

OrangeTee[®]

Market Outlook 2020

Private Residential and HDB



City skyline from South Beach Residences | OrangeTee & Tie Research and Consultancy photo

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A Look Back at 2019

The private residential market has ended on a higher note, punctuated by more highs than lows across most market segments in 2019. Being one of the busiest years over the past decade, there were more than 50 new residential projects and over 10,000 new homes being launched last year.

New private home sales outperformed expectations despite trade tensions between the United States and China, and a slower world economic outlook. Prices of private homes have continued to rise in 2019, which is estimated to be 2.5 per cent for the whole year going by flash estimates from the Urban Redevelopment Authority (URA). An estimated 9,500 to 10,000 new homes is poised to be sold in 2019, which will be higher than the 8,795 transactions inked in 2018.

For the public housing sector, demand for Housing Board resale flats staged a remarkable turnaround last year after a series of policy changes were implemented. Buying interest for older flats was revived and a stronger sales performance was recorded for most housing types.

Based on flash estimates, there was no change in resale flat prices for 2019, indicating that prices have continued to stabilise. Total resale transactions are projected to reach around 21,500 to 22,000 units in 2019.



Van Holland | Artist Impression

Looking Ahead to 2020

As we approach the dawn of a new decade, we look towards the future with anticipation. The property market will continue to present exciting opportunities for both investors and homeowners.

While both private and public housing markets will undoubtedly be influenced by the wider economy, several factors like the easing of trade tensions, positive employment numbers, interest rate cuts, and strong income growth will continue to sustain demand and boost buyers' confidence.

The private residential market looks set to ring in another busy year as more than 30 new projects may be launched in the first half of this year.

The outlook for the HDB resale market looks bright as the recent policies may continue to impact the market positively in the coming months. Resale transactions may rise as more flats will be reaching their five-year minimum occupation period and many homeowners may be keen to upgrade to a private home or bigger flat.

Private Residential Market

Overall Sales Volume

We remain sanguine about the private residential market as our economic fundamentals have been strong and buying sentiment has been robust over the past few months.

More luxury home sales could be expected in the coming months as many projects in the prime location are slated to be launched this year. Some of the key project launches include The Avenir, Kopar at Newton and Van Holland.

There could be more executive condominiums (EC) being sold this year since more than three projects may be launched and the income ceiling

| Indicators | 2018 | Projection for 2019 | Projection for 2020 |
|---|--------|---------------------|---------------------|
| Overall | | | |
| URA PPI Price Change | 7.9% | 2.5% | 1% to 3% |
| Sales Volume (excl. EC) (All sales in units) | 22,139 | 18,000 to 19,000 | 17,500 to 19,500 |
| New Sale (excl. EC) | | | |
| Price Change | 10.8% | 7% to 8% | 2% to 4% |
| Sales Volume (units) | 8,795 | 9,500 to 10,000 | 9,000 to 9,800 |
| Resale (excl. EC) | | | |
| Price Change | 2.6% | 3% to 4% | 1% to 3% |
| Sales volume (units) | 13,009 | 8,000 to 9,000 | 8,000 to 9,000 |

Source: URA, URA Realis, OrangeTee & Tie Research and Consultancy

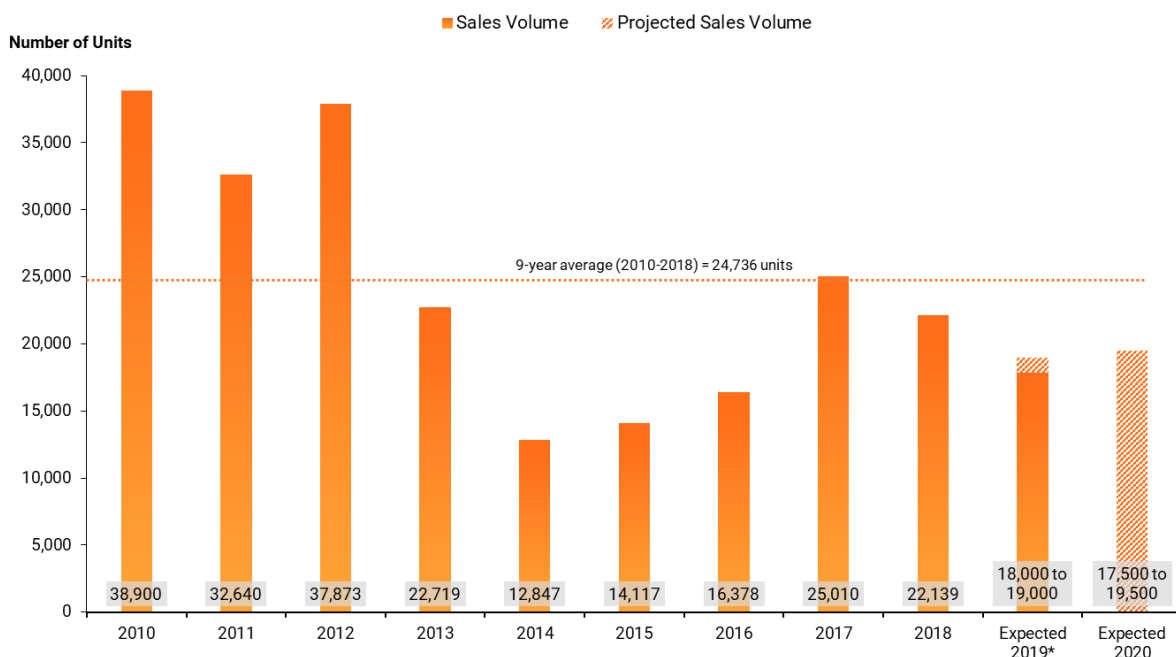
of buyers has been raised from S\$14,000 to S\$16,000.

Demand is expected to remain robust for ongoing project launches and buyers sitting on the side-lines may enter the market now since prices of new homes have been rising steadily.

While fewer projects could be launched this year - especially mega ones with above 1,000 units - new sales volume may still be on par with last year given a brighter economic outlook and positive buying sentiment. Overall sales volume may reach 17,500 to 19,500 units (Chart 1).

