NUS National University of Singapore

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Prices of private apartments dip 0.6% in August

Slight decline led by completed units in central region

Suburban shoebox project Kovan Grandeur in Tampines Road. "The strength of the small-apartment market segment will be tested in the next two years as an increasing number of shoebox units are completed," says SLP International executive director Nicholas Mak. ST FILE PHOTO

Rennie Whang

Prices of completed private apartments appear to be stabilising after months of decline, despite some ambiguous data out yesterday.

The new numbers point to a 0.6 per cent dip in values from July to last month following stagnant pricing in June and July, according to flash estimates for the NUS Singapore Residential Price Index.

Such marginal price changes are expected and should be the case for a while, said PropNex key executive officer Lim Yong Hock.

"Many home owners are not pressured into selling as interest rates are still relatively low. There won't be many distressed sales for the time being, barring other market forces – such as expectations of an interest rate hike, or a recession, which could force some owners to sell their properties at lower prices."

Last month's dip in prices was probably due to lower volumes, given the Hungry Ghost Festival, said R'ST Research director Ong Kah Seng.

"It was also just before the general election and potential buyers may have put their decisions on hold in case there were any changes to cooling measures, or incentives to encourage home buying."

Resale transactions of central units, excluding small units, were down 23 per cent to 114 last month, while non-central unit sales fell 23.6 per cent to 272, he noted.

The slight price decline last month was led by completed units in the central region – Districts 1 to 4 and 9 to 11, which posted a 0.7 per cent month-on-month drop.

But prices for this segment rose in June and July and are up about 0.2 per cent from May.

Sale volumes also seem to be rising, said OrangeTee research manager Wong Xian Yang.

There were 986 resale apartments in the central region shifted in the first eight months of the year, up 41.3 per cent over the same period last year. "While it is a bit too early to say if prices for central units are bottoming out, there is a higher chance prices will move sideways," said Mr Wong.

He believes prices of non-central units are more likely to decline. They fell 0.5 per cent last month, after dropping 0.7 per cent in July.

The increasing supply of units in this area is putting pressure on rents, and vacancy rates are on the rise, said Mr Ong.

Yesterday's flash estimates also indicate that the market has some ground to make up.

The overall index is down 4 per cent, compared with August last year, and is 10.5 per cent below July 2013, when prices were at their highest in recent years.

Small units – up to 506 sq ft – are one of the brighter spots. Prices were flat last month after rising 0.5 per cent from June to July.

The index indicates that this segment seems in better health than the three other price categories, said SLP International executive director Nicholas Mak.

It contracted 2.7 per cent year on year – the smallest rate of decline among the four – and fell in only four out of the past 12 months, the lowest number of months of decline.

"However, the strength of the small-apartment market segment will be tested in the next two years as an increasing number of shoebox units are completed," Mr Mak said, noting that most of these homes are bought for investment.

If the inflow of foreign labour continues to be tight, the leasing market will stay soft.

"In a tenants' market where the tenants are spoilt for choice, shoebox units may not be as attractive to some tenants as housing units with two or more bedrooms," Mr Mak said.

Lower rental returns will likely hit unit prices as well.

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