Singapore Industrial Property Market Overview

COLLIERS INTERNATIONAL CONSULTANCY & VALUATION (SINGAPORE) PTE LTD
26 MAY 2014

1 MACROECONOMIC TRENDS

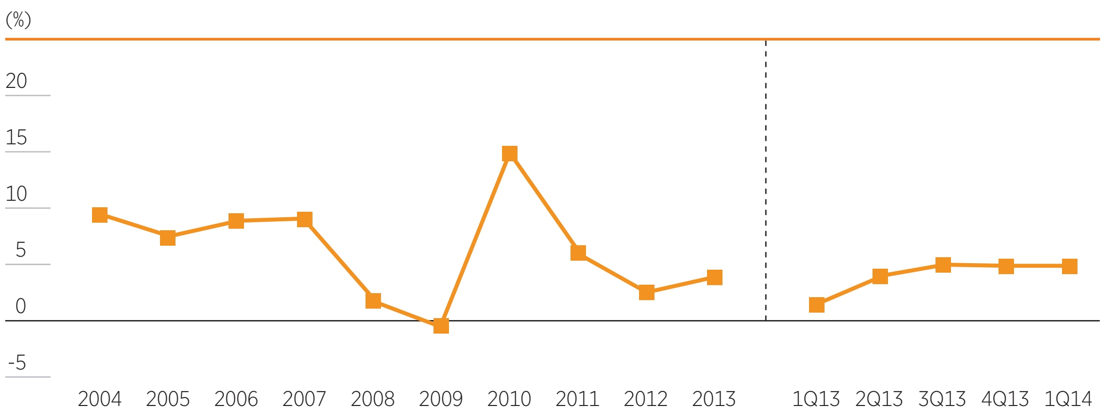
1.1 REVIEW OF ECONOMIC PERFORMANCE IN THE PAST YEAR

Singapore's real Gross Domestic Product expanded at a faster pace of 3.9% in 2013, compared to the 2.5% year-on-year ("YoY") growth achieved in 2012. This was backed by faster expansions in the services producing industries and manufacturing sector.

Specifically, Singapore's manufacturing output grew by 1.7% YoY in 2013, up from 0.3% YoY in 2012, supported by the transport engineering, electronics, general manufacturing and chemicals clusters which registered annual growths of 5.2%, 3.5%, 2.8% and 0.7% in 2013, respectively. Over the same period, the precision engineering cluster saw a 5.6% YoY contraction in output, while the biomedical manufacturing cluster recorded stable growth.

Official statistics released by the Ministry of Trade and Industry on 20 May 2014 indicated that the Singapore economy grew by 4.9% YoY in the first quarter of 2014, similar to the rate of growth achieved in the fourth quarter of 2013 ("4Q2013"). This was driven mainly by the manufacturing sector which expanded at a faster pace of 9.8% YoY in 1Q2014, compared to 4Q2013's 7.0% YoY growth.

YEAR-ON-YEAR GROWTH IN GROSS DOMESTIC PRODUCT (AT 2010 PRICES)



Source: Singapore Department of Statistics

1.2 ECONOMIC OUTLOOK

The Singapore economy is expected to grow at a modest pace in 2014. Although the global economic outlook is expected to improve modestly, led by a sustained recovery in the United States and Eurozone economies, global uncertainties remain, including uncertainties over the pace of tapering of the quantitative easing programme by the United States Federal Reserve and China's possible sharper-than-expected slowdown in growth.

On the domestic front, externally-oriented sectors like manufacturing and wholesale trade will likely continue to provide support to growth, in tandem with an expected recovery in global demand. However, some labour-intensive domestically-oriented sectors may be challenged by the tight labour market situation.

Against this backdrop, the Ministry of Trade and Industry announced on 20 May 2014 that Singapore's economic growth forecast remained at 2.0% to 4.0% in 2014.

2 RECENT GOVERNMENT POLICIES AND MEASURES

The following section provides an update on some of the recent Government policies and measures that remained relevant in helping to regulate the Singapore industrial property market and ensure that the real estate needs of industrialists are met:

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MAXIMUM TENURE OF INDUSTRIAL SITES REMAINS AT 30 YEARS

The Government kept the land tenure of industrial sites to be released under its Industrial Government Land Sales ("IGLS") programme for the first half of 2014 ("1H2014"), at a maximum of 30 years, as it continues to work on improving the affordability of industrial facilities to industrialists.

Industrial sites with smaller plot areas of up to 1.0 ha and shorter land tenures of around 21 years will also be available for sale via the 1H2014 IGLS programme to allow industrialists, particularly small and medium enterprises ("SMEs"), to develop their own customised land-based facilities at an affordable price.

However, due to the 30-year leasehold tenure cap, these IGLS sites are less appealing to institutional investors with a medium- to long-term business horizon as the expected return over a shortened timeframe is less accretive.

RECENT DEVELOPMENT GUIDELINES AND CONDITIONS FOR INDUSTRIAL PROPERTIES

The following development guidelines and conditions introduced recently to ensure that developers design and build industrial facilities with the real estate needs of industrialists in mind remain relevant and all developers/investors of new industrial properties are required to adhere to them:

- To cater to the needs of SMEs with larger space requirements, successful bidders of selected IGLS industrial sites sold from 1 January 2013 will have to build a minimum number of large factory units. The stipulated number and size of these large factory units will be released when a site is launched for tender.

- Starting from 1 January 2012, all Business 1 ("B1")[1] and Business 2 ("B2")[2] -zoned land parcels released for sale are subjected to conditions. These include a ban on strata subdivision for selected sites near mass rapid transit stations or as decided by the Government for a period of 10 years from the date that the TOP is issued, setting a minimum GFA requirement of 150 square metre ("sq m") (approximately 1,615 sq ft) on strata units in multi-user developments, and stipulating the number of cargo lifts and loading bays that must be provided in accordance to the maximum permissible GFA of the land parcel for multi-storey industrial developments[3].

