

HDB Market Pulse

Bringing you the latest trend in the heartlands

4 May 2017

At a glance

- ❖ Increase in CPF Housing Grant for first-timer couples
- ❖ Slight increase in resale volumes expected
- ❖ Minister cautions against SERS speculation
- ❖ Other factors which affect the price of a resale HDB flat besides the declining lease

Increase in CPF Housing Grant for first-timer families

First timer families buying 4-room and smaller resale flats will now enjoy S\$50,000 in CPF Housing Grants whilst those buying 5-room or larger resale flats will receive S\$40,000, up from S\$30,000 previously. Together with the Additional CPF Housing Grant and Proximity Housing Grant, eligible first-timer families can now enjoy up to \$110,000 in housing grants.

The increase in grants could swing more first-timer families towards the HDB resale market. Though volumes are expected to increase slightly, we do not expect a robust price recovery due to strict loan curbs and a healthy pipeline of BTO launches.

Minister cautions against SERS speculation

National Development Minister Lawrence Wong clarified that the vast majority of HDB flats will not qualify for the Selective En Bloc Redevelopment Scheme (SERS), where the State buys back the flats from owners at market rate and offers residents discounted new units elsewhere. HDB flats with expired leases that do not qualify for Sers will be returned to the HDB.

The impact to the market post-clarification is expected to be mild, as the majority of old HDB flats still have over 50 years of lease remaining. Besides the remaining lease, there are other factors which affect the resale price of a HDB, such as current economic conditions, local supply and demand dynamics, availability of nearby amenities, upgrading works etc. For example, the prices of old 3 room flats in Bukit Merah have seen an uptrend in prices from 2001 to 2013 despite their declining lease.

However, Mr Wong’s clarification serves as a timely reminder that one should exercise prudence when buying an old HDB flat as the resale HDB market may not experience a similar boom in prices as before in 2006 to 2012.

RESEARCH & CONSULTANCY

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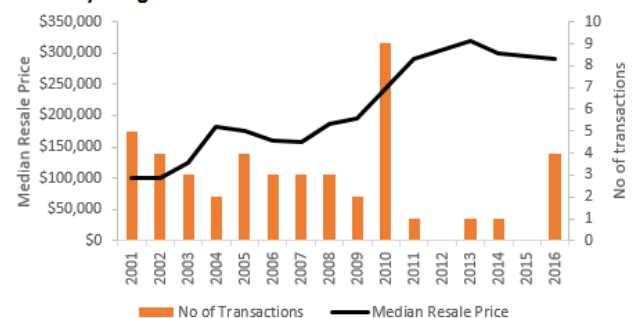
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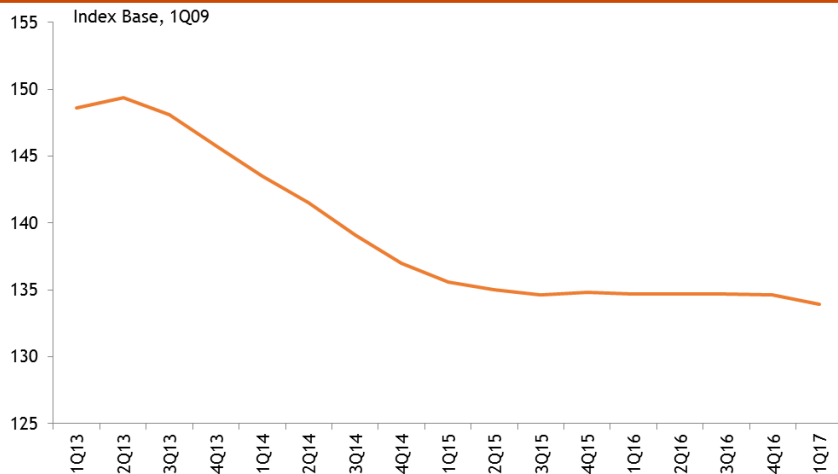
Resale HDB prices can still appreciate despite declining lease

Town	Bukit Merah	Flat type	3 Room
Street Name	Jln Rumah Tinggi	Floor area (sq ft)	570
Block	37	Lease commence date	1969
Storey Range	10 to 12		



