

HDB Market Pulse

REAL ESTATE DATA TRENDS AND ANALYTICS Q2 2020

Parkland Residences / OrangeTee & Tie Research & Consultancy Photo



- HDB resale market avoided a major price correction amid the pandemic and macroeconomic shocks.
- Resale volume plummeted 41.9 per cent quarter-on-quarter to 3,426 units, the lowest quarterly sales since 2007.
- Sales volume in non-mature estates fell by a larger magnitude when compared to mature estates in Q2 2020.
- Overall prices may trend between -2 and 1 per cent for the whole of this year.

Market avoids a major price correction amid macroeconomic shocks

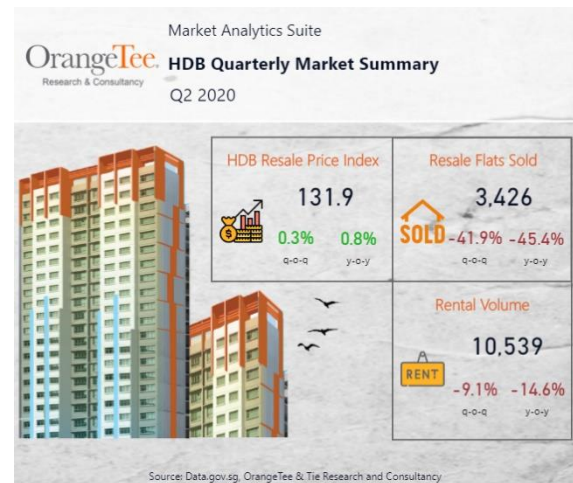
Overall PRICES

Given the uncertainty over the trajectory of the Covid-19 pandemic and the global economic outlook, prices of HDB resale flats remained surprisingly stable over the past two quarters. According to the HDB public housing data for the second quarter of 2020, prices of HDB resale flats rose marginally by 0.3 per cent quarter-on-quarter (q-o-q), after remaining flat in the first quarter of this year (Charts 1 and 2).

Prices of resale flats did not undergo a steep correction despite the onslaught of an unprecedented global health crisis and macroeconomic shocks for more than six months. Prices of resale flats fluctuated more dramatically in past crises. For instance, the HDB resale price index plunged nine successive quarters during the Asian Financial Crisis, by a total of 28.1 per cent from Q4 1996 to Q1 1999. During the dotcom bubble crash and the '911' period or September 11 attacks, prices declined by eight consecutive quarters from Q1 2000 to Q1 2002. Even during the 2008 Global Financial Crisis, HDB prices slipped a quarter by 0.8 per cent in Q1 2009.

As of now, the four rounds of aggressive stimulus packages unleashed by the Singapore government seem effective in preventing a housing market meltdown or property price collapse. Currently, prices of flats seemed to be holding firm with no apparent panic selling island-wide.

Chart 1 Market summary



Various financial assistance measures such as allowing eligible home owners to defer their loan repayments, may have prevented a potential tide of loan defaulters from selling their units in haste or offloading their homes at excessively low prices during financial difficulties.

Further, we are seeing the merits of having stringent regulatory instruments like the Mortgage Servicing Ratio or MSR that limits the mortgage loans of home owners. Such measures are effective in instilling financial prudence among buyers and ensuring they do not overleverage. Currently most Singaporeans seem to have the ability to service their housing loans despite the current economic challenges.

Chart 2 Resale prices remained stable



Overall VOLUME

In contrast, the number of resale transactions plummeted by more than 41.9 per cent to 3,426 units in Q2 2020 from 5,893 units in the preceding quarter (Chart 3). On a year-on-year basis, resale volume dipped by 45.4 per cent from 6,276 units in Q2 2019.

Last quarter's resale volume was the lowest quarter sales on record since 2007 (based on data.gov.sg). The previous low was 3,781 units in Q1 2014. Volumes dropped to a low in 2014 after a number of cooling measures were implemented in 2013 including the tightening of the MSR and reduction of loan term.

The sales decline could be attributed to the tighter safe distancing measures imposed during the Circuit Breaker and the pandemic. A two-month Circuit Breaker period was implemented in April and May during which house viewings were barred while social interactions and movements were greatly reduced to prevent the spread of the coronavirus in the community. The HDB office was closed and some transactions could not be completed.

