

REAL ESTATE SENTIMENT INDEX

4th 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

4th Quarter

2016



“The year 2016 closes with improved developers’ outlooks. However, macro-risk factors, such as global economic slowdown and potential job losses, are likely to determine if the improvement in sentiments will persist in the next 6 months.”

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 4.8 in 4Q16 up from 4.5 in 3Q16. The score continued to improve in the current market sentiment.

Future Sentiment Index:

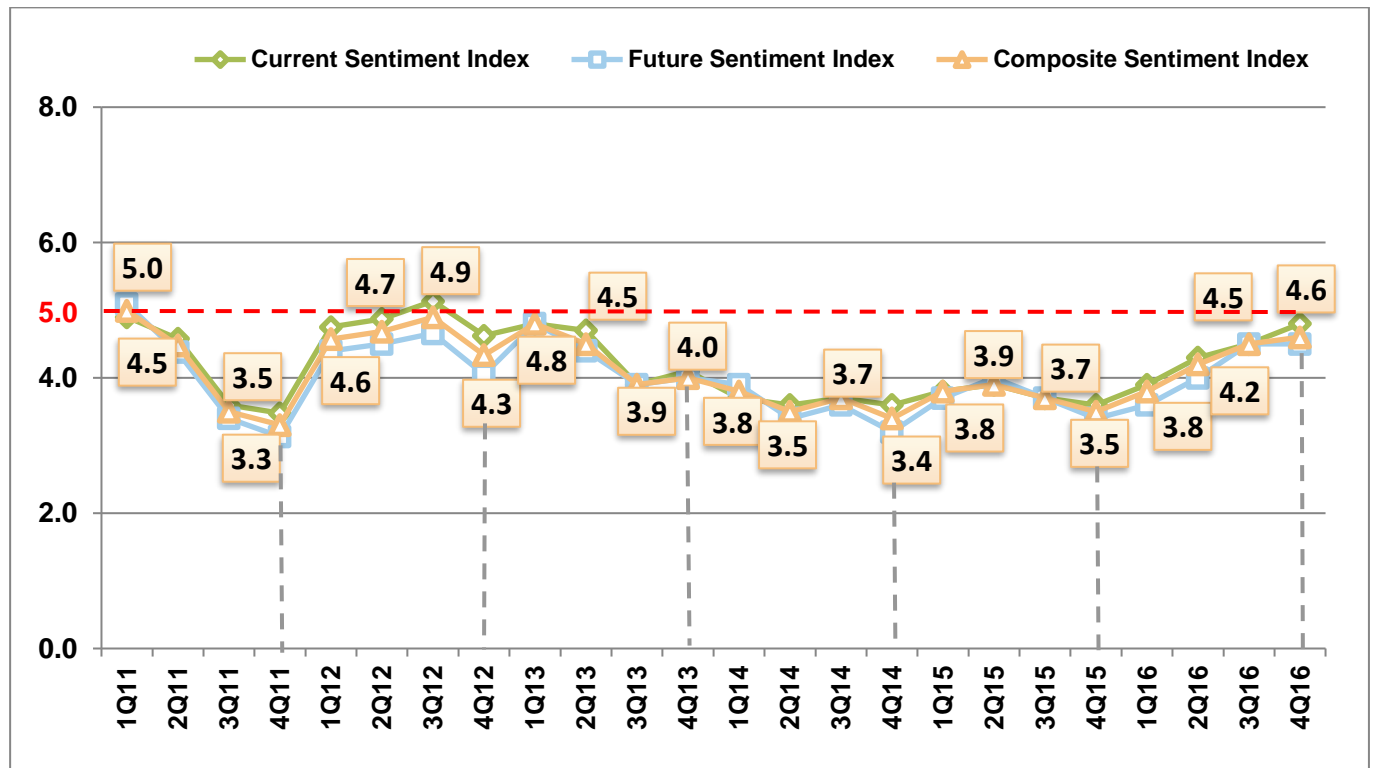
The score remained the same at 4.5 in 4Q16 as the previous quarter.

