

# REAL ESTATE SENTIMENT INDEX

2<sup>nd</sup> 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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2nd Quarter

2021

*The strong momentum in private residential property markets seem to drive the sentiment in 2Q2021. The heightened alerts in May and June may have restricted some market activities, but the private residential prices continue to move up though at a slower rate in Q2.*

*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 eased slightly to 6.6 in 2Q 2021 from 6.9 in 1Q 2021.

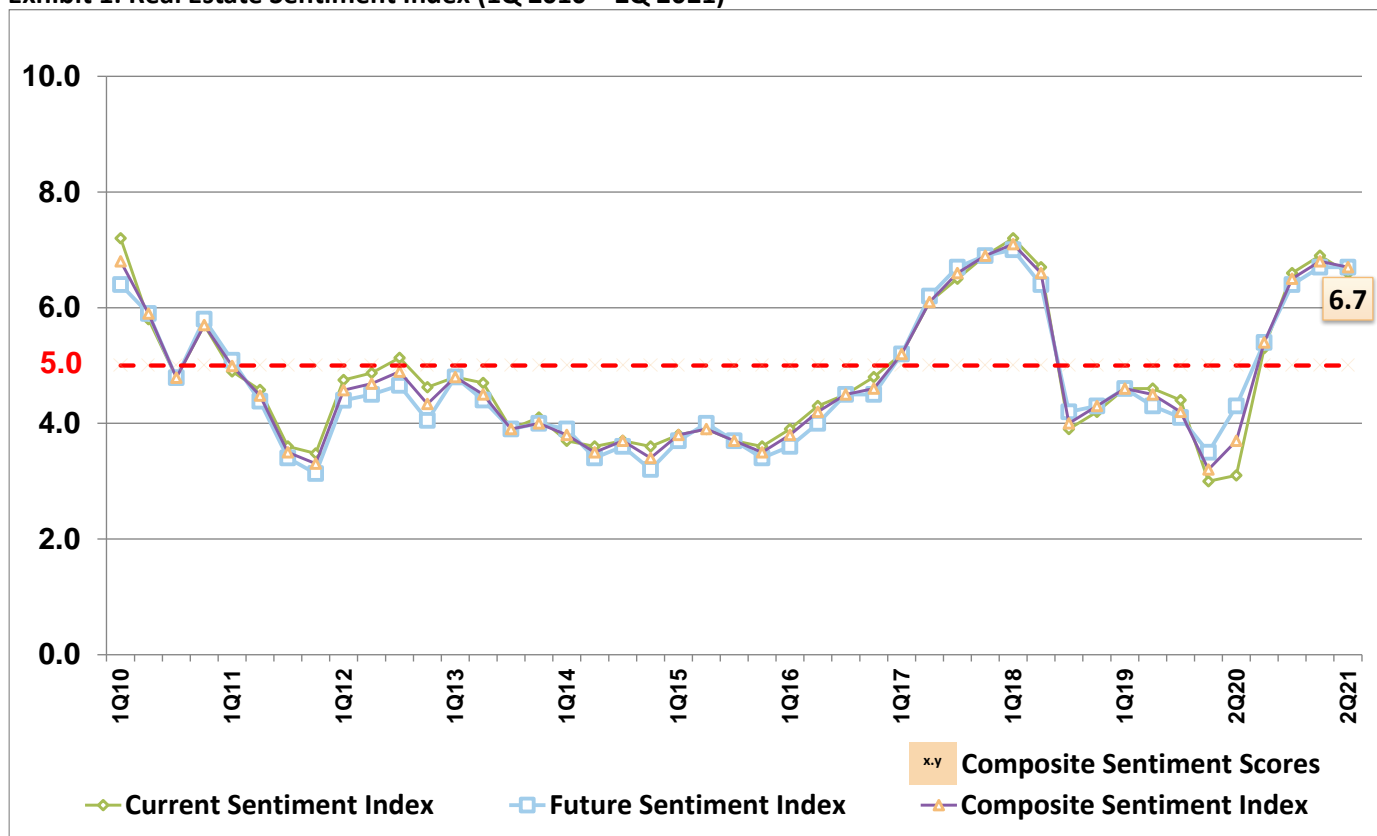
#### Future Sentiment Index#:

Most respondents expected the market to be more positive in next six months, as the Future Sentiment Index stayed the same at 6.7 in 2Q 2021.

#### Composite Sentiment Index#:

The Composite Sentiment Index dropped slightly to 6.7 in 2Q 2021, from 6.8 in 1Q2021, the first dip after increasing for four consecutive quarters. The overall sentiments for both current and future market conditions remained positive, as the index stayed above 5.

**Exhibit 1: Real Estate Sentiment Index (1Q 2010 – 2Q 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?

The Prime Retail and Hotel/Service Apartment sectors were the only segments in the real estate market that recorded negative net current balance in 2Q 2021. Nonetheless, respondents were optimistic that both sectors would perform better in the next six months.

