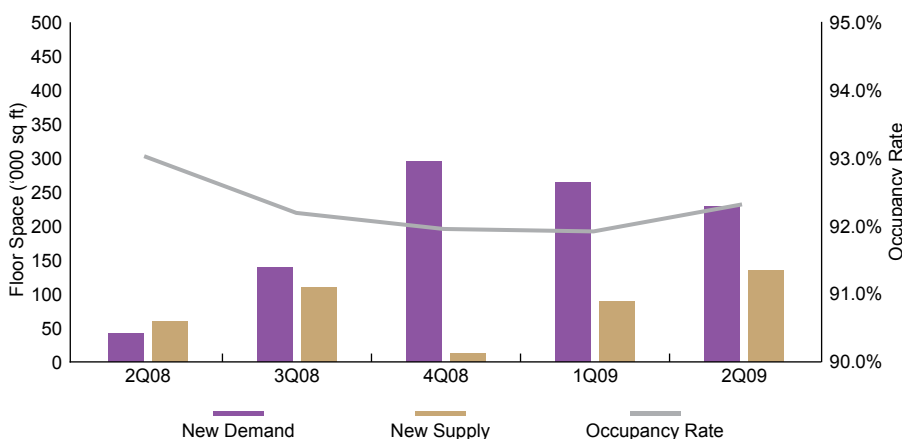
However, it must be noted that the occupancy of factory space generally improved in single-user factory, while that of multiple-user factory space remained similar to 4Q 2009. Leasing activities in 1Q 2010 were mainly dominated by relocation and lease renewals as expansions by firms remained limited with many manufacturers operating on their maximum capacity.

With occupancy of multiple-user factory remaining stagnant in 1Q 2010, it reflected a stable leasing environment in 1Q 2010. An improvement in the occupancy of single-user factory could be largely be due to owner-occupied factories which were newly completed in 1Q 2010 and have since commence operations.

The occupancy of warehouse remained stable in 1Q 2010, reflecting a 0.1 percentage-point increase. The stability was on the back of a contraction in 96,880 sq ft of new supply, coupled with a positive 43,100 sq ft of new demand.

The occupancy of business parks including high-tech and science parks remained stable at 81.2% in 1Q2010, a slight increase of 0.4 percentage-points qoq. With new demand matching new supply, this reflected stable interest for high-tech space and business parks. Nevertheless, the occupancy of business park have yet to achieve significant improvement as businesses are easing back into conventional office spaces as rents in suburban office locations remain competitive amid marginal recent recovery. However, with occupancy rates comparable to the stable period before 2H 2005, the current state for business parks is considered healthy.

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



Source: Urban Redevelopment Authority, Knight Frank Research

Rental and Price Recovery

The turnaround in rentals in 1Q 2010 was brought into 2Q 2010, where rents of conventional industrial properties increased qoq by 3.3% in 2Q 2010. This reflected increased stability of the manufacturing environment, where industrialists were not showing resistance to incremental increase in rentals. The growth was uniform across the regions, Kaki Bukit, Ang Mo Kio, Macpherson/Paya Lebar and Admiralty, with rents of conventional factory space in each region increasing qoq by 3 to 4%.

Similarly, capital values of industrial properties achieved an average 3.9% qoq

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increase in 2Q 2010. Prices of conventional industrial properties in Kaki Bukit grew qoq by an average of 4.7%, while that in Admiralty and Macpherson grew by an average of 4.1% and 3.1% qoq respectively.

2Q 2010 was an encouraging period for high-tech industrial and business parks, as the consecutive periods of rental decline came to an end. Rents of such

premises which are in part an alternative to conventional office space experienced significant rental corrections for six consecutive quarters since the economic recession became pronounced. Rents of high-tech industrial space increased by an average of 1.6% qoq while that of business parks inched by 1.4% qoq in 2Q 2010, reflecting increasing stability in rents of such premises.

Outlook

Singapore, with her higher cost competitiveness and availability of quality space is in a more favourable position to attract new demands. Industrial properties are expected to enjoy modest rental and price growth in 2010, driven by the pace of recovery in global export activity. Rents can potentially recover by up to 3% in each of the following quarters of 2H 2010, while prices of quality factory space can potentially rise by up to 5% in each of the remaining quarters of 2010.

The prospects for conventional factory types will continue to be better than that for business and high-tech industrial space. High-tech industrial space and business parks are expected to find it challenging to attract new tenants as rents of suburban office space, including those near major transport nodes have become competitive. Nevertheless, some companies will continue to see business parks and high-tech industrial space as a reliable choice as rental fluctuations of high-tech industrial and business parks are more contained than conventional office space.

