Asia-Pacific Bulletin

Battling the waves

Asia-Pacific real estate sentiment, activity and recovery during the Covid-19 period

August 2020

Executive Summary

Regional recovery slowed by localised second waves

As the region heads into the sixth month since the COVID-19 outbreaks, the majority of Asia-Pacific markets have managed to control virus numbers, with lockdowns easing and local situations generally improving. However, over recent weeks, a number of markets including Hong Kong, the Australian state of Victoria and the Philippines have seen a significant increase in numbers leading to secondary lockdowns. While many parts of the real estate sector were in recovery, these recent waves have injected further caution, not only into these localised markets, but the region more widely.

Residential markets, which saw a rebound in activity following the end of lockdowns are showing signs of slowing again, with those markets undergoing secondary lockdowns most notably impacted. While supported by low interest rates and underlying demand, the second half of the year could see more patchy performance across the region, as economic realities start to bite.

In the office markets, major relocation and expansion decisions continue to be put on hold, with many corporates considering a review of their footprints across the region, as both a cost cutting exercise and as a move to more flexible working. While this discussion continues for many corporate occupiers, growing vacancy rates and falling effective rents also provide an interesting opportunity in a more tenant friendly market.

In the capital markets, with few major transactions, many major investors seem to be happy to bide their time, trying to get a better grip on pricing. The full impact of weaker occupier markets is still challenging to price, with vendors current expectations not necessarily being met by buyers looking for further discounts.

As markets continue to recover, Knight Frank will continue to monitor activity, sentiment, deals, anecdotes and market dynamics to provide a level of understanding during this recovery phase.

Here are the key takeaways from Knight Frank's end-July data collection:

1

Office and retail markets remain slow; industrial and residential see most activity.

- Only four of 19 office markets saw an increase in activity in July (page 8), with many corporate occupiers hesitating on expansions and relocations.
- With most markets turning in favour of tenants, office and retail markets are seeing declining asking rents in most markets.
- Industrial markets remain one of the most active sectors, fueled by e-commerce related logistics and a recovery in several manufacturing sectors.
- Residential markets remained active although the new waves in Hong Kong, Melbourne and now the Philippines are impacting transaction volumes in those markets significantly, and weighing on confidence generally.

2

Investors happy to wait and see as transaction volumes remain low

- Investment volumes were down 39% year-on-year to US$67.2bn as at July 2020.
- Investors are still looking very cautiously at occupier markets (see page 8), with challenges noted in terms of pricing the potential tenancy risk.
- We have seen an increase in the number of sale-and-leasebacks in several markets, with occupiers looking to release capital. At the same time, investors can profit from strong covenants on long term lease commitments.
- While the expectation around discounts are building, there is little evidence of significant repricing across most markets.
- There is still a likely flight to quality, with well-leased prime assets likely to see values remain resilient.

3

Lessons from second waves

- The resurgence of Covid-19 in several markets has demonstrated how challenging it is to fully contain the virus.
- While international travel restrictions are slowly being lifted in several markets for essential travel, given the risks of secondary waves, a full opening is likely to still be some way off.
- There has been an uptick in residential activity from overseas expatriates looking at buying back in their home markets, with an increase in enquiries from Asia-based Australian and UK nationals as a notable trend.

The time to think strategically, reposition and think beyond

The economies of Asia-Pacific will take a significant hit in 2020, with the IMF's recent Global Economic Outlook predicting a contraction in output across the region for the first time in 60 years. While short-term challenges will undoubtedly be a concern for many occupiers and investors - whether it is a short-term lease renewal, disposal of a non-core property, or reconfiguring an asset - positioning for recovery and opportunities is critical.

Should the virus be contained in the second half of the year - and significant second waves avoided - the region could see recovery in 2021. While there remains lots of uncertainty, corporate occupiers and investors should be alive to the opportunities that this could bring.

