

REAL ESTATE SENTIMENT INDEX

2nd 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.



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

2nd Quarter

2016



“The overall market sentiment has shown signs of improvement amid uncertainties in the global economic environment. However, the sentiment still falls below the neutral line. It is thus interesting to see if the improved developers’ market outlooks will persist in the next few quarters.”

Sing Tien Foo
Associate Professor

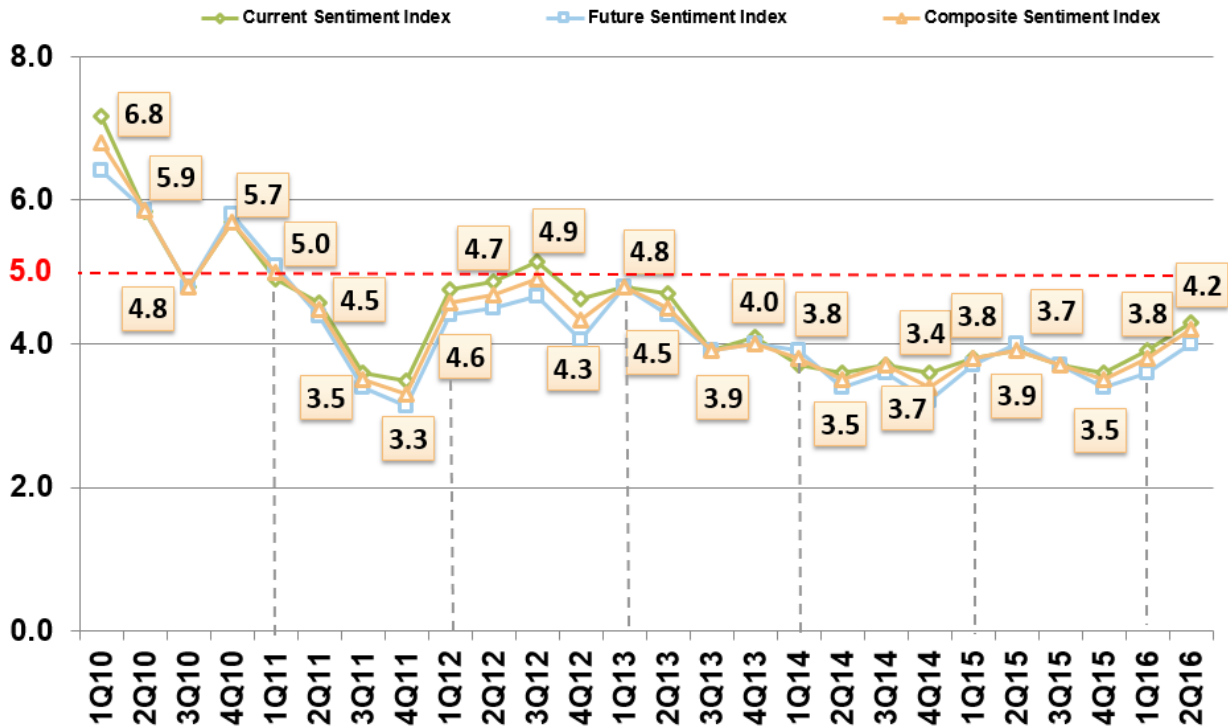
How would you rate the overall Singapore real estate market (commercial, residential, hospitality etc.) conditions over the time periods shown?

Current Sentiment Index: The index stood at 4.3 in 2Q16 up from 3.9 in 1Q16. The score has shown an improvement in the current market sentiment.

Composite Sentiment Index: The overall sentiment stood at 4.2 in 2Q16 up from 3.8 in 1Q16. It has lifted the weak sentiments in the last 11 consecutive quarters.

Future Sentiment Index: The score increased to 4.0 in 2Q16 from 3.6 in 1Q16. The same score of 4.0 was recorded a year ago in 2Q15.

Exhibit 1: Real Estate Sentiment Index



Source: NUS-REDAS Research

“There is likely to be further downside for rents across various segments in the market, in view of high completions and relatively muted demand in the market. We may see higher sales volumes in the high-end market, in view of various promotions (deferred payment schemes, ABSD rebates, price cuts) offered by developers.”

“Office and retails sectors are suffering due to substantial supply coming on stream these couple of years, combined with a weakening global economy. Retail sector is further impacted by growing online retail business, and weak tourist numbers, which also affects the hospitality sector.”

“Sales volume has increased more than 20% in the first 5 months. However, market still remains weak. Also, the global economy seems to be experiencing a rough patch.”

