

HDB Market Pulse

REAL ESTATE DATA TRENDS AND ANALYTICS Q2 2021

- The HDB resale prices rose a fifth consecutive quarter by 3.0 per cent in Q2 2021.
- The price gap between private properties and HDB resale flats is narrowing as prices of flats rose faster; more HDB upgraders may find it easier to upgrade to a private property.
- Sales hit a temporary roadblock last quarter, slipping by 6.8 per cent quarter-on-quarter during the heightened alert period.
- The number of million-dollar flat transactions hit a new high with 120 units over the first seven months of this year.



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Resale prices continue to accelerate amid heightened alert

After a stunningly successful year of record sales during the pandemic, the HDB resale market set its foot firmer on the gas pedal this year. Sales remain largely resilient and prices continue to accelerate.

Movement restrictions were further tightened in response to a resurgence of virus infections, resulting in fewer viewings. The viewing restrictions did not put a dent on prices, although there was a slight pullback in sales demand.

According to the HDB public housing data for Q2 2021, prices of HDB resale flats climbed a fifth consecutive quarter by 3.0 per cent quarter-on-quarter (q-o-q) and increased 11 per cent from a year prior. Prices rose at a similar pace at 3.0 per cent in Q1 2021 (Charts 1 and 2). For the first half of this year, prices have climbed 6 per cent.

Currently, prices are just 2 per cent below the peak in Q2 2013 and given the current pace of price increase, resale prices are likely to reach a new high by the second half of this year.

Prices are usually more inelastic than volume. Home prices tend to take a longer time to adjust to market changes. To many sellers, they probably view the movement restrictions as temporary. They expect demand to pick up again and hence do not see a need to adjust prices.

Chart 2 Increase in HDB Resale Price Index



Chart 1 Market summary

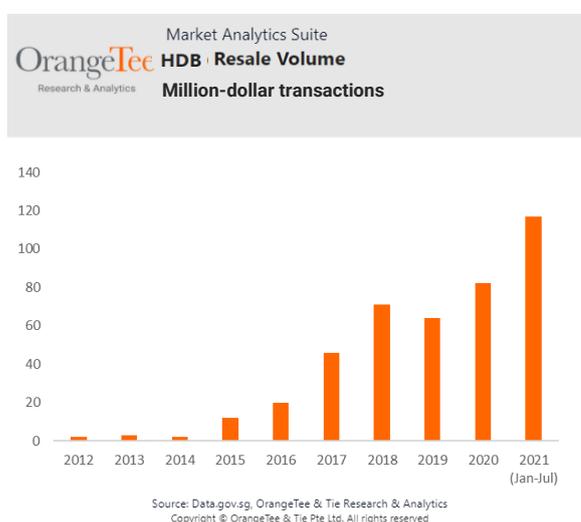


According to HDB data from data.gov.sg, the average price of resale flats rose in 22 out of 26 towns last quarter. The steep price increase, underscores the significant imbalance between supply and demand in many locations.

Central Area posted the most significant q-o-q increase (up 13.3 per cent) in Q2 2021, followed by Serangoon (up 9.6 per cent), Marine Parade (up 9.2 per cent) and Woodlands (up 8.3 per cent).

The steep rise in prices at Central Area could be attributed to 25 resale flats that were sold for more than S\$900,000 last quarter, 16 of which were transacted for at least S\$ 1 million.

