NUS-REDAS RESEARCH

REAL ESTATE SENTIMENT INDEX

1st Quarter 2016

About Real Estate Sentiment Index (RESI)

The Real Estate Sentiment Index (RESI) is jointly developed by the Real Estate Developers' Association of Singapore (REDAS) and the Department of Real Estate (DRE), National University of Singapore. The quarterly structured questionnaire survey is conducted among senior executives of REDAS member firms. RESI measures the perceptions and expectations of real estate development and market conditions in Singapore. RESI comprises a Current Sentiment Index and a Future Sentiment Index, tracking changes in sentiments over the past and the next 6 months respectively, and a Composite Sentiment Index which is the derived indicator for the current overall market sentiment. RESI scores range from 0 to 10, reflecting the extent of pessimism or optimism of the survey respondents. A "net balance percentage" approach is adopted to derive the scores for key determinants of the real estate market sentiment.

REDAS

Real Estate Developers' Association of Singapore
190 Clemenceau Avenue #07-01,
Singapore Shopping Centre,
Singapore 239 924
URL: http://www.redas.com
Tel: 6336 6655 | Fax: 6337 2217

NUS National University of Singapore

National University of Singapore
Department of Real Estate
4 Architecture Drive
Singapore 117566
URL: http://www.rst.nus.edu.sg
Tel: 65164553 | Fax: 67748684

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"There is a slight upturn in the current and future sentiment in the property markets. However, the general mood of the market is still weak as the sentiment scores still fall in the deteriorating range, which is below 5.0."

Sing Tien Foo
Associate Professor

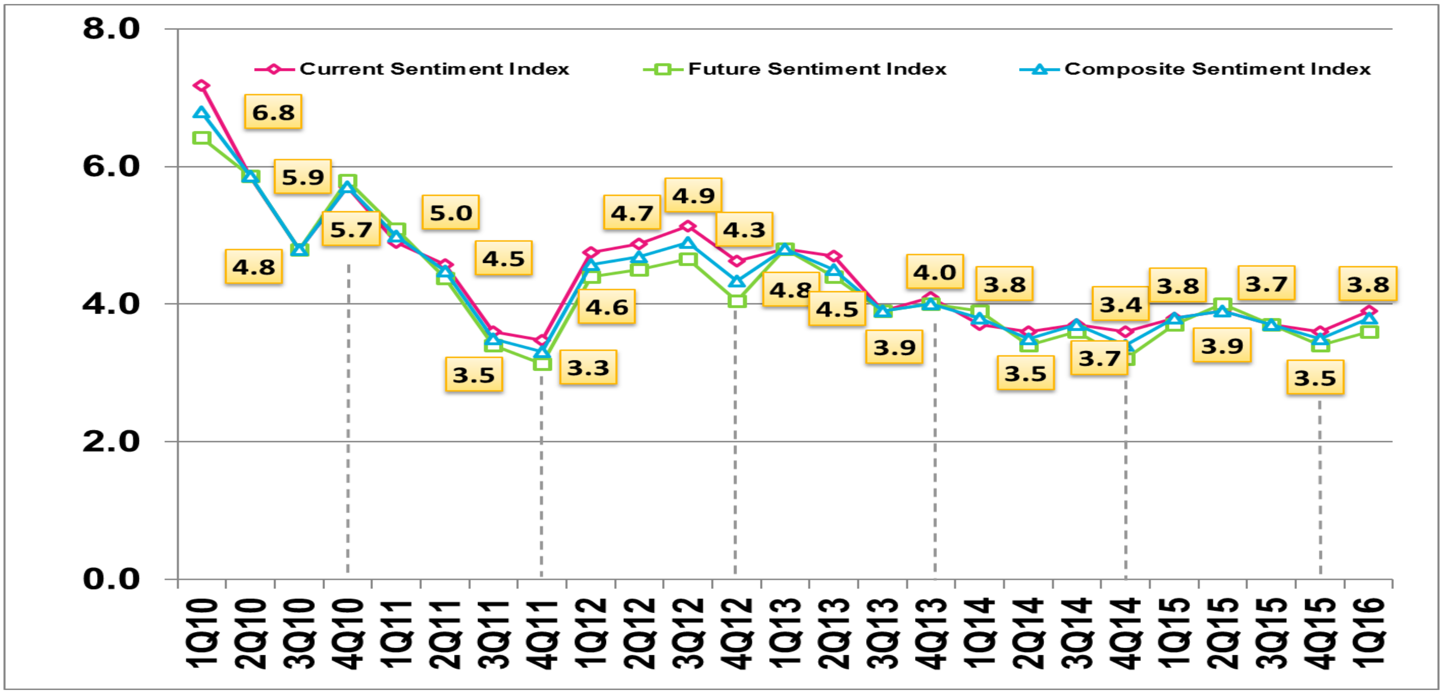
How would you rate the overall Singapore real estate market (commercial, residential, hospitality etc) conditions over the time periods shown?

