RESEARCH

SINGAPORE REAL ESTATE HIGHLIGHTS

DECEMBER **2015**

ECONOMIC OVERVIEW

Global Economy

Second consecutive quarter of economic growth for the United States

Real GDP for the United States grew at a slower pace of 2.1% quarter-on-quarter (q-o-q) on a seasonally adjusted annual rate (saar) basis in Q3 2015, lower than the growth of 3.9% seen in the preceding quarter. Higher inventory level provided a lift to growth, but could also imply potentially slower activity in the last quarter of the year as manufacturers and retailers cut back on production levels in attempt to prevent over-stocking.

In addition, average unemployment rate fell by 0.8 percentage point (pp) year-on-year (y-o-y) to 5.1% in September 2015, the lowest in seven years. Greater confidence in the quality and pace of improvement in the economy and employment levels supported the eventuality of the Fed hiking interest rates.

Euro Area GDP grew by 0.3% q-o-q in Q3 2015

GDP in the Euro Area (19 countries) grew 0.3% q-o-q in Q3 2015. All the countries, with the exception of Greece, Estonia, and Finland (and Ireland, Luxembourg, Malta and Slovenia for which data was not yet available at the time of writing), saw stagnant or positive quarterly growths ranging from zero to 0.9%. Estonia and Greece fell from positive growths of 0.6% q-o-q and 0.3% q-o-q in Q2 2015 respectively to negative growths of 0.4% q-o-q and 0.9% q-o-q respectively in Q3 2015. Finland dipped from growth of 0.4% q-o-q in Q2 2015 to decline 0.5% q-o-q in the same quarter. The positive economic growth for the Euro Area was largely due to increased consumer spending and lower unemployment rates. In September 2015, unemployment rate in the Euro Area was 10.8%, down from 11.5% a year ago.

Chinese economy grew at a similar pace as in the previous quarter

The Chinese economy expanded 6.9% y-o-y in the third quarter, marginally down from 7.0% y-o-y in the preceding quarter. On a quarterly basis, China's GDP grew by 1.8% q-o-q during the third quarter; the same rate as the previous quarter.

Industrial production grew at a disappointing rate of 5.7% y-o-y, lower than the expected 5.9%. Investments in fixed assets grew by 10.3% y-o-y, while retail sales grew at a rate of 10.9%. The total value of imports and exports declined by 7.9% y-o-y.

The instability that was seen in China's stock market between June and August, triggered by an unwinding of margin trades and concerns over over-valuations, could have contributed to lower growth in the financial sector. Downward pressure continues to be felt in the real estate and export sectors, though consumption appeared to hold up amid relatively healthy wage growth.

Global economic outlook

In IMF's World Economic Outlook (WEO) October 2015 report, the global growth rate for 2015 is projected to be 3.1% y-o-y (0.3 pp lower than in 2014), before picking up to 3.6% y-o-y in 2016.

The US is expected to continue on its recovery path supported by lower oil prices, a strengthened balance sheet, lower unemployment rates and an improving housing market. The US economy is projected to grow 2.6% y-o-y for 2015 and 2.8% y-o-y in 2016. The euro area is expected to continue growing at a modest pace sustained by lower oil prices, monetary easing and currency depreciation. GDP for the euro area is forecasted to be 1.5% y-o-y for 2015 and 1.6% y-o-y for 2016. Challenges remain ahead for Greece due to the uncertainties over its debt crisis.

Growth for emerging economies is expected to weaken for the fifth consecutive year in 2015 due to a muted outlook for oil and commodities exporters, slower capital investment inflows and geopolitical tensions. However, the outlook for 2016 is brighter. Emerging economies are expected to grow 4.5% y-o-y in 2016, up 0.5 pp y-o-y on the back of improved economic performance from some countries in Latin America, the Middle East as well as India. The anticipated stronger recovery from the US, euro area and Japan will also give a boost to the emerging economies.

GDP growth for China is projected to be 6.8% y-o-y in 2015 before dipping to 6.3% y-o-y in 2016. Reduction in real estate investments due to previous excess, the volatile stock market and on-going structural economic reforms are expected to curtail growth. Conversely, India is expecting a stronger growth of 7.5% y-o-y in 2016 compared to a 7.3% y-o-y gain 2015. India is set to benefit from several recent policy reforms leading to increase in investments and lower commodity prices. Conversely, economic activity in Latin America is expected to slow sharply in 2015 due to decline in demand for oil from oil-exporting countries in the region. However, a modest gain of 0.8% y-o-y is expected in 2016.

According to the Asian Development Bank (ADB), pickup for Asian economies is expected to be delayed. The growth projection for the five large economies in Association of Southeast Asian Nations (ASEAN) is projected to be 4.8% y-o-y for 2015 and 5.3% y-o-y for 2016. Muted demand from Vietnam and China is likely to dampen overall demand for exports. Infrastructure investment in the Philippines and Indonesia has fallen behind schedule and recovery in Thailand has been lacklustre.

Singapore economy

In the third quarter of 2015, Singapore's GDP grew by 1.9% q-o-q, reversing the contraction of 2.6% q-o-q in the previous quarter (Exhibit 2). On a yearly basis, the economy grew at a marginally slower pace of 1.9% y-o-y in Q3 2015, down from the 2.0% y-o-y gain in the preceding quarter.

The manufacturing sector reported a smaller contraction of 4.6% q-o-q in Q3 2015 compared to the steep decline of 17.3% q-o-q in Q2 2015, dragged by output reductions from the transport engineering, electronics and precision engineering clusters. The services producing industries were given a boost by the q-o-q improvement shown in the transport & storage, accommodation & food services and business services clusters. Positive gains were recorded for all services clusters except financial & insurance, which showed a contraction of 0.4% q-o-q in Q3 2015, down from a gain of 2.3% q-o-q in the previous quarter.

Singapore's total trade (at current prices) continued to experience another quarter of negative growth in Q3 2015. The smaller decline noted for exports could be due to re-exports falling 0.3% y-o-y in Q3 2015 compared to a larger 5.4% y-o-y decline a quarter ago.

In Q3 2015, the CPI fell by 0.6% y-o-y, marking the third consecutive quarter of contraction. Prices for major components such as housing & utilities, household durables & services, healthcare, transport and communication reported declines. Additionally, slower price growth was reported for the food component.

Outlook

For the final quarter of the year, GDP growth is expected to remain fairly resilient supported by modest growth in the wholesale trade, finance & insurance, business services and information & communication clusters. As such, the Ministry of Trade and Industry (MTI) narrowed Singapore's GDP growth projection for the whole of 2015 to be close to 2.0%.

MTI forecasted that Singapore's economy will grow at a modest pace of 1.0% to 3.0% in 2016. Singapore s economy is not expected to get a significant boost from the US and China as their economic growth is expected to be domestically driven. Additionally, Singapore's manufacturing sector is still likely to remain weak in 2016 especially for the rig-builders who will see weak demand arising from low oil prices. Labour-intensive sectors in Singapore, such as retail and food services, will be affected by tight labour constraints which are driving up their overall costs.

EXHIBIT 1

GDP Growth Rates of Major Economies

Country / zone	Q3 2014	Q4 2014	Q1 2015	Q2 2015	Q3 2015
Euro Area (q-o-q)	0.3%	0.4%	0.5%	0.4%	0.3%
USA (annualised rate)	5.0%	2.2%	-0.2%	3.9%	2.1%
China (q-o-q)	1.9%	1.7%	1.3%	1.8%	1.8%

Source: Eurostat, US Bureau of Economic Analysis, National Bureau of Statistics of China, Knight Frank Research

EXHIBIT 2

Singapore Key Economic Indicators

	Q3 2014	Q4 2014	Q1 2015	Q2 2015	Q3 2015
Quarter-on-quarter (%) *					
Overall GDP	2.6%	4.9%	3.5%	-2.6%	1.9%
Goods Producing Industries					
- Manufacturing	0.9%	-2.5%	0.8%	-17.3%	-4.6%
- Construction	0.7%	2.2%	-6.5%	13.4%	-1.6%
Service Producing Industries	3.2%	7.8%	3.7%	-0.2%	3.5%
Year-on-year (%)					
Total Trade	-3.5%	-4.8%	-10.5%	-10.7%	-8.5%
- Imports	-5.7%	-6.0%	-16.1%	-13.0%	-9.1%
- Exports	-1.4%	-3.8%	-5.4%	-8.7%	-8.0%
Consumer Price Index (All Items)	1.0%	0.0%	-0.3%	-0.4%	-0.6%

Source: Ministry of Trade and Industry (MTI), Knight Frank Research

* The quarter-on-quarter GDP changes are seasonally-adjusted and based on 2010 prices.

RESIDENTIAL

Island-wide private home prices (including EC) fell by 1.3% quarter-on-quarter (q-o-q) in Q3 2015, marking the eighth consecutive quarter of decline. Likewise, overall rents slipped 0.6% q-o-q. Total transaction volume for the third quarter inched up by 1.3% q-o-q. Malaysians retained their position as the top foreign homebuyers of Singapore properties for the second consecutive quarter.

Private Residential Sector

Total transaction volume for January to September 2015 higher than same period last year

Total new sale, subsale, and resale transaction volume picked up for the second consecutive quarter, rising by 1.3% q-o-q or 35.9% year-on-year (y-o-y) to 4,159 units in Q3 2015 (Exhibit 1). This brings the total transaction volume for the first nine months of 2015 to 10,918 units; an increase of 8.2% y-o-y from the corresponding period the preceding year. The increase in total transaction volume was led by the Outside Central Region (OCR) which saw the number of sold units increase by 26.7% y-o-y to 6,985 sold units in the first nine months of 2015. This could be attributed to the launch of several well-received projects in the region in 2015 such as High Park Residences, North Park Residences, and Botanique at Bartley.

