



Today we will take a look at the **HDB market** to find out what are your options as an HDB owner and if your flat can see you through your retirement. As **property prices continue to soar**, we've witnessed some **record-breaking HDB transaction prices** in the recent years, the lifestyle and ambitions of the younger Singaporeans have evolved tremendously as compared to their parents. Many more young HDB owners are seeking upgrades to private homes. Are you one of them?

I understand that this might be a daunting process for some as there are many factors to consider and especially if you are not familiar with the finances and lack the insights of the market.

CONCERNS

REGARDING INVESTMENTS IN PRIVATE HOMES



**Monthly Mortgage
Repayment**



**Additional
Monthly Expenses**



**Uncertainty in
Interest Rates**



**Buying HDB
Flat is Safer?**

The illustrations probably can sum up the concerns one might have regarding the investment in private homes.

Factors such as the fear of servicing heavy mortgage loans, incurring additional expenses each month, and the constant nag by the older generation telling us that HDB flat as the first purchase is the safest bet and to work hard & save so as to have a better retirement.

It may then seem easier to just avoid this discussion altogether and choose the comforts of being ignorant and continue happily staying in your current home – because ignorance is bliss, isn't it? It isn't a bad choice or wrong choice, but ultimately, is that **the best choice for one who yearns for a better lifestyle or earlier retirement?**

Continue reading this article if you want to find out what's best for you. I am pretty sure by the end of this article; you'll have a **good idea** on what's the **best move that would benefit both you and the family.**

Let's take a look at the HDB resale price movement chart (Figure 1) below, which documents the quarterly resale price index over a 10-year period from 2011 to 2021. In 2013, the government introduced a cooling measure that dictates all HDB buyers' loans be based on their Mortgage Servicing Ratio (MSR). This move has affected HDB prices **causing the market to dip for several years** and only **rebounding in 2019**. Many question why did the government do that? It is to **impede the escalating HDB resale prices** that would cause the resale HDB market to be out of reach for many young couples. Afterall, isn't it important for our elected representatives in parliament to help keep public housing affordable for generations to come?

Even though it took about **8 years for the HDB resale market to hit its previous peak**, there were **many opportunities that a HDB owner could have taken** during that period. Especially those who choose to keep their flats since the previous peak in 2012/2013, many have gone on to upgrade their property to an Executive Condominium or even a private property and have **made capital gains**. Don't fret if you feel like you've missed the train, there are still **plenty of opportunities awaiting you!** But how long will this window period last is a golden question no one can answer. However, do take this chance to **learn more** and **avoid similar mistakes**. Later in the article, we will be taking a look at some examples of those who took action and how they benefited from it.

