NUS-Real Estate

REAL ESTATE SENTIMENT INDEX

4th 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 declines in the sentiment indices were mainly triggered by the government's new cooling measures introduced in December 2021. The prime residential sector was the most adversely affected in the 4Q2021 sentiment survey."

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?

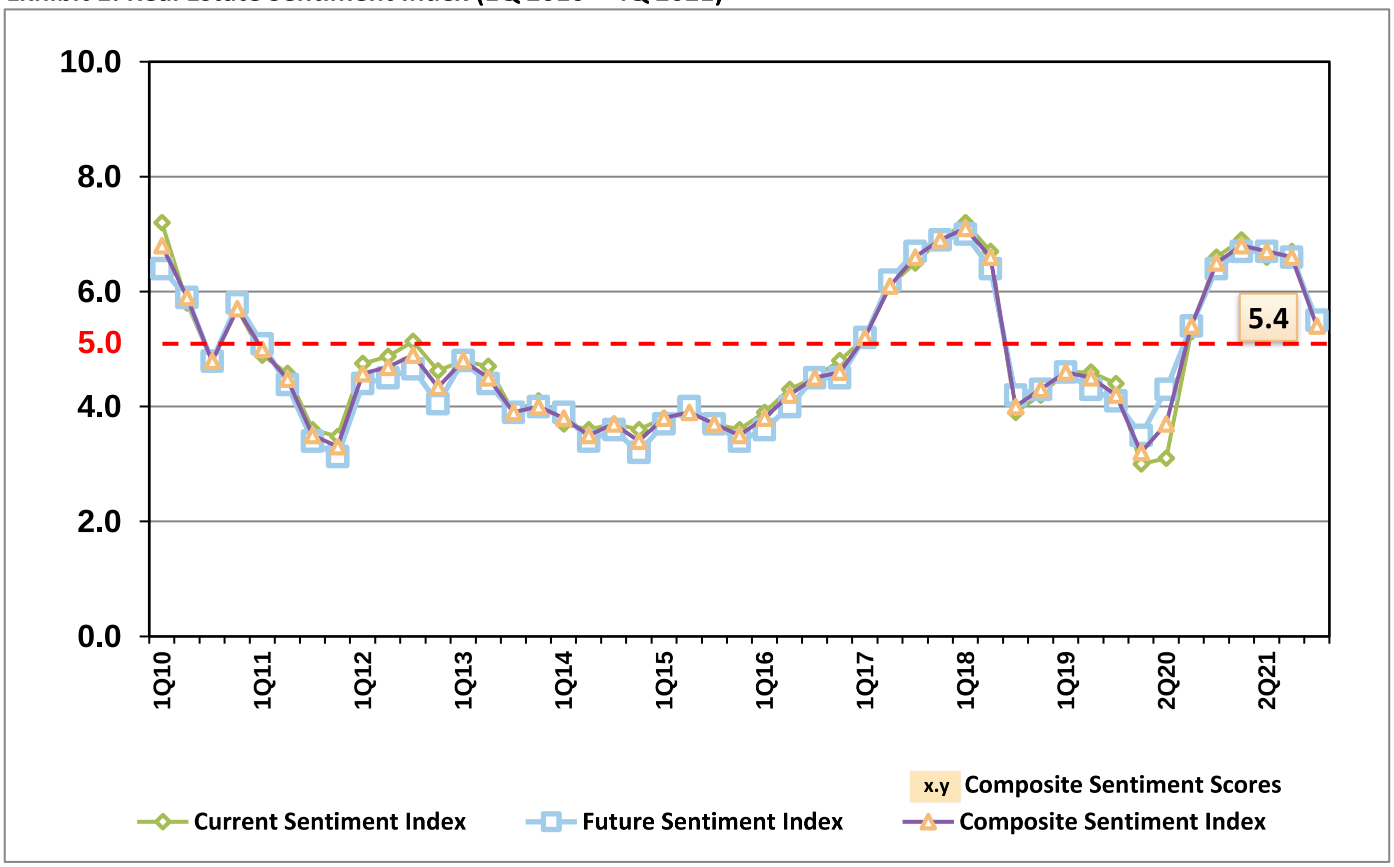
Current Sentiment Index#:
The Current Sentiment Index declined from 6.7 in 3Q 2021 to 5.4 in 4Q 2021. It is slightly higher than 5.3 recorded in 3Q 2020.

