Institute to have separate price index for shoebox units

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SINGAPORE — The National University of Singapore’s Institute of Real Estate Studies (IRES) will introduce a separate index — apart from its main Singapore Residential Price Index (SRPI) — to measure the prices of “shoe box” units, saying their price volatility has a significant impact on overall housing prices.

“Our analysis presents evidence that small units increase house price volatility. Further, price changes of these units potentially have spill-over effects on the price movements of other market segments that would require more detailed study,” said IRES in a press release.

From January to May last year, prices of small apartments and condominium units rose 11.1 per cent. Apartments and condominium units in the prime and non-prime regions saw lower gains of 5.4 per cent and 6.2 per cent respectively.

And according to IRES data, prices of small units grew 6.9 per cent from March to May after cooling measures in January, while the prices of non-landed units in the Central and Non-Central regions both gained only 3 per cent in the same period.

Associate Professor Lum Sau Kim of the IRES said the creation of a sub-index for small units can help better capture and measure price movements on the ground.

The SRPI will now feature the SRPI Small index that reflects the price movements for small housing units. This means that the SRPI will now consist of two regional sub-indices — one that excludes small units and a small unit sub-index.

Based on June flash estimates, the SRPI Small rose 1.2 per cent month-on-month. This is much higher than the overall increase in the SRPI at 0.7 per cent for the same period. Excluding small units, prices of non-landed homes in the central region fell 0.6 per cent, while those in the non-central region rose 1.5 per cent in June.

Using the old methodology, the overall SRPI showed home prices rose at 2.5 per cent month-on-month in May compared to April’s 1.1 per cent increase and March’s 0.2 per cent rise.