

# REAL ESTATE SENTIMENT INDEX

4<sup>th</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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4<sup>th</sup> Quarter

2014

*“The continual weakening of the market sentiment in this quarter was mainly driven by poor performance in the residential sectors. Developers are hoping that the government will review the policies on ABSD, SSD and TDSR”*

**Sing Tien Foo**  
Associate Professor

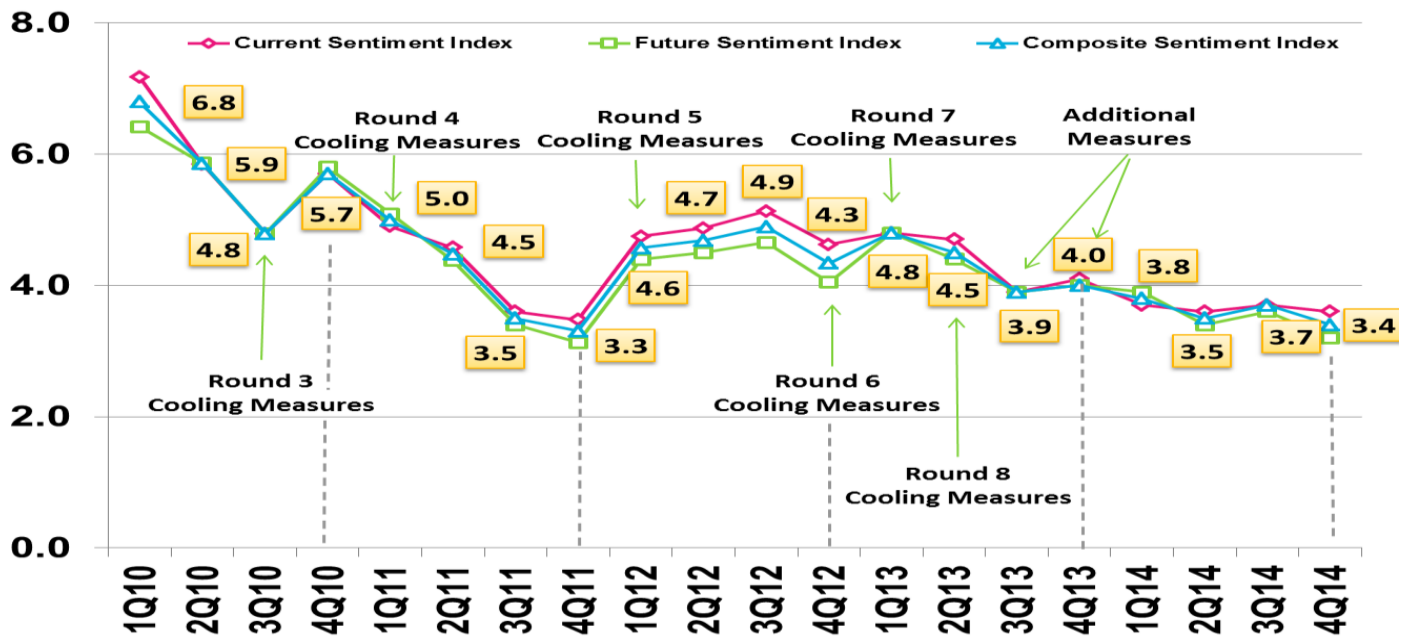
## How would you rate the overall Singapore real estate market (commercial, residential, hospitality etc) conditions over the time periods shown?

**Current Sentiment Index:** The index goes down from 3.7 in the last quarter to 3.6. The score reflects further weakening of the current market sentiment compared to six months ago.

**Composite Sentiment Index:** The overall sentiment is recorded at 3.4 in 4Q14, which is one of the lowest points in the last 5 years.

**Future Sentiment Index:** The score declines to 3.2 from 3.6 in 4Q14 indicating a bleak market outlook for the next six months.