Source: HDB, OrangeTee Research

Exhibit 1: HDB Resale Price Index



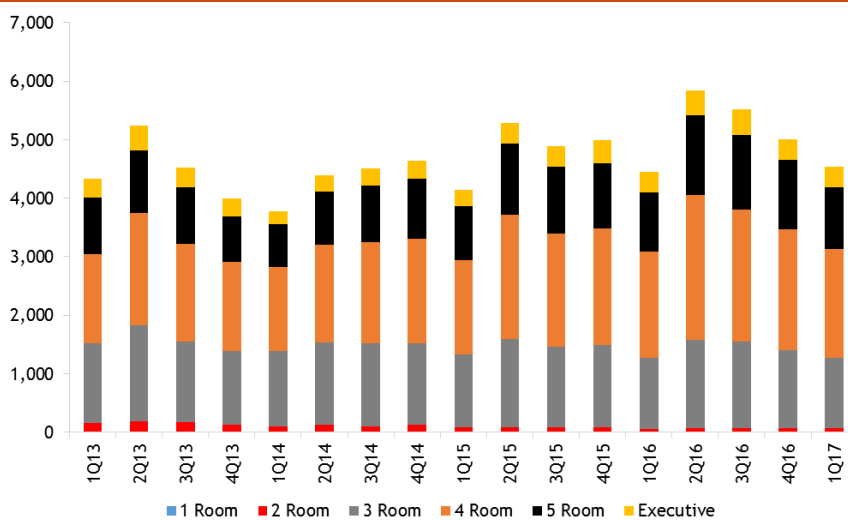
Source: HDB, OrangeTee Research

Slight dip in resale prices

HDB resale prices fell by 0.5% q-o-q, the largest correction in prices since 1Q15.

However, it is highly unlikely that this fall signals further downward corrections in prices, as resale transaction volumes remain high on a y-o-y basis and the increase in resale grants should help support prices.

Exhibit 2: HDB Resale volume by room type



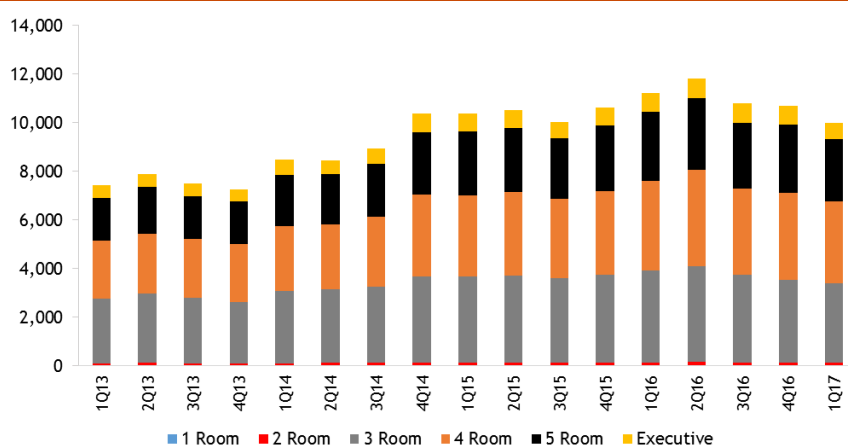
Source: HDB, OrangeTee Research

Healthy resale volumes

Overall HDB resale volumes fell by 9.1%, with 4,530 units sold in 1Q17 compared to 5,012 units in 4Q16. This is largely due to seasonal factors, where market volumes typically peak in 2Q and trend downwards to bottom in 1Q.

However, volumes have increased by 1.82% on a y-o-y basis compared to 1Q16, and are the highest 1Q numbers since 1Q12, likely due a better matching of price expectations between buyers and sellers.

Exhibit 3: HDB Rental volume by room type



Source: HDB, OrangeTee Research

Weakness persist in HDB rental market

The overall HDB rental market remains subdued, with negative median rental growth across most HDB towns.

Transaction volume dipped slightly by 6.5% q-o-q, but remains 9.2% higher than the 5-year moving average, likely buoyed by falling rents across the board.

