

REAL ESTATE SENTIMENT INDEX

2nd Quarter 2019

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 (minimum value 0) or optimism (maximum value 10) 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 future net balances are zero or negative for all sectors, which imply uncertainties in the market outlooks ahead.”

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 remained the same as in 1Q2019, which was 4.6 in 2Q19.

Composite Sentiment Index:

The current overall market sentiment was 4.5, which decreased from 4.6 in 1Q19.

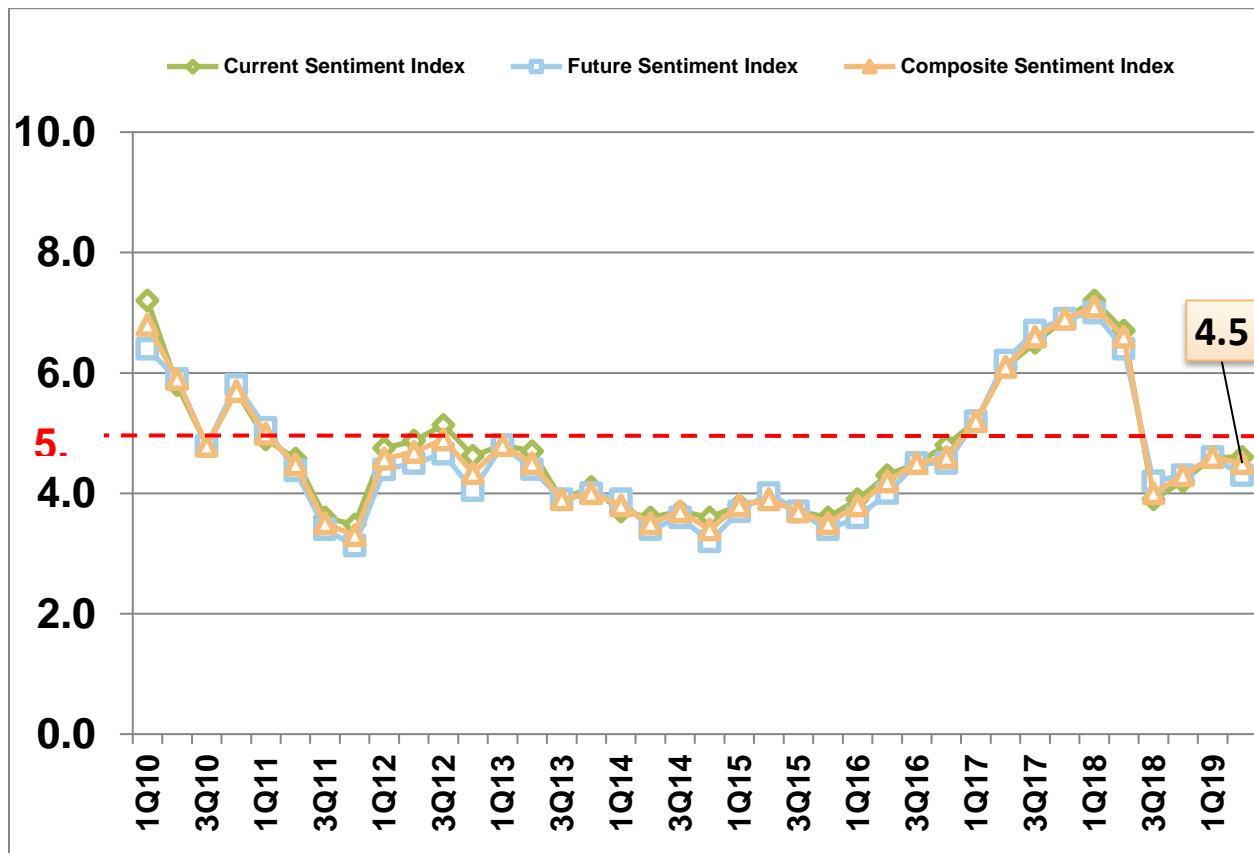
Sing Tien Foo
Associate Professor

Future Sentiment Index:

The future sentiment score of 4.3 in 2Q19 was lower than 4.6 in 1Q2019.

