THE
BULLETIN

HDB RESALE & PRIVATE RESIDENTIAL PROPERTY MARKET REPORT 3Q 2020

BY ERA RESEARCH & CONSULTANCY

HDB Resale Market 3Q 2020

HDB Resale Prices

The public housing resale price and resale volume appeared to be immune to the pandemic-induced recession as the HDB resale price index continued to rise in the third quarter this year. The overall prices of HDB resale flats have been on an upward trend since 3Q 2019. The price growth accelerated from a 0.3% quarter-on-quarter (qoq) increase in 2Q 2020 to 1.5% qoq expansion in the following quarter, despite the pandemic.

The 1.5% qoq increase in the HDB resale price index in 3Q 2020 was also the fastest rate of growth in the past eight years, since it increased by 2.5% in 4Q 2012.

One key driving factor for this steady increase in HDB resale price index was the growing number of new HDB flats entering the resale market. These new flats have reached the end of their 5-year Minimum Occupation Period (MOP) and could usually command higher prices than the older flats in the same neighbourhood. In 2019 and 2020, an estimated 27,000 and 26,000 HDB flats reached their 5-year MOP respectively. This is triple the 10-year annual average of 9,000 new resale flats from 2008 to 2018.

Based on our research, 15.5% of resale HDB flats sold in 2019 and 21.3% of resale flats sold from January to September this year were 6 years old or younger at their transaction date. On the other hand, the number of such new flats sold five years earlier in 2015 was only 3.9% of the total number of transacted resale flats.

The market share of such new resale flats is also growing in the past three quarters. The proportion of the new resale flats transacted in 3Q 2020 is the highest this year at 22.4% of total transactions, compared to 20.4% and 20.6% of total resale transactions in the first and second quarter of 2020 respectively.

Table 1: Proportion of young resale flats sold in 2015, 2019 and 2020 based on transaction caveats

Time	No. of young resale flats sold	% of young resale flats sold
2015	694	3.9%
2019	3,447	15.5%
2020 (Jan to Sep)	3,441	21.3%

Note: Young resale flats have a remaining lease of 93 years or more in the year of resale.

Source: Department of Statistics, ERA Research & Consultancy

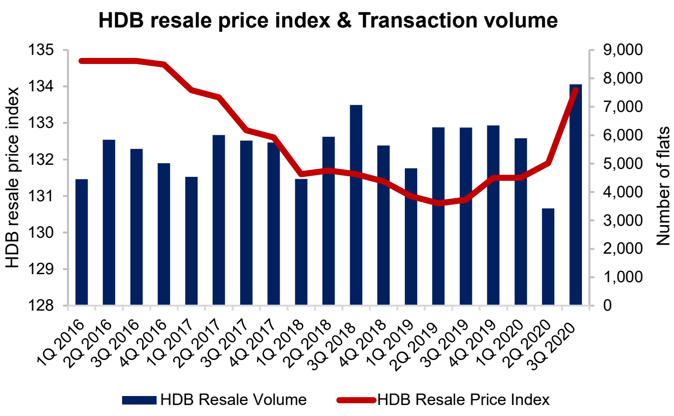
Table 2: Proportion of young resale flats sold in 2020 based on transaction caveats

Time	No. of young resale flats sold	% of young resale flats sold
1Q2020	1,125	20.4%
2Q2020	666	20.6%
3Q2020	1,650	22.4%

Note: Young resale flats have a remaining lease of 93 years or more in the year of resale.

Source: Department of Statistics, ERA Research & Consultancy

Figure 1: HDB resale transactions and prices



Source: HDB, ERA Research & Consultancy

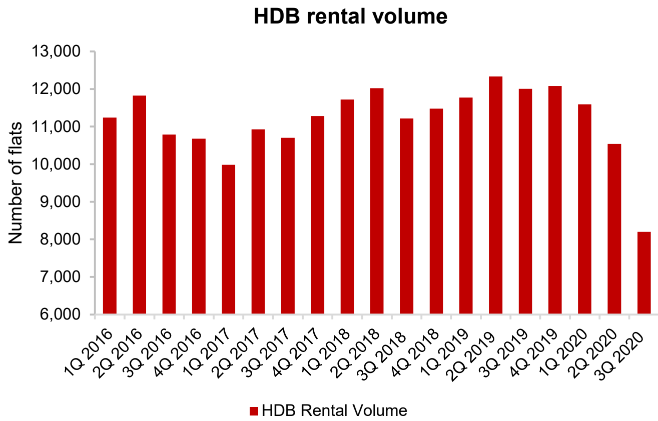
HDB Transaction Volume

The pent-up demand from the Circuit Breaker period in the second quarter led to a sharp jump in HDB resale transactions in 3Q 2020. The steady price growth in the public housing market encouraged some flats owners to sell their flats and upgrade to larger flats or private housing. As a result, the number of registered HDB resale applications increased 127.3% qoq to 7,787 flats in 3Q 2020 after two quarters of decline.