Exhibit 1: Real Estate Sentiment Index



Source: NUS-REDAS Research



*“Slow residential activity expected in 2015, leading investor spillover to commercial properties.”*

*“2015 is off to a turbulent start. Plunging oil prices and a series of terrorist’s attacks could potentially hamper economic recovery globally. Adjusting the backdrops of impending interest rate hike; investors, owners and buyers could be more cautious in the deteriorating real estate environment.”*

*“The outlook has turned even more negative for the real estate players as sentiment have further eroded with the given weakened business.”*

*“Coupled with abundant supply in the pipeline, buyer’s sentiment has been badly affected. Buyers, including potential ones are all waiting for prices to fall further.”*

**Comments from Survey Respondents**

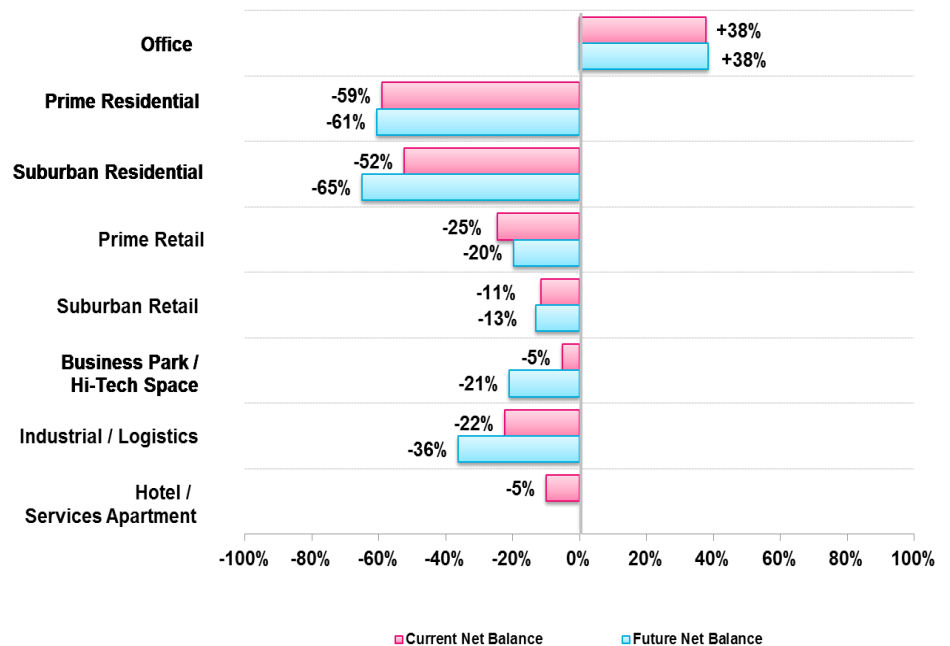
**How would you rate the general performance (rental, price, occupancy, purchases etc) of the sectors over the time periods shown?**

Prime and suburban residential sectors were the worst performing real estate sectors in 4Q14.

The prime residential sector showed a current net balance of -59% and a future net balance of -61% in 4Q14; while the sub-urban residential sector showed a current net balance of -52% and a future net balance of -65% in 4Q14.

Office was the best performing real estate sector in 4Q14 with a current net balance of +38% and a future net balance of +38%.

**Exhibit 2: Real Estate Market Performance**



Source: NUS-REDAS Research

*“Interest rate is expected to go up in the next 6 months as the global economies such as US, Australia, European are not performing well.”*

