Completed condo prices in Central down 3.7%

Drop in February contrasts with 0.5% rise in Non-Central Region

By Kalpana Rashiwala
kalpana@sph.com.sg
Singapore

PRICES of completed private apartments and condos fell in February – in contrast to January’s rise, according to the latest flash estimate from the National University of Singapore. Analysts note this is in tandem with the sharp slowdown in resale transaction volumes for completed private homes following the Jan 12 cooling measures.

NUS’ overall Singapore Residential Price Index (SRPI), which tracks prices of completed non-landed private homes, excluding executive condos, dipped 1.4 per cent month-on-month in February, after rising 0.8 per cent for January.

Most telling was a 3.7 per cent month-on-month slide in the sub-index for Central Region (excluding small units) for February, against a 1.1 per cent appreciation in January.

On the other hand, the Non-Central Region sub-index – again excluding small units – was firm, rising 0.5 per cent month-on-month in February following a 0.6 per cent gain in January.

This may reflect a strategy of some investors shifting from the Central to Non-Central Region, where absolute price quantum are typically lower – in the face of lower loan-to-value (LTV) limits and higher additional buyer’s stamp duty (ABSD), suggests DWG Real Estate spokesman Lee Sze Teck.

NUS’ Institute of Real Estate Studies (IRES), which minted the SRPI series, defines Central Region 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 prices of completed small apartments and condo units (up to 506 sq ft) islandwide dipped 0.1 per cent in February, compared with a 3.3 per cent gain in January.

Comparing the latest February 2013 flash estimates with the same month last year, the smallest gain of 1.8 per cent was posted by the Central Region sub-index, while the biggest gain, of 11.3 per cent, was for Non-Central Region.

Year on year, the sub-index for small units increased 10.5 per cent and the overall SRPI climbed 6.9 per cent.

New project sales by developers and resales of completed private residential properties both tanked in February, following January’s cooling measures and the Chinese New Year festive period.

According to agents, the resale market has started to thaw this month but the pace of deals is much slower compared with the sharp recovery being enjoyed by developers.

“If you buy from developers, you enjoy progressive payment based on the stages of the project’s completion, whereas if you buy a completed home from the resale market, you have to pay the full price almost immediately,” explains Knight Frank’s head of residential Wendy Tang.

Drawn by the buzz at showflats and developers’ incentives to offset the impact of the ABSD, buyers are probably more motivated to part with their money.

DTZ’s SE Asia chief operating officer Ong Choon Fah says: “Whereas developers are making up for the (higher) ABSD, many owners in the secondary market are refusing to budge on pricing as they themselves may be affected by the ABSD or lower LTV limit if they were to subsequently look for a replacement property.”

The resulting price gap has stalled resale deals.

Savills Singapore research head Alan Cheong suggests that another reason for investors picking up new suburban condos from developers instead of completed ones from the resale market is that they are “eyeing capital appreciation and/or buying forward for their children to hedge against further asset-price inflation”.

“However, if prices of new launches run too far ahead of completed properties, resale activity will re-ignite,” he adds.

According to URA Realis, the number of caveats lodged for re-sales of non-landed private homes, excluding ECs, slumped from 879 in January to 248 in February. The figure for February last year was 472 caveats.

Knight Frank’s Ms Tang reckons that resale prices will continue to be weak in the next few months although there will be exceptions – such as properties located near popular schools or in “rentable locations” popular among expats in addition to the choicest investment-grade condos in prime districts.