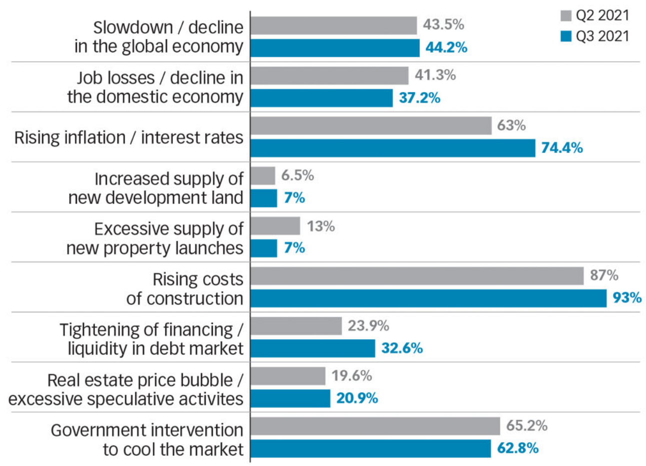
More property executives cite rising construction costs as key risk

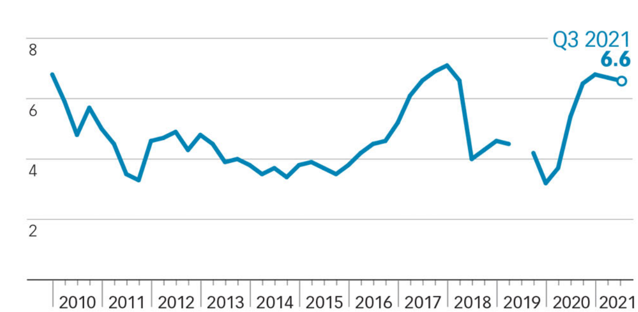
Other dangers include rising inflation and interest rates; developers' top concerns are labour, material costs

Potential risks



Source: NUS+RE

Real Estate Sentiment Index



Notes:

- RESI includes the Composite Sentiment Index, which is the derived indicator for the current overall market sentiment.

- No survey was done for Q3 2019.

Source: NUS Real Estate

By Lisa Kriwangko
klisa@sph.com.sg
@klisa_BT

Singapore

RISING construction costs continue to be the biggest risk faced by Singapore's real estate market, followed by increasing inflation and interest rates.

This is according to the Q3 2021 Real Estate Sentiment Index published by the National University of Singapore Real Estate (NUS+RE), which represents the Department of Real Estate and the Institute of Real Estate and Urban Studies (IREUS) at the university.

Of the 43 senior executives of real estate firms polled, about 93 per cent highlighted rising construction costs as a potential risk which may adversely affect market sentiment over the next 6 months, up from 87 per cent in the second quarter.

This was followed by rising inflation and interest rates, which saw the proportion of respondents indicating them as potential risks grow to 74.4 per cent from the previous 63 per cent.

The proportion selecting "tightening of financing and liquidity in debt markets" rose to 32.6 per cent in Q3, from 23.9 per cent in Q2.

Meanwhile, the proportion of respondents who foresee government cooling measures as a potential risk slipped slightly to 62.8 per cent from 65.2 per cent.

Labour and building material costs was the top concern among the developers surveyed, with 86.4 per cent and 77.3 per cent indicating that they were "very concerned" about these costs, respectively.

"The labour crunch and supply disruption caused by the pandemic have put tremendous stress on construction firms. Topping the potential risks identified by developers, rising construction costs continue to impact the market sentiment adversely," said Sing Tien Foo, director of NUS-IREUS.

When asked about future launches, about half of those polled expect moderately or substantially more units to be launched in the next 6 months, while 40.9 per cent expect the number to stay the same.

About 63.6 per cent expect prices of the new launches to be moderately or substantially higher in the next 6 months, while 31.8 per cent see prices remaining the same.

The study's composite sentiment index, a derived indicator for overall real estate market sentiment, stayed fairly stable since Q1 2021. On a 10-point scale, it eased to 6.6 in Q3, 6.7 in Q2 and 6.8 in Q1.

However, NUS+RE noted that overall sentiment remains optimistic as the index has stayed above 5 since Q3 2020.