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

H2 2021

HEADLINES

9.1%
AVERAGE YEAR-ON-YEAR RESIDENTIAL PRICE GROWTH IN H2 2021

21
OF 24 CITIES MONITORED RECORDED POSITIVE ANNUAL PRICE GROWTH IN H2 2021

Low Rates
TO CONTINUE BEING A KEY GROWTH DRIVER

Steady
OUTLOOKS ACROSS ASIA-PACIFIC AS PRICE GROWTH DRAWS POLICY ATTENTION

Victoria Garrett
HEAD OF RESIDENTIAL ASIA-PACIFIC

"Pent-up demand for residential properties in key safe-haven markets is expected to fuel the price growth in the region by a further 3-5% in 2022. On the back of improving vaccination rates around the globe and countries re-opening their borders, a renewed economic recovery will feed through to rising business sentiment, creating a favourable backdrop for the residential sector."

Pent-up Demand Expected to Drive Volume and Price Growth

While the pandemic's trajectory could still evolve due to the Omicron variant, a wide range of indicators are pointing to a stronger market rebound in 2022, as Asia-Pacific enters a new cycle of growth driven by low-interest rates, high inward investment, resulting in pent-up demand for the residential sector. 21 out of 24 cities tracked by Knight Frank recorded year-on-year (Y-o-Y) stable or price growth in H2 2021, up from only 14 cities over the same period a year ago. The average annual price growth was 9.1%, higher than the 6.4% recorded in H1 2022, indicating the momentum in key growth markets is accelerating.

Southeast Asia (SEA)

Housing prices in Singapore surprised on the upside in Q4 2021 with an increase of 5% from the previous quarter. As a result, it recorded the strongest annual growth of 10.6% since 2010. Pandemic-driven entrepreneurship and transformative COVID-19 industries have also created new wealth which helped to support the resurgence in demand, particularly in the high-end condominiums and landed segments. Singapore government introduced another round of cooling measures ahead of the new year, aimed at bringing down the property prices to be more in line with income growth. With the latest cooling measures, transaction volume and price growth could take a pause in 2022, given the reduction in affordability. Households that are presently close to their borrowing limits might now have to reconsider their housing options.

Kuala Lumpur's housing market had a tough H2 2021 with prices contracting 5.7% Y-o-Y, making it the only underperforming market in SEA. However, with infection rates starting to come under control and the government's recent effort in re-opening more economic sectors following acceleration in vaccine drive, housing demand is expected to recover in 2022 and we could see the light at the end of the tunnel for the city's residential market over the coming 12 months.

For Bangkok's condominium market, buying sentiment is still downbeat, even in the high-end segment where traditionally the domestic demand from the high-net-worth buyers is relatively strong. With the pandemic continuing in full force, uncertainties still cloud the outlook of Bangkok's recovery from COVID-19 with homebuyers pulling back purchases. It remains challenging for developers to stay positive, and many are delaying project launches by at least another six to nine months.

Australasia

Housing prices in Australia continue to be buoyant, recording 16% Y-o-Y growth on average across its four major capitals of Sydney, Melbourne, Brisbane, and Perth. Looking at the cities specifically, Sydney recorded a 24% price growth, the highest among its peers, as flight to safe-haven cities continues to support the underlying demand for Sydney's market, despite the recent rising of Omicron cases. Going forward, the Australian residential market is likely to slow, albeit still active, with a forecast growth of 8% by Knight Frank Research by end-2022. The main reason will be the tipping point in affordability with recent loan curbs.

Auckland's housing market has been remarkably strong throughout 2021 with a 21.3% growth Y-o-Y, making it the second-best performing Asia-Pacific market just after Sydney. The stellar performance can be attributed to availability and ease of credit access and how well the Ardern government has responded to COVID-19 which has boosted buyer confidence. Heading into 2022, some headwinds are presented including recent increases in interest-rates and tightening of bank lending criteria in response to the new government legislation. Balancing this, the number of properties available for sale is well below long-term averages and 2022 is likely to see the relaxing of strict border controls. A repeat of 2021's price performance is unlikely with the rate of growth likely to slow over 2022.

East Asia

Hong Kong residential market has been buoyant with transaction volume in both the primary and secondary markets rising in the last quarter of 2021. The broad-based recovery sent the index up by 2.9% Y-o-Y, an acceleration from the 1.9% recorded just six months ago. There were also notable transactions in the high-end segment. For instance, Hong Kong's biggest sale played out in the exclusive Peak neighbourhood, where an unnamed buyer purchased two units at the Mount Nicholson development for about HKD 1.2 billion (or US$150 million), indicating continued demand for high-quality prime properties.

Going forward, given the gradual economic recovery and the low-interest-rate environment, we maintain our optimistic outlook for the residential market. We expect mass housing prices to go up by 0-3% in 2022, and luxury prices to increase by 3-5%, given the expected Hong Kong SAR–Chinese Mainland border reopening.

South Asia

India's housing market bottomed out in H2 2021 with prices showing an uptick of 1.5% on average Y-o-Y during the period across the three major markets Knight Frank tracks – Mumbai, NCR Delhi, and Bengaluru; this was a reversal from the average decline of 0.9% recorded in H1 2021. A number of factors like low-interest rates, fall in house prices and state governments' stimulus, have supported the housing market revival in H2 2021.

H2 2021 also posted the highest sales volume since H1 2016. An improving economic/business environment and a stronger hiring trend in India's IT sector has helped to support the nation's income growth. Low-interest rates, improving affordability, high savings rate, and a resurging interest in homeownership due to the space constraints imposed by the pandemic, have been the primary drivers of this revival in demand.

Going forward, it might still be too early to call for the sustained recovery of the residential market in India, as headwinds from the Omicron variant might send the country's economy into uncertain territory. The critical questions are whether housing prices and interest rates will start rising in 2022, which could potentially result in the fading out of the housing growth momentum.

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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