Real Estate Sentiment Index (RESI)

Press Release

21st July 2017

NUS-REDAS Property Sentiment Index at its Highest since Q1 2010

Sentiment Indices

The NUS-REDAS current, future and overall Real Estate Sentiment Index (RESI) continued to improve in 2Q17. The Composite Sentiment Index, a derived indicator for the overall real estate market sentiment, went up to 6.1 in 2Q17 from 5.2 in 1Q17. The highest reading of composite sentiment score was at 6.8 in 1Q10. The Current Sentiment Index increased to 6.1 in 2Q17 from 5.2 in 1Q17, and the Future Sentiment Index increased to 6.2 in 2Q17 from 5.2 in 1Q17.

Despite weak macroeconomic fundamentals, market sentiment continued to improve in Singapore's property market. A score under five indicates deteriorating market conditions, while a score above five indicates improving market conditions.

Market Performance by Sectors

Current and future net balances show great improvements in prime residential, suburban residential and office sectors in 2Q17. The current and future net balances for prime and suburban residential sectors turn positive implying that more respondents expect these two sectors to continue to improve in the next six months. However, the future net balance of 18% shows better performance in the office sector in the next six month compared to the current net balance of -2%.

Prime retail, suburban retail and industrial/logistics are the three sectors with negative net balance scores in 2Q17. Prime retail sector is the worst performing sector in 2Q17 with a current net balance of -60% and a future net balance of -45%, where the current score deteriorated from -55% and future score showed slight improvement compared to -48% in 1Q17.

A net balance score indicates differences between the proportion of respondents with positive responses ("better" and "increase") and the proportion of respondents with negative responses ("worse" and "decrease").

Potential Risks in the Property Market

68.3% of all the respondents surveyed in 2Q17 expect rising inflation and interest rates to be the main potential risks in the next six months. 66.7% and 63.3% of them indicate slow-down of global economy and job losses as potential risks. Real estate price bubble / excessive speculative activities and government interventions are two other potential risks in the property market indicated by 16.7% of the respondents in 2Q17. 28.3% of respondents indicated rising cost of construction as an increasing potential risk in 2Q17, up from 11.7% in 1Q17.

Future Launches and Sales

In 2Q17, 42.9% of the developers expected new launches to increase moderately, compared to 27.8% in 1Q17; 48.6% of them expected new launches to hold at the same level in the next six months. Only 8.6% of them indicated that they would launch moderately less units.

In terms of unit price change, 45.7% of the developers anticipated residential property prices to increase moderately in the next six months, compared to 16.7% in 1Q17. In 2Q17, 34.3% of them expected the unit price to hold, and 14.3% expected the unit price to reduce moderately.

Hot Topics

Market sentiments run high in 2017, despite uncertainty over the long-term sustainability of economic fundamentals. 85% of all the respondents indicated continuous increased interests in En-bloc sales, and 81% of them expected aggressive bidding in the land market in the next six months.

More than 91% of developers are concerned or very concerned about land costs. With limited GLS, developers are likely to replenish their landbanks for long-term business sustainability. Keen competition in GLS bidding turned developers to the En-bloc market for alternative land supply. Other factors driving up recent surge in En-bloc activities, especially in matured estates, include low cost of financing, expansion of foreign developers' activities, pent-up demand in the first half of 2017, and excessive liquidity of offshore funds, among others.

"The current and future sentiment indices were above the neutral line for two consecutive quarters in 2017. The robust sentiment scores show signs of exuberance among developers in the property 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: 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