NUS-REDAS RESEARCH

REAL ESTATE SENTIMENT INDEX

1st Quarter 2017

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.

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

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

1st Quarter 2017

NUS-REDAS RESEARCH

REAL ESTATE SENTIMENT INDEX

1st Quarter 2017

"The 1Q2017 sentiment scores rebound to cross the neutral line of 5.0. The optimistic sentiments were last observed six years ago in 1Q2011, the period when strong up-trends in the property cycle were observed. The recovery in the 1Q2017 sentiment coincides with the recent tweaks to the cooling measures by the government. The industry players may view the government's move as a signal of improved market fundamentals."

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?

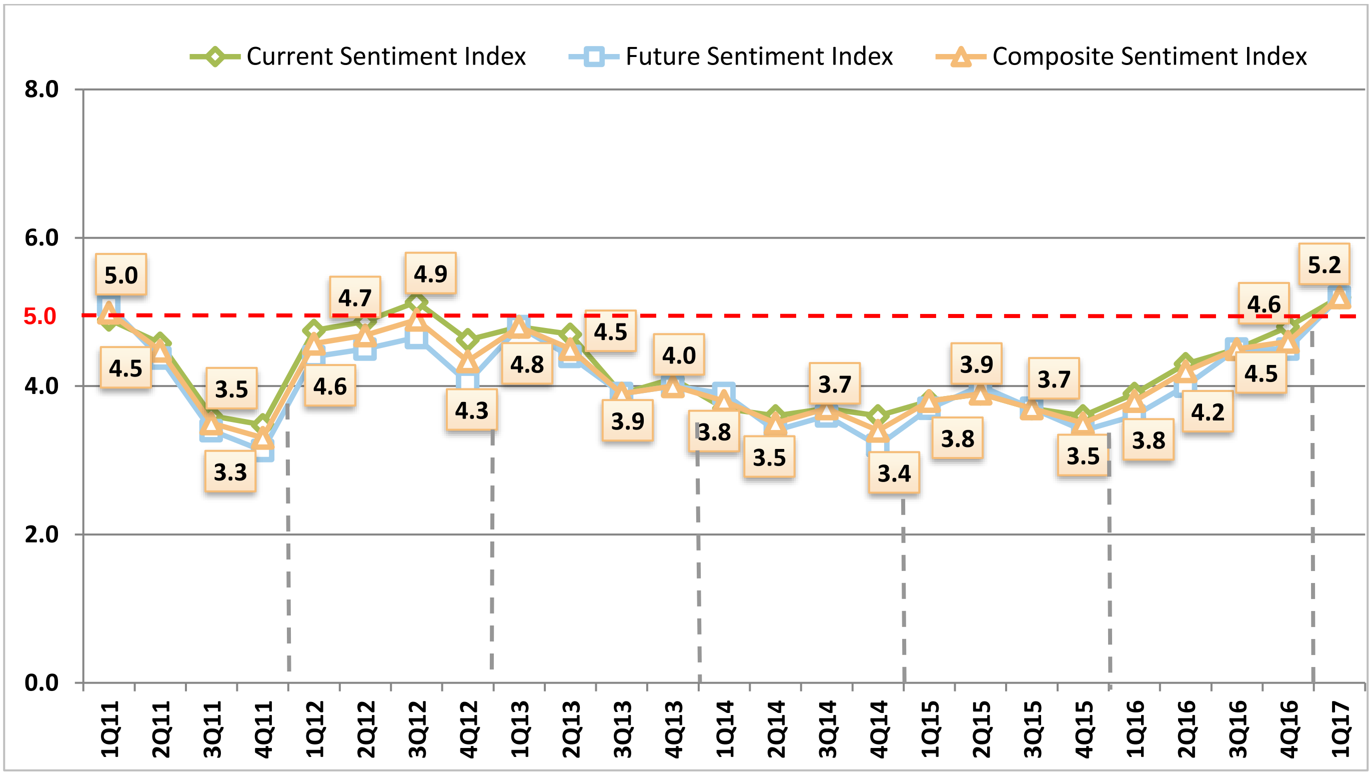
Current Sentiment Index:
The index stood at 5.2 in 1Q17 up from 4.8 in 4Q16. The last period when the index went above the neutral line was in 3Q12.

Future Sentiment Index:
The score increased to 5.2 in 1Q17 from 4.5 in 4Q16.

