

Resale prices of shoebox flats fall as investors turn cautious

By ESTHER TEO
PROPERTY REPORTER

RESALE prices of tiny apartments dipped last month, with the once red-hot segment seeming to fall out of favour.

Prices of resale flats of 506 sq ft or less fell by 1.4 per cent in June compared with the month before, according to preliminary figures in the Singapore Residential Price Index yesterday.

Values in May rose 0.7 per cent over April.

Overall resale prices held steady last month compared with a 1.4 per cent increase from April to May. Prices of centrally located homes eased 0.9 per cent while that of non-central homes increased 0.7 per cent.

The figures were compiled by the National University of Singapore's Institute of Real Estate Studies.

Experts say that some inves-

tors might have been spooked by the Government's comments that it is watching the shoebox segment closely, with additional measures possible.

The uncertainty has caused these tiny homes to lose some of their lustre as investors – often the buyers due to their affordable quantum of less than \$1 million – turn cautious.

Prices of shoebox units have also hit highs in recent months and the segment is now facing price resistance from buyers, experts add. SLP International research head Nicholas Mak said that while rental yields for smaller homes are still acceptable, many investors have decided not to take the risk, with the huge supply of such homes in the pipeline.

The total number of these small homes is expected to double from about 4,100 units later this year to 8,200 units by the end of 2015.

“With the sellers' stamp duty, investors will also not be able to flip their units and might have to hold on for the next four years which is when the supply hits, so they are more cautious now,” added Mr Mak.

Second-quarter data from the Urban Redevelopment Authority also showed that buyers are losing interest in shoebox homes.

The number of small units sold by developers tumbled to 1,038 units in the second quarter from 1,764 units in the first three months of the year. Their share of the total number of private homes sold by developers also slipped, from 27 per cent in the first quarter to 19 per cent.

But R'ST Research director Ong Kah Seng expects the resale market to remain active, “translating to slight but continued price increases” for the next few months.

✉ esthert@sph.com.sg