



# THE BULLETIN

## HDB RESALE & PRIVATE RESIDENTIAL PROPERTY MARKET REPORT 4Q 2020

BY ERA RESEARCH & CONSULTANCY



# HDB Resale Market 4Q 2020

## HDB Resale Price and Volume Surpassed Pre-Pandemic Levels

The Singapore public housing market has emerged from the shadows of the pandemic. The price index for HDB resale flats continue to expand at an accelerating pace in the last quarter of 2020. The final numbers for the HDB resale price index for 4Q 2020 surpassed the flash estimates by 0.2 percentage points, leading to a 3.1% quarter-on-quarter (qoq) growth in the HDB price index in 4Q 2020.

For the full year, the HDB resale price index expanded 5.0% year-on-year (yoy), which was the fastest rate of growth since 2Q 2013, when the index expanded 6.5% yoy and reached the peak of the price cycle.

In 4Q 2020, 7,642 HDB resale flats exchanged hands, which was 1.9% lower than the preceding quarter. However, the HDB resale volume in 4Q 2020 was 20.6% higher than the corresponding period in 2019, indicating that number of HDB resale flats transacted in the last quarter of 2020 has surpassing the pre-pandemic transaction volume in 2019.

Despite the Covid-19 pandemic, the transaction level in the public housing resale market was remarkably healthy. For the whole of 2020, 24,748 HDB flats were sold in the resale market, which was 4.4% more than the resale volume in 2019.

## HDB Rental Market Badly Affected

While the HDB resale market has weathered the pandemic fairly well, the same cannot be said about the HDB rental market. In the fourth quarter of last year, 8,472 HDB flats were rented out by the individual flat owners, which was 29.9% yoy lower. The HDB rental volume also dropped 31.7% yoy in 3Q 2020, indicating that leasing demand for HDB flats was badly affected by the slowdown in the local economy and employment market.

For the whole of 2020, the HDB rental volume contracted 19.5% yoy to 38,798 flats. The 19.5% contraction is the largest rate of decline since such data was made publicly available in 2006.

Figure 1: HDB resale price index and transaction volume



Source: HDB, ERA Research & Consultancy

Figure 2: Rental transaction volume of HDB flats



Source: HDB, ERA Research & Consultancy

## Outlook For HDB Resale Market

Although the HDB resale price index ended 2020 with an impressive rate of growth, it was still 7.5% lower than the peak of the price cycle in mid-2013, which means that there is still room for further growth. As the Singapore economy and job market are expected to improve in 2021, it would stimulate the growth of housing prices and resale volume.

In addition, the delay in the construction of new HDB BTO flats would also push some homebuyers to select resale flats, which would contribute to the expansion of HDB resale prices and volume.

The Singapore government announced that there will be enough vaccines for everyone in Singapore by the third quarter of this year. As a result, border restrictions could gradually be lifted and more international workers and students could return to Singapore. Therefore, the demand for rental HDB flats will pick up in the coming months.

# Private Residential Property Market 4Q 2020

## Private Residential Property Price Trend

According to the latest real estate statistics released by the URA, the Singapore private residential property market had survived the pandemic relatively unscathed. The private residential property price index increased 2.1% quarter-on-quarter (qoq) and 2.2% year-on-year (yoy), surpassing the pre-pandemic level.

After the government introduced the Total Debt Servicing Ratio (TDSR) regime at the end of June 2013, the private housing price index reached the peak in 3Q 2013. Subsequently, housing prices declined for almost four years as the combined weight of the TDSR regime and the multiple rounds of cooling measures sapped away the growth momentum in the real estate market.