Composite Sentiment Index:
The overall sentiment stood at 5.2 in 1Q17 up from 4.6 in 4Q16. The Composite Sentiment Index hit 5.0 only once in 1Q11 in the past 6 years.

All the three indices hit above the neutral line showing overall improvements in the market sentiment.

Exhibit 1: Real Estate Sentiment Index



Source: NUS-REDAS Research

"The existing property cooling measures together with a prolonged and subdued economic climate continues to weigh heavily on the negative sentiments affecting the residential market, as evidenced from the continuous 14 quarters of price decline. Without any significant improvement to the factors affecting the market taking place, the continuing downward pressure will prevail and affect the proper functioning of the market."

"Commercial is still down and confidence level is low although there seems to be a pick-up in residential. Overall, my perception of the RE market is slightly on the low side, probably pulled down by the poorer outlook on commercial. Over the next 6 months, both commercial and residential should remain the same as it is now."

"Despite the improving sentiments in the private residential market, the outlook of the overall rental market remains poor. This could drive more investors to look towards the primary market where they would be able to avoid vacancy costs and higher mortgage payments for a few years."

"Office leasing activity has improved for new schemes and economic growth upgrades by most houses could mean improved business sentiment which could translate to better take-up. The easing of cooling measures read as a sign of government's softening stance is uplifting sentiment. Retail and logistics remaining challenging due to macro uncertainties and rising protectionism."

Comments from Survey Respondents

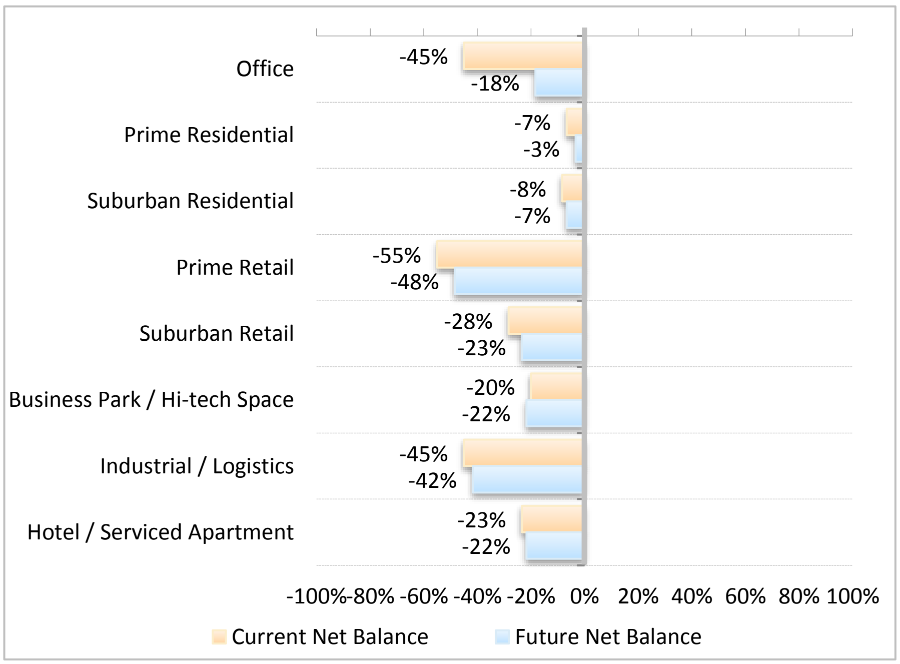
How would you rate the general performance (rental, price, occupancy, purchases etc.) of the sectors over the time periods shown?

Current and future net balances in 1Q17 were still negative for all sectors, but generally showing some signs of recovery. Same as previous quarter, prime retail, industrial/logistics and office sectors were still the three sectors with the worst net balance scores in 1Q17.

Prime retail sector continued to be the worst performing sector in 1Q17 with a current net balance of -55% and a future net balance of -48%, slightly increased from -57% and -62% respectively.

Suburban residential and prime residential sectors showed significant improvements although the scores are still negative. Suburban Residential sector showed a current net balance of -8% and a future net balance of -7% in 1Q17, which improved from -22% and -28%, respectively, in 4Q16.

Exhibit 2: Real Estate Market Performance



Source: NUS-REDAS Research

"Banks are still probably constrained by regulatory considerations although foreign funds are keen on Singapore real estate."

