NUS-Real Estate

REAL ESTATE SENTIMENT INDEX

2nd Quarter 2024

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
3 Research Link, Innovation 4.0
Singapore 117602
URL: https://ireus.nus.edu.sg/
Tel: 6516 8288 | Fax: 6774 1003

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"The slow-down in home sales in the prime private market and the rising vacancy in business parks could be possible causes of the weakening performance of the two sectors.

More headwinds will be expected in these sectors, with uncertainty on interest rates and the global economic climate ahead."

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 4.7 in 1Q 2024 to 4.8 in 2Q 2024.

Future Sentiment Index#:

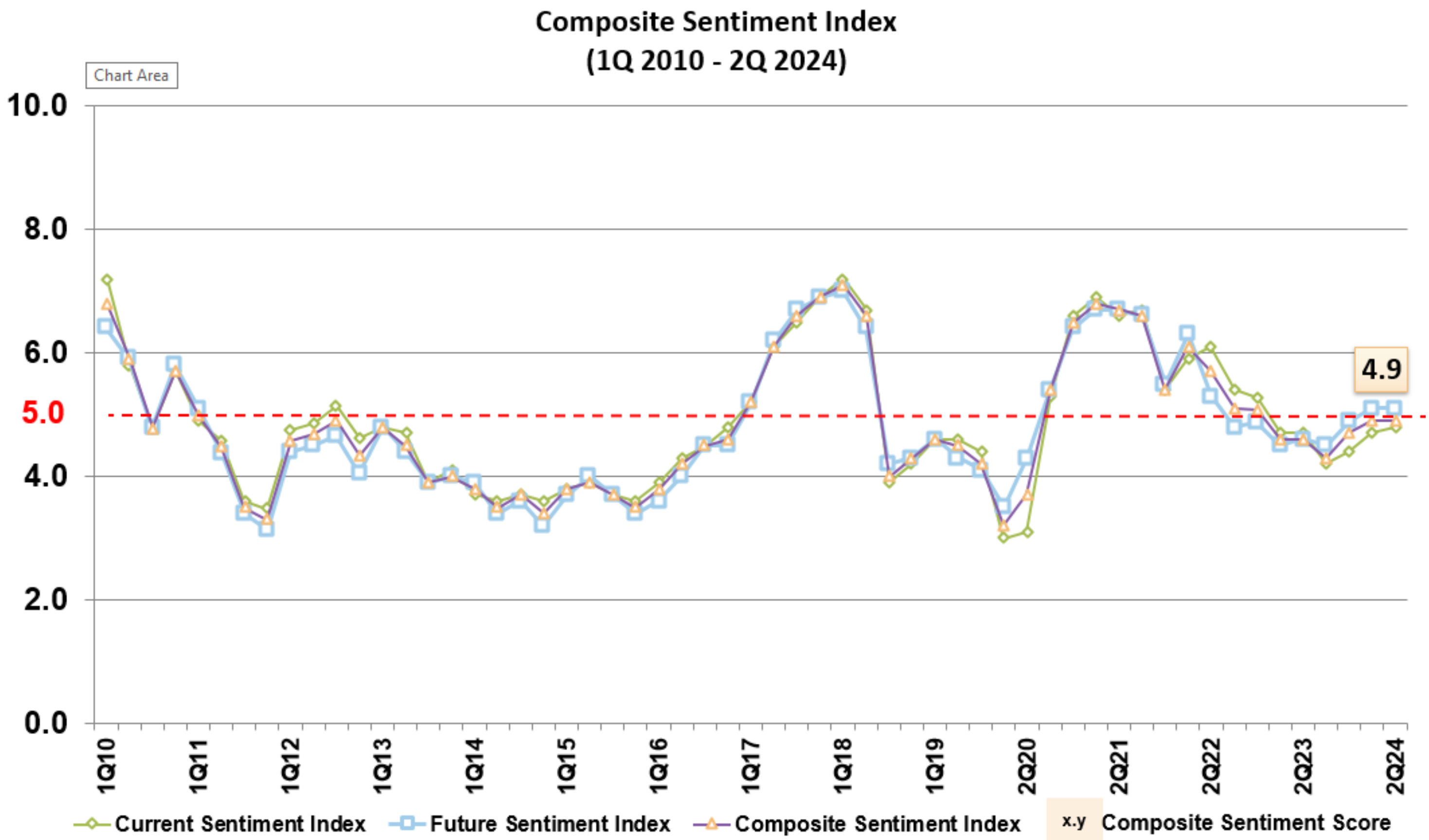
The Future Sentiment Index remained constant at 5.1 in 2Q 2024.

