Real Estate Sentiment Index (RESI)

Press Release

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Developers' sentiment shows some improvements

The 2Q16 NUS-REDAS Real Estate Sentiment Index (RESI) Survey shows some improvements in developers' sentiment, but overall sentiment remains pessimistic. The Composite Sentiment Index, a derived indicator for the overall real estate market sentiment in Singapore went up to 4.2 in 2Q16 from 3.8 in 1Q16. The Current Sentiment Index increased to 4.3 in 2Q16 from 3.9 in 1Q16; and the Future Sentiment Index increased to 4.0 in 2Q16 from 3.6 in 1Q16. A score under five indicates deteriorating market conditions, while scores above five indicate improving conditions.

The three sectors with the lowest net balance scores in the 2Q16 were the prime retail, office and industrial/logistics sectors. The prime retail sector was the worst performing sector with a current net balance of -66% and a future net balance of -69%. Future net balance was even worse than the current net balance, which indicated an even more pessimistic outlook on prime retail sector. Following that, office sector showed a current net balance of -60% and a future net balance of -57%; while the industrial/logistics sector showed a current net balance of -41% and a future net balance of -47% in 1Q16.

A "current and future net balance percentage" is used to indicate current and future sentiments about real estate development and market conditions in Singapore. It 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").

94.7% of the respondents surveyed in 2Q16 expect the global economy to slow down, and 70.2% of them identify job losses and declining domestic economy as potential risk factors in the next 6 months. 49.1% of them expect further tightening of finance and liquidity in debt market. 28.1% view excessive supply of new property launches as a growing risk factor, and 22.8% of them are concerned about rising inflation and interest rates.

20.6% of the developers surveyed in 2Q16 expect new launches to increase moderately and 64.7% expect them to hold at the same level in the next six months. Only 8.8% of them indicate that they will launch moderately less units, which is lower than the 13.9% reported in the last quarter. On unit price changes, 52.9% of the developers anticipate a moderate decrease in residential property prices in the next six months. In 2Q16, 44.1% of them expect price to hold, which was slightly down by 0.3% from the number reported in the last quarter.

45.6% and 24.6% of the respondents indicated that increases in supply of homes on H2 Confirmed GLS List would have minimal or moderate impact on the property market, respectively. Based on the downward adjustment by private sector economists for Singapore's 2016 economic growth to 1.8%, 26.3% and 56.1% of the respondents expected minimal or moderate impact on unsold units and prices in 2017, respectively. Only 15.8% of them felt that it would have significant impact on unsold units and prices.

"The overall market sentiment has shown signs of improvement amid uncertainties in the global economic environment. However, the sentiment still falls below the neutral line. It is thus interesting to see if the improved developers' market outlooks will persist in the next few quarters", says Associate Professor Sing Tien Foo of NUS' Department of Real Estate.

For Full Report: http://www.redas.com/resi.html

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