

Real Estate Highlights

Singapore • 4th Quarter Oct - Dec 2007

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Executive Summary

- Despite moderation in the private residential property market in the last stretch of the year, 2007 still displayed spectacular performance overall. As for the public housing market, it is expected that HDB resale price growth in 2008 will fall within the range of 7% to 15% yoy.
- Islandwide prime retail rentals rose by a better than expected 22.1% for the entire 2007 to cap an admirable year for the retail sector. However rentals are forecast to grow at a slower pace especially in the second half of 2008 when more supply is expected. Therefore, for the whole of 2008, islandwide prime retail rentals are anticipated to appreciate by a relatively modest 5% to 10%.
- Continued tight office supply and strong demand sustained the growth in rentals in 4Q 2007. Average Grade A office rentals increased by 7.4% qoq to S\$14.74 psf per month. The long-standing demand-supply imbalance has consequently seen occupancy levels climb over the years, to record a 12-year high of 92.7%.
- Due to the shortage in supply of new factory space and new warehouse space, the occupancy rate of factory space and warehouse space was pushed up to 91.8% and 91.5% respectively in 4Q 2007, the highest over the last five years. Fuelled by continued healthy demand for industrial space, rental rates for factory space and warehouse space in 4Q 2007 increased by 33.5% and 27.9% year-on-year respectively. In 2008, average capital values are expected to rise by 15% to 20% and rentals are projected to grow by 15% to 25%.
- Fuelled by strong confidence from investors, Singapore's investment sales property market experienced robust growth in 2007, even surpassing the record peak achieved in 2006. It is anticipated that investment sentiments would remain cautious and the collective sales market in 1H 2008 would be comparatively cooler than the previous corresponding period. In 2008, the commercial property market will be supported by property funds seeking opportunistic acquisitions.
- Although there has been a drop in the number of properties put up for auction, the total sales value from auctions in 2007 still scaled new heights, thanks to buoyant demand for residential properties and shophouses.

Singapore Residential Property Highlights

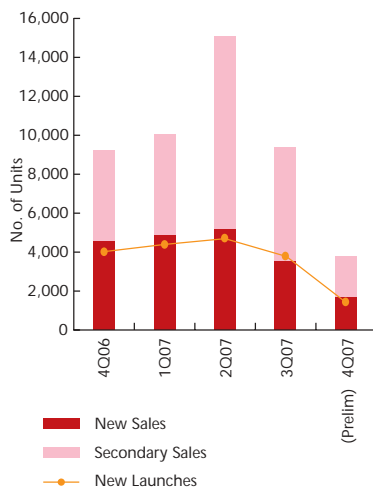
Private Residential Sector

Pace of Launches Slowing Down

"Despite the stir of activity for launches especially in the first half of 2007, the pace of activity for 4Q 2007 seemed to mellow."

Despite the stir of activity for launches especially in the first half of 2007, the pace of activity for 4Q 2007 seemed to mellow. The number of project launches in 4Q 2007 was the lowest compared to the other quarters in 2007. In 3Q 2007, the total number of private residential units launched lessened by 15.0% quarter-on-quarter (qoq) to about 3,700 units, but was still a hefty 64.3% above that launched in 3Q 2006. However, for 4Q 2007, the total number of units launched fell to around 1,700 units, a much larger drop of 53.7% qoq. Notwithstanding this decrease in the number of year-end launches, the total number of units launched for the entire 2007 was around 14,000 units, 26.9% higher than the whole of 2006.

Chart 1
Private Home Launches and Sales Volumes Islandwide



Source: Urban Redevelopment Authority, Knight Frank Research

Reasons for the dip in launches can be attributed to the volatility of the US stock market and uncertainties over a possible US economic slowdown, causing the market to take a more cautious stance. In addition, it is also probable that developers are turning their efforts to selling their remaining existing units amid this period of uncertainty. With the removal of the Deferred Payment Scheme (DPS) for new projects, there is an estimate of up to 7,750 unsold units that could still be available for purchase under the scheme, possibly another incentive for developers to pay particular focus on selling these units.

Continued Moderation of Demand in Primary Market

The sale of private homes in the primary market in 4Q 2007 continued to mirror that in 3Q 2007 by easing even further than the drop already experienced in the third quarter. In 2Q 2007, developers sold 5,129 private homes and in the following quarter, that volume fell to 3,450 units sold. In the last quarter of 2007, only 1,431 private homes were sold, which represents a 72.1% decline from 2Q 2007. This decline was a consequence of the stock market turbulence arising from the US sub-prime woes. However, in spite of this, demand in the primary market for the whole of 2007 was one of the strongest over the past ten years. For the entire 2007, the number of new private homes sold by developers still exceeded the total number of units recorded in 2006, standing at around 14,800 units as compared to 11,147 units sold in 2006.

"For the entire 2007, the number of new private homes sold by developers still exceeded the total number of units recorded in 2006."

Some Possible Major Launches in Next 3 Months

Projects	Tenure	District	Developer	Location	Units
Developments from Government Land Sales					
The Quayside Isle	99-yr	4	City Developments Ltd	Sentosa Cove	236
Developments from Private Land Sales					
Orchard View	FH	9	Wheelock Properties	Angullia Park	31
Boulevard Vue*	FH	9	Far East Organization	Angullia Park	28
One Devonshire	FH	9	Allgreen Properties Ltd	Devonshire Rd/Killiney Rd	152
Luma*	FH	9	Novelty Holdings Pte Ltd	River Valley Grove	75
The Lumos*	FH	9	Koh Brothers/Heeton Group	Leonie Hill	53
Grange Infinite*	FH	9	Grange Properties Pte Ltd	Grange Road	68
Helios Residences*	FH	9	Wing Tai Holdings Ltd Singapore	Cairnhill Circle	140
Paterson Suites	FH	9	Bukit Sembawang Estates Ltd	Lengkok Angsa/Paterson Hill	102
The Vermont on Cairnhill	FH	9	Bukit Sembawang Estates Ltd	Cairnhill Rise	123
Ritz Carlton Residences*	FH	9	Hayden Properties	Cairnhill Road	58
Martin Place Residences	FH	9	Frasers Centrepoint Homes	Kim Yam Road	302
Verdure	FH	10	Bukit Sembawang Estates Ltd	Holland Road	75
Latitude*	FH	10	CapitaLand Ltd	Jalan Mutiara	127
8 Napier*	FH	10	Hasetrale Holdings Pte Ltd	Napier Road	46
Sui Generis*	FH	10	Kajima Overseas Asia Pte Ltd	Balmoral Crescent	40
Nathan Residences	FH	10	Tat Aik Property Pte Ltd	Nathan Road	91
Shelford Suites	FH	11	City Developments Ltd	Shelford Road	77
Aalto*	FH	15	Hong Leong Holdings Ltd	Meyer Road	196
Waterfront Waves	FH	16	Frasers Centrepoint Homes	Bedok Reservoir Road	405
Former East Coast Ville	99-yr	16	UOL Group Ltd	Upper East Coast Road	88
The Cascadia	FH	21	Allgreen Properties Ltd	Bukit Timah Road	536
Floridian	FH	21	Wing Tai/Far East Organization	Bukit Timah Road	336

* Projects currently under preview

Source: Knight Frank Research

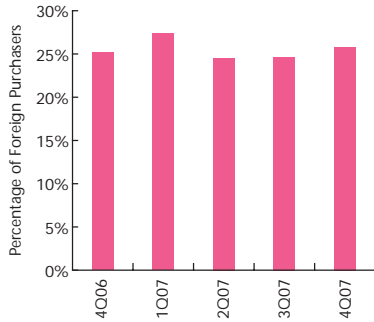
Deceleration in Secondary Market Sales

Bustle in the secondary market decelerated in 3Q 2007 by 31.3% qoq from 9,864 to 6,771 units sold in the second and third quarters respectively. Moving into 4Q 2007, the total number of units sold in the secondary market waned to a mere 3,135 units. This drop can be attributed to the slowdown in the secondary market arising from fewer en-bloc sales and investors becoming more cautious.

"2007 in itself has already generated the greatest number of secondary market sales to date within a ten-year time period."

Against such anxiety and unpredictability, some property buyers continued to take a more careful position in 4Q 2007. Nevertheless, 2007 in itself has already generated the greatest number of secondary market sales to date within a ten-year time period. Despite the drastic reduction in the number of secondary market sale transactions in 4Q 2007 of more than 3,000 units, the total volume of transactions for the year was still notably 72.9% higher than the 14,618 units sold in the whole of 2006.

Chart 2
Percentage of Foreign Purchasers in Singapore



Source: Urban Redevelopment Authority, Knight Frank Research

Sub-sales, which reflect secondary market transaction activity in projects that have yet to receive a Certificate of Statutory Completion, are conventionally used as an indicator of the level of speculation in the private residential property market. In 3Q 2007, the proportion of sub-sales out of the total number of units transacted in the property market rose to 14.4% compared to 12.5% in 2Q 2007. Distinctly, the proportion of sub-sales in the Rest of the Central Region climbed to 15.8% in 3Q 2007 as compared to 12.6% from the previous quarter. Other regions such as Outside the Central Region also reported an increase in the percentage of sub-sales from 4.3% in 2Q 2007 to 6.1% in 3Q 2007, whereas the proportion of sub-sales in the Core Central Region maintained at 24.8% in 3Q 2007.

Increase in Proportion of Foreign Homebuyers

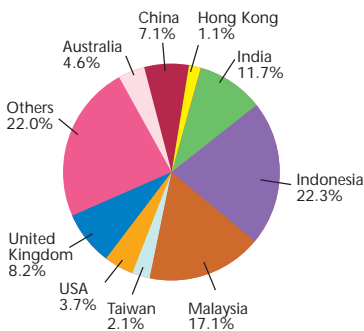
The proportion of foreign homebuyers in Singapore reached a record high of 27.4% of all private home sales in 1Q 2007, after which it dipped in both the second and third quarters. The two consecutive quarters of decrease in the proportion of foreign buyers experienced in 2Q 2007 and 3Q 2007 picked up in 4Q 2007, increasing above the average level of 22% experienced in 2005 to 2006, to 25.8% of all private home sales. Compared to 3Q 2007, the proportion of foreign homebuyers in Singapore who purchased properties that cost more than S\$5 million maintained at 7% in 4Q 2007.

"The proportion of foreign buyers picked up in 4Q 2007 increasing above the average level of 22% experienced in 2005 to 2006, to 25.8% of all private home sales."

