

# REAL ESTATE SENTIMENT INDEX

1<sup>st</sup> Quarter 2015

## About Real Estate Sentiment Index (RESI)

The Real Estate Sentiment Index (RESI) is jointly developed by the Real Estate Developers' Association of Singapore (REDAS) and the Department of Real Estate (DRE), National University of Singapore. The quarterly structured questionnaire survey is conducted among senior executives of REDAS member firms. RESI measures the perceptions and expectations of real estate development and market conditions in Singapore. RESI comprises a Current Sentiment Index and a Future Sentiment Index, tracking changes in sentiments over the past and the next 6 months respectively, and a Composite Sentiment Index which is the derived indicator for the current overall market sentiment. RESI scores range from 0 to 10, reflecting the extent of pessimism or optimism of the survey respondents. A "net balance percentage" approach is adopted to derive the scores for key determinants of the real estate market sentiment.



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1<sup>st</sup> Quarter

2015

*“We observe the first reversal after 6 consecutive quarters of declines in the composite sentiment index since 2Q13. Although the sentiment index is still below the neutral level of 5, the upturn in the sentiments indicates a slow but cautious rise in developers’ expectations.”*

**Sing Tien Foo**  
Associate Professor

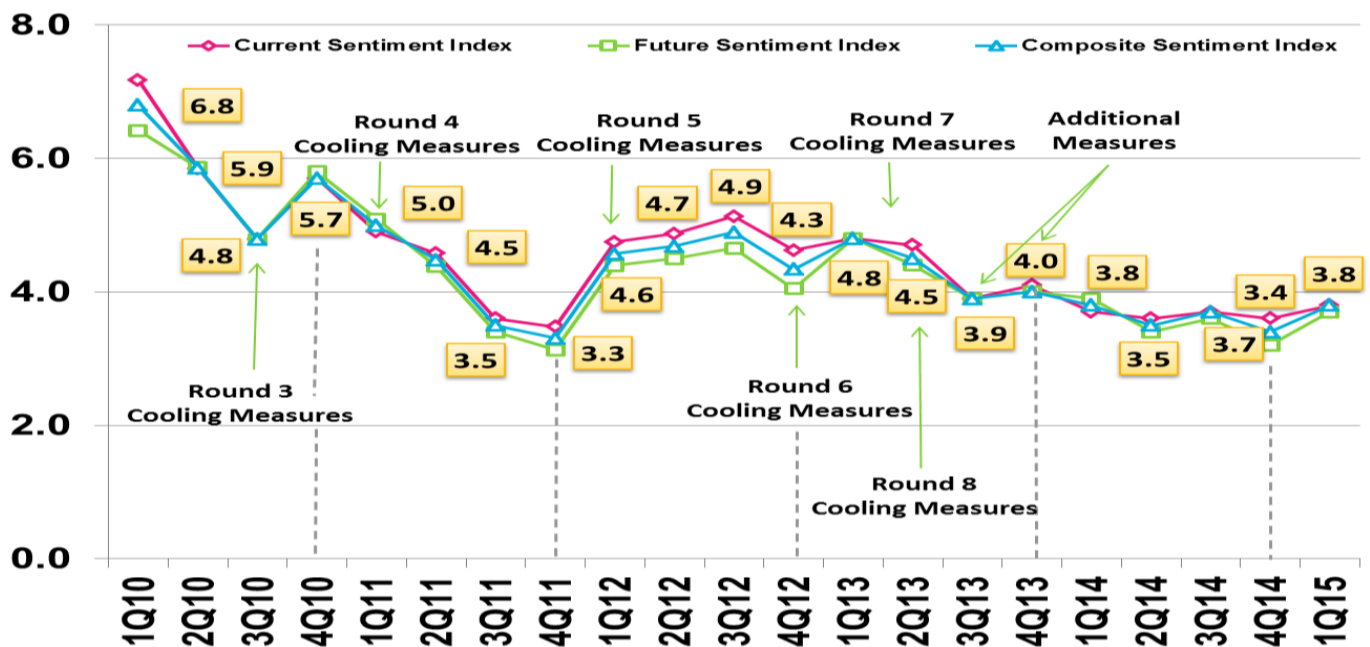
## How would you rate the overall Singapore real estate market (commercial, residential, hospitality etc) conditions over the time periods shown?

