Shoebox apartment prices continue dipping in Nov

By KALPANA RASHIWALA

The prices of shoebox apartments and their prospects are back in the limelight.

Flash estimates from NUS’s Institute of Real Estate Studies show that prices of completed small apartments peaked in August and have since fallen 3 per cent to November. As of November alone, the dip was 0.2 per cent month on month.

Meanwhile, prices of larger apartments in both the Central and Non-Central regions continued to climb last month.

Since last year, the price increase for small apartments islandwide has been slower than for larger apartments in the Non-Central region (where mass-market condos are located) but faster than for larger apartments in the Central region.

Yesterday’s flash estimates for the Singapore Residential Price Index (SRPI) show that the sub-index for small apartments islandwide (up to 506 sq ft or 47 sq m) fell 0.2 per cent month on month in November. The index has fallen 3 per cent since peaking in August.

Month on month, the SRPI for Non-Central Region (excluding small apartments) rose 1.8 per cent while the sub-index for Central region (also excluding small units) climbed 1.5 per cent in November. The Overall SRPI rose 1.7 per cent month on month in November, an improvement from the one per cent (revised) month-on-month rise in October.

The Central Region comprises Districts 1-4 (which includes the financial district and Sentosa Cove) as well as the traditional prime residential districts of 9-11. SRPI tracks prices of completed private apartments and condos, excluding executive condos.

Year to date (November 2011 against December 2010), the strongest price performance of 13.4 per cent has been posted by the sub-index for the Non-Central region. This torque above the increase of 8.7 per cent for small apartments and the 6.1 per cent gain for Central region.

Year on year too, the Non-Central region has been the star performer with a 15.3 per cent price hike, followed by an 11.5 per cent price appreciation for small units and 7.3 per cent rise in Central region.

DTZ Southeast Asia chief operating officer Ong Choon Fah reckons that many buying small apartments may be investors on relatively lower budgets who may have pulled back since August given the volatile investment climate.

Looking ahead, she said that small apartments may be an underperformer. “As more of these units are completed, those who can’t hold may be under pressure to sell. So far, rents of small apartments have held well, but competition for tenants may intensify when more such stock is completed.”

Knight Frank chairman Tan Tiong Cheng added: “Small apartments are more likely to be bought for investment and at the end of the day, this market will be driven by rental income.”

While small units command a substantial percentage premium in per square foot pricing over larger units, a tenant may not be prepared to pay quite the same percentage premium in rent. However, Mr Tan added that investors on a limited budget will still look at a price price point of view. “If my budget is only $600,000, I may still buy a shoebox unit even if the rental yield (in future) is lower, say about 3.2 per cent, compared with say 3.5 per cent for a bigger apartment which is beyond my price budget.”

Credo Real Estate executive director Ong Teck Hui cautioned that while the 0.2 per cent month-on-month price dip in SRPI for small apartments seems to suggest weakening in this market segment, “we must bear in mind that the bulk of transactions of small units are in the new sales market”.

NUS’s SRPI basket of properties, on the other hand, covers only completions projects.

Credo’s analysis of URA’s caveats data shows that year to date, 84 per cent of the 2,383 caveats lodged for small apartments (up to 47 sq m) were new sales (by developers).

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Buyers with HDB addresses make up about 40 per cent of purchasers of non-landed private homes (excluding ECs) this year, but they account for a much higher 56 per cent share of small unit transactions. Small units may offer a more affordable avenue for such buyers, said Mr Ong.