



# THE PERSPECTIVE

## SINGAPORE **HDB RESALE** MARKET OVERVIEW

## HDB Resale Prices Continue to Stabilise

Most people would measure the health of the real estate market based on the direction of the price movement. However, there are other indicators, such as the transaction volume, that also shed light on market condition.

The price index for Housing Development Board (HDB) resale flats had weakened since mid-2013 due to the cumulated effects of the market curbs implemented by the government. However, the rate of decline was gradual, measuring less than 1.8% per annum in the past four years. Based on

the latest available statistics, it had contracted by 0.2% quarter-on-quarter or 0.7% year-on-year in 2Q 2019.

One factor contributing to the decline in the prices of HDB resale flats was competition from the steady supply of relatively cheaper HDB Build-to-Order (BTO) flats released by the government. Recently, the government had moderated the supply of new HDB flats for sale. It announced that it would release about 15,000 BTO flats this year, slightly lower than the 15,800 flats released in 2018.

## Resale Prices Did Not Fall In Every HDB Town

Although the perception among some market participants was that the resale prices of HDB flats had softened, not every HDB town and flat types recorded a decline in resale prices.

Generally, the median resale price growth of 5-room HDB flats fared better than other flat types across the various towns as they often recorded the lowest decline in median prices. As shown in the Table 1, 5-room HDB resale flat was the only flat type that increased 0.4% year-on-year (yoy) in resale price in 2Q 2019. This was primarily led by the 2.3% yoy increase in the

median price of 5-room resale flats in non-mature towns. While the median prices in mature towns decreased across all flat types compared to the same period last year, 5-room flats also had the lowest drop in median prices by 4.3% yoy.

A possible reason was that the prices of the larger flats were supported by the buying demand from homeowners of enbloc sale projects who were buying replacement homes, especially the Housing and Urban Development Company (HUDC) developments that were sold in collective sales.

*Table 1: Changes in median prices of resale HDB flats in mature and non-mature towns*

|                  | % yoy<br>(3-room) | % yoy<br>(4-room) | % yoy<br>(5-room) |
|------------------|-------------------|-------------------|-------------------|
| Nationwide       | -4.6%             | -1.7%             | 0.4%              |
| Mature Towns     | -4.8%             | -5.7%             | -4.3%             |
| Non-Mature Towns | -2.7%             | 0.0%              | 2.3%              |

Source: HDB, ERA Research & Consultancy

The growth rate of resale prices of 3-room HDB flats turned in the worst performance on a year-on-year basis in 2Q 2019. The median resale prices of 3-room flats decreased by 4.6% yoy nationwide.

However, median prices of resale flats in certain towns increased while the HDB resale price index weakened. Generally, the median resale prices of flats in non-mature towns performed better than that in matured towns, as there were more instances of increase in median prices in the non-mature towns in 2Q 2019.

In 2Q 2019, the median resale price of 4-room flats in Bukit Panjang enjoyed the highest increase of 8.7% yoy, followed by 5-room flats in Hougang with a 6.5% yoy growth. In addition, newer estates such as Punggol and Sengkang also observed an increase in median prices of resale flats in 2Q 2019 as compared to same period last year. All these four towns are classified as non-mature HDB towns.

Other than having newer HDB flats, newer towns such as Punggol and Sengkang attract buyers due to the exciting future developments in those locations. For example, the future Punggol Digital District will be the first district with an integrated plan for a business park, a university and a vibrant community. The Punggol Digital District is also expected to create more than 28,000 exciting jobs in that location. Similarly, residents in Sengkang are expected to enjoy even more amenities with the new integrated development located next to the Buangkok MRT station.

In contrast, the median resale prices of HDB flats in some mature HDB towns contracted in 2Q 2019. For example, the median resale prices of the three major types of flats, namely 3-room, 4-room and 5-room HDB flats, in popular mature towns such as Ang Mo Kio, Bedok, Tampines and Toa Payoh decreased in the second quarter of 2019.