**Comments from  
Survey Respondents**

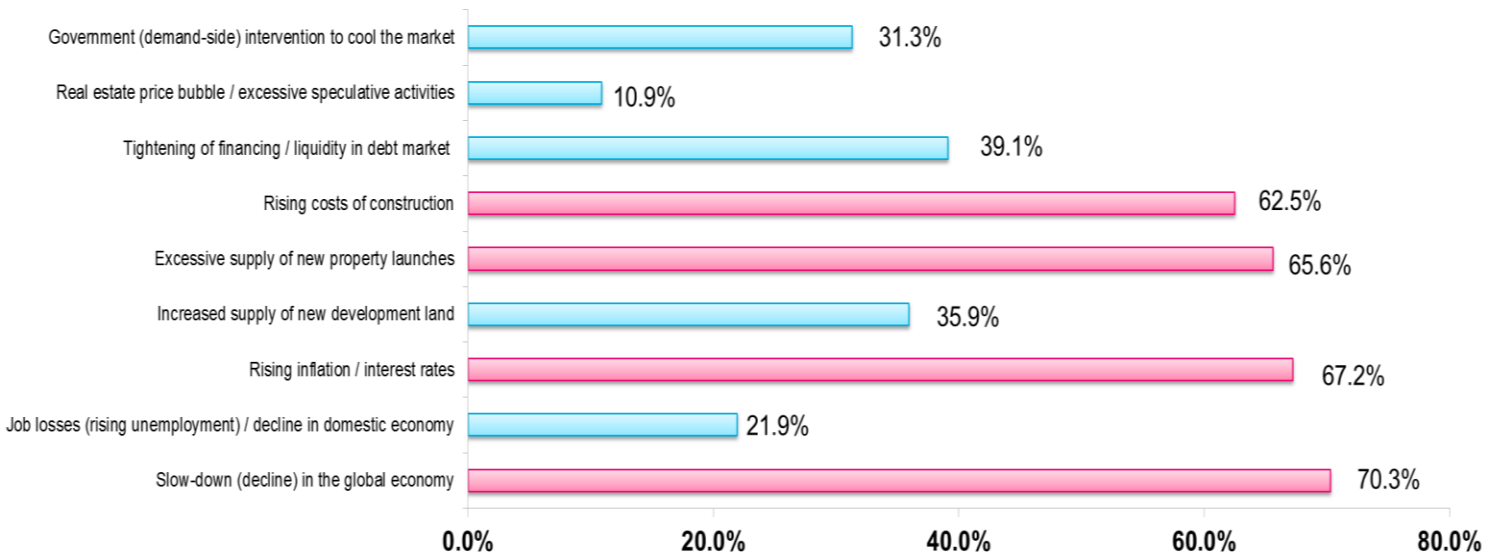
**Do you foresee any potential risks that may adversely impact on market sentiment in the next 6 months?**

More than 67% of the respondents in 4Q14 expect slowing down in the global economy, rising inflation and interest rates to be potential risk factors that 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 is another potential risk factor that will adversely impact the market sentiment.

**Exhibit 3: Potential Risks**



Source: NUS-REDAS Research

# NUS-REDAS RESEARCH

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### 4<sup>th</sup> Quarter 2014



*“Reduce demand and pressure will reduce pricing to match purchasers expectation.”*

*“Most developers would pace their launch to avoid being undercut in price.”*

*“Current unsold stock is high and completion is expected to peak in the year and 2016.”*

*“Developers are expected to reduce asking price, they are likely to test the market on ‘acceptable’ price”*

*“In view of the weak market sentiments, the pricing of new residential launches in the next 6 months is expected to be lower by about 10% because of TDSR.”*

*“After CNY 2015, developers are likely to load off their stocks and to re-launch existing units. Developers do not foresee the Government to loosen any measures soon”*

**Comments from  
Survey Respondents**

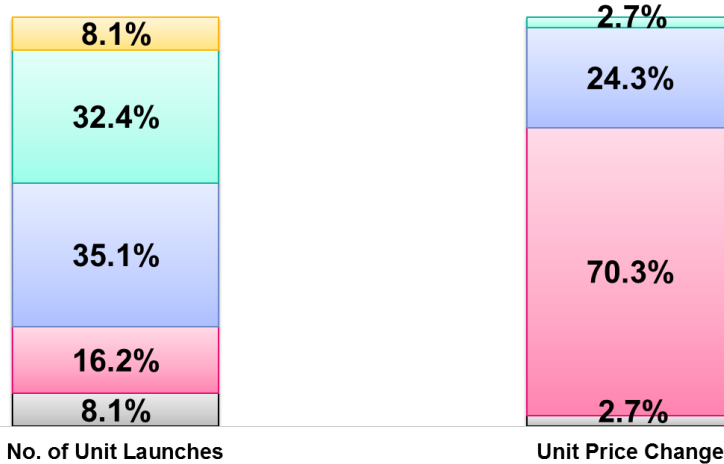
### What are your expectations regarding the number of new residential units to be launched in the next six months?

