

# HDB Market Pulse

Real Estate Data Trend & Analytics



Q3 2022

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## New cooling measures may put brakes on runaway home prices

The government unveiled a slew of new property cooling measures on 30<sup>th</sup> September 2022 to promote sustainable conditions in the property market by moderating housing demand and ensuring prudent borrowing.

The maximum loan quantum limits for housing loans will be tightened while some private homeowners will face bigger hurdles in purchasing resale flats. These measures may cool the red-hot housing market and put the brakes on the runaway home prices.

### New cooling measures

The new cooling measures include tightening the maximum loan quantum limits such as lowering of the loan-to-value (LTV) limit from 85 per cent to 80 per cent for HDB loans (Chart 1). For property loans from private financial institutions, the medium-term interest rate floor - which is used to compute the total debt servicing ratio (TDSR) and the mortgage servicing ratio (MSR) - has been raised by 0.5 percentage points.

TDSR refers to the portion of a borrower's gross monthly income that goes towards repaying the monthly debt obligations - including the loan being applied for - while MSR applies to loans for HDB flats.

For loans granted by HDB, the interest rate floor used to calculate MSR will be raised to 3 per cent per annum or 0.1 percentage point above the prevailing CPF Ordinary Account interest rate - whichever is higher.

Private homeowners buying HDB resale flats must wait 15 months before purchasing a non-subsidised HDB resale flat. This rule does not apply to seniors aged 55 and above who are moving from their private property to a 4-room or smaller resale flat. This measure is done to slow down the housing demand from private homeowners and will likely reduce competition and make it easier for first-timers to purchase

Chart 1 Changes in LTV

	LTV Ratio (Before 30 Sep 2022 - Jan 2018)	LTV Ratio (Jan 2018 - Jul 2021)	LTV Ratio (Jul 2021 - Dec 2021)	LTV Ratio (From 16 Dec 2021)	LTV Ratio (From 30 Sep 2022)
HDB Housing Loans	90%	90% (unchanged)	90% (unchanged)	85% (-5% points)	80% (-5% points)
Financial Institution Loans	80%	80% (unchanged)	75% (-5% points)	75% (unchanged)	75% (unchanged)
Financial Institution Loans (tenure > 30 years or extends past age 65)	80%	60% (-20% points)	55% (-5% points)	55% (unchanged)	55% (unchanged)

Source: MAS, OrangeTee & Tie Research & Analytics

### Assessment of measures

The announcement of the cooling measures did not come as a surprise as prices of HDB resale flats have been rising over the past year and at a much faster pace than expected. There are some signs that the HDB resale market may already be overheated given the record prices across many towns. More million-dollar flats were transacted with around one to two of such flats transacted every day in September.

The 15-month waiting period will likely cool the upper tier of the HDB resale market and slow down the pace of price increases for bigger flats. Larger flats and million-dollar flats could have been bought by private homeowners who are cash-rich and able to pay high prices for such flats. With these buyers exiting the market and prices possibly cooling for large flats, young couples may now have a better chance of scooping a bigger home.

Constricting loan financing will lower home demand and slow the pace of price growth. The TDSR and MSR tightening will impact almost all flat buyers who now must pay more cash with less available loans (Chart 2). More buyers may opt for cheaper flats that are smaller or in less central locations.

Chart 2 Impact of tightening MSR (2.6% to 3%)

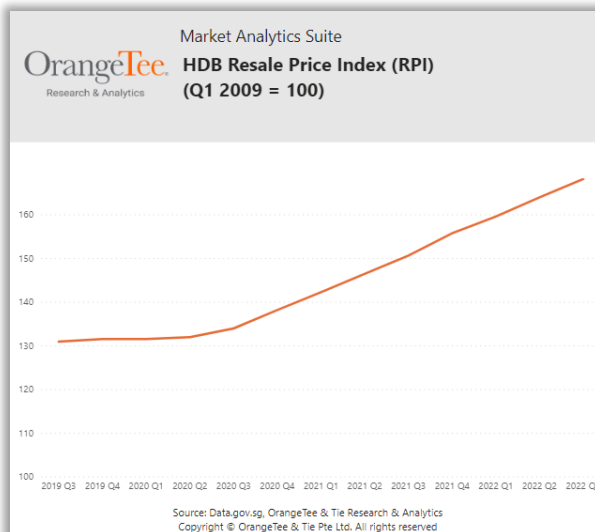
Monthly Income	Maximum Loan Quantum (Before 30 September)	Maximum Loan Quantum (30 September Onwards)
S\$7,000	S\$463,000	S\$443,000
S\$14,000	S\$926,000	S\$886,000