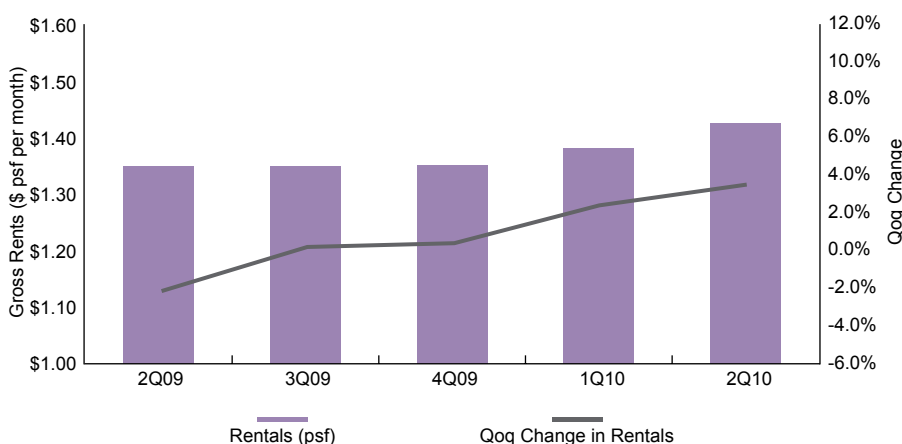
The price of conventional factories is expected to improve from 2Q 2010, backed by strong investor interest. A number of industrial sites have been triggered for sale through the Government Land Sale Programmes, reflecting interest in choice industrial sites for development and developer confidence that the market is near its end of decline. A double tier market may also be emerging with tenants becoming attracted to newer industrial space with better facilities and higher specifications.

Table 1
Rents and Capital Values of Sample Factory/Warehouse (Upper Floors) and Business Park Space in 2Q 2010

Locality	Gross Monthly Rentals (psf)	Capital Values (psf)
Conventional Industrial Space		
MacPherson / Paya Lebar	S\$ 1.65 – S\$ 1.80	S\$ 185 – S\$ 320
Kaki Bukit	S\$ 1.35 – S\$ 1.65	S\$ 120 – S\$ 325 (60-year leasehold)
Admiralty	S\$ 1.15 – S\$ 1.45	S\$ 115 – S\$ 270 (60-year leasehold)
High-tech Factory Space		
Islandwide	S\$ 3.15 – S\$ 3.40	N.A.
Business Park Space		
Islandwide	S\$ 3.60 – S\$ 3.90	N.A.

Source: Knight Frank Research

Chart 4
Factory Space Rentals



Source: Knight Frank Research



INVESTMENT SALES PROPERTY MARKET

The property investment market experienced significant improvement in 1H 2010.

Investment sales totalled \$7.15 billion in 1H 2010, a 44% increase from 2H 2009 and 24% increase from the entire year of 2009.

The residential sector dominated investment sales, accounting for 48% of investment sales in 1H 2010.

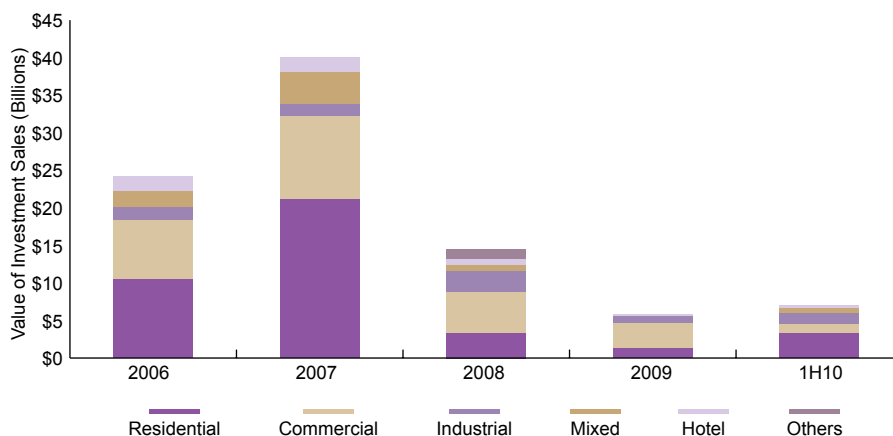
Total Investment Sales

The property investment market experienced significant improvement in 1H 2010.

