NUS-Real Estate

REAL ESTATE SENTIMENT INDEX

3rd 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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Despite the uncertainties in economic and employment outlooks, the real estate market sentiment has rebounded strongly. However, the recovery is not broad-based. While the performance has improved in suburban residential sector, but the outlooks in the office, retail and hotel sectors remain subdued.

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 improved from 3.1 in 2Q2020 to 5.3 in 3Q2020.

Future Sentiment Index#:

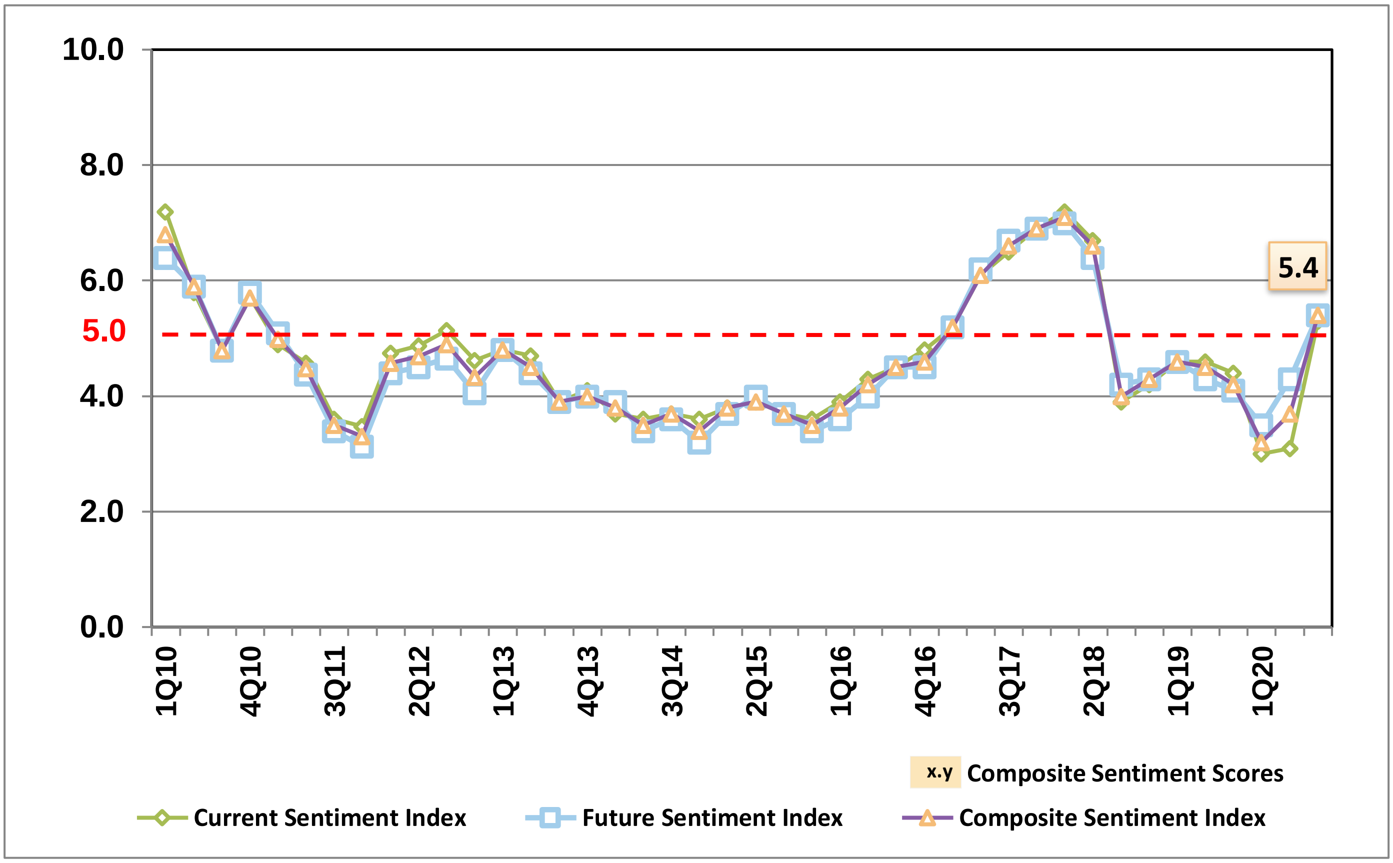
The Future Sentiment Index went up from 4.3 in 2Q2020 to 5.4 in 3Q2020, indicating optimism in the real estate sector in the next six months.