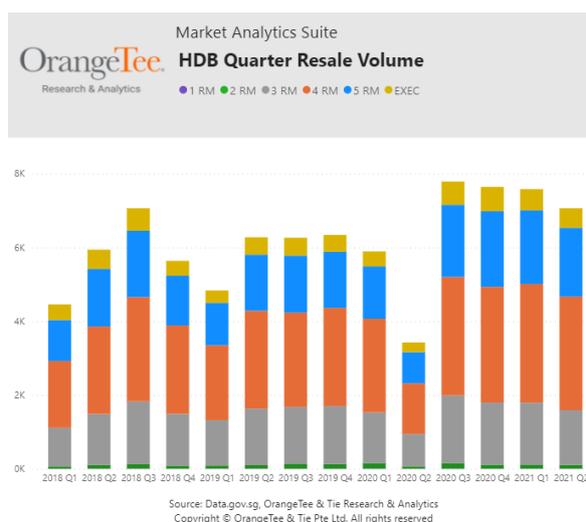
Chart 3 Record number of million-dollar flats



This year, the million-dollar flat transactions hit a new high with 120 units in January to July 2021 (Chart 3). The million-dollar flat transactions may exceed 180 units this year, given that the quarterly average was 25 units over the past three years (Q3 2018 to Q2 2021).

Average price of resale flats in 15 towns hit a fresh quarterly high in Q2 2021 in Bedok (S\$475,520), Bukit Panjang (S\$491,158), Bukit Batok (S\$444,708), Choa Chu Kang (S\$483,511), Clementi (S\$533,111), Geylang (S\$501,345), Hougang (S\$509,516), Marine Parade (S\$596,988), Jurong East (S\$489,635), Pasir Ris (S\$563,026), Queenstown (S\$666,861), Serangoon (S\$570,179), Tampines (S\$524,062), Woodlands (S\$459,591) and Yishun (S\$432,544).

Chart 4 Sales fell during heightened alert period



The resale market hit a temporary roadblock last quarter as sales slipped by 6.8 per cent from 7,581 units in Q1 2021 to 7,063 units in Q2 2021 (Chart 4). The sales decline could be attributed to stricter measures imposed during Singapore’s heightened alert period in May-June.

Despite the slight pullback in sales, buyer demand is still strong since volumes in Q2 is higher than the pre-pandemic level. In 2019, the average quarter sales were 5,929 units. In 2020, the average quarter sales were 6,187 units. More than 14,000 resale flats changed hands in H1 2021, and this is the highest first half-year sales since H1 2010 when 17,598 units were sold.

Last month's sales decline was mitigated by certain factors. For instance, buyers and agents were growing more accustomed to the use of technology. Therefore, some of them were able to adjust quickly to remote viewings. Other buyers have probably viewed the units before restrictions kicked in and were able to proceed with their home purchases.

As a result, on a month-on-month basis, HDB resale volume rebounded strongly after the heightened alert measures were partially lifted in mid-June. The number of resale transactions rose 17.7 per cent month-on-month to 2,311 units in June from 1,963 units in May. Sales is likely to pick up further if the Covid-19 situation stabilizes and more people are vaccinated.

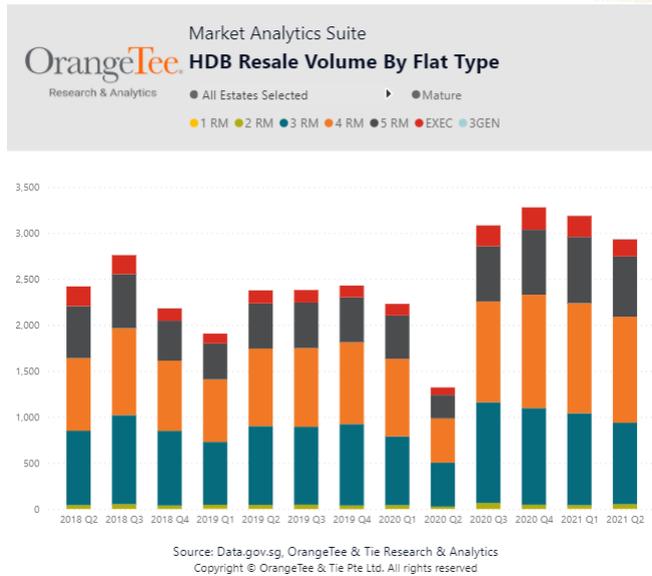
Moreover, the construction delays of new Build-To-Order flats drove many couples to seek housing in the secondary market. Buyers downsizing from private properties have also turned to the HDB resale market.

