NUS-REDAS RESEARCH

REAL ESTATE SENTIMENT INDEX

2nd Quarter 2015

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 negative net balances for all the real estate sectors show increased pessimism in the market outlooks. It may need some positive drivers to boost growth."

Sing Tien Foo
Associate Professor

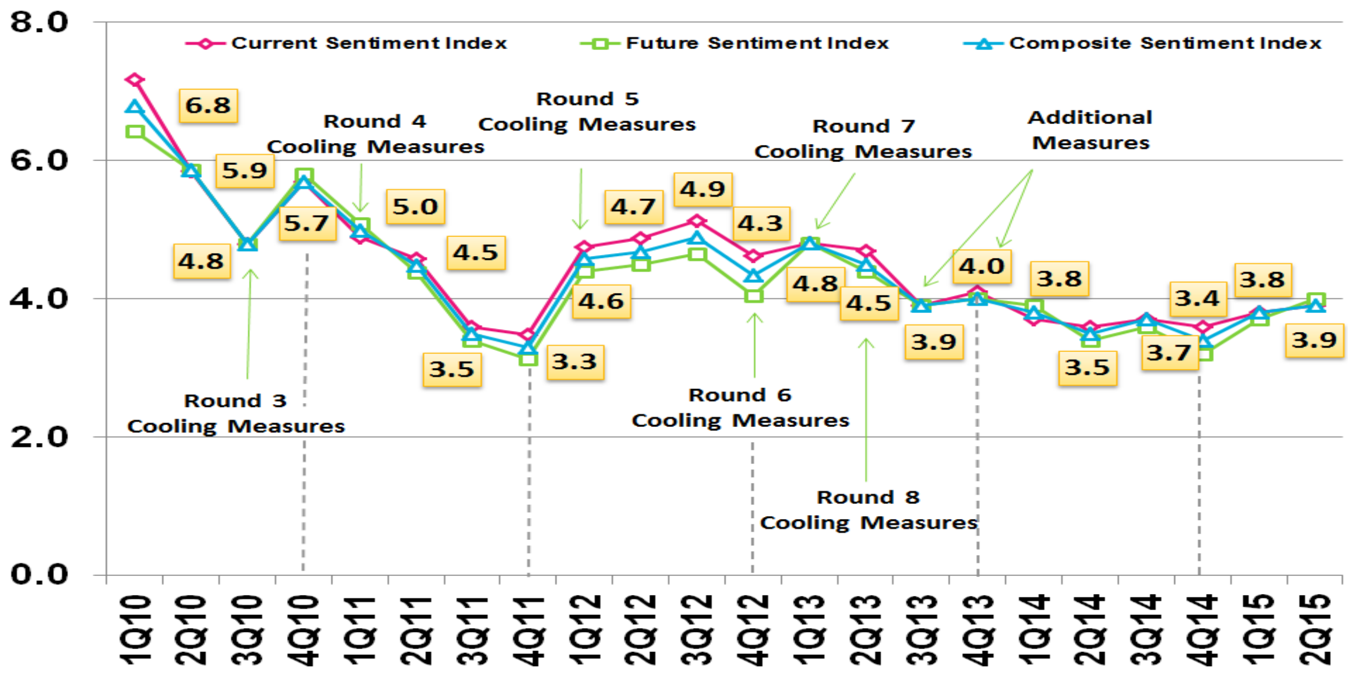
How would you rate the overall Singapore real estate market (commercial, residential, hospitality etc) conditions over the time periods shown?

Current Sentiment Index: The index stood at 3.9 up from 3.8 in 1Q15. The score showed a marginal improvement, but the market sentiment remains weak.

Future Sentiment Index: The score inched up slightly to 4.0 from 3.7 in 1Q15. Respondents were more optimistic on the market outlooks over the next six months.

Composite Sentiment Index: The overall sentiment was estimated at 3.9 in 2Q15. The rising interest rates and government policies could influence the composite sentiments in the real estate market.

