NUS-Real Estate

REAL ESTATE SENTIMENT INDEX

3rd 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 3Q2023 market sentiment continued trending downward, which could be driven by both the external economic uncertainties and slowing down in new sale activities in local residential markets in September and October."

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 fell from 4.7 in 2Q 2023 to 4.2 in 3Q 2023.

Future Sentiment Index#:

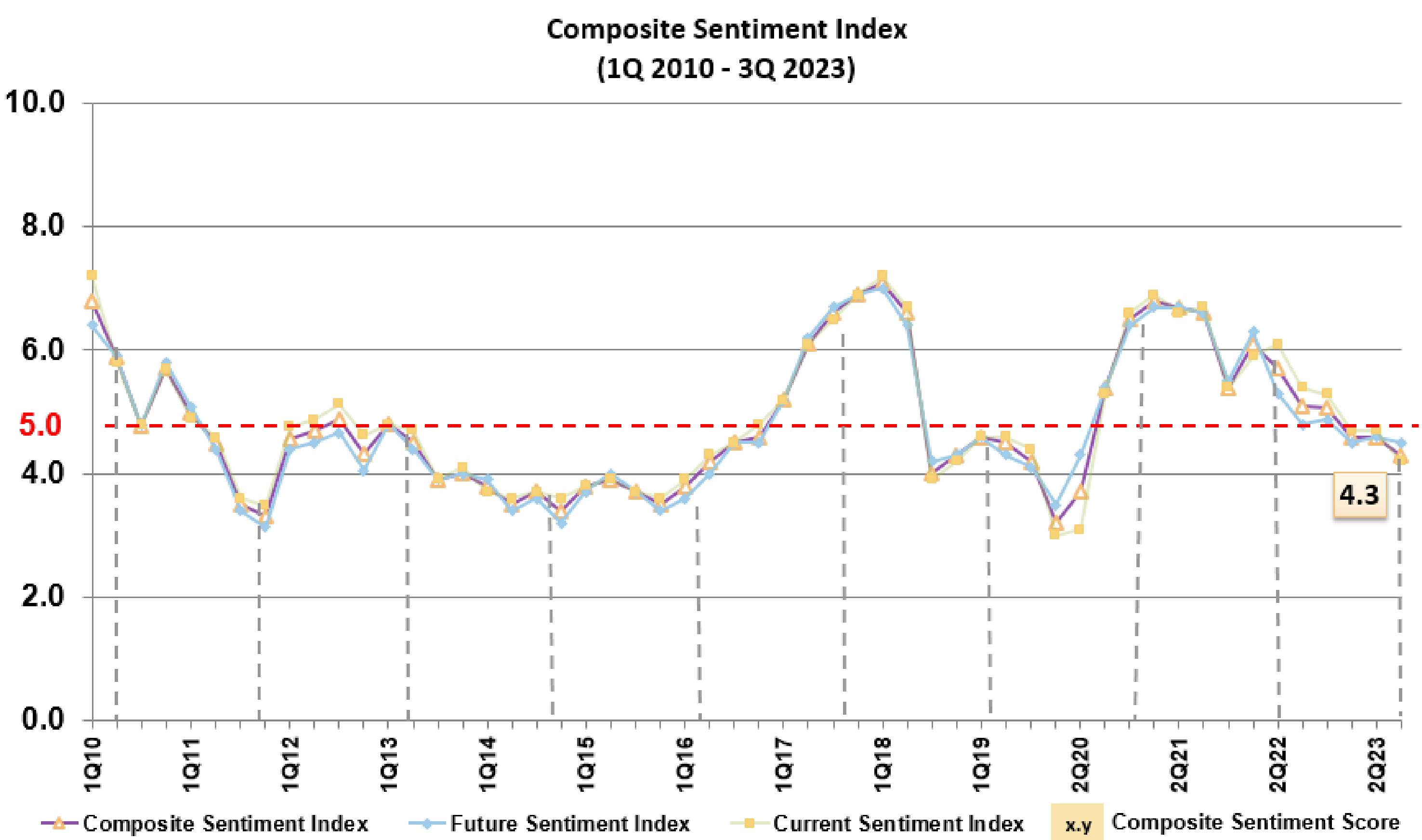
The Future Sentiment Index decreased slightly from 4.6 in 2Q 2023 to 4.5 in 3Q 2023.

Composite Sentiment Index#:

The Composite Sentiment Index score fell from 4.6 in 2Q 2023 to 4.3 in 3Q 2023.