Future Sentiment Index#:
The future sentiment index for the next six months went down to 5.5 in 4Q 2021 from 6.6 in 3Q 2021.

Composite Sentiment Index#:
The Composite Sentiment Index slid back to a level similar to 3Q 2020, declining from 6.6 in 3Q 2021 to 5.4 in 4Q 2021.

The Sentiment Index remains above 5, suggesting that the market conditions will continue to improve, but at a slower pace.

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

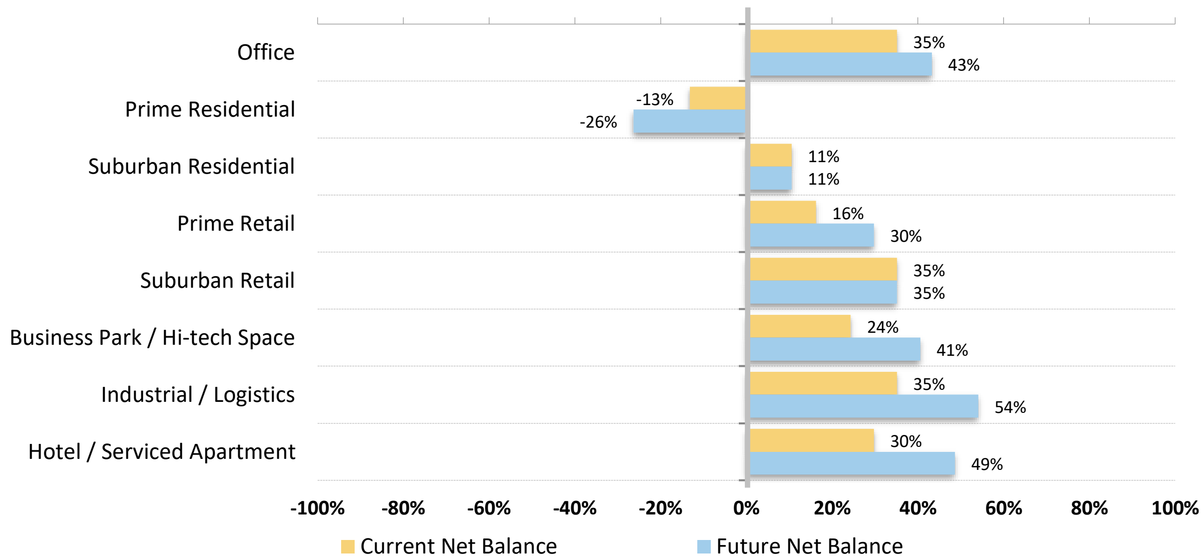
Current net balance

All the real estate sectors, except the prime residential sector, maintained a positive net balance in the 4Q2021 survey. The Office, Suburban Retail and Industrial/Logistics sectors were tied at the top with a current net balance of +35%. The Prime Retail sector shows the largest improvement in sentiments in the current net balance was, with its current net balance increasing from -33% in 3Q 2021 to +16% in 4Q 2021. In contrast, the current net balance of the Prime Residential sector moved into negative territory as it decreased from +54% in 3Q 2021 to -13% in 4Q.

Future net balance

The respondents were largely optimistic about the outlook for most real estate sectors. The Industrial/Logistics sector registered the highest future net balance of +54%, followed by the Hotel/Serviced Apartment and Office sector, with a net balance of +49% and +43%, respectively. The future net balance for the Prime Residential sector had the largest decrease of 72%, from a net balance of +46% in 3Q 2021 to -26% in 4Q 2021.