Investment sales totalled \$7.15 billion in 1H 2010, a 44% increase from 2H 2009 and 24% increase from the entire year of 2009. The residential sector dominated investment sales, accounting for 48% (\$3.42 billion) of investment sales in 1H 2010. The commercial, industrial, mixed and hotel sectors trailed with 17%, 15% 10% and 9% of total investment sales for 1H 2010 respectively. Comparing 1Q and 2Q of 2010, 2Q 2010 brought in 63% of total sales in 1H 2010.

Public property investment sales accounted for 57% of all sales in 1H 2010, mainly attributed by Government Land Sales (GLS) in the residential sector. This up 92% of all residential sales in 1H 2010.

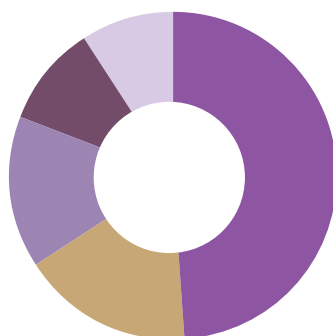
Chart 1
Total Value of Property Investment Sales in 1H 2010



Source: Knight Frank Research

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Chart 2
Share of Property Investment Sales in 1H 2010



Residential	49%
Commercial	17%
Industrial	15%
Mixed	10%
Hotel	9%
Others	0%

Source: Knight Frank Research

Of this, the commercial sector accounted for 39% of total private sales followed by 31% from the industrial sector. Due to the transactions of two hotel sites namely Swissotel Merchant Court and Raffles Hotel, the hotel sector contributed 21% of total private investment sales worth in 1H 2010.

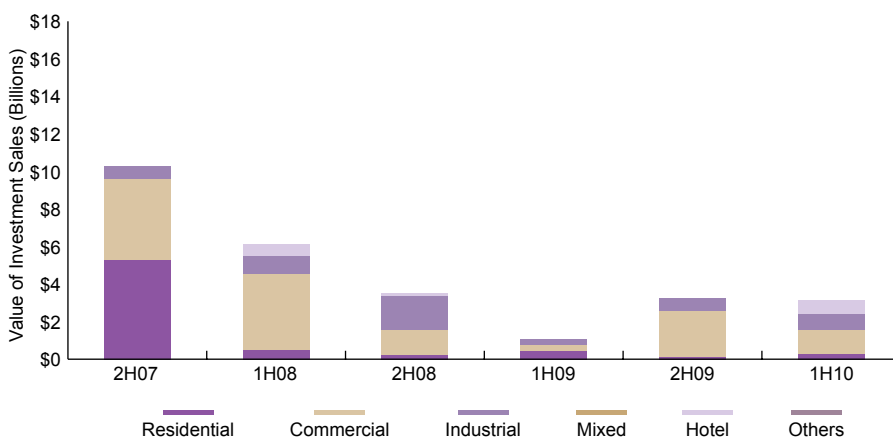
The residential sector contributed only 9% of total private investment sales amounting to \$275.9 million. Nevertheless, this is still more than double the private residential investment of \$127 million in 2H 2009. 84% of private residential investment sales were from the collective sales of four properties namely; Pender Court, Changi Complex, Diamond Tower and Culford Gardens.

Contrary to the other sectors that have improved in 1H 2010, private investment sales for the commercial sector in 1H 2010 was 49% lower than that in 2H 2009. This was probably due to the ample supply of commercial space in the market to meet the current demands. There is thus little incentive to purchase commercial properties for asset enhancement. 5 of the 10 commercial transactions were a transfer of assets into investment funds and REITs. Robinsons Point was bought over from CapitalCommercial Trust by US Property Fund Manager, AEW Capital Management,

Private Investment Sales Decreased in 1H 2010

Private investment sales in 1H 2010 decreased by 5% from 2H 2009 to bring in a total of \$3.1 billion.

Chart 3
Private Investment Sales



Source: Knight Frank Research



indicating a growing appetite of foreign investor's in the Singapore commercial market.

Total sale transactions in the private industrial sector amounted to \$943.5 million, 90% of the transactions were conducted in 2Q 2010. Similar to the private commercial sector, 10 out of the 12 private industrial transactions in 1H 2010 were purchased by investment funds and REITs. Notably, 75% of industrial investment worth in 1H 2010 amounting to \$711.4 million (six transactions) was purchased by Cache Logistics Trust from CWT Limited as part of various asset portfolios. This is due to the improved industrial market performance in 1Q 2010, underpinned by continued rental and price recovery of industrial properties. Cache Logistics Trust is a joint venture REIT management company from ARA Asset Management Limited and CWT Limited.