Current Sentiment Index: The index stood at 3.9 up from 3.6 in 4Q15. The score shows a slight improvement in the current market sentiments.

Future Sentiment Index: The score increased slightly to 3.6 in 1Q16 from 3.4 in 4Q15. The respondents' outlook for the market for the next six months was still below the neutral line

Composite Sentiment Index: The overall sentiment stood at 3.8. It still reflects a weak sentiment in the property market in Singapore.

Exhibit 1: Real Estate Sentiment Index



Source: NUS-REDAS Research

"WTO, OECD, Oxford, UK IMF have downgraded their outlook for global and Singapore growth. Singapore being an 'open' country is very susceptible to global ebbs. Singapore real estate market is going to be highly affected by these negative sentiments. Some short term resilience could be expected in the capital market due to the low interest rate and large liquidity pool."

"Buyers are cautious due to the muted economic outlook and restructuring in the job market. The current outlook on the rising interest rates is now uncertain. The volatility in the stock markets have thrown a spanner into Fed's plans to slow interest rates. However, if interest rates remain low, we do not expect this to have a significant impact on sentiments in the residential market."

"Market condition would probably improve with a possible tweak of ABSD over the next 2 quarters."

"With poor economic outlook and unfavorable global market conditions, the property market will remain gloomy."

"Economic conditions are getting worse. This will affect the real estate sentiments in the various sectors."

Comments from Survey Respondents

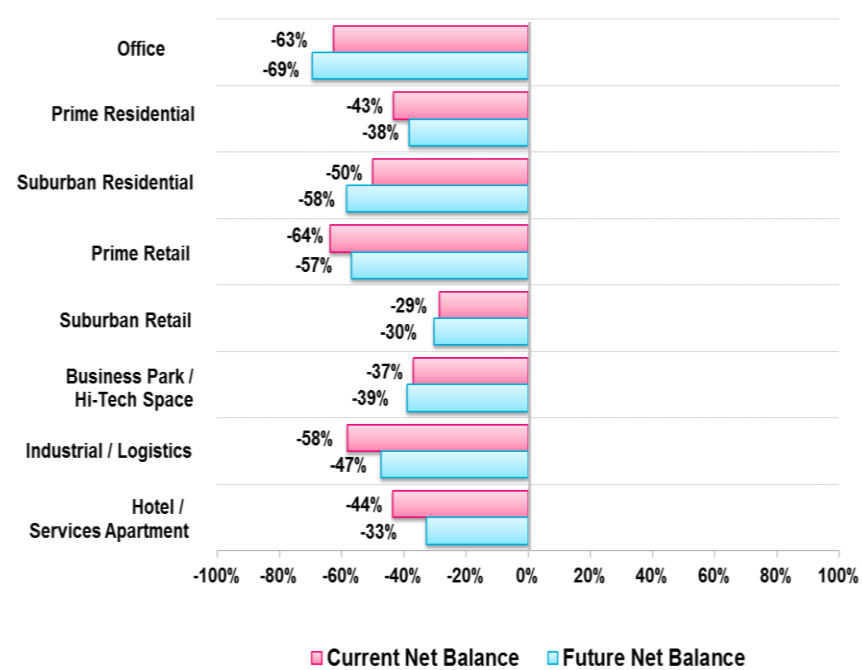
How would you rate the general performance (rental, price, occupancy, purchases etc) of the sectors over the time periods shown?

All sectors showed negative current and future net balances in 1Q16. Office, suburban residential and prime retail sectors were the three real estate sectors having the lowest net balances in 1Q16.

Office sector was the worst performing sector in 1Q16 showing a current net balance of -63% and a future net balance of -69%.

Sentiments in the suburban residential sector showed a current net balance of -50% and a future net balance of -58% in 1Q16; while the prime retail sector showed a current net balance of -64% and a future net balance of -57% in 1Q16.

Exhibit 2: Real Estate Market Performance



Source: NUS-REDAS Research

"The general perception of rising interest rates appears to have a worldwide reversal, as Europe and Japan have now entered negative interest rate territory. The Federal Reserve has halted its tightening moves and assured the markets of an accommodative stance in light of slow growth."

