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Property market sentiment hits a high in Q4: NUS-Redas index

The National University of Singapore and developers body Redas' Real Estate Sentiment Index posted a 6.9 reading for its composite sentiment index, which takes into account current and future sentiment. ST PHOTO: DESMOND FOO

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SINGAPORE (THE BUSINESS TIMES) - Overall property market sentiment hit a high in the fourth quarter of last year, amid rising confidence in the market recovery in the coming six months.

This is according to the National University of Singapore and developers body Redas' Real Estate Sentiment Index (RESI), which posted a 6.9 reading for its composite sentiment index, which takes into account current and future sentiment. This was up from 6.6 in the preceding quarter and surpasses the previous high of 6.8 in Q1 2010, when the index series was minted.

"The exuberance in the market is buoyed by the en bloc sales and also the upturn of demand in the private residential property market," said associate professor Sing Tien Foo from NUS' Department of Real Estate.

"The market recovery seems to have picked up momentum, which may persist into 2018."

The composite sentiment index is the average of the current and future sentiment indices.

The current sentiment index, which tracks changes in sentiment in the past six months, improved to 6.9 in Q4 last year from 6.5 in Q3 2017. However, the latest score is shy of the 7.2 back in the first quarter of 2010.

The future sentiment index, tracking changes in sentiment over the next six months, climbed from the 6.7 reading in Q3 2017 to 6.9 in the fourth quarter - the highest since the index began.

The fourth quarter composite sentiment index reading marks the eighth consecutive quarterly increase since the index bottomed in the fourth quarter of 2015. The index ranges from 0 to 10 with a score below 5 indicating deteriorating market conditions and above 5 showing improving conditions.

A net balance percentage approach is used to indicate the overall direction of change in sentiment to derive scores for key determinants of property market sentiment.

According to the latest survey findings, both the current net balance and the future net balance for prime residential, suburban residential and office sectors posted relatively strong performance in Q4.

The hotel and serviced apartment segment also exhibited a clear sign of recovery following strong year-end results in the tourism industry, said the report from the Real Estate Developers' Association of Singapore (Redas) and NUS .

The prime residential and suburban residential sectors led the recovery with current net balances of 52 per cent and 60 per cent respectively - which refer to the difference between the proportion of respondents who chose positive options and those who chose negative options for sentiment over the past six months - in the survey. These readings are higher than the 41 per cent and 52 per cent respectively for Q3 2017.

Compared with other submarkets, the respondents are still pessimistic on the retail property segment. Prime retail sector was still the worst performer with a current net balance of minus 31 per cent and a future net balance of minus 10 per cent; that said, these readings are improvements from the minus 33 per cent and minus 21 per cent in Q3 2017, respectively.

In the fourth quarter, respondents voted rising interest rates, government intervention to cool the property market and excessive supply of new property launches as the top three potential risk factors that may adversely impact market sentiment in the next six months.

The fourth quarter survey showed that 59.7 per cent of the respondents were concerned about government intervention, up sharply from 26.2 per cent in the third quarter.

This was in view of the Pre-Application Feasibility Study (PAFS) requirement on the traffic impact of new residential projects developed on sites sold through collective sales announced last November.

The survey showed that 75.8 per cent and 59.7 per cent of the respondents indicated that PAFS would significantly or moderately impact development density on en bloc sites and their sale prices, respectively.

In view of the PAFS, 40 per cent of all respondents and 50 per cent of the developers expect more rule changes for en bloc redevelopments.

The fourth quarter survey drew 62 responses from Redas members,including 32 developers. Redas has close to 300 members, all corporates.