Source: MAS, OrangeTee & Tie Research & Analytics

Chart 3 Market summary



Chart 4 Prices rose 2.6 per cent q-o-q



## Prices

HDB resale prices rose for a tenth consecutive quarter in Q3 2022, up 2.6 per cent from Q2 2022, public housing data from HDB showed. The pace of increase was smaller when compared to the 2.8 per cent in Q2 (Chart 3).

Prices were 11.6 per cent higher when compared to the same period a year ago (Chart 4). Year-to-date, overall prices have risen by 8.0 per cent in the first nine months of this year.

The slower price growth indicates that the housing sector has already started to feel the effects of rising interest rates and inflation. Further, prices may have hit a ceiling with many places registering record prices this year.

Price resistance may have also set in since the Cash-Over-Valuation (COV) has been declining in recent months.

Buyers who are not eligible to take an HDB loan are likely to be greater hit by the interest rate hikes. The fixed home loan rates for many banks are over 3.5 per cent now and floating loan rates are inching towards 3 per cent.

More rate hikes from the US federal reserve could be on the cards as inflationary pressures may not ease anytime soon and it is widely expected that interest rates may hit 4 per cent by early 2023.

Further, rising inflation will erode buyers' affordability, especially the middle- and lower-income Singaporeans, who form the bulk of purchasers. As more budget is used for necessities and daily expenditures, buyers may be less willing to pay more for their next home.

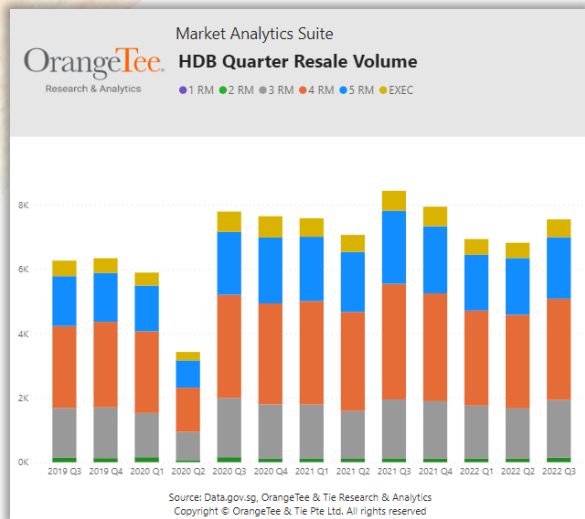
Last quarter's price increase was driven by resale flats in the non-mature estates. The median resale price in mature estates held steady at S\$560,000 last quarter while prices in non-mature estates rose by 1.7 per cent from S\$515,000 in Q2 to S\$524,000 in Q3 2022.

The median prices at 10 out of 26 towns slipped last quarter. Central Area saw the highest quarter-on-quarter price decline of 14.5 per cent in Q3 2022, followed by Bukit Timah at 12.6 per cent, Clementi at 8.3 per cent and Ang Mo Kio at 7.8 per cent.

Prices of resale flats in the other 16 towns rose by 0.6 to 17.6 per cent last quarter. The highest quarterly increases were in Toa Payoh (17.6 per cent), Bishan (14.9 per cent), Bedok (5.7 per cent) and Tampines (5.6 per cent). The rest of the towns saw an average price increase of 2.4 per cent last quarter.