Exhibit 2: Real Estate Market Performance



Source: NUS Real Estate

"Growing concerns around inflationary pressures and rising interest rates could temper demand, as the buyers become more cautious."

\- ***Comments from Survey Respondents***

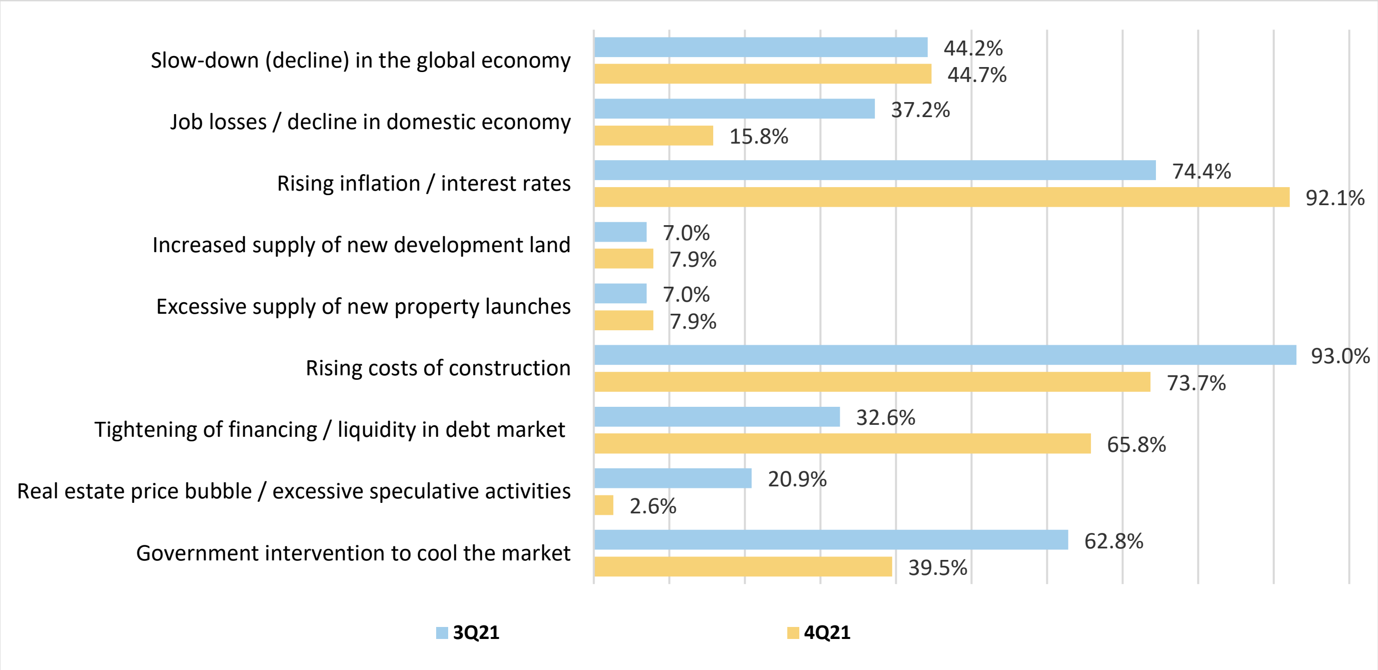
Do you foresee any potential risks that may adversely impact on market sentiment in the next 6 months?

In the 4Q 2021 survey, there were proportionately more respondents concerned about rising inflation and interest rates than in 3Q 2021, rising to 92% from 74.4%. Correspondingly, there were proportionately more respondents indicating tightening of financing/liquidity in the debt market (65.8%) in 4Q 2021 than in 3Q 2021 (32.6%).

Another potential risk flagged by the respondents was the rising costs of construction (73.7%), although the proportion of respondents highlighting it as a risk has gone down by 19.3 percentage points.