Chart 1

Sales Volume Projection for Overall Private Residential Market (excl. EC)



*Figures up to Nov 2019, projection added for Dec 2019

Source: URA, OrangeTee & Tie Research & Consultancy
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Overall Prices

Private home prices rose again for the third straight quarter, rising by 0.3 per cent for the third quarter of this year from the previous three-month period, according to flash estimates released by URA.

The pace of price increase eased further from the 1.3 per cent price growth in the third quarter of this year. For the whole of 2019, prices are expected to rise by 2.5 per cent which is within our original forecast of 1 to 3 per cent.

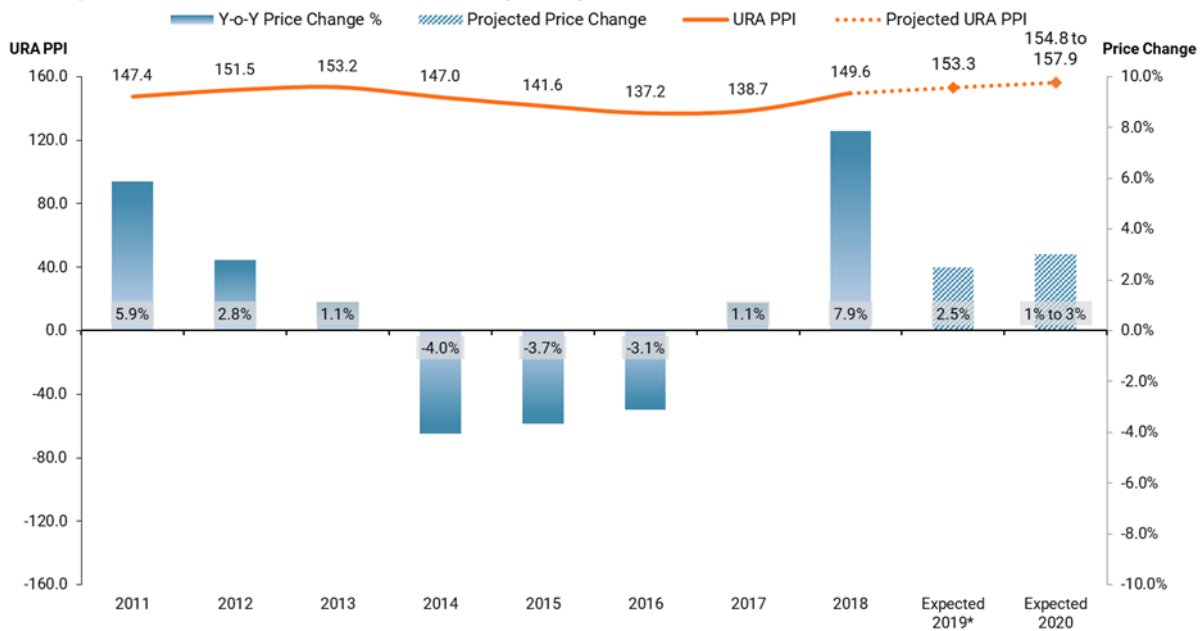
We are expecting prices to hover in the positive territory for a fourth consecutive year. Overall prices are projected to grow by 1 to 3 per cent for 2020 (Chart 2).



Verticus | Artist Impression

Chart 2

Price Projection for Overall Private Residential Market (incl. EC)



*Figures up to Q3 2019, flash estimates used for Q4 2019

Source: URA, OrangeTee & Tie Research & Consultancy
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New Sales

About 30 projects are slated to be launched in H1 2020. Around 50 per cent of these projects are located in the Core Central Region (CCR), while the rest are evenly spread between the Rest of Central Region (RCR) and Outside Central Region (OCR).

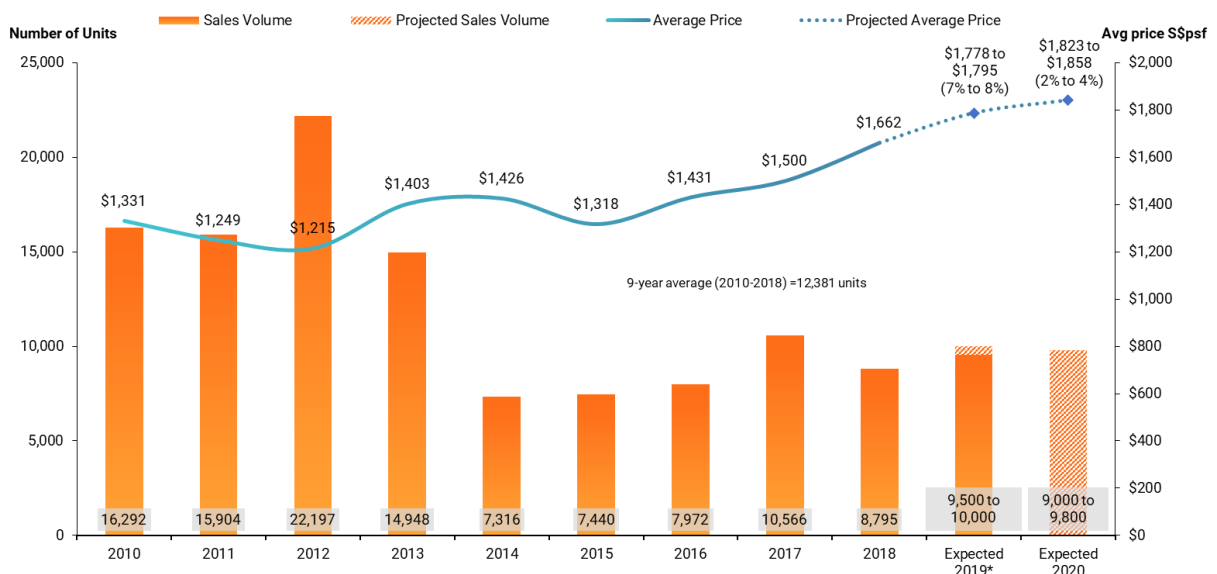
Economic fundamentals like GDP and income growth, the macroeconomic performance and employment will continue to impact the private residential market. Buyer sentiment may remain positive this year since most economists expect the worst of economic storms to be over and global growth to rebound. The U.S. and China have reached a phase-one trade agreement in principle, which may help de-escalate trade tensions and boost market confidence.

