

# HDB Market Pulse

Bringing you the latest trend in the heartlands

4<sup>th</sup> August 2017

## At a glance

- ❖ HDB resale prices continues to dip
- ❖ First Re-Offer of Balance Flats exercise launched
- ❖ Resale volumes remain healthy
- ❖ Rental market remains lacklustre

### HDB resale prices continues to fall despite higher grants

HDB resale prices have continued to trend lower despite the introduction of higher HDB resale grants for first timer families, suggesting that buyers retain the upper hand in terms of negotiating power and the number of sellers outweigh buyers.

A source of selling supply would come from HDB upgraders who are upgrading to an EC. According to current housing policies, a household cannot own more than 1 public property and they would have to dispose of their HDB flat within 6 months of key collection. A total of 5,485 EC units were completed in 2016, which is the highest number of EC completions since available data from 2013. Currently, 2,476 EC units have been completed in 1H2017, and another 1,005 units are expected to be completed for the rest of the year.

Additionally, the recent launches of BTO projects in mature estates may have diverted some demand away from the resale market. However, we do not expect an extended downtrend in resale HDB prices as volumes have continued to grow and would inevitably support prices.

### First Re-Offer of Balance Flats (ROF) exercise launched

In August, HDB launched 1,394 flats in its first ROF exercise. Together with the August BTO exercise, a total of 5,291 flats were launched. The ROF is a new sales exercise for unsold balance flats which pools together all flats that remain unsold at the end of the previous Sales of Balance (SBF) exercise. Unlike the SBF exercise, applicants do not have to indicate their choice of flat type or estate, and would be able to select from the entire pool of balance flats depending on their ballot results.

The ROF exercise is not expected to have a sizable impact on the overall HDB resale market as the overall supply offered is relatively small and demand would be capped by ethnic quotas and type of available flats. For example, the majority of Re-Offer flats in Bukit Merah are only available for non-Chinese families. However, certain HDB towns with a large number of ROFs on offer, such as Sembawang, could see increased pressure in the resale market.

## RESEARCH & CONSULTANCY

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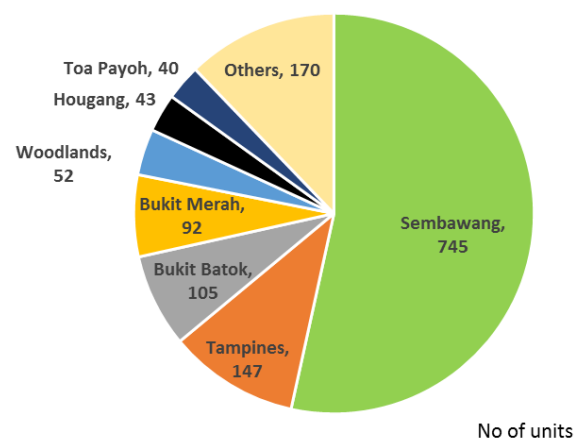
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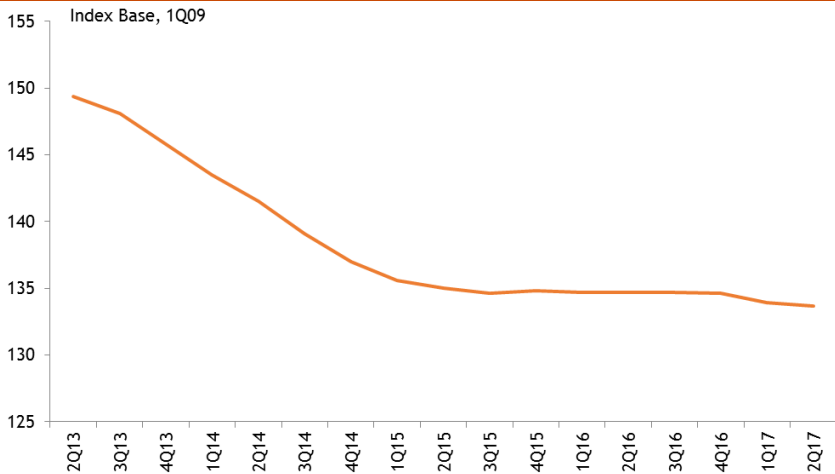
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## Re-Offer Flats Distribution by HDB Town