**Current Sentiment Index:** The index stood at 3.8 up from 3.6 in 4Q14. The score showed a marginal improvement, but the market sentiment remains weak.

**Composite Sentiment Index:** The overall sentiment was estimated at 3.8 in 1Q15. The score reversed the 6 quarters of declines of the index since 4Q13.

**Future Sentiment Index:** The score inched up slightly to 3.7 from 3.2 in 4Q14. Respondents were more optimistic on the market outlooks over the next six months.

Exhibit 1: Real Estate Sentiment Index



Source: NUS-REDAS Research



*“Overall market sentiment for residential units will remain relatively weak for the next 6 months. This is due to the cooling measures and increase in residential supply in the market. Commercial market might slow down as corporate clients are cutting back on spending due to the slowdown in economy.”*

*“Residential sector will continue to face downward pressure due to continued influence of the cooling measures and the deluge of upcoming property launches. Grade A office in the core area of Marina Financial Centre is expected to do well, occupancies of the older CBD offices will be affected due to the tenants are moving to the newer Grade A offices. Retail sector is also expected to face downward pressure due to the manpower crunch and increased activities from e-commerce. Likewise, Industrial sector will also be negatively impacted as a result of the government releasing more industrial space.”*

**Comments from Survey Respondents**

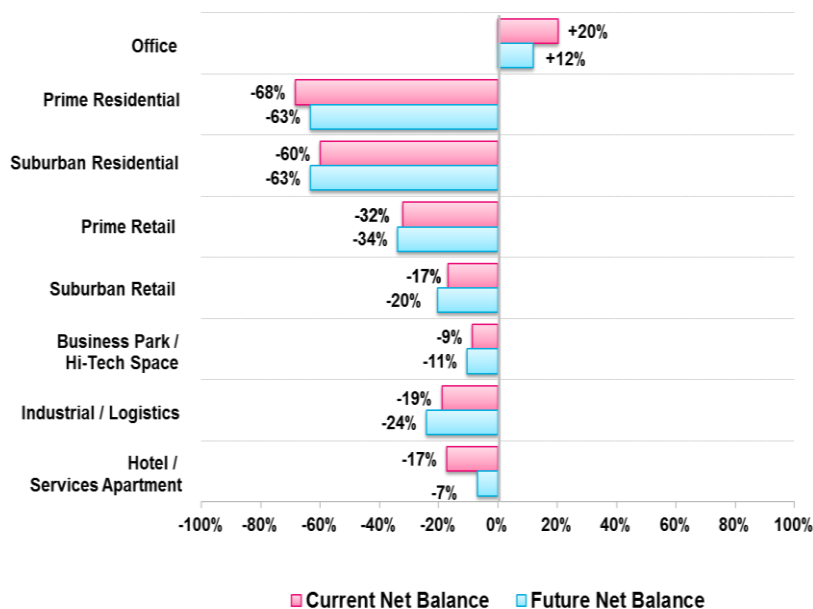
**How would you rate the general performance (rental, price, occupancy, purchases etc) of the sectors over the time periods shown?**

Prime and suburban residential sectors were the worst performing real estate sectors in 1Q15.

Sentiments in the prime residential sector showed a current net balance of -68% and a future net balance of -63% in 1Q15; while the sub-urban residential sector showed a current net balance of -60% and a future net balance of -63% in 1Q15.

Office was the best performing real estate sector in 1Q15 with a current net balance of +20% and a future net balance of +12%.

**Exhibit 2: Real Estate Market Performance**



Source: NUS-REDAS Research



“Current sentiment reflects the negative mood in the last few quarters. The policy will continue to tighten the market until a fair decline in its prices.”

“The weaker global economic recovery led only by the US coupled with potential interest rate hike, larger impending supply in both office and residential sectors, could continue to add greater downside to the property market.”

