NUS-Real Estate

REAL ESTATE SENTIMENT INDEX

2nd Quarter 2022

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.

National University of Singapore
Institute of Real Estate and Urban Studies / Department of Real Estate
20 Heng Mui Keng Terrace
Singapore 119613
URL: https://ireus.nus.edu.sg/
Tel: 6516 8288 | Fax: 6774 1003

2nd Quarter 2022

NUS – Real Estate

REAL ESTATE SENTIMENT INDEX

2nd Quarter 2022

"The market has mixed current and future sentiments. While the respondents are still relatively optimistic about the current market outlooks, they are more cautious about the market outlooks in the next six months to a year ahead, in anticipation of various global economic uncertainties."

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 had improved from 5.9 in 1Q 2022 to 6.1 in 2Q 2022.

Future Sentiment Index#:

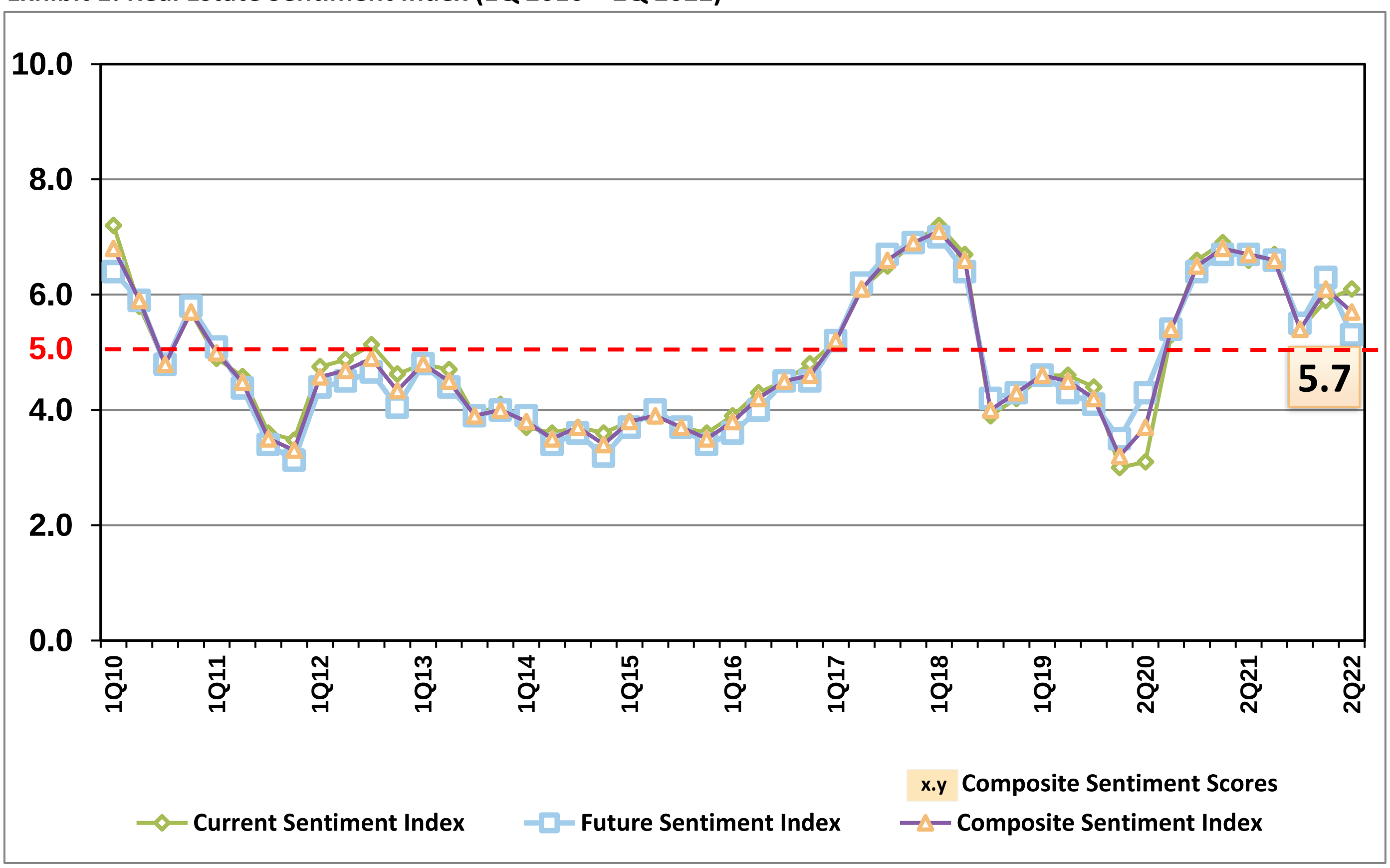
The Future Sentiment Index declined to 5.3 in 2Q 2022 from 6.3 in 1Q 2022.