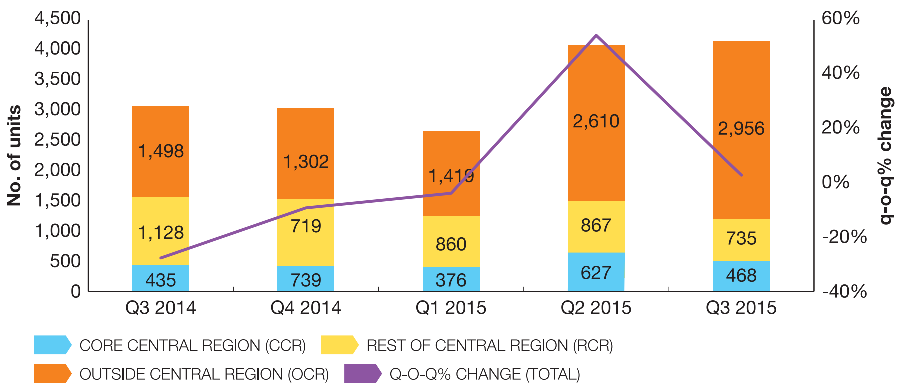
Prices for private homes continued to decline in the third quarter

According to the URA Overall Residential Property Price Index, private residential home prices (including EC) declined by 1.3% q-o-q or 4.2% y-o-y in Q3 2015 (Exhibit 2). Among the three regions, the Core Central Region (CCR) was the most resilient, falling by 1.2% q-o-q and 3.1% y-o-y in Q3 2015. Prices in the Rest of Central Region (RCR) declined by 1.6% q-o-q and 5.2% y-o-y, while prices in the OCR decreased by 1.6% q-o-q and 4.6% y-o-y. Prices of private landed properties also fell in the same quarter, albeit at a slower pace than in previous quarters of 0.4% q-o-q and 3.6% y-o-y.

During the third quarter, rents for private non-landed residential property fell for the eighth consecutive quarter, slipping 0.6% q-o-q and 4.3% y-o-y (Exhibit 3). Rentals for landed home also softened but at a slower pace of 0.1% q-o-q and 3.9% y-o-y.

EXHIBIT 1

Total transaction volume of private residential units, by market segment



Source: REALIS, Knight Frank Research

Malaysian buyers took top position for the second consecutive quarter

The proportion of foreign homebuyers fell slightly to 24.9% in Q3 2015, marking a fourth consecutive quarter of decline (Exhibit 4). The number of units purchased by Malaysian homebuyers comprised approximately 28.1% of the total transactions made by foreigners in the third quarter, edging slightly ahead of the Chinese who accounted for 24.4%.

Singapore remains one of the preferred property investment destinations with investors from Malaysia, with investments in the market with stable political and economic environment serving as a hedge against their country's volatile Ringgit and uncertain political climate. The slowdown in the Chinese economy and the turmoil in Chinese stock market have also encouraged some investors from China to seek more stable investment havens.

Public Residential and Executive Condominium (EC) Sectors

Increase in EC projects launched gave a boost to sales volume

Four new Executive Condominium (EC) projects were launched in Q3 2015, an increase from the single project in the preceding quarter. 1,250 new units were sold in total, and 2,387 new units launched. The increase in new EC sales during the third quarter was due to more new projects and units being launched in the quarter.

HDB Resale Price Index continue to decline

In Q3 2015, the HDB Resale Price Index continued to fall for ninth consecutive quarter, albeit at a slower pace of 0.3% q-o-q and 3.2% y-o-y (Exhibit 5). The number of registered resale application fell by 7.4% q-o-q to 4,893 including ECs in Q3 2015, and 8.1% q-o-q to 4,531 excluding ECs.

Outlook

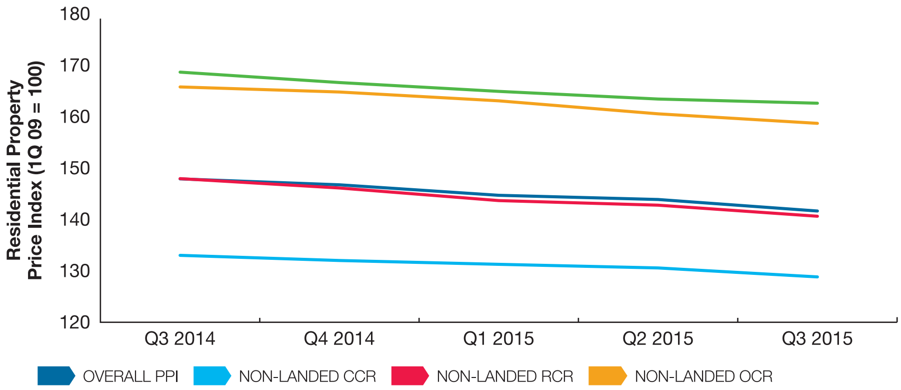
Total new sales volume to range between 7,500 and 7,600 units in 2015

New sales performance in the fourth quarter is not expected to get a boost from new launches as not many large-scale residential projects are expected to be launched in that quarter. Total new sales volume is forecasted to reach between 7,500 and 7,600 units for the whole of 2015, an approximate 2.5% to 3.9% increase from last year's total new sales of 7,316 units.

Residential prices are expected to continue on a gradual downward trend for the last three months of the year. The highest decline is forecasted for properties in the OCR which has about a third of the island-wide unsold inventory. Additionally, the four ECs in OCR, which were launched in the third quarter, will pose competition to the mass market homes in OCR, especially with the upward adjustment in monthly household income ceiling for eligible EC homebuyers. Residential prices in OCR are projected to decline by 1.5% to 2.0% q-o-q in the fourth quarter. Prices in the CCR are expected to

EXHIBIT 2

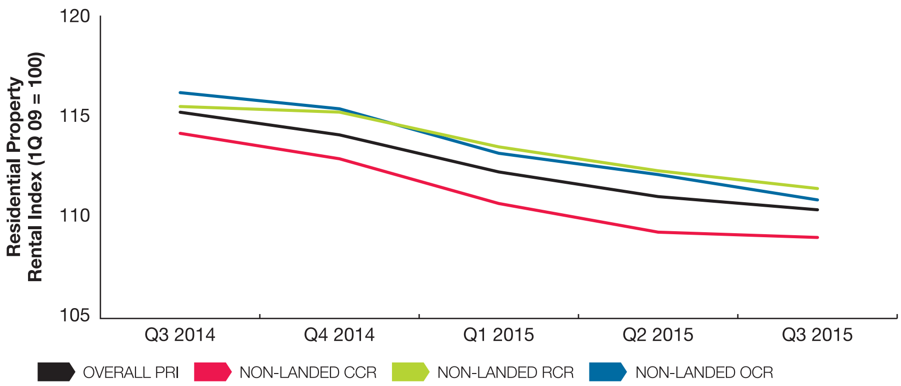
URA Private Residential Property Price Indices, by market segment



Source: REALIS, Knight Frank Research

EXHIBIT 3

URA Private Residential Property Rental Indices, by market segment



Source: REALIS, Knight Frank Research

fall by 1.0% to 1.5% in Q4 2015, supported by some buyer interest arising from price moderation and emerging value. The large unsold inventory will affect prices in RCR which are projected to fall by 1.0% to 2.0% during the fourth quarter.

As at Q3 2015, the vacancy rate of private residential units was 7.8%, inching down from a high of 7.9% in the previous quarter. Some 5,388 private residential units are expected to be completed in the last quarter of 2015 and another 22,351 in 2016. The large upcoming supply is expected to put downward pressure on rents as landlords face more competition for a shrinking pool of tenants. Overall, private home rents have fallen 3.6% since the beginning of the year, and are expected to fall by a further 1.5% to 2.5% q-o-q in the final quarter of 2015.

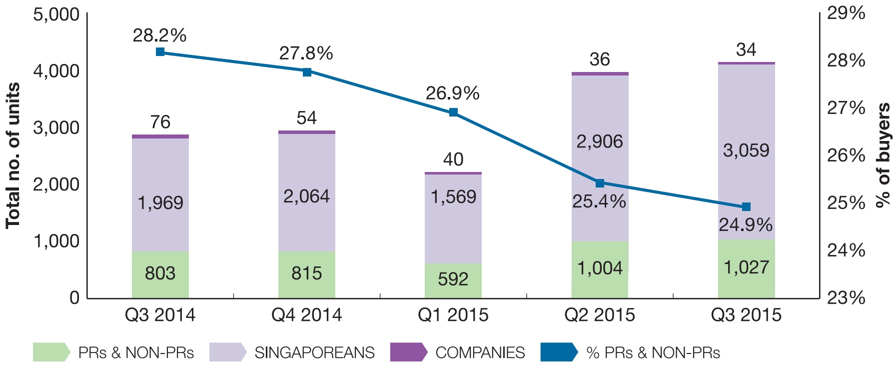
Weaker resale prices expected with adjustment in policies for new flats

During the national day rally in August, a number of policies were announced for buyers of new public flats. The monthly household income ceiling for new Build-to-Order (BTO) flats was raised from $10,000 to $12,000 while the income ceiling for EC buyers was increased from $12,000 to $14,000. The monthly household income for the Special CPF Housing Grant was also increased from $6,500 to $8,500; allowing for about two-thirds of all households to qualify for the grant. Additionally the maximum grant amount will be doubled from $20,000 to $40,000. The series of policy adjustments for new public flats will make new flats affordable to a larger group, thus potentially drawing some buyers away from the resale market which could have a dampening effect on prices of resale HDB units.