"There is an upward trend for crowdfunding, but the segment is still largely in its infancy and premature stage."

"Interest rates have fallen recently, but expected to rise again later in the year."

Comments from Survey Respondents

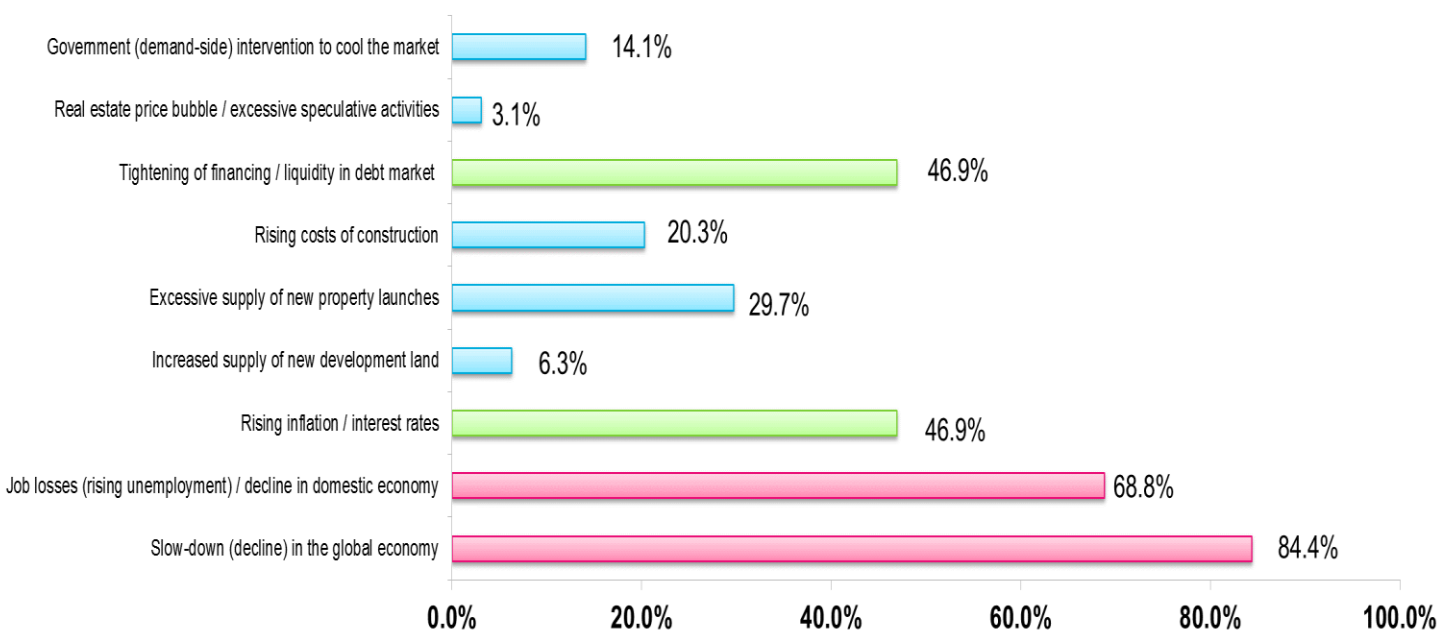
Do you foresee any potential risks that may adversely impact on market sentiment in the next 6 months?

84.4% of the respondents surveyed in 1Q16 expect the global economy to slow down, and 68.8% of them expect that job losses and declines in domestic economy will adversely impact the market sentiment in the next 6 months.

46.9% of them indicated that the property market will face rising inflation, rising interest rates and tightening of finance and liquidity.

Excessive supply through new property launches are other potential risks that will adversely impact the market sentiment.

Exhibit 3: Potential Risks



Source: NUS-REDAS Research

"There is slight pickup in buyers' demand. Although it is not expected to be strong and permanent. It now depends on a few factors such as the economic, employment conditions and selling price."

"Developers have not been able to secure development sites due to cut back in GLS programme. While new launches will be limited, developers will focus on clearing the unsold inventory accumulated over the last 3 years."

"New launches cannot be price high due to the weak demand in the market. It is unlikely for price to be set lower due to high land tenders prices and land supply is low."

"Given that cooling measures have remained unchanged and the overall sentiment remains muted. The market is unlikely to be strong enough to withstand any increase in prices. Developers are likely to maintain or lower prices moderately to move units."

Comments from Survey Respondents

What are your expectations regarding the number of new residential units to be launched in the next six months?