Due to the robust housing demand and supply shortage, bargains were fading, and buyers have to move quickly if they spot a home that interests them, especially for popular locations. With many eager buyers willing to match the valuation of properties, prices of resale flats are creeping up in many areas.

Apart from the fast-rising prices, some buyers may be concerned about the cash-over-valuation (COV) component as well. However, the authorities have recently clarified that the majority of buyers did not have to pay any COV for their flats and the median COV each year has remained at \$0.

Although the proportion of buyers who paid COV increased this year, it is still significantly lower when compared to the period between 2010 and 2013. This information can serve as a market indicator for both buyers and sellers. It may help to alleviate the anxieties of some buyers who may be worried about paying high COVs or ‘overpaying’ for certain flats.

Chart 5 Volume dipped 7.9 per cent last quarter



MATURE ESTATES

Based on HDB data from data.gov.sg, the number of HDB resale flats sold in mature estates dipped by 7.9 per cent from 3,190 units in Q1 2021 to 2,937 units in Q2 2021 (Chart 5). Overall prices rose by 2.6 per cent from S\$529,864 to S\$543,568 over the same period (Chart 6).

The most popular estate was Tampines with 472 transactions last quarter, followed by Bedok with 384 transactions, Bukit Merah with 282 units and Ang Mo Kio with 241 transactions (Chart 7).

The average price of flats in Tampines was S\$524,062, while those in Bedok was S\$475,520, Bukit Merah was S\$590,728 and Ang Mo Kio was S\$431,644 last quarter (Chart 8).

The priciest flat transaction was for a 3-room 210 sqm Terrace unit at Jalan Bahagia sold for S\$1.268 million. Last quarter, 53 flats in mature estates were sold for at least S\$1 million.

Chart 6 Average price rose by 2.6 per cent q-o-q



Chart 7 Tampines and Bedok were most popular

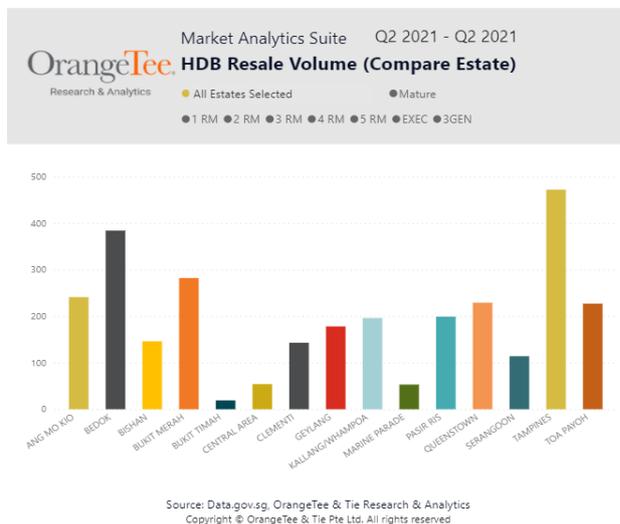


Chart 8 Flats in Central Area fetched the highest price



NON-MATURE ESTATES

The number of resale flat transactions in non-mature estates declined by 6.0 per cent from 3,906 units in Q1 2021 to 3,673 units in Q2 2021 (Chart 9). Prices of resale flats rose 4.4 per cent from S\$458,828 to S\$479,216 over the same period (Chart 10).

The most popular non-mature estates were Punggol (652 units), Sengkang (615 units), Woodlands (402 units) and Choa Chu Kang (350 units) (Chart 11). The average price of flats in Punggol was S\$506,036, Sengkang was S\$491,740, Woodlands was S\$459,591, and Choa Chu Kang was S\$483,511 last quarter (Chart 12).