- To ensure more timely supply of industrial space, the Project Completion Period was shortened to five years for IGLS sites with a maximum permissible GFA of less than 50,000 sq m (approximately 538,195 sq ft) and to seven years for IGLS sites with a maximum permissible GFA of equal or more than 50,000 sq m (approximately 538,195 sq ft), with effect from 1 January 2011.

BETTER CLARITY ON ALLOWABLE USES IN INDUSTRIAL PROPERTIES

To provide better clarity on the allowable use of industrial properties and to eradicate unauthorised uses of industrial space, the following guidelines were introduced in June 2012 and remained relevant to-date:

- Effective from June 2012, estate agents and salespersons are expected to advertise the use of the property as approved by the Urban Redevelopment Authority ("URA"). For instance, developments on B1- or B2-zoned land under URA's Master Plan 2008 are approved primarily for industrial use (e.g. manufacturing and warehousing activities), and should not be marketed for "business" (which may be misinterpreted as offices) or for "offices" which are not allowed in industrial buildings. Developers and investors of industrial properties should also ensure that buyers are aware of the industrial allowable uses and that space occupants are authorised users under the prevailing industrial use definitions.

[1] These are areas used or intended to be used mainly for clean industry, light industry, warehouse, public utilities and telecommunication uses and other public installations for which the relevant authority does not impose a nuisance buffer greater than 50 metres. Certain general industrial uses that meet the nuisance buffer requirements of not more than 50 metres imposed by the relevant authority may be allowed in the B1 zones, subject to evaluation by the relevant authority and the competent authority.
[2] These are areas used or intended to be used for clean industry, light industry, general industry, warehouse, public utilities and telecommunication uses and other public installations. Special industries such as manufacture of industrial machinery, shipbuilding and repairing, may be allowed in selected areas subject to evaluation by the competent authority.
[3] This applies to all high-rise industrial developments, regardless of it being a single or multi-user development.

- Landlords/investors of industrial properties have to adhere to the guidelines on the non-exclusive and limited use of industrial premises for religious activities announced on 12 June 2012. Specifically, religious activities in industrial premises are limited to only certain days in a week and occupy only part of the industrial premises within the ancillary use quantum. For existing religious organisations using factory units for religious uses on an exclusive basis, they will be granted a three-year grace period starting from 12 June 2012.

COOLING MEASURE FOR THE INDUSTRIAL PROPERTY MARKET: SELLER'S STAMP DUTY

To rein in short-term speculative activity, the Government introduced a Seller's Stamp Duty ("SSD") of 15%, 10% and 5% on industrial properties sold within one, two and three years of purchase respectively on or after 12 January 2013. This measure – which remains in effect – affected mainly the strata-titled industrial sales market and is not expected to affect institutional property investors like REITs due to the typically longer investment holding period.

IMPACT OF TOTAL DEBT SERVICING RATIO FRAMEWORK

Effective from 29 June 2013, individuals (including sole proprietorships and vehicles set up by an individual solely to purchase property) will be subject to a Total Debt Servicing Ratio ("TDSR") framework for all property loans granted by financial institutions. The threshold of TDSR or the percentage of total monthly debt obligations to gross monthly income is set at 60%. Under the TDSR framework, financial institutions will be required to:

- take into account the monthly repayment for the property loan that the borrower is applying for plus the monthly repayments on all other outstanding property and non-property debt obligations of the borrower;

- apply a specified medium-term interest rate or the prevailing market interest rate[4] , whichever is higher, to the property loan that the borrower is applying for when calculating the TDSR;

- apply a haircut of at least 30% to all variable income (e.g. bonuses) and rental income; and

- apply haircuts[5] to and amortise the value of any eligible financial assets taken into consideration in assessing the borrower's debt servicing ability, in order to convert them into 'income streams' in computing the TDSR.

Similar to the SSD, the TDSR affects mainly the strata-titled industrial sales market. However, institutional investors like REITs may be affected indirectly due to the moderation/stabilisation seen in the overall industrial property market as a result of the TDSR framework.

CHANGE IN MODE OF PAYMENT FOR THIRD PARTY FACILITY ASSIGNMENT OF JTC LEASE

The revision of the payment scheme from 1 January 2013 for new assignment contracts under JTC Corporation's ("JTC") leased sites involving third party facility providers to one of an upfront land premium, remains in force and only buyers who are industrialists have the option of paying land rental. Institutional investors like REITs and property funds acquiring industrial buildings from sellers on JTC-leased sites have to pay the land premium for the remaining part of the lease term upfront.

REDUCTION OF MINIMUM GFA REQUIREMENT FOR NEW ANCHOR TENANT APPLICATIONS OF THIRD PARTY FACILITY PROVIDERS

JTC relaxed its sub-letting rule for third party facility providers from 5 April 2013 by halving the minimum space that each anchor tenant must occupy. This ruling remains effective to-date.

[4] 3.5% for housing loans and 4.5% for non-residential property loans.
[5] Eligible liquid assets which are pledged for at least 4 years with the financial institutions from which the borrower is taking the property loan will not be subject to any haircut.

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Specifically, lessees of JTC property who wish to sub-let their GFA to other tenants would have to sub-let at least 50% of the building's GFA to one or more JTC-approved anchor tenants, with each committing to a minimum GFA of 1,500 sq m (approximately 16,146 sq ft), instead of the required minimum GFA of 3,000 sq m (approximately 32,292 sq ft) before the ruling was relaxed on 5 April 2013.

With this change, landlords like REITs would have the opportunity to broaden their tenant base and seek higher rents when the space is up for renewal, while prospective anchor tenants with smaller space requirements have more space options.

CHANGES TO HDB TENANCY POLICIES

With effect from 16 October 2013, the Housing and Development Board ("HDB") disallowed the assignment of commercial and industrial tenancies for new tenancies and tenants must return the premises to HDB for re-tender if they wish to exit from their businesses. A three-year window period will be given to existing tenancies to help existing tenants make business adjustments.

The revised assignment policy is a move to curb rising operating costs and speculation, including speculation in industrial properties, to ensure that industrial space remains affordable for genuine industrialists. This bodes well for businesses with genuine space requirements in the industrial sector. However, this measure is not expected to affect institutional investors like REITs.