**Comments from
 Survey Respondents**

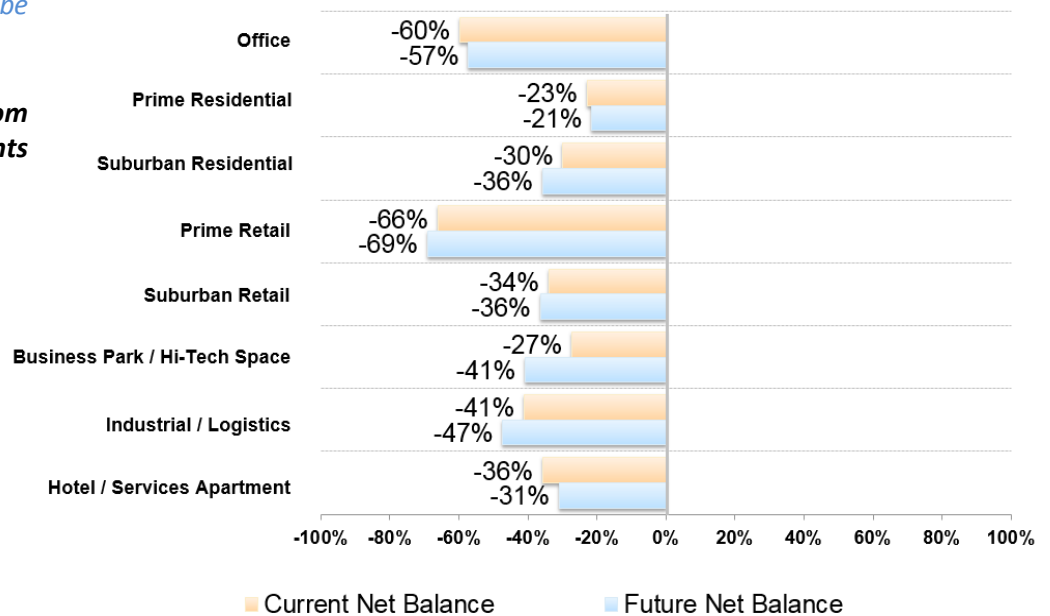
How would you rate the general performance (rental, price, occupancy, purchases etc.) of the sectors over the time periods shown?

All sectors showed negative current and future net balances in 2Q16. Office, prime retail and industrial/logistics sectors were the three real estate sectors with the worst net balance scores in 2Q16.

Prime retail sector was the worst performing sector in 2Q16 showing a current net balance of -66% and a future net balance of -69%.

Office sector showed a slight improvement from the last quarter with a current net balance of -60% and a future net balance of -57% in 2Q16; while the industrial/logistic sector showed a current net balance of -41% and a future net balance of -47% in 2Q16.

Exhibit 2: Real Estate Market Performance



Source: NUS-REDAS Research

“The uncertainties around Brexit seem to have led the market to re-evaluate the attractiveness of the other safer haven magnets such as Singapore. Whether that would eventually translate to deals, we don’t know at this juncture, but the interest has certainly started to look up compared to the beginning of the year.”

“The Singapore real estate market may see more interest in light of Brexit implications. Singapore may benefit from this, given its status as a leading financial hub and safe haven. However, cooling measures are expected to remain unchanged, in view of the increased likelihood that interest rates are expected to remain lower for longer, given current global economic turbulence. Government should still be wary of a liquidity led price rebound.”

