NUS-REDAS RESEARCH

REAL ESTATE SENTIMENT INDEX

4th 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 rise in interest rate is expected to have adverse impact on buyers' sentiment, as higher financing costs could put further downward pressure on private housing prices."

Sing Tien Foo
Associate Professor

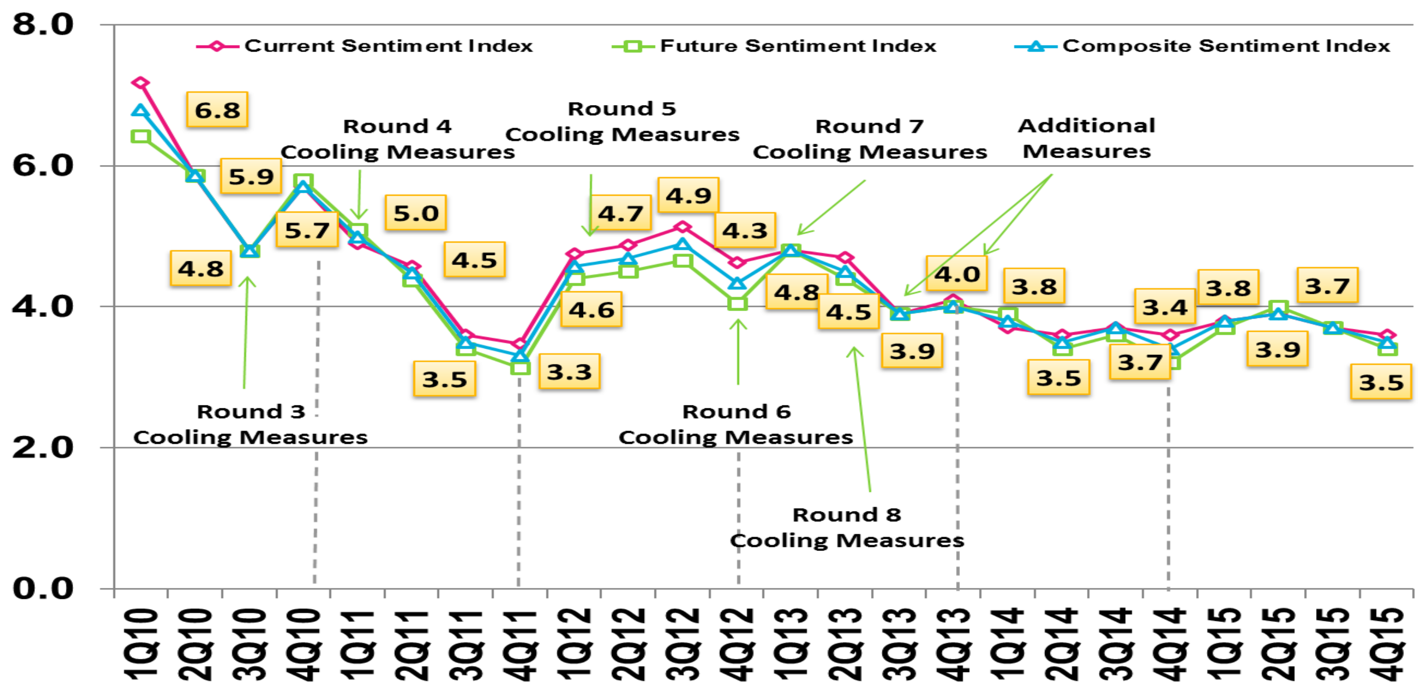
How would you rate the overall Singapore real estate market (commercial, residential, hospitality etc) conditions over the time periods shown?

Current Sentiment Index: The index stood at 3.6 down from 3.7 in 3Q15. The score reflects weaker current market sentiments.

Future Sentiment Index: The score declined slightly to 3.4 in 4Q15 from 3.7 in 3Q15. The respondents' outlook for the market for the next six months was negative.

Composite Sentiment Index: The overall sentiment was weak at 3.5. It reflects a slow-down of the property market in Singapore.

Exhibit 1: Real Estate Sentiment Index



Source: NUS-REDAS Research

"The outlook of real estate across all asset classes are bleak. We are seeing oversupply situations in most asset classes. The poor economic outlook and softening market condition will exacerbate the situation."

"Unfavorable market conditions such as China's slow down, monetary tightening in the US and the decline of oil prices. It weighs down real estate market segments and it is hard to see the light at the end of the tunnel."

"The slowing economy and higher interest rates environment, will cause the private residential market to face tough times in 2016. Concerns over the large office supply in 2016 are expected to drive office rents and occupancy rates downwards."