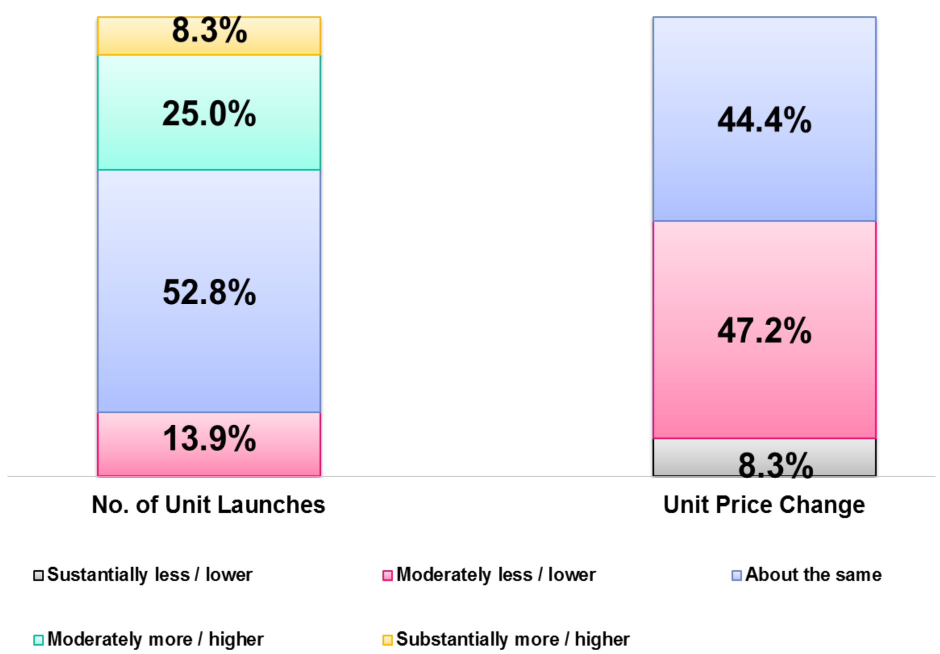
In 1Q16, 33.3% and 52.8% of the developers expect new launches to increase moderately and to hold at the same level in the next six months, respectively.

13.9% of them indicate that they would launch moderately less units, which is lower than the 23.0% reported in the last quarter.

What are your expectations on the pricing of new residential launches in the next six months?

In term of unit price change, 47.2% of the developers anticipate a moderate decrease in residential property prices in the next six months. In 1Q16, 44.4% of them expect prices to hold, which is up by 11.6% from the number reported in the last quarter.

Exhibit 4: Residential Launches & Prices



Source: NUS-REDAS Research

"Restructuring in the jobs market would erode holding power in the market. This may lead to some forced sales in some segments, as rental yields do not materialize as expected due to high competition in the rental market."

"Prolonged stagnation (low volumes) and price decline are going to hurt the real estate industry badly in the medium to long term."

"The current price level has not reflected a real drop yet."

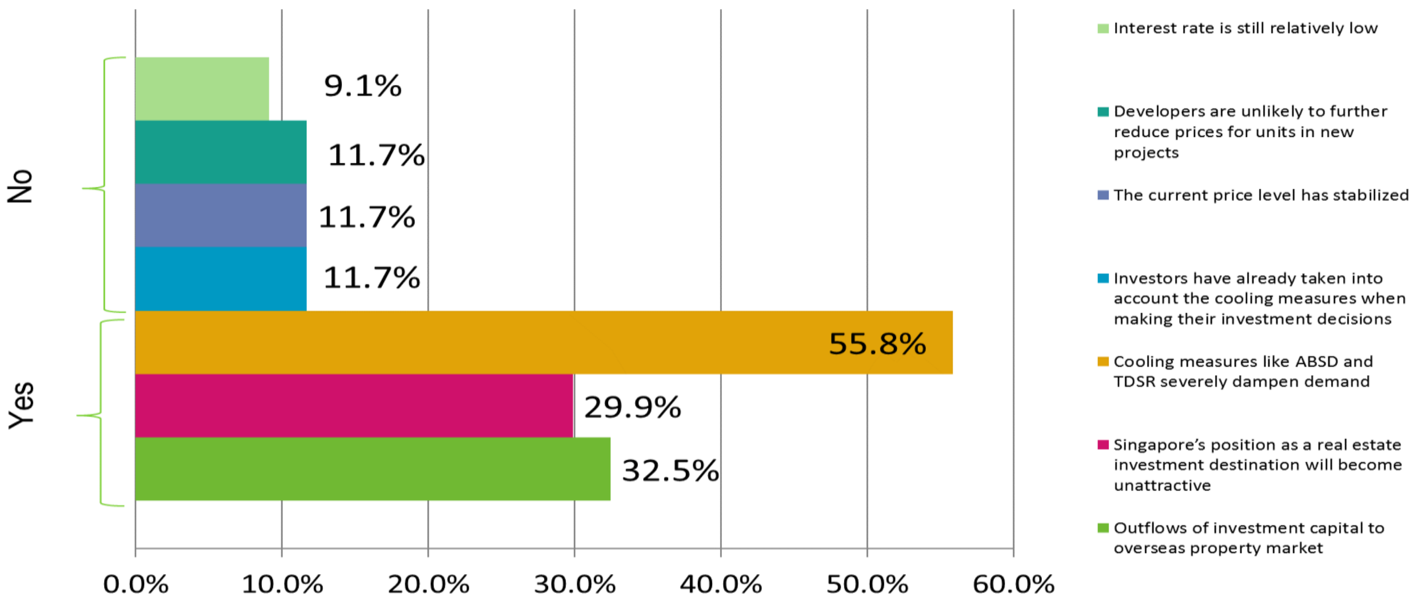
"The real estate situation should not worsen more than it is today, neither would it improve dramatically. Prices are likely to moderate along the same unless there is another major shock to the economy."

