

HDB Market Pulse

Real Estate Data Trend & Analytics



Q1 2023

OrangeTee & Tie Research & Analytics Stock Image

HDB market showed more signs of cooling as price growth slowed

The real estate buying frenzy seems to be cooling off. Six months after the government implemented a broad package of property cooling measures to tighten lending limits for housing loans and moderate demand, the HDB resale market is showing more signs of cooling as price gains weakened further and sales demand stabilised in Q1 2023.

Last quarter's market performance indicates that the property curbs were effective in tempering market exuberance and slowing price growth.

Price index

According to HDB data for Q1 2023, resale prices climbed marginally by 1 per cent quarter-on-quarter (q-o-q), marking a third consecutive quarterly price slowdown (Charts 1 and 2).

This is the smallest price appreciation since Q2 2020 when prices increased slightly by 0.3 per cent after the COVID-19 circuit-breaker lockdown. Nevertheless, prices are still at a fresh record last quarter. Year-on-year, resale prices increased by 8.8 per cent in Q1 2023.

The price softening comes amid higher housing inventory. The housing shortage is easing as more flats were completed over the past months. Further, the government has continued to launch BTO projects and released many new flats for sale.

After 2022's double-digit price gains, there were concerns that the pace of growth was unsustainable and cash-strapped buyers would be priced out of the market. Several cooling measures were then implemented in September 2022 to tighten borrowing limits and curb demand from private homeowners.

Chart 1 Market summary



Source: HDB, OrangeTee & Tie Research & Analytics

A combination of skyrocketing home prices, inflationary pressures and rising mortgage rates have lowered buyers' housing affordability. Many stepped back to reassess their options and review their price offers.

Rising global uncertainties and financial market volatility sparked by the banking crisis in the US further prompted buyers to be more prudent in their home purchases.

Chart 2 Prices grew slower by 1 per cent q-o-q



Sales volume

The total resale volume rose by 5.8 per cent from 6,597 units in Q4 2022 to 6,979 units in Q1 2023, based on figures released by HDB. Year-on-year, sales increased slightly by 0.6 per cent from 6,934 units in Q1 2022 (Chart 3).

As affordability was affected by the cooling measures and rising interest rates, buyers bought more small flats last quarter.

As a result, the overall price growth slowed since smaller flats constituted a higher proportion of sales last quarter, and small flats usually fetch lower prices (Table 1).

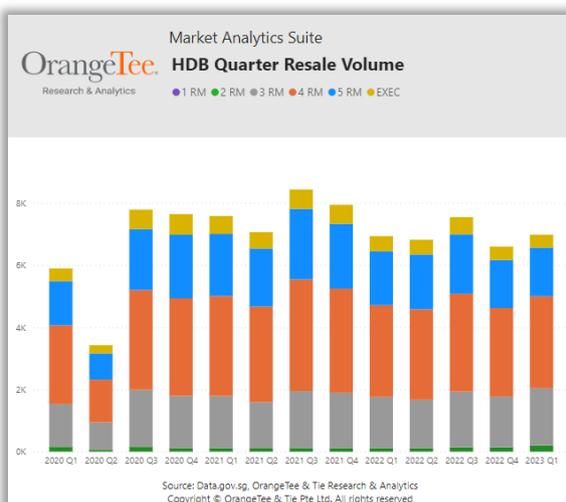
Table 1 Proportion of resale transactions by flat type

| Flat Type | Q4 2022 | | Q1 2023 | |
|-----------|---------|-------|---------|-------|
| 1-ROOM | 0.03% | 70.1% | 0.01% | 71.6% |
| 2-ROOM | 2.1% | | 2.8% | |
| 3-ROOM | 24.8% | | 26.5% | |
| 4-ROOM | 43.1% | | 42.4% | |
| 5-ROOM | 23.4% | 29.9% | 22.4% | 28.4% |
| Executive | 6.5% | | 5.9% | |

Source: HDB, OrangeTee & Tie Research & Analytics

According to HDB resale data, the proportion of 4-room and smaller flats climbed from 70.1 per cent in Q4 2022 to 71.6 per cent in Q1 2023. The proportion of big flats dipped from 29.9 per cent to 28.4 per cent over the same period.

