NUS-Real Estate

REAL ESTATE SENTIMENT INDEX

3rd Quarter 2021

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 labour crunch and supply disruption caused by the pandemic has put tremendous stress on construction firms. Topping the potential risks identified by developers, the rising construction costs continue to impact the market sentiments adversely. "

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?

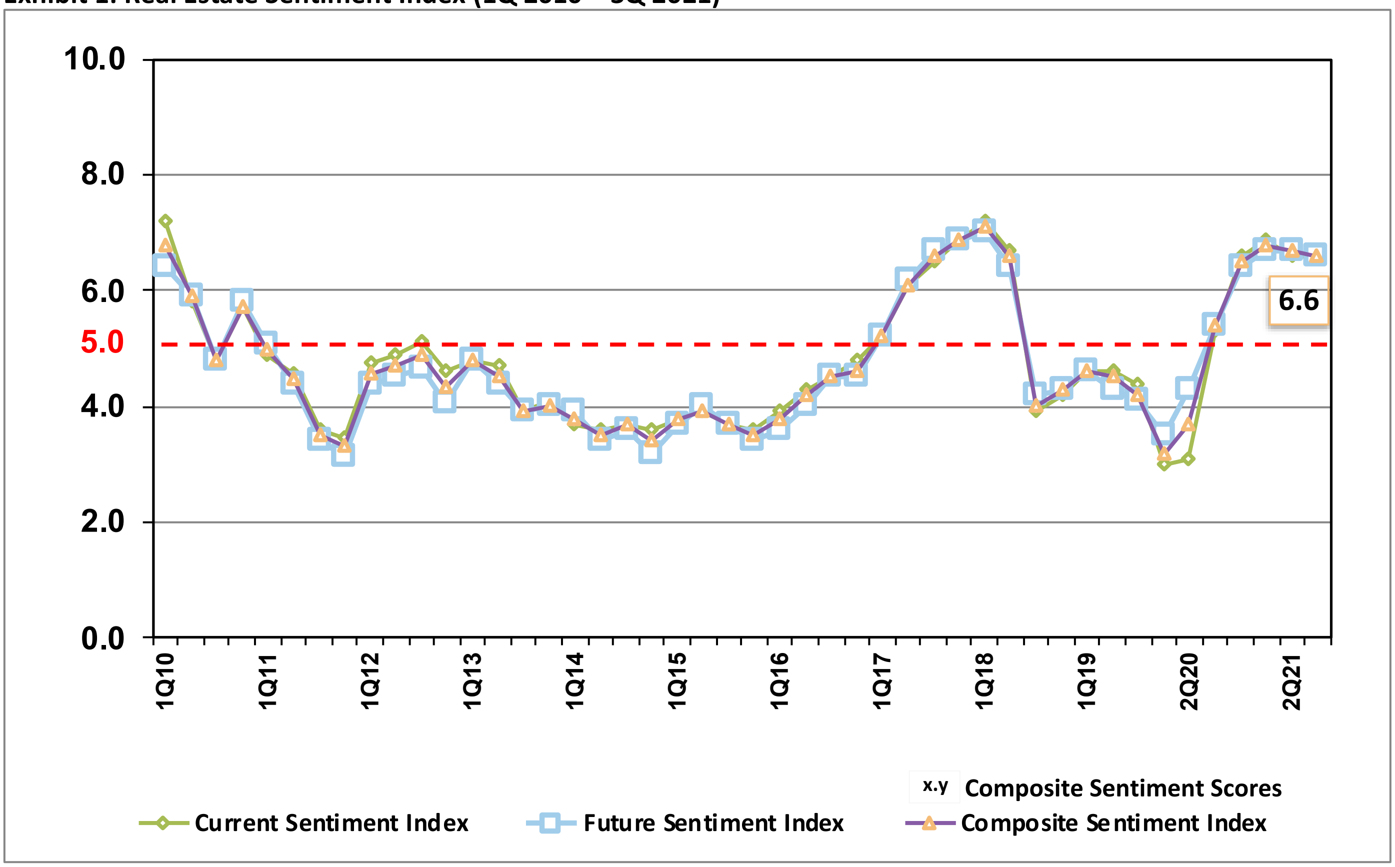
Current Sentiment Index#:
The Current Sentiment Index went up to 6.7 in 3Q 2021 from 6.6 in 2Q 2021.

