

Since 1960, the Housing and Development Board (HDB) has built more than 1 million flats across 23 towns and 3 estates. According to HDB, the first HDB blocks, completed in November 1960, were located at Blocks 134 and 135 at Clarence Lane in Queenstown. Today more than 80% of the population live in HDB flats with about 90% of them owning the home they stayed in.

Some of these estates/towns such as Queenstown, Toa Payoh have been referred to as mature estates while others like Sengkang, Punggol are called non-mature estates. Mature estates are more easily accessible/centrally located, have many amenities and facilities. However there is no definition from HDB as to what qualifies as mature or non-mature estates.

Table 1: Mature and Non-Mature HDB Estates in Singapore

Mature HDB estates	Non-mature HDB estates
Ang Mo Kio	Bukit Batok
Bedok	Bukit Panjang
Bishan	Choa Chu Kang
Bukit Merah	Hougang
Bukit Timah	Jurong East
Central Area	Jurong West
Clementi	Punggol
Geylang	Sembawang
Kallang / Whampoa	Sengkang
Marine Parade	Woodlands
Pasir Ris	Yishun
Queenstown	
Serangoon	
Tampines	
Toa Payoh	

Source: HDB

SUPPLY OF FLATS

According to HDB annual report FY19/20, they had sold a total of 1,011,332 flats – 460,789 flats in mature estates and 550,543 flats in non-mature estates. 42% of the flats are 4-room, followed by 24.1% 5-room and 23.9% 3-room.

Table 2: Breakdown of Sold Flats in Mature and Non-Mature Estates

Type	Mature	Non-Mature	Total
Studio Apartment	3,804	5,195	8,999 (0.9%)
1-room	255	0	255 (0.03%)
2-room	9,381	17,281	26,662 (2.6%)
3-room	160,325	81,623	241,948 (23.9%)
4-room	173,702	250,956	424,658 (42%)
5-room	89,173	154,530	243,703 (24.1%)
Executive and Larger	24,149	40,958	65,107 (6.4%)
Total	460,789 (46%)	550,543 (54%)	1,011,332 (100%)

Source: HDB Annual Report FY19/20, Huttons Research

HDB has increased its building programme since 2011 to provide more affordable housing to Singaporeans. Assuming a construction period of 3 to 4 years and a minimum occupation period (MOP) of 5 years, these flats will be eligible for sale from 2019 onwards. The table below shows that more than 26,000 flats are estimated to have met the 5-year MOP in 2019 and the number of such flats will reach a high of more than 30,000 in 2022. Because of construction delays brought about by Covid-19, the number of flats completed in 2020 dipped sharply to 6,976.

Table 3: Estimated Flats for Sale After Meeting 5-year MOP

Year of Completion	2-room	3-room	4-room	5-room	>5-room	Total	MOP Year
2010	475	1,976	4,989	512	0	7,952	2015
2011	887	2,475	9,994	3,116	0	16,472	2016
2012	1,294	1,904	5,284	1,803	0	10,285	2017
2013	1,733	3,606	6,415	1,633	2	13,389	2018
2014	1,741	4,792	13,077	6,432	0	26,042	2019
2015	880	3,753	11,816	5,114	0	21,563	2020
2016	713	4,198	11,493	5,829	0	22,233	2021
2017	4,676	5,972	13,592	5,948	0	30,188	2022
2018	3,760	2,940	6,650	2,012	0	15,362	2023
2019	3,415	1,905	4,578	1,785	0	11,683	2024
2020	1,894	1,188	2,675	1,219	0	6,976	2025
2021	828	82	1389	694	0	2,993	2026

Note: not all 2-room flats are eligible for sale

Source: data.gov.sg, Huttons Research (data as at 5 Apr 2021)

PREMIUM FOR FLATS IN MATURE ESTATES

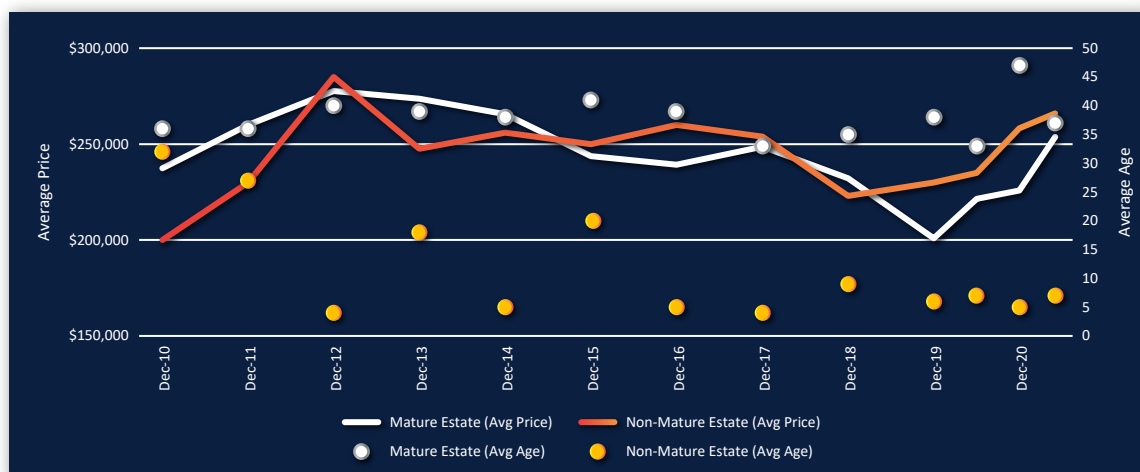
Sellers of flats in mature estates expect their flats to command a premium over non-mature estates because of the more central location and presence of amenities. They had also paid a premium when they bought their flat from HDB or another owner.