Asia Pacific Dashboard

ASIA-PACIFIC OFFICE (end-July)

Markets	City	Active Occupier Requirements	Completed Transactions	Postponement of deals	Occupiers seeking sublets	Asking rents	Total occupancy cost	Market favourable conditions
ANZ	Sydney	→	→	→	↑	→	→	Tenant
	Auckland	↓	↓	↑	↑	→	↓	Tenant
ASEAN	Jakarta	→	↓	↑	→	↓	↓	Tenant
	Singapore	↓	↓	↑	↑	↓	→	Tenant
	Kuala Lumpur	↑	↑	→	↑	→	→	Tenant
	Bangkok	↑	→	→	↑	→	→	Balanced
	Manila	↓	↓	↑	↑	→	→	Tenant
	Phnom Penh	→	↓	→	→	↑	→	Tenant
East Asia	Toyko	↓	↓	→	↓	↓	↓	Balanced
	Seoul	→	→	↑	↑	→	→	Balanced
	Taipei	→	→	↑	→	→	→	Landlord
	Shanghai	→	→	↓	↓	↓	↓	Tenant
	Beijing	↓	↓	↑	↓	↓	↓	Tenant
	Guangzhou	↑	→	→	→	↓	↓	Tenant
	Shenzhen	↑	→	→	→	↓	↓	Tenant
	Hong Kong	→	→	↓	→	↓	↓	Tenant
India	Mumbai	→	→	→	→	→	→	Balanced
	Delhi	→	→	→	→	→	→	Balanced
	Bangalore	→	→	→	→	→	→	Balanced

ASIA-PACIFIC INDUSTRIAL (end-July)

Markets	City	Active occupier requirements	Completed transactions	Postponement of deals	Occupiers seeking sublets	Asking rents	Total occupancy costs	Market favourable conditions
ANZ	Sydney	→	→	→	→	→	→	Tenant
	Auckland	→	↑	→	↑	→	→	Balanced
ASEAN	Jakarta	→	→	↑	→	→	→	Balanced
	Singapore	↓	↓	↑	↑	↓	→	Tenant
	Kuala Lumpur	→	↓	→	→	→	→	Balanced
	Bangkok	↑	↑	→	→	→	→	Balanced
	Manila	→	→	→	↓	→	→	Balanced
	Phnom Penh	↓	↓	→	↑	→	→	Tenant
East Asia	Tokyo	→	→	→	→	→	→	Balanced
	Seoul	↓	↓	↑	↑	→	→	Balanced
	Taipei	→	→	↑	→	→	→	Balanced
	Shanghai	→	↑	↓	→	→	→	Tenant
	Beijing	↓	↓	→	→	→	↓	Tenant
	Guangzhou	↑	→	→	→	↑	↑	Landlord
	Shenzhen	→	→	→	→	→	→	Balanced
	Hong Kong	→	→	→	→	→	→	Tenant
India	Mumbai	↑	→	→	→	→	→	Balanced
	Delhi	↑	→	→	→	→	→	Balanced
	Bangalore	↑	→	→	→	→	→	Balanced

Real Estate Dashboard

ASIA-PACIFIC CAPITAL MARKETS (end-July)

Markets	City	Transaction volumes	Asking prices	Yields (compress↓ /stable→/expand↑)	Are things negotiable?	Credit timelines
ANZ	Australia	→	→	→	Yes	→
	Auckland	↓	→	→	NA	↓
ASEAN	Jakarta	↓	↓	→	Yes	↓
	Singapore	↓	→	→	NA	↑
	Kuala Lumpur	↑	→	→	Yes	NA
	Bangkok	→	→	→	Yes	→
	Manila	→	→	↓	Yes	↑
	Phnom Penh	NA	→	NA	Yes	NA
EAST ASIA	Tokyo	↓	→	→	Depends	↓
	Seoul	↓	↓	→	N/A	→
	Taipei	↑	↑	→	N/A	↑
	Shanghai	→	→	↑	N/A	↑
	Beijing	↓	↓	↑	Yes	↑
	Guangzhou	→	→	→	Yes	→
	Shenzhen	→	→	→	Yes	→
	Hong Kong	→	→	NA	Depends	→
South Asia	Mumbai	→	→	→	Yes	↑
	Delhi	→	→	→	Yes	↑
	Bangalore	→	→	→	Yes	↑