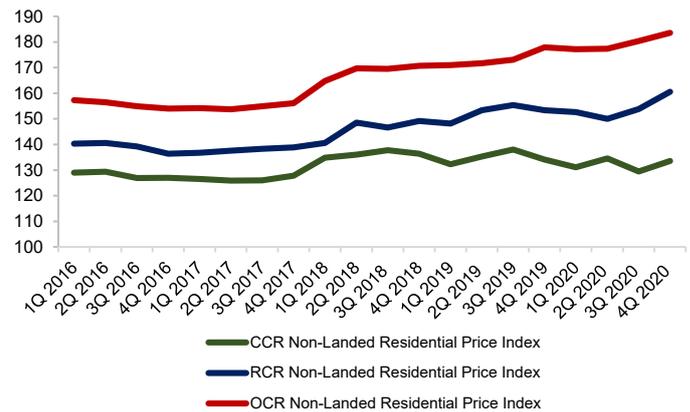
When the property price index contracted from 3Q 2013 to 2Q 2017, it was one of the longest periods of price decline since 1975, when the real estate data started.

In 4Q 2020, the residential property price index finally recovered to the level that was slightly higher than the peak level in 2013. In other words, it took more than seven years for private housing prices to recoup the losses brought about by government intervention.

On an annual basis, the private housing price index increased 2.2% yoy last year, which was a fraction of the annual price growth during a market boom, such as in 2010 when the residential property price index increased 17.6% yoy.

Among the three market segments, non-landed homes in the city fringe area enjoyed the highest rate of growth in 4Q 2020 as prices expanded by 4.4% qoq. Non-landed residential properties in both the city centre and suburban area also grew by 3.2% and 1.8% qoq respectively.

Figure 3: Non-landed private residential price indices



Source: URA, ERA Research & Consultancy

## Private Housing Primary Market

The Covid-19 pandemic had unexpectedly contributed to the increase in property sales transactions in the last quarter of 2020. Overseas vacations are a favourite luxury that many Singaporeans and local residents enjoy. Therefore, the months of November and December were usually the lull period in the real estate market as many people would take a vacation. The travel restrictions due to the pandemic had caused many decision makers to remain in Singapore. As a result, it was business as usual in the property market during the fourth quarter last year.

In the last quarter of 2020, the private residential primary market had turned in the best performance for a October to December quarter since 2012. In 4Q 2020, real estate developers sold 2,603 private housing units, excluding Executive Condominium, which is the highest sales for the last quarter of the any year since 4Q 2012, when 4,353 units were sold in the primary market.

The higher sales in 4Q 2020 was partly contributed by the higher number of private homes launched for sale. In the fourth quarter, real estate developers launched a total of 3,147 private housing units, excluding Executive Condominium, which was 41.4% higher than the number of units launched in the fourth quarter of 2019.

However, the Circuit breaker had reduced the launch activities in the primary market in April and May 2020. As a result, the total number of private housing units released for sale in 2020 was 4.1% lower than the launch volume in 2019.

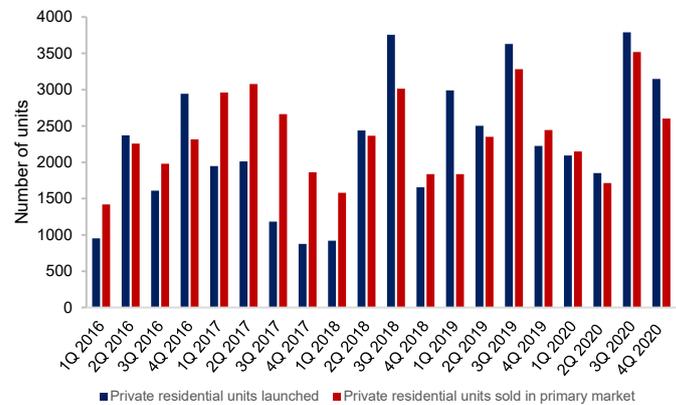
Despite launching relatively fewer housing units in 2020 compare to the preceding year, real estate developers managed to sell 9,982 private housing units, which was a marginal 0.7% more than the dwelling units sold in the year before, signalling that the primary market had survived the pandemic fairly well.

## Private Residential Rental Market

The private residential rental index ended the year with a slight 0.1% qoq expansion from the previous quarter. On a yearly basis, the rental index decreased 0.6% compared to 4Q 2019. This could be due to landlords being more willing to rent out their units at a lower rate in order avoid vacancies, given the weak rental market sentiment.

