NUS-Real Estate

REAL ESTATE SENTIMENT INDEX

3rd 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

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"The sentiment in the market declined amid the upward price momentum, and strong sales in new private residential property launches in the recent months. The global headwinds and interest rate hikes by the US FED bring new uncertainties to the market."

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?

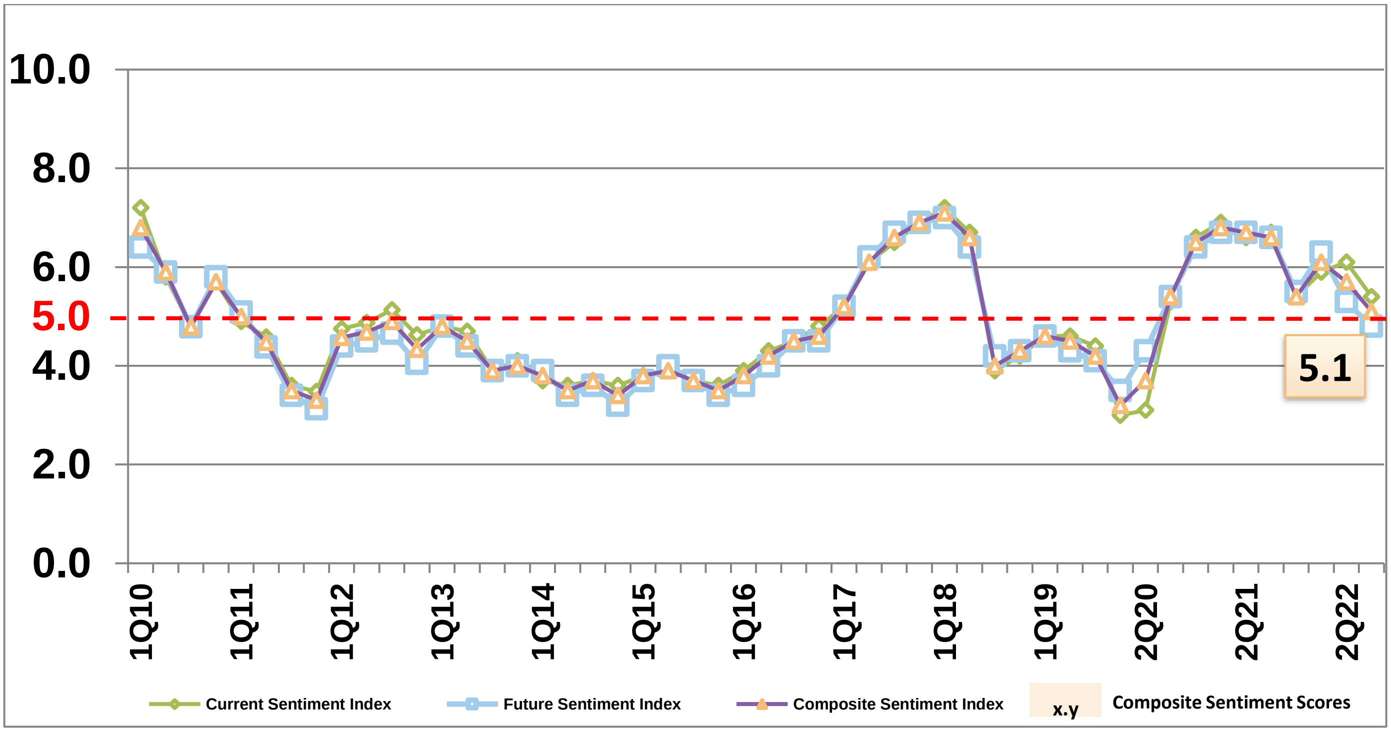
Current Sentiment Index#:
The Current Sentiment Index declined from 6.1 in 2Q 2022 to 5.4 in 3Q 2022.

Future Sentiment Index#:
The Future Sentiment Index declined from 5.3 in 2Q 2022 to 4.8 in 3Q 2022.