Singapore's booming economy and the Government's effort to attract foreign talent resulted in the expat population increasing from 798,000 in 2005 to 875,000 in 2006. The World Economic Forum ranked Singapore number 7 globally, beating Japan as Asia's most competitive economy, in its latest Global Competitiveness Report (GCR) 2007-2008. Despite Singapore's appeal in attracting foreign talent, foreigners who reside here gripe over the growing issue of limited spaces in foreign schools.

However, some foreign schools are trying to solve this plausible bottleneck through upcoming expansion plans. For example, the Australian International School is erecting a new building at its Lorong Chuan campus in 2008, hoping to provide an additional 840 spaces for students. Also, the Canadian International School has already opened its fourth campus at Tanjong Katong. Other international schools such as the Global Indian International School is prepared to set up a third addition to their existing campuses and the NPS International School, which starts enrolling students in January 2008, has a 126,000-sq ft building in the east of Singapore, in a bid to target 60,000 Indian families in Singapore.

Chart 3
Estimated Breakdown of Foreign Purchasers in 2007 by Country



Source: Urban Redevelopment Authority, Knight Frank Research

"In 4Q 2007, overall prices for private residential properties grew by about 6.8% qoq and 31.2% year-on-year (yoy), despite the decline in sales volume."

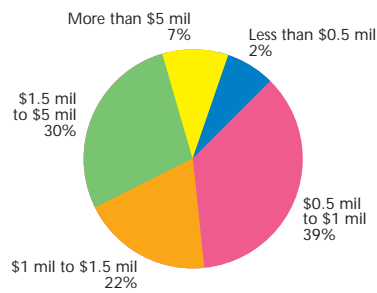
Modest Price Appreciation

In 4Q 2007, overall prices for private residential properties grew by about 6.8% qoq and 31.2% year-on-year (yoy), despite the decline in sales volume. Compared to the unsurpassed market peak of 1996, the current average price level is just about 6% below that. Regardless of the shrinking gap between 4Q 2007's prices and those of 1996, it should be noted that for 4Q 2007, the increase in prices had moderated compared to the growth experienced in 2Q 2007 and 3Q 2007.

Prices of non-landed private residential properties in the prime Core Central Region continued to lead the growth in 4Q 2007, climbing by about 32.7% yoy while those in the mid-tier Rest of Central Region and mass market Outside Central Region both rose by a lesser 30.4% and 26.4% respectively.

In 3Q 2007, there was a relatively high number of projects with units that were sold for S\$4,000 psf and above. In the fourth quarter, some units in Scotts Square, Hilltops and The Orchard Residences achieved prices of S\$4,000 psf and above as well. Astoundingly, despite the slackening pace of activity in 4Q 2007, there was a new record high in property prices in Singapore when a 53rd storey penthouse in The Orchard Residences fetched S\$5,600 psf in early October 2007, replacing the previous record held by a penthouse on the 54th storey that was sold for S\$5,500 psf in August 2007.

Chart 4
Estimated Breakdown of Foreign Purchasers in 4Q 2007 by Property Price Range



Source: Urban Redevelopment Authority, Knight Frank Research

Easing of Upward Trend for Rentals

The increase in the average rentals of private homes accelerated from 10.4% qoq in 2Q 2007 to 11.4% qoq in the following quarter. However, the rental market was expected to slow down subsequently in terms of both volume and rental levels owing to 4Q 2007 being an off-peak season for the market. Previously, units in Ardmore Park could fetch rental rates of between S\$19,000 and S\$22,000 per month, but current monthly rentals have slipped to S\$18,000.

One of the reasons for this relates to foreign tenants. Due to the fact that foreign schools are full and there are long waiting lists faced by children of foreign families who relocated here, the housing demand from new foreign family tenants is projected to decrease. On top of this, foreign tenants as well as corporate HR have readjusted housing allowances this year, which constricts rental demand according to their budget.

"In general, despite take-up rate decelerating, the overall market remains healthy although rentals are not expected to appreciate significantly in the next few quarters."

In essence, rentals in popular areas such as Districts 9,10 and 11 dipped slightly in 4Q 2007, with rentals easing by about 1.5% to 2% qoq. The prime East Coast area experienced a slowdown in rentals too, which dropped by about 3.7% qoq. The more affordable areas in the North Region saw some escalation of 27.9% qoq and 89.7% yoy, hints of the mass market just catching up. In general, despite take-up rate decelerating, the overall market remains healthy although rentals are not expected to appreciate significantly in the next few quarters.

Public Housing Sector

Chart 5
HDB Resale Transaction Volume and Price Index



Source: Housing & Development Board, Knight Frank Research

Growing Optimism in Market

The public housing market seems to have generated much interest of late. In 3Q 2007, HDB resale prices rose by another 6.6% qoq, more than twice the growth from the previous quarter. Average resale prices in 3Q 2007 outperformed 1Q 2000's peak, but still stand at about 16.0% lower than the peak observed in end-1996. Fourth quarter figures for HDB's resale price index indicated an annual increase of 17.5%, the highest jump since the property market boom in 1996.

In 2008, the annual values of HDB flats are projected to escalate by 18% to 25% with the greatest rise expected to be for 3-room flats. In addition, median cash-over-valuation amounts grew significantly in all HDB categories in 3Q 2007 except for 1-room flats. Record prices were also experienced in the HDB market when a 5-room Marine Parade flat was sold for S\$750,888 in November 2007. This is reflective of the private residential market momentum spreading to the HDB market.

Supplementary to that, stock of unsold HDB flats have fallen due to growing demand, in response to which, more supply is expected to be put into the market to match the swelling demand. For example, HDB plans to release another three new Design Build and Sell Scheme (DBSS) sites, which will add about 1,500 flats. The coming six months will also include approximately 4,500 new flats under the build-to-order (BTO) system in developments like Telok Blangah Towers, Punggol Lodge, Segar Meadows and Compassvale Beacon.

Chart 6
HDB Median Cash-Over-Valuation as at 3Q 2007



Source: Housing & Development Board, Knight Frank Research

"It is projected that transaction volume might slow down and average price growth of private homes in the different segments will stabilize within the range of 4% to 10% yoy in 2008."

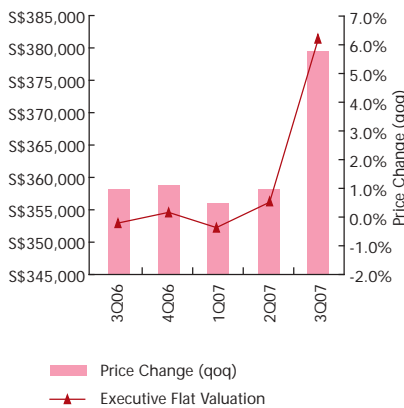
"Rentals are anticipated to rise in a more tamed manner of around 5% to 15% yoy."

Outlook for Private Residential Property Sector

Overall performance in the residential sector in 2007 was very robust and it is unlikely that there will be a repeat performance in 2008. It is projected that transaction volume might slow down and average price growth of private homes in the different segments will stabilize within the range of 4% to 10% yoy in 2008, as buyers become more discerning and cautious. It should still be noted, however, that despite market ambiguity, projects in very good locations or that are able to provide unique features would continue to do well.

2008 forebodes a moderation of rentals compared to the 40% yoy escalation experienced in 2007. They are anticipated to rise in a more tamed manner of around 5% to 15% yoy. This deduction is based on the resistance of tenant and corporate HR to further increase in rentals as well as limited availability of foreign schools. In spite of this, as the supply of new units will only be felt significantly from 2009 onwards, the demand-supply imbalance could still result in rental increases. In 2008, around 8,400 private homes would be completed. The supply of newly completed homes would expand dramatically in the following 3 years (2009 – 2011) with an estimated 16,000 to 17,000 new homes being completed each year. The growing new supply could likely put downward pressure on rental rates.

Chart 7
HDB Resale Valuation for Executive Flat



Source: Housing & Development Board, Knight Frank Research

Outlook for Public Housing Sector

Mounting concern over global environmental issues has reached even the public housing sector, where next generation HDB homes can expect to advocate a green approach to living. Treelodge@Punggol, scheduled for completion in 2012, a project that HDB launched in March 2007, already has almost 80% of its units taken up. It is HDB's first eco-precinct project amid increasing interest in environmentally sustainable housing. In the future, it is hopeful that more HDB flats will be based on eco-friendly designs.

In terms of HDB resale prices, it is expected that resale price growth in 2008 will fall within the range of 7% to 15% yoy.

Rentals and Capital Values for Private Residential Properties in 4Q 2007

Table 1

Rentals of Selected Private Residential (Apartment/Condominium) Units as at 4Q 2007

Locality	Monthly Rent (psf)
D. 9, 10 & 11 - Luxury	\$4.80 - \$6.00
D. 9, 10 & 11 - Others	\$4.40 - \$5.40
East Coast	\$3.00 - \$4.40
West	\$2.30 - \$3.50
Upper Bukit Timah	\$2.10 - \$2.70
Thomson, Toa Payoh, Bishan	\$2.50 - \$3.50
Yio Chu Kang, Yishun	\$2.00 - \$2.40

Table 2

Capital Values of Selected Private Residential (Apartment/Condominium) Units as at 4Q 2007

Locality	Capital Value (psf)	
	Freehold	99-year Leasehold
D. 9, 10 & 11 - Luxury	\$2,370 - \$2,640	-
D. 9, 10 & 11 - Others	\$1,800 - \$1,930	\$1,340 - \$1,410
East Coast	\$1,100 - \$1,300	\$ 920 - \$1,160
West	\$ 730 - \$ 790	\$ 660 - \$ 780
Upper Bukit Timah	\$ 660 - \$ 770	\$ 630 - \$ 770
Thomson, Toa Payoh, Bishan	\$ 690 - \$ 950	\$ 620 - \$ 730
Yio Chu Kang, Yishun	-	\$ 450 - \$ 610

Table 3

Some Private Residential Projects with Units Granted TOP as at 4Q 2007

Name of Projects	Number of Units Granted TOP	Total Number of Units in Project
The Calrose	421	421
Blossoms @ Woodleigh	240	240
The Lakeshore	234	848
The Belvedere	167	167
The Chuan	106	106
Orchard Scotts	104	387
The Tresor	62	62
Le Reve	65	65

Singapore Retail Property Highlights

Optimistic Market Indicators

"Islandwide prime retail rentals increased by a better than expected 22.1% for the entire 2007."

