

# REAL ESTATE SENTIMENT INDEX

1<sup>st</sup> Quarter 2020

## 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  
20 Heng Mui Keng Terrace  
Singapore 119613  
URL: <https://ireus.nus.edu.sg/>

1st Quarter

2020



The subdued sentiments in 1Q2020 show the sign of economic slowdown, especially after the “circuit breaker” measures were introduced on 7 April 2020.

The disruptions to sale activities in the private residential property market are likely to put pressure on prices.

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 declined from 4.4 in 4Q2019 to a record low of 3.0 in 1Q2020 amid the COVID-19 outbreak.

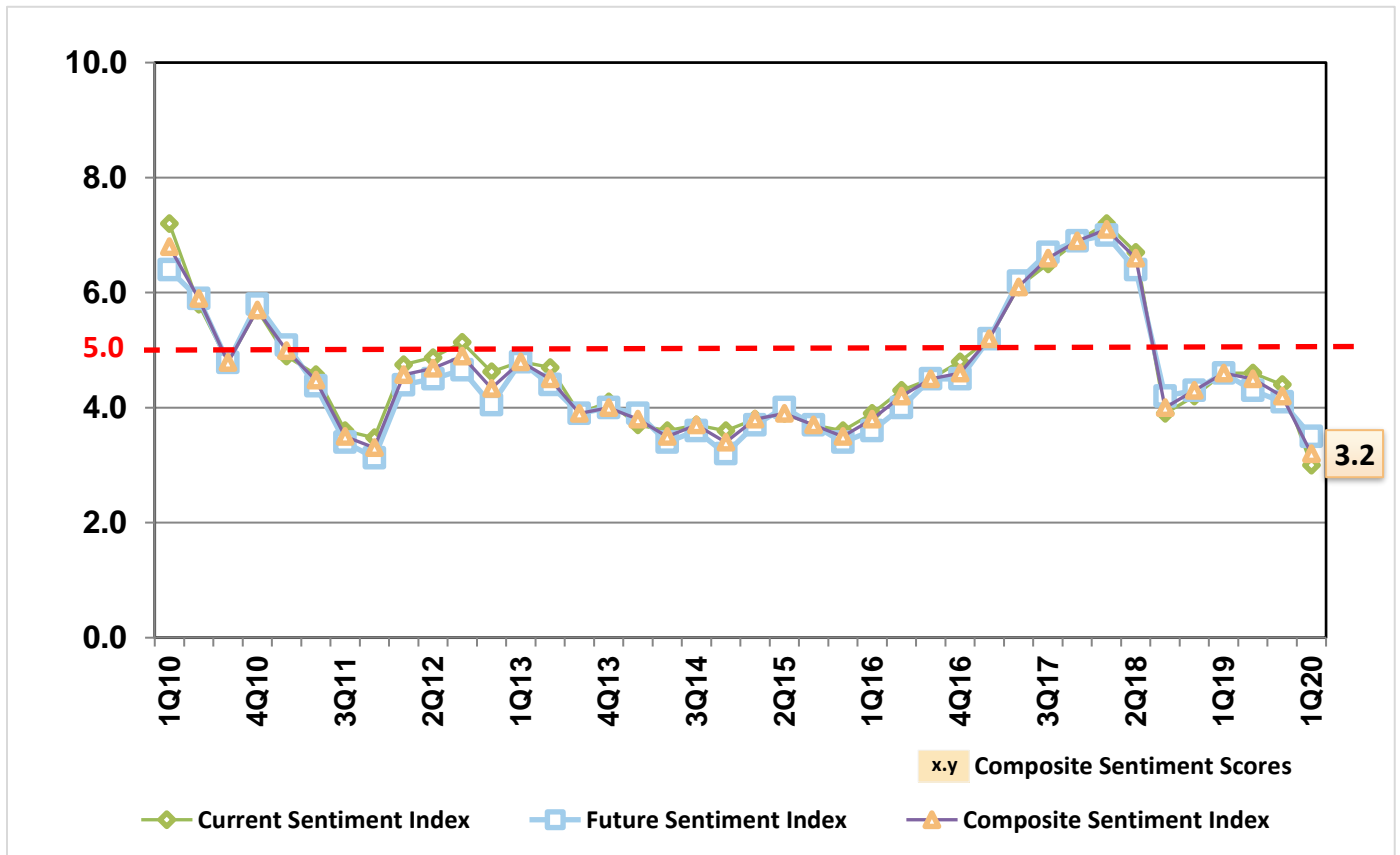
### Composite Sentiment Index#:

The composite sentiment score for 1Q2020 fell to a historical low of 3.2. The last lowest score was 3.3 as observed in 4Q2011.

### Future Sentiment Index#:

The future sentiment index in 1Q2020 declined from 4.1 in 4Q2019 to 3.5 in 1Q2020.

Exhibit 1: Real Estate Sentiment Index (1Q 2010 – 1Q 2020)



Source: NUS Real Estate



*“Due to travel restrictions, the tourism sector has been badly affected which negatively influenced the Retail, F&B and entertainment businesses. Furthermore, with the rise in “work from home” arrangements, the office sector may also observe lower rate of renewed leases. “*

*“Essential services such as healthcare and laboratory research will remain positive or do even better during this pandemic. Also, e-commerce may capitalize on this which may improve the outlook for the logistic sector. “*

*“Looking ahead, once the pandemic has stabilise, prime residential may perform better while suburban residential remain resilient. “*

*“The current situation has led investors to slow down or to put a halt to their search for investment opportunities. Most investors are currently focusing on portfolio and asset management with a small percentage looking for opportunities in unique areas such as data centre.”*

**Comments from Survey Respondents**

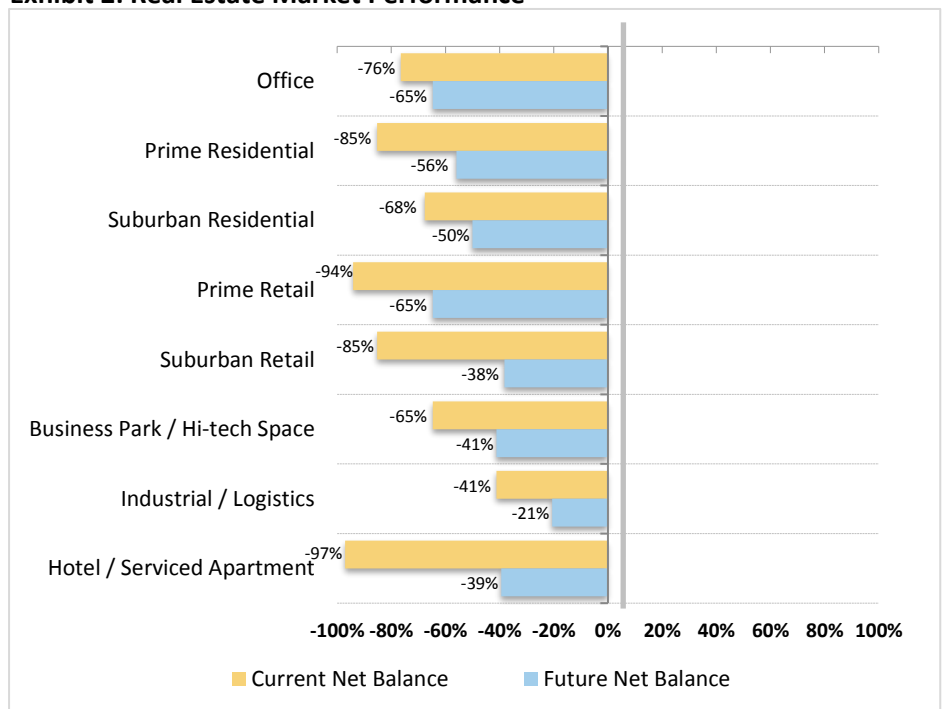
**How would you rate the general performance (rental, price, occupancy, purchases etc.) of the sectors over the time periods shown?**

All the eight sectors exhibited negative net balances in 1Q2020. Net balances for office, prime residential, prime retail, suburban retail and hotel/serviced apartment fell deeper into the negative territory in 1Q2020 compared to last quarter.

Hotel/Serviced Apartment was the worst performing sector with the Current Net Balance recorded at -97%. Other sectors that recorded a high negative current net balance were prime retail at -94%, suburban retail at -85%, prime residential at -85% and office at -76%.

The future net balances were also negative for all the eight sectors with the office and prime retail having the lowest future net balances at -65%.

**Exhibit 2: Real Estate Market Performance**



Source: NUS Real Estate

*“If lockdowns were to continue across the world, this will definitely challenge the country’s economy and may lead to the closure of more businesses, affecting livelihoods.”*

*“The market may observe a rise in the inventory of unsold units.”*

*“If the pandemic stays longer than expected, debts may start rising and the market may observe more defaults.”*

**Comments from  
Survey Respondents**

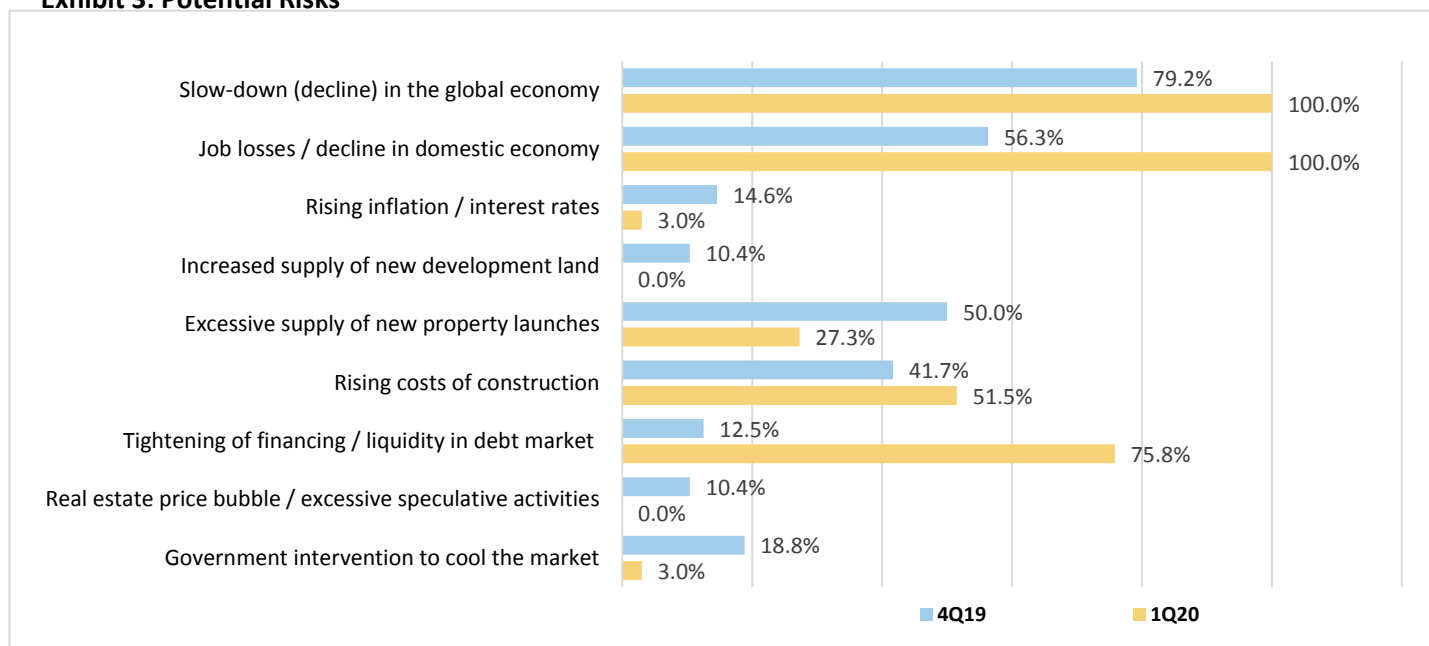
**Do you foresee any potential risks that may adversely impact on market sentiment in the next 6 months?**

The respondents indicate slowdown in the global economy and job losses / decline in domestic economy as the top two potential risk factors in the next 6 months. The two risk factors have been chosen by 100% of the respondents in 1Q2020, compared to 79.2% and 56.3% of the respondents in 4Q2019.

The risk of tightening of financing/ liquidity in debt market has also increased significantly from 12.5% in the last quarter to 75.8% in 1Q2020.

The risks associated with increased supply of new development land and real estate price bubble/ excessive speculative activities have disappeared in 1Q2020, compared to 10.4% in 4Q2019.

**Exhibit 3: Potential Risks**



Source: NUS Real Estate

*“With the previous en bloc sales and GLS, there will still be a significant number of new launches expected.”*

*“ Demand during this pandemic will definitely be weaker as buyers are still cautious of big purchases. However, once the situation improves, we could observe a sustainable increase in demand. ”*

*“ The market may not recover so quickly in the next 6 months, so it will take slightly longer for it to stabilize back to normal levels.*

*“ The public will take some time to regain full confidence in the real estate market. ”*

*“ If possible, developers will try and delay their launches until the demand reaches a desired level. ”*

*“ Assuming show galleries and viewings can be resumed in June, a moderate level of new launches will be expected. ”*

*“ If there are no adjustments to ABSD within the next 6 months, developers will have to continue their project launches to meet the timeline. ”*

*“ Base costs of developments may have increased, reducing profits significantly, leaving little margin to reduce prices. ”*

**Comments from Survey Respondents**

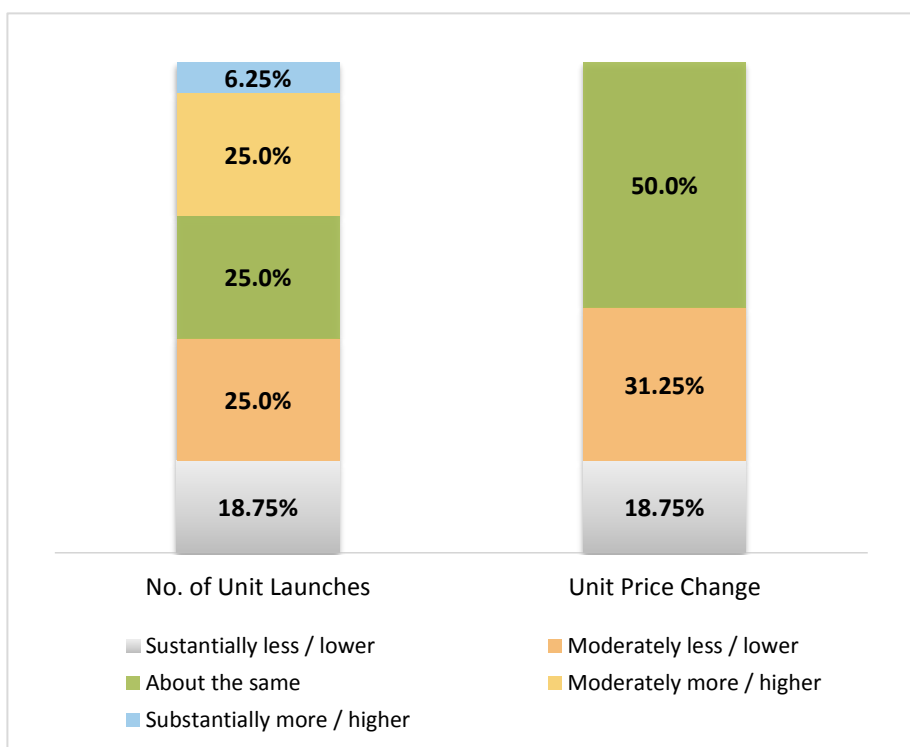
**What are your expectations regarding the number of new residential units to be launched in the next six months?**

In 1Q2020, about 44% of the respondents surveyed expected the number of units launched to be substantially or moderately lower in the next six months, while 25% of them expected that the units launched will remain about the same in the next six months.

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

In 1Q2020, about 50% of the respondents surveyed expected new launches to maintain prices in the next six months, while the remaining 50% expected prices to be substantially or moderately lower in the next six months.

**Exhibit 4: Residential Launches & Prices**



Source: NUS Real Estate

*“ The global pandemic has significantly affected the economy and with the time frame unpredictable and uncertain, it has significantly impacted the current sentiments. ”*

*“ Covid-19 has disrupted project planning and supply flow. With the stoppage on construction, cash flows and completion dates have become major concerns”*

*“ Even after restrictions have been lifted, it may not be ideal to do a project launch unless developers are willing to set an attractive price.*

**Comments from  
Survey Respondents**

*“The COVID-19 pandemic is expected to have persistent and widespread impact on work practices and real estate space demand in the long-term.*

*Businesses and shopping activities are not likely to return to the normal after the pandemic and landlords will have to innovate and adapt real estate space to support new and more flexible work practices by firms.”*

**Professor Sing Tien Foo**

**How extensive will the effect of the pandemic be on Singapore’s private residential property market?**

About 54% of the respondents projected that the new sale prices would decline by 2% to 5% in 2020, while 46% of respondents was anticipating a larger decline of around 5% to 8% in resale prices in 2020.

31% of the respondents expected the new sale volume to decline by 8% to 10% in 2020 and 21% of the respondents indicated that new sales would decline by 20% to 30% in 2020.

The rental market will also be adversely impacted in 2020, with 34% of the respondents anticipating the occupancy rate to decline by 2% to 5% in 2020.

**Exhibit 5: Impact of COVID-19 on Singapore’s private residential property market**



**Source: NUS Real Estate**



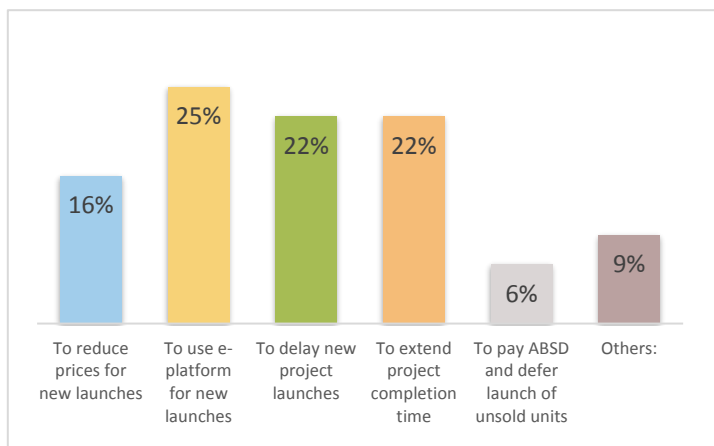
Developers are facing mounting challenges to move their new launched projects by the ABSD remission deadline, given the softening in demand and the suspension of new launch activities during the circuit breaker period.

### What are possible developers’ strategies to minimise the impact of COVID-19 outbreak?

25% of the respondents indicated that developers will use e-platforms for new launches to ameliorate the COVID-19 impact.

About 22% of the respondents indicated that the developers will either extend project completion time or postpone new project launches to reduce the COVID-19 impact.

**Exhibit 6: Possible strategies to minimize impact**



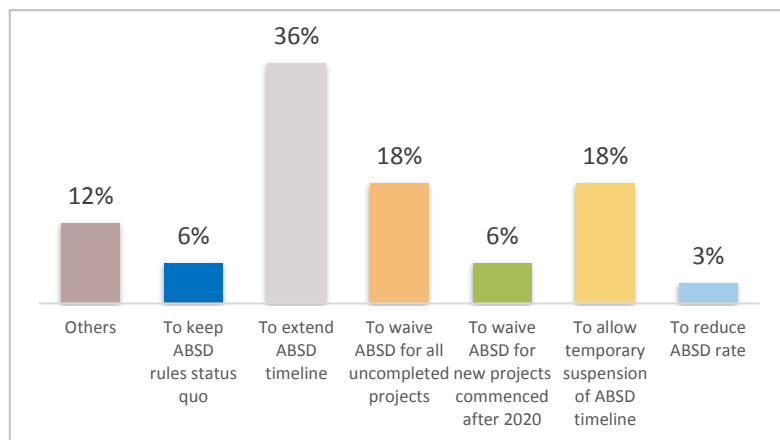
Source: NUS Real Estate

### Do you think the government should review the ABSD rule? If yes, how should the rules be reviewed?

36% of the respondents hoped the Government will extend the ABSD deadline in view of the COVID-19 situation, and the majority of them propose an extension of 12 to 18 months.

18% of the respondents suggested that the ABSD for all uncompleted projects to be waived, and 18% of the respondents felt that the ABSD timeline should be temporarily suspended until the social distancing measures are lifted.

**Exhibit 7: Possible adjustments to the ABSD rule.**



Source: NUS Real Estate

*“With the government restrictions imposed, to halt construction sites and sales gallery, there should be adjustments made to the current ABSD rules.”*

**Comments from Survey Respondents**

### For enquiries, please contact:

**Dominic Neo**  
Research Assistant  
irsnjrd@nus.edu.sg

**Dr Lee Nai Jia**  
Deputy Director  
leenj@nus.edu.sg

**Eileen Kuan**  
Research Assistant  
irskwe@nus.edu.sg

**Sing Tien Foo**  
Associate Professor  
rststf@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 "decrease"). 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.

© 2020 National University of Singapore (NUS)

All rights reserved. The information presented is of a general nature only and is not intended for any particular individual. No consideration has been given to the individual investment objectives, financial situation and particular needs of any person and investors should independently assess whether the advice is appropriate to their own circumstances. Whilst every effort has been made to ensure its accuracy the information is taken from sources considered to be reliable, we do not represent, warrant or guarantee, expressly or impliedly, that it contains no factual errors. No part of this report may be reproduced in any form without prior permission of Real Estate Developers' Association of Singapore (REDAS) & National University of Singapore (NUS).