ASIA-PACIFIC RESIDENTIAL (end-July)

Markets	City	Transaction Volumes	Asking Prices	Listing Volumes
ANZ	Sydney	→	→	↓
	Melbourne	↓	↓	↓
	Auckland	↑	→	↓
ASEAN	Jakarta	↓	↓	↑
	Singapore	↑	↓	→
	Kuala Lumpur	↑	→	↑
	Bangkok	→	→	→
	Manila	→	↓	↑
	Phnom Penh	→	→	→
EAST ASIA	Tokyo	→	→	→
	Seoul	↓	↑	→
	Taipei	↑	↑	→
	Shanghai	↑	↑	↓
	Beijing	↑	↓	→
	Guangzhou	↑	↑	→
	Shenzhen	↓	↑	→
	Hong Kong	↓	→	→
South Asia	Mumbai	→	↓	→
	Delhi	→	↓	→
	Bangalore	→	→	→

Source : Knight Frank Research

Policy Dashboard

Measures		Australia	New Zealand	Indonesia	Singapore	Malaysia	Thailand	Philippines
Movement Restrictions	Lockdown	✓	✓	✓				✓
	International Travel Ban	✓	✓	✓	✓	✓	✓	✓
Economic Stimulus	Fiscal	✓	✓	✓	✓	✓	✓	✓
	Monetary	✓	✓	✓	✓	✓	✓	✓
Real Estate	Residential	✓	✓			✓		
	Commercial	✓	✓		✓	✓		
Major Covid Policies		**Partial lockdown:** The second wave in Melbourne has led to a renewed lockdown **Fiscal Stimulus:** A$320bn (16% GDP) relief package. **Tenancy Relief:** Temporary moratorium on eviction, landlord and tenant reliefs being planned.	**Lockdown:** Auckland in lockdown and rest of country in Level 2. **Fiscal Stimulus:** NZ$12bn (3% GDP) relief package. **Property Tax Benefits:** Re-introduction of depreciation on building structures	**Partial lockdown:** - Social Restriction was extended until 30 July 2020. **Fiscal Stimulus:** IDR436trn (2.5% GDP) relief package. **Tenancy Relief:** No government relief for commercial sector at the moment.	**Circuit breaker phase 2:** Most economic activities re-opened. **Fiscal Stimulus:** S$92.9bn (19.7% GDP) in relief spending. **Property Tax Rebates:** Non-residential will get between 30-100% property tax rebate.	**Reopening Phase:** From June 9 to August with most economic activities reopened. **Fiscal Stimulus:** MYR260bn (17% GDP) relief package. Additional MYR35bn short-term National Economic Recovery Plan introduced in June. **Tenancy Relief:** Rental discounts and waivers to SMEs operating within buildings owned by GLCs.	**Lockdown:** Lockdown eased in mid-May with more economic activities allowed. **Fiscal Stimulus:** Thb1.9trn (9% GDP) relief package. **Tenancy Relief:** No government relief for commercial sector at the moment	**Lockdown:** Metro Manila under MECQ until August 18, 2020 **Fiscal Stimulus:** Php596bn (3.1% GDP) relief package. **Tenancy Relief:** 30 day grace period for SME to pay rent w/o penalty. Waivers to mall tenants shut down during lockdown.

Policy Dashboard (cont.)

