Real Estate Sentiment Index (RESI)

Press Release

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Real estate sentiment Indices cross the neutral line again after six years

Sentiment Index

The 1Q17 NUS-REDAS Real Estate Sentiment Index (RESI) shows continued improvements in developers' current, future and overall sentiments. The Composite Sentiment Index, a derived indicator for the overall real estate market sentiment in Singapore went up to 5.2 in 1Q17 from 4.6 in 4Q16. The Current Sentiment Index increased to 5.2 in 1Q17 from 4.8 in 4Q16; and the Future Sentiment Index increased to 5.2 in 1Q17 from 4.5 in 4Q16.

All three indices crossed the neutral line of 5.0 in 1Q 2017, where the last time the Composite Sentiment Index hit the neutral line was in 1Q 2011. Although all three indices were above five, indicating that the market condition is gradually improving, but the market performances of all the sectors still reflect pessimistic views with negative scores.

Market Performance by Sectors

Current and future net balances in 1Q17 were still negative for all sectors, but generally showing some signs of recovery. Same as previous quarter, prime retail, industrial/logistics and office sectors were still the three sectors with the worst net balance scores in 1Q17.

Prime retail sector continued to be the worst performing sector in 1Q17 with a current net balance of -55% and a future net balance of -48%, which was an improvement from -57% and -62% in 4Q16, respectively. Although the current net balance score for office sector was still -45% in 1Q17, the expectation of its future performance showed great improvement from -37% in 4Q16 to -18% in 1Q17.

Suburban residential and prime residential sectors showed significant improvements although the scores were still negative. Suburban Residential sector showed a current net balance of -8% and a future net balance of -7% in 1Q17, which improved from -22% and -28%, respectively, in 4Q16.

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").

Potential Risks May Impact on Market Sentiment

78.3% of the respondents in 1Q17 expect rising inflation and interest to be the main potential risks in the next 6 months. 73.3% of them expect the global economy slow-down as the potential risk, down from 91.7% in 4Q16. 68.3% of them expect job losses and declines in domestic economy as potential risks, which declined from 80.0% in 4Q16.

Developers' Expectation on Future Launches and Sales

Similar to 4Q16, 27.8% of the developers expect new launches to increase moderately in 1Q17; 52.8% of them expect new launches to hold at the same level in the next six months. 16.7% of them indicate that they would launch moderately less units.

In terms of unit price change, 16.7% of the developers anticipate a moderate increase in residential property prices in the next six months; whereas, no respondents expected price increasing in last quarter. In 1Q17, 55.6% of them expect to hold, and 25.0% expect to moderately reduce the unit price.

Hot Topics

In 1Q17, the two hot topics survey industry players' opinions on the recent review of Development Charge (DC) rates and the government's tweaks to the cooling measures.

29.3% of the respondents felt that the DC rate changes for the residential (non-landed) sector were higher than expected. 28.4% of all respondents and 25.0% of developers expect strong competition in land bidding within the central region except CBD in 2Q 2017. Some 21.1% of developers also indicate relatively strong preference for land parcels in the East region.

In view of the three cooling measures changes, introduction of Additional Conveyance Duties (ACD) is deemed to have the most negative impact for the industry, especially for developers. 62.7% of all respondents and 77.1% of the developers expect the introduction of ACD brings moderate or significant impact.

"The 1Q2017 sentiment scores rebound to cross the neutral line of 5.0. The optimistic sentiments were last observed six years ago in 1Q2011, the period when strong up-trends in the property cycle were observed. The recovery in the 1Q2017 sentiment coincides with the recent tweaks to the cooling measures by the government. The industry players may view the government's move as a signal of improved market fundamentals," 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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