MARKET OUTLOOK 2024

HDB RESALE

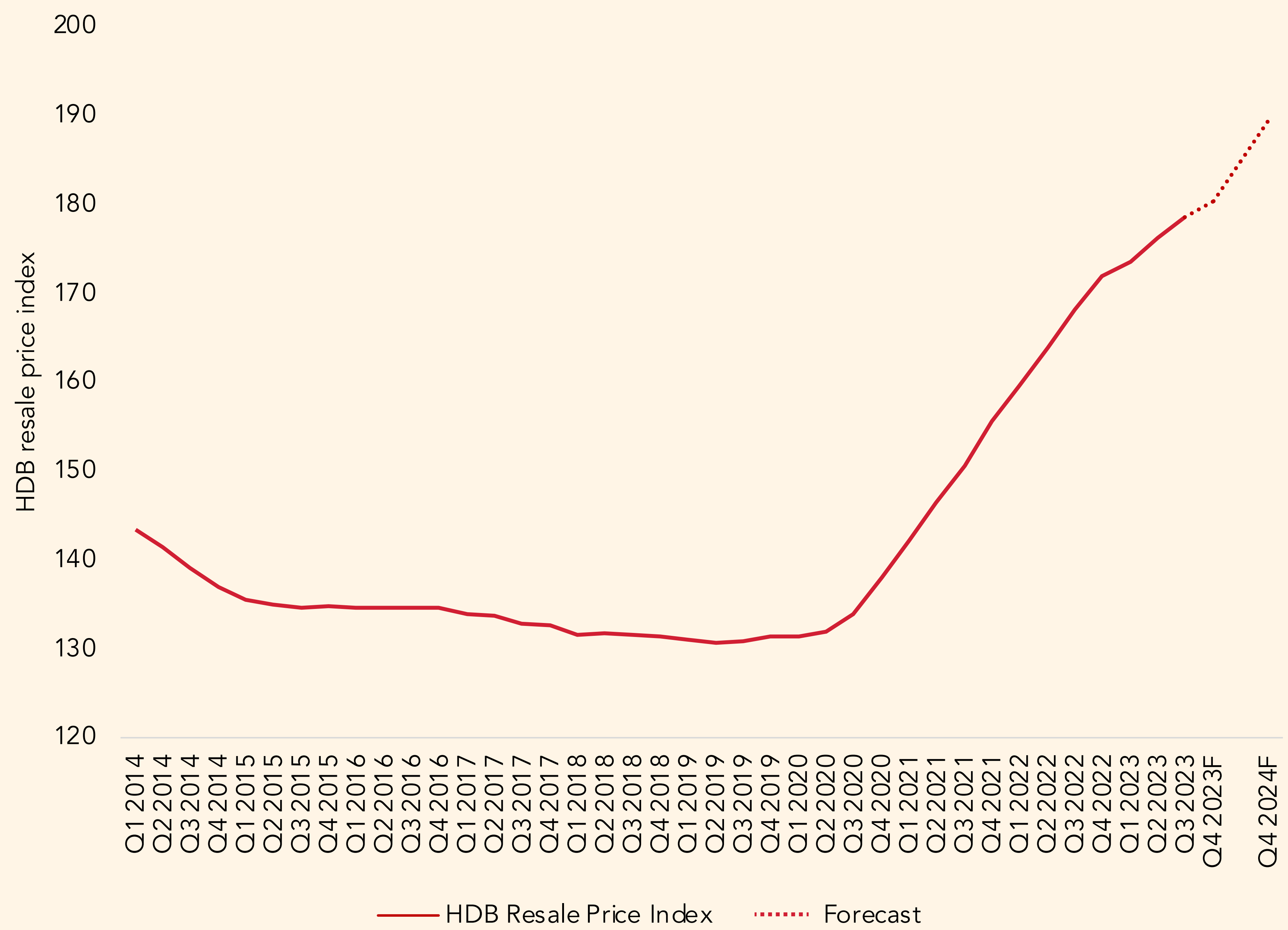
Price to See Moderate Growth Amid Sustained Demand in 2024

The Housing & Development Board (HDB) resale market

has shown signs of stabilising even with price trending higher in 2023. Based on the HDB flash estimate, the HDB resale price index rose 1.0% quarter-on-quarter to a peak of 180.2. Resale flat prices for 2023 have risen by 4.8%, less than half of the 10.4% increase in 2022.

