



COMMENTARY

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Steady price growth driven by healthy demand

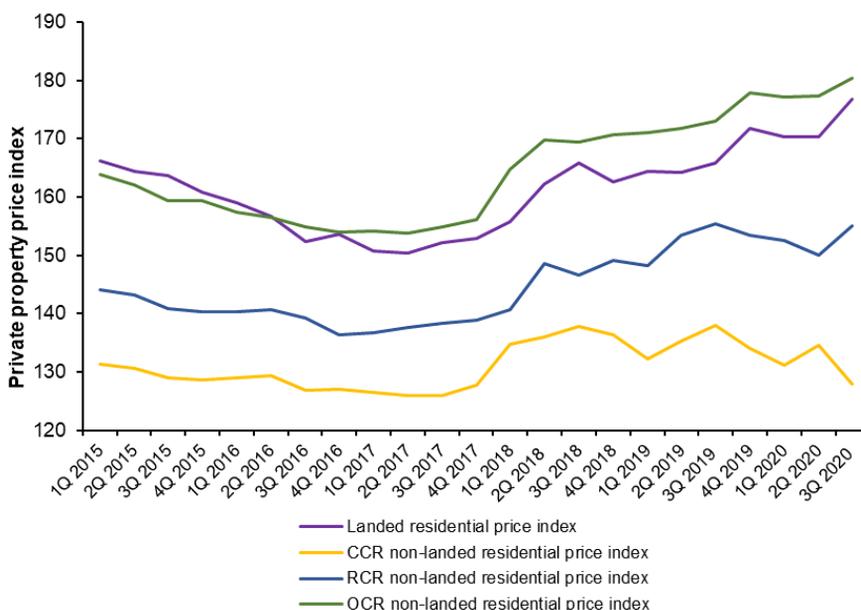
Private & HDB housing price index 3Q 2020 flash estimate

Private and HDB residential property prices continue to grow

Based on the flash estimates released by the Singapore government, the growth of the private residential property price index gathered pace in the third quarter of this year (3Q 2020) with a 0.8% quarter-on-quarter (qoq) increase, which was faster than the 0.3% expansion in the second quarter. The increase was mainly driven by the appreciation in prices of non-landed housing in the city fringe, suburbs and the landed housing segment.

Among the different market segments in 3Q 2020, the landed housing price index grew the fastest at 3.8% qoq. The price index has not expanded at this rate since the property market boom of 2010 to 2011. However, the rate of change in the landed housing price index has been volatile in the past two years.

Figure 1 | Private residential price indices



Source: URA, ERA Research & Consultancy

Meanwhile, the overall non-landed housing price index remained unchanged in 3Q 2020. This was mainly because the increase in non-landed property prices in the Rest of Central Region (RCR) and Outside Central Region (OCR) was cancelled out by the price contraction in the Core Central Region (CCR). The non-landed property price indices in the RCR and OCR grew by 3.3% and 1.7% qoq respectively. On the other hand, prices in the CCR dropped drastically by 4.9% qoq in 3Q 2020, erasing the 2.7% qoq growth from April to June this year.

Table 1 | Change in Primary market median prices of private non-landed housing

	CCR primary market*	% qoq	RCR primary market*	% qoq	OCR primary market*	% qoq
2Q 2020	\$2,347		\$1,769		\$1,484	
3Q 2020 **	\$2,535	8.0%	\$1,846	4.3%	\$1,523	2.6%

**Note 1: Median price on SGD per square foot (psf) basis*

***Note 2: Based on preliminary data*

Source: URA, ERA Research & Consultancy

Based on our research of the reported real estate transactions in the second and third quarter of 2020, in the primary market (real estate sold by developers), the median transacted prices of private non-landed homes in the CCR increased the fastest among the three market segments at 8.0% qoq to \$2,535 per square foot (psf) in 3Q 2020. The median transacted prices of non-landed homes in the RCR and OCR primary markets expanded at a relatively slower rate of 4.3% and 2.6% qoq respectively.

Table 2 | Change in Secondary market median prices of private non-landed housing

	CCR secondary market*	% qoq	RCR secondary market*	% qoq	OCR secondary market*	% qoq
2Q 2020	\$2,052		\$1,334		\$1,046	
3Q 2020 **	\$1,771	-13.7%	\$1,349	1.1%	\$1,059	1.2%

**Note 1: Median price on SGD per square foot basis*

***Note 2: Based on preliminary data*

Source: URA, ERA Research & Consultancy

However, it was the decline in the median prices of non-landed CCR homes in the secondary market (resale and sub-sale market) that dragged down the CCR residential property price index. In 3Q 2020, the transacted median prices of private non-landed in the secondary market contracted by a drastic 13.7% qoq in the CCR, while prices in the RCR and OCR increased by 1.1% to 1.2% qoq respectively.