Chart 3 Sales volume rose by 5.8 per cent in Q4



Rental

HDB rents continue to hit record highs amid higher leasing volume last quarter. According to the HDB public housing data for Q1 2023, the approved applications to rent out HDB flats rose by 13.9 per cent from 8,476 units in Q4 2022 to 9,657 units in Q1 2023. On a year-on-year basis, volumes declined by 5.2 per cent from 10,189 units in Q1 2022 (Chart 4).

Rents hit a new record high last quarter, climbing by 2.7 per cent q-o-q and 26.7 per cent y-o-y, according to the data from the real estate portals 99. co and SRX.

Rental demand increased as tenants returned to the market, and leasing activities increased after the year-end holidays and Chinese New Year period. Some tenants shifted downstream from renting private properties to HDB flats as rent prices have surged significantly Island wide, and many are looking for cheaper accommodation.

Although more flats have been completed, most cannot be leased immediately as they need to obtain the minimum occupation period first. It will also take time for local tenants to vacate their rental premises and shift to their new homes.

Moreover, the HDB rental stock may shrink over time since fewer flat owners are keeping their units for rental income as they have to sell their units before upgrading to a private home to avoid the ABSD.

Chart 4 Rental volume rose by 13.9 per cent

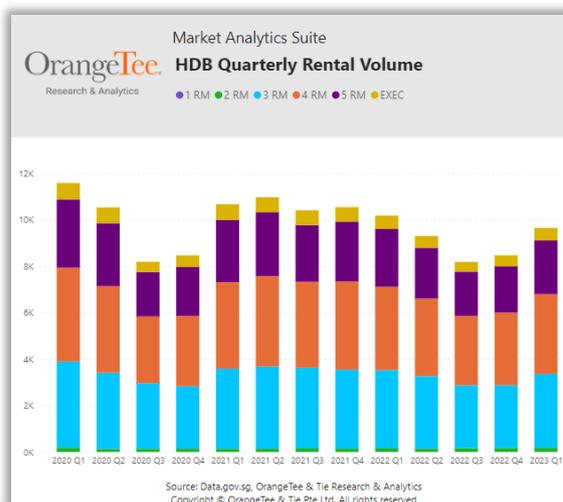
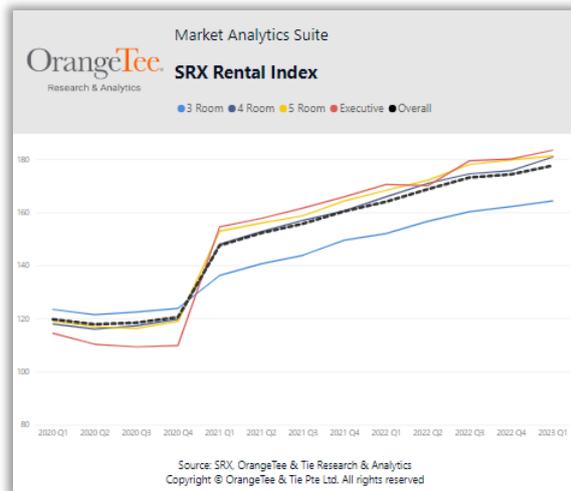


Chart 5 Rents continued to grow last quarter



The increased ABSD, tightened loan limits, and escalating private home prices have also hampered buyers' affordability, meaning fewer flat owners can keep their HDB flats for rental while they stay in private homes.

Rents are projected to rise by 15 to 18 per cent, and around 32,000 to 35,000 flats may be leased in 2023.

Policy changes announced during Budget 2023

Deputy Prime Minister Lawrence Wong announced new initiatives and policies during the Budget 2023 speech that will affect HDB market.

