

REAL ESTATE SENTIMENT INDEX

4th Quarter 2017

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 real estate market sentiment has continued to improve from strength to strength above the neutral line since the beginning of 2017. The exuberance in the market is buoyed by the en bloc sales and also the upturn of demand in the private residential property market. The market recovery seems to have picked up momentum, which may persist into 2018.”

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 current sentiment index went up to 6.9 in 4Q17 from 6.5 in 3Q17.

Future Sentiment Index:

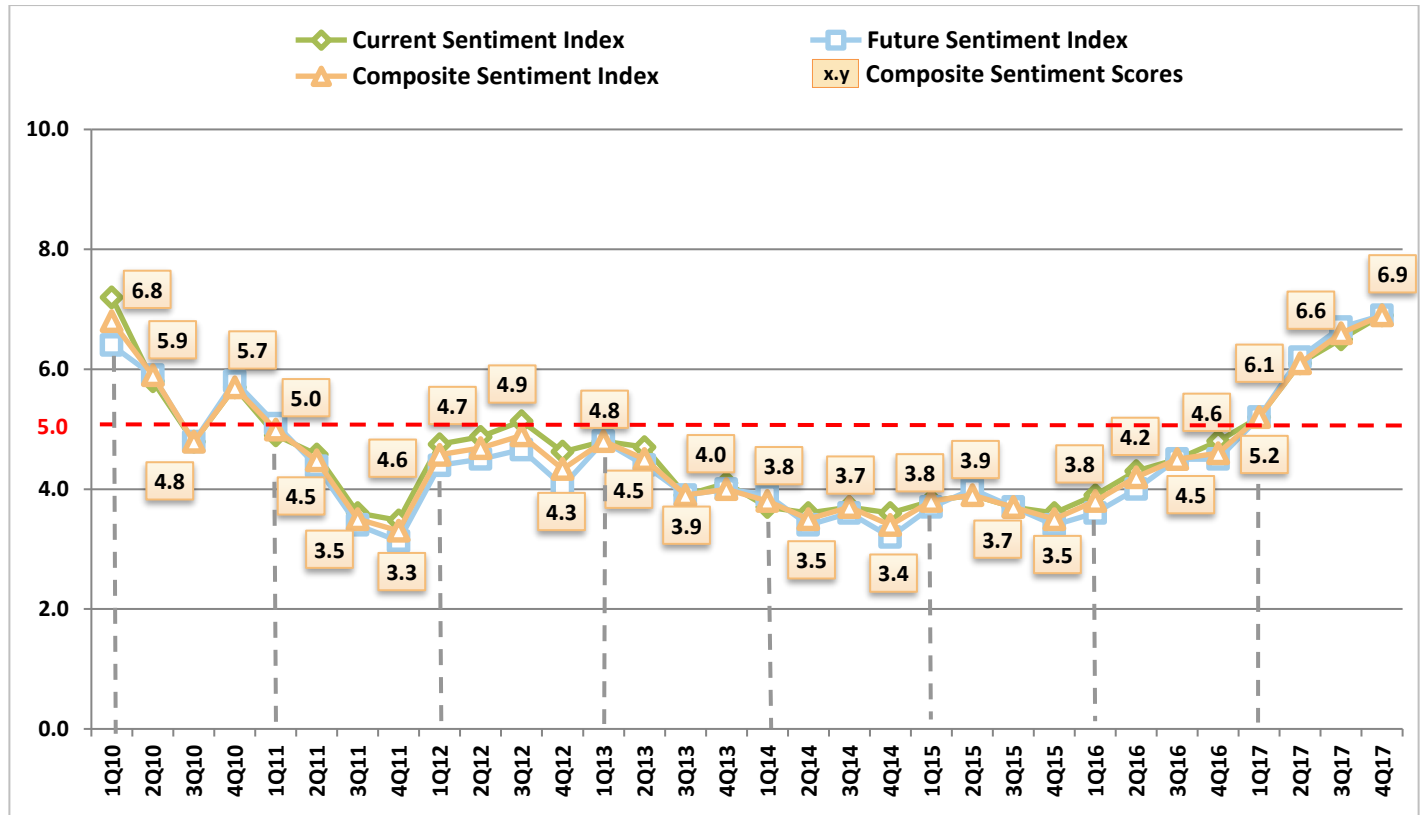
The future sentiment score increased to 6.9 in 4Q17 from 6.7 in 3Q17, which show improved confidence in the market recovery in the next six months.