CHANGES TO JTC ASSIGNMENT OF LEASE[6] POLICIES

JTC has revised its Assignment of Lease policy with effect from 15 November 2013, to better respond to recent trends in the industrial land market. The Assignment of Lease policy ensures that industrialists who have leased industrial land based on their proposed business plans remain committed to them for a sustained and reasonable period of time, while allowing lessees to exit on grounds of genuine business needs. The details of the policy revisions are as follows:

- **ASSIGNMENT PROHIBITION PERIOD FOR LESSEES**

  Industrial lessees are now required to fulfil the investment and plot ratio requirements (if any) stipulated in the Building Agreement/Schedule of Building Terms/Agreement for Lease, as well as to occupy the leased premises for a minimum period ("Assignment Prohibition Period") before they are eligible to sell the property in the open market.

  Prior to the policy revision, new JTC lessees (both industrialists and third party facility providers) were not allowed to assign/sell their premises until they fulfilled the investment period which is typically three years (i.e. the period of facility construction and installation of plant and machinery). With the policy revision, this restriction period has been extended by another five years.

  For those buying JTC facilities from the secondary market, they are not allowed to offload the property for a period of five years for properties with up to 30 years of lease remaining, and 10 years if the property has more than 30 years of lease remaining. The restriction period was previously three years from the date of assignment.

[6] An assignment or transfer of lease refers to the transfer of estates, rights, title and interests in the property from the "Assignor or Transferor" (seller) to the "Assignee or Transferee" (buyer).

The new assignment prohibition periods are as follows:

SITUATION	ASSIGNMENT PROHIBITION PERIOD (I.E. DURATION IN WHICH LESSEE IS NOT ALLOWED TO ASSIGN)
Third party facility provider lessees in new third party build-and-lease contracts	During investment period and 5 years thereafter
Third party facility providers who have purchased JTC facilities from the secondary market (i.e. new assignment contracts)	**Leases with ≤ 30 Years Remaining** 5 years from date of legal completion of assignment **Leases with > 30 Years Remaining** 10 years from date of legal completion of assignment
All third party facility provider lessees	**Leases with < 5 Years Remaining** all owners of industrial premises on JTC-leased sites with less than five years' balance lease are no longer allowed to sell them

Source: JTC/Colliers International Singapore Research

- **MINIMUM OCCUPATION PERIOD FOR APPROVED ANCHOR TENANTS IN SALE-AND-LEASEBACK ARRANGEMENTS**

  The lessee may assign to a third party facility provider after the assignment prohibition period, provided that it leases back at least 50% of the GFA and minimally 1,500 sq m for a minimum occupation period as follows:

SITUATION	MINIMUM OCCUPATION PERIOD (I.E. DURATION IN WHICH ANCHOR TENANT IS REQUIRED TO OPERATE ON THE PREMISES)	MINIMUM GFA (I.E. SPACE WHICH ANCHOR TENANTS ARE REQUIRED TO OCCUPY)
Anchor tenants in new third party build-and-lease programme	During the investment period and 5 years thereafter	Collectively, to occupy at least 50% GFA and each to occupy minimally 1,500 sq m
Anchor tenants in new sale-and-leaseback programme	**Leases with ≤ 30 Years Remaining** 5 years from date of legal completion of assignment **Leases with > 30 Years Remaining** 10 years from date of legal completion of assignment	Collectively, to occupy at least 50% GFA and each to occupy minimally 1,500 sq m

Source: JTC/Colliers International Singapore Research

The revised lease assignment policy will prevent speculative building and speculative buying/selling of industrial facilities in the secondary market. It is in line with the Government's broader aim of ensuring industrial premises remain affordable and available to genuine industrialists/end-users. Industrialists and third party facility providers like REITs/developers who own industrial properties on JTC-leased sites will now be required to hold these properties for a longer period before they may sell them. Lessees in most genuine sale-and-lease-back transactions will not be affected as the typical leaseback period is medium- to long-term.

3 MULTI-USER FACTORY MARKET OVERVIEW

3.1 EXISTING AND POTENTIAL SUPPLY

Following the net addition of 3.6 million sq ft of new multi-user factory space in 2013, Singapore had a total of 100.7 million sq ft of completed multi-user factory space as of 4Q2013, up 3.7% YoY. The islandwide stock of multi-user factory space rose to 101.4 million sq ft as of the end of March 2014, after the net addition of another approximate 667,000 sq ft of new multi-user factory space in 1Q2014.

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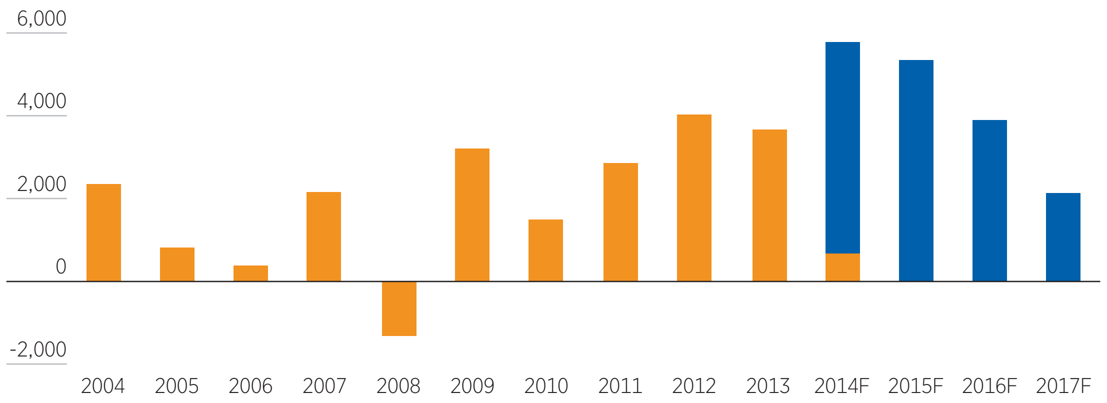
Based on available information as of 1Q2014, a total estimated 16.4 million sq ft[7] (net floor area) of new multi-user factory space is expected to be completed from 2Q2014 to 2017. Taking into account the 667,000 sq ft completed in 1Q2014, this translates to an average annual new supply of approximately 4.3 million sq ft for the four years from 2014 (full year) to 2017, which is about 43.3% higher than the average net new supply of around 3.0 million sq ft per annum in the preceding four years from 2010 to 2013, and 126.3% above the 10-year average of 1.9 million sq ft from 2004 to 2013.