Composite Sentiment Index#:
The Composite Sentiment Index score decreased from 5.7 in 2Q 2022 to 5.1 in 3Q 2022.

The decline in market sentiments are likely attributable to rising interest rates and inflationary pressures worldwide, as well as fresh property curbs domestically.

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

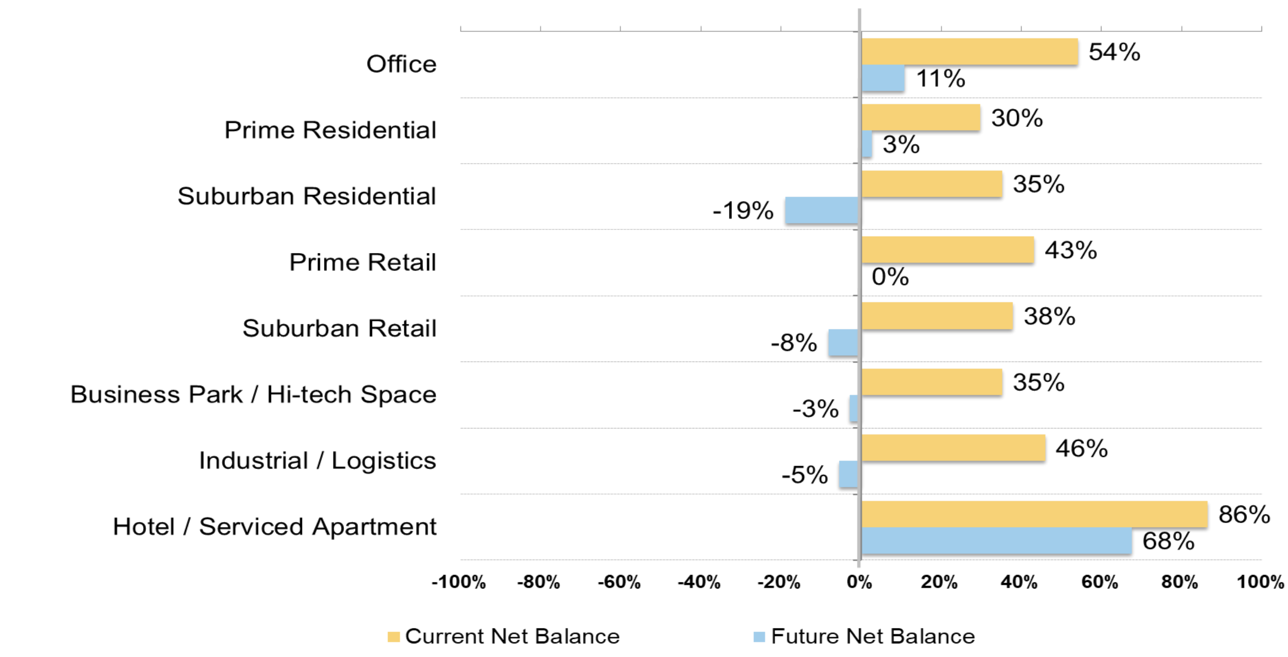
Current net balance

All the real estate sectors maintained a positive net balance in the 3Q2022 survey, albeit with an average decline of -5% from 2Q2022. The Hotel/Serviced Apartment sector maintained the highest current net balance of +86% while the Office sector had the second highest current net balance of +54%. The Industrial/Logistics sector took the third spot with a current net balance of +46%, followed closely by Prime Retail at 43%.

Future net balance

Most respondents remained cautious about the real estate market in the next six months, with the exception of the Hotel/Serviced Apartment sector, recording the only significant positive future net balance of +68%. The other sectors with a positive future net balance were Office and Prime Residential, with net balances of +11% and +3%, respectively. Prime Retail saw a neutral outlook at 0%, and all other sectors saw a negative future net balance, with Suburban Residential recording the lowest net balance of -19%.

