

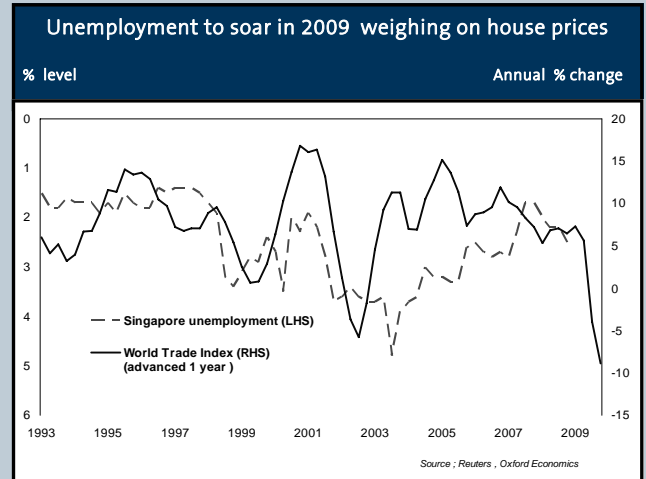
Singapore property to fall further on higher unemployment

“Less negative global growth momentum should moderate price falls”

“although rising unemployment will prevent any near term recovery in property”

- The Urban Redevelopment Authority (URA) releases its quarterly report on property price developments in Singapore on Friday 24th. Flash estimates for the residential sector were published earlier in the month and showed an acceleration in the pace of house price falls across the city state, with a quarterly decline of 13.8% in Q1. This compares to a 6.1% decline in Q4. Prices now down by 21% since peaking in the quarter to June 2008. Indeed, the speed of the correction in the Singapore housing market has been extremely rapid when compared to other developed economies and has its foundations in the rapid deterioration in the economy since the autumn.
- Singapore GDP, released this week, fell by a monumental 11.5% compared to a year earlier in Q1 as the collapse in global trade weighed heavily on exports. With the economy contracting at such a rapid pace, unemployment is likely to shoot upwards throughout 2009 adding further downward pressure on property prices in both the residential and commercial markets.
- The good news is that global growth momentum is unlikely to fall much further which may underpin a moderation in price declines into the summer. Economic stimulus plans across the globe combined with recent

pronouncements from the G20 summit to bolster trade finance should dampen the ferocious headwinds which have battered the Singapore economic model. Furthermore, ongoing competitive devaluation of the Singapore dollar could start to attract foreign investors, who accounted for around 50% of all activity in 2007, back into the property market.



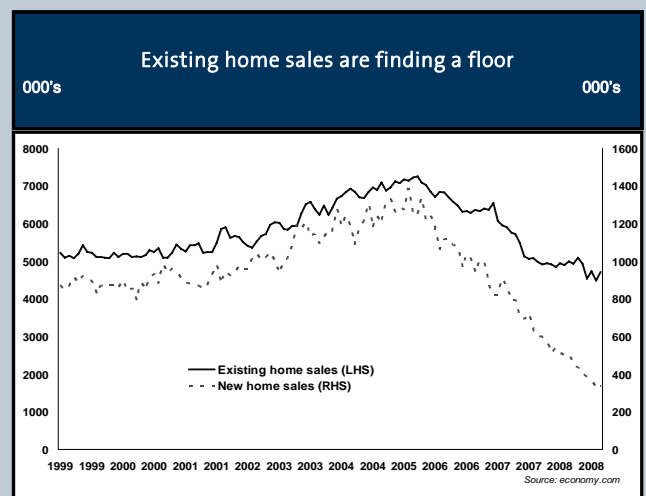
A brighter outlook for the US housing market

“Builders’ sentiment made a marked recovery in April”

“with evidence suggesting that the US housing market is nearing its bottom”

- Evidence increasingly suggests that the US housing market downturn is now at or near a bottom. In recent months, building permits, housing starts and home sales have all edged up slightly. Significantly, the NAHB housing market index, a report of builders’ sentiment, made a marked recovery in April, shooting up 5 points to 14. Of particular note, the index measuring sentiment over the coming six months jumped from 15 to 25.
- Admittedly, the housing market is still in a very weak state but further improvements can be expected in the coming months. The regional aspect of housing market numbers will present an interesting perspective on developments. Home sales data provides a case in point. The Northeast, which has the fewest number of home sales, has held up better on new home sales although existing home sales fell by more than any other region (15%) in the year to February 2009. This is perhaps an indication that this region suffered the least from forced sales as a fallout from the sub-prime crisis. The Western region saw the sharpest fall in new home sales (54% lower than a year earlier) but existing sales were actually 30% higher than in February 2008.
- The next data to be released for existing home sales and new home sales will be on Thursday 23rd and Friday 24th

respectively. Pending home sales, a good guide to home sales data, showed a 7% fall and then a 2% gain in the two most recent readings. At an aggregate level, new and existing home sales posted 5% gains between January and February so both series are likely to struggle to record further increases in March. But further upward movements should not be far away.



Weak German economy hits housing market

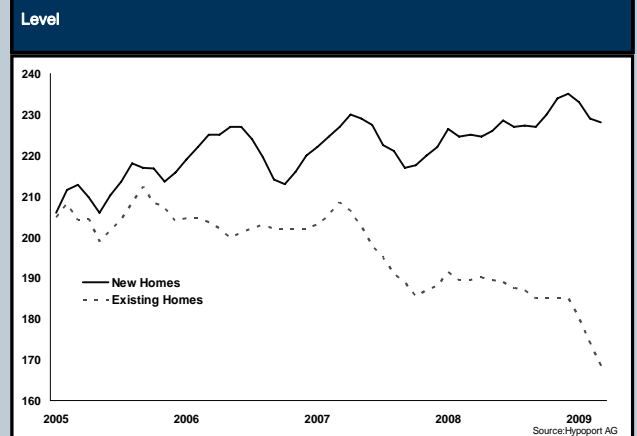
- A further snapshot of the state of the German economy will be provided by the release of April IFO survey on Friday 24th. The March survey showed business sentiment slipping to a new low with the headline index dropping from 82.6 to 82.1. The last time the IFO index was at this level was in November 1982 (although that reading only reflected the corporate mood in West Germany).
- The dramatic deterioration in the fortunes of the German economy has so far only had a relatively modest impact on the labour market. Unemployment has climbed from a low of 3.17m in the latter part of last year to 3.4m at present. However, it is likely that the scale of job losses will continue to mount as the year progresses given the gloomy prospects for growth. A contraction in the economy of at least 4% is on the cards for this year and given the lead provided by the IFO survey, the risk is that the fallout could be significantly greater.
- The deteriorating backdrop is now very clearly being reflected in the German housing market. Hypoport produce a number of monthly series tracking the residential sector. One series following transactions in existing homes shows prices have declined by more than 11% in the twelve months to March. The picture regarding new

homes appears a little more stable on a year on year comparison although the actual price level appears to have slipped in recent months. Both series seem to indicate that any hopes that the German housing market may avoid a meaningful downturn may be misplaced, despite having not experienced a preceding boom.

“IFO index at lowest level since 1982”

“Existing home prices down 11% on year ago levels”

German housing market begins to succumb



Japanese loan officers to show drop in home loan demand

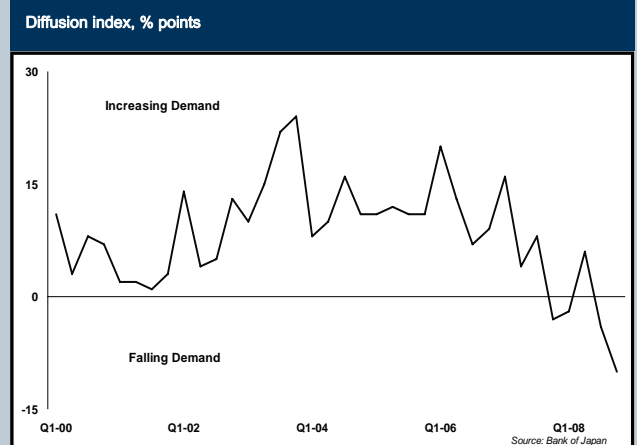
- The Q1 Bank of Japan (BOJ) Senior Loan Officers Survey is released on Wednesday 22nd against a backdrop of continuing concerns about the prospects for the Japanese economy. Although there have been a few chinks of light in recent macro data, they are unlikely to be sufficient to prevent a second successive double digit quarterly contraction in output (measured on an annualised basis); GDP fell 12% in the final three months of last year. Indeed, such is the level of unease about the outlook for the economy that the government was earlier this month forced to unveil a record stimulus package totalling Yen 56.8tr (11.2% of GDP).
- The key elements of the fiscal boost are, first, inducements to encourage replacement purchases of consumer electronics and automobiles, second, a gift tax cut aimed at stimulating housing investment and lastly, a public works programme. These measures are good news for the beleaguered construction sector; the latest data shows new orders received by the 50 largest construction companies to be down 25% on where they were a year ago.
- The previous BOJ Senior Loan Officers Survey showed that the demand from households for mortgages had dropped markedly but that the credit standards for approving these applications had actually eased. Indeed, the forward

looking questions suggested that loan officers anticipated making credit more freely available during the early part of 2009. Even if this proves to be the case, and that is by no means certain given the dramatic slump in economic activity, the likelihood is that the appetite of households to borrow to fund property purchases will have diminished further.

“stimulus package good news for construction sector”

“but home loan demand likely to have diminished further”

Demand for housing loans from households has fallen



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