In contrast, fewer respondents identified the government intervention to cool the market as a potential risk factor, dropping from 62.8% in 3Q 2021 to 39.5% in 4Q 2021.

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 4Q 2021, about 30% of the developers expected moderately or substantially more units to be launched in the next six months, a drop from 50% in the previous quarter. About 47% of developers expected moderately or substantially fewer number of units to be launched over the next six months.

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

In 4Q 2021, about 59% of the developers expected unit prices of new launches in the next six months to be moderately or substantially higher. About 35% expected the prices of new launches to maintain at the same price level.

What are your expectations in terms of the level of interest in land sales over the next six months?

About 28% of the developers surveyed forecasted the level of interest in GLS to be higher, while 39% expected the level to stay the same, and the rest expected lower interest.

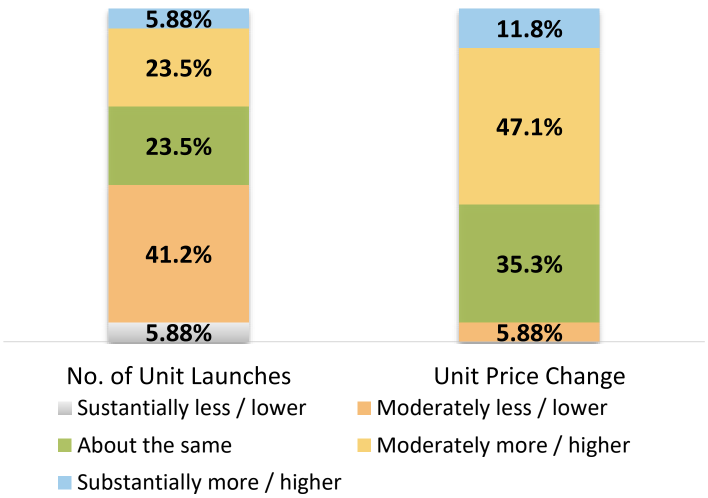
In contrast, close to 61.1% of the developers surveyed expect the interest in en bloc sales to worsen in the next six months.

"Some developers will be more cautious and may pull back to review the impact caused by the cooling measures."

"The unit prices may increase in the next six months as developers may want to cover the increase in construction cost (e.g. raw materials, logistics etc.)."

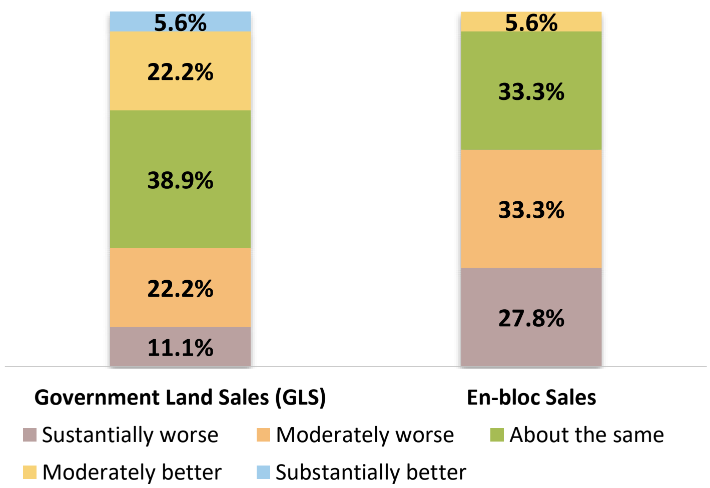
- Comments from Survey Respondents

Exhibit 4: Residential Launches & Prices



Source: NUS Real Estate

Exhibit 5: Level of Interests in Land Sales



Source: NUS Real Estate

" Construction cost is still very high because of the serious labour shortage. Material costs are also rising due to supply chain issues and border restrictions. Furthermore, with the expectations of rising interest rates, financing costs would increase."

- 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.