Mortgage rates could remain low or clock in even lower next year, which may keep housing demand cruising at similar levels this year. Therefore, we anticipate that demand for new homes may remain robust and the new sales volume could hover between 9,000 and 9,800 units for the whole of 2020 (Chart 3).

Prices of new homes may continue to rise this year, albeit at a slower pace of between 2 and 4 per cent when compared to last year, which is projected to be between 7 and 8 per cent. Many new projects are already transacting at new benchmark prices for their location and most developers may prefer to keep prices attractive to pare down their existing stock in view of other competitor projects.

Chart 3

Sales Volume Projection for Private New Sales Market (excl. EC)



*Figures up to Nov 2019, projection added for Dec 2019

Source: URA, URA Realis, OrangeTee & Tie Research & Consultancy
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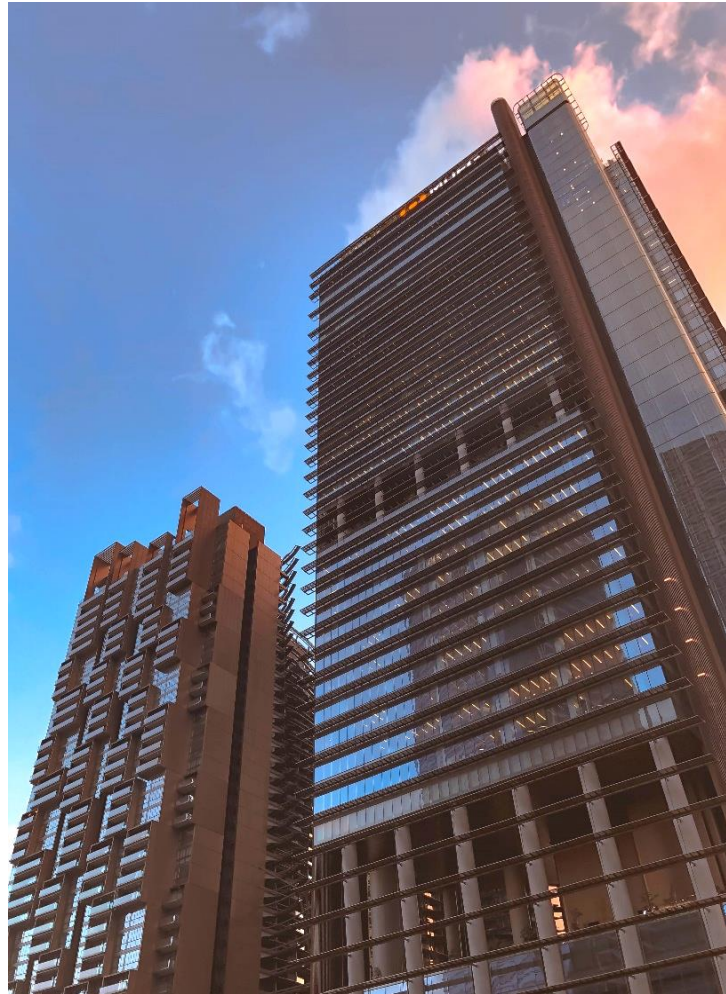
Resales

While demand for new homes had remained resilient in 2019, the sales performance was more subdued for the private resale market.

The total resale volume for 2019 is estimated to be between 8,000 and 9,000 units, down from the 13,009 resale transactions that were inked in 2018 (Chart 4).

The lower demand could be attributed to stiff competition from many new projects being launched over the past few months. Some buyers may prefer to buy new homes as they are often equipped with smart home technologies, latest layout plans, newer design features, or more fanciful facilities.

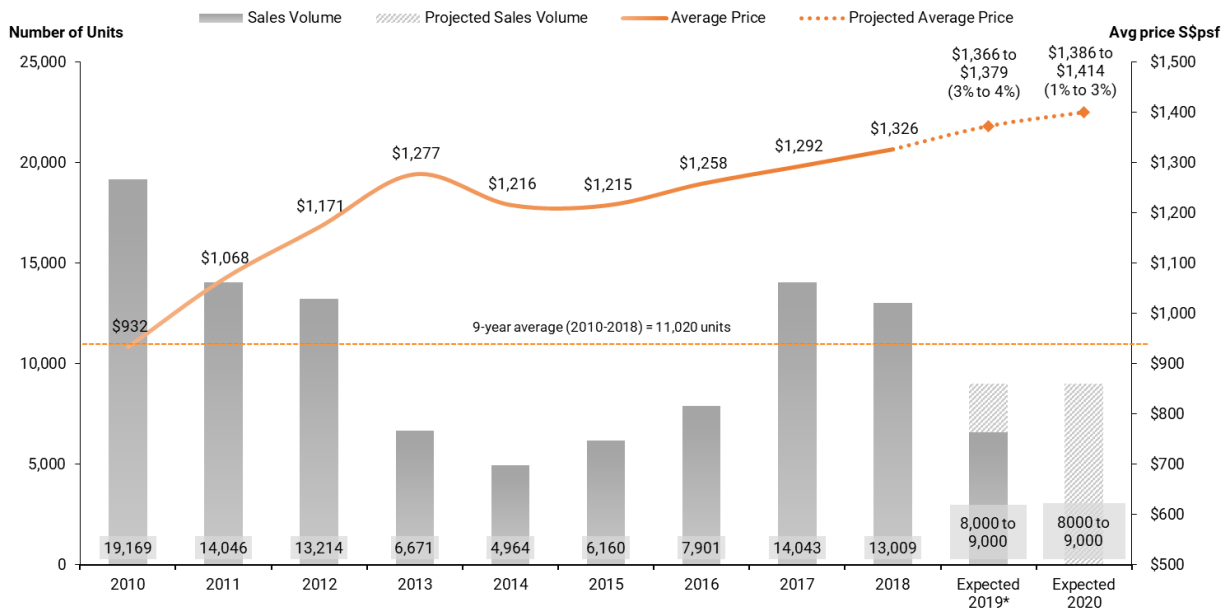
Nevertheless, resale prices are projected to increase slightly by 1 to 3 per cent this year in tandem with the 1 to 4 per cent price projection for new home sales. Resale volume may trend between 8,000 and 9,000 units for this year.