NET NEW AND POTENTIAL SUPPLY OF MULTI-USER FACTORY SPACE (AS OF 1Q2014)

Net Floor Area ('000 sq ft)



Completed Uncompleted F: Forecast Source: URA/JTC/Colliers International Singapore Research, May 2014

3.2 DEMAND AND OCCUPANCY

Occupiers moved into some 1.5 million sq ft of multi-user factory space in 2013, down 52.5% YoY. The decline in net take-up can be attributed partly to the longer leasing process due to the need to assess the suitability of users to ensure compliance following the Government's stricter enforcement of the approved use for the industrial space. Additionally, there is a time lag between space commitment/completion and the physical occupation of the space. At the same time, firms remained cost conscious in the wake of rising business operating cost and hence were generally not looking at expanding their business operations or premises.

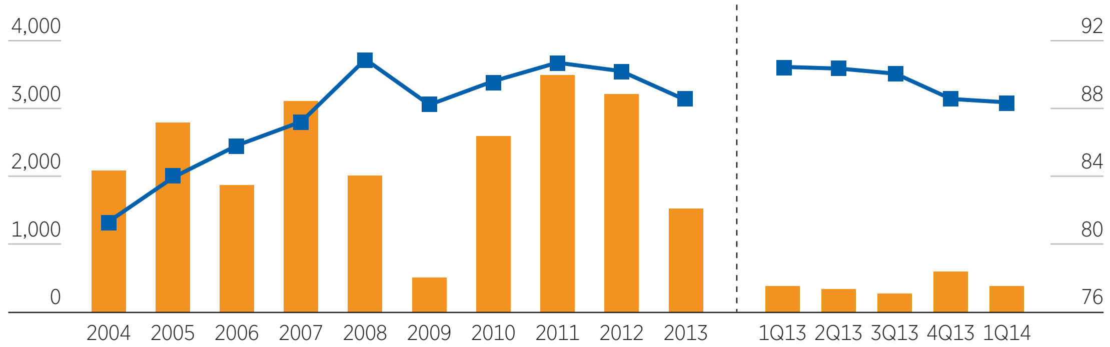
With net new supply surpassing net new demand in 2013, the islandwide average occupancy rate for multi-user factory space thus fell from 90.3% as of 4Q2012, to 88.6% as of 4Q2013.

A further dip in the average occupancy rate of multi-user factory premises to 88.4% was seen in 1Q2014, as net new supply of 667,000 sq ft continued to exceed net new demand of 377,000 sq ft during the quarter.

[7] Potential supply includes space under construction and planned but the actual level of new supply could increase/decrease due to changes in the status of planned projects.

NET NEW DEMAND AND OCCUPANCY RATE OF MULTI-USER FACTORY SPACE (AS OF 1Q2014)

Net Floor Area ('000 sq ft) Occupancy Rate (%)



Net New Demand Occupancy Rate Source: URA/JTC/Colliers International Singapore Research, May 2014

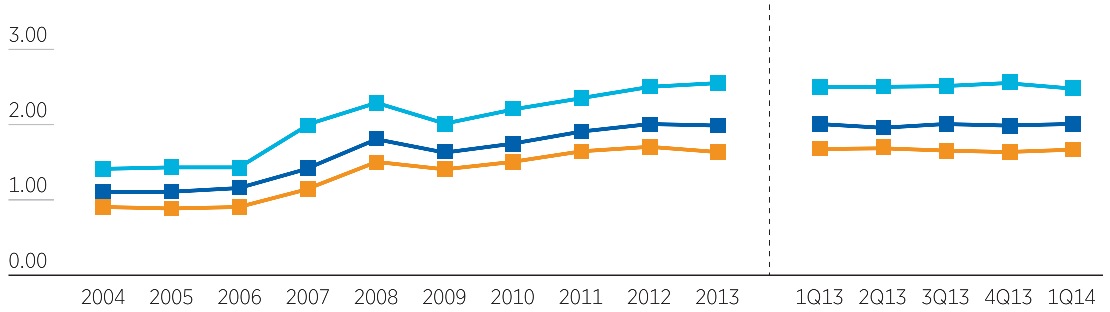
3.3 RENTS OF MULTI-USER FACTORY SPACE

In line with the fall in the average occupancy rate, rents of multi-user factory space moderated in 2013. Based on data sourced from URA's Real Estate Information System ("REALIS")[8], the monthly 25th percentile[9] rent of multi-user factory space declined by 4.1% YoY to S$1.63 per sq ft as of 4Q2013, after rising for the preceding three consecutive years. Similarly, the monthly median rent eased by 1.0% YoY to S$1.98 per sq ft as of 4Q2013 after three years of rental gains. Although the 75th percentile rent rose for the fourth straight year in 2013, the rate of growth has slowed for the third consecutive year to 2.0% YoY. This brought the 75th percentile rent to S$2.55 psf/mth as of 4Q2013.

Notwithstanding a slight dip in the islandwide average occupancy rate in 1Q2014, data from URA's REALIS showed the monthly 25th percentile and median rents recorded increases of 1.8% quarter-on-quarter ("QoQ") and 1.0% QoQ to S$1.66 per sq ft and S$2.00 per sq ft, respectively, a contrast to the 1.2% QoQ and 1.0% QoQ declines correspondingly seen in 4Q2013. This is possibly due to renewals at higher rates. However, the 75th percentile rent eased by 2.7% QoQ to S$2.48 psf/mth in 1Q2014, reversing 4Q2013's 1.6% QoQ rise.

RENTS OF MULTI-USER FACTORY SPACE (AS OF 1Q2014)

(S$ psf/mth)



25th Percentile Median 75th Percentile Source: URA REALIS/Colliers International Singapore Research, May 2014

[8] Note that the rents sourced from URA's REALIS would be dependent on the number and type of transactions that occur during the period of analysis. This in turn depends on factors such as the location and age of the building, as well as the floor level and size of the unit.

