Real Estate Sentiment Index (RESI)

Press Release

24th Oct 2017

Real Estate Sentiment Indices Continue to Improve

Sentiment Index

The 3Q17 NUS-REDAS Real Estate Sentiment Index (RESI) shows continued improvements in current, future and overall sentiments. The Composite Sentiment Index, a derived indicator for the overall real estate market sentiment in Singapore went up to 6.6 in 3Q17 from 6.1 in 2Q17. The Current Sentiment Index increased to 6.5 in 3Q17 from 6.1 in 2Q17; and the Future Sentiment Index increased to 6.7 in 3Q17 from 6.2 in 2Q17. A score under five indicates deteriorating market conditions, while scores above five indicate improving conditions.

Sentiment scores picked up quickly in the past three quarters in 2017. There are a few respondents who are optimistic that the Singapore residential and office markets will recover soon.

Market Performance by Sectors

Current and future net balances showed continuous improvements in 3Q17 in all sectors. The current net balance and the future net balance for prime residential, suburban residential, as well as office sectors showed clearer signs of recovery with robust increases in transactions recently.

Suburban residential sector continued to lead the recovery in 3Q17 with a current net balance of 52% and a future net balance of 57%, which increased from 23% and 35%, respectively. Prime retail sector was the worst performing sector with a current net balance of -33% and a future net balance of -21%, increased from -60% and -45% in 2Q17 respectively.

A “current and future net balance percentage” indicates 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

57.4% and 50.8% of the respondents surveyed in 3Q17 expected slow-down in the global economy and rising interest rates to be the two main potential risks in the next six months. 36.1% and 34.4% of them also indicated decline in domestic economy and excessive supply of new property launches as potential risks.

Compared with the last quarter, respondents were more anxious about the supply side factors including new land, new project launches and speculative activities. With the current recovery in sentiment, developers are also worried about government’s introduction of more cooling measures to the market while keeping the existing cooling measures.

Developers' Expectation on Future Launches and Sales

In 3Q17, 50.0% of the developers expected new launches to increase moderately; 41.7% of them expected new launches to hold at the same level in the next six months. Only 5.6% of them indicated that they would launch moderately less units, compared to 8.6% in 2Q17.

In terms of unit price change, 16.7% of the developers anticipated residential property prices to substantially increase in the next six months, compared to 2.9% in 2Q17. In 3Q17, 52.8% of them expected the unit price to increase moderately, and 22.2% expected price to hold at the same level.

Hot Topics

63.9% of all the respondents indicated that the 13.8% of DC rate hike for Use Group B2 {Residential (non-landed)} was higher than market expectation. 36.1%, 31.7% and 30.0% of respondents expected the revision of DC rate to cause significant impact on the pricing of enbloc sales, development cost and number of enbloc sales, respectively.

60.9% of all the respondents felt that this round of DC rate hike, especially for non-landed residential properties, would NOT curb the current collective sales fever. However, by looking at developers' view only, their views are split equally.

The main reason arguing for the DC rates revision to curb the collective sales fever is that developers may offer more realistic pricing after factoring in higher development cost, and such pricing may not meet owners' expectation. However, other market players believe that developers are still "hungry" for lands, and collective sales could offer an alternative way for them to acquire new development lands. With the current recovery sentiments, some respondents also believe that the increases in DC will be passed on to buyers in developers' pricing of new developments. The motivations to replenish land bank outweigh increases in DC costs.

"The high sentiment scores indicate a robust and broad-based recovery especially in the residential and office property markets. The optimistic sentiments in 3Q2017 were consistent with increases in recent housing transactions and enbloc sales activities in the market. If the positive sentiments were translated into higher housing prices, developers are worried about possible introduction of more rounds cooling measures by the government." says Associate Professor Sing Tien Foo of NUS' Department of Real Estate/Institute of Real Estate Studies.

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

For Enquiries:

1. REDAS: Research Analyst 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