The steep price increment at Toa Payoh was likely driven by more flats fetching higher prices. For instance, 15 resales flats were sold for more than a million dollars last quarter while another 52 flats were transacted between S\$800,000 and just below a million dollars.

**Chart 5 Sales volume rose by 10.7 per cent in Q3**



**Sales volume**

Sales increased by 10.7 per cent from 6,819 units in Q2 to 7,546 units in Q3, based on figures released by HDB. Sales are above the past three years’ (Q3 2019 to Q2 2022) quarterly average of 6,843 units. Year-on-year, sales dipped by 10.5 per cent from 8,433 units in Q3 2021 (Chart 5).

More deals were sealed as the gap between seller expectations and buyer budgets may have narrowed last quarter. Prices of resale flats seems to have moderated in many locations. Further, more HDB upgraders may have bought resale flats as prices of new condominiums in suburban areas escalated beyond S\$2,000 psf last quarter.

Further, as a result of the adjustment of the BTO allocation quota to allow more first-time families and singles in non-mature estates to buy their first homes, more second-timers may have turned to the resale market to find a replacement home since they have a lower chance of buying a BTO flat as a second-time applicant with the new rules.

Second-timers applying for PLH model flats in mature estates similarly have been having a low success rate and likely to have turned to the resale market. For instance, the 4-room PLH (Prime Location Public Housing) model flats at Alexandra Vale and Havelock Hillside during the August 2022 BTO sales launch was oversubscribed by 53 times, with more than 3,300 second-timers vying for about 65 units.

**Rental**

According to the HDB public housing data for Q3 2022, the approved applications to rent out HDB flats dipped a third consecutive quarter by 12 per cent from 9,309 units in Q2 2022 to 8,192 units in Q3. On a year-on-year basis, volume declined by 21.4 per cent from 10,417 units in Q3 2021 (Chart 6)

Rents hit a new record high last quarter, climbing by 7.5 per cent q-o-q, according to the SRX Rental Index. In the first nine months of 2022, rents surged 20.9 per cent.

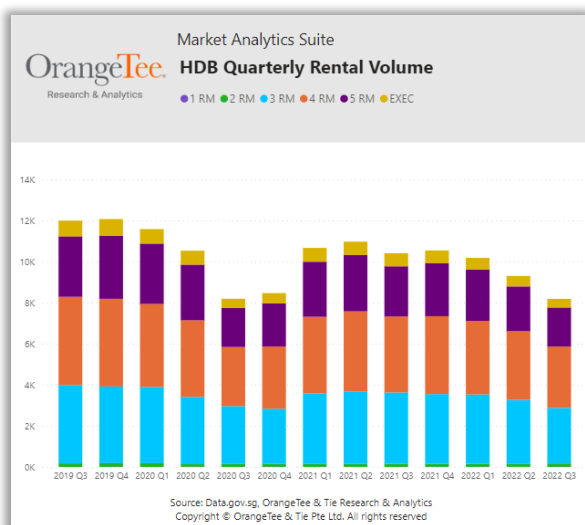
Rents have jumped substantially in recent months as many landlords have increased their rents in anticipation of more interest rate hikes which will translate to higher mortgage repayments.

Currently, many landlords are still able to cope with the rising interest rates as they have passed on the additional costs to their tenants.

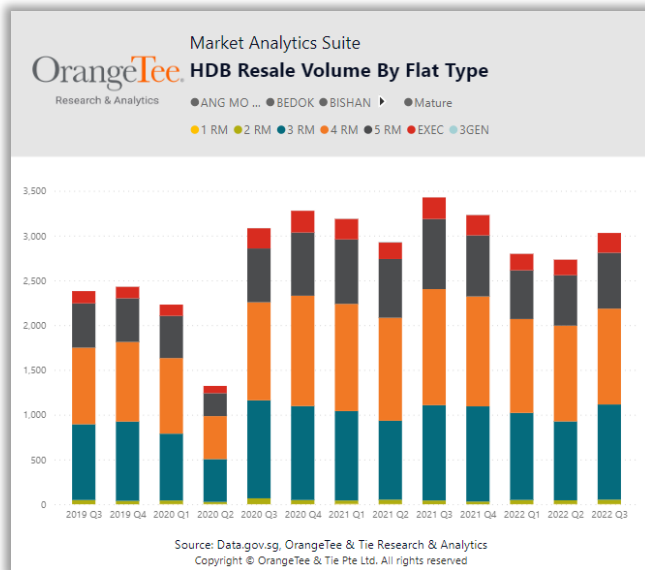
With higher property taxes and possibly higher costs of living next year, we may expect landlords to raise rents further.