"2016 started with a carnage on China's stock market. It shakes confidence in many countries which have close business links. Singapore is expected to be affected due to it substantial trading with China."

"Effects of cooling measures are still palpable. The supply of commercial units will affect rent to be on downward pressure. The increase in the Federal interest rates will have a negative impact on borrowing costs for businesses."

Comments from Survey Respondents

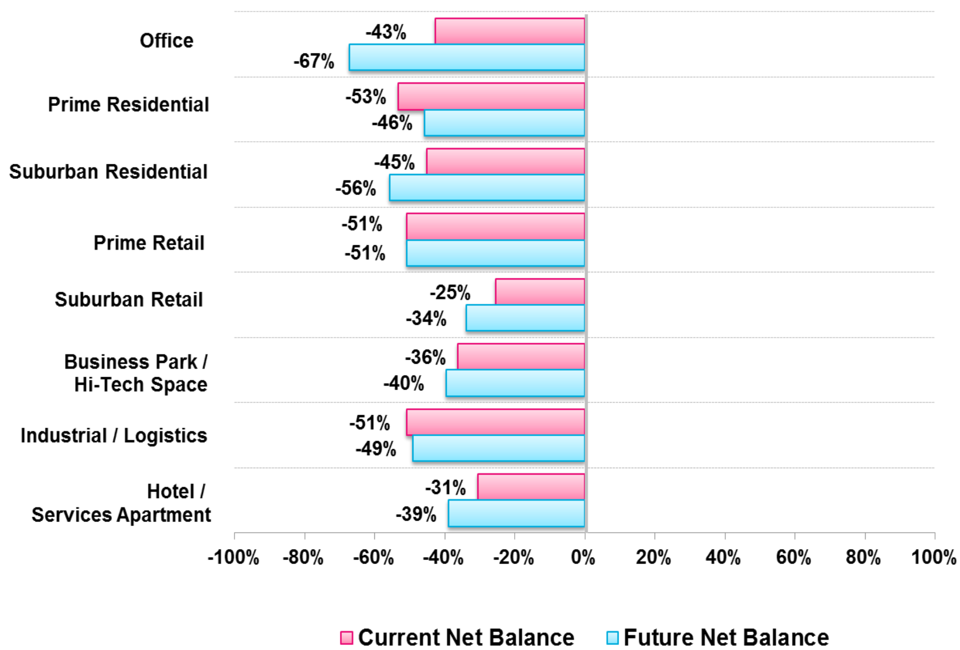
How would you rate the general performance (rental, price, occupancy, purchases etc) of the sectors over the time periods shown?

All sectors showed negative current and future net balances in 4Q15. Office, suburban residential and prime retail sectors were the three real estate sectors with the lowest net balances in 4Q15.

Office sector was the worst performing sector in 4Q15 showing a current net balance of -43% and a future net balance of -67%.

Sentiments in the suburban residential sector showed a current net balance of -45% and a future net balance of -56% in 4Q15; while the prime retail sector showed a current net balance of -51% and a future net balance of -51% in 4Q15.

Exhibit 2: Real Estate Market Performance



Source: NUS-REDAS Research

"Higher non-performing loans and credit costs for bank due to slumping property & oil sectors. 2015 proved to be tough year for investors as stock tumbled after devaluation of Yen, accompany by continued decline of commodity prices and anticipation of Fed rate hike. Equity market will remain volatile in 2016 due to impending interest rate raise."

"With a worsening forecast and forward trend, debt and capital market supporting the real estate market will naturally diminish as the market return and risks are now perceived to have decreased & increased respectively."

"The rise in US interest rates would spill over to Asia Pacific. Investors would expect higher yields/returns for new debt and equity issued. Cheap credit may not be as readily available like before."

