

# REAL ESTATE SENTIMENT INDEX

3<sup>rd</sup> Quarter 2014

## 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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3<sup>rd</sup> Quarter

2014



*“The continued weakening of the market sentiment implies that price corrections are expected to persist in the future; and developers are expected to face strong headwind ahead trying to improve sales of new residential projects in the next six months”*

**Sing Tien Foo**  
Associate Professor

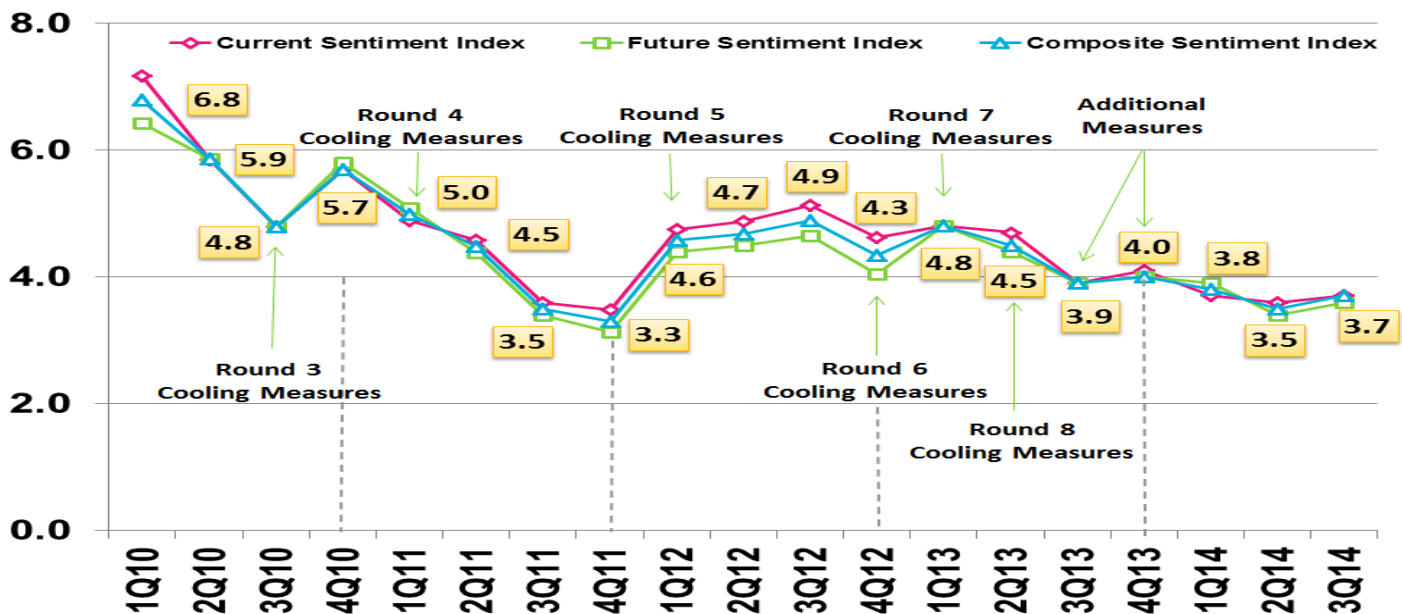
**How would you rate the overall Singapore real estate market (commercial, residential, hospitality etc) conditions over the time periods shown?**

**Current Sentiment Index:** The index stood at 3.7 up from 3.6 in 2Q14. The score shows a marginal improvement, but the market sentiment remains weak.

**Future Sentiment Index:** The score inched up slightly to 3.6 from 3.4 in 2Q14 indicating bleak market outlooks over the next six months.

**Composite Sentiment Index:** The overall sentiment is weak at 3.7. The five consecutive quarters of composite sentiment scores of 4.0 and below since 3Q2013 reflects the dampening effects of property cooling measures.