Moreover, the 15-month wait-out period for private homeowners purchasing HDB resale flats may lead to more people renting in the interim. The increased demand will inevitably drive rents higher next year.

**Chart 6 Rental applications dipped a third consecutive quarter**



**Chart 7 Sales in mature estates rebounded last quarter**

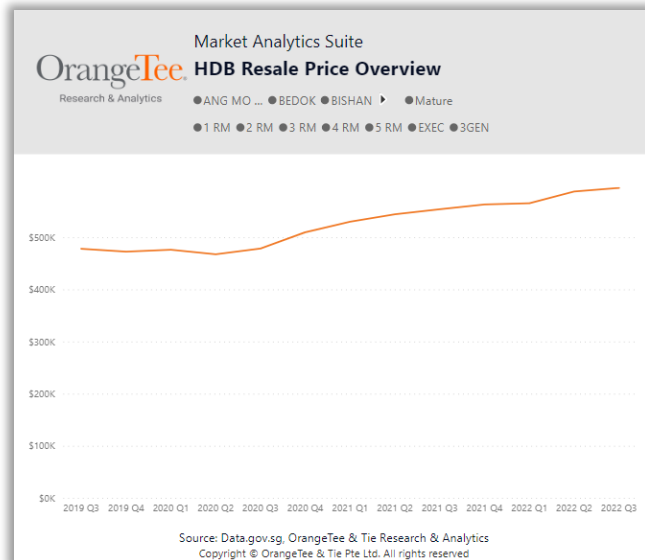


## MATURE ESTATES

Resale volume rose by more than 10 per cent last quarter in the mature estates. Based on HDB data from data.gov.sg, the number of resale flat transactions in mature estates increased by 10.9 per cent from 2,733 units in Q2 2022 to 3,030 units in Q3 2022 (Chart 7). Average prices grew by 1.1 per cent from S\$587,963 to S\$594,674 over the same period (Chart 8).

The most popular mature estates with highest transactions were Tampines (440 units), Bedok (398 units), Ang Mo Kio (301 units), Toa Payoh (261 units) and Bukit Merah (255 units) (Chart 9).

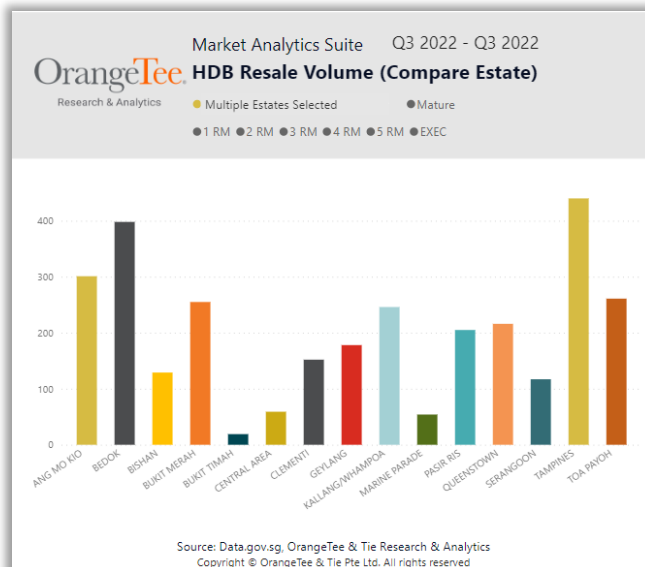
**Chart 8 Prices in mature estates grew 1.1 per cent q-o-q**



Flats in Bishan fetched the highest average price at S\$760,669 in Q3. Other flats in Tampines were transacted at an average price of S\$591,290 while those in Bedok were S\$511,530, Ang Mo Kio at S\$518,764, Toa Payoh at S\$603,639, and Bukit Merah at S\$632,256 (Chart 10).