"Interest rates, material cost, and inflation are expected to rise, while land supply is tapering and labour supply is restricted."

"The uncertainties prevailing in the overall macro environment affecting the outlook of lenders and investors alike resulting in the reduction of risk threshold and appetite."

"Supply is still aplenty, economy though more upbeat still hold risk, rising unemployment, rising interest rates - all these will result in buyers remaining price sensitive."

Comments from Survey Respondents

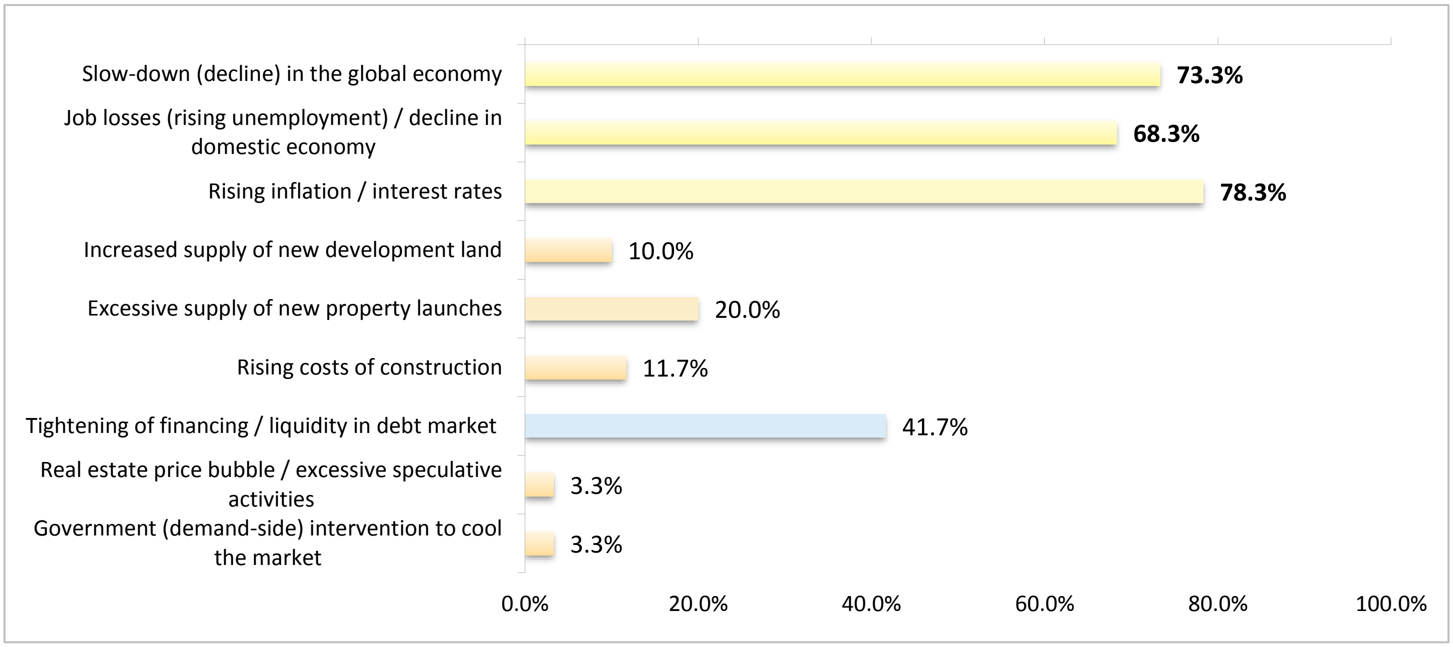
Do you foresee any potential risks that may adversely impact on market sentiment in the next 6 months?

78.3% of the respondents surveyed in 1Q17 expect rising inflation and interest to be the main potential risks in the next 6 months.

73.3% of them indicate the global economy to slow down as a potential risk factor, compared with 91.7% of them in 4Q16.

68.3% of them expect job losses and decline in domestic economy as potential risks, which declined from 80.0% in 4Q16.

Exhibit 3: Potential Risks



Source: NUS-REDAS Research

"There have been more upbeat indicators coming in from the manufacturing and trade fronts, and the easing of some cooling measures is expected to provide market sentiment some uplift."

"To move volume, developers have to keep their prices affordable and reasonable, although there is scope to adopt gradually higher prices."

