

Real Estate Market Analysis

Condominium Market Survey : 2nd Quarter of 2022



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இலங்கை மத்திய வங்கி
CENTRAL BANK OF SRI LANKA

Condominium Sales

According to the information collected through the Condominium Market Survey¹ conducted by the Central Bank of Sri Lanka, sale of new condominiums has witnessed a sharp decline during Q2, 2022 as shown in the Condominium Property Volume Index². The index which measures the trend of number of new condominium sales, declined by 51 per cent compared to the corresponding period of 2021, while recording a significant decline of 84 per cent on Quarter-on-Quarter. The notable increase in bank interest rates has hindered the affordability of credit among potential condominium buyers. At the same time, the uncertain economic conditions that loomed during the quarter due to the energy crisis have also played a major role in delaying purchase decisions among buyers.

The growth trend of the Price Index for New Condominiums³ in Colombo district, which measures the trend in the price levels of new condominiums sold by condominium developers, has continued during Q2, 2022. Accordingly, the index recorded a substantial growth of 43 per cent year-on-year (Y-o-Y) basis and a growth of 13 per cent quarter-on-quarter basis. The shortages of raw material in the market as well as the increase in prices of raw materials were the most likely causes of the sharp increase in prices of new condominiums. The noteworthy increases in the price levels of condominiums may have also hindered the demand in the condominium market.

With the increase in price levels of new condominiums, a clear shift towards higher price categories of condominiums could be observed. Most transactions fall under the price category of Rs. 25 Mn - Rs. 50 Mn. Moreover, noteworthy increases in sales could be observed in Single Condominium projects in Gampaha and Kalutara districts category and in the mixed development projects in the Colombo district.

Figure 1: Condominium Property Volume Index



Figure 2: Price Index for New Condominiums

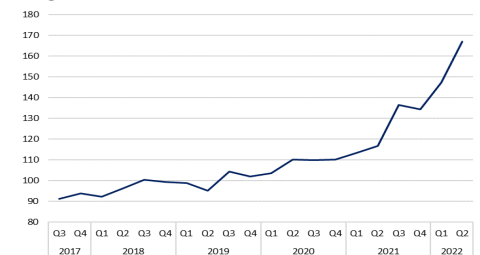


Figure 3: Percentage of Sales by Price Category

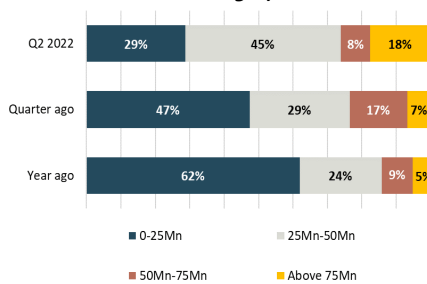


Figure 4: Percentages of Sales by Condominium Categories

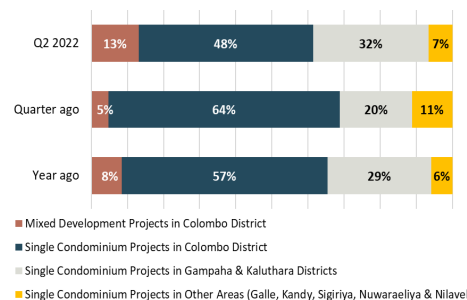
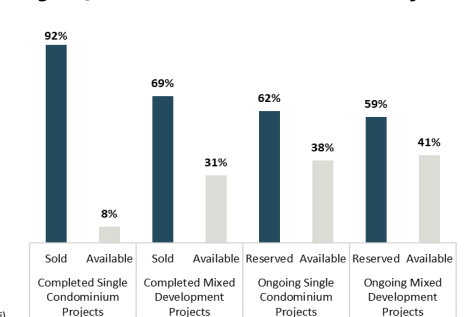
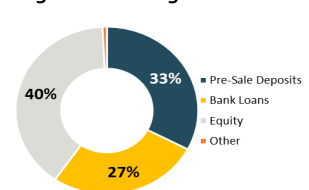


Figure 5: Sales Status of Condominium Projects



Funding Structure of Condominium Developments

Figure 6: Funding Structure



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

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 improved over the last quarter while purchases for investment has continued to increase over the last year. The prime source of funding used for condominium purchasing was buyers' own funds (77 per cent), while on average 23 per cent of buyers have obtained bank loans during Q2, 2022.

Figure 7: Residence Status

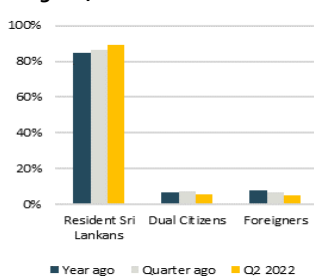


Figure 8: Purpose of Purchasing

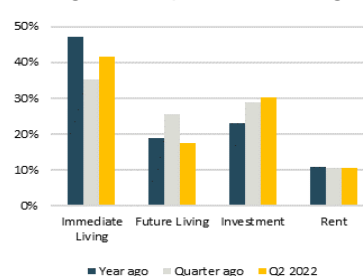
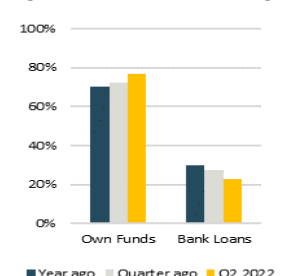


Figure 9: Source of Financing



¹ During Q2, 2022 and 20 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. The index covers the Colombo district.