Sustainable price increase

The transaction volume in both the primary and secondary markets increased in all the three market segments in 3Q 2020. The secondary market volume enjoyed a higher percentage increase in 3Q 2020 than the primary market as the secondary market has a lower base in the second quarter. It suffered a steeper drop in resale volume in 2Q 2020 due to the Covid-19 partial lockdown in April and May.

Table 3 | Transaction volume of private non-landed housing in primary market

	CCR primary market *	% qoq	RCR primary market *	% qoq	OCR primary market *	% qoq
2Q 2020	199		650		793	
3Q 2020 **	263	32.2%	1310	101.5%	1250	57.6%

**Note 1: Number of housing units transacted*

***Note 2: Based on preliminary data*

Source: URA, ERA Research & Consultancy

The broad-based increase in real estate transactions was an encouraging sign as it indicated that the price growth in the third quarter was driven by an increase in demand and it could be sustained in the coming months.

Although the government has restricted the re-issue of Options to Purchase (OTP) to the same buyer for the same unit, such practice was not common in the secondary market. Hence the strong increase in secondary market transactions in 3Q 2020 was based on real demand from homebuyers.

Table 4 | Transaction volume of private non-landed housing in secondary market

	CCR secondary market *	% qoq	RCR secondary market *	% qoq	OCR secondary market *	% qoq
2Q 2020	208		193		355	
3Q 2020 **	457	119.7%	617	219.7%	1138	220.6%

**Note 1: Number of housing units transacted*

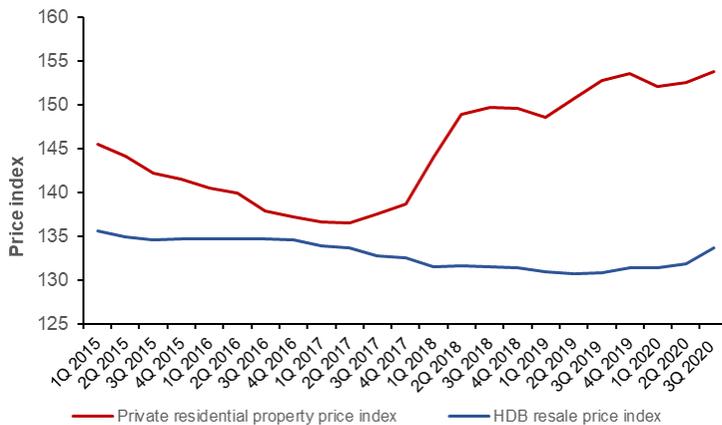
***Note 2: Based on preliminary data*

Source: URA, ERA Research & Consultancy

HDB resale prices

The steady increase in the HDB resale price index would also support the price growth in the private housing market, especially in the OCR and RCR.

Figure 2 | Private residential and HDB resale price index



Source: URA, ERA Research & Consultancy

In 3Q 2020, the flash estimate of the HDB resale price index increased 1.4% qoq, faster than the 0.3% qoq growth in the second quarter. With more HDB flats reaching the end of their 5-year Minimum Occupation Period (MOP) in 2019 and 2020, the transaction of these new flats in the resale market, especially those that are well-located, would reap handsome profits for the owners. As a result, some of these owners would be confident to upgrade to private housing even during this tough economic climate.

Outlook

The Singapore housing market will face opposing market forces in the coming months. On one hand, the economic effect due to the Covid-19 pandemic is the main factor that could adversely affect housing demand and values. On the other hand, the gradual relaxation of travel restrictions could increase the demand from foreign investors for local real estate. In addition, there are also promising signs in the development of Covid-19 vaccines.

The increase in the private housing price index in the April to September period had cancelled out the 1.0% price contraction in 1Q 2020. Unless the Singapore economy and job market were to take a turn for the worse leading to home prices declining significantly in the fourth quarter, the private residential property price index is projected to increase by 0.5% to 1.5% for the whole of 2020.

The HDB resale price index would likely outperform the private housing price index in 2020. The resale transactions of the newer flats at relatively higher prices and the effects of public housing grants announced by the government last year could push the HDB resale price index to rise by 2% to 3% this year.

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