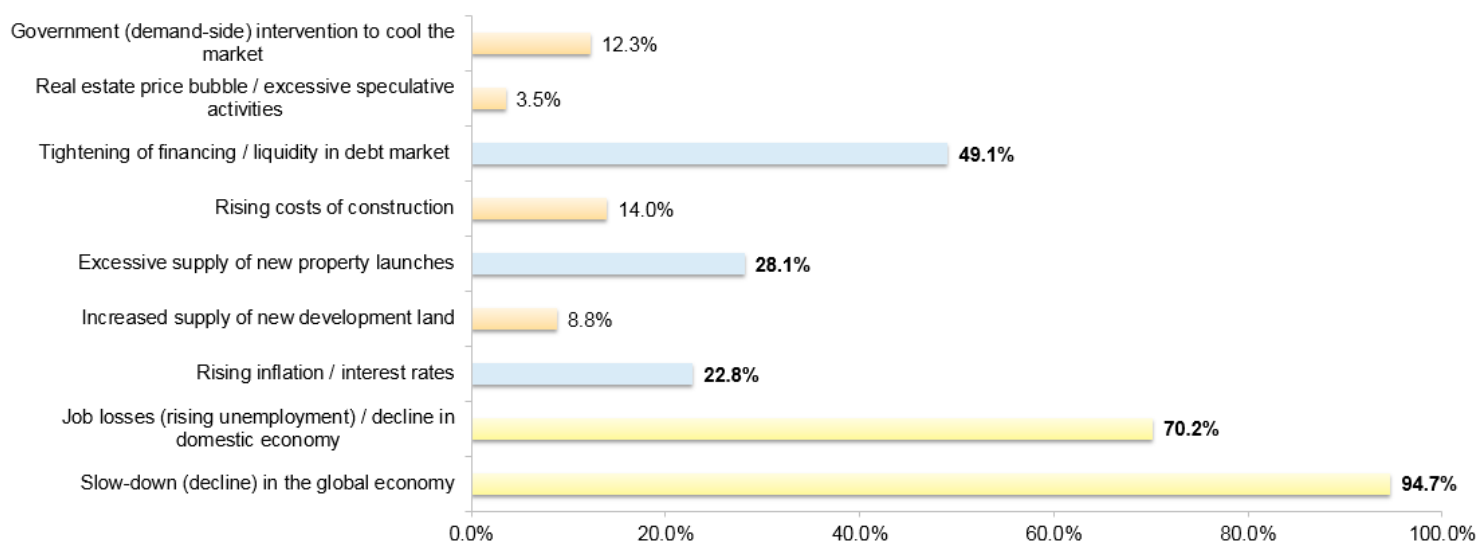
**Comments from
Survey Respondents**

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

94.7% of the respondents surveyed in 2Q16 expect the global economy to slow down, and 70.2% of them identify job losses and declines in domestic economy as two potential risk factors in the next 6 months.

49.1% of them expect further tightening of finance and liquidity in debt market. 28.1% view excessive supply of new property launches as a growing risk factor, and 22.8% of them are concerned about rising inflation and interest rates.

Exhibit 3: Potential Risks



Source: NUS-REDAS Research

NUS-REDAS RESEARCH

REAL ESTATE SENTIMENT INDEX

2nd Quarter 2016



“We may see an increase in re-launches as QC and ABSD deadlines loom for some projects. However, it is still not clear if we will see more re-launches as some developers may consider bulk sales instead.”

“Based on anecdotal evidence, the En-bloc market is seeing more interest and activity. But actual transactions will continue to be restrained by the gap in buyer-seller expectations.”

“Pricing level are expected to remain at similar levels to what we have seen in recent months. Cooling measures remain unchanged, and buyers are still price and quantum sensitive. This scenario may continue to play out until 2017, when interest rates remain low and yet the economic outlook remains bleak.”

“To move units, pricing needs to be attractive to the buyers. It will be difficult to raise prices when rentals are falling. But pricing is also unlikely to fall as supply is dwindling, buying power is still there, and people who have bought are able to hold.”

Comments from Survey Respondents

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

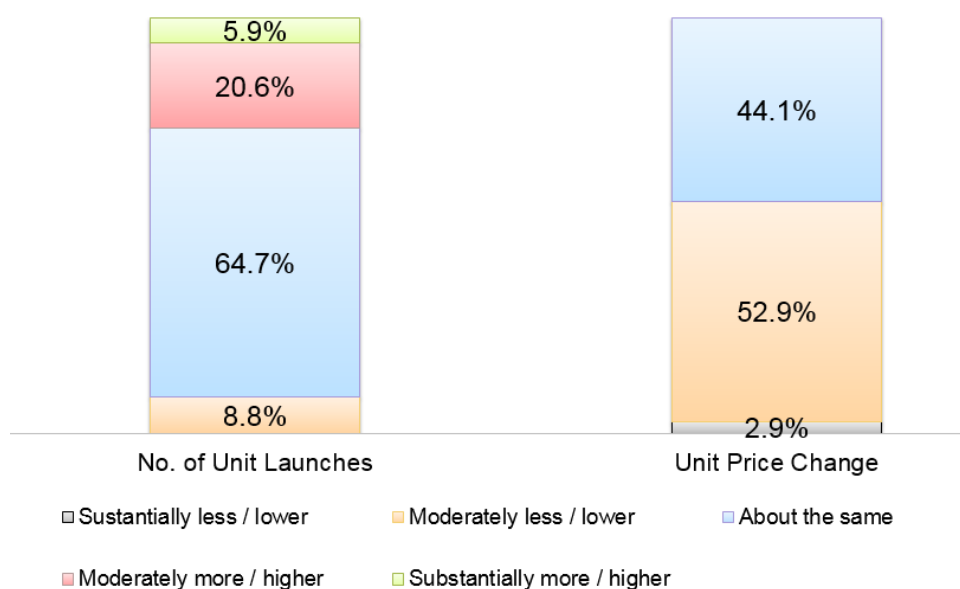
In 2Q16, 20.6% of the developers expect new launches to increase moderately; 64.7% expect them to hold at the same level in the next six months.

Only 8.8% of them indicate that they would launch moderately less units, which is lower than the 13.9% reported in the last quarter.

