

REAL ESTATE SENTIMENT INDEX

1st Quarter 2021

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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1st Quarter

2021

The sentiment indices have risen for three consecutive quarters since the lifting of the circuit break in Q32020, and the positive sentiment moves in line with the upward momentum in private residential property 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 increased from 6.6 in 4Q2020 to 6.9 in 1Q2021.

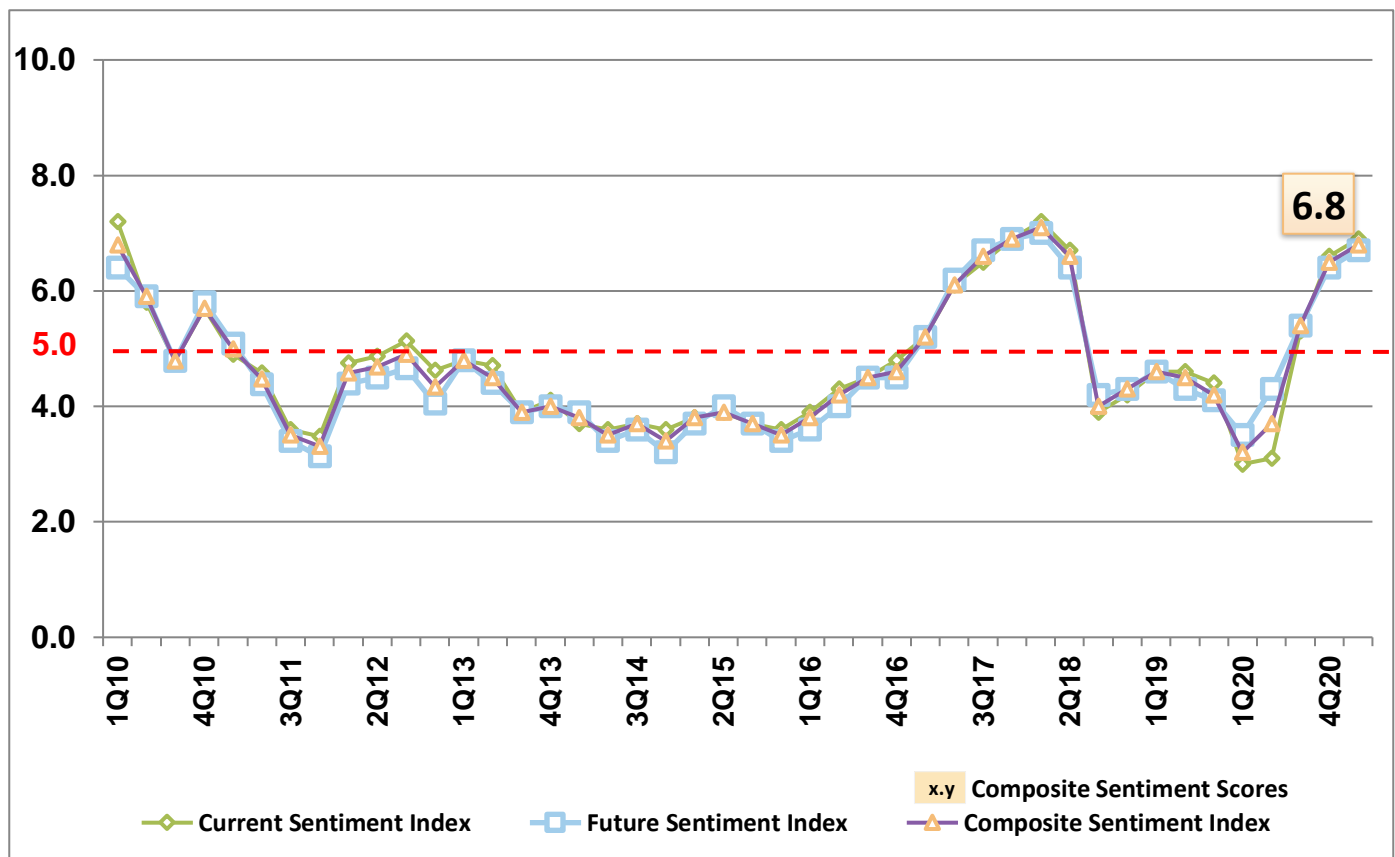
Future Sentiment Index#:

Most respondents expected the market conditions to improve further in the next six months. The Future Sentiment Index rose from 6.4 in 4Q2020 to 6.7 in 1Q2021.

Composite Sentiment Index#:

The composite sentiment index score improved for the fourth consecutive quarter, increasing from 6.5 in 4Q2020 to 6.8 in 1Q2021. The respondents indicated that the market condition has improved in 1Q2021 compared to 4Q2020 and will continue to improve in the next six months.

Exhibit 1: Real Estate Sentiment Index (1Q 2010 – 1Q 2021)



Source: NUS Real Estate



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

Except for the Prime Retail and Hotel/ Serviced Apartment sectors, more respondents believed that the real estate market had performed better in 1Q2021 than six months ago. More respondents were also confident that the real estate market will perform better in the next six months.

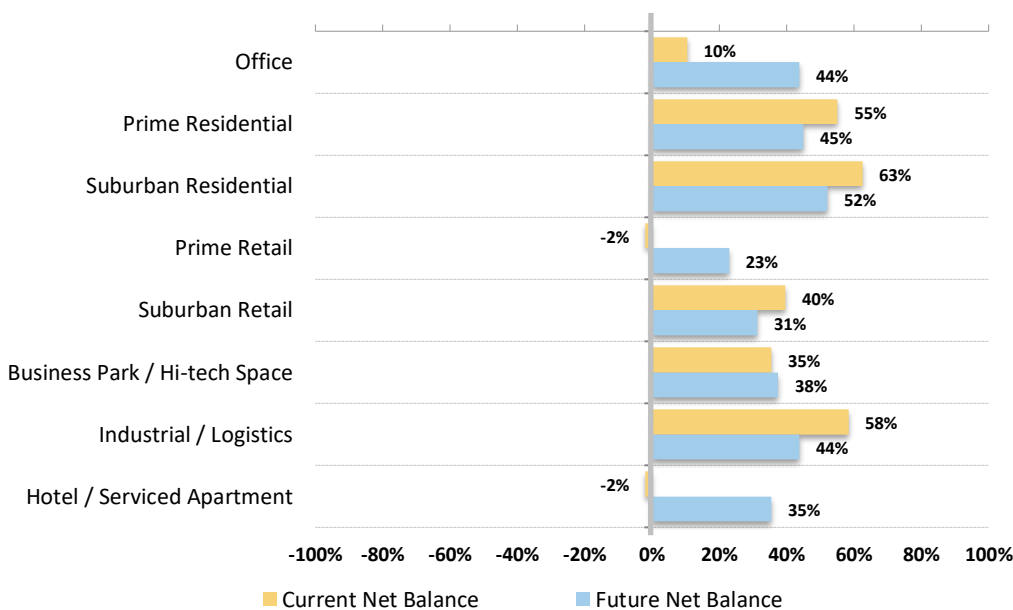
Current net balance

The suburban residential sector has the highest current net balances of +63%, followed by the industrial/logistics and prime residential sectors, with a net current balance of +58% and +55%, respectively. The current net balance for office showed the largest improvement compared to the other sectors, from -26% in 4Q2020 to +10% in 1Q2021. More respondents anticipated the office sector to turn the corner. In contrast, the current net balances of the hotel/serviced apartment and prime retail sectors were -2%.

Future net balance

All sectors recorded positive future net balances, as more respondents expected the real estate market to perform better in the next six months than in 1Q2021. The suburban residential sector has the most significant future net balance of +52%, followed by the prime residential, office, and industrial/logistics sectors with net balances of +45%, +44%, and +44%, respectively.

Exhibit 2: Real Estate Market Performance



“The recovery of the Singapore economy and the progressive roll out of the covid-19 vaccinations has boosted the confidence in the real estate market.”

Comments from Survey Respondents

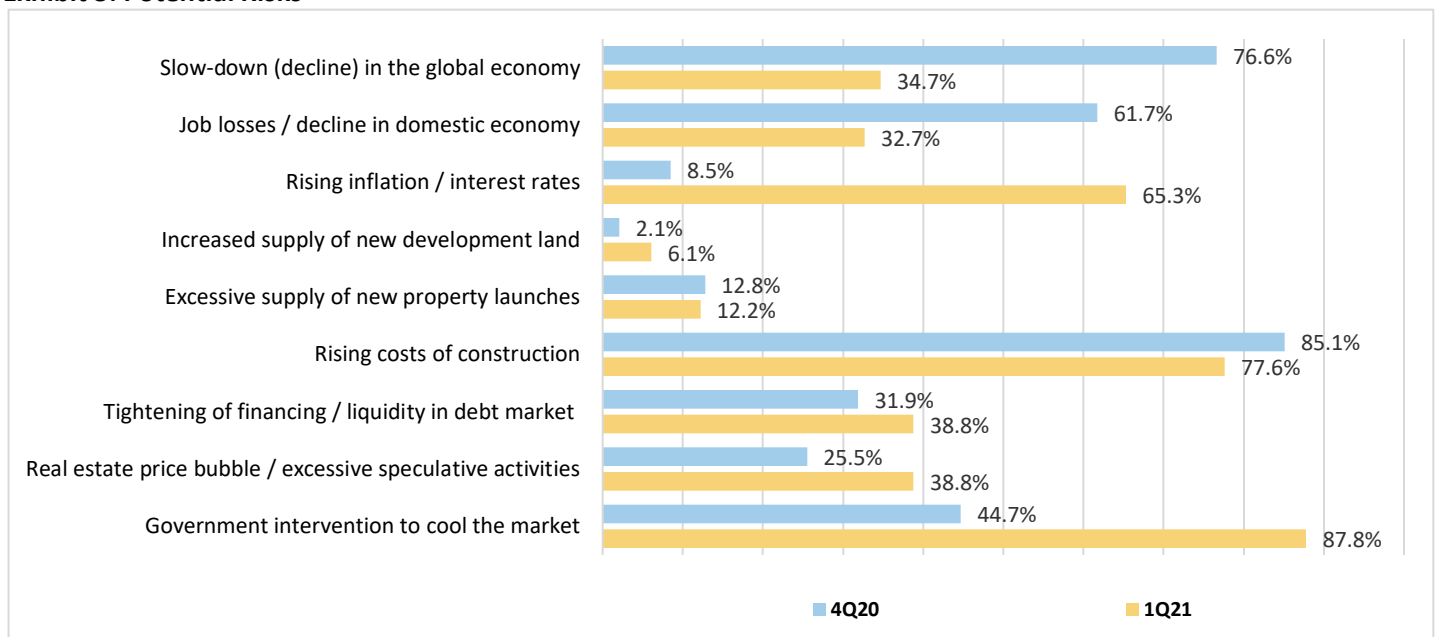
Source: NUS Real Estate

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

In 1Q2021, more respondents indicated rising inflation/interest rates as a potential risk, increasing from 8.5% in 4Q2020 to 65.3%. Likewise, more respondents highlighted the formation of a real estate price bubble and excessive speculative activities as downside risks, rising from 25.5% in 4Q2020 to 38.8% in 1Q2021. About 87.8% of the respondents identified the possibility of the Government’s interventions to cool the market as a potential risk that may adversely impact market sentiments in the next six months, compared to only 44.7% in 4Q2020. Rising construction costs was identified as a potential risk by 85.1% of the respondents

In contrast, the proportion of respondents who indicated job losses/decline in the domestic economy and a potential slowdown in the global economy as potential risks decreased to 32.7% and 34.7% in 1Q2021 from 61.7% and 76.6% in 4Q2020, respectively.