Composite Sentiment Index#:

The Composite Sentiment Index score decreased to 5.7 in 2Q 2022 from 6.1 in 1Q 2022.

The decline in market sentiments are likely triggered by rising global economic uncertainty.

Exhibit 1: Real Estate Sentiment Index (1Q 2010 – 2Q 2022)



Source: NUS Real Estate

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

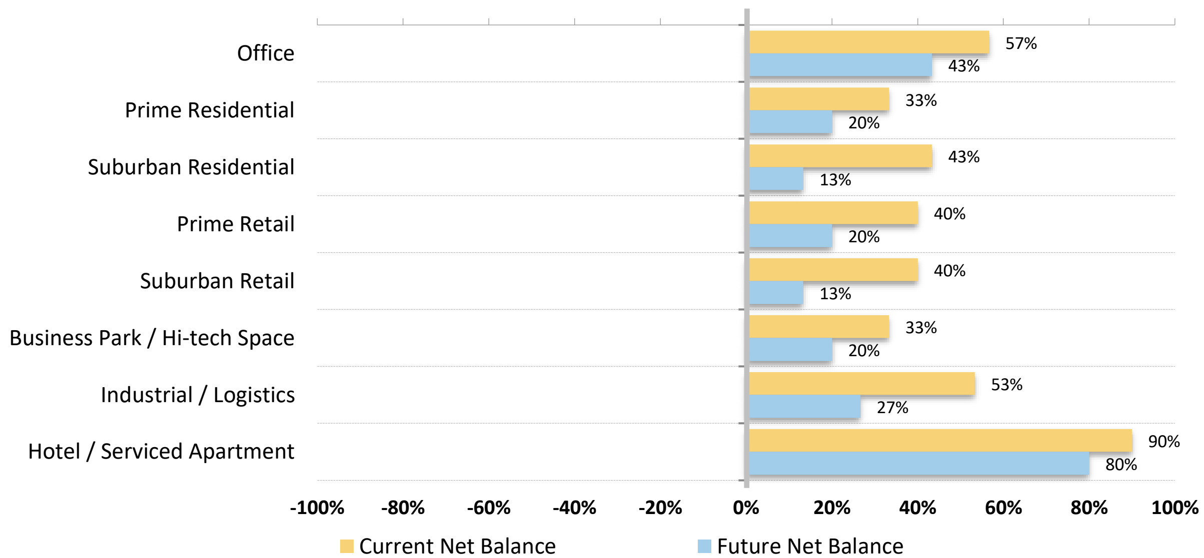
Current net balance

All the real estate sectors maintained a positive net balance in the 2Q2022 survey. The Hotel/Serviced Apartment sector had the highest current net balance of +90% while the Office sector had the second highest current net balance of +57%. The Industrial/Logistics sector took the third spot with a current net balance of +53%. The Prime Residential sector posted the strongest recovery, rebounding from -8% in 1Q 2022 to +33% in 2Q 2022. The Business Park/Hi-tech Space current net balance also improved to +33% in 2Q 2022, compared to +15% in 1Q 2022.

Future net balance

Most respondents remained optimistic about the real estate market in the next six months, with all sectors recording positive future net balances, albeit at a lower level compared to 1Q 2022. The Hotel/Serviced Apartment segment recorded the highest future net balance of +80%, followed by Office and Industrial/Logistics, with net balances of +43% and +27%, respectively.

