

## On Different Paths

Private home prices fell faster while HDB resale price started to stabilise

Oct 2015

### Introduction

Based on the flash estimate for 3Q 2015, the price indices of private and public housing continued to decline as expected, albeit at different magnitudes compared to previous quarter.

The third-quarter flash estimate of the overall private residential property price index showed an overall 1.3% quarter-on-quarter (qoq) drop after 0.9% qoq decline in the second quarter of 2015; while the flash price index of the Housing & Development Board (HDB) resale prices slipped 0.3% qoq in the third quarter, after 0.4% qoq drop in the second quarter.

The main reason for the price fall was the weak demand caused by the government housing measures and immigration policies, loan curbs and steady supply. The weaker demand had negative impact on market sentiments. Specifically, many market participants expected that prices would continue to decrease; hence, they adopted the wait-and-see approach, which further dampened the buying demand.

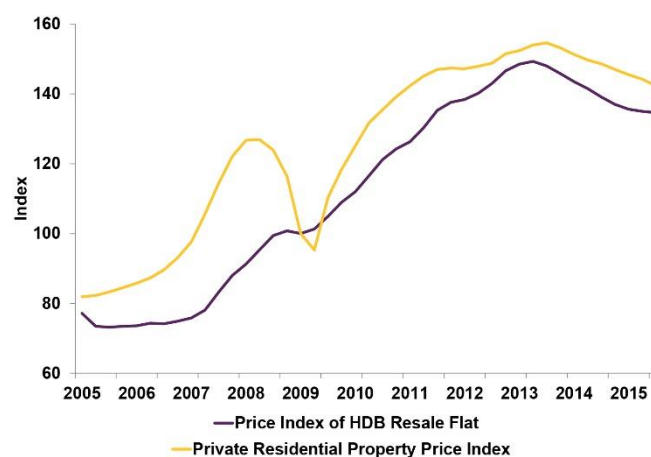
### Private housing price indices

For the private housing market, the nationwide price index and the price indices for the three non-landed market segments declined at a faster rate in 3Q 2015, possibly due to the uncertainties over the global economic growth and the turbulence in the global stock markets in August and September.

The overall private housing price index fell 1.3% qoq, which is the fastest rate of quarterly decline since the index started to decrease in 4Q 2013.

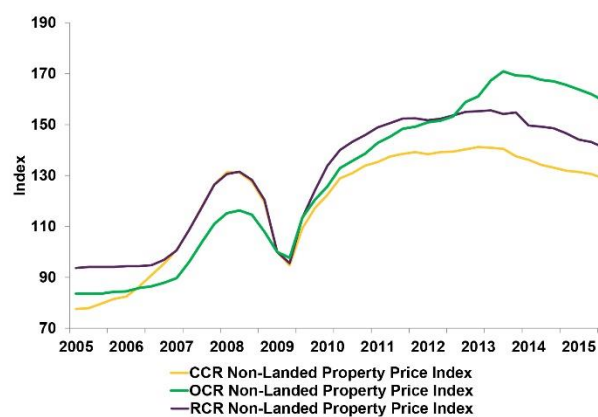
In Core Central Region (CCR), non-landed housing prices slipped 1.3% qoq, higher than the 0.6% qoq decline in the previous quarter. Prices in CCR were relatively resilient with total price loss accumulating to 2.3% for the past three quarters, due to limited supply of units in the prime locations.

HDB Resale Flat and Private Residential Property Price Index



Source: SLP Research, HDB, URA

Price Indices of Private Residential Non-Landed Property



Source: SLP Research, HDB, URA

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The price index of non-landed private homes in the Rest of Central Region (RCR) fell 1.5% qoq in 3Q 2015, higher than the 0.6% fall in the previous quarter. The year-to-date (YTD) price decline in the RCR is relatively steeper with total price depreciation of 3.8%.

In the suburban areas or Outside Central Region (OCR), prices slipped 1.6% qoq, following a 1.1% qoq decline in the second quarter of this year.

For the nine months of 2015, about 50% of buyers of private homes in OCR had HDB addresses according to the transactions recorded by URA from January 2015 to September 2015. According to the numbers of transactions recorded in the previous three quarters, there is a steady increase in the number of transactions of private homes in the OCR, partly due to the decreasing prices.

### HDB Resale price index

The slower depreciation in the HDB resale price index is another sign of the growing stability in public housing market. The 0.3% qoq drop in the flash estimate of the HDB resale price index in the third quarter is the smallest since the index started to fall in 3Q 2013.

The recent increase in the income ceiling for new HDB flat applicants is expected to increase the demand for BTO flats. On the supply side, there would be the mega launch of about 7,000 BTO flats and another 5,000 Sale of Balance flats in November which could potentially draw buyers away from the HDB resale market. Hence, in the short term, the downward pressure on HDB resale prices is expected to continue, unless the government were to ease the cooling measures.

No. of transactions recorded in the previous three quarters

	OCR	CCR	RCR
1Q 2015	1,038	340	603
2Q 2015	2,313	560	872
3Q 2015	2,482	375	594

Source: SLP Research, URA

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### Outlook

The Singapore housing market is expected to face further headwind in the short term as it faces regional economic uncertainties, a possible technical recession in Singapore and the potential increase in interest rates. Hence it is a suitable time for the government to review the current slew of cooling measures.

On the bright side, if the trend of the OCR private home price index falling at a sharper rate than the HDB resale price index were to continue for another year or so, the narrowing price gap between mass-market condos and HDB resale flats might encourage HDB owners to upgrade to private homes and provided cushion to the drop in OCR prices and sales volumes in the coming year.

For the whole of 2015, the overall private residential price index is projected to fall by 3.8% to 4.5% year-on-year (yoy), while the HDB resale price index could slip by 2% to 3% yoy. If the government were to leave the current cooling measures unchanged in 2016, housing prices may even fall faster since market demand will be adversely affected by rising interest rates and the slower economic growth which would translate to slower wage appreciation and a weaker job market.