

The Asia-Pacific Residential Review is an investor focused report which provides an in-depth look at the performance of the mainstream residential markets across the region.



Asia-Pacific Residential Review

H2 2022

knightfrank.com/research

HEADLINES

14

OF 23 CITIES MONITORED
RECORDED POSITIVE ANNUAL
PRICE GROWTH IN H2 2022

0.4%

AVERAGE YEAR-ON-YEAR
RESIDENTIAL PRICE GROWTH
IN H2 2022

Metro
Manila

TOP PERFORMING MARKET WITH
24% YOY GROWTH

Cautious

OUTLOOK ACROSS
ASIA-PACIFIC AS RISING
RATES AFFECTING APPETITE



Victoria Garrett
HEAD OF RESIDENTIAL
ASIA-PACIFIC

“Annualised home values in the region’s residential sector rose noticeably slower in 2022, decelerating to 0.4% from 5.7% six months ago, as more homebuyers are priced out by the rise in mortgage rates and an inflationary environment sparks caution. Still, the slowdown belies the underlying resilience across the region. In markets that have corrected the most, such as Australia and New Zealand, home equity has stayed positive while the lagging property cycle in emerging Southeast Asian markets is now on a strong recovery footing. Across the region, residential markets continue to be well supported by robust economic fundamentals and are well positioned to weather the ongoing uncertainty.”

Most residential markets in APAC remain stable despite interest rates rises

Given the elevated interest rates across the board since our last update, the cautious sentiment continues to prevail in the residential markets across the Asia-Pacific (APAC) region. Despite the good news of Chinese Mainland ending its Zero-covid strategy and near full re-opening of the economy across the region, buyers are feeling the pinch of the high mortgage rates, deteriorating economic outlook and high inflation. Transaction volumes fell across the board, and out of the 23 cities tracked by Knight Frank, nine registered negative year-on-year (YoY) growth in the second half of 2022, which increased from just four in H1 2022. Weaker market conditions will remain in place through 2023, until there is more clarity in terms of the pace of the interest rate hikes.

Southeast Asia

Although the overall economic recovery remained fragile and demand for housing still moderate, developers in Bangkok remain cautiously optimistic, holding firm asking prices in H2 2022. The prices are up by 0.7% YoY with a positive outlook in the next 12 months. The main driver comes from interest in the suburban industrial areas, where most buyers are working.

Metro Manila is the best performing market in APAC, rising by 24.0% YoY in the second half of 2022, a sign of improving economic conditions. The information technology-business process management (IT-BPM) sector continues to stabilise and job creation has resulted in a boost in the demand for housing. The recovery is broad-based, anchored by the new launches in the luxury segment. In addition, the price surge is further driven by low supply in the condominium market. Data showed that units launched throughout the year were around 60% lower than that in 2021.

Australasia

The past 12 months has seen reductions in residential values in New Zealand. Wellington and Auckland saw prices falling 21.6% and 17.3% YoY respectively compared to a year earlier, although very few people are in a negative equity position given the strong run-up in prices during the pandemic. Interest rates remain the dominant driver of the housing market. Recent economic data indicates that inflation may be peaking and interest rates stabilising which could lead to prices stabilising later in 2023, although in the short-term prices may continue downwards due to momentum in the market.

Australia’s economy has sound fundamentals with full employment for a large portion of the second half of the year. The official cash rate has been raised from