Exhibit 2: Real Estate Market Performance



Source: NUS Real Estate

"Rents and capital values are expected to continue to trend north and demand to stay positive, but looming economic uncertainties could slow the growth momentum for most markets."

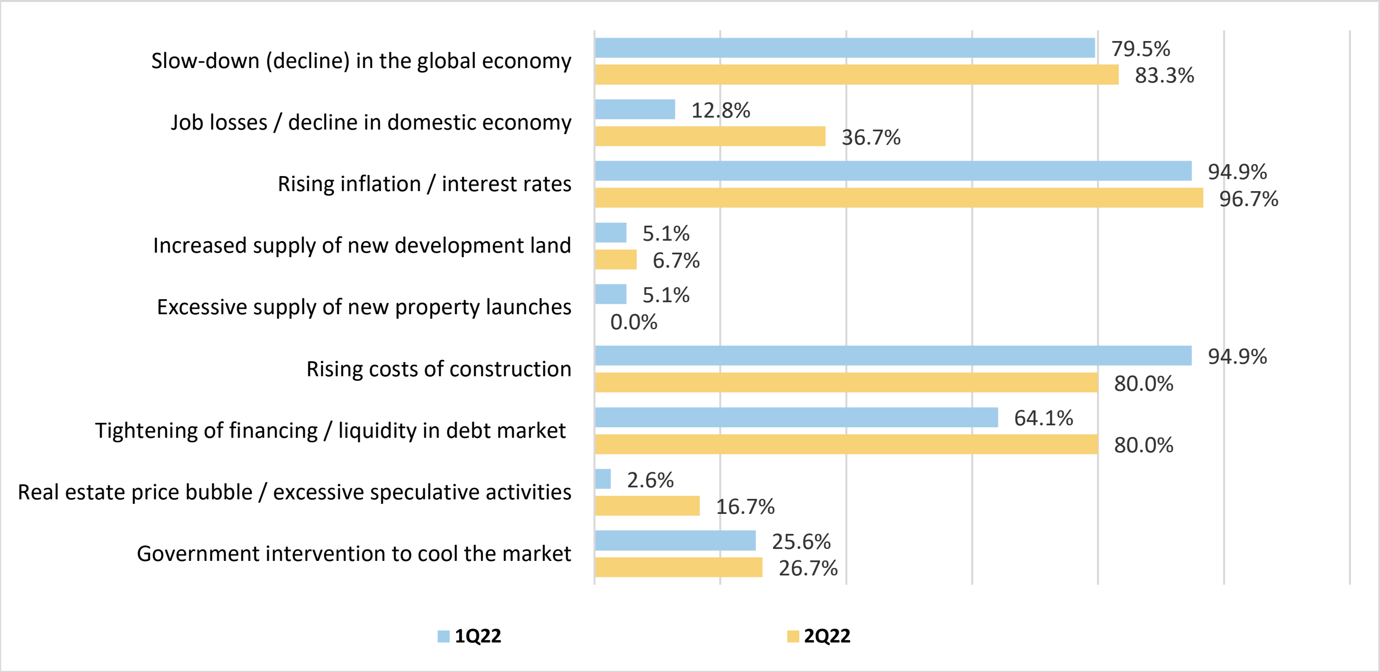
- ***Comments from Survey Respondents***

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

In the 2Q 2022 survey, close to 97% of the respondents highlighted rising inflation/ interest rates as the top potential risks that may adversely impact market sentiments over the next six months. About 84% of respondents also indicated slow-down (decline) in the global economy as a potential risk. The potential risk concerning job losses/ decline in the domestic economy had also increased the most compared to previous quarter, rising from 12.8% in 1Q 2022 to 36.7% in 2Q 2022. Tightening of financing/ liquidity in the debt market also rose from 64.1% in 1Q 2022 to 80% in 2Q 2022. Increasingly, there are also more concerns around real estate price bubble/ excessive speculative activities, rising from 2.6% in 1Q 2022 to 16.7% in 2Q 2022.

