

REAL ESTATE SENTIMENT INDEX

4th 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 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 Q42019 sentiments may not have fully captured the COVID-19 impact at the time of the survey. Following declaration of the COVID-19 outbreak as a pandemic by the World Health Organization (WHO) on 11 March 2020, the sentiments are expected to be further aggravated with more uncertainties ahead.

Professor Sing Tien Foo

How would you compare the conditions of the overall Singapore real estate market (commercial, residential, hospitality etc.) over the time periods indicated?

Current Sentiment Index#:

The current sentiment for 4Q19 was slightly lower at 4.4 compared to the 2Q19 score.

Future Sentiment Index#:

The future sentiment declined to 4.1 in 4Q19 from 4.3 in 2Q10.

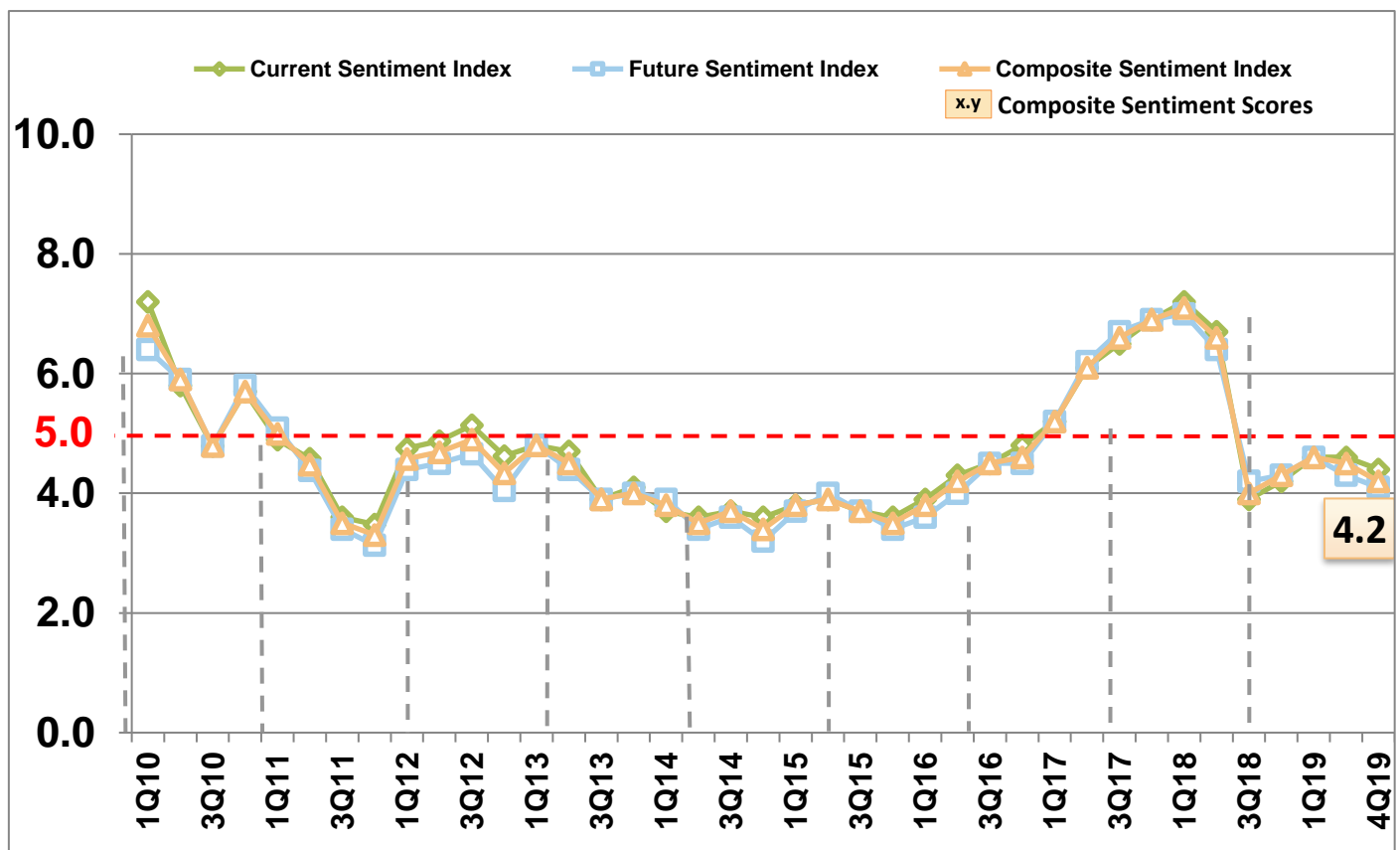
Composite Sentiment Index#:

