NUS-REDAS RESEARCH

REAL ESTATE SENTIMENT INDEX

2nd Quarter 2014

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.

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"The further weakening of the future sentiment index reflects the pessimistic outlooks of developers on the property market in the next 6 months. The pressure of declining residential property prices and low take up in new launches is greatly felt."

Sing Tien Foo
Associate Professor

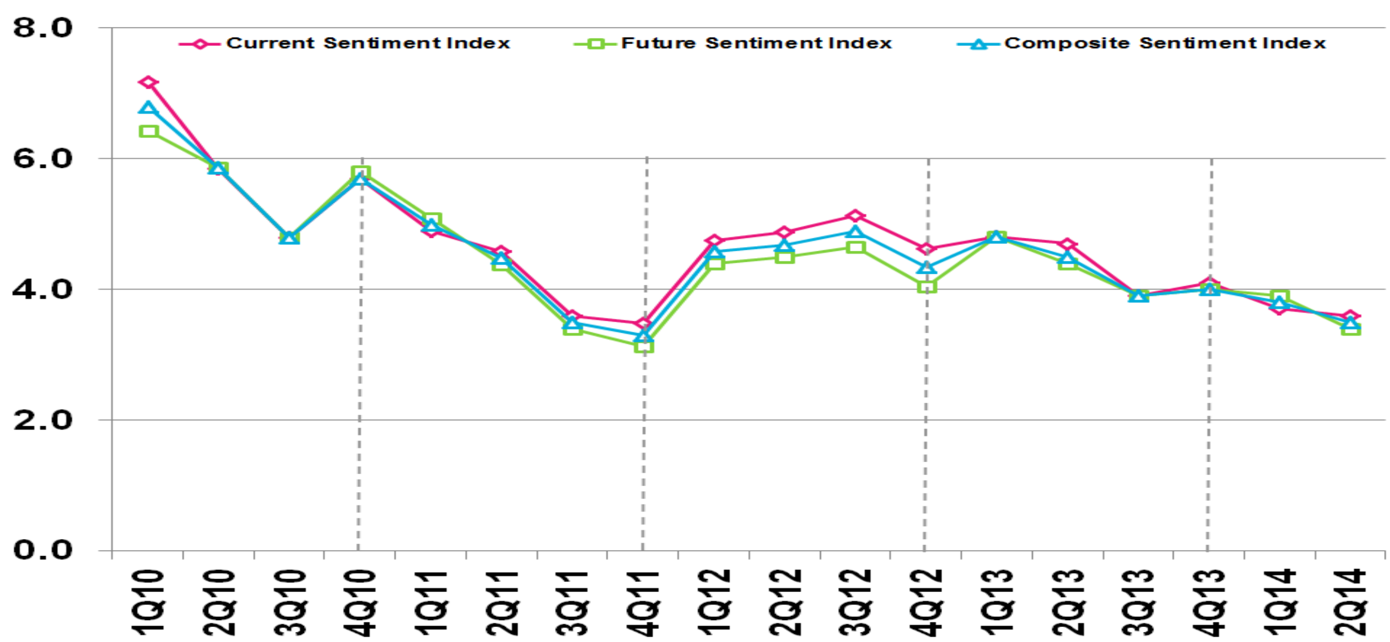
How would you rate the overall Singapore real estate market conditions over the period in 2Q2014?

Current Sentiment Index: The index goes down from 3.7 in the last quarter to 3.6. The score reflects weaker current market sentiments compared to six months ago.

Future Sentiment Index: The score declines slightly to 3.4 from 3.9 in 1Q14 indicating that the industry is pessimistic about the market outlook over the next six months.

Composite Sentiment Index: The overall sentiment is weaker at 3.5 compared to 4.5 a year ago. It reflects the slow-down of the property market in Singapore.

Exhibit 1: Real Estate Sentiment Index



Source: NUS-REDAS Research

"The real estate market is hit by property measures that were in place. It weighs heavily in its future sentiments."

"Residential market will continue to weaken while grade A CBD office will see a stronger demand."

"Due to the cooling measures, there is a low take up rate of units in the residential market. The market is not expected to improve and may head further southwards."

Due to the implementation of the Total Debt Servicing Ratio (TDSR) in June 2013, it has limited the buyers' ability to purchase new residential units. This has resulted in a substantial amount of new residential units not sold in the market. Hence, developers are unlikely to launch new projects in the next 6 months.

