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S'pore property execs flag rising inflation, interest rates as top risk

Nine out of 10 senior executives in real estate companies in Singapore have flagged rising inflation and interest rates as the top potential risk factor which may adversely impact market sentiment in the next half of the year, poll findings showed.

This overtook rising construction costs, which had previously topped the list throughout the first nine months of last year in the quarterly questionnaire by the National University of Singapore Real Estate (NUS+RE), which represents the Department of Real Estate and the Institute of Real Estate and Urban Studies ((IREUS) at the university.

In the fourth quarter 2021 edition of its Real Estate Sentiment Index (RESI), about 73.3 per cent of the respondents identified rising building costs as a key risk, down from 93 per cent in the third quarter.

Next on the list was the tightening of financing and liquidity in debt markets, which 65.8 per cent of the executives selected, up from 32.6 per cent in the previous quarter's survey.

Meanwhile, the proportion of respondents who indicated "government intervention to cool the market" as a potential risk fell the most to 39.5 per cent from the previous 62.8 per cent. Last December, the Government announced new measures to cool the property market.

The RESI study's composite sentiment index, a derived indicator for overall real estate market sentiment, also fell for the third straight quarter to 5.4 in the fourth quarter. This is down from 6.6 in the third quarter, 6.7 in the second quarter, and 6.8 in the first quarter.

Professor Sing Tien Foo, IREUS director, said: "The declines in the sentiment indices were mainly triggered by the Government's new cooling measures introduced in December 2021. The prime residential sector was the most adversely affected in the Q4 2021 sentiment survey."

NUS+RE stated that despite the decline, the index stayed above five, indicating that overall sentiment on the property market's current and future conditions remained positive.

In terms of future launches and sales, 47.1 per cent of those polled expected moderately or substantially fewer units to be launched in the next six months, while 30 per cent expected moderately or substantially more launches.

About six in 10 of the real estate executives expected unit prices of new launches in the next six months to be moderately or substantially higher, while 35 per cent expected prices to stay the same.

IREUS deputy director Lee Nai Jia noted: "A confluence of factors – including the recovering economy, diminishing supply arising from delayed project launches and the perception of property as a resilient asset class – has created robust demand from upgraders and first-time home buyers."

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