Composite Sentiment Index:

The overall sentiment stood at 4.6 in 4Q16 up from 4.5 in 3Q16.

All the three indices, albeit still below 5.0, showed four quarters of consecutive growth from the trough in 4Q15.

Exhibit 1: Real Estate Sentiment Index



Source: NUS-REDAS Research



“Global uncertainties with the new US President, slowing growth in China, elections in EU countries, increasing interest rates will dampen the market due to potential risks of an economic slowdown.”

“Private residential: Investment demand has picked up in the primary market. The decline in private residential property prices seems to be decelerating and prices may stabilize in 2017. There is a lot of uncertainty in the global economy, and Singapore is deemed a safe haven in the current uncertain climate. As such, there will continue to be investment demand from foreigners and locals alike.”

“The negative news flow surrounding overall Singapore and regional economy will continue to weigh on the performance of the real estate market in terms of primary and secondary sales, also on the rental and take up of new and existing commercial spaces.”

“While there is no change in current sentiment, future sentiment has deteriorated slightly as prices remain under pressure and interest rate is expected to go up in 2017.”

“Residential new sales and the strong take-up of grade A+ office space are some key reasons for the slightly more positive sentiment. The rest of the sectors see sentiments remain relatively unchanged.”

Comments from Survey Respondents

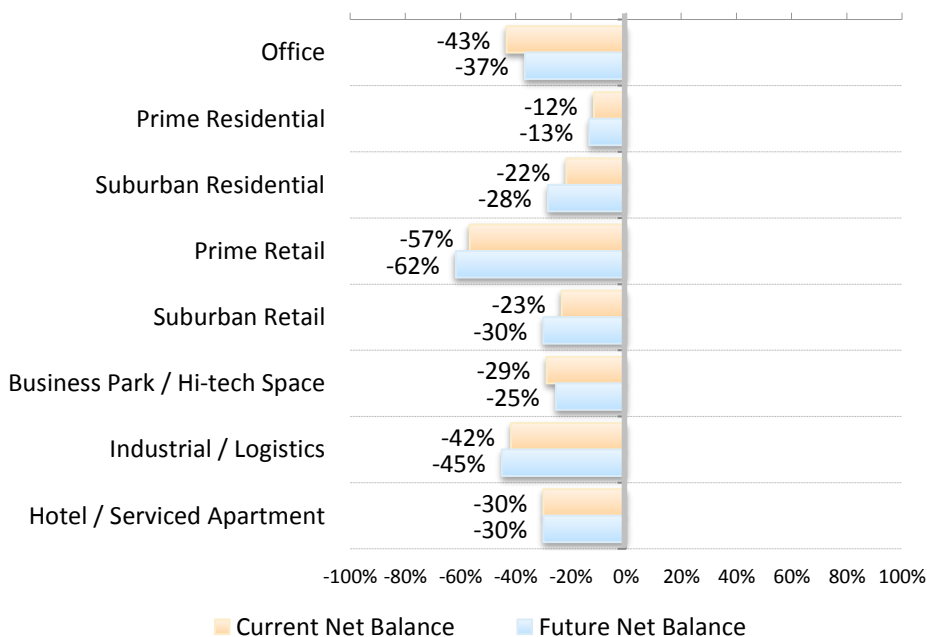
How would you rate the general performance (rental, price, occupancy, purchases etc.) of the sectors over the time periods shown?

Current and future net balances in 4Q16 were still negative for all sectors. Prime retail, office and industrial/logistics sectors were still the three real estate sectors with the worst net balance scores in this quarter.

Prime retail sector was the worst performing sector in 4Q16 showing a current net balance of -57% and a future net balance of -62%.

Office sector showed a moderate improvement from the last quarter with a current net balance of -43% and a future net balance of -37% in 4Q16; while the industrial/logistic sector showed a current net balance of -42% and a future net balance of -45% in 4Q16.

