

REAL ESTATE SENTIMENT INDEX

3rd 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

3rd Quarter

2016

“The developers’ outlooks of the real estate markets are still poor, but improving. However, they are concerned about the slowdown in global and local economics, which could bring potential downsides to the real estate market.”

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 4.5 in 3Q16 up from 4.3 in 2Q16. The score has shown continuous improvement in the current market sentiment.

Composite Sentiment Index:

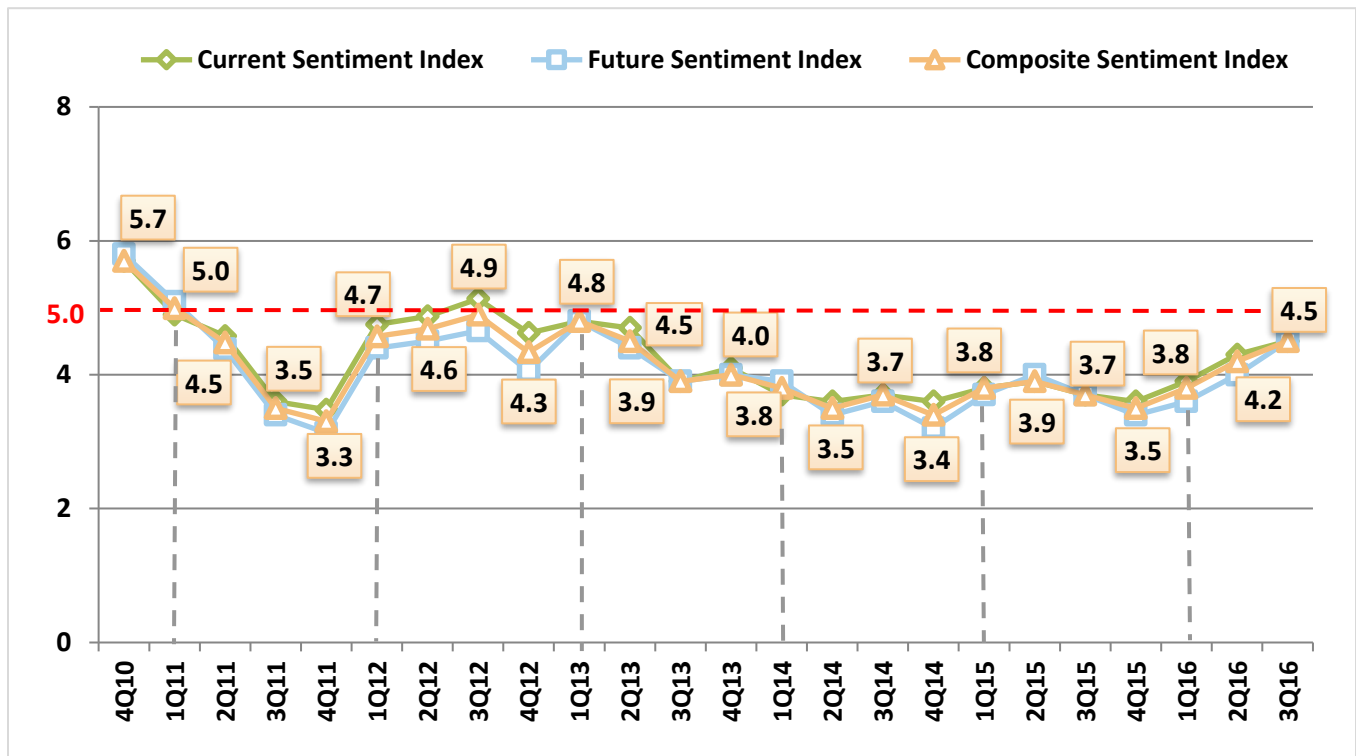
The overall sentiment stood at 4.5 in 3Q16 up from 4.2 in 2Q16. The market confidence has gradually improved.

Future Sentiment Index:

The score increased to 4.5 in 3Q16 from 4.0 in 2Q16. The similar score of 4.4 was recorded in 2Q13.

All three indices bottomed in 4Q 2015, and have been improving over the last three quarters.