Comments from Survey Respondent

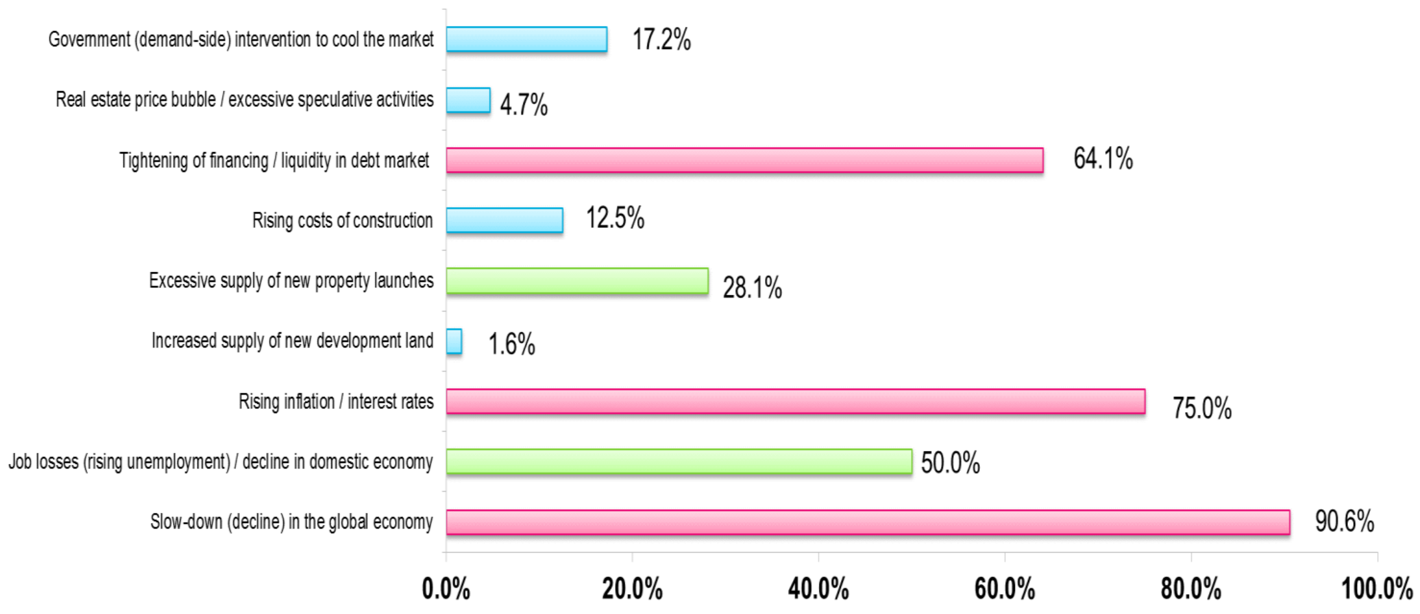
Do you foresee any potential risks that may adversely impact on market sentiment in the next 6 months?

90.6% of the respondents surveyed in 4Q15 expect that slowing down in the global economy, and 75.0% of them expected that rising inflation and interest rates will adversely impact market sentiment in the next 6 months.

64.1% of them indicated that the property market will face further tightening in terms of finance and liquidity.

Job losses, decline in domestic economy, excessive supply of new property launches are other potential risks that will adversely impact the market sentiment.

Exhibit 3: Potential Risks



Source: NUS-REDAS Research

"Large numbers of completions expected in 2016 would put pressure on rents. Owners who bought homes for investment would be under distress to sell. This is especially for OCR where majority of the completions will take place."

"Weakness in the market will likely to cause developers to hold back on their launches and less aggressive on building their landbank."

"A few upcoming sites were awarded at relatively lower prices, which may translate into lower pricing for new residential launches. Cooling measures are expected to remain unchanged and the mood is still cautious. Buyers are unwilling to pay higher prices, given the headwinds facing the residential market."

"Developers are not in a hurry to cut prices aggressive to gain more sales unless there is an external review."

Comments from Survey Respondents

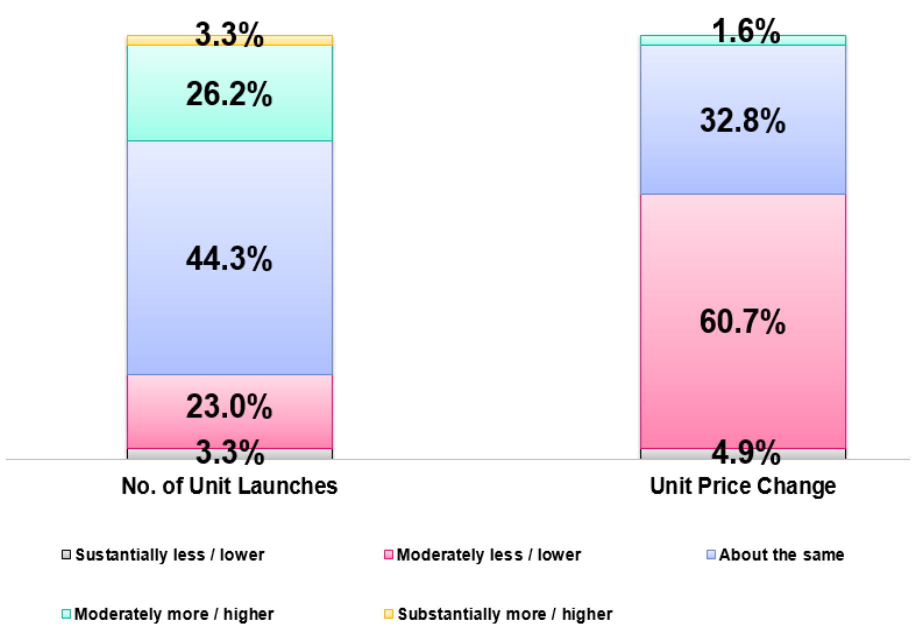
What are your expectations regarding the number of new residential units to be launched in the next six months?