The overall sentiment score for 4Q19 fell to 4.2, which was the lowest score observed in the year 2019.

Note: The sentiments were computed based on the responses collected in the month of January 2020, which may not have fully reflected the impact of the COVID-19 pandemic that broke out in China towards the end of 2019.

The sentiment survey was not conducted in 3Q19

Exhibit 1: Real Estate Sentiment Index (1Q 2010 – 4Q 2019)#



Source: NUS-REDAS Research



“General performance for all the sectors is about the same due to the uncertainty of the global economy. The real estate and capital market conditions remains unchanged due to 2019-nCov impact.”

“With coronavirus looming, the restrictions on travel especially to China will cause the demand for residential to decline further.”

“There were capital inflows the past few months but with the restrictions on travel and market uncertainty, capital market will be on hold.”

“Overall Market Sentiment is still active due to several new launches in residential market.”

“Stock market will be dragged down by the global economic uncertainties.”

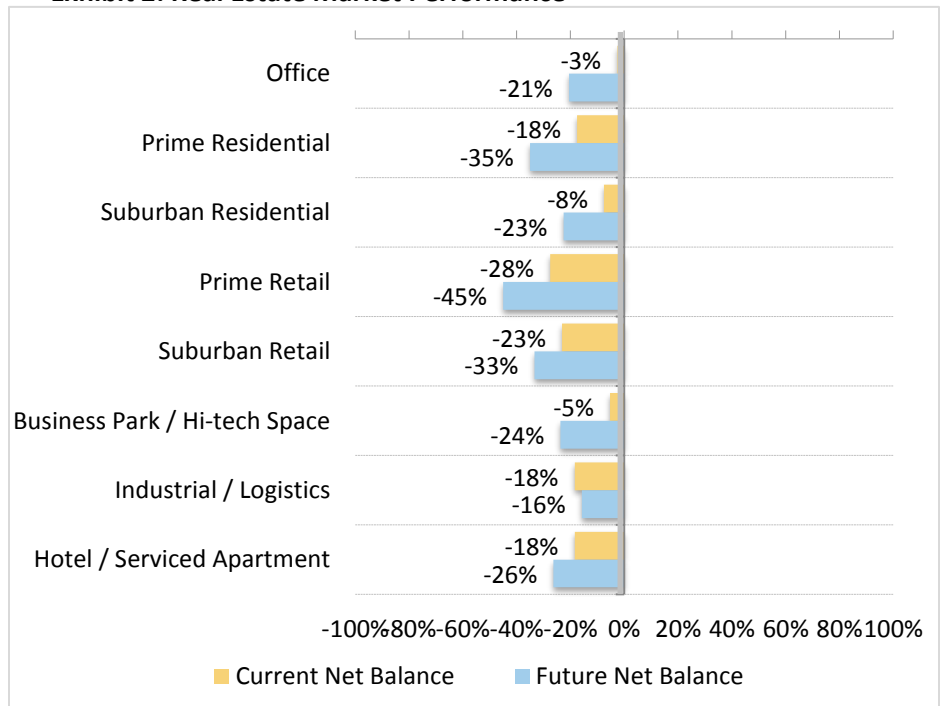
Comments from Survey Respondents

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

The current net balance for all the eight sectors were negative in 4Q19. Compared to 2Q19, the net balances for office, prime residential and hotel/serviced apartment sectors turned from positive to negative. The current net balances for office, prime residential and hotel/serviced apartment fell to -3%, -18% and -18%, respectively.