Exhibit 1: Real Estate Sentiment Index



Source: NUS-REDAS Research

“Future sentiment may be slightly better for less new launch expected in the next months.”

“Sales in the prime residential market should improve as developers continue to offer innovative schemes and good discounts. Also, compared to the suburban market, the fundamentals of the prime residential market are stronger, given the volume of incoming completions.”

“The residential market is registering mix performance - leasing market continues to deteriorate while the sales activity has picked pace with pricing appearing to be firming. As the sales market is larger than the leasing market and hence given a higher weightage, the general market would appear to have improved compared to six months ago.”

“The leasing market generally remained weak though pre-leasing activity picked up somewhat in 2Q and 3Q, especially in the office and business park segment. Sales activity picked up in the last six months in the residential, shop houses and enbloc office market.”

“Recent GLS tenders have seen good participation and relatively bullish bids from developers. This suggests that developers’ outlook for the Singapore private residential property market has improved. Notably, the enbloc market is also seeing more activity since the sale of Shunfu Ville.”

**Comments from
Survey Respondents**

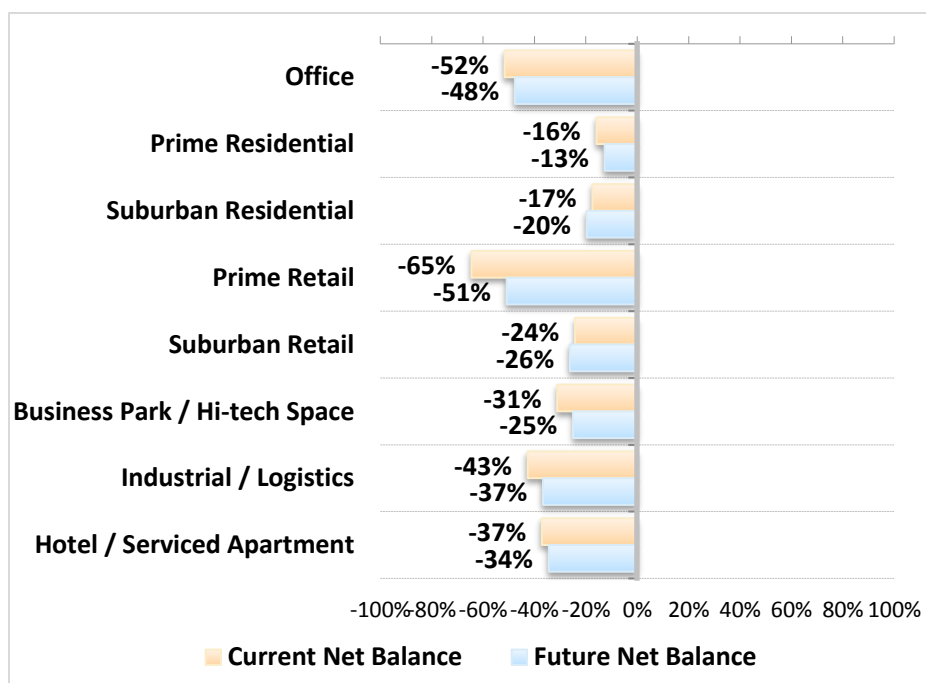
How would you rate the general performance (rental, price, occupancy, purchases etc.) of the sectors over the time periods shown?

Current and future net balances in 3Q16 were still negative for all sectors. Office, prime retail and industrial/logistics sectors were the three real estate sectors with the worst net balance scores in this quarter.

Prime retail sector was the worst performing sector in 3Q16 showing a current net balance of -65% and a future net balance of -51%.

Office sector showed a moderate improvement from the last quarter with a current net balance of -52% and a future net balance of -48% in 3Q16; while the industrial/logistic sector showed a current net balance of -43% and a future net balance of -37% in 3Q16.

Exhibit 2: Real Estate Market Performance



Source: NUS-REDAS Research

“FED could raise interest rates in the coming meeting but it will be marginal and is unlikely to adversely affect the capital market condition in the next six months. Without any clear direction on the US interest rate, and a general weakness in other instruments, private equity likely to continue to find its placement in real estate.”

“Economic conditions appear weaker and likely to remain in the near term. More downside risks appear on the political front. Real estate is likely to be dragged down by these uncertainties.”