Looking ahead, prices of resale HDB houses could decline by a further 0.5% q-o-q in Q4 2015, and by 2.0% to 2.5% on a y-o-y basis.

EXHIBIT 4

Profile of private homebuyers* as at Q3 2015

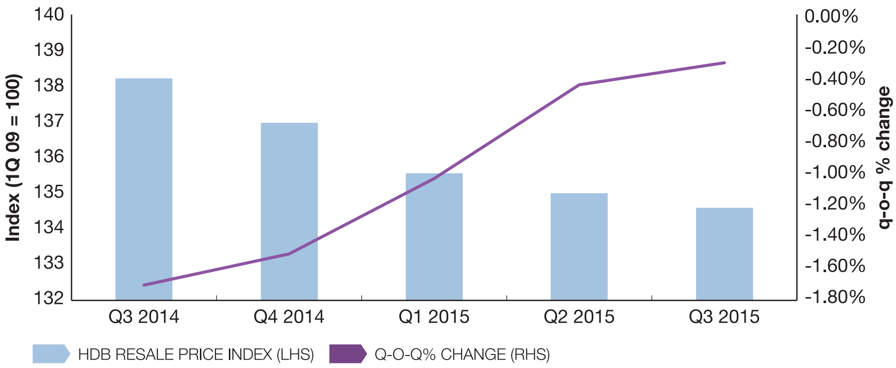


Source: URA (based on data as at 11 December 2015), Knight Frank

* Excluding Executive Condominiums (ECs) transactions.

EXHIBIT 5

HDB Resale Price Index and q-o-q% change



Source: HDB, Knight Frank Research

RETAIL

Fall in prime and average retail rents led to better occupancy in 3Q 2015. Although retail sales improved in 3Q 2015, the outlook for retail market remains cautious. Retailers are less inclined to embark on expansionary plans as labour woes continue and economic growth prospects turn modest by end-2015.

Retail Sales and Tourism

Retail sales improved marginally in Q3 2015

The Retail Sales Index (RSI) excluding Motor Vehicles improved by 0.7% y-o-y in Q3 2015, supported by strong sales of Medical Goods & Toiletries, Watches & Jewellery and Department Stores. Notably, sales of Medical Goods & Toiletries and Watches & Jewellery grew 8.0% and 8.9% y-o-y respectively.

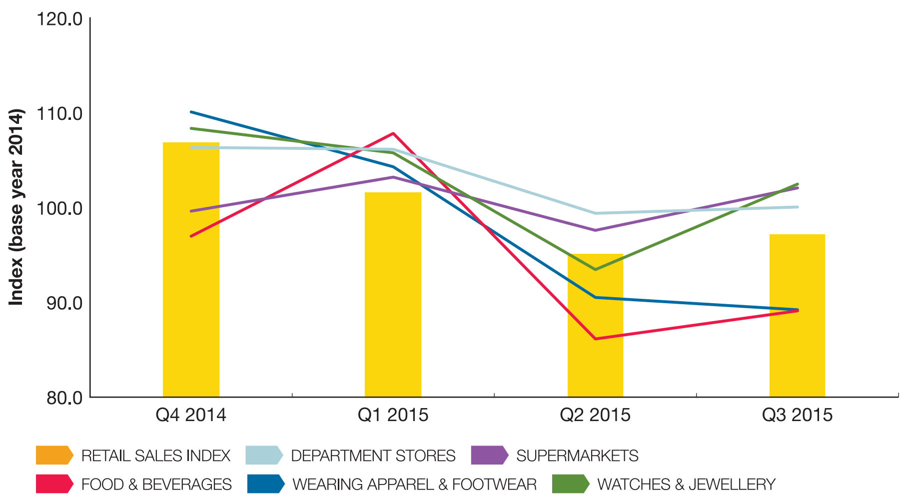
Conversely, demand for Food & Beverages and Optical Goods & Books slipped 4.9% and 8.8% y-o-y respectively in Q3 2015. The RSI for Petrol Services fell for seven consecutive quarters, posting 16.8% y-o-y decline due to lower oil prices.

Overall visitor arrivals fell marginally by 0.2% in the first nine months of 2015 to 11.35 million compared to 11.38 million during the same period last year. Regional currencies, particularly the weaker Malaysian ringgit and Indonesian rupiah, resulted in a decline in visitor arrivals from Malaysia and Indonesia, leading to falls of 4.5% and 10.9% y-o-y respectively for January-September 2015 period.

Singapore tourism sector remains fairly bright for now, underpinned by Singapore's attractiveness as a top Meetings, Incentives, Conventions and Exhibitions (MICE) destination globally. Singapore emerged as

EXHIBIT 1

Retail Sales Index



Source: Singstat, Knight Frank Research

(1) Retail sales index excludes motor vehicles.
(2) Apart from the 5 sub-categories shown in above Exhibit, Singstat also tracks the index movements for 8 other retail sales categories, namely Motor Vehicles, Petrol Service Stations, Medical Goods and Toiletries, Furniture & Household, Recreational Goods, Telecommunications Apparatus & Computers, Optical Goods & Books, and Others.

Union of International Associations' (UIA) top international meeting city for the eighth year running, and at the top of Asia Pacific cities in International Congress and Convention Association's (ICCA) rankings for the 13th consecutive year. Aside from the strong pipeline of events in Singapore, a key initiative helping to drive the MICE industry forward is the government's initiatives with the MICE2020 mid-term roadmap. MICE2020 will centre around three core ideas, offering Singapore as a destination with authentic local offerings and unique, experiential events; turning Singapore into a connected city with the digital capabilities to allow business visitors to do what they need to do seamlessly; and positioning Singapore as Asia's MICE resource capital that is home to skilled talent and knowledge.

Retail Demand, Supply, and Occupancy Rate

Island-wide occupancy improved marginally in Q3 2015

Overall retail space stock fell by 0.4% q-o-q to 64.0 million sq ft in Q3 2015, while total demand slipped marginally by 0.2% q-o-q to 59.5 million sq ft. In Q3 2015, occupancy rate improved by 0.2 pp to 93.0%.

The Downtown Core Planning Area saw a rebound in occupancy from 86.6% in Q2 2014 to 88.3% in Q3 2015 as retailers shift into the retail space ahead of upcoming festive seasons. Orchard Planning Area, Rest of Central Area and Fringe Area saw stable occupancy between 90.9% and 93.4%. The Central Region continues to outperform other Areas in terms of occupancy this quarter at 95.7%. Apart from enticing retailers to take up the retail spaces on a short term basis, some mall owners of older malls have taken the opportunity to embark on Asset Enhancement Initiatives (AEI) to improve rentability amid a weaker market.

Rental Performance

Retail Space Rents fell for third consecutive quarter

According to URA's Retail Indices, retail rents declined across the Central Region, Central Area and Fringe Area by 2.0%, 1.9% and 2.1% q-o-q respectively in Q3 2015. Stiff labour policies, slowing local economy and the onslaught of new retail space supply continued to place pressure on both retailers and landlords, and constricted growth of retail rents.

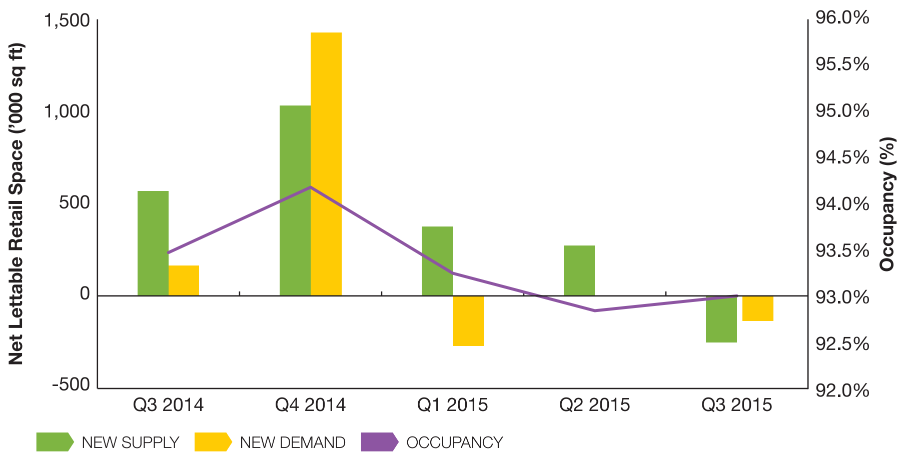
Prime retail rents declined for the first time since Q2 2011

Based on Knight Frank's analysis of retail prime spaces, the island-wide prime retail rents saw a downward adjustment of 0.3% to an average $32.10 psf in Q3 2015, down from $32.20 per sq ft in Q2 2015. This is largely influenced by lower rents in Orchard Road and Marina Centre, City Hall and Bugis precincts. In Q3 2015, Orchard Road and Marina Centre, City Hall and Bugis precincts saw prime rents soften to $35.60 psf and $32.70 psf respectively.

Prime retail rents in City Fringe and Suburban area remained firm in Q3 2015, backed by healthy demand for retail space and the stable resident catchment population supporting these malls.

