



COMMENTARY

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Private residential property price growth accelerates

Flash estimates of HDB resale and private residential property price index 1Q 2021

Introduction

The growth in residential property prices that started after the Circuit Breaker in 2020 continue into the first three months of 2021. According to the flash estimates from URA, the private residential property price index for the first quarter of 2021 (1Q 2021) increased 2.9% quarter-on-quarter (qoq), faster than the 2.1% qoq rise in 4Q 2020.

The faster price increase was led by prices of private residential properties in the city fringe areas, also known as Rest of Central Region (RCR).

Residential project and sales in February

The main driving force behind the expansion of non-landed property prices in 1Q 2021 was the 6.1% qoq growth in non-landed property prices in the RCR. There were two relatively large condominiums launched in the RCR in the first quarter of this year, namely Normanton Park and The Reef at King's Dock with 1,862 and 429 units respectively.

The Reef at King's Dock is located at the premium waterfront Keppel Bay area and near to the HarbourFront MRT Station and VivoCity mall. Therefore, housing units in this development were able to command comparatively high prices and contributed to the rise in the RCR non-landed price index.

In 1Q 2021, new homes at The Reef at King's Dock were sold at a median price of \$2,257 psf, while the median transacted price of non-landed homes in the RCR primary market was \$1,821 psf. This development was also one of the best-selling projects in the January to March quarter.

Three other best-selling residential developments in the RCR whose median transacted prices in the first quarter was above \$2,000 psf and contributed to the rise in the RCR price index were Amber Park, Avenue South Residence and One Pearl Bank. Below is the table with the ten best-selling RCR residential projects in 1Q 2021.

Table 1 | Best-selling RCR residential projects in 1Q 2021

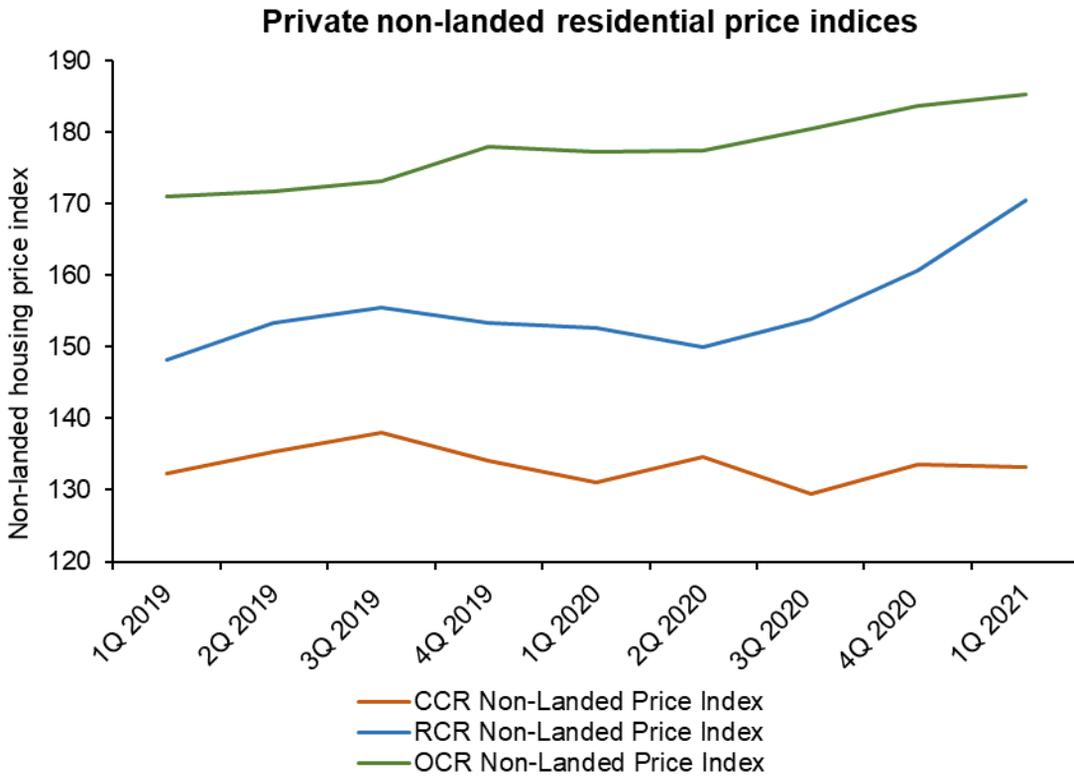
Project Name	Road Name	District	No. Of Caveats*	Median \$psf	Median Absolute \$
Normanton Park	Normanton Park	05	720	\$1,765	\$1,190,287
The Reef At King's Dock	Harbourfront Avenue	04	337	\$2,257	\$1,593,800
Jadescape	Shunfu Road	20	69	\$1,799	\$2,188,700
Amber Park	18/18a Amber Gardens	15	66	\$2,444	\$1,756,040
Forett At Bukit Timah	Toh Tuck Road	21	58	\$1,996	\$1,434,000
Avenue South Residence	11/13 Silat Avenue	03	43	\$2,099	\$1,551,000
One Pearl Bank	1 Pearl Bank	03	34	\$2,406	\$1,903,000
View At Kismis	Lorong Kismis	21	30	\$1,726	\$1,230,500
Park Colonial	Woodleigh Lane	13	28	\$1,915	\$1,453,000
Stirling Residences	Stirling Road	03	26	\$2,118	\$1,427,500

**Note: Based on reported caveats in 1Q 2021 as at 1 April 2021.*

Source: URA, ERA Research & Consultancy

After increasing 1.8% qoq in the fourth quarter of 2020, the prices of non-landed homes in the Outside Central Region (OCR) grew by a relatively moderate 0.9% qoq in 1Q 2021. On the other hand, the Core Central Region (CCR) non-landed private housing price index contracted 0.3% qoq in the first three months of this year after increasing 3.2% qoq in the preceding quarter.

