Central Region condos saw biggest price fall in December

By KALPANA RASHIWALA

Prices of completed private apartments and condos generally fared worse in December over November, according to latest figures from the National University of Singapore.

The university’s December flash estimate for the Singapore Residential Price Index (SRPI) series showed that the most marked price deterioration was in Central Region, which is defined as Districts 1-4 (including the financial district and Sentosa Cove) and the traditional prime residential districts of 9, 10 and 11. The sub-index for Central Region (excluding small units) fell 1.3 per cent month-on-month in December, reversing a 2.2 per cent gain in November.

The sub-index for Non-Central Region (again excluding small units) rose 0.5 per cent in December, a more modest gain compared with November’s 1.3 per cent rise.

According to the flash estimates, prices of small units (up to 506 sq ft) islandwide remained unchanged in December. In November, they rose 1.1 per cent.

The overall SRPI dipped 0.3 per cent in December, after rising 1.7 per cent in November.

The National University of Singapore’s Institute of Real Estate Studies (RES), which compiled the SRPI series, said that starting this month, the base period for the series is March 2009 (instead of December 2001 previously) as the indices bottomed in March 2009 and this change better reflects the movements in price.

Associate Professor Lim Sau Kim of RES observed that transaction volumes for units in the SRPI basket registered declines from November to December in both 2012 and 2011 – due to “the end-of-year effect” of the holiday season.

And the volume declines were accompanied by a corresponding contraction in prices,” she explained.

Commenting on the sharp reversal in the Central Region sub-index between November and December last year, she said: “Our SRPI Central Region sub-index had been boosted in November 2012 by several transactions in areas that had been relatively quiet for much of the year, such as in Sentosa. Hence, in the last two months, prices have been corrected.”

For the whole of last year, the sub-index for Non-Central Region was the star performer, climbing 8.8 per cent, followed by the small unit sub-index, which rose 5.7 per cent. The Central Region sub-index slipped 1.2 per cent, taking the overall SRPI 4 per cent higher last year.

In 2011, prices rose 11.3 per cent in Non-Central Region, 10.6 per cent for small units and 5.1 per cent for Central Region. The overall SRPI increased 8.7 per cent.

For better or for worse
Transaction volumes and changes in Singapore Residential Price Index (overall) for 2011 and 2012

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– DTZ’s associate director (research), Lee Lay Keng

there was an increase in the Central Region sub-index on a marked-to-market basis. In December 2012, the price signals were generally subdued.”

The SRPI series tracks prices of completed non-landed private homes but excludes executive condos, which are a public-private housing hybrid.

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“I am concerned that prices have strengthened in the recent past,” Lee said. “For the first time since the 2008 property downturn, prices in the Central Region and Small Units have outstripped the overall SRPI. Hence, I am concerned that prices may be adjusting at a faster pace due to market participants beginning to anticipate the lower LTV ratio.”

Lee added: “While prices may not fall drastically in the near term, there is a risk that momentum will be lost, leading to a more prolonged correction.”

DTZ’s associate director (research), Lee Lay Keng, said that on the whole, the higher level of completion of private homes this year (more than 16,000 units versus an average of about 11,000 in 2011 and 2012) will exert some pressure on home prices in 2013, as buyers tend to offload properties in the sub-sale market around the time when a project receives Temporary Occupation Permit. “However, prices are not expected to fall sharply due to developers’ strong balance sheets and owners’ holding power. Buying demand will still be healthy albeit lower – due to the current low-interest rate environment and tight employment market,” she added.