Composite Sentiment Index#:

The Composite Sentiment Index score remained constant at 4.9 in 2Q 2024.

Market sentiments remain largely stable and cautiously positive as the market anticipates an improvement in economic performance in the second half of the year amidst persisting global instability.

Exhibit 1: Real Estate Sentiment Index (1Q 2010 – 2Q 2024)



Source: NUS Real Estate

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

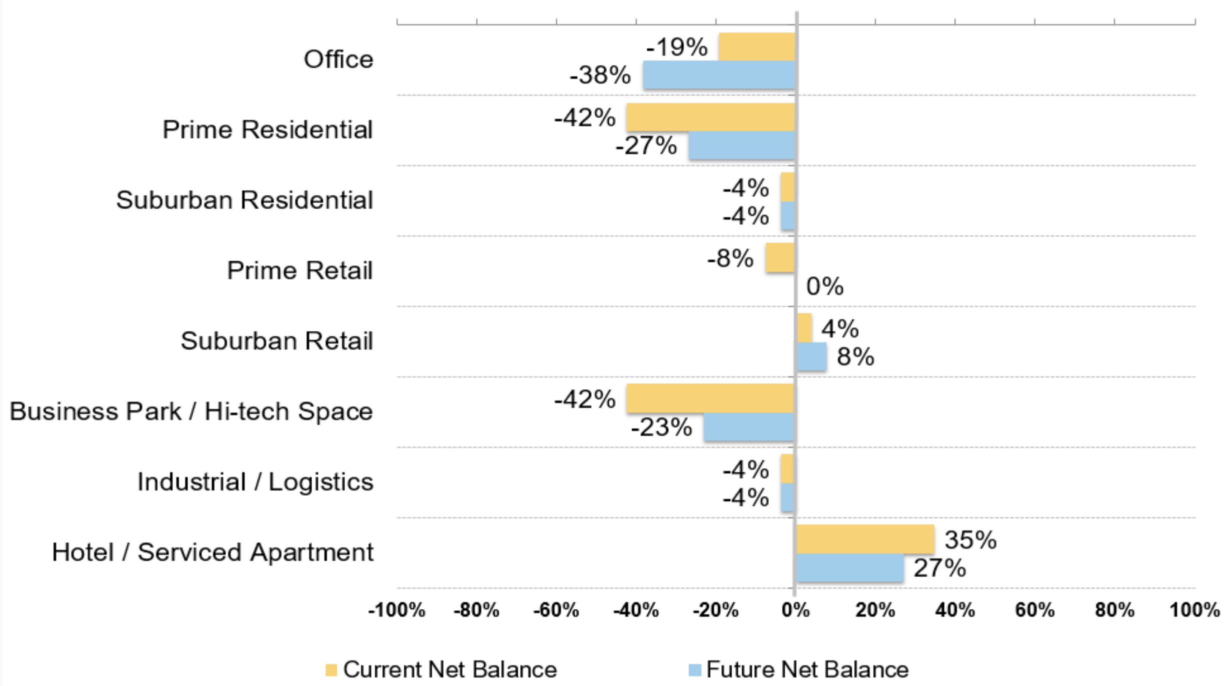
Current net balance

With the exception of Suburban Retail and Hotel/Serviced Apartment sectors, the other sectors all had negative current net balances. The Hotel/Serviced Apartment sector continued to lead the field with a positive score of +35%, though it decreased significantly from +62% in the previous quarter. Suburban Retail came in a distant second at +4%, decreasing from +9% in 1Q 2024. Prime Residential and Business Park/Hi-tech Spaces both had the lowest current net balance at -42% in 2Q 2024.

Future net balance

Suburban Retail and Hotel/Serviced Apartment were the only two sectors with positive future net balances; the latter remained at the top of the list with a future net balance of +27%. Suburban Retail fell slightly from +12% to +8% this quarter. Office had the worst future performance of -38%, falling from -15% in 1Q 2024. On the other hand, Prime Residential increased considerably from -44% last quarter to -27%. Suburban Residential and Industrial/Logistics had the same future net balance of -4%. Prime Retail continued to be the only sector with a neutral future net balance of 0%.