Market sentiments slid further due to escalating geopolitical conflicts with no clear end in sight and persistent economic uncertainty amid high interest rates. On the local front, the effects of April's cooling measures are still exerting a depressing effect on housing sentiment.

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

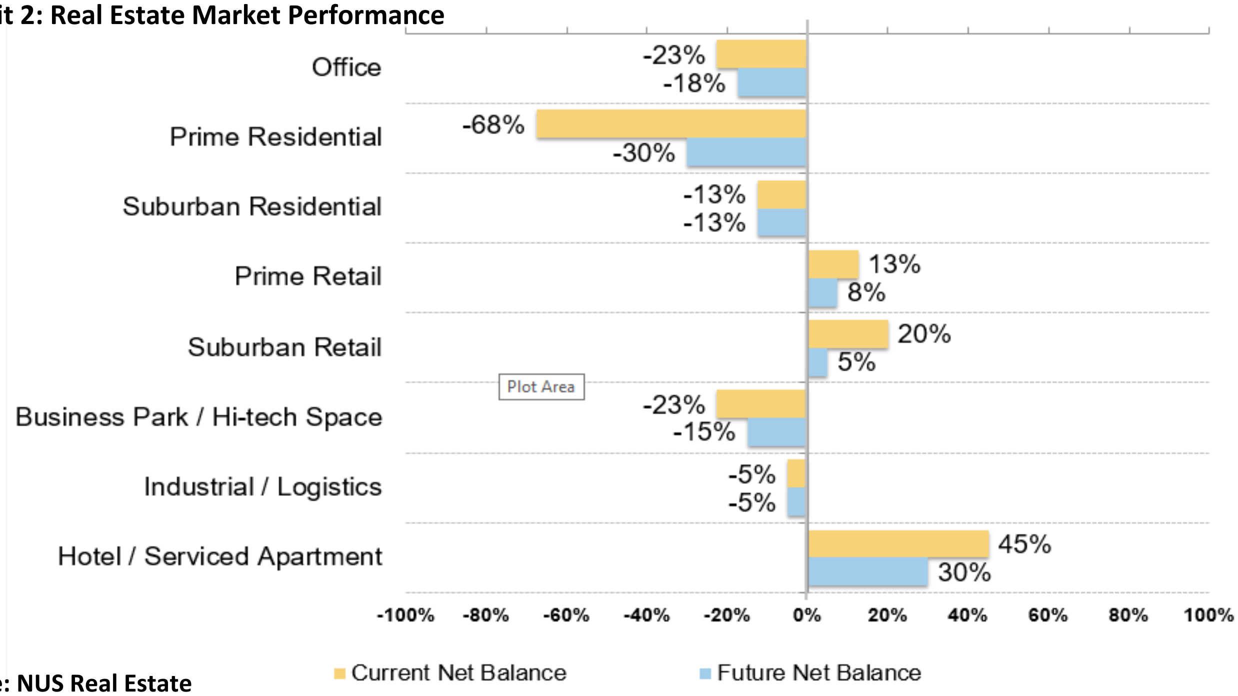
Current net balance

Most real estate sectors had a negative current net balance in 3Q 2023 except for Prime Retail, Suburban Retail and Hotel/Serviced Apartment. The Hotel/Serviced Apartment sector led the field with a positive score of +45% but was lower than the score of +64% and +55% in 1Q 2023 and 2Q 2023, respectively. Suburban Retail came in second in net balance with +20%, increasing from +15% in 2Q 2023. Overall, the average net balance fell by 14 percentage points since 2Q 2023.

Future net balance

The future net balances of the Office, Prime Residential, Suburban Residential, Biz Park/Hi-tech and Industrial/Logistics sectors were negative. Prime Residential had the worst future performance of -30%, followed by Office and Biz Park/Hi-tech which had a future net balance of -18% and -15% respectively. Suburban Residential followed closely with a future net balance of -13% while Industrial/Logistics had a future net balance of -5%. However, the respondents were positive about the future performance of other real estate sectors in the next six months. The Hotel/Serviced Apartment had the most positive future net balance of +30% while Prime Retail and Suburban Retail sectors had positive future net balances of +8% and +5%, respectively.

Exhibit 2: Real Estate Market Performance



Source: NUS Real Estate

"Market sentiments are generally weaker now than 6 months ago for the residential, office and business park asset classes due to the long drawn macroeconomic uncertainties and geopolitical tensions in general, and the April 2023 market cooling measures for the residential property market.".