The number of flats in non-mature estates sold above S\$700,000 continued to rise. Last quarter, 166 units were transacted at this price range, above the 112 units recorded in Q1 2021 and 95 units in Q4 2020 (95 units). Of this number, 34 flats were transacted for at least S\$800,000 last quarter, higher than the record quarter sales in Q1 2021 (23 units).

Two units were transacted above S\$900,000 last quarter. Both of these flats were executive apartments above 20 years old. One of them was a 141 sqm flat in Hougang sold for S\$925,000, while the other unit was a 144 sqm unit at Bukit Batok sold for S\$968,000.

Chart 9 Sales declined by 6.0 per cent q-o-q

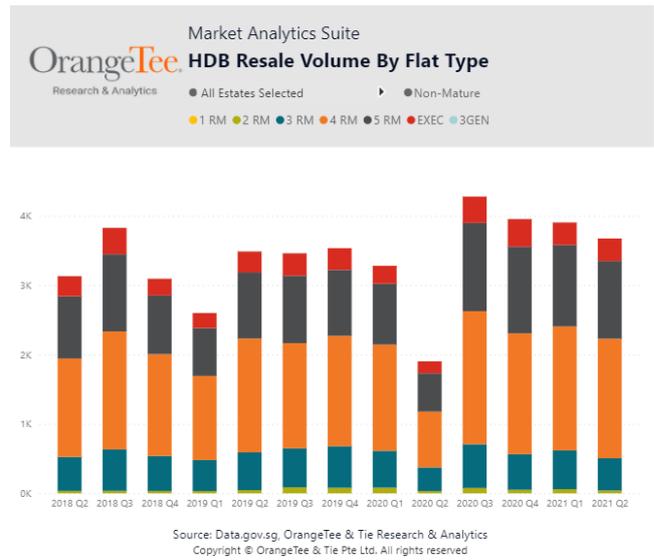


Chart 10 Prices rose 4.4 per cent q-o-q

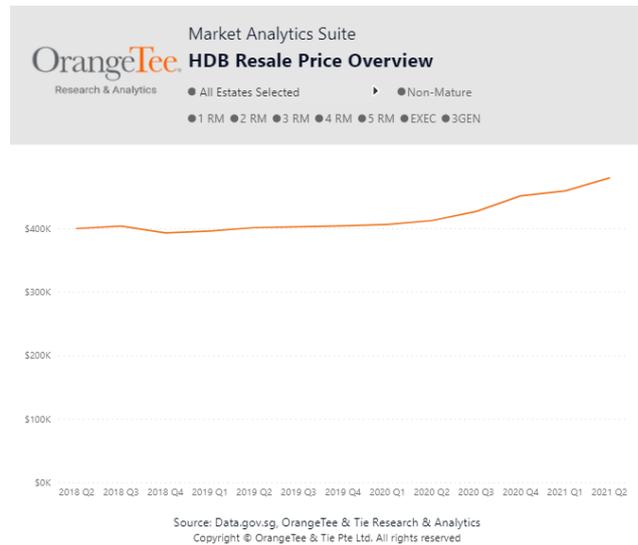


Chart 11 Sengkang and Punggol were most popular

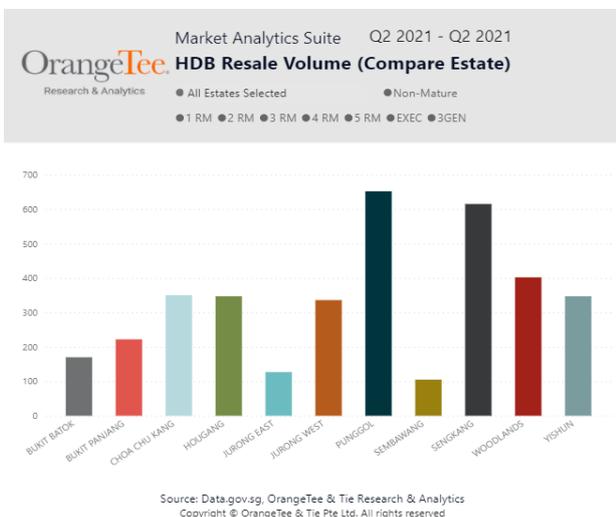


Chart 12 Flats in Hougang fetched the highest average price





Price resilience

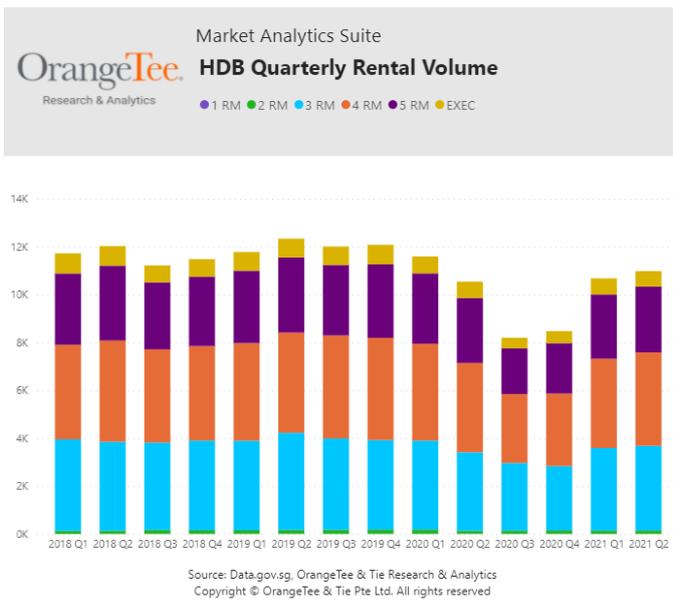
The strong demand and home supply may keep resale prices elevated in the coming months.