Some of the changes include (Chart 6):

1. Giving more housing grants to first-timer families buying resale flats;
2. Providing more support for selected buyers like young families with children and married couples aged 40 and below applying for their first Build-to-Order (BTO) flats,
3. Tightening rules for non-selection of BTO flats to ensure more efficient flat allocation.

More housing grants will be given to eligible first-timers purchasing HDB resale flats.

This initiative will help many young Singaporeans own their first homes quickly, especially cash-strapped buyers who need urgent housing and cannot wait for the completion of a new BTO flat.

The move will benefit many Singaporeans. As resale prices have risen over the past two years, eligible Singaporeans will appreciate the increased financial assistance.

Those eyeing a resale flat can now choose from more housing estates and flat types with the increased subsidies. Higher resale demand will also help sellers as resale transactions have dipped after September 2022's cooling measures.

Since some demand will be diverted from the BTO market to the resale market, less people may apply for BTO flats. Future applicants will face fewer competitors, leading to better chances of obtaining a unit, especially when supply gradually builds up and the construction period shortens.

Eligible buyers will likely opt for three and four-room resale flats since higher grants are given to families purchasing smaller flats.

Under the new scheme, the CPF Housing Grant will rise by S\$30,000, to a total of S\$80,000 for eligible buyers of four-room or smaller flats.

Chart 6 Higher resale housing grants announced during Budget 2023

| Higher Resale Housing Grants for first-timers | | | | | |
|---|-----------------------|----------------------|------------------------|---------------------|-----------------------|
| Grants | | FIRST-TIMER FAMILIES | | FIRST-TIMER SINGLES | |
| | | Previous | Revised | Previous | Revised |
| CPF Housing Grant <i>for resale flats only</i> | 2- to 4-room flat | \$50,000 | \$80,000 | \$25,000 | \$40,000 |
| | 5-room or larger flat | \$40,000 | \$50,000 | \$20,000 | \$25,000 |
| Enhanced CPF Housing Grant (EHG) <i>for resale & new sale flats</i> | | Up to \$80,000 | | Up to \$40,000 | |
| Proximity Housing Grant (PHG) <i>for families and singles buying a resale flat to live with or within 4km of their parents or children</i> | | Up to \$30,000 | | Up to \$15,000 | |
| Total | | Up to \$160,000 | Up to \$190,000 | Up to \$80,000 | Up to \$95,000 |
| | | Additional \$30,000 | | Additional \$15,000 | |

Source: MND, HDB, OrangeTee & Tie

Other buyers can receive S\$10,000 more or S\$50,000 in full if they were to purchase a five-room or larger resale flat.

The grants will help to offset a bigger proportion of the total purchase price of a 4-room flat vis-à-vis a 5-room resale flat.

For instance, the median price of a 4-room resale flat is around S\$535,000 in February 2023, based on HDB transaction records from data.gov.sg.

The \$30,000 additional grants can cover almost 6 per cent of the resale price. Therefore, the full S\$80,000 grant for eligible buyers amounts to about 15 per cent of the property price.

In comparison, the S\$10,000 increased grants constitute just 1.6 per cent of the median price of a 5-room resale flat at around S\$638,000. The total grant of S\$50,000 can only cover about 7.8 per cent of the purchase price.

Chart 7 Impact of increased CPF housing grant



Source: MND, HDB, data.gov.sg, OrangeTee & Tie Research & Analytics

Some eligible buyers may switch from buying a resale flat in the non-mature to mature estates as the additional grants can partially offset the price difference.

For example, the median price of 4-room resale flats in mature estates is S\$595,000, while those in non-mature estates are around S\$515,000. The \$30,000 additional grants can cover at least 35 per cent of the \$80,000 price difference (Chart 7).