**Comments from Survey Respondents**

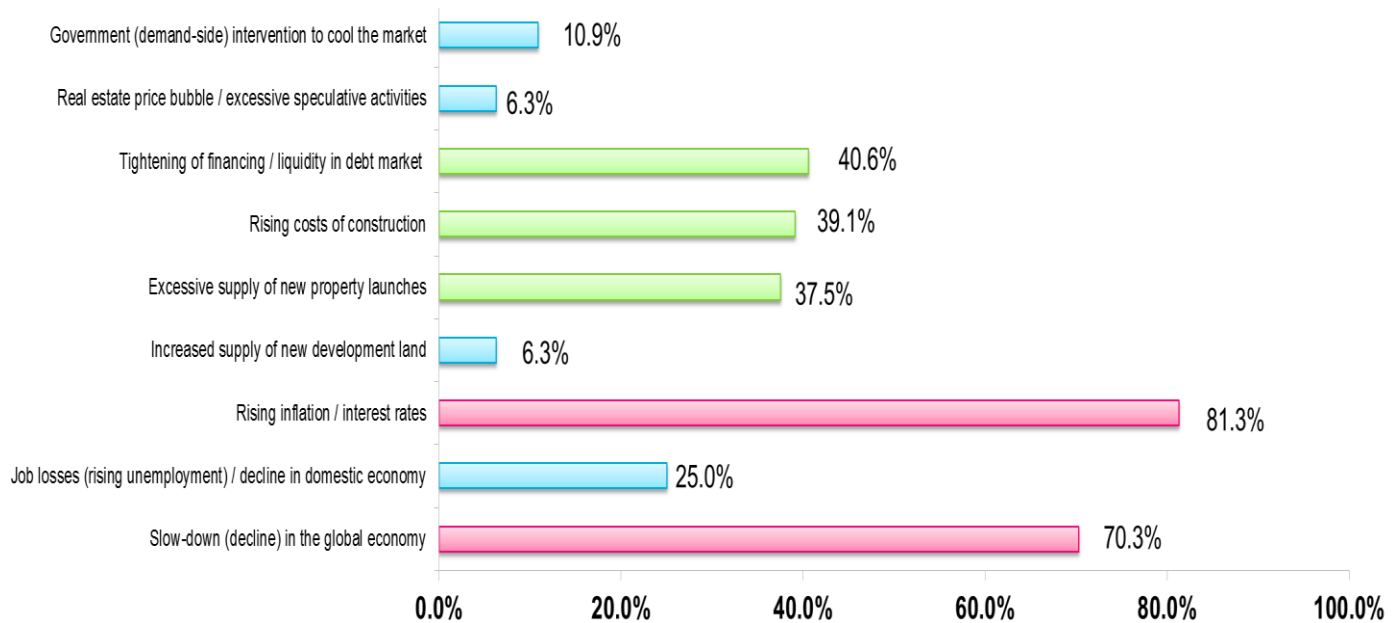
**Do you foresee any potential risks that may adversely impact on market sentiment in the next 6 months?**

More than 70% of the respondents surveyed in 1Q15 expected that slowing down in the global economy, rising inflation, and interest rates will adversely impact market sentiment in the next 6 months.

37.5% of them indicated that the property market will face excessive supply from new launches.

Rising cost of construction and tightening of finance / liquidity in debt market are some of the potential risks that will adversely impact the market sentiment.

**Exhibit 3: Potential Risks**



Source: NUS-REDAS Research

# NUS-REDAS RESEARCH

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### 1<sup>st</sup> Quarter 2015



*“The post TDSR market has normalized. Buyers are being more pragmatic about real estate market and have grown to be more discerning. It is not going to get worse given the speculators have been meted out. The time has arrived for some real down driven market dynamics.”*

*“Overall rental for residential units and retail will remain weak. While offices is expected to fare better due to tight supply of prime grade office space in the coming year or two. Lower hotel occupancy rate is expected for 2015 as number of tourist arrival decline due to slow down in global economy.”*

*“Low take up rate due to wait and see approach adopted by buyer. It will deter developer from launching new units in the near future.”*

*“Looking at the performance of projects launched in 2014, we believe that a re-launch is on the cards for projects with many unsold units.”*