The future net balances that capture the outlooks for the next six months were negative for all the eight sectors. Prime retail, prime residential and suburban retail were the three worst performers showing the future net balances of -45%, -35% and -33%, respectively.

Exhibit 2: Real Estate Market Performance



Source: NUS-REDAS Research

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Comments from Survey Respondents

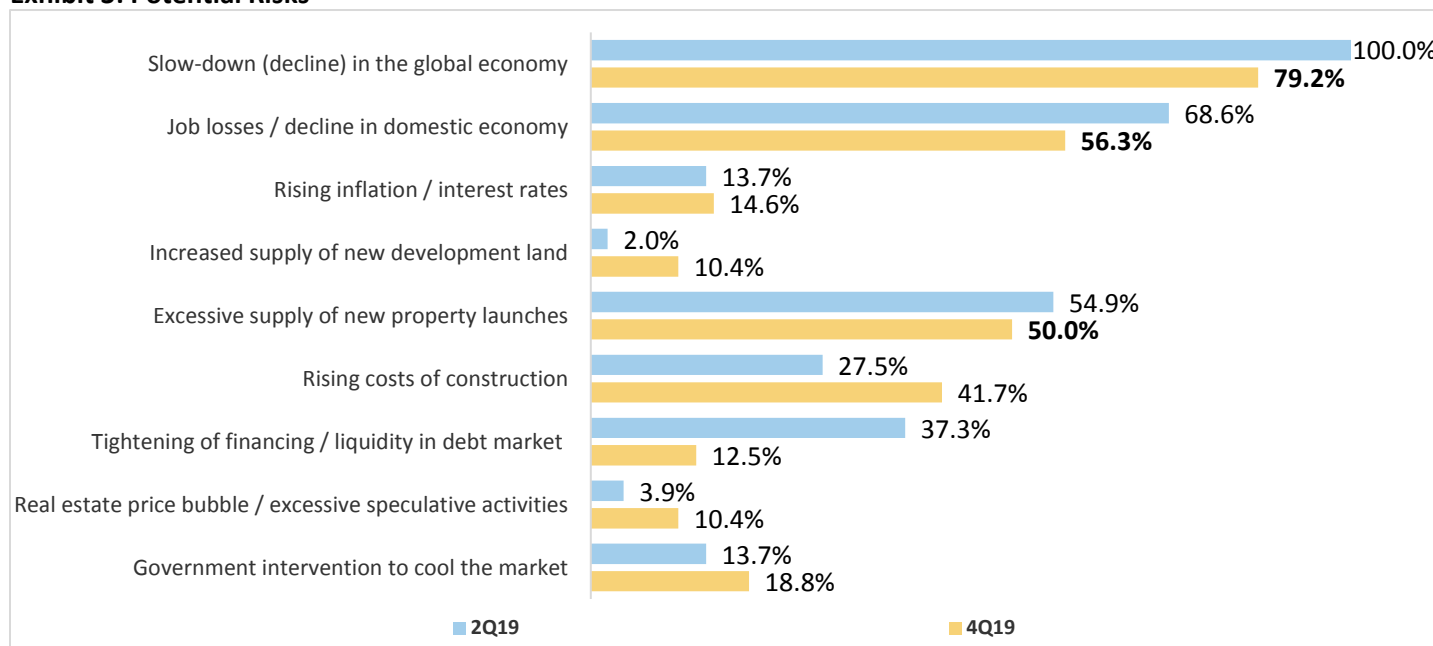
Do you foresee any potential risks that may adversely impact on market sentiment in the next 6 months?

In 4Q19, 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.

Despite the reduced tension between US and China towards the end of 4Q19, 79.2% of the respondents still showed concerns over the slow-down in global economy. 56.3% of the respondents were concerned about job losses / decline in domestic economy in 4Q19.