HDB Rental Market

Although HDB resale price and resale volume were not affected by the pandemic and recession, the HDB residential leasing market did not enjoy the same immunity. The decline in the number of HDB flats rented out by individual owners each quarter accelerated in the second and third quarter of this year as the pandemic adversely affected the employment market, especially among foreigners in Singapore. Some of these foreigners would give up the lease of their rental properties after they lost their jobs and had to leave Singapore.

Figure 2: HDB rental volume



Source: HDB, ERA Research & Consultancy

In addition, the travel restrictions had also reduced the number of new foreigners coming to Singapore for work or studies, resulting in lower leasing demand for both HDB and private housing.

On the other hand, the new travel arrangements between Malaysia and Singapore, where Malaysian workers were able to stay and work in Singapore for periods of three months before visiting their families in Malaysia, had increased the rental demand for HDB flats, especially those located near industrial estates. However, this new demand was not enough overcome the effects of other foreigners who left Singapore.

Outlook

In the first nine months of this year, the HDB resale price index had expanded 1.8%. At the current pace, the price index could rise between 2.5% and 3.5% year-on-year for the whole of 2020, which would be the best annual growth rate since 2013.

In addition, about 23,000 to 24,000 HDB resale flats could exchange hands for the whole of this year, which is about the same volume as the 23,714 resale flats transacted in 2019. This is quite a good result, considering that the market is experiencing an economic recession and a once-in-a-century pandemic.

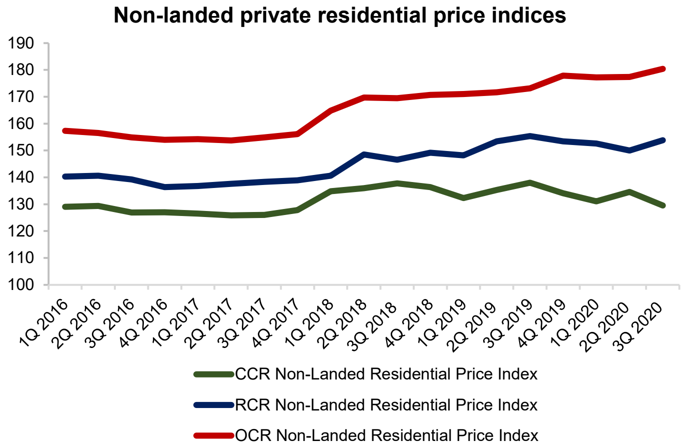
In the next 12 to 18 months, the large number of new flats that are eligible to be sold in the resale market would be transacted at relatively high prices and contribute to the overall HDB price growth. An estimated 26,000 new HDB flats would reach the end of their 5-year MOP in 2021, which is about the same number as in 2020. The effects of these new HDB flats on the resale market would continue into 2022. Furthermore, the Singapore economy would likely recover next year and would have a positive effect on prices and demand of HDB flats. Therefore, the HDB resale price index could continue to increase in 2021, barring any unexpected market shocks.

Private Residential Property Market 3Q 2020

Private Residential Property Prices

In the past one-and-a-half year, the overall prices of private residential properties had increased at a gradual pace. In the third quarter of this year, the growth of the private residential property price index gathered pace in with a 0.8% quarter-on-quarter (qoq) expansion, which is faster than the 0.3% growth in the second quarter. The increase was mainly driven by the appreciation in prices of non-landed housing in the city fringe and suburbs, as well as in the landed housing segment.

Figure 3: Non-landed private residential price indices



Source: URA, ERA Research & Consultancy

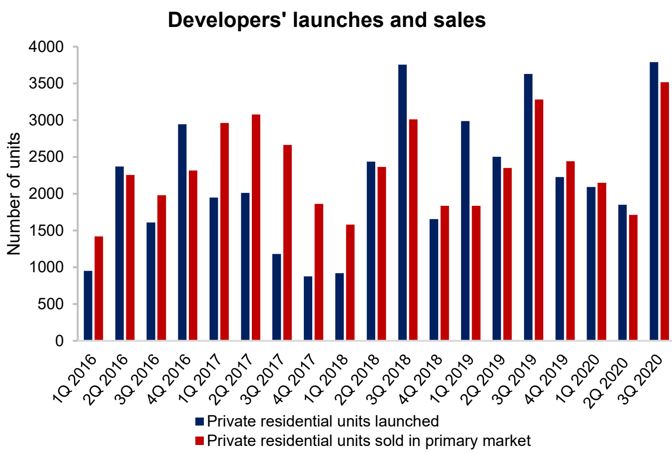
The landed residential property price index grew at the highest rate of 3.7% qoq in 3Q 2020. Meanwhile, the overall non-landed price index only inched up 0.1% qoq in the same 3-month period. This is because the price contraction in the prime Core Central Region (CCR) erased most of the gains in non-landed property prices in the rest of the island. The non-landed property price indices in the Rest of Central Region (RCR) and Outside Central Region (OCR) grew by 2.5% and 1.7% qoq respectively. On the other hand, the CCR property price index dropped by a drastic 3.8% qoq in 3Q 2020, reversing the 2.7% qoq growth from April to June this year.