Exhibit 4: Top and Bottom 5 performers 1Q17 (Based on Resale Transactions)

Top 5 \$psf			Bottom 5 \$psf			Top 5 Sellers			Bottom 5 Sellers		
Rank	Town	\$psf	Rank	Town	\$psf	Rank	Town	No. of Units	Rank	Town	No. of Units
1	Central Area	\$686.93	1	Choa Chu Kang	\$319.67	1	Jurong West	173	1	Bukit Timah	8
2	Bukit Timah	\$588.78	2	Woodlands	\$337.83	2	Sengkang	164	2	Marine Parade	13
3	Marine Parade	\$575.37	3	Sembawang	\$344.21	3	Woodlands	159	3	Central Area	22
4	Queenstown	\$572.15	4	Bukit Panjang	\$351.17	4	Yishun	154	4	Queenstown	45
5	Bishan	\$560.43	5	Pasir Ris	\$352.52	5	Tampines	153	5	Serangoon	52

Source: HDB, OrangeTee Research

Exhibit 5: HDB Towns median resale price by room type

Date	1Q17	3-Room		4-Room		5-Room	
Region	Town	Median Resale Price	QoQ Absolute Change	Median Resale Price	QoQ Absolute Change	Median Resale Price	QoQ Absolute Change
Central	Bishan	*	\$0	\$547,500	-\$54,500	\$745,300	-\$33,200
Central	Bukit Merah	\$358,000	-\$32,000	\$630,000	\$26,000	\$750,000	\$26,000
Central	Bukit Timah	*	\$0	*	\$0	*	\$0
Central	Central	*	\$0	\$811,500	-\$33,500	*	\$0
Central	Geylang	\$281,500	\$1,500	\$513,800	-\$36,200	*	\$0
Central	Kallang/Whampoa	\$335,000	\$15,000	\$574,000	\$56,000	\$785,000	\$79,000
Central	Marine Parade	*	\$0	*	\$0	*	\$0
Central	Queenstown	\$340,000	-\$31,300	\$702,500	\$22,500	*	\$0
Central	Toa Payoh	\$306,000	\$2,000	\$631,000	\$66,000	\$830,000	\$0
North	Sembawang	*	\$0	\$365,000	\$3,500	\$410,000	-\$2,500
North	Woodlands	\$265,000	-\$3,000	\$350,000	\$0	\$420,000	\$0
North	Yishun	\$285,000	\$0	\$356,000	-\$13,000	\$455,000	-\$3,400
North-East	Ang Mo Kio	\$315,000	-\$3,000	\$460,000	-\$9,000	\$688,000	-\$12,000
North-East	Hougang	\$296,000	\$8,000	\$390,000	\$10,000	\$478,000	-\$2,000
North-East	Punggol	*	\$0	\$452,500	\$2,500	\$450,000	\$0
North-East	Sengkang	*	\$0	\$415,000	\$7,000	\$440,000	-\$7,500
North-East	Serangoon	\$320,000	\$0	\$443,800	-\$21,200	*	\$0
East	Bedok	\$305,000	\$2,100	\$410,000	-\$9,800	\$552,500	-\$22,500
East	Pasir Ris	*	\$0	\$395,000	-\$5,000	\$475,000	\$2,600
East	Tampines	\$319,000	-\$2,500	\$423,000	-\$7,000	\$519,000	-\$11,000
West	Bukit Batok	\$276,500	-\$3,500	\$411,000	\$6,000	*	\$0
West	Bukit Panjang	*	\$0	\$358,000	\$13,000	\$460,000	\$11,000
West	Choa Chu Kang	*	\$0	\$343,000	-\$2,000	\$405,000	-\$5,000
West	Clementi	\$340,000	-\$5,000	\$530,000	\$12,000	*	\$0
West	Jurong East	\$285,000	-\$18,000	\$410,000	\$6,200	\$515,000	-\$33,000
West	Jurong West	\$274,000	\$4,000	\$375,000	-\$1,900	\$462,500	-\$7,500