Exhibit 2: Real Estate Market Performance



Source: NUS-REDAS Research

"Banks are getting more cautious on properties given the record price seen in some commercial property transactions which would not have happened in a normal interest rate environment."

"The interest rate environment is expected to be tightened with leads from US Federal Reserve and likely to filter down to commercial businesses."

"Naturally in a downward market banks and investors will prescribe a higher risk premium and require a higher rate return."

"Residential prices have generally been on a gentle declining trend but is likely to stabilise over the next six months or so."

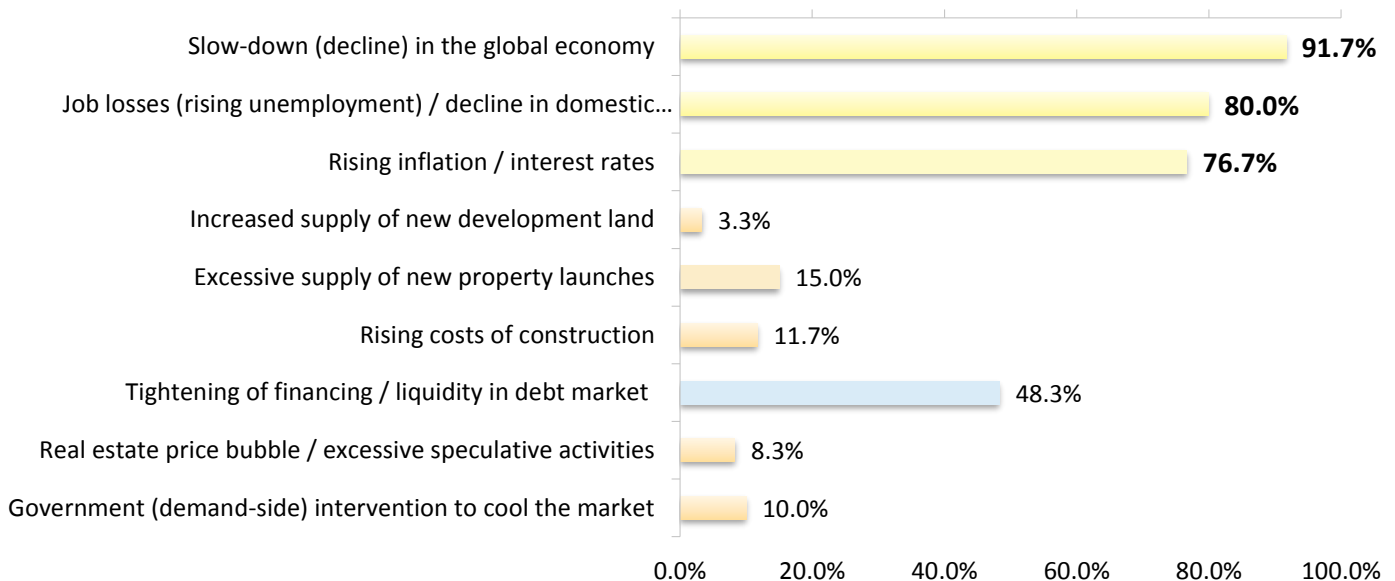
**Comments from
Survey Respondents**

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

91.7% of the respondents surveyed in 4Q16 expect the global economy to slow down, and 80.0% of them identify job losses and declines in domestic economy as two potential risk factors in the next 6 months.

76.7% of them expect rising inflation and interest rate, and 48.3% of them view tightening of financing and liquidity in debt market as growing risk factors.

Exhibit 3: Potential Risks



Source: NUS-REDAS Research

NUS-REDAS RESEARCH

REAL ESTATE SENTIMENT INDEX

4th Quarter 2016



“The slight growth in 1H17 Confirmed List despite developers apparent hunger for land may indicate that the government remains wary of increasing uncertainties in the global economy as well as slowing domestic economic growth.”

“Most of the Developers do not have a reasonable land bank and are looking to tender for sites in the GLS.”

