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

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H1 2020

HEADLINES

65%	Low Rates	China	Weak
OF CITIES MONITORED RECORDED POSITIVE ANNUAL PRICE GROWTH IN H1 2020	REMAINS A KEY GROWTH DRIVER	WITNESSING A HEALTHY RECOVERY POST COVID-19 LOCKDOWNS	SOFTER OUTLOOK ACROSS ASIA-PACIFIC AS COVID-19 TOLL MOUNTS

Victoria Garrett

HEAD OF RESIDENTIAL ASIA-PACIFIC

"Although the first half of the year has been undoubtedly challenging in light of COVID-19, markets have been surprisingly resilient, and we have seen activity start to return. Whether this is the start of a new housing cycle, driven by safe haven flows, or merely the market reawakening as the result of pent up demand playing out; it is still not fully clear."

A challenging first half

Residential prices surprisingly held stable across the Asia-Pacific region in the first half of 2020 despite the ongoing COVID-19 outbreak, and ensuring lockdowns. Among the 24 regional indices or sub-indices tracked by Knight Frank, about 35% reported a decline in annual price growth in the first half of 2020.

East Asia

Despite declaring a state of emergency in May and June and Japan's economy grappling with the global economic slowdown, **Tokyo**'s housing prices remained resilient climbing 1.4% year-on-year in H1 2020 as the city continues to benefit from a favourable in-migration trend as young graduates across the country continue to enter the capital in search employment opportunities. Further supporting this has also been the healthy investor appetite for multi-family homes within the city boosted by the country's low cost of borrowing.

Seoul's residential market continues to defy expectations with prices rising 6.2% year-on-year as at end May despite several rounds of government intervention. The market recently witnessed another round of stricter new policies in June targeted at existing and new areas within the city designated as "speculative zones". These rules include mortgage bans on homes priced more than 1.5 billion won, higher taxes and capital gains taxes on homes owned by corporations, and new rules for borrowers to move into homes within 6 months of loan disbursement. Going forward, while the jury remains out on the likely impact of the latest round of cooling measures, the market will continue to be supported by the government's monetary easy policies which were introduced as a counter to the COVID-19 induced economic fallout.

China's Tier 1 cities recorded price growth of between 0.1% to 4.9% year-on-year as at end-May as the residential market witnessed a healthy recovery post its February to March lockdown, driven in part by pent up accumulated pent-up demand and a slew of new launches by developers attempting to make up for months of loss sales. Going forward, while housing demand is expected to normalize further in the second half of 2020, but price growth should remain benign as the overhang of a slowing economy remains.