Generally, that should be the case as buying a property is all about location. But that does not appear to be the case in recent years. Resale prices for flats in non-mature estates have climbed more than those in mature estates, thereby narrowing the premium or price gap between mature and non-mature estates.

We breakdown the HDB transaction data into different room types and analyse their price movements over the past ten years.

For the 2-room flats, the average prices of flats in non-mature estates on the contrary fetched a premium over or are higher than their counterparts in mature estates. When we match the price data with age of flats, it shows that age or remaining tenure of flats appears to have influenced the value of flats. The transactions of 2-room flats in non-mature estates come with an average age less than 10 years compared to an average age of more than 35 years in mature estates. Even if your flat is in a mature estate, you will not be able to fight against a decaying lease which seems to have a greater impact.

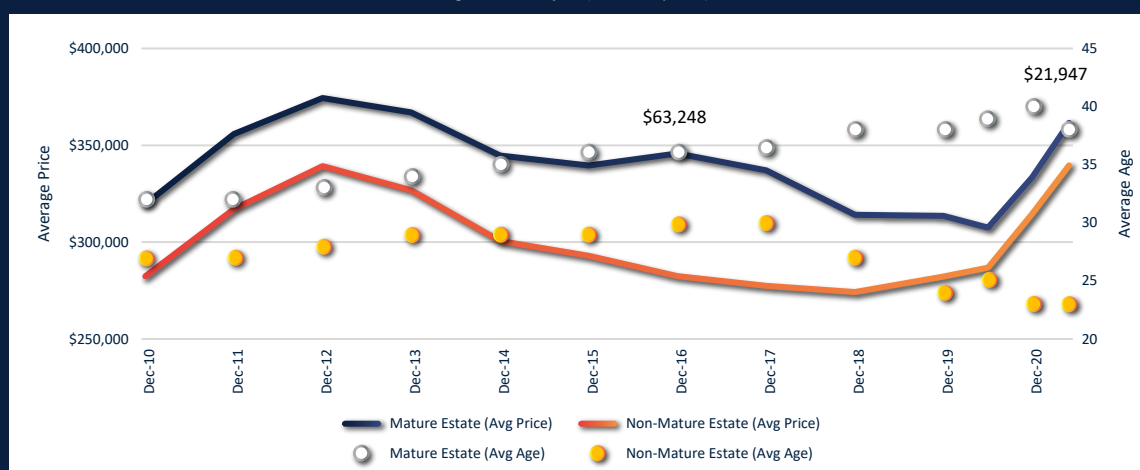
Figure 1: 2-room flats (2010 to May 2021)



Note: not all 2-room flats are eligible for sale
Source: data.gov.sg, Huttons Research

For 3-room flats, the premium or price gap in mature estates versus non-mature estates have narrowed over the years. Again we suspect this is probably due to more flats being built and sold in non-mature estates. In 2011, there were 62,608 3-room flats sold in non-mature estates. This rose to 81,623 3-room flats in 2019, an increase of 19,015 flats over eight years. In contrast, there was an addition of 2,822 3-room flats in mature estates over the same period, 6.7 times lesser. Hence, we observed that the average age of 3-room flats sold in non-mature estates coming down faster than mature estates. That helps to narrow the premium paid or price gap for 3-room flats in mature estates.

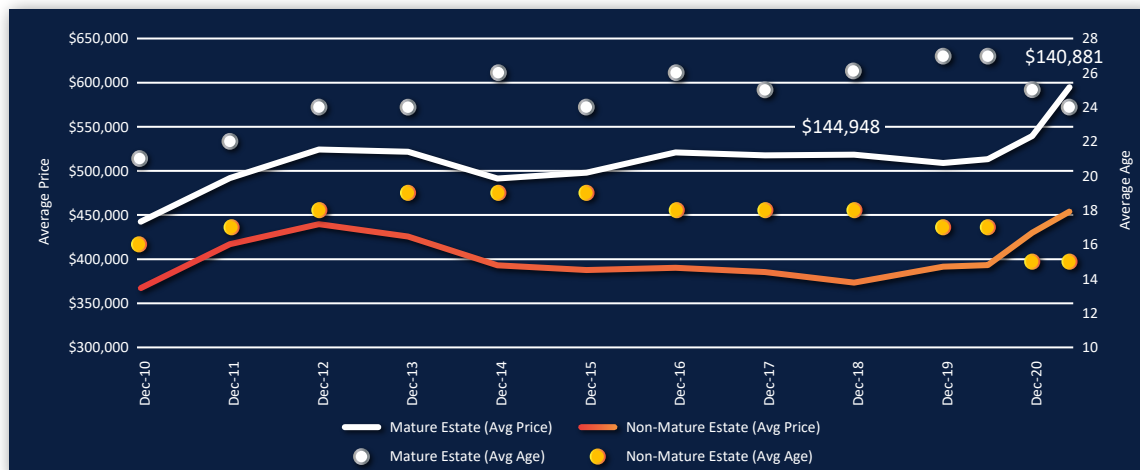
Figure 2: 3-room flats (2010 to May 2021)



