

Real estate execs notably downbeat on prime residential sector: Survey

But overall sentiment in Singapore's market continues to improve in first quarter

Overall sentiment in Singapore's real estate market continued to improve in the first quarter of 2024, but industry players have turned markedly more pessimistic on the prime residential sector, as well as the office and business park/high-tech segments.

Real estate executives polled by the Institute of Real Estate and Urban Studies (Ireus) at the National University of Singapore (NUS) cited major economic indicators pointing to higher growth, low unemployment rate and the easing of core inflation as reasons for overall improved sentiment.

Yet, survey respondents were notably more negative than positive on prospects for the prime residential segment.

"We are concerned with potential oversupply of residential apartments as the Government ramps up government land sales supply over the last few (quarters). Potential cooling measures are always a concern," commented one survey respondent.

Those polled were most optimistic about prospects in the hotel/serviced apartment sector, buoyed by strong tourism arrivals and receipts, said Ireus, which conducts the quarterly survey.

Industry professionals were also more positive than negative on suburban retail and the industrial/logistics business.

Notably, the future sentiment index – reflecting outlook over the next six months – reached 5.1, above the neutral score of 5, for the first time in five consecutive months, said Ireus.

The current sentiment index – reflecting sentiment over the past six months – inched up to 4.7 in the first quarter, from a score of 4.4 in the preceding quarter. Sentiment has picked up in the last six



Despite the pessimism about prospects in the prime residential segment, real estate players polled by the NUS Institute of Real Estate and Urban Studies do not see developers holding back new launches or reducing prices, although fewer respondents expected new launch prices to increase. ST FILE PHOTO

months. The index edged up from a score of 4.2 in the third quarter of 2023 to 4.4 at the end of 2023.

Ireus director Qian Wenlan said: "Overall, Singapore's macroeconomic indicators are doing well, which barring unforeseen shocks, point to a healthy economy that could recover over the year ahead."

The improved sentiment in the first quarter was also due to a strong Singapore dollar that has helped to ease inflation, said Professor Qian.

Where industry players were most downbeat, in the prime residential sector, responses recorded a future net balance of minus 44 per cent versus minus 18 per cent in the previous quarter.

Professor Sing Tien Foo, provost's chair professor of real estate at NUS Business School, said: "The outlook of the prime residential

sector remains subdued. The additional buyer's stamp duty still impacts demand from foreign buyers and investors."

Despite that, real estate players do not see developers holding back new launches or reducing prices, although fewer respondents expected new launch prices to increase.

"Homebuyers have become more resistant to high price points and discerning amid ample new project options. While developers are expected to adopt sensitive pricing strategies, major price corrections are unlikely due to previously committed land and development costs," said the survey respondents.

Industry players were also pessimistic on the office sector.

Prof Sing said: "The work-from-home arrangement dampens of-

fice sentiment and encourages a flight to quality among firms."

About 73.5 per cent of the respondents flagged a slowdown in the global economy as the top risk to watch, down from 89.5 per cent during the last quarter. Another 55.9 per cent in the first quarter cited job losses/decline in the domestic economy as another major risk factor, versus 57.9 per cent of them who said so in the fourth quarter of 2023.

Concerns over rising inflation/interest rates ranked third among the top risks at 50 per cent, up from 44.7 per cent in the fourth quarter.

In the first quarter, property executives identified the tightening of financing/liquidity in the debt market as a potential risk, up from 42.1 per cent last quarter to 47.1 per cent. The increased supply of new

development land also raised more concerns, from 23.7 per cent in the fourth quarter to 29.4 per cent this quarter.

On the other hand, respondents were less concerned in the first quarter about rising costs of construction, excessive supply of new property launches, and government intervention to cool the market.

The risk of a real estate price bubble ranked the lowest, rising to 2.9 per cent in the first quarter from 2.6 per cent in the fourth quarter.

The Real Estate Sentiment Index is the result of a poll among senior executives involved in Singapore's real estate and development industry, and includes developers, consultants, financial institutions, professional firms and service providers. THE BUSINESS TIMES