Future Sentiment Index#:
Respondents' sentiments for the next six months eased marginally to 6.6 in 3Q 2021 from 6.7 in 2Q2021.

Composite Sentiment Index#:
The Composite Sentiment Index stayed fairly stable since 1Q2021, easing to 6.6 in 3Q2021, from 6.7 in 2Q2021 and 6.8 in in 1Q2021.

Overall, the current and future market sentiments have stayed optimistic since 3Q2020 (above a score of '5').

Exhibit 1: Real Estate Sentiment Index (1Q 2010 – 3Q 2021)



Source: NUS Real Estate

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

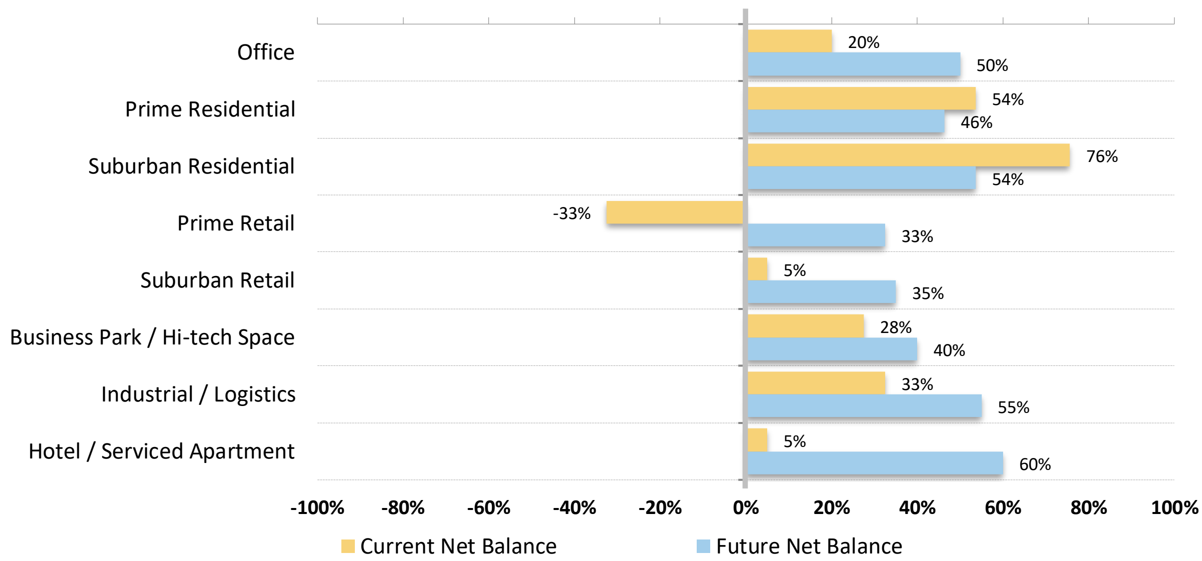
Current net balance

Except for the Prime Retail segment, the real estate sectors continued to register positive net balances. The Suburban Residential sector had the highest current net balance of +76%, followed by the Prime Residential sector and Industrial/Logistics sector, with a net balance of +54% and +33%. The current net balance for Hotel/Serviced Apartment increased by 14%, from -9% in 2Q 2021 to +5% in 3Q 2021. The Prime Retail sector remained entrenched in negative territory with its current net balance of -33%, even lower than its -18% in the previous quarter.