Composite Sentiment Index#:

The Composite Sentiment Index increased from 3.7 in 2Q2020 to 5.4 in 3Q2020. The last time the Index crossed the 5.0 mark was 2Q2018.

The Composite Sentiment Index in 3Q2020 reflects the respondents' expectation of improvement in the real estate sector.

Exhibit 1: Real Estate Sentiment Index (1Q 2010 – 3Q 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?

The current and future net balances for all sectors were more positive in 3Q2020 than the scores in 2Q2020. For instance, the current net balance for Prime Residential in 2Q2020 was -65%, but it improved to -14% in 3Q2020 with proportionately fewer respondents indicating the market condition deteriorated. Even the net current balance score for Prime Retail was less negative in 3Q2020 at -63%, compared to -96% in 2Q2020.

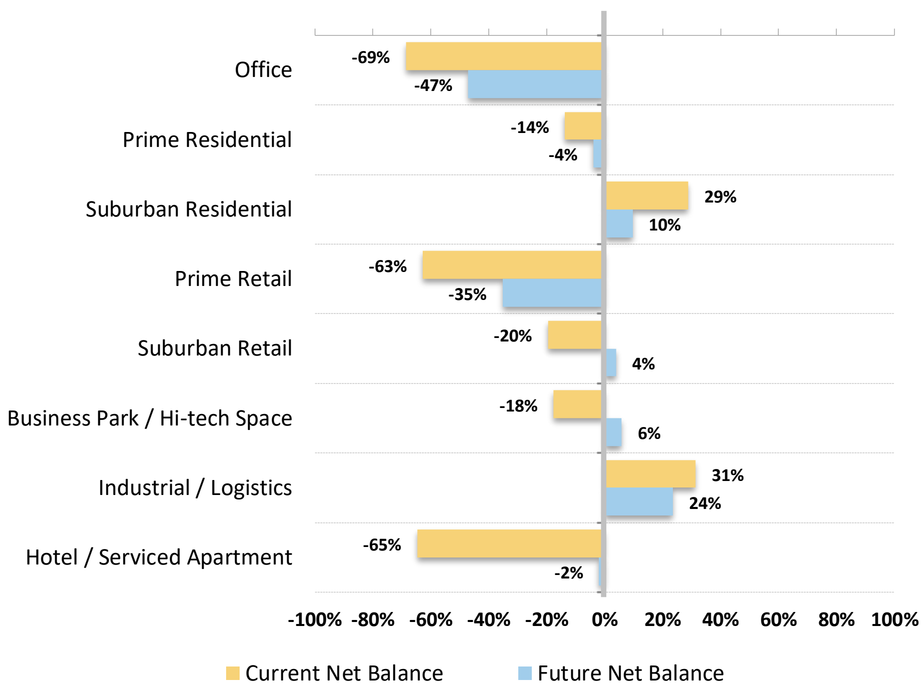
Current net balance

The Industrial/logistics and suburban residential sector recorded positive current net balances of +31% and +29%, respectively. In contrast, the office, hotel/serviced apartment and prime retail were the worst performers with negative current net balances of -69%, -65% and -63%, respectively. These three sectors were adversely impacted by the social distancing measures and travel restrictions.

Future net balance

The industrial/logistics sector leads other sectors with a future net balance at +24%. The other sectors that registered net positive balances are suburban residential, business park/Hi-tech space and suburban retail with the scores of +10%, +6% and +4%, respectively. The office and prime retail sectors have the lowest future net balances of -47% and -35%, respectively.

Exhibit 2: Real Estate Market Performance



"If the COVID-19 situation in Singapore is under control, it will help restore market confidence and prop up demand."

" There is growing optimism that the economy is recovering."

