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Developer sentiment hit by new cooling measures: survey

Outlook for Singapore's prime residential and suburban residential sectors hardest hit

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DEVELOPER sentiment has dampened significantly following the government's announcement of new cooling measures, according to a survey conducted by National University of Singapore (NUS) and Real Estate Developers' Association of Singapore (Redas).

Outlook for the prime residential and suburban residential sectors were the hardest hit, while office, business park/hi-tech space and hotel/serviced apartment were relatively unaffected.

Redas and NUS had earlier completed a report on developer sentiment for Q2 of 2018, before the latest round of cooling measures were revealed on Jul 5.

A follow-up survey after the measures were introduced showed that the Real Estate Sentiment Index (RESI) took a dive from 6.6 to 3.9. According to Redas, a score below 5 indicates deteriorating market conditions, while scores above 5 indicate improving conditions.

The RESI is a derived indicator of overall market sentiment, and comprises a Current Sentiment Index and a Future Sentiment Index.

The Current Sentiment Index, which measures respondents' view of market conditions in the past six months, was revised downward from 6.7 to 3.9.

The Future Sentiment Index, which measures expectations for the next six months, fell from 6.4 to 4.0.

"The market sentiment turned abruptly downwards after the announcement of the new round of cooling measures in July 2018, and the 'unexpected' policy interventions may have caught many developers by surprise," said one survey respondent.

NUS and Redas also compiled a "net balance percentage" for each sector, used to indicate the overall direction in the change in sentiment.

The current net balance percentage for the prime residential sector went from being positive (63 per cent) to negative (-31 per cent). Likewise for the suburban residential sector which went from 53 per cent to -31 per cent.

The office, business park/hi-tech space and hotel/serviced apartment sectors were the only sectors that recorded positive sentiments.

In 2Q18, 87.9 per cent of the developers expected new launches to be higher. But post-measures, this took a dip to 65 per cent.

Similarly, fewer developers expected there to be more new launches, with the proportion falling from 88 per cent to 64.8 per cent.

In terms of unit price change, developers were mostly sceptical of prices increasing, and more indicated that they would drop.

Only 13.5 per cent of the developers anticipated residential property prices to increase in the next six months after the cooling measures, compared to 81.8 per cent in 2Q18.

In addition, 48.6 per cent of them expected prices to drop after the measures – an increase from only 3 per cent in 2Q18.

Potential risks that may adversely impact market sentiment in the next six months remained mostly unchanged, pre- and post-measures. The respondents identified rising inflation and interest rates, excessive supply of new property launches and slow-down in the global economy as the top three potential risks, the same as those in the earlier 2Q18 survey.