NUS-Real Estate

# REAL ESTATE SENTIMENT INDEX

4th 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 sentiment has improved in the last quarter of the year, but it still falls slightly below the neutral level. Developers were optimistic, and more developers indicated that they planned to increase the number of new launches in the new year."*

*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?**

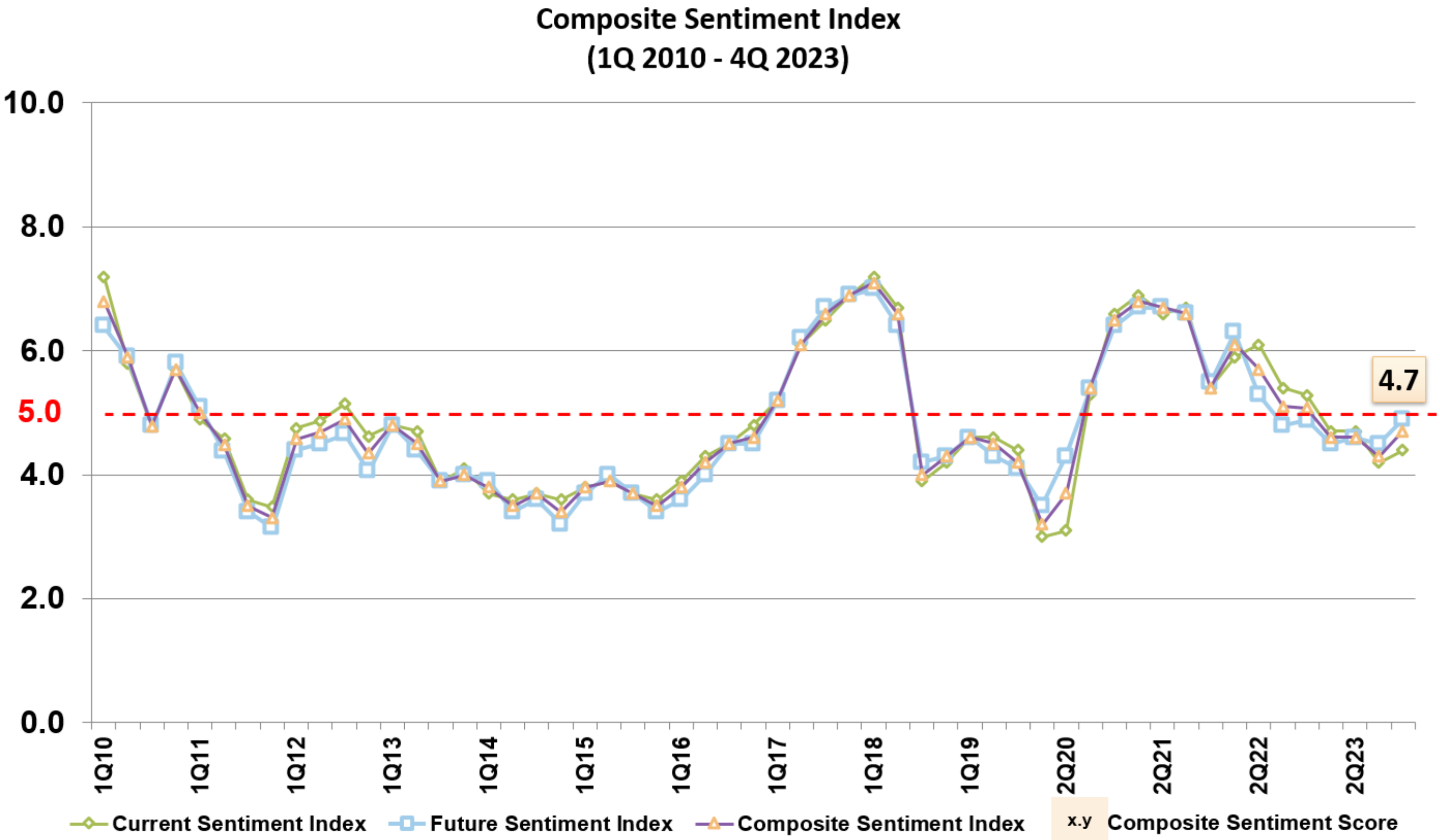
**Current Sentiment Index#:**
The Current Sentiment Index increased from 4.2 in 3Q 2023 to 4.4 in 4Q 2023.

