

REAL ESTATE SENTIMENT INDEX

3rd 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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3rd Quarter

2015

“The sentiment in the market continues to weaken in 3Q2015. The weak sentiment has spilled over to prime retail and office sectors. More respondents have called for the removal of some of the cooling measures, such as ABSD and SSD to arrest the worsening market condition.”

Sing Tien Foo
Associate Professor

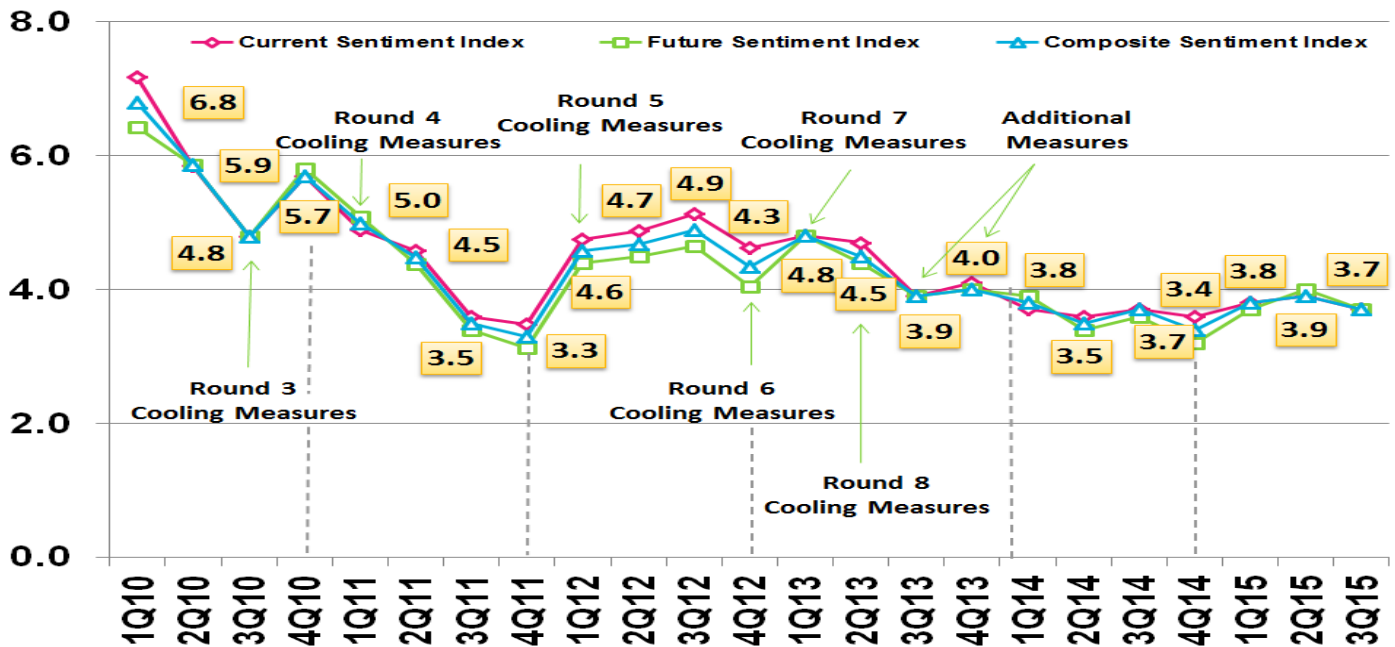
How would you rate the overall Singapore real estate market (commercial, residential, hospitality etc) conditions over the time periods shown?

Current Sentiment Index: The index stood at 3.7 down from 3.9 in 2Q15. The score reflects weaker current market sentiments.

Composite Sentiment Index: The overall sentiment was weak at 3.7. It reflects the slow-down of the property market in Singapore.

Future Sentiment Index: The score declined slightly to 3.7 in 3Q15 from 4.0 in 2Q15. The respondents’ outlook for the market for the next six months was negative.

Exhibit 1: Real Estate Sentiment Index



Source: NUS-REDAS Research

“Office rent is expected to decline due to upcoming office space in 2016.”

“It is going to be a more challenging environment due to tough economic conditions in Asia, Europe and Australia.”

“Current cooling measure had put pressure on intended purchasers, especially the extra stamp duty.”