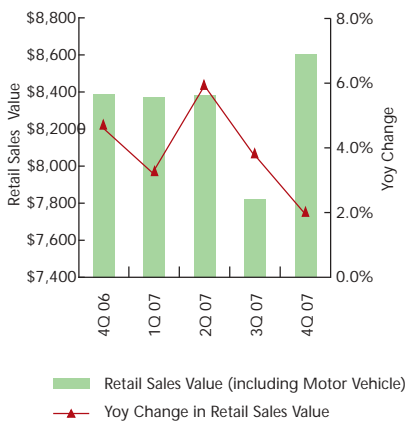
The Singapore retail sector performed admirably in 2007, following the Government's initiative to rejuvenate the retail scene with a series of upcoming events. Strong economic growth in 2007 coupled with rising property prices heightened both consumer and retailer sentiments, setting the foundations for the buoyant retail market. Islandwide prime retail rentals increased by a better than expected 22.1% for the entire 2007.

The retail market displayed positive activity in 4Q 2007, assisted by an increase in retail sales, tourism arrivals and disposable income. The retail sales index (excluding motor vehicles) maintained a healthy growth of 5.3% and 5.6% year-on-year (yoy) in August and September 2007 respectively. In these two months, the retail sales value climbed 6.2% and 6.5% yoy respectively to recover from July 2007's poor showing. In September 2007, consumers spent more on electronic and household products. Items such as telecommunication apparatus, computers, household equipment and furniture registered the strongest growth in retail sales, while in contrast, recreational goods, petrol service stations, supermarkets, and wearing apparel and footwear recorded a decline.

Strong external demand fashioned by the booming tourist industry was vital to the maintenance of the favourable retail market. Singapore welcomed 947,000 visitors in December 2007 to bring total tourist arrivals to an estimated 10.3 million. The unprecedented 10-millionth tourist arrived with much anticipation in December 2007 capping a splendid year for the industry, which has witnessed record arrivals and hotel occupancy rates.

The increase in wages was a considerable contributory factor to the growing retail sales. Despite rising inflation, real wages increased significantly for both the private and public sectors. Median salaries surged by 7.7% yoy to hit a 9-year high, while real wages grew by an average of 6.0% in the first two quarters of 2007. The rise in disposable income and anticipated larger year-end bonus in 2007 likely translated into a spending extravaganza for the festive season in 4Q 2007.

Chart 1
Retail Sales Value



Source: Urban Redevelopment Authority,
Knight Frank Research

"Demand for retail space was slightly subdued despite an absence of new supply in 4Q 2007."

Subdued Demand and Supply

Due to rising costs coupled with the fear of a possible US economic downturn in 2008, demand for retail space was slightly subdued despite an absence of new supply in 4Q 2007. The Islandwide average occupancy rate decreased by half a percentage point quarter-on-quarter (qoq) to reach 92.3% in 3Q 2007. However, notwithstanding the marginal decrease in the islandwide occupancy rate, retailers were more assured of the Orchard Road shopping belt and Downtown Core, where occupancy levels rose by 1.7% and 1.0% qoq respectively in 3Q 2007. These correspond to an occupancy rate of 96.4% and 96.6% for the Orchard Road shopping belt and Downtown Core respectively. The increase in occupancy rates for these particular areas did not occur in isolation especially with upcoming events such as the Formula One (F1) race and revitalisation of the Orchard Road shopping belt. With such anticipated events within these locations, it is no surprise that retailers are eager to establish their presence therein now, thus pushing up occupancy levels. In view of the demand and supply dynamics, the occupancy rate of retail space for 4Q 2007 was forecast to be in the range of 92.6% to 92.9%.

"The large increment in supply is likely to exert a temporary downward pressure on retail occupancy, especially in 4Q 2008 when several major projects are completed."

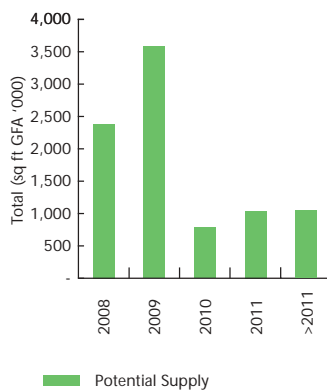
No significant new supply of retail space was completed in 4Q 2007. The majority of potential supply is expected to arrive in the second half of 2008 when West Coast Plaza completes its renovations in 3Q 2008. Other key completions to come include ION Orchard and Orchard Central situated within the Orchard Road shopping belt, Iluma shopping mall at Victoria Street and Jurong Point's new shopping wing. In total, a notable 2.39 million sq ft of potential supply is in the pipeline for 2008. The large increment in supply is likely to exert a temporary downward pressure on retail occupancy, especially in 4Q 2008 when several major projects are completed.

Potential Retail Supply Islandwide in the Next 2 Years

S/No	Project Name	Street Name	Developer	Total Shop Space (sq m gross)	Estimated Year of Completion
North Region					
1	Extension of a new 4-storey block to existing Northpoint Shopping Centre	Yishun Avenue 2/ Yishun Central 1	Yishun Development Pte Ltd	8,020	2008
2	Reconstruction of Sembawang Shopping Centre	Sembawang Road	HSBC Institutional Trust Services (S) Ltd	8,670	2008
Northeast Region					
3	Hotel Development	Belilios Road/Klang Lane	Namaste Hotel (Singapore) Pte Ltd	650	2009
Central Region					
4	Iluma at Bugis	Victoria Street	Jack Investment Pte Ltd	10,650	2008
5	Orchard Central	Orchard Road/ Killiney Road	Orchard Central Pte Ltd	10,980	2008
6	ION Orchard	Orchard Road/Paterson Road/Orchard Boulevard	Orchard Turn Residential Development Pte Ltd/ Orchard Turn Retail Investment Pte Ltd	87,370	2008
7	Wilkie Edge	Wilkie Road	CapitalLand Selegie Pte Ltd	4,090	2008
8	Hotel Development	Bencoolen Street	Bencool La Pte Ltd	140	2009
9	Hotel Development	Mohamed Sultan Road/Nanson Road	Republic Iconic Hotel Pte Ltd	110	2009
10	Somerset Central Development	Orchard Road/ Somerset Road	Lend Lease Retail Investments 1 Pte Ltd	32,730	2009
11	Hotel/Shopping Development	Fullerton Square	Precious Quay Pte Ltd	2,480	2009
East Region					
12	Crowne Plaza Changi Airport	Airport Boulevard	LC Airport Hotel Pte Ltd	110	2008
13	Tampines 1	Tampines Central 1	ARMF II (Tampines) Pte Ltd	28,210	2009
West Region					
14	Additions/alterations to West Coast Plaza (formerly known as Ginza Plaza)	West Coast Road	Dollar Land Singapore Pte Ltd	9,720	2008
15	Jurong Point Extension	Jurong West Street 64/ Jurong West Central 3	Prime Point Realty Development Pte Ltd	28,830	2008

Source: Urban Redevelopment Authority, Knight Frank Research

Chart 2
Potential Supply of Retail Space



Source: Urban Redevelopment Authority, Knight Frank Research

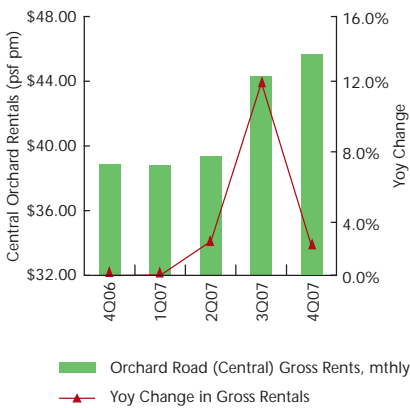
Iluma to Illuminate Bugis

Shoppers can prepare to be entertained by Iluma, the proposed 10-storey entertainment mall along Victoria Street opposite Parco Bugis Junction. The S\$160 million development by Jack Investment, boasting a nine-screen cinema and 27,191 sq ft of column-free space suitable for themed restaurants and concept dining, is expected to be completed in 4Q 2008. The entertainment mall is also likely to include prominent dance clubs to attract more patrons who relish the nightlife. In all, a total of 60% of the 191,580 sq ft of net lettable area, which would hold more than 150 shops, will be devoted to entertainment uses. Rentals for the new entertainment mall are expected to be in the region of S\$10 to S\$30 per square foot (psf) per month (pm).

With the current high level of shopper traffic between Bugis Village and Parco Bugis Junction, Iluma is envisaged to set the Bugis arts and entertainment district alight, drawing even more patrons to the area. In line with URA's plan for Bugis, Iluma is poised to bring arts and entertainment features to the forefront by hosting a series of art and musical performances within the mall's dedicated event plaza. Hence the entertainment mall can be considered as the long awaited missing piece in the Bugis arts and entertainment district's jigsaw puzzle.

Rising Retail Rentals

Chart 3
Central Orchard Road Rentals



Source: Knight Frank Research

In general, the rise in retail rentals for 4Q 2007 was in the range of 2.6% to 8.9% yoy islandwide, with the sharpest increase registered for malls at the fringe of the Orchard Road shopping belt. The increase in prime retail rentals along the central Orchard Road shopping belt in 3Q 2007 saw a respite in 4Q 2007, when prime rentals rose the least by 2.6% yoy to reach S\$45.50 psf pm. Landlords were likely to have encountered resistance from retailers to high rentals in central Orchard, thereby slowing down the pace of rental escalation. Despite the relatively lower rental increment compared to 3Q 2007, prime rentals within the central Orchard Road shopping belt in 4Q 2007 were a significant 22.2% higher than the last peak in 4Q 2004.

Contrastingly, rentals rose by 8.9% yoy at the fringe of the Orchard Road shopping belt for malls such as Park Mall and Tanglin Mall in 4Q 2007. The rise in rentals here might indicate a spillover effect from central Orchard to the fringe. However, it is noteworthy that the increase in rentals may also be attributable to micro factors such as a more harmonious tenant mix and higher shopper traffic.

Outside the Orchard Road locality, such as in the Marina Centre, City Hall and Bugis areas, rentals grew by 4.8% yoy to reach S\$30.20 psf pm while the city fringe experienced rentals rising by 8.0% yoy. After the refurbishment of several suburban malls, rentals were also found to have increased by 5.8% yoy to attain S\$29.00 psf pm in the suburban region. Landlords are now able to command higher rentals with stronger market positioning and greater shopper traffic.

"Rentals rose by 8.9% yoy at the fringe of the Orchard Road shopping belt."

"Islandwide prime retail rentals are projected to appreciate by a relatively modest 5% to 10% for the entire 2008, compared to the 22.1% growth in 2007.