- *Christine Sun*

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Chart 13 Rental applications rose last quarter

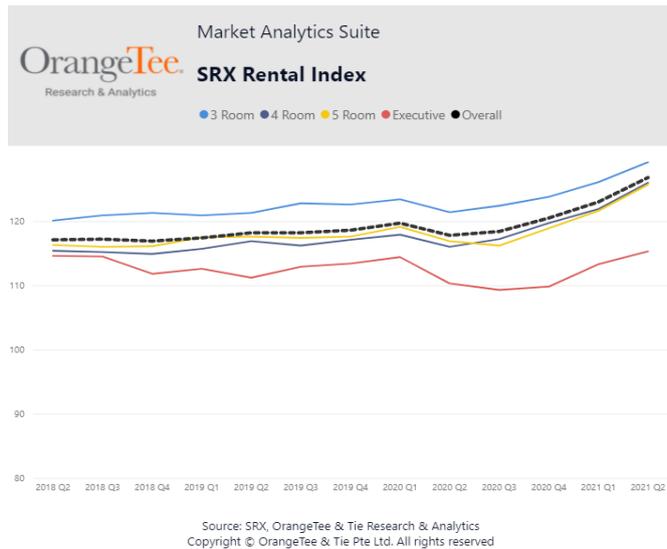


RENTAL

Rental demand rose last quarter amid the heightened alert measures. According to the HDB public housing data for the second quarter of 2021, the approved applications to rent out HDB flats increased by 2.8 per cent from 10,676 units in Q1 2021 to 10,979 units in Q2 2021. Compared to Q2 2020, the number of approved applications was 4.2 per cent higher (Chart 13).

According to the SRX Rental Index, rents of HDB resale flats rose 3.1 per cent q-o-q in Q2 2021, 1 percentage point more than the 2.1 per cent increase in Q1 2021 (Chart 14). In H1 2021, rents rose 5.2 per cent.

Chart 14 Rents continue to rise



Rents continued to rise as more flats have been sold resulting in fewer available stock for rental in recent months. Rental demand has increased as some homeowners who have sold their flats have rented a unit in the interim. Some young couples have rented a unit while they wait for the completion of their new BTO flats.

