Cooling moves dampen developers’ outlook

Respondents expect moderately lower home prices: survey

By MINDY TAN
[SINGAPORE] Developers’ market outlook turned pessimistic, following the introduction of the latest set of cooling measures in January, with more expecting moderately lower residential prices in the near term.

According to the Redas-NUS Real Estate Sentiment Index (RESI), the Current Sentiment Index, where respondents rate real estate market conditions now compared with six months ago, fell from 5.1 for Q3 2012 to 4.6 for Q4 2012.

The index ranges from 0 to 10, with a score below 5 indicating deteriorating market conditions and a score above 5 shows improving market conditions.

The Future Sentiment Index, where respondents rate overall property market conditions over the next six months too slipped, from 4.7 in Q3 to 4.0 in Q4. As such, the Composite Sentiment Index fell from 4.9 to 4.3.

“After the latest round of cooling measures, there was a dip in the market sentiments in both the current and future terms. The suburban residential and industrial sectors are expected to see volatility in the next six months,” said Associate Professor Sing Tien Foo of NUS’ Department of Real Estate.

Prior to the announcement of the latest round of market cooling measures, respondents’ current, future, and composite sentiment index were 5.2, 4.9, and 5.1 respectively. Following the announcement, they were asked to reassess their market sentiment.

Specifically, current and future net balance scores declined across different real estate sectors. The prime residential sector showed the sharpest decline in Q4 with a current net balance of -27 per cent and a future net balance of -49 per cent, compared with -8 per cent and +2 per cent the previous quarter.

In the suburban residential sector, current net balance was +10 per cent. Future net balance dropped significantly from +6 per cent in Q3 to -28 per cent in Q4.

Suburban retail and hotel/serviced apartments were the two best performers with current and future net balances of +14 per cent and +9 per cent respectively.

According to the survey, 48 per cent of respondents expect moderately lower prices in the primary residential market, up from 10 per cent. 25 per cent (a significant drop from 58 per cent previously) expect prices to hold, and 28 per cent (from 33 per cent) expect a moderate price increase.

Overall, respondents plan to launch lesser units, with only 10 per cent indicating they will launch substantially more units, from 23 per cent previously. 43 per cent (down from 48 per cent previously) expect moderately more launches; 28 per cent (unchanged) expect the launches to hold at the same level. Notably, 20 per cent expect lesser units of new launches, compared with 4 per cent in Q3.

Level of interest in land sales too dropped, with only 10 per cent expressing moderately greater interest in GLS, down from 32 per cent in Q3. 38 per cent indicated moderately lesser interest, a big jump from 7 per cent previously.

Interest in en-bloc sales was also lacklustre – 35 per cent (compared with 61 per cent previously) expressed the same level of interest; 45 per cent (up threefold from 15 per cent) anticipate moderately less interest in en-bloc sales.

On the development cost front, labour cost continues to be a major concern, indicated by 59 per cent of respondents, from 55 per cent the previous quarter. One third of developers surveyed (33 per cent) note their concern in land cost, whereas 25 per cent express concern on building material cost.