

NUS-Redas property sentiment index at its highest since Q1 2010

It jumps to 6.1 in Q2 from Q1's 5.2 despite 'weak macroeconomic fundamentals'

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PROPERTY market sentiment continues to improve, going by the latest reading of the quarterly sentiment index published by the developers' body and the National University of Singapore (NUS).

The current sentiment index improved to 6.1 in the second quarter from 5.2 in the first quarter. The future sentiment index also climbed, to 6.2 from 5.2 previously.

As a result, the composite sentiment index, a derived indicator for the overall real estate market sentiment, went up to 6.1 from 5.2 previously.

Although the composite sentiment index reading has been improving for six consecutive quarters from the recent low of 3.5 in Q4 2015, the latest reading is still shy of the 6.8 back in Q1 2010 when the index was minted.

"Despite weak macroeconomic fundamentals, market sentiment continued to improve in Singapore's property market," noted the Real Estate Developers' Association of Singapore (Redas) on Thursday.

A score under five indicates deteriorating market conditions, while a score above five indicates improving market conditions.

Associate professor Sing Tien Foo of NUS's Department of Real Estate said: "The current and future sentiment indices were above the neutral line for two consecutive quarters in 2017. The robust sentiment scores show signs of exuberance among developers in the property market."

Redas said that 60 respondents, including 35 developers, participated in the latest quarterly index survey.

The top three potential risks to market sentiment in the next six months are rising inflation/interest rates (cited by 68.3 per cent of respondents), slowdown in the global economy (66.7 per cent), and job losses (63.3 per cent).

Another finding from the latest poll was that 42.9 per cent of the developers expected new launches to increase moderately, while 48.6 per cent predicted that new launches would hold at the same level in the next six months.

In terms of unit price change, 45.7 per cent of the developers anticipated residential property prices to increase moderately in the next six months, compared to 16.7 per cent in the Q1 survey.

Redas observed that market sentiment runs high this year despite uncertainty over the long-term sustainability of economic fundamentals.

It noted that 85 per cent of all respondents indicated increased interest in en bloc sales, and 81 per cent expected aggressive bidding in the land market in the next six months.

More than 91 per cent of developer-respondents are concerned or very concerned about land costs.

With limited Government Land Sales (GLS), developers are likely to replenish their landbanks for long-term business sustainability.

Keen competition in GLS bidding has led developers to turn to the en bloc market for alternative land supply.

Other factors driving up the recent surge in en bloc activity especially in mature estates include the low cost of financing, expansion of foreign developers' activities, pent-up demand in the first half of 2017, and excessive liquidity of offshore funds.