As our borders continue to reopen in the coming months, the rental volume may continue to pick up. We estimate that between 34,000 and 36,000 transactions may be inked this year. Rents may grow by 7 to 9 per cent for the full year.



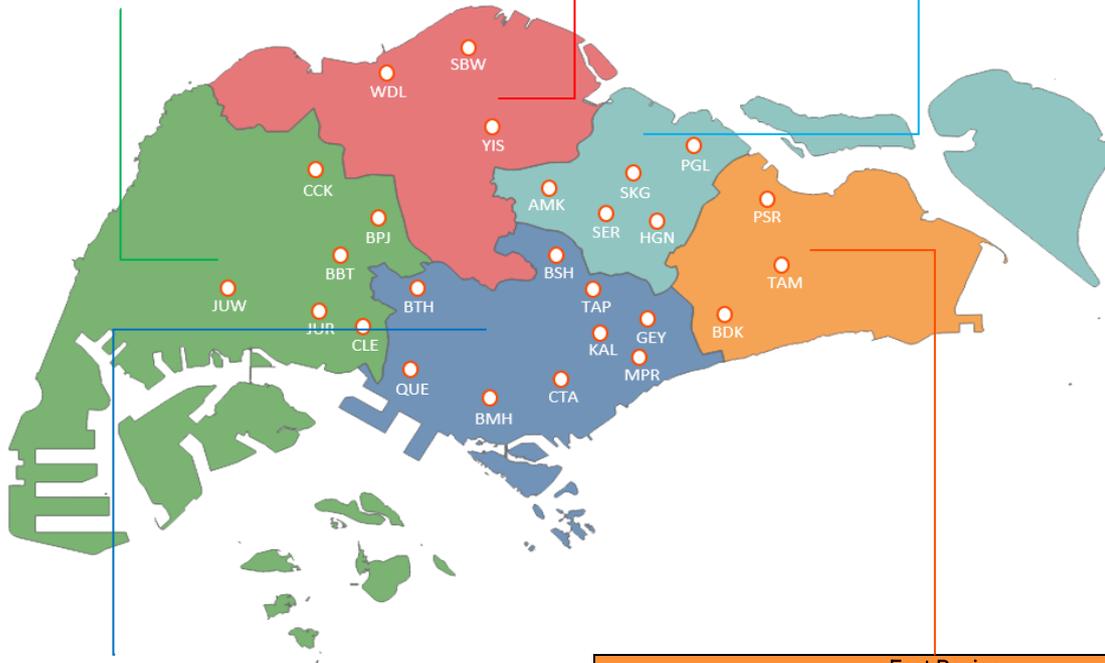
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Chart 15 Summary of HDB resale transactions and average resale prices for Q2 2021

North Region				
Planning Area	Total no. of units sold	Average Resale Price		
		3-Room	4-Room	5-Room
Sembawang (SBW)	105	\$320,000	\$414,579	\$470,727
Woodlands (WDL)	402	\$306,815	\$408,010	\$490,518
Yishun (YIS)	347	\$330,264	\$421,072	\$541,560

West Region				
Planning Area	Total no. of units sold	Average Resale Price		
		3-Room	4-Room	5-Room
Bukit Batok (BBT)	170	\$310,843	\$417,995	\$596,362
Bukit Panjang (BPJ)	222	\$331,316	\$447,233	\$553,533
Choa Chu Kang (CCK)	350	\$343,333	\$445,030	\$528,390
Clementi (CLE)	143	\$354,500	\$624,534	\$700,489
Jurong East (JUR)	127	\$325,781	\$443,407	\$533,216
Jurong West (JUW)	336	\$301,865	\$434,830	\$510,698