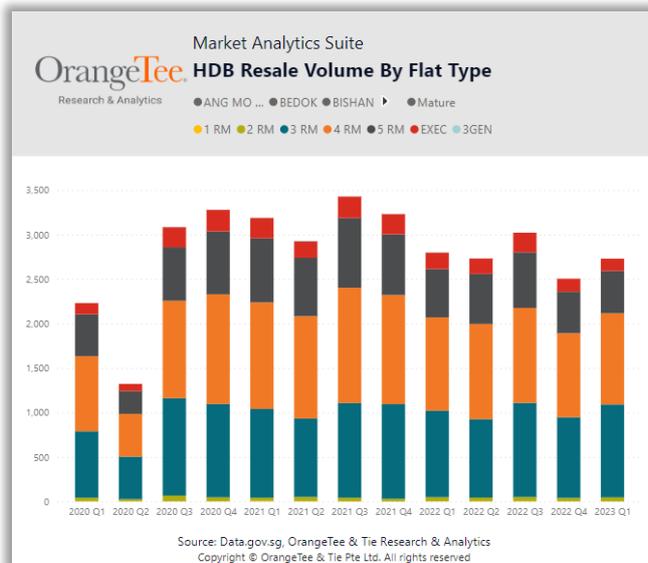
Prices of resale flats may rise for certain flat types due to policy changes. Looking at how the additional grants are dispersed, with more subsidies given to those buying smaller flats, we may expect more price impact on 3- and 4-room resale flats in some popular locations or mature estates.

There could be less impact on large flats as the additional grants are noticeably smaller for first-timers purchasing 5-room or bigger resale units.

The extent of price appreciation will depend on what buyers are willing to pay. Fair market value is the price at which a property changes hands between a willing buyer and a willing seller. Buyers should continue to be prudent and buy within their means even if more grants are given.



Chart 8 Sales in mature estates rose last quarter

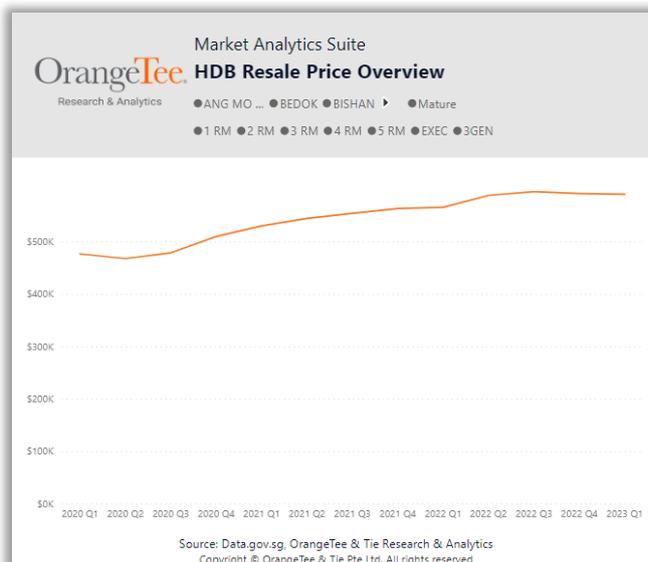


MATURE ESTATES

Last quarter, resale volume in mature estates increased. Based on HDB data from data.gov.sg, the number of resale flat transactions in mature estates rose by 8.9 per cent from 2,505 units in Q4 2022 to 2,729 units in Q1 2023 (Chart 8). Average prices fell marginally by 0.3 per cent from S\$591,403 to S\$589,919 over the same period (Chart 9).

The most popular mature estates with the highest transactions were Tampines (468 units), Bedok (363 units), Ang Mo Kio (274 units), Bukit Merah (237 units) and Kallang/Whampoa (205 units) (Chart 10).