Measures		Cambodia	Japan	South Korea	Taiwan	China	Hong Kong	India
Movement Restrictions	Lockdown							
	International Travel Ban	✓	✓	✓	✓	✓	✓	✓
Economic Stimulus	Fiscal	✓	✓	✓	✓	✓	✓	✓
	Monetary	✓	✓	✓	✓	✓	✓	✓
Real Estate	Residential							✓
	Commercial		✓		✓	✓	✓	✓
Major Covid Policies		**Travel Restrictions:** Domestic travel restrictions were imposed 9-16 Apr. **Fiscal Stimulus:** Government has reserved US$2bn (8% GDP) to assist certain sectors. Borrowing costs lowered. **Commercial restrictions:** Entertainment venues and educational institutions closed indefinitely.	**Lockdown:** State of emergency lifted at the end of May with more economic activities restarting. **Fiscal Stimulus:** JPY108trn (18% GDP) relief package. Tenancy Relief: No government relief for commercial sector at the moment.	**No Lockdown:** Seoul did not lockdown and business remains as usual. **Fiscal Stimulus:** KRW65trn (15% GDP) relief package. Tenancy Relief: No government relief for commercial sector at the moment.	**Crowd Control:** Domestic tourist attractions and malls have enacted crowd control measures. **Fiscal Stimulus:** NT$1.05trn (5% GDP) relief package. **Rent/Tax Reduction:** 20% reduction in rents for state-owned and non-public use land. Non-residential housing tax rate was reduced to 2%.	**Social distancing:** Most lockdowns are being removed but social distancing enforced, and not all shops open yet (e.g. Cinemas). **Fiscal Stimulus:** No official stimulus package announced – rumoured to be 6% of GDP. **Tenancy Relief:** SOE landlords to give 2 months rent free to qualified SMEs.	**Social distancing:** No lockdown but gatherings limited to 2 persons from 29 July and a ban on dine-in services between 6pm and 5am since 15 July. **Fiscal Stimulus:** HK$285.7bn (10% GDP) relief package. **Tenancy Relief:** Retail tenants with premises on government properties have 50% rent cut for 6 months. No relief for office tenants.	**Lockdown:** India entered Unlock 3.0 from 5th Aug **Fiscal Stimulus:** Overall stimulus of Rs 21 lakh crore (10% of GDP), with fiscal spending accounting for 1% of GDP. **Real Estate Relief:** Central Bank of India has allowed NBFC’s one-year extension for real estate loans.

Source : Knight Frank Research, various government sources. As of 12 Aug.

Office

Leasing recovery momentum continues but rents in decline

In the period of July 2020

- Only a quarter of markets tracked continue to see falling leasing activity
- Asking rents have started to decline across the Asia-Pacific region
- Two thirds of the markets in the Asia-Pacific now in favour of tenants

With most of the Asia-Pacific markets having entered into an easing phase post their lockdowns, the momentum of recovery for office leasing activity across the region continued to pick up over the past few months. As at the end of July, only a quarter of the cities we track continued to see declining leasing activity, this was an improvement from half of the cities we recorded back in May.

City	Leasing Activity (end-May)
Sydney	↑
Jakarta	↓
Singapore	↓
Kuala Lumpur	↓
Bangkok	↑
Manila	↓
Phnom Penh	↓
Tokyo	↓
Seoul	↓
Taipei	↑
Shanghai	↓
Beijing	↓
Guangzhou	↑
Shenzhen	→
Hong Kong	→
Mumbai	→
Delhi	→
Bangalore	→

City	Leasing Activity (end-June)
Sydney	↑
Jakarta	→
Singapore	↓
Kuala Lumpur	↑
Bangkok	↑
Manila	↓
Phnom Penh	↓
Tokyo	↓
Seoul	↓
Taipei	↑
Shanghai	→
Beijing	↓
Guangzhou	↑
Shenzhen	↑
Hong Kong	→
Mumbai	→
Delhi	→
Bangalore	→

City	Leasing Activity (end-July)
Sydney	→
Auckland	↓
Jakarta	→
Singapore	↓
Kuala Lumpur	↑
Bangkok	↑
Manila	↓
Phnom Penh	→
Tokyo	↓
Seoul	→
Taipei	→
Shanghai	→
Beijing	↓
Guangzhou	↑
Shenzhen	↑
Hong Kong	→
Mumbai	→
Delhi	→
Bangalore	→

The economic impact of COVID-19 was evident in the region's Q2 2020 GDP report card, with many markets recording significant declines, with some at unprecedented levels. The outlook continues to look bleak with the IMF downgrading its 2020 growth expectations for the region by 1.8% to -0.8% at its June update. China was the only bright spot within Asia as it reported a 3.2% year-on-year GDP growth led mainly by a rebound in production, biomedical exports and aggressive stimulus policies. As a result, we are starting to see more landlords across the region now reducing their rents to attract or retain tenants. From our survey, 11 of the 19 cities we track continued to report stable or increasing asking headline rents, down from 15 we saw back in May.

Increase

- Phnom Penh

Stable

- Sydney
- Auckland
- Kuala Lumpur
- Bangkok
- Manila
- Seoul
- Taipei
- Mumbai
- Bengaluru
- NCR Delhi

Decrease

- Auckland
- Jakarta
- Tokyo
- Shanghai
- Beijing
- Guangzhou
- Shenzhen
- Hong Kong

Going forward, with the challenging economic conditions expected to last until the end of 2020 and potentially beyond, the office markets across the region will tilt further in favour of occupiers. This will be further compounded by supply imbalances across several markets within the region. As a result, it is not surprising that our survey in July showed two thirds of the Asia-Pacific office markets now in favour of tenants, up from half back in May,

City	Market Favourable Conditions (end-May)
Sydney	Tenant
Jakarta	Tenant
Singapore	Tenant
Kuala Lumpur	Tenant
Bangkok	Landlord
Manila	Tenant
Phnom Penh	Tenant
Tokyo	Landlord
Seoul	Balanced
Taipei	Landlord
Shanghai	Tenant
Beijing	Tenant
Guangzhou	Balanced
Shenzhen	Balanced
Hong Kong	Tenant
Mumbai	Balanced
Delhi	Balanced
Bangalore	Balanced

City	Market Favourable Conditions (end-June)
Sydney	Tenant
Jakarta	Balanced
Singapore	Tenant
Kuala Lumpur	Tenant
Bangkok	Landlord
Manila	Tenant
Phnom Penh	Tenant
Tokyo	Landlord
Seoul	Balanced
Taipei	Tenant
Shanghai	Tenant
Beijing	Tenant
Guangzhou	Tenant
Shenzhen	Tenant
Hong Kong	Tenant
Mumbai	Balanced
Delhi	Balanced
Bangalore	Balanced

City	Market Favourable Conditions (end-July)
Sydney	Tenant
Auckland	Tenant
Jakarta	Tenant
Singapore	Tenant
Kuala Lumpur	Tenant
Bangkok	Balanced
Manila	Tenant
Phnom Penh	Tenant
Tokyo	Balanced
Seoul	Balanced
Taipei	Landlord
Shanghai	Tenant
Beijing	Tenant
Guangzhou	Tenant
Shenzhen	Tenant
Hong Kong	Tenant
Mumbai	Balanced
Delhi	Balanced
Bangalore	Balanced

Industrial

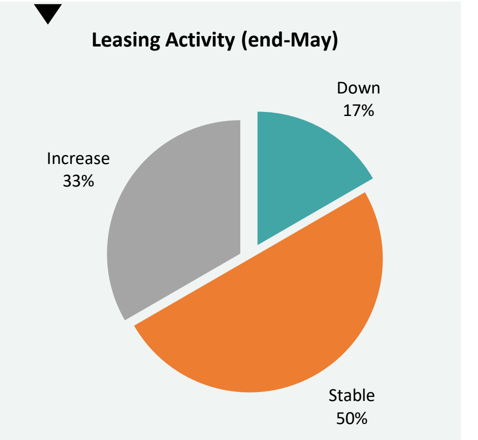
Stabilizing activity levels and rents

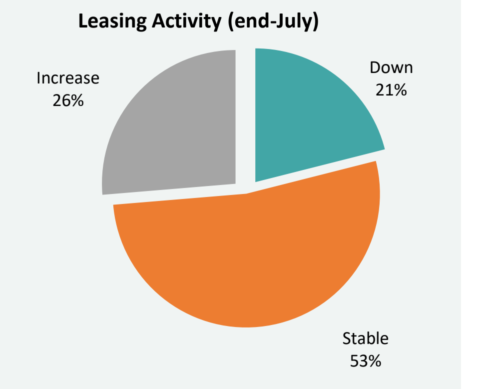
In the period of July 2020

- Market activity remained generally stable throughout the region
- Asking rents have stabilised across most of the region
- Market conditions across the region in balanced state despite economic headwinds