In 4Q15, 70.5% of the developers expect new launches to increase moderately and to hold at the same level in the next six months. 23.0% of them indicate that they would launch moderately less units, which was slightly higher than the 20.0% 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, 60.7% of the developers anticipate a moderate decrease in residential property prices in the next six months. In 4Q15, 32.8% of them expect prices to hold, which is up by 0.8% from the number reported in the last quarter.

Exhibit 4: Residential Launches & Prices



Source: NUS-REDAS Research

"SIBOR will affect the property market. This will perpetuate sluggish market conditions and soften prices."

"The rate hike was 25 bp. Thus, the impact is not significant at the moment. It may become an issue in future if mortgage rates rise substantially."

"The minimal increase in interest rates is not expected to create substantial negative impact. This has been factored into property price and demand."

"The increase was relatively small and should not have a huge impact in the market. What would really impact sales is a restructuring in the jobs market."

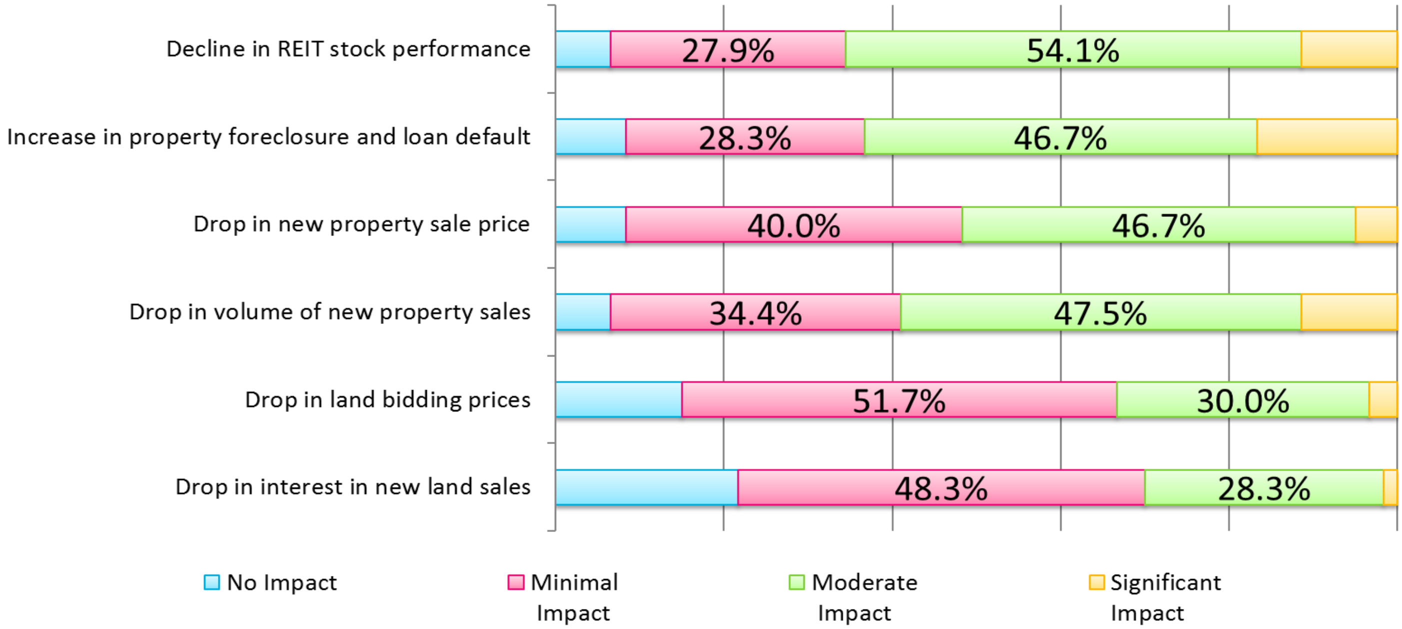
"It is anticipated that interest rate will increase, the rate of increase is expected to be moderate as the global economy is still anemic."