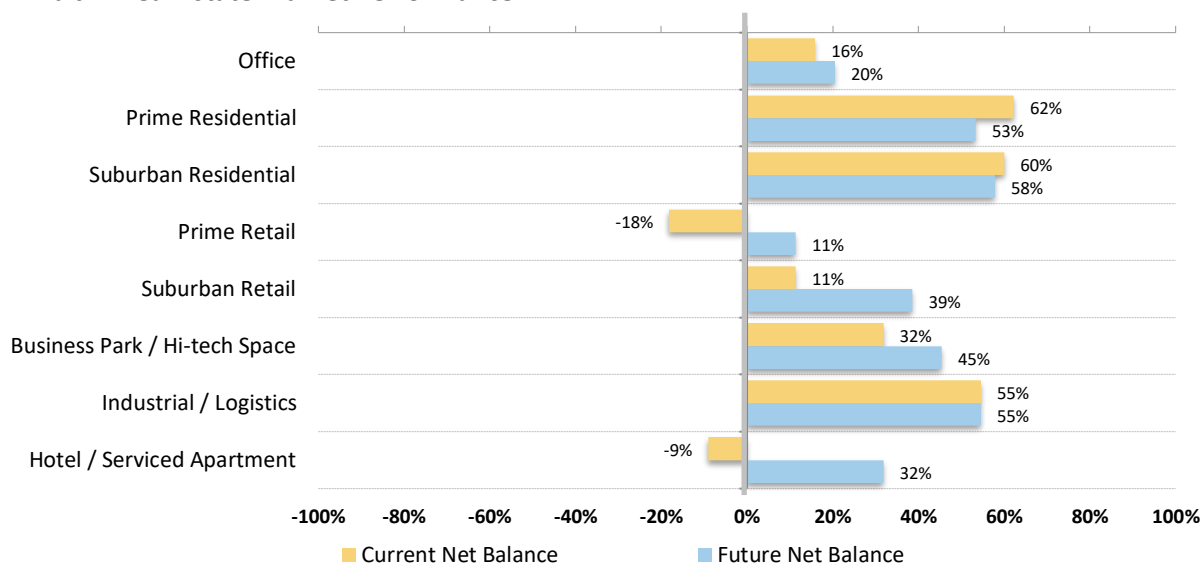
### Current net balance

The Prime Residential sector had the highest current net balance of +62%, followed closely by the Suburban Residential sector at +60%. The Industrial/Logistics sector was third with a current net balance of 55%. The Prime Retail sector continued to record a negative current net balance at -18%, which was lower than the -2.0% recorded in the previous quarter. The current net balance for Hotel/Service Apartment also went down to -9% in 2Q 2021 from -2% in 1Q 2021.

### Future net balance

All sectors recorded positive future net balances, including the Prime Retail and Hotel/Service Apartment sectors, as both recorded a +11% and +32% future net balance respectively. The Suburban Residential sector had the highest net balance at 58%, followed closely by Industrial Logistics and Prime Residential sectors with net balances of +55% and +53% respectively.

**Exhibit 2: Real Estate Market Performance**



Source: NUS Real Estate

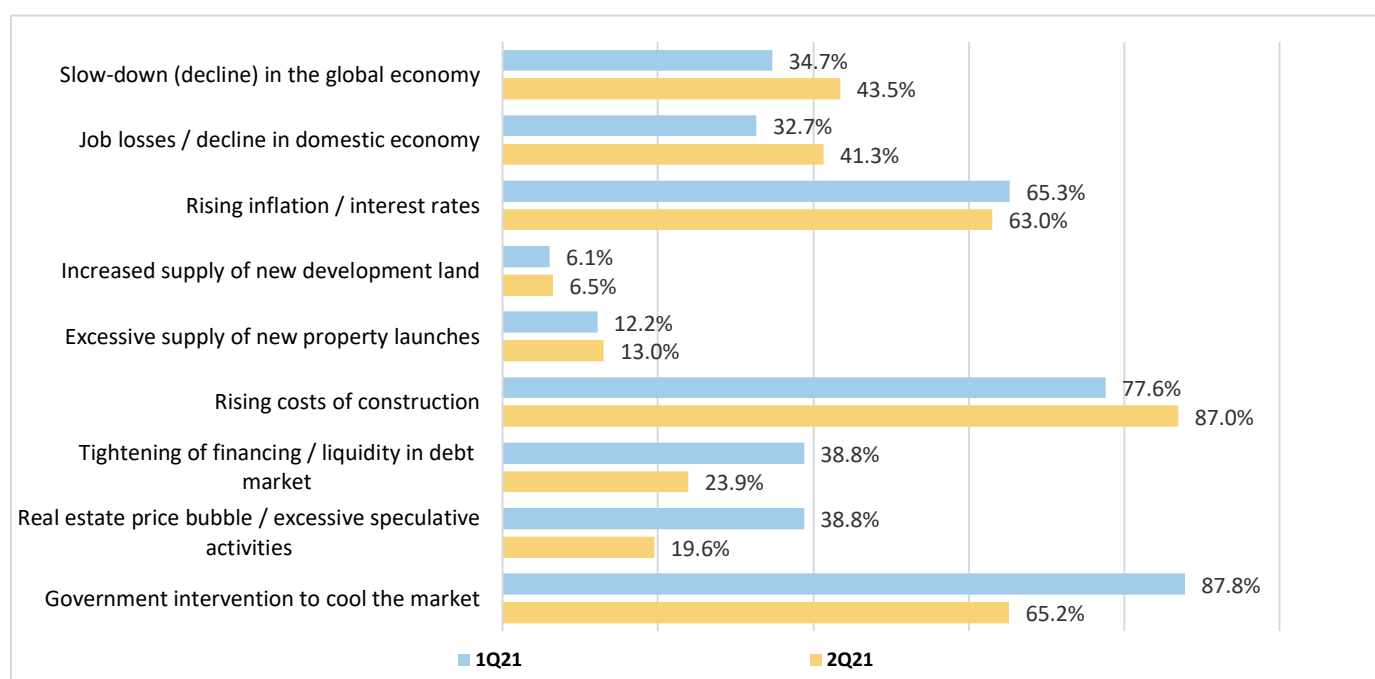
*“The announcement of the Phase 3A(Heightened Measures) have impacted the sentiments for Prime Retail and Hotel/Service Apartment sectors.*