Exhibit 2: Real Estate Market Performance



Source: NUS Real Estate

"A combination of Singapore's low property yields and rising interest rates have led to a slowdown in transaction volumes."

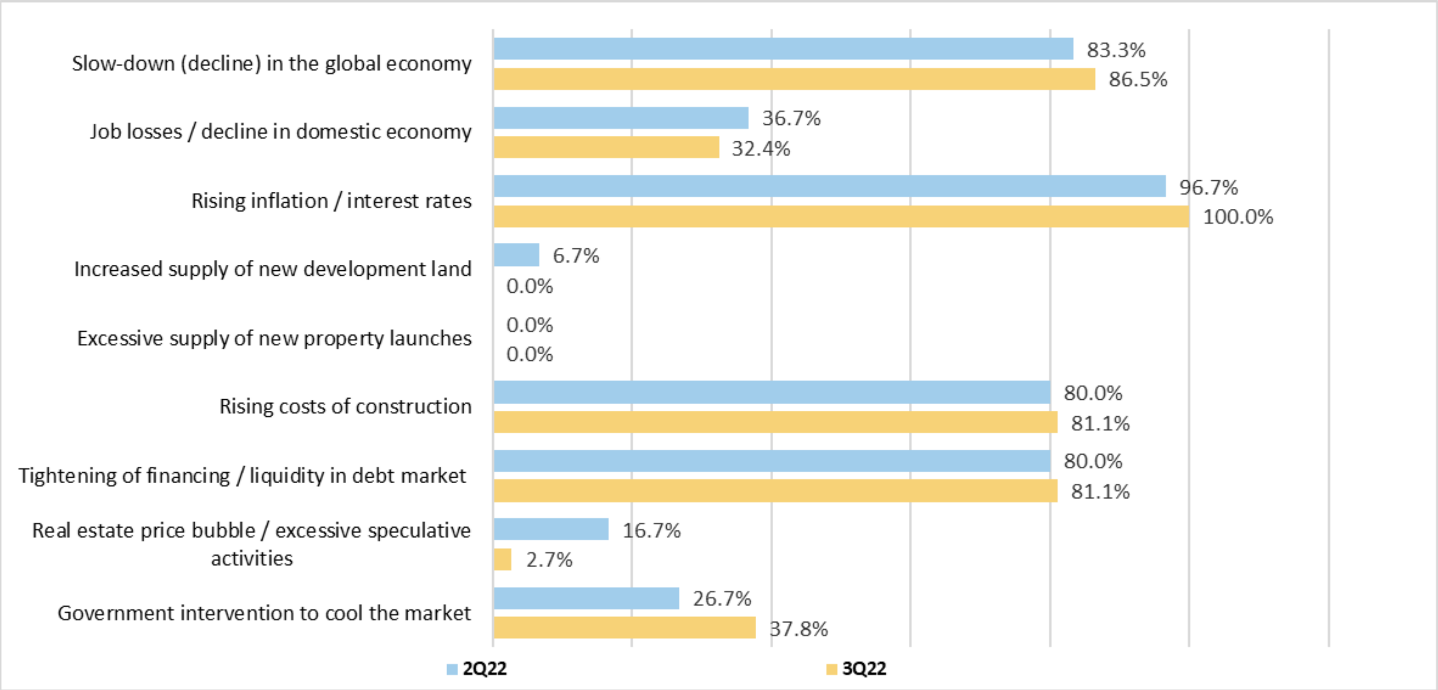
- Comments from Survey Respondents

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

In the 3Q 2022 survey, 100% of the respondents highlighted rising inflation/ interest rates as the top potential risk that may adversely impact market sentiments over the next six months. About 87% of respondents also indicated a slow-down (decline) in the global economy as a potential risk. Tightening of financing/ liquidity in the debt market and rising costs of construction also remained high at 81.1%. Government intervention to cool the market saw the highest increase, rising from 26.7% in 2Q 2022 to 37.8% in 3Q 2022.

