

THE **BULLETIN**

HDB RESALE & PRIVATE RESIDENTIAL PROPERTY MARKET REPORT 2Q 2019

BY ERA RESEARCH & CONSULTANCY



Introduction

While the HDB resale price index continued to stabilize in the second quarter of 2019 with a downwards bias, the overall price of private residential real estate recovered after initial weaknesses following the tighter market curbs in July 2018. The strength of the housing demand is illustrated by the increase in the transaction volumes of both HDB resale flats and private homes, despite the cooling measures.

HDB Resale Market 2Q 2019

HDB Resale Price

After interrupting the decline with a 0.1% quarter-on-quarter (qoq) increase in 2Q 2018, the HDB resale price index contracted in the subsequent four consecutive quarters. However, the decline was marginal, as the index slipped 0.2% qoq in 2Q 2019. In the past 12-month period, it decreased 0.7%.

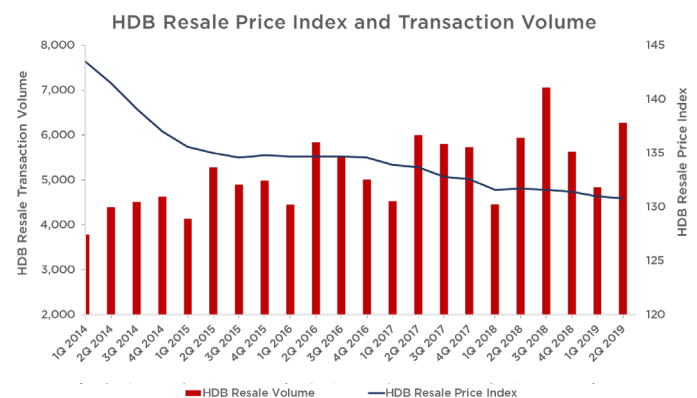
One of the reasons behind the gradual drop in prices is the competition from the steady supply of relatively cheaper HDB Built-to-Order (BTO) flats released by the government. An estimated 14,500 BTO units will be released in 2019, with 6,600 units already made available in 1H 2019.

Another factor contributing to the price weakness would be the ongoing concern over the depreciating values of older HDB flats. As not all older HDB flats will be eligible for the Selective En bloc Redevelopment Scheme (Sers), some of the owners will see their flats returned to the State once the leases expire. Hence, some homebuyers are reluctant to pay high premiums for ageing flats, resulting in the lower prices.

HDB Resale Volume

Despite the availability of new flats from the government, buyers who cannot or do not wish to wait for the completion of the BTO flats would still choose to buy HDB resale flats. The fairly stable prices of resale flats appeared to attract more buyers, leading to a 29.8% qoq or 5.6% yoy increase in the number of flats that exchanged hands in 2Q 2019.

The number of recorded transactions of HDB resale flats has increased steadily since 2014 partly due to



Source: HDB, ERA Research & Consultancy

While the median prices of 3-room flats and Executive flats fell in the April to June period in 2019, the median prices of 4-room and 5-room flats enjoyed a marginal increase. Executive flats suffered the largest drop of 2.0% qoq to \$588,000 in 2Q 2019. This is followed by 3-room flats with a 1.1% qoq decrease to \$280,000. In contrast, the median prices of 4-room and 5-room flats recorded a 0.5% and 0.6% qoq increase respectively.

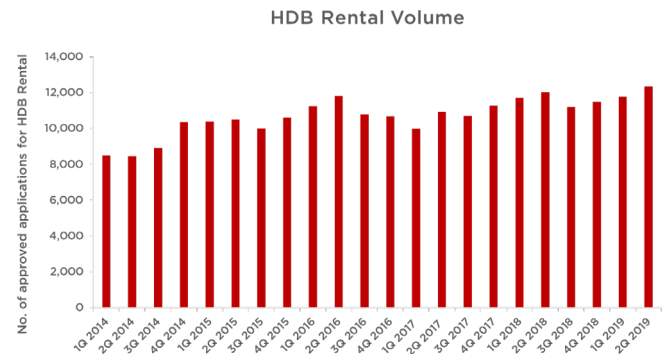
relatively stable HDB resale prices. In the first half of this year, there were 11,111 resale flat transactions, which is 6.8% higher than the resale volume in the corresponding period in 2018.

