

Real Estate Sentiment Index (RESI)

Press Release

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Developers' sentiment remains weak

The 4Q15 NUS-REDAS Real Estate Sentiment Index (RESI) Survey shows that the Composite Sentiment Index, a derived indicator for the overall real estate market sentiment in Singapore, went down to 3.5 from 3.7 in 3Q15. The Current Sentiment Index decreased to 3.6 from 3.7 in 3Q15; and the Future Sentiment Index decreased to 3.4 from 3.7 in 3Q15. 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 4Q15 are the office, suburban residential and prime retail sectors. The office sector was the worst performing sector with a current net balance of -43% and a future net balance of -67%. The suburban residential sector showed a current net balance of -45% and a future net balance of -56%; while the prime retail sector showed a current net balance of -51% and a future net balance of -51% in 3Q15.

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").

90.6% of the respondents surveyed in 4Q15 anticipate that the slowing down in the global economy, and 75.0% of them anticipate that rises in inflation and interest rates will adversely impact market sentiment in the next 6 months. 64.1% of them indicate that property market will face further tightening in terms of finance and liquidity.

70.5% of the developers surveyed in 4Q15 expect new launches to increase moderately and to hold at the same level in the next six months. 23% of them indicate that they will launch moderately less units, which is up from the 20.0% reported in the last quarter. On price changes, 60.7% of the developers anticipate a moderate decrease in residential property prices in the next six months. In 4Q15, 32.8% of them expect price to hold, which is an increase by 0.8% from the number reported in the last quarter.

54.1% of the respondents felt that, there will be moderate impact on REIT stock performance with the recent interest rate hike by the US Federal Reserve. 51.7% of them indicated there will be minimal impact on land bidding prices.

“The rise in interest rate is expected to have adverse impact on buyers’ sentiment, as higher financing costs could put further downward pressure on private housing prices,” says Associate Professor Sing Tien Foo of NUS’ Department of Real Estate.

61.7% of the respondents felt that the 1H 2016 GLS programme will have minimal impact on the demand in residential and commercial property sectors. 56.7% of them have indicated it will have moderate impact over the competitiveness in the GLS land bidding.

One of the respondents commented that *“The outlook of real estate across all asset classes are bleak. We are seeing oversupply situations in most asset classes. The poor economic outlook and softening market condition will exacerbate the situation.”*

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

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