

More property indices don't add to clarity

Analysts also circumspect about the growing fad of technology-based companies offering valuation tools online

By **Lynette Khoo**

lynkhoo@sph.com.sg

@LynetteKhooBT

Singapore

HAVING more property indices add complexity but do little to offer better clarity for users, say experts at a real estate forum on Friday.

Amid a race to create proprietary indices to decipher a seemingly complex property market, more is not always better, say property consultants and academics.

A rising trend of websites or applications using technology to generate automated valuations of individual properties also did not sit well with the panelists at the forum on real estate indices organised by the NUS School of Design and Environment.

JLL head of research for South-east Asia and Singapore, Chua Yang Liang said: "The more indices you have in the market, the more confusing it is to the lay person.

"You can't use the index and go to an agent or landlord and say, 'Hey, my rent has fallen by 2 per cent, according to the index, so give me a discount of 2 per cent'. The landlord would argue that his unit is different. It's Grade-A while you are talking about the general market."

DTZ head of Singapore research Lee Nai Jia pointed out that commercial price indices face the problem of thin transactions as major office buildings, especially Grade-A offices, and retail malls are mainly held by institutions. Retail units adjacent to each other may also fetch very different rents.

This is why consultancies track specific baskets of comparable properties separately using the appraisal or valuation meth-

od to serve the needs of their clients for specific projects.

But Savills head of research Alan Cheong noted that while the indices need to reflect the broader market, it is vital for policymakers to have good grasp of what's happening on the ground.

Further data-mining, he said, would reveal that resale prices in the private non-landed residential market have fallen more than new sales.

Owners of resale residential units are often subject to a "prisoners' dilemma" – a situation of imperfect information whereby the owner is likely to relent to lower prices for fear that someone else in the same project is selling his unit at a lower price, Mr Cheong observed.

But new sales tend to dominate private homes transactions. Hence, Mr Cheong believes that a non-landed residential price index based on median prices are

bound to be more reflective of the new sales market where prices are stickier because of developers' stronger holding power.

"Good indices are necessary for all parties on where the market is heading," he said.

Currently, official indices on private residential and commer-

"The use of computer-generated valuations will be challenging for certain property types like good class bungalows, which come in varying conditions."

Lee Nai Jia , DTZ head of Singapore research

cial property prices are published on a quarterly basis by the Urban Redevelopment Authority while the Housing & Development Board (HDB) publishes the quarterly HDB resale price index.

Among private index providers here, the NUS Institute of Real Estate Studies and the Singa-

pore Real Estate Exchange (SRX) track monthly movements in private non-landed residential prices. SRX also publishes its own monthly index on HDB resale prices.

With the growing fad of technology-based companies offering valuation tools online, property experts are circumspect to-

wards this.

Daniel McMillen, professor of economics at the University of Illinois at Urbana-Champaign, felt that a computer generated valuation may not be so appropriate for a big-ticket item like a house.

He said: "For an average person, real estate is extremely ex-

pensive. What it means is it is difficult to turn real estate into a commodity that you buy and sell like a \$20 bottle of wine. What computer technology can do is speed up transactions, so that when you observe a property on the Internet that looks like a real nice property for the value that you want, you can jump on it more quickly than before."

DTZ's Dr Lee noted that the use of computer-generated valuations will be challenging for certain property types like good class bungalows, which come in varying conditions.

While acknowledging that timely information ahead of the curve is useful, Dr Chua of JLL noted that a key question in those computer-generated valuations is whether the past transactions used to derive a value are arms-length transactions. For that, a human judgment is still required, he said.