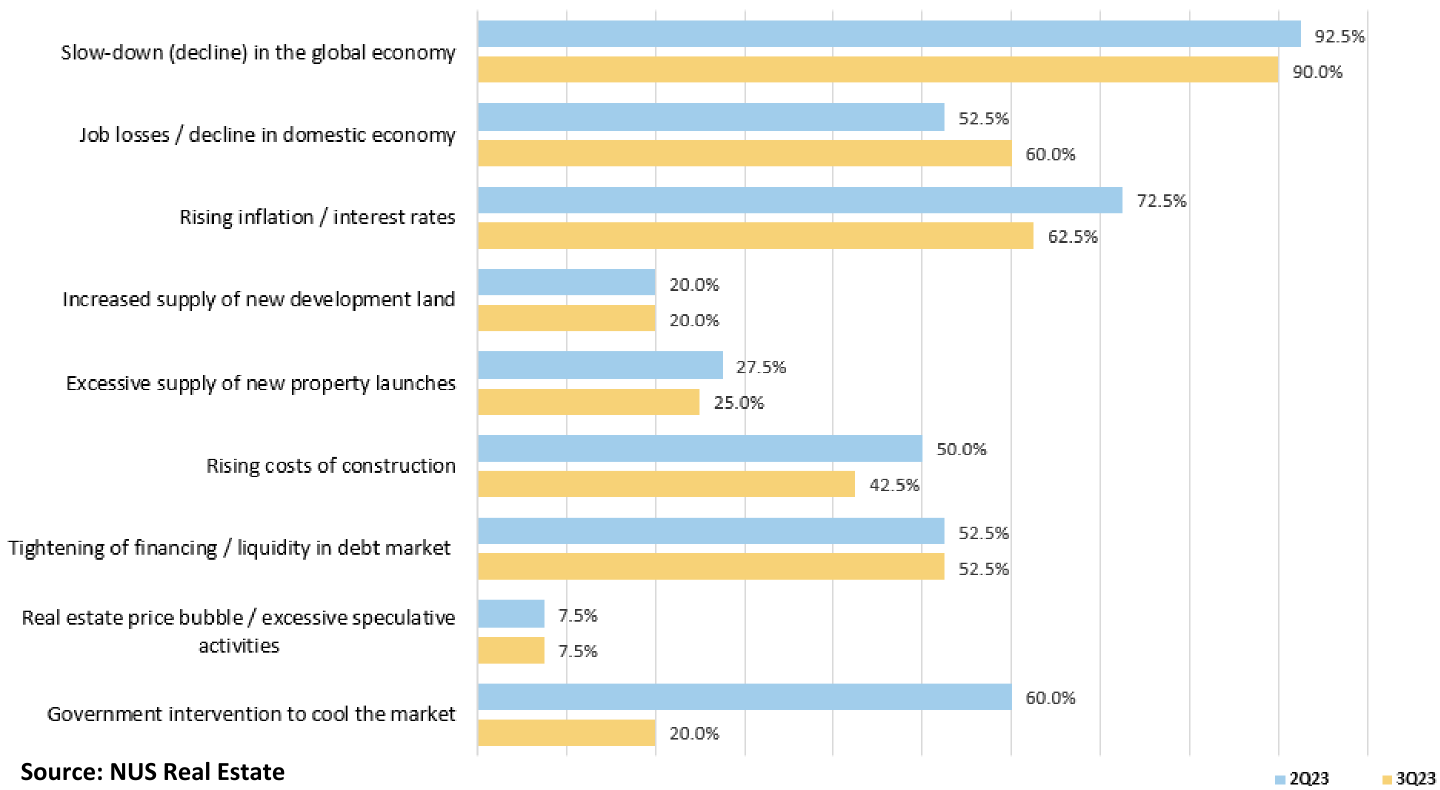
- Comments from Survey Respondents

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

Slow-down (decline) in the global economy remained the top potential risk factor, with 90.0% of respondents indicating in the 3Q 2023 survey that it would adversely impact the sentiments over the next six months. 62.5% of respondents indicated rising inflation/ interest rates as a potential risk factor, decreasing from 72.5% in 2Q 2023.