Chart 9 Average prices fell by 0.3 per cent q-o-q



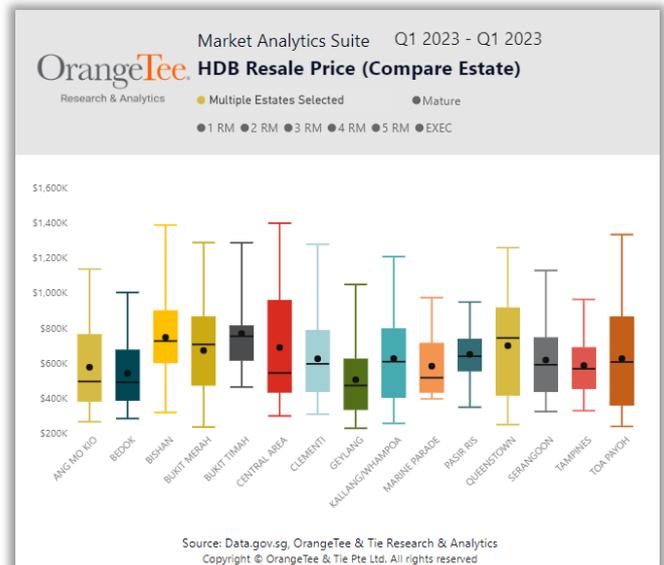
Flats in Bishan fetched the highest average price at S\$744,557 in Q1 2023. Other flats in Tampines were transacted at an average price of S\$574,890 while those in Bedok were S\$504,209, Ang Mo Kio at S\$532,544, Bukit Merah at S\$678,861 and Kallang/Whampoa at S\$608,100 (Chart 11).

92 million-dollar flats were transacted in mature estates last quarter. Toa Payoh had the highest number of transactions (17 units), followed by Central Area (14 units), Queenstown (13 units), Bishan (9 units), and Bukit Merah (9 units). Last quarter's priciest resale transaction was a 5-room flat at Pinnacle@Duxton sold for S\$1.4 million.

Chart 10 Tampines and Bedok were most popular



Chart 11 Flats in Bishan fetched the highest average price



NON-MATURE ESTATES

For non-mature estates, resale transactions also increased last quarter by 3.5 per cent from 3,818 units in Q4 2022 to 3,953 units in Q1 2023 (Chart 12). Average resale prices grew marginally by 0.3 per cent from S\$536,778 to S\$538,267 over the same period (Chart 13).

The non-mature estates with the most resale transactions were Woodlands (563 units), Punggol (551 units), Yishun (517 units), Sengkang (436 units) and Jurong West (381 units) in Q1 2023 (Chart 14).

Last quarter, average resale prices increased in 6 out of 11 non-mature estates. The highest q-o-q increase was in Bukit Batok (7.9 per cent), followed by Jurong East (6.8 per cent), Sengkang (1.4 per cent), Choa Chu Kang (0.9 per cent) and Sembawang (0.9 per cent).

The average price of resale flats in Woodlands was S\$526,091, followed by Punggol at S\$571,075, Yishun at S\$484,303, Sengkang at S\$577,253, and Jurong West at S\$506,697 (Chart 15).

Eleven more million-dollar flats were sold in non-mature estates last quarter. Five were located in Woodlands, two each in Yishun and Jurong East, and one each in Hougang and Punggol.