Composite Sentiment Index:

The overall sentiment stood at 6.9 in 4Q17 up from 6.6 in 3Q17.

Sentiment scores in 4Q17 reached another high after eight consecutive quarters of increases since 4Q15.

Exhibit 1: Real Estate Sentiment Index



Source: NUS-REDAS Research

“Sentiments have been improving gradually over the last few months with increased activities in the residential and commercial sectors. With the improving Singapore economy, the outlook is expected to improve further in the next 6 months.”

“With the aggressive land bid and positive economic outlook next year (2018), there is good reason for property to trend higher and improve residential market conditions.”

“Generally, sentiments boosted by optimistic GLS land bid prices and positive interest momentum in en bloc.”

“Various factors such as pent-up demand, replenishment of landbanks, domestic economic performance and external world outlook all add to the positive sentiments currently driving the property market.”

“Varied pricing and growth expectations should continue to drive sustained competitive bids for land, and in particular for prime sites over the near future.”

“Market sentiments in the Singapore private residential remain buoyant as evidenced by bullish winning bids in recent en bloc and GLS land tenders. There is a wide consensus of a pickup in private property prices in 2018, and buyers are flocking back to the market to catch the upturn.”

**Comments from
Survey Respondents**

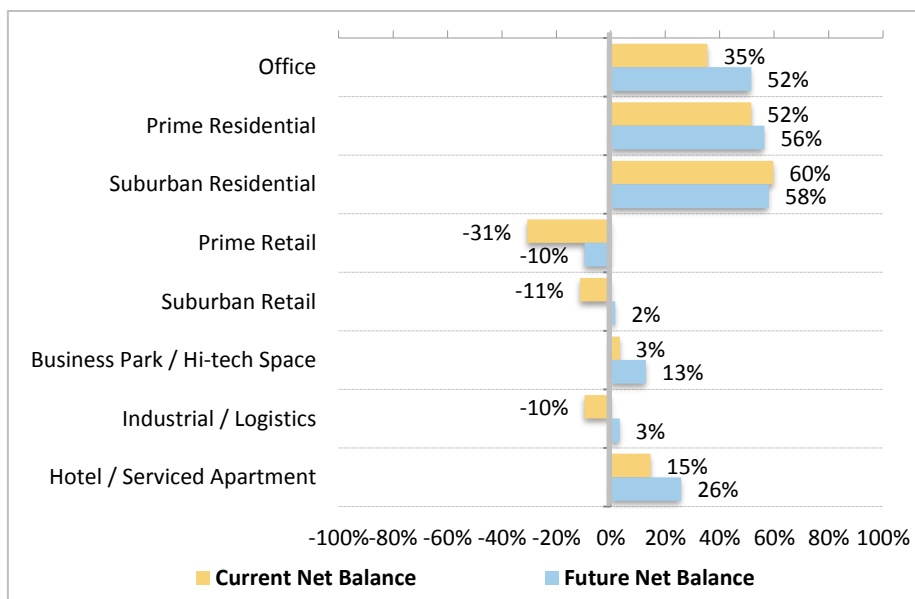
How would you rate the general performance (rental, price, occupancy, purchases etc.) of the sectors over the time periods shown?

Current and future net balances in all sectors showed continuous improvements in 4Q17. The current net balance and future net balance for prime residential, suburban residential, and office sectors showed relatively strong performance. Hotel and service apartment sector also exhibited a clear sign of recovery following strong year-end results in the tourism industry.

Prime residential and suburban residential sectors led the recovery with current net balances of 52% and 60%, increased from 41% and 52% in the last quarter, respectively.

Compared with other submarkets, respondents are still pessimistic on retail sectors, although the sectors saw moderate improvements from the last quarter. Prime retail sector was still the worst performing sector with a current net balance of -31% and a future net balance of -10%, which is an improvement from -33% and -21% in 3Q17, respectively.

Exhibit 2: Real Estate Market Performance



Source: NUS-REDAS Research

“Global economic conditions are looking more stable and this should lift overall sentiments and support consumption and exports from Asia.”

“Current positive sentiments will inevitably draw more capital into the market, whether due to increased asset prices or due to transaction volume.”

“Liquidity is still abundant and not an issue. However, interest rate may rise in the near future but it is not expected to be significant.”

“Many projects have higher land prices. The market is also anticipating and will test how high prices can go, but buyers will resist if prices go up too much.”