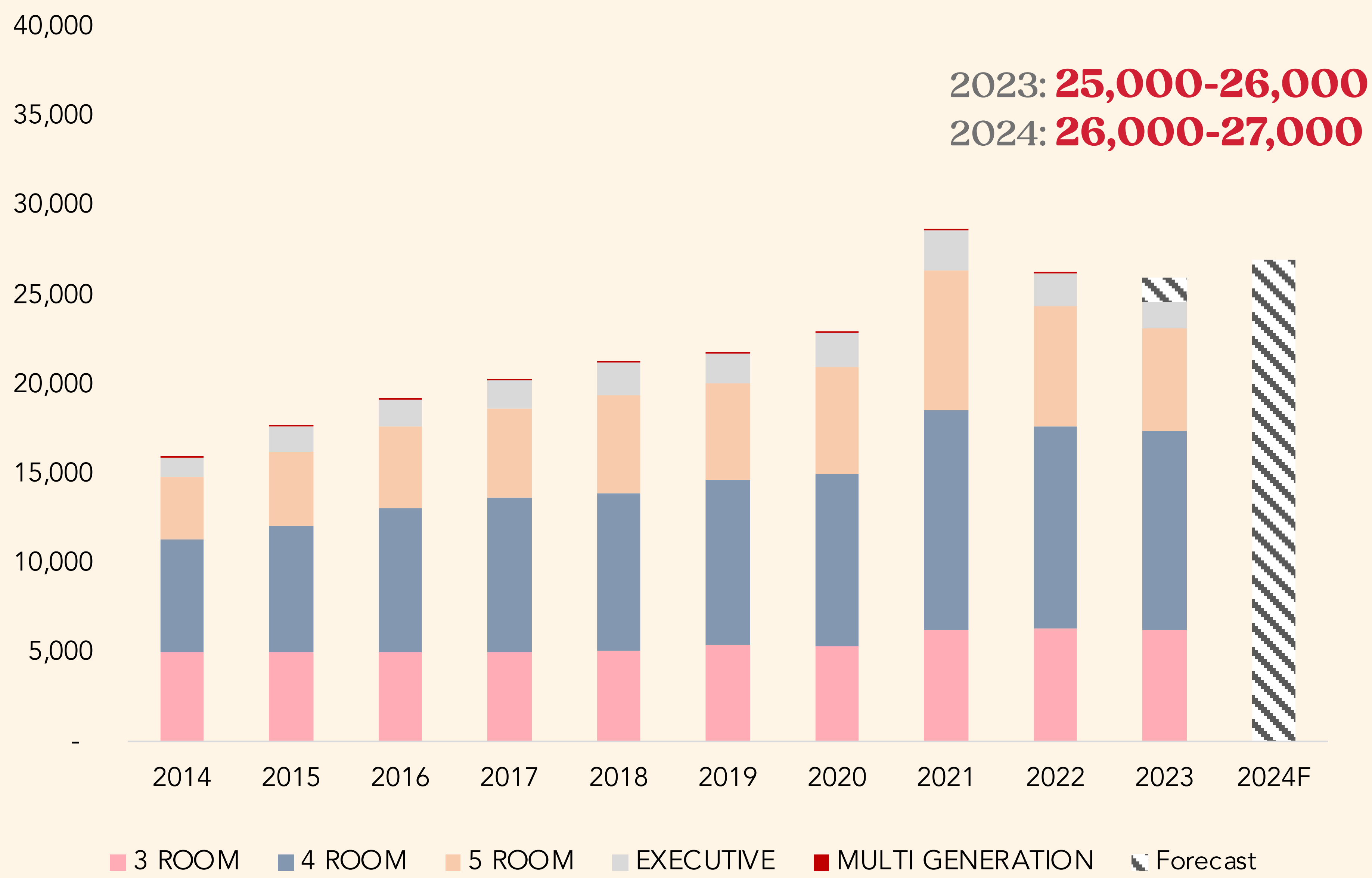
Transaction volume stayed fairly stable as of 26 December 2023, recording 24,650 resale transactions (3-room and larger) in 2023. This marked a 6% year-on-year (y-o-y) decline compared to 2022, where 26,254 resale transactions were lodged.

