

Moving in opposite directions

Flash estimates of 2Q 2020 private residential and HDB resale housing price index

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Introduction

Based on the flash estimates released today, the private residential property price index decreased by 1.1% quarter-on-quarter (qoq) in the April to June quarter of this year, while the price index for HDB resale flats grew by 0.2% over the same period.

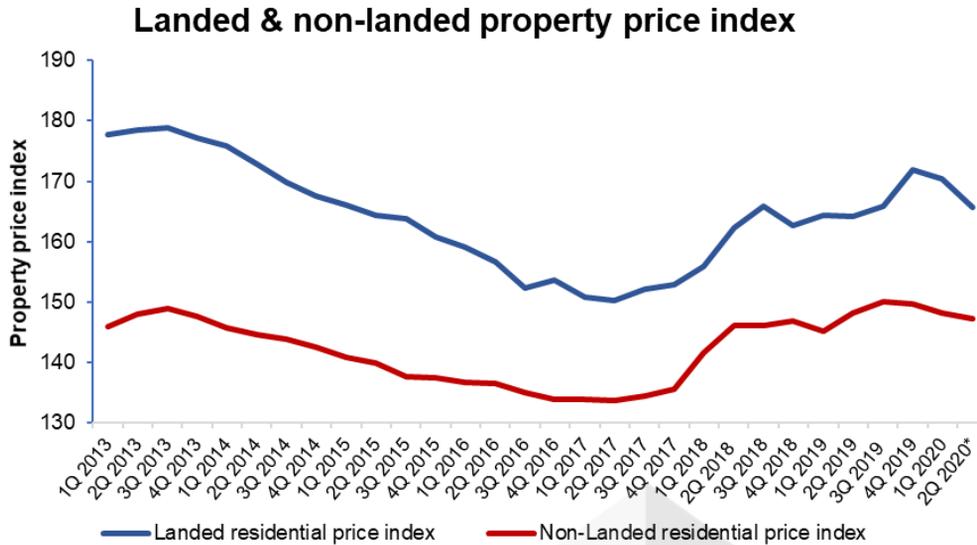
Private residential property market

The partial lock-down or “Circuit Breaker” to contain the spread of the coronavirus in Singapore from 7 April 2020 to 1 Jun 2020 had severely restricted real estate activities such as visiting show flats or completed properties, leading to lower transaction volume during the lock-down.

As a result, the private residential price index slipped 1.1% quarter-on-quarter (qoq) in 2Q 2020, following a 1.0% decrease in the preceding quarter.

The drop in private housing prices in the second quarter was led by the sharper decline of landed housing prices of 2.6% qoq. On the other hand, non-landed housing price index only dropped 0.6% qoq in the same 3-month period.

