NUS-Real Estate

REAL ESTATE SENTIMENT INDEX

4th Quarter 2020

About Real Estate Sentiment Index (RESI)

With effect from 1Q 2020, National University of Singapore (NUS) Real Estate (NUS+RE), which collectively represents Department of Real Estate (DRE) and Institute of Real Estate and Urban Studies (IREUS) at NUS, will independently publish the Real Estate Sentiment Index (RESI) to provide an alternative measure of the private real estate market performance. The data collection, analysis and reporting will be independently conducted by NUS+RE. [*Note: The index jointly developed by NUS Real Estate and the Real Estate Developers' Association of Singapore (REDAS) was first introduced in 2010.*]

The quarterly structured questionnaire survey is based on the sentiments of senior executives of real estate 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 strong rebound in the market sentiment amidst the uncertain economic outlooks, and the pandemic impact has yet been fully cleared. The optimistic outlooks could be driven by strong performance in the new sale private residential markets after lifting the circuit breaker in June 2020.

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?

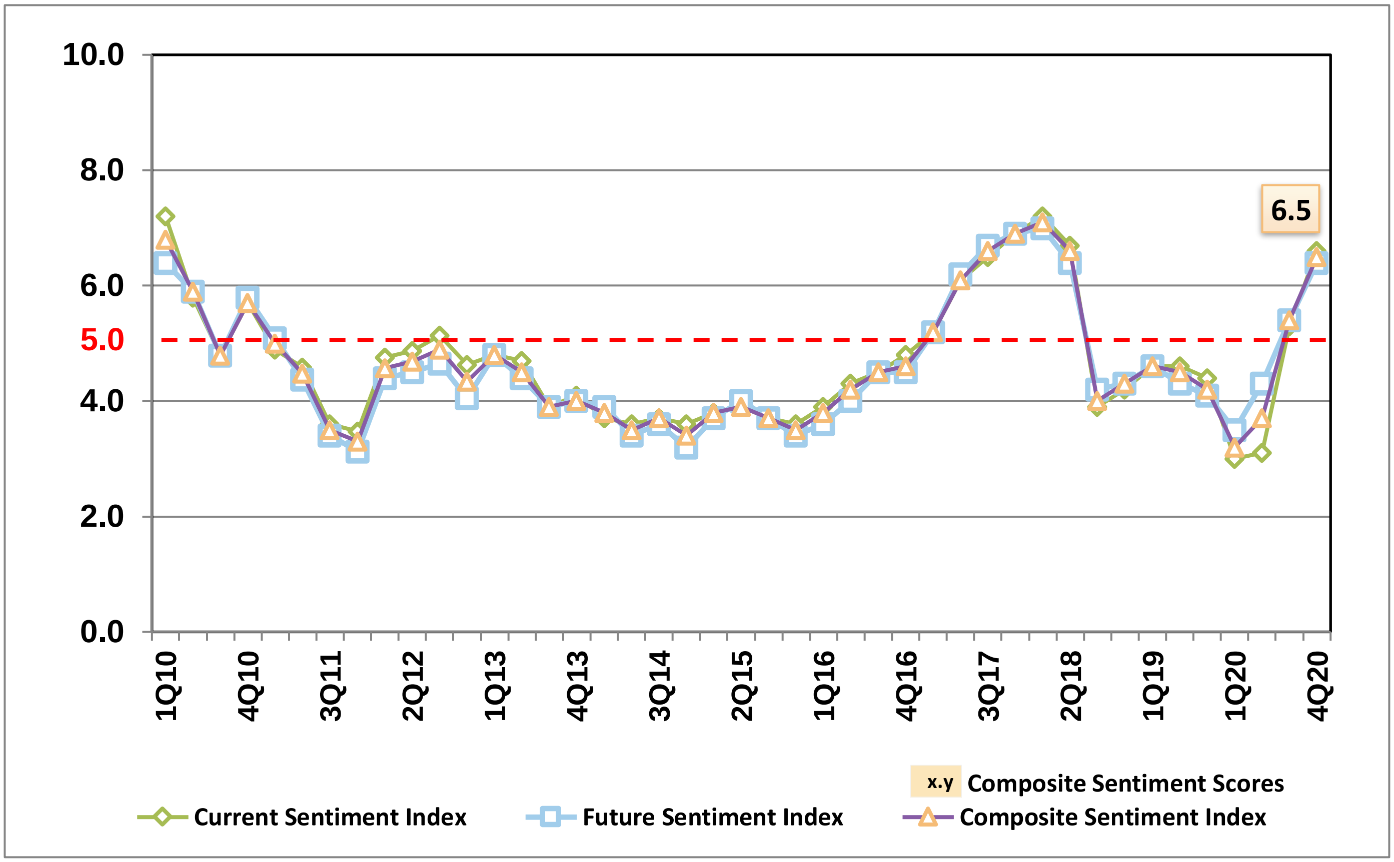
Current Sentiment Index#:
The Current Sentiment Index continued to improve, from 5.3 in 3Q2020 to 6.6 in 4Q2020.

