ASIA-PACIFIC
HORIZON

Quality Life-ing: Mapping Prime Residential Hotspots

Part 4

The report is an essential guide for individuals planning a permanent move to the Asia-Pacific region, covering lifestyle and fiscal benefits, while also offering a detailed review of housing options to help readers make informed choices.

https://www.knightfrank.com/apac-horizon/quality-life-ing

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Introduction

The current geopolitical landscape and shifts in policy environments have spurred affluent individuals to pursue residency in countries that offer more favourable conditions, thereby ensuring stability, security, and the preservation of their wealth. This trend is clearly reflected in the 116% increase in millionaire migration from 2013 to 2019, as reported by Henley & Partners. Furthermore, the firm also estimates that 2024 will witness a record 128,000 transnational millionaires relocating to new destinations.

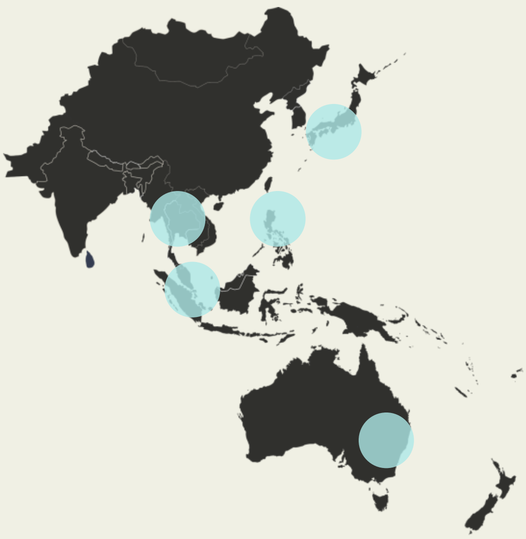
Given these trends, it is crucial to consider the significant intergenerational wealth transfer expected to occur among ultra-high-net-worth (UHNW) and high-net-worth (HNW) families in the Asia-Pacific region between 2023 and 2030. According to McKinsey's analysis, this transfer is projected to amount to approximately US$5.8 trillion, with UHNW families accounting for about 60% of the total. In response to this substantial shift, many families are setting up family offices to effectively manage and streamline the transition process.

Global job prospects and diverse employment opportunities have positively shaped people's views on working abroad, providing personal and professional growth opportunities through cultural exploration. As a result, the idea of working in another country has become increasingly appealing and enticing to those seeking both career advancement and a change of scenery. Asia-Pacific markets have consistently ranked highly among the most sought-after locations for global talents. Each of these destinations boasts a unique appeal and distinct attributes that set them apart from one another.

*Defintions:

HNWI: High-net-worth individual – someone with a net worth of US$1 million or more.

UHNWI: Ultra-high-net-worth individual – someone with a net worth of US$30 million or more.



Asia-Pacific Prime Residential Hotspots

Decoding Global Talent 2024 By Boston Consulting Group	**2024 Expat Insider Survey** By InterNations	**Best Cities for Expats 2024** by Preply
1st **Australia**	3rd **Indonesia**	3rd **Singapore, Singapore**
6th **Japan**	6th **Thailand**	11th **Sydney, Australia**
8th **Singapore**	8th **Vietnam**	12th **Kuala Lumpur, Malaysia**
	9th **Philippines**	15th **Bangkok, Thailand**

Sources: BCG, InterNations, Preply

Exploring Asia-Pacific's Top Destinations: A Comprehensive Lifestyle Guide

Our in-depth report examines 15 prominent Asia-Pacific markets based on five critical indicators – Economy, Human Capital, Quality of Life, Environment, and Infrastructure & Mobility – to assist prospective movers in pinpointing the ideal location within the region that best caters to their specific requirements and preferences.

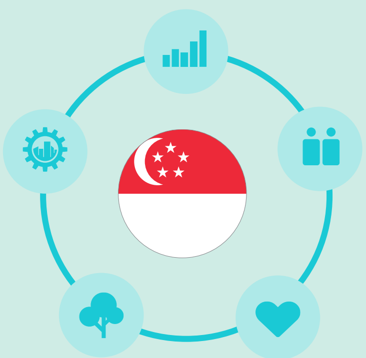
Asia-Pacific Comprehensive Lifestyle Guide

	Economy	Human Capital	Quality of Life	Environment	Infrastructure & Mobility
1	Singapore	Australia	Japan	Singapore	South Korea
2	Hong Kong SAR	Singapore	South Korea	New Zealand	Singapore
3	Taiwan	Malaysia	Australia	South Korea	Chinese Mainland
4	South Korea	New Zealand	Taiwan	Australia	Japan
5	Australia	Chinese Mainland	Singapore	Malaysia	Hong Kong SAR

Sources: Knight Frank Research

1.1 Top destinations with leading Quality-Lifeing scores

Predictably, most of the leading five markets are composed of developed nations, which share several key characteristics that contribute to their success. These nations commonly exhibit strong rule of law, robust infrastructure, competitive talent pools, and effective governance systems. They also ensure a secure and hygienic living environment, significantly enhancing the overall quality of life for their inhabitants and promