

Prices of small private housing units holding out well – for now

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SO far, price declines for completed private apartments and condos have been less pronounced for small units.

But things could be headed for a change, as more shoebox units are completed and the competition for tenants intensifies.

Based on Monday's flash estimate from the National University of Singapore for its Singapore Residential Price Index (SRPI) series, the island-wide subindex for small units of up to 506 sq ft posted a 0.6 per cent month on month fall in January this year. This was smaller than the declines of 1.9 per cent and 1.4 per cent respectively in the subindices for the Central and Non-Central regions (both excluding small units).

Central Region is defined as districts 1-4 and the traditional prime districts 9, 10 and 11 by the university's Institute of Real Estate Studies (IRES), which created the SRPI series tracking prices of completed private apartments and condos.

The Overall SRPI eased 1.6 per cent in January.

Year on year, prices of small units have fallen 4.1 per cent, again the smallest decline of the four index categories. This was followed by a 6 per cent decline in the Non-Central Region. The Central Region sub-index shed 6.6 per cent while the Overall SRPI lost 6.3 per cent.

R'ST Research director Ong Kah Seng expects prices of completed non-landed private homes to ease by up to 7 per cent this year due to the

high volume of housing completions. He also highlighted an expected increase in the vacancy of shoebox units particularly those in suburban condo developments. Mr Ong said: "In the suburban areas, small units will face leasing competition from HDB flats, which offer more space for almost the same total rent quantum."

While these shoebox units in mass-market condo projects were targeted at singles or young couples, some families invested in them around 2010-2013 as they were more affordable on a lumpsum basis.

"Coming to the shoebox unit's completion, the HDB flat owners who invested in a shoebox unit may face challenges as the units are not sufficiently large for their family's living requirements; at the same time, competition to find tenants will also be intense," said Mr Ong. "Rather than leaving such units idle, such owners may decide to eventually dispose of their shoebox units at lowered prices."

Agreeing, DTZ South-East Asia chief operating officer Ong Choon Fah said: "Some of these investors may decide to bite the bullet given that the leasing market is likely to continue to be weak for some time. Without rental income, owners may not be able to continue to pay the mortgage, maintenance fees, property taxes and other expenses. Some of these investors may still be able to make a small profit even if they were to sell below current prices."

R'ST's Mr Ong said completed small units in the Central Region face less downward price pressure as leasing demand should be fairly positive among expats who want to live in the city.