NUS-Real Estate

REAL ESTATE SENTIMENT INDEX

2nd 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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"The market sentiment remained subdued and below the neutral line of 5. The new ABSD rate and macroeconomic uncertainties could have impacted the current and future market sentiment."

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 remained at 4.7 in 2Q 2023.

Future Sentiment Index#:

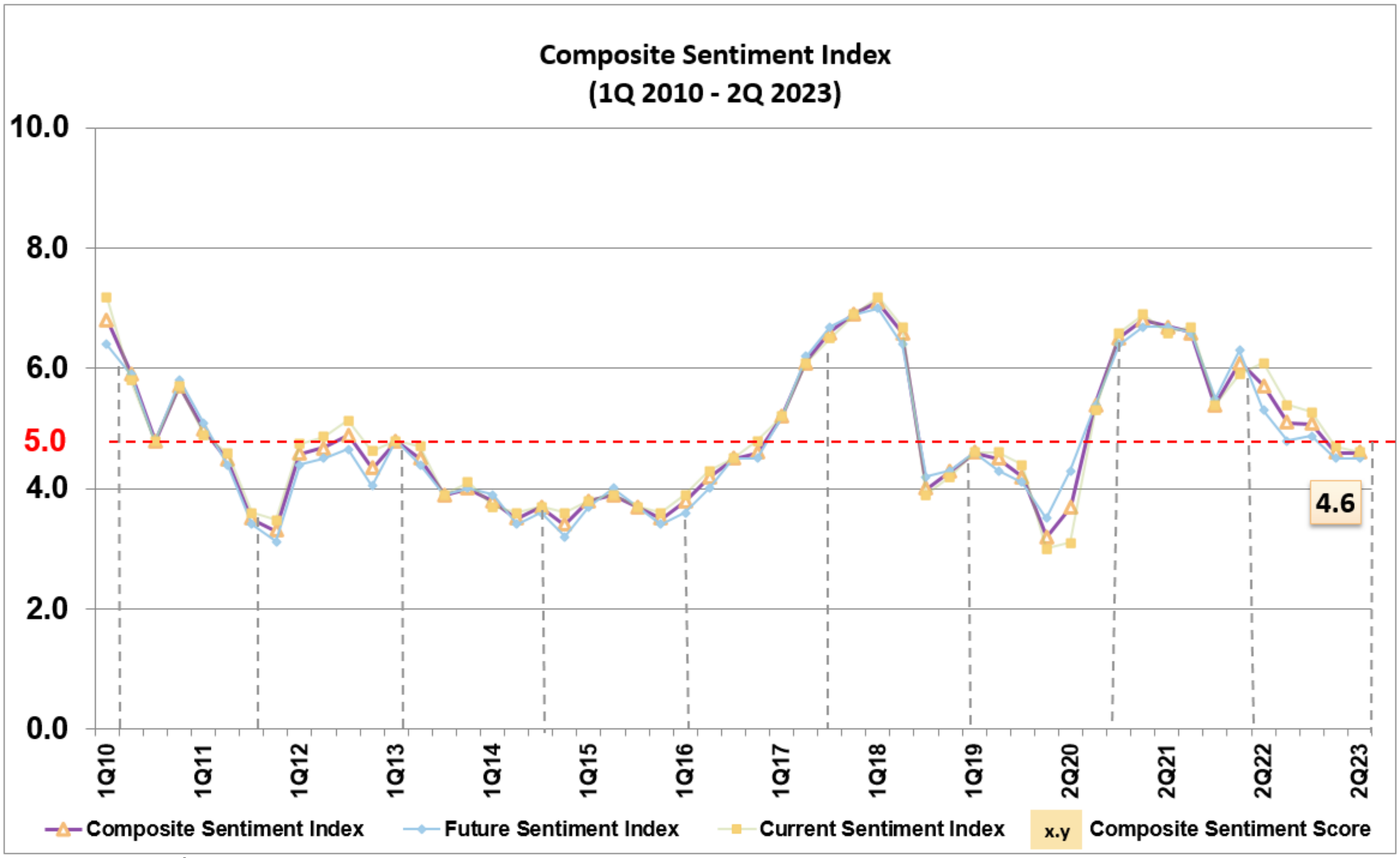
The Future Sentiment Index increased slightly from 4.5 in 1Q 2023 to 4.6 in 2Q 2023.