104 million-dollar flats were transacted in mature estates last quarter. Bishan had the highest number of transactions (18 units), followed by Bukit Merah (16 units), Toa Payoh (15 units), and Queenstown (12 units). Last quarter's priciest resale transaction was a 5-room flat at SkyTerrace @Dawson sold for S\$1.418 million.

**Chart 9 Tampines and Bedok were most popular**



**Chart 10 Flats in Bishan fetched the highest average price**



# NON-MATURE ESTATES

For non-mature estates, resale transactions rose last quarter by 10.9 per cent from 3,821 units in Q2 2022 to 4,237 units in Q3 2022 (Chart 11). Average resale prices rose by 1.9 per cent from S\$521,772 to S\$531,911 over the same period (Chart 12).

The non-mature estates with the most resale transactions were Sengkang (645 units), Yishun (592 units), Punggol (515 units), Woodlands (508 units) and Jurong West (431 units) in Q3 2022 (Chart 13).

Last quarter, average resale prices increased in 9 out of 11 non-mature estates. The highest q-o-q increase was in Bukit Panjang (5.5 per cent), followed by Hougang (3.3 per cent), Jurong West (3.2 per cent), Punggol (2.7 per cent) and Sengkang (2.6 per cent).

The average price of resale flats in Sengkang was S\$560,986, followed by Yishun at S\$482,314, Punggol at S\$572,553, Woodlands at S\$518,712, and Jurong West at S\$508,289 (Chart 14).

Seven more million-dollar flats were sold in non-mature estates last quarter. Three were located in Woodlands, two in Hougang, one in Bukit Batok and one in Punggol.

