

Real Estate Market Analysis

Condominium Market Survey : 1st Quarter of 2023



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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, transactions recorded in the primary condominium market declined further during Q1, 2023. The Condominium Property Volume Index² which measures the trend in number of new condominium sales, declined significantly by 91 per cent on a year-on-year basis and by 40 per cent compared to Q4, 2022.

The overall prices of new condominiums in the Colombo district have increased following a brief stagnant period, with the Price Index for New Condominiums³ in Colombo district showing a year-on-year growth of 24 per cent by Q1, 2023 and a growth of 10 per cent in comparison to Q4, 2022.

High construction costs that prevailed during the period owing to depreciated currency and shortages of construction material mainly led to this increase in prices. Further, taxes imposed on condominium sales including VAT and social security contribution levy as well as the high level of interest rates that prevailed during the quarter have contributed towards the adverse market conditions.

In terms of price categories, exactly half of the transactions reported were in the price category between Rs. 25 Mn—Rs. 50 Mn. The transactions recorded in this price category has increased substantially over the past one year, while the number of transactions in higher price categories have decreased. At the same time, single condominium projects category in the Colombo district remains to be the category with highest sales during Q1, 2023.

Figure 1: Condominium Property Volume Index



Figure 2: Price Index for New Condominiums

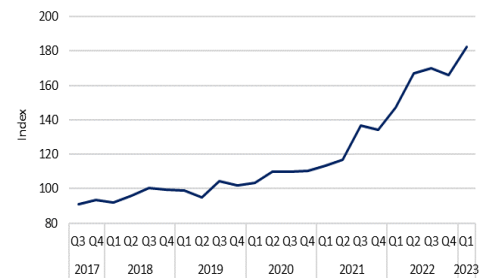


Figure 3: Percentage of Sales by Price Category

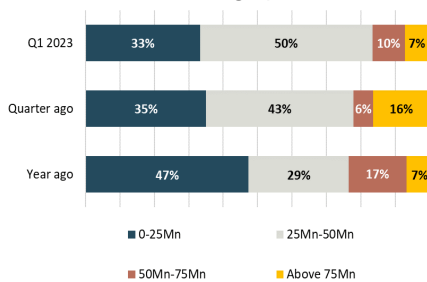


Figure 4: Percentages of Sales by Condominium Categories

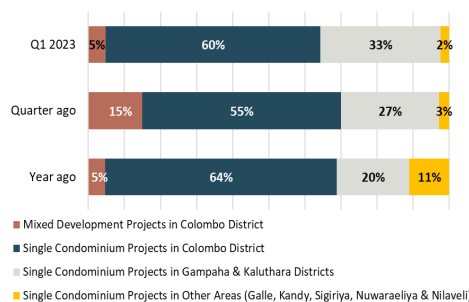
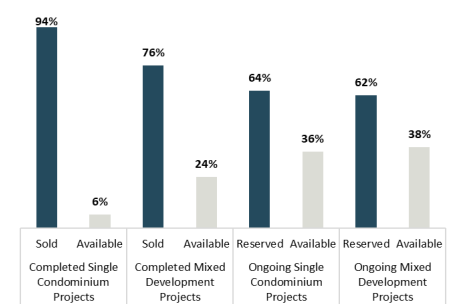
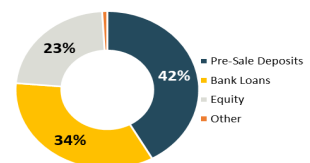


Figure 5: Sales Status of Condominium Projects



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. Pre-sale deposits continued to be the main source of funding where as the proportion⁴ on bank loans has increased over the past year.

Condominium Buyers

The majority of condominium buyers were Sri Lankan residents while the dual citizen and foreign purchasers remained minimal. Majority of condominium purchases were for living while purchases for investment and rent purposes have broadly remained unchanged from the previous quarter. The prime source of funding used for condominium purchasing was buyers' own funds during q1, 2023.

