

Singapore house price downturn to accelerate

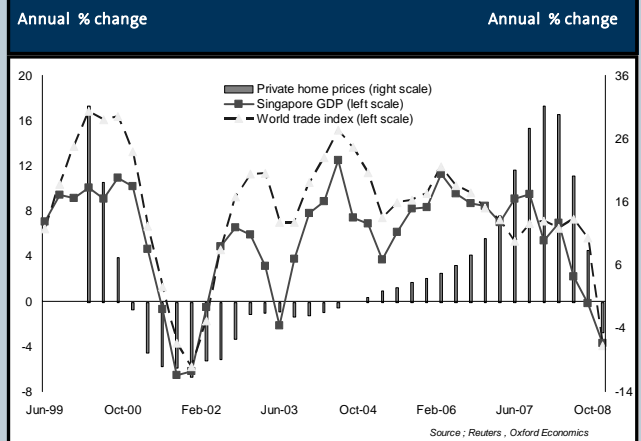
“Private home prices fell 18% during the previous downturn”

“Collapse in world trade set to weigh on economy”

- The Singaporean property market has come under increasing pressure in recent months as a sharply slowing economy, rising unemployment and waning investor interest have weighed on demand. A collapse in world trade has had a damaging impact on exports across the Developed Asia region as a whole with Singapore (one of the most open economies in the region) no exception; witnessing a 20% cumulative decline over the last 6 months.
- Private home prices as measured by the Urban Redevelopment Authority fell 6% in the quarter to December 2008 compared with a 2% decline in the previous quarter. Indeed, taking a look back at the previous downturn in 2001, there may be some way to go before prices start to stabilise. Peak to trough property prices fell 18% in the two years to June 2002, as the global economy displayed subdued growth following the dot com fall out. Significantly, it took seven years before private home prices returned to their pre-boom highs.
- The extent of the current downturn and news that the World Bank is anticipating the worst contraction in world trade since the second world war provide little comfort for property investors in the city state. With banks becoming less willing to engage in cross border lending, foreign buyers

who accounted for around half of all residential property purchases in 2007 could retreat further. Bank lending data due on Tuesday 31st should confirm a further slowdown in credit extension. In the commercial sector, the latest RICS Global Commercial Property Survey suggests a weaker labour market already taking its toll. Sharply falling rents will weigh heavily on commercial values in 2009.

Property price declines to accelerate on sharply lower growth



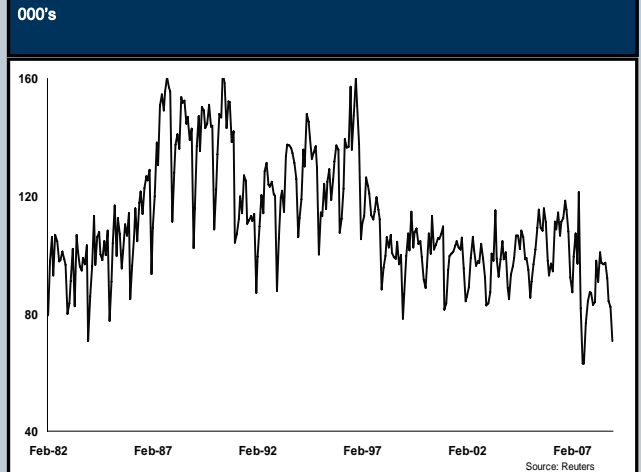
Japanese construction begins to show cracks

“Housing starts are pretty much the lowest since 1984”

“Only a matter of time before construction jobs are lost”

- A further indication of the state of the Japanese construction sector will be forthcoming with the release of housing starts and construction orders data on Tuesday 31st. These figures will be of particular interest given the dramatic deterioration in the recent flow of macro data. Particularly notable has been the worsening trade picture with the February numbers showing exports posting a 45% year on year drop (compared with 41% in January). In addition, the Ministry of Land, Infrastructure and Transport has published the latest update of ‘official land prices’. This showed that prices were down 3.5% on an annual comparison as of January 1 2009 following a 1.7% rise in the previous twelve months.
- Both the number of housing starts and construction orders have begun to weaken materially over the past few months. The former slipped to just over 70,000 in January. With the exception of the readings in August and September of 2007 which were distorted by technical issues, this is the lowest figure since 1984. The underlying picture regarding construction orders is not dissimilar. The January estimate of ¥579bn was the worst in almost seven years. With both business and consumer confidence weakening, the likelihood is the negative trend in the construction sector will worsen over the coming months.
- Employment in the construction sector has remained relatively stable over the past year although the numbers are some way down on the highs seen earlier in the decade. However with the development pipeline slowing, it is likely to be only a matter of time before businesses in the sector begin to shed jobs.

Japanese housing starts have fallen sharply



RICS UK (press office)
T +44 (0) 20 7695 1682
sthorton@rics.org

RICS Europe
T+32 (2) 733 1019
ricseurope@rics.org

RICS Americas
T +1 (1) 212 847 7400
ricsamericas@rics.org

RICS Asia Pacific
T +852 2537 7117
ricsasiapacific@rics.org

RICS Oceania
T +61 (2) 92162333
info@rics.org.au

RICS Middle East & Africa
T +971 (4) 375 3074
sluthria@rics.org



French house prices will fall further

“House prices have not fallen as sharply as in the UK”

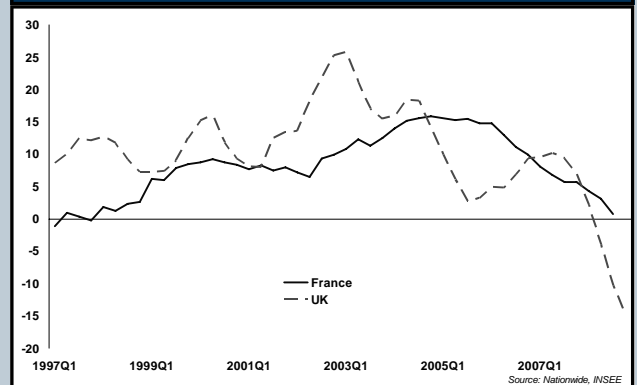
“The French mortgage market is less reliant on whole sale funding than the UK’s”

- Official French house price data for Q4 2008 is due on Tuesday 2nd. Annual house price growth peaked at 15.8% in Q4 2004 but has slowed to 0.8% on the last reading (with price falls taking place over the last two quarters).
- The house price downturn in France has been far less severe than in the UK, where prices are down 17.6% in February (according to the Nationwide index). One of the factors that may explain this is structural differences in the mortgage market. A greater share of mortgage lending is financed from retail bank deposits in France (and more generally on the continent), whereas the UK has been more reliant on wholesale funding in recent years. As a result, the credit crunch has had a far greater impact on UK mortgage lending to date. The outstanding amount of mortgage lending in January was up by 6.7% y/y in France compared to a fall of 5.8% y/y in the UK.
- Looking forward, French house prices may not fall as sharply as in the UK, but they are still likely to fall further in the coming quarters. Although the economy is not ‘technically’ in recession, GDP fell by 1.2% in Q4, unemployment has started to tick up in recent months (currently 8.2%) and consumer confidence is at its lowest level since January 1985 (according to the European Com-

mission). With France’s economic fundamentals clearly deteriorating, its housing market remains vulnerable. That said, other factors may well prove supportive in the short term; the sales to stock ratio of new houses (a measure of slack) rose sharply in Q4 thanks to a large fall in stocks of new houses for sale, while sales levels only fell modestly.

French house prices have not fallen as sharply as in the UK

Annual % change



Australian housing market stronger than US, for now

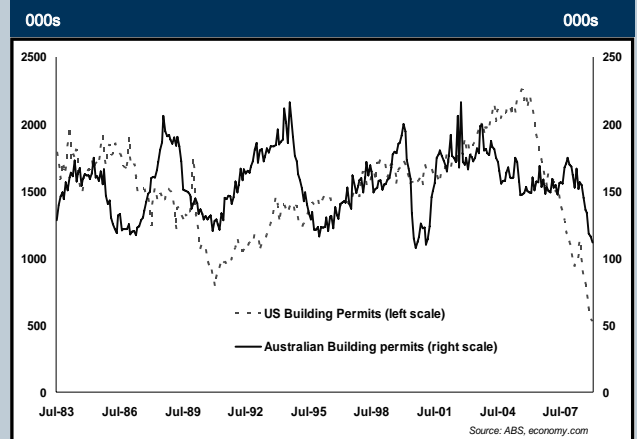
“Further weakness is in the pipeline in Australia”

“It’s too early to conclude a start of the recovery in the US”

- The release of building approvals data in Australia and construction expenditure in the US on Wednesday April 1st provides a good opportunity to compare the state of their respective construction and housing markets. The US has experienced a prolonged downturn with activity now at historic lows. Australia has held up much better so far.
- In Australia, building approvals have been edging down since November 2007 but the intensity of declines is increasing. In January 2009, 9,312 building approvals were granted – that was 33% below January 2008 and, more worryingly, a plunge of 17% since October 2008. Approvals for private non-residential dwellings (institutional care and temporary accommodation) were down by 54%/y/y while those for private residential dwellings were down by 23%. House prices are also edging down with the average price across all capital cities posting a 4%/y/y decline in 2008Q4. The weak economic climate will weigh on the market in coming months but, as suggested by the Reserve Bank’s Financial Stability Review released on March 25th, a downturn as severe as in the US is unlikely.
- In the US, the housing market downturn has been running since 2006 and there are yet to be clear signs of a turnaround. Admittedly, builders’ permits and housing starts, as well as home sales, all edged up in the most recent

data. A small recovery in construction expenditure as well would not, therefore, be surprising. But that cannot disguise the extent of weakness in the sector. Builders’ permits are still down by 44% y/y, residential construction expenditure is down by 27% while house prices are down by 27% from their peak and still falling. It’s still too early to conclude that we’ve seen the start of the recovery.

Building permits fall in both the US and Australia



All rights reserved, copyright 2008 RICS. No part of this publication may be reproduced, stored in a retrieval system or transmitted in any form or by any means without prior permission of RICS.

RICS makes no representation, express or implied, with regard to the accuracy of the information contained in this publication and cannot accept any responsibility in law for any errors or omissions. The information in this publication contains general guidelines or estimates, and does not purport to be advice on any particular matter or project. No reader should act on the basis of information contained in this publication without first taking professional advice appropriate to their particular circumstances.

RICS (Royal Institution of Chartered Surveyors) is the leading organisation of its kind in the world for professionals in property, land, construction and related environmental issues. As part of our role we help to set, maintain and regulate standards – as well as providing impartial advice to Governments and policymakers. RICS members operate in 146 countries, supported by an extensive network of regional offices located in every continent around the world. To ensure that our members are able to provide the quality of advice and level of integrity required by the market, RICS qualifications are only awarded to individuals who meet the most rigorous requirement for both education and experience and who are prepared to maintain high standards in the public interest. With this in mind it’s perhaps not surprising that the letters RICS represent the mark of property professionalism worldwide.