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

knightfrank.com/research

Asia-Pacific Residential Review

H1 2022

HEADLINES

19	5.6%	Rising Rates	Cautious
OF 23 CITIES MONITORED RECORDED POSITIVE ANNUAL PRICE GROWTH IN H1 2022	AVERAGE YEAR-ON-YEAR RESIDENTIAL PRICE GROWTH IN H1 2022	TO BE A KEY RISK TO GROWTH	OUTLOOK ACROSS ASIA-PACIFIC AS RISING RATES AFFECTING APPETITE

Victoria Garrett
HEAD OF RESIDENTIAL ASIA-PACIFIC

"While the accelerated normalisation of monetary policy across much of the region will generally soften prices in residential real estate, the extent to which this will happen will vary significantly across the region. The position in the market cycle remains a crucial determinant and we can expect just a few markets to be more sensitive to higher interest rates in the current hiking cycle. Homes in the high-to-luxury end of market will also remain on an uptrend, as buyers are less price sensitive and view homes as an indication of status and part of an enduring legacy."

Most residential markets in APAC remain stable despite interest rates rises

The continued recovery of the Asia-Pacific residential markets is underpinned by positive business sentiments, re-opening of the economy and a strong labour market post-pandemic. Despite the hikes in the interest rates, rising cost of living and recession fears, home buyers are generally not deterred by the cloudy outlook and seek value buys in the market. 19 out of 23 cities tracked by Knight Frank are registering positive annual price growth in the first half of 2022. This is down from 21 cities at the end of 2021. The average annual growth stands at 5.6% year-on-year (YoY), which shows a more moderate growth as compared to six months ago. Rising interest rates have taken its toll on the market in Auckland, New Zealand, where the annual growth rate registered its first contraction since June 2019. Kuala Lumpur and Penang have both been on the mend, registering smaller declines as compared to H2 2021.

Southeast Asia

The outlook for the Kuala Lumpur and Penang's housing markets is improving. Despite the index falling by 1.3% and 0.3% YoY, it was showing good improvement with more developers putting their launches on the market on the back of better take-up rates registered in recent months. Malaysia's macroeconomic fundamentals continue to strengthen with Bank Negara Malaysia forecasting GDP growth rates at between 5.3% and 6.3%. The willingness of banks to approve home loans and continued low borrowing rates are expected to drive residential price growth for the rest of 2022.

Similarly, the Bangkok condominium market also came back in 2022, thanks to the dramatic supply increase in the market during the first quarter of the year, a vast contrast to last year's slowdown. Demand has generally been quite brisk, as developers continue to launch projects along the suburban metro train lines to tap into the purchasing power in the "Affordable" category. The asking price remains stable or slightly increased. Knight Frank has also upgraded its 12-month outlook to "stable" from "down" previously.

Australasia

In New Zealand, home prices have started to fall following the central bank's move to tighten monetary policy at a faster pace to cope with high inflation, ending a two-year price surge on the back of record low interest rates. Both Auckland and Wellington are expected to see a challenging H2 2022 as market volatility increases and buyers' greater hesitance to high property prices against rising mortgage rates. Wellington's overall residential index registered 1.2% growth YoY, but the market is increasingly facing a downward price pressure in the coming months.