Exhibit 1: Real Estate Sentiment Index



Source: NUS-REDAS Research

*“The uncertainty over the pro-democracy movement in HK may have some knock on effects in Singapore, if the conditions continue and China takes draconian steps to quell the movement.”*

*“The overall conditions have worsened as the market has reached a standstill. The future sentiment is unlikely to improve in the next six months.”*

*“Residential market will continue to consolidate. Industrial market is waiting to cool too as a result of government pushing out more sites. Office sector will likely to outperform.”*

*“Driven by the recovery demand in the office sector, market sentiments seem to have moderated, except for the residential market.”*

**Comments from Survey Respondents**

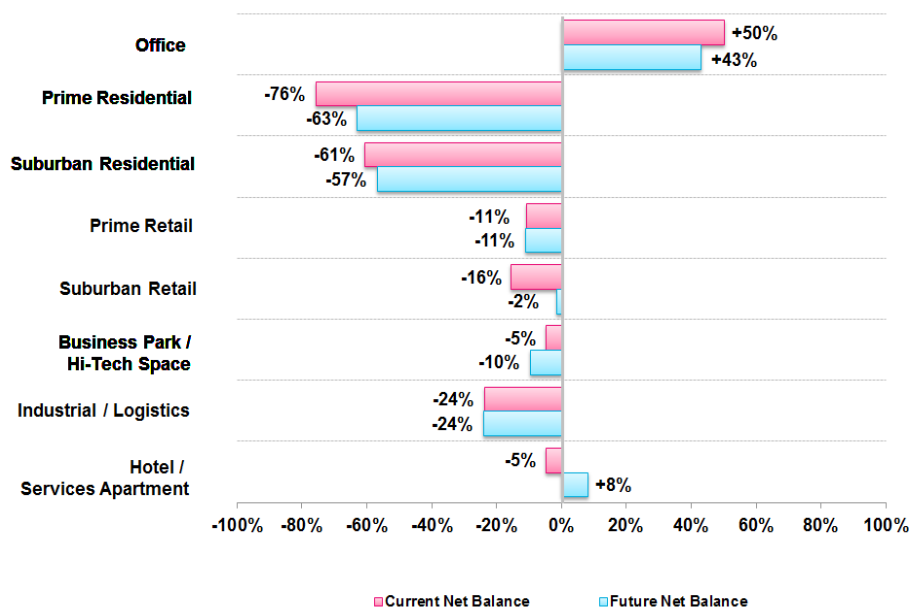
**How would you rate the general performance (rental, price, occupancy, purchases etc) of the sectors over the time periods shown?**

Prime and suburban residential sectors were the worst performing real estate sectors in 3Q14.

Sentiments in the prime residential sector showed a current net balance of -76% and a future net balance of -63% in 3Q14; while sub-urban residential sector showed a current net balance of -61% and a future net balance of -57% in 3Q14.

Office was viewed as the best performing real estate sector in 3Q14 with a current net balance of +50% and a future net balance of +43%.

**Exhibit 2: Real Estate Market Performance**



Source: NUS-REDAS Research

*“The available land supply is reduced as there are fewer sites made available for sale under the Government Land Sales Programme in the second half of 2014 compared to first half of 2014. In addition, there are fewer sites put up for Enbloc sales in the market.”*

*“Currently, there are too many unsold projects where by; buyers have been restricted on their purchases due to the policy measures. “*

*“Policy measures on foreign workers and heavy stamp duties have affected the sentiments and demand badly. This is amid a deteriorating impact in the Asia Pacific Region.”*

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

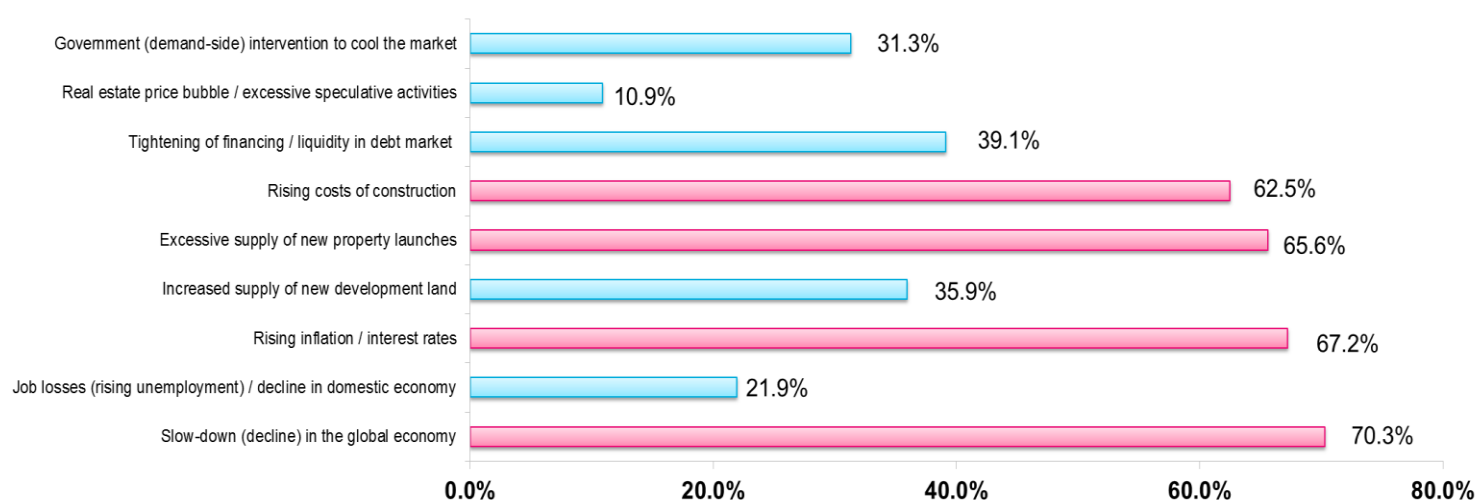
More than 67% of the respondents surveyed in 3Q14 expect that the slowing down in the global economy, rising inflation, and interest rates will adversely impact market sentiment in the next 6 months.