Future net balance

Most respondents remained optimistic of the real estate market in the next six months, with all sectors recording positive with future net balances. The Hotel/Serviced Apartment recorded the highest net balance of +60%, followed by Industrial/Logistics and Suburban Residential, with net balances of +55% and +54% respectively. The future net balance for Office Sector improved the most by +30%, from a net balance of +20% in 2Q2021 to +50% in 3Q2021.

Exhibit 2: Real Estate Market Performance



Source: NUS Real Estate

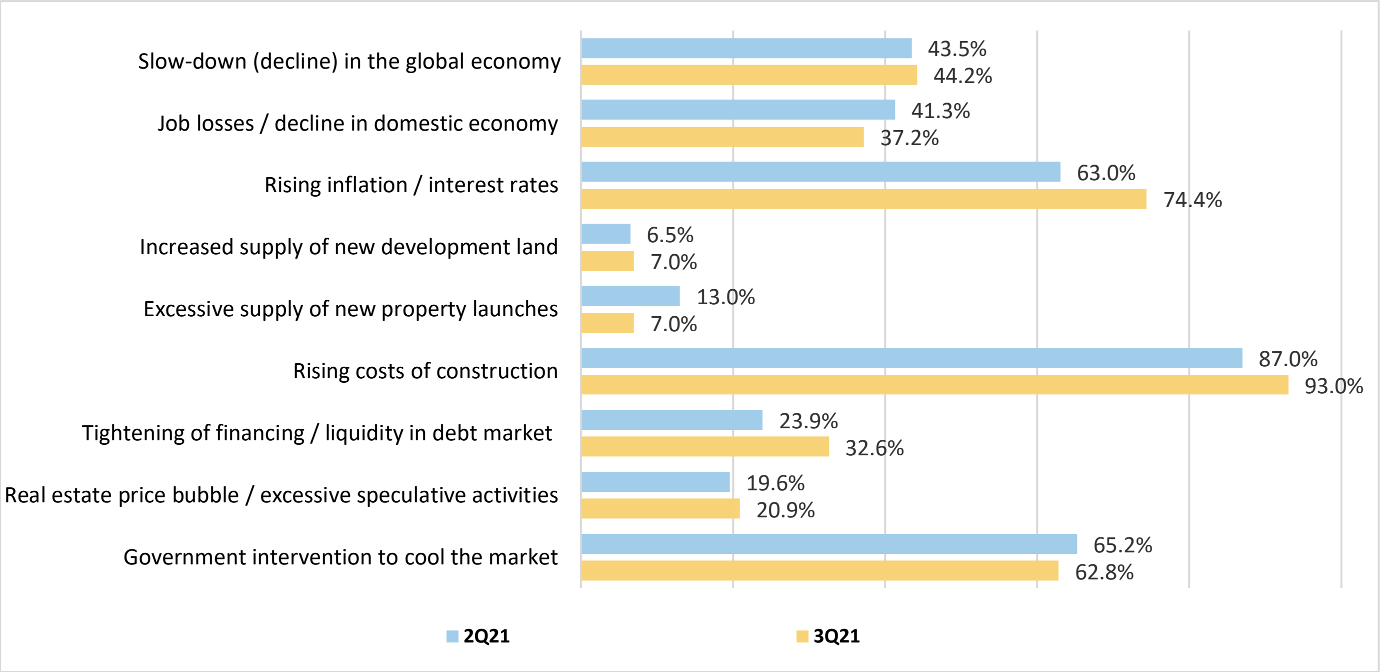
"Re-tightening of some current COVID-19 measures in 3Q21 had greater adverse impact on the performance of the retail and hospitality sectors more than the rest."

- ***Comments from Survey Respondents***

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

In 3Q 2021, about 93% of the respondents highlighted the rising costs of construction as a potential risk that may adversely impact market sentiments over the next six months, topping other potential risks. Respondents were also more concerned over financing, rising interest rates and inflation. The proportion of respondents indicating rising inflation and interest rates as a potential risk rose from 63% in the previous quarter to 74.4% in 3Q2021, and the proportion selecting "tightening of financing and liquidity in debt markets" also increased by 8.7%, from 23.9% to 32.6% in 3Q2021. Separately, close to 63% of the respondents foresee that policy risk can potentially impact market sentiments negatively.