Private Residential Transaction Volume

Developers launched more units in 3Q 2020 to make up for the downtime during the two-month circuit breaker in the previous quarter. A total of 3,791 uncompleted homes were launched for sale in the July-to-September quarter, double the new homes launches in the previous three months. As a result, the primary market sales volume rebounded by 105.3% qoq to 3,517 units in the third quarter this year.

While there were only three new residential projects launched from April to June 2020, developers launched more projects in the subsequent three months as the market slowly regained confidence and buying demand picked up. Seven new private housing projects were launched in 3Q 2020. The launch of bigger condominium developments with more than 250 units each, such as Forett @ Bukit Timah, Penrose and Verdale also contributed to the rise in new home sales from July to September 2020.

Figure 4: Units launched and sold by developers



Source: URA, ERA Research & Consultancy

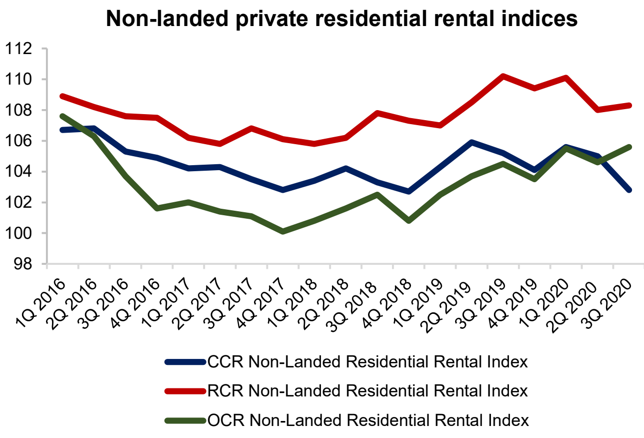
Secondary market sales volume had a sharper recovery in 3Q 2020, rising by 271.2% qoq compared to the 105.3% qoq growth primary market sales volume, mainly due to the sharp decline in resale transactions in 2Q 2020 leading to a lower base for the recovery. The 3,530 private residential units transacted in the secondary market in the third quarter of 2020 is the highest since the latest cooling measures introduced in mid-2018.

Private Residential Rental Market

Although the rate of decline in the private residential property rental index slowed from a 1.2% quarter-on-quarter (qoq) drop in 2Q 2020 to a 0.5% fall in the following quarter, the leasing market in each market segments performed differently.

In 3Q 2020, the CCR rental index declined by 2.1% qoq, while the rental indices for RCR and OCR increased 0.3% and 1.0% qoq respectively.

Figure 5: non-landed private residential rental indices



Source: URA, ERA Research & Consultancy

One of the main causes of the decline in the rental index was the Covid-19 travel restrictions that prevented the arrival of expatiates in Singapore, coupled with the departure of expatriates who had lost their employment due to the weaker local employment market.

Furthermore, the travel restrictions also prevented foreign students who enrolled in local education institutions from coming to Singapore, leading to lower leasing demand in locations with major institutions of higher learning. There are a few major educational institutions in the CCR such as Singapore Management University and Nanyang Academy of Fine Arts.

Another indication of the weaker residential property rental market in the CCR was the higher increase in the residential vacancy rate from 7.5% in the second quarter to 9.2% in the 3Q 2020. The CCR housing vacancy rate was the highest compared to the other two localities in the third quarter. The vacancy rates in the RCR and OCR in 3Q 2020 were 7.4% and 4.2% respectively.

Outlook

In the first nine months of this year, real estate developers launched and sold 7,736 and 7,379 private residential units respectively.

The Singapore property market would usually enter a lull period in the last quarter of each year as some families would hunker down for the children's year-end school examinations followed by overseas vacations. At the same time, real estate developers would also release fewer units for sale in the October to December period, leading to lower sales volume in the fourth quarter.

In the last quarter of this year, most market decision makers would not be going on overseas vacations due to the coronavirus pandemic. Therefore, some property developers may capitalize on the current buying momentum to launch their new residential projects.

Between four and six residential projects with 1,720 to 2,450 units could be launched in 4Q 2020. Some of these upcoming residential launches include Ki Residences (660 units) and Clavon (640 units). Furthermore, developers would also release additional housing units for sale in projects that were launched recently.

Therefore, between 10,000 and 11,000 private housing units could be launched in the whole of this year. The number of units sold by developers in 2020 would range from 9,700 to 10,500. The healthy buying demand would support the increase in housing prices. However, the recession would taper the growth to a modest 0.5% to 1.5% year-on-year increase in 2020.

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