“Land acquisition is fundamental for the business of real estate developers and hence developers will have to participate in both GLS and en bloc sales in order to replenish land to develop so as to maintain employees. Inevitably land prices in better locations may go up as some developers may take a medium term view that government may lift measures in due course, and also the open market that allows foreign developers the opportunity to bring in capital for diversification, increasing the competition.”

“The market is at its equilibrium, unlikely to see big changes. It is likely that the retail components for mixed use developments will shrink further.”

“Pricing could likely remain at the same levels because of the high prices developers had paid for the land; developers also have the alternative to play with unit sizes to keep the prices of units affordable.”

**Comments from
Survey Respondents**

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

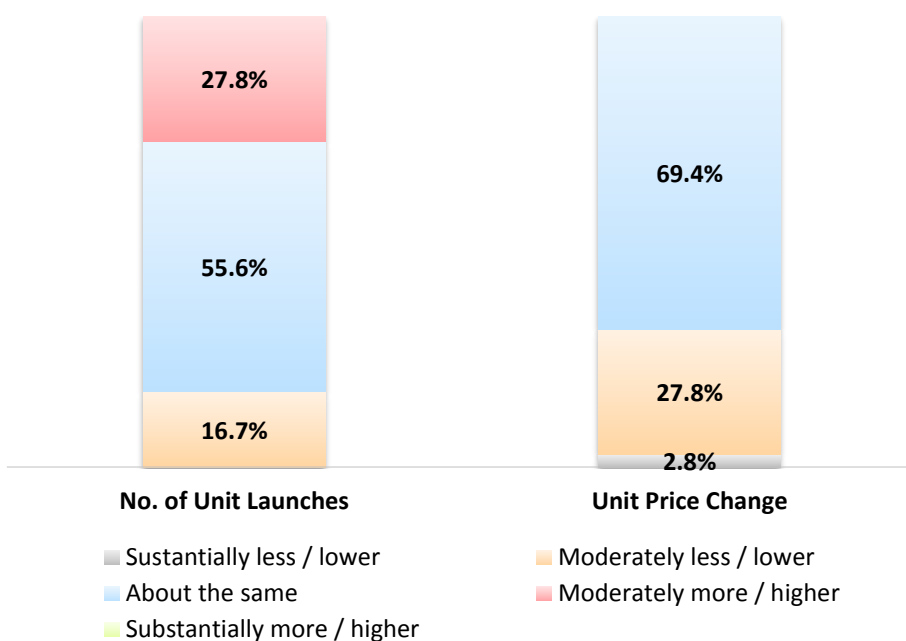
In 4Q16, 27.8% of the developers expect new launches to increase moderately; 55.6% of them expect new launches to hold at the same level in the next six months.

Some 16.7% of them indicate that they would launch moderately less units.

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

In term of unit price change, 27.8% of the developers anticipate a moderate decrease in residential property prices in the next six months. In 4Q16, 69.4% of them expect prices to hold, which is substantially increased from 46.9% in the last quarter.

Exhibit 4: Residential Launches & Prices



Source: NUS-REDAS Research



Do you foresee Johor Bahru (JB) and the surrounding region pose a threat to Singapore in attracting real estate investment, especially from foreign investors?

Exhibit 5 shows that 33.9% of the respondents and 28.6% of the developer respondents consider the JB real estate as a threat to Singapore market.

Relatively cheaper price is the main reason that attracts foreign investments to JB and IDR region. Other key factors indicated by the respondents include strategic location, immigration policy and quality of projects.

Do you foresee the government to "relax" any of the cooling measures over the next year (2017)? If "Yes", how would this impact property price in next year?

Exhibit 6 shows only 30% of the respondents expect some of the cooling measures to be "relaxed" over the next year.

41.0% of them felt that property price would be moderately impacted if cooling measures were to be relaxed.

