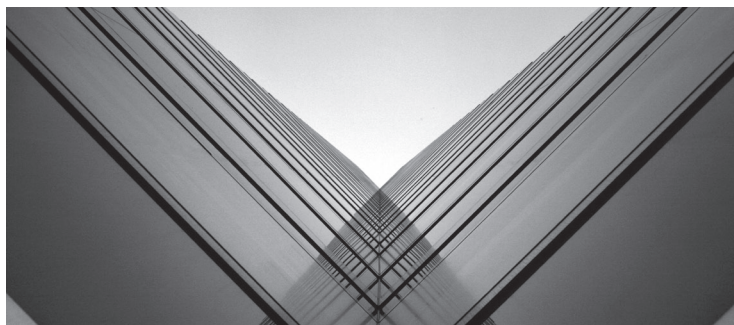


# Market Update



## DEMAND

### Shortage of supply at critical level

It sounds like a contradiction but we are still witnessing very strong market movement at a time when the shortage of supply is already at a critical level. It is mainly the number of deals that have surprised many rather than the size. However, over the last 6 months we have also seen some of the largest office leasing deals in Singapore's history, but these have predominantly been pre-leasing transactions within Phase 1 of the Marina Bay Financial Centre (MBFC). So there is space to be found but it comes at a price. The view for many is that they must secure the space soon before the lack of supply dwindles even further and are left with no choice at all. Thus we are seeing buoyant activity at a time when the shortage of supply has never been so severe.

### Last 6 months has seen some of the largest office leasing deals in Singapore's history

Demand is coming from a variety of quarters but there are a few main types of requirements. Firstly there are those companies new to the market - they are quite often setting up from scratch and they are the ones establishing the new benchmark levels because typically the space they lease is relatively small. Then there are the multinational companies who are already major tenants in their existing building and simply need more space to expand into. There is so little choice for big space users to relocate to, that expanding within their current building is often their only option and have to accept market conditions.

The third type of requirement is from companies that have to relocate because their current building is being redeveloped/renovated so all tenants in Marina House, 76 Shenton Way, GMG Building and International Factors Building have relocated or will be relocating. The final important demand category are those companies whose rental budget dictates they must move out of town to maintain their current rental overheads and avoid substantial rental increases. For this type of requirement business parks, science parks, high tech industrial schemes, and even converted schools / factories have been popular.

## RENTALS

### Raffles Place rates have touched \$21.00

Prime asking rates for the premium buildings in Raffles Place have now touched \$21.00 per sq ft. 6 Battery Road is the most expensive building quoting \$21.00 and One Fullerton and Republic Plaza are not far behind at \$20.00 per sq ft and \$19.80 per sq ft respectively. Most other prime buildings in Raffles Place are quoting around \$18.00 per sq ft including UOB Plaza, Maybank Tower, OUB Centre and Tung Centre.

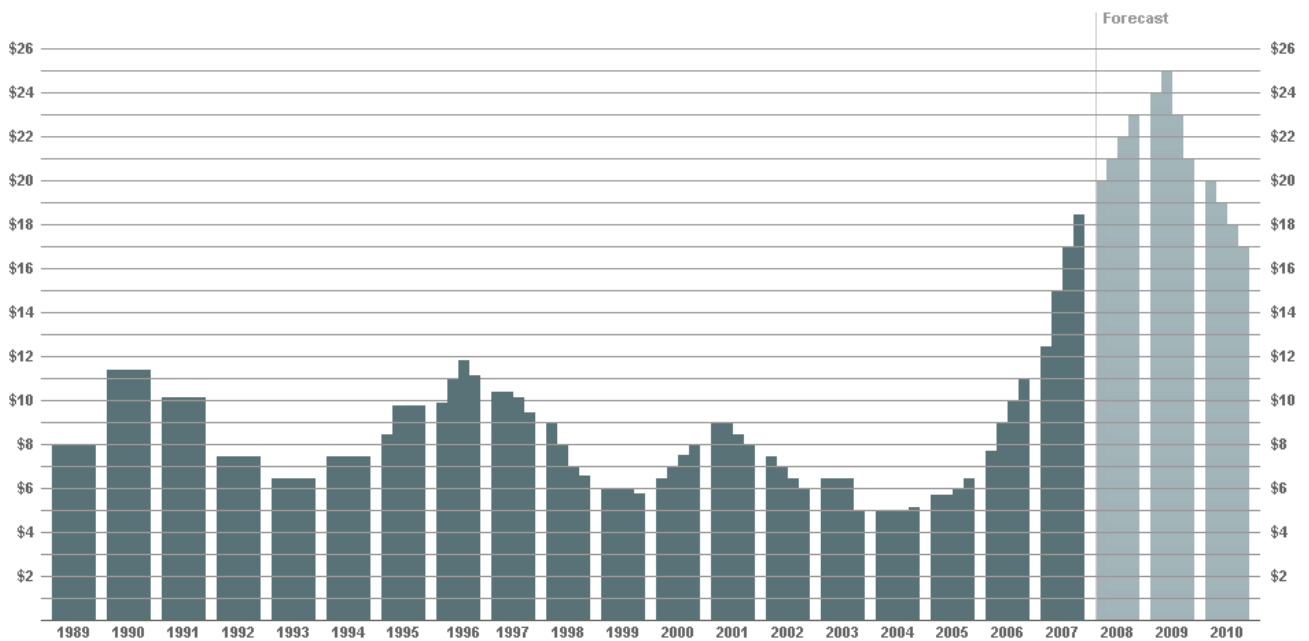
### Most other prime buildings in Raffles Place are quoting around \$18.00 psf