EXHIBIT 2

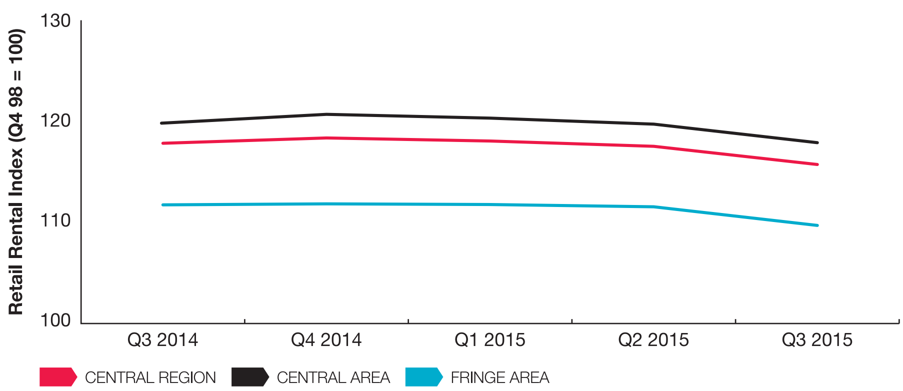
Island-wide New Supply, New Demand, and Occupancy



Source: REALIS, Knight Frank Research

EXHIBIT 3

URA Retail Rent Indices



Source: REALIS, Knight Frank Research

Outlook

An estimated 0.8 million sq ft upcoming supply per year till 2019

In Q2 2015, an estimated of 0.2 million sq ft of net lettable retail space was completed. Between 2015 and 2019, approximately 4.2 million sq ft of net lettable retail space from major developments will come on-stream in Singapore, averaging 0.8 million sq ft of new major retail space per year.

Close to 1.3 million sq ft of net lettable retail space will be completed in 2016, and approximately 42.4% of this upcoming supply (or 0.5 million sq ft of net lettable area) is located in the Outside Central Region. Some key projects in the suburban region are Waterway Point and Tampines Town Hub. Other suburban retail developments that will be completed over the next four years include Hillion Mall, Northpoint City and Project Jewel.

Softer average retail rent and higher vacancy rates towards end-2015

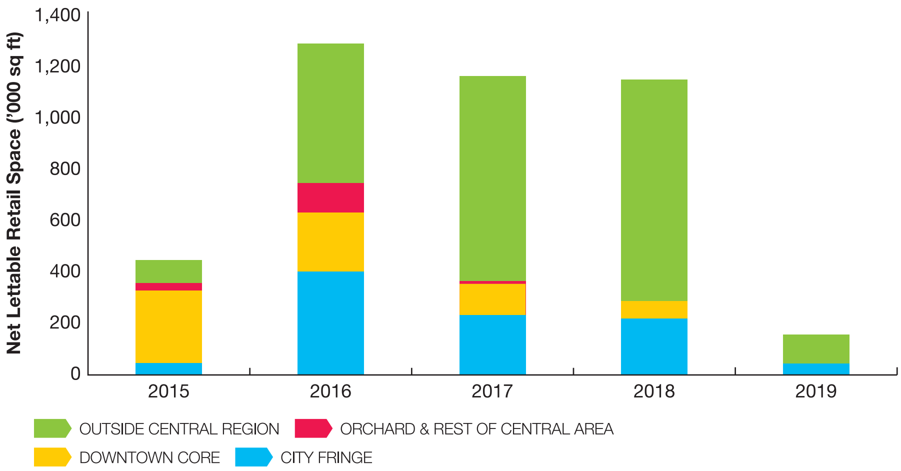
While major retailers are seen consolidating their operations, some smaller retailers may fold in view of the tougher retail climate. Looking ahead, retailers are less inclined to embark on expansionary plans as labour woes continue and economic growth prospects turn modest. Mall owners are encouraged to look beyond in reinventing their positioning strategies and work closely with retailers to encourage business sustainability on a longer term basis.

Movement and growth activity in the e-Commerce space is also expected to ramp up, as the population grows increasingly familiar with this mode of purchase. Local and foreign brick-and-mortar retailers in Singapore will face challenges alike, and they have to ramp up their e-Commerce presence, to continue remaining their relevance in this changing market.

The expected upcoming supply of new retail space by year end is likely to put downward pressure on prime retail rents island-wide by up to 0.5% y-o-y decline by Q4 2015. Similarly, average rents in central region are expected to soften by 2.0% to 3.0% y-o-y by Q4 2015, while overall occupancy rate is envisaged to hover between 92% and 94% by Q4 2015.

EXHIBIT 4

Major Upcoming Retail Supply in Key Precincts



Source: Knight Frank Research

EXHIBIT 5

Average Retail Rents for Prime Spaces, Q3 2015

Location	Average Monthly Gross Retail Rents (Prime Spaces) (S$ per sq ft)	q-o-q change	y-o-y change
Island-wide	$32.10	-0.3%	0.5%
Orchard Road	$35.60	-0.3%	-1.0%
Marina Centre, City Hall, Bugis	$32.70	-0.9%	0.3%
City Fringe	$23.50	0.0%	2.2%
Suburban	$33.10	0.0%	2.8%

Source: Knight Frank Research

(1) Retail Rents are rounded off to the nearest ten cents.
(2) Prime Spaces refers to rental-yielding units between 350 and 1,500 sq ft with the best frontage, connectivity, footfall, and accessibility in a mall which are typically the ground level of a retail mall and/or the basement level of a retail mall that is linked to a MRT or bus station.

OFFICE

Island-wide occupancy increased to 90.4% in Q3 2015 due to a decrease in available stock. Muted macroeconomic conditions and a large upcoming supply in 2016 are expected to exert downward pressure particularly on prime office rents.

Supply, Demand, and Occupancy

Boost in island-wide office occupancy for Q3 2015

Total island-wide available office stock dropped to 81.6 million sq ft in Q3 2015, due to the removal of 32,000 sq ft from total available stock and no new office buildings were completed during the quarter. As at Q3 2015, Downtown Core still constitutes the highest proportion of total office space (44.4%) with an available office supply of almost 36.2 million sq ft, while the Fringe Area accounted for 26.3% of total office stock or 21.5 million sq ft of available space.

New demand for island-wide office space fell from 409,000 sq ft in Q2 2015 to 161,000 sq ft in Q3 2015 (Exhibit 1). The Fringe Area was the only market segment where there was an increase in new demand, partly due to cost-conscious companies moving out of Central Business District (CBD) to the fringes. More of such relocations could be expected as companies look for ways to lower their rental costs in the face of challenging business conditions.

Island-wide office occupancy inched upwards to 90.4% in Q3 2015, largely attributed to a decline in available office space. Likewise, occupancy rate for Downtown Core offices increased by 0.5 ppt q-o-q to 91.0% in Q3 2015. Occupancy for the Fringe Area improved marginally to 90.1% in Q3 2015; reversing the downward trend since Q4 2014.

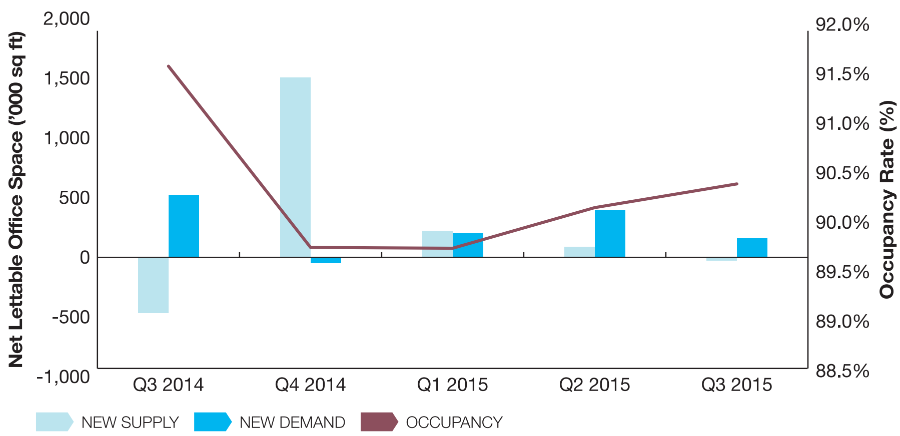
Office Rents

Prime office rents in Raffles Place and Marina Bay extended its fall

Average prime rents for office space in Raffles Place and Marina Bay continued on a downward trend. Raffles Place and Marina Bay Grade A+ average monthly office rents declined by 2.7% q-o-q to $12.65 psf in Q3 2015, while Raffles Place Grade A rents slipped 0.7% q-o-q to $10.50 psf (Exhibit 2).

EXHIBIT 1

Island-wide Office New Supply, New Demand and Occupancy



Source: REALIS, Knight Frank Research

In the face of uncertain economic conditions which led to a slowdown in leasing activities and landlords' growing willingness to offer incentives to tenants, URA's Office Space Rental Indices for the Central Region and the Fringe Area fell 2.9% and 1.1% q-o-q respectively in Q3 2015 (Exhibit 3).

Outlook

Challenging market conditions expected to persist

In the face of growing headwinds in the global and Singapore economies, companies are expecting weaker business performance and are looking for ways to be more cost efficient. As such, more companies have placed expansion plans on hold and are also relooking their office space needs. Current muted demand for office space is expected to continue into the fourth quarter and the coming year.

Some 3.8 million sq ft of CBD office space is expected to be completed in 2016. Marina One and Guoco Tower will collectively add about 3.3 million sq ft GFA of new supply to office stock in Downtown Core. Landlords will face more intense competition for tenants and will have to look for ways to retain existing tenants and attract new ones. They are likely to offer more favourable incentives to keep vacancies in their buildings at acceptable levels. Incentives are likely to be in the form of longer rent-free period, putting downward pressure on rents.

With the large upcoming supply and current muted market conditions, tenants possess more leverage when negotiating office rental leases. Some tenants can be expected to take this opportunity to move from an older building to a newer one that has a more efficient floor plate and better building specifications. As such, overall vacancy for older buildings is likely to increase.

Office rents will remain on a downward trend, given the muted macroeconomic conditions and weakening leasing market environment, which will continue for the next few quarters. Prime CBD office rents are expected to decline further by 2% to 3% q-o-q in the fourth quarter and an overall fall of 6% to 7% y-o-y by end of 2015.