Comments from Survey Respondents

Source: NUS Real Estate

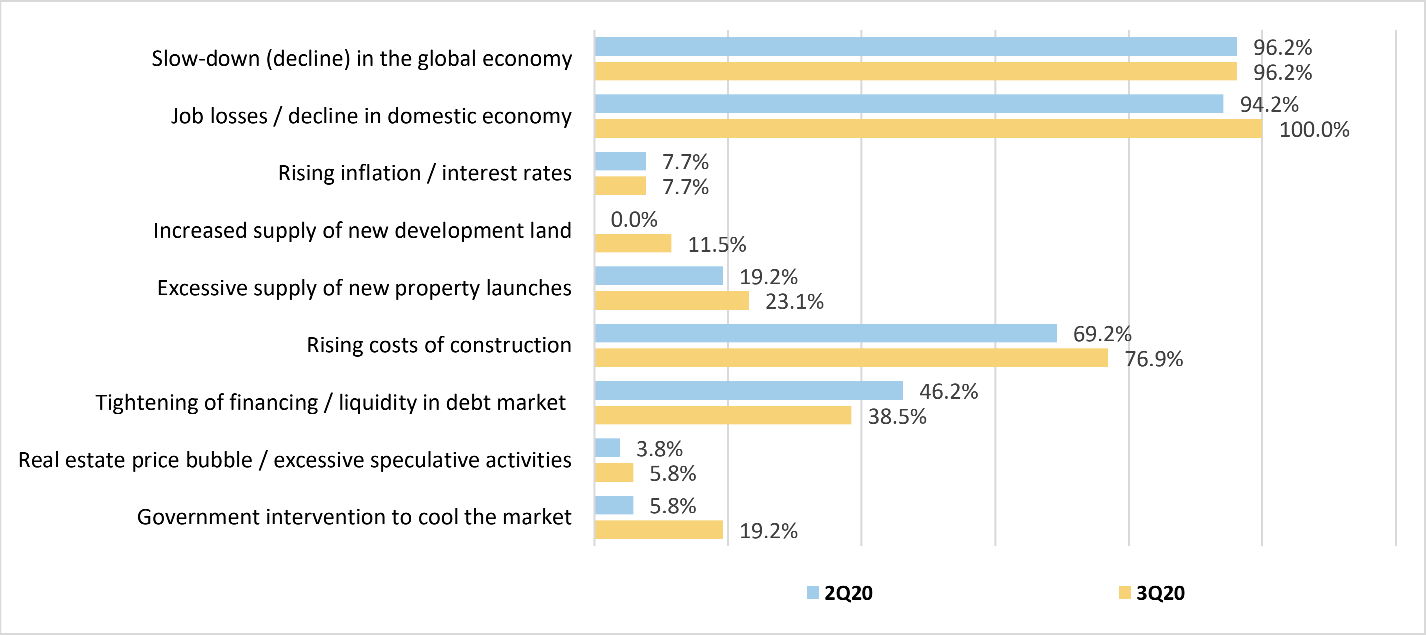
Do you foresee any potential risks that may adversely impact on market sentiment in the next 6 months?

Nearly all the respondents agreed that the job losses / decline in domestic economy (100%) and slowdown in the global economy (96.2%) are the top two potential risks in the next 6 months. Some respondents commented that these two risk factors may put pressure on prices and sales. The proportion of respondents indicating high construction cost as a potential risk factor increased from 69.2% in 2Q2020 to 76.9% in 3Q2020.

Additionally, the number of respondents indicating the potential risk of government intervention to cool the market increased from 5.8% in 2Q2020 to 19.2% in 3Q2020, which is the highest quarter-on-quarter increase among the risk factors indicated by the respondents.

In contrast, the proportion of respondents who indicate the tightening of financing / liquidity in debt market as potential risk factors decreased from 46.2% to 38.5%.

Exhibit 3: Potential Risks



Source: NUS Real Estate

"In the near term, decisions of sale launches are expected to accelerate as the supplies from the land sale transactions that took place 2 to 3 years back are expected to meet their respective deadlines.

"There should be more launches, as a number of them are deferred due to COVID. "

"The low interest rate environment and the sustained homebuyer interests, which appears to be supported by some repatriation of capital by overseas Singaporeans and incoming foreign professionals, may offer a window of opportunity for new launches."

While some developers may have to reduce the price to sell their units to avoid incurring costs, there are others who want to sell their product according to what they are worth, such as those high-end projects. Hence, the overall net effect is prices are likely to stay at the same level."