In the good secondary locations like Robinson Road / Shenton Way rates average around \$12.50 per sq ft for buildings such as Robinson Centre, SGX Centre, 80 Robinson Road, Robinson 77 and 8 Shenton Way. Most of the quality buildings in Tanjong Pagar command rates around \$10.00 psf including Keppel Towers, Tower Fifteen, 79 Anson Road and Anson House. Orchard Road has always seen fairly full rentals and Ngee Ann City, Wisma Atria, Wheelock Place and Winsland House remain the premium options at around \$16.00 per sq ft.

In the Marina Bay area Centennial Tower and Millennia Tower are almost as expensive as top Raffles Place buildings at \$18.80 per sq ft and Suntec City is looking more reasonable averaging around \$14.00 per sq ft.

### Little choice left in the market below \$7.00 per sq ft

For those looking for budget options there is very little left in the market below \$7.00 per sq ft and most of those buildings are scheduled for redevelopment and will incorporate 6 month break clauses in their leases. The business parks and converted schools / industrial buildings range from \$3.50 to \$4.50 per sq ft but not everybody qualifies as a suitable user.



## SUPPLY

### Leasing opportunities limited in 2008

Leasing opportunities will be so limited this year that anyone sourcing for space will need to act swiftly and decisively when the right opportunity arises. They will need to be pragmatic and acknowledge this is the ultimate landlords market for the moment. Forward planning will help, so identifying space coming available later in the year can be useful. For instance knowing which large space users have just committed to new premises can be a good indicator of future supply. News that Prudential Assurance have leased an entire building at Newton, to be called Prudential@Scotts, is likely to mean large space being freed up in their current locations such as Fuji Xerox Tower, Prudential Tower, Singapore Post Centre and others later in the year.

### Anyone sourcing for space will need to act swiftly and decisively

Another example is Foster Wheeler who are currently in 5 different locations and will be consolidating to 999 Alexandra Road in May 2008. However, not all their existing premises will be coming onto the market with 76 Shenton Way scheduled for redevelopment and Whitehouse already pre-committed. The Marketing Institute of Singapore is coming out of NTUC Prinsep House releasing 4 floors. Other new developments to come on stream this year include Visioncrest on Orchard Road, The Central at Clarke Quay, 200 Newton at Novena and Wilkie Edge, but this is 75% pre-leased.

## FORECASTS

### Rentals expected to increase by 20%

The general economy is expected to grow at a slower pace this year and uncertainties prevail over the US/Global economy which will definitely dampen rental growth in the immediate future. It is still not unreasonable to expect rentals to increase further by around 20% this year (substantially lower than the 80% last year) and this could result in asking rates between \$24.00 and \$25.00 per sq ft by the end of the year. However these top of the range deals will be limited in numbers and size. All the same top achievable rates for many premium Raffles Place properties may not be far off \$19.00- \$20.00 per sq ft by the beginning of 2009.

We expect the market will begin to soften in the second half of 2009. Whilst most of the new developments are not scheduled for completion until early 2010, many developers will be focusing on securing their new tenants as early as possible, before TOP, to avoid direct competition. Hence the second half of next year should see a softening of rents but it remains to be seen from what peak the adjustment will start.

Traditionally rentals come down slower than they go up (no surprise there). How rapidly rents will fall in line with demand amidst ample supply again is difficult to predict. There are two schools of thought about future supply in 2010. Some argue there is enough pent up demand to absorb most of the new supply and limit the effect on rentals. However the majority recognize that the surge in supply will do exactly what the authorities planned and relieve rental pressures across the board, and restore Singapore competitiveness in terms of business overheads.

## RECOMMENDED LEASING OPTIONS

	Building	Range	Price per sq ft
<b>Lower Mid Range</b>	Shaw Towers, Beach Road	1,000 - 10,000 sq ft	\$8.00
	Prime Centre, Middle Road	1,000 - 5,400 sq ft	\$8.00
	Great World City, Kim Seng Promenade	1,195 - 3,700 sq ft	\$9.50
	Keypoint, Beach Road	1,171 - 9,000 sq ft	\$7.50
<b>Upper Mid Range</b>	Tower Fifteen, Hoe Chiang Road	1,063 - 5,300 sq ft	\$11.50
	The Concourse, Beach Road	1,493 - 14,000 sq ft	\$12.00
	The Gateway, Beach Road	1,000 - 12,000 sq ft	\$11.50
	Suntec City, Temasek Boulevard	1,000 - 12,000 sq ft	\$13.00
<b>Premium Range</b>	Singapore Land Tower, Raffles Place	1,000 - 14,000 sq ft	\$18.50
	Wisma Atria, Orchard Road	1,216 - 8,129 sq ft	\$16.00
	UOB Plaza, Raffles Place	1,000 - 8,000 sq ft	\$18.00
	Republic Plaza, Raffles Place	5,565 - 14,000 sq ft	\$19.80