

Singapore Property

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Helping Singaporeans to build their nests

- Enhanced housing grants will boost HDB buyers' affordability to purchase their first home
- Income ceiling raised for HDB and Executive Condominiums (ECs); will lead to higher transactions in the HDB Resale and EC market
- Increased confidence to return to the property market in the medium term
- CDL to benefit from its pipeline of launches

What's New

What has happened:

The Housing Development Board (HDB) and Ministry of National Development (MND) announced several measures aimed at making public housing more affordable for a larger number of households in Singapore. These new policies will take effect from 11 Sept 2019 and include:

- Introduction of the new Enhanced CPF House Grant (EHG) to replace Additional CPF Housing Grant (AHG) and Special CPF Housing Grant (SHG)
- Raising household income ceiling for the new HDB built-to-order (BTO) and resale HDB homes from S\$12k/mth to S\$14k/mth.
- The household income limit for the purchase of new Executive Condominiums (EC) has also been raised from S\$14k/mth to S\$16/mth.

Our thoughts:

1. **New enhanced grants increase affordability for new households to purchase HDB flats (BTO and resale), which may lead to increased stability for Singapore property market in the medium term.**

Increased affordability and flexibility for households. The EHG now covers a wider range of housing options which provides up to S\$80k in grants to eligible buyers (or households) when they purchase a home with a land lease that covers them to age 95, without any restrictions on the type of flat i.e. new or resale flat. Previously, the grants were based on the type of flat – (a) new BTO (buyers were eligible for AHG and SHG), (b) resale flat (CPF Housing Grant and AHG). More importantly, the key change is that there are no restrictions on the flat type and location while the previous SHG was only applicable to 4-bedroom or smaller flats in non-mature estates.

The EHG empowers the first-time home buyer with increased affordability in purchasing their first home, and potentially to purchase a bigger home for family planning purposes. This would also give aspiring homeowners more flexibility to choose a home nearer to their parents who may be living in a mature housing estate.

More confidence infused into the overall property market, starting from the public market. We believe the new EHG grant will drive more transactions within the HDB resale property market, especially those in mature estates. The additional demand will be timely especially as we anticipate that an average of c.20k units per annum will reach their 5-year Minimum Occupancy Period (MOP) from 2019 onwards.

The changes would result in a gradual bottoming and increased stability in the HDB resale market. In 2Q19, the property price index (PPI) for the HDB resale market dipped 0.2% q-o-q vs 0.4% rise for properties outside central region (OCR). Over time, these new changes should arrest the decline in HDB resale prices as transactions pick up over



Flash Note

time. In the medium term, as the gap between HDB and OCR PPI narrows, we believe the domino effect will likely infuse more confidence to upgraders to either upgrade to a resale flat/EC, or private property.

2. Raising household income limit will benefit Executive Condominium (EC) segment; increased stability to return to the private residential market in the medium term.

An estimated 75% of Singapore households (or +40k residential households) will qualify for public housing grants.

The higher income ceiling to purchase a flat from HDB - S\$14k for new or resale flats, and S\$16k for ECs - will result in an increased number of households qualifying for a new public home and EC. Based on 2018 data from Singapore Statistics (Singstat), the higher income ceiling to qualify for public housing grants will now cover a larger 74.4% of households in Singapore (vs 72% as of end-2014, prior to the last adjustment in Aug-15). This implies an additional 40k households qualifying for the grants based on 1.32m households as of end-2018. For ECs, the income limit will enable an additional 2ppts of households or 36k additional households qualifying to purchase an EC.

ECs to benefit the most from increase in pool of buyers, CDL Piermont Grand could see a boost in sales. In recent years, ECs have been one of the preferred housing options for Singaporean households which has resulted in robust bidding for such sites under the government land sales (GLS) programme in recent years. Listed developers who have existing EC developments for sale include City Developments (CDL) which recently launched Piermont Grand at Sumang Walk at estimated price of S\$1,080 psf. Based on c.375 units already sold, there is close to 400+ unsold units, which should see good interest in our view.

Upcoming launches by other developers. Two new EC projects - at Canberra Link and Anchorvale Crescent - with around 1000 units in total, are expected to be launched in 1Q2020. With estimated break-even at close to S\$950-975psf, we believe that pricing will continue to head north of S\$1,050psf given the increased pool of buyers for ECs going forward.

Demand for private residential to pick up in the medium term. We expect the higher grants to create more buying interest in the public housing market, especially the HDB resale market space for now. In the medium-term, as HDB resale prices stabilise or even increase, we expect confidence to return to the private residential market as upgrader households cash out of existing homes to fund their next property purchase.