Based on HDB data from data.gov.sg, the number of resale transactions plunged to 424 units in April and a historical monthly low of 363 units in May. The HDB resale market roared back to life once the Circuit Breaker measures were lifted in early June. Sales volume rebounded strongly by 575.2 per cent month-on-month (m-o-m) to 2,451 units in June (Chart 4).

Chart 3 Volume plummeted during the Circuit Breaker

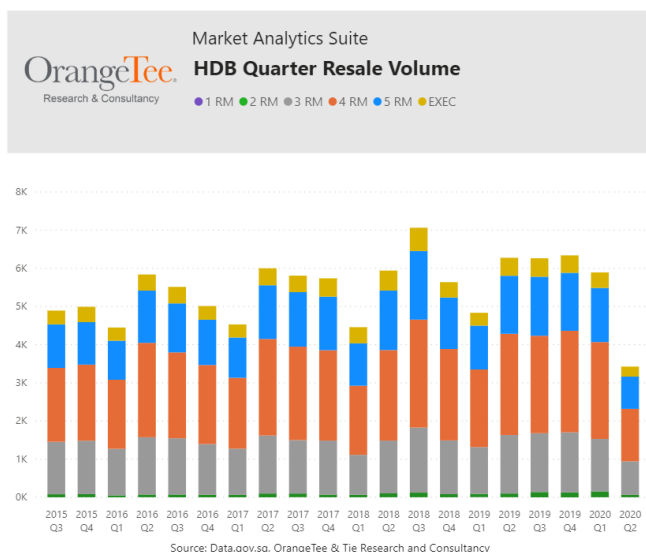
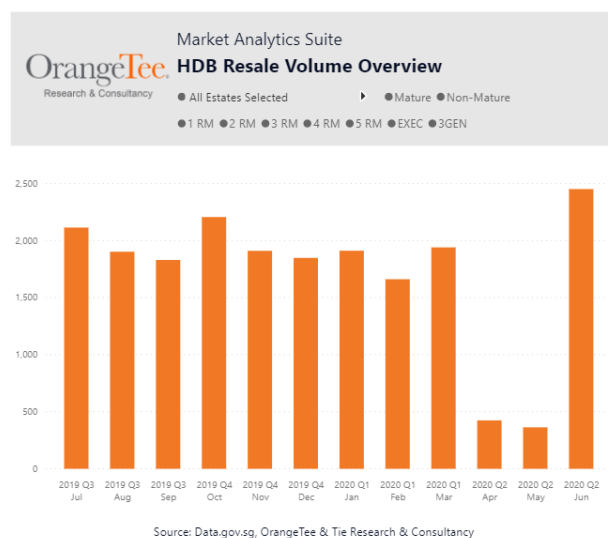


Chart 4 Historical low volume in May 2020



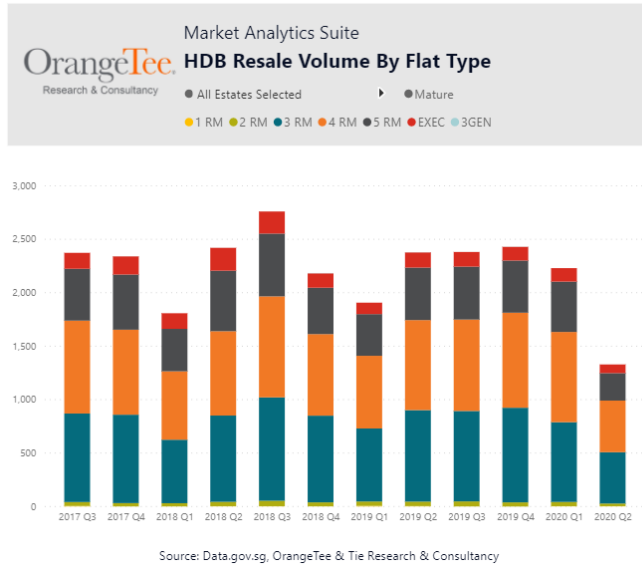
As house viewings were barred during the Circuit Breaker period, home owners deployed other means to showcase their units to buyers.

While the pandemic has accelerated the advancement of technologies and software tools that supports the home buying process, some of these tools may not be suitable for all buyers especially those who were less tech savvy.

Even with the use of virtual home tours, augmented reality and e-open houses, some buyers face difficulty overcoming the psychological barrier of sealing the deal without first inspecting the unit in person. Most buyers would still prefer to assess the condition of the flat and have a better visualisation of the unit layout before making a purchase.

Nonetheless, such technological tools have helped to speed up the buying process for some buyers as they could select and shortlist units remotely prior to the resumption of house viewings. In this way, many buyers were able to make a faster decision once house viewings resumed after the circuit breaker period.

Chart 5 Volume fell 40.4 per cent q-o-q



MATURE ESTATES

Resale transactions of HDB flats fell across most mature estates last quarter. The total number of transactions decreased by 40.4 per cent from 2,230 units in Q1 2020 to 1,329 units in Q2 2020 (Chart 5).

The most popular estate was Tampines with 217 units transacted last quarter, followed by Bedok (180 units and Ang Mo Kio (161 units) in Q2 2020 (Chart 6).

The average price of flats was highest at Bishan with S\$630,923, followed by Bukit Timah at S\$621,300, and Queenstown at S\$601,852 in the second quarter of this year (Chart 7).

Chart 6 Tampines was most popular last quarter

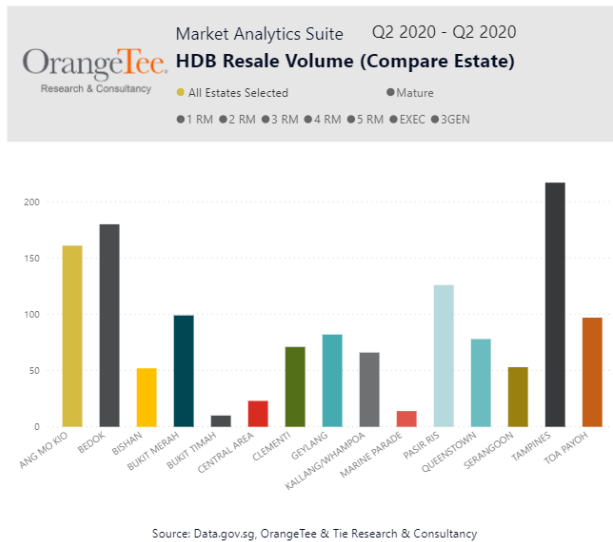
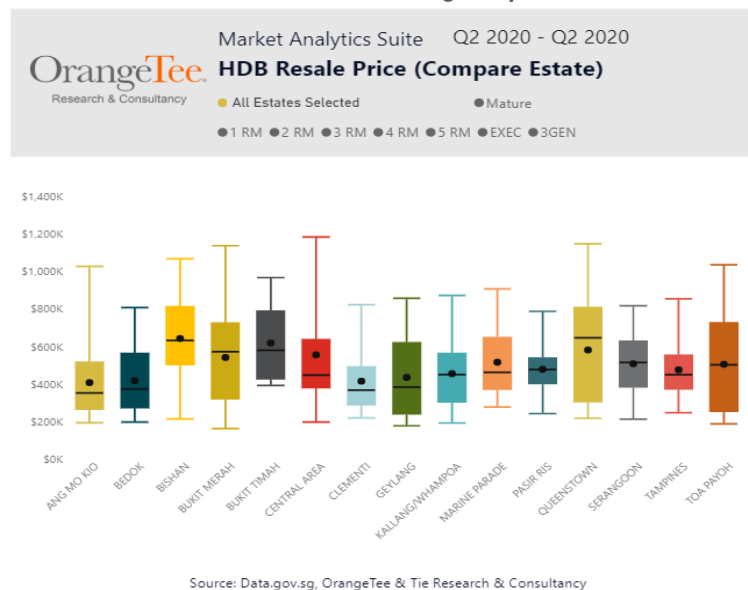


Chart 7 Queenstown flats fetched the highest price



NON-MATURE ESTATES

Resale transactions of HDB flats fell across most non-mature estates last quarter. The total number of transactions decreased by 41.8 per cent from 3,282 units in Q1 2020 to 1,909 units in Q2 2020 (Chart 8). The decline was more significant than the 40.4 per cent for mature estates.

Despite the sales decrease, more than 200 units were sold in many estates last quarter (Chart 9), including Yishun (283 units), Sengkang (260 units), Woodlands (223 units), Jurong West (210 units) and Punggol (200 units).

