S'pore developer sentiment cools: poll

Developers' outlook for the next six months also dimmer
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[SINGAPORE] Sentiment among developers has wilted in the face of a double whammy of rising costs and slowing sales, a survey done in the first quarter has indicated.

Their outlook for the next six months has also cooled, given potential headwinds from tightened liquidity and a rise in interest rates.

In the survey done among developers by the National University of Singapore (NUS) and the Real Estate Developers' Association of Singapore (Redas), the Current Sentiment Index slipped to 3.7 in the first quarter, down from the preceding quarter's 4.1.

The Future Sentiment Index dipped to 3.9 from 4.0.

The Composite Sentiment Index, a derived indicator for overall market sentiment, dipped to 3.8 from 4.0 in the preceding quarter.

In the NUS-Redas Real Estate Sentiment Index (Resi) Survey, a score under five points to deteriorating market conditions, and scores above five, improving conditions.

A developer who took part in the survey said: "Developers are concerned about higher interest rates and they do not foresee any price increase in their projects in the near future."

Given the slower pace of sales in recent launches, developers are looking more closely at their pricing strategy. CapitaLand, for instance, pared down the per square foot (psf) pricing for its Bishan project Sky Habitat by 10 to 15 per cent in its re-launch on April 19.

In the survey, some 67.7 per cent of respondents said that they expect market sentiment to be hit by rising construction costs, inflation and interest rates in the next six months.

They also expressed concern about the number of new launches, the tightening of financing and a slowdown in the global economy.

But seven in 10 respondents said that they do not expect the government to lift or tweak current cooling measures.

More than half the developers surveyed said that they expect the number of new property launches to either hold steady or go up in the next six months, and residential prices to correct further.

Some 68.4 per cent of the respondents polled in the first quarter said that they foresee a moderate decrease in residential property prices in the next six months, up from 62 per cent in the fourth quarter.

Despite the popularity of the 60-year leasehold Hillford, which was marketed as a retirement-resort development, 63.5 per cent of the respondents said that they would not like to see more 60-year leasehold land being released for private residential projects.

The high pricing on the per square foot (psf) basis for 60-year leasehold projects may not be sustainable in the market, some said; indicative prices for the 281-unit Hillford in Jalan Jurong Kechil started at around $980 psf, but it was nonetheless sold out on the day sales began in January.

A survey respondent said: "If 60-year lease tenures become the new normal, there will be a premium attached to 99-year leases. This may have the unintended consequence of a spike in premiums for such developments."

Sentiment among developers was weakest for the prime residential segment, with more developers expressing pessimism than optimism. However, the number of developers bullish on the office segment outnumbered those with a dimmer outlook.

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