Source: HDB, OrangeTee Research

### Exhibit 1: HDB Resale Price Index

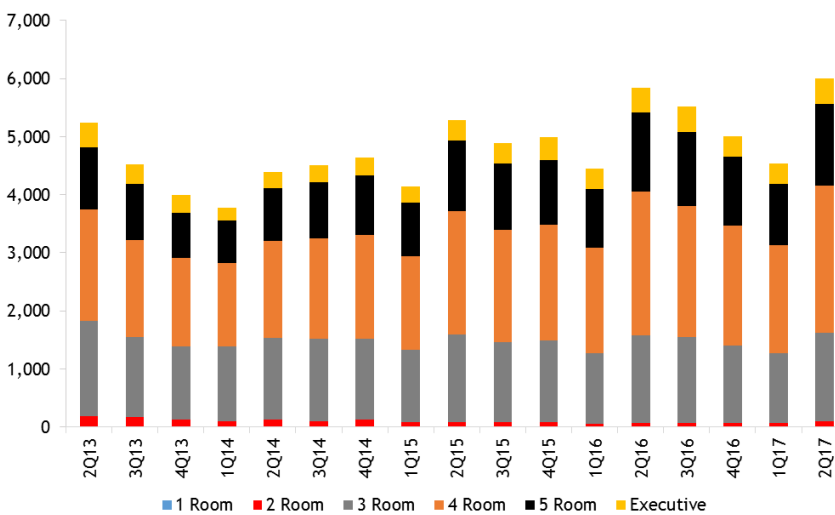


Source: HDB, OrangeTee Research

#### Prices still on stable footing

HDB resale prices fell by 0.1% q-o-q in 2Q17. On a YTD basis, HDB resale prices are down 0.6%. The fall in prices could be attributed to falling HDB rents due to increased supply of rental supply from both the public and private market. Despite the slight dip in prices, we believe that the market remains in stable territory and prices are unlikely to see a large correction, as demand remains relatively high.

### Exhibit 2: HDB Resale volume by room type

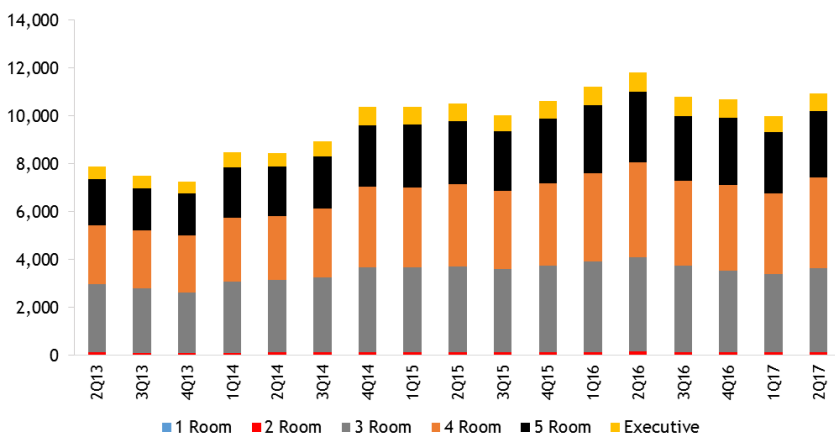


Source: HDB, OrangeTee Research

#### Resale volumes remain healthy

Overall HDB resale volumes rose by 32.5% q-o-q and 2.8% y-o-y. The total tally of 6,001 resale units sold in 2Q17 is the highest since 3Q12. The jump in 2Q17 HDB resale volumes can be attributed to seasonal factors and the implementation of higher HDB resale grants for first timer families. Additionally, rising volumes despite current loan curbs remaining in place suggests that there is strong latent demand for resale flats.

### Exhibit 3: HDB Rental volume by room type



Source: HDB, OrangeTee Research

#### Rental market remains lacklustre

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

Rental volumes rose slightly by 9.5% q-o-q, but fell 7.6% y-o-y. The HDB rental market continues to face competition from the private property market.

Exhibit 4: Top and Bottom 5 performers 2Q17 (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 | \$712.52 | 1              | Choa Chu Kang | \$322.95 | 1             | Jurong West | 437          | 1                | Bukit Timah   | 13           |
| 2           | Queenstown   | \$631.74 | 2              | Woodlands     | \$336.22 | 2             | Sengkang    | 426          | 2                | Marine Parade | 40           |
| 3           | Bukit Timah  | \$607.44 | 3              | Sembawang     | \$341.88 | 3             | Woodlands   | 420          | 3                | Central Area  | 52           |
| 4           | Bukit Merah  | \$590.49 | 4              | Pasir Ris     | \$355.00 | 4             | Tampines    | 373          | 4                | Serangoon     | 105          |
| 5           | Bishan       | \$572.90 | 5              | Jurong West   | \$356.75 | 5             | Yishun      | 361          | 5                | Jurong East   | 108          |