The percentage of respondents who were concerned about tightening of financing/ liquidity in debt market in 2Q19 fell from 37.3% to 12.5%.

Exhibit 3: Potential Risks



Source: NUS-REDAS Research



“The expected new residential units to be launched in the next six months will be more than previous due to new supply from previous awarded land.”

“Properties purchased by developers in 2018-19 need to be sold in 5 years.”

“Due to the uncertainty of current economy situation, price is expected to maintain the same in the next six months.”

“The change in the average size of apartments from 70sqm to 85 sqm outside the central area after 17 Jan 2019 means that new project launches in 2020 are likely to feature larger units. This will mean an increase in absolute quantum for buyers.”

Comments from Survey Respondents

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

In 4Q19, 57.2% of the developers expected increases, either substantially or moderately, in new launches in the next 6 months.

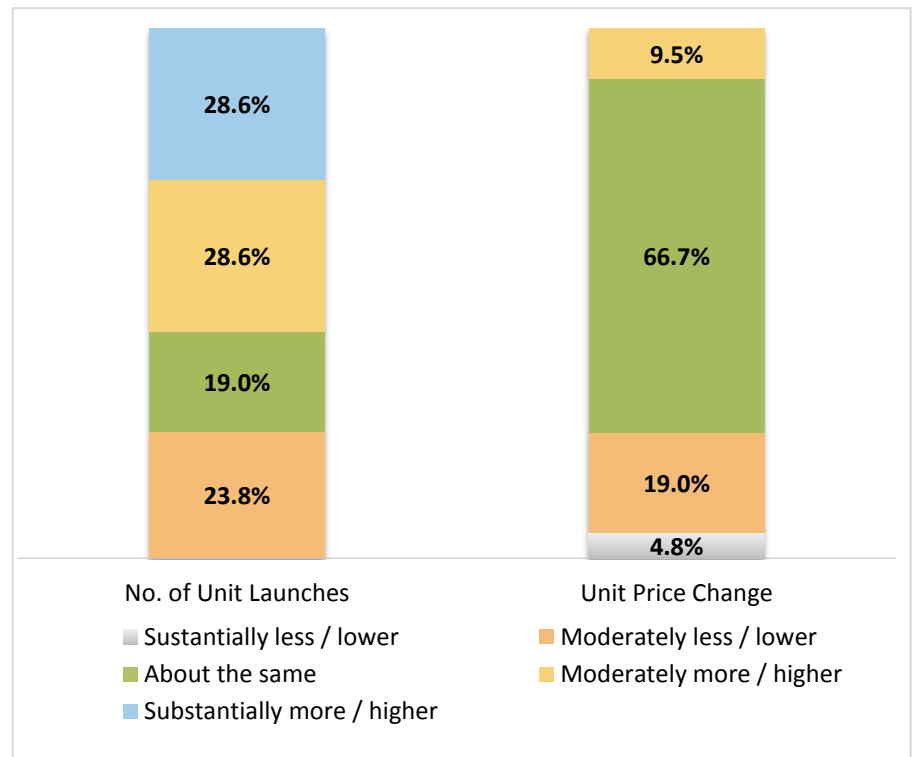
23.8% of the developers expected a moderately lower number of unit launches

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

In terms of unit price change, 9.5% of the developers anticipated residential property prices to moderately increase in the next six months.

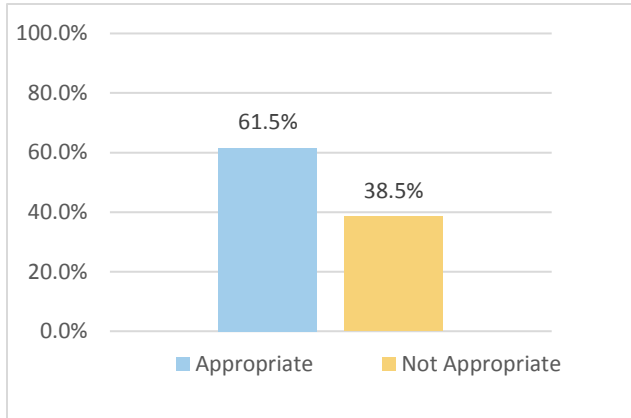
66.7% of them expected residential property prices to remain at the same level, and 23.8% of them expected a drop in the prices in the next six months.