Public Property Investment Activities

With the award of 25 government sites in 1H 2010 totalling \$4.23 billion, public investment sales have shown significant improvement since 2009 which totalled only \$1.78 billion. The 18 residential sites awarded accounted for 74% of total worth of GLS sales in 1H 2010, an improvement from 11 sites sold through the GLS in 2H 2009. Of the 18 residential sites, four sites were zoned for executive condominiums and one under the Design and Build Scheme (DBSS).

The strong interest in residential GLS sites was on the back of developers' depleting landbank, where the residential development sites accumulated by developers in 2006 and 2007 were already launched or sold

since 1H 2009. As such, developers are replenishing their landbanks for mass market private homes. In addition, new legislations in effect since 15 July 2010 for en bloc sales such as the two year restriction reduced the number of residential sites available in the private market. The award of executive condominiums and DBSS sites indicate the need for new supply of public housing in the market.

The residential site in Simei Street 3 garnered 18 bids, a record high for a GLS since 2005 and was awarded to Chip Eng Seng Limited for \$152.7 million. Other sites such as Boon Lay Way and Hougang S13 also gathered strong interest with 14 and 13 bids received respectively. This reflected that small and large developers are all hungry for development sites and bullish on the property market from 2011.

Jurong Gateway was the only mixed use site awarded in 1H 2010, this was also the first mixed use site awarded since 2H 2008. With a bid of \$748 million from Land Lease Retail and Commercial Investments, Jurong Gateway made up 18% value for GLS in 1H 2010.

Four industrial sites amounting to \$154 million were also awarded making up 4% of GLS investment value in 1H 2010. The strong GDP growth coupled with an increase in the Purchasing Manufacturer's Index has resulted in the strong demands for new industrial space as observed in tender bids. There was a minimum of five and a maximum of 10 bids for the four industrial GLS sites in 1H 2010.

As there is already ample supply of office space in the market for the next few years, no office sites were triggered for sale under the GLS.

Changes in Collective Sales Legislations

New changes made to the Land Titles (Strata) Act took effect on 15 July 2010. This was primarily to streamline collective sales processes. Amendments were made mainly to the matter of extraordinary general meetings (EGM), sale committees and failed attempts.

Requirements for EGMs have been reduced. When the agenda is solely for the purpose of updating owners where no decision making is required, a general meeting can now be held in place of EGMs. In addition, an EGM will be dissolved and the meeting considered a failed attempt if the quorum of 30% (by share value of development) is not reached within an hour from the start of the meeting.

Apart from stricter disclosure requirements needed for committee members, the sales committee has a maximum of one year from its formation to prepare and get its first signature for the collective sales agreement. Failure to do so would result in the sales committee automatically being dissolved.

A two-year restriction period will also be imposed following a failed en bloc sale attempt. Within this period, the first re-try to convene an EGM to reappoint a sale committee would require the approval of 50% of share value or number of owners. Subsequent re-tries would require 80%. If another failed attempt occurs, the restriction period applies for another two years.

These new changes will help the management save cost and protect owner interests. However, the new legislations could make it tougher for prime freehold residential sites to be available in the market since en bloc sales are just about the only supply source for such sites in District 9, 10 and 11.

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Government Land Sales Programme 2H 2010

The Government Land Sales (GLS) sites for 1H 2010 were released in May. In total, there were 18 sites in the confirmed list and 27 sites in the reserved list. 15 of the 18 sites in the confirmed list are residential whilst the remaining are two residential and commercial sites and one white site.

Within the Reserve List, out of a total of 27 sites, 12 sites are residential sites whilst 10 are hotel sites. The remaining five sites are commercial and mixed uses.

Due to the active participation in land tenders for residential GLS sites in 1H 2010, it reflects that the residential market may be able to absorb more new supply. This will also help to prevent land prices from being driven up too high resulting in higher eventual selling prices of units. With the huge supply of residential land from GLS, 27 sites in total, developers will have more sites to choose from and be able to bid less aggressively. In light of the amended legislations for collective sales and strong demand for residential sites, the large land supply from GLS will be the main avenue

for new residential sites. By controlling the main source of land supply, the government will also be able to maintain the supply and demand balance. This will also prevent the flurry of collective sales that resulted in supply and demand imbalances observed in 2006 and 2007. The large number of collective sales concluded in 2006 and 2007 resulted in numerous projects being launched during the subsequent years when the economy underwent a down cycle.

As there is sufficient supply to meet the demand for white and mixed used sites, majority of these sites are in the Reserve list.