Comments from Survey Respondents

How will the recent interest rate hike by the US Federal Reserve affect the following real estate market activities in the next three to six months?

54.1% of the respondents felt that, there will be moderate impact on REIT stock performance with the recent interest rate hike by the US Federal Reserve. 51.7% of them indicated there will be minimal impact on land bidding prices.

Exhibit 5: Interest Rates



Source: NUS-REDAS Research

"There are only 4 sites in the confirmed list of 1H 2016 Government Land Sales Programme. This will result in developers to bid more aggressively in the tender especially for those developers who need to replenish their landbank."

"The lower GLS supply will provide support for prices, which lead to lower new developer sales. Some buyers will revisit unsold and resale units in existing projects."

"GLS has been cut back and the quantum for 1H2016 will be moderated. Hence, it has a great impact affecting real estate market activities."

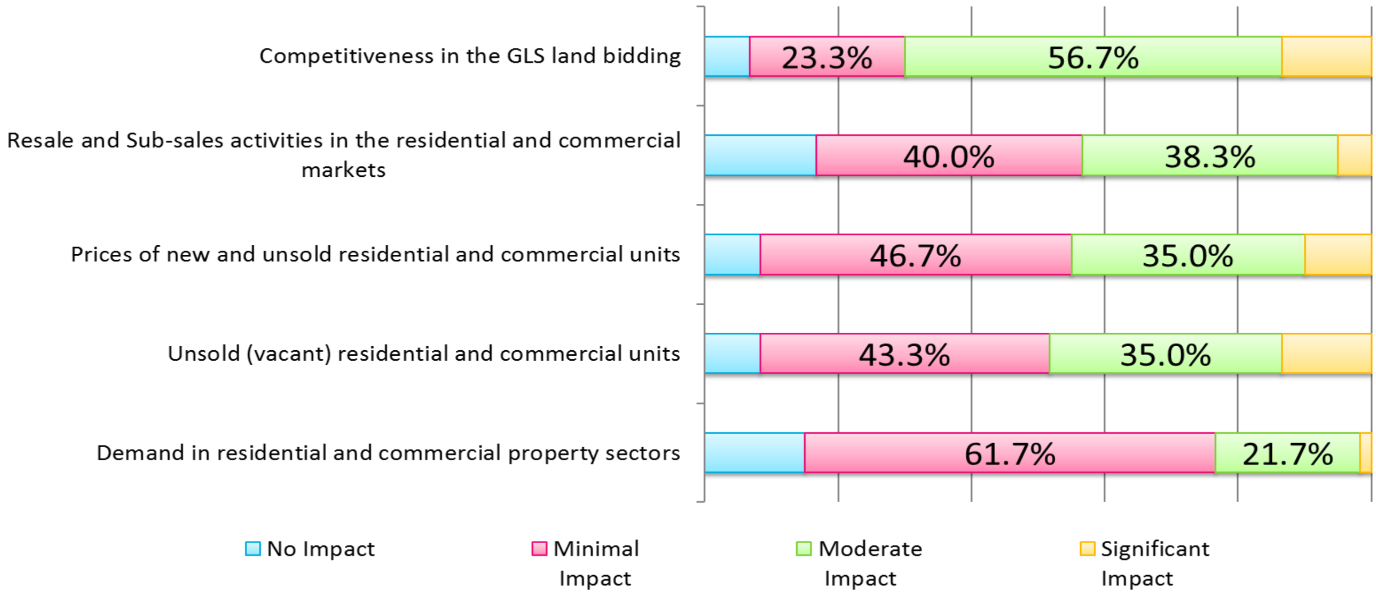
"Lack of new launches may divert buyers towards the resale market.

Comments from Survey Respondents

The Government has announced its 1H2016 Land Sales programme (GLS) comprising 4 Confirmed List sites and 12 Reserve List sites on 18 December 2015. What are possible impact of the GLS programme on the following real estate market activities in the next six months?

61.7% of the respondents felt that the 1H 2016 GLS programme will have minimal impact on the demand in residential and commercial property sectors. 56.7% of them indicated it will have moderate impact over the competitiveness in the GLS land bidding.

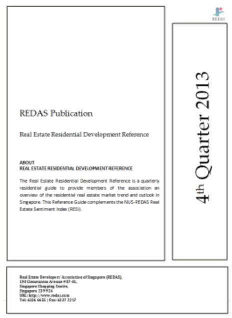
Exhibit 6: Impact of GLS Programme



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.