Exhibit 2: Real Estate Market Performance



Source: NUS Real Estate

"Office and logistics rental growth [are] tepid as economic tardiness is crimping business confidence, while cost concerns remain high on the agenda."

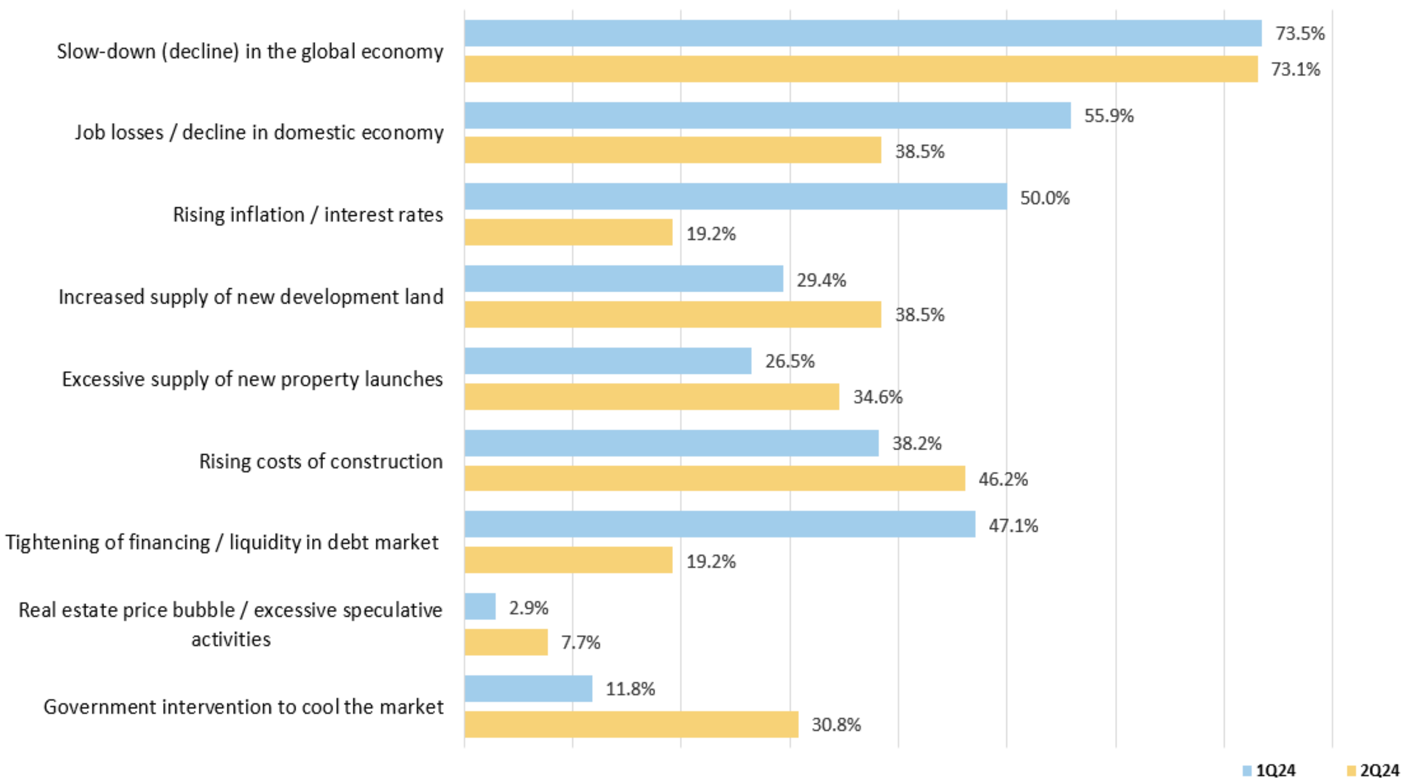
- Comments from Survey Respondents

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 73.1% of respondents indicating so in the 2Q 2024 survey, decreasing slightly from 73.5% in 1Q 2024. Rising construction costs ranked second at 46.2%, increasing from 38.2% this quarter. Job losses/decline in the domestic economy and the increased supply of new development land both garnered concerns from 38.5% of respondents. 34.6% raised concerns regarding the excessive supply of new property launches, increasing from 26.5% last quarter.

30.8% of respondents indicated concerns about government intervention to cool the market, increasing considerably from 11.8% in 1Q 2024. Rising inflation/ interest rates and the tightening of financing/liquidity in the debt market followed at 19.2%, with the former dropping significantly from 50.0% in 4Q 2023. 7.7% of respondents raised concerns regarding the risk of a real estate price bubble.