Composite Sentiment Index#:

The Composite Sentiment Index score remained at 4.6 in 2Q 2023.

The real estate market faces headwinds on the global and local fronts. The geopolitical instability and global economic slowdown from outside, and April's round of cooling measures from within are among the factors that add uncertainties to the market.

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

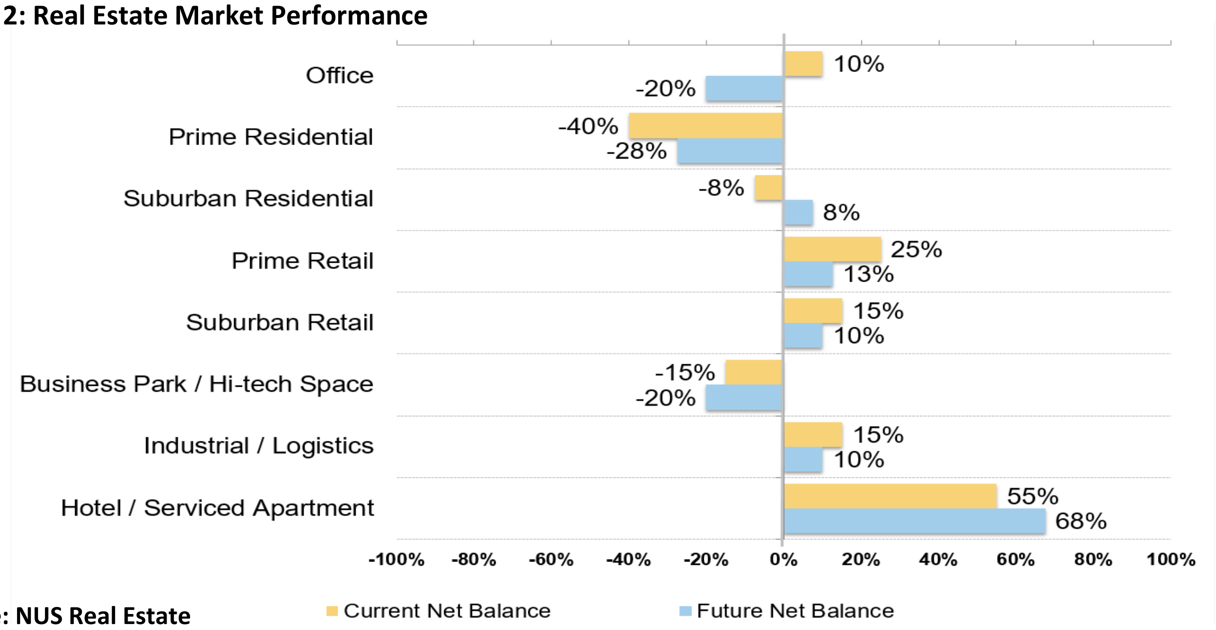
Current net balance

Most real estate sectors maintained a positive current net balance in 2Q 2023 except for Prime Residential, Suburban Residential and Biz Park/Hi-tech. Prime Residential sector was the worst-performing sector with a negative net current balance of -40%. The Hotel/Serviced Apartment sector continued to lead the field with a positive score of +55%, but the number had declined for two consecutive quarters – from +94% in 4Q 2022 and +64% in 1Q 2023. Prime Retail came in second at +25%, increasing from +21% in 1Q 2023. Overall, the average net balances fell by 12 percentage points relative to 1Q 2023.

Future net balance

Most real estate sectors show positive future performance in the next six months, but the future net balances of Prime Residential, Office and Biz Park/Hi-tech sectors were negative. Prime Residential again had the worst future performance of -28%, followed by Office and Biz Park/Hi-tech both with future net balances of -20%. Hotel/Serviced Apartment and Prime Retail sectors show the most positive future net balance of +68% and +13% respectively. Suburban Retail and Industrial/Logistics sectors followed closely with similar future net balances of +10% while Suburban Residential sector had a future net balance of +8%.