65.6% of them indicated that the property market will face excessive supply from new launches.

Rising cost of construction remains one of the potential risks that will adversely impact the market sentiment.

### Comments from Survey Respondents

### Exhibit 3: Potential Risks



Source: NUS-REDAS Research

# NUS-REDAS RESEARCH

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*“As there is still a substantial number of unsold new residential in the market, it is expected that developers will be launching substantially lesser amount of new residential units in the next 6 months.”*

*“With the implementation of the Total Debt Servicing Ratio (TDSR) in June 2013, it has affected the purchaser’s ability to buy new residential units. As such, developers are likely to reduce the pricing of new residential launches up by 10% to attract potential buyers”*

*“Anything less than 10% of the market price; will not draw any buyers into the market given the substantive ABSD.”*

#### Comments from Survey Respondents

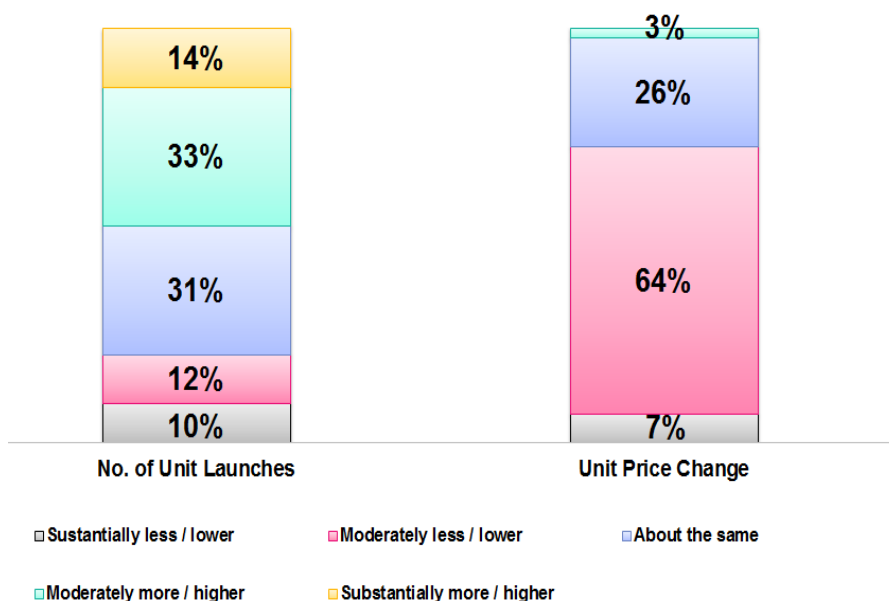
#### What are your expectations regarding the number of new residential units to be launched in the next six months?

31% of the developers surveyed in 3Q14 expect new property launches to hold at the same level in the next six months. 33% of the developers expect moderately more launches. 12% of them indicated that they would launch moderately less units, which is slightly lower than 12.4% 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, 64% of the developers anticipate a moderate decrease in residential property prices in the next six months. In 3Q14, 26% of them expect price to hold, the number is down by 0.8% relative that reported in the last quarter.