Source: data.gov.sg, Huttons Research

For 4-room flats, the premium is stable because there has been influx of such flats in both mature and non-mature estates. 16,554 4-room flats were added to mature estates from 2011 to 2019 while 53,436 or 3.2 times more 4-room flats were sold in non-mature estates. Both the average age of transacted 4-room flats in mature and non-mature estates started to decline around the same time, thus the premium or price gap remained stable.

Figure 3: 4-room flats (2010 to May 2021)



Source: data.gov.sg, Huttons Research

Generally, there has been less new supply of 5-room flats in mature estates thus allowing the non-mature estates to narrow the gap. In mature estates, 5,063 5-room flats were sold from 2011 to 2019 while 25,319 or 5 times more 5-room flats were added to non-mature estates. That reduced the average age of 5-room flats in non-mature estates and the premium or price gap for the same flats in mature estates.

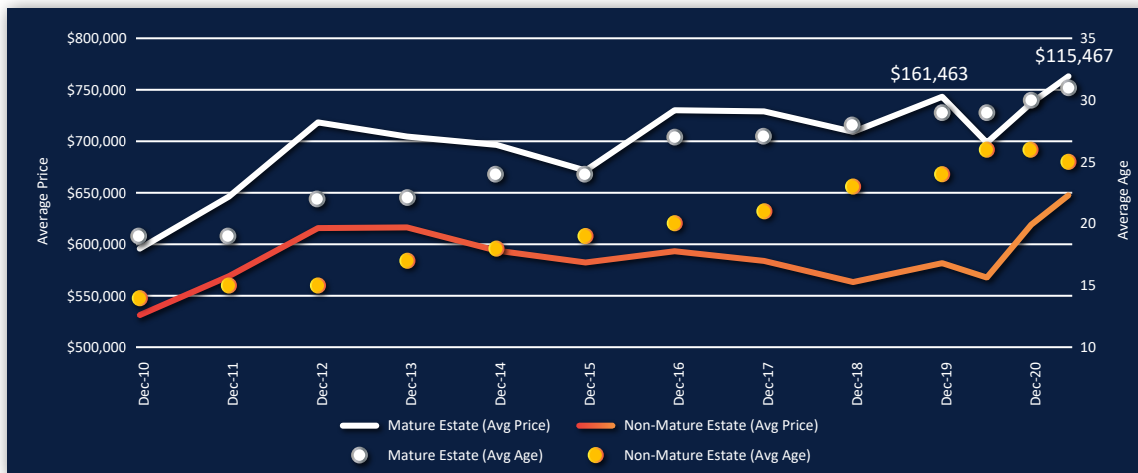
Figure 4: 5-room flats (2010 to May 2021)



Source: data.gov.sg, Huttons Research

For the larger flats, HDB has stopped building them as family demographics changed. But we have observed robust demand for larger flats since the start of Covid-19, pushing up the prices more so in non-mature estates thus narrowing the premium.

Figure 5: Executive and Larger flats (2010 to May 2021)



Source: data.gov.sg, Huttons Research

In summary, it appears that age or remaining tenure of flat plays a more important role in the value of flats in recent years rather than the location in a mature or non-mature estate. This is a valid concern as no one likes the thought of their home depreciating to zero as the lease runs down.

OUTLOOK

The differentiation between mature and non-mature estates has blurred over the years. As connectivity and amenities improved in non-mature estates, some of the resale flat prices have inched close to mature estates. For example, a 5-room flat in Punggol went for \$910,000 versus \$1.095 million for a 5-room flat in Clementi.

Some of the non-mature estates like Punggol has seen a huge transformation over the past ten years with Punggol Waterway Park, Waterway Point and numerous schools. The Seletar Aerospace Park and Punggol Digital District are taking shape and enhancing the attractiveness of Punggol. The town is well-planned with its unique character and the design of some of the flats are not the typical cookie-cutter designs you get in some mature estates. With Singapore's first university in the Northeast coming up in 2023, a family with children can literally stay and study in Punggol, similar to Clementi.

The premium paid for or price gap in flats in mature and non-mature estates is expected to narrow in the coming years as more transformation take place and more newer flats in non-mature estates are transacted in the market. Perhaps even a million-dollar flat in non-mature estates will come up in the years ahead.

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