HDB Resale prices since 2013 June

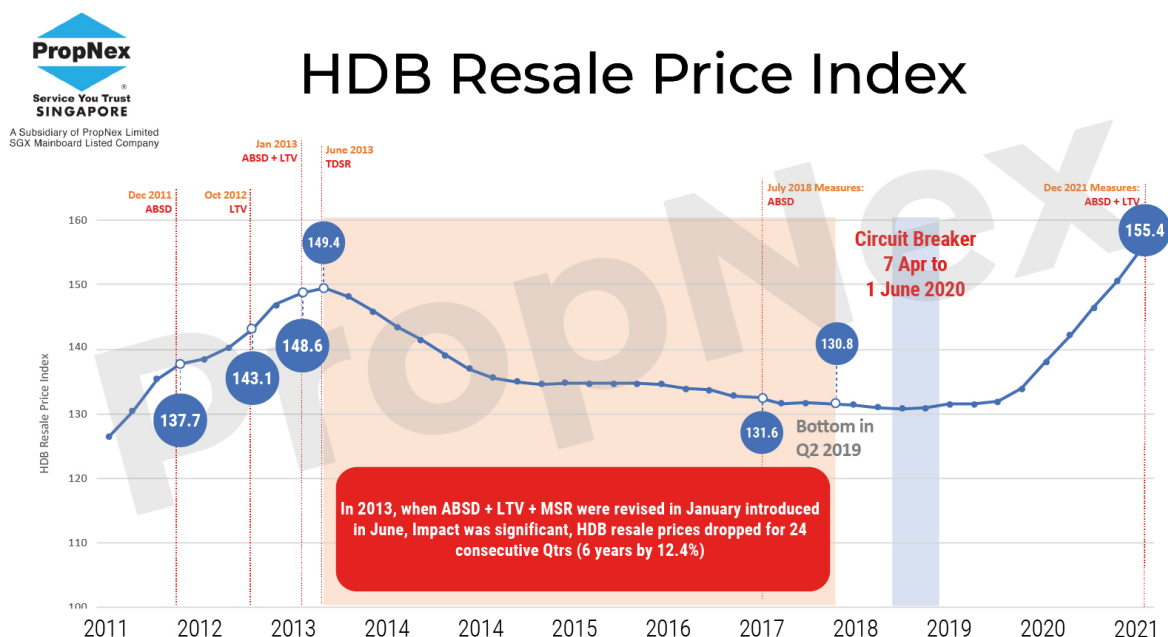
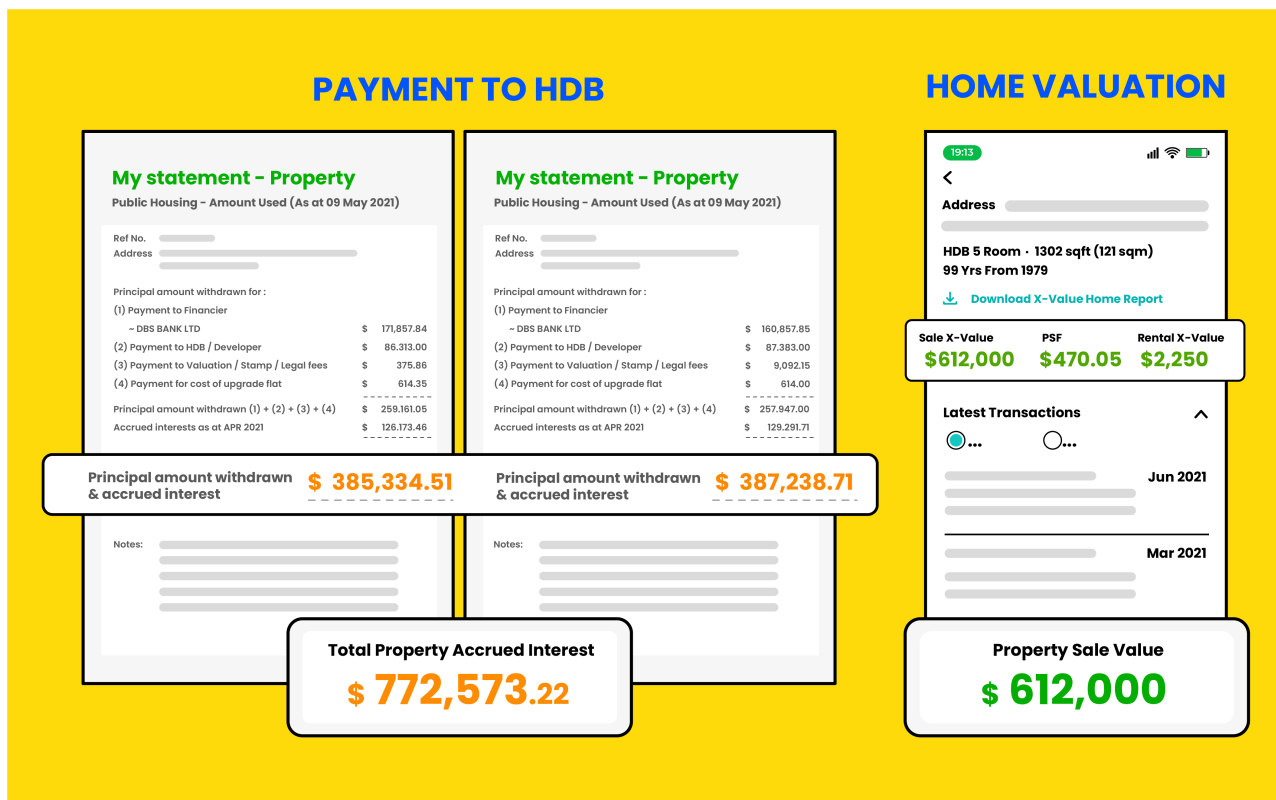


Figure 1: HDB resale price (%) index

But before that, let's take a look at a particularly **sad case** of a hardworking couple who kept their HDB flat for 30 years expecting it to appreciate. But lo and behold they actually made a **colossal loss of more than \$160,000**.

As you can see below, the combined amount paid for the flat is over \$700,000, and unfortunately, the valuation of the flat is only about \$612,000. This **loss you witnessed here is lost due to the accrued interest by CPF**. Can your flat price rise enough to defray the interest incurred by your mortgage loans and CPF interest?

When your parents tell you to buy an HDB and stay there until you're old, does that strategy still work? After understanding the example below, do you want to end up with a loss when you're **65 and are about to retire?**



In late 2021, our government introduced another round of cooling measures to **slow down the red-hot property market**. The latest slew of additional measures has seemingly little impact on the HDB market even with their plans to increase the supply in the market and the introduction of the new Prime Location Public Housing for HDBs. Will these eventually cause a slowdown in the HDB market? No one will know for sure, but how much further can the prices of HDB continue moving upwards? Figure 1 clearly shows **HDB prices hitting a new peak**. With that in mind, **what should HDB owners do?**

Looking at Figure 2, comparing the prices of a 5-bedroom flat for Punggol in 2012 & 2019/20 respectively we can see a **stark difference of \$200,000**. What a **painful loss** for those who held onto their flats! In hindsight, with the **right advice and immaculate timing, such things can be avoided**.