Chart 1 HDB Resale Price Index



Source: HDB, ERA Research and Market Intelligence

Chart 2 HDB Resale Transactions (3-room and larger flats)

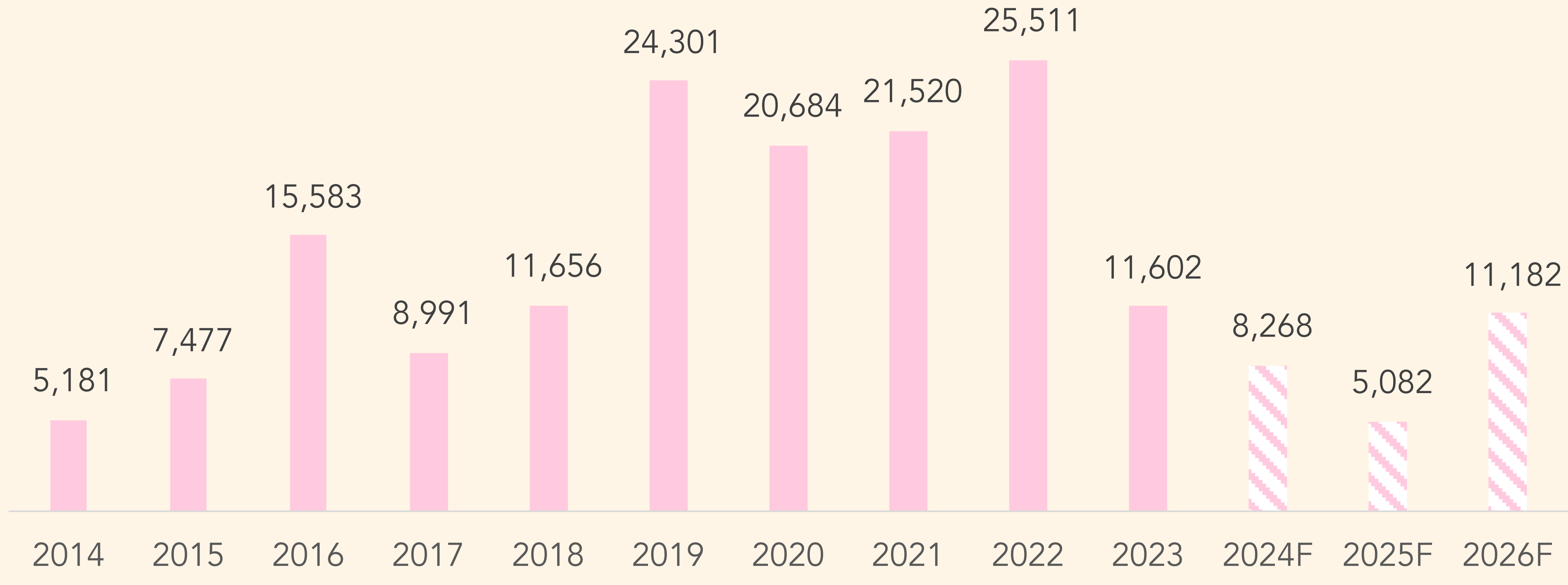


Source: HDB as at 26 Dec 2023, ERA Research and Market Intelligence

Diminishing supply of MOP flats

The number of HDB flats that met the Minimum Occupation Period (MOP) has more than halved in 2023 compared to 2022. Between 2019 and 2022, the number of MOP units averaged 23,000 units per year, which bolstered demand in the residential market. Going forward, the supply of MOP units is set to diminish further potentially leading to a moderate supply of resale flats in the market.