Comments from Survey Respondents

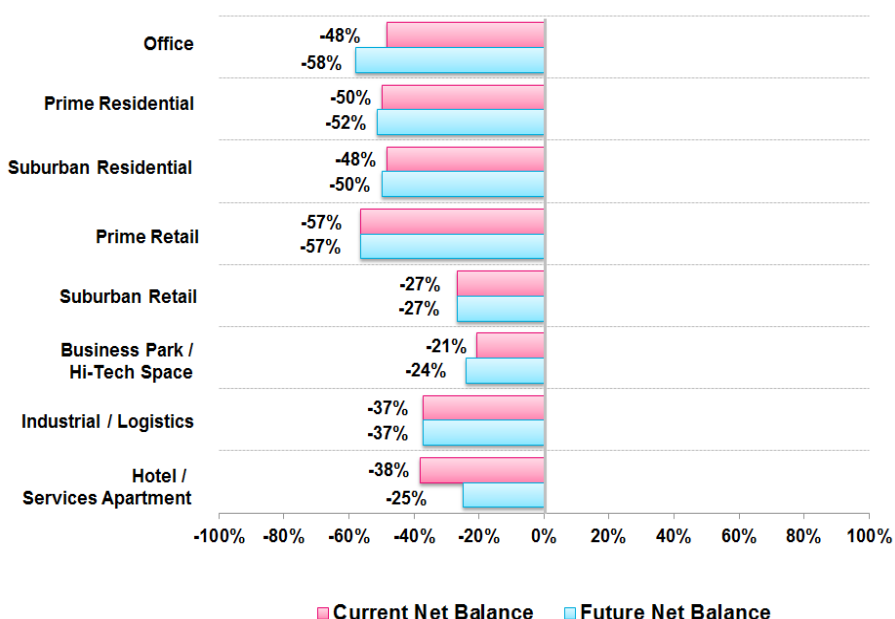
How would you rate the general performance (rental, price, occupancy, purchases etc) of the sectors over the time periods shown?

All sectors showed negative current and future net balances in 3Q15. Office, prime residential and prime retail sectors were the three real estate sectors with the lowest net balances in 3Q15.

Prime retail sector was the worst performing sector in 3Q15 showing a current net balance of -57% and a future net balance of -57%.

Sentiments in the prime residential sector showed a current net balance of -50% and a future net balance of -52% in 3Q15; while the office sector showed a current net balance of -48% and a future net balance of -58% in 3Q15.

Exhibit 2: Real Estate Market Performance



Source: NUS-REDAS Research

“Interest rates are expected to rise further, leading to a depreciation of real estate prices. There are a lot of uncertainties in the global economy which will affect real estate sentiment.”

“Singapore domestic economic growth is expected to be dragged down by global economic slowdown. It is expected to see slower wage growth and higher unemployment rate.”

**Comments from
Survey Respondent**

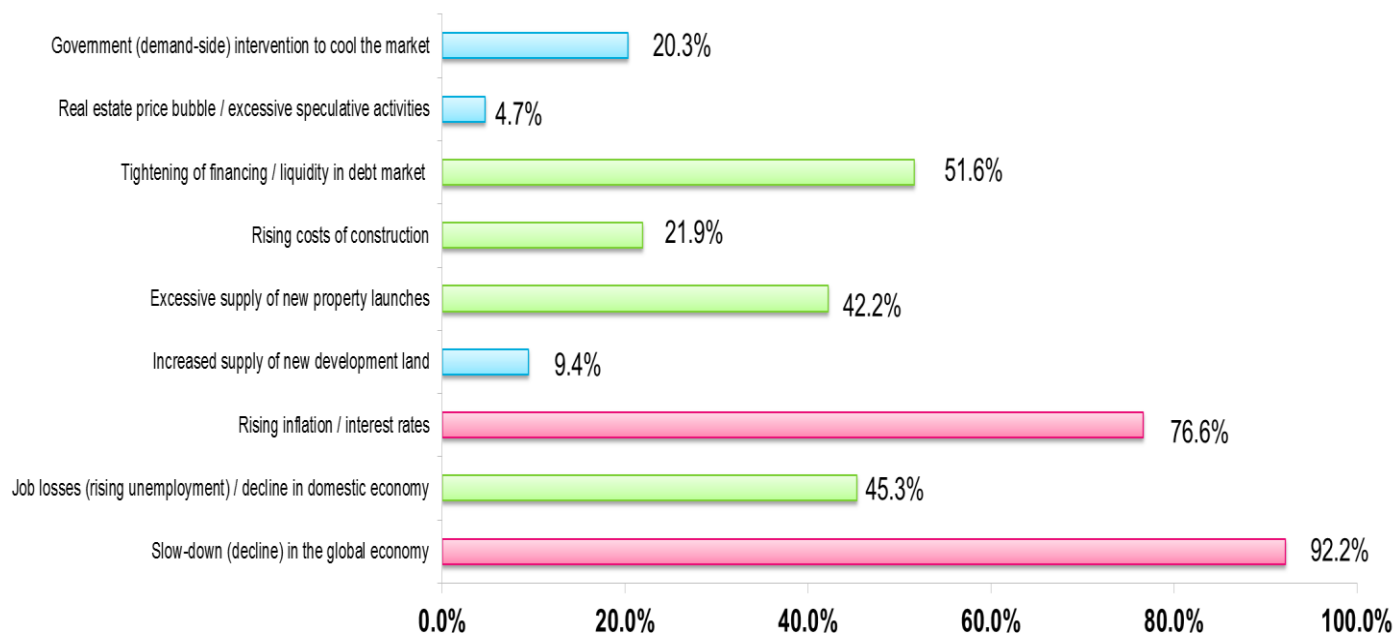
Do you foresee any potential risks that may adversely impact on market sentiment in the next 6 months?