Among the different type of flats, the larger flats, such as 4-room flats to Executive Flats, were more widely transacted in the second quarter, where their resale volume increased between 30% to 40% qoq.

HDB Rental

Since reaching the trough in 1Q 2017, the number of approved rental transactions of HDB flats increased steadily, except for 2 quarters when the rental volume contracted temporarily.

The total number of approved HDB rental transactions increased 4.8% qoq to 12,335 in 2Q 2019. The health of this rental market is also reflected by the 2.6% yoy increase in volume.



Source: HDB, ERA Research & Consultancy

HDB Resale Market Outlook

For the whole of this year, the HDB resale price index is not expected to decline significantly. The resale price index could end the year between 0.6% and 1.2% lower than a year ago.

In May 2019, the government changed the rules regarding the use of the homebuyers' CPF funds for the purchase of older leasehold residential housing and HDB flats. The revised CPF policy favours middle-aged HDB home owners or those who wish to use less of their CPF funds to buy older resale HDB flats. This could increase the demand for older HDB flats and removed one of the factors that causes the downwards price pressure.

HDB resale flats will remain attractive to buyers who are upgrading or who need to move to

another location either due to work or family reasons, or to be nearer to their children's schools. Furthermore, with a growing number of new HDB flats and private developments completing in the coming months, more HDB flats owners who had bought these properties would need to sell their existing HDB flats. Hence, the volume of HDB resale transactions is expected to remain healthy for the next 6 to 12 months.

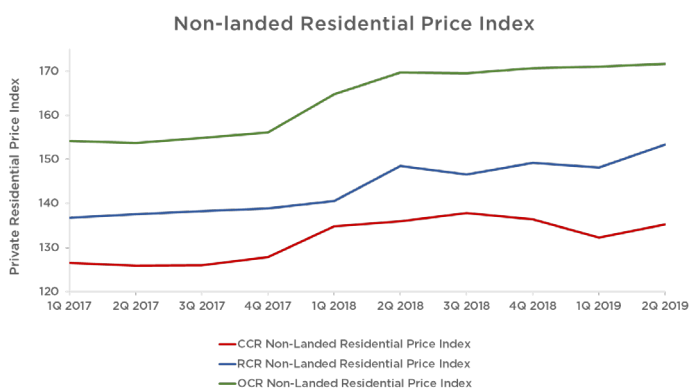
The number of HDB resale flats that exchanged hands in the first half of 2019 is 6.8% higher than in 1H 2018. If the current momentum continues, the total resale volume in 2019 could be 3% to 5% higher than the previous year.

Private Residential Property Market 2Q 2019

Private Residential Property Price Trend

The Singapore private residential real estate market showed signs of improvement in 2Q 2019 after the malaise following the July-2018 market curbs. The private residential property price index increased 1.5% qoq or 1.2% yoy in the second quarter of 2019. The growth in the price index was greater than contraction in the period following the 2018 tightening of the cooling measures.

The overall price increase in 2Q 2019 was led by the average non-landed residential prices, which expanded 2.0% qoq, while the landed housing price index slipped by 0.1% qoq over the same period.



Source: URA, ERA Research & Consultancy

number of new projects launches within these localities. In 2017 and 1H 2018, many of the residential collective or en bloc sales were transacted in the CCR and RCR at increasing land prices. Due to the higher land costs, the developers need to launch the new residential projects at relatively higher prices compared to previous launches in the respective location.