Chart 3 HDB flats that met Minimum Occupation Period



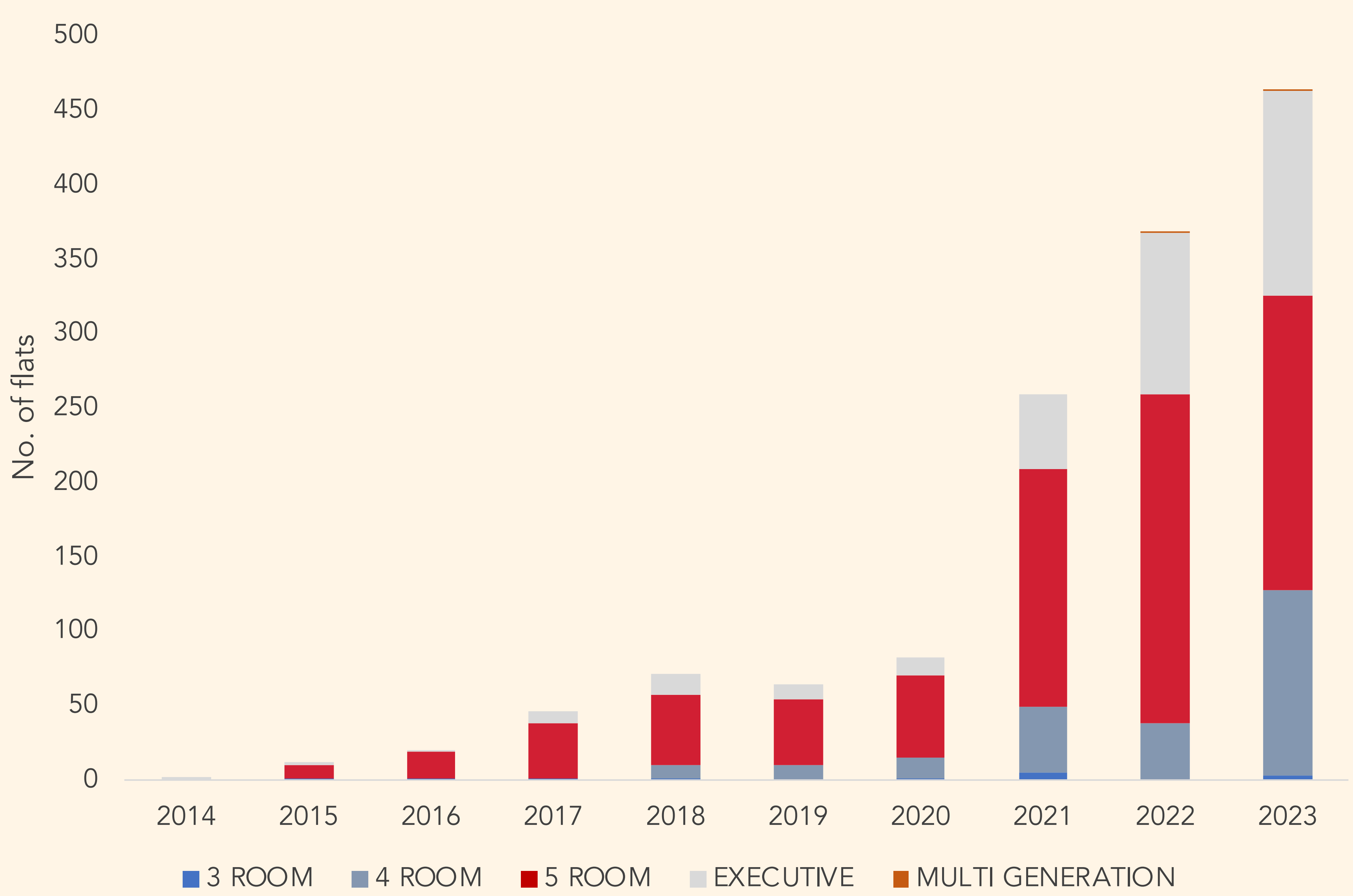
Source: data.gov.sg, ERA Research and Market Intelligence

Million-dollar Flats more commonplace

HDB flats surpassing the million-dollar mark are becoming commonplace. As at 26 December, there have been 464 million-dollar flat transactions in 2023, an increase of 26% compared to 369 in 2022.