92.2% and 76.6% of the respondents surveyed in 3Q15 expected that slowing down in the global economy and rising inflation and interest rates will adversely impact market sentiment in the next 6 months.

42.2% 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 and 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

NUS-REDAS RESEARCH

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“Real Estate prices are still expected to remain soft due to substantial unsold inventory in the market and weak economic growth.”

“A few EC projects which were supposed to launch in 2H15 have delayed their launch dates to 2016. We should see more launches in 2016. The number of residential launches would be contingent on changes in housing policies.”

“The new supply is likely to be in the sub-regional centres. Regardless its location, it will have an overall negative impact on prices.”

“Competition in the EC market is expected to intensify further, the latest EC launches are being priced around \$750 to \$780 psf. There are many unsold EC units especially in the North-East region.”

“With the current tough property cooling measures, it may be better to lower selling price to move unsold units than to face the penalty of QC. The future is rather uncertain.”

“With strong holding power of home buyers and the financial strength of developers, price swings are likely to be moderate.”

Comments from Survey Respondents

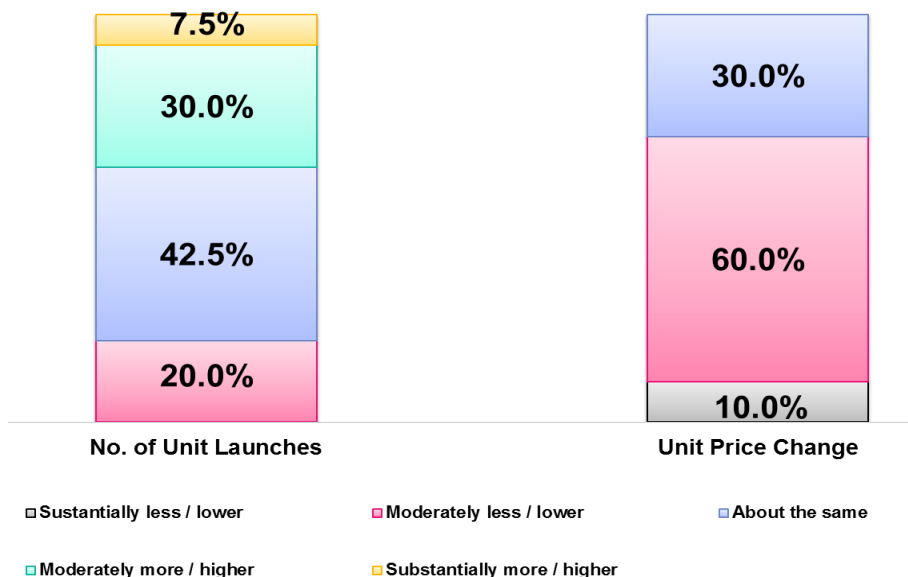
What are your expectations regarding the number of new residential units to be launched in the next six months?

In 3Q15, 72.5% of the developers expect new launches to increase moderately and to hold at the same level in the next six months. 20.0% of them indicated that they would launch moderately less units, which was slightly higher than 19.0% 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, 60.0% of the developers anticipate a moderate decrease in residential property prices in the next six months. In 3Q15, 30.0% of them expect prices to hold, which is down by 8.1% from the number reported in the last quarter.

Exhibit 4: Residential Launches & Prices



Source: NUS-REDAS Research

“ABSD should be removed due to the tight supply of housing in the market. ABSD should not be a permanent policy as it creates inefficient market equilibrium. Furthermore, it does not encourage financial prudence. MSR and TDSR are based on ratios and percentages. Percentages only address the issues of the average category and could be too harsh or too lenient.”

“The Additional Buyer’s Stamp Duty should be lifted as private residential property prices had dropped by about 8% in 2Q 2015 compared to the third quarter of 2013. However, the Total Debt Servicing Ratio should be retained.”

“The government needs to be very clear and precise on the long term policies and regulations governing the residential property market.”

