REAL ESTATE

Q3 sentiment in real estate market still on downward track

Ireus poll finds that 90% of respondents flagged a slowdown in the global economy as the top risk to watch

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PROPERTY sentiment has dropped to a new low, owing to external economic uncertainties caused by the escalating hostilities in Gaza and the ongoing war in Ukraine, a recent poll has found.

Real estate executives also flagged the slowing down in new-sale activities in the local residential property market in September and October as reasons for the bearish sentiment, in the quarterly survey by the Institute of Real Estate and Urban Studies (Ireus) of the National University of Singapore (NUS).

In the third quarter, prime residential was the worst-performing sector in Ireus' sentiment index survey, with a negative current net balance of 68 per cent. The sector also scored the worst future net balance among the respondents, at negative 30 per cent.

Net balance measures the difference between positive and negative responses, with a negative net balance pointing to a poorer sentiment.

Ireus director Qian Wenlan also attributed the dimmer outlook to the April 2023 property cooling measures, which levied a 60 per cent Additional Buyer's Stamp Duty (ABSD) on foreign buyers of residential properties.

She said: "The recent money laundering bust sent chills through the luxury-home market here. In conjunction with higher borrowing costs and a substantially higher ABSD, foreign buyers now face a triple whammy that will disincentivise capital from entering this market segment."

In contrast, the suburban residential sector is showing more resilience, at a negative 13 per cent for both current net balance and future net balance.

Survey respondents put this down to prices having reached a high in most regions, so buyers are expected to remain cautious and price-sensitive amid the economic headwinds. The higher number of options among suburban housing projects could also account for the outlook there being brighter, relative to the prime residential segment.

Those polled were also more negative than positive on prospects in most real estate sectors, except for prime retail, suburban retail and hotel/serviced apartments in Q3.

Ninety per cent of respondents flagged a slowdown in the global economy as the top risk to watch; 62.5 per cent cited rising inflation and interest rates as another major risk factor.

Prof Qian said: "The high cost of credit could translate into higher costs of doing business and a weaker labour market, among other issues arising from a slowing economy."

Concerns over job losses in the domestic economy ranked third among the top risks – at 60 per cent, up from 52.5 per cent in Q2. Property executives were less concerned in Q3 about the tightening of financing/liquidity in the debt market, rising construction costs, and risks relating to new property launches.

Only 20 per cent of property executives cited concerns regarding the supply of development land and government intervention to cool the market, down from the 60 per cent in the previous quarter.

The risk of a real estate price bubble ranked the lowest, remaining constant at 7.5 per cent in Q3.

The Composite Sentiment Index, comprising the Current Sentiment Index and Future Sentiment Index, and which is a barometer of the general prevailing sentiment, fell from 4.6 in Q2 to 4.3 in Q3 – below the neutral score of 5.0. The Current Sentiment Index reflects sentiment over the past six months, and the Future Sentiment Index, for the next six months.

Prof Qian suggested that the lower sentiment index could be due to the current conflict in the Middle East, which is a major energy supplier and key shipping passageway; trouble there would contribute to higher oil prices and possibly trigger a recession over a wide geography.

Turning point in buyer sentiment

"With domestic growth slowing, buyer sentiment may have reached a turning point," she said.

Thirty per cent of executives surveyed in Q3 expect a moderately or substantially higher number of units to be launched in new projects in the next six months; 55 per cent of them expect the number to remain about the same.

Only 10 per cent of them expect fewer new launches.

Compared with Q2, there was less expectation of higher pricing for new launches in Q3. Only 20 per cent of the respondents expected new launch prices to be moderately higher. Seventy per cent of them believed new launch prices would be the same, an increase from 50 per cent in the previous quarter.

Only 5 per cent of property players expected prices to be moderately less, while 5 per cent expected prices to be substantially lower. Survey respondents said that heightened risks faced by developers and previously committed capital outlays would prevent substantial price reductions. Prices should thus be relatively stable.

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Qian Wenlan, director, Institute of Real Estate and Urban Studies

Top median rentals of projects by district in last one month

PROJECT NAME/ STREET NAME	PROPERTY TYPE	LOWEST RENT (S$)	MEDIAN RENT (S$)	HIGHEST RENT (S$)	NO. OF TRANS-ACTIONS	MEDIAN RENT PSF (S$)	MEDIAN RENTAL YIELD (%)
District 1							
Marina Bay Residences	Condo	5,150	9,750	100,000	17	7.30	4.00
Marina One Residences	Apt	4,700	7,350	17,000	34	7.20	3.80
One Shenton	Apt	4,250	5,900	8,250	16	7.00	4.50
The Sail @ Marina Bay	Apt	3,900	5,250	11,800	40	6.90	4.20
V On Shenton	Apt	3,700	5,900	10,000	16	6.90	4.00
District 2							
Altez	Apt	4,500	6,250	10,000	16	7.40	4.50
Icon	Apt	3,800	4,500	7,300	25	6.90	4.50
Skysuites@Anson	Apt	3,400	4,500	6,250	16	9.70	4.80
Spottiswoode 18	Apt	3,100	3,300	4,300	15	9.40	3.90
Spottiswoode Residences	Condo	4,000	5,100	7,800	16	6.30	3.20
District 3							
Avenue South Residence	Apt	3,280	4,500	7,000	60	6.50	3.40
Commonwealth Towers	Condo	3,400	4,000	8,500	20	7.70	4.10
Queens Peak	Condo	3,300	4,325	7,300	20	8.10	4.00
River Place	Condo	3,750	4,700	9,200	19	5.30	4.00
Riviere	Apt	5,000	7,400	17,000	23	8.00	3.40
Stirling Residences	Apt	4,000	4,700	7,900	22	7.80	4.00
District 4							
Cape Royale	Condo	8,500	11,450	20,000	20	5.40	2.80
Caribbean At Keppel Bay	Condo	4,600	7,650	17,200	17	5.90	4.00
Reflections At Keppel Bay	Condo	5,000	7,300	20,000	28	5.50	3.80
The Interlace	Condo	4,800	7,800	12,700	27	4.80	3.70
District 5							
Kent Ridge Hill Residences	Apt	3,400	4,500	10,000	24	6.40	3.70
Normanton Park	Apt	3,300	4,200	6,500	30	6.50	4.00
One-north Residences	Apt	2,600	5,000	7,900	15	5.30	3.90
Parc Riviera	Condo	2,900	4,100	5,000	17	5.70	4.30
District 7							
Duo Residences	Apt	3,900	5,400	11,000	19	7.70	4.10
District 8							
City Square Residences	Condo	3,350	5,000	8,000	23	5.20	3.10
Sturdee Residences	Condo	3,500	4,400	6,500	15	6.80	3.70

SOURCE: 99.CO & SRX

Top 10 condo searches

RANKING	NAME	TOTAL SEARCHES IN PAST ONE WEEK	MEDIAN PRICE PSF (S$)
1	Riverfront Residences	3,638	1,668
2	Normanton Park	3,440	2,144
3	Treasure at Tampines	3,122	1,655
4	Reflections At Keppel Bay	2,711	1,731
5	The Sail @ Marina Bay	2,649	1,843
6	Affinity At Serangoon	2,499	1,820
7	The Reserve Residences	2,233	2,396
8	The Continuum	2,189	2,768
9	The Florence Residences	2,178	1,756
10	Avenue South Residence	2,073	2,322

Note: Based on data compiled in the past one week until Nov 9, 2023
For more information, go to *www.srx.com.sg*

SOURCES: 99.CO & SRX.COM.SG