The average price of flats was highest at Hougang at S\$455,936, followed by Punggol at S\$449,226, Sengkang at S\$445,635 and Bukit Panjang at S\$421,038 in the second quarter of this year (Chart 10).

Chart 8 Sales declined 41.8 per cent q-o-q

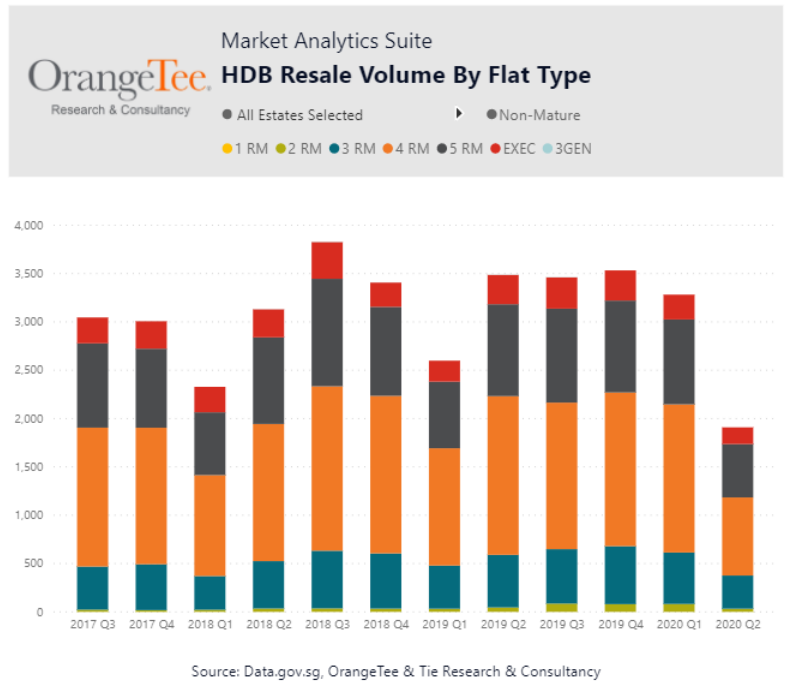


Chart 9 More than 200 units sold in some estates

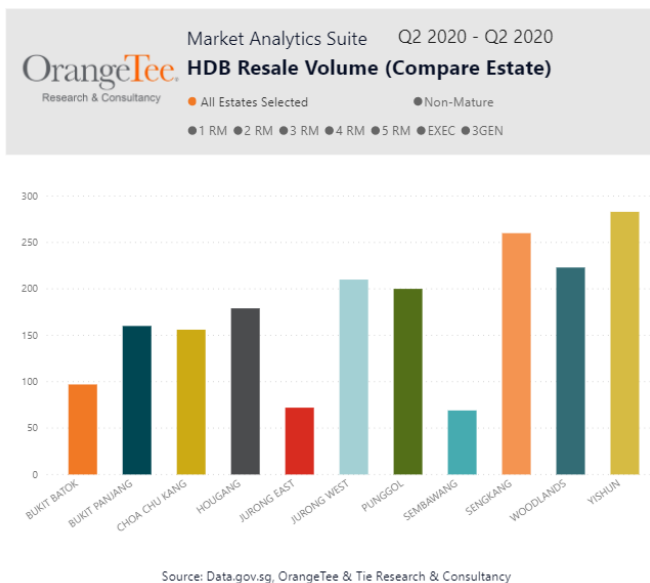