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 : 2nd Quarter of 2022



The price levels of real estate property in the Colombo district have been on a growth trend during the second quarter of 2022 as depicted by the given asking price indices¹ that are compiled by the Central Bank of Sri Lanka using publicly available sales advertisement data. The year-on-year (Y-o-Y) growths of all three Asking Price indices have reached double digits by the end of the quarter. While Asking Price indices of houses and condominiums recorded substantial growths of 29.5 per cent and 26.6 per cent with index values of 144.1 and 143.1 respectively, the Asking Price Index for Lands recorded a slightly lower growth of 19.8 per cent with an index value of 131.3.

The shortages of construction material in the market as well as the unpredicted price hikes of raw materials are the most likely causes of the continued increase in prices of houses and condominiums.

Table 1: Change of Asking Price Indices

Quarter	Month	Y-o-Y % Change		
		Lands	Houses	Condominiums
2021	April	9.8	5.7	4.1
	May	4.0	5.5	6.0
Q2	June	-0.5	6.3	7.9
2021	July	1.4	7.5	9.8
	August	0.6	8.6	13.0
Q3	September	5.2	10.6	14.7
	October	7.4	13.4	14.4
2021	November	8.5	15.1	10.1
	December	7.6	16.5	9.0
2022	January	9.1	17.0	10.5
	February	5.0	19.7	13.4
Q1	March	4.1	21.5	16.9
	April	1.9	24.1	19.5
2022	May	8.3	26.5	24.3
	Q2	June	19.8	29.5

Figure 1: Asking Price Index for Lands (2019=100)

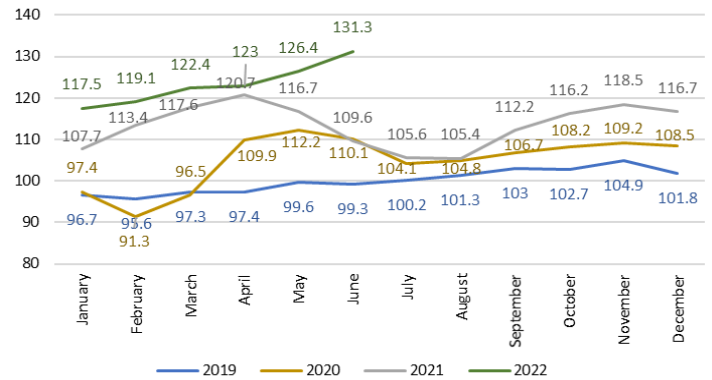


Figure 2: Asking Price Index for Houses (2019=100)

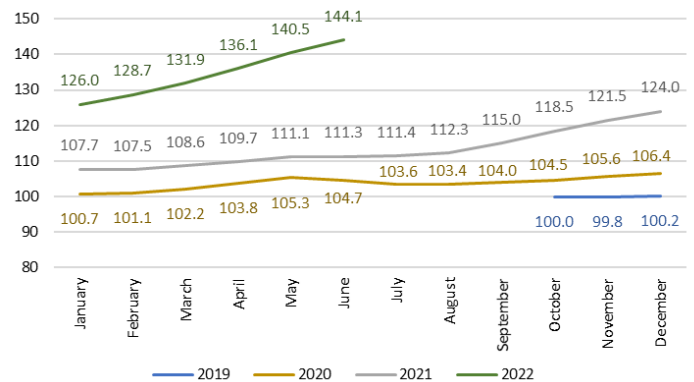
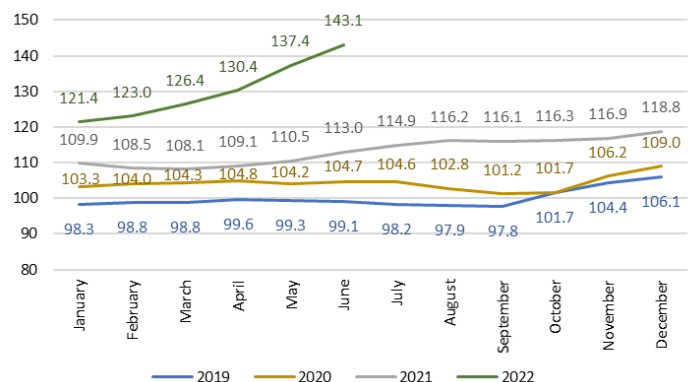


Figure 3: Asking Price Index for Condominiums (2019=100)



¹ Asking price indices for Condominiums, lands and houses are compiled following the hedonic regression based rolling window time dummy method. (Base period: 2019 = 100)