Chart 11 Sales in non-mature estates grew last quarter

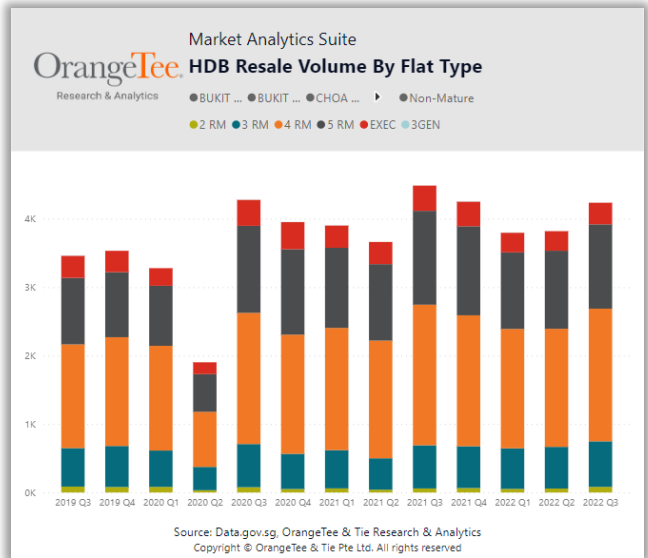


Chart 12 Average prices grew by 1.9 per cent q-o-q

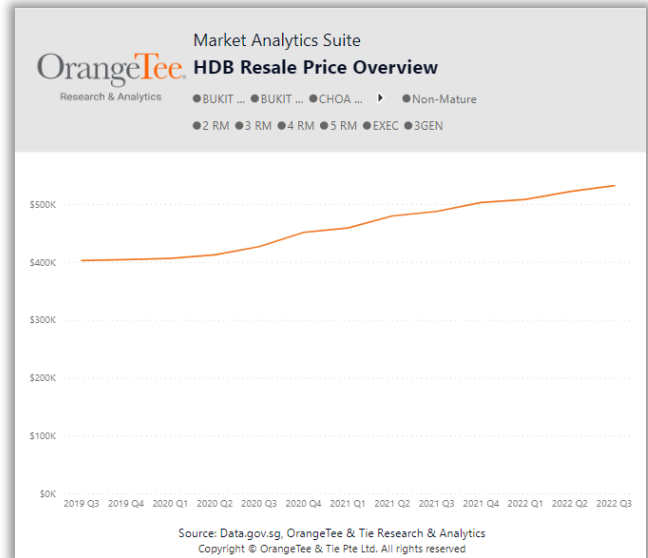


Chart 13 Sengkang and Yishun were most popular



Chart 14 Flats in Punggol fetched the highest average price



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By constricting loans through the latest round of cooling measures, housing affordability will be affected, which may lower housing demand, and slow the pace of price growth for the HDB resale market.

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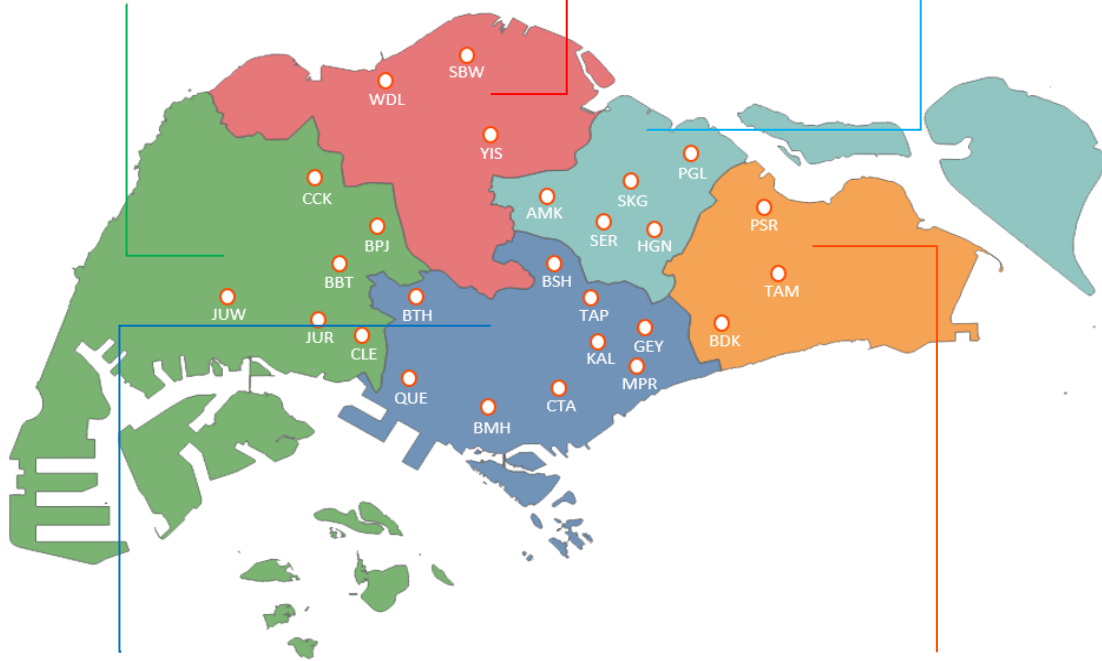
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Chart 15 Summary of HDB resale transactions and average resale prices for Q3 2022

North Region				
Planning Area	Total no. of units sold	Average Resale Price		
		3-Room	4-Room	5-Room
Sembawang (SBW)	211	\$422,667	\$512,383	\$595,468
Woodlands (WDL)	508	\$356,109	\$476,352	\$566,389
Yishun (YIS)	592	\$371,546	\$472,767	\$612,190

West Region				
Planning Area	Total no. of units sold	Average Resale Price		
		3-Room	4-Room	5-Room
Bukit Batok (BBT)	248	\$366,372	\$522,746	\$717,560
Bukit Panjang (BPJ)	248	\$387,058	\$485,835	\$613,576
Choa Chu Kang (CCK)	343	\$379,500	\$492,792	\$582,803
Clementi (CLE)	152	\$436,992	\$634,166	\$876,167
Jurong East (JUR)	144	\$356,518	\$474,034	\$612,525
Jurong West (JUW)	431	\$344,775	\$484,359	\$580,785