35.1% of the developers surveyed in 4Q14 expect new property launches to hold at the same level in the next six months. 32.4% of the developers expect moderately more launches. 16.2% of them indicated that they would launch moderately less units, which is slightly lower than 12% 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, 70.3% of the developers anticipate a moderate decrease in residential property prices in the next six months. In 4Q14, 24.3% of them expect price to hold, but the number is down by 1.7% compared with the number reported in the last quarter.

**Exhibit 4: Residential Launches & Prices**



- Substantially less / lower
- Moderately less / lower
- About the same
- Moderately more / higher
- Substantially more / higher

Source: NUS-REDAS Research

*“For potential home buyers to be more patient till a further price correction is seen in the residential market.”*

*“To see an improved market sentiment in the rest of the property sectors mainly commercial and industrial so as to stimulate growth in the local economy.”*

*“Allow property price to slide a further 7 to 10% from today price. It is more sustainable this way as property price cannot be too far ahead of wage.”*

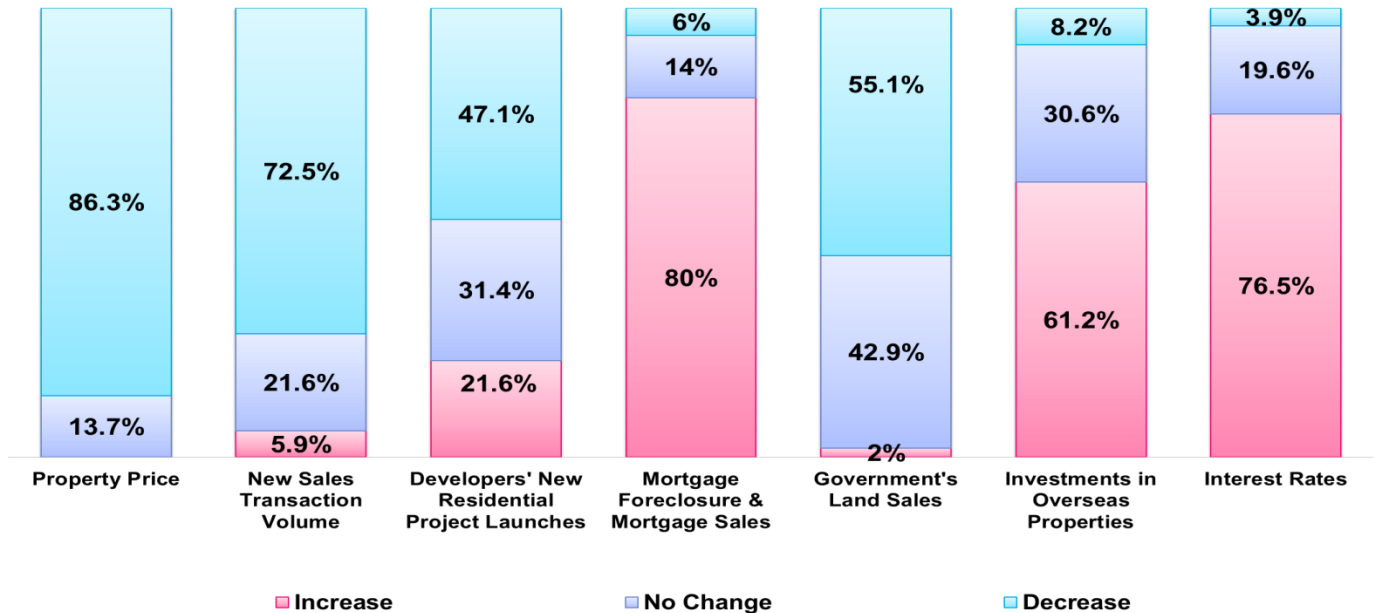
**What are your views on the outlook for 2015 in the following areas?**

More than 70% of the respondents predicted that property prices will decrease by 5% to 10% and new sales transaction volume will drop by 15% to 20% in 2015.

