

Asia-Pacific Residential Review



H1 2023

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.

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► “After the bull run in home values over the past few years, prices plateaued six months into 2023, indicating that correction is taking place in more markets. With rate hikes being paused at the moment, buyers are utilising this window of opportunity to lock down on their dream homes, which is notably seen in Australia, New Zealand, and India. While the high inflationary conditions plough on, the combination of limited housing supply, restricted new constructions, and robust household formation will support prices in various markets.”

VICTORIA GARRETT, HEAD OF RESIDENTIAL ASIA-PACIFIC

STABILITY STILL EXHIBITED IN MAJORITY OF APAC RESIDENTIAL MARKETS

Elevated interest rates stubbornly lingered on globally as we cross the midpoint of the year. The saving grace thus far is the slowdown in aggressive monetary tightening by Central Banks, which provided relief for prospective buyers. Despite diminished affordability, sales momentum for residential properties in Asia-Pacific (APAC) seemed to have edged up slightly, while price growth fell flat. Out of the 25 cities tracked by Knight Frank, 14 registered positive year-on-year (YoY) growth in the first half of 2023, which decreased from 18 in H2 2022. Although rate hikes are expected to have reached the tail end of the hiking cycle, uncertainty will still carry through till the end of the year.

SOUTHEAST ASIA (SEA)

The Singapore housing market continued its price growth streak

albeit its economy narrowly avoided a technical recession in Q2 2023. On a half yearly basis, home prices in the city-state rose 3.1% in H1 2023, which moderated from a 4.7% increase in H2 2022. On the contrary, sales performance paled as the number of homes sold was only about three-quarters of that six months prior. The quiet market could be attributed to the absence of new launches, which is favoured over the secondary market. Although economic recovery remained rocky, demand for housing will persist, driven by homebuyers purchasing for self-occupation and healthy household balance sheets.

After Malaysia's economy advanced 5.6% YoY and unemployment rate tightened to 3.5% in Q1, both Kuala Lumpur and Penang saw their prices grow by 0.34% and 5.78% YoY respectively, with the latter being the second-best performing city in SEA. Developers have continued to launch projects, confident that demand will

-0.2%

Average year-on-year residential price growth in H1 2023

14

Of 25 cities monitored recorded positive annual price growth in H1 2023

Singapore

Top performing market with 8.0% YoY growth

Cautiously Optimistic

Outlooks across Asia-Pacific as rate hikes take a pause

hold, albeit economic growth is set to moderate to 4.5-5.0% for the full year.

AUSTRALASIA

The housing market in New Zealand showed signs of gaining momentum in defiance against the technical recession it registered in June. Rate of price deceleration is slowing – annually, prices in Auckland and Wellington dipped 10.6% and 10.5% respectively, compared to 17.4% and 21.6% six months ago. In the same positive note, sales volume in Auckland increased 22.3% semi-annually as buyers capitalising on the more accessible market entry point. Transaction volumes should pick

up even more as commentators are typically forecasting that prices will stabilise and/or rise over the second half of 2023.

Over in Australia, the Reserve Bank of Australia (RBA) has kept the official cash rate on hold at 4.10% after raising it by 50 bps over the second quarter. Despite the higher mortgage rate, average sales volume in the first half of the year stayed flat bi-annually, indicating confidence restoring in the property market. While annual price growth is generally still in negative territory, Perth and Gold Coast managed to clock positive YoY price growths at 3.0% and 2.0% respectively. Going into the latter half of the year, the Australian home prices would be supported by a strong rebound in immigration, tight rental markets, and limited housing supply in the market.

EAST ASIA

Home purchasers in the Greater China region remained conservative on the back of bearish stock market performance, high interest rates, and sluggish economic recovery. Despite bottoming-out prices, annual change in transaction volume for Chinese cities is still negative, reflecting lacklustre effect its 16-point rescue package had on demand since implementation in late 2022. A similar trend is playing out in Hong Kong SAR where a dull residential market persists. However, unlike the Chinese Mainland, there is a lack of stimulus in Hong Kong SAR to beef up the industry since border reopened.

In a bid to invigorate the dormant sector, the Hong Kong central bank adjusted the maximum loan-to-value ratio from 50% to 60-70% on 7 July 2023, thereby easing down-payment requirements. While we wait to determine the effectiveness of policy stimulus in Greater China, sales volumes are unlikely to return to pre-crisis peak with price growth set to decelerate.