EXHIBIT 2

Gross Effective Monthly Rentals in Q3 2015

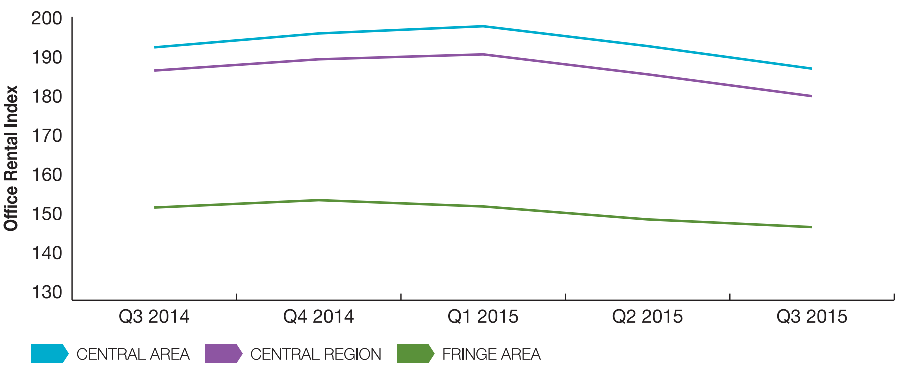
Location	Gross Effective Monthly Rents (S$ psf)	q-o-q change
CBD		
Raffles Place / Marina Bay Grade A+	$12.00 - $13.30	-2.7%
Raffles Place Grade A	$10.10 - $10.90	-0.7%
Shenton Way / Robinson Road / Tanjong Pagar Grade A	$8.00 - $8.50	-0.6%
Central Area (Outside CBD)		
Orchard (Average)	$7.50 - $10.30	-0.2%
Marina Centre / Suntec	$10.50 - $12.10	-1.1%
City Hall	$8.00 - $8.50	-0.5%
Bugis	$7.70 - $8.30	0.0%
Others		
Fringe Area	$5.40 - $8.20	-0.3%
Suburban Areas	$4.40 - $6.20	0.0%

Source: Knight Frank Research

(1) Rents indicated herein are gross effective monthly rents taking into account rental concessions and any rent free period.
(2) Rents are based on units with a net lettable area (NLA) of about 2,500 to 5,000 sq ft.
(3) Rents are expressed as values rounded to nearest 10 cent.
(4) In Q2 2015, Knight Frank adjusted the gross effective monthly rents due to the re-classification of clusters in the rental basket.

EXHIBIT 3

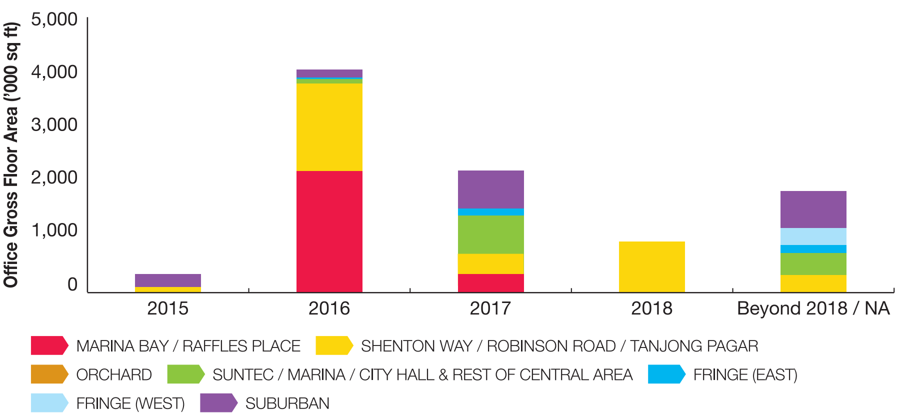
URA Office Rental Indices



Source: REALIS, Knight Frank Research

EXHIBIT 4

Major Upcoming Office Supply in Key Precincts, as at Q3 2015



Source: REALIS, Knight Frank Research

INDUSTRIAL

Factory occupancy experienced downward pressure amid substantial increase in new supply and concurrent decline in demand, while warehouse occupancy stayed healthy. Island-wide asking rents faced its second consecutive quarter contraction. Bulk of upcoming supply of circa 40.4 million sq ft is slated for completion by 2016.

Manufacturing Sector

According to Economic Development Board (EDB)'s Monthly Manufacturing Performance update in September 2015, Singapore's overall manufacturing output contracted by 4.8% y-o-y, registering its eighth consecutive y-o-y decline since February 2015. The Transport Engineering cluster saw the largest y-o-y cutback by 24.0%, while the other clusters such as Electronics, General Manufacturing Industries and Precision Engineering experienced y-o-y declines of 8.6%, 4.7% and 8.7% respectively. On the contrary, Biomedical Manufacturing cluster registered a significant y-o-y improvement of 26.3% while the Chemical cluster saw a y-o-y marginal expansion by 4.4%.

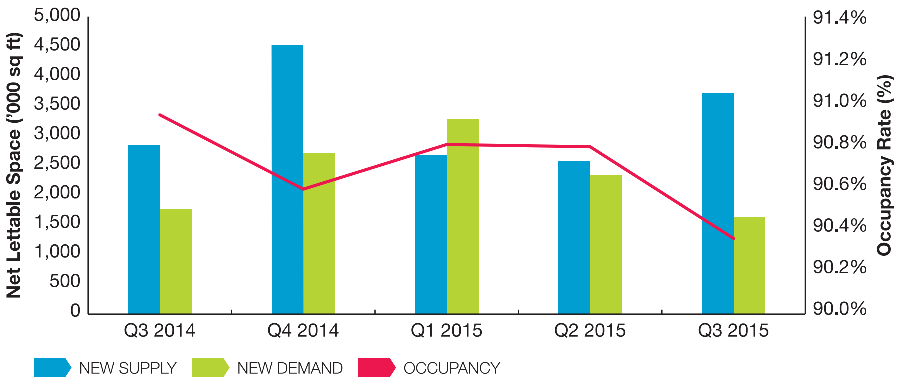
Supply, Demand and Occupancy

Downward pressure in occupancy continued in Q3 2015

New stock of factory space (including business parks) saw a substantial increment of 44.2% q-o-q to 3.7 million sq ft. Some major developments completed in the quarter included Eco-Tech @ Sunview, HH @ Kallang, Primax, Tag A and Tian Sheng @ 228A. A large-scale business park development located within Science Park 1 with 488,681 sq ft (45,400 sqm Gross Floor Area (GFA)) of space developed by Ascendas Land Pte Ltd, was partially completed and injected into the market in Q3 2015.

EXHIBIT 1

Island-wide New Supply, New Demand and Occupancy (Factory)



Source: REALIS, Knight Frank Research

New demand of factory space posted a notable fall of 29.6% q-o-q or 1.6 million sq ft in Q3 2015. On a y-o-y basis, it fell marginally by 7.5%. Although occupancy rate remained fairly healthy at 90.4%, it registered a second consecutive quarter of decline in Q3 2015 and the lowest level since Q2 2006.

Further growth in warehouse occupancy despite large injection of new supply in the market

After two consecutive quarters of decline, new supply increased significantly by 64.2% q-o-q in Q3 2015 with 1.2 million sq ft of new warehouse space injected into the market. Completion of major warehouses in the quarter included the logistic warehouse centre along 1 Greenwich Drive by HSBC Institutional Trust Services Ltd and the warehouse development along 1 Buroh Lane. Despite the supply influx, new demand declined marginally by 9.0% q-o-q in Q3 2015 with take-up of 2.0 million sq ft. Overall occupancy of warehouse space saw improvement at 92.5% in Q3 2015, registering a 0.9 percentage point (ppt) increment from the preceding quarter.

Rental Performance

Overall industrial rents contracted for the second consecutive quarter in Q3 2015

The JTC All Industrial Property Rental Index dipped by 0.8% q-o-q in Q3 2015. On a y-o-y basis, it saw its fifth consecutive contraction and registered 1.6% y-o-y decline. While rents of single-user factory increased by 0.6% q-o-q in Q3 2015, multiple-user factory, business park and warehouse segments suffered marginal falls of 1.1%, 1.3% and 0.6% q-o-q respectively. Rental rates of multiple factory and warehouse recorded their fifth consecutive y-o-y declines in Q3 2015.

Multiple-user factory rents in Northeast region deteriorated in Q3 2015

According to the JTC Multiple-user Factory Rental Indices, rents in all regions, except the Central Region, declined in Q3 2015. While the Northeast Region saw the largest rental cutback by 6.4% q-o-q, the Central Region saw a marginal rental increment of 0.4% q-o-q in Q3 2015.

Overall asking rents saw further contraction amid weakened demand and large injection of new industrial spaces

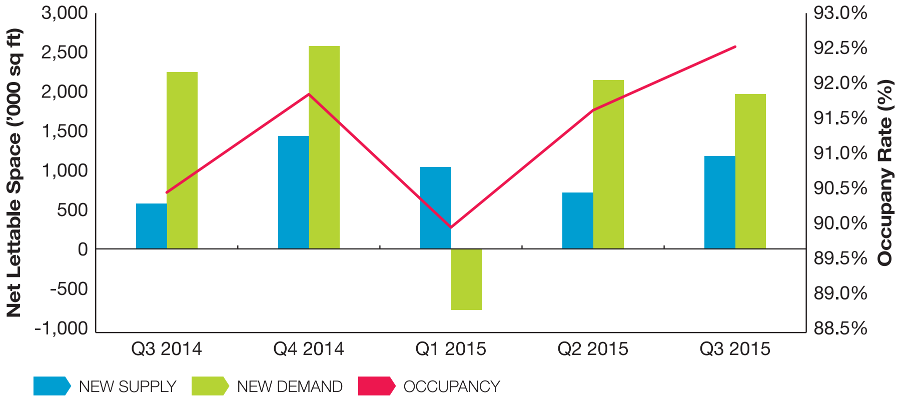
According to Knight Frank's basket of industrial properties, overall asking rents averaged $2.41 psf per month in Q3 2015, representing q-o-q and y-o-y contractions of 0.5% and 7.1% respectively. While most of the clusters continued to face downward pressure in their average asking rental rates, Kaki Bukit – Ubi – Paya Lebar – Eunos, and Woodlands – Sembawang – Admiralty – Yishun clusters saw slight improvements.