Source: HDB, OrangeTee Research

(*) refer to cases where there are less than 15 resale transactions recorded

(-) refer to cases where there are no resale transactions

Exhibit 6: HDB Towns median rents by room type

Date	1Q17	3-Room		4-Room		5-Room	
Region	Town	Median Rents	QoQ Absolute Change	Median Rents	QoQ Absolute Change	Median Rents	QoQ Absolute Change
Central	Bishan	\$1,900	\$50	\$2,300	\$0	\$2,500	-\$100
Central	Bukit Merah	\$2,000	\$0	\$2,600	-\$100	\$2,900	\$0
Central	Bukit Timah	*	\$0	*	\$0	*	\$0
Central	Central	\$2,200	\$0	\$2,680	-\$70	*	\$0
Central	Geylang	\$1,800	\$0	\$2,400	\$0	\$2,550	\$50
Central	Kallang/Whampoa	\$1,950	\$0	\$2,500	\$0	\$2,800	\$100
Central	Marine Parade	\$1,900	\$0	\$2,250	\$50	*	\$0
Central	Queenstown	\$2,000	\$0	\$2,600	-\$130	\$2,900	\$0
Central	Toa Payoh	\$1,800	-\$100	\$2,300	-\$100	\$2,600	-\$100
North	Sembawang	-	\$0	\$1,800	-\$100	\$2,000	-\$50
North	Woodlands	\$1,500	\$0	\$1,800	-\$50	\$1,900	-\$100
North	Yishun	\$1,600	\$0	\$1,930	-\$70	\$2,100	-\$30
North-East	Ang Mo Kio	\$1,750	-\$50	\$2,200	\$0	\$2,400	-\$100
North-East	Hougang	\$1,650	-\$40	\$2,000	\$0	\$2,100	-\$100
North-East	Punggol	*	\$0	\$1,800	-\$100	\$1,900	\$0
North-East	Sengkang	*	\$0	\$1,900	\$0	\$1,950	-\$50
North-East	Serangoon	\$1,800	-\$30	\$2,400	\$100	\$2,350	-\$100
East	Bedok	\$1,750	-\$50	\$2,100	-\$100	\$2,400	\$20
East	Pasir Ris	*	\$0	\$2,000	\$0	\$2,200	\$0
East	Tampines	\$1,800	\$0	\$2,100	\$0	\$2,300	\$0
West	Bukit Batok	\$1,650	-\$50	\$2,000	-\$100	\$2,280	-\$20
West	Bukit Panjang	\$1,550	-\$30	\$1,800	\$0	\$1,900	\$0
West	Choa Chu Kang	\$1,580	\$0	\$1,800	-\$100	\$2,000	\$0
West	Clementi	\$1,900	-\$100	\$2,500	\$100	\$2,700	-\$100
West	Jurong East	\$1,800	\$0	\$2,200	-\$100	\$2,400	\$0
West	Jurong West	\$1,700	\$0	\$2,150	-\$50	\$2,300	-\$100

Source: HDB, OrangeTee Research

(*) refer to cases where there are less than 15 rental transactions recorded

(-) refer to cases where there are no rental transactions

Exhibit 7: HDB Towns estimated rental yields by room type

Town	Estimated Rental Yield			Town	Estimated Rental Yield			Town	Estimated Rental Yield		
	3-Rm	4-Rm	5-Rm		3-Rm	4-Rm	5-Rm		3-Rm	4-Rm	5-Rm
Bishan	-	5.0%	4.0%	Sembawang	-	5.9%	5.9%	Bedok	6.9%	6.1%	5.2%
Bukit Merah	6.7%	5.0%	4.6%	Woodlands	6.8%	6.2%	5.4%	Pasir Ris	-	6.1%	5.6%
Bukit Timah	-	-	-	Yishun	6.7%	6.5%	5.5%	Tampines	6.8%	6.0%	5.3%
Central	-	4.0%	-	Ang Mo Kio	6.7%	5.7%	4.2%	Bukit Batok	7.2%	5.8%	-
Geylang	7.7%	5.6%	-	Hougang	6.7%	6.2%	5.3%	Bukit Panjang	-	6.0%	5.0%
Kallang/Whampoa	7.0%	5.2%	4.3%	Punggol	-	4.8%	5.1%	Choa Chu Kang	-	6.3%	5.9%
Marine Parade	-	-	-	Sengkang	-	5.5%	5.3%	Clementi	6.7%	5.7%	-
Queenstown	7.1%	4.4%	-	Serangoon	6.8%	6.5%	-	Jurong East	7.6%	6.4%	5.6%
Toa Payoh	7.1%	4.4%	3.8%					Jurong West	7.4%	6.9%	6.0%

Source: HDB, OrangeTee Research