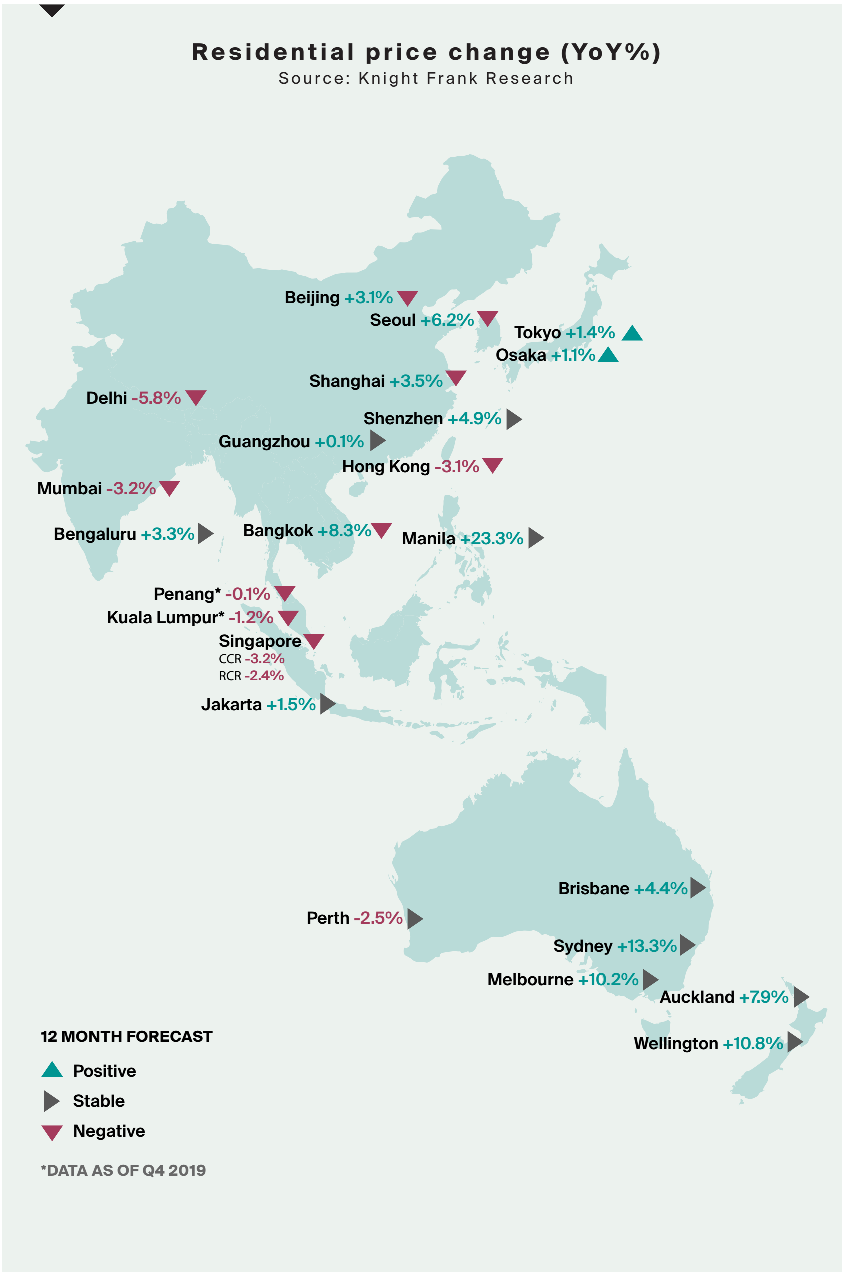
Southeast Asia

Singapore's new homes sales activity slowed in April as the city state went into its circuit breaker (pseudo lockdown), but started to record a momentum pick up in May and June as underlying pent up demand was released. As a result, prices have only corrected between -3 to -2% year-on-year in the first half of this year despite the economy entering a technical recession during the period. However, despite this perceived resilience, the weight of recessionary pressures will continue to weigh heavily on the residential sector and prices are expected to contract around -5% by the end of this year.

There were lesser sales activity in **Kuala Lumpur**'s residential market in Q1 2020 as it gave up its gains from last year's Home Ownership Campaign (HOC) with the arrival of COVID-19 and the subsequently Movement Control Order (MCO). As a result, year-on-year transaction volume and value fell by 10% and 21.8% respectively. With buyers retreating to the side lines, developers have stepped up their marketing efforts to entice them back into the market with incentives such as interest free periods, upfront discounts, cash rebates and furnishing packages. Similarly, the government has stepped up its efforts to invigorate the market by reintroducing the HOC with stamp duty exemption and other features. There is also a window period provided for real property gains tax exemptions when disposing of residential properties at up to three homes per individual. While the short-term outlook remains challenging, there will be windows of opportunities in the mid to longer term backed by government stimulus and the right product offering.

Australia

Australia's residential markets within its capital cities of Sydney and Melbourne were largely unaffected in H1 2020, recording annual price growth of 13.3% and 10.2% respectively, with sales activity picking up as recently as June as lockdown restrictions were eased. However, since then Melbourne has gone back into lockdown with Sydney potentially to follow as cases started to resurface in July; highlighting the very dynamic situation the residential market is current in. As such, it is too early to predict if the H1 performance will continue towards the year end.



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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