Source: HDB, OrangeTee Research

Exhibit 5: HDB Towns median resale price by room type

| Date       | 2Q17            | 3-Room              |                     | 4-Room              |                     | 5-Room              |                     |
|------------|-----------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
|            |                 | Median Resale Price | QoQ Absolute Change | Median Resale Price | QoQ Absolute Change | Median Resale Price | QoQ Absolute Change |
| Region     | Town            |                     |                     |                     |                     |                     |                     |
| Central    | Bishan          | *                   | \$0                 | \$568,000           | \$20,500            | \$779,500           | \$34,200            |
| Central    | Bukit Merah     | \$367,500           | \$9,500             | \$688,000           | \$58,000            | \$745,000           | -\$5,000            |
| Central    | Bukit Timah     | *                   | \$0                 | *                   | \$0                 | *                   | \$0                 |
| Central    | Central         | \$410,000           | \$0                 | *                   | \$0                 | *                   | \$0                 |
| Central    | Geylang         | \$270,000           | -\$11,500           | \$500,000           | -\$13,800           | \$610,000           | \$0                 |
| Central    | Kallang/Whampoa | \$320,000           | -\$15,000           | \$568,500           | -\$5,500            | \$711,500           | -\$73,500           |
| Central    | Marine Parade   | \$400,000           | \$0                 | *                   | \$0                 | *                   | \$0                 |
| Central    | Queenstown      | \$369,000           | \$29,000            | \$695,000           | \$7,500             | *                   | \$0                 |
| Central    | Toa Payoh       | \$304,500           | -\$1,500            | \$554,000           | -\$77,000           | \$754,000           | -\$76,000           |
| North      | Sembawang       | -                   | \$0                 | \$349,600           | -\$15,400           | \$409,000           | -\$1,000            |
| North      | Woodlands       | \$264,000           | -\$1,000            | \$346,000           | -\$4,000            | \$415,000           | -\$5,000            |
| North      | Yishun          | \$280,000           | -\$5,000            | \$358,000           | \$2,000             | \$465,000           | \$10,000            |
| North-East | Ang Mo Kio      | \$308,900           | -\$6,100            | \$465,500           | \$5,500             | \$667,500           | -\$20,500           |
| North-East | Hougang         | \$298,000           | \$2,000             | \$390,000           | \$0                 | \$480,000           | \$2,000             |
| North-East | Punggol         | \$360,000           | \$0                 | \$441,500           | -\$11,000           | \$440,000           | -\$10,000           |
| North-East | Sengkang        | *                   | \$0                 | \$415,000           | \$0                 | \$440,000           | \$0                 |
| North-East | Serangoon       | \$326,500           | \$6,500             | \$433,900           | \$9,900             | *                   | \$0                 |
| East       | Bedok           | \$300,000           | -\$5,000            | \$415,000           | \$5,000             | \$560,000           | \$7,500             |
| East       | Pasir Ris       | *                   | \$0                 | \$400,000           | \$5,000             | \$475,000           | \$0                 |
| East       | Tampines        | \$332,000           | \$13,000            | \$435,000           | \$12,000            | \$535,000           | \$16,000            |
| West       | Bukit Batok     | \$275,000           | -\$1,500            | \$395,000           | -\$16,000           | \$535,000           | \$0                 |
| West       | Bukit Panjang   | \$290,000           | \$0                 | \$370,000           | \$12,000            | \$465,000           | \$5,000             |
| West       | Choa Chu Kang   | *                   | \$0                 | \$345,000           | \$2,000             | \$410,000           | \$5,000             |
| West       | Clementi        | \$342,500           | \$2,500             | \$610,000           | \$80,000            | *                   | \$0                 |
| West       | Jurong East     | \$295,000           | \$10,000            | \$408,000           | -\$2,000            | *                   | \$0                 |
| West       | Jurong West     | \$272,500           | -\$1,500            | \$360,000           | -\$15,000           | \$468,000           | \$5,500             |

