Real Estate Sentiment Index (RESI)

Press Release

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Developers’ sentiment still poor, but shows continuous improvements

Sentiment Index

The 3Q16 NUS-REDAS Real Estate Sentiment Index (RESI) Survey shows continued improvement in both developers’ sentiment and overall sentiment, but the indices still remain below 5.0. The Composite Sentiment Index, a derived indicator for the overall real estate market sentiment in Singapore went up to 4.5 in 3Q16 from 4.2 in 2Q16. The Current Sentiment Index increased to 4.5 in 3Q16 from 4.3 in 2Q16; and the Future Sentiment Index increased to 4.5 in 3Q16 from 4.0 in 2Q16. A score under five indicates deteriorating market conditions, while scores above five indicate improving conditions.

Market Performance by Sectors

The three sectors with the lowest net balance scores in 3Q16 were prime retail, office and industrial/logistics sectors. However, almost every sub sector has shown some improvement.

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”).

The prime retail sector was the worst performing sector with a current net balance of -65% and a future net balance of -51%. Following that, office sector showed a current net balance of -52% and a future net balance of -48%; while the industrial/logistics sector showed a current net balance of -43% and a future net balance of -37% in 3Q16.

Potential Risks May Impact on Market Sentiment

93.7% of the respondents surveyed in 3Q16 expect the global economy to slow down, and 77.8% of them identify job losses and declining domestic economy as potential risk factors in the next 6 months. 46.0% of them expect further tightening of finance and liquidity in debt market and 46.0% of them are concerned about rising inflation and interest rates. 25.4% of them view excessive supply of new property launches as a growing risk factor.

Developers’ Expectation on Future Launches and Sales

28.1% of the developers surveyed in 3Q16 expect new launches to increase moderately and 53.1% of them will hold new launches at the same level in the next six months. 15.6% of them indicate that they will launch moderately less units, and the number doubles the 8.8%

reported in the last quarter. On unit price change, 43.8% of the developers anticipate a moderate decrease in residential property prices in the next six months. In 3Q16, 46.9% of them expect price to hold, which increased by 2.8% from the number reported in the last quarter.

Hot Topics

In 3Q16, the two hot topics are on the inclusion of delicensed projects influencing PPI and the Brexit effect on housing market.

54.8% of the respondents felt that the inclusion of delicensed projects has minimal impact on PPI. 56.7% of all respondents wish to keep the original PPI, compute a separate index for delicensed projects and use a combination of index for all property transactions.

58.1% of the respondents indicate that the "Brexit" offers a good investment opportunity. 19.0% and 52.4% of them believe that it would have significant and moderate impact on UK housing prices, respectively; whereas, 30.2% and 54.0% of them feel that it would have no impact or minimal impact on SG housing prices, respectively.

"The developers' outlooks of the real estate markets are still poor, but improving. However, they are concerned about the slowdown in global and local economics, which could bring potential downsides to the real estate market," says Associate Professor Sing Tien Foo of NUS' Department of Real Estate.

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

For Enquiries:

1. REDAS: Peiwen Wang, Tel: 6336 6655, E-mail: peiwen@redas.com
2. NUS DRE: Associate Professor Sing Tien Foo, Tel: 6516 4553, E-mail: rststf@nus.edu.sg