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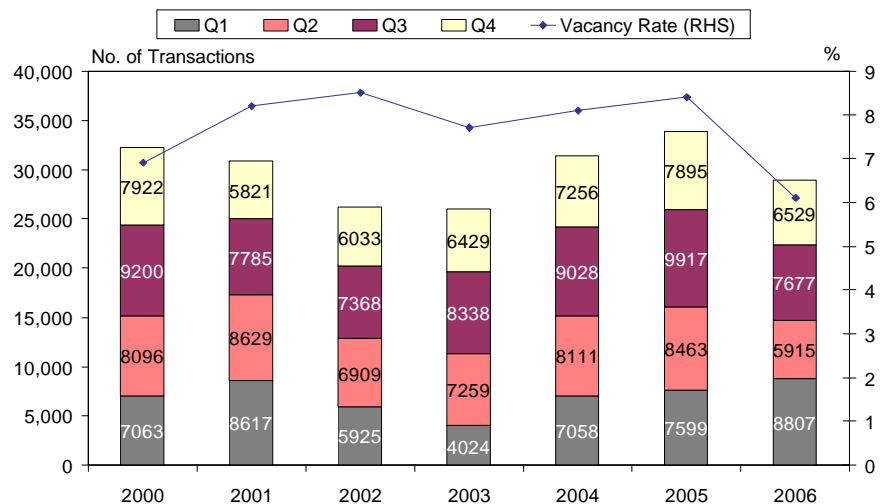
Residential Leasing Briefing

- Luxury rental market continues to exhibit strong growth, now filtering down to the mass market
- Tenants moving out from central area looking for cheaper options due to rent hikes
- Rents of high-end residential units now exceed other major Asian cities
- Average rental growth in Districts 15 and 16 outperform other districts

In 2006, there were 28,928 leasing transactions registered. Despite a 14.6 per cent decrease compared with 2005, the rental market put in a strong performance during 2006 recording increasing rental rates, high occupancy levels and limited new supply.

The vacancy rate fell from 8.1 per cent in 2005 to a 7-year low of 6.1 per cent by the end of 2006. Demand was driven by the influx of expatriates resulting from the expansion of multinationals as well as the owners and tenants displaced by en-bloc sales. The falling vacancy rate suggests that most of the leases in 2006 are new transactions.

Leasing Activity Levels and Vacancy Rates, 2000 - 2006



Source: URA, Savills Research & Consultancy

'En-bloc fever' has been another major factor behind the more active rental market. In 2006, there were about 1,000 units withdrawn from the market due to en-bloc deals done between 2005 and 2006. As tenants and owners of these units had to find replacement accommodation, this led to higher numbers of leasing enquiries.

Around 50 per cent of the en-bloc transactions over the last 2 years were in Districts 9, 10, 11 and 15. Hence, existing landlords in these districts have benefited considerably from the en-bloc boom as most of the displaced tenants and owners are expected to remain in the same districts. Consequently, rents in these areas increased by an average of 20 per cent in 2006, with some transactions registering a 30 to 35 per cent increase over the year.

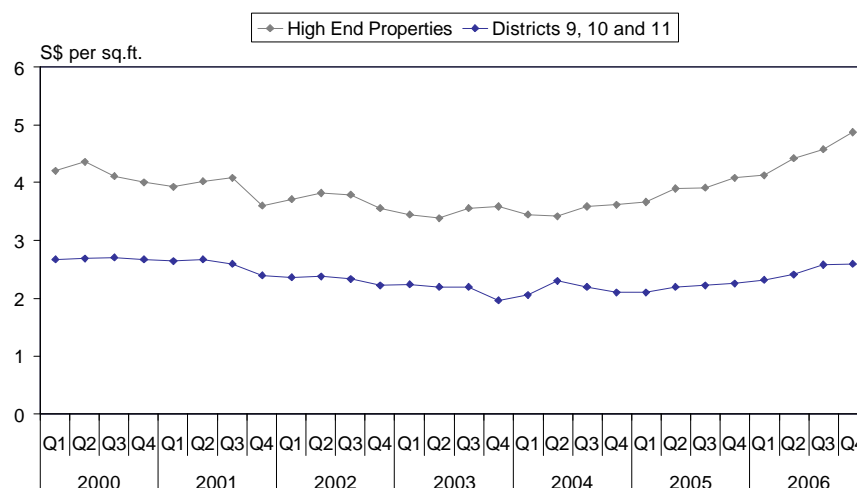
Landed properties, especially detached houses, continued to enjoy more rental enquiries due to the depleting stock of sizeable apartments (units of more than 2,500 sq.ft.) in Districts 9,10 and 11. Healthy demand in areas such as Bukit Timah, Holland and Nassim have caused rents to increase by 20 to 30 per cent. Although rents for this segment of properties have increased considerably in lump sum terms, rents are still considered attractively priced in per square foot terms, compared with some non-landed units in the same districts.