In contrast, the concern of a real estate price bubble fell sharply from 16.7% in 2Q 2022 to 2.7% in 3Q 2022. Concerns over job losses/decline in domestic economy and increased supply of new development land saw a slight decline Q-o-Q, from 36.7% to 32.4% in and 6.7% to 0% 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 3Q 2022, about 29% of developers expected moderately more units to be launched in the next six months and 28% of developers expected a moderately or substantially lower number of units to be launched over the next six months, recording changes of -15 percentage points and 15 percentage points Q-o-Q respectively. The majority of 43% expected the number of launches to be maintained.

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

In 3Q 2022, 57% of the developers expected unit prices of new launches in the next six months to be moderately higher and 33% expected the prices of new launches to maintain at the same price level. In contrast, about 10% expected prices to be moderately or substantially lower.

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

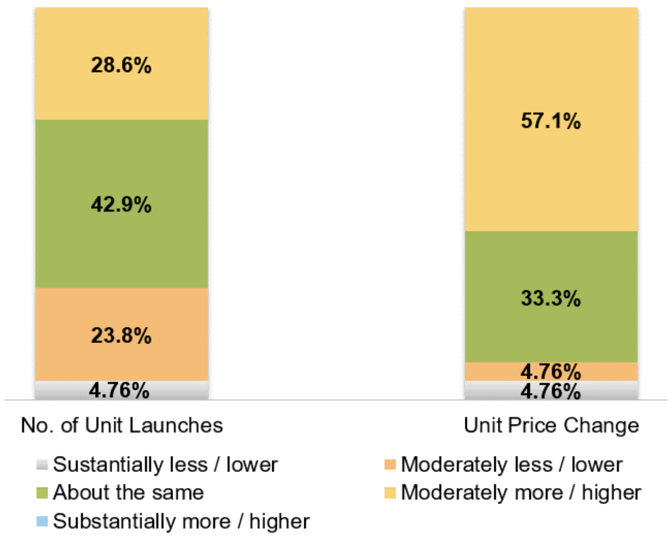
About 67% of developers highlighted financing as the top concern in 3Q 2022. Building materials cost and labour remained top concerns as well, while the proportion of respondents very concerned over land rose 9% Q-o-Q.

"The increased uncertainty in the residential market would result in buyers being more price sensitive, so it would be difficult to increase prices."

"Prices will still rise as developers bought land at quite high prices, but they will be more measured in pricing due to the new measures, slower buying momentum, and rising interest rates."

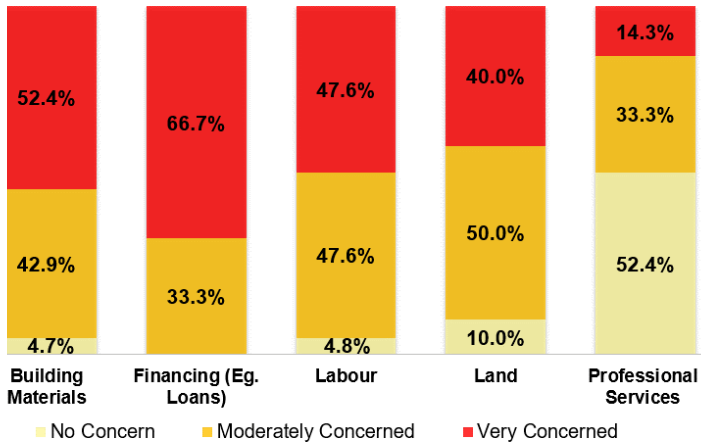
- Comments from Survey Respondents

Exhibit 4: Residential Launches & Prices



Source: NUS Real Estate

Exhibit 5: Level of concern relating to development costs



Source: NUS Real Estate

For enquiries, please contact:

Alistair Drew Ingham
Research Assistant
drew.i@nus.edu.sg

Wong Wei Chen
Manager
weichen@nus.edu.sg

Sing Tien Foo
Provost's Chair Professor of Real Estate
bizstf@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.