Modest Outlook for Retail Sector

Demand for retail space, especially within the Orchard Road shopping belt, is likely to improve slightly in 2008 due to Singapore's healthy economy and high visitor arrivals. Furthermore, key events such as the revitalisation of the Orchard Road shopping belt, F1 race, opening of the Singapore Flyer and refurbishment of suburban malls could help to boost consumer spending. In the absence of new supply till the second half of 2008, occupancy rates are likely to rise.

The risks that could affect the retail property market include a major stock market correction that would affect the sentiments of consumers and retailers. Nonetheless, in view of the series of upcoming events, coupled with the Chinese New Year festive season in February 2008, the retail sector is likely to maintain its existing healthy form for the first quarter of 2008.

However, landlords could possibly face stronger resistance by retailers to rising rentals in the later part of 2008. Rentals are thus forecast to maintain at their current level only till early 2008. Faced with a larger supply in the pipeline in the second half of 2008, islandwide prime retail rentals are projected to appreciate by a relatively modest 5% to 10% for the entire 2008, compared to the 22.1% growth in 2007.

Current Rentals of Prime Shopping Centre Space

Locality	Average Prime Monthly Gross Rental ¹ (psf)
Orchard (Central)	\$45.50
Orchard (Fringe)	\$22.40
Marina Centre, City Hall, Bugis	\$30.20
City Fringe	\$24.10
Suburban	\$29.00

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

Source: Knight Frank Research

Singapore Office Property Highlights

Office Market Review

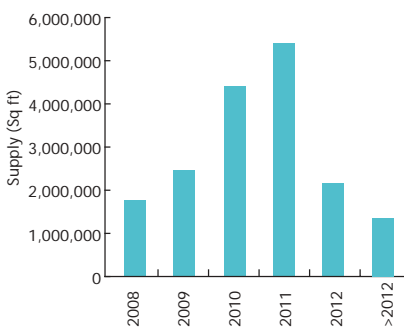
Singapore's economic growth was recorded at 7.7% for 2007 and despite the projected moderation of economic growth in 2008 to between 4% and 6%, this would have benign effects on office market sentiments. Singapore's financial services sector has seen expansion over the last few years, owing to factors such as domestic growth, economic restructuring resulting in the expansion of the service industry as well as the influx of both regional and global jobs into the market. In 3Q 2007, the financial services sector grew by 19.9% year-on-year (yoy) and according to a recent article, the Ministry of Trade and Industry (MTI) reported that the financial services sector continued to experience rapid growth in 4Q 2007.

The Outsourced Regional Office (ORO) scheme led by IE Singapore might further support the office sector's vibrancy. IE Singapore's network of 38 overseas offices plays a major role in marketing this scheme to foreign small and medium sized enterprises (SMEs). Their aim is to do so before these foreign SMEs are attracted to other Asian financial centres. As it stands, over 99% of the estimated 4.3 million businesses in the United Kingdom (UK) comprise SMEs and only a mere 700 of them have a hold in Singapore. The vast potential from delving into this market should be considered as it would not only boost the office market, but also benefit Singapore's economy as a whole. In effect, Singapore's economy, which acts as a catalyst for office space demand, can potentially benefit from future developments in the ORO scheme.

The office property market continued to perform strongly with regard to both prices and rentals in 2007, with prices and rentals escalating by 32.6% and 56.1% yoy respectively. These figures are higher than 2006's 17% yoy increase in prices and 30.3% yoy growth in rentals.

Demand-Supply Imbalance

Chart 1
**Potential Supply of Office Space
 (Private and Public Sectors)**



Source: Urban Redevelopment Authority,
 Knight Frank Research

Average new demand for office space over the past three years stood at approximately 2.28 million sq ft per year, exceeding the corresponding average new supply, which was a meagre 0.16 million sq ft annually. Between 1995 and 2005, new annual demand for office space when the Singapore economy was expanding ranged from 1.3 to 1.5 million sq ft. This compared to the average new demand of the past three years of about 2.28 million sq ft per year emphasizes the enduring discrepancy between demand and supply in the office market.

The long-standing demand-supply imbalance has consequently seen average occupancy climb over the years. As of 3Q 2007, occupancy levels had already risen by 3.0 percentage points year-to-date in contrast to the increase of 2.5 percentage points in 2006, standing at 92.7% in 3Q 2007. The Downtown Core had the highest occupancy rate of 94.3% in 3Q 2007 in the whole of the Central Region and islandwide. This is in comparison to office space demand outside the Central Region, where occupancy levels stood at 86.2% in 3Q 2007.

"The high occupancy levels and large discrepancy between new demand and new supply can be attributed to the unexpected rapid increase in demand and relatively long construction period of high-rise office buildings."

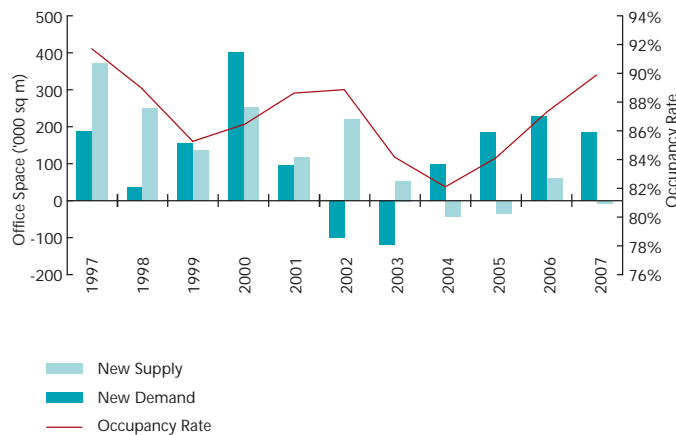
Despite cost-effective solutions that would spur institutions to shift their backroom operations to areas outside the Central Business District (CBD), occupancy levels in those regions have yet to experience any significant climb above the region of 90% since the Asian Financial Crisis. This is expected to change, as institutions would rather avoid having to bear the fast-rising rents downtown. To cite an example, Citibank will consolidate their backroom operations at Changi Business Park where they occupy 400,000 sq ft of space, spending about S\$220 million to do so.

The high occupancy levels and large discrepancy between new demand and new supply can be attributed to the unexpected rapid increase in demand and relatively long construction period of high-rise office buildings. The bulk of the new supply of office space will not enter the market till 2011, when construction of the Marina Bay Financial Centre is completed.

To ease the current shortage of supply, sites for short-term office space were launched by the Singapore Land Authority (SLA). One such example is the former Upper Aljunied Technical School with a land area of approximately 212,100 sq ft and a gross floor area (GFA) of around 83,120 sq ft. SLA had provided a rental guide of S\$74,100 a month with the tenancy renewable up till 2012. SLA has also offered other provisional sites that are located away from the CBD.

Whether such transitional office space would have any significant impact on the tight supply situation would depend on the location of these offices. If the locations were not in popular areas, such transitional office space would have limited effect on the market because they would not be attractive substitutes to CBD office space.

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



Source: Urban Redevelopment Authority,
Knight Frank Research

"Investment sales activity for office developments in 4Q 2007 was eventful for both the CBD and areas outside it."

Investment Sales of Office Developments

Investment sales activity for office developments in 4Q 2007 was eventful for both the CBD and areas outside it. Up till 3Q 2007, investment sales in the office market had been concentrated mainly in the CBD areas, but it is observed that in 4Q 2007 transactions were increasingly taking place outside the Central Area. For example, in October 2007, 48 units in Eastgate Building were sold for S\$63 million, or S\$1,059 psf of current net lettable area (NLA) to a UK purchaser, Develica Asia Pacific. As capital values of office space in the CBD have grown significantly, investors who were still bullish about the market and were seeking to acquire office space purchased such properties in areas outside the CBD.

In December 2007, 78 Shenton Way was sold for S\$650 million or S\$1,857 psf of current NLA to the German CGI Group. Interestingly, earlier in January 2007, this same property was sold to a joint venture between Credit Suisse and CLSA funds for S\$348.5 million. Hence within the span of a year, the transacted price expanded by almost twice. The change in ownership and disparity between the first and second sale price reflect the buzz that the office sector had generated in the past year. In addition, Macquarie Global Property Advisors sold 12 floors at Springleaf Tower in October 2007 for S\$225 million, representing a 68% increase from the previous transaction in January 2007 when they were sold for S\$134 million.

Government Land Sales

"Greater efforts are being made to grapple with the short-term supply situation."

As at 3Q 2007, a GFA of about 17 million sq ft of potential office space will be generated through the Government Land Sales (GLS) Programme, of which approximately 9.5 million sq ft of GFA is anticipated to be completed between 4Q 2007 and 2010. Of this space, 4.1 million sq ft of GFA is allocated for Business Park use, including supply at both Changi Business Park and Alexandra Distripark.

In November 2007 the Government launched for sale two short-term office sites situated in Aljunied (land area of 203,275 sq ft) and along Mountbatten Road (land area of 227,794 sq ft) in an attempt to ease the rigid office supply situation. The tender closed on 16 January 2008 and 9 January 2008 respectively. Both plots are able to accommodate developments of up to three storeys and are under a 15-year lease scheme. Earlier release of short-term sites proved to draw varied responses when a site along Scotts Road was much sought after with eleven bids and sold for S\$219 psf ppr, whereas another site at Tampines Avenue 5 had only one bid and was sold for S\$80.65 psf ppr to City Developments Ltd. While the motivation for the release of more sites is to mitigate the current supply situation, it also serves the purpose of offering substitutes for backroom offices located in the Central Area where rentals are getting steeper.

Marina View (Land Parcel B) was a source of interest after the adjacent parcel (Land Parcel A) was sold to Macquarie Global Property Advisors for S\$2.02 billion or S\$1,409 psf ppr. Land Parcel B was awarded to MGP Kimi Pte Ltd on 5 December 2007 at a tender price of about S\$952.9 million or S\$779 psf ppr. However, the difference in prices of the two sites is not indicative of office market sentiments easing.

The GLS programme for 2H 2007 had a total of five sites for commercial use under both the Confirmed and Reserve Lists compared to 1H 2008, which has a total of three commercial sites on the Reserve List. Despite the slight decline in the number of sites available, the list for 1H 2008 has a combined space of 143,500 sq m (or 1,544,619 sq ft) in contrast to the 52,550 sq m (or 565,643 sq ft) in 2H 2007, an indication that greater efforts are being made to grapple with the short-term supply situation.