Exhibit 2: Real Estate Market Performance



Source: NUS Real Estate

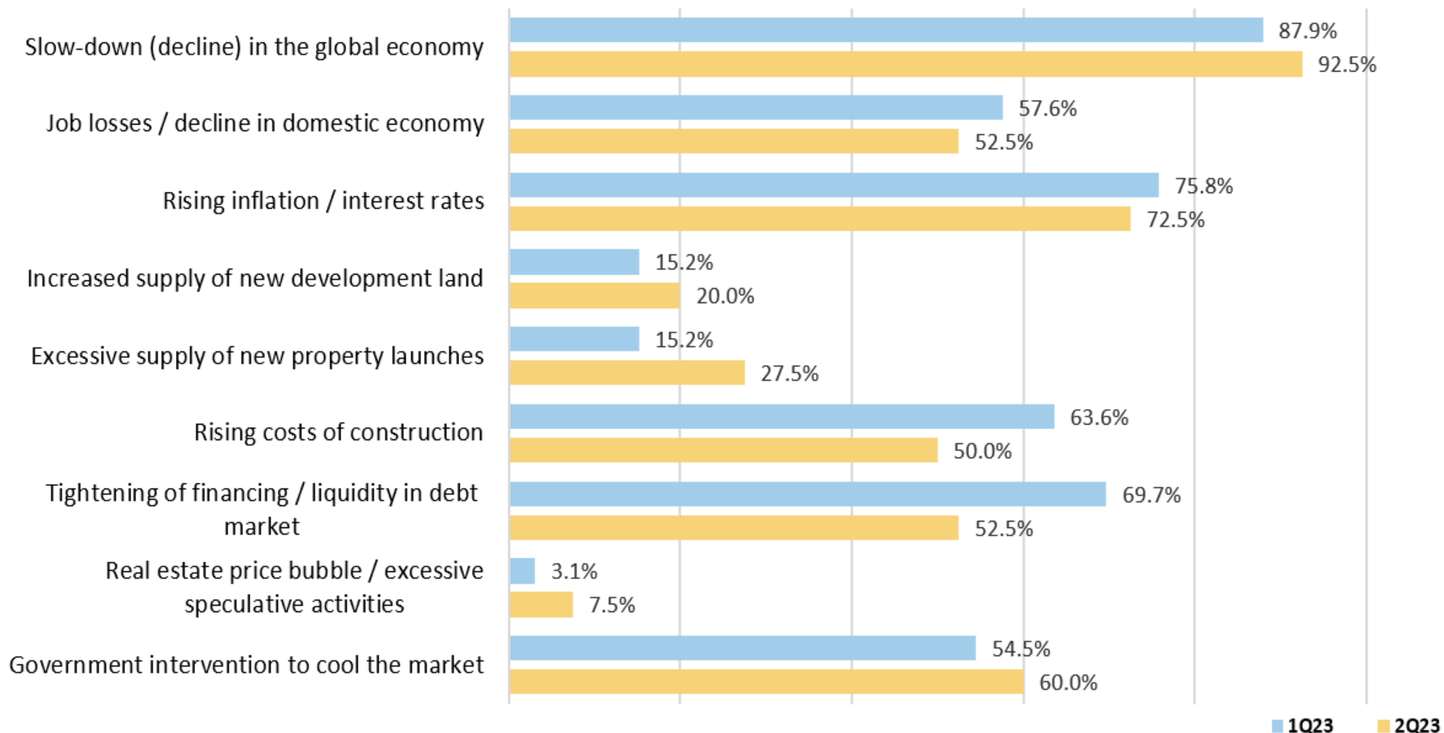
> *"The April 2023 ABSD rate increases appear to have generally moderated investment demand for residential properties, particularly foreign investment demand for high-end/luxury residential properties. Amid headwinds, as well as more project launches and housing completions, home buyers and tenants are expected to become more cautious and selective. Office and business park leasing demand will likely stay subdued in the coming months, potentially dragging down rents."*
>
> ***- 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 2023 survey, 92.5% of the respondents indicated slow-down (decline) in the global economy as the top potential risk that may adversely impact sentiments over the next six months. 72.5% of the respondents indicated rising inflation/ interest rates as a potential risk factor, which decreased marginally from 75.8% in 1Q 2023.