**Comments from  
Survey Respondents**

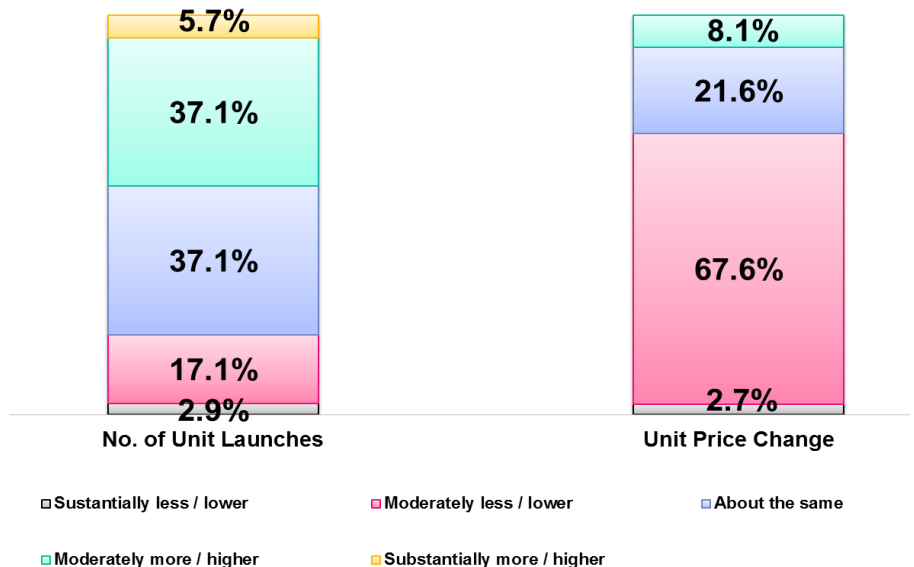
### What are your expectations regarding the number of new residential units to be launched in the next six months?

In 1Q15, 74.2% of the developers expect new launches to increase moderately and/or to hold at the same level in the next six months. 17.1% of them indicated that they would launch moderately less units, which was slightly higher than 16.2% reported in the last quarter.

### What are your expectations on the pricing of new residential launches in the next six months?

In term of unit price change, 67.6% of the developers anticipate a moderate decrease in residential property prices in the next six months. In 1Q15, 21.6% of them expect prices to hold, which is down by 2.7% from the number reported in the last quarter.

**Exhibit 4: Residential Launches & Prices**



Source: NUS-REDAS Research

*“The residential market faces several headwinds; tightened credit conditions, significant stamp duties, sliding rents. Market sentiment is tempered and developers would have to price according to market demand.”*

*“Holders are generally strong and a pool of buyers waiting. Price could soften when new supply emerges and rental weakens.”*