Where Clementi – Toh Tuck – Bukit Batok cluster saw the largest fall in average asking rate of 4.4% q-o-q to $1.96 psf in Q3 2015, the Pioneer – Tuas cluster posted an increment of 5.1% q-o-q to $1.85 psf, resulting in a narrowed rental disparity between the two clusters in the West region. This is attributed to the rental adjustments made by building owners to attract tenants in view of the muted manufacturing sector and new addition of approximately 2.2 million sq ft of industrial space in the region.

Asking rents of business parks declined further by 1.3% q-o-q in Q3 2015 to

EXHIBIT 2

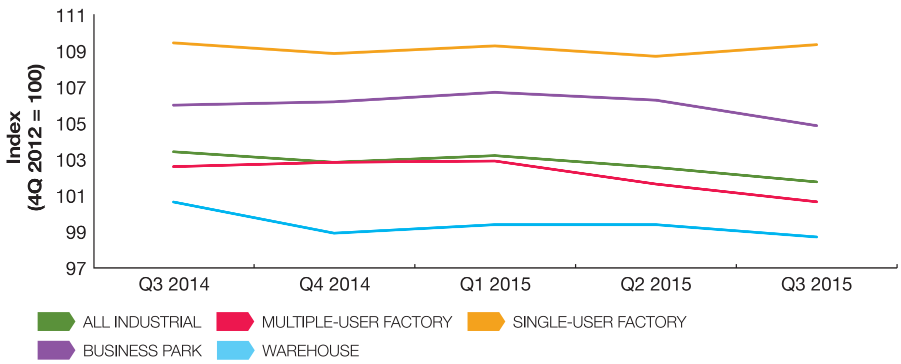
Island-wide New Supply, New Demand, and Occupancy (Warehouse)



Source: REALIS, Knight Frank Research

EXHIBIT 3

JTC Rental Indices of Industrial Space



Source: REALIS, Knight Frank Research

Notes:
Before 4th Quarter 2014, the rental index is computed based on transactions of multiple-user factories and multiple-user warehouses in the Central Region, with weights updated every quarter using past 12 quarters transaction values. From 4th Quarter 2014, the rental index is computed based on island-wide transactions of multiple-user factories, single-user factories, business parks and warehouses. The weights used are fixed using 2012 transaction values. The rental index is also re-scaled to 100 at 4th Quarter 2012. Due to rounding, there could be some differences in the quarterly rental change compared to the rental index before re-scaling.

$4.49 psf, mainly due to the marked injection of new business park space amid the dampened demand conditions.

Upcoming Supply

About 8.4 million sq ft of new industrial space will be completed by end of 2015. Around 4.1 million sq ft of single-user factory space will add to this upcoming supply stock by the final quarter this year, while the new multiple-user factory and warehousing spaces will contribute 1.1 million sq ft and 2.4 million sq ft respectively. Of this upcoming supply, about 79.3% or 6.7 million sq ft of industrial supply are allocated for Business 2 (B2) usage.

An estimated GFA of 49 million sq ft of factory (including business parks) and 18 million sq ft of warehousing space are slated for completion in the next five years. Of which, a notable 60.8% of the total pipeline supply of industrial space is expected to be ready by end-2016, with about 14.2 million sq ft of single-user factory space, 7.5 million sq ft of multiple-user factory and 7.7 million sq ft of warehousing space slated for completion.

Outlook

Business consolidation and restructuring

In view of expected macroeconomic headwinds, industrialists are adopting a more conservative cost management approach by evaluating the possibility of business consolidation or restructuring their operations to remain financially sustainable. With the tight labour supply in Singapore likely to continue in the near term, more companies are moving labour-intensive components of their manufacturing operations to cheaper locations; or outsourcing to external providers, while maintaining the higher value-added services in Singapore. Some industrialists are also likely to reduce their space take-up or relocate to smaller premises in the next two to three quarters.

Continued strains on leasing market

Facing strong market competition with new influx of industrial spaces, landlords are increasingly aggressive in attracting new tenants while retaining existing tenants. Achieved renewal rents deviated from the usual trend of higher achievable rents than new leases, where they were concluded on par or slightly higher than new leases. Landlords that own dated building specifications are likely to accept a lower than market rents to secure tenants, or take the opportunity to introduce asset enhancements to improve its building quality.

Given an estimated 8.4 million sq ft of industrial space that will be completed by Q4 2015, downward rental pressure is set to continue with overall industrial rents likely to reduce by between 3% and 5% y-o-y in Q4 2015.

EXHIBIT 4

Average Asking Rentals for Conventional Industrial Space, by Key Clusters

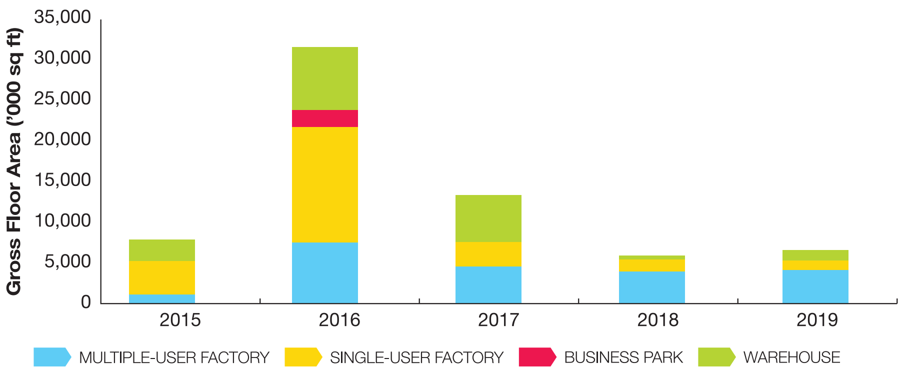
Industrial Cluster	Monthly Gross Rentals (Upper Floor, S$ per sq ft) Q2 2015	Q3 2015	q-o-q Change
Kaki Bukit - Ubi - Paya Lebar - Eunos	$2.54	$2.62	3.1%
Macpherson - Tai Seng - Defu	$2.04	$2.04	0.0%
Kallang - Geylang - Bendemeer	$3.59	$3.51	-2.2%
Bukit Merah - Alexandra - Jalan Kilang - Pasir Panjang	$3.48	$3.40	-2.3%
Serangoon - Ang Mo Kio - Lorong Chuan - Toa Payoh - Pemimpin	$2.32	$2.29	-1.3%
Clementi - Toh Tuck - Bukit Batok	$2.05	$1.96	-4.4%
Pioneer - Tuas	$1.76	$1.85	5.1%
Woodlands - Sembawang - Admiralty -Yishun	$1.57	$1.58	0.6%
Average	**$2.42**	**$2.41**	**-0.5%**
Business Park Space (Island-wide)	$4.55	$4.49	-1.3%

Source: Knight Frank Research

* Range of rentals are estimated based on the average of minimum and maximum asking rentals derived from surveys.
* Only rents of units on upper floors are included.
* Starting from Q3 2015, a new industrial cluster, Pioneer – Tuas is introduced as one of the key clusters.

EXHIBIT 5

Industrial Space Supply in the Pipeline, as at Q3 2015



Source: REALIS, Knight Frank Research

INVESTMENT & CAPITAL MARKETS

Overall investment sales value in Singapore plummeted by 53.1% q-o-q to $3.05 billion in Q3 2015, mainly due to marked declines in the commercial and residential sectors. Singapore investors look to diversify their portfolios geographically.

Overview

Public investment sales plunged to post-Global Financial Crisis (GFC) levels

Total investment sales volume softened to $3.04 billion in Q3 2015, a marked 53.1% q-o-q and 43.8% y-o-y decline. Investment sales by the public sector fell significantly by 81.8% q-o-q to $0.5 billion, the lowest level recorded since Q2 2009. The decrease in the number of sale sites awarded under the Government Land Sales (GLS) programme fell from seven in Q2 2015 to five sites in Q3 2015. Private sector investment sales experienced a smaller drop of 32.1% q-o-q to $2.55 billion over the same period.

The commercial sector preserved a slight lead in the third quarter at $1.43 billion, or 46.8% of total transaction value in the quarter. Meanwhile, the residential sector contributed to 34.1% of total investment sales activity in Q3 2015.

Residential

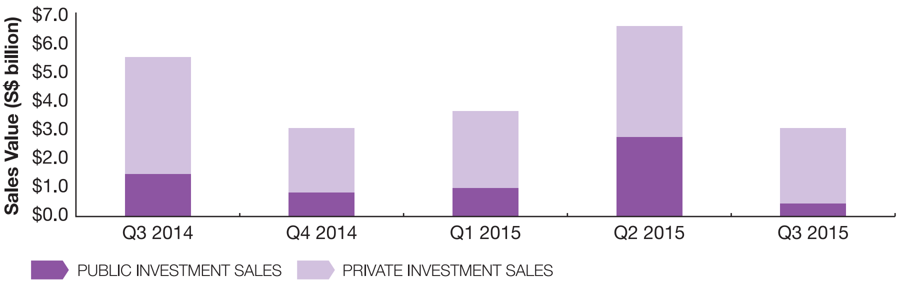
Sustained interest in Good Class Bungalows (GCBs) amid falling residential prices and limited supply

Total investment sales in the residential sector declined by 38.4% q-o-q and 14.7% y-o-y to $1.04 billion in Q3 2015.

