

After sliding for 3 months, prices of completed apartments stabilise in July

But bearish sentiment seen continuing in coming months due to more completions; fewer launches in suburbs

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AFTER three consecutive months of declines, prices of completed non-landed private homes in Singapore were flat in July over June, according to a National University of Singapore flash estimate for its index.

The Overall Singapore Residential Price Index (SRPI) posted month-on-month decreases of 0.1 per cent for June, 0.6 per cent for May and 0.3 per cent for April this year. Based on the July flash estimate released on Friday, the index is down 3.1 per cent year on year.

SLP International executive director Nicholas Mak said last month's price stagnation may not signal a turnaround for the index. "This may be just a pause before the index continues its general downward trend in the coming months. For one, there will be more private home completions in coming months, and this is going to lead to a rise in vacancy rates and weak-

en rentals – which will make investing in suburban condos less attractive.

"Moreover, at least for the next 12 months, we're going to see fewer private condo launches in the suburbs resulting in a pullback in primary market buying activity. In turn, this is likely to subdue buying interest in the secondary market as well."

Since last December, the Overall SRPI has slipped 1.7 per cent and Mr Mak forecasts that the full-year decline would come in at 3-4 per cent.

He also highlighted that that "in the past 12 months, there were three occasions when the index registered a month-on-month increase, only to continue to decline in the subsequent month".

The SRPI sub-index for Central Region (excluding small units of up to 506 square feet) rose 0.2 per cent month on month in July, a smaller increase compared with the 0.6 per cent gain in June. Year on year, this index is down 4.2 per cent. Central Region is defined as Districts 1-4 (including the financial district and Sentosa Cove) 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.

Wong Xian Yang, senior manager of research and consultancy at OrangeTee.com, said that the Central Region index has now reached similar levels as late-2009 and that this could be a psychological bottom for some buyers. In terms of transaction number, he noted, monthly resale volumes of non-landed private homes in Central Region (excluding small units) in the past few months are up year on year – albeit from a very low base in 2014. "Absolute volumes in Central Region remain rather thin – below 200 per month – and it is probably too early to tell if prices are bottoming out in the high-end segment."

The SPRI for Non-Central Region (excluding small units) dipped 0.2 per cent last month, following a drop of 0.7 per cent in June. Year on year, the decline is 1.9 per cent. Mr Mak noted that this was once the market segment that had enjoyed the highest buying demand and

price increase; however, the SPRI for Non-Central Region has been posting month-on-month decreases for four consecutive months up to July. Mr Wong of OrangeTee.com said that the price drop in Non-Central Region is due to concerns about completions of private homes in the suburbs and city-fringe. "With both vacancy and interest rates poised to increase, landlords are lowering their rental expectation and this has a spillover effect on prices."

NUS's sub-index for islandwide prices of small completed apartments and condo units (up to 506 square feet) went up 0.3 per cent in July, after retreating 0.9 per cent in June. Year on year, prices are down 2.9 per cent.

Despite the price gain in July, R'ST Research director Ong Kah Seng said that the completed small unit segment is still unstable, due to a step-up in the completion of such units starting from 2014. Prices of shoebox apartments will continue to come under pressure as more of such units are completed, especially in suburban areas.