"Developers will need to contend with more unsold properties in the market and prices will have to be competitive."

"Some developers are bringing their launches forward to capitalise on improving market sentiments in the primary market. It is still uncertain if the current buoyant sentiment is sustainable given uncertainties in the global economy."

"In the cash-flushed economy, buyers /investors are waiting for a lower price point to enter the market. To move projects, developers will moderately lower the sell prices."

"Land prices have been rising on the back of better sales in the primary market and improving sentiments. As a result, the en bloc market has started to revive which would aid gentrification over the long run."

"Current market new sales seem moving, but the short of land supply would increase the cost of future project."

Comments from Survey Respondents

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

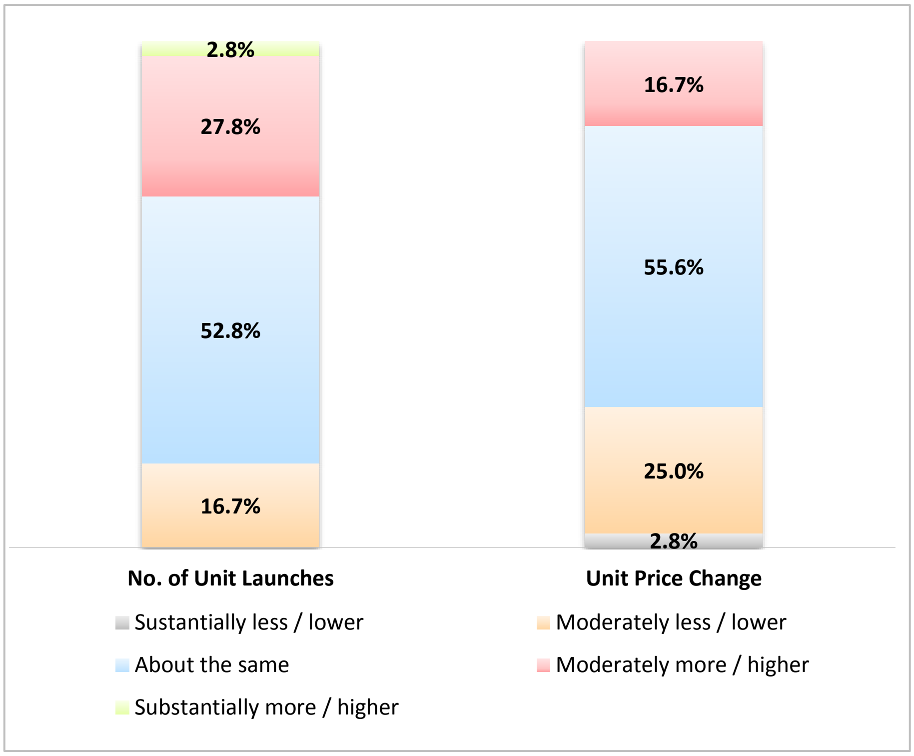
Similar to 4Q16, 27.8% of the developers expect new launches to increase moderately in 1Q17; 52.8% of them expect new launches to hold at the same level in the next six months.

16.7% of them indicate that they would launch moderately less units.

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

In terms of unit price change, 16.7% of the developers anticipate a moderate increase in residential property prices in the next six months; whereas no respondents expected price increasing in last 4Q16. In 1Q17, 55.6% of them expect to hold, and 25.0% expect to moderately reduce the unit price.

Exhibit 4: Residential Launches & Prices



Source: NUS-REDAS Research

What is your assessment of the changes to the Development Charge (DC) rates on the 1st March 2017? In your view, land bidding in which part of Singapore would attract keen competitiveness in the second quarter of 2017?

Exhibit 5 shows that 29.3% of the respondents thought the DC rate changes for the residential (non-landed) sector were higher than expected.

28.4% of all respondents and 25.0% of developers expect strong competition in land bidding within the central region except CBD in 2Q 2017. Some 21.1% of developers also indicate relatively strong preference for land parcels in the East region.

What is your assessment of the impact of the above changes on the residential market performance over the next six months?

Exhibit 6 shows the impact of the recent tweaks to the cooling measures. Among the three policy changes, introduction of the Additional Conveyance Duties (ACD) is deemed to have more negative impact for the industry, especially for developers.

62.7% of all the respondents and 77.1% of the developers expect the introduction of ACD to bring moderate or significant impact.