Job losses/decline in the domestic economy ranked third at 60.0%, increasing from 52.5% in 2Q 2023. Tightening of financing/liquidity in the debt market followed, remaining at 52.5%. 42.5% of respondents expressed concerns over rising construction costs, decreasing from 50.0% in the previous quarter. Risks relating to new property launches fell from 27.5 % in 2Q 2023 to 25.0% in 3Q 2023. 20.0% of respondents indicated concerns regarding both development land supply and government intervention to cool the market with the latter decreasing significantly from 60.0% in 2Q 2023. The risk of a real estate price bubble ranked the lowest, remaining constant at 7.5% in 3Q 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 3Q 2023, 30.0% of the developers expected a moderately or substantially higher number of units to be launched in the next six months, recording a decrease of 15 percentage points from the previous quarter. 55.0% of the developers expected the number of units to be launched in the next six months to remain relatively constant. 10.0% expected a moderately lower number of launches in 3Q 2023.

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

In 3Q 2023, 20.0% of the developers expected unit prices of new launches in the next six months to be moderately higher, and 70.0% expected new launch prices to maintain at the same price level, increasing significantly from 50.0% in 2Q 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?

25.0% of developers highlighted land as the top concern in 3Q 2023, decreasing from 30.0% in 2Q 2023. Respondents very concerned about financing fell to 20.0% from 50.0% in 2Q 2023. The proportion of respondents very concerned about labour decreased by about 20 percentage points while that of building materials fell by 25 percentage points. The proportion of respondents concerned over professional services remained the lowest, falling from 10.0% in the previous quarter to 5.0%. Compared to the previous quarter, scores for 3Q 2023 generally appeared to more tightly clustered around the center (i.e. "about the same" and "moderately concerned").

> *"Heightened risks faced by developers and previously committed capital outlays will prevent substantial price reductions. Hence, prices should remain relatively stable, with projects with strong selling points or where there is pent-up demand performing better than others."*
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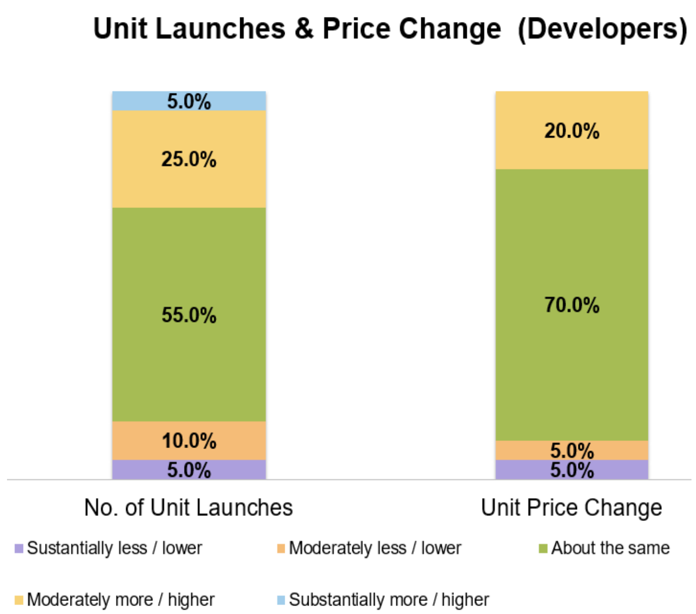
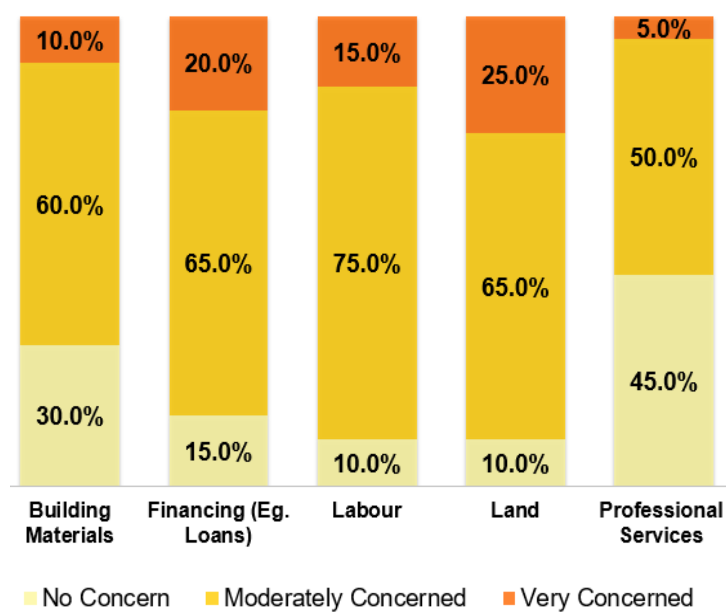
> ***- Comments from Survey Respondents***

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.