RESIDENTIAL RESEARCH

ASIA-PACIFIC RESIDENTIAL REVIEW H1 2019

Key Highlights

Investor focused report highlighting the most relevant Asia-Pacific residential sub-markets.

Despite the challenging conditions, the Asia-Pacific residential prices have mostly remained resilient.

Major Australian capital cities reach bottom of the cycle.

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Prices across most of the Asia-Pacific residential markets have remained resilient despite the challenging conditions in H1 2019. However, with stronger headwinds over the horizon on both economic and geopolitical fronts, this resilience will be put to a greater test in the coming months.

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WILL MARKETS REMAIN RESILIENT AS HEADWINDS GROW?

Despite a softening economic climate in the first half of 2019, residential prices have generally held up across the Asia-Pacific region. This was led by the North Asian markets which either benefitted from major infrastructure improvements or had supportive demand supply fundamentals.

Australia's residential prices continued to cool following tightened lending conditions, although prime property continued to record growth. **Sydney** and **Melbourne** were the most impacted with mainstream homes both falling 9.9% year-on-year in Q1 2019. However, there have been some positive stimulus such as the Australian Prudential Regulation Authority (APRA) encouragement to loosen the loan serviceability assessment; in effect allowing more home buyers to borrow. Furthermore, the recent Coalition election victory has limited the risk of changes to negative gearing policies and the capital gains tax regime, followed by two cuts to the cash rate. All of which has since sent positive waves through the residential market.

Residential prices across India's major cities were mostly mixed with overall housing prices up 2.0% and 3.2% year-on-year in **Bengaluru** and **Delhi** respectively, while down -3.0% in **Mumbai**. Overall, the sector is expected to improve going forward with the re-election of the Modi government, a more balanced supply demand environment and improved liquidity following several rounds of interest rate cuts by the Reserve Bank of India.

Buyer sentiment in **Singapore** remains subdued while secondary sellers are under pressure to lower prices post the recent round of cooling measures. However, there are pockets of opportunities especially within the Rest of Central Region (RCR) as seen by non-landed prices rising more than 3.3% year-on-year in Q2 2019. This was mainly driven by recent cross-island rail announcements and buyers looking at non-landed homes on the outer fringe just outside the Core-Central Region (CCR) which have generally lower overall quantums.

Kuala Lumpur's residential prices (all house index) fell -1.2% year-on-year in Q1 2019 as the market continues to face structural challenges relating to affordability and a demand and supply mismatch. However, ground sentiment is starting to improve with increased transaction activity in the affordable to mid segments of the market, while also being backed by improving credit growth.

Bangkok's condominium market remains challenging following the record 65,000 new units supplied in 2018, the highest annual supply seen over the past decade, and a persistently tight credit environment; as a result June prices fell -0.3% year-on-year. Going forward, with the current conditions expected to remain unchanged over the short term, expectations are for further downward pressure on prices for city's condominium market.