Table 1

Extract from Government Land Sales Programme for 1H 2008

S/No	Location	Site Area (ha)	Gross Plot Ratio	Est Commercial Space (sq m)	Est Available Date
Confirmed List (White Site)					
1	Ophir Road/Rochor Road	2.74	6.0	139,740	June 2008
Reserve List (Commercial Sites)					
1	Punggol Point	1.10	-	3,000	Already Available
2	Tampines Grande/Tampines Concourse	0.50	4.2	21,000	Already Available
3	North Buona Vista Drive	1.94	6.2	119,500	April 2008
Reserve List (White Site)					
1	Outram Road/Eu Tong Sen Street	2.56	5.6	93,190	Already Available

Source: Ministry of National Development, Knight Frank Research

Continued Upward Trend of Office Rentals

"The current tight office supply situation and strong demand sustained the growth in rentals in 4Q 2007."

The current tight office supply situation and strong demand sustained the growth in rentals in 4Q 2007. Average Grade A office rentals expanded by 7.4% qoq to S\$14.74 psf per month, a rise of 81.8% yoy that is significantly higher than the 60.3% yoy increase in end-2006. Specifically, rentals for Raffles Place Grade A offices grew by 6.6% qoq to S\$16.56 psf per month from S\$15.54 psf per month in 3Q 2007. Grade A office rentals in the Shenton Way, Robinson Road and Tanjong Pagar areas also rose by 9.3% qoq to S\$10.93 psf per month. Rental performance in the Suntec, Marina Centre and City Hall areas expanded by 6.5% qoq in 4Q 2007, but the rate of growth was not as intense as that in 3Q 2007 when growth of around 19.4% qoq was recorded. The Orchard Road area was one of the better performers with an increase in rentals of 8.8% qoq to S\$13.79 psf per month in 4Q 2007.

"Not only has the unflagging supply crunch continued to cause rentals to soar, but it has also generated considerable interest in offices in other less costly areas."

Not only has the unflagging supply crunch continued to cause rentals to soar, but it has also generated considerable interest in offices in other less costly areas. Rentals of Grade B offices such as those in the Raffles Place, Shenton Way and Orchard Road areas increased by approximately 3% qoq to S\$11.08 psf per month, but growth was not as bullish as the 14.3% qoq escalation experienced in 3Q 2007. More significant is the consequential increase in rentals for suburban areas. Offices located in the West saw rentals surge by 22.2% qoq to S\$7.54 psf per month, surpassing growth in the North, which had previously been the forerunner of growth in the suburban areas. The North witnessed a rise of 11.3% qoq to S\$9.33 psf per month, while rentals in the East area, which only experienced a marginal increase in the previous quarter, escalated by 11.1% qoq to S\$6.50 psf per month in 4Q 2007. As long as the supply situation continues to remain rigid, firms are relocating to cheaper alternatives in order to avoid the high rentals in the CBD areas. However, it should be noted that the seemingly larger growth in rentals outside the CBD is also due to the lower base in such locations.

"Office rentals in 2008 are forecast to expand by 10% to 20% yoy and capital values are expected to increase by 10% to 15% yoy."

Outlook

Although the financial and business sector is still expected to remain robust, the more modest economic growth projected will see companies limiting their expansion of office space requirements. Some landlords would also be more accommodating to tenants in order to attract or retain these users of office space.

Growth in office rents and capital values in 2008 and 2009 is likely to be more moderate than in 2007. Office rentals in 2008 are forecast to expand by 10% to 20% yoy and capital values are expected to increase by 10% to 15% yoy.

Table 2

Average Effective Monthly Rental in 4Q 2007

Location	Average Effective Monthly Gross Rental (psf)
CBD (Grade A)	
Raffles Place	\$16.30 - \$16.90
Marina Centre / City Hall	\$15.10 - \$15.90
Shenton Way / Robinson Road	\$10.40 - \$11.40
Orchard Road	\$13.50 - \$14.10
Non-CBD	
Beach Road / Middle Road	\$ 9.80 - \$10.60
Suburban (North)	\$ 9.10 - \$ 9.60
Suburban (East)	\$ 6.00 - \$ 7.00
Suburban (West)	\$ 7.20 - \$ 7.90

Source: Knight Frank Research

Table 3

Major Office Projects Under Development

Year	Proposed Development	GFA (sq ft)
2008	(A) VisionCrest Commercial	161,243
	(B) 60 Robinson Road	85,465
	(C) Harbourfront Place	244,556
	(D) Wilkie Edge	145,313
	(E) Scotts Road transitional site	168,563
	Subtotal	805,140
2009	(F) Straits Trading Building	198,809
	(G) The Anson	383,841
	(H) 71 Robinson Rd	278,677
	(I) Tampines Grande office development	358,115
	(J) Dapenso Building redevelopment	123,570
	Subtotal	1,343,012
2010	(K) Marina Bay Financial Centre	1,937,502
	(L) Overseas Union House	494,278
	(M) Asia Chambers Building redevelopment	160,920
	(N) Robinson Towers redevelopment	258,118
	(O) Afro-Asia Building redevelopment	121,094
	Subtotal	2,971,913
2011	(P) Alexandra Business Park	480,931
	(Q) Ocean Financial Centre	850,000
	(R) Office redevelopment (Shenton Way)	199,455
	(S) Office redevelopment (Robinson Road)	179,542
	(T) Addition to OUB Centre	301,174
	Subtotal	2,011,102
2012	(U) Marina Bay Financial Centre (Phase 2)	1,559,366
	Subtotal	1,559,366

Source: Urban Redevelopment Authority, Knight Frank Research

Singapore Industrial Property Highlights

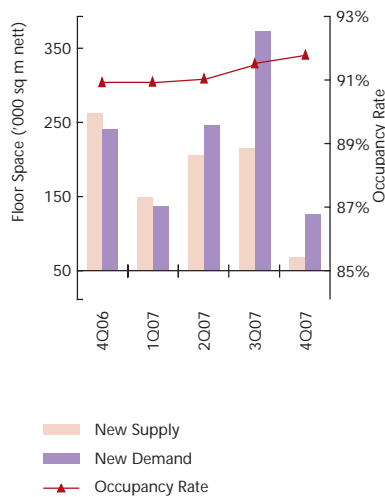
Overall Manufacturing Performance

Growth in Singapore's manufacturing sector stood at 0.5% year-on-year (yoy) in 4Q 2007, less than the 10.3% yoy increase in the third quarter, as weaker demand for key technology and drug shipments hindered performance.

"Manufacturing output in 2007 was 5.8% higher than that in 2006."

The purchasing managers' index (PMI), a leading indicator for the manufacturing industry, recorded 51.0 points in December 2007, down from 53.8 in November 2007. The decline in December's index from the previous month was due to fewer new orders and new export orders, as well as lower levels of production output and inventory. Singapore's manufacturing output decreased by 1.7% yoy in December 2007. According to the Economic Development Board, the seasonally adjusted month-on-month index for December 2007 dropped by 4.7% from November 2007. Nevertheless, despite the December slowdown, manufacturing output in 2007 was 5.8% higher than that in 2006.

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



Source: Urban Redevelopment Authority, Knight Frank Research

Expansion in November 2007 came from the transport engineering, electronics and chemicals clusters, output of which escalated by 31.9%, 5.3% and 3.4% yoy respectively. Cumulatively, output in the first eleven months of 2007 rose by 23.1%, 2.8% and 3.2% for the transport engineering, electronics and chemicals clusters respectively compared to the same period in 2006. On the contrary, the biomedical manufacturing, precision engineering and general manufacturing industries clusters contracted in November 2007, during which their output fell by 0.3%, 33.4% and 0.2% yoy respectively. However, for the first eleven months of 2007, although the precision engineering cluster shrank by 0.3%, the biomedical manufacturing and general manufacturing industries clusters grew by 3.0% and 6.8% respectively compared to the same period in 2006.

Non-oil domestic exports (NODX) declined by 3.4% in November 2007, reversing the previous month's 6.5% increase, largely due to a drop in electronic NODX as non-electronic domestic exports registered marginal growth. Domestic exports of electronic goods sustained ten consecutive months of contraction, weakening by 8.2% in November 2007. This reduction was due to lower domestic exports of integrated circuits, telecommunication equipment and parts of personal computers. Growth of non-electronic NODX in November 2007 was slight at 0.2%, less than the previous month's 20% boost. Contributing to the rise in non-electronic NODX were higher domestic exports of specialised machinery, non-monetary goods, electrical machinery and primary chemicals. Nevertheless, most of these increases were offset by the 21% contraction in pharmaceutical domestic exports that month.

"Due to the shortage in supply of new factory space and new warehouse space, the occupancy rate of factory space and warehouse space was pushed up to 91.8% and 91.5% respectively in 4Q 2007, the highest over the last five years."

Islandwide Demand and Supply

In 2007, demand for factories and warehouses remained robust. Total new demand for factory space and warehouse space amounted to 9.47 million square feet (sq ft) and 4.77 million sq ft respectively, reflecting an increase of 24% and 72% respectively compared to 2006. On the supply side in 2007, total new supply of factory space was 6.68 million sq ft, while that of warehouse space stood at 3.30 million sq ft, both of which were surpassed by the corresponding demand. Due to the shortage in supply of new factory space and new warehouse space, the occupancy rate of factory space and warehouse space was pushed up to 91.8% and 91.5% respectively in 4Q 2007, the highest over the last five years.

In contrast, the annual industrial space demand for factories and warehouses over the past five years averaged 6.9 million sq ft and 2.2 million sq ft respectively, 45% and 30% more than their average annual supply during the same five-year period.

Industrial Sites under Government Land Sales Programme

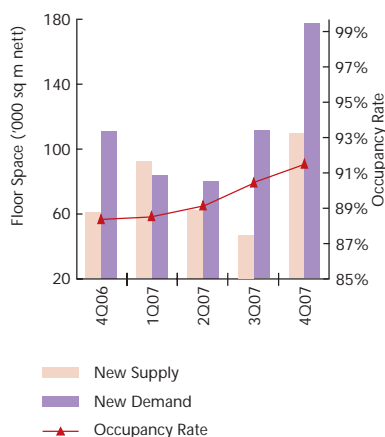
In the second half of 2007, a total of five industrial land parcels were sold under the Government Land Sales (GLS) Programme. Two of these five sites were in the Confirmed List of the 2H 2007 GLS Programme, one of which was at Sin Ming Lane and the other was at Jalan Tepong. The tender for the Sin Ming Lane site drew a top bid of S\$68.9 million from MV Land Pte Ltd and was awarded on 24 October 2007. Based on a land area of about 5.13 hectares (ha) and plot ratio of 2.5, the price works out to almost S\$50 per square foot per plot ratio (psf ppr).