Rents

According to URA statistics, average rents for non-landed residential units located in Districts 9, 10 and 11 in Q4/2006 rose by 15.5 per cent quarter-on-quarter to S\$2.6 per sq.ft., the highest increase in the last 5 years. However, the average rent is still a shade lower than the 2000 peak, when average rents hit S\$2.7 per sq.ft.

However, according to Savills' basket of high-end properties, more prestigious properties located in these districts have already surpassed the 2000 peak, transacting 19 per cent higher year-on-year, at an average of S\$4.9 per sq.ft. For example, a 2,885 sq.ft. unit in Ardmore Park was rented at around S\$15,000 per month or S\$5.3 per sq.ft. A similar unit in a less prestigious project in the same district may command 10 to 20 per cent less. The stark difference in price would be mainly due to factors such as accessibility, facilities, age and image of the development.

Average Rents for Districts 9,10 and 11, 2000 - 2006



Source: URA, Savills Research & Consultancy

Average rents for high-end developments in Singapore are now comparable to other major Asian cities such as Beijing, Guangzhou and Shanghai but remain below Tokyo, Hong Kong and Seoul.

Current Average Rent for High-end Developments, Q4/2006

Name of the City	Average Rent (S\$ per sq.ft.)
Tokyo	6.9
Hong Kong	6.2
Seoul	6.0
Singapore	4.9
Shanghai	4.7
Guangzhou	3.2
Beijing	2.4

Source: Savills Research and Consultancy

Average rental rates in Districts 15 and 16 have also grown strongly by about 20 per cent quarter-on-quarter, the highest in five years, outstripping rental growth in the prime districts. We note that the rapidly rising rents in popular areas have forced some tenants to look for cheaper alternatives. Some of these tenants, particularly those who do not enjoy housing allowances may have moved out from the central area.

Hence, the mass market segment had also shown an increase in demand. Average rents in some of the outlying areas such as Simei, Bukit Batok, Woodlands, Changi and Choa Chu Kang registered around 7 to 10 per cent growth for the whole year. This is a noteworthy improvement considering rents for this segment have been relatively sluggish over the last few years.

Outlook

Vacancy is likely to decline even further in the coming year as new construction continues to fall short of rising demand.

We forecast rents to rise by another 10 to 15 per cent over the first half of 2007 due to increasing demand which is likely to come from:

- (1) Displaced tenants and owners from en-bloc sales. In the next 6 months, approximately 1,300 units will be removed from available stock
- (2) An influx of expatriates due to the expansion of multinational companies and new companies setting up offices in Singapore
- (3) An increase in the number of foreigners due to the commencement of the construction of mega projects such as the underground oil storage cavern at Jurong Island and the two integrated resorts
- (4) An anticipated increase in new permanent residents (PRs) and citizens. Singapore is expected to add about 200,000 PRs and 40,000 citizens over the next five years

Mass market projects will continue to benefit from the strong growth in the central area. Rents of residential developments located in Bukit Batok, Choa Chu Kang and Jurong may see stronger demand due to new jobs created on Jurong Island. We also foresee more tenants from the central area moving to the suburban areas or downgrading to well-located public housing due to the hikes in rental rates upon renewal.

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