From the public sector, two Government Land Sales (GLS) residential sites were sold in August 2015. An Executive Condominium (EC) site at Choa Chu Kang Avenue 5 was keenly contested with 11 bids, the highest number of bids for an EC site since February 2014. The site was awarded to a joint venture comprising Qingjian Realty, Suntec Property Ventures and Bohai Investments at a top bid of around $156 million or $295 per square foot per plot ratio (psf ppr). This bid price reflects a 18.3% discount from the price

EXHIBIT 1

Total Investment Sales, by Sector Origination



Source: Knight Frank Research

To be considered as private investment sales under Knight Frank Research definition, it must fulfil either of the following pre-requisite:-
- Investment transactions should comprise an entire building or property with a total worth of S$10 million and above; OR
- Any bulk sales within a development which amounts to $10 million or more.

1 Public Investment Sales : The sale of a development site that is made available by the government to private entities.
2 Private Investment Sales: Sales transaction of an existing development made between two private entities.

that Sim Lian Land had paid for an EC plot along Choa Chu Kang Drive in September 2014. Meanwhile, EL Development was awarded the GLS site at West Coast Vale with a top bid of circa $314 million or $551 psf ppr, fending off 5 other competitors for the private residential site.

Total private investment sales value declined by 9.8% q-o-q to $0.57 billion in Q3 2015. The biggest deal involved the bulk purchase of 23 units at Draycott Eight by the Tang Group of Companies for approximately $150 million or $2,200 psf on strata area. In the landed residential segment, the number of GCBs transacted fell marginally to eight units in Q3 2015, one less unit compared to the previous quarter. In view of the softening prices in the residential market and limited GCB supply, buying interest in this niche segment is expected to be sustained for the next two to three quarters.

Commercial

Capital recycling strategies continue to drive investment activities

After a strong showing in the previous quarter, total investment sales value in the commercial sector fell by 68.8% q-o-q to $1.43 billion in Q3 2015. The largest transaction involved CapitaLand Mall Trust's acquisition of Bedok Mall from CapitaLand Limited for circa $783 million or $3,506 psf on Net Lettable Area (NLA). This divestment allows CapitaLand to realize the development profit and free up capital for deployment in other higher-yielding ventures. The commercial sector also saw the first collective sale being concluded for this year; Thong Sia Building located along Bideford Road was sold for $380 million (or $2,431 psf ppr). The buyer, Sin Capital Partners, is expected to introduce redevelopment plans for the property which currently comprises seven levels of commercial space and 19 levels of residential units.

Industrial

Acquisitions by institutional funds take centre stage

Total investment sales for the sector rose by 142.5% q-o-q to $569 million in Q3 2015. This was led by AEP Investment Management's acquisition of Starhub Green in July for $260 million or $641 psf on NLA. Boasting high-quality tenants such as Starhub and IBM unit International Application Solutions, the light industrial building along Ubi Avenue 1 enjoys a relatively strong occupancy rate of about 90%.

From the public sector, a total of two land parcels were sold under the Industrial Government Land Sales (IGLS) programme for a combined total of approximately $17.5 million, a slight decrease of 5.5% q-o-q from the previous quarter. The third quarter also saw the sale of a State Land parcel for car showroom-cum-workshop use, from the Housing & Development Board (HDB) by tender and awarded to Kah Motor Company for approximately $11.8 million.

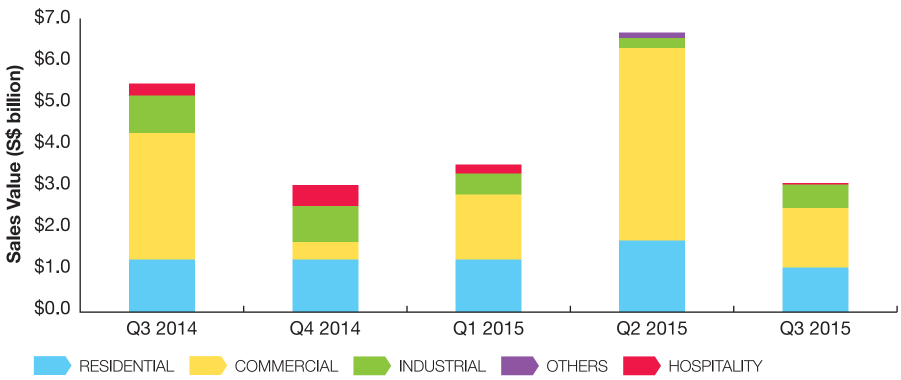
Inbound[1] And Outbound[2] Investments

Total outbound investment to overseas markets by Singapore-based entities increased by more than two-fold q-o-q to $14.1 billion in Q3 2015. Industrial investments comprised more than half of the total value of overseas acquisitions. One of the most notable deals involved Ascendas REIT's purchase of a portfolio of 26 industrial properties in Australia for approximately $1.07 billion.

Total inbound investment into Singapore by foreign entities fell by a significant 86.5% q-o-q to $0.2 billion in Q3 2015, a second consecutive quarter of decline. Office assets in Singapore remained to be the main target of acquisition by overseas buyers. The third quarter saw several bulk purchases of strata-titled office units in Prudential Towers by buyers from China and Europe.

EXHIBIT 2

Total Investment Sales, by Development Type



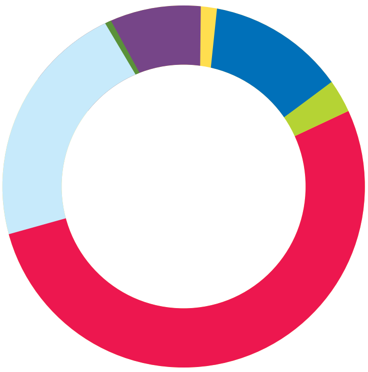
Source: Knight Frank Research

1 Inbound investments refer to all inbound capital flows relating to the direct or indirect acquisition (e.g. equity stake) of a property situated within Singapore. Only transactions with quantum of at least S$3.5 million are captured.

2 Outbound investments refer to all outbound capital flows relating to the direct and indirect acquisition (e.g. equity stake) of a property situated outside of Singapore, by Singapore-based entities. Only transactions with quantum of at least US$3.5 million are captured.

EXHIBIT 3

Outbound Investment Sales* in Q3 2015, by Development Type



INDUSTRIAL 52.2%
OFFICE 20.8%
OFFICE 20.8%
HOTEL 13.7%
MIXED DEVELOPMENT 8.3%
RETAIL 3.0%
RESIDENTIAL 1.5%
DEVELOPMENT SITE 0.5%

Source: Real Capital Analytics (RCA), Knight Frank Research

*Only transactions more than US$3.5 million are included.

EXHIBIT 4

Major Private and Public Investment Sales, Q3 2015

Sector	Site / Development	Estimated Price (SGD million)	Buyer(s)
Private Investment Sales – Top 5 Transactions			
Commercial	Bedok Mall	$783.1 mil	CapitaLand Mall Trust
Mixed Commercial-Residential	Thong Sia Building	$380.0 mil	Sin Capital Partners
Industrial	Starhub Green	$260.0 mil	AEP Investment Management
Residential	23 units at Draycott Eight	$150.0 mil	Tang Group of Companies
Commercial	Prudential Tower (25th to 27th floor)	$100.6 mil	A Chinese buyer
Public Investment Sales - Top 3 GLS Sites			
Residential	West Coast Vale	$314.1 mil	EL Development Pte Ltd
Residential	Choa Chu Kang Avenue 5	$156.2 mil	Qingjian Realty (Residential) Pte Ltd, Suntec Property Ventures Pte Ltd & Bohai Investments (Seng Kang) Pte Ltd
Industrial	Plot 4, Tuas South Link 2	$12.5 mil	Mundipharma Manufacturing Pte Ltd

Source: Jurong Town Corporation (JTC), URA, Knight Frank Research

Market Outlook

Sector	Views	Possible quarterly movement in Investment Sales Value in Q4 2015
Residential Continuing competition for GLS sites expected as developers source for development lands as they run out of projects	• Although private sites are sought-after alternatives for developers to fulfill their land-banking objectives, persistent price disparity between sellers and buyers continue to pose an obstacle in private investment deals. • With the limited number of residential sites available on H2 2015 GLS Confirmed List, more sites on the Reserve List are expected to be triggered for release in H1 2016. In light of the current government stance to maintain cooling measures, developers are likely to exercise higher prudence in their bids.	↑
Commercial Big-ticket transactions expected to boost investment sales value	• With several large-ticket deals in the works (e.g. CPF Building) the private commercial market is expected to see an uptick in investment sales in the fourth quarter. • From the public sector, the launch of the highly-anticipated mixed-development site Alexandra View (Parcel A) in September is expected to prop up investment activity.	↑
Industrial Acquisitions by REITs expected to dominate investment sales activity	• In view of softer global economic conditions and rising pessimism in manufacturers' business expectations, industrialists are adopting a more conservative approach. • The overall weakening of prices and capital values of industrial developments present opportunities for REITs to acquire assets which are yield accretive.	↓
Hospitality Investors intensify search for undervalued hotel developments with strong fundamentals	• Despite the hazy near-term outlook for the tourism and hospitality industry, pockets of investment opportunities remain in the sector. Developments in strategic locations and particularly with freehold / long balance lease tenures are expected to draw greater attention from potential investors.	↑
Inbound Investments Investment activities expected to be largely contributed by foreign corporations on the back of expansion plans	• With the overall weakening in office rents and capital values, the sector could see higher acquisition activity, possibly more so from foreign corporations looking to consider ownership of Singapore commercial property. • However, as there could be room for prices to moderate further, such expansion plans are expected to be approached with prudence.	↑
Outbound Investments Singapore investors to maintain attention on Australia	• With a lack of investable stock and yield compression in Singapore, local investors are expected to consider international markets to fulfill their investment mandates. • Despite signs of investor 'overcrowding' in key Australian gateway cities such as Sydney and Melbourne, Australia is expected to remain as the key destination of choice for Singapore investors.	↑

AUCTION

In Q3 2015, the auctions market saw significant q-o-q increases in the number of properties being put up for auction as well as the total auction sales value. More residential properties are expected to be put up for auction in the face of economic uncertainties, rising interest rates, and tepid leasing market.