Exhibit 5: Assessment of the Changes to Recent DC Rates

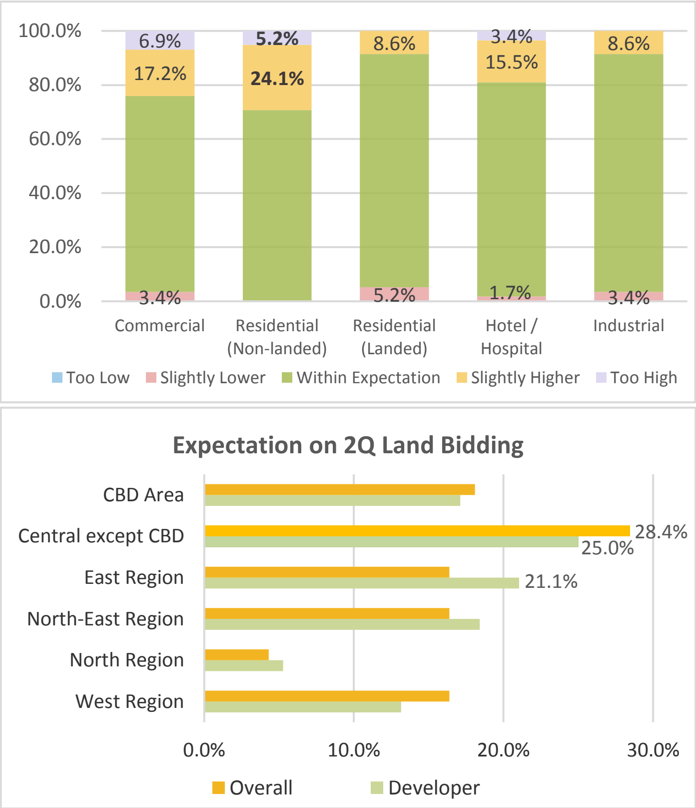
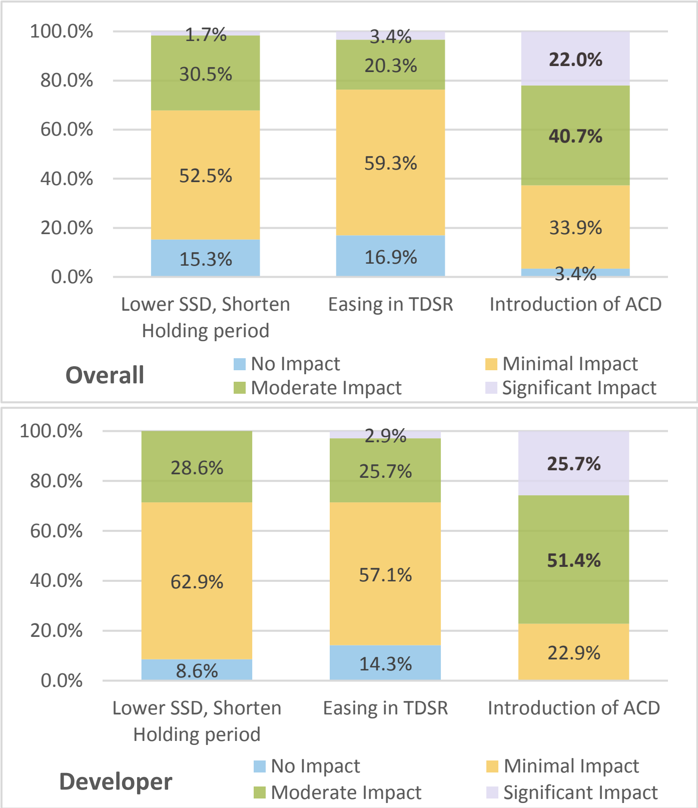


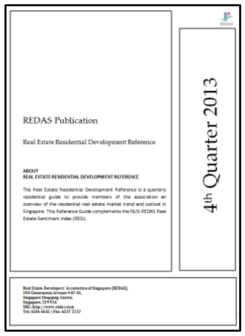
Exhibit 6: Impact of Cooling Measures



Source: NUS-REDAS Research

Other REDAS Publications:

REDAS Daily News



REDAS - Residential Development Reference

For enquiries, please contact:

Peiwen Wang
Research Analyst
peiwen@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.