Exhibit 1: Real Estate Sentiment Index



Source: NUS-REDAS Research

"Residential rents and prices are still on a decline. Sentiment in the commercial market has worsened."

"Unless significant changes are made by government i.e. Removal of cooling measures to induce buying, the market sentiment for residential units should remain weak for the next 6 months."

"Price and rental rates are softening across all market segments."

"Market is in a standstill mode as long as the measures remain applicable and effective."

"Lately, sentiment seems to be slightly lifted up by the hope that General Election (GE) is imminent and expectation of possible policy changes after GE."

"The current slowdown in the overall economy has started to take a toll on the office market; which was previously the only bright spot amongst in the market sentiments. This does not look good with about 4 million office space entering the market next year."

Comments from Survey Respondents

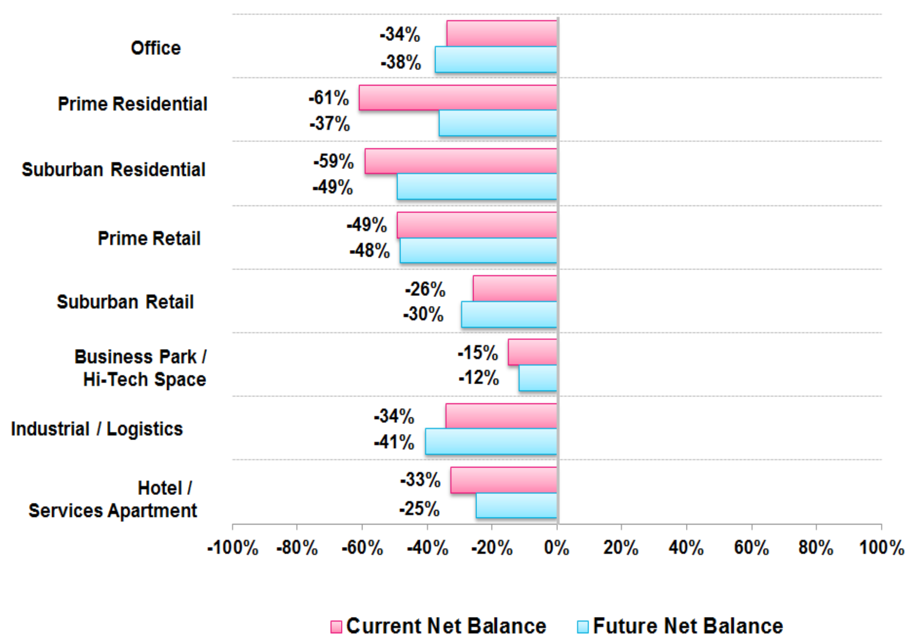
How would you rate the general performance (rental, price, occupancy, purchases etc) of the sectors over the time periods shown?

All sectors showed negative current and future net balances in 2Q15. Prime, suburban residential and prime retail sectors were the worst performing real estate sectors in 2Q15.

Sentiments in the prime residential sector showed a current net balance of -61% and a future net balance of -37% in 2Q15; while the sub-urban residential sector showed a current net balance of -59% and a future net balance of -49% in 2Q15.

Prime retail sector reflected a current net balance of -49% and a future net balance of -48% in 2Q15.

Exhibit 2: Real Estate Market Performance



Source: NUS-REDAS Research

"Recent equity issuances by corporates have been quite well taken up. However, the sustainability of the demand will depend on pricing and economic condition which is expected to be choppy. Demand for debt has been stable, showing no signs of deterioration."