Outlook

With increasing possibilities for a sustained economic recovery, the property investment market is expected to improve further. This will however be applicable for mainly the residential and industrial sectors given there is ample commercial space to meet current and medium-term demands.

Investments in the private commercial and industrial sector are expected to be led by investors and REITs. Foreign investors are expected to take an interest in Singapore's

commercial sector once again. In addition, with the growth of the economy in 1Q 2010 being led by the manufacturing sector and the expanding PMI, REITs are expected to focus on inorganic growth strategies, acquiring more industrial properties before growing them organically through assts enhancements.

The public investment market in 2H 2010 is expected to be active mainly in the residential sector given the large number of sites put up for tender in GLS. Developers are however likely to be less aggressive in their bids as more choices are available in 2H 2010. Freehold residential sites in the prime districts continue to be far and few in between, with its main source stemming from collective sales that are expected to slow with the newly revised legislations for collective sales. Additionally, while the attractive offer prices can be encouraging, replacement homes are costly for en bloc sellers, particularly for owner-occupiers. As most of the residential GLS sites up for tender in 2H 2010 are large sites catered for the mass market, smaller collective sale sites would be in demand by smaller developers to match their investment abilities

Table 1
Potential Supply from GLS Programme

GLS	No. of Private Residential Units	% Change	Commercial GFA (sqm)	% Change	Hotel Rooms	% Change
2H2008	7,962	-3.5%	401,380	-2.6%	7,962	36.0%
1H2009	7,915	-0.6%	511,490	27.4%	5,160	-35.2%
2H2009	8,655	9.3%	448,550	-12.3%	4,430	-14.1%
1H2010	10,550	21.9%	417,740	-6.9%	4,515	1.9%
2H2010	13,905	24.0%	399,830	-4.0%	3,750	-20.0%

Source: Urban Redevelopment Authority, Knight Frank Research



AUCTION PROPERTY MARKET

In total, there were 345 properties put up for auction in 1H2010, reflecting a decrease of 11% compared to 2H2009. Also, success rate dropped to from 17% in 2H2009 to 13% in 1H 2010.

Decrease in Number of Properties Put Up for Auction

Overall, auction activities slowed down over the first 6 months of 2010. The number of properties put up for auction decreased by 11% in 1H 2010, down to 345 properties from 387 properties in 2H2009. Still, this figure is higher than that of 1H2009, reflecting the stable recovery of Singapore economy. As the economic condition improved, owners are increasingly interested in selling their properties. This encouraged

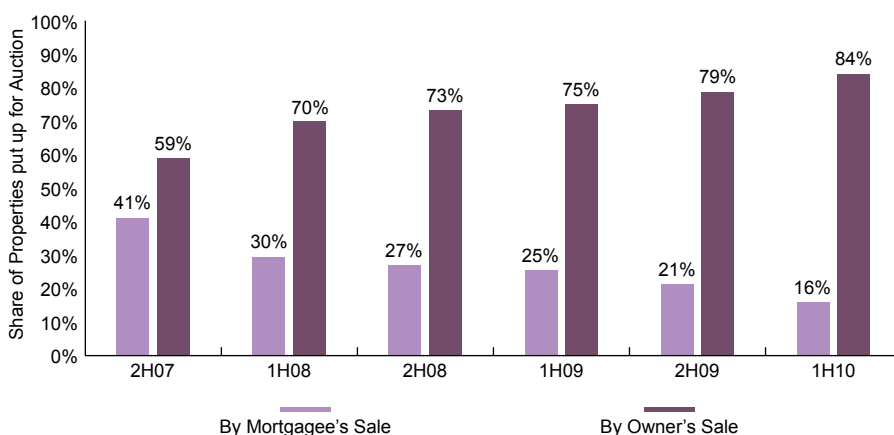
more owners to put their properties up for sale.

Continuing the trend started in 2007, mortgagee sales saw a decrease of 5 percentage-points in number of auctioned properties, leaving 84% of transactions as owner sales. Out of 345 properties auctioned, 290 were owner's properties. This is due to recovering economic condition, where people can afford to hold on to their mortgages, hence minimizing the possibility of foreclosures. Furthermore, banks are avoiding the responsibilities of putting up properties at auctions and rather leave these to owners to sell when owners run into arrears.

With the majority of properties sent for auction being owner sales, this reinforced the changing perception of auctions from distressed sales to quick channels for owners to put their properties up to the public for sale.