Government intervention to cool the market ranked third at 60.0%, a slight increase from 54.5% in 1Q 2023. Job losses/decline in the domestic economy and tightening of financing/liquidity in the debt market both fell to 52.5% in 2Q 2023 from 57.6% and 69.7% in 1Q 2023, respectively. 50.0% of the respondents expressed concerns over rising construction costs, decreasing from 63.6% in 1Q 2023. Risks related to development land supply and new property launches rose to 20.0% and 27.5%, respectively, in 2Q 2023, compared to 15.2% in 1Q 2023. The risk of a real estate price bubble increased to 7.5% from 3.1% in 1Q 2023.

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 2023, 45.0% of the developers expected a moderately or substantially higher number of units to be launched in the next six months. 35.0% of the developers expected the number of units to be launched in the next six months to remain relatively constant. 20.0% 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 2Q 2023, 40.0% of the developers expected unit prices of new launches in the next six months to be moderately higher, and 50.0% expected new launch prices to remain at the same price level, declining from 65.0% in 1Q 2023. 5.0% expected unit prices to be moderately less. Similarly, 5.0% expected unit prices to be substantially less.

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

50.0% of the developers highlighted financing as the top concern in 2Q 2023, increasing from 35.3% in 1Q 2023. The proportion of respondents who were very concerned about building materials increased by about 5 percentage points, and labour fell by approximately 6 percentage points. Respondents who were very concerned about land fell to 30.0%. The proportion of the respondents expressing concern over professional services remained the lowest, though it increased to 10.0%, up from 5.9% in the previous quarter.

> *"While the planned launches of some high-end residential projects had been delayed due to the ABSD rate increases, developers of mid-tier and mass-market projects are expected to ride on the buying momentum of local and resident buyers and continue to launch new units for sale."*
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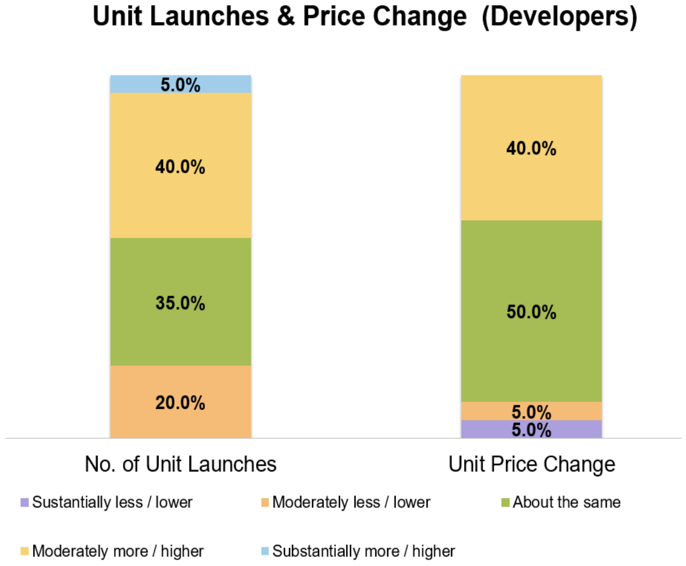
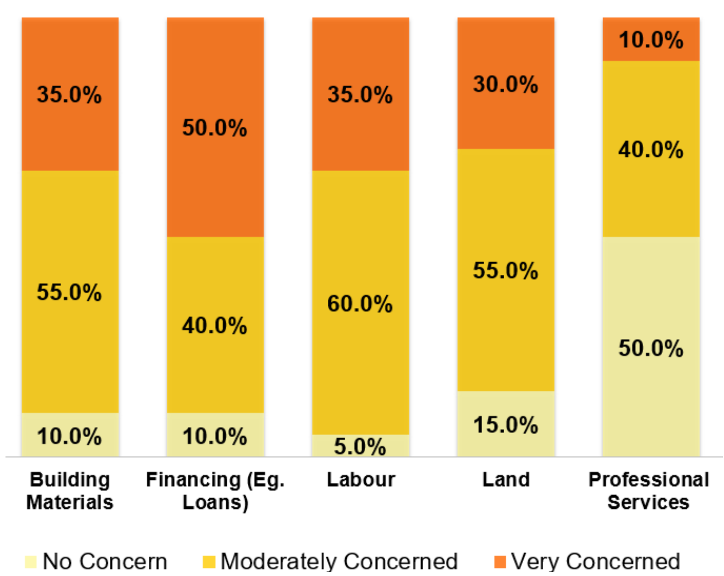
> ***- Comments from Survey Respondents***

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.