



COMMENTARY

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Housing market turned the corner

Property price index 4Q 2020 flash estimate

Private residential property prices

The Singapore private and public housing market has turned the corner and price growth are accelerating. Despite the slight dip in prices in the first quarter of 2020, the private residential property prices recovered and grew at an increasing rate from 2Q 2020 onwards. The overall residential price index increased 2.1% quarter-on-quarter (qoq) in 4Q 2020 as compared to the 0.8% qoq growth in 3Q 2020. The 2.1% price increase was the fastest rate of growth since 2Q 2018, before the government implemented the latest round of cooling measures in July 2018.

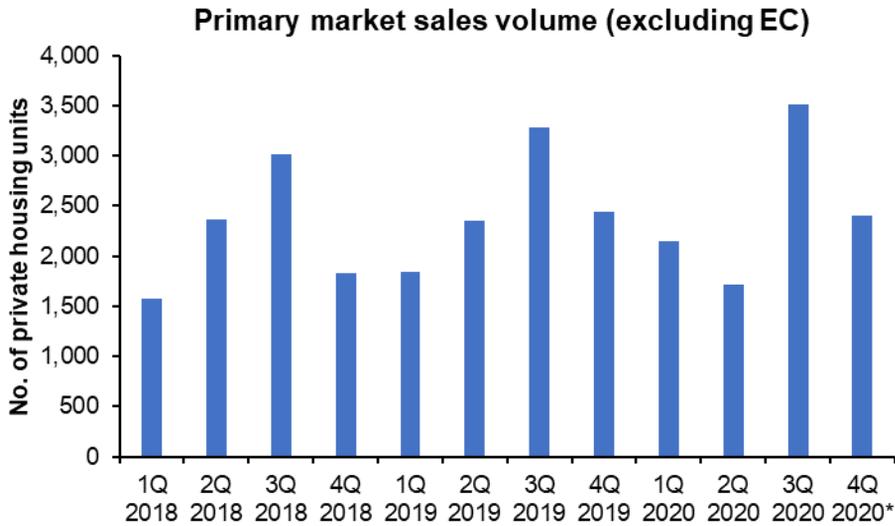
However, not all types of residential real estate enjoyed price expansion in the last three months of 2020. While the non-landed housing price index expanded 3.2% qoq in 4Q 2020, led by the 4.8% qoq growth of non-landed housing prices in the Rest of Central Region (RCR), the landed housing price index contracted 2.1% qoq over the same period.

The healthy growth in the capital values of non-landed housing was partly due to strengthening market confidence as there were growing signs that the pandemic would be contained with the availability of the vaccines. In addition, the launches of popular new residential projects such as The LinQ @ Beauty World, Clavon and Ki Residences at Brookvale contributed to the buying momentum and price growth. About 96% of the units in The LinQ @ Beauty World were sold on the first week of its launch in November.

Figure 1 | Private residential property price index



Figure 2 | Primary market sales volume



**Note: 4Q 2020 estimated sales*

Source: URA, ERA Research & Consultancy

HDB resale prices

The HDB resale housing market has also recovered from the negative impact of the pandemic, based on the latest official statistics. The HDB resale flat price index increased 2.9% qoq in 4Q 2020, which was the fastest rate of growth since 3Q 2011.

On an annual basis, the HDB resale price index increased 4.8% year-on-year (yoy) in 2020, which was the fastest rate of expansion since 2Q 2013, when the price index reached the peak of the price cycle.

The robust price growth in 4Q 2020 was contributed by a few factors such as the transactions of a growing number of new resale HDB flats that had reached the end of their 5-year MOP (Minimum Occupation Period). These newer flats typically command higher prices than the older flats in the vicinity. The Covid-19 pandemic had also contributed to an increase in demand for HDB resale flats. As the construction period of new HDB BTO flats is expected to increase due to the bottlenecks in the construction industry, some homebuyers are turning to the HDB resale market.

Despite the pandemic in 2020, the number of HDB flats transacted in the resale market increased 2.6% yoy in the first eleven months of 2020 compared the corresponding period in 2019. The number of HDB flats transacted in December 2020 is not available yet.

Table 1 | HDB resale transaction volume

	No. of HDB resale transactions	% yoy
Jan to Nov 2019	20,338	
Jan to Nov 2020	20,873	2.6%

Source: HDB, ERA Research & Consultancy

The number of resale HDB flat transactions towards the end of 2020 had also increased. In October and November 2020, 4,116 HDB flats exchanged hands in the resale market, which was 15.9% higher than the corresponding period in 2019.

Table 2 | HDB resale transaction volume in Oct-Nov 2019 & 2020

	No. of HDB resale transactions	% yoy
Oct & Nov 2019	4,116	
Oct & Nov 2020	4,771	15.9%

Source: HDB, ERA Research & Consultancy

Outlook

The worst seemed to be behind the Singapore residential property market as prices ended 2020 on a high note. Although the Singapore economy shrank 5.8% yoy in 2020, it was growing gradually on a quarterly basis, indicating that it was recovering from the impact of the Circuit Breaker.

The economy is expected to expand 4% to 6% next year, according to government projection. While there are some risks in the horizon such as the new variant of the coronavirus and the possible slower economic revival in other economies, Singapore is still confident in its ability to contain the spread of the virus. Moreover, as vaccinations are rolling out in early 2021, market sentiments will continue to improve this year. In addition, the fundamentals in Singapore property market are stable. Hence, both public and private housing prices are projected to improve further in 2021.

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