Punggol 5rm Scenario

YEAR 2012 / 13

MONTH	BLOCK	MODEL	LEASE START (YEAR)	AGE (YEARS)	STOREY RANGE	FLOOR AREA (SQM)	PRICE S\$
OCT 2012	646 PUNGGOL CENTRAL	PREMIUM APARTMENT	2005	14	16 TO 18	110	650,000
OCT 2012	648 PUNGGOL CENTRAL	PREMIUM APARTMENT	2005	14	13 TO 15	110	630,000
MAY 2013	642C PUNGGOL DRIVE	PREMIUM APARTMENT	2005	14	16 TO 18	111	620,000
OCT 2012	642D PUNGGOL DRIVE	PREMIUM APARTMENT	2005	14	16 TO 18	112	620,000
JUN 2013	643 PUNGGOL CENTRAL	PREMIUM APARTMENT	2005	14	13 TO 15	110	608,000
OCT 2012	642A PUNGGOL DRIVE	PREMIUM APARTMENT	2005	14	16 TO 18	110	608,000
DEC 2012	642A PUNGGOL DRIVE	PREMIUM APARTMENT	2005	14	04 TO 06	112	602,000

**Painful loss
of \$200K**

YEAR 2019 / 20

MONTH	BLOCK	MODEL	LEASE START (YEAR)	AGE (YEARS)	STOREY RANGE	FLOOR AREA (SQM)	PRICE S\$
Jan 2020	642C PUNGGOL DRIVE	PREMIUM APARTMENT	2005	15	16 TO 18	110	470,000
DEC 2019	649 PUNGGOL CENTRAL	PREMIUM APARTMENT	2005	15	10 TO 12	110	450,000
NOV 2019	642B PUNGGOL DRIVE	PREMIUM APARTMENT	2005	15	10 TO 12	111	448,000
OCT 2019	648 PUNGGOL CENTRAL	PREMIUM APARTMENT	2005	15	16 TO 18	110	470,000
OCT 2019	642B PUNGGOL DRIVE	PREMIUM APARTMENT	2005	15	16 TO 18	111	475,000
OCT 2019	643 PUNGGOL CENTRAL	PREMIUM APARTMENT	2005	15	16 TO 18	110	498,000
SEP 2019	646 PUNGGOL CENTRAL	PREMIUM APARTMENT	2005	15	10 TO 12	110	455,000

HDB 5 rm Drop from \$650k in year 2012 to \$450k in year 2019/20

Source URA, <https://www.squarefoot.com.sg>

Figure 2: Punggol 5-room HDB flat transaction history for 2012 & 2019/20

Imagine you are one of those **well-informed discerning owners** who **exited at the right time** and went on to buy a private property at Riversound condominium in 2012. You would have **easily made** a **whopping profit of \$300,000** on an average as seen in Figure 3 below.

New Launches Bought in 2012 Riversound Condominium

SOLD ON	ADDRESS	UNIT AREA (SQFT)	SALE PRICE (\$\$ PSF)	BOUGHT ON	PURCHASE PRICE (\$\$ PSF)	PROFIT (\$\$)	HOLDING PERIOD (DAYS)	ANNUALISED (%)
20 AUG 2019	1 SENGKANG EAST AVENUE #xx-03	2,196	797	27 FEB 2012	622	385,000	2,731	3.4
9 MAR 2018	9 SENGKANG EAST AVENUE #xx-30	1,475	928	22 MAR 2012	706	327,000	2,178	4.7
10 SEP 2019	9A SENGKANG EAST AVENUE #xx-31	1,346	959	30 MAY 2017	780	240,000	833	9.4
13 SEP 2018	9 SENGKANG EAST AVENUE #xx-25	1,292	1,045	28 JAN 2013	873	222,000	2,054	3.2
1 NOV 2018	9A SENGKANG EAST AVENUE #xx-34	1,163	1,047	21 MAY 2012	858	219,000	2,355	3.1
9 APR 2018	1 SENGKANG EAST AVENUE #xx-06	1,346	1,003	24 FEB 2012	845	212,400	2,236	2.8
2 JAN 2019	7 SENGKANG EAST AVENUE #xx-24	1,184	1,001	1 MAR 2012	822	211,900	2,498	2.9
28 JUN 2018	9 SENGKANG EAST AVENUE #xx-25	1,292	968	7 NOV 2012	805	210,000	2,059	3.3
1 AUG 2017	7 SENGKANG EAST AVENUE #xx-19	2,390	690	20 MAR 2012	606	202,000	1,960	2.5
21 DEC 2017	1 SENGKANG EAST AVENUE #xx-06	1,346	966	1 FEB 2012	817	201,000	2,150	2.9

Source URA, <https://www.squarefoot.com.sg>

Figure 3: Riversound condominium profitable transaction history

By now, many of you are probably thinking this is easy to say looking at all these charts and figures in retrospect. One of the biggest concerns you'd probably have is if you could pay off the monthly mortgage loans without over-leveraging? Well, fact is, it might not seem easy when you do not know **what options are available for you!** The important thing when making such decisions is to work out a financial plan. With a full-proof plan, many HDB owners managed to upgrade **hassle-free and live** without the stresses of mortgage loans.

Hit me up if you hope to avoid being in the same predicament as the **unfortunate case of the old couple** above or want to know how to avoid **losing unnecessary money**. I have another article for you on how to **steer clear of all these mistakes** and how you can actually take advantage of your HDB flat given the appropriate timing.

Get the next article now!
'What's Next for HDB Owners?'
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