Sentiments continued to stay below the optimistic level since the new cooling measures released in July 2018.

Exhibit 1: Real Estate Sentiment Index (1Q 2010 – 1Q 2019)



Source: NUS-REDAS Research



“Escalation in trade war, deteriorating external environment and poor economic data have dampened sentiment and affected business confidence of occupiers.”

“Geopolitical challenges such as the trade war, Brexit and others are affecting our economy and will certainly dampen sentiment moving forward.”

“US-China trade war continues to cast a shadow over market sentiment. As central banks cut interest rate, the flood of capital may drive further yield compression in Asian markets. Markets with deeper domestic demand should bode well in this highly uncertain time.”

“Residential seems to be holding up as the market is still flushed with liquidity. Although the risk of global slowdown is higher, buyers are less deterred from the residential market partly due to the heightened geopolitical risk in places like Hong Kong and Korea.”

“We are mainly in rental market. When we renew the lease, we get a slightly better rent, but not sure of the sale of properties. We guess they are slightly worse.”

“Since market sentiments have picked up, developers will want to catch the buyers before local and global conditions dim.”

Comments from Survey Respondents

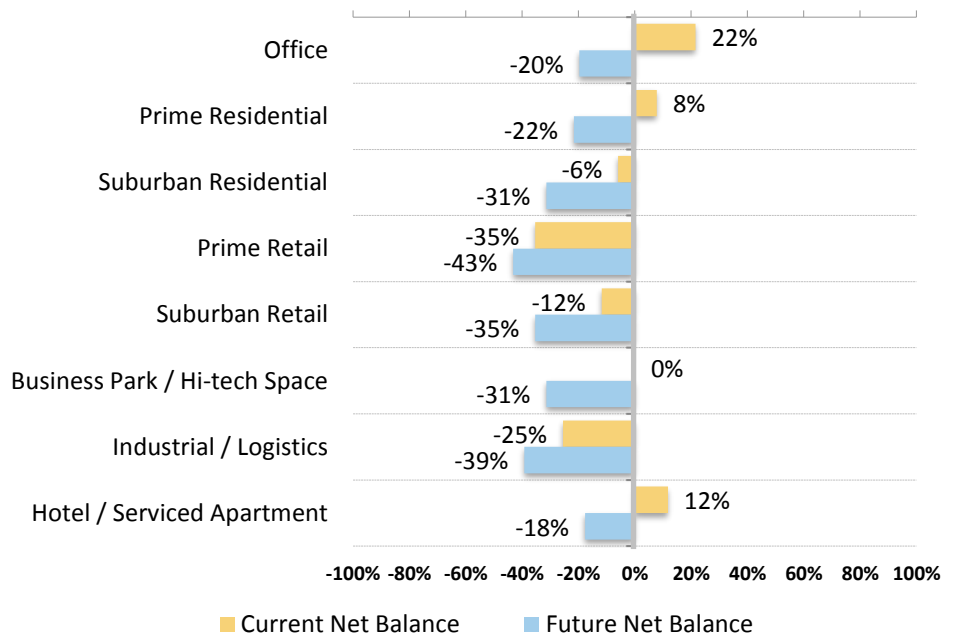
How would you rate the general performance (rental, price, occupancy, purchases etc.) of the sectors?

Office, prime residential and hotel/serviced apartment are the three sectors with a net positive current balance. The office and hotel/serviced apartment sentiments declined from 1Q19, while the prime residential sentiment improved from -28% in 1Q19 to 8% in 2Q19. Overall, market ratings for the prime retail sector has the lowest net current balance of -35% in 2Q19.

The net balances for the next six months are negative for all the sectors with the prime retail and the industrial/logistics sectors showing the lowest future net balance of -45% and -39%, respectively .

The views on the current net balances and the future net balances for offices, prime residential, business park/hi-tech space and hotel/serviced apartment sectors are the most divided.

Exhibit 2: Real Estate Market Performance



Source: NUS-REDAS Research

“Slowing global economic growth should weigh down on overall markets in Singapore especially those that are susceptible to global trade ebb and flow. however residential especially higher end products may see a lift given the price affordability and rising tension in North Asia.”