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 3Q 2021, about 50% of the developers surveyed expected moderately or substantially more units to be launched in the next six months. About 41% of developers expected the number of launches to stay the same over the next six months.

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

In 3Q 2021, about 64% of the developers surveyed expected unit prices of new launches in the next six months to be moderately or substantially higher. About 32% expected the prices of new launches to maintain at the same price level.

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

Labour cost continues to stay as the top concern among 86% of the developers surveyed. Similarly, 77% of the developers indicated they were "Very Concerned" about high building materials cost, an increase from the 58% recorded in previous quarter.

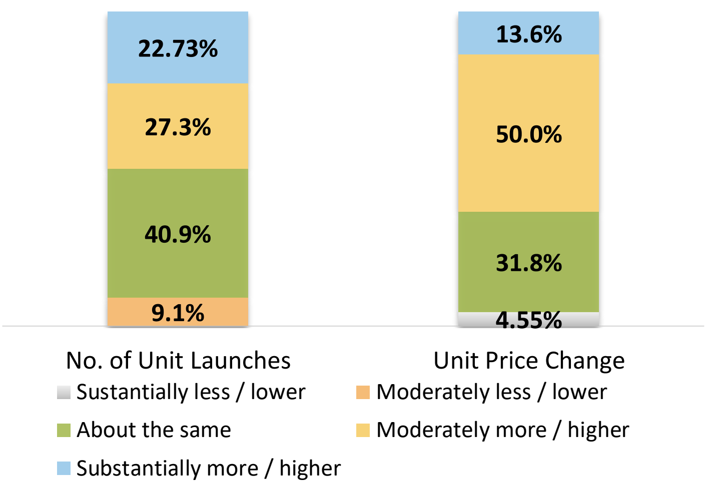
"As the economic outlook improves, coupled with new land sites sold via GLS and collective sales, one can reasonably expect more launches to come onto the market."

"Projects that were originally scheduled for launch in Sep to Oct were held back because of the tightening measures to combat the pandemic."

"Developers have sold down their inventory substantially and hence have the ability to raise prices. Furthermore, with new land parcels setting new benchmark prices, repricing will take place sooner than later."

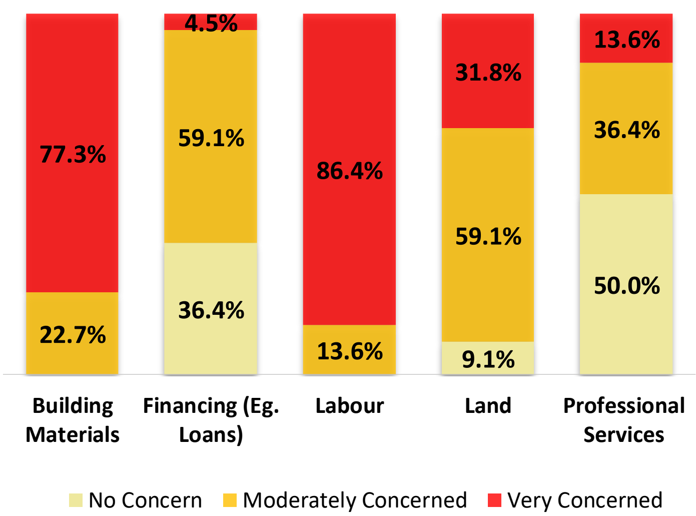
- Comments from Survey Respondents

Exhibit 4: Residential Launches & Prices



Source: NUS Real Estate

Exhibit 5: Level of concern relating to development costs



Source: NUS Real Estate

"Labour shortage is quite acute at the moment due to the Covid situation and it will take a while before it can return to normal conditions. Material prices have risen quite a bit due to the recovering global economy and are expected to continue to remain so."

- 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.