**Exhibit 4: Residential Launches & Prices**



Source: NUS-REDAS Research

*“Positive effects in the short term will be muted considering current weak market sentiments and short-term outlook. The impact on demand and prices will only be more noticeable when the stations are nearing completion / completed. The impact from the TEL in the future cannot be isolated from the property market cycle.”*

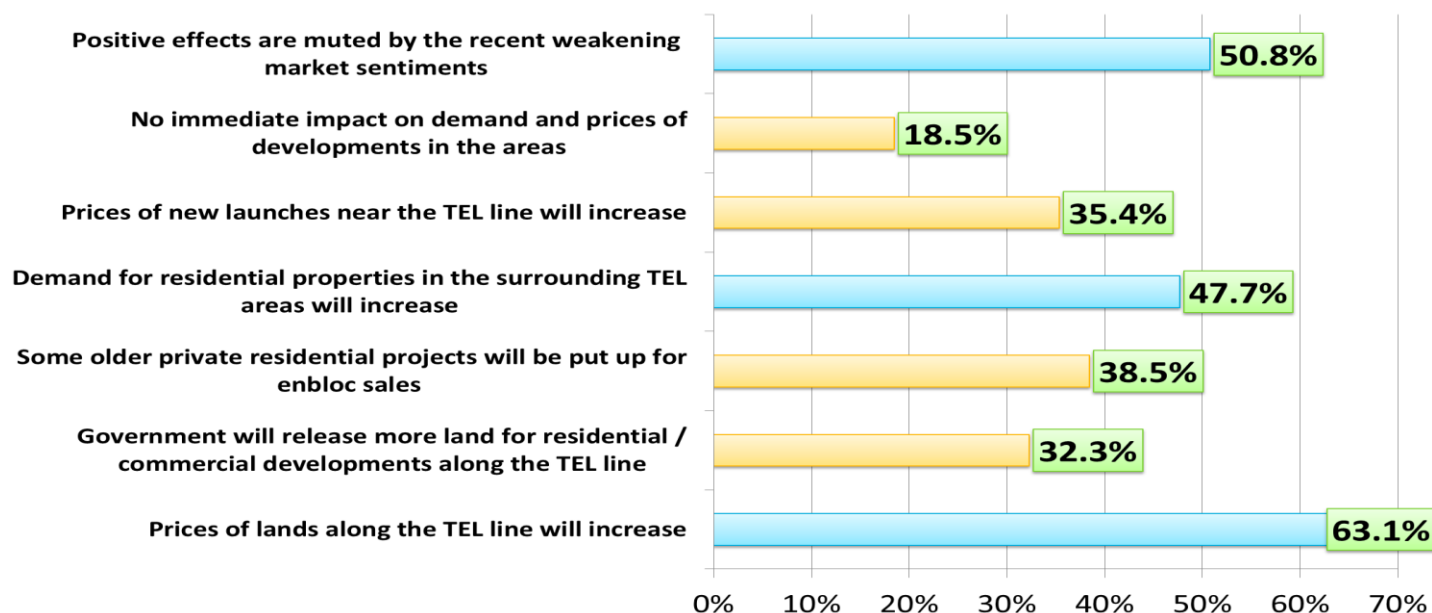
**Comments from  
Survey Respondents**

The recent announcement of Thomson East Coast Line (TEL) is expected to have significant impact on real estate development in the adjacent areas and also improve greater connectivity of the subjects’ areas to other parts of the island. What are the likely short- to medium-terms market reactions to the TEL announcement?

63.1% and 47.7% of the respondents indicated that land prices and demand for residential properties around the TEL stations will increase, respectively. About 50.8% of them indicated that these positive effects were muted by the recent weakening market sentiments.

18.5% of them felt that there will be no immediate impact on demand and prices of residential developments in the areas.