Figure 1 | Non-landed residential price indices



Source: URA, ERA Research & Consultancy

Landed Housing price

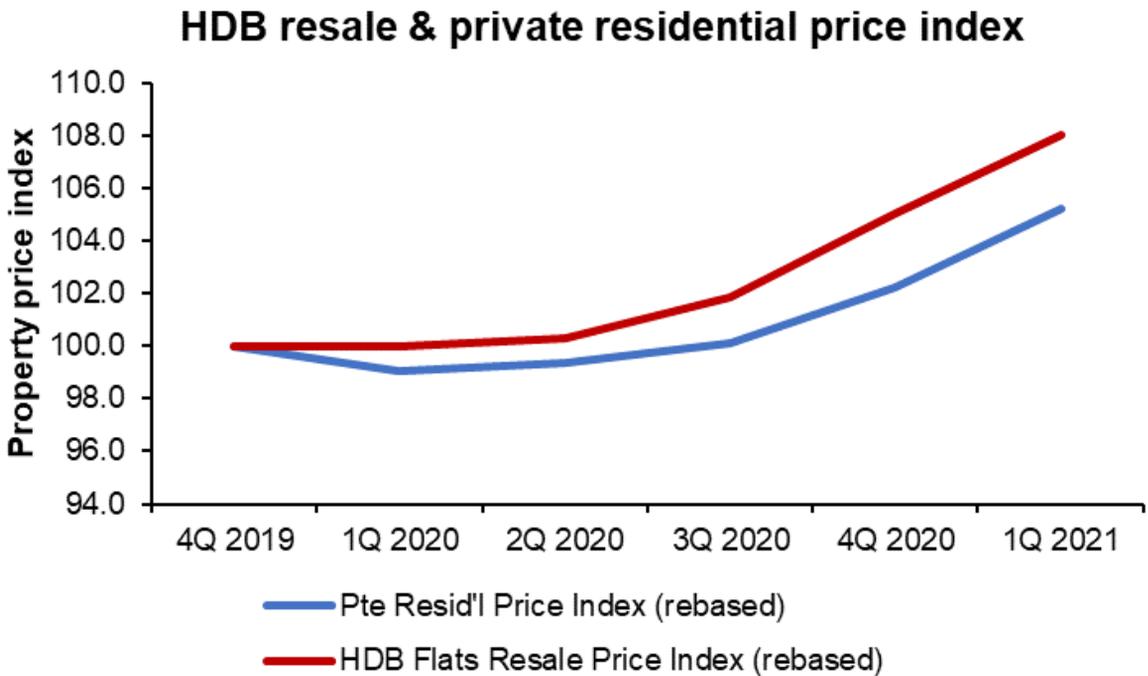
In the past three years, the price trend of landed residential properties has been quite volatile. Periods of price growth has been punctuated by 3-month period of price decline. In 1Q 2021, the price index for landed housing jumped 5.6% qoq after dropping 1.6% qoq in the preceding quarter. The robust price growth of landed housing was contributed by the improvement in market confidence and healthy buying demand, while the supply of landed properties remains limited.

HDB resale prices

By the end of March 2021, the HDB resale price index had increase for close to 21 months. In 1Q 2021, it appreciated by another 2.8% qoq, bring the annual growth rate to 8.0% year-on-year (yoy).

Ironically, it was the pandemic that contributed to the robust increase in resale prices of HDB flats. The construction of HDB new flats was delayed by the pandemic, leading to some buyers to choose to buy resale HDB flats rather than to wait for the new flats in the Build-to-order (BTO) programme. As a result, the increase in buying demand led to sharper rise in HDB resale prices.

Figure 2 | HDB resale and private residential price index



Source: URA, ERA Research & Consultancy

Premature for more cooling measures

The steady increase in the property price index had fuel speculations that the government could impose another new round of cooling measures. Presently, any additional market intervention by the government is premature due to the following reasons.

The last time that the government introduced a round of property market cooling measures was in July 2018. In 2Q 2018, just before the cooling measures, the private residential property price index increased 3.4% qoq and 9.1% yoy. Currently, the private housing price index is not growing at that pace.

Furthermore, the property price index is not the only indicator that will influence whether another round of market curb is needed or not. The government probably studies many other market indicators, such as property transaction volume, the size of the household debt and the size of the total loans granted by banks in Singapore that are related to real estate loans. The transaction volume of new and resale private residential properties in the past twelve months had been fairly stable and had not risen excessively.

Thirdly, the Singapore economy has not recovered from the pandemic-induced recession yet. The construction sector was one of the more adversely affected industry by the Covid-19 outbreak. Construction output contracted 35.9% last year. If the government were to introduce more cooling measures, they would adversely affect the property market, which would in turn impact the construction industry. Subsequently, such market curbs would slow down the economic recovery.

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