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       | 2Q17            |              | 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          | \$1,800      | -\$100              | \$2,300      | \$0                 | \$2,600      | \$100               |  |
| Central    | Bukit Merah     | \$1,950      | -\$50               | \$2,600      | \$0                 | \$2,750      | -\$150              |  |
| Central    | Bukit Timah     | *            | \$0                 | *            | \$0                 | *            | \$0                 |  |
| Central    | Central         | \$2,200      | \$0                 | \$2,700      | \$20                | *            | \$0                 |  |
| Central    | Geylang         | \$1,800      | \$0                 | \$2,400      | \$0                 | \$2,500      | -\$50               |  |
| Central    | Kallang/Whampoa | \$1,900      | -\$50               | \$2,500      | \$0                 | \$2,700      | -\$100              |  |
| Central    | Marine Parade   | \$1,800      | -\$100              | \$2,200      | -\$50               | \$2,500      | \$0                 |  |
| Central    | Queenstown      | \$2,000      | \$0                 | \$2,600      | \$0                 | \$2,950      | \$50                |  |
| Central    | Toa Payoh       | \$1,800      | \$0                 | \$2,370      | \$70                | \$2,600      | \$0                 |  |
| North      | Sembawang       | -            | \$0                 | \$1,850      | \$50                | \$2,000      | \$0                 |  |
| North      | Woodlands       | \$1,480      | -\$20               | \$1,800      | \$0                 | \$1,900      | \$0                 |  |
| North      | Yishun          | \$1,600      | \$0                 | \$1,900      | -\$30               | \$2,100      | \$0                 |  |
| North-East | Ang Mo Kio      | \$1,750      | \$0                 | \$2,250      | \$50                | \$2,400      | \$0                 |  |
| North-East | Hougang         | \$1,650      | \$0                 | \$2,000      | \$0                 | \$2,100      | \$0                 |  |
| North-East | Punggol         | *            | \$0                 | \$1,800      | \$0                 | \$1,850      | -\$50               |  |
| North-East | Sengkang        | *            | \$0                 | \$1,800      | -\$100              | \$1,900      | -\$50               |  |
| North-East | Serangoon       | \$1,800      | \$0                 | \$2,300      | -\$100              | \$2,300      | -\$50               |  |
| East       | Bedok           | \$1,700      | -\$50               | \$2,100      | \$0                 | \$2,250      | -\$150              |  |
| East       | Pasir Ris       | *            | \$0                 | \$2,000      | \$0                 | \$2,180      | -\$20               |  |
| East       | Tampines        | \$1,700      | -\$100              | \$2,100      | \$0                 | \$2,200      | -\$100              |  |
| West       | Bukit Batok     | \$1,650      | \$0                 | \$2,000      | \$0                 | \$2,300      | \$20                |  |
| West       | Bukit Panjang   | \$1,500      | -\$50               | \$1,750      | -\$50               | \$1,880      | -\$20               |  |
| West       | Choa Chu Kang   | *            | \$0                 | \$1,800      | \$0                 | \$1,900      | -\$100              |  |
| West       | Clementi        | \$1,900      | \$0                 | \$2,450      | -\$50               | \$2,730      | \$30                |  |
| West       | Jurong East     | \$1,750      | -\$50               | \$2,150      | -\$50               | \$2,300      | -\$100              |  |
| West       | Jurong West     | \$1,700      | \$0                 | \$2,050      | -\$100              | \$2,300      | \$0                 |  |

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          | -                      | 4.9% | 4.0% | Sembawang  | -                      | 6.4% | 5.9% | Bedok         | 6.8%                   | 6.1% | 4.8% |
| Bukit Merah     | 6.4%                   | 4.5% | 4.4% | Woodlands  | 6.7%                   | 6.2% | 5.5% | Pasir Ris     | -                      | 6.0% | 5.5% |
| Bukit Timah     | -                      | -    | -    | Yishun     | 6.9%                   | 6.4% | 5.4% | Tampines      | 6.1%                   | 5.8% | 4.9% |
| Central         | 6.4%                   | -    | -    | Ang Mo Kio | 6.8%                   | 5.8% | 4.3% | Bukit Batok   | 7.2%                   | 6.1% | 5.2% |
| Geylang         | 8.0%                   | 5.8% | 4.9% | Hougang    | 6.6%                   | 6.2% | 5.3% | Bukit Panjang | 6.2%                   | 5.7% | 4.9% |
| Kallang/Whampoa | 7.1%                   | 5.3% | 4.6% | Punggol    | -                      | 4.9% | 5.0% | Choa Chu Kang | -                      | 6.3% | 5.6% |
| Marine Parade   | 5.4%                   | -    | -    | Sengkang   | -                      | 5.2% | 5.2% | Clementi      | 6.7%                   | 4.8% | -    |
| Queenstown      | 6.5%                   | 4.5% | -    | Serangoon  | 6.6%                   | 6.4% | -    | Jurong East   | 7.1%                   | 6.3% | -    |
| Toa Payoh       | 7.1%                   | 5.1% | 4.1% |            |                        |      |      | Jurong West   | 7.5%                   | 6.8% | 5.9% |

Source: HDB, OrangeTee Research