Comments from Survey Respondents

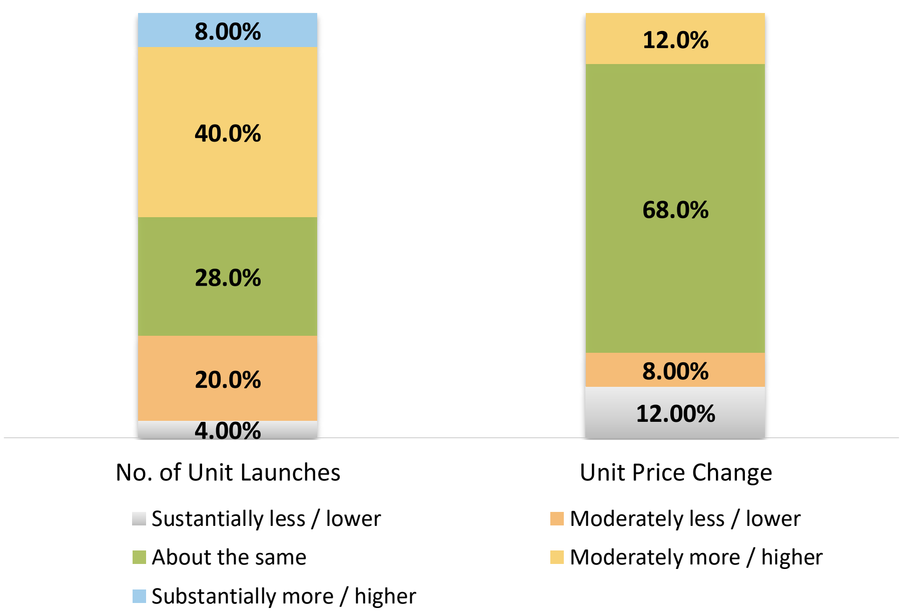
What are your expectations regarding the number of new residential units to be launched in the next six months?

In 3Q2020, about 48% of the developers surveyed expected the number of units launched to be moderately or substantially more in the next six months, while 28% of them expected that the units launched to remain at about the same level in the next six months.

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

In 3Q2020, about 68% of the developers surveyed expected new launches to maintain the same price level.

Exhibit 4: Residential Launches & Prices



Source: NUS Real Estate

The Urban Redevelopment Authority (URA) imposes new conditions on the sale licenses issued to housing developers with effect from 28 September 2020: i) by restricting developers from providing upfront agreement to purchasers' to reissue OTP and ii) by restricting developers from re-issuing OTP to the same purchaser(s) for the same unit within 12 months after the expiry of the earlier OTP and to inform purchaser(s)of the condition upfront.

What is the likely impact on new sale prices and volume?

New Sale Prices

About 63% of the respondents felt that the new restrictions would have only marginal negative impact on new sale prices.

About 29% of the respondents felt that the new restrictions would not impact new sale prices.

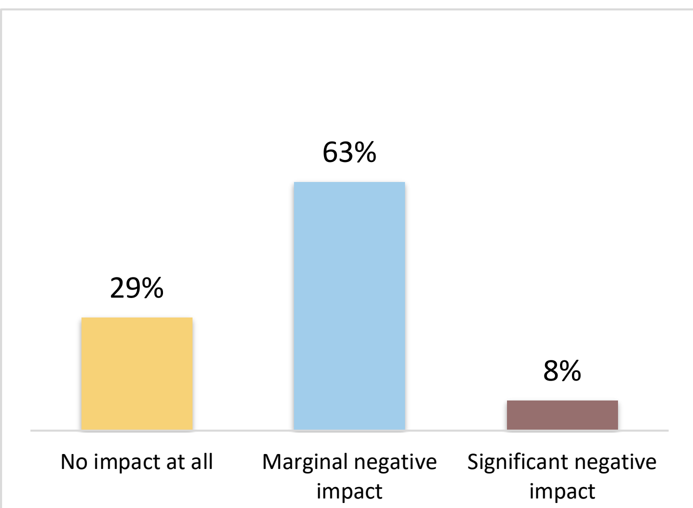
New Sales Volume

About 85% of the respondents felt that the new restrictions imposed by URA would marginally and negatively impact the new sales volume.

What type of buyers are likely to be most impacted by the new conditions?

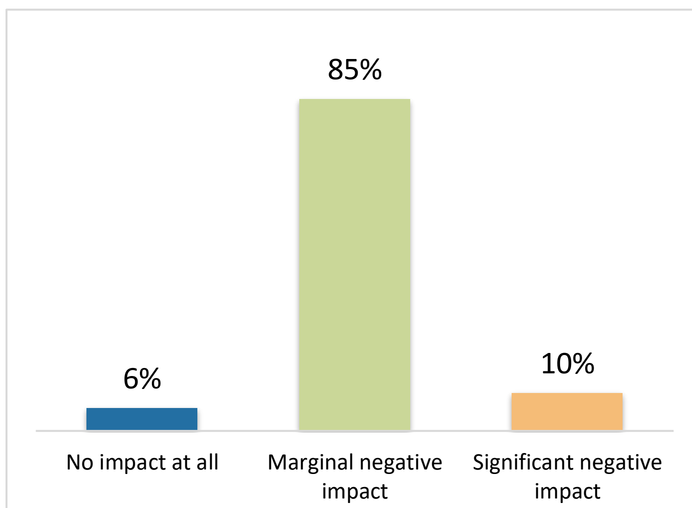
Most of the respondents surveyed pointed out that HDB upgraders are most impacted by the change.