The slight reduction in auction activity was however due in part to a moderation in

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



Source: Knight Frank Auctions, Knight Frank Research

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homebuying sentiments in 2Q 2010 following the announcement of two measures to curb speculations. These include lowering the loan-to-value ratio from 90% to 80% and introduction of stamp duty when a residential property is re-sold in a year.

Residential Properties as Majority of Properties Auctioned

Residential sector remained the star player in auction market and contributed 57% of auctioned properties in 1H2010, up 8 percentage-points from 2H 2009. Meanwhile, industrial properties and shops & shophouses accounted for 17% and 18% of properties put up for auctions respectively. The proportion of office properties presented at auctions decreased in 1H 2010, making up 5% of all properties.

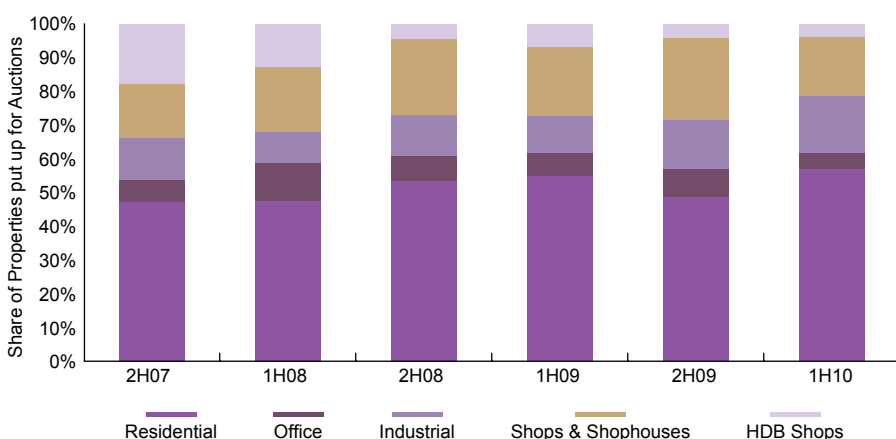
In addition to a rise in the share, the residential sector was the only which saw an increase in the number of properties presented at auctions. In 1H 2010, there were 197 residential properties put up for auctions, reflecting an increase of 5% as compared to 2H 2009. This is in line a general recovery of private residential market, including auction market, during 1H2010. Buyers are more confident in parking their

money in properties as interest rate going low and inflation expected to be high. Properties available for sale in the auction market are also more attractive compared to developer sales as they are ready to be occupied soon after purchased, compared to developer sales where buyers have to wait for a few years for the project to be constructed. Auctions also offer older residential properties which have larger sized units compared to developer sales in new residential projects, which are increasingly compacted for developers to optimize returns.

The number of offices put up for auctions reduced by 50% as compared to 2H2009, down to 16 units from 32 units. Owners were in no hurry to sell office properties as the office market is in early stage of recovery and there may be a higher potential for prices to rise further.

Besides offices, shops and shophouses put up for auctions also saw a significant decrease in volume, down 34% from 2H2009. In 1H2010, there were 61 shops and shophouses at auctions while that in 2H2009 were 91. As an overall picture, transactions of strata shops and shophouses dropped by 20% and 1% half yearly. The decrease in activity was partly due to limited supply and lower investor's interest. Asking prices were observed to be high and hardly can meet buyers' expectations, which explains the moderate activities in this sector.

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



Source: Knight Frank Auctions, Knight Frank Research



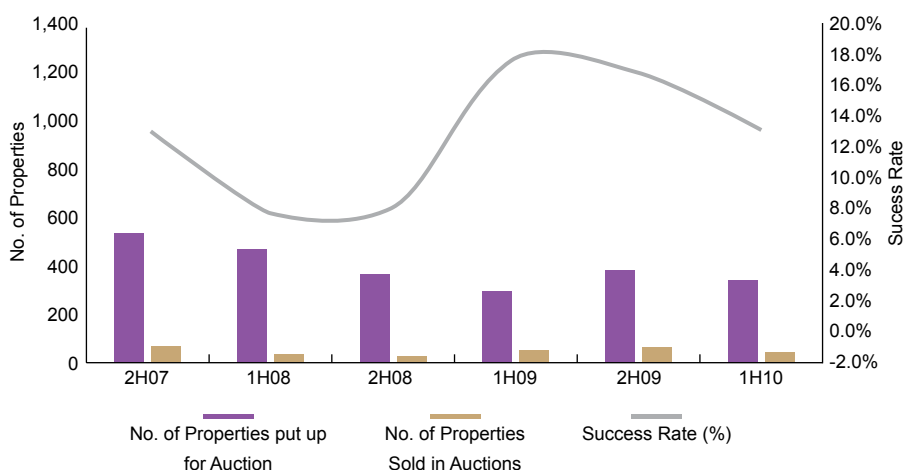
Fall in Success Rate

The success rate fell in 1H2010. In total, 13% of properties put up for auction were sold, down 4 percentage-points from 17% in 2H2009. The pattern is similar to 2007-2008 where success rate peaked at 17% in the first half of 2007 and dropped to 13% in the second half and bottomed at 8% in 2008.