The Jalan Tepong site was sold on 29 November 2007 to EL Development, which is fully owned by Evan Lim & Co Pte Ltd. The company submitted the highest of six bids received and paid S\$9.5 million, or S\$30 psf ppr, for this site. The land parcel of 23-year leasehold tenure has a site area of 224,600 sq ft and plot ratio of 1.4, thereby producing a maximum permissible gross floor area (GFA) of 314,440 sq ft.

Besides the above two sites from the Confirmed List of the 2H 2007 GLS Programme, three land parcels in the Reserve List were also sold. They include a 120,300-sq ft site at L1 Commonwealth Drive/Lane that went to WHB Pte Ltd, which paid S\$51.2 million (or approximately S\$170 psf ppr), the highest of 14 bids received. The 30-year leasehold site has a plot ratio of 2.5 and maximum permissible GFA of 300,750 sq ft. Another site from the same Reserve List at Pioneer Road/Tuas Avenue 11 attracted six bidders and was awarded to Soilbuild Group Holdings, which paid S\$12.2 million, or S\$37 psf ppr, for it.

As part of the GLS Programme for the first half of 2008, only one industrial site is in the Confirmed List and seven industrial sites are in the Reserve List. Located at Woodlands Industrial Park E5, the Confirmed List site covers a land area of 1.68 ha and maximum permissible GFA of about 452,084 sq ft. The latest slate of Reserve List sites comprises three new land parcels at Ubi Avenue 4, Kallang Pudding Road and Serangoon North Avenue 4, as well as four sites that are being rolled over from the Reserve List of the 2H 2007 GLS Programme. These four Reserve List sites consist of two plots at Yishun Avenue 6 as well as a plot each at Toh Tuck Avenue and Ubi Avenue 4/Ubi Road 2.

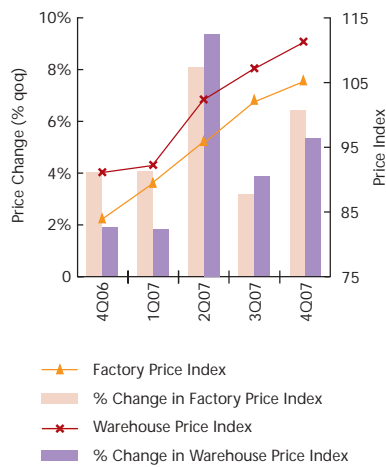
Chart 2
Demand & Supply of Warehouse Space (Private & Public Sectors)



Source: Urban Redevelopment Authority, Knight Frank Research

Seven of the eight industrial sites under the 1H 2008 GLS Programme are being offered on a 60-year leasehold tenure, while the Reserve List plot at Toh Tuck Avenue has a 30-year leasehold tenure. With the exception of the Woodlands Industrial Park E5 plot, which has Business 2 zoning, the other seven land parcels are zoned Business 1, denoting that they can be developed for clean and light industrial use.

Chart 3
Factory & Warehouse Price Index



Source: Urban Redevelopment Authority, Knight Frank Research

Table 1
Industrial Sites under Government Land Sales Programme for 1H 2008

S/No	Location	Site Area (ha)	Gross Plot Ratio	Zoning	Tenure	Remarks
Confirmed List						
1	Woodlands Industrial Park E5	1.68	2.5	Business 2	60 years	Tender details estimated to be announced in May 2008
Reserve List						
2	Yishun Ave 6 (Parcel 1)	1.42	2.5	Business 1	60 years	Available for application
3	Yishun Ave 6 (Parcel 8)	1.43	2.5	Business 1	60 years	Available for application
4	Toh Tuck Avenue	1.02	1.6	Business 1	30 years	Available for application
5	Ubi Avenue 4/ Ubi Road 2	1.25	2.0	Business 1	60 years	Available for application
6	Ubi Avenue 4	1.14	2.5	Business 1	60 years	Estimated to be available in June 2008
7	Kallang Pudding Road	0.54	2.5	Business 1	60 years	Estimated to be available in May 2008
8	Serangoon North Avenue 4 (Parcel 1)	0.80	2.5	Business 1	60 years	Estimated to be available in April 2008

Source: Ministry of Trade and Industry

"Singapore's industrial property investment sales market was dynamic in 2007."

Industrial REITs Acquisition Activity

Singapore's industrial property investment sales market was dynamic in 2007. MacarthurCook Industrial REIT (MI-REIT) led the way in new acquisitions in terms of total sum spent. MI-REIT paid S\$451 million to purchase 15 properties that were mainly warehouses, followed by Cambridge Industrial Trust's acquisition of 15 properties, the price of which totalled S\$435 million.

Mapletree Logistics Trust was also actively expanding its portfolio in 2007, albeit on a comparatively smaller scale. It announced the acquisition of 15 properties, which entailed a total price of S\$219 million. Also in 2007, new acquisitions by Ascendas REIT consisted of seven industrial properties that had a combined purchase price of S\$120 million.

"Fuelled by continued healthy demand for industrial space, rental rates for factory space and warehouse space rose by 33.5% and 27.9% yoy respectively in 4Q 2007."

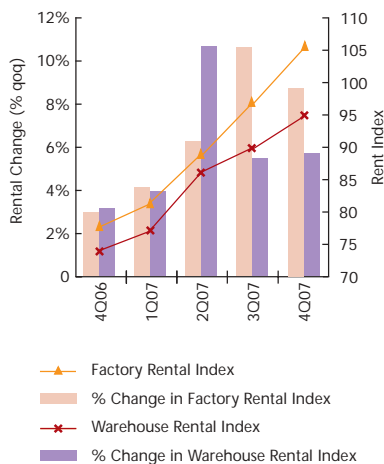
Industrial Rentals and Capital Values

In the whole of 2007, both industrial rentals and capital values saw a steady increase due to robust demand for industrial space. Fuelled by continued healthy demand for industrial space, rental rates for factory space and warehouse space rose by 33.5% and 27.9% yoy respectively in 4Q 2007.

Strong rental growth was noted in the areas of MacPherson/Paya Lebar and Admiralty. The average monthly rental for upper floor industrial space in the MacPherson/Paya Lebar and Admiralty localities was in the range of S\$1.85 to S\$2.20 psf and S\$1.10 to S\$1.40 psf respectively in 4Q 2007. These rental rates, on average, showed an annual increase of about 62% in MacPherson/Paya Lebar and almost 28% in the Admiralty area. Market rentals for high-tech factory and business park space also witnessed sustained growth in 2007. In the last quarter of 2007, the islandwide average monthly rental for high-tech factory space surged by close to 70% yoy, while that for business park space rose by 46% yoy.

Reflecting the uptrend of industrial capital values, the price index of factory space and warehouse space islandwide escalated by 23.0% and 21.5% yoy respectively in 4Q 2007. When compared to the office sector, users of industrial space typically prefer to buy rather than rent the industrial property. They wish to own the facilities, as this would give them more operational flexibility, e.g. in changing production line. Such buying sentiment could push up the selling price of industrial space. Growth in capital values was observed in the Kaki Bukit area, where the average transaction price of industrial space in 4Q 2007 was in the range of S\$135 to S\$295 psf.

Chart 4
Factory & Warehouse Rental Index



Source: Urban Redevelopment Authority, Knight Frank Research

Table 2
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	\$1.85 - \$2.20	\$195 - \$340
Kaki Bukit	\$1.25 - \$1.60	\$135 - \$295 (60-year leasehold)
Admiralty	\$1.10 - \$1.40	\$125 - \$285 (60-year leasehold)
High-tech Factory Space		
Islandwide	\$3.35 - \$3.75	NA
Business Park Space		
Islandwide	\$3.50 - \$3.90	NA

Source: Knight Frank Research

"Average capital values are envisaged to increase by 15% to 20% and average rentals are projected to grow by 15% to 25% in 2008."

Outlook

External economic conditions in 2008 are expected to decline slightly compared to 2007. The lingering effects of the sub-prime problems and a more generalised weakening of the American housing market will dampen consumption in the United States. Growth in the European Union is also anticipated to be less as a strong currency erodes export competitiveness. However, the outlook for the Asian economies remains positive, with the Chinese economy predicted to sustain a double-digit pace of expansion.

Sentiments among manufacturing firms are still favourable and demand for space in industrial parks, both from backroom operations as well as SMEs and MNCs, is forecast to stay strong until the end of 2008. However, for 2008, the projected new supply of factory space will enlarge to 17.37 million sq ft, while that of warehouse space will rise to 5.31 million sq ft, higher than the average new demand over the last five years. This oversupply may temporarily lower occupancy. With demand for industrial premises expected to remain healthy though, the occupancy rate is estimated to continue to exceed 90% in 2008. Average capital values are envisaged to increase by 15% to 20% and average rentals are projected to grow by 15% to 25% in 2008.

Singapore Investment Sales Property Highlights 2H 2007

Overview: Another Harvest Year for Investment Sales

"Total investment sales in 2007 escalated to S\$39.97 billion, which is 63.3% higher than the previous record of S\$24.48 billion in 2006."

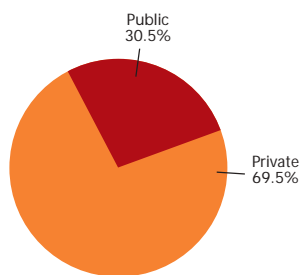
Fuelled by strong confidence from investors, Singapore's investment sales property market experienced robust growth in 2007, even surpassing the record peak achieved in 2006. Total investment sales in 2007 escalated to S\$39.97 billion (excluding the sale of Good Class Bungalows), which is 63.3% higher than the previous record of S\$24.48 billion in 2006. In 2007, public land sales, which comprise sales of sites under the Government Land Sales (GLS) Programme and Design Build & Sell Scheme (DBSS) as well as land parcels at Sentosa Cove, accounted for 30.5% of total investment sales.

Government Land Sales: Large Inflow of Foreign Investment

All in all, 2007 saw dynamic activity in both the residential and non-residential segments of GLS. In 2007, the Government sold forty-two major land parcels via the GLS Programme, which is more than double the number recorded in the previous year, and the total public land sales value (including S\$1.84 billion worth of land sales at Sentosa Cove) reached S\$12.17 billion, soaring by more than 240% as compared to 2006. Among the different types of land, sales revenue from white sites (e.g. those at Marina View) made a significant contribution of S\$4.17 billion to the total sales value.