“Deteriorating external environment must raise investors' cautiousness and affect fund raising.”

“Lower interest rates should benefit debt market while risk assets would be subject to economic uncertainties.”

**Comments from
Survey Respondents**

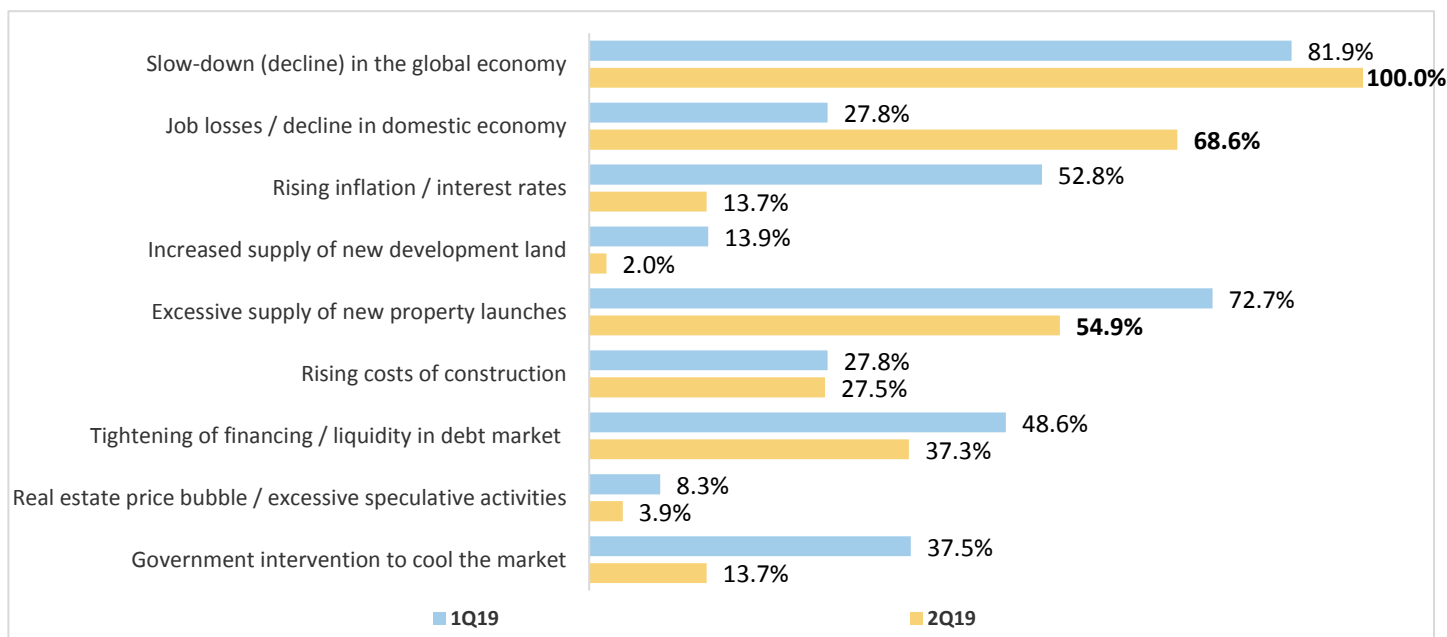
Do you foresee any potential risks that may adversely impact on market sentiment in the next 6 months?

In 2Q19, the respondents identified decline in the global economy, job losses / decline in domestic economy, and excessive supply in new property launches as the top three risk factors that may adversely impact the market sentiment in the next six months.

All the respondents (100%) show unanimous agreement that the slow-down in global economy is the top risk factor in 2Q19. 68.6% of the respondents were concerned about job losses / decline in domestic economy in 2Q19, compared to 27.8% in 1Q19.

The percentage of respondents who were worried about rising inflation / interest rates dropped from 52.8% in 1Q19 to 13.7% in 2Q19.

Exhibit 3: Potential Risks



Source: NUS-REDAS Research

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“Most developers may remain cautious with some looking at increasing their land bank marginally.”

“Where development land is concerned, we are still in an oversupply mode for residential. The many unsuccessful collective sale attempts is testament to this.”