The transaction volume also decreased by 30%, the number of properties sold decreased from 66 in 2H2009 to 46 in 1H2010.

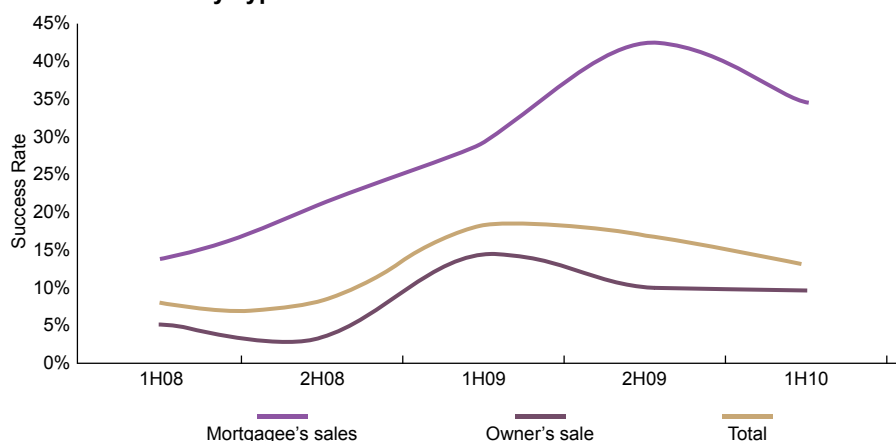
Although more owners' properties than mortgagees' properties were put up for auctions, the success rate for the mortgagee sales was 35%, much higher than that of the former at 9%. This trend has been going on since 2005 and the gap is increasingly wider. This reflected that purchasers are probably retaining the mindset that mortgagee sales can offer better value-for-money purchases than owner sales in auctions.

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



Source: Knight Frank Auctions, Knight Frank Research

Chart 4
Success Rate – By Type of Auction Sale



Source: Knight Frank Auctions, Knight Frank Research

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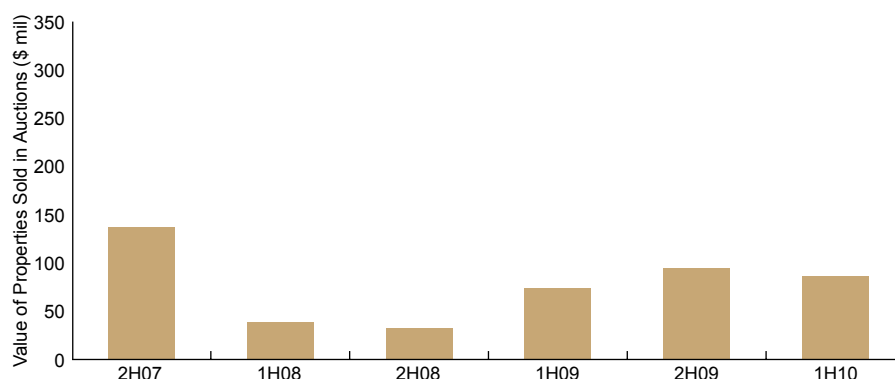
Total Value of Properties Sold During Auctions

The total value of properties sold during auctions in 1H 2010 decreased compared to that in 2H 2009. During 1H 2010, the value of properties sold at auctions totaled \$87 million, a decrease of 7% in comparison with 2H2009. This is largely due to 38% and 40% half-yearly decrease in value of shops & shophouses and HDB shops sold at auctions, respectively.

Notably, despite a decrease in number of offices put up for auctions, there was an increase of 260% in the worth of offices sold - the value of office properties sold made up \$2.6 million, compared to \$1 million in 2H 2009. This was probably due to the fact that most office units sold at auctions during 1H2010 are at prime locations like International Plaza or Manhattan house, hence command higher prices. In addition, office rents and prices have generally improved in 1H 2010, boosting investor confidence for office properties.

Out of \$87 million value of properties sold, \$61 millions were accounted to owner sales, which translated into 70% of the total value, an increase of 13 percentage-points as compared to 2H2009. This further supports the increasing trend that owner's properties are getting more popular than mortgagee's properties in auction market.

