NUS-Real Estate

REAL ESTATE SENTIMENT INDEX

1st Quarter 2023

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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"This survey was done shortly after the announcement of the new ABSD rules on 26 April 2023. The current and future sentiment dipped below 5.0, the neutral line.

The new ABSD rules, coupled with the looming macro risks, such as interest rate hikes and banking crisis in the US, could have clouded the market outlooks."

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 5.3 in 4Q 2022 to 4.7 in 1Q 2023.

Future Sentiment Index#:

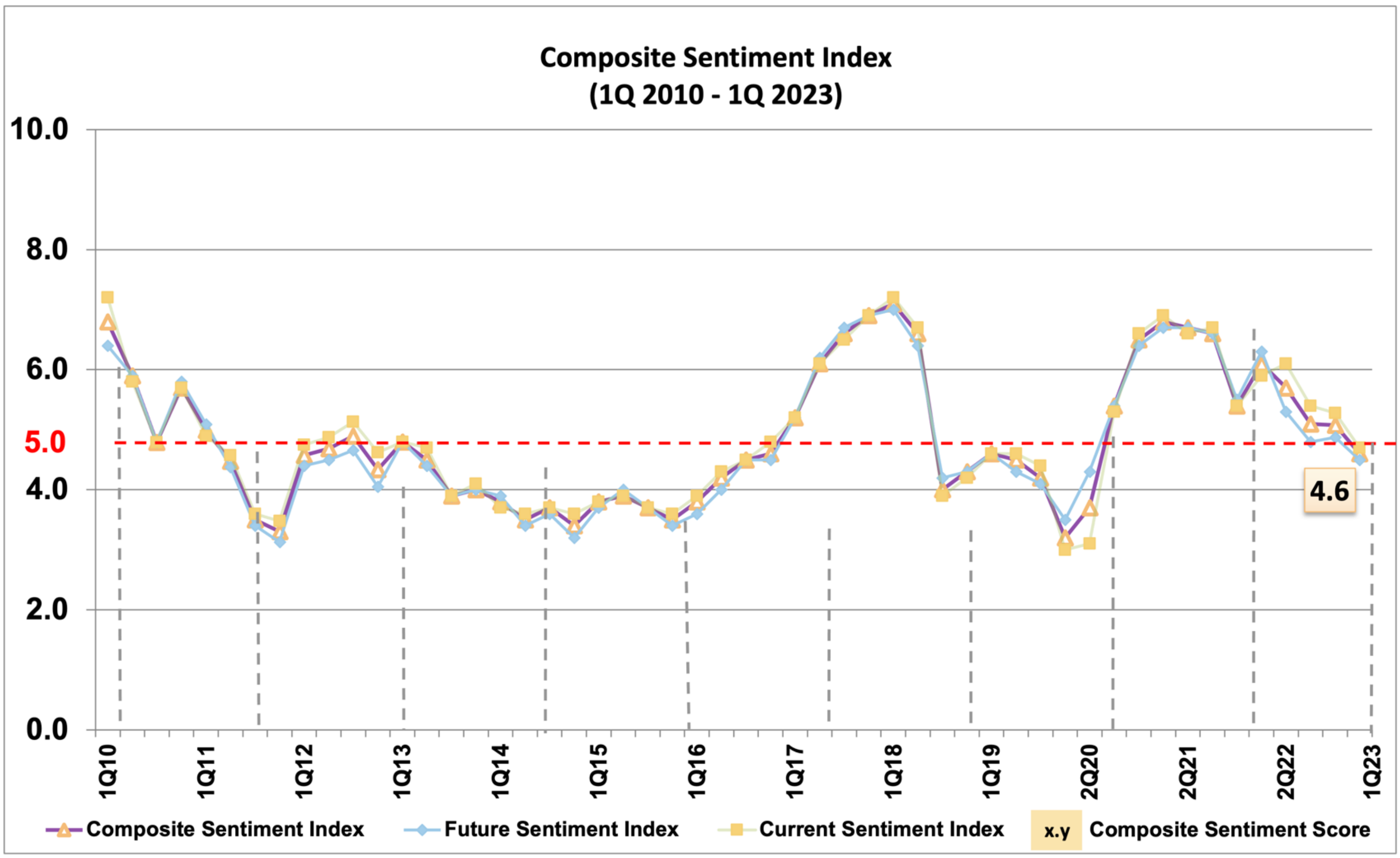
The Future Sentiment Index declined from 4.9 in 4Q 2022 to 4.5 in 1Q 2023.