**Future Sentiment Index#:**
The Future Sentiment Index increased from 4.5 in 3Q 2023 to 4.9 in 4Q 2023.

**Composite Sentiment Index#:**
The Composite Sentiment Index score rose from 4.3 in 3Q 2023 to 4.7 in 4Q 2023.

Market sentiments are cautiously optimistic, heading into the new year, as the market remains resilient in spite of weak domestic economic growth and external headwinds from global instability.

**Exhibit 1: Real Estate Sentiment Index (1Q 2010 – 4Q 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?

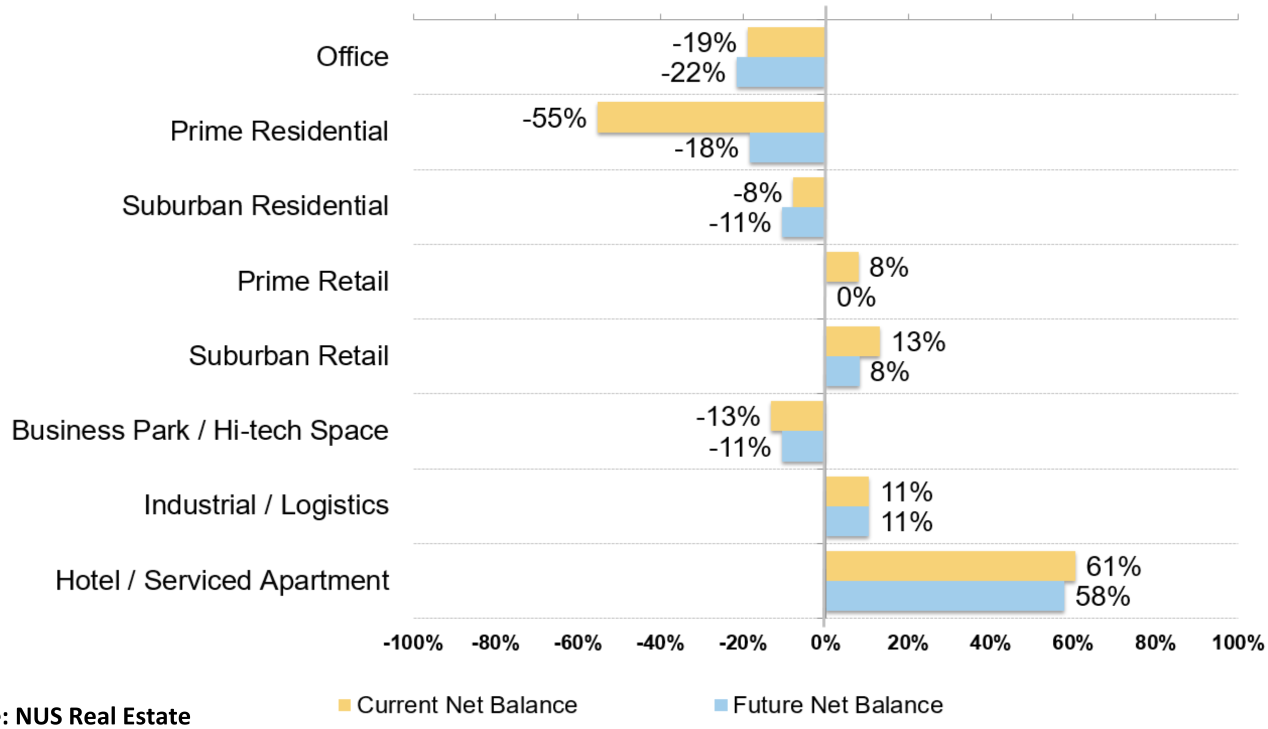
**Current net balance**

The current net balances of Office, Prime Residential, Suburban Residential and Biz Park/Hi-tech were negative while the rest had positive current net balances. The Hotel/Serviced Apartment sector continued to lead the field with a positive score of +61%, rebounding from its downward trend in the previous three quarters. Suburban Retail came in a distant second at +13%, decreasing from +20% in the previous quarter. Prime Residential had the lowest current net balance at -55%, though it increased from -68% in 3Q 2023. Overall, the average net balances increased by 6.5 percentage points since 3Q 2023.

**Future net balance**

The future net balances of the Office, Prime Residential, Suburban Residential and Biz Park/Hi-tech sectors were also negative. Office had the worst future performance of -22%, followed closely by Prime Residential at -18%. Suburban Residential and Biz Park/Hi-tech both had a future net balance of -11%. On the other hand, the Hotel/Serviced Apartment had the most positive future net balance of +58%, leading by a large margin. Industrial/Logistics followed with a future net balance of +11%. Future net balance for Prime Retail, however, remained neutral at 0%, easing from the previous quarter's 8%.