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

In terms of unit price change, 52.9% of the developers anticipate a moderate decrease in residential property prices in the next six months. In 2Q16, 44.1% of them expect prices to hold, which is 0.3% lower than the number reported in the last quarter.

Exhibit 4: Residential Launches & Prices



Source: NUS-REDAS Research

“Based on GLS sites released earlier and are ready for sales in the next 6 months, it looks to be roughly similar.”

“While the leasing market is generally still weak across all property sectors, sales activity appears to have gained some traction in 1H 2016 as seen for the prime residential segment and the investment sales market. Hence, on balance, market sentiment continues to deteriorate but to a lesser extent than 6 months prior. Moving into the next six months, Brexit-led uncertainty will pose as downside risk in addition to continued weakness in the wider economy amid supply glut in the occupier market. Hence, overall market sentiment is likely to soften at about the same extent as 1H.”

**Comments from
Survey Respondents**

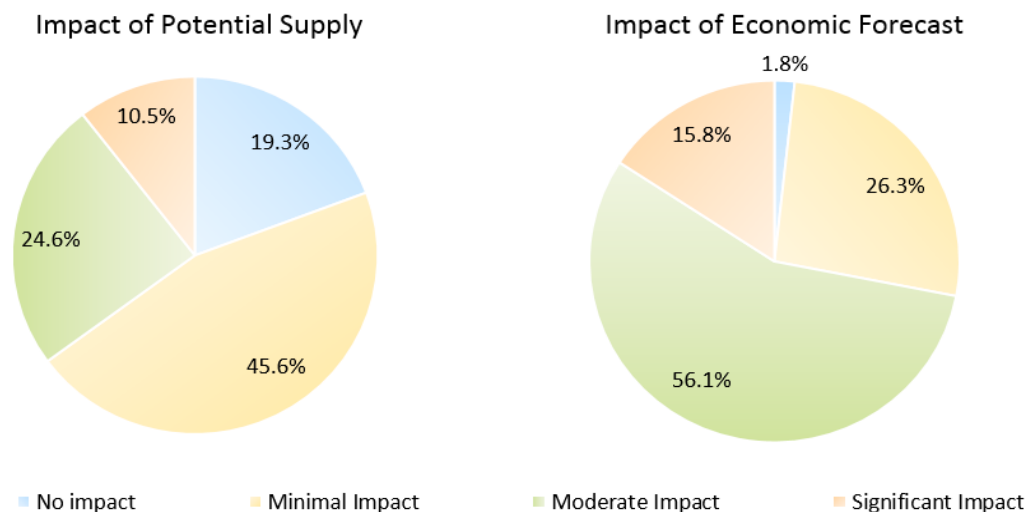
URA’s H2 Confirmed GLS List is an increase of 39.1% from the H1 list – 2,170 homes compared with 1,560 homes although the total potential supply is just 1.8% more (7,545 homes vs 7,415 homes) if the Reserve List is added to the Confirmed List. Will this increased supply worsen the already weakened property market?

45.6% and 24.6% of the respondents indicated that the increases in supply of new homes on H2 GLS List would have minimal or moderate impact on the property market, respectively. 19.3% of them felt that increasing supply would have no impact on the already weakened property market.

With Singapore’s 2016 economic growth adjusted further downwards by private sector economists to 1.8% from the 3.0% forecast just one year ago, and no respite yet from the Government on the Cooling Measures, what will be the impact on unsold units and prices in 2017?

56.1% of the respondents indicated that the downward economic growth forecast would have moderate impact on unsold units and prices in 2017. Only 15.8% of them felt that it would have significant impact on unsold units and prices.

Exhibit 5: Property Market Condition



Source: NUS-REDAS Research

NUS-REDAS RESEARCH

REAL ESTATE SENTIMENT INDEX

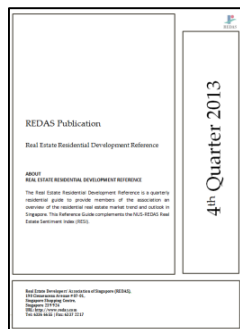
2nd Quarter 2016



Other REDAS Publications:



REDAS Daily News



REDAS – Residential Reference Guide

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 "decrease"). 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.

© 2015, Real Estate Developers' Association of Singapore (REDAS) & National University of Singapore (NUS)

All rights reserved. The information presented is of a general nature only and is not intended for any particular individual. No consideration has been given to the individual investment objectives, financial situation and particular needs of any person and investors should independently assess whether the advice is appropriate to their own circumstances. Whilst every effort has been made to ensure its accuracy the information is taken from sources considered to be reliable, we do not represent, warrant or guarantee, expressly or impliedly, that it contains no factual errors. No part of this report may be reproduced in any form without prior permission of Real Estate Developers' Association of Singapore (REDAS) & National University of Singapore (NUS).