Majority of these million-dollar flat transactions are within mature estates such as Bukit Merah (61 units), Toa Payoh (57 units) and Kallang/Whampoa (53 units). Likewise, non-mature estates have started seeing more million-dollar flat transactions. Most notably, Woodlands saw 14 million-dollar flat transactions in 2023. Many of these million-dollar flats possess similar qualities that buyers value, such as a longer remaining lease, larger floor area and are located near transport nodes or amenities.

Chart 4 Million-dollar Flat Transacted by Flat Types



Source: data.gov.sg as at 26 Dec 2023, ERA Research and Market Intelligence

Bukit Merah was the estate that saw the highest number of million-dollar transactions in 2023 (61).

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New classification of HDB flats to ensure sustainable price growth in the long term

In August 2023, the government announced the new classification of HDB flats that will take effect from 2H 2024. Instead of mature and non-mature estates, new BTO flats will be re-classified as Prime, Plus and Standard flats to better reflect locational attributes and demand. Prime and Plus flats will come with more subsidies but their potential upside will be capped as they are subjected to more stringent resale conditions. This includes a 10-year Minimum Occupation Period (MOP), a resale levy imposed and an income ceiling on resale buyers.

Build-to-Order launches drew some potential buyers away from resale market

HDB has collectively launched some 23,000 Build-To-Order (BTO) units in 2023 over four sales launches in 2023 to keep up with the demands of buyers. Another 4,090 BTO units will be launched in February 2024. Kallang/Whampoa, Serangoon (Serangoon North Vista), and Queenstown (Ulu Pandan Glades) emerged as some of the popular BTO projects in 2023.