Chart 12 Sales in non-mature estates increased last quarter

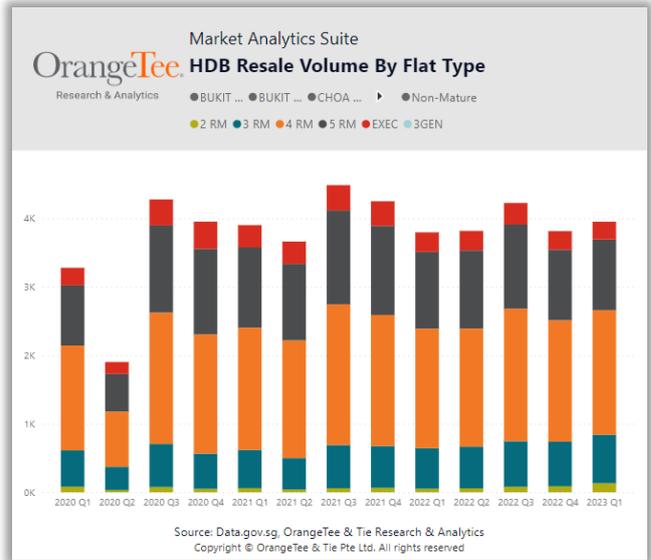


Chart 13 Average prices grew by 0.3 per cent q-o-q

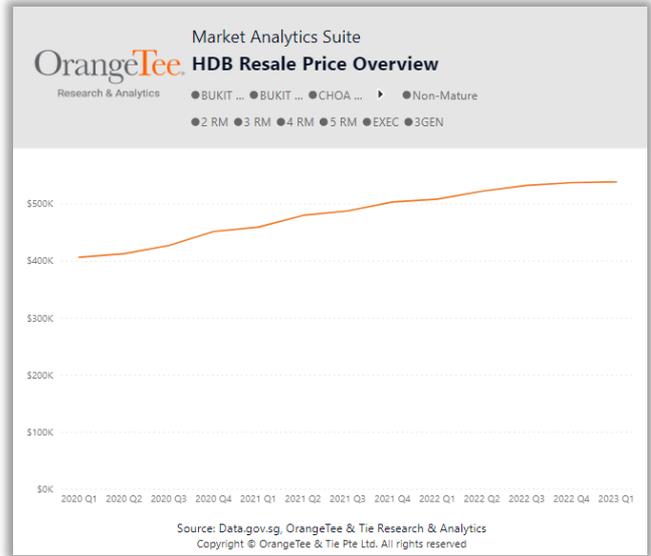


Chart 14 Woodlands and Punggol were most popular

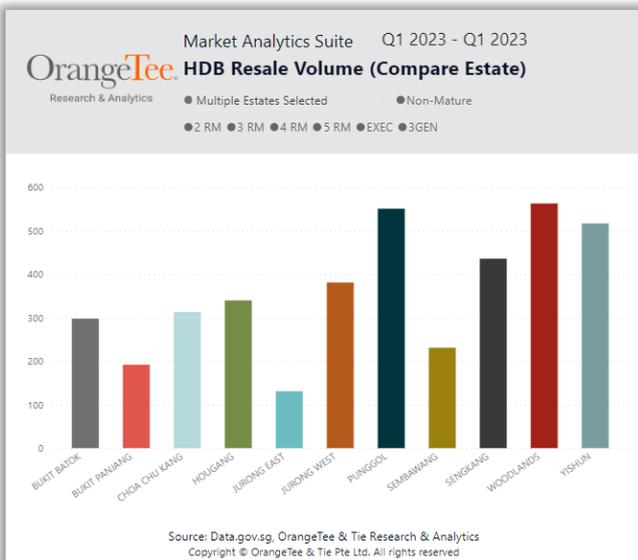


Chart 15 Flats in Bukit Batok fetched the highest average price



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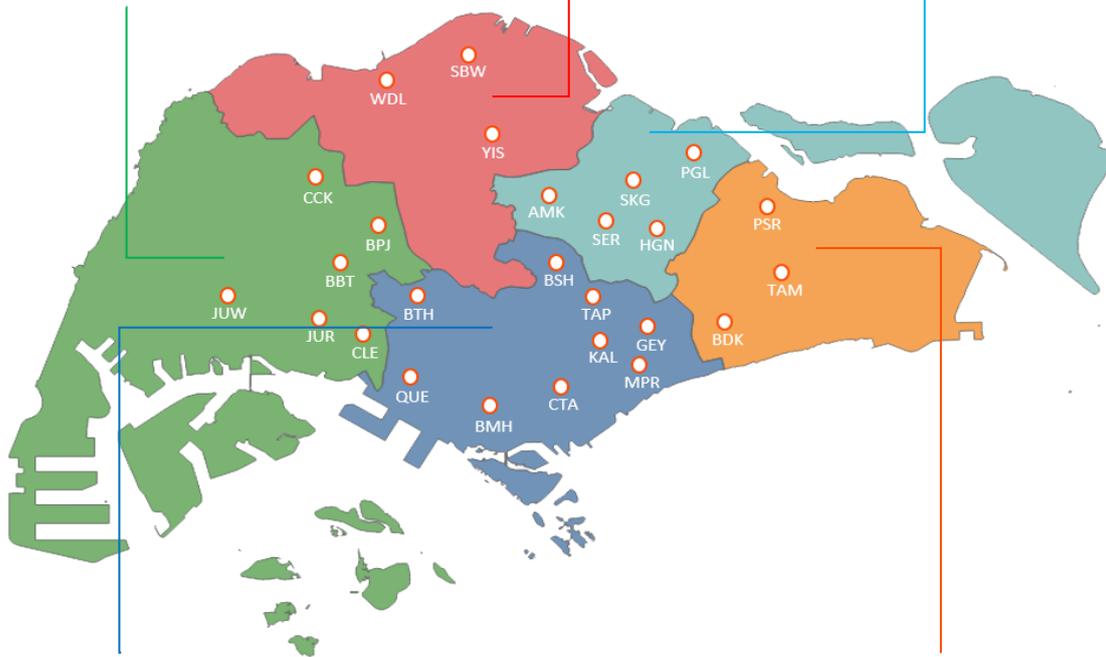
Last quarter's market performance indicates that the property curbs were effective in tempering market exuberance and slowing price growth.

Chart 16 Summary of HDB resale transactions and average resale prices for Q1 2023

| North Region | | | | |
|-----------------|-------------------------|----------------------|-----------|-----------|
| Planning Area | Total no. of units sold | Average Resale Price | | |
| | | 3-Room | 4-Room | 5-Room |
| Sembawang (SBW) | 231 | \$436,875 | \$532,357 | \$600,899 |
| Woodlands (WDL) | 563 | \$385,846 | \$490,578 | \$592,945 |
| Yishun (YIS) | 517 | \$383,451 | \$484,915 | \$636,064 |

| West Region | | | | |