Figure 7: Residence Status

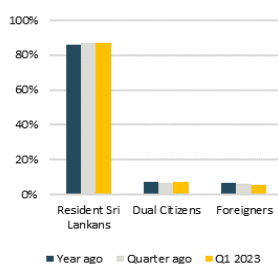


Figure 8: Purpose of Purchasing

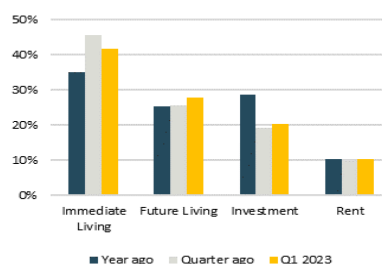
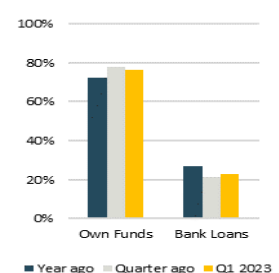


Figure 9: Source of Financing



¹ During Q1, 2023 and 18 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 : 1st Quarter of 2023



The overall asking price levels of houses and condominiums in Colombo district are showing signs of stagnation on a quarter-on-quarter basis while the asking prices of lands are on a declining trend as depicted by the asking price indices⁵ compiled by the Central Bank of Sri Lanka using publicly available sales advertisement data.

The price level of lands in the Colombo district declined during the quarter with a year-on-year decline of 9.8 per cent by March 2023. The year-on-year growths in the indices for houses and condominiums remained at considerable levels at 20.1 per cent and 35.3 per cent, respectively.

Table 1: Change of Asking Price Indices

Quarter	Month	Y-o-Y % Change		
		Lands	Houses	Condominiums
2022 Q1	January	9.1	17.0	10.5
	February	5.0	19.7	13.4
	March	4.1	21.5	16.9
2022 Q2	April	1.9	24.1	19.5
	May	8.3	26.5	24.3
	June	19.8	29.5	26.6
2022 Q3	July	23.3	32.2	29.7
	August	22.0	33.2	31.2
	September	7.5	32.7	34.5
2022 Q4	October	5.0	31.1	36.6
	November	2.3	29.5	39.8
	December	4.3	26.9	40.7
2023 Q1	January	0.6	24.7	40.4
	February	-4.1	22.3	38.1
	March	-9.8	20.1	35.3

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

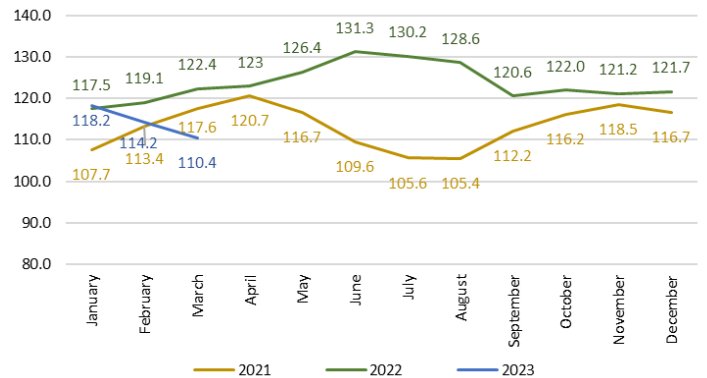


Figure 11: Asking Price Index for Houses (2019=100)

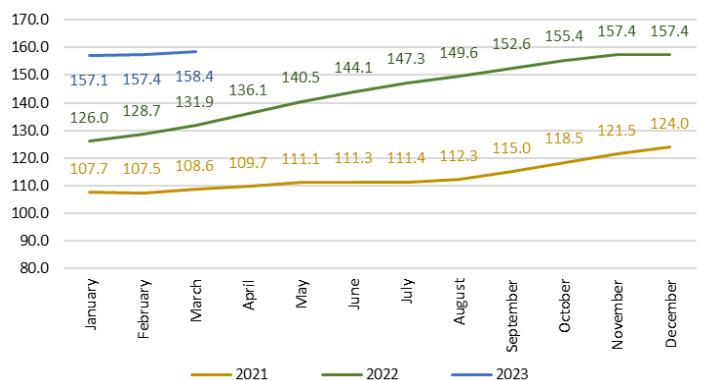
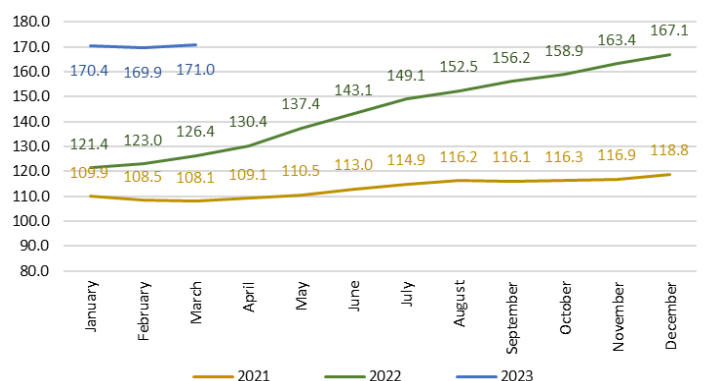


Figure 12: Asking Price Index for Condominiums (2019=100)



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