Exhibit 4: Residential Launches & Prices



Source: NUS-REDAS Research

Exhibit 5: Timing of the Kampong Bugis site release



Source: NUS-REDAS Research

“It is on the reserve list - It allows time for developers to study the available information and consider what kind of projects can be built there, to look for JV partners etc.”

Comments from Survey Respondents

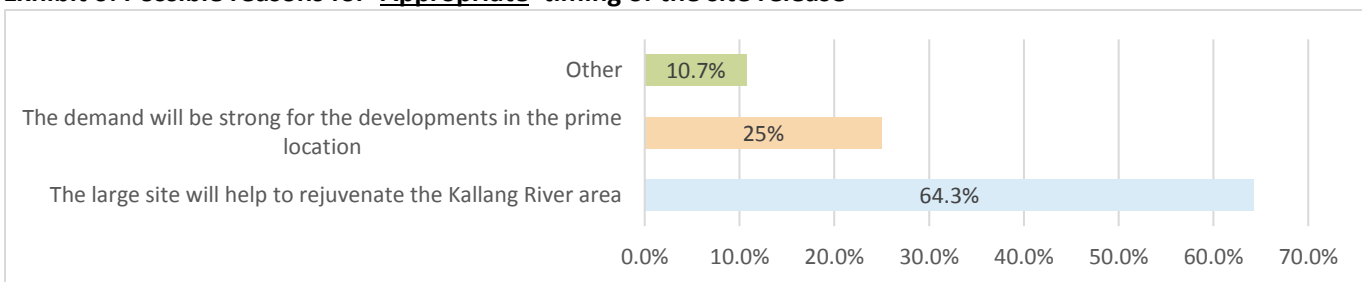
URA has released the Kampong Bugis white site for application from the Government Land Sales (GLS) reserve list. What do you think of the timing of the release of the site?

61.5% of the respondents felt that the release of the Kampong Bugis site was appropriate, while 38.5% of the respondents disagreed.

Among the respondents indicating that the timing was appropriate, 64.3% of them felt that the large site will help rejuvenate the Kallang River area, while 25% of them felt that the demand will be strong for the developments in prime location.

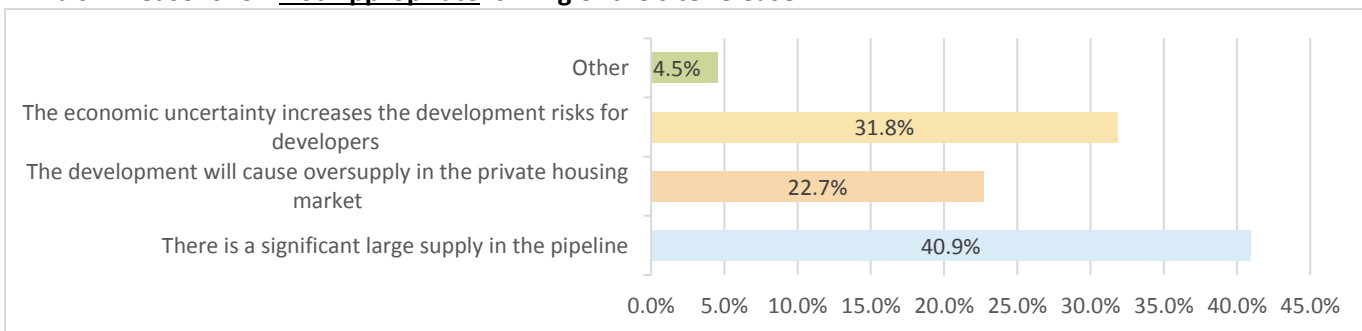
For the respondents indicating the timing of the site release to be “not appropriate”, the two most cited reasons were the significant large supply in the current pipeline (40.9%) and the impact of economic uncertainty on development risks (31.8%).