**Comments from  
Survey Respondents**

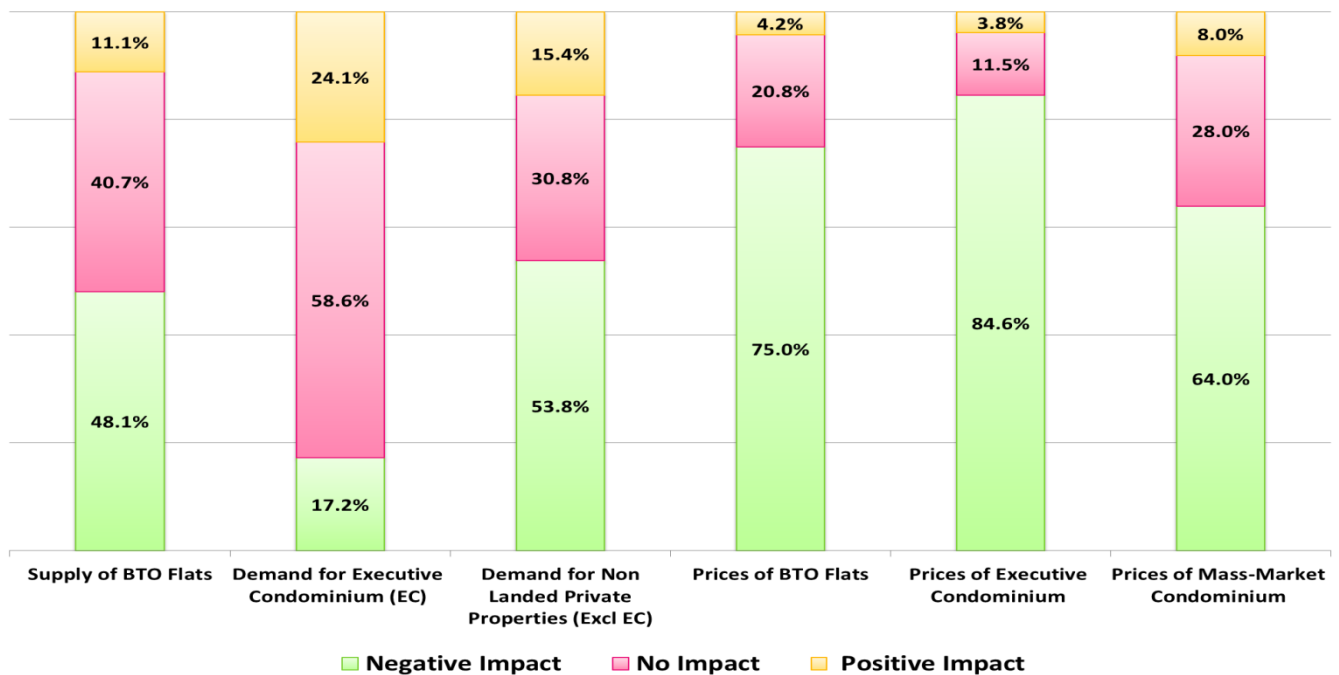
**Do you think the income ceiling should be reviewed? What do you think should be an acceptable income ceiling?**

58.6% of the respondents indicated that the income ceiling for HDB flats should be reviewed, and 31% of them felt that \$12,000 is an acceptable income ceiling.

**If the income ceilings were reviewed upward from the current level, what would be possible impact on supply, demand and housing pricing in both the public and private residential markets?**

More than 64% of the respondents felt that the prices of BTO flats, executive condominiums and mass market condominiums will be negatively impacted.

**Exhibit 5: Income Ceiling**



Source: NUS-REDAS Research

*“Cooling measures have served its purpose well by putting a lid in price growth in the low intense rate environment. If it is removed prior to the normalization of mortgage interest rate, there is still a risk of over consuming of residential property.”*

*“Government should remove ABSD. TDSR should be scaled according to actual dollar limits instead of a percentage. Currently, this is a skewed approach.”*

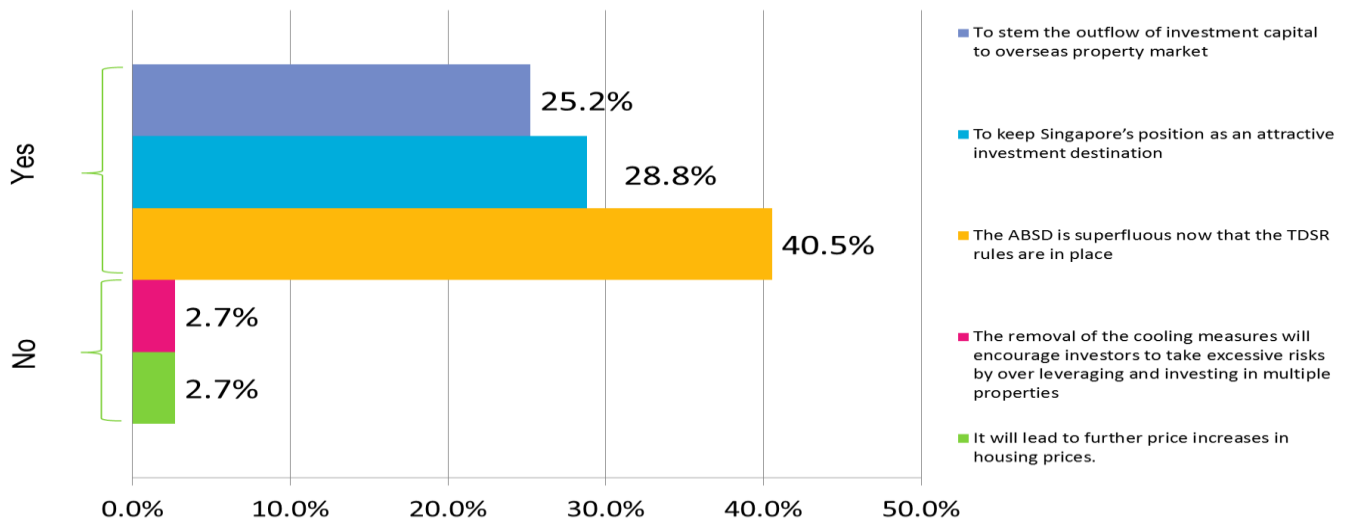
*“With market sentiment for private homes largely affected by the existing cooling measures and the TDSR framework, developers will need to moderate prices to move units.”*

