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Real estate sentiment improves in Q1 2017

While market expectations indices cross neutral mark, market performance scores in all sectors remain negative

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DEVELOPERS' sentiment for the overall real estate market appears to have improved since the last quarter of 2016, although rising inflation and interest rates are flagged as the biggest risks.

They also regard the introduction of the Additional Conveyance Duties (ACD) to have more negative impact for the industry, especially for developers.

This is according to the latest quarterly survey by the Real Estate Developers' Association of Singapore (Redas) and the Department of Real Estate at the National University of Singapore (NUS).

The Real Estate Sentiment Index (RESI) measures the perceptions and expectations of real estate development and market conditions in Singapore, and is conducted among senior executives of Redas member firms.

It showed that developers' current, future and overall sentiments all crossed the neutral line of 5.0 in Q1 2017.

The Composite Sentiment Index, a derived indicator for the overall sentiment, went up to 5.2 from 4.6 in Q4 2016. The last time the Composite Sentiment Index hit the neutral line was in the first quarter of 2011.

Both the Current Sentiment Index and Future Sentiment Index also increased to 5.2 from 4.8 and 4.5 respectively.

Having all three indices above 5.0 indicates that the market condition is improving, although the negative scores in market performance for all sectors still reflect pessimistic views.

"The recovery in the Q1 2017 sentiment coincides with the recent tweaks to the cooling measures by the government," said Associate Professor Sing Tien Foo of NUS's Department of Real Estate.

"The industry players may view the government's move as a signal of improved market fundamentals."

Rising inflation and interest were listed as the main potential risks for the next six months by 78.3 per cent of respondents.

Of the three cooling measures recently amended by the Singapore government, 62.7 per cent of all respondents deemed the introduction of the ACD to have the most negative impact for the industry.

Among developers alone, 77.1 per cent expect ACD to have a moderate to significant impact.

The prime retail sector continues to be the worst performing sector with a current net balance of -55 per cent and a future net balance of -48 per cent, improving from -57 and -62 per cent respectively in Q4 2016.

The net balances are the difference between the proportion of respondents who selected positive options ("better" and "increase") and the proportion of respondents who selected negative options ("worse" and "decrease").

The suburban residential sector showed significant improvement, with current and future net balances of -8 and -7 per cent in Q1 2017, up from -22 and -28 per cent.