Composite Sentiment Index#:

The Composite Sentiment Index score declined from 5.1 in 4Q 2022 to 4.6 in 1Q 2023.

Amid high interest rates, on-going geopolitical tensions and the banking crisis in the West, sentiments have visibly softened while the recent government cooling measures would have raised caution on outlooks for the future.

Exhibit 1: Real Estate Sentiment Index (1Q 2010 – 1Q 2023)



Source: NUS Real Estate

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

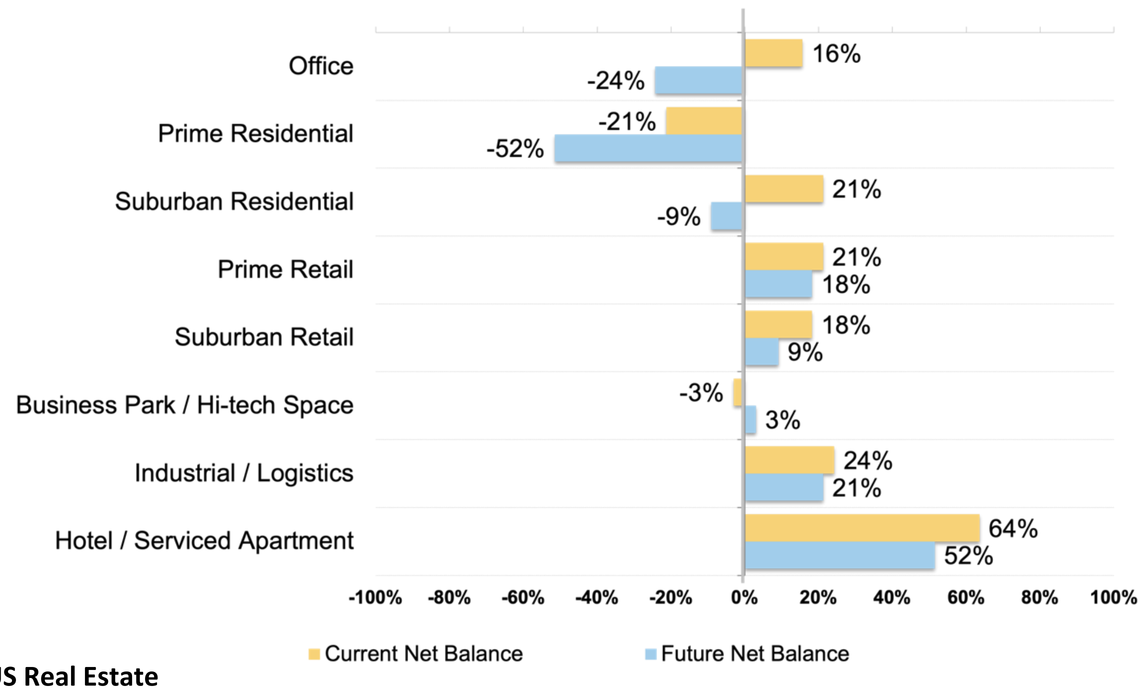
Current net balance

Except for Prime Residential and Biz Park/Hi-tech Space with negative current performance, all other real estate sectors showed positive current net balance in 1Q 2023. The Hotel/Serviced Apartment sector continued to lead the field with a positive score of 64%, but it slid down from 4Q 2022's 94%. Prime Retail came in second but slid to 21% this time, compared to 47% in the previous quarter. Overall, the average net balances fell by 10 percentage points since 4Q 2022, reflecting an overall softening of sentiment.

Future net balance

The future net balance of the Prime Residential, Office and Suburban Residential sectors was negative. The Prime Residential had the worst future performance of -52%, followed by the Office of -24%. However, the respondents were positive about the future performance of other real estate sectors in the next six months. The Hotel/Serviced Apartment and the Industrial/Logistics sectors have the most positive future net balance of +52% and +21%, respectively. Prime and Suburban Retail sectors followed closely with future net balances of +18% and +9%, respectively.