Comments from Survey Respondents

In Singapore Budget 2016, the Government's stance of keeping the property cooling measures stays. In your opinion, do you think that the property market condition will worsen further?

58.4% of the respondents indicated that the property market condition will worsen further, if the government stance of keeping the cooling measures stays. 55.8% of them felt that the ABSD and TDSR adversely dampen demand.

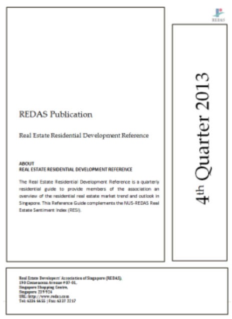
Exhibit 5: Property Market Condition



Source: NUS-REDAS Research

Other REDAS Publications:

REDAS Daily News



REDAS – Residential Reference Guide

For enquiries, please contact:

Benjamin Lim
Research Analyst
benjamin@redas.com
6336 6655

Sing Tien Foo
Associate Professor
rststf@nus.edu.sg
6516 4553

Explanatory Note

The RESI is an objective and comprehensive measurement specifically gauging the confidence of senior executives in the Singapore real estate and development industry. The survey measures respondents' perceptions and expectations of current and future real estate market conditions. Respondents assess relative market conditions between now and in the past six months, as well as their expectations for the next six months. A standard format questionnaire is mailed out electronically to REDAS members. Respondents include developers, consultants, financial institutions, professional firms and service providers. The survey is thus representative of the overall Singapore real estate industry. The survey is conducted quarterly, in March, June, September and December.

A "net balance percentage" is used to indicate the overall direction of change in sentiment. This is the difference between the proportion of respondents who have selected the positive options ("better" and "increase") and the proportion of respondents who have selected the negative options ("worse" and "decease"). A "+" sign in the scores denotes a net positive sentiment (optimism) and a "-"sign indicates a net negative sentiment (pessimism). The derived net balance scores are not weighted by the size of the respondents' business.

About REDAS

The Real Estate Developers' Association of Singapore (REDAS), established in 1959, is Singapore's premier business association in the real estate and development industry. REDAS represents some 250 members comprising developers, builders, real estate consultancies and allied professionals, bankers, REITs and fund managers. The Association actively engages regulators, policy makers and private sector partners to promote best practices and to support the growth of a vibrant and progressive industry for the creation of quality real estate in Singapore. REDAS regularly organizes activities such as networking sessions, seminars, charity golf tournaments and international business missions. To uphold the quality of products of members, REDAS also provide conciliation panel services for purchasers of residential property.

About NUS DRE

The NUS Department of Real Estate (DRE), first established as the Department of Building and Estate Management in 1969, is part of the School of Design and Environment (which also includes the Department of Architecture and the Department of Building). DRE aims to be the leading centre for real estate education and research in Asia with the mission to develop leaders and advance knowledge for the global real estate industry. The Department has a strong reputation in real estate research, especially in the areas of investment, finance, urban planning and economics. DRE has partnerships with leading global universities for research and other academic exchange. It also has strong links with the local real estate industry through collaborations in research and executive training.