Comments from Survey Respondent

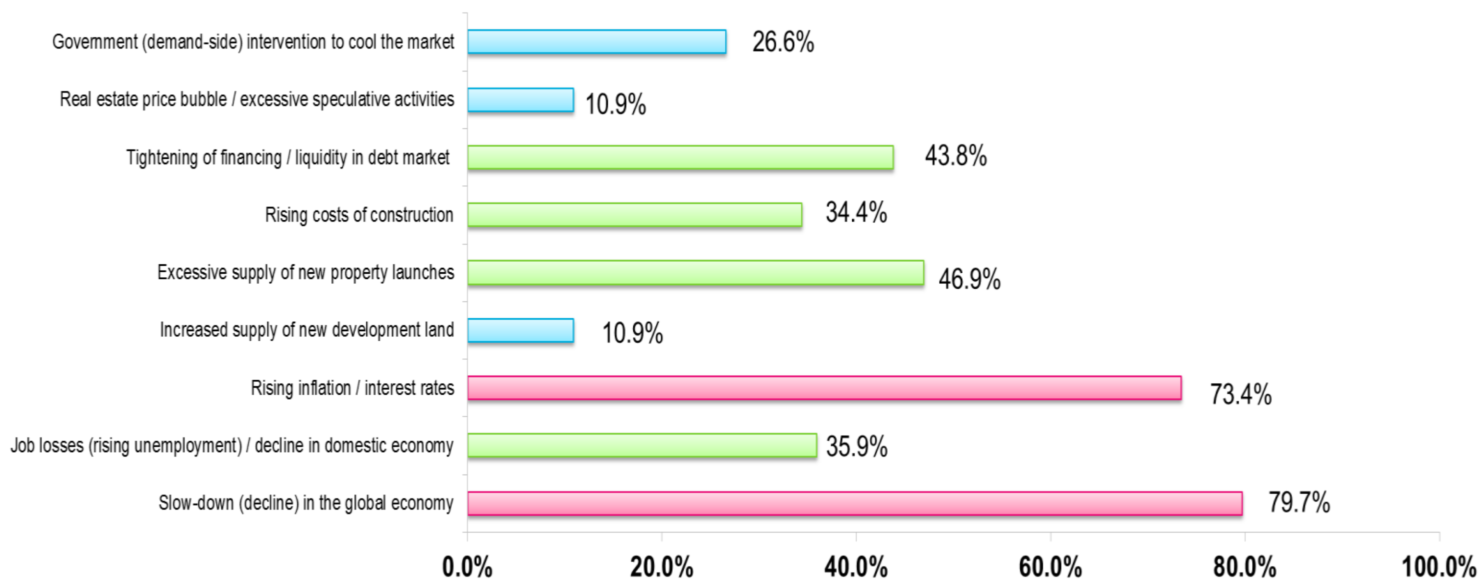
Do you foresee any potential risks that may adversely impact on market sentiment in the next 6 months?

More than 73% of the respondents surveyed in 2Q15 expected that slowing down in the global economy, rising inflation, and interest rates will adversely impact market sentiment in the next 6 months.

46.9% of them indicated that the property market will face excessive supply from new launches.

Job losses, decline in domestic economy, rising cost of construction and tightening of finance / liquidity in debt market are some of the potential risks that will adversely impact the market sentiment.

Exhibit 3: Potential Risks



Source: NUS-REDAS Research

"Market has seen some improvement on lowered prices in which developers have generated buying interest. This should mark and signal the bottom pricing for clearing the inventories. "

"Overall take up rates are still low, compared to pre TDSR period. Developers are likely to release units in phases."

"Low take up rate due to wait and see approach adopted by buyers. This will deter developers from launching new units."

"Overall private residential prices are on a downtrend with no recovery in sight."

"Developers are likely to price the new launches more attractively to have a good presale in view of the weak market sentiment."

"Sentiments continued to be dampened by cooling measures and more developers are expected to reduce pricing by opening more discounts to more sales."

"Projects are launched at high end market prices. This has resulted in poor take up rate and increased inventory. A more effective pricing strategy needs to be deployed."

