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Developer sentiment mixed on new residential launch prices: poll

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FEWER developers expect new launch prices to hold steady in the next six months, with some even believing that prices could drop, findings from a poll of developers showed.

The poll, conducted by the National University of Singapore's Institute of Real Estate and Urban Studies (Ireus), noted that developer sentiment had "softened visibly" in the first quarter of 2023.

"In tandem with the December 2021 property cooling measures and with the US Federal Reserve giving no indication of letting up on interest-rate hikes, sentiment has been on the downtrend since early 2022," said Ireus director Qian Wenlan.

Prof Qian noted that the most recent round of cooling measures and the ongoing banking crisis in the West had also raised caution, leading to a further dip in sentiment.

The composite Real Estate Sentiment Index – comprising a Current Sentiment Index and a Future Sentiment Index – fell to a score of 4.6 in Q1 2023, below the neutral line of 5.0. In Q4 2022, the score was 5.1.

The Current Sentiment Index, which tracks changes in sentiment over the past six months, slid to a score of 4.7 in Q1 2023 from 5.3 in Q4 2022. The Future Sentiment Index slipped to 4.5 in the first quarter from 4.9 in the preceding quarter.

The proportion of developers expecting prices to be higher in the next six months remains the same as a quarter ago at 29 per cent. But fewer developers – 65 per cent – now expect new launch prices to remain at the same level, compared with 71 per cent in Q4 2022.

Furthermore, about 6 per cent of developers surveyed believe prices could be "moderately less", compared with none having that expectation in the previous quarter.

Developers also appear to be cautious when it comes to the supply of units from new launches. Around 35 per cent expect a "moderately or substantially higher" number of units to be launched in the next six months, 12 percentage points lower than the previous quarter.

About 59 per cent of respondents project the number of new units to remain relatively constant, compared with 47 per cent in Q4 2022. Around 6 per cent expect a "moderately lower" number of launches, unchanged from the previous quarter.

"Developers will pace their new launches carefully as they want to monitor the market and the impact of the ABSD (Additional Buyer's Stamp Duty) hikes," said an unnamed survey respondent.

Developer sentiment has softened visibly in the first quarter of 2023.
PHOTO: LIM YAOHUI, ST

Concerns over government intervention to cool the market more than doubled to 54.5 per cent in Q1 2023, compared with 25 per cent in Q4 2022.

Respondents also flagged – among other potential risks which may affect market sentiment – potential concerns over an increased supply of new property launches and an excessive supply of new property launches.

Rising inflation or interest rates were less of a concern in the first quarter, with 75.8 per cent of those polled indicating these factors as a potential risk that may adversely impact market sentiment in the next six months. All respondents had indicated so in Q4 2022.

All real estate sectors, except the prime residential and business park and high-tech space, showed positive current net balances in the first quarter.

When it came to future net balance, the prime residential, office and suburban residential sectors recorded negative scores. The prime residential sector was the worst performer, with a negative future net balance of 52 per cent, followed by the office segment at a negative 24 per cent.

Respondents continued to be the most optimistic about the hotels and serviced apartment segment, which recorded a positive current balance score of 64 per cent in Q1 2023, although this was down from 94 per cent in Q4 2022. In terms of future net balances, the segment had a positive score of 52 per cent.

Overall, average current net balances were down 10 percentage points from the previous quarter, indicating softening sentiment.

Current and future net balance percentages are used to indicate current and future sentiment. They are based on the difference between the proportion of respondents who selected the positive and negative options in the poll.