“There are lesser choices of GLS sites as government cuts back on the new release.”

“More projects will become launch ready in 2H19 and it would be in the interest of developers to push more out before buyer sentiment take a turn for the worse in the event of economic recession.”

“Many enbloc sites sold in 2016/17 have to push out due to the ABSD penalty and other constraints.”

“The deteriorating external environment and heightened economic recession risk for Singapore could put home buyers in a cautious mode and become even more price-sensitive.”

Comments from Survey Respondents

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

In 2Q19, at least 59.2% of the developers expected increases, either substantially or moderately, in new launches in the next 6 months.

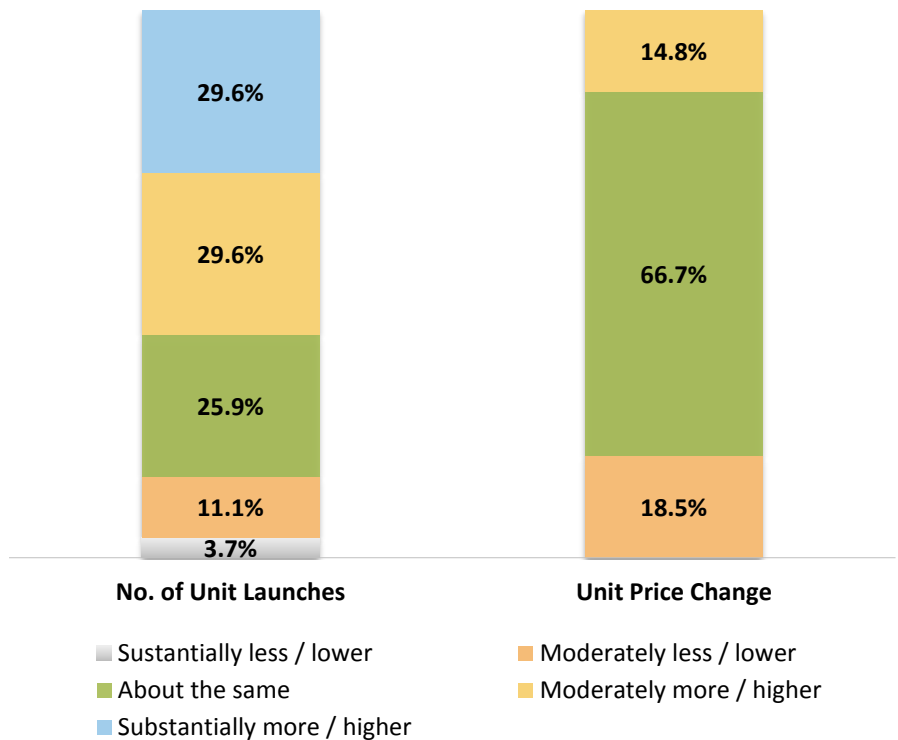
Only 3.7% of them expected a substantially lower number of new launches.

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

In terms of unit price change, 14.8% of the developers anticipated residential property prices to moderately increase in the next six months.

66.7% of them expected residential property prices to remain at the same level, and 18.5% of them expected a drop in the prices in the next six months.

Exhibit 4: Residential Launches & Prices



Source: NUS-REDAS Research

How would you expect the trimming of Singapore’s 2019 GDP growth to impact prices and take-up rates of new residential units in the next 6 to 12 months?

More than half of the respondents felt that the trimming of Singapore’s 2019 GDP growth would have minimal or no impact on new residential unit prices. 35.3% and 9.8% of the respondents indicated that the slowing GDP growth would have moderate and significant impact on prices of new residential units, respectively.

56.9% and 17.6% of the respondents expected the trimming of Singapore’s 2019 GDP growth to have moderate and significant impact on the take up rates of new residential units, respectively.

How will the global economic uncertainties, halting or even reversing of interest rate hikes and easing monetary policy over the next 12 months impact investment interest in Singapore’s residential property and investment in Singapore’s real estate in general?

