

Real Estate Market Analysis

Condominium Market Survey : 2nd Quarter of 2023



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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, transactions recorded in the primary condominium market remained at low levels during Q2, 2023. The Condominium Property Volume Index² which measures the trend in number of new condominium sales, declined marginally by 1.3 per cent on a year-on-year basis. Meanwhile, new condominium prices in the Colombo district prevailed at high levels during the quarter, with a 10.5 per cent year-on-year growth in the Price Index for New Condominiums³. Increased construction costs and the taxes imposed on condominiums resulted in the upsurge of condominium prices and lowered the demand in the market. These adverse market conditions continued during Q2, 2023 as well indicating a stagnation in the industry.

In terms of price categories, majority (47%) of the transactions belong to the price category below Rs. 25 Mn, indicating an increase in sales in the lowest price category compared to the previous quarters. Meanwhile, the transactions recorded in higher price categories (above Rs. 50 Mn) have also increased during Q2, 2023 compared to the previous quarter. Further, the highest number of sales during the quarter were recorded from the single condominium projects category in the Colombo district and a decline was observed in the sales in projects located in Gampaha and Kalutara districts compared to Q1, 2023.

Figure 1: Condominium Property Volume Index

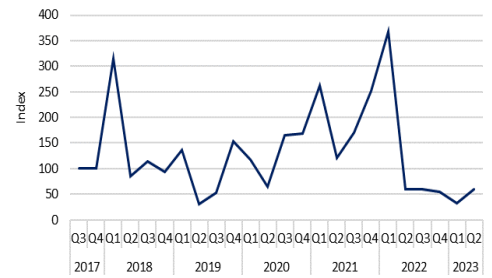


Figure 2: Price Index for New Condominiums

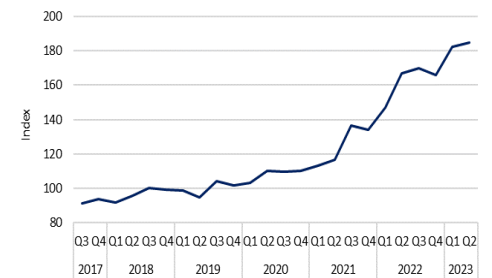


Figure 3: Percentage of Sales by Price Category

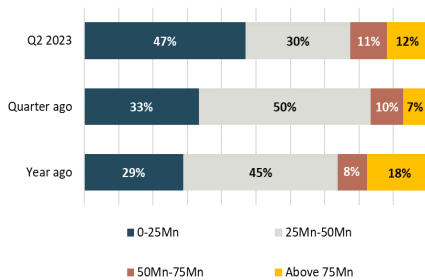


Figure 4: Percentages of Sales by Condominium Categories

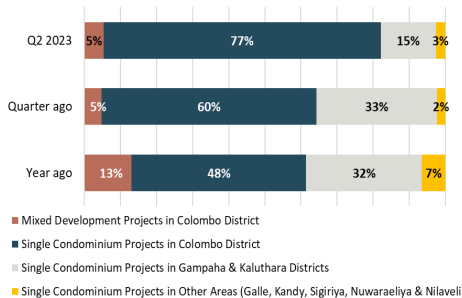
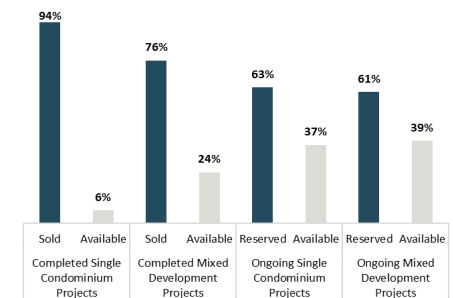


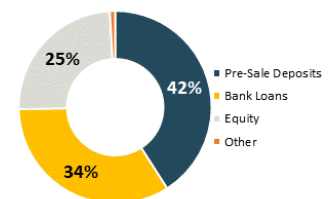
Figure 5: Sales Status of Condominium Projects



Funding Structure of Condominium Developments

The three key funding sources for condominium developments were pre-sale deposits, bank loans and equity. The proportions⁴ of pre-sale deposits and bank loans remained at similar levels compared to the previous quarter while an increase was observed in the proportion of equity.

Figure 6: Funding Structure



Condominium Buyers

The highest proportion (87%) of condominium buyers were Sri Lankan residents while a few condominiums were purchased by dual citizens and foreigners. Purchase of condominiums for living has increased while purchases for investment and rent has marginally decreased compared to the previous quarter. The prime source of funding used for condominium purchasing was buyers' own funds (79 per cent), while on average 21 per cent of buyers have obtained bank loans during Q2, 2023.