In 2007, GLS also attracted a large inflow of investment from foreign parties. Specifically, a white site at Marina View (Land Parcel A) was sold to Macquarie Global Property Advisors Group in September 2007 for S\$2.02 billion or equivalent to S\$1,409 per square foot per plot ratio (psf ppr). This was reported to be the first time that the sale of a single piece of State land in Singapore had crossed the S\$2 billion price tag. Also in September 2007, a commercial site at Beach Road was awarded to a consortium comprising City Developments Ltd, Dubai's Istithmar and US-based Elad Group for S\$1.69 billion (S\$1,069 psf ppr).

Chart 1
Source of Investment Sales in 2007



Source: Knight Frank Research

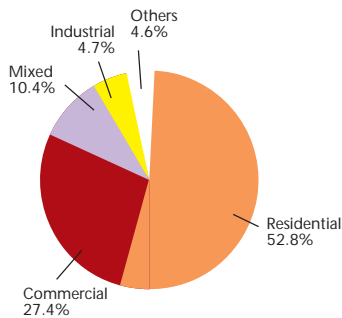
"In 2007, the Government sold forty-two major land parcels via the GLS Programme, which is more than double the number recorded in the previous year."

Table 1
Major Land Parcels Sold by the Government in 2007

S/No	Land Parcel	Purchaser		Price	
		Name	Country of Origin	Amount (S\$)	Rate (S\$ psf ppr)
1	Commercial site at Beach Road	City Developments Ltd, Istithmar and Elad Group	Singapore, Dubai and United States	1,688,888,000	1,069
2	White site at Marina View (Land Parcel A)	Macquarie Global Property Advisors Group	Australia	2,018,888,988	1,409
3	White site at Marina View (Land Parcel B)	Macquarie Global Property Advisors Group	Australia	952,888,888	779
4	Pearl Island (residential), Sentosa Cove	Ximeng Land Pte Ltd	China	215,651,835	1,688

Source: Urban Redevelopment Authority, Sentosa Cove Pte Ltd, Knight Frank Research

Chart 2
Types of Investment Sales
in 2007



Source: Knight Frank Research

"District 10 had the highest number of residential sites sold in 2007, with 19 collective sale transactions recorded."

"More sites in the fringe areas of Thomson Road, East Coast, etc. were sold in the residential collective sales market in 2007."

Private Investment Sales

The private investment sales market experienced another bustling year, as energized by residential collective sales activities. Boosted by an unprecedented number of collective sales as well as commercial building acquisitions, the total private investment sales value in 2007 soared to S\$27.8 billion, approximately 42% higher than that attained in 2006.

Residential Investment Sales: Heat Spreading toward Fringe Areas

2007 saw vigorous growth in the residential collective sales market, in terms of both number and value as compared to the previous year. With a total of 104 successful collective sales in 2007 (as compared to 65 such sales in 2006), the corresponding transaction value (excluding development charge) generated was S\$12.4 billion, which reflects a 51.2% year-on-year (yoy) increase.

Demand for collective sale sites in the prime Districts 9, 10 and 11 remained strong in 2007, with 50 sites sold in these three districts. Among them, District 10 had the highest number of residential sites sold in 2007, with 19 collective sale transactions recorded. Prominent collective sale transactions in 2007 included the sale of The Ardmore to SC Global Group for S\$262 million (S\$2,337 psf ppr) in June 2007 and The Grangeford to Overseas Union Enterprise for S\$625 million (S\$1,810 psf ppr) in August 2007. The most expensive site to be sold on a per square foot basis in 2007 was Westwood Apartments, which was purchased by YTL Corporation for S\$435 million (S\$2,525 psf ppr) in November 2007.

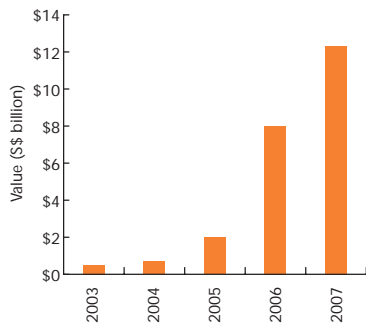
More sites in the fringe areas of Thomson Road, East Coast, etc. were sold in the residential collective sales market in 2007. The expectation that the mid-tier and mass markets will strengthen in 2008 is likely to be the key factor that boosted the number and value of transactions in these fringe areas.

However, it is noticeable that the collective sales market showed signs of cooling down in the second half of 2007. In terms of sales value, the total amount achieved in 2H 2007 was S\$2.86 billion, which was a drop of 70% as compared to the figure recorded in 1H 2007. This deceleration might be attributed to the hike in the development charge computation rate from 50% to 70% of the increase in land value and the rising asking prices of owners of properties that just joined the collective sale bandwagon. Although the relatively high number of collective sales has increased the liquidity and purchasing power of en-bloc property sellers, some of these sellers chose to invest their sale proceeds in non-property assets and downgrade to cheaper properties in 2H 2007. As the level of new sales in the high-end market has started slipping since mid-2007, the en-bloc land acquisition appetite of developers has also cooled.

Besides collective sales, the transaction value of non-collective sales scaled new heights in 2007 to reach approximately S\$4.3 billion (an almost three-fold rise over that in 2006), as motivated by a trend of bulk buying of uncompleted condominium units in sought-after districts by foreign investment funds and investors. This trend might reflect the foreign investors' confidence in favourable rental income from high-end residential properties in the near future.

In 2007, the transaction value of non-collective sales constituted 25.7% of the total residential investment sales value. Out of all bulk buying of uncompleted condominium units, the largest transaction noted in 2007 was the purchase of 97 four-bedroom apartments at Goodwood Residence for S\$818.4 million by Kuwait Finance House.

Chart 3
Collective Sales Transaction Value



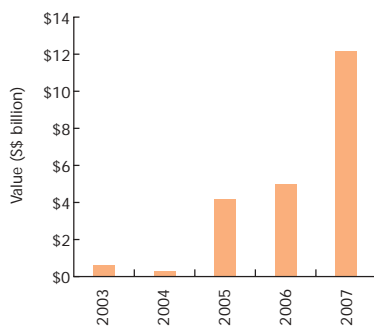
Source: Knight Frank Research

Table 2
Major Bulk Purchases of Condominium Units in 2007

S/No	Development	Quantum Bought in Bulk	Price (\$)	Purchaser
1	Goodwood Residence	97 units	818,400,000	Kuwait Finance House
2	Cliveden at Grange	2 blocks	432,400,000	City Developments Ltd and Wachovia
3	Reflections at Keppel Bay	2 blocks with 56 units	286,000,000	Middle Eastern fund
4	Reflections at Keppel Bay	1 block	226,470,000	Taiwanese investor
5	Suites @ Cairnhill	48 units	205,000,000	Thai investor
6	Costa del Sol	180 units	200,770,000	Ong Beng Seng & his family members
7	The Orchard Residences	16 units	135,000,000	Thai investor
8	Suites @ Central	51 units	127,000,000	Private investor
9	Anderson Green	34 units	112,000,000	Hillcrest Capital Ltd
10	M21	61 units	100,000,000	Overseas fund
11	Duchess Crest	48 units	85,800,000	International fund

Source: Knight Frank Research

Chart 4
Government Land Sales Volume



Source: Knight Frank Research

Non-residential Investment Sales: Active Sales of Office Buildings

2007 was another outstanding year for non-residential investment sales, especially in the office property sector. Bolstered by healthy leasing demand for office space coupled with limited supply of office space in the medium term, several acquisitions of office buildings in the Central Business District (CBD) took place in 2007. This, in turn, pushed up 2007's total commercial investment sales value to S\$8.3 billion, which denotes a 19.6% yoy increase.

As the capital values of prime office space scaled new heights in 2007, certain office properties such as Anson House and 78 Shenton Way changed hands within one year of acquisition. For instance, Anson House was sold in December 2007 to a private property fund managed by Australia's Macquarie Bank for S\$129.5 million (S\$1,701 psf of NLA), which is 72.7% higher than its price when it was previously transacted in December 2006.

In 2007, foreign investment funds participated rather actively in the commercial investment sales market. The total amount paid by foreign investors constituted more than 59% of the total sum fetched in major commercial investment sale transactions in 2007.

Buoyant sale activities continued in the industrial investment sales market in 2007 too, with the total industrial investment sales value reaching over S\$1.7 billion. Similar to 2006, REITs-related acquisitions still contributed to the bulk of the total sales value. MacarthurCook Industrial REIT and Cambridge Industrial Trust were the two most active purchasers, with their total purchase values amounting to about S\$451 million and S\$435 million respectively.

"The total industrial investment sales value reached over S\$1.7 billion."

Table 3
Major Office Investment Sale Transactions in the CBD in 2007

S/No	Development	Purchaser		Price	
		Name	Country of Origin	Amount (\$S)	Rate (\$S psf of net lettable area)
1	Chevron House	Goldman Sachs-linked fund	United States	730,000,000	2,780
2	Parakou Building	New Star International Property Fund	United Kingdom	128,000,000	2,013
3	78 Shenton Way	Commerz Grundbesitz Investmentgesellschaft (CGI) Group	Germany	650,000,000	1,857
4	SIA Building	SEB Asset Management	Germany	525,000,000	1,776
5	Temasek Tower	Macquarie Global Property Advisors Group	Australia	1,038,888,000	1,550

Source: Knight Frank Research

"The collective sales market in 1H 2008 is expected to be comparatively cooler than in the previous corresponding period."

"The commercial property market would also be supported by property funds seeking opportunistic acquisitions."

Outlook

Following a record in both sales volume and number of sites sold in 2007, it is unlikely that the same results could be repeated in 2008. The amended legislature governing collective sales and the rise in the development charge computation rate from 50% to 70% of the increase in land value have contributed to the dampening of the collective sales market. The sale momentum in the high-end residential property market would provide a leading indicator of the level of activity in the collective sales market in 2008. If the take-up rate of high-end condominium developments remained strong, then demand for collective sale sites from developers and investors would be healthy. Taking into consideration that Singapore's overall economic growth for 2008 has been forecast by the Ministry of Trade and Industry to be at a moderate rate of 4% to 6%, we anticipate investment sentiments to stay cautious and expect the collective sales market in 1H 2008 to be comparatively cooler than in the previous corresponding period.