North-East Region				
Planning Area	Total no. of units sold	Average Resale Price		
		3-Room	4-Room	5-Room
Ang Mo Kio (AMK)	301	\$380,852	\$607,652	\$815,975
Hougang (HGN)	352	\$382,772	\$528,311	\$684,508
Punggol (PGL)	515	\$436,931	\$560,062	\$635,569
Sengkang (SKG)	645	\$442,570	\$537,378	\$618,349
Serangoon (SER)	117	\$377,947	\$554,721	\$706,932



Central Region				
Planning Area	Total no. of units sold	Average Resale Price		
		3-Room	4-Room	5-Room
Bishan (BSH)	129	\$391,846	\$638,570	\$870,230
Bukit Merah (BMH)	255	\$417,559	\$715,672	\$883,129
Bukit Timah (BTH)	19	\$459,800	\$632,975	\$901,000
Central Area (CTA)	59	\$455,996	\$774,299	\$1,072,815
Geylang (GEY)	178	\$338,830	\$600,571	\$769,513
Kallang / Whampoa (KAL)	246	\$451,471	\$750,997	\$857,934
Marine Parade (MPR)	54	\$416,662	\$539,068	\$870,080
Queenstown (QUE)	216	\$453,703	\$843,498	\$936,031
Toa Payoh (TAP)	261	\$399,089	\$733,289	\$906,969

East Region				
Planning Area	Total no. of units sold	Average Resale Price		
		3-Room	4-Room	5-Room
Bedok (BDK)	398	\$366,097	\$516,968	\$675,121
Pasir Ris (PSR)	205	\$475,364	\$525,148	\$621,289
Tampines (TAM)	440	\$407,036	\$548,230	\$668,531

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



# OUTLOOK

## HDB Market Projection

Indicators	2019	2020	2021	Q2 2022	Q3 2022	Q1-Q3 2022	Projection for 2022	Projection for 2023
<b>Resale</b>								
Price Change	0.1%	5.0%	12.7%	2.8%	2.6%	8.0%	9% to 11%	5% to 8%
Sales Volume (units)	23,714	24,748	31,017	6,819	7,546	21,299	26,500 to 27,500	23,000 to 26,000
<b>Rental</b>								
Rental Price Change (SRX)	1.5%	1.6%	10.6%	7.4%	7.5%	20.9%	26% to 28%	15% to 18%
HDB Rental Applications (units)	48,195	38,798	42,623	9,309	8,192	27,690	34,500 to 36,000	32,000 to 35,000

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

We may see a more knee-jerk reaction in the public housing market as it is probably one of the most significant rounds of cooling measures imposed on the public housing market. Many curbs have been implemented simultaneously and the changes will impact almost all flat buyers, including Build-To-Order (BTO) flats purchasers.

The 15-month wait-out period for private homeowners purchasing HDB flats will impact the upper tier of market especially million-dollar transactions. Therefore, the number of million-dollar flat transactions may fall in the coming months.

The HDB resale market will continue to be attractive in the long term even with the cooling measures in place. Fundamentals like our strong household balance sheets, tight domestic labour market and sustained income growth will prop up housing demand.

Past trends indicate that our property market is highly resilient and usually rebounds within six months of a cooling measure.

Some astute buyers may seize the opportunity to snag a unit when the market takes a breather. With many private homeowners exiting the market and prices possibly cooling for large flats, some upgraders and first-time buyers may take the opportunity to scoop a bigger home in the secondary market now. These people were previously priced out of the market as they lacked the finances to compete with cash-rich private homeowners.

We anticipate that resale prices may grow by 9 to 11 per cent this year, lower than the 12.7 per cent in 2021. The total number of sales transactions will similarly be lower at 26,500 to 27,500 units when compared to the 31,017 transactions last year.

Please contact us for research enquiries. For sales enquiries, please contact your preferred OrangeTee agents.



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