[9] As the stock of multi-user factories comprises developments with varying building specifications to which rents are sensitive, the 25th percentile rents from URA's REALIS would be reflective of conventional flatted factories with basic specifications. Generally, the 75th percentile rents would be reflective of flatted factories with better specifications and attributes but not matching those of independent high-specs facilities.

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3.4 OUTLOOK

Taking into consideration the prevailing macroeconomic situation, the expected increase in new multi-user space completions in 2014, as well as the prolonged leasing process due to the need to ensure prospective tenants complied with the Government's list of qualifying uses, the islandwide average occupancy rate for multi-user factory space is expected to ease in 2014. And with tenants anticipated to stay cost conscious in the wake of high business operating cost, the islandwide rents of multi-user factory space is expected to soften in 2014.

4 STACK-UP[10] FACTORY MARKET OVERVIEW

4.1 EXISTING AND POTENTIAL SUPPLY

Based on Colliers International's research, the total estimated stock of stack-up factory space in Singapore maintained at about 6.0 million sq ft as of 1Q2014, with the last known stack-up factory project completed being the West Park BizCentral at Tanjong Kling in December 2011. As there are no known upcoming stack-up factory developments in the supply pipeline[11], based on available information as of 1Q2014, the islandwide stock of stack-up factory space is expected to remain stable over the forecast period from 2014 to 2017.

4.2 DEMAND AND OCCUPANCY

According to Colliers International's estimates, occupiers shifted into around 112,000 sq ft of stack-up factory space in 2013. This was significantly less than the estimated 855,000 sq ft occupied in 2012 following the completion of West Park BizCentral in December 2011.

While take-up in 2013 was supported by continued demand for land-based industrial facilities and displaced tenants from industrial premises built on JTC land who were unable to meet anchor tenant requirements under JTC's subletting rule, there was stiffer competition from competing ramp-up factories[12] and limited space available in existing stack-up factory developments. Notwithstanding this, the continued reduction in vacant stock amid stable supply helped to lift the average occupancy rate from 96.3% as of 4Q2012, to an estimated 98.2% as of December 2013.

However, net new demand contracted by 20,000 sq ft in 1Q2014, indicating that more space was given up than was physically occupied during the quarter. This can be attributed partly to the relocation of some occupiers from stack-up factories to competing ramp-up factories, especially those with enhanced ease of access and better space efficiency. Although this led the average occupancy rate to dip slightly to an estimated 97.9% as of 1Q2014, demand for stack-up factories remained healthy as the average occupancy rate remains high.

4.3 RENTS OF STACK-UP FACTORY SPACE

The estimated monthly gross rents of islandwide stack-up factory space ranged from S$1.17 per sq ft to S$2.20 per sq ft as of 4Q2013, depending on factors such as the location, age, design and functional specifications of the stack-up factory buildings. This works out to an average monthly gross rent of S$1.69 per sq ft, up 3.1% YoY in the wake of tight supply.

However, rents softened slightly by 2.4% QoQ in 1Q2014 to an estimated average monthly gross rent of S$1.65 per sq ft, weighed down by companies' continued cost conscious stance and increased competition from better designed and newer ramp-up industrial facilities.

[10] This is a type of multi-user factory with ramp access.
[11] Potential supply includes space under construction and planned but the actual level of new supply could change due to changes in the status of planned projects.
[12] This refers to multi-user factory with ramp access to upper floors.

4.4 OUTLOOK

Due to the lack of new upcoming stack-up factory developments and the relative scarcity of land-based industrial facilities, the average occupancy rate of stack-up factory space is foreseen to remain relatively stable in 2014. This would lend support to rents which could rise marginally on the back of lease renewals. However, industrialists expected continued cost consciousness and heightened competition from ramp-up factories, particularly those that are newer and with better building specifications, would keep the rate of rental growth in check.

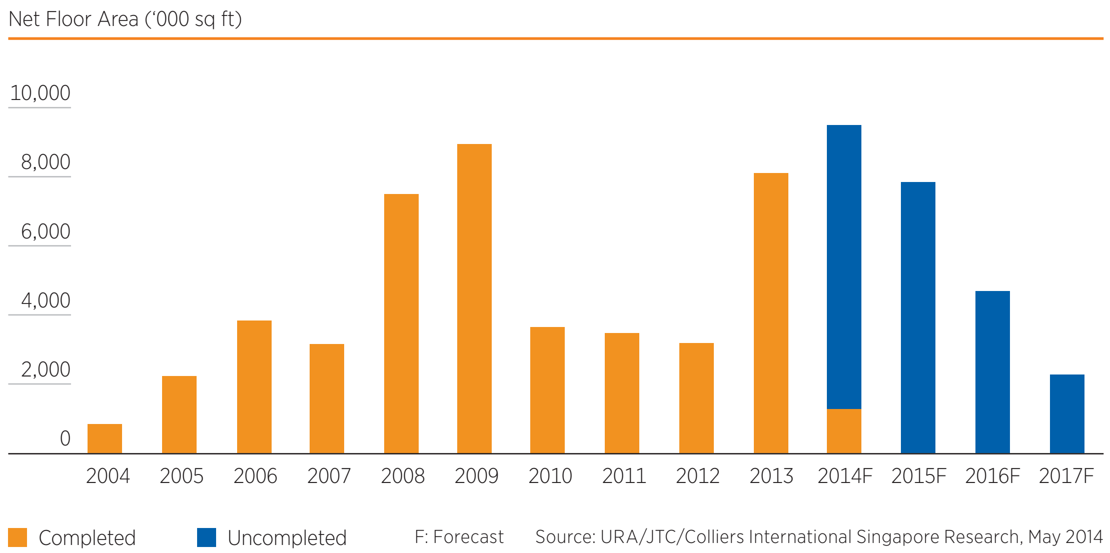
5 SINGLE-USER[13] FACTORY MARKET OVERVIEW

5.1 EXISTING AND POTENTIAL SUPPLY

The islandwide stock of single-user factory space rose 3.5% YoY to 239.4 million sq ft as of 4Q2013. This represents a net increase of about 8.1 million sq ft of new single-user factory space in 2013, just some 9.0% lower than the decade high of 8.9 million sq ft added in 2009. Following the net addition of another 1.2 million sq ft in 1Q2014, Singapore's islandwide stock of single-user factory space rose further to 240.6 million sq ft as of the end of March 2014.

