National University of Singapore
Source: *The Straits Times,* pB9
Date: 29 January 2015

Gloomy outlook for shoebox units as their numbers rise

By RENNIE WHANG

THE resale prices of shoebox flats rose 0.5 per cent last month after dipping 2 per cent in November but they were still well down over the course of the year, according to a new report yesterday.

Shoebox units – defined as up to 506 sq ft in size – fell in value by about 4 per cent last year but that was still the smallest decline in the four segments of completed non-landed private homes covered in an index complied by the National University of Singapore.

Flash estimates for the overall Singapore Residential Price Index (SRPI), as the gauge is called, showed that prices of completed non-landed private homes in Singapore fell 1.2 per cent in December over November.

For the full year, prices fell about 5.1 per cent last year islandwide, with homes in the central region taking the biggest hit with a drop of around 5.7 per cent.

Resale prices in the non-central region slipped about 4.8 per cent for the year. Mr Nicholas Mak, SLP International executive director, said the big fall in resale prices in the prime districts was no surprise as they were most affected by cooling measures.

The outlook appears gloomy for small units given the high number of completions due in coming years, while leasing demand seems patchy.

When the concept of shoebox units kicked off in 2009, they were mainly in the central region but by 2011 they were being incorporated into projects islandwide.

The trend became so pronounced that the Urban Redevelopment Authority noted in September 2012 that as many as 50 per cent to 80 per cent of then-new projects outside the central area consisted of shoebox units.

Some of these projects will be completed this year and next year, said analysts.

Mr Mak said that about 6,200 shoebox units will get their Temporary Occupation Permit over these two years, including units at The Promenade@Pelikat and The Hillier, which were both launched in 2012.

The Hillier, which was launched in 2012. Shoebox units – defined as up to 506 sq ft in size – fell in value by about 4 per cent last year, the smallest decline among four segments of completed non-landed private homes. ST FILE PHOTO

Suburban shoebox homes have "untested leasing demand", said Mr Ong Kah Seng, R'ST Research director. "In the suburban areas, these homes will face competition from HDB flats, which offer more space for almost the same rent... Expatriates also do not seem to have moved to the suburban areas from the central region and city fringes."

While these flats were meant for singles or young couples, some families invested in them as they were more affordable, noted Mr Ong. "Coming to completion, they may face some challenges as the units aren't sufficiently large for their living requirements, (while) at the same time, leasing demand is competitive," he said.

Demand among tenants for centrally located shoebox units seems more positive although rents can be comparable with those for a less conveniently located, possibly older two-bedroom apartments, added Mr Ong. Overall, resale prices for private non-landed homes are expected to drop by about 4.5 per cent to 7 per cent this year, said Mr Mak.

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