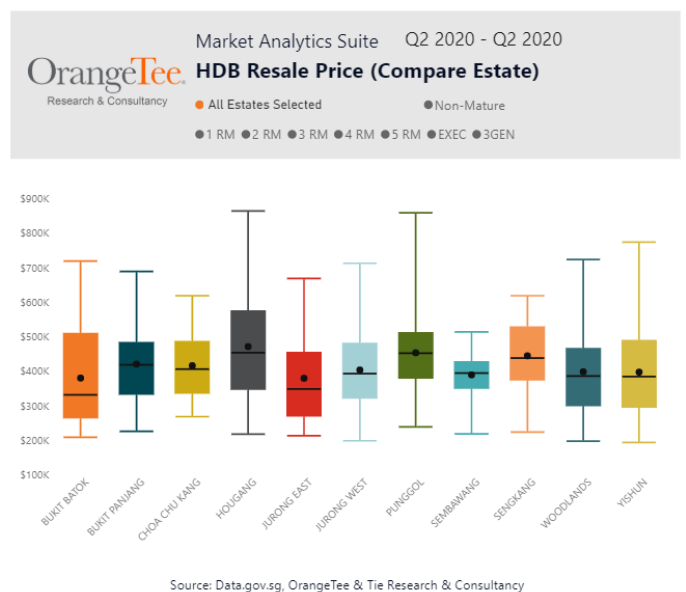
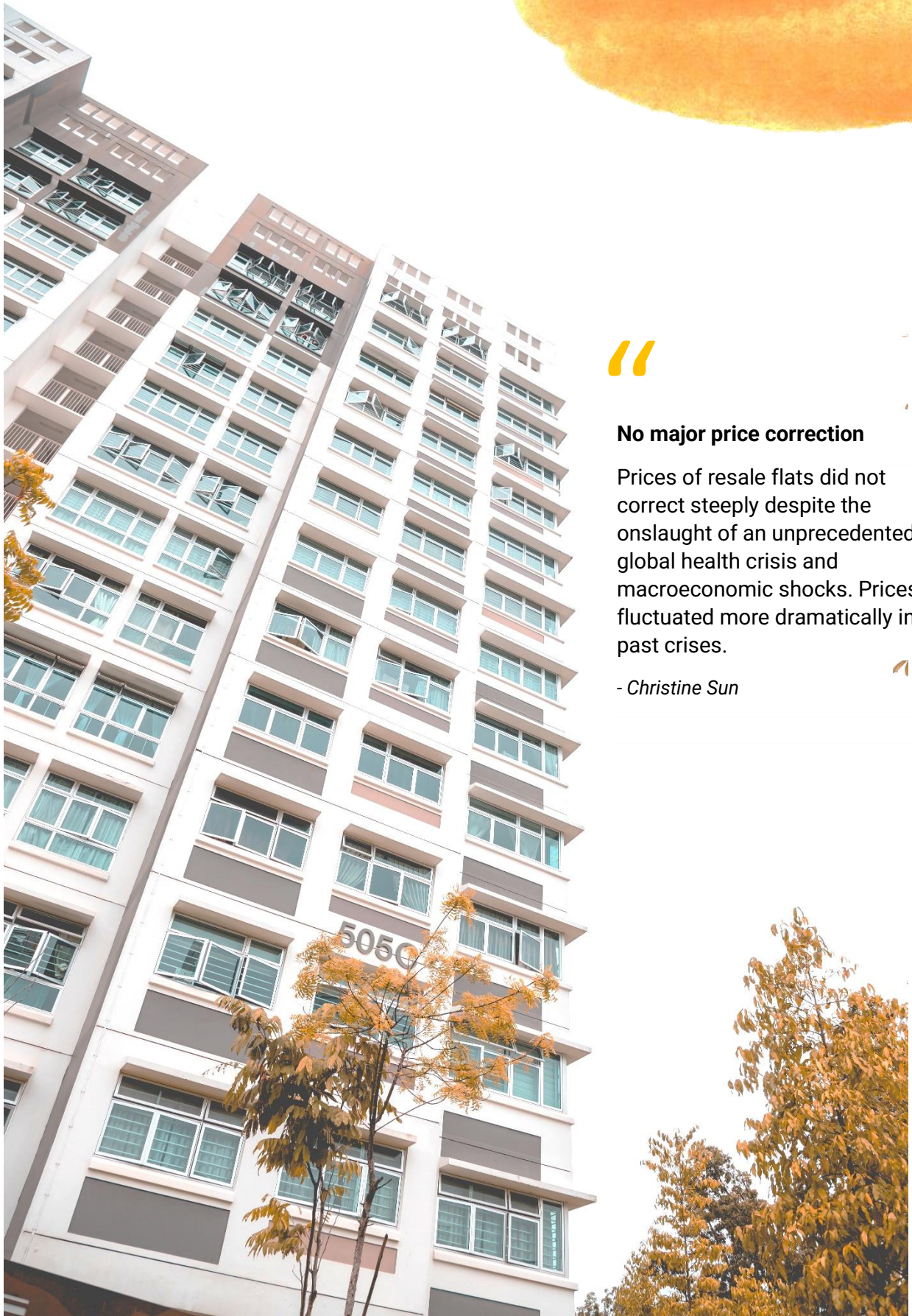


Chart 10 Hougang flats fetched the highest price





No major price correction

Prices of resale flats did not correct steeply despite the onslaught of an unprecedented global health crisis and macroeconomic shocks. Prices fluctuated more dramatically in past crises.