*Table 2: Changes in median prices of HDB resale flats as of 2Q 2019*

| Town                   | % yoy<br>(3-room flat) | % yoy<br>(4-room flat) | % yoy<br>(5-room flat) |
|------------------------|------------------------|------------------------|------------------------|
| <b>Mature Town</b>     |                        |                        |                        |
| Ang Mo Kio             | -6.2%                  | -10.3%                 | -2.5%                  |
| Bedok                  | -4.2%                  | -5.6%                  | -3.7%                  |
| Bishan                 | -                      | -6.6%                  | -5.8%                  |
| Bukit Merah            | -6.0%                  | 2.6%                   | -2.5%                  |
| Bukit Timah            | -                      | -                      | -                      |
| Central                | -                      | -                      | -                      |
| Clementi               | -5.5%                  | -17.5%                 | -                      |
| Geylang                | -10.6%                 | 0.0%                   | -                      |
| Kallang/Whampoa        | 5.8%                   | -10.0%                 | -2.5%                  |
| Marine Parade          | -                      | -                      | -                      |
| Pasir Ris              | -                      | 1.0%                   | -1.0%                  |
| Queenstown             | -11.8%                 | -0.4%                  | -                      |
| Serangoon              | -5.6%                  | 1.2%                   | -                      |
| Tampines               | -0.6%                  | -1.4%                  | -3.3%                  |
| Toa Payoh              | -6.2%                  | -1.2%                  | -0.7%                  |
| <b>Non-Mature Town</b> |                        |                        |                        |
| Bukit Batok            | -3.8%                  | -2.8%                  | 3.0%                   |
| Bukit Panjang          | -                      | 8.7%                   | 0.0%                   |
| Choa Chu Kang          | -                      | 1.5%                   | -4.9%                  |
| Hougang                | -4.4%                  | 1.6%                   | 6.5%                   |
| Jurong East            | -4.4%                  | -6.5%                  | -9.0%                  |
| Jurong West            | 0.0%                   | -4.4%                  | -0.7%                  |
| Punggol                | 3.2%                   | 4.2%                   | 5.2%                   |
| Sembawang              | -                      | 1.5%                   | 1.5%                   |
| Sengkang               | 6.3%                   | 3.0%                   | 1.7%                   |
| Woodlands              | -11.1%                 | -0.6%                  | -2.1%                  |
| Yishun                 | -3.7%                  | 5.3%                   | 5.9%                   |

(-) indicates insufficient resale transactions in the quarter

Source: HDB, ERA Research & Consultancy

## HDB Resale Volume Increased Steadily

As the gradual price decline did not affect every type of HDB resale flats nationwide, it can be argued that the overall price trend is stabilizing. As a result, an increasing number of homebuyers are eyeing HDB resale flats. Another attractive feature of resale flat is that homebuyers could take possession of the flats within weeks after the deals are sealed. Therefore, in the first half of this year, 11,111 resale HDB flats exchanged hands, a 6.8% increase over the transaction volume in the corresponding period in 2018. By comparison, buyers of BTO flats may have to wait a few years for the new flats to be constructed.

Another contributing factor to the rise in HDB resale volume was the increase in the number of homeowners who were displaced from transacted enbloc sale projects near HDB estates. For example, some retirees who wished to keep a part of their enbloc sale proceeds for their retirement may choose to purchase affordable replacement homes such as HDB resale flats.



Source: HDB, ERA Research & Consultancy

## Depreciating Lease And Change In CPF Rule

The government has mentioned that not all ageing HDB flat are eligible for the Selective Enbloc Redevelopment Scheme (SERS). Since 1995, only about 4% of the HDB flats were acquired by the government under SERS. Therefore, there were lingering concerns among some owners of older flats about the depreciating leases which could lead to lower capital values of their flats.

In May 2019, the government amended the rules regarding the use of the Central Provident Fund (CPF) for purchasing older leasehold residential properties and HDB flats. The amended regulations encourage homebuyers to purchase residential properties with leases that can last the buyers until the age of 95 years.

Under the new rule, as long as the property has at least 20 years left on its lease and the remaining lease can cover the youngest buyer until the age of 95, the buyer can use part of his CPF funds to pay up to 100% of property’s valuation limit. While this is good news for older buyers who wish to purchase older flats, it might be challenging for younger homebuyers with limited cash and CPF funds who seek to purchase older flats.

Some of the older flats are attractive to homebuyers because they are well-located in mature HDB estates. Furthermore, if the older flats are relatively cheaper, they can also be an economical option for homebuyers.

The new regulation made it easier for more senior buyers to purchase older HDB flats. At the same time, it also increased the number of older HDB flats that could be purchased with the use of CPF funds. In addition, it could also assist the owners of older flats to divest their properties. Hence, amended regulation could increase liquidity in the HDB resale market, leading to greater transaction volume of resale flats.

The younger homebuyers who want to buy older HDB flats may feel that the amended CPF rules disadvantage them. However, there are other government grants to assist the younger homebuyers, such as the Proximity Housing Grant.

