Prices of small condo units up again

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[SINGAPORE] Prices of small completed private apartments (up to 506 sq ft) climbed for the second month in a row to hit a new peak in August, according to the latest flash estimate from the National University of Singapore (NUS).

Market watchers agree that the data – the Singapore Residential Price Index (SRPI) for small units rose one per cent in August, following a 2.1 per cent climb in July – suggests that buyers are gravitating towards smaller homes.

Given that the absolute quantum of these smaller format units are relatively affordable even after factoring in the effect of the Total Debt Servicing Ratio (TDSR), it is not surprising that they are favoured by buyers and entry-point investors, said Donald Han, managing director of Chesterton Singapore.

The brisk sales witnessed at CapitaLand’s Sky Vue attests to this. The development, which was launched the previous weekend, saw 410 of the 505 units released for sale snapped up on the first day. The most popular units were the one-bedroom and two-bedroom units; the average price of a one-bedroom unit was $750,000, while a two-bedroom unit averaged $933,000.

The TDSR framework, along with the other property cooling measures, has also shifted interest to the non-central region, given the lower price quantum, said Nicholas Mak, executive director, research and consultancy at SLP International.

The SRPI for Non-Central Region (excluding small units) rose one per cent, following a 0.4 per cent gain in July.

Conversely, the SRPI for Central Region (excluding small units) slipped 1.1 per cent, reversing a 0.4 per cent gain in July. Central Region is defined as districts 1-4 (including the financial district and Sentosa Cove) and the traditional prime districts 9, 10 and 11.

The Overall SRPI was up 0.1 per cent in August, after gaining 0.4 per cent in July.

It is worth noting that overall prices have stayed relatively flat despite a sharp reduction in transaction volumes, said Lee Lay Keng, head of Singapore Research at DTZ.

Based on URA caveats, resale transactions of non-landed private homes fell 27 per cent month-on-month to 388 units in August from 529 units in July. This was the second-lowest monthly resale transaction volume since the beginning of the year; the lowest was in February, after the higher Additional Buyer’s Stamp Duties (ABSD) and tighter financing restrictions were introduced.

“Despite the lower transaction volume, resale prices have generally held up as individual sellers in the secondary market have limited incentive to sell their properties unless they receive a premium as their replacement cost is now higher in lieu of the higher ABSD, especially if they are multiple property owners,” said Ms Lee.

Moving forward, Chesterton Singapore’s Mr Han said he expects prices in the Central area to ease further, although this will likely be compensated by a slight increase in prices in the suburban areas.