Marina One Residences | OrangeTee & Tie Research and Consultancy photo

Chart 4

Sales Volume Projection for Private Resale Market (excl. EC)



*Figures up to Nov 2019, projection added for Dec 2019

Source: URA, URA Realis, OrangeTee & Tie Research & Consultancy
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Private Rental

2019 looks set to be another banner year for the private rental market. Leasing demand has been robust amid a tightening of new inventory supply and depleting stock. As of Q3 2019, the number of home completions was at a low of 7,933 units for 2019 while this number is projected to fall further to 5,122 units this year (Chart 5).

The low inventory is expected to help prop up rental prices this year. According to URA data, the rental index had risen a third consecutive quarter in Q3 2019. Rents are projected to rise 2 to 3 per cent for the whole of 2019, and trend further by 1 to 3 per cent this year (Chart 6).

Rental volume (landed and non-landed) reached 86,581 units in the first 11 months of 2019. The year may close with 90,000 to 92,000 total transactions which will surpass the 89,906 units inked in 2018 and hit a 10-year high (Chart 7).

| Indicators | 2018 | Projection for 2019 | Projection for 2020 |
|--------------------------|--------|---------------------|---------------------|
| Rental (excl. EC) | | | |
| Rental Index | 0.6% | 2% to 3% | 1% to 3% |
| Leasing volume (units) | 89,906 | 90,000 to 92,000 | 91,000 to 94,000 |
| Home Completions (units) | 9,112 | 7,933 | 5,122 |

Source: URA, URA Realis, OrangeTee & Tie Research and Consultancy

As Singapore transforms into a world-class digital economy and rolls out more technology initiatives, the city-state's labour pool is poised to be one of the most tech-savvy workforces in the world. We will be a highly favoured destination among tech firms that are looking to expand their digital footprint in the region.

We may expect an increasing number of tech giants to grow their businesses here. Expats with the state-of-the-art technological know-how may be deployed to Singapore.

This may boost the tenant quality which may spur rental demand for homes in the prime and city-fringe areas.

We estimate that leasing volume may increase slightly this year around 91,000 to 94,000 units while the rental index may rise by 1 to 3 per cent.

Chart 5

Expected Completions of Private Residential Properties (excl. EC) (as of Q3 2019)

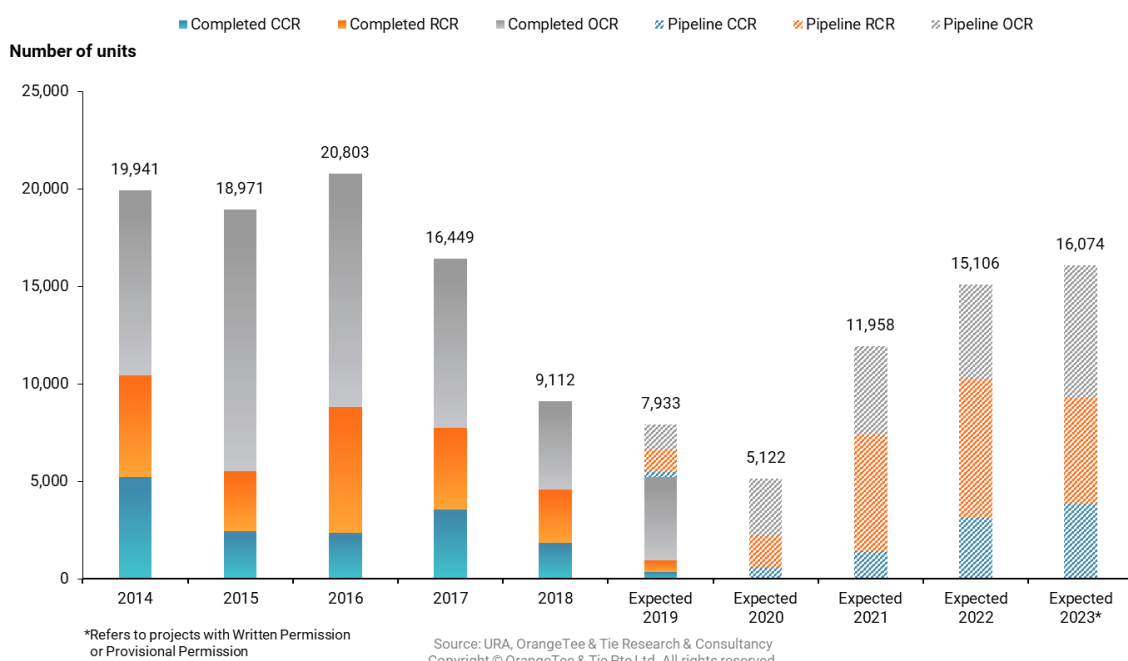


Chart 6

Price Projection for Private Residential Rental Market (incl. EC)

