Property players’ outlook weakens in Q2

Economic slowdown, govt measures, higher land supply seen as factors

By EMILYN YAP

[SINGAPORE] Real estate players’ sentiment about the property market weakened in the second quarter and the moderation is especially clear for the suburban residential sector, according to the latest survey by the Real Estate Developers’ Association of Singapore (Redas) and the National University of Singapore (NUS).

Against this backdrop, developers are hoping for a respite from more government-imposed tightening measures – the private residential market should be given a chance to reach its equilibrium, said Redas president Wong Heang Fino.

Mr Wong, who is also CEO of CapitaLand Residential Singapore, was speaking at a Redas seminar yesterday. Results from the Redas-NUS Real Estate Sentiment Index (RESI) survey, which polled developers, consultants and other Redas members, were shared at the event.

The Current Sentiment Index, where respondents rate overall Singapore real estate market conditions, has improved slightly from 4.2 in Q2 to 4.4 in Q3.

The Future Sentiment Index also improved to 5.1 in Q3. Here, respondents rate overall property market conditions over the next six months.

The Composite Sentiment Index, derived from the two indices above, slipped to 4.3 in Q2 from 5 in Q1. “Macro factors beyond the local property scene may have weighed more heavily on sentiment in Q2,” said Redas CEO Steven Choo in a release.

Survey respondents identified a slowdown in the global economy as the top potential risk, followed by an increased supply of new development land, and government intervention.

While the general mood was subdued, there were marked differences in how industry players viewed different property sectors.

Offices, hotels and serviced apartments were the favourites in Q2. The difference between the proportion of respondents who thought the office sector would fare better in the next six months, and the proportion who thought it would fare worse, was +42 per cent. This net balance was +52 per cent for the hotel and serviced apartment sector.

The outlook for the residential sector was mixed in Q2. The net balance for the prime residential segment was +11 per cent, but for the suburban sector, it was -37 per cent.

At the seminar, Mr Wong said that cooling measures have worked in stamping out speculation in the private residential market.

Developers believe that property prices should move in tandem with economic growth to avoid negative spillover effects on other parts of the economy, but “this must be examined against the fact that Singaporeans who own private properties make up only less than 15 per cent of the total residential market in Singapore,” he said.

“Given this, the private residential market should be given the opportunity to independently adjust to achieve its demand and supply equilibrium,” Mr Wong then quoted a housing economist from the University of Pennsylvania, who said: “If the government gets into a habit of intervening all the time, it will harm market development. Investors won’t want to invest because they can’t be sure what the government is going to do Monday versus Friday.”

The threat of state intervention aside, the supply of residential units in the pipeline has also been on market watchers’ minds. Mr Wong said at a separate interview that while the number seems large, there is still potential demand to consider and data should not be analysed on a static basis. “At this stage, we still think that the market will stabilise,” he said.

At recent state tenders of residential sites, caution seems to have crept in with top bids coming in below expectations. But Frasers Centrepoint group CEO Lim Ee Seng noted that lower bids do not necessarily lead to lower selling prices as developers also take the lead from market expectations. Furthermore, construction costs are expected to go up, he said.

In the RESI survey, respondents cited the costs of building materials, land and labour as the top three concerns when it comes to development costs.

The survey also showed that in Q2, 20 per cent of respondents believed unit prices in the primary residential market will be moderately higher, compared with 14 per cent in Q1. Some 63 per cent expected unit prices to be largely unchanged, slightly lower than Q1’s 69 per cent.