

Can property drag down the economy?

The Real Estate Developers' Association of Singapore has repeatedly called for a review of cooling measures, warning that a continued property market slowdown may lead to volatility and instability in Singapore's broader economy. The Business Times looks at the possible ways that a sector downturn can spill over into Singapore's growth. **BY LEE MEIXIAN**

■ Reduced output from the construction sector

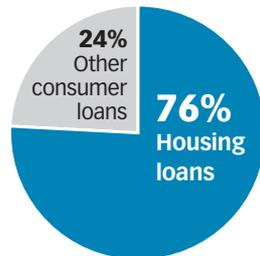
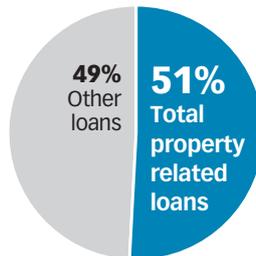
SECTORAL GROWTH RATE	2014	2015
	Y-O-Y % CHANGE	
Construction	3.5	2.5

■ Possible layoffs in the property and construction sectors

REDUNDANCY	2013	2014	2015
Construction	1,120	1,690	1,780
Real estate services	30	90	50

Construction formed 11% of the layoffs in 2015. Some 3,573 real estate agents also left the industry in Jan 2016. The number of registered agents – at 29,262 in Jan – is the lowest since 2011.

■ An impact on banks



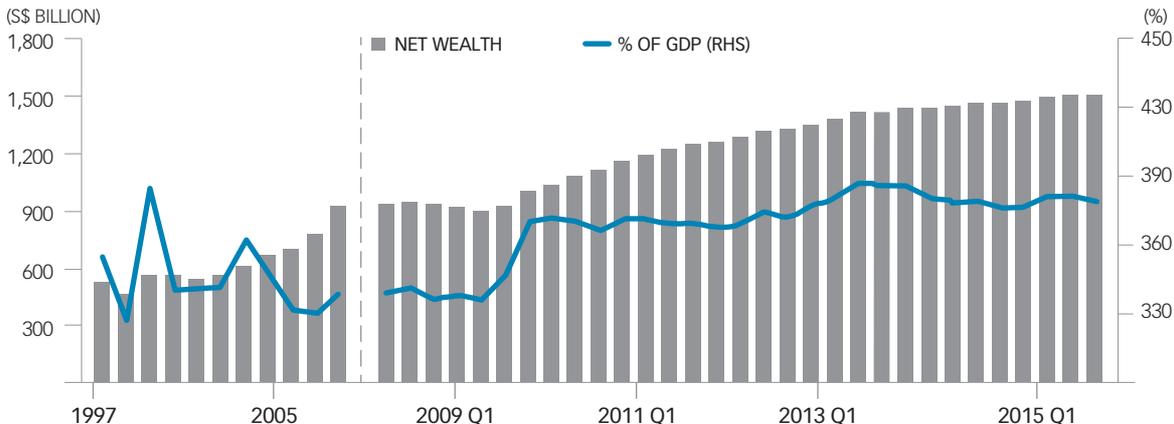
Slightly over half the outstanding domestic non-bank loans at end-2015 are property-related. Three-quarters of consumer loans are mortgages and the single largest component of business loans is for the building and construction industry.

■ Knock-on impacts on related businesses (eg furnishing, conveyancing)

■ Reduced household consumption from home owners, due to a drop in the value of their homes and higher mortgage financing – what is also termed a “negative wealth effect”

■ Slowdown in the growth of household net wealth (ie. household assets less household debt)

Household net wealth



Property is the largest component of household wealth, representing close to half of households' assets, and three-quarters of household liabilities.