“It has deteriorated somewhat due to slowdown in global economy and market uncertainty. However, market is expected to improve gradually over the next 3-5 years.”

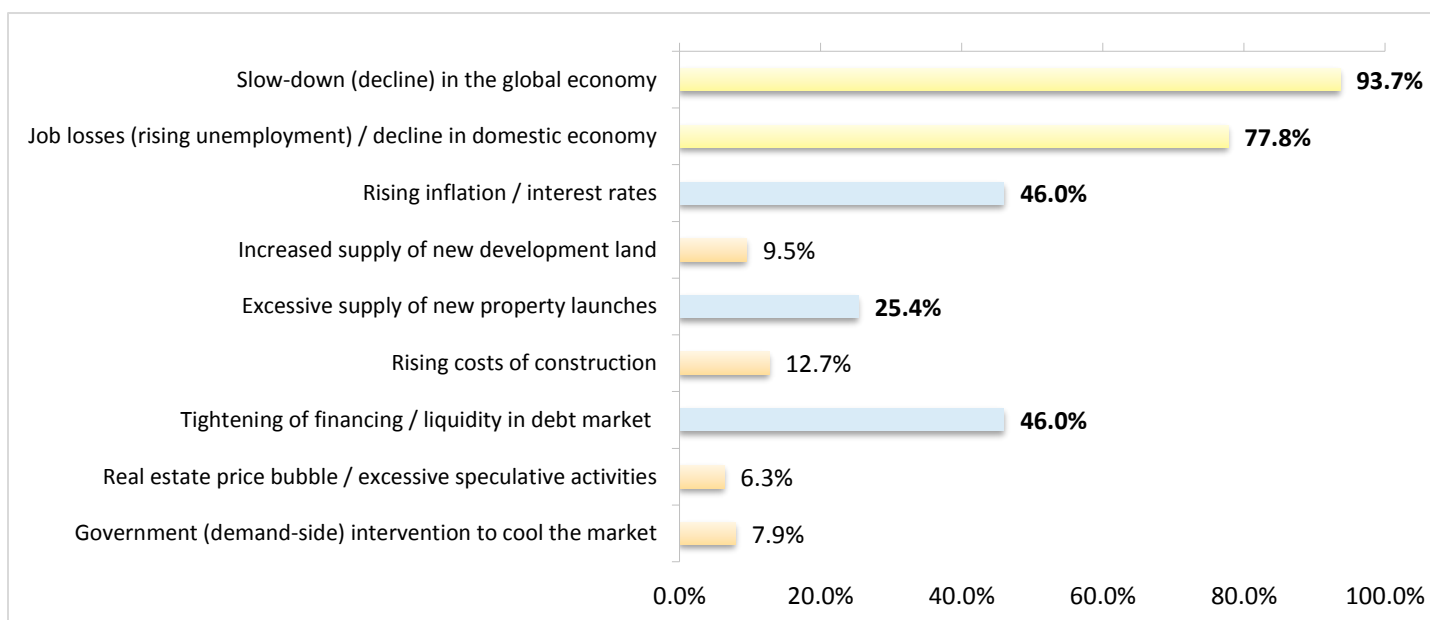
**Comments from
Survey Respondents**

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

93.7% of the respondents surveyed in 3Q16 expect the global economy to slow down, and 77.8% of them identify job losses and declines in domestic economy as two potential risk factors in the next 6 months.

46.0% of them expect rising inflation and interest rate as well as continuous tightening of finance and liquidity in debt market. 25.4% of them view excessive supply of new property launches as a growing risk factor.

Exhibit 3: Potential Risks



Source: NUS-REDAS Research

“The keen competition for GLS land is evidence of developers’ hunger for land. Additionally, 2 reserve sites have been activated this year so far. This may tempt the government to roll out more sites in the Confirmed List to control land prices. However, the economic outlook remains dim and the property market faces significant downside risk should economic conditions deteriorate unexpectedly. It may be more prudent for the government to maintain status quo and continue to offer the majority of land sites through the reserve list.”