Based on available information as of 1Q2014, an estimated 22.9 million sq ft[14] (net floor area) of new single-user factory space is expected to be completed from 2Q2014 to 2017. Including the 1.2 million sq ft completed in 1Q2014, this translates to an average annual supply of around 6.0 million sq ft for the four years from 2014 (full year) to 2017. This is about 30.4% higher than the annual average net new supply of 4.6 million sq ft for the preceding four years from 2010 to 2013, and 33.3% above the 10-year average of 4.5 million sq ft from 2004 to 2013.

NET NEW AND POTENTIAL SUPPLY OF SINGLE-USER FACTORY SPACE (AS OF 1Q2014)



Source: URA/JTC/Colliers International Singapore Research, May 2014

[13] Single-user factories are occupied predominantly by a single party and used for purposes solely related to that occupier. These are typically land-based properties comprising a mix of standard factories or purpose-built facilities. Land-based properties are often the preferred building forms for firms engaged in the manufacturing or storage of bulky goods. The single-user factory market may be used as a benchmark for MIT's portfolio of light industrial buildings.
[14] Potential supply includes space under construction and planned but the actual level of new supply could increase/decrease due to changes in the status of planned projects.

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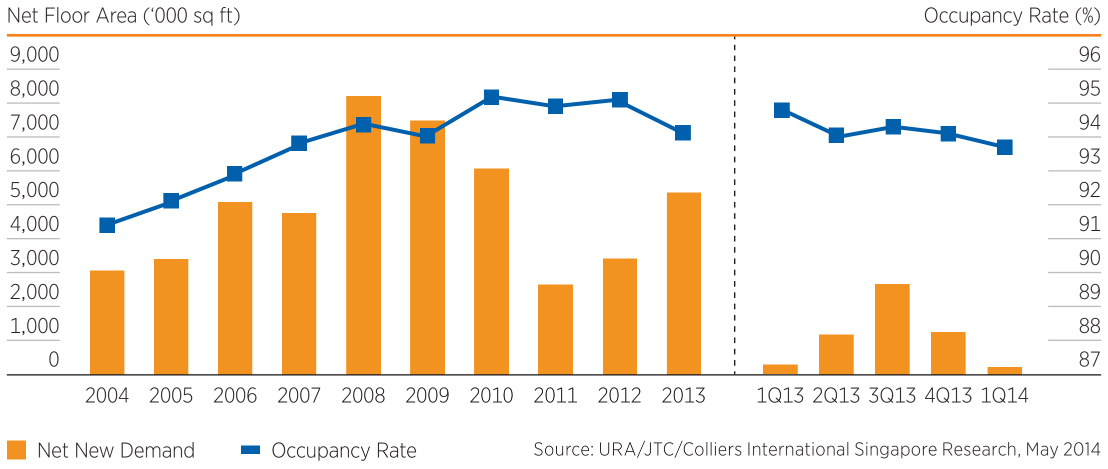
5.2 DEMAND AND OCCUPANCY

Official statistics showed the physical occupation of 5.4 million sq ft of single-user factory space in 2013, up 56.9% YoY. This is in tandem with the surge in net new supply of single-user factory space during the year as such facilities are predominantly built for owner-occupation purposes, although the space could be physically occupied in phases. As net new supply exceeded net new demand, the average occupancy rate of single-user factory space eased from 95.1% as of 4Q2012, to 94.1% as of 4Q2013.

The average occupancy rate dipped further to 93.7% as of 1Q2014, as occupiers shifted into only around 215,000 sq ft of single-user factory space, substantially lower than the net new supply of 1.2 million sq ft during the quarter.

NET NEW DEMAND AND OCCUPANCY RATE OF SINGLE-USER FACTORY SPACE (AS OF 1Q2014)



Source: URA/JTC/Colliers International Singapore Research, May 2014

5.3 RENTS OF SINGLE-USER FACTORY SPACE

Based on actual rental transactions captured by URA's REALIS[15], rents of single-user factory space eased in 2013 and 1Q2014, after rising for the preceding two years, in line with the easing in the average occupancy rate.

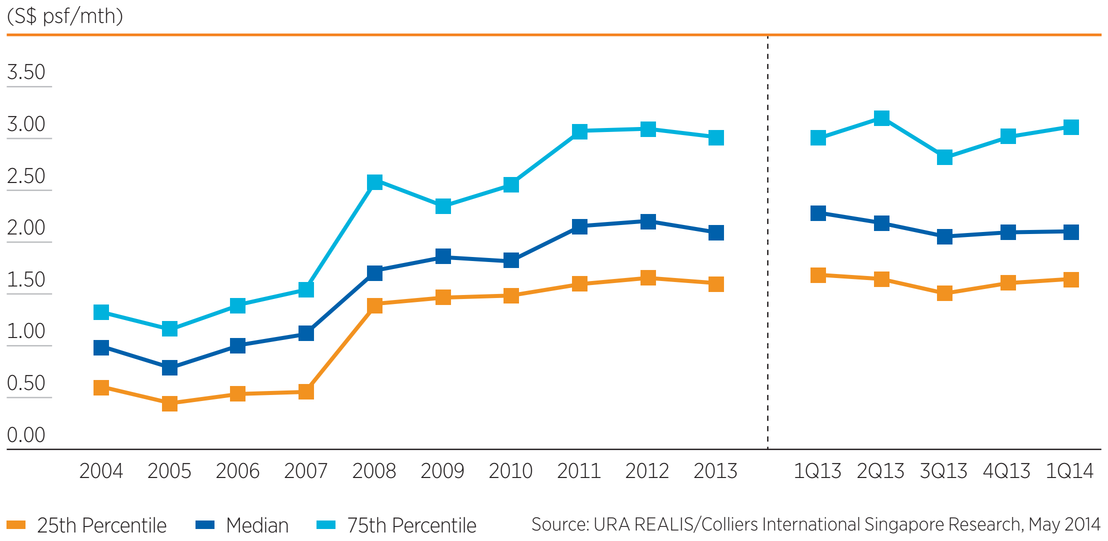
Notably, the monthly gross median rent of single-user factories fell by 5.0% YoY to S$2.09 per sq ft in 2013, reversing the annual gain of 2.3% in 2012. Similarly, the monthly 25th and 75th[16] percentile rents recorded annual declines of 3.0% and 2.6% respectively in 2013, to S$1.60 per sq ft and S$3.01 per sq ft, a contrast to the corresponding annual increases of 3.8% and 0.7% in 2012.