Future Sentiment Index#:
The Future Sentiment Index remains positive as the market progresses into 2021, improving its score from 5.4 in 3Q2020 to 6.4 in 4Q2020.

Composite Sentiment Index#:
The composite sentiment index score improves from 5.4 in 3Q2020 to 6.5 in 4Q2020.

Overall, the market sentiment for the 2nd half of the year 2020 has stayed optimistic despite the pandemic's impact on the economy.

Exhibit 1: Real Estate Sentiment Index (1Q 2010 – 4Q 2020)



Source: NUS Real Estate

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

In comparison to 3Q2020, the current and future net balances for all sectors show significant improvements in 4Q2020. The current net balance for Hotel/Serviced apartment shows the largest improvement compared to the other sectors with the net balance changing from -65% in 3Q2020 to +11% in 4Q2020. Other sectors such as business park/hi-tech space, suburban retail and prime residential also recorded positive current net balance in 4Q2020 after being in the negative territory for the past three quarters.

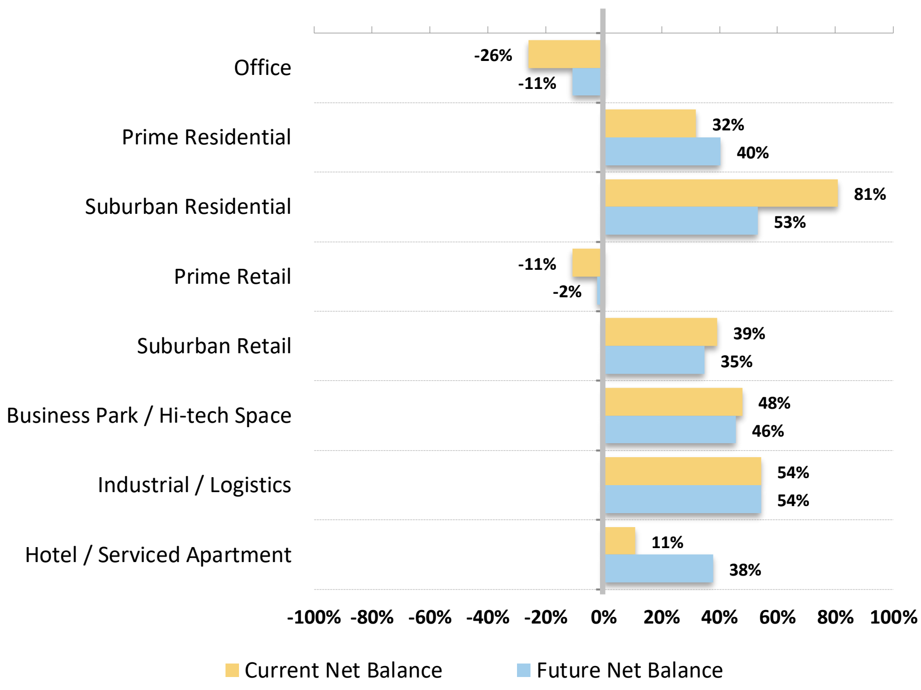
Current net balance

The suburban residential registered the largest positive current net balances of +81%, followed by industrial/logistics sector with a net current balance of +54%. In contrast, the office and prime retail remained as the worst performing sector with the current net balance of -26% and -11%, respectively.

Future net balance

The industrial/logistics and the suburban residential are the two sector with the largest positive future net balance of +54% and +53%, respectively. The office and prime retail registered a lower net balance of -11% and -2%, respectively.

Exhibit 2: Real Estate Market Performance



Source: NUS Real Estate

"With more businesses adapting to the pandemic and the global roll-out of COVID-19 vaccination, the economy is expected to improve, which will lift market sentiments across all sectors."

"The confidence and interest is returning to the real estate residential market, supported by a low-interest rate environment and the hopes of an economic recovery in the year 2021."