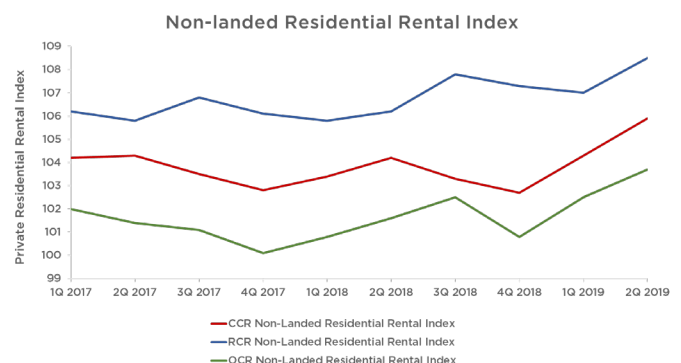
The increase in the non-landed housing price indices was observed in all the three market segments. The Rest of Central Region (RCR) non-landed price index which cover residential real estate in the city fringe enjoyed the highest rate of increase at 3.5% qoq. This was followed by the 2.3% qoq increase in the prime Core Central Region (CCR) non-landed housing price index. The suburban Outside Central Region (OCR) price index remained stable with a slight 0.4% qoq increase.

The comparatively higher rate of price increase in the CCR and RCR was the result of the large

Private Residential Property Rental Trend

The private residential property price growth was supported by the growth in rentals, as private residential property rental index increased by 1.3% qoq and 1.6% yoy in 2Q 2019. Rental growth accelerated, with the rate of rental increase in 2Q 2019 exceeding the growth rate in the preceding quarter across all property types.

Mirroring the price index, the expansion of the private residential property rental index was also led by non-landed property rentals, which increased by 1.4% qoq in the second quarter of this year. The rate of increase in 2Q 2019 was also higher compared to the 1.1% qoq increase in 1Q 2019.



Source: URA, ERA Research & Consultancy

Among the three market segments, the growth of non-landed residential rentals was the fastest in the CCR with 1.5% qoq, followed closely by the RCR with 1.4% qoq increase and OCR with 1.2% qoq increase.

Private Residential Property Demand and Supply

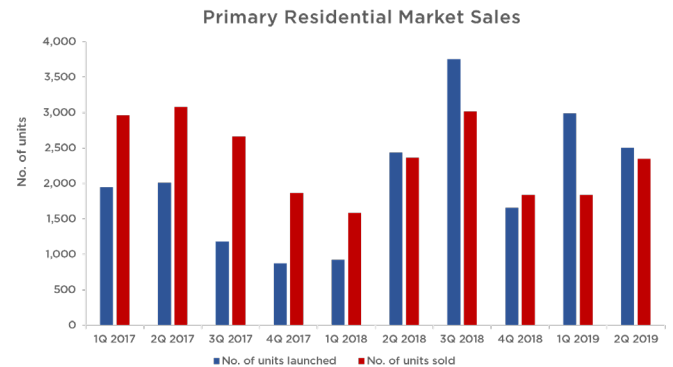
In 2Q 2019, developers launched a total of 2,502 units across 16 projects, 487 units fewer than the number of units launched for sale in 1Q 2019. However, year on year, it is 2.7% higher than 2Q 2018. The new projects launched in 2Q 2019 are shown in the following table.

Residential Project Launched in 2Q 2019

Project Name	Road Name	No. of Units	Name of Developers	Launch Date
Coastline Residences	Amber Road	144	Sustained Land Pte Ltd	Apr-19
Mayfair Modern	Rifle Range Road	171	Oxley Holdings	Apr-19
Wilshire Residences	Farrer Road	85	Tong Eng Group / Roxy Pacific Holdings/ KSH Holdings	Apr-19
Amber Park	Amber Gardens	592	City Developments Limited / Hong Realty	May-19
Juniper Hill	Ewe Boon Road	115	Allgreen Properties	May-19
Meyerhouse	Meyer Road	56	UOL Group / Kheng Leong	May-19
Olooi	Lorong 101 Changi	34	Cicada Private Limited	May-19
Parc Komo	Upper Changi Road North	276	CEL Development	May-19
Riviere	Jiak Kim Street	455	Frasers Property	May-19
The Gazania	How Sun Drive	250	Singhaiyi Group	May-19
The Hyde	Balmoral Road	117	Aurum Land	May-19
The Lilium	How Sun Road	80	Singhaiyi Group	May-19
Lattice One	Seraya Crescent	48	TEE Land	Jun-19
Seraya Residences	Seraya Lane	17	Macly Group	Jun-19
Sky Everton	Everton Road	262	Sustained Land led consortium	Jun-19
Sloane Residences	Balmoral Road	52	Tiong Seng Holdings	Jun-19