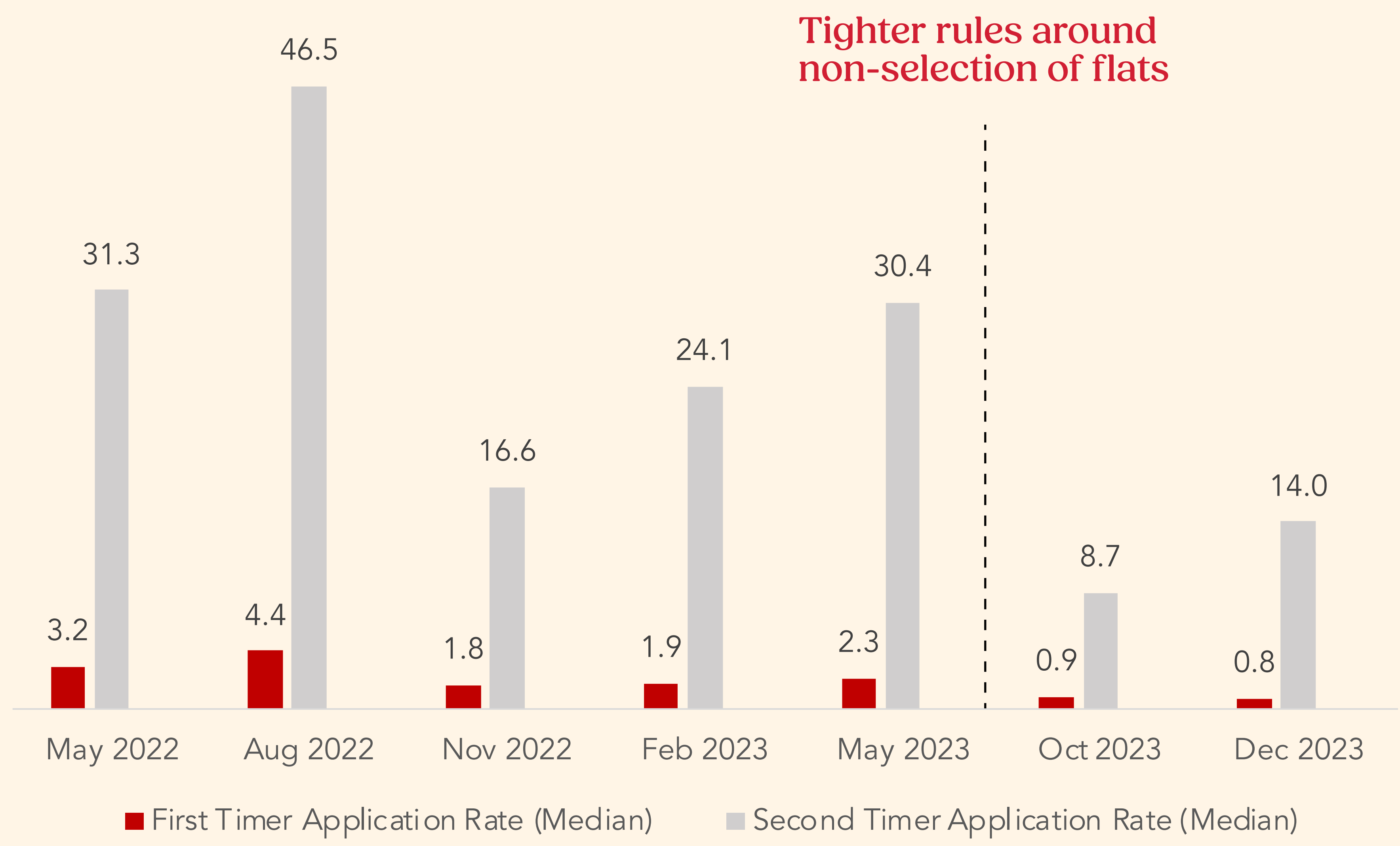
Change in BTO ruling

HDB announced the change in BTO ruling that will grant greater priority to First-Timer families. Apart from additional ballot chances, there will also be a higher allocation of BTOs and Sale of Balance Flat (SBF) for First-Timer families.

But in the event of non-selection of flat, HDB will cancel any existing applications by the same applicant for subsequent BTO/ SBF exercise. First-timer families that do not select a flat when given the chance will be considered second-timers for the next one year. Prior to this, some BTO applicants may have applied for multiple BTO/SBF exercises to increase their chances of securing their ideal home.

The recent changes in BTO ruling have resulted in a decline in the median application rate of BTO in the October and December sales launches. The rate for first timer families fell from 2.3 in May 2023 to 0.9 in October 2023's sale launch. Similarly, the rate for second timer families fell from 30.4 in May 2023 to 8.7 in October 2023's launch. With the heavier penalties for non-selection of flats, prospective buyers may become more selective around which sales launches to apply for, or it may redirect some buyers towards the resale market.

Chart 5 Overall median application rates BTO launches (3-room and above)



Source: HDB, ERA Research and Market Intelligence

HDB resale market set to see more muted price growth despite demand holding firm

The HDB market will see a moderate pace of price growth in 2024. This is in anticipation of a moderate supply of resale units being put up for sale with the diminishing supply of MOP units. Additionally, the elevated interest rate environment and higher cost of replacement homes may have delayed some HDB owners' upgrading plans. Nonetheless, demand for HDB flats is expected to hold firm, particularly those located in proximity to amenities and transport nodes. Existing resale flats, which are not affected by the more stringent resale conditions set for the upcoming Prime and Plus flats, will also be popular among buyers.

For the whole of 2023, ERA expects the total resale transaction volume (3-room and larger) to reach between 25,000 and 26,000 units, marginally lower than the 26,254 resale transactions in 2022.

Supported by firm resale demand, ERA projects the total resale transaction volume to reach between 26,000 and 27,000 units by end-2024, with resale prices rising by a more muted 3% to 5% range by end-2024.