Figure 7: Residence Status

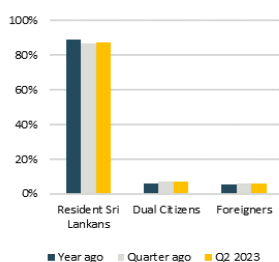


Figure 8: Purpose of Purchasing

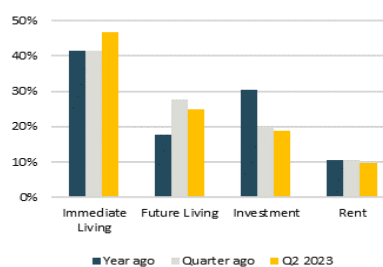
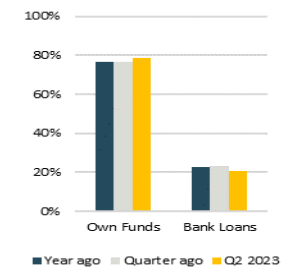


Figure 9: Source of Financing



¹ During Q2, 2023 and 19 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 2023



The asking prices of lands, houses and condominiums in Colombo district remained stagnant during Q2, 2023 compared to the previous quarters where the asking prices of houses and condominiums remained high on year-on-year basis, while the asking prices of lands remained low on year-on-year basis.

Moreover, the year-on-year percentage increase of asking price indices⁵ of both houses and condominiums is slowing down. With regard to lands, a decline could be observed in the year-on-year percentage change of asking price index.

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

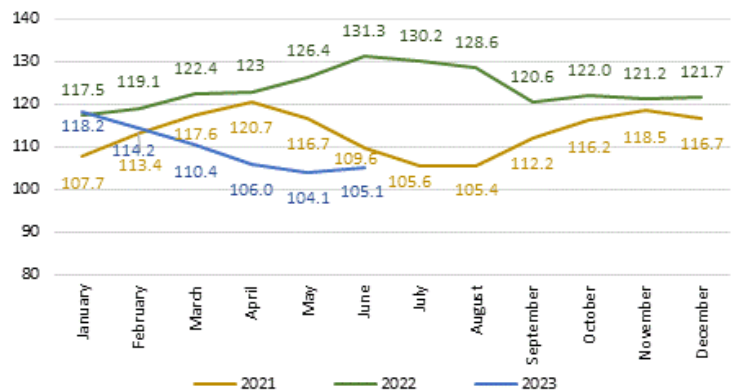


Table 1: Change of Asking Price Indices

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
2023 Q2	April	-13.8	17.0	30.9
	May	-17.6	13.3	25.1
	June	-20.0	10.3	19.0

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

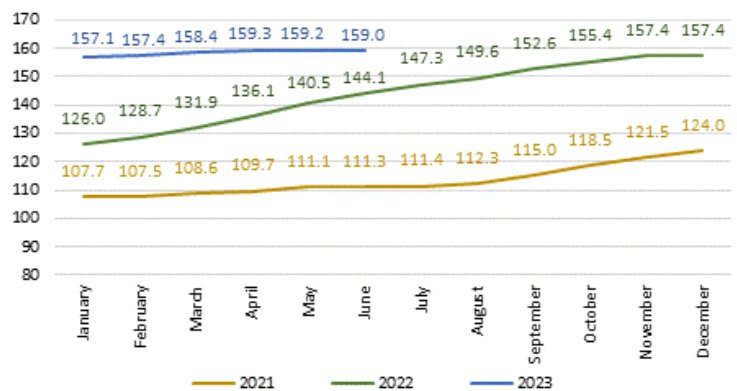
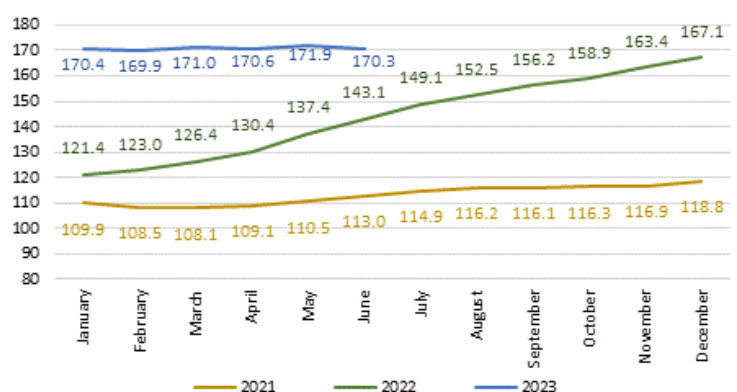


Figure 12: Asking Price Index for Condominiums (2019=100)



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)