Singapore's property market risks facing cooling measures ahead: poll

Other concerns highlighted in the Real Estate Sentiment Index include construction costs and rising interest rates

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Singapore

COOLING measures now make up the biggest risk faced by Singapore's real estate market.

That's according to the latest Real Estate Sentiment Index published 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 at the university.

Out of the 40-50 real estate executives surveyed in March, 87.8 per cent indicated the possibility of cooling measures as a potential risk, which may adversely impact market sentiments in the next six months.

This is almost double the previous quarter's 44.7 per cent.

The second biggest risk was rising construction costs, which was highlighted by 77.6 per cent of respondents in Q1 2021.

This proportion is slightly down from 85.1 per cent in Q4 2020.

Meanwhile, the proportion of respondents who indicated rising inflation or interest rates in their answers jumped to 65.3 per cent from 8.5 per cent in December.

The category saw the biggest change in the two quarters and placed third on the list.

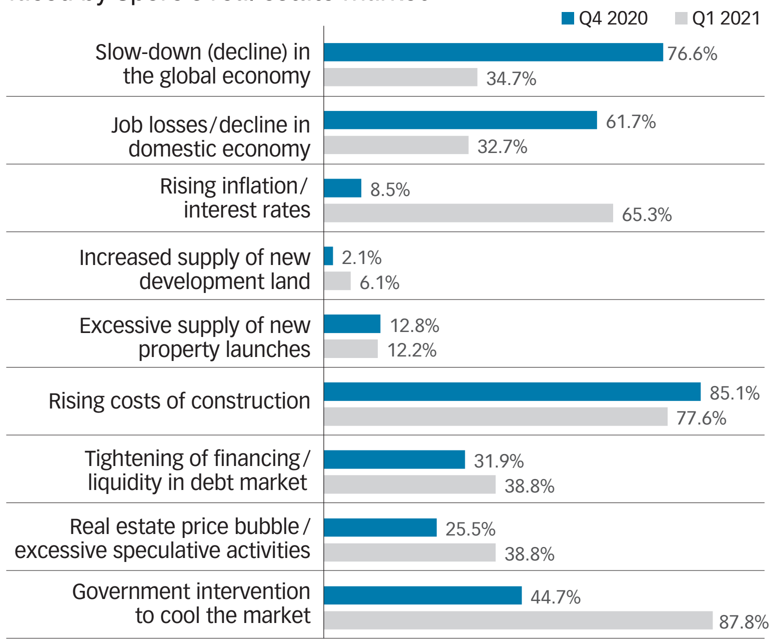
In contrast, those who indicated job losses/a decline in domestic economy as a potential risk factor fell to 32.7 per cent from 61.7 per cent, while those who were worried about the slowdown in the global economy halved to 34.7 per cent from 76.6 per cent.

Among the developers surveyed, rising labour cost was the biggest source of concern relating to development costs.

"The construction industry is facing challenges in employing workers and the limited supply of migrant workers pushes up labour costs," said one developer.

Potential Risks

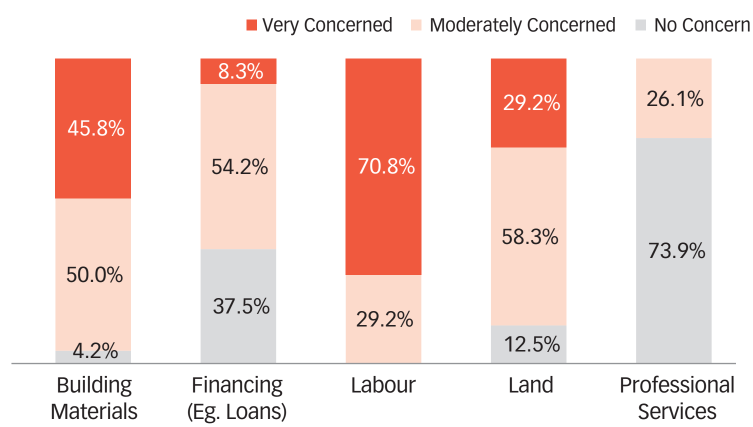
Cooling measures now make up the biggest risk faced by Spore's real estate market



Source: NUS+RE report

Level of concern

Among the developers surveyed, rising labour cost was the biggest source of concern relating to development costs



Source: NUS+RE report

Some 70.8 per cent indicated that they were "very concerned" about high labour costs, while the remaining 29.2 per cent indicated "moderate" concern.

Building materials cost was also a major source of concern.

Some 45.8 per cent said they were "very concerned", 50 per cent were "moderately concerned". The rest showed no concern.

In terms of future launches and sales, about 70 per cent expected the number of units launched to be moderately or substantially more in the next six months, while 12.5 per cent predicted moderately fewer launches.

One respondent said: "Developers would continue to push out more launches over the next six to 18 months for land parcels that were bought between 2016 and 2018, due to the additional buyers stamp duty five-year completion requirements."

About half of the developers surveyed expected moderately or substantially higher prices, while 41.7 per cent predicted that prices of the new launches in the next six months will be at the same level as prices in Q1 2021.

"The improved market sentiment and the strong demand, coupled with the depleting pool of unsold units, will allow developers to settle at higher prices," said another respondent.

The study's composite sentiment index, a derived indicator for the overall real estate market sentiment, has risen since the lifting of circuit breakers.

Measured from a scale of 0 to 10, the index reached 6.8 in the three months from its previous 6.5, with respondents observing that market conditions have improved in Q1 2021 and will continue to improve in the coming six months.