**Exhibit 5:  
Market Reactions to TEL Stations**



Source: NUS-REDAS Research

*“Generally, all areas within 1 km of the proposed TEL Stations will benefit.”*

*“Areas, within the inner city boundary, or those with substantial commercial activity should register more gains.”*

**Comments from Survey Respondents**

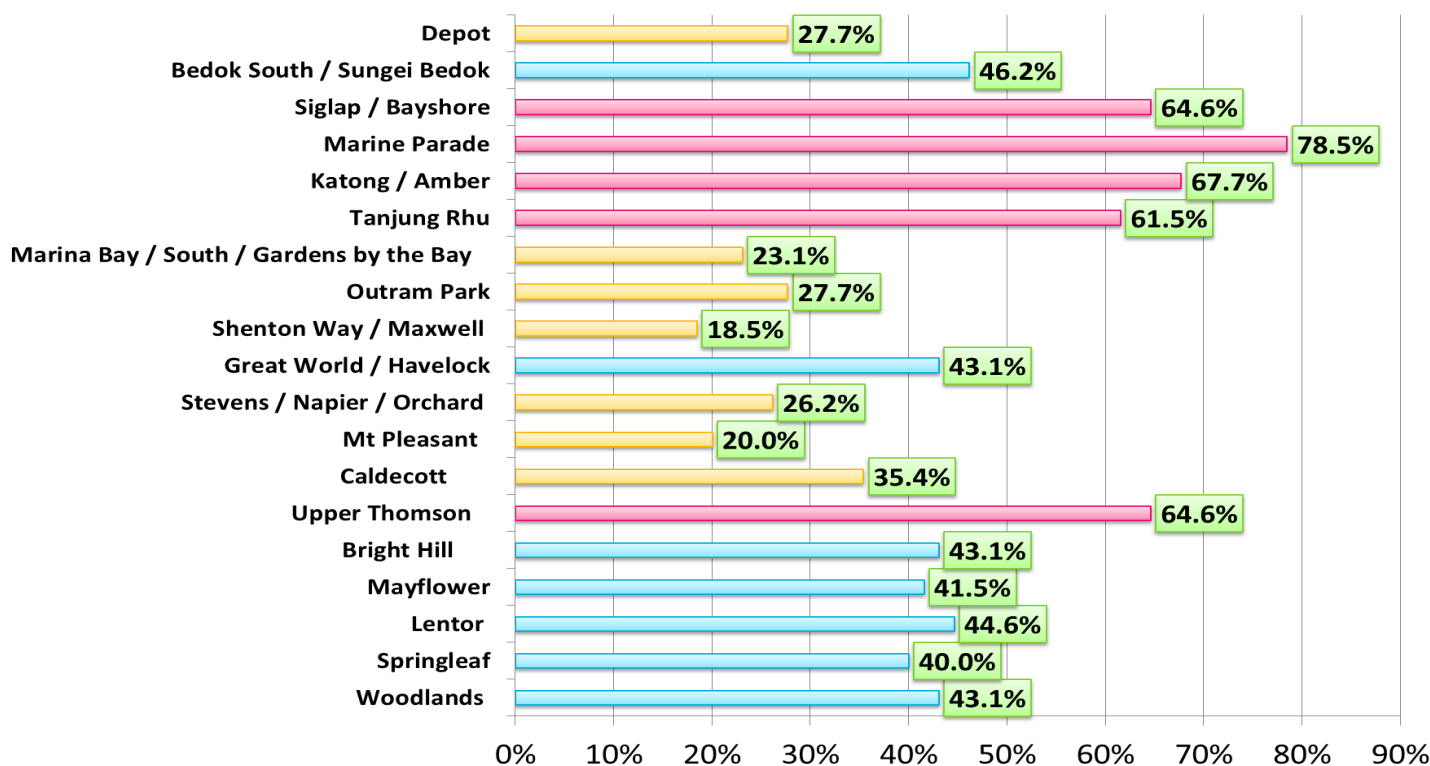
**Which of the following areas will be more likely to benefit from the development of the new TEL?**

The eastern areas, such as Siglap / Bayshore, Katong / Amber and Tanjung Rhu are more likely to benefit from the development of the new TEL stations compared to the rest of regions.

78.5% of the respondents indicated that Marine Parade will benefit the most from the TEL.

In the northern region, 20% more respondents indicated that Upper Thomson is more likely to benefit from TEL line relative to Bright Hill, Mayflower, Lentor, Springleaf and Woodlands areas.

**Exhibit 6: Areas benefiting from TEL Line**

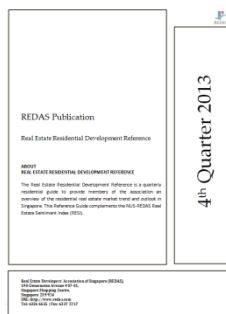


Source: NUS-REDAS Research

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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