Comments from Survey Respondents

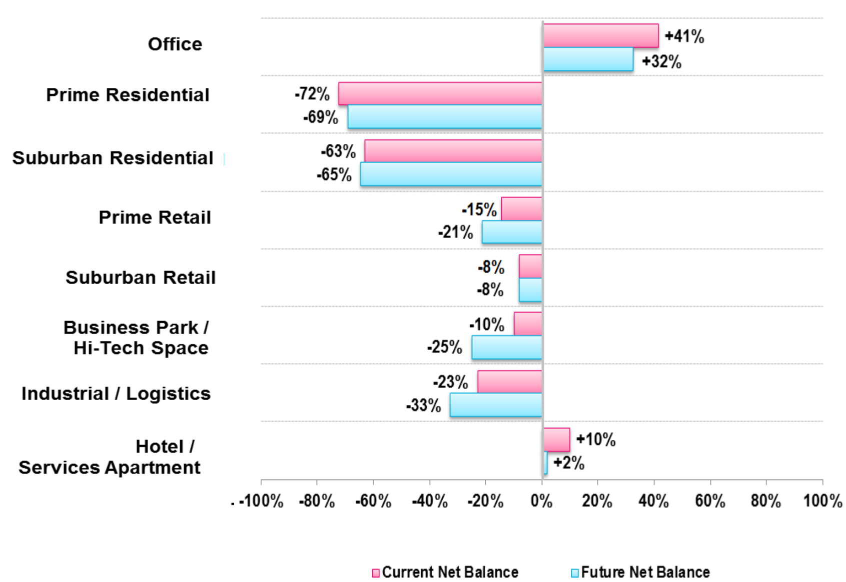
How would you rate the general performance (rental, price, occupancy, purchases etc) of the sectors over the time periods shown?

Prime and suburban residential sectors were the worst performing real estate sectors in 2Q14.

The prime residential sector shows a current net balance of -72% and the future net balance of -69% in 2Q14; while the sub-urban residential sector shows a current net balance of -63% and a future net balance of -65% in 2Q14.

The office is the best performing real estate sector in the view of the respondents in 2Q14 with a current net balance of +41% and a future net balance of +32% in 2Q14.

Exhibit 2: Real Estate Market Performance



Source: NUS-REDAS Research

"The low interest rate environment is likely to drive investors to alternative investment options."

"Given the certainty of the real estate polices that are unlikely to be removed, buyers could return to the market, giving the market some support, however the risk is still on the downside"

"The labour crunch is hurting many business especially the hospitality, construction and services industries. Construction cost is likely to be driven up due to the labour crunch and higher workers' levies. Many businesses are down-sizing due to labour shortage and higher cost."

Comments from Survey Respondents

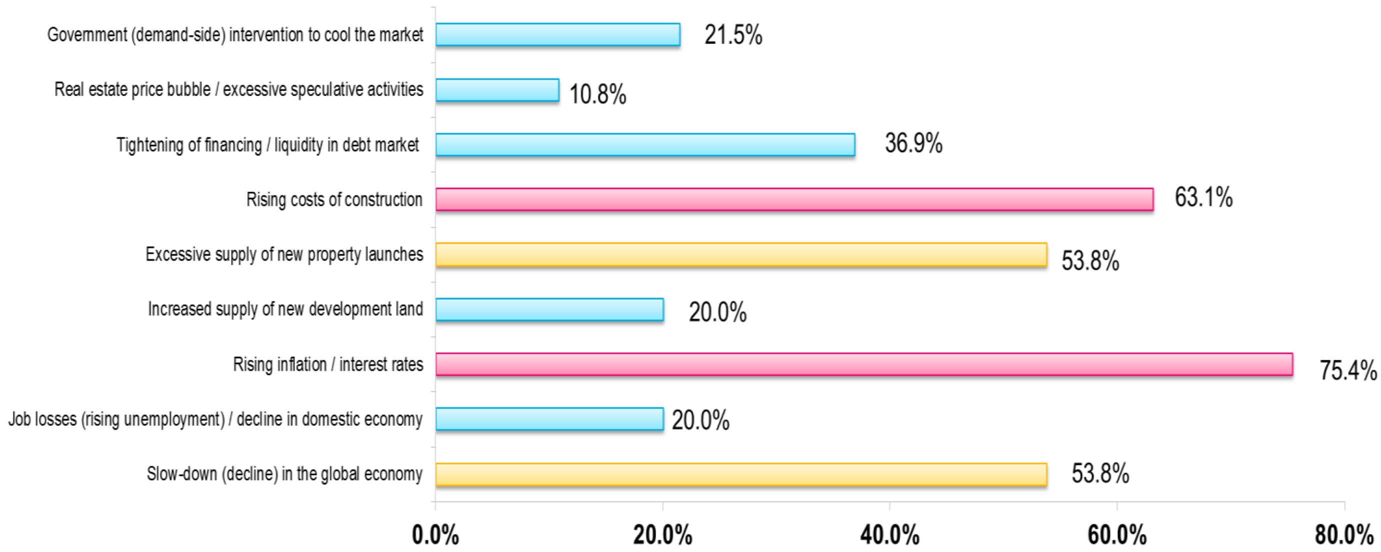
Do you foresee any potential risks that may adversely impact the market sentiment in the next 6 months?

