NUS National University of Singapore

Source: *The Straits Times,* pA23
Date: 11 February 2023

Most developers do not expect prices of new launches to rise: Poll

Expectations lowered as buyer sentiment softens amid global economic headwinds

Developers may be turning more conservative in pricing private residential projects, a quarterly survey of the property industry showed, as sentiment softened.

In the fourth quarter of 2022, 71 per cent of developers polled expected prices of new launches in the next six months to "maintain at the same price level", more than double the 33 per cent in the third quarter.

Meanwhile, 29 per cent of those surveyed expected new launch prices to be "moderately higher". In the third quarter, 56 per cent had expected pricing to go up.

The survey was carried out by the National University of Singapore's (NUS) Institute of Real Estate and Urban Studies (Ireus).

An unnamed respondent said: "Buyers are expected to turn more price-sensitive and prudent in the face of headwinds, rendering it challenging for further price hikes. Prices are likely to hold firm, with marginal gains possible for projects with exceptional locational and product attributes."

Ireus director Qian Wenlan noted that while home prices are still on an "upward trajectory", concerns over long-term affordability will become "more salient" as home buyers recalibrate trade-offs between housing expenditure and consumption in other areas.

Some 47 per cent of developers expected a "moderately or substantially higher number of units" to be launched in the next six months, recording an increase of 19 percentage points. About the same proportion expected launches to be maintained.

Developers also highlighted job losses as a factor to watch. As for potential risks that might adversely impact sentiment over the next six months, concerns over job losses or decline in the domestic economy saw the highest increase, rising from 32.4 per cent in the third quarter to 56.3 per cent in the fourth quarter.

Respondents flagged rising inflation or interest rates as the top potential risk factor – just as they did in the third quarter. About 91 per cent of respondents also indicated a slowdown in the global economy as a potential risk.

Anxiety over government intervention saw a notable decline as a risk factor, dropping from 37.8 per cent in the third quarter to 25 per cent in the fourth quarter.

Concerns over supply of development land and new property launches rose slightly quarter on quarter from 0 per cent to 6.3 per cent and 9.4 per cent respectively.

The composite Real Estate Sentiment Index – comprising a Current Sentiment Index and a Future Sentiment Index – remained at 5.1 per cent in the fourth quarter.

With the increased cost of mortgage loans setting in, home buyers appeared to have turned a tad conservative, noted Ireus. It added that the fourth quarter of 2022 was the first time in more than two years that home prices grew at the slowest pace.

"After announcing an interest rate hike of 25 basis points on Feb 1, the United States Federal Reserve cautioned that it would be premature to declare victory over inflation," said Professor Qian. "Conditions are still skewed to the downside, and sentiments may not pick up any time soon until we see more stability in financial markets and loosening credit availability."

Overall, sentiment "has been positive in Q4 2022, but the future outlook is still uncertain amid rising interest rates, high inflation and looming economic risks", said Provost's Chair Professor Sing Tien Foo of NUS' Department of Real Estate. THE BUSINESS TIMES