**- Comments from Survey Respondents**

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

In 2Q 2021, about 87% of the respondents indicated rising costs of construction as a potential risk that may adversely impact on market sentiment in the next six months. Also, 63% of the respondents highlighted rising inflation and interest rates as potential risks. Concerns of possible intervention by the Government to cool the market remained a concern for 65.2% of the respondents, but there were proportionately less executives who felt that it would be a potential risk in next six months.

**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 2021, about 54% of the developers surveyed expected moderately or substantially more units to be launched in the next six months. 37.5% of developers expected the number of launches to stay the same over the next six months.

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

In 2Q 2021, about 63% of the developers surveyed, which is proportionately more than the 50% in 1Q 2021, expected unit prices of new launches in the next six months to be substantially higher. About 33% expected the prices of new launches to maintain at the same level as the prices in 2Q 2021.

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

About 88% of the developers surveyed indicated they were “Very Concerned” about the high labour costs in 2Q, higher than the 71% in 1Q. Likewise, slightly more than 58% of respondents (developers only) were concerned about high building materials cost, an increase from the 45.8% recorded in 1Q.

*“The lack of labour in the construction industry due to the measures to slow the transmission of the COVID-19 continue to push up labour costs.”*

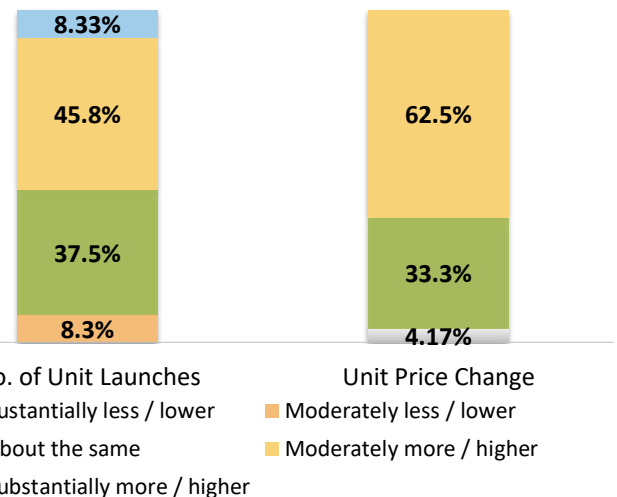
*“The strong demand in the low interest rate environment would push up home prices further.”*

**- Comments from Survey Respondents**

*“The public tenders for land have become more competitive, due to the depletion of the current inventory of unsold units. This has led to higher land prices. Together with higher construction costs, the unit prices are likely to go up further.”*

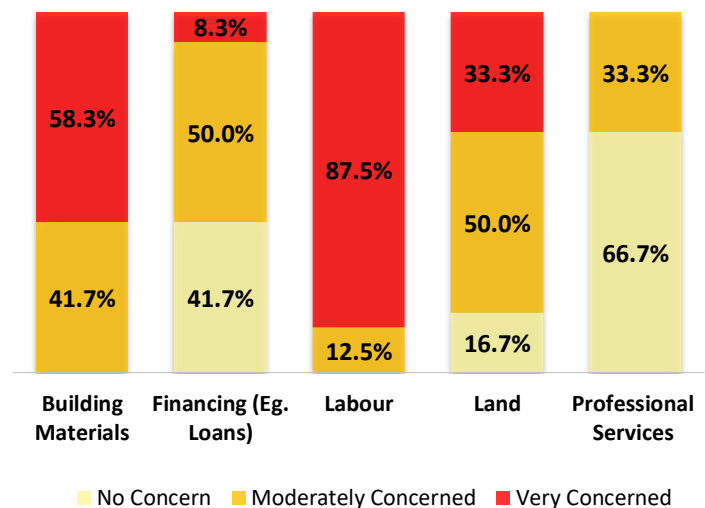
**- Comments from Survey Respondents**

Exhibit 4: Residential Launches & Prices



Source: NUS Real Estate

Exhibit 5: Level of concern relating to development costs



Source: NUS Real Estate

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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 multidisciplinary 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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