Real Estate Sentiment Index (RESI)

Press Release

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Real Estate Sentiment Indices Reached Historical High

Sentiment Index

The 1Q18 NUS-REDAS Real Estate Sentiment Index (RESI) continued to improve under the current buoyant market condition. The Composite Sentiment Index, a derived indicator for the overall real estate market sentiment went up to 7.1 in 1Q18 from 6.9 in 4Q17. The 1Q18 sentiment scores reached a new historical high since this research started in 1Q10. Developers' sentiments have improved consecutively for ten quarters since the trough in 4Q15. Yet, the upturn momentum of sentiment indices appears to be slowing down quarter over quarter.

The Current Sentiment Index increased to 7.2 in 1Q18 from 6.9 in 4Q17; and the Future Sentiment Index increased to 7.0 in 1Q18 from 6.9 in 4Q17. A score above five indicates improving market conditions, while a score below five indicate deteriorating conditions.

Market Performance by Sectors

Current and future net balances showed continuous improvements in all sectors in 1Q18. Prime residential and suburban residential sectors have the largest current net balances of 63% and 68%, and future net balances of 67% and 74%, respectively, reflecting optimism in the two residential sectors. The current net balance and future net balance of 51% and 66%, respectively, showed relatively strong performance for the office sector.

Compared with other submarkets, the current balance and the future net balance for the prime retail sector were still negative at -16% and -5% in 1Q18, respectively, although the performance of the sector has improved from -31% and -10% in 4Q17, 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

In 1Q18, the respondents viewed rising inflation / interest rates, excessive supply of new property launches, and government intervention in the market as the top three potential risks that may adversely impact market sentiment in the next six months.

87.3% of the respondents were concerned about rising inflation and interest rates in the next 6 months, increased from 74.2% in 4Q17. In view of new launches in the pipeline, 50.8% of the respondents were worried about excessive supply of new properties. Compared to 59.7% in 4Q17, 49.2% of the respondents were still concerned about unexpected government intervention into the market.

Developers' Expectation on Future Launches and Sales

In 1Q18, 26.5% and 55.9% of the developers indicated they would substantially increase or moderately increase new launches, respectively. Only 14.7% of them would hold the new launches at the same level in the next 6 months.

In terms of unit price change, 88.2% of the developers anticipated residential property prices to increase in the next six months. Only 5.9% of them expected the residential property prices to hold at the same level, and 5.9% expected a drop in the prices.

Hot Topics

52% of the respondents and 62% of the developers indicated that the latest DC rate revision (an average of 22.8%) for non-landed residential properties is unusually high. Despite the unexpectedly high rate hike, 65.1% of the respondents indicated that there would not be significant cutback in collective sales activities in the next 6 to 9 months. 52% and 16% of all the respondents felt the DC rate hike only has minimal impact or no impact on land acquisition volume.

The respondents generally agreed that residential property prices would increase in the year 2018. 31.7%, 15.9% and 15.9% of the respondents indicated that residential property prices would increase by 5%, 8% and 10%, respectively. In summary, 60.3% of all the respondents and 64.7% of the developers expected the residential property prices to increase by between 5 and 8%. In addition, 25.4% of all the respondents and 29.4% of the developers expected the property prices to increase by 10% and more.

"The real estate market sentiment has been at the all-time high after showing 10 consecutive quarters of increases since 4Q2015. The improvements in the performance were broad-based and found in all sectors of the property markets. Prime and suburban residential markets showed the most robust performance in 1Q18 supported by the strong take up in new launches." 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

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