

Real Estate Market Analysis

Condominium Market Survey : 1st Quarter of 2022



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இலங்கை மத்திய வங்கி
CENTRAL BANK OF SRI LANKA

Condominium Sales

As per the information collected through the Condominium Market Survey¹ conducted by the Central Bank of Sri Lanka, the Condominium Property Volume Index² which measures the variation in the trend of number of new condominium purchases increased significantly during Q1, 2022 by 40 per cent compared to the corresponding period of 2021. The index has also recorded a notable growth of 46 per cent compared to Q4, 2021. In the backdrop of the low interest regime that prevailed during Q1, 2022, the demand for condominiums increased significantly due to the low cost of available credit. At the same time, low returns earned on traditional investment avenues have also caused investors to shift to investments on condominiums anticipating price appreciation of condominium property. Further, the anticipated increases in prices of condominium properties would have also made customers to advance their purchase decision leading to higher demand.

The Price Index for New Condominiums³, which measures the trend in the price levels of new condominiums that are released to the market by condominium developers, has shown an upward trend over the years. The index reached an all-time high value of 147.2 in Q1, 2022 with a year-on-year (Y-o-Y) growth of 30 per cent. The rise in prices is possibly caused by both increased demand and increased construction costs faced by developers.

A clear shift towards higher price categories of condominiums could be observed throughout the last year. Further, the Single Condominium projects in the Colombo district remained to be the most preferred category in Q1, 2022 with an observable increase in the transactions in the single condominium projects outside Western Province due to the commissioning of several new projects in such areas.

Figure 1: Condominium Property Volume Index

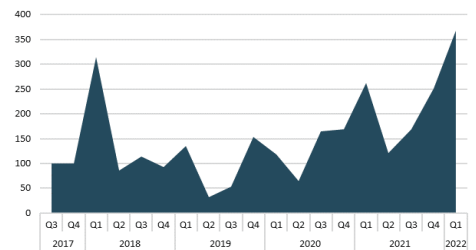


Figure 2: Price Index for New Condominiums

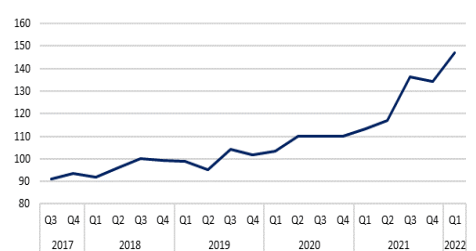


Figure 3: Percentage of Sales by Price Category

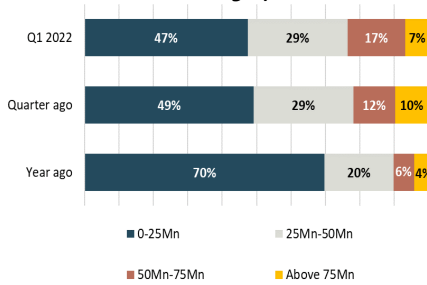


Figure 4: Percentages of Sales by Condominium Categories

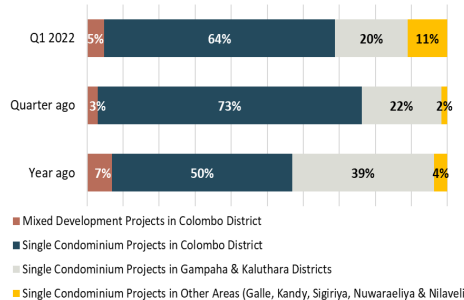
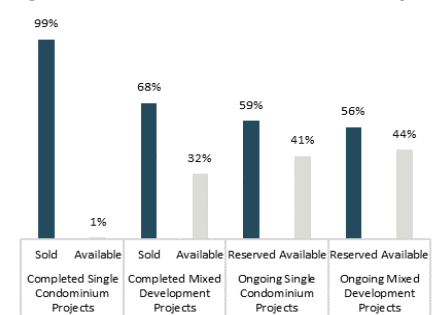


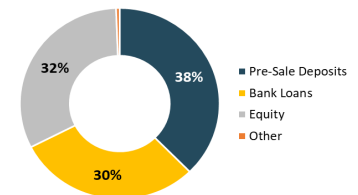
Figure 5: Sales Status of Condominium Projects



Funding Structure of Condominium Developments

Pre-sale deposits, bank loans and equity were the three key funding sources for condominium developments. The proportion⁴ on pre-sale deposits has increased over the last year while the proportions in bank loans and equity have reduced compared to one year before.

Figure 6: Funding Structure



Condominium Buyers

The majority of condominium buyers were Sri Lankan residents while a few condominiums were purchased by dual citizens and foreigners. Purchase of condominiums for immediate living has marginally declined over the last year while purchases for future living and investment purposes have increased marginally compared to Q1, 2021. The prime source of funding used for condominium purchasing was buyers' own funds (73 per cent), while on average 27 per cent of buyers have obtained bank loans during Q1, 2022.

Figure 7: Residence Status

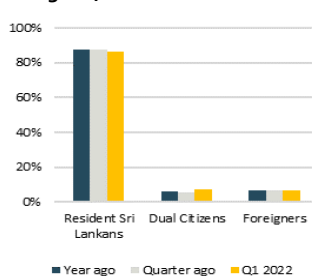


Figure 8: Purpose of Purchasing

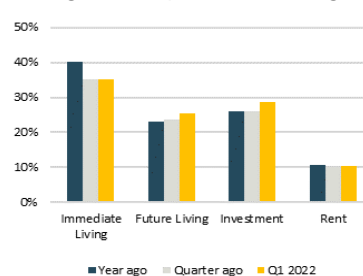


Figure 9: Source of Financing



¹ During Q1, 2022 and 22 condominium property developers participated to the survey.