Chart 5
Total Value of Properties Sold



Source: Knight Frank Auctions, Knight Frank Research

Rise in Transacted Value of Residential Properties

The residential sector remained the star performer in the market, summing up to \$57.4 millions and accounting for 66% of total auctioned value. This trend was since

2H 2008. This positive performance reflects improving market sentiment and greater homebuying interest. Singapore economy is on track to recover with forecast GDP to be 7% to 9% in 2011, hence buyers are increasingly confident in property investments.

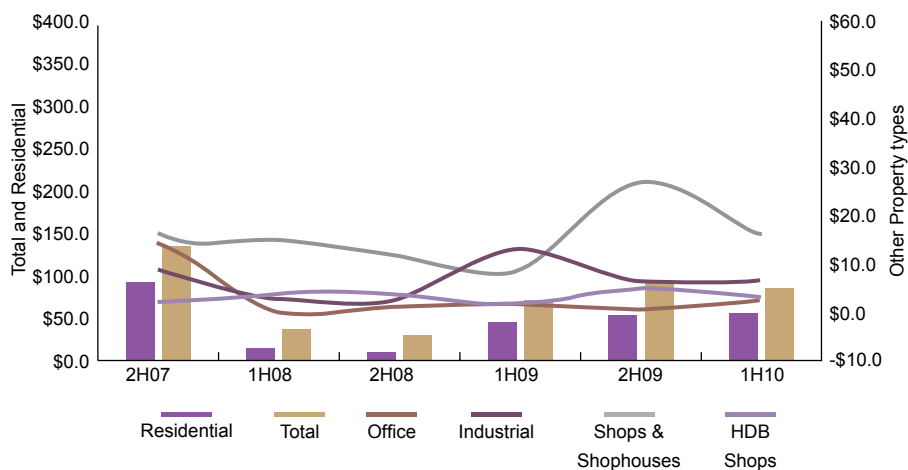
Table 1
Value of each property type in total value of properties sold in auctions (\$mil)

	Residential	Office	Industrial	Shops & Shophouses	HDB Shops	Total
1H 04	46.3	7.4	4.2	3.3	6.8	68.0
2H 04	31.3	2.2	23.8	18.6	7.2	83.0
1H 05	67.9	6.1	16.6	13.6	7.2	111.3
2H 05	60.8	2.4	7.8	11.2	4.0	86.2
1H 06	69.6	8.0	22.2	8.6	0.8	109.2
2H 06	150.5	4.5	34.1	19.1	1.4	209.6
1H 07	186.1	13.1	21.4	56.6	8.5	285.7
2H 07	94.1	15.0	9.2	16.8	2.2	137.2
1H 08	15.6	0.6	3.2	15.3	3.9	38.6
2H 08	11.2	1.7	3.0	11.8	3.6	31.2
1H 09	47.1	2.0	13.5	9.1	1.9	73.7
2H 09	55.1	1.0	6.7	27.3	5.2	95.2
1H 10	57.4	2.6	6.9	17	3.1	87

Source: Urban Redevelopment Authority, Knight Frank Research



Chart 6
Value of Properties Sold by Property Types



Source: Knight Frank Auctions, Knight Frank Research

Outlook

Despite a slight decrease in transaction volume of auctioned properties in 1H 2010, auction activity is expected to see moderate growth for the rest of the year. At the same time, the value of properties sold is expected to increase over the next six months. This is in accordance with the improving economic condition in Singapore, which translates in better market sentiments. With a high inflation rate of 2.5% to 3.5% expected in 2010, property investments can be a good hedge against inflation.

Owner sales are expected to continue dominating the auction market as mortgagee's sale becomes unpopular. Low interest rate environment, together with decreased unemployment rate, means more people can service home loans as well as take up new mortgages.

As investors become more bullish and confident in market condition, the residential

sector will remain as star player in auction market.

The office sector is expected to reflect moderate increase in 2H2010 despite excessive supply over the last few quarters. The upcoming well-furnished new office space may put existing offices at disadvantage, but this is unlikely to affect the performance of office properties in auctions. In addition, as there is hardly any new supply in strata offices, the interest for strata office properties put up for auction is expected to remain keen.

Shops and shophouses are still of buyers' interest given the limited supply. The interest for shophouses is expected to remain keen given their unique façade and higher yields. However, the volume transacted as well as value worth of such properties sold at auctions will still stay at the current level, underpinned by a generally cautiously optimistic retailing outlook.

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