More than 60% of the respondents surveyed in 2Q14, foresee that rising cost of construction, inflation and interest rates may adversely impact the market sentiment in the next 6 months.

53.8% of them indicate that the property market will have an excessive supply of new launches and a slowdown in the global economy.

Due to the government intervention in the property market, 89.2% of them feel that it is unlikely to see the formation of a real estate price bubble in the market. They also do not expect excessive speculative activities in the near future.

Exhibit 3: Potential Risks



Source: NUS-REDAS Research

"Developers will need to clear stocks fast in view of the weak demand in the market and also to avoid being penalized under the QC rules."

"As there is a huge supply of new unsold residential units, developers are likely to reduce prices by more than 10% in order to move the units."

"The cooling measures especially the TDSR are hurting buyers' sentiments."

"Residential market sale is on the downstream. Sale prices are softening by 10% to 15%."

"Due to the implementation of the Total Debt Servicing Ratio (TDSR) in Jun 2013, it has affected the buyers' ability to purchase new residential units. This has resulted in a substantial amount of new residential units not sold in the market. Hence, developers are unlikely to launch new projects in the next 6 months."

Comments from Survey Respondents

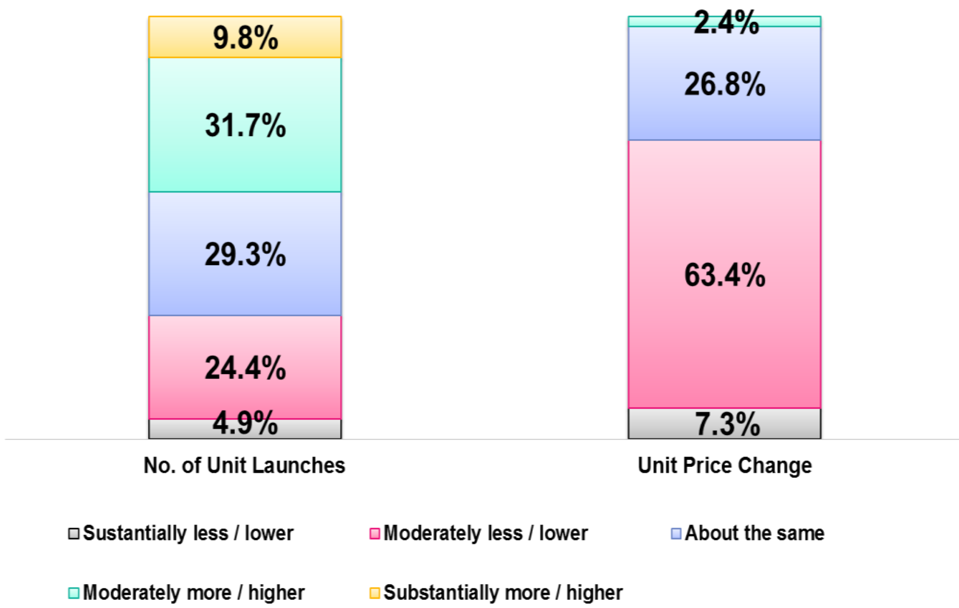
What are your expectations regarding the number of new residential units to be launched in the next six months?