As observed earlier, foreign investors participated quite actively in the commercial investment sales market in 2007. Although there is uncertainty over a potential economic recession in the United States, Singapore is still a choice location for property investments due to strong economic fundamentals and political stability, as well as the appreciating Singapore dollar.

Amid the underlying healthy demand for commercial space and stable rental rates, there is likelihood that the commercial investment sales market would remain dynamic in 2008. The commercial property market would also be supported by property funds seeking opportunistic acquisitions. In addition, with good returns on capital values, we believe that 2008 may see investors continuing to seek short-term gains from properties that were acquired from 2005 to 2006. 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.

Table 4

Major Commercial Buildings Acquired by Foreign Purchasers in 2007

S/No	Date of Purchase	Property	Sale Price (S\$)	Purchaser
1	Jan 07	78 Shenton Way	\$ 348,500,000	Credit Suisse, CLSA
2	Jan 07	Vision Crest's office block	\$ 260,000,000	Union Investment Real Estate AG
3	Feb 07	HB Robinson	\$ 119,000,000	Credit Suisse Fund
4	Feb 07	15th floor of Samsung Hub	\$ 18,600,000	Chinese Chamber Realty
5	Feb 07	6 floors of Samsung Hub	\$ 122,444,400	Church Street Holdings Pte Ltd
6	Feb 07	Satnam House	\$ 33,500,000	Royal Brothers
7	Mar 07	Temasek Tower	\$1,038,888,000	Macquarie Global Property Advisors Group
8	Apr 07	SIA Building	\$ 525,000,000	SEB Asset Management
9	May 07	Parakou Building	\$ 128,000,000	New Star
10	Jun 07	1 Finlayson Green	\$ 230,880,000	Develica
11	Aug 07	Chevron House	\$ 730,000,000	Goldman Sachs - Linked Fund
12	Aug 07	12 floors of office space at Springleaf Tower	\$ 225,000,000	SEB Asset Management
13	Oct 07	48 units in EastGate Building	\$ 63,000,000	Develica
14	Oct 07	6 floors at Prudential Towers	\$ 141,000,000	Asia Property Fund (LaSalle)
15	Dec 07	78 Shenton Way	\$ 650,000,000	CGI Group
16	Dec 07	Apollo Centre	\$ 205,000,000	AEW Capital Management
17	Dec 07	Anson House	\$ 129,500,000	Private Property Fund managed by Macquarie Bank

Source: Knight Frank Research

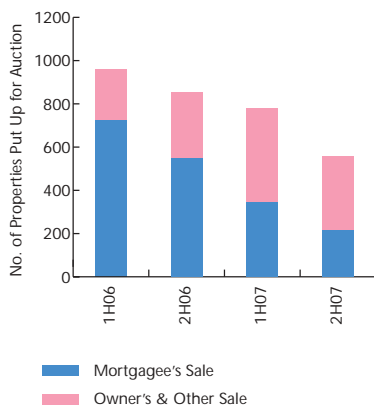
Singapore Auction Property Highlights Auction Market Performance – 2H 2007

Drop in Number of Properties Put Up for Auction

"The total number of properties put up for auction in the whole of 2007 was 1,294, as compared to 1,814 in 2006."

The bull run in the Singapore property market continued into 2H 2007. As a result, the number of properties foreclosed by banks and offered through mortgagee's sale declined. The total number of properties put up for auction in the whole of 2007 was 1,294, as compared to 1,814 in 2006. Only properties that were actually put up for sale during auction sessions are taken into consideration and the number excludes properties sold before auction or postponed/withdrawn from auction. The number of properties put up under mortgagee's sale had steadily decreased since 2005 and dropped to 567 in 2007. This is 56% lower than the figure in 2006. On the other hand, the healthy property market has also encouraged some property owners to sell their real estate through quick and efficient auctions. In total, 727 properties were put up for auction by property owners in 2007, which represented an increase of 38% year-on-year (yoy).

Chart 1
Number of Properties Put Up for Auction in 2006 and 2007



Source: Knight Frank Research, Knight Frank Auction

"For the whole of 2007, the total sales value still hit S\$422.95 million, which is approximately 32% higher than the level achieved in 2006."

Sales Value from Auctions Hit High Notes in 2007

In line with the decrease in the number of properties put up for auction in 2H 2007, the sales value in 2H 2007 also dropped by 52% as compared to the first half of the year. This decline is partly due to the negative investment sentiments that resulted from the sub-prime crisis in the United States. However, for the whole of 2007, the total sales value still hit S\$422.95 million, which is approximately 32% higher than the level achieved in 2006. In addition, 205 properties were sold at auctions in 2007, up from the 174 properties sold in 2006.

Sectoral Analysis

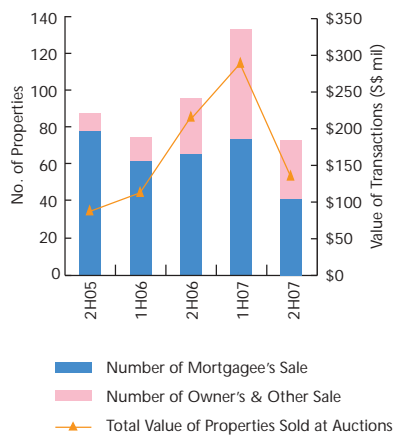
Overall, most of the real estate sectors enjoyed higher sales value in 2007 than the previous year, with the residential property sector appearing to be the most active. The only sector that saw less activity in 2007 was the industrial property market.

(i) Residential

Residential properties continued to make up the bulk of properties put up for auction in 2007 with about 45% of the total number of properties offered for auction falling into this group. Noticeably, more property owners were offering their residential properties for sale via auction for faster and more profitable deals. In particular, 369 residential properties were put up for sale by owners at auctions in 2007, which is 42% higher than that in the previous year. Similarly, total sales value from the residential property sector in 2007 was S\$280.23 million, which is 27% higher than that achieved in 2006.

Fuelled by overwhelming demand from both local and overseas buyers, many apartments in developments under construction (such as Paterson Residence, Marina Bay Residences, The Cosmopolitan, The Fort @ Holland and Botanika) were put up for sale at auctions.

Chart 2
Number and Value of Properties Sold at Auctions



Source: Knight Frank Research

"More investors were buying commercial shophouses for use as office space, as there is currently a shortage in office supply coupled with high prices and rents demanded by office owners."

Interestingly, a wider range of residential properties were put up and sold at auctions in 2007. This included penthouses and larger units, such as a unit at The Berth and another at Beaverton Court with a floor area of 6,028 square feet (sf) and 9,784 sf respectively. Moreover, units in condominium developments with en-bloc sale potential were also well sought-after in 2007. Some notable transactions comprised apartments at Watten Estate Condominium (sold for S\$2.4 million in April 2007) and at Lagoon View (sold for S\$910,000 in May 2007).

Last but not least, landed properties such as detached houses and Good Class Bungalows attracted a lot of interest from bidders too. In January 2007, active bidding from more than eight parties saw a single-storey bungalow at 59 Goodman Road being sold for S\$8.5 million from an opening price of S\$6.4 million. In addition, more than five parties participated in the bidding for a conservation bungalow at 781 Mountbatten Road, which started at S\$9.5 million and eventually resulted in a selling price of S\$13.95 million. Good Class Bungalows at Maryland Park and Swiss Club Road were also successfully sold at Knight Frank auctions.

(ii) Retail

The retail property sector was also active in 2007, with its total sales value amounting to S\$73.39 million, which is a whopping 164% higher than that in 2006. Contributing to this hike was mainly an increase in the sale of conservation and non-conservation shophouses, particularly in locations such as Joo Chiat Road, Geylang Road, North Bridge Road and South Bridge Road. More investors were buying commercial shophouses for use as office space, as there is currently a shortage in office supply coupled with high prices and rents demanded by office owners.

Shophouses that were transacted in 2007 included those situated at 762/764 North Bridge Road (sold for S\$3.2 million) and 252 to 262 (even numbers) South Bridge Road (sold collectively for S\$22 million). In the same year, the sale of HDB shophouses through auctions fetched S\$10.69 million, which is a five-fold escalation over the sales value of only S\$2.16 million attained in 2006.

(iii) Office

The auction market benefited from the booming office property sector. The total sales value of office properties in 2006 stood at S\$12.5 million. In 2007, the figure more than doubled to S\$28.11 million. More property owners were putting their office properties up for sale via auction to tap on the buoyant office property market. Several office units at various buildings such as International Plaza, Bylands Building, Suntec Tower 1 and United House were put up for sale at auctions in 2007.

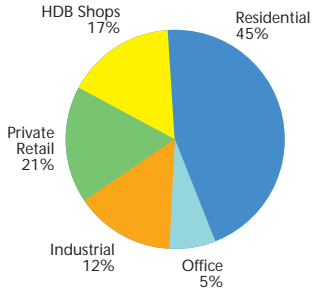
Table 1

Number and Value of Properties Sold at Auctions

Period	Number of Properties Sold	Total Sales Value (million)
1H 2005	72	\$112
2H 2005	91	\$85
1H 2006	77	\$109
2H 2006	97	\$210
1H 2007	132	\$286
2H 2007	73	\$137

Source: Knight Frank Research

Chart 3
Types of Properties Put Up for Auction by Number in 2007



Source: Knight Frank Research, Knight Frank Auction

"Healthy and sustainable economic growth and a robust labour market in 2008 are expected to fuel strong demand for properties in mass-market developments."

(iv) Industrial

Industrial properties constituted about 12% of the total number of properties that were put up for auction in 2007, as compared to 21% in 2006. The total sales value of industrial properties at auctions in 2007 was S\$30.54 million, shrinking by 45% from the previous year.

Strata-titled industrial properties at Genting Warehouse Complex, Tannery House and Henderson Building as well as ramp-up factories at Woodlands Link and Woodlands Industrial Park were among those that were put up for auction. As owners can convert up to 40% of the industrial space for ancillary office use, strata industrial units, such as those at Genting Warehouse Complex and Ubi Techpark, saw vigorous bidding at auctions in 2007.

Outlook

A cautious buying mood is expected to enter the auction market in 2008, as affected by uncertainties in the stock market and exceptionally high price expectations from some owners. However, healthy and sustainable economic growth and a robust labour market in 2008 are expected to fuel strong demand for properties in mass-market developments (especially those near good schools or in easily accessible locations such as those near MRT stations). Such mass-market developments could be located in Districts 5, 15 and 20. Therefore, the auction market is anticipated to remain active. In addition, en-bloc sellers who require replacement homes within a short span of time would also add to the demand.

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