NUS National University of Singapore

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Tariffs and potential slowdown of global economy weigh on property players' minds: NUS poll

Dimmer sentiment follows five straight quarters of upward movement during the market's recovery from the April 2023 property curbs

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REAL estate leaders in Singapore were significantly more pessimistic in the first quarter of 2025, as sentiment soured after the rollout of tariffs in the United States caused heightened economic uncertainty.

The National University of Singapore's Composite Sentiment Index – a quarterly barometer of general prevailing sentiment – fell to 4.3 in the first quarter, from 6 in the previous quarter.

The turn in sentiment follows five consecutive quarters of upward movement during the market's recovery from the April 2023 property curbs, which imposed heftier Additional Buyer's Stamp Duties on housing buyers, the survey noted.

Professor Qian Wenlan, director of the Institute of Real Estate and Urban Studies, said: "Amid such a subdued landscape, the 90-day tariff pauses announced by the US – first for other countries in April, then for China in May – is a silver lining that holds the potential for a de-escalation of the trade war between America and China."

However, with trade talks still ongoing, it is still too early to say how the global economy will eventually pan out, Prof Qian said.

"So firms and households would need to keep a close watch on leverage and debt obligations in the event of a hard landing, while capital might want to seek less-volatile assets such as sovereign bonds and real estate."

Half of the real estate executives surveyed said they expect the number of residential units to be launched in the next six months to remain relatively constant, an increase from 13.3 per cent who believed so in Q4.
PHOTO: BT FILE

Prof Sing Tien Foo, the National University of Singapore Business School's provost chair professor of real estate, said: "This sentiment survey coincided with the announcement of tariffs imposed on many trading partners of the United States. The effects on market sentiment cannot be fully eliminated."

A slowdown of the global economy was cited by 87.5 per cent of respondents as the top risk they were concerned about.

This was followed by job losses or a decline in the domestic economy, with 70.8 per cent of respondents worried about this, markedly more than the 29.6 per cent who flagged this as a risk in the fourth quarter last year.

Some 37.5 per cent of respondents were concerned about the possible tightening of financing and liquidity in the debt market, and a third cited rising costs of construction as a potential risk.

Only 29.2 per cent of property executives indicated they were concerned about cooling measures being introduced, a sharp dip from 77.8 per cent who felt so in the last quarter.

The Current Sentiment Index, which tracks changes in sentiment over the past six months, fell to 4.2, from 6.2 in the quarter before. This was the lowest since Q3 2023, after the Additional Buyer's Stamp Duty rates were hiked in April that year.

The Future Sentiment Index, an indication of sentiment changes in the next six months, similarly fell to 4.5 in Q1, from 5.9 in Q4 2024.

Half of real estate executives surveyed said they expect the number of residential units to be launched in the next six months to remain relatively constant, an increase from 13.3 per cent who believed so in Q4.

Some 64.3 per cent said they expect new launch prices in the next six months to remain at the same price level; 28.6 per cent think prices will be moderately higher.

For the first quarter of 2025, all property sectors had negative current net balances, as well as negative future net balances.

Current and future net balance percentages are used to indicate current and future sentiment, with a negative net balance pointing to a poorer sentiment. Net balances are derived from the difference between the proportion of respondents who selected the poll's positive options and those who picked the negative ones.

"A weaker business environment will exert a spillover effect into the property sector, and, with the exception of business parks and high-tech spaces which stayed flat, sentiment fell across the board," said Prof Qian.

Real estate players remained most favourable towards the suburban residential market in Q1, with a current net balance of minus 4 per cent, compared to a 67 per cent net balance in Q4. The suburban residential market also has the highest future net balance of minus 25 per cent, although this has fallen significantly from the 52 per cent in the previous quarter.

The prime residential market had a current net balance of minus 25 per cent and a future net balance of minus 50 per cent. This is a reversal from Q4, when the current net balance for the prime residential market was 4 per cent.

For the first quarter, the current net balance for the suburban retail sector stood at minus 4 per cent, and that for the prime retail sector stood at minus 17 per cent.

The suburban retail sector recorded a future net balance of minus 29 per cent, while the prime retail sector's future net balance came in at minus 54 per cent.

All other sectors – office, business parks, industrial and logistics, and hotel/serviced apartments – had current net balances ranging from minus 25 to minus 13 per cent.

The future net balance for these sectors ranged from minus 46 to minus 29 per cent.

Prof Qian said: "The outlook for the immediate future remains gloomy, as the latest survey results revealed minus 46 and minus 38 per cent future net balances respectively for industrial and logistics and office, suggesting that respondents anticipated downward pressures on commercial space to increase further over the coming months."

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