**Comments from  
Survey Respondents**

**Do you think the Government should review the cooling measures in the private property market in the next 12 months, and why?**

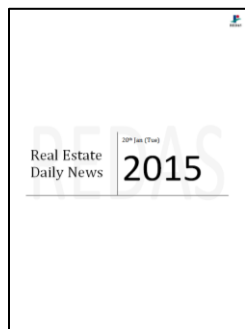
91.4% of the respondents indicated that the government should review the cooling measures in the private property market in the next 12 months. 40.5% of them felt that the ABSD is superfluous as TDSR rules are in place.

**Exhibit 6: Review of Cooling Measures**

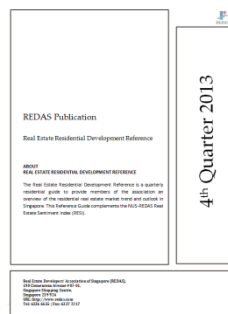


Source: NUS-REDAS Research

Other REDAS Publications:



**REDAS Daily News**



**REDAS – Residential Reference Guide**

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Explanatory Note

The RESI is an objective and comprehensive measurement specifically gauging the confidence of senior executives in the Singapore real estate and development industry. The survey measures respondents’ perceptions and expectations of current and future real estate market conditions. Respondents assess relative market conditions between now and in the past six months, as well as their expectations for the next six months. A standard format questionnaire is mailed out electronically to REDAS members. Respondents include developers, consultants, financial institutions, professional firms and service providers. The survey is thus representative of the overall Singapore real estate industry. The survey is conducted quarterly, in March, June, September and December.

A “net balance percentage” is used to indicate the overall direction of change in sentiment. This is the difference between the proportion of respondents who have selected the positive options (“better” and “increase”) and the proportion of respondents who have selected the negative options (“worse” and “decrease”). A “+” sign in the scores denotes a net positive sentiment (optimism) and a “-” sign indicates a net negative sentiment (pessimism). The derived net balance scores are not weighted by the size of the respondents’ business.

About REDAS

The Real Estate Developers’ Association of Singapore (REDAS), established in 1959, is Singapore’s premier business association in the real estate and development industry. REDAS represents some 250 members comprising developers, builders, real estate consultancies and allied professionals, bankers, REITs and fund managers. The Association actively engages regulators, policy makers and private sector partners to promote best practices and to support the growth of a vibrant and progressive industry for the creation of quality real estate in Singapore. REDAS regularly organizes activities such as networking sessions, seminars, charity golf tournaments and international business missions. To uphold the quality of products of members, REDAS also provide conciliation panel services for purchasers of residential property.

About NUS DRE

The NUS Department of Real Estate (DRE), first established as the Department of Building and Estate Management in 1969, is part of the School of Design and Environment (which also includes the Department of Architecture and the Department of Building). DRE aims to be the leading centre for real estate education and research in Asia with the mission to develop leaders and advance knowledge for the global real estate industry. The Department has a strong reputation in real estate research, especially in the areas of investment, finance, urban planning and economics. DRE has partnerships with leading global universities for research and other academic exchange. It also has strong links with the local real estate industry through collaborations in research and executive training.

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