|---------------------|-------------------------|----------------------|-----------|-----------|
| Planning Area | Total no. of units sold | Average Resale Price | | |
| | | 3-Room | 4-Room | 5-Room |
| Bukit Batok (BBT) | 298 | \$390,961 | \$591,835 | \$768,267 |
| Bukit Panjang (BPJ) | 192 | \$389,485 | \$508,483 | \$620,276 |
| Choa Chu Kang (CCK) | 313 | \$407,696 | \$494,454 | \$582,159 |
| Clementi (CLE) | 180 | \$441,420 | \$662,192 | \$831,565 |
| Jurong East (JUR) | 131 | \$374,078 | \$474,657 | \$634,844 |
| Jurong West (JUW) | 381 | \$342,933 | \$488,743 | \$593,646 |

| North-East Region | | | | |
|-------------------|-------------------------|----------------------|-----------|-----------|
| Planning Area | Total no. of units sold | Average Resale Price | | |
| | | 3-Room | 4-Room | 5-Room |
| Ang Mo Kio (AMK) | 274 | \$398,742 | \$668,452 | \$808,185 |
| Hougang (HGN) | 340 | \$393,913 | \$531,870 | \$677,399 |
| Punggol (PGL) | 551 | \$452,352 | \$580,005 | \$667,019 |
| Sengkang (SKG) | 436 | \$440,583 | \$560,112 | \$626,672 |
| Serangoon (SER) | 104 | \$396,573 | \$596,388 | \$675,623 |