SOUTH ASIA

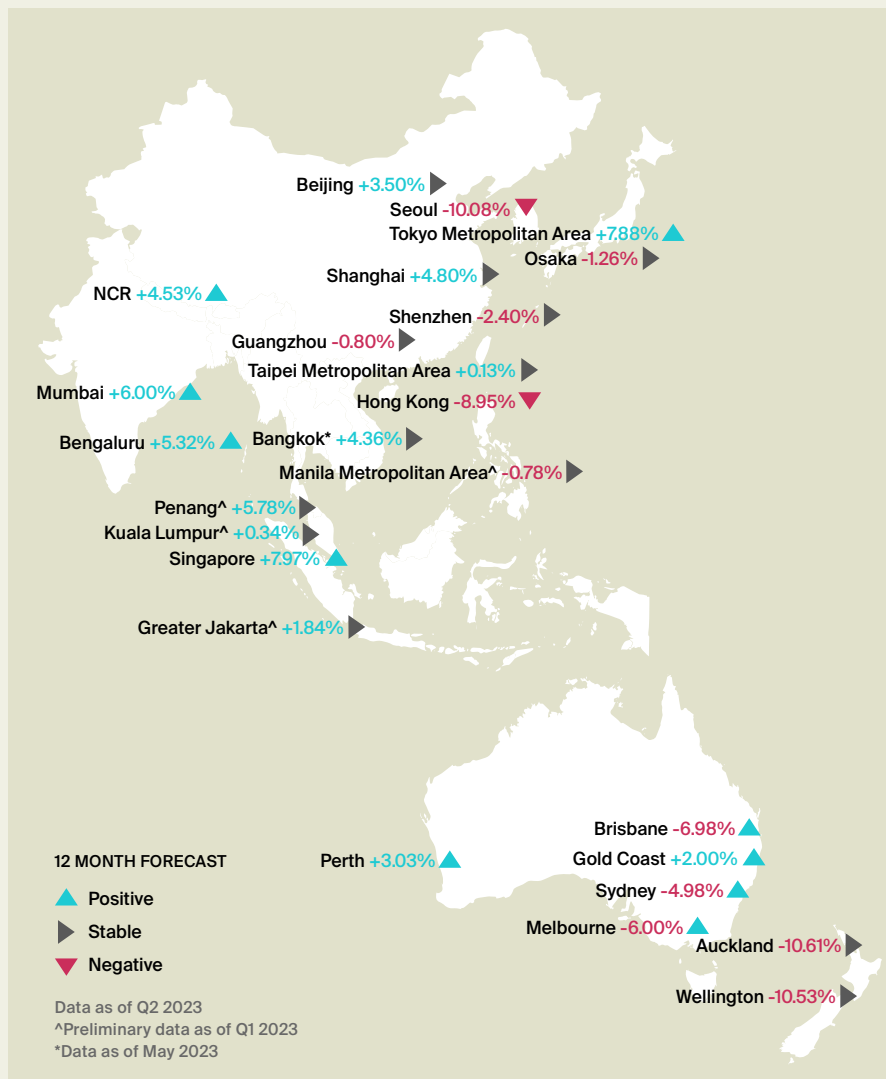
With another 25 bps hike in Q1 2023, the Reserve Bank of India (RBI) has raised repo rates to 6.5% but signalled a possible end of the

rate hike cycle in the subsequent Monetary Policy meeting in June 2023. In spite of the increased threshold for homeownership, sales level remained elevated, especially in NCR, where transaction volume in H1 2023 increased 3% YoY. While ready inventory is dwindling, residential launches have remained robust, with developers aiming to capitalise on the heightened demand. Similarly,

prices have been on the rise since H2 2021 and residential price grew 5.3% annually on average, with Mumbai leading the growth at 6.0% in H1 2023. With inflationary forces subsiding, the RBI has shifted its stance to prioritise economic growth by maintaining liquidity which is supportive of real estate demand and bodes well for the market for the remainder of the year.

H1 2023 ASIA-PACIFIC RESIDENTIAL PRICE CHANGE (YOY%)

Source: Macrobond, Knight Frank Research



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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