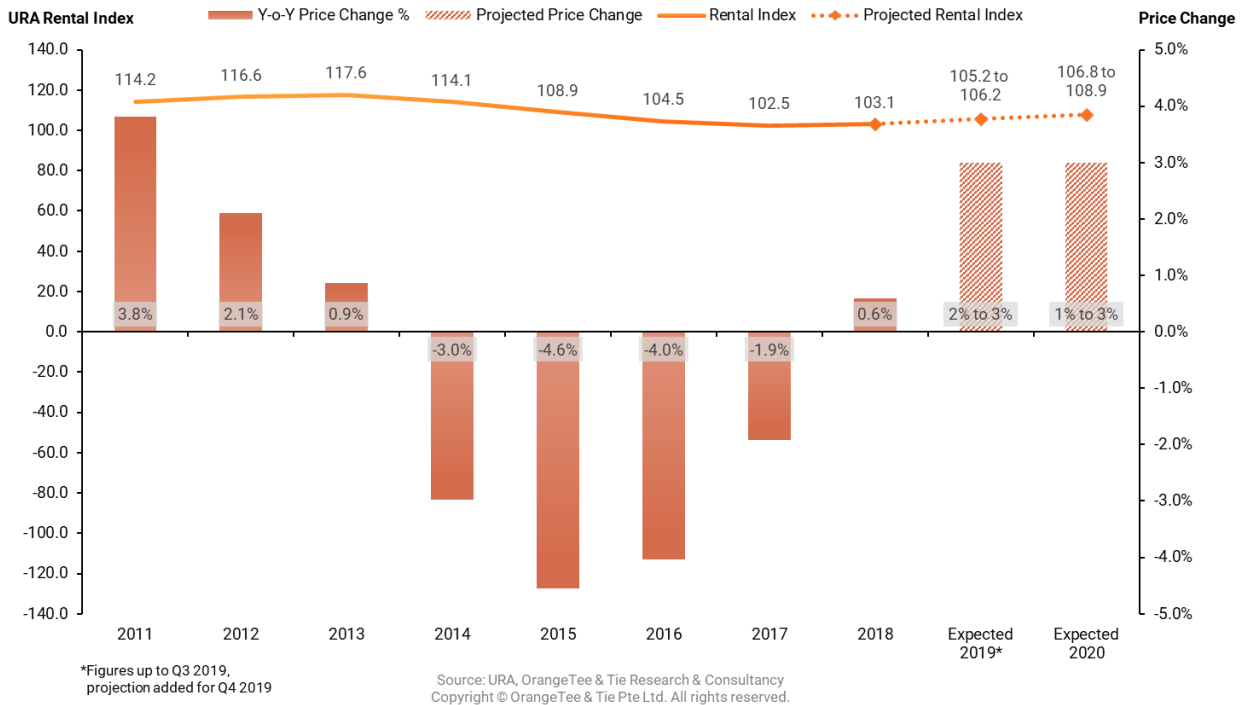
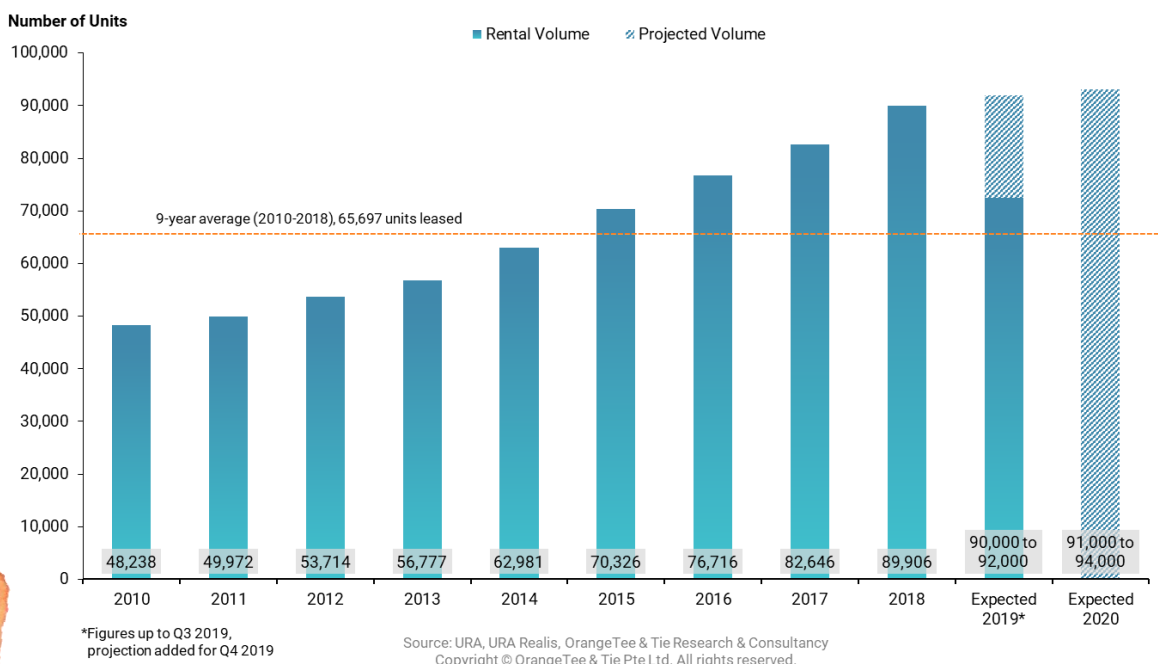


Chart 7

Volume Projection for Private Residential Rental Market (excl. EC)



HDB Market

HDB Resale Volume

The HDB resale market staged a surprising turnaround last year with higher sales transactions recorded across many housing estates.

Based on HDB data downloaded from data.gov.sg, the number of resale flats transacted in the first 11 months of 2019 (20,353 units) was higher than those transacted over the same period in 2017 (18,776 units) and 2018 (20,139 units). We estimate that around 21,500 to 22,000 HDB flats may change hands for the whole of 2019 (Chart 8).

The stellar sales could be attributed to the slew of new policies implemented in recent

| Indicators | 2018 | Projection for 2019 | Projection for 2020 |
|------------------------|--------|---------------------|---------------------|
| Resale | | | |
| Price Change | -0.9% | 0% | 0% to 2% |
| Sales Volume (units) | 23,099 | 21,500 to 22,000 | 23,000 to 25,000 |
| Rental | | | |
| Rental Change | -0.4% | 1% to 2% | 0% to 2% |
| Leasing volume (units) | 46,440 | 47,000 to 49,000 | 48,000 to 51,000 |