## Proximity Housing Grant

Complementary to the changes to the CPF regulations, the Proximity Housing Grant (PHG) provides financial assistance to young families who wish to purchase resale HDB flats. The financial grant could assist some families to live with, or close to each other for mutual care and support.

Details on the Proximity Housing Grant are summarized below:

|                                     | PHG before<br>19 Feb 2018 |           | PHG as of<br>19 Feb 2018 |           |
|-------------------------------------|---------------------------|-----------|--------------------------|-----------|
|                                     | Amount                    | Proximity | Amount                   | Proximity |
| Families to live with parents/child | \$20,000                  | -         | \$30,000                 | -         |
| Families to live near parents/child | \$20,000                  | 2 km      | \$20,000                 | 4 km      |
| Singles to live with parents        | \$10,000                  | -         | \$15,000                 | -         |
| Singles to live near parents        | -                         | -         | \$10,000                 | 4 km      |

Source: HDB

After the HDB policy revision in February 2018, **first-timer** families are now able to enjoy a PHG of S\$30,000 to **live with** their parents or child, a 50% increment compared to the previous S\$20,000 before revision. The grant would also amount to S\$20,000 if families want to **live near** their parents/child, provided that their recently purchased HDB resale flat is within 4 km (used to be within 2 km) of their parents/child's flat.

Before the policy revision, singles who were at least 35 years old and above, were not entitled to the housing grant if they were to buy a resale flat **near** their parents. They were able to enjoy a PHG of S\$10,000 if they were to **live with** their parents.

After the policy amendment, the revised amount increased to S\$15,000 for singles who buy resale flats and live with their parents, while singles who buy resale flats that is situated within 4 km of their

parents' flats would be entitled to a S\$10,000 PHG.

From August 2015 to December 2017, about 11,000 households received the PHG, which translated to an average of 4,700 households per year. The authorities revised the PHG policy on 19 February 2018. Last year, another 9,100 households received and benefited from the PHG. On an annual basis, the number of HDB households that received the PHG increased sharply after the HDB policy revision. Hence, this housing grant was a likely contributing factor to the rise in HDB resale transaction volume.

The increase in the number of households that receive the PHG after the policy revision illustrated the popularity of this grant. The revised policy assists young couples who wish to buy a resale flat in a mature estate near their parents despite the recent changes in CPF rule.

## Conclusion

In general, HDB resale prices are stabilizing while facing some downwards pressure. However, the price decline is not universal across the entire resale market. There is occasional expansion in the median prices of HDB flat in certain estates. At the same time, the increase in HDB resale transactions indicate a healthy market.

If the current buying momentum is sustained, the HDB resale volume could expand by 3% to 5% yoy, translating to an estimated 23,800 to 24,300 flats exchanging hands for the entire year.

## **Nicholas Mak**

Head of Research & Consultancy

[nicholasmak@era.com.sg](mailto:nicholasmak@era.com.sg)

### **ERA Realty Network Pte Ltd**

Estate Agent Licence No: L3002382K

229 Mountbatten Road #03-01 Mountbatten Square Singapore 398007

T : (65) 6226 2000

F : (65) 6220 0066

[www.era.com.sg](http://www.era.com.sg)

A wholly owned subsidiary of **APAC Realty Ltd**

### **Disclaimer:**

The information contained in this document is for general information purposes only and does not have regard to the specific investment objectives, financial situation and the particular needs of any recipient hereof. This report is prepared by Research & Consultancy Department of ERA Realty Network Pte Ltd ("ERA"). This report may not be published, circulated, reproduced or distributed in whole or in part by any recipient of this report to any other person without the prior permission of ERA.

The information or views contained in this document ("Information") has been obtained or derived from sources believed by ERA to be reliable. However, ERA is not responsible for the accuracy or completeness of such sources or the Information and ERA accepts no liability whatsoever for any loss or damage arising from the use of or reliance in whole or in part on the Information. ERA and its connected persons may have issued other reports expressing views different from the Information and all views expressed in all reports of ERA and its connected persons are subject to change without notice. ERA reserves the right to act upon or use the Information at any time, including before its publication herein.

The recipient should not treat the contents of this document as advice relating to legal, taxation or investment matters. Any person or party interested in further pursuing the matters contained herein is advised to make their own independent investigations and verification of the Information and any other information such persons or parties may consider to be relevant or appropriate in the circumstances.

This document does not, nor is it intended to, constitute an offer or a solicitation to purchase or sell any assets or property or to enter into any legal relations, nor an advice or a recommendation with respect to such assets or property.