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 2024, 56.2% of developers expected a moderately or substantially higher number of units to be launched in the next six months, a decrease of 28.4 percentage points from the previous quarter. 31.3% expected the number of unit launches to remain relatively constant, a sizeable decrease from last quarter's 72.2%. 12.5% expected the number of unit launches to decrease moderately.

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

25.0% of the developers expected unit prices of new launches in the next six months to be moderately higher, increasing slightly from 22.2% in 1Q 2024. On the other hand, 75.0% expected new launch prices to maintain at the same price level. None expected unit prices to decrease.

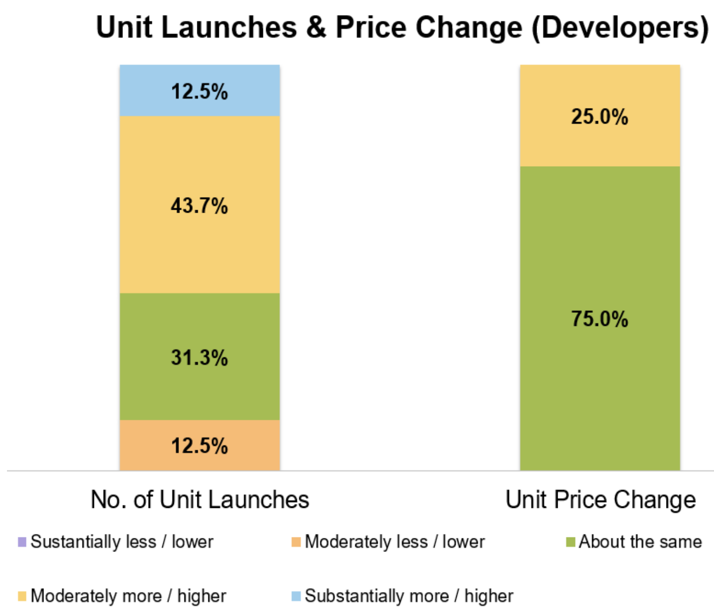
What is your level of concern on development cost over the next six months?

Land costs were the top concern, with 87.6% of developers expressing concern. 43.8% of developers were very concerned about labour costs in 2Q 2024. 81.2% indicated concern over financing costs, while 75.0% were concerned with building material costs. Costs of professional services were ranked as the least worrying cost, with 43.8% expressing no concern.

"With increased options available, home buyers are more discerning and price sensitive. Developers may adjust pricing strategies but major price corrections are improbable due to committed costs. Strong household balance sheet and still-low unemployment rate should continue to support demand and prices, particularly projects with appealing attributes."

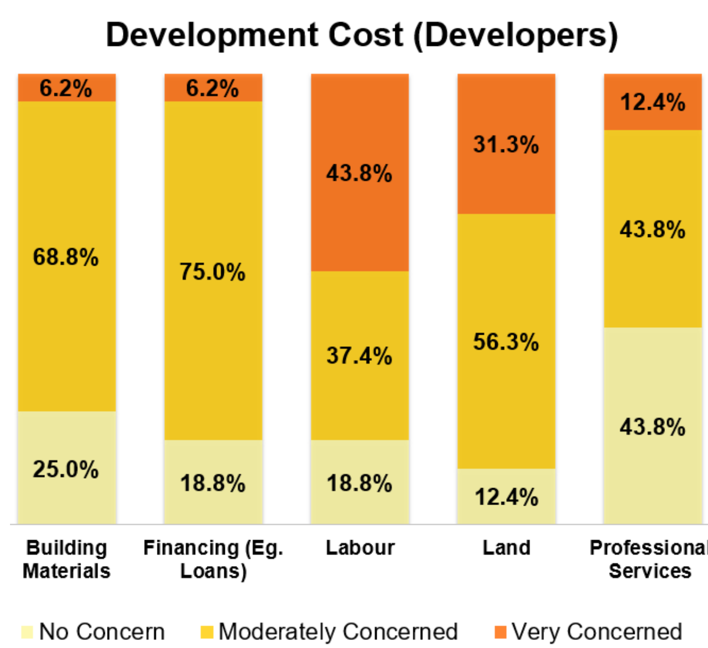
- Comments from Survey Respondents

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:

Ng Xi Min
Research Assistant
ximin.ng@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.