Properties Put Up for Auction

Increase in number of properties put up for auction and total sales value

In Q3 2015, the number of properties put up for auction surged by 20.7% q-o-q or 82.0% y-o-y to a total of 222 units. This marks the first time since Q2 2010 that the total number of properties put up for auction in a quarter crossed the 200-unit mark (Exhibit 1).

In the third quarter, the number of residential units put up for auction rose by 5.2% q-o-q to 121 residential units. The number of residential units put up for auction under mortgagee sale increased by a larger 40.6% q-o-q to 45 properties in Q3 2015.

The number of office properties put up for auction increased significantly from 4 units in Q2 2015 to 15 units in Q3 2015. This sharp rise can be attributed to the current slowdown in the office leasing market and a large upcoming supply in 2016.

Largest number of mortgagee listings in a quarter

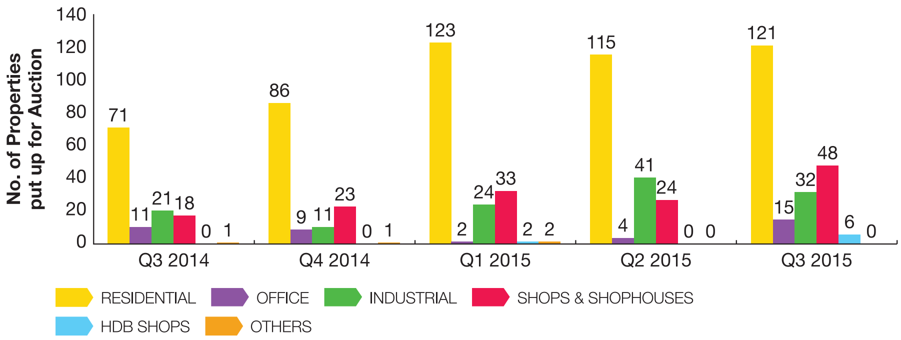
Under the non-owner sale category, the number of properties put up for auction under mortgagee listings rose by 33.3% q-o-q, or 30.2% y-o-y, to 56 units in Q3 2015. This surpassed the previous high of 53 units that were listed under mortgagee sale in Q1 2015.

Residential units accounted for 80.4% of the total number of properties listed under mortgagee sale in the third quarter. Of the 45 residential units put up under mortgagee sale, a landed property and eight non-landed units were in the prime districts[1].The remaining 36 properties were located outside the prime districts, with 14 of them being landed properties and 22 of them being non-landed properties.

During the first nine months of 2015, 31 landed properties were put up under mortgagee sale, marking a more than two-fold increase from the 14 units put up in the corresponding period last year. Additionally, the number of non-landed residential units in the prime

EXHIBIT 1

Total Number of Properties Put Up for Auction, by Property Types



Source: Knight Frank Research

[1] Prime residential districts refer to districts 1, 2, 9, 10 and 11.

districts listed under mortgagee sale saw a 56.3% y-o-y increase to 25 units over the same period. Of the 25 listed units, 5 units were transacted for a total sales value of $13.0 million. This is more than double the sale value of $4.8 million in the corresponding period last year.

Amidst falling rentals and a rising interest rate environment, keen competition for tenants poses greater challenges for heavily-leveraged property owners. This is likely to result in more mortgagee sale listings in the fourth quarter and the coming year.

Properties Sold via Auction

Increase in the number of properties sold

The number of properties successfully auctioned increased from 7 units in Q2 2015 to 12 units in Q3 2015. An overall success rate of 5.4% was achieved in the third quarter, up from 3.8% in the second quarter. This could be attributed to a sellers being more willing to lower their price expectation resulting in a narrower price gap between buyers and sellers.

Auction Sales Performance

More than fourfold increase in total value of sold properties in Q3 2015

Total auction sales value increased by more than fourfolds q-o-q to $45.6 million in Q3 2015 (Exhibit 2). This also represents a 44.2% increase on a yearly basis.

During the third quarter, 9 residential properties were sold for a total of $31.6 million; accounting for 69.3% of total sales value. Out of the 9 residential properties that were sold in Q3 2015, 8 were non-landed properties put up for auction under mortgagee sale and the total sales value fetched was approximately $15.3 million. The remaining property was a single-storey bungalow put up for auction under estate sale and was transacted for $16.3 million. This also made it the single largest auction sale in the third quarter.

Three other properties went under the hammer during the third quarter. A pair of adjoining shop units was sold for about $6.5 million while a freehold shophouse changed hands for approximately $6.4 million. The remaining transacted property was a factory unit in Poh Leng Building that fetched approximately $1.2 million.

It was observed that more property buyers are turning to auctions to source for attractively-priced properties especially residential properties in prime locations. The increasing popularity of auctions among savvy investors, who are on the lookout for attractively-priced properties, is expected to give a boost to attendance in auction sessions in the upcoming months. There has been an increasing number of properties that found buyers via private treaty arrangements after the auction.

Outlook

Number of properties put up for auction in 2015 expected to surpass the 700-unit mark

From January to September 2015, a total of 593 properties were put up for auction, marking a notable 56.5% y-o-y increase from the 379 properties put up in the corresponding period a year ago. As auction gains acceptance and popularity as a viable way to market properties, more enquires can be expected from buyers and sellers. The total number of properties put up for auction in 2015 is likely to cross the 700-unit mark. Since 2011, the number of properties put up for auction has not exceeded 700 units.

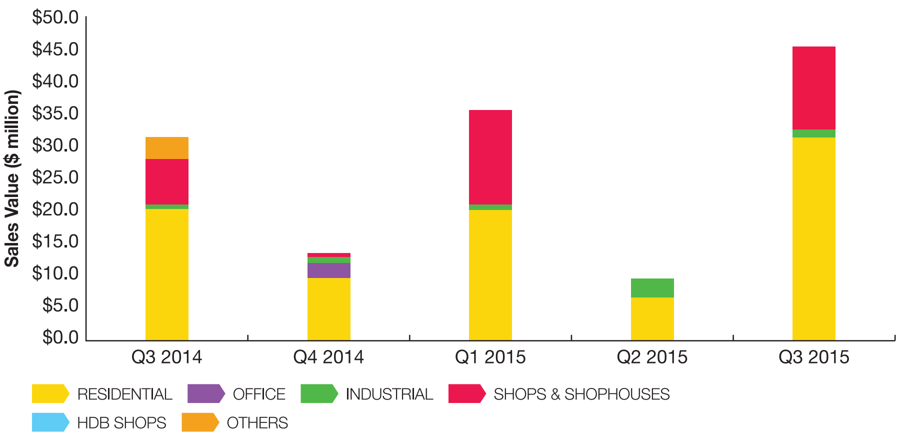
The first nine months of 2015 saw $91.4 million worth of auction sales being concluded. This surpasses the total sales value achieved for the whole year of 2014, during which $72.5 million worth of properties were successfully auctioned. The total auction sales value for the whole of 2015 is expected to reach $100.0 million.

More prime residential properties are expected to be put up for auction in the coming months. Landlords are facing stronger competition for tenants and property owners who are highly leveraged are likely to face difficulties in servicing their mortgage loan amidst the rising interest rates and a limited tenant pool. Property owners in the prime districts could be more affected as a these properties are of higher price quantum and holding costs.

In light of the lacklustre manufacturing sector, investors of strata-titled industrial units are envisaged to face increasing difficulties in securing tenants. A shrinking tenant pool of end-users, coupled with declining rents, are likely to result in more of such industrial properties being put up for auctions in the upcoming quarters as to investors struggle lease their properties.

EXHIBIT 2

Total Auction Sales Value, by Property Type



Source: Knight Frank Research

Knight Frank LLP is the leading independent global property consultancy. Headquartered in London, Knight Frank has more than 13,000 people operating from over 400 offices across 58 countries. These figures include Newmark Grubb Knight Frank in the Americas, and Douglas Elliman Fine Homes in the USA. The Group advises clients ranging from individual owners and buyers to major developers, investors and corporate tenants. Knight Frank has a strong presence in Singapore with a head office and three subsidiaries; Knight Frank Estate Management, Knight Frank Asset Management and KF Property Network.

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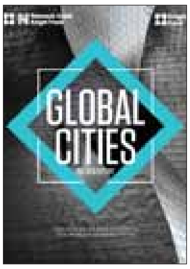

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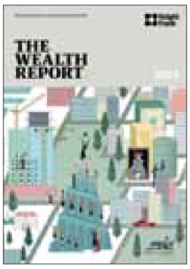
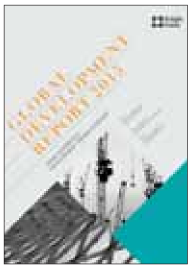


The Wealth Report 2015



Global Development Report 2015

For further information about the Company, please visit **www.knightfrank.com.sg**

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