Even as retail activity returns with markets easing movement restriction, much of the transaction activity continues to remain within the e-commerce space, particularly warehousing and logistics space for both new and existing players. In our July sentiment survey, we found that around 80% of the markets we tracked witnessed stable or increasing leasing activity in the month of July; very much in-line with our findings back in May.

The stability in demand has also led to an improvement in rent conditions across the Asia-Pacific region with almost all our markets, 18 out of 19 tracked, reporting that asking rents have stopped declining; an improvement from the 12 recorded in our May survey.





In tandem with the improved leasing activity and rental prospects for most of the industrial markets highlighted previously, market conditions for the industrial sectors across the region have remained mostly in healthy balanced states despite the weaker economic outlook for 2020 which would intuitively have an impact on industrial sector. Going forward, while e-commerce driven industrial space demand is expected to increase further, the next wave of support will come from the bio-medical and pharmaceutical industries which have recently seen a boost in demand as COVID-19 becomes more widespread.

City	Market Favourable Conditions (end-May)
Sydney	Tenant
Jakarta	Balanced
Singapore	Tenant
Kuala Lumpur	Balanced
Bangkok	Balanced
Manila	Balanced
Phnom Penh	Tenant
Tokyo	Balanced
Seoul	Tenant
Taipei	Balanced
Shanghai	Tenant
Beijing	Tenant
Guangzhou	Balanced
Shenzhen	Balanced
Hong Kong	Tenant
Mumbai	Balanced
Delhi	Balanced
Bangalore	Balanced

City	Market Favourable Conditions (end-June)
Sydney	Tenant
Jakarta	Balanced
Singapore	Tenant
Kuala Lumpur	Balanced
Bangkok	Balanced
Manila	Balanced
Phnom Penh	Tenant
Seoul	Balanced
Taipei	Tenant
Shanghai	Balanced
Beijing	Tenant
Guangzhou	Tenant
Shenzhen	Tenant
Hong Kong	Balanced
Mumbai	Tenant
Delhi	Balanced
Bangalore	Balanced

City	Market Favourable Conditions (end-July)
Sydney	Tenant
Auckland	Balanced
Jakarta	Balanced
Singapore	Tenant
Kuala Lumpur	Balanced
Bangkok	Balanced
Manila	Balanced
Phnom Penh	Tenant
Tokyo	Balanced
Seoul	Balanced
Taipei	Balanced
Shanghai	Tenant
Beijing	Tenant
Guangzhou	Landlord
Shenzhen	Balanced
Hong Kong	Tenant
Mumbai	Balanced
Delhi	Balanced
Bangalore	Balanced

