The Asia-Pacific Residential Review is an investor focused report which provides an in-depth look at the performance of the residential markets across the region.

Knight Frank

Asia-Pacific Residential Review

H1 2021

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HEADLINES

6.4%	20	Low Rates	Cautious
AVERAGE YEAR-ON-YEAR RESIDENTIAL PRICE GROWTH IN H1 2021	OF 24 CITIES MONITORED RECORDED POSITIVE ANNUAL PRICE GROWTH IN H1 2021	TO CONTINUE BEING A KEY GROWTH DRIVER	OUTLOOKS ACROSS ASIA-PACIFIC AS PRICE GROWTH DRAWS POLICY ATTENTION

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HEAD OF RESIDENTIAL ASIA-PACIFIC

"The residential recovery trajectory continues to be underpinned by strong domestic demand, attractive interest rates, and flight-to-safe-haven assets. Amid COVID-19 fears arising from the new Delta variant, home buyers and investors taking a longer-term view on the growth prospects of Asia are not deterred by the short-term volatility."

Residential markets continue to rise rapidly in gateway cities across APAC

The Asia-Pacific residential markets continue to improve with 20 out of the 24 cities tracked by Knight Frank registering positive annual price growth in the first half of 2021. This is up from only 14 cities at the end of 2020. The average annual growth stands at 6.4% year-on-year (YoY), which is the highest growth since Q3 2017. Government fiscal stimulus and the low interest rate environment have boosted sentiments for most of the urban gateway cities. The continued economic recovery seen in Mainland China, Australia, **Singapore** and New Zealand also fuelled the domestic buying demand where the locals are playing catching-up while foreign buyers are still facing travel restrictions given the continued border closures amid rising cases of the new Delta variant.

Southeast Asia

Singapore's high-end or core central region residential market turned around after a slight dip of 0.4% YoY in H2 2020. On an annual basis, the segment rose by 0.9% YoY, largely supported by the recovery of the investment sentiment post-Circuit Breaker and buyers taking advantage of the ultra-low interest rate environment. The growth for the rest of central region market has accelerated from six months' ago, recording a YoY growth of 13.7%, up from 4.7% six months ago. The resurgence of market momentum has pushed new home prices to new highs despite the disruptions arising from the third wave thanks to its safe-haven status.

The outlook for the **Kuala Lumpur**'s housing market is improving. Despite the index falling by 3.1% YoY following the challenges with the reimposition of its conditional movement control order (CMCO), the recent stamp duty exemption has helped first-time buyers to enter the market with confidence. **Penang**'s index was largely unchanged during the last 12 months, rising merely 0.2% YoY. The share of foreign buyers has also fallen to the lowest on record, which could see a prolonged drought given the rising COVID cases and travel restrictions.

Australasia

Australia's residential prices have returned to pre-pandemic levels and are trending above the global average. Price growth has also spilled over from the major capital cities to the regional areas, encouraged by those relocating or buying a second home. After a strong first quarter, the Australian market has shown some stability as buyers reached borrowing capacity or were simply priced out of the major capital cities. Rental growth has also strengthened in **Perth**, **Darwin**, and **Adelaide** against low vacancies trending below 1.8%.

New Zealand's housing market continues to be one of the hottest property markets around the region, with **Auckland**'s housing prices rising 25.0% YoY in the second quarter of 2021. Despite the government announcing a series of cooling measures aimed at reining in the runaway prices, the market continues to be buoyant in Q2 2021 coupled with tight supply pipeline and ultra-low interest rates. The stronger price performance could extend for a few more months going forward, as demand still outstrips the supply which has been limited by the pace of construction. However, this may soon change with some banks in New Zealand either looking to or beginning to increase interest rates, and it is expected that the official cash rate will also be increased during the next review in October.

East Asia

The **Hong Kong** residential market remains robust with new launches recording brisk sales, reflecting strong demand from local buyers. Hong Kong has emerged as one of the COVID-zero gateway cities in Asia and the economy has gradually improved, which bodes well for the residential market. A few high-profile deals were sealed in the ultra-prime space, including a 3,603 square feet house at Shouson Peak, which was sold for HK$310 million (US$40 million). The market saw residential prices increase by 2.0% YoY during the period.

South China's housing market also emerged strongly post-COVID. **Guangzhou**'s housing market continues to record solid gains of 14.8% YoY, despite starting to feel the pressure from the government's latest imposition of more stringent measures including caps on selling prices. The plan to develop the Greater Bay Area into an integrated economic and business hub has fuelled demand from tech millennials to look to the area for employment opportunities. Potential buyers and investors are taking a longer-term view of the growth potential of the area, and are making an early move to take advantage of the capital appreciation.

South Asia

India's housing market displayed a better-than-expected recovery in the H1 2021. Even with a severe second wave of COVID infections in Q2 2021, its impact on the economy and the real estate sector was relatively muted as the lockdown was less stringent compared to during the first wave of the pandemic, and the availability of vaccines also supported business sentiments. Comparatively low residential prices, attractive interest rates and the need for bigger and better houses during the pandemic have underpinned housing demand, preventing a larger fall in prices during the period. Residential prices in **Mumbai** and **Bengaluru** declined by 2% and 1.2% YoY respectively while that of NCR grew marginally by 0.5% YoY in H1 2021. While developers offered flexible payment schemes to push sales across markets, the incidence of direct discounts was markedly lower during H1 2021.

We like questions, if you've got one about our research, or would like some property advice, we would love to hear from you.

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