In contrast, worries over rising costs of construction softened slightly, from 94.9% in 1Q 2022 to 80% in 2Q 2022. However, respondents continue to view it as the top four potential risks.

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?

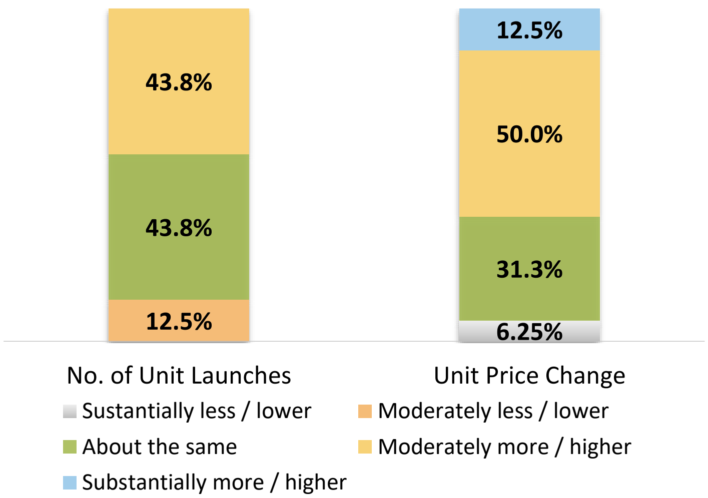
In 2Q 2022, about 44% of the developers expected moderately more units to be launched in the next six months.

About 12.5% of the developers expected a moderately lower 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 2Q 2022, about 63% of the developers expected unit prices of new launches in the next six months to be moderately or substantially higher. About 31% of them expected prices of new launches to maintain at the same price level. In contrast, about 6.3% of them expected prices to be substantially lower.

Exhibit 4: Residential Launches & Prices



Source: NUS Real Estate

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

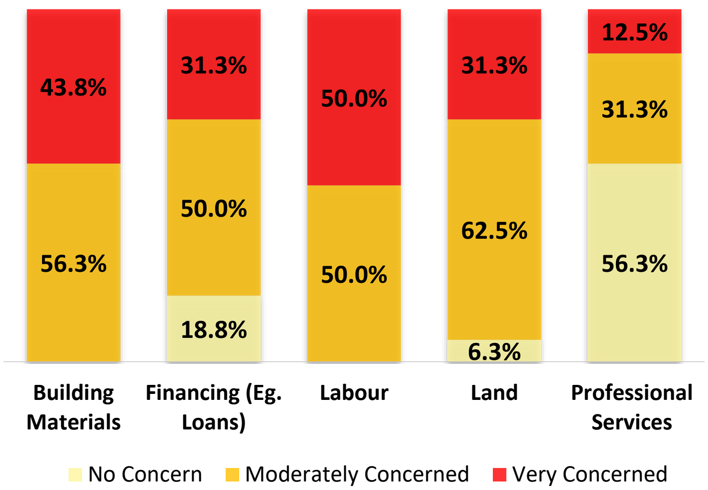
About 50% of developers surveyed highlighted labour cost as the top concern in 2Q 2022. Building materials cost remained a top concern as well, with about 43.8% of the developers indicating that they were "Very Concerned".

" Developers will want to launch quickly while sentiments are positive and before interest rates run up further."

"With high land prices and higher construction costs, pricing for new projects are expected to be moderately higher in this resilient market. But developers have to price them attractively since interest rates and inflation have risen and that may impact buyers' affordability."

- Comments from Survey Respondents

Exhibit 5: Level of concern relating to development costs



Source: NUS Real Estate

"Supply disruption and inflationary trends add to cost push on construction costs. Upward price pressure continues to be seen in the overall market - from professional services to materials."

- Comments from Survey Respondents

REAL ESTATE SENTIMENT INDEX

2nd Quarter 2022

For enquiries, please contact:

Dominic Neo
Research Assistant
irsnjrd@nus.edu.sg
6601 5043

Dr Lee Nai Jia
Deputy Director
leenj@nus.edu.sg

Sing Tien Foo
Professor & Head
rststf@nus.edu.sg
6516 4553

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.