Real Estate Sentiment Index (RESI)

Press Release

25th January 2017

Sentiment Index improves despite interest rate hike and other uncertainties

Sentiment Index

The 4Q16 NUS-REDAS Real Estate Sentiment Index (RESI) 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 slightly to 4.6 in 4Q16 from 4.5 in 3Q16. The Current Sentiment Index increased to 4.8 in 4Q16 from 4.5 in 3Q16; and the Future Sentiment Index remained the same at 4.5 in 4Q16 as in the previous quarter. 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 4Q16 were still prime retail, office and industrial/logistics sectors.

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 -57% and a future net balance of -62%. Following that, the office sector showed a current net balance of -43% and a future net balance of -37%; while the industrial/logistics sector showed a current net balance of -42% and a future net balance of -45% in 4Q16.

Potential Risks May Impact on Market Sentiment

91.7% of the respondents surveyed in 4Q16 expect the global economy to slow down, and 80.0% of them identify job losses and declines in domestic economy as two potential risk factors in the next 6 months. 76.7% of them expect rising inflation and interest, and 48.3% of them view tightening of financing and liquidity in debt market as growing risk factors.

Developers' Expectation on Future Launches and Sales

27.8% of the developers surveyed in 4Q16 expect new launches to increase moderately and 55.6% of them will hold new launches at the same level in the next six months. 16.7% of them indicate that they will launch moderately less units.

On unit price change, 27.8% of the developers anticipate a moderate decrease in residential property prices in the next six months. In 4Q16, 69.4% of them expect prices to hold, which is substantially increased from 46.9% in the last quarter.

Hot Topics

In 3Q16, the two hot topics are threats of Johor Bahru (JB) and the surrounding region real estate markets to Singapore market and impact on possible "relaxation" of the cooling measures in 2017.

33.9% of all the respondents and 28.6% of the developer respondents consider the JB and the surrounding real estate markets as a potential threat to Singapore market. Relatively cheaper price is the major reason that attracts foreign investments to JB and IDR region. Other key factors that attracts investments to the region include strategic location, immigration policy and quality of projects.

Only 30% of the respondents expect the possibility of some cooling measures being "relaxed" over the next year. 41.0% of them felt that property price would only be moderately impacted if the cooling measures were to be relaxed.

"The year 2016 closes with improved developers' outlooks. However, macro-risk factors, such as global economic slowdown and potential job losses, are likely to determine if the improvement in sentiments will persist in the next 6 months," 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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