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Sentiment up among real estate players in Q4 2023: NUS poll

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PROPERTY sentiment in Singapore appeared to have revived in the final quarter of last year on expectations of interest-rate cuts and optimism over economic growth.

That is according to a quarterly survey by the Institute of Real Estate and Urban Studies (Ireus) of the National University of Singapore (NUS).

Survey respondents also expressed optimism as the Singapore economy grew 2.2 per cent year on year in the fourth quarter of 2023, up from the 1 per cent growth in the preceding quarter. For 2023, gross domestic product expanded by 1.1 per cent, and growth of 1 to 3 per cent has been projected for this year by the Ministry of Trade and Industry.

In the fourth quarter of 2023, the best-performing sector in Ireus' sentiment index survey was hotel/serviced apartments, with a positive current net balance of 61 per cent (versus 45 per cent in Q3), rebounding from its downward trend in the previous three quarters.

Hotel/serviced apartments also scored the highest future net balance, rising from 30 per cent in Q3 to 58 per cent in Q4 compared to the other sectors.

Over the same period, the industrial/logistics sector improved 16 per cent for both current and future net balances, from minus 5 per cent to 11 per cent.

Those polled were also more positive than negative on sectors such as prime retail and suburban retail during the quarter.

Net balance measures the difference between positive and negative responses, with a negative net balance pointing to poorer sentiment.

Ireus director Professor Qian Wenlan attributed the improved sentiment to signs of economic growth in conjunction with an anticipated easing of interest rates and costs of doing business.

The latest survey results showed the percentage of respondents expressing concerns over rising inflation and interest rates dropped to 44.7 per cent in Q4, from 62.5 per cent in Q3.

"The anticipated easing of interest rates is concurrently a sign that inflation is decelerating to more acceptable levels. Both the lower costs of credit and doing business will naturally boost industry sentiment," said Prof Qian.

In contrast, survey respondents were negative on the current and future prospects in the office, prime residential, suburban residential and business park/hi-tech space sectors.

Prime residential booked the lowest current net balance at minus 55 per cent, although this improved from the minus 68 per cent in the previous quarter.

Overall, the average net balances in the real estate sector increased by 6.5 percentage points from Q3.

Looming risks

About 89.5 per cent of respondents flagged a slowdown in the global economy as the top risk to watch; 57.9 per cent cited job losses/decline in the domestic economy as another major risk factor, rising from its third position in the previous quarter.

Concerns over rising inflation/interest rates ranked third among the top risks at 44.7 per cent, down from 62.5 per cent in Q3.

In Q4, property executives were also concerned about rising costs of construction and tightening of financing/liquidity in the debt market (42.1 per cent each) and excessive supply of new property launches (39.5 per cent).

They cited concerns over the increased supply of new development land, rising from 20 per cent in Q3 to 23.7 per cent in Q4; 21.1 per cent of them see government intervention to cool the market as a higher risk compared to the previous quarter.

More than half of the executives polled in the survey expect a moderately or substantially higher number of units to be launched in new projects in the next six months. PHOTO: KELVIN CHNG, ST

The risk of a real estate bubble ranked the lowest, dropping to 2.6 per cent in Q4 from 7.5 per cent in Q3.

The Composite Sentiment Index, a barometer of the general prevailing sentiment, comprises the Current Sentiment Index and Future Sentiment Index. It rose to 4.7 in Q4 from 4.3 in Q3, remaining below the neutral score of 5.0. The Current Sentiment Index reflects sentiment over the past six months, and the Future Sentiment Index, for the next six months.

"Sentiment is cautiously optimistic heading into the new year, as the market remains resilient in spite of weak domestic economic growth and external headwinds from global instability," said Prof Qian.

"Sentiment has improved in the final quarter of the year, but it still falls slightly below the neutral level," commented Sing Tien Foo, provost's chair professor of real estate at the NUS Business School.

He added: "Developers were optimistic, and more of them indicated that they planned to increase the number of new launches in the new year."

More than half – or 57.1 per cent – of the executives polled in Q4 expect a moderately or substantially higher number of units to be launched in new projects in the next six months; 42.9 per cent of them expect the number to remain the same.

None of the respondents felt that the number of unit launches would decrease, compared to 15 per cent in Q3.

In Q4, 42.9 per cent of respondents expected moderately higher pricing for new launches in the next six months, doubling that in Q3, while 47.6 per cent of them believed new launch prices would be the same, a decrease from 70 per cent in the previous quarter.

Only 9.5 per cent of property players expected prices to be moderately less.

Land was a top concern in Q4, with a third of those polled saying it would affect development costs. Other factors that respondents were concerned about include labour costs (23.8 per cent, up from 15 per cent in Q3), and finance costs (19 per cent).

The Real Estate Sentiment Index is the result of a poll among senior executives in Singapore's real estate and development industry for a gauge of their perceptions and expectations of current and future private real estate market conditions.

A standard-format questionnaire is mailed out electronically to these respondents, which include developers, consultants, financial institutions, professional firms and service providers.

The survey is conducted quarterly, in March, June, September and December.