

Flash estimate of HDB Resale and Private Housing Price Index 4Q 2019: The rise of the mass market

The flash estimates of the HDB resale flats and private residential property price index for the fourth quarter of 2019 (4Q 2019) were released by the government today.

Private residential property price index

According to the flash estimate released by the Urban Redevelopment Authority (URA), the overall private residential property price index increased at a slower rate quarter-on-quarter (qoq) in 4Q 2019 as compared to 3Q 2019. The overall private residential price index expanded by 0.3% qoq in the last quarter of 2019.

This was mainly driven by the rise in prices of non-landed housings in Outside Central Region (OCR) and landed housing prices at 2.9% qoq and 4.0% qoq respectively.

On the other hand, the price indices of non-landed property in Central Region (CCR and RCR) contracted in 4Q 2019. This showed a compression of prices of different market segments as mass market home prices rose and the high-end and mid-end housing prices contracted.

The compression of price levels will bring prices in the different market segments closer. But this will be a temporary situation as the price trends of all three market segments will likely move in tandem in 2020 with more new launches expected in the CCR and RCR.

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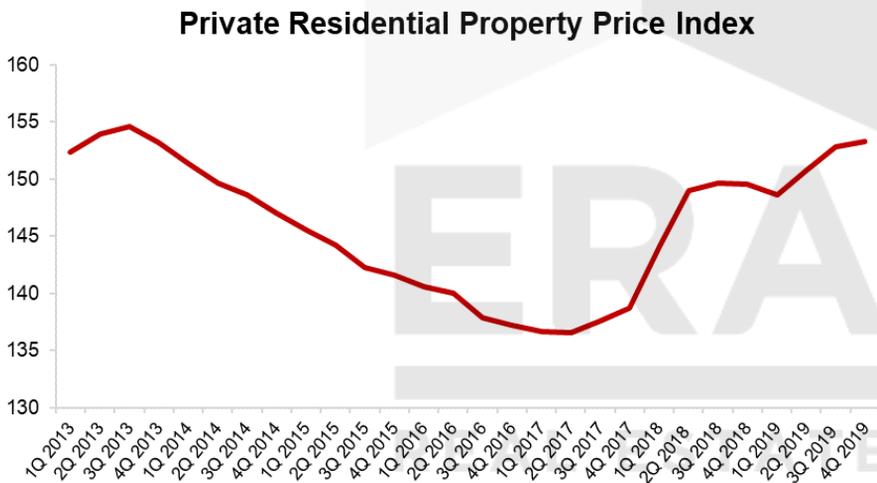
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In the 6-month period from April to September 2019, the prices of prime non-landed properties increased much faster than that of landed housing. It is only a matter of time before landed housing, which is the aspired assets by some homebuyers, becomes attractively priced compared to that of prime condominiums, leading to a rise in demand for landed homes. As a result, the prices of landed residential properties increases.

The private residential overall price index is gradually rising and it is only 0.8% lower than the previous peak in 3Q 2013.

Graph 1: Overall private residential property price index

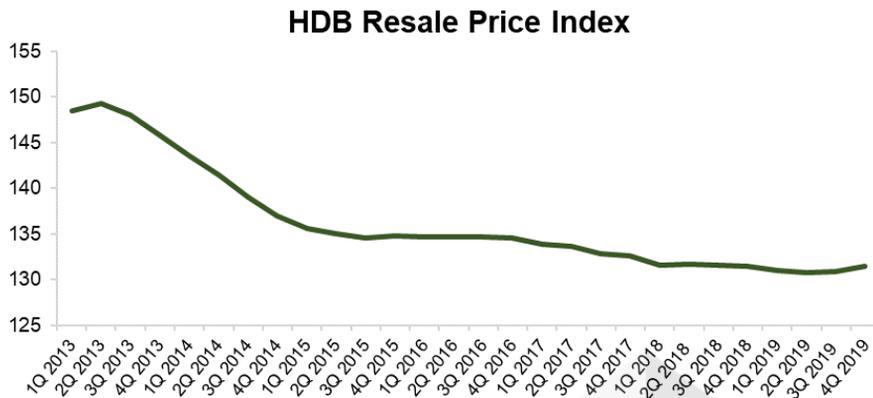


Source: URA, ERA Research & Consultancy

HDB resale price index

The rise of the mass market housing prices is also evident by the HDB resale price index. The latest flash estimate of the HDB resale price index shows that the price recovery in the public housing market is on a firmer footing. In 4Q 2019, HDB resale price index increased 0.4% qoq as compared to the marginal 0.1% qoq increase in 3Q 2019. This is also the second consecutive quarter with HDB resale price expansion after 6.5 years of decline that started in mid-2013.

Graph 2: HDB resale price index



Source: HDB, ERA Research & Consultancy

Outlook

The HDB resale price index is expected to grow gradually in 2020 on the back of policies changes and new initiatives announced by the government in 2019, such as the introduction of Enhanced Housing Grant and changes in the use of CPF funds for the purchase of older HDB flats. For the private market, prices are also expected to rise, but in at more muted pace as it is affected by the various market curbs that are still in place.

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