Roughly two-thirds of the respondents expected the global economic uncertainties, halting or even reversing interest rate hikes and easing monetary policy over the next 12 months to have moderate to significant impact on investment interest in Singapore’s residential property and investment in Singapore’s real estate, while only 2% of the respondents expected no impact.

Exhibit 5: Assessment of the trimming of Singapore’s 2019 GDP growth.

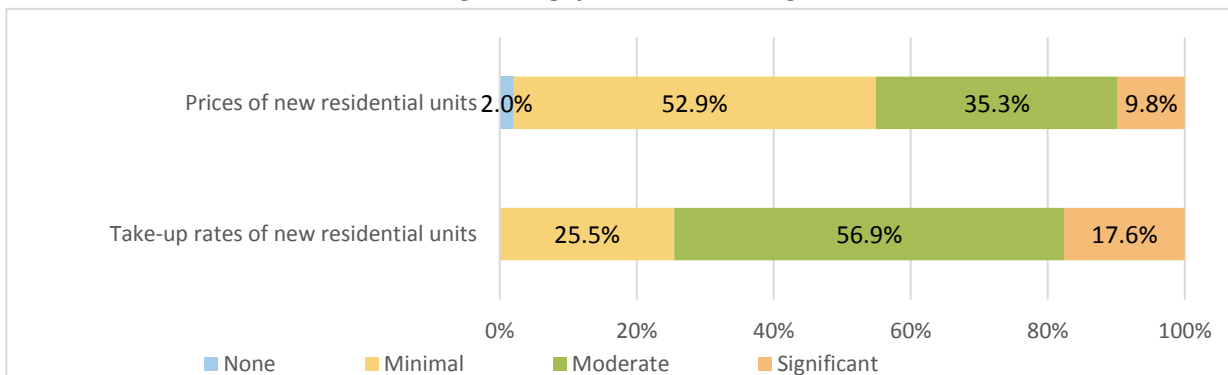
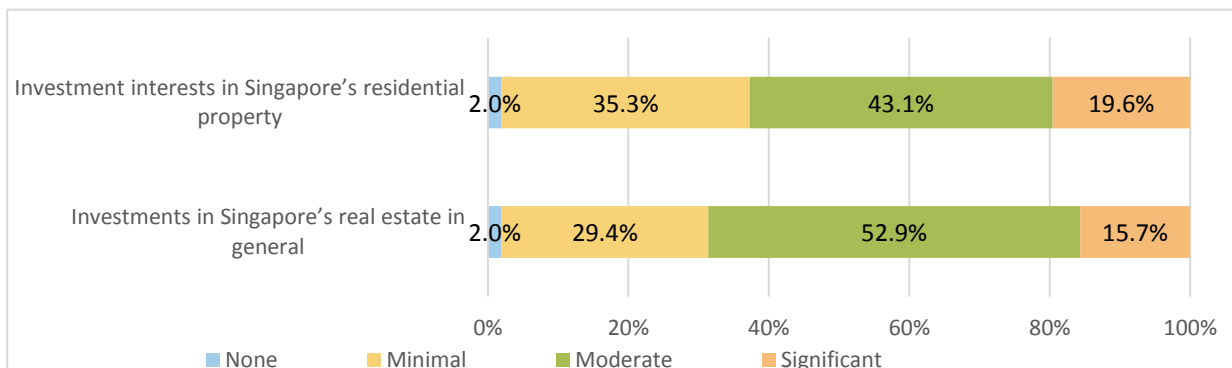


Exhibit 6: Assessment of the global economic uncertainties, halting or even reversing of interest rate hikes, etc.



Source: NUS-REDAS Research

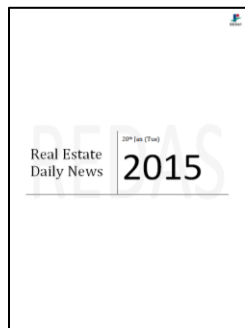
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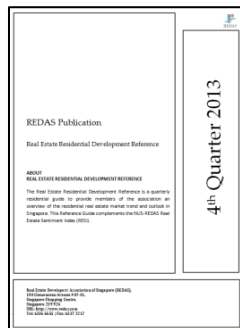
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REDAS Daily News



**REDAS - Residential
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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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