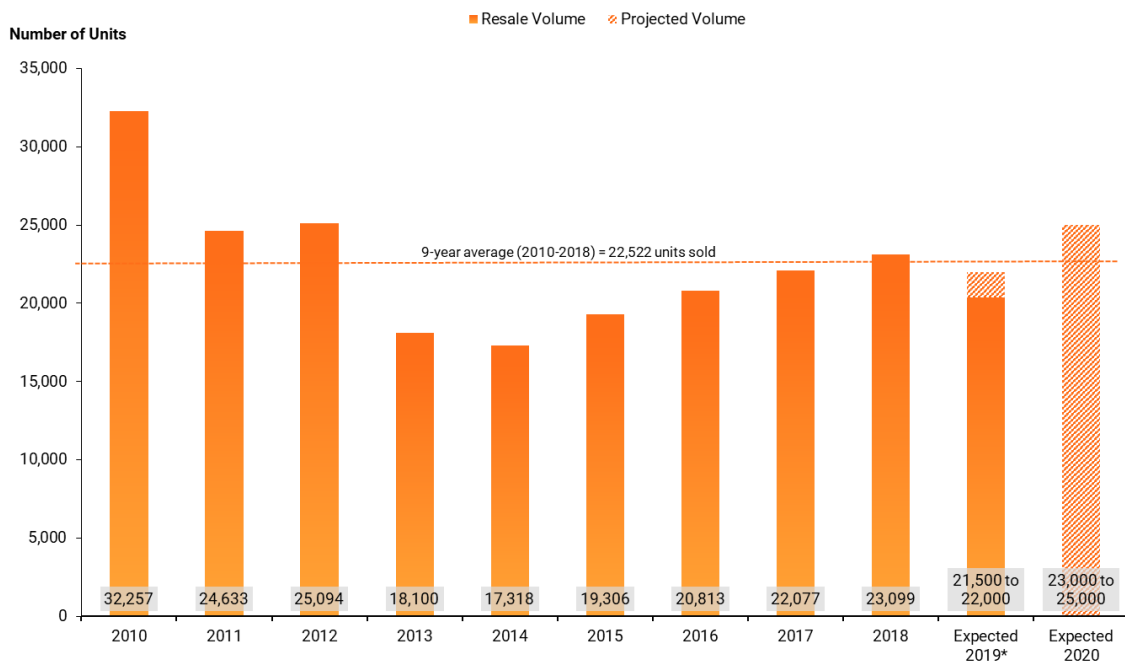
Source: HDB, Data.gov.sg, SRX, OrangeTee & Tie Research and Consultancy

months. Some of these policies seem to have achieved their goal of improving housing demand especially for older flats. For instance, policy changes that allow buyers to use more Central Provident Fund (CPF) monies to buy HDB flats and the Home Improvement Programme (HIP) may have improved the attractiveness of older flats. As a result, the sales volume of older flats rose in many estates.

Housing grants for first-time buyers were enhanced while the income ceiling for eligible buyers was raised, which may have helped to expand the pool of potential buyers. More flats will also be reaching their five-year Minimum Occupation Period (MOP) and ready for resale (Chart 12). We are optimistic that sales volume may be stronger this year at around 23,000 to 25,000 units.

Chart 8

Volume Projection for HDB Resale Market



*Figures up to Nov 19, projection added for Dec 2019

Source: HDB, Data.gov.sg, OrangeTee & Tie Research & Consultancy
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HDB Resale Prices

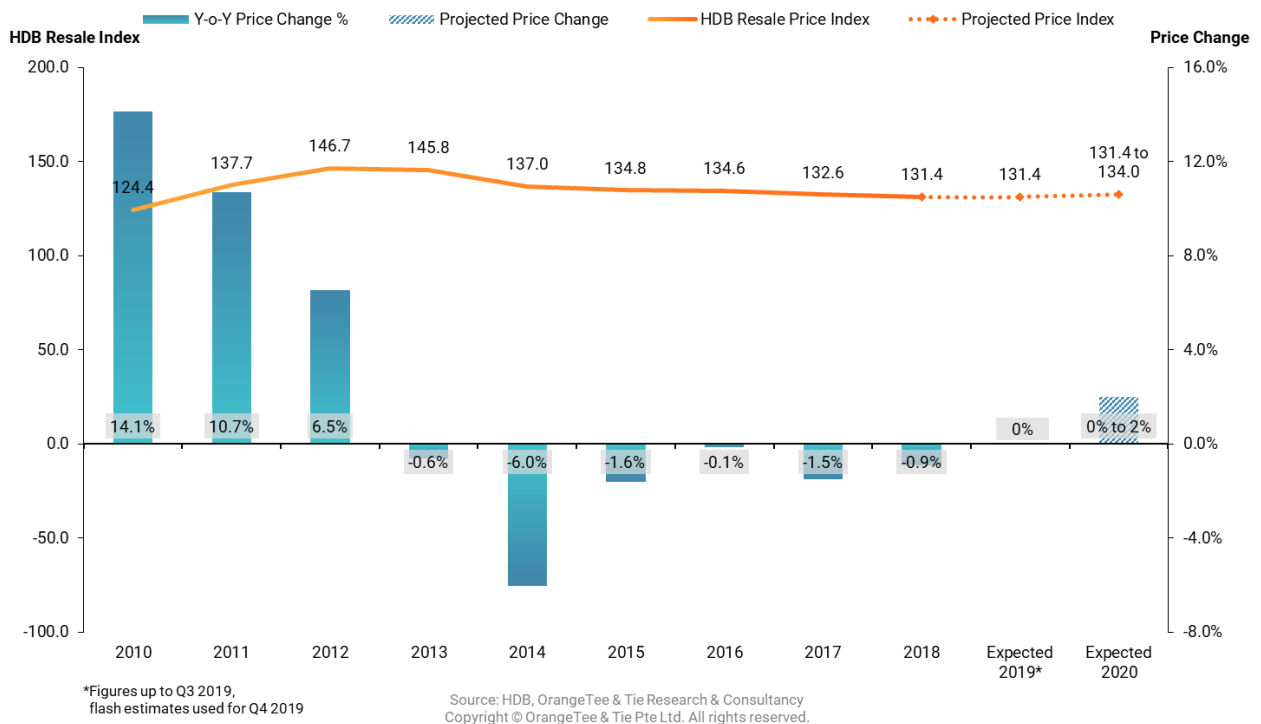
HDB resale prices rebounded last year, with a second consecutive uptick in Q4 2019. For the whole of 2019, there was no change in resale flat prices, indicating that prices of resale flats have stabilized after a series of policy changes were made in recent months.

The policies seemed effective in mitigating further price falls due to buyers' concerns surrounding the lease depreciation of older flats and an increasing supply of HDB flats. In Q3 2019, a slower rate of price depreciation was observed for many older flats.

The policy changes will likely continue to impact the resale market positively in the months to come. Prices of resale flats are projected to trend between 0 and 2 per cent this year (Chart 9).

Chart 9

Price Projection for HDB Resale Market



HDB Rental

The job market in Singapore turned out to be better than expected last year. Employment growth was at its highest in five years. Hiring expectations remain upbeat this year with more employers intending to

expand employment, which will bode well for the rental market.

The HDB rental market continued to strengthen last year. The number of rental applications may reach 47,000 to 49,000 units for 2019, and 48,000 to 51,000 this year (Chart 10).