Capital Markets

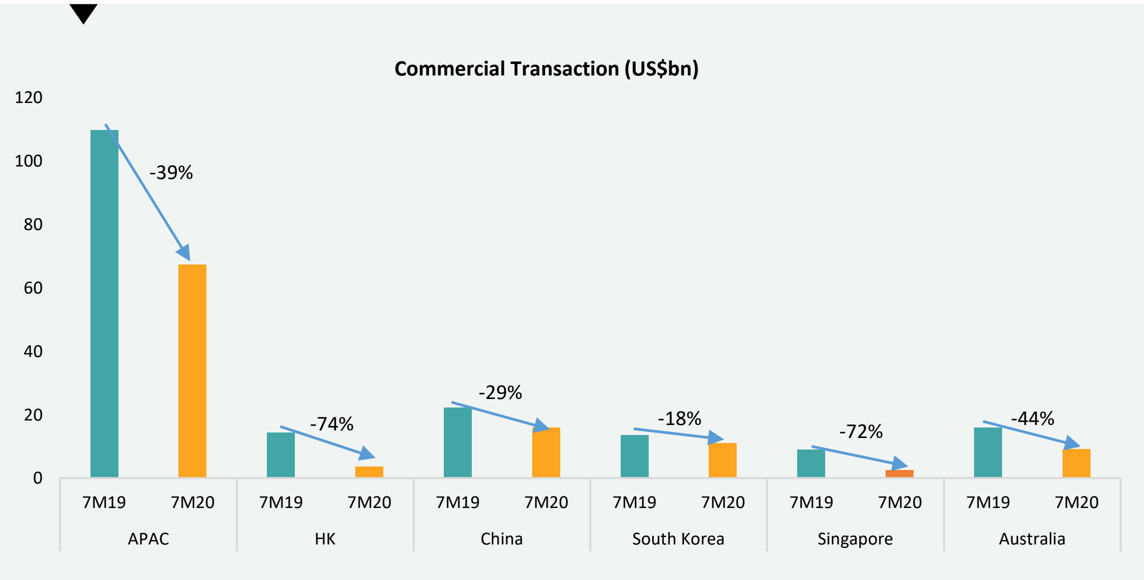
Weak volumes continue, but more interest in lower risk markets

In the period of July 2020

- Commercial transaction volumes down 39% year-on-year as at July 2020
- Divergence between prime and secondary assets
- Yields across the region expected to expand in 2020

As at end July 2020, Asia-Pacific commercial transaction volumes have fallen 39% year-on-year to US$67.2 billion; led again mainly by Singapore and Hong Kong who have recorded 72% and 74% year-on-year declines respectively. This despite the aggressive easing witnessed by the region's central banks over the past few months; with some pushing their benchmark interest rates to historical lows.

However, certain core markets such as Australia are starting to register renewed interests especially from cross border buyers seeking out risk diversification opportunities within the region. An example of this would be the US$1.39 billion (up 71% year-on-year) of commercial investments Singaporean investors have deployed in Australia in the first half of 2020.



Source: Knight Frank, RCA

While transaction volumes have been on the decline, asset asking prices have started to show signs of stabilisation in the month of July as investors recalibrated back their over bearish expectations. This can be seen from our brokerage sentiment survey results which at the end of July saw only a sixth of the 18 markets we tracked reporting continued declines in asking prices; this was down from half back in May. This also suggests there are fewer forced sellers aggressively off-loading assets, as many buyers may have expected. We expect that transaction volumes will remain low given the disconnect between buyer and seller expectations.

City	Asking Prices (end-May)
Australia	→
Jakarta	↓
Singapore	↓
Kuala Lumpur	↓
Bangkok	→
Manila	→
Phnom Penh	↓
Tokyo	→
Seoul	↓
Taipei	→
Shanghai	↓
Beijing	↓
Guangzhou	↓
Shenzhen	↓
Hong Kong	→
Mumbai	→
Delhi	→
Bangalore	→

City	Asking Prices (end-June)
Australia	→
Jakarta	↓
Singapore	→
Kuala Lumpur	→
Bangkok	→
Manila	→
Phnom Penh	→
Tokyo	→
Seoul	↓
Taipei	→
Shanghai	→
Beijing	↓
Guangzhou	→
Shenzhen	→
Hong Kong	→
Mumbai	→
Delhi	→
Bangalore	→

City	Asking Prices (end-July)
Australia	→
Auckland	→
Jakarta	↓
Singapore	→
Kuala Lumpur	→
Bangkok	→
Manila	→
Phnom Penh	→
Tokyo	→
Seoul	↓
Taipei	↑
Shanghai	→
Beijing	↓
Guangzhou	→
Shenzhen	→
Hong Kong	→
Mumbai	→
Delhi	→
Bangalore	→

While prices are expected to remain stable for the foreseeable future, our expectations for commercial yields (from an owner's perspective) are slightly more bearish; especially for retail assets which are likely to see expansionary pressure through the rest of this year.