- Christine Sun

Acacia Breeze @ Yishun / OrangeTee & Tie Research & Consultancy Photo

RENTAL

According to SRX Rental Index, rents dipped 2.3 per cent in the first half of this year (Chart 11). Rental applications have also declined as a result of the Circuit Breaker measures and the current economic uncertainties.

The number of approved applications to rent out HDB flats decreased by 9.1 per cent from 11,591 units in Q1 2020 to 10,539 units in Q2 2020. Compared to Q2 2019, the number of approved applications was 14.6 per cent lower than the 12,335 units (Chart 12). We have observed more rental renewals in recent months as many foreign workers are not able to their home countries or travel to another country for the next work assignment.

Some employers had also arranged alternate housing for workers who were affected by the border lockdown and unable to commute daily from Malaysia. While Malaysia and Singapore are currently planning to reopen their borders, it may take a while for travelling to return to normalcy since travel restrictions have been imposed.

Chart 11 Rental index dipped last quarter

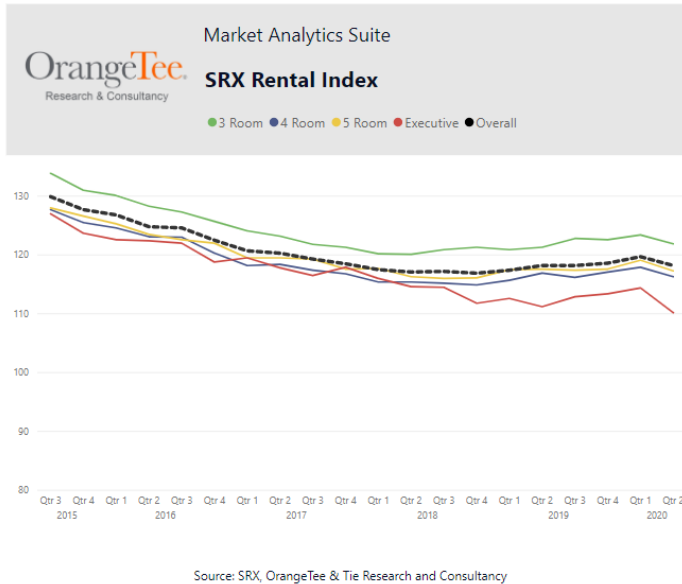