29.3% of the developers surveyed in 2Q14 expect residential property launches to hold at the same level in the next six months. 31.7% of them expect moderately more launches in 2Q14 and 9.8% of them indicate that they will launch substantially more units. 24.4% of them indicate that they will launch moderately less units in new launches; up by 15.8% from 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, 26.8% of them anticipate that residential prices will hold in the next six months, up from 26.3% in 1Q14. 63.4% of them expect moderately lower price in the near term, down from 68.4% in the last quarter.

Exhibit 4: Residential Launches & Prices



Source: NUS-REDAS Research

"Considering the fact that property indices are correcting, it is time to review the cooling measures, otherwise it may cause a hard landing in the market.

Comments from Survey Respondents

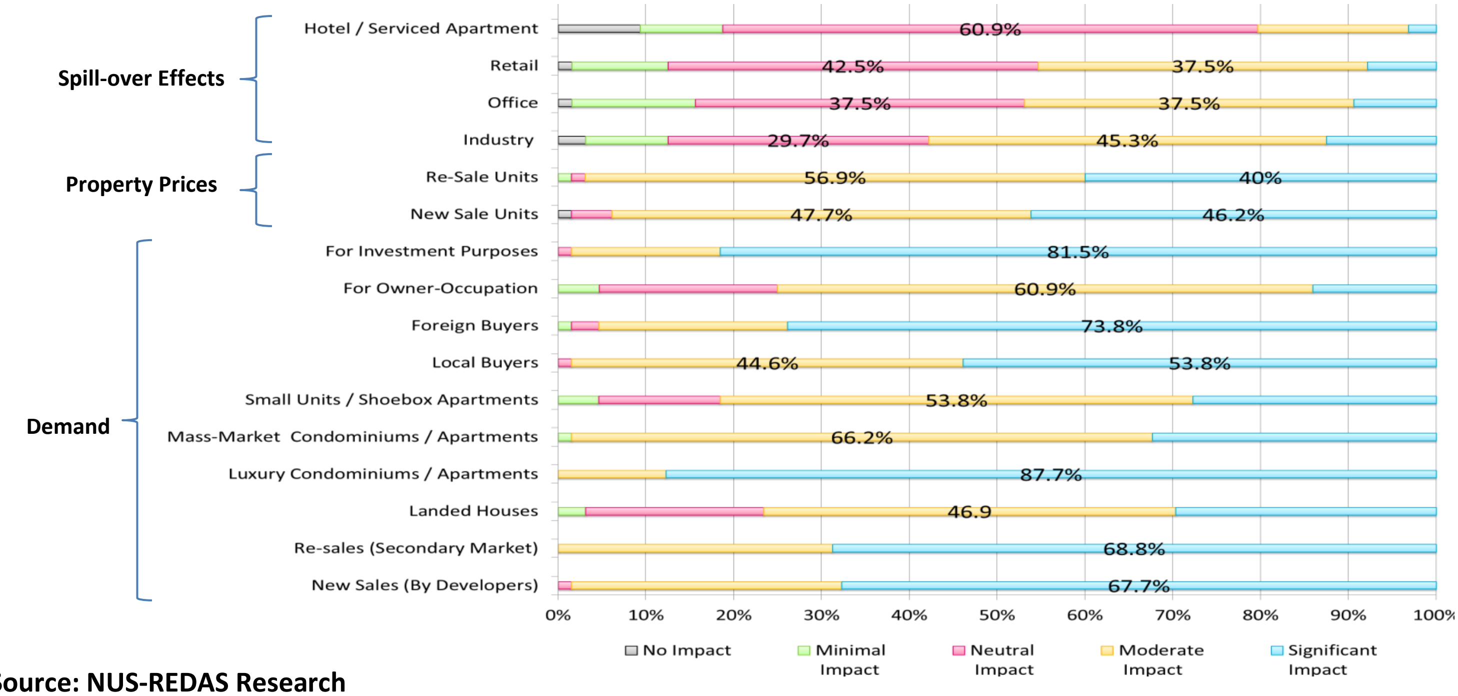
What is your assessment of the impact of property market cooling measures introduced since January 2013 on the following property market activities?

45.3% of the respondents mentioned that the industrial sector was moderately impacted by the spill-over effect of the cooling measures since January 2013.

In terms of demand by sector, luxury condominiums/ apartments are the sectors most adversely affected by the cooling measures in the residential market. More than 40% of the respondents indicate that new sale and re-sale property prices are impacted and about 68% feel that the take-up rate (demand) is impacted by the cooling measures.