Figure 1: Landed and non-landed property price index

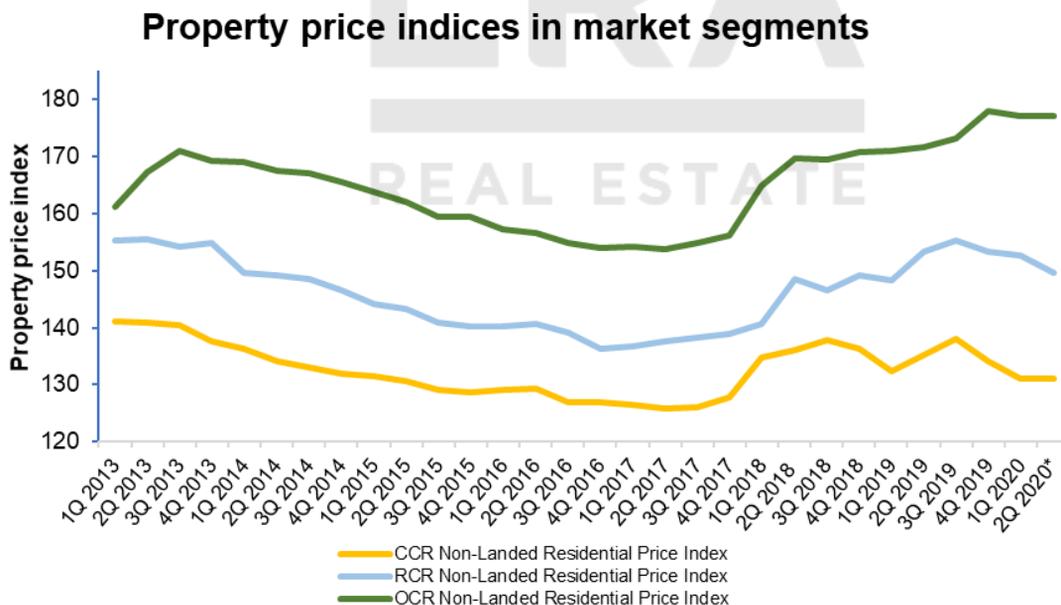


Source: URA, ERA Research & Consultancy

*Note: 2Q 2020 data is flash estimate

In the second quarter, the non-landed residential property prices in the Rest of Central Region declined by 1.9% qoq. Meanwhile, the housing price decline in Core Central Region has slowed down, falling marginally by 0.1% qoq in 2Q 2020 as compared to the 2.2% qoq drop in 1Q 2020.

Figure 2: Property price indices in three market segments



Source: URA, ERA Research & Consultancy

*Note: 2Q 2020 data is flash estimate

Among the three market segments, the Outside Central Region (OCR) was the only market segment where the property price index remained unchanged in 2Q 2020 compared to the first three months of the year. This could be due to the resilient demand for properties in the OCR primarily from HDB upgraders.

The overall prices of HDB resale flats had remained stable in 1H 2020 as the flash estimate of the resale price index for 2Q 2020 increased 0.2% qoq, while the private housing price indices headed in the opposite direction.

The stable HDB resale prices and the high number of HDB flats that could be sold on the resale market in 2019 and 2020 would lead to stable demand for private properties from the growing pool of HDB upgraders. An estimated 27,000 HDB flats reached the end of their 5-year MOP (Minimum Occupation Period) in 2019. Another 26,000 HDB flats will reach the end of their 5-year MOP in 2020. By comparison, the annual average number of HDB flats that have reached the end of their 5-year MOP in the 10-year period from 2009 to 2018 was 9,000 flats per year. Some of these relatively new flats would find their way to the resale market and the owners could subsequently upgrade to private housing.

In addition, the suburban condominiums come with lower price tags and are more affordable, compared to real estate in the central region. Therefore, there are relatively more transactions of suburban private housing compared to the mid-tier and prime real estate.

Based on URA Realis data, the preliminary number of private housing units (excluding Executive Condominiums) transacted in the primary and secondary markets are as follows.

Table 1: Number of private residential units transacted nationwide (excluding Executive Condominium)

	No. of units sold in primary market	No. of units sold in secondary market	Total no. of units transacted
1Q 2020	2,149	2,120	4,269
2Q 2020 (estimate)	1,400	800	2,200

Source: URA, ERA Research & Consultancy

The total private residential property transaction volume in 2Q 2020 was about half the volume in the preceding quarter. While the secondary market suffered a steeper 62% qoq drop in sales volume, the primary market had a smaller decline of 35% qoq in the second quarter of 2020.

HDB resale market

Prices of HDB resale flats fared a bit better as the HDB resale price index increased by 0.2% qoq in 2Q 2020, after remaining flat in 1Q 2020. It illustrated the healthy demand for public housing in Singapore. The increase in the supply of relatively new HDB flats that had reached the end of their 5-year MOP could also contribute to the rise in resale prices because these newer flats typically command higher prices compare to the older ones.

Outlook

The property market will be balancing opposing forces. There will be market forces that will depress property prices, such as economic headwinds and the weak job market. There will also be market forces that would support property prices, such as low interest rates, ample liquidity in the market, some pent-up demand, more active real estate marketing, foreigners seeking safe haven outside their home countries and HDB upgraders' demand.

As the “circuit breaker” is gradually lifted and the Singapore economy reopens, homebuyers are returning to housing market. Real estate transactions are expected to increase in the coming months.

Property prices are not expected to collapse this year. The HDB resale price index could vary between a 1% growth and a contraction of 0.8% for the whole of 2020. On the other hand, the overall private housing price index could still decline gradually in the coming months due to the economic headwinds. However, the expected increase in transaction volume would slow down this price decline. The 1.1% fall in the private property price index for 2Q 2020 was quite mild. Hence, we would not rule out some surprises for the rest of this year.

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