Comments from Survey Respondents

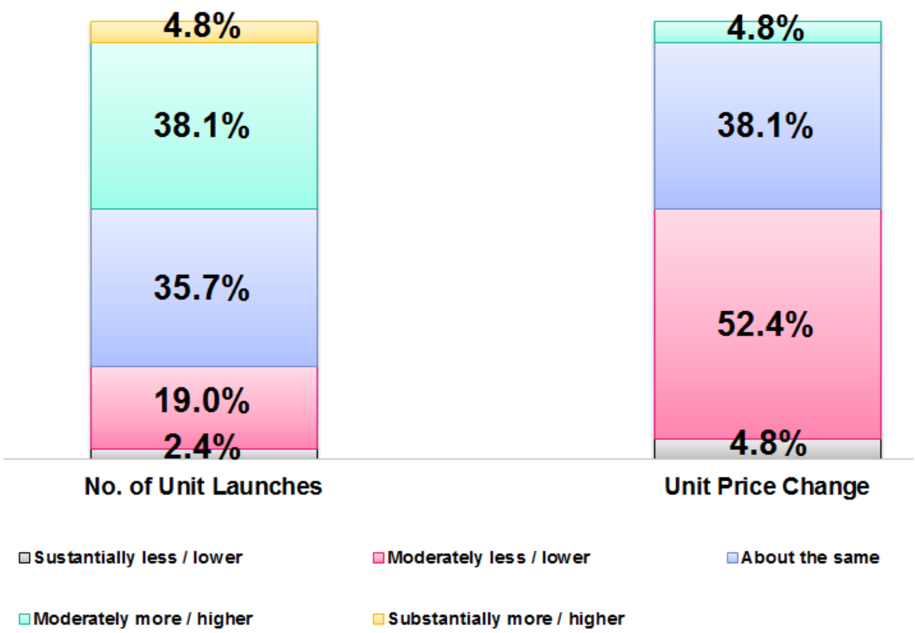
What are your expectations regarding the number of new residential units to be launched in the next six months?

In 2Q15, 73.8% of the developers expect new launches to increase moderately and/or to hold at the same level in the next six months. 19.0% of them indicated that they would launch moderately less units, which was slightly higher than 17.1% 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, 52.4% of the developers anticipate a moderate decrease in residential property prices in the next six months. In 2Q15, 38.1% of them expect prices to hold, which is up by 16.5% from the number reported in the last quarter.

Exhibit 4: Residential Launches & Prices



Source: NUS-REDAS Research

"EC will 'take away' demand from suburban mass condominium because of the increase in buyers' income ceiling. This will help the slow sales in the existing and future EC project. However, this does not help with our housing issues because land bids and prices will continue to escalate at an unsustainable level."

"The intention of HDB should be targeted for the lower to middle income group. By raising the ceiling, it will allow the upper middle income group to 'compete' with this group of people."

"Over time, we can expect the government to increase the income cap to keep pace with rising wages. However, perhaps certain conditions should prevail first to justify raising the income ceiling. Private property prices must be increasing and in turn, the sandwich class must be a growing group to warrant the upward revision in income ceiling. For now, private property prices are falling and the market seems to be more stable now."