**Exhibit 2: Real Estate Market Performance**




**Source: NUS Real Estate**

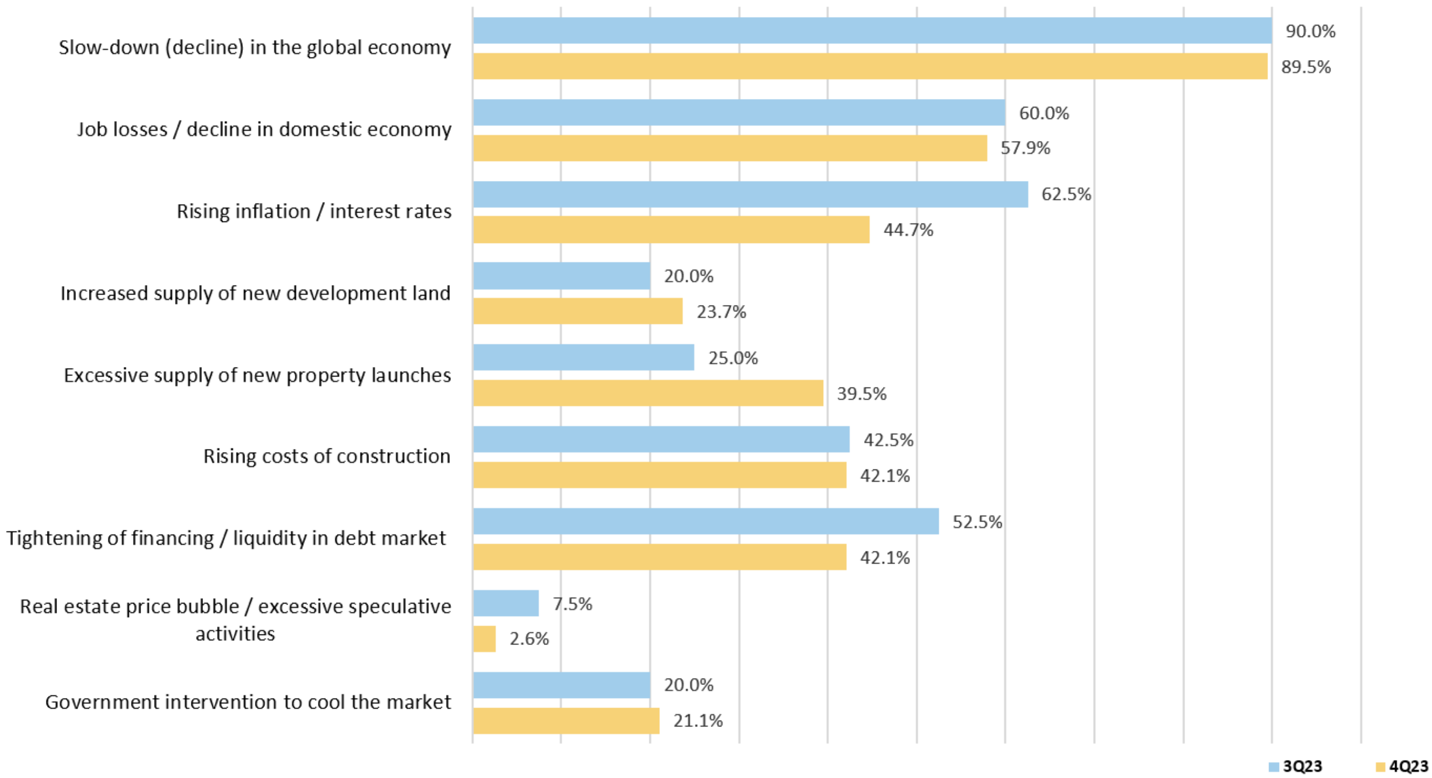
> *"Sentiments [are] generally stable with expectations that interest rate is likely to be lowered in 2H."*
>
> ***- Comments from Survey Respondents***

### 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 maintained its position as the top potential risk that may adversely impact sentiments over the next six months with 89.5% of respondents indicating so in the 4Q 2023 survey. Job losses/decline in the domestic economy ranked second at 57.9%, rising from its third position in the previous quarter. Rising inflation/ interest rates followed at 44.7%, decreasing considerably from 62.5% in 3Q 2023.