Chart 12 Rental applications declined 9.1 per cent q-o-q

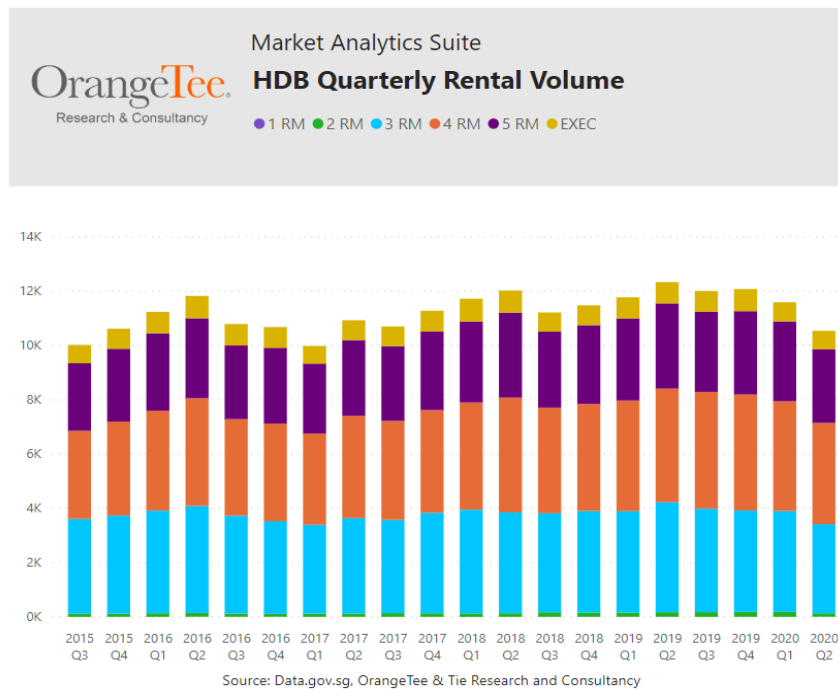
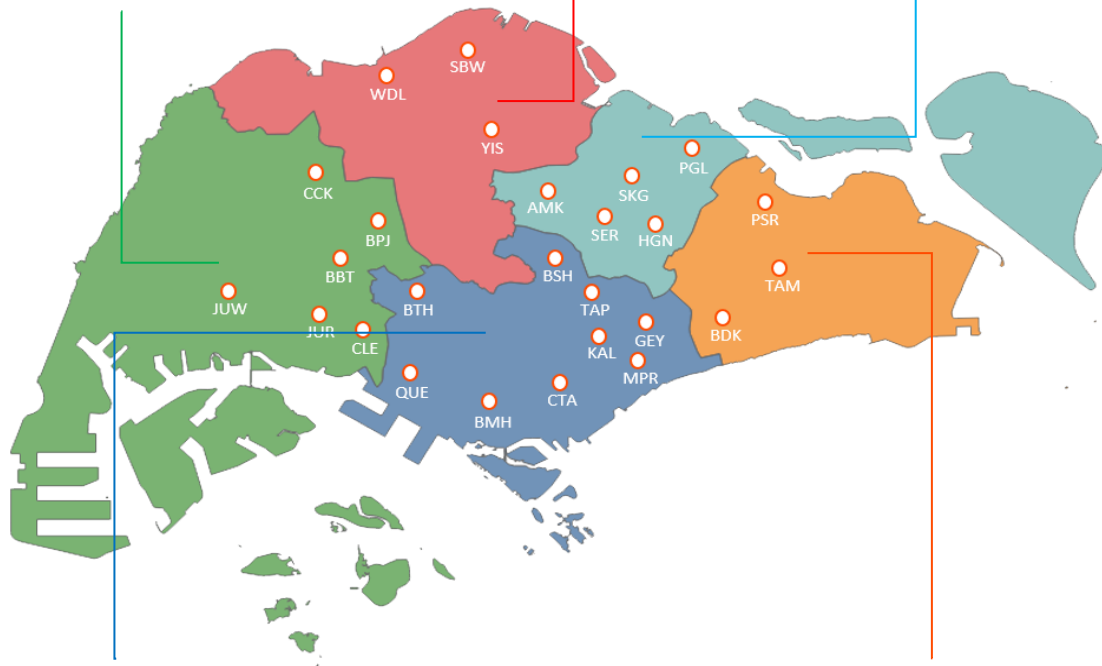


Chart 13 Summary of HDB resale transactions and average resale prices for Q2 2020

North Region				
Planning Area	Total no. of units	Average Resale Price		
		3-Room	4-Room	5-Room
Sembawang (SBW)	69	\$306,000	\$356,787	\$406,906
Woodlands (WDL)	223	\$249,778	\$345,615	\$408,521
Yishun (YIS)	283	\$273,303	\$372,184	\$484,540

West Region				
Planning Area	Total no. of units	Average Resale Price		
		3-Room	4-Room	5-Room
Bukit Batok (BBT)	97	\$259,900	\$353,248	\$535,600
Bukit Panjang (BPJ)	160	\$302,280	\$412,469	\$484,310
Choa Chu Kang (CCK)	156	\$309,545	\$367,429	\$436,475
Clementi (CLE)	71	\$306,650	\$500,200	\$613,286
Jurong East (JUR)	72	\$266,833	\$376,257	\$511,800
Jurong West (JUW)	210	\$266,924	\$365,393	\$444,121

North-East Region				
Planning Area	Total no. of units	Average Resale Price		
		3-Room	4-Room	5-Room
Ang Mo Kio (AMK)	161	\$288,865	\$464,942	\$638,449
Hougang (HGN)	179	\$301,507	\$416,961	\$572,919
Punggol (PGL)	200	\$356,636	\$463,033	\$513,922
Sengkang (SKG)	260	\$333,536	\$424,828	\$501,589
Serangoon (SER)	53	\$305,875	\$474,955	\$556,333