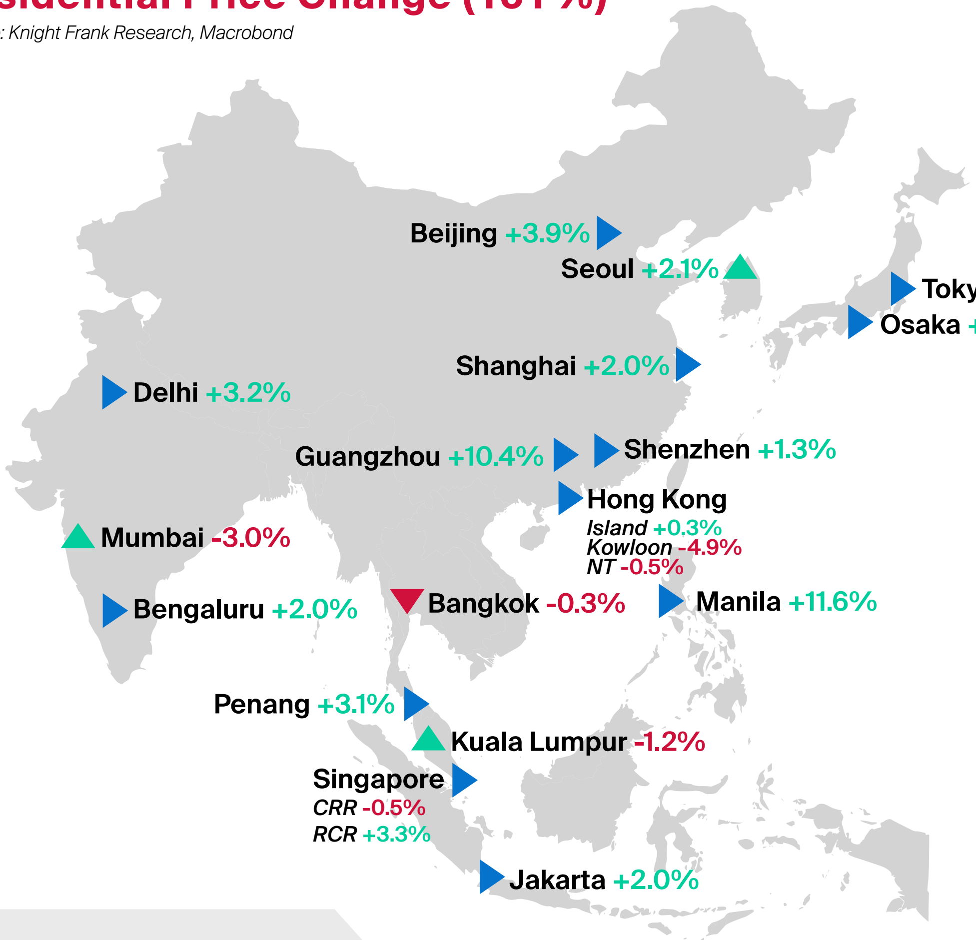
Hong Kong's June residential prices contracted as sales volumes fell -43% to a four-month low of 4,627 units and following the Hang Seng Index's, a barometer for the city's economy, correction in May. As of H1 2019, prices were down -4.9% and -0.5% year-on-year in Kowloon and New Territories, while Island was flat at +0.3%; note that the city's overall price was up 10.4% at end May. Despite the softer economic outlook, the low interest rate environment is expected to support underlying demand and the market's resilience going forward.

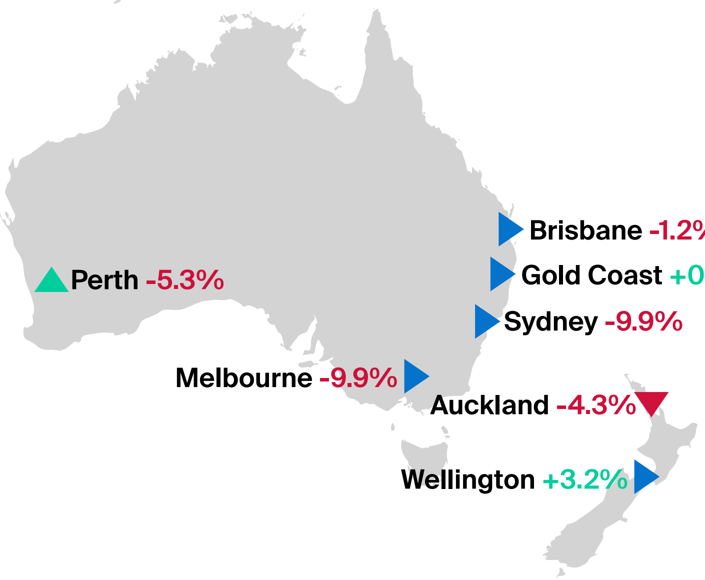
Residential prices across China's Tier 1 cities rose in varying degrees year-on-year in H1 2019 with the strongest 10.4% year-on-year rise witnessed in **Guangzhou**. The major driver behind the positive sentiment there has been the optimism in potential relaxation of housing policies in certain areas and the opening of the Hong Kong-Zhuhai-Macau Bridge which has mainly benefitted the markets within the Pearl River Delta Region. Despite the expectation, restriction policies have not been eased in Guangzhou and thus the price growth could narrow going forward.

Tokyo's 23 wards' prices for new condos rose 1.4% year-on-year in June driven mainly by higher costs, a reduced supply pipeline, net migration to the city and low borrowing costs. However, as global uncertainties deepen further, buyers are expected to delay their purchase decisions which will impede any further price growth.

Residential Price Change (YoY%)

Source: Knight Frank Research, Macrobond





12 MONTH FORECAST

- ▲ Positive
- ▶ Stable
- ▼ Negative

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