

Real Estate Market Analysis

Condominium Market Survey : 3rd 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, the drop in sale of new condominiums observed during Q2, 2022 continued in the Q3, 2022 as well. The Condominium Property Volume Index² which measures the trend in number of new condominium sales, declined by 64 per cent compared to the corresponding period of 2021 and a marginal Quarter-on-Quarter increase of 1 per cent was recorded. Government's decision to re-impose VAT and other levies on Condominium sales from 2023 may have contributed towards lower performance of sales. At the same time, the unfavourable economic situation as well as the high interest rates may have resulted this subdued performance in sales.

The Price Index for New Condominiums³ in Colombo district, which measures the trend in price levels of new condominiums sold by condominium developers, has continued to grow during Q3, 2022. The Year-on-Year growth in the index has somewhat slowed down compared to previous two quarters recording 24.4 per cent while the Quarter-on-Quarter growth was only 2 per cent. The sustained increases in prices of raw materials as well as the overall inflationary situation in the country may have caused the price levels to retain at high levels.

When considering price categories of condominiums, transactions in less than Rs. 25 Mn category has decreased to 30 per cent in Q3, 2022 compared to 54 per cent reported during Q3, 2021 while transactions falling under the price category of Rs. 25 Mn - Rs. 50 Mn has increased to 39 per cent in Q3, 2022 compared to 32 per cent reported in Q3, 2021. At the same time, most number of sales were recorded by the single condominium projects category in the Colombo district during Q3, 2022.

Figure 1: Condominium Property Volume Index



Figure 2: Price Index for New Condominiums

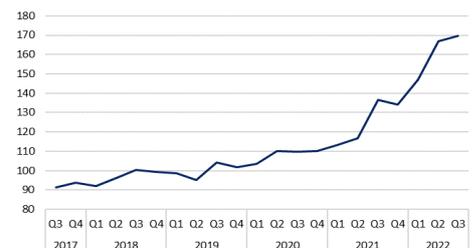


Figure 3: Percentage of Sales by Price Category

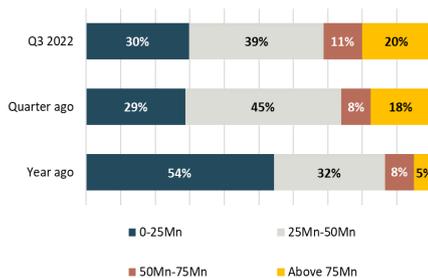


Figure 4: Percentages of Sales by Condominium Categories

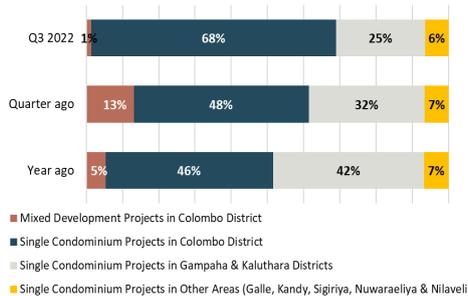
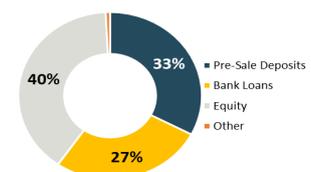


Figure 5: Sales Status of Condominium Projects



Funding Structure of Condominium Developments

Figure 6: Funding Structure



The three key funding sources for condominium developments were Pre-sale deposits, bank loans and equity. The proportion⁴ on equity has decreased compared to the previous quarter while the other two sources have increased.

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 continued to increase over the last year while purchases for investment and rent has decreased compared to one year ago. The prime source of funding used for condominium purchasing was buyers' own funds (75 per cent), while on average 25 per cent of buyers have obtained bank loans during Q3, 2022.

Figure 7: Residence Status

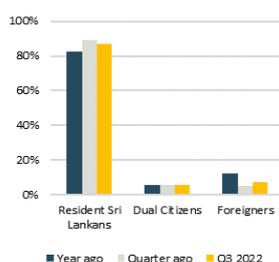


Figure 8: Purpose of Purchasing

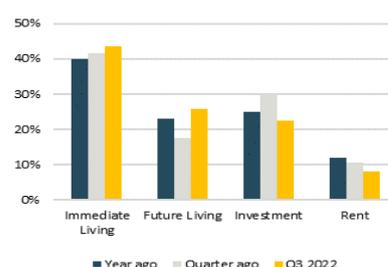
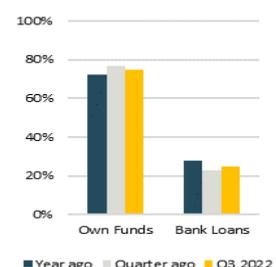


Figure 9: Source of Financing



¹ During Q3, 2022 and 17 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 : 3rd Quarter of 2022



The overall price level of lands in the Colombo district has encountered a severe decline over the past months as depicted by the asking price indices⁵ that are compiled by the Central Bank of Sri Lanka using publicly available sales advertisement data. The overall reluctance among buyers to invest in lands due to the difficulties in building new houses could be identified as one of the reasons for decreased demand for lands. The Index for lands recorded a growth of 7.5 per cent with an index value of 120.6 by the end of Q3, 2022.

At the same time, the overall price levels of condominiums and houses in the Colombo district remained on a growth trajectory during the Q3, 2022. Both indices grew significantly year-on-year while showing steady growth trends. Accordingly, the indices of houses and condominiums grew by 32.7 per cent and 34.5 per cent year-on-year with index values of 152.6 and 156.2, respectively.

Table 1: Change of Asking Price Indices

Quarter	Month	Y-o-Y % Change		
		Lands	Houses	Condominiums
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
	June	19.8	29.5	26.6
2022	July	23.3	32.2	29.7
	August	22.0	33.2	31.2
Q3	September	7.5	32.7	34.5

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



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

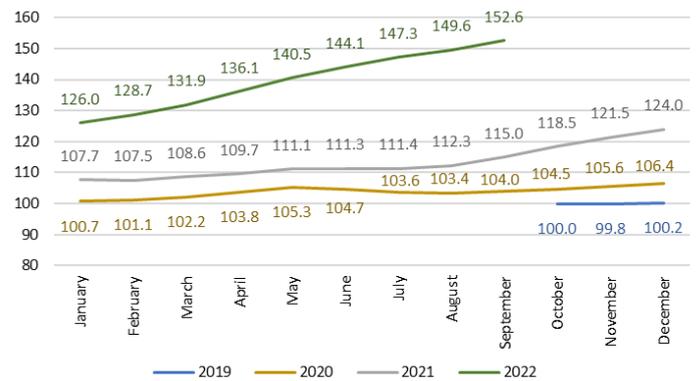
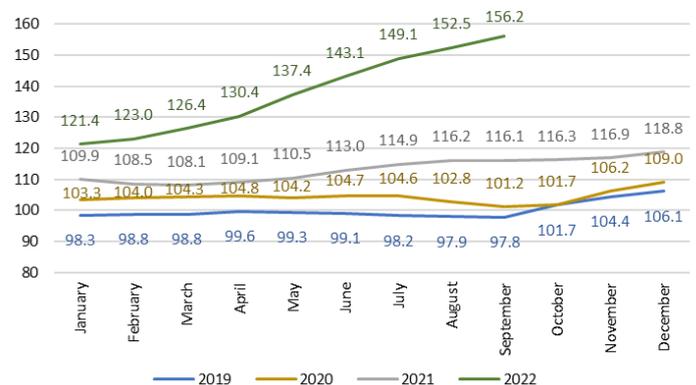


Figure 12: Asking Price Index for Condominiums (2019=100)



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)