Exhibit 5: Impact from JB Real Estate Market

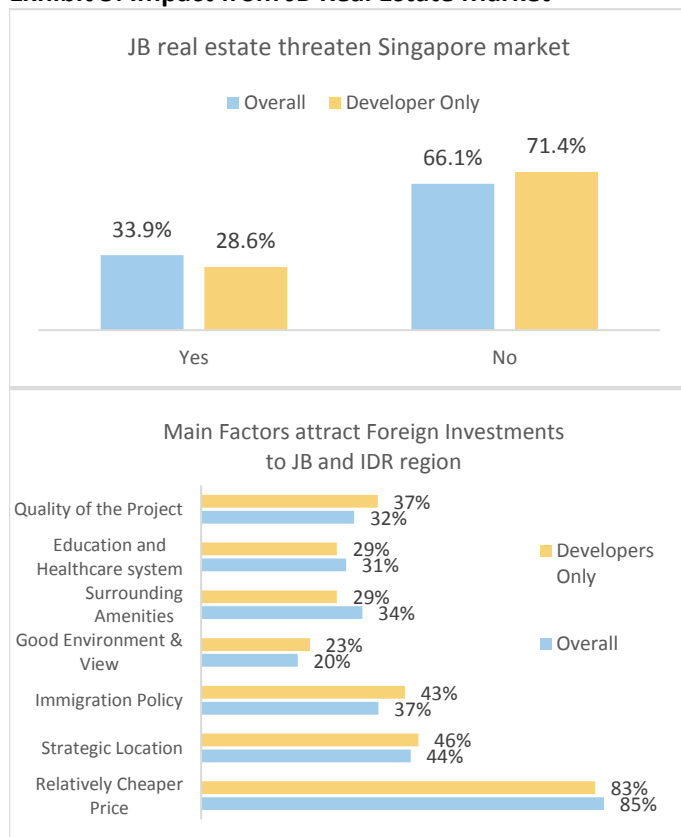
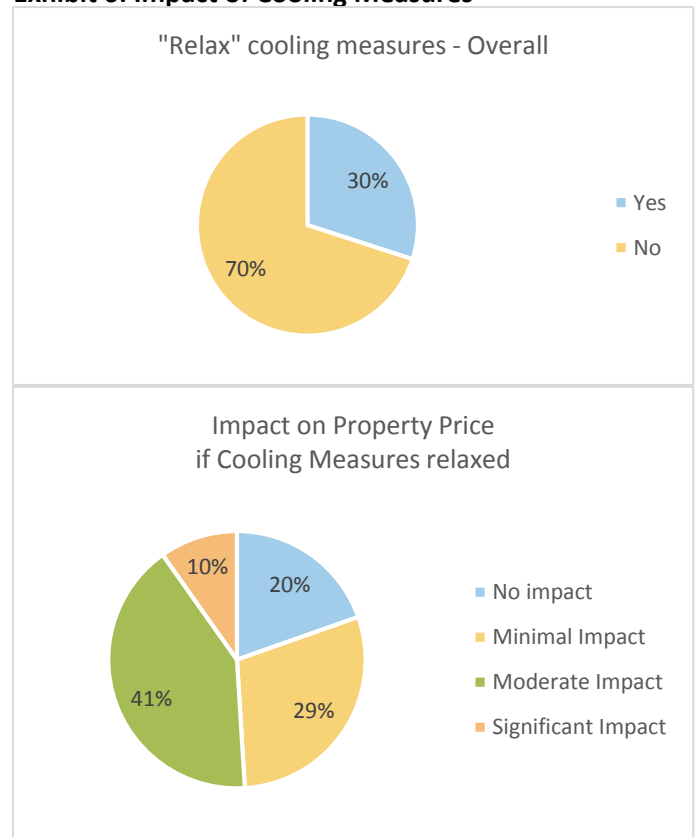


Exhibit 6: Impact of Cooling Measures

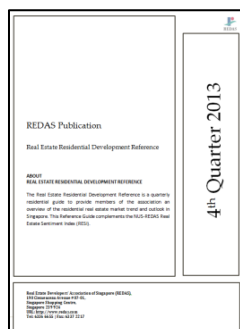


Source: NUS-REDAS Research

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.

© 2017, 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).