Exhibit 2: Real Estate Market Performance



Source: NUS Real Estate

"Buyers and occupiers are generally more cautious now than six months ago as the external environment has deteriorated significantly, with the banking turmoil in 1Q 23 and the tech sector consolidation proving to be more widespread than expected.

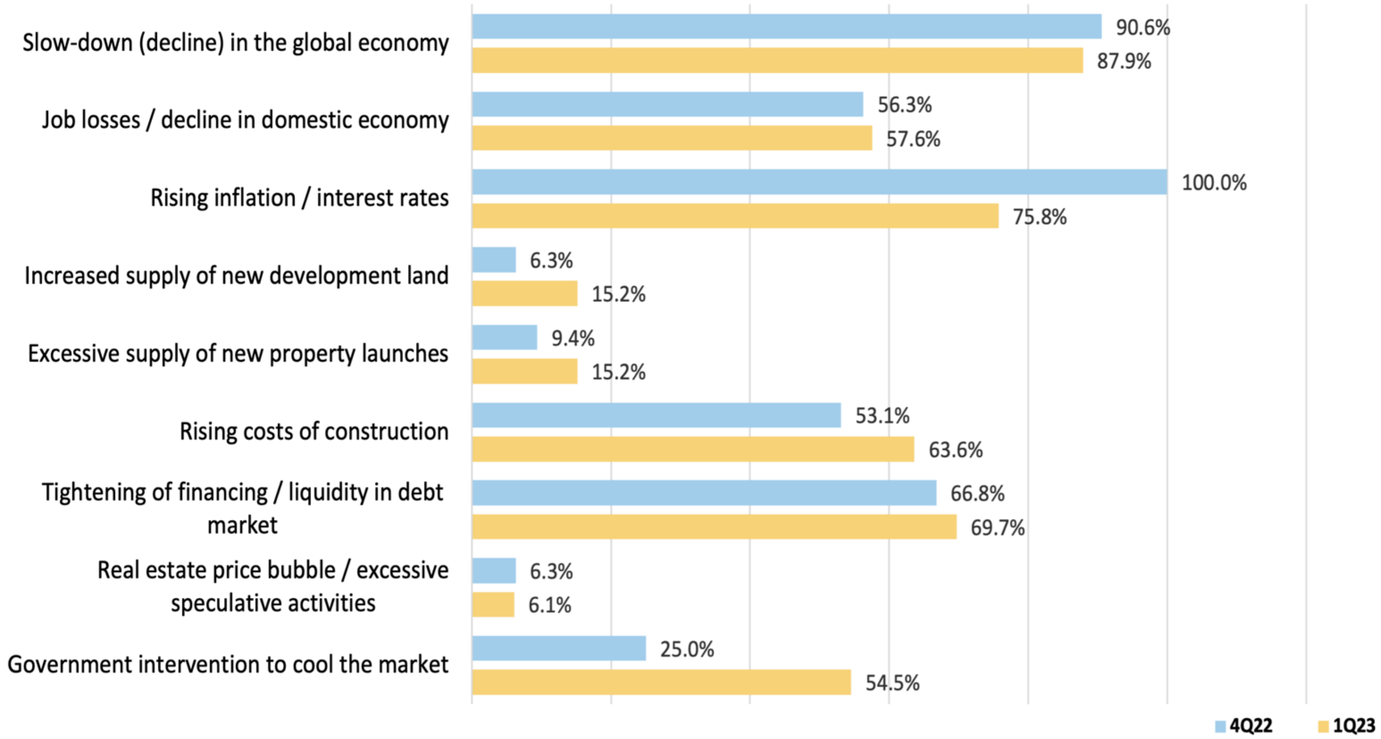
- Comments from Survey Respondents

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

In the 1Q 2023 survey, 87.9% of respondents indicated the slow-down (decline) in the global economy as the top potential risk that may adversely impact the sentiments over the next six months. The rising inflation/ interest rates as a potential risk factor has dropped to 75.8% compared to the 100% of respondents' choice of the potential risk factor in 4Q 2022.

The concerns over government intervention to cool the market increased significantly to 54.5% in 1Q 2023 from 25% in 4Q 2022. Risks relating to the development land supply and new property launches rose to 15.2% in 1Q 2023, compared to 6.3% and 9.4% in 4Q 2022, respectively. The rising construction costs and tightening of financing/liquidity in the debt market are two other risk factors that increased slightly to 63.6% and 69.7% in 1Q 2023 from 53.1% and 66.8% in 4Q 2022, respectively. The risk of a real estate price bubble remained low at 6.1%, dropping 0.2 percentage points from 6.3% in 4Q 2022.