Figure 1: Summary of key changes

Before	After
Up to S\$80k for BTO:	Up to S\$80k for BTO:
S\$40k AHG; income ceiling S\$5k	S\$80k EHG for any flat type in any estate; income ceiling S\$9k
S\$50k SHG; 4-room or smaller in non mature estates; income ceiling S\$8.5k	
Up to S\$120k in grants for resale flats:	Up to S\$160k in grants for resale flats:
S\$50k CPF Housing Grant, income ceiling S\$12k	S\$50k CPF Housing Grant; income ceiling S\$14k
S\$40k AHG income ceiling: S\$5k	S\$80k EHG; income ceiling of S\$9k
S\$40k Proximity Grant	S\$40k Proximity Grant

Source: MND, HDB, Straits Times

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Figure 2: HDB units hitting Minimum Occupation Period (MOP)

Remarks

Number of HDB flats to hit MOP to increase from 2019 onwards

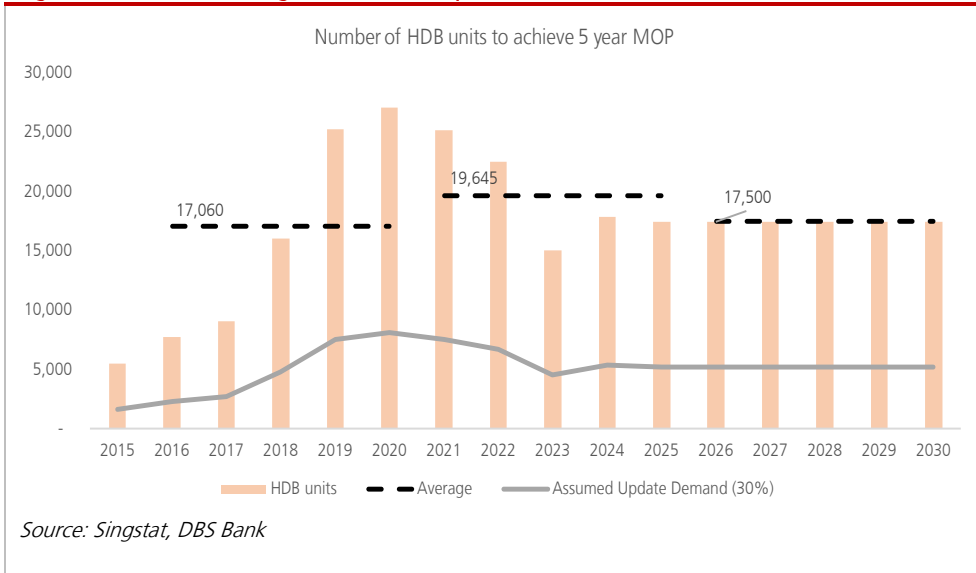
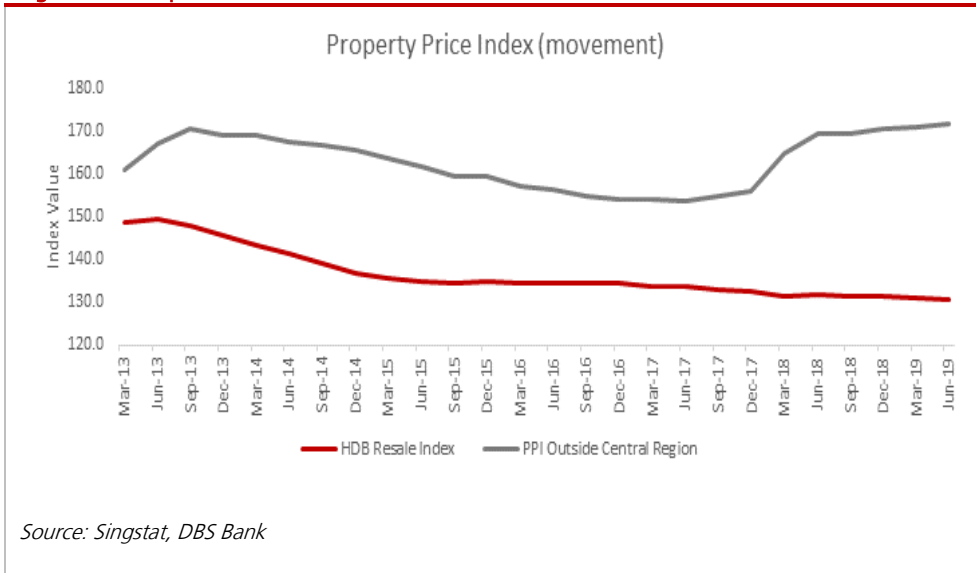


Figure 3: OCR price index and HDB index

Remarks

Pricing differential has widened over time between the HDB resale and PPI for outside central region



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**Share price appreciation + dividends*

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