As of Q3 2019, 56,474 HDB flats were rented out which is slightly lower than the 56,742 units for 2018. Rental prices are estimated to rise 1 to 2 per cent in 2019 and 0 to 2 per cent for 2020 (Chart 11).

Chart 10

Projection of Rental Applications for HDB Rental Market

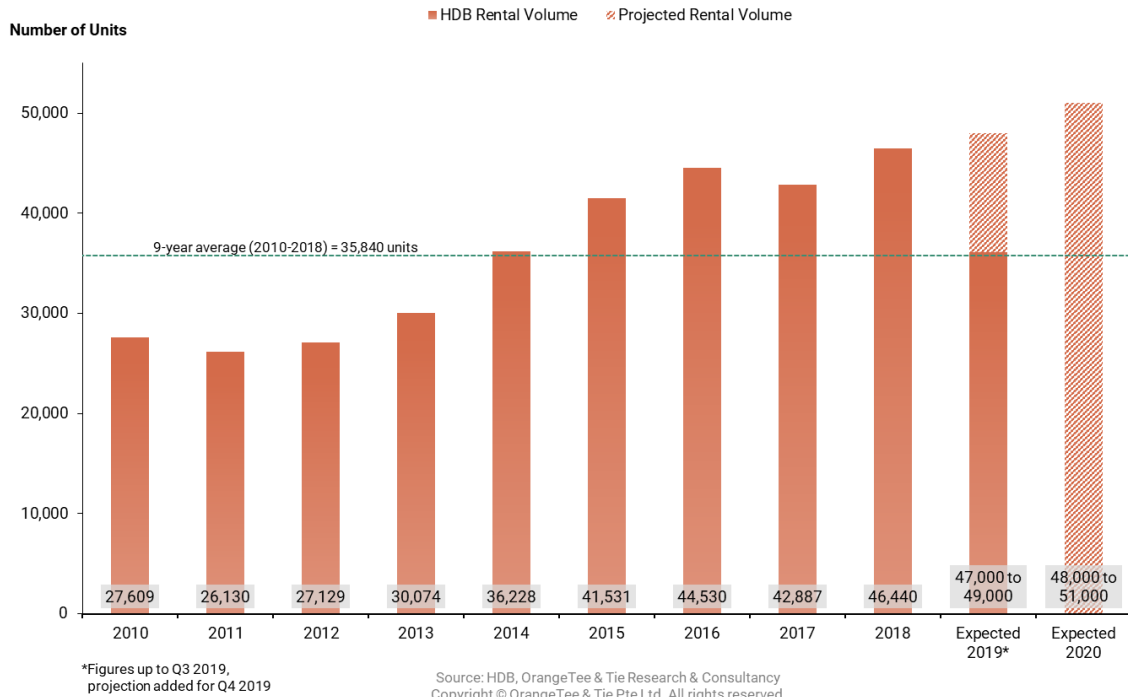


Chart 11

Price Projection for HDB Rental Market

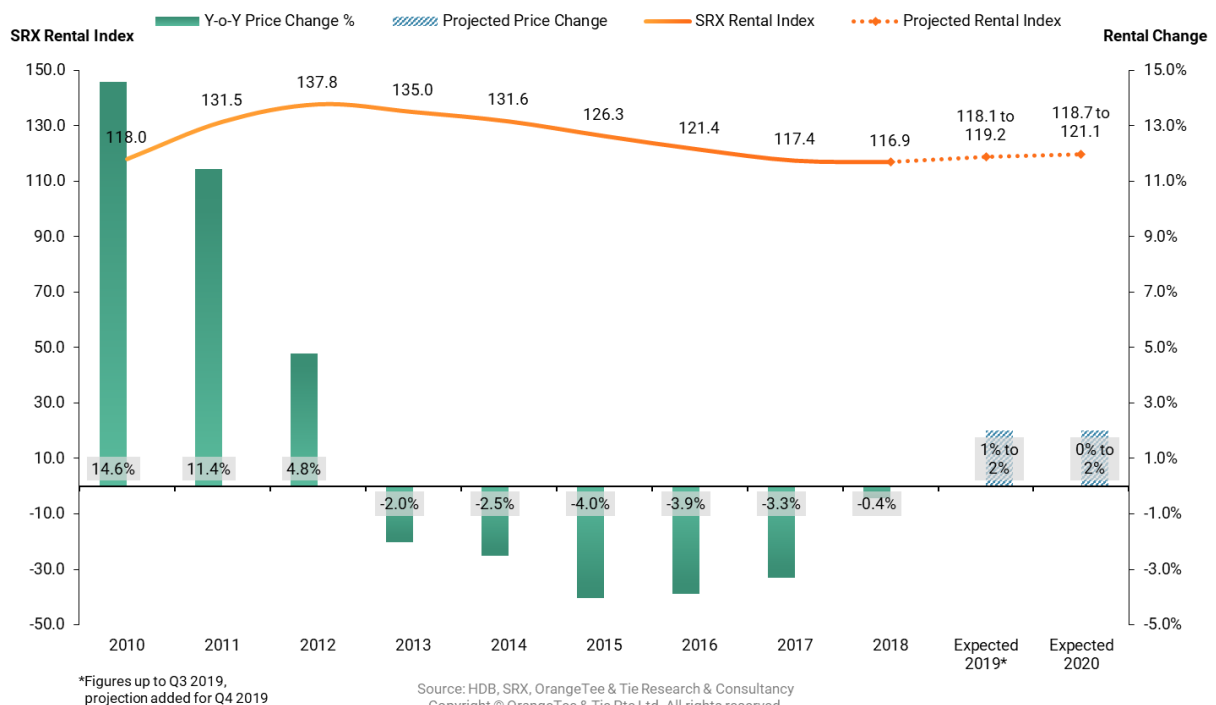
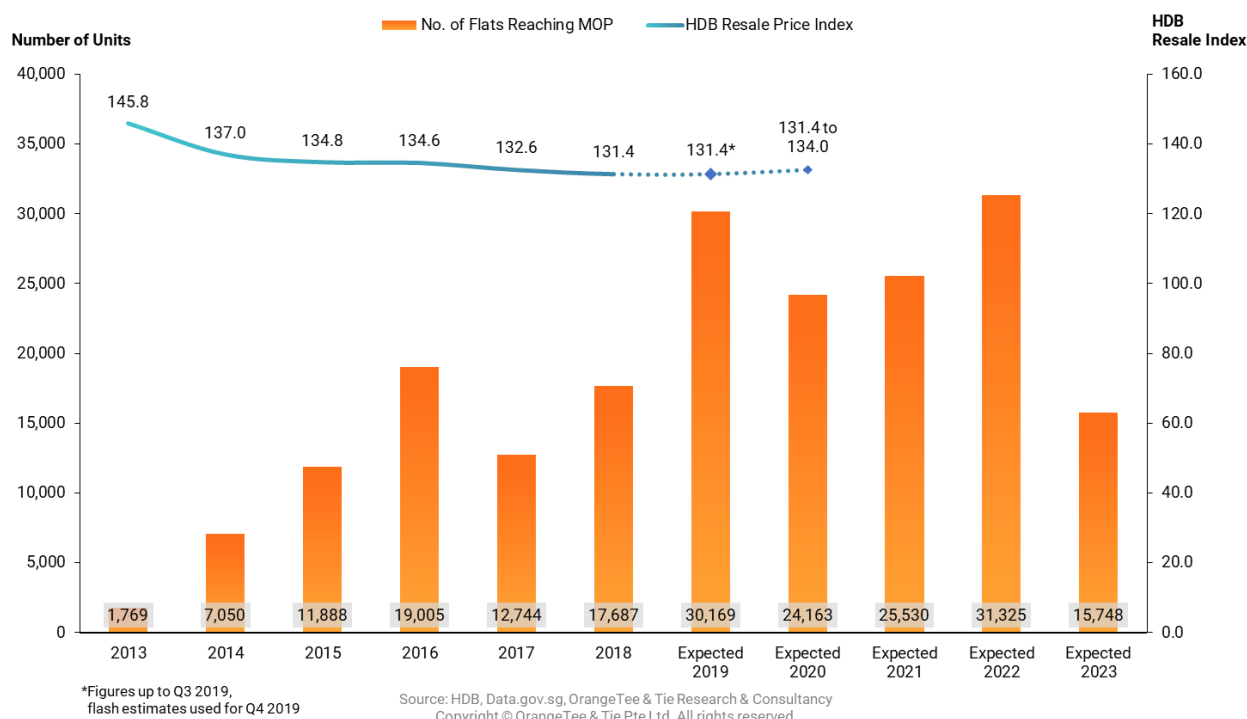