Exhibit 6: Possible reasons for ‘Appropriate’ timing of the site release



Source: NUS-REDAS Research

Exhibit 7: Reasons for ‘Not Appropriate’ timing of the site release



Source: NUS-REDAS Research

For the Kampong Bugis site, URA has introduced different tendering methodology for the site. Are you aware of the various approach that will be incorporated into the tender for the site?

In general, the respondents were aware of the three approaches used in the tender for the Kampong Bugis site. 86.8% were aware of the concept and price revenue tender approach, while 72.2% were aware of the top-up pricing scheme.

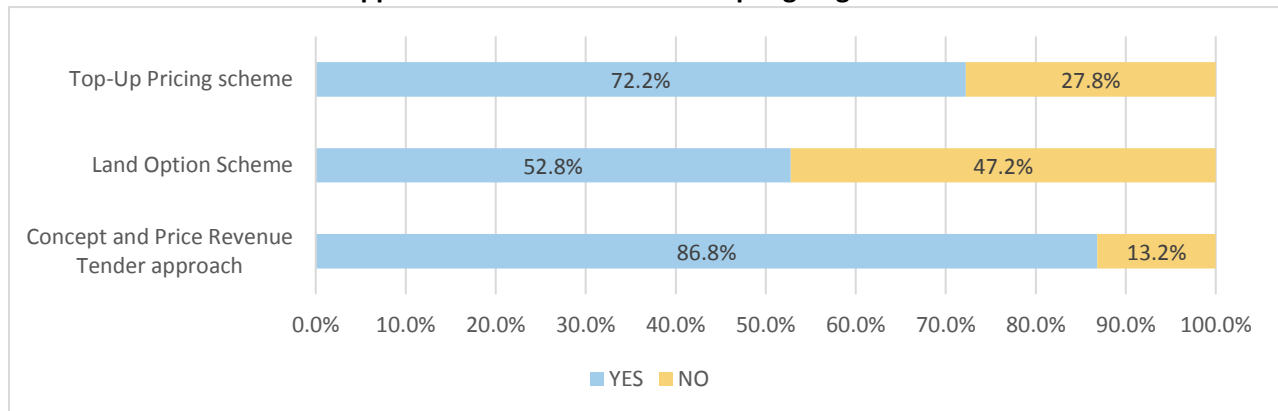
As for the land option scheme, 47.2% of the respondents were not aware of the scheme.

Do you think these approaches will increase the competition in the tender?

61.1% of the respondents felt that the concept and price revenue tender approach will increase the competition for the tender.

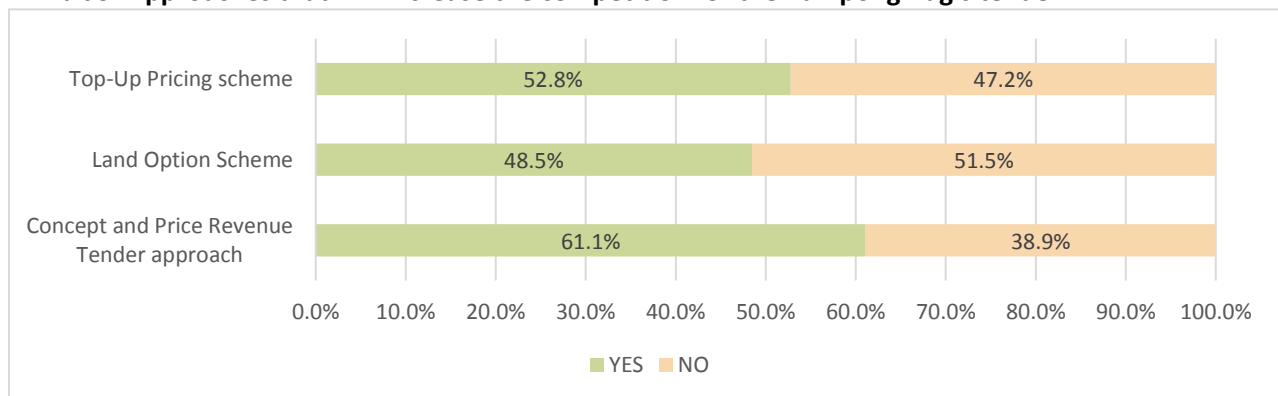
The responses for the other two approaches were mixed between those who feel the two approaches will increase the competition for the tender and those who feel otherwise.