Source: URA, ERA Research & Consultancy

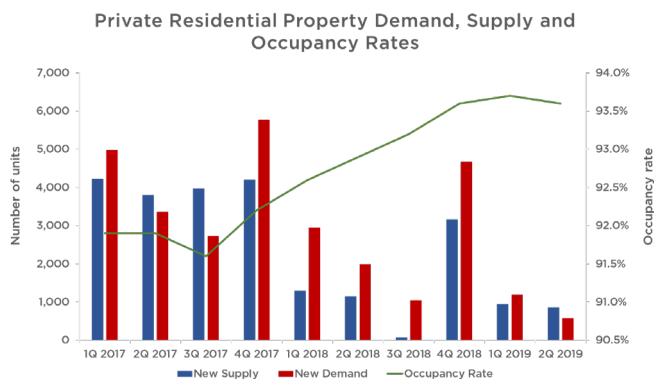
Despite releasing fewer units into the market, the number of units sold by developers increased significantly from 1,838 units in 1Q 2019 to 2,350 units in 2Q 2019. The absorption ratio also increased from 61.5% in the first quarter to 93.9% in the second quarter of 2019, indicating that demand has improved. This was partly due to the active marketing of the properties, the relatively high incentives offered to sales agents and the launch of several widely anticipated residential projects. Compared to the same period one year ago, the absorption ratio is largely unchanged.



Source: URA, ERA Research & Consultancy

Similar to the primary residential market, the sales volume in the secondary market also increased, from 1,905 units in the first quarter to 2,416 in the second quarter of this year. An increase in the transaction volume in both the primary and secondary markets indicates an improvement in the health of the real estate market.

There was a dearth of new Executive Condominium (EC) project as no new EC development was launched since the Rivercove Residences in 2Q 2018. However, the launch of the 820-unit Piermont Grand EC in 3Q 2019 would break the drought in the EC market. The 99-year leasehold EC project is located at Sumang Walk in Punggol. It is developed by City Developments Limited and TID Residential Pte. Ltd.



Source: URA, ERA Research & Consultancy

In total, there was a net supply of 863 private residential units being added into the market in 2Q 2019 while the net demand was 584 units. Among which, the largest projects were Amber Park with 592 units and Riviere with 455 units. With supply exceeding demand, the occupancy rate dropped to 93.6% in 2Q 2019 from 93.7% in the preceding quarter.

Private Residential Property Outlook

Private residential real estate rentals are expected to remain stable with a gradual upward growth as the supply for next 18 months is subdued with only an estimated 7,700 new homes being released. This is significantly lower than the average new supply of 16,000 new homes per year in the last 5 years starting from 2014.

The private residential price index is projected to end the year 1.5% to 2.5% higher than the previous year, primarily led by prices of private non-landed new launches

A possible reason behind the property price recovery is developers' sales of units from

projects that are being built on land that were acquired by real estate developers in 2016 to 2018, when land prices were rising. This will result in higher new launch prices, especially in the prime districts (CCR) and city fringe (RCR), where the land parcels were bought at relatively high prices. With steady buying demand for these projects, they will also bring a positive effect on the prices of resale properties in their neighbourhood.

Developers sold a total of 4,188 private homes in 1H 2019. The total primary market sales for the whole of 2019 is projected to range from 8,500 to 10,000 units.

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