Nonetheless, we have started to see more enquiries for sale-and-leaseback deals in recent months as owner occupiers look to ease their balance sheets and investors simultaneously seek out assets with strong covenants and long-term lease commitments.

2020F Yield Forecast	Office	Industrial	Retail
Sydney	↑	↑	NA
Melbourne	↑	↑	NA
Singapore	→	→	→
Greater Kuala Lumpur	→	→	↑
Manila	→	NA	↑
Bangkok	→	NA	NA
Jakarta	↑	NA	↑
Hong Kong	→	→	↓
Shanghai	↑	↓	↑
Beijing	↑	↓	↑
Japan	→	→	↑
South Korea	↑	NA	NA
India	→	→	↑

Residential

Be on guard as recovery continues

In the period of July 2020

- Recovery momentum sustained as markets easing continues
- Market stability has led to increased asking prices
- Subsequent waves could quickly unwind all the recent gains made

The recovery momentum for the Asia-Pacific residential market looks to have remained on track as lockdown restrictions were gradually eased over the past few months and the level of residential activity (e.g. in-person and show unit viewings) increased. This has led to a firmer recovery in transaction volumes across the region with three quarters of the markets we surveyed reporting stable or improving transaction volume activity.

City (end-May)	Transaction Volumes	Asking Prices
Sydney	→	→
Melbourne	↓	→
Jakarta	↓	↓
Singapore	↓	↓
Kuala Lumpur	↑	→
Bangkok	→	→
Manila	↓	→
Phnom Penh	↓	↓
Tokyo	↓	→
Seoul	↑	↑
Taipei	→	→
Shanghai	↑	↑
Beijing	↑	↓
Guangzhou	↓	↓
Shenzhen	↑	↑
Hong Kong	→	→
Mumbai	→	→
Delhi	→	→
Bangalore	→	→

City (end-June)	Transaction Volumes	Asking Prices
Sydney	↑	→
Melbourne	↓	→
Jakarta	↓	↓
Singapore	↑	↓
Kuala Lumpur	↑	→
Bangkok	→	↓
Manila	→	↓
Phnom Penh	→	→
Tokyo	↓	→
Seoul	↑	↑
Tapei	→	→
Shanghai	↑	↑
Beijing	↑	↓
Guangzhou	↓	↓
Shenzhen	↑	↑
Hong Kong	↑	↑
Mumbai	→	↓
Delhi	→	↓
Bangalore	→	→

City (end-July)	Transaction Volumes	Asking Prices
Sydney	→	→
Melbourne	↓	↓
Auckland	↑	→
Jakarta	↓	↓
Singapore	↑	↓
Kuala Lumpur	↑	→
Bangkok	→	→
Manila	→	↓
Phnom Penh	→	→
Tokyo	→	→
Seoul	↓	↑
Taipei	↑	↑
Shanghai	↑	↑
Beijing	↑	↓
Guangzhou	↑	↑
Shenzhen	↓	↑
Hong Kong	↓	→
Mumbai	→	↓
Delhi	→	↓
Bangalore	→	→

The same can be seen for asking prices, as we are seeing more markets reporting an increase in asking prices at the end of July (5) compared to May (3). Most of this can be attributed to the build-up of pent up demand over the March to May months as buyers were kept out of the market as a result of lockdown. Even more surprising was that the pent-up demand being released was sufficient to hedge against any significant decline in prices. An example of this was Singapore which reported its Q2 2020 private home price index rising 0.3%, as a surge of pent up demand was recorded from within its primary market.

Nonetheless, going forward, while we continue to expect housing demand to return and transaction volumes to improve further in the coming months, supported by the lower for longer interest rate environment, the situation on the ground remains fluid and things could turnaround quickly if the market were to be impacted by a sudden outbreak; as seen with Hong Kong and Melbourne. As such, we maintain our cautiously optimistic outlook for the Asia-Pacific residential sector with prices to potentially decline around 5% this year.

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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