| Central Region | | | | |
|-------------------------|-------------------------|----------------------|-----------|-------------|
| Planning Area | Total no. of units sold | Average Resale Price | | |
| | | 3-Room | 4-Room | 5-Room |
| Bishan (BSH) | 92 | \$429,857 | \$680,564 | \$926,460 |
| Bukit Merah (BMH) | 237 | \$490,396 | \$782,710 | \$868,653 |
| Bukit Timah (BTH) | 10 | \$465,000 | \$740,127 | NA |
| Central Area (CTA) | 60 | \$452,483 | \$877,035 | \$1,278,333 |
| Geylang (GEY) | 183 | \$375,822 | \$588,430 | \$769,065 |
| Kallang / Whampoa (KAL) | 205 | \$450,250 | \$718,684 | \$838,536 |
| Marine Parade (MPR) | 37 | \$455,323 | \$579,667 | \$842,189 |
| Queenstown (QUE) | 166 | \$440,962 | \$846,332 | \$971,582 |
| Toa Payoh (TAP) | 183 | \$401,074 | \$735,489 | \$883,416 |

| East Region | | | | |
|-----------------|-------------------------|----------------------|-----------|-----------|
| Planning Area | Total no. of units sold | Average Resale Price | | |
| | | 3-Room | 4-Room | 5-Room |
| Bedok (BDK) | 363 | \$381,044 | \$542,717 | \$677,744 |
| Pasir Ris (PSR) | 167 | \$435,000 | \$547,604 | \$649,376 |
| Tampines (TAM) | 468 | \$420,350 | \$565,782 | \$682,171 |

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

OUTLOOK

HDB Market Projection

| Indicators | 2019 | 2020 | 2021 | 2022 | Q4 2022 | Q1 2023 | Projection for 2023 |
|---------------------------------|--------|--------|--------|--------|---------|---------|---------------------|
| Resale | | | | | | | |
| Price Change | 0.1% | 5.0% | 12.7% | 10.4% | 2.3% | 1% | 5% to 8% |
| Sales Volume (units) | 23,714 | 24,748 | 31,017 | 27,896 | 6,597 | 6,979 | 23,000 to 26,000 |
| Rental | | | | | | | |
| Rental Price Change (SRX-99.co) | 1.3% | 4.3% | 7.1% | 28.4% | 8.8% | 2.7% | 15% to 18% |
| HDB Rental Applications | 48,195 | 38,798 | 42,623 | 36,166 | 8,476 | 9,657 | 32,000 to 35,000 |

Source: HDB, SRX-99.co, OrangeTee & Tie Research & Analytics

Rising interest rates, inflationary pressures and high resale prices have crimped buyers' purchasing power. As housing affordability takes centre stage, small resale flats will continue to find favour with buyers.

In addition, since more grants will be given to first-timers purchasing 4-room and smaller flats, demand for small flats will likely rise faster than for big flats. Sales of 4-room and smaller flats have since risen by 8.2 per cent from 4,622 units in Q4 2022 to 5,000 units in Q1 2023. Year-on-year, volume is 6.1 per cent more than the 4,714 units sold in Q1 2022.

At the lowest end of the housing market, sales of 2-room flats hit a record high with 196 transactions in Q1 2023, surging by 39 per cent from 141 units in Q4 2022. The high transaction volume may also be due in part to a huge ramp-up in 2-room MOP flats last year. According to HDB data from data.gov.sg on completion status of HDB developments, 4,692 2-room resale flats obtained MOP in 2022, the second-highest

number on record (5,577 MOP flats are projected for 2027). We expect more of such units to be transacted as there will be 3,763 units obtaining MOP this year.

Sale of 3-room flats similarly rose by 12.8 per cent from 1,637 units to 1,847 units over the same period. The number of 3-room flats that reached MOP in 2022 is 5,970 units, the highest since 7,931 flats reached MOP in 1991. Another 2,940 units are projected to reach MOP this year.

From August 2023, stricter rules will be imposed for the non-selection of BTO flats. First-timers who lose their priority when they reject HDB's offer to pick BTO flats will likely turn to the resale market. Demand for resale flats may increase further in the second half of this year.

Therefore, overall sales may rise over the next few months. The total sales volume may reach 23,000 to 26,000 units this year. Resale prices may continue to climb, but at a slower pace of 5 per cent to 8 per cent in 2023, compared to 10.4 per cent in 2022 and 12.7 per cent in 2021.

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