Majority of them envisaged that mortgage foreclosure and mortgage sales will increase by 15% to 20% in 2015.

**Comments from Survey Respondents**

**Exhibit 5: Property Outlook for 2015**



Source: NUS-REDAS Research

*“To announce how the government plans to address the rising vacancy rates expected in the residential market in light of the increased completed supply in the public and private housing segments in the next 2 years.”*

*“To see a greater participation in the development and management of malls by foreign retail operators and expertise in order to stimulate more excitement in the local retail market for shoppers and as well as to provide more competition and challenge to the few dominant retail mall owners and managers in Singapore.”*

*“Review and improve the allowable users in B1 industrial space. It is to keep up with contemporary manufacturing requirements.”*

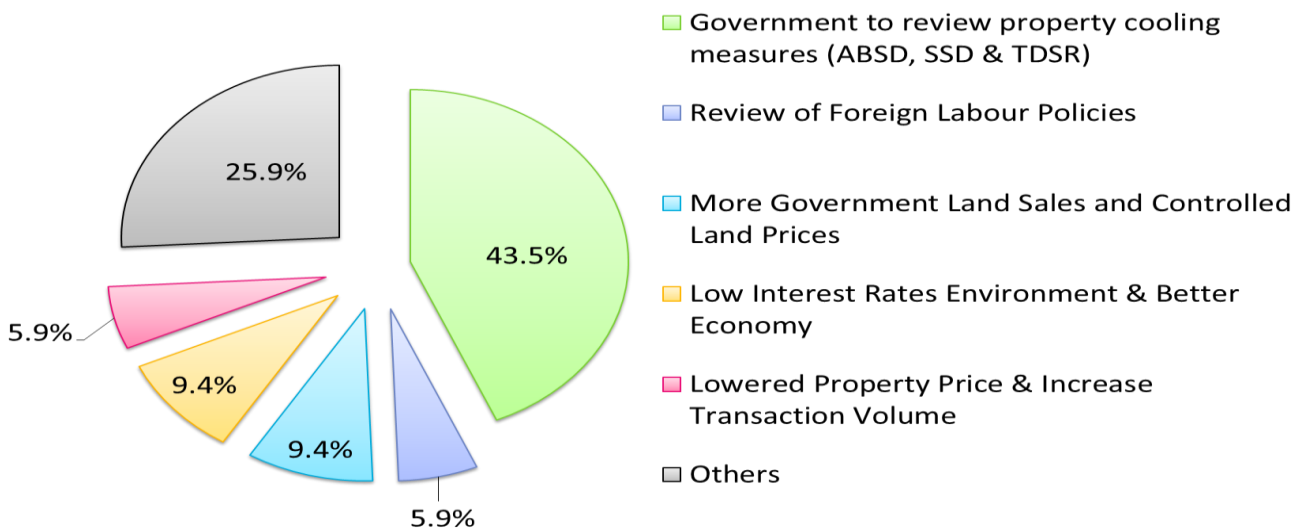
**What are your three “Wishes” for the Singapore real estate market in 2015?**

43.5% of the respondents wish that the government will be able to review the policies on Additional Buyer’s Stamp Duty (ABSD), Seller’s Stamp Duty (SSD) and Total Debt Servicing Ratio (TDSR) in 2015.

9.4% of them wish the economy to perform better; interest rates to stay low, more government land sales (GLS) and land prices could be capped.

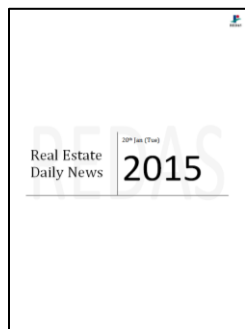
**Comments from Survey Respondents**

**Exhibit 6: Wishes for 2015**

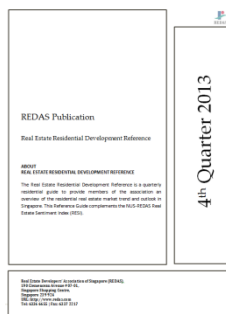


Source: NUS-REDAS Research

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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