Chart 12

Projection of Number of Flats Reaching MOP as at Jan 2020



| Town | Number of Flats reaching MOP | | | | | | | Grand Total | Town | Number of Flats reaching MOP | | | | | | | Grand Total |
|-----------------|------------------------------|------|------|------|------|------|-------|---------------|------|------------------------------|------|------|------|------|-------|--|-------------|
| | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2018 | | | 2019 | 2020 | 2021 | 2022 | 2023 | | | |
| Punggol | 2238 | 4638 | 6232 | 1638 | 5844 | 680 | 21270 | Pasir Ris | 185 | 1386 | 447 | 0 | 0 | 0 | 2018 | | |
| Choa Chu Kang | 874 | 0 | 4032 | 2476 | 0 | 0 | 7382 | Toa Payoh | 0 | 0 | 436 | 465 | 542 | 557 | 2000 | | |
| Sengkang | 3378 | 6039 | 3550 | 2934 | 624 | 511 | 17036 | Jurong West | 1078 | 1432 | 348 | 1640 | 1223 | 907 | 6628 | | |
| Bedok | 0 | 911 | 1104 | 0 | 728 | 330 | 3073 | Bukit Merah | 0 | 2966 | 340 | 570 | 2023 | 689 | 6588 | | |
| Woodlands | 1924 | 687 | 1002 | 818 | 3701 | 1746 | 9878 | Bukit Batok | 180 | 700 | 224 | 1232 | 6884 | 3014 | 12234 | | |
| Geylang | 0 | 0 | 975 | 584 | 0 | 108 | 1667 | Serangoon | 0 | 0 | 195 | 0 | 150 | 0 | 345 | | |
| Queenstown | 557 | 758 | 960 | 0 | 1179 | 0 | 3454 | Bukit Timah | 0 | 0 | 132 | 0 | 0 | 0 | 132 | | |
| Hougang | 464 | 2020 | 878 | 1338 | 467 | 2234 | 7401 | Bishan | 0 | 0 | 0 | 408 | 0 | 0 | 408 | | |
| Bukit Panjang | 816 | 1136 | 862 | 0 | 0 | 0 | 2814 | Central Area | 0 | 0 | 0 | 0 | 0 | 0 | 0 | | |
| Yishun | 3710 | 3822 | 840 | 3366 | 1882 | 1548 | 15168 | Ang Mo Kio | 0 | 256 | 0 | 859 | 712 | 0 | 1827 | | |
| Kallang/Whampoa | 0 | 0 | 626 | 2827 | 0 | 738 | 4191 | Clementi | 0 | 888 | 0 | 962 | 502 | 0 | 2352 | | |
| Jurong East | 0 | 0 | 518 | 0 | 0 | 225 | 743 | Marine Parade | 0 | 0 | 0 | 0 | 0 | 0 | 0 | | |
| Tampines | 849 | 2074 | 462 | 852 | 902 | 1943 | 7082 | Sembawang | 1434 | 456 | 0 | 2561 | 3962 | 518 | 8931 | | |
| | | | | | | | | Tengah | 0 | 0 | 0 | 0 | 0 | 0 | 0 | | |

Source: Data.gov.sg, OrangeTee & Tie Research and Consultancy

Please contact us for more information:



Steven Tan
Managing Director
Executive Office
+65 6303 2999
steven.tan@orangetee.com



Christine Sun
Head
Research and Consultancy
+65 6303 2662
christine.sun@orangetee.com



Timothy Eng
Research Analyst
Research and Consultancy
+65 6303 2662
timothy.eng@orangetee.com



Daniel Chiang
Data Analyst
Research and Consultancy
+65 6303 2662
daniel.chiang@orangetee.com