The first three months of 2014 saw the monthly 25th percentile, median and 75th percentile rents registering slower quarterly growths of 2.5%, 0.5% and 3.3% respectively, compared to the corresponding 6.7%, 2.0% and 7.1% QoQ gains recorded in 4Q2013. This brought the 25th percentile, median and 75th percentile monthly rents to S$1.64 per sq ft, S$2.10 per sq ft and S$3.11 per sq ft, respectively, as of 1Q2014.

[15] Note that the rents sourced from URA's REALIS would be dependent on the number and type of transactions that occur during the period of analysis. This in turn depends on factors such as the location and age of the building, as well as the floor level and size of the unit.

[16] The median and 75th percentile rents would be more reflective of those commanded by single-user high-tech and single-user high-specifications factories, respectively.

RENTS OF SINGLE-USER FACTORY SPACE (AS OF 1Q2014)



Source: URA REALIS/Colliers International Singapore Research, May 2014

5.4 OUTLOOK

Due to the anticipated increase in new single-user factory space completions, the islandwide average occupancy rate of single-user factory space is expected to experience a slight decline in 2014. However, demand for single-user facilities will be supported by Singapore's attractiveness as an investment destination for firms to set up their regional headquarters and be the launching pad for their business into the rest of the Southeast Asia region. Coupled with the limited availability of single-user factories for lease (especially those that also matches the requirements of the prospective tenant), no significant movements in rents are anticipated in 2014 despite the foreseen easing in the average occupancy rate.

6 BUSINESS PARK MARKET OVERVIEW

6.1 EXISTING AND POTENTIAL SUPPLY

Singapore's islandwide stock of business park space stood at 16.7 million sq ft as of 4Q2013. Despite the completion of seven new business park projects in 2013, the withdrawal of The Comtech in the Central Planning Region for redevelopment in 3Q2013 resulted in a fall in the annual net new supply of business park space to about 43,000 sq ft in 2013, the lowest level recorded since statistics were made available from 2003. In 1Q2014, the net addition of 517,000 sq ft raised the total islandwide stock of business park space to 17.2 million sq ft as of the end of March 2014.

Based on available information as of 1Q2014, approximately 5.9 million sq ft[17] (net floor area) of new business park space are expected to be completed from 2Q2014 to 2016, with no known pipeline supply for 2017. Including the net addition of 517,000 sq ft in 1Q2014, this works out to an annual average supply of about 2.1 million sq ft from 2014 (full year) to 2016, which is 3.5 times the annual average supply of 0.6 million sq ft for the three-year period from 2011 to 2013 and 133% higher than the annual average supply of 0.9 million sq ft for the 10-year period from 2004 to 2013.

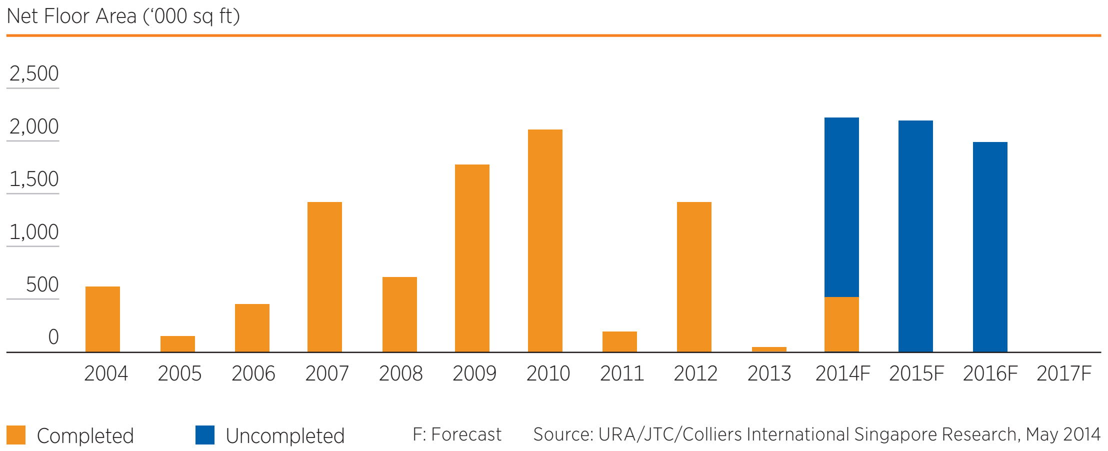
However, as nearly half (48.9%) of the upcoming supply from 2Q2014 till 2016 are expected to be from single-user developments meant for owner occupation purposes, it is not expected to result in an oversupply situation; the rest of the pipeline supply (51.1%) are expected to be multi-user business park space.

[17] Potential supply includes space under construction and planned but the actual level of new supply could change due to changes in the status of planned projects.