ERA ASIA PACIFIC

ERA Singapore

ERA APAC Centre
450 Lorong 6 Toa Payoh
Singapore 319394

T : (65) 6226 2000
F : (65) 6220 0066
W : www.era.com.sg
E : era@era.com.sg

ERA Queensland | Australia

Lobby 1 , Level 2, 76 Skyring Terrace,
Newstead QLD 4006, Australia

T : (61) 1300 982 888
W: www.eraqld.au
E : contact@eraqld.au

ERA Cambodia

GIA Tower, #G2510 – #G2512, Sopheak Mongkol Street, Diamond Island, Tonle Bassac, Chamkarmon, Phnom Penh, Cambodia

T : (855) 70 893 383
W : www.eracambodia.com
E : info@eracambodia.com

ERA China

Representative office
Hunan Road Number 1087, Unit 1505,
Pudong New District, Shanghai, China

T : (86) 21 6106 0375
E : franchise@era.com.sg

ERA Indonesia

TCC Batavia Tower One, 8th Floor,
Suite 3-5 JL. K.H. Mas Masyur Kav. 126.
Jakarta, Indonesia 10220

T : (6221) 2967 5123
F : (6221) 570 8082
W : www.eraindonesia.com
E : info@eraindonesia.com

ERA Japan

Sumitomo Fudosan Bldg.8 2F, 6-9-3
Higashiueno, Taito-ku, Tokyo 110-0015

T : (81) 3 4335 4015
F : (81) 3 4335 4445
W : www.erajapan.co.jp
E : era-koho@erajapan.co.jp

ERA Laos

632, Unit 38, Hong Kae Village,
Kamphengmeuang Road,
Ban Hong Kae, Vientiane, Lao PDR

T : (856) 20 5252 7000
W : www.eralaos.com
E : eralaos2023@gmail.com

ERA Malaysia

No. 2, Jalan Eko Perniagaan 1/9, Taman Eko Perniagaan, 81100 Johor Bahru, Johor, Malaysia

T : (60) 7-288 6658
W : www.eramalaysia.com.my
W : www.erajohor.com
E : johor@eramalaysia.com.my

ERA South Korea

12F Dongsung Building,
#21 Teheran-ro 87-gil Gangnam-gu,
Seoul 06169, Korea

T : (82) 2 2222 6000
F : (82) 2 2222 6001
W : www.erakorea.com
E : recruit@erakorea.com

ERA Taiwan

7F., No.85, Sec. 4, Ren Ai Rd., Da An Dist., Taipei City 10688, Taiwan (Republic of China)

T : (02)2702-5622
F : (02)2731-8333
W : www.erataiwan.com
E : era@erataiwan.com

ERA Thailand

34 C.P. Tower 3 (Phayathai), Unit No.A11-3, 11th floor, Building A, Thung Phayathai, Ratchathewi, Bangkok 10400, Thailand

T : (66) 2 108 9895
W : era.co.th
E : info@eraholding.co.th

ERA Vietnam

L2-05 -06, Floor 2 Pearl Plaza Building, 561A Dien Bien Phu, Binh Thanh Dist., HCMC, Vietnam

T : (84) 28 7300 1107
W : www.eravn.vn
E : info@eravn.vn

Senior Management

Marcus Chu

CEO
ERA Singapore
ERA Asia Pacific & APAC Realty
marcuschu@era.com.sg

Eugene Lim

KEO
ERA Singapore
eugenelim@era.com.sg

For more details, please contact

Wong Shanting

Vice President,
Head of Research and Market Intelligence
Research and Market Intelligence
wongshanting@era.com.sg

Egan Mah

Senior Research Analyst
Research and Market Intelligence
eganmah@era.com.sg

Bobby Low

Research Analyst
Research and Market Intelligence
bobbylow@era.com.sg

Veronica Yong

Senior Vice President,
Head of Communications
Marketing Communications
veronicayong@era.com.sg

Rachael Sia

Manager
Marketing Communications
rachaelsia@era.com.sg