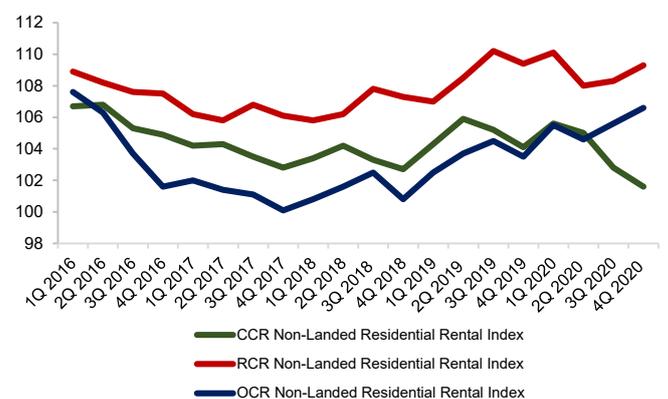
Foreign professionals are one of the biggest groups of residential tenants in Singapore. The weak job market due to the economic recession had adversely affected the rental volume as some of the foreign professionals leave Singapore. According to Singapore Ministry of Manpower, non-residents made up 90% of the decrease in total employment between January to September 2020. As a result, the

Figure 4: Private housing primary market supply & demand



Source: URA, ERA Research & Consultancy

Figure 5: Non-landed private residential rental indices



Source: URA, ERA Research & Consultancy

total number of rental contracts in 2020 contracted 2% compared to 2019 to 92,027 leasing transactions.

A total of 23,344 private residential rental contracts were registered from October to December 2020. This is 13.4% lower than the 26,969 private housing rental transactions in the third quarter of 2020.

While the private rental volume in the first, second and third quarters of 2020 were all lower than that of the corresponding periods in 2019, the private residential rental volume in 4Q 2020 increased by 12.8% compared to the previous year.

This could be attributed to an increase in demand from upgraders who were waiting for their HDB flats or private homes to be completed. Given the delay in construction due to Covid-19, couples who already registered to buy Build-to-Order (BTO) public flats would also have to wait longer for their flats to be completed. In the meantime, some couples might choose to start their lives together by moving out of their parents' homes and renting private residential units.

## Outlook For Private Housing Market

In 2021, the key factors that will influence the private and public housing markets in Singapore would be the expected recovery in the economy and subsequently, the recovery in the employment market. In addition, the implementation of the vaccination programme would also improve confidence in the real estate market and among consumers. Furthermore, as more people are vaccinated against Covid-19, the travel restrictions could be gradually eased, leading to more foreign homebuyers and investors coming to the Singapore property market as well as allowing developers and their marketing agents to market the residential projects overseas. As a result, private housing prices could continue to increase in this year.

Real estate developers may have fewer residential projects available for launch this year, compared to 2020. Developers launched 28 residential projects for sale in 2020. In 2021, developers had lined up fewer than 25 residential developments to be launched. About 10 of these are in the CCR. Therefore, the limelight in the primary market in 2021 would shift to the prime residential districts.

As the local job market improves, more foreign professionals would come to Singapore. Furthermore, as universities and polytechnics in Singapore prepare to partially resume on-campus learning in 2021, international students who had previously stayed at their home countries would also return to Singapore and look for homes to rent. This would increase residential leasing demand, resulting in a gradual recovery in residential rental rates and transaction volume.

However, as the housing buying momentum gathers strength, there is a looming risk of further government intervention. Furthermore, the large government expenditure to combat the economic effects of the pandemic had increased the budgetary pressure to raise tax revenue. Therefore, any new market cooling measures are likely to include increases in property related taxes.

In the coming months, with every newspaper headline that trumpets positive news about the property market, such as the strong sales in a new residential project launch or the increase in real estate prices, the authorities move one step closer to bringing out the big stick.

## **Nicholas Mak**

Head of Research & Consultancy

## **ERA Realty Network Pte Ltd**

Estate Agent Licence No: L3002382K

ERA APAC Centre  
450 Lorong 6 Toa Payoh  
Singapore 319394

[www.era.com.sg](http://www.era.com.sg)

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