Singapore Industrial Property Market Overview

COLLIERS INTERNATIONAL CONSULTANCY & VALUATION (SINGAPORE) PTE LTD
26 MAY 2014

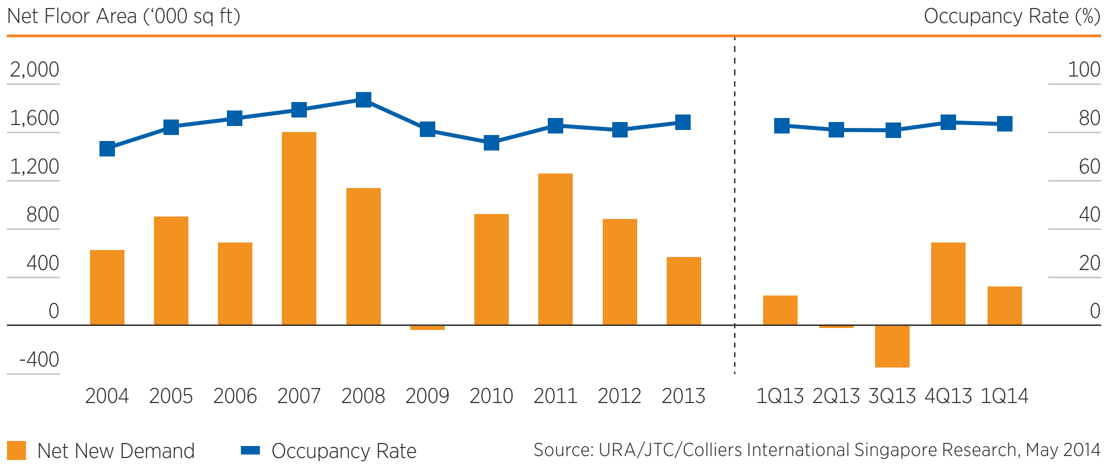
NET NEW AND POTENTIAL SUPPLY OF BUSINESS PARK SPACE (AS OF 1Q2014)



6.2 DEMAND AND OCCUPANCY

Total net new demand of business park space at 560,000 sq ft was significantly higher than the total net new supply of 43,000 sq ft in 2013. This supported the 3.2-percentage point increase in the islandwide average occupancy rate of business park space to 84.1%, over the 12 months ending-December 2013. As net new demand at 312,000 sq ft was lower than the net new supply of 517,000 sq ft in 1Q2014, the average occupancy rate eased to 83.4% as of the end of March 2014.

NET NEW DEMAND AND OCCUPANCY RATE OF BUSINESS PARK SPACE (AS OF 1Q2014)

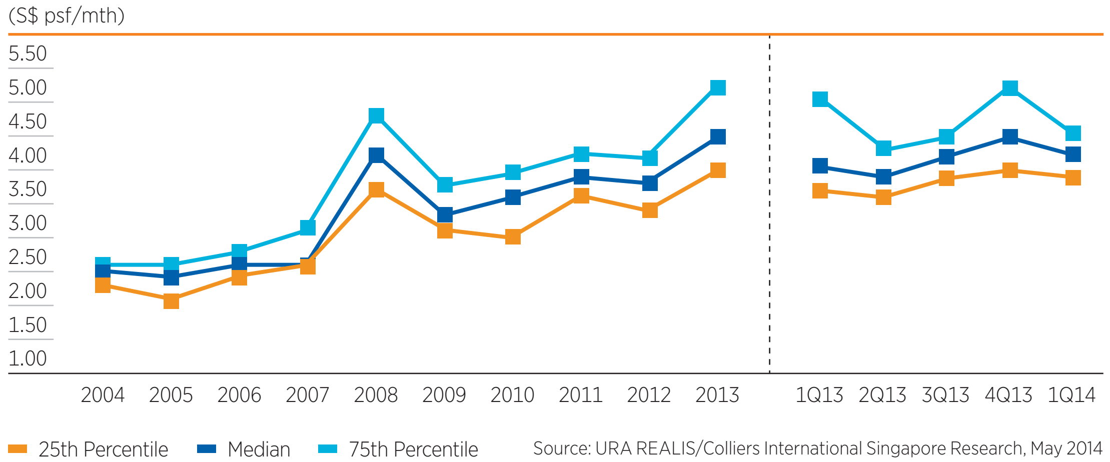


6.3 RENTS OF BUSINESS PARK SPACE

Based on information from URA's REALIS[18], the median[19] gross rent for islandwide business park space stood at S$4.49 psf/mth, as of 4Q2013, up 17.8% YoY. The rise in rents corresponded with the improvement in the average occupancy rate and is also backed by the higher rental expectations from landlords of newer or recently refurbished developments.

However, URA's data showed the monthly median rent of business park space fell 5.8% QoQ to S$4.23 per sq ft, as of 1Q2014. This is in tandem with the easing in the average occupancy rate and appears to be also due to the fall in the median rent of business park space in the Central Planning Region. According to URA's REALIS, the median monthly rent of business park space in the Central Planning Region fell 18.9% QoQ from S$5.28 per sq ft as of 4Q2013, to S$4.28 per sq ft as of 1Q2014.

RENTS OF BUSINESS PARK SPACE (AS OF 1Q2014)



6.4 OUTLOOK

In view of the anticipated surge in business park space from 2013's net increase of only 43,000 sq ft to around 2.2 million sq ft in 2014, and taking into consideration the progressive shifting in of tenants in both completed and upcoming single-user and multi-user business park developments, the average occupancy rate of business park space is expected to ease in 2014.

However, business park rents are projected to stay relatively stable in 2014. Although landlords of newer and recently refurbished premises will continue to seek higher rents, the rental expectations for older premises and buildings with higher vacancies are likely to be lower. Additionally, the overall rise in competition for qualifying tenants and tenants' expected cost consciousness given the high business operating cost environment would place a lid on the rental growth potential.

7 LIMITING CONDITIONS

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[18] Note that the rents sourced from URA's REALIS would be dependent on the number and type of transactions that occur during the period of analysis. This in turn depends on factors such as the location and age of the building, as well as the floor level and size of the unit.

[19] The stock of business park space comprises buildings with varying development ages, building forms and specifications which rents are sensitive to. The 25th percentile rents from URA's REALIS would be reflective of those commanded by the first generation developments built in the 1980s, while the median rents would be reflective of those commanded by the newer generations built since the 1990s. At the higher end, the 75th percentile rents would be reflective of those commanded by laboratory spaces which are fitted with higher than normal building specifications. As most of the net new supply of business park space in the last 10 years came on stream in the recent five years and are hence fairly new, the median rents have been adopted for the rental trend analysis.