Central Region				
Planning Area	Total no. of units	Average Resale Price		
		3-Room	4-Room	5-Room
Bishan (BSH)	52	\$324,360	\$569,875	\$769,480
Bukit Merah (BMH)	99	\$383,553	\$665,268	\$730,520
Bukit Timah (BTH)	10	\$400,000	\$588,750	\$844,000
Central Area (CTA)	23	\$395,000	\$630,321	\$1,076,729
Geylang (GEY)	82	\$259,269	\$498,946	\$703,733
Kallang / Whampoa (KAL)	66	\$292,411	\$518,098	\$682,538
Marine Parade (MPR)	14	\$388,555	\$502,500	\$756,000
Queenstown (QUE)	78	\$330,750	\$749,529	\$863,167
Toa Payoh (TAP)	97	\$266,786	\$600,223	\$708,816

East Region				
Planning Area	Total no. of units	Average Resale Price		
		3-Room	4-Room	5-Room
Bedok (BDK)	180	\$276,475	\$436,419	\$556,917
Pasir Ris (PSR)	126	\$381,000	\$438,907	\$516,037
Tampines (TAM)	217	\$340,179	\$439,089	\$561,402

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

Table 1 Market projection

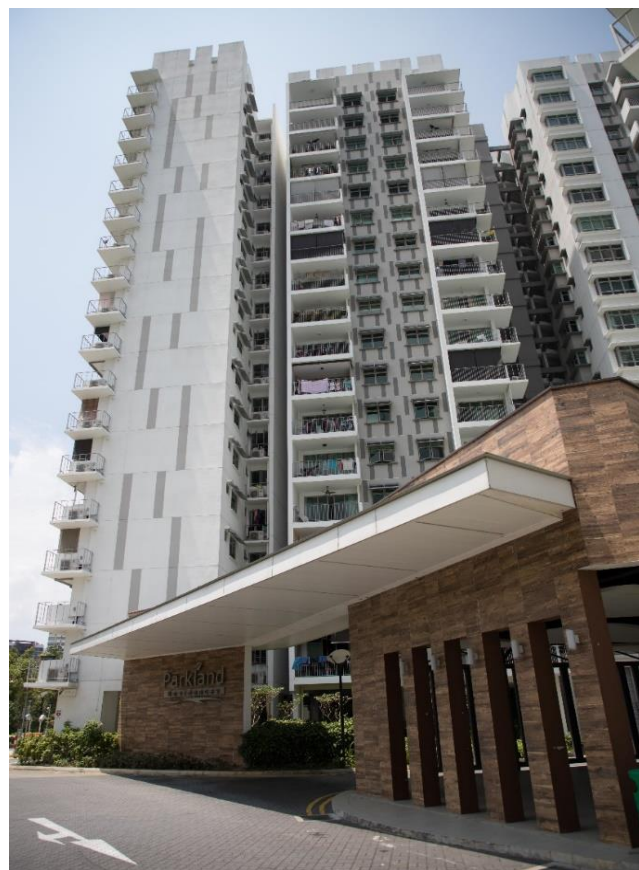
Indicators	2018	2019	H1 2020	Projection for whole of 2020
Resale				
Price Change	-0.9%	0.1%	0.3%	-2% to 1%
Sales Volume (units)	23,099	23,714	9,134	18,000 to 20,000
Rental				
Rental Price Change (SRX)	-0.4%	1.3%	-2.3%	-2% to 0%
HDB Rental Applications (units)	46,440	48,195	22,130	43,000 to 46,000

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

Although market sentiment had generally been more subdued owing to the pandemic, the HDB resale market was not as severely impacted as expected over the past six months. Overall resale prices remained resilient over the past two quarters while sales demand rebounded strongly after the Circuit Breaker period.

Given that the HDB resale market had not been heavily battered by the pandemic unlike the hospitality, aviation and retail sectors, the road to recovery may not be a lengthy one. We may expect demand to return to some normalcy in the coming months as house viewings have resumed fully. Market confidence is returning gradually since the COVID situation has stabilised in Singapore. In light of the current macroeconomic uncertainties, we estimate that the total resale transactions for 2020 may be lower than last year at around 18,000 to 20,000 units (Table 1).

At this juncture, a significant price correction is rather remote unless the pandemic deteriorates rapidly and our unemployment rate rises significantly. Nonetheless, a supply overhang with many HDB flats reaching their five-year Minimum Occupation Period may continue to exert some downward pressure on prices. The overall resale price could range between -2 and 1 per cent this year (Table 1).



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