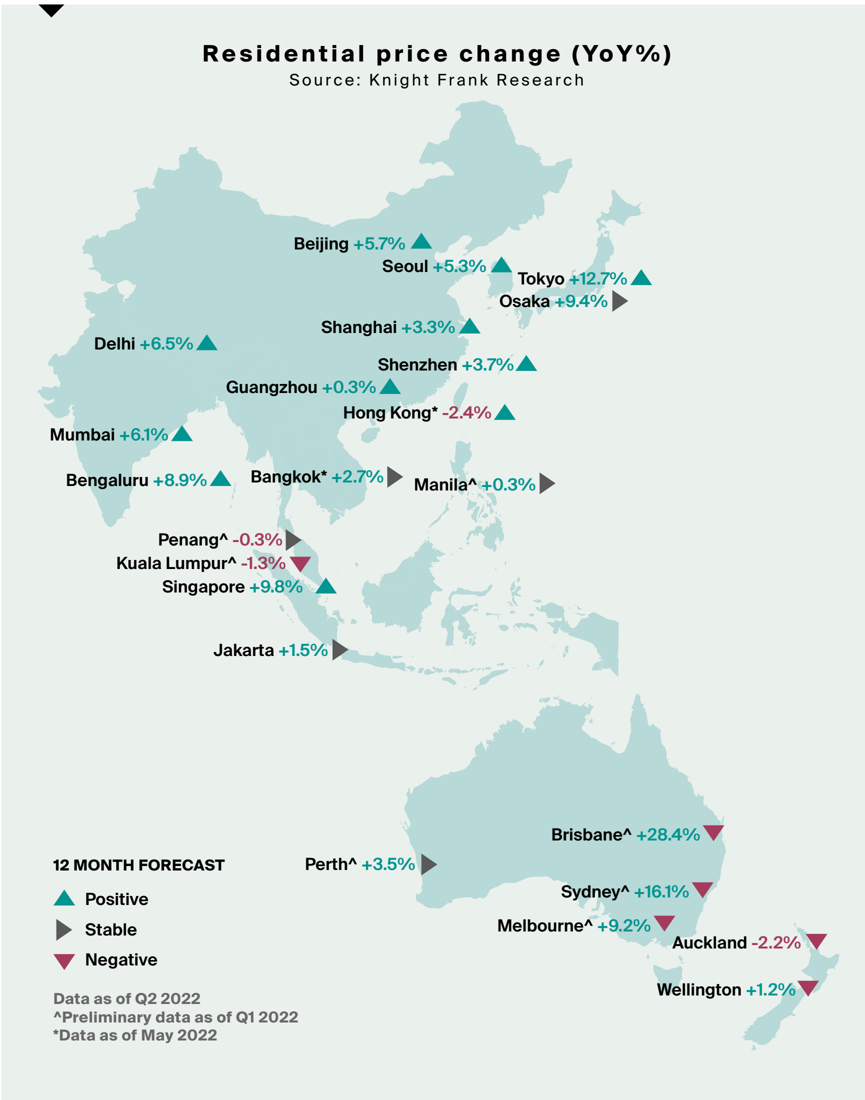
Sales volume in Australia started to taper back in the past quarter, although annual transaction volume was 19% higher YoY. Most property prices across Australia began to enter a correction mode in H1 2022. Although there have been three interest rate hikes, the impact on residential mortgage repayments has been relatively minimal, given increased household savings throughout the pandemic and the lowest unemployment rate of 3.5% since August 1974. The concerns over higher cost of living could drag on price stability in the coming quarters and we expect a pullback from the heightened activities in 2021 for most cities.

East Asia

Affected by the lockdowns in some cities, the Chinese real estate market is facing cooling pressure, and the overall sentiment of the Chinese market remains weak. All the real estate construction indicators have also shown downward trends. Despite registering positive growth YoY ranging from 0.9% in Guangzhou and 5.9% in Beijing, the full year growth in 2022 might be more moderate at between 2-3%, given the country's economy has been hard hit by the worst COVID outbreak in 2022, resulting in economists lowering its full-year forecasts to closer to 3%. To support the property market, China's real estate credit environment and regulatory policies continued to be eased. Chinese banks cut a key interest rate for long-term loans by a record amount in late May, a move that would reduce mortgage costs and may help counter weak loan demand.

South Asia

India's housing market displayed better fundamentals in H1 2022. While H2 2021 saw sales volumes come within reach of a six-year high, sales in H1 2022 have convincingly broken through and reached the highest level since H1 2013. Low interest rates and comparatively low home prices along with the renewed need for home ownership sparked by the pandemic, have been the primary drivers for this growth. Average residential prices for Delhi, Mumbai and Bengaluru are up by 6.5%, 6.1% and 8.9% YoY respectively, making them the best showing after several years in the downcycle. The interest rate hikes, while steep, are not a surprise and have been factored into the market sentiment which continues to hold strong.



The performance of the broader economy will have a greater bearing on market momentum for the remainder of the year as it dictates homebuyer income levels and demand much more directly.

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

Sales enquiries
Victoria Garrett
+65 6429 3530
victoria.garrett@asia.knightfrank.com

Research enquiries
Christine Li
+65 8511 3758
christine.li@asia.knightfrank.com

Knight Frank Research Reports are available at knightfrank.com/research

Knight Frank Research provides strategic advice, consultancy services and forecasting to a wide range of clients worldwide including developers, investors, funding organisations, corporate institutions and the public sector. All our clients recognise the need for expert independent advice customised to their specific needs.