42.1% of respondents expressed concerns over both rising construction costs and tightening of financing/liquidity in the debt market, a decrease from 42.5% and 52.5% respectively in 3Q 2023. Risks relating to excessive property launches increased from 25.0% in 3Q 2023 to 39.5% in 4Q 2023. 23.7% of respondents raised concerns regarding increased development land supply, followed closely by government intervention to cool the market at 21.1% in 4Q 2023. The risk of a real estate price bubble continued to rank the lowest, falling further to 2.6% in 4Q 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 4Q 2023, 57.1% of developers expected a moderately or substantially higher number of units to be launched in the next six months, recording an increase of 27 percentage points from the previous quarter. 42.9% of the developers expected the number of units to be launched in the next six months to remain relatively constant. None expected the number of unit launches to decrease as compared to 15% in 3Q 2023.

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

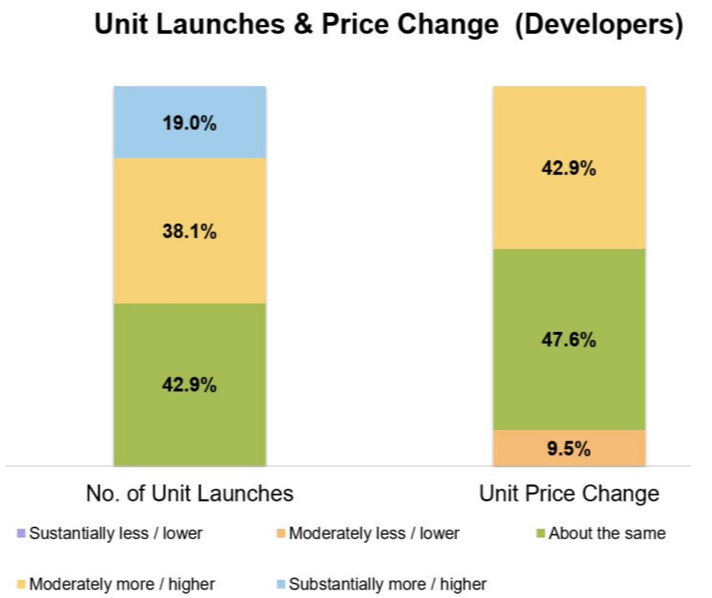
In 4Q 2023, 42.9% of the developers expected unit prices of new launches in the next six months to be moderately higher, doubling from that of 3Q 2023. 47.6% expected new launch prices to maintain at the same price level, a sizeable decrease from 70.0% last quarter. 9.5% expected unit prices to be moderately less.

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

33.3% of developers highlighted land as the top concern in 4Q 2023, increasing from 25.0% in 3Q 2023. Respondents very concerned about labour increased from 15.0% in 3Q 2023 to 23.8% this quarter. 19.0% of respondents were very concerned about finance, a slight decrease from 20.0% last quarter while those concerned about building materials gained 4.3 percentage points. The proportion of respondents concerned over professional services remained the lowest, increasing from 5.0% in 3Q 2023 to 9.5%.

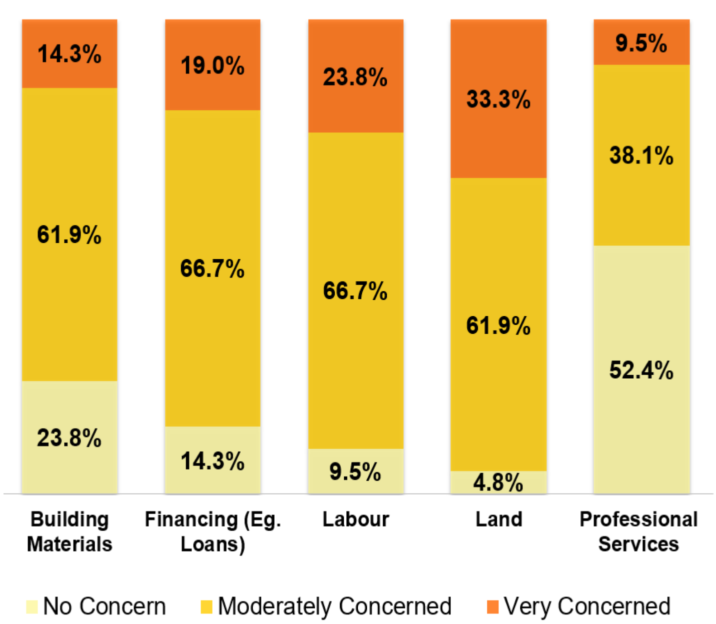
> *"Foreign buyers and investors will remain deterred by the stricter ABSD measures. However, buyers' homeownership aspirations and genuine demand from local buyers should continue to underpin private home sales [...]. Buyers are likely to gain confidence as economic conditions and interest rates are anticipated to improve in 2H 2024, encouraging developers to release new projects for sale."*
>
> ***- 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.