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 1Q 2023, about 35% of the developers expected a moderately or substantially higher number of units to be launched in the next six months, recording a decrease of 12 percentage points from 4Q 2022. Approximately 59% of the developers expected the number of units to be launched in the next six months to remain relatively constant. 6% of them expected a moderately lower number of launches.

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

In 1Q 2023, 29% of the developers expected unit prices of new launches in the next six months to be moderately higher, and 65% expected new launch prices to maintain at the same price level, a slight decline from 70.6% in 4Q 2022. About 6% expected unit prices to be moderately less.

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

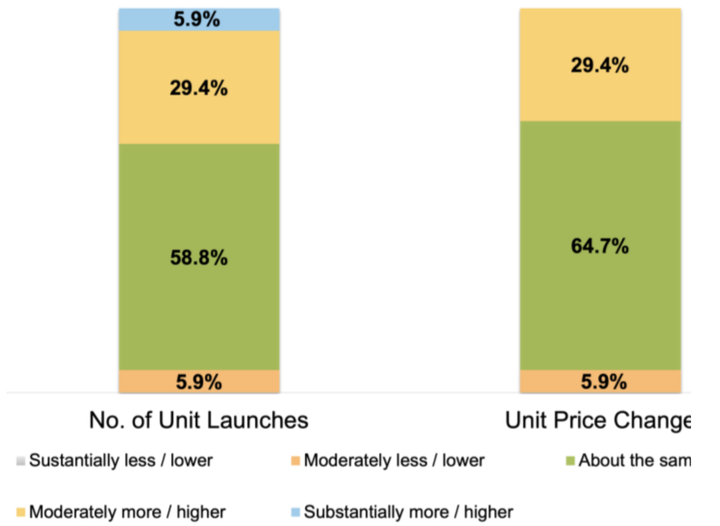
About 42% of developers highlighted labour and land as top concerns in 1Q 2023. This represented a significant increase for land from 18% in 4Q 2022, while labour fell slightly from 53% in 4Q 2022. The proportion of respondents very concerned about financing fell by 6 percentage points. Respondents very concerned about building materials remained at 29%. The proportion of respondents concerned over professional services increased to 6%, up from zero in the previous survey.

"Developers will pace their new launches carefully as they want to monitor the market and the impact of the ABSD hikes."

"While resilient demand will support prices, buyers are expected to remain price-sensitive amid economic headwinds. Prices are likely to remain stable, with marginal increases possible for projects with strong selling points."

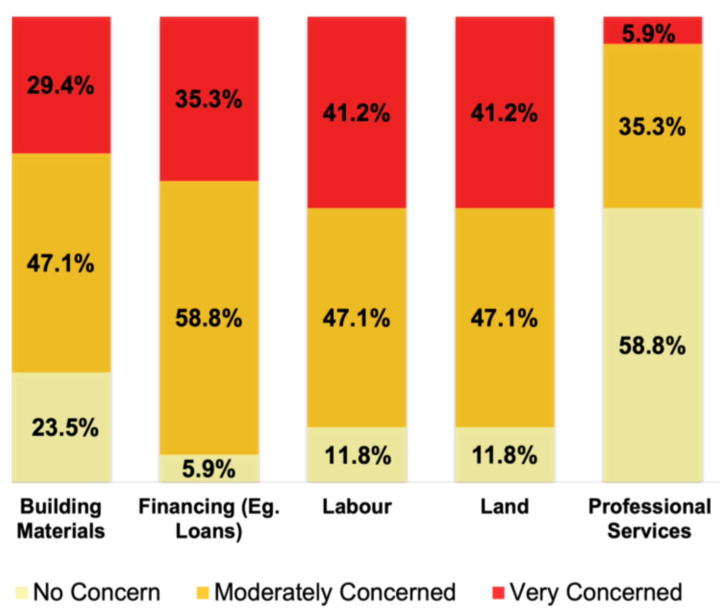
- Comments from Survey Respondents

Exhibit 4: Residential Launches & Prices



Source: NUS Real Estate

Exhibit 5: Level of concern relating to development costs



Source: NUS Real Estate

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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.