Shoebox units a cause of more volatile home prices: Study

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SHOEOBOX apartments have made overall home prices here more volatile, with sharper price gains than larger homes. This is a key finding in an analysis by the National University of Singapore (NUS) real estate department.

An index tracking per sq ft prices of these tiny units of about 500 sq ft or less has rocketed up 62 per cent since March 2009, its post-crisis low. This outpaced the 51 per cent rise for the overall Singapore Residential Price Index (SRPI) over the same period.

More recently, NUS data found that from March to May, small unit prices rose 7 per cent. This is again higher than the 3 per cent gain by non-landed homes in central and non-central areas, excluding shoebox homes.

This is the first time the NUS SRPI – which tracks a basket of completed non-landed projects – has extracted small homes in its analysis of resale prices.

Associate Professor Lum Sau Kim of NUS’s Institute of Real Estate Studies and Department of Real Estate, who leads the group that compiles the index, said that the quicker psf price gains for small homes would have pushed the overall index up marginally. Although shoebox units make up a seemingly insignificant 0.4 per cent of the number of units in the index’s basket, 5 per cent of the basket’s residential projects have shoebox units.

“The pricing of these small units exerts a two-way ongoing influence on the entire market,” Prof Lum said. She also observed that while shoebox prices had tracked the price movement of homes in the central area previously, price gains for the shoebox segment were now leading price gains of central units.

Experts say shoebox prices have outpaced other segments as buyers focus on the overall price rather than the psf price, allowing developers to raise prices more easily.

SLP International research head Nicholas Mak cautioned that buying shoebox units is a riskier investment as a quicker price gain during a property boom could mean a quicker price drop should the market turn.

“The cooling measures, such as preventing private home owners from buying HDB flats and tighter financing rules, have also increased demand as investors now turn to shoebox units, usually with a smaller quantum of less than $1 million.”

When asked about the possibility of publishing a separate index for small homes, an Urban Redevelopment Authority (URA) spokesman said transactions of shoebox units in both the primary and secondary market accounted for only 8 per cent of all sale transactions in the year’s first half.

“Given the detailed information on individual private housing units sold that is already available to the public on URA’s website, there is no need at this moment for URA to publish a price sub-index specifically for shoebox units,” he said, but added that the URA would not rule such an index out in the future.