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Half of developers likely to cut prices of Singapore new launches

54% in survey see 2-5% new sale price fall in 2020, 46% expect 5-8% slide in resale prices in 2020

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THE sentiment of local property developers has dived, with half of them likely to lower the selling prices of their new launches in the next six months.

This is according to the latest Real Estate Sentiment Index (Resi), published by the National University of Singapore Real Estate (NUS+RE). The index hit a record low in the first quarter of 2020 amid the Covid-19 pandemic.

The current sentiment index went down to 4 in the first three months of the year, from 4.4 in the previous quarter; the future sentiment index fell to 3.5 in the first quarter, from 4.1 in the fourth quarter of 2019.

A score above 5 indicates improving market conditions, and a score below that, deteriorating conditions.

The composite sentiment index, a derived indicator for the overall real estate market sentiments, stood at a historic low of 3.2. The last lowest score was recorded at 3.3 in Q4 2011, said NUS+RE in a news release on Monday.

The index, first introduced in 2010, was jointly developed by NUS+RE and the Real Estate Developers' Association of Singapore.

But from Q1 2020, Resi will be published by NUS+RE, which represents the Department of Real Estate and Institute of Real Estate and Urban Studies at NUS. The data collection, analysis and reporting will be independently conducted by NUS+RE.

The quarterly survey is based on sentiments of senior executives of real estate firms. All the developers polled worried most about the slowdown in the global economy and job losses or job decline in the domestic economy.

These were the top two potential risk factors in the next six months. They were chosen by every respondent in the first quarter, compared to 79.2 per cent and 56.3 per cent in Q4 2019.

The risk of tightening of financing/liquidity in debt markets also surged from 12.5 per cent in Q4 2019 quarter to 75.8 per cent in Q1 2020.

The risks associated with the increased supply of new development land and the real estate price bubble/excessive speculative activities disappeared in Q1, compared to 10.4 per cent in the previous quarter.

On pricing, about half of the respondents surveyed expected new launches to maintain prices in the next six months. The remaining 50 per cent said prices are likely to be substantially or moderately lower in the next six months.

About 54 per cent projected that the new sale prices would decline by 2 to 5 per cent in 2020, and 46 per cent expect a larger fall of around 5 to 8 per cent in resale prices in 2020; 31 per cent expect new sale volume to fall by 8 to 10 per cent and 21 per cent said new sales would drop by 20 to 30 per cent in 2020.

About 44 per cent expect the number of units launched to be substantially or moderately lower in the next six months, while 25 per cent expected that the units launched will remain about the same in the next six months.

The rental market will also be adversely impacted in 2020, with 34 per cent anticipating the occupancy rate to decline by 2 to 5 per cent.

To minimise the Covid-19 impact, 25 per cent indicated that developers will use e-platforms for new launches.

About 22 per cent reported that the developers would either extend project completion time or postpone new project launches to reduce the impact.

Thirty six per cent hoped the government would extend the Additional Buyer's Stamp Duty (ABSD) deadline, given the Covid-19 situation; the majority of them propose an extension of 12 to 18 months.

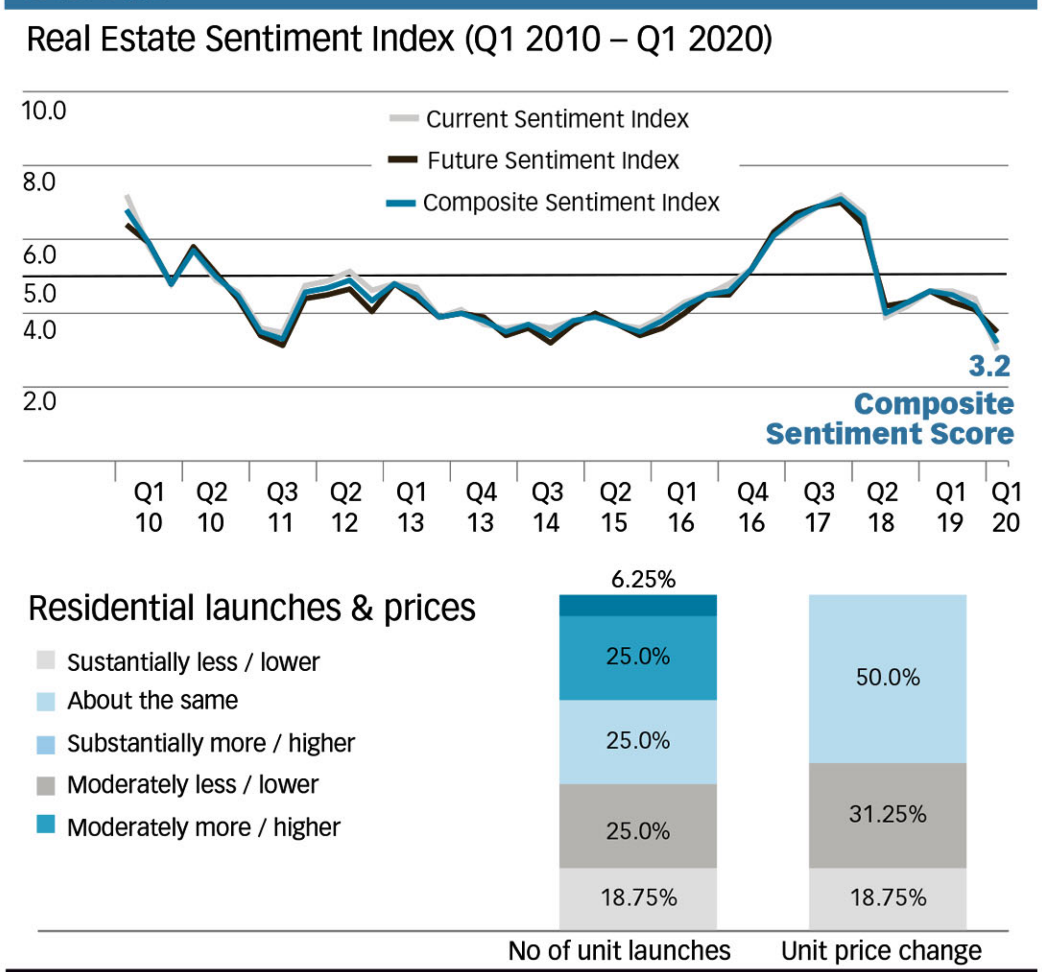
About 18 per cent felt that the ABSD timeline should be temporarily suspended until the social-distancing measures are lifted.

"Market sentiments are likely to stay muted unless there are clear signs that the pandemic situation is improving," said Lee Nai Jia, deputy director of the Institute of Real Estate and Urban Studies.

"Firms are likely to postpone their relocation and expansion plans, and investors are seeking distressed properties. Some segments of the market, such as the hotel and serviced-apartment segments, will take longer to recover," he added.

The investors looking for distressed properties are hoping for a 50 per cent fall in prices, but so far prices have been "very stable", Dr Lee noted. "Such opportunties haven't come on board."

Gloom



Source: NUS Real Estate