Exhibit 3: Potential Risks



Source: NUS Real Estate



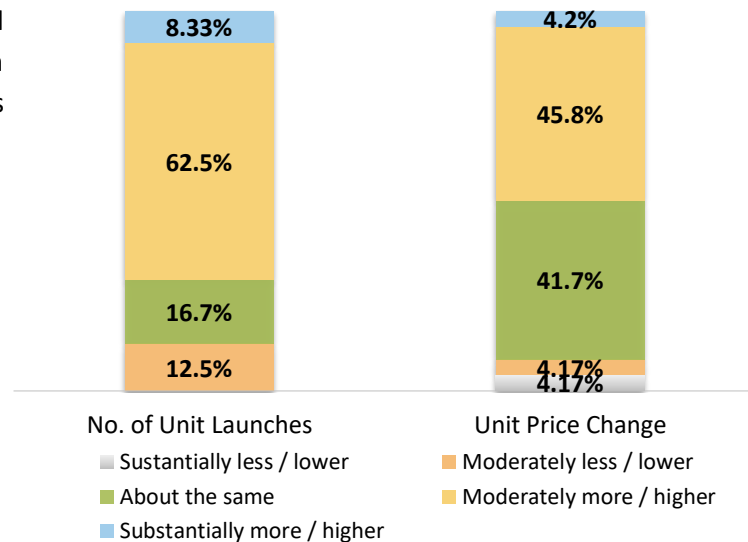
What are your expectations regarding the number of new residential units to be launched in the next six months?

In 1Q2021, about 70% of the developers surveyed expected moderately or substantially more number of units launched in the next six months. Only 12.5% expected moderately less units launched in the next six months.

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

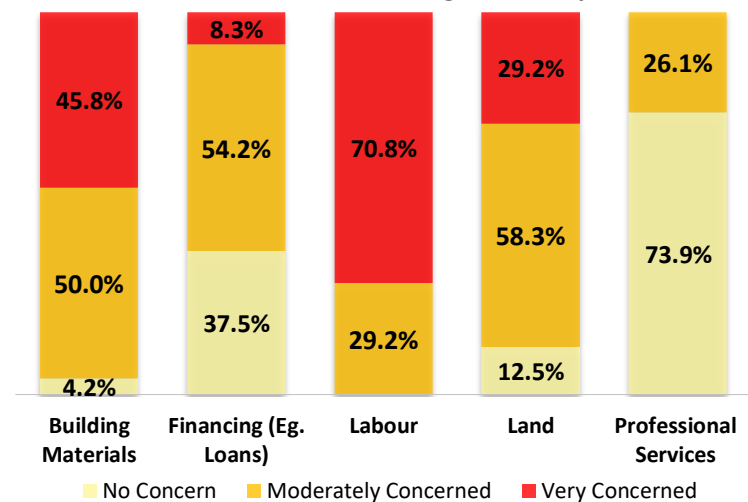
In 1Q2021, about 50% of the developers surveyed expected prices of new launches to be moderately or substantially more in the next six months. About 42% expected the prices of new launches to maintain at the same level as the prices in 1Q2021.

Exhibit 4: Residential Launches & Prices



Source: NUS Real Estate

Exhibit 5: Level of concern relating to development costs



Source: NUS Real Estate

“Developers would continue to push out more launches over the next 6 to 18 months for land parcels that were bought between 2016 to 2018, due to the ABSD 5-year completion requirements.”

“The improved market sentiments and the strong demand, coupled with the depleting pool of unsold units, will allow developers to settle at higher prices.”

- Comments from Survey Respondents

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

About 71% of the developers surveyed indicated they were “Very Concerned” of the high labour costs, and about 45.8% of the respondents (Developers only) highlighted they were “Very Concerned” of the costs of Building Materials.

“The construction industry is facing challenges in employing workers and the limited supply of migrant workers pushes up labour costs.”

- Comments from Survey Respondents

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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 "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.

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