North-East Region				
Planning Area	Total no. of units sold	Average Resale Price		
		3-Room	4-Room	5-Room
Ang Mo Kio (AMK)	241	\$327,695	\$478,278	\$640,147
Hougang (HGN)	347	\$337,352	\$453,082	\$604,130
Punggol (PGL)	652	\$388,109	\$489,223	\$568,958
Sengkang (SKG)	615	\$381,957	\$469,537	\$535,421
Serangoon (SER)	114	\$337,859	\$471,458	\$631,712



Central Region				
Planning Area	Total no. of units sold	Average Resale Price		
		3-Room	4-Room	5-Room
Bishan (BSH)	146	\$373,321	\$572,998	\$798,303
Bukit Merah (BMH)	282	\$396,937	\$700,916	\$798,399
Bukit Timah (BTH)	19	\$412,200	\$615,857	\$856,800
Central Area (CTA)	54	\$417,571	\$873,726	\$1,079,429
Geylang (GEY)	178	\$349,223	\$566,797	\$699,516
Kallang / Whampoa (KAL)	196	\$380,722	\$623,587	\$757,396
Marine Parade (MPR)	53	\$394,493	\$496,899	\$784,903
Queenstown (QUE)	229	\$419,621	\$772,193	\$920,462
Toa Payoh (TAP)	227	\$310,799	\$631,027	\$748,126

East Region				
Planning Area	Total no. of units sold	Average Resale Price		
		3-Room	4-Room	5-Room
Bedok (BDK)	384	\$317,799	\$479,583	\$606,799
Pasir Ris (PSR)	199	\$411,250	\$485,013	\$570,472
Tampines (TAM)	472	\$363,686	\$485,420	\$615,338

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

NARROWING PRICE GAP

The price gap between private properties and HDB resale flats has been narrowing in recent years. Using the URA private Property Price Index (URA PPI) and HDB Resale Price Index (HPRI), prices of private properties were 16.8 per cent higher in Q4 2019 (Chart 17). This has dropped to 14.1 per cent in Q1 2021 and 11.7 per cent in Q2 2021.

The current price gap is much lower than average price gap of around 54.5 per cent in the 1990s and below the average 18 per cent in the 2000s but above the average price gap of 7.7 per cent from 2010 to 2019. The price gap has been narrowing because prices of HDB resale flats were rising faster than private properties (Charts 16 and 17). HDB resale prices rose 11 per cent from Q2 2020 to Q2 2021, whereas private property prices increased 7.1 per cent over the same period. From 2018 to 2020, prices of HDB resale flats have been rising slower than private properties.