81.5% of the respondents indicate that the investment demand is significantly dampened by the cooling measures implemented since January 2013.

Exhibit 5: Impact of Property Cooling Measures since January 2013



Source: NUS-REDAS Research

Do you expect strong outflows of investments into oversea real estate markets to continue in the next 12 months?

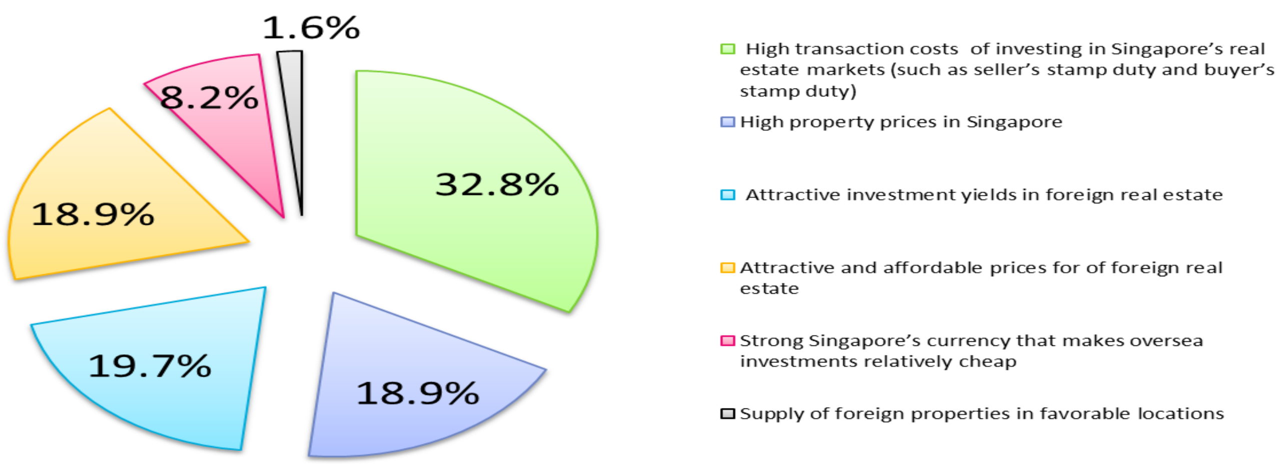
In the next 12 months, 77.8% of the respondents feel that there will be strong outflows of investments into oversea real estate markets.

What are the main drivers for the outflows of investments to the oversea real estate markets?

32.8% and 18.9% of the respondents indicate that high transaction cost and high property prices in Singapore are the two drivers for the outflows of investments to the oversea real estate markets.

About 19% of them mention affordable prices and high yields return as two reasons that attract foreign real estate investments.

Exhibit 6: Outflows of Investment to Overseas Real Estate Market

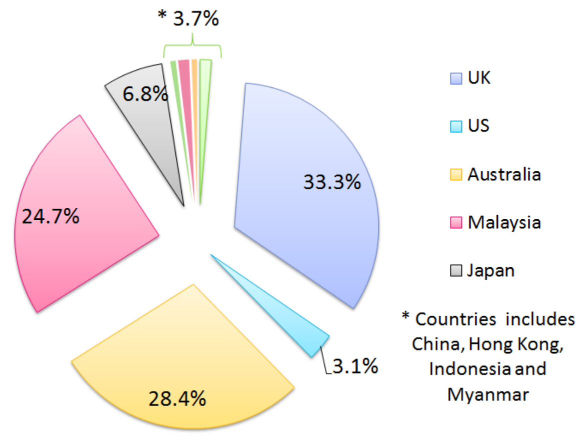


Source: NUS-REDAS Research

Which countries in your view attract strong interests from Singapore's investors?

United Kingdom (UK), Australia and Malaysia are the top 3 countries that are expected to attract strong interests from Singapore investors.

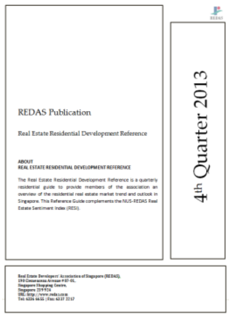
Exhibit 7: Countries Attracting Strong Interests



Source: NUS-REDAS Research

Other REDAS Publications:

REDAS Daily News



REDAS – Residential Reference Guide

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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.