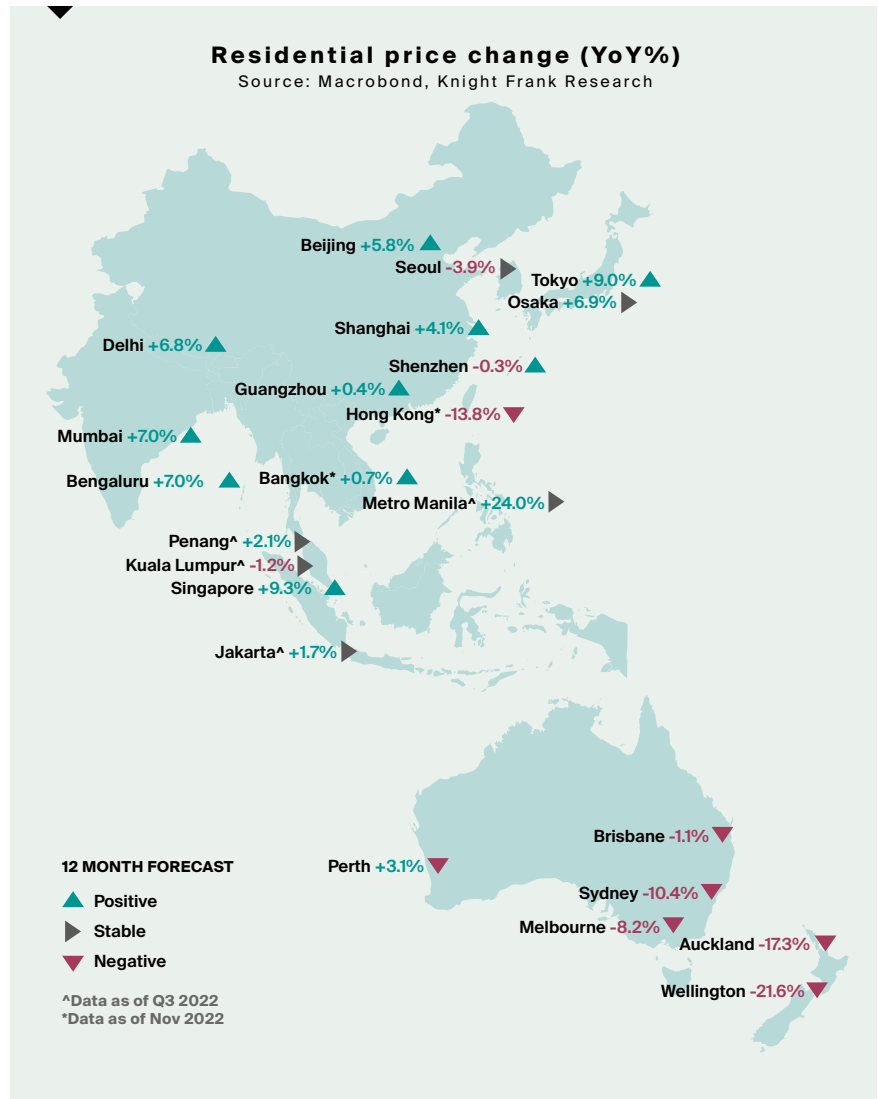
the historic low of 0.1% in April 2022, to stand at 3.1% heading into 2023, which reduces the serviceability of the mortgagee under the responsible lending regime. Sales transaction volume has fallen into negative growth territory over the past 12 months for every capital city and regional area across Australia, except for Greater Perth, Greater Adelaide, Regional Queensland and Regional Western Australia. Despite the muted transaction volumes, Perth was the best performing market in 2022 with a 3.1% YoY growth.

East Asia

In December, the Hong Kong Monetary Authority (HKMA) increased its base rate by 50 basis points (bps) to 4.75%, close to the rate last seen in January 2008. Rising interest rates and the weak domestic economic outlook have prompted more people to delay buying decisions. Developers have significantly slowed down the pace of sales of new properties, given the annual decline of the city stands at 13.8%. With the territory ending the Zero-covid stance together with Chinese Mainland, the return of Chinese mainland buyers could lend support to the price decline. A handful of notable transactions were recorded, which helped explain the positive prospects for the luxury residential market.

South Asia

Despite the Reserve Bank of India raising policy rates by a cumulative 225 bps in 2022, residential demand in the country has not only remained resilient but surged to a nine year high in terms of annual sales in 2022. H2 2022 is second only to H1 2022 in terms of being the half-yearly period with the highest sales in nine years. Heightened savings during the lockdowns, relatively little income disruption in the mid and high-income categories and a comparatively strong economic growth



outlook have sustained demand in the Indian residential market. The 153,961 units sold during H2 2022 constitute a healthy 15% YoY growth in volume. While sales remain robust during the period, prices have also grown in the range of

6.8% to 7% YoY across Bengaluru, Delhi and Mumbai. This also marks the second consecutive half-yearly period of YoY growth in prices across all markets.

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. Important Notice: © Knight Frank LLP 2023. This report is published for general information only and not to be relied upon in any way. Although high standards have been used in the preparation of the information, analysis, views and projections presented in this report, no responsibility or liability whatsoever can be accepted by Knight Frank LLP for any loss or damage resultant from any use of, reliance on or reference to the contents of this document. As a general report, this material does not necessarily represent the view of Knight Frank LLP in relation to particular properties or projects. Reproduction of this report in whole or in part is not allowed without prior written approval of Knight Frank LLP to the form and content within which it appears. Knight Frank LLP is a limited liability partnership registered in England with registered number OC305934. Our registered office is 55 Baker Street, London, W1U 8AN, where you may look at a list of members' names.