² Condominium Property Volume Index is compiled to capture the variations in market activities by way of number of sales transactions reported for the reference period. (Base period: Q3, 2017 = 100).

³ The index was compiled following the hedonic regression based rolling window time dummy method. The base period of the index is 2019=100.

⁴ The proportions were calculated to get an overall understanding about the funding structure of condominium developments by averaging the percentages of funds received through different funding sources provided by each developer.

Real Estate Asking Price Trends : 1st Quarter of 2022



As depicted by the given asking price indices⁵ that are compiled by the Central Bank of Sri Lanka using publicly available sales advertisement data, the overall trend in prices in the property market remained elevated during the first quarter of 2022. The Y-o-Y growth recorded in the Asking Price Index for Condominiums was a substantial 16.9 per cent. Meanwhile, the Asking Price Indices for Lands and Houses recorded Y-o-Y growths of 4.1 per cent and 21.5 per cent, respectively. While the price indices of condominiums and houses have recorded steady growths, the asking price index for lands indicates early signs of a moderation with gradual reductions in the Y-o-Y growth rate.

The prices of houses and condominiums have mostly been impacted by the increased construction costs owing to high material prices and shortages following the imposition of import restrictions in foreign currency terms. Relatively low interest rates prevailed during Q1,2022 had also led real estate investments to be a viable investment option.

Table 1: Year-on-Year Percentage Change of Indices

Quarter	Month	Y-o-Y % Change of Asking Price Index for		
		Lands	Houses	Condominiums
2021	January	10.6	7.0	6.4
	February	24.2	6.3	4.3
	Q1	21.9	6.3	3.6
2021	April	9.8	5.7	4.1
	May	4.0	5.5	6.0
Q2	June	-0.5	6.3	7.9
	July	1.4	7.5	9.8
Q3	August	0.6	8.6	13.0
	September	5.2	10.6	14.7
2021	October	7.4	13.4	14.4
	November	8.5	15.1	10.1
Q4	December	7.6	16.5	9.0
	January	9.1	17.0	10.5
2022	February	5.0	19.7	13.4
	Q1	4.1	21.5	16.9

Figure 10: Asking Price Index for Lands (2019=100)

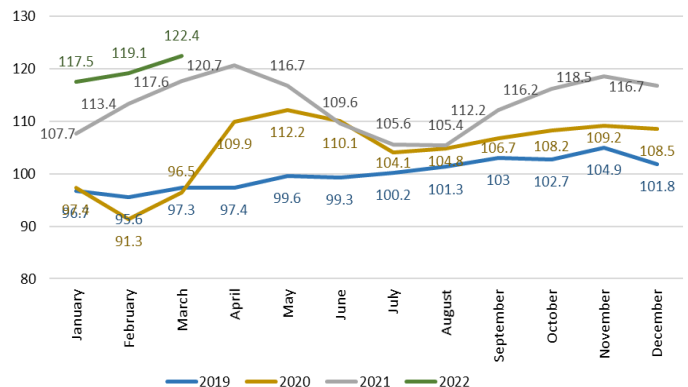


Figure 11: Asking Price Index for Houses (2019=100)

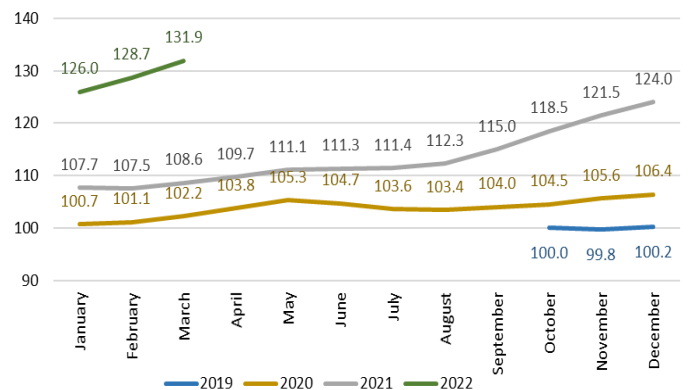
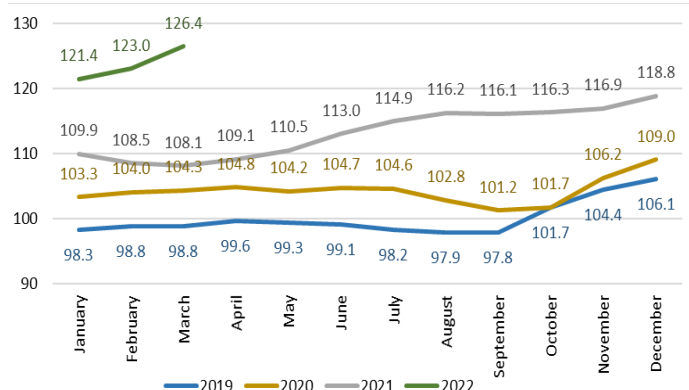


Figure 12: Asking Price Index for Condominiums (2019=100)



⁵ Asking price indices for Condominiums, lands and houses are compiled following the hedonic regression based rolling window time dummy method. (Base period: 2019 = 100)