Exhibit 5: Impact on new sale prices



Source: NUS Real Estate

Exhibit 6: Impact on new sales volume



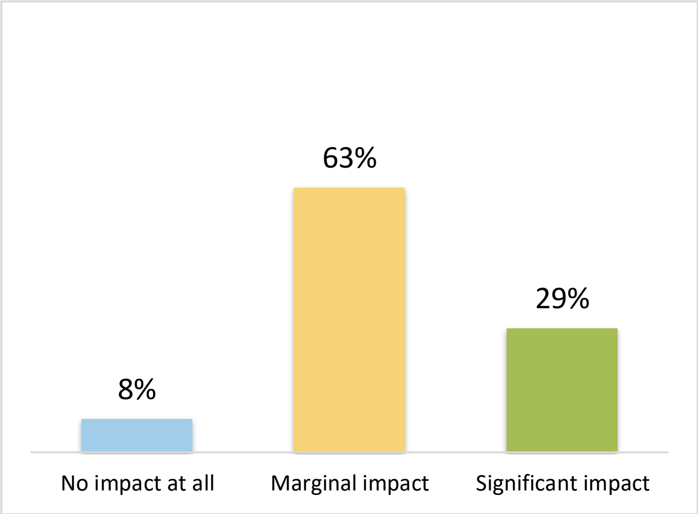
Source: NUS Real Estate

Minister for National Development, Mr Desmond Lee, shared on the recent REDAS Mid-Autumn Festival celebration that working from home arrangement has changed the way people live, work, and play, and these changes will have significant impact on future developments of the city.

Do you think home buyers' preferences for attributes and features of the home will change due to the increased working from home arrangement?

About 63% of the respondents felt that the work from home arrangement will have marginal impact on prospective home buyers' preferences for attributes and features of the homes. About 29% of the respondents indicated that the work from home arrangement will significantly impact home buyers' preferences.

Exhibit 7: Changes to home buyers' preferences

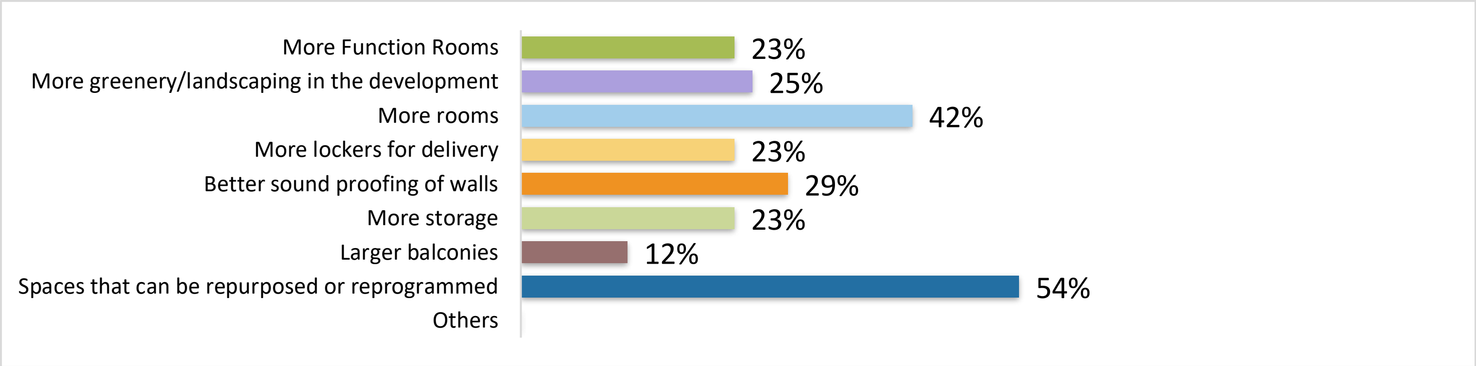


Source: NUS Real Estate

If buyers' preferences will change, what do you expect the changes to be?

54% of the respondents indicated that more buyers will prefer space that can be repurposed or reprogrammed. 42% of the respondents indicated that home buyers will prefer more rooms due to the work from home arrangement.

Exhibit 8: Expected type of change to home buyers' preferences



Source: NUS Real Estate

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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.