Comments from Survey Respondents

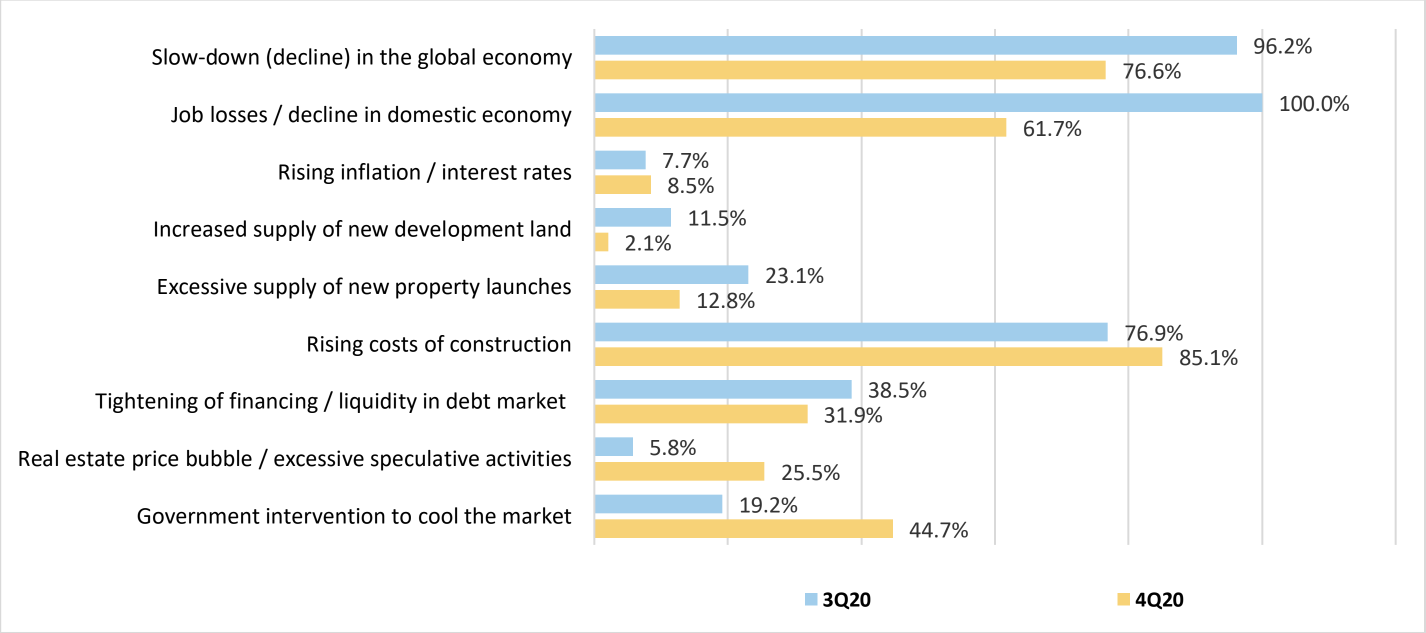
Do you foresee any potential risks that may adversely impact on market sentiment in the next 6 months?

In 4Q2020, rising costs of construction overtook job losses/decline in domestic economy and slowdown in the global economy as the top potential risk factor in the next 6 months. Since the start of the year, the proportion of respondents who indicated concerns on rising costs of construction increased from 76.9% in 3Q2020 to 85.1% in 4Q2020.

Additionally, two other risk factors that rose significantly include the potential risk of government intervention to cool the market that rose by 25.5% from 19.2% in 3Q2020 to 44.7% in 4Q2020, and the potential risk of real estate price bubble/excessive speculative activities that increased by 19.7% from 5.8% in 3Q2020 to 25.5% in 4Q2020.

In contrast, the proportion of respondents who indicate job losses/decline in domestic economy and slowdown in the global economy as potential risk factors decreased from 100% to 61.7% and 96.2% to 76.6%, respectively.

Exhibit 3: Potential Risks



Source: NUS Real Estate

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

In 4Q2020, about 54% of the respondents (Developers only) surveyed expected the number of units launched to be moderately or substantially more in the next six months, while 25% of them expected that the units launched will remain about the same in the next six months.

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

In 4Q2020, about 58% of the respondents (Developers only) surveyed expected prices of new launches to be moderately more, while 29% expected prices of new launches to maintain the same price level.

"There were several projects anticipated to launch in 2020 but have now flowed over to the 2021 launches, and are expected to launch in 1H2021 in order to meet the ABSD deadline."

"With land acquisition and construction cost rising, developers are expected to raise prices in order to achieve sufficient profit margins. This increase in overall prices is also attributed to the continued pricing support observed in public housing and entry level suburban private residential transactions."