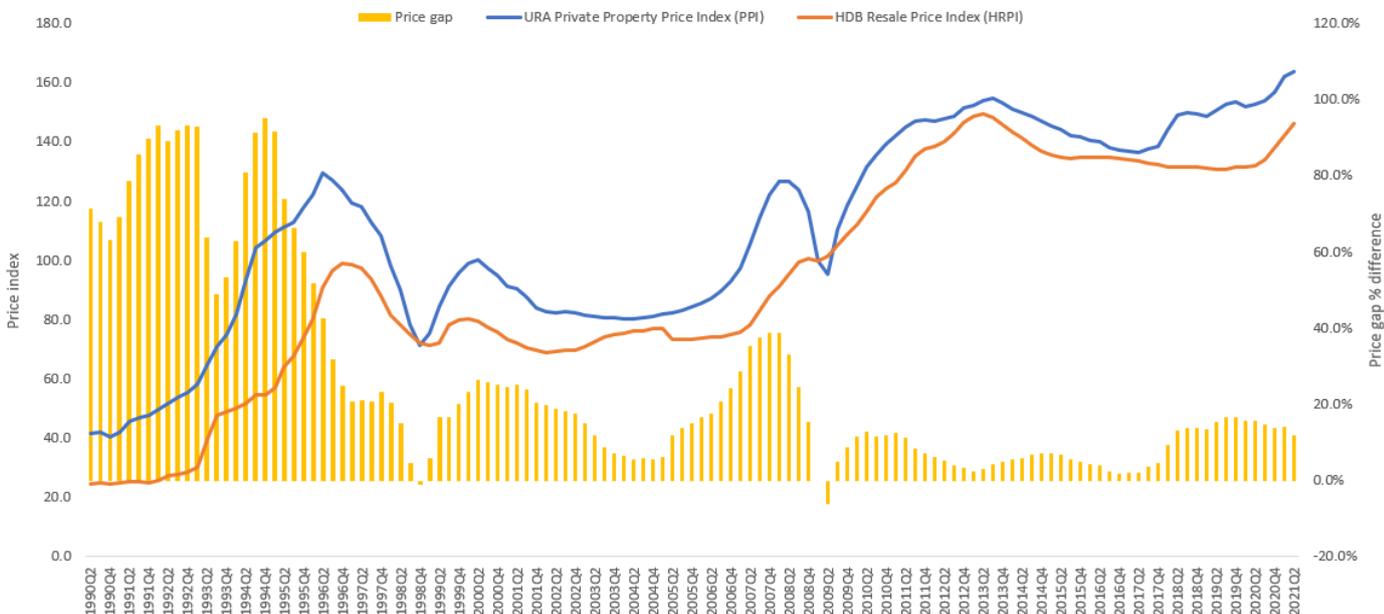
In recent months, many new HDB flats have reached MOP and are able to command high resale prices. Demand and prices of older HDB resale flats prices have also been rising. The private property has been subjected to many rounds of cooling measures whereas the government introduced many new policies to support the HDB resale market.

The narrowing price gap bodes good news for buyers as more HDB upgraders may find it easier to upgrade to a private property. The findings are consistent with recent publication released by the Department of Statistics (DOS) which revealed that the proportion of resident households living in condominiums have increased from 11.5 per cent in 2010 to 16 per cent in 2020. As prices of HDB resale flats continue to rise, we may expect more HDB upgraders to buy private properties.

Chart 16 Prices rose faster for HDB resale flats



Chart 17 Price Gap between private properties and HDB resale flats has narrowed in recent quarters



Source: URA, HDB, OrangeTee & Tie Research & Analytics

Table 1 HDB Market projection

Indicators	2018	2019	2020	Q2 2021 Q-o-Q	H1 2021	Projection for 2021
Resale						
Price Change	-0.9%	0.1%	5.0%	3.0%	6.0%	9% to 11%
Sales Volume (units)	23,099	23,714	24,748	7,063	14,644	27,000 to 29,000
Rental						
Rental Price Change (SRX)	-0.4%	1.5%	1.6%	3.1%	5.2%	7% to 9%
HDB Rental Applications (units)	46,440	48,195	38,798	10,979	21,655	34,000 to 36,000

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

The strong demand and home supply shortage may keep resale prices elevated in the coming months. The fast-rising prices may raise the barrier of entry for some first-time buyers. Those who cannot afford an HDB resale flat may either turn to the rental market or delay their wedding plans as they apply for BTO flats.

The supply-demand imbalance may persist this year and the situation may drive prices of flats higher in the coming months. Construction delays are expected for many BTO projects and many young couples with urgent housing needs will continue to turn to the resale market, although the supply lag may begin to ease next year when construction activities continue to pick up.

The resale market may gain more momentum leading into August as many buyers and sellers maybe rushing to close their deals before the start of the seventh lunar month. Viewing restrictions aimed at curbing Covid-19 may be further eased as more residents are vaccinated.

We estimate that the total number of HDB resale transactions may hit around 27,000 to 29,000 units this year (Table 1), higher than the 24,748 units sold in 2020 and the 23,714 units transacted in the pre-pandemic 2019.

Prices of resale flats may rise by 9 to 11 per cent for the whole of 2021, more than the 5 per cent in 2020.

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