“Expectation is for the government to maintain the release of land sales under GLS. The take up rate from developers will be moderate to high as we see more developers consorting together to mitigate market and price pressure risks in an effort to grow their land bank and process profitability. As seen in current new launches, good location and pricing are critical factors to move units, as always. The effort of HDB to heavily transform Tengah into an exciting product is commendable considering the location's marketing difficulties. We expect residential property prices to be with a moderate bias towards further weakening.”

“if land supply is increased, land prices are likely to stay at current levels”

**Comments from
Survey Respondents**

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

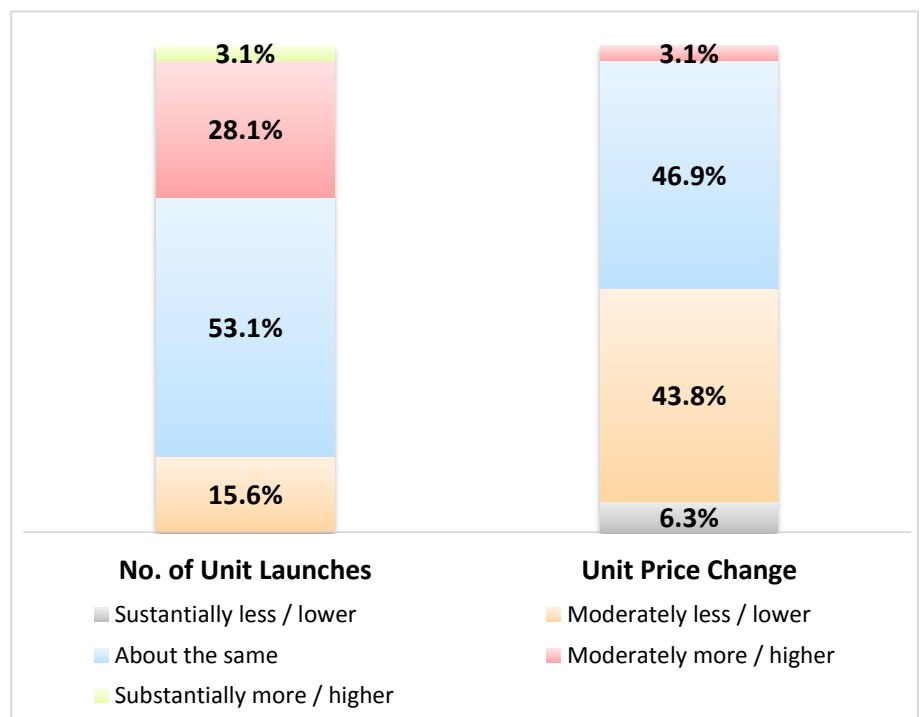
In 3Q16, 28.1% of the developers expect new launches to increase moderately; 53.1% of them expect new launches to hold at the same level in the next six months.

Some 15.6% of them indicate that they would launch moderately less units, and the respondent number double the 8.8% 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, 43.8% of the developers anticipate a moderate decrease in residential property prices in the next six months. In 3Q16, 46.9% of them expect prices to hold, which is 2.8% higher than the number reported in the last quarter.

Exhibit 4: Residential Launches & Prices

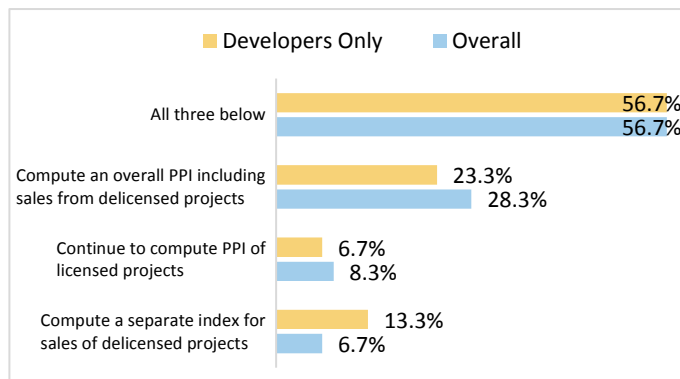
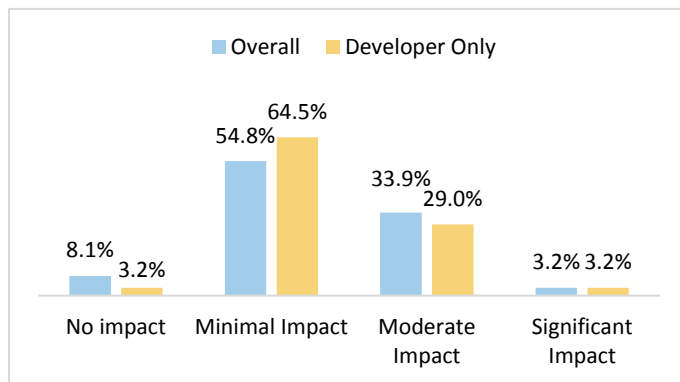