Exhibit 8: Awareness of the approaches included in the Kampong Bugis site tender



Source: NUS-REDAS Research

Exhibit 9: Approaches that will increase the competition for the Kampong Bugis tender



Source: NUS-REDAS Research

“Introduce more diverse housing options for the masses to be living and working in the CBD.”

“The incentive increase of plot ratio may not work so well as part of the economic return of investment, and not attractive enough. Other incentives such as reducing the development charge rate subsequently might garner better end results.”

“The CBD incentive scheme is likely to result in an increase in tenants and a large portion of small units for investment. However, the amenities in the area are not conducive for families.”

“As some of the buildings are strata-titled, more incentives could be provided to facilitate collective sales and also compensation for loss of income during period of construction, etc.”

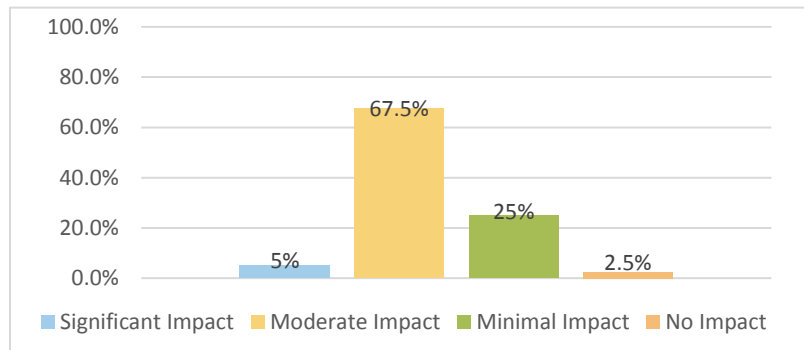
“Government can rejuvenate the CBD by redeveloping HDB estates at Tanjong Pagar and Hong Lim.”

Comments from Survey Respondents

In line with Singapore’s Master Plan 2019, URA introduced the Central Business District (CBD) Incentive Scheme to encourage the conversion of older office developments into mixed-use projects. Do you think that this would bring about the intended rejuvenation of the CBD in a significant way within the next 5 years?

Only 5% of the respondents expected the incentive scheme will have significant impact on the CBD rejuvenation. 67.5% of the respondents expected a moderate impact, while the remaining 27.5% expected minimal to no impact on the CBD rejuvenation.

Exhibit 10: The impact of CBD Incentive Scheme

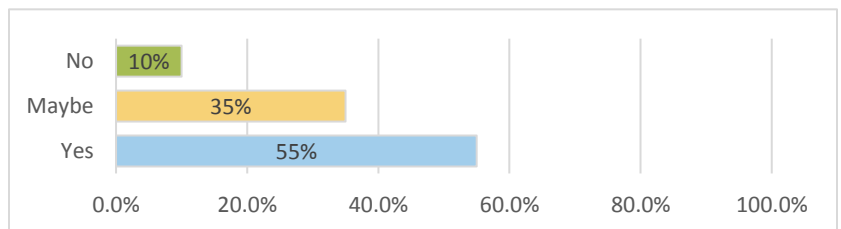


Source: NUS-REDAS Research

Apart from the CBD Incentive Scheme, are there other incentives/directives needed to bring about the intended CBD rejuvenation?

55% of the respondents agreed that there should be additional incentives to stimulate the CBD rejuvenation efforts.

Exhibit 11: Other Incentives/ Directives



Source: NUS-REDAS Research

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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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