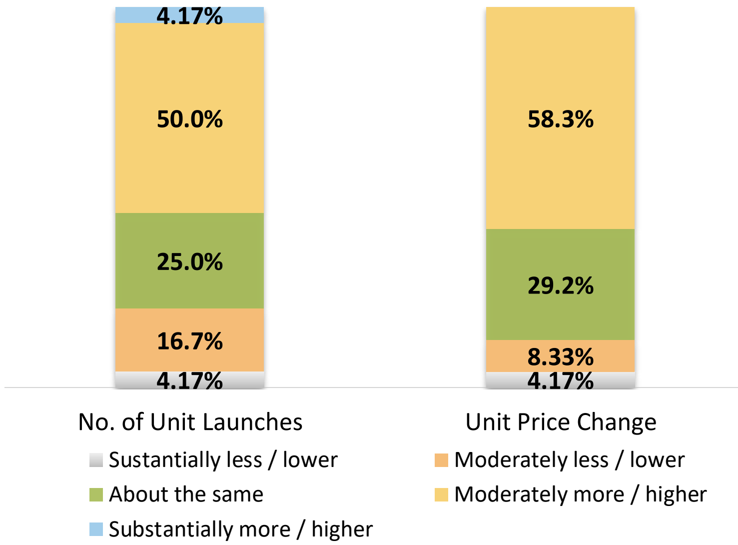
- Comments from Survey Respondents

What is your level of concern on development cost over the next six months?

Among the five areas of concern, 83% of the respondents (Developers only) were concerned about the impact of high labour costs on development costs, while 62.5% of the respondents (Developers only) felt moderately concerned about the impact of land cost on development costs.

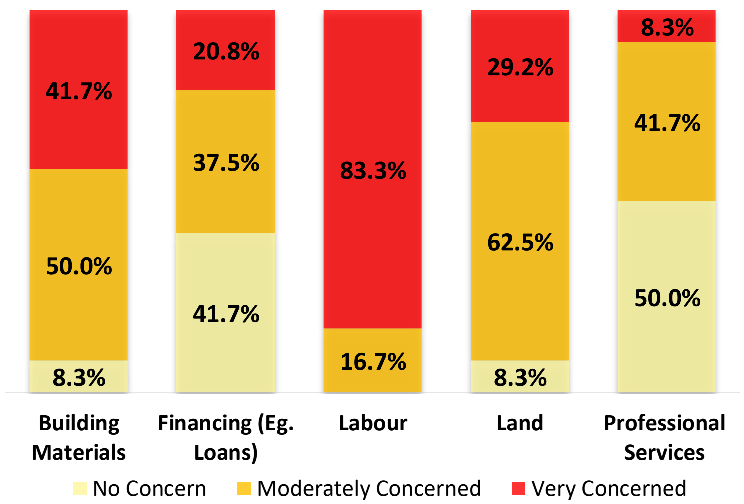
In contrast, 50% of the respondents (Developers only) indicated no concerns of costs of professional services impact on development costs.

Exhibit 4: Residential Launches & Prices



Source: NUS Real Estate

Exhibit 5: Level of concern relating to development costs



Source: NUS Real Estate

"Construction costs are expected to increase in the next 6 months due to shortage of manpower, supply disruptions of building materials and tighter regulations imposed on construction sites. This could potentially lead to persistent demand-supply mismatch in the near term."

- Comments from Survey Respondents

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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 industry experts. 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 NUS Real Estate (NUS+RE)

The NUS Real Estate (NUS+RE) collectively represents Department of Real Estate (DRE) and Institute of Real Estate and Urban Studies (IREUS), at NUS.

Department of Real Estate (DRE) established in 1969 is part of the School of Design and Environment. With the mission to develop leaders and advance knowledge for the global real estate industry. DRE offers broad-based real estate education covering the areas of real estate investment and finance, urban planning and urban economics DRE has strong links with the local real estate industry and public agencies, and it has been in the business of producing industry leaders for the real estate industry in Singapore and beyond for more than 50 years.

'Institute of Real Estate Studies (IRES)' was established on 1 June 2006 as a university-level research institute with the mission to advance multidisciplinary research in real estate and urban fields. The Institute has been renamed as the ***Institute of Real Estate and Urban Studies (IREUS)*** with effect from 9 March 2018. The adding of '*Urban*' to the institute's name appropriately reflects the realities of the Institute's multi-disciplinary nature. It underscores the importance of staying relevant to our changing urban environment. The Institute promotes multidisciplinary collaboration and high-impact research on broad real estate issues in relation to, amongst others, finance, economics, urban development, wealth accumulation, demography, and environmental policies.