Source: NUS-REDAS Research

How much would you expect this inclusion of delicensed projects to influence PPI in 4th quarter 2016? Will this increased supply worsen the already weak property market?

Exhibit 5 shows that 54.8% of all respondents and 64.5% of developers consider the inclusion of delicensed projects to have minimal impact on PPI. 56.7% of all respondents vote all three options (keeping original PPI, computing a separate index for delicensed projects, and re-computing PPI by including delicensed projects) are helpful in analyzing market condition. 13.3% of the developers prefer the option of computing a separate index for delicensed projects.

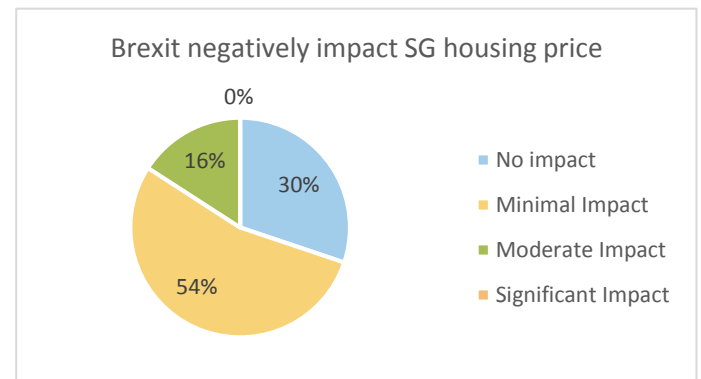
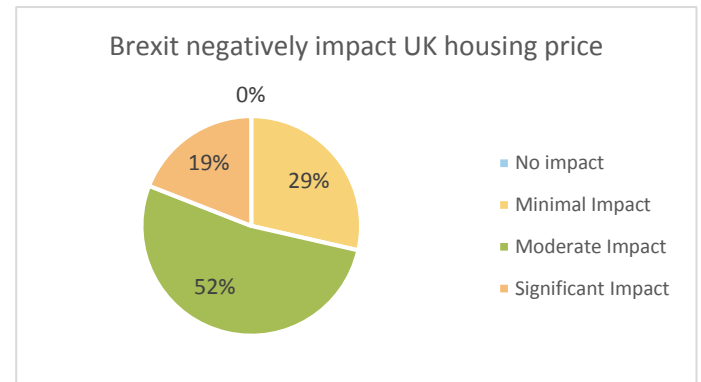
Exhibit 5: Delicensed Projects to influence PPI



Do you think “Brexit” offers a good investment opportunity for Singapore’s investors to enter UK real estate market in the next 6 months? How much would you expect it to impact UK and SG housing prices?

58.1% of the respondents indicate that “Brexit” offers a good investment opportunity. Exhibit 6 shows that 19.0% and 52.4% of them believe that it would have significant and moderate impact on UK housing prices, respectively; whereas, 30.2% and 54.0% of them feel that it would have no impact or minimal impact on SG housing prices, respectively.

Exhibit 6: Brexit Impact



Source: NUS-REDAS Research

NUS-REDAS RESEARCH

REAL ESTATE SENTIMENT INDEX

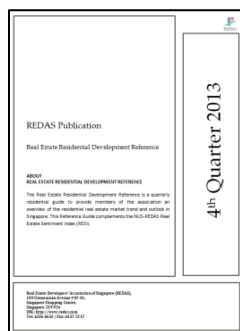
3rd Quarter 2016



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 "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).