Comments from Survey Respondents

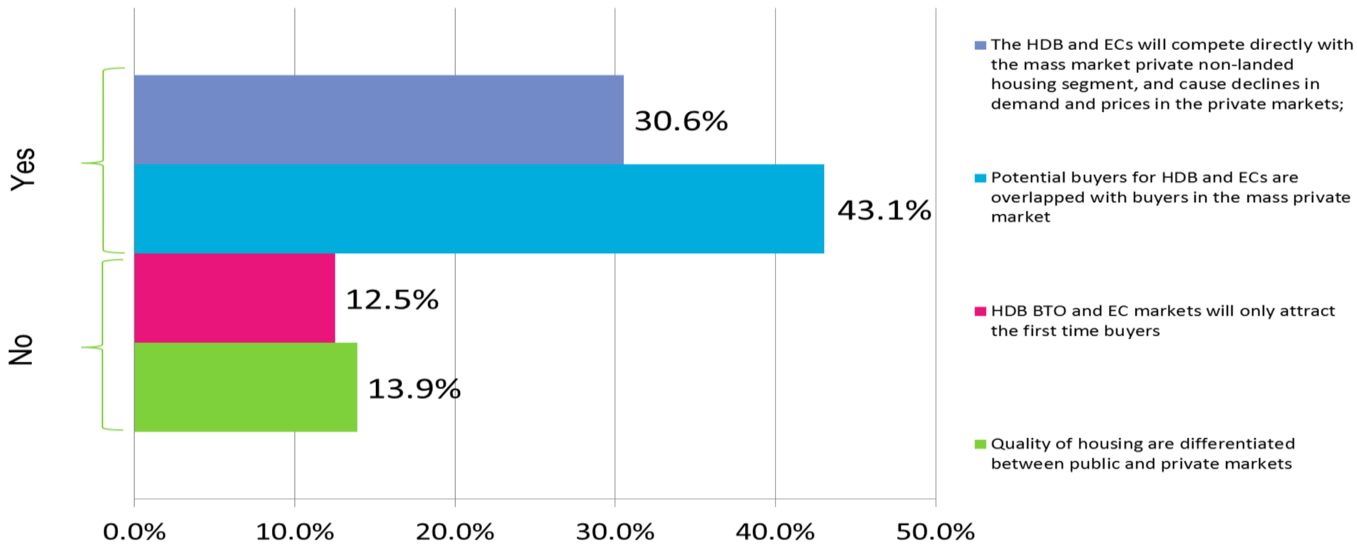
Do you think the current income ceiling of S$10,000 for HDB flats and S$12,000 for EC are adequate?

54.8% of the respondents indicate that the current income ceiling for HDB flats and EC are not adequate. A majority of 41.9% of the respondents feel that the HDB income ceiling should be raised to S$12,000. As for EC, 16.1% and 27.4% of them feel that the income ceiling should be raised to S$14,000 and S$15,000, respectively.

Do you anticipate possible impacts of higher income ceiling on private housing markets?

63.8% of the respondents anticipate that a change of higher income ceiling will impact the private housing market. 43.1% of them feel that potential buyers for HDB and ECs will overlap with buyers in the mass private housing market.

Exhibit 5: Income Ceiling



Source: NUS-REDAS Research

Comments on the Current Income Ceiling

"Adequacy of income ceiling also depends on prices of HDB flats and ECs. If prices and take up rate of HDB resale flats and ECs have been 'good', there is no need for adjustment of income ceiling."

"General household incomes have increased over the last few years and hence periodic adjustments must be made to reflect the change."

"Unlimited income ceiling for Singaporean who have served the national service and they are above the age of 45."

"The number of resident households within these income ceilings has been falling, thus resulting in more households failing to qualify for purchase of HDB and ECs."

"The Government should wait for a longer period to see its impact before considering raising the income ceilings again."

"If the income ceilings are raised further, the gap between private and public will be too close, therefore affecting the entire property market."

"HDB are entry level housing and the income ceiling should be maintained. Increasing demand for these housing will have an impact on future pricing. It needs to be carefully planned before any changes are put in place."

$10,000 should be the mode and mean income level for household income in Singapore. However, if the government intends to keep HDB ownership at 80%, then the income ceiling will have to be raised to the 80 percentile of household income."

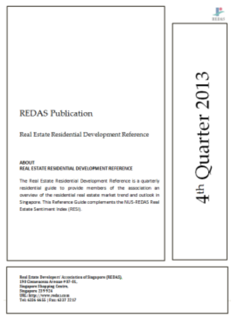
"Based on the present interest rate environment, the current household income ceilings are sufficient to fulfill the mortgage limits for the purchase of a typical HDB flat and EC unit with a maximum size of 160 sqm for a nucleus family. In addition, it is important not to over-inflate income ceilings for public housing eligibility, in order to ensure that public housing prices are kept affordable and lower income families have adequate access to public housing."

"The income ceiling for HDB flat should remain to ensure young newlywed have a place for themselves to start a family. The EC income ceiling should be raised to widen the gap, giving this group of buyers a choice to purchase an EC or condominium."

"Marginal impacts as private housing are for investment whereas EC are subject to occupation / single ownership rules."

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.