**Comments from
Survey Respondents**

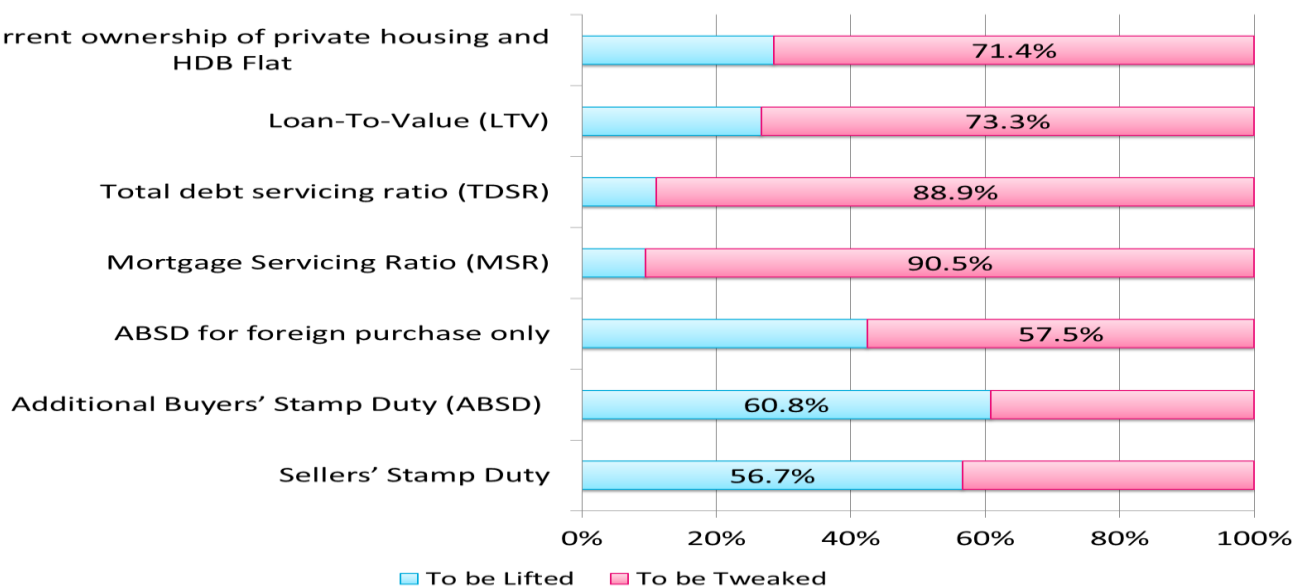
Do you think government should lift / tweak the existing cooling measures over the next six months?

83.1% of the respondents felt that the government should lift or tweak the existing cooling measure over the next six months. 60.8% of them indicated that the additional buyers’ stamp duty (ABSD) should be lifted. 56.7% of them indicated that the sellers’ stamp duty (SSD) should be lifted.

Do you think real estate developers should review prices of new launches downwards to move unsold stocks?

82.3% of the respondents felt that real estate developers should review prices of new launches downward to move unsold stocks.

Exhibit 5: Measures to be lifted / tweaked



Source: NUS-REDAS Research

Comments on the “Review Prices of New Launches”

“Buyers prefer to invest in property overseas due to high government taxes. Lowering price to fit buyer needs is not fair. Government should reduce taxes to make Singapore property as attractive as overseas properties.”

“Price revision should be in accordance with the market condition. Reducing price below market price will have a negative impact on market sentiments. Buyers will wait longer for price reduction before entering market. This should be avoided as developer has a limited timeline to sell their properties.”

“It would depend on the financial strengths of the developers. Notwithstanding, the authorities’ directions to ensure developers do not hog their inventory, with QC Penalties. Developers should try to reduce their inventory levels by adjusting prices to meet market demand.”

“Buyers will expect prices to drop further. They will adopt a wait and see attitude.”

“Depending on the holding or breakeven costs, developers should adopt flexible pricing strategy if they wish to clear some stock.”

“Reduction of prices will impact the property market in Singapore.”

“The measures have effectively (and artificially) shut down the proper functioning of the market. By reducing price, it is not going to bring the market back to a steady state though we may see some short term reaction and buying interest. It will lead consumers to expect further price reduction. By reducing price, it will cause a downward spiral momentum without generating demand – the worst case scenario for any developer.”

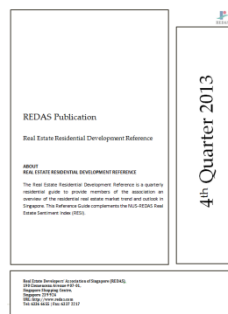
“Reducing prices to move stocks is a decision to be made only when the developer is certain and confident to move their unsold inventory. At present, it is unclear if there is a market demand for properties due to all the policies implemented.”

**Comments from
Survey Respondents**

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 “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.

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