**Comments from
Survey Respondents**

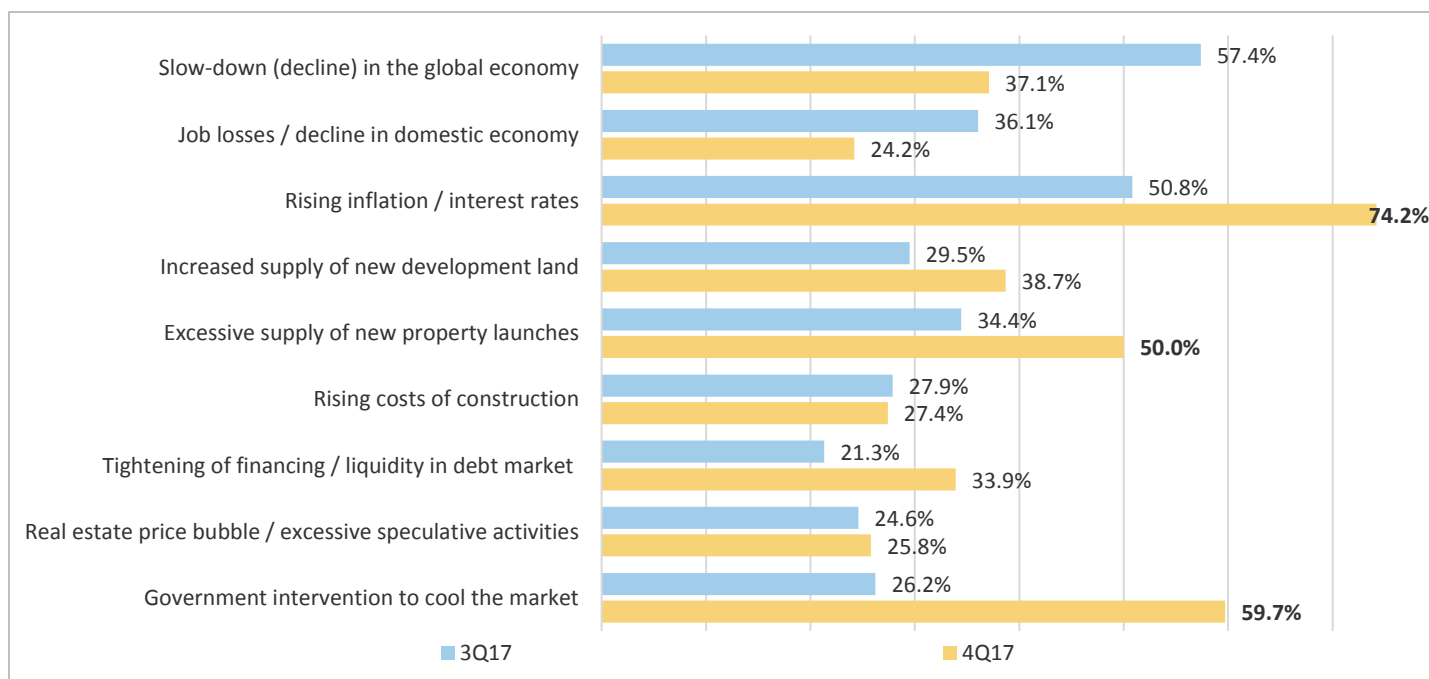
Do you foresee any potential risks that may adversely impact on market sentiment in the next 6 months?

In 4Q17, rising inflation / interest rates, government interventions in the market and excessive new property launches were voted by the respondents as the top three potential risks that may adversely impact market sentiment in the next six months.

74.2% of the respondents were worried about rising inflation and interest rates, increased from 50.8% in 3Q17. Compared to 26.2% in last quarter, 59.7% of the respondents were concerned about government intervention, in view of the implementation of Pre-Application Feasibility Study (PAFS) by LTA for new en bloc projects.

About half of the respondents were also anxious about potential excessive supply in new launches.

Exhibit 3: Potential Risks



Source: NUS-REDAS Research

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“Developers have been replenishing their land banks. With the slew of en bloc sales concluded, there would be an increase of displaced home owners coming onto the market whom are looking for alternative/replacement homes which will drive demand. With land prices increasing, prices for new launches are likely to increase.”

“Land supply under the GLS program is still not enough to satisfy in general the demands from developers to replenish their land banks. Price of land in island wide has been escalating too fast in the past 1 year.”

“The decision to maintain current levels of land supply in the confirmed list, whilst keeping the bulk of land supply in the reserve list, suggests that the government is adopting a wait-and-watch approach, allowing market forces to dictate land supply.”

“Supply from en bloc deals done in 2016, are expected to launch in 1H2018. Given that market sentiments remain buoyant, developers will be looking to launch their units, to capitalize on the market upturn. However, with the launch pipeline expected to double in 2018, developers should strategize and time their launches well to mitigate competitive pressures.”

“Developers have been holding back some developments till after Chinese New Year. Next year's (2018) launch ready projects are also much more than this year's.”

**Comments from
Survey Respondents**

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

In 4Q17, 12.5% of the developers indicated they would substantially increase their new launches; 53.1% of them expected new launches to be moderately more.

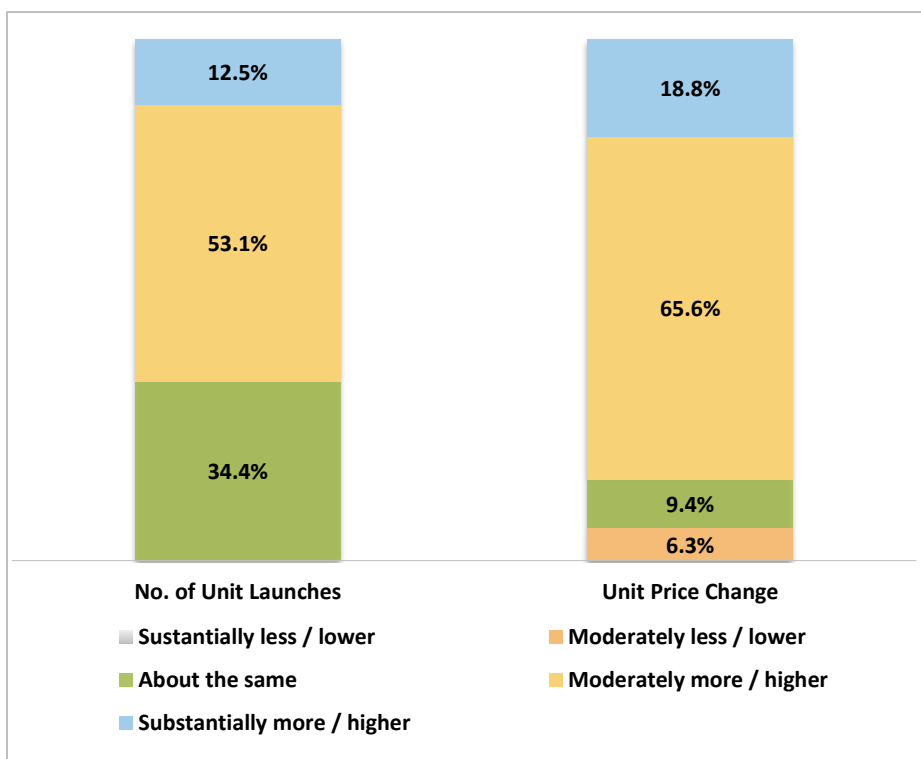
Another 34.4% of them expected new launches to hold at the same level. No respondents indicated that they would launch less units.

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

In terms of unit price change, 18.8% of the developers anticipated residential property prices to substantially increase in the next six months.

In 4Q17, 65.6% of them expected the unit price to increase moderately, and 9.4% expected the price to hold at the same level.

Exhibit 4: Residential Launches & Prices



Source: NUS-REDAS Research

How will the implementation of PAFS impact on potential en bloc sales? Will there be more changes of rules?

Based on the five given impact options, 75.8% and 59.7% of the respondents indicated that PAFS would significantly or moderately impact development density on en bloc sites and pricing of en bloc sites, respectively. Comparing with the rest, en bloc projects' reserved prices would be relatively less influenced by this implementation.

In view of the latest PAFS, 40% of all respondents and 50% of the developers expect more changes of rules for en bloc redevelopments.

Exhibit 5: PAFS' impact on Potential En Bloc Sales

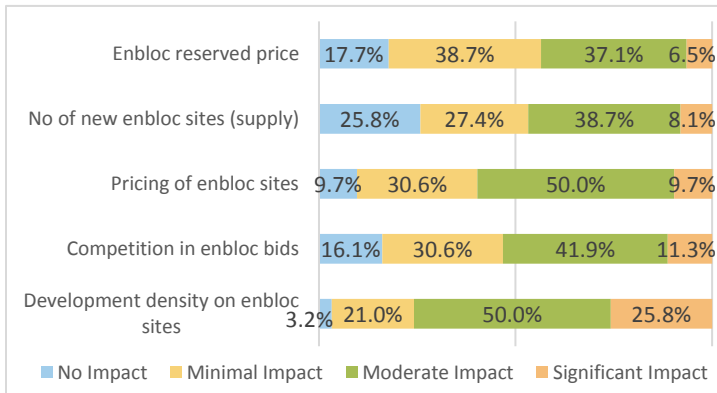
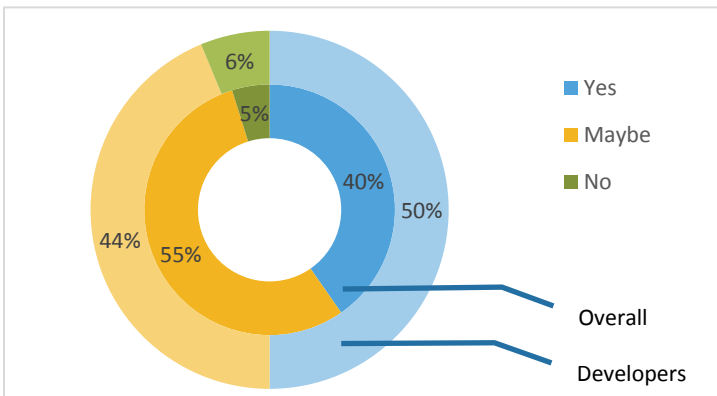


Exhibit 6: Forecast of More Changes in Policy



In view of the hype in en bloc sales, would you foresee a serious over-supply in the next one to two years? What are the possible reasons?

En bloc sales hit two-year high in 2017. 65% of all respondents and 69% of the developers foresee a serious over-supply in the next one to two years.

59.7% of the respondents indicated possible over-supply due to developers' aggressive bidding; and 43.5% of them pointed out that redeveloping en bloc sites into smaller units to achieve higher \$psf was another en bloc related factor that may cause over-supply in the market.

Exhibit 7: Forecast of a Serious Over-Supply

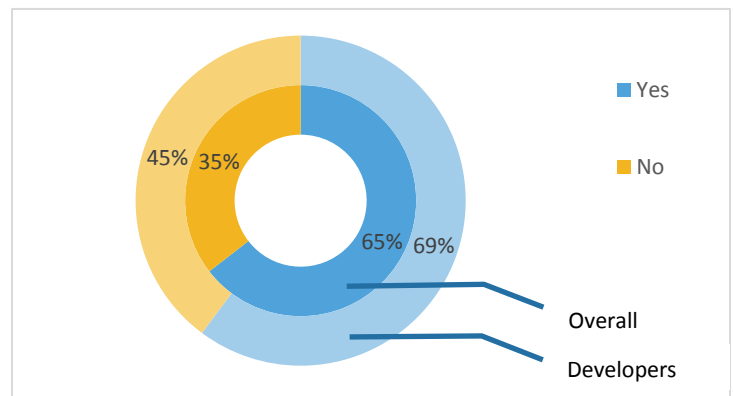
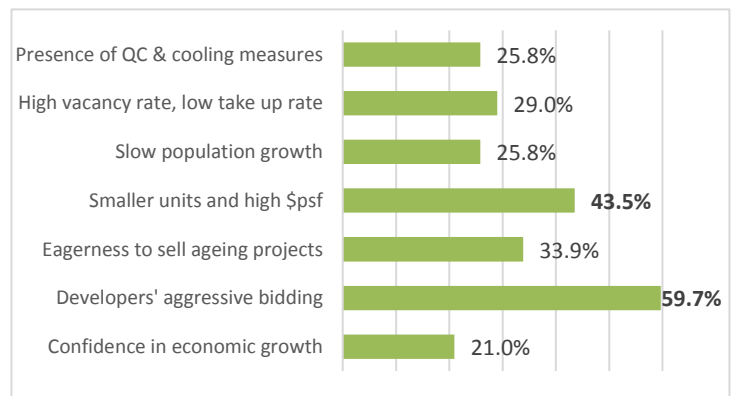


Exhibit 8: Possible Causes for Over-Supply



Source: NUS-REDAS Research

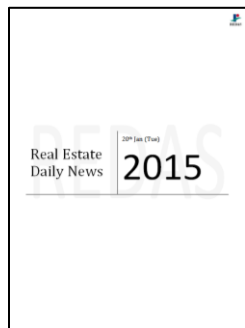
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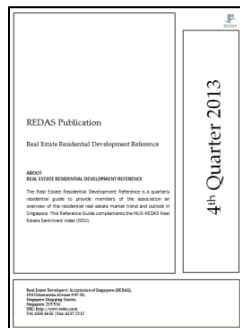
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Explanatory Note

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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