

Press Release



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Who's Afraid of More Retail Supply?

Singapore, August 21, 2006: Knight Frank has developed an analysis of survey on the outlook of the Singapore retail property market. Main discussion included the impact if the integrated resort on shopping malls along Orchard Road and Marina Bay area.

Knight Frank conducted a survey on the outlook of the retail property market during the Real Estate Developers' Association of Singapore (REDAS) property seminar on 16 August 2006. There were about 100 attendees who responded to the survey at the seminar. These respondents were mostly property developers, bankers and consultants from the property, legal, financial and construction industry.

Perhaps more than any other types of real estate, the retail property market had the largest number of market participants in terms of tenants, customers and users of retail space. The value of the retail space was partly dependent on its uses, location, patronage of the customers, amount of revenue that could be generated, which in parts was influenced by the opinion of the market participants.

Presently, total retail space in the whole of Singapore stood at about 34 million sq ft but was expected to increase up to 42 million sq ft by 2010 as several major developments were expected to be completed in the four-year period.

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Question One: How do you expect island-wide average retail rents to change in the future?

Fifty-six percent or most of the respondents believed that the island-wide average retail rents would be likely to rise marginally, while 23% felt that the rents would continue to rise at the present rate of 7% to 8% per annum. 11% thought that rents will remain stable and 8% think that rents would decrease. Only 2% felt that rents would drop substantially.

This implied that despite the slate of potential retail developments to be completed within the next five years, most respondents were confident that retail rents would still rise. This could be due to the expectation that tourist arrivals and consumer expenditure would continue to trend upwards. Furthermore, retail space per capita had fallen marginally over the last few years, which indicated there was possibly room for increase of retail space.

Background of Question Two

The Orchard Road shopping area had the highest concentration of prime retail space in Singapore. The two Integrated Resorts (IRs) with casinos, which were planned to be completed in about 2010, will yield more than two million square feet of retail space. They were also expected to draw millions of visitors each year. Some market participants question if Orchard Road could lose much of its glamour and attractions in the face of the competition from the IRs.

Question Two: What will be the impact of the Integrated Resorts (IRs) on the Orchard Road shopping area?

On the issue of whether Orchard Road will lose its glamour and attractiveness after the Integrated Resort at Marina Bay and Sentosa commence their operations, only 5% of the attendees felt that Orchard Road would no longer be a main shopping attraction.

Most of the respondents, 46%, were confident that Orchard Road will remain as a main shopping attraction provided it undergo a revamp. 23% were very bullish and held the view that Orchard Road would continue to be a major shopping attraction with or without the Integrated Resorts or a revamp. The rest (26%) thought that Orchard Road would instead draw more shoppers because of the IRs.

The confidence among the respondents on Orchard Road maintaining its status as the prime shopping destination could be due to the fact that Marina Bay Sands is an integrated resort that focuses mainly on MICE, F&B and the casino while Orchard Road is entirely a prime shopping area in Singapore. Therefore the IR could be an addition to the shopping experience in Singapore, but will not replace Orchard Road. Furthermore Marina Bay Shoppes, the shopping mall at the integrated resort, would likely offer a retail space of about 1 million sq ft which pales in comparison to Orchard Road which has about 5 to 7 million of retail space currently and that was set to increase even further in the coming years. While Marina Bay Shoppes would likely appeal to a niche group of foreign high-end shoppers, Orchard Road would continue to provide a variety of different shopping experience targeted at different consumer groups.

However the majority (46%) felt that in order for Orchard Road to remain bustling, a revamp would be necessary. Older parts of Orchard Road would need to be rejuvenated and more upscale retail malls to be built. There should also be improvements to the linkage between shopping malls so as to provide a seamless shopping experience.

Background of Question Three

Although the Marina Integrated Resort (IR), which would be situated around the Marina Bay area was expected to draw millions of visitors when it is completed, it would also yield about

1.2 million sq ft of retail space within its Marina Bay Shoppe when it would be completed in 2010. This rose the question of whether the Marina IR would increase the number of shoppers to the Marina Bay area that other existing malls would also benefit, or it would cannibalize the shoppers from the other malls.

Question Three: What will be the impact of the IR on existing retail malls in the Marina Bay area?

Almost three quarters or 74% of the respondents felt that the IR would benefit the existing shopping centres in the Marina Centre area such as Suntec City, Marina Square and Millenium Walk.

This strong vote of confidence indicated that the respondents expected positive spillovers from the IR, such as an increase in total revenue from shoppers. About 15% of the respondents thought that the IR would have a negative impact on the other shopping malls in that area, while the remaining 11% felt that the IR would not have any effect on the Marina Bay retail centres or the net effect would be neutral.

Generally the IR should be viewed as a continuation of the evolution of the Marina Bay area and would complement the existing malls and hotels if the connection for pedestrians were well developed. Currently the connectivity for pedestrians between the existing malls in the Marina Bay area could also be improved.

Although a new bridge would link the existing malls and the IR, a gap still exists. The Singapore Flyer, which would be completed in 2008, would fill this gap and link up the two localities. This improved connectivity should increase pedestrian traffic flow between the shopping centers at Marina Centre and the IR. The result could be a new major shopping precinct in Singapore.

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About Knight Frank Pte Ltd

Knight Frank offers full advice and agency services across a comprehensive range of commercial and residential sectors.

A global partnership with prominent New York - based real estate firm, Newmark Knight Frank, has created a network of more than 140 offices in over 30 countries, staffed by more than 4,500 professionals.

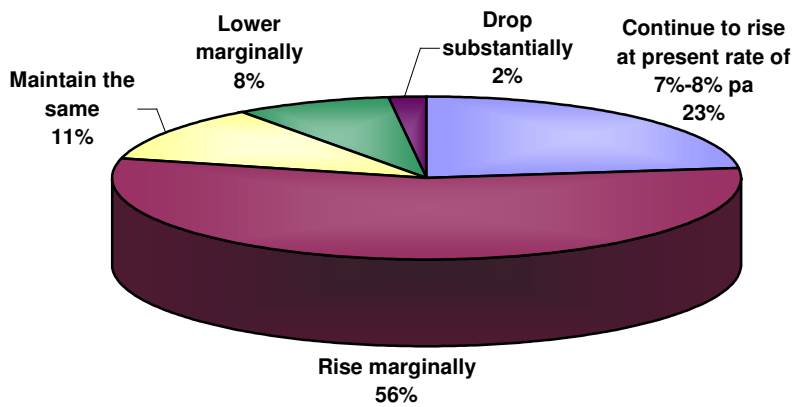
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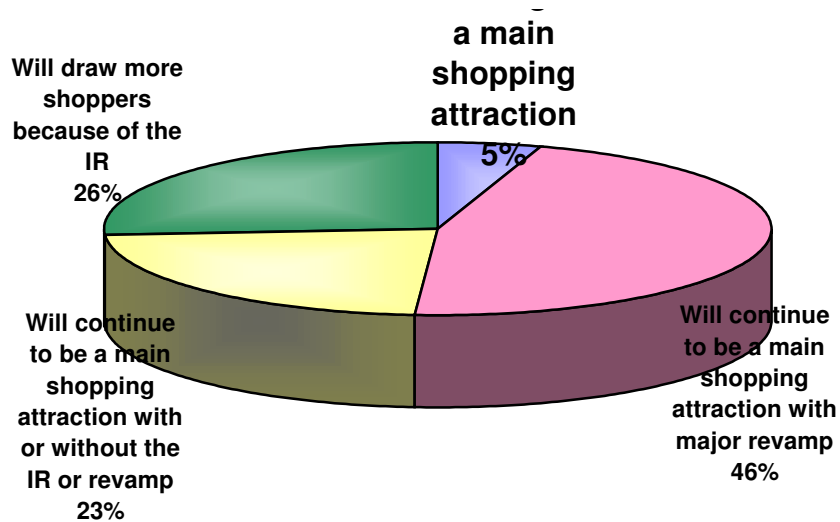
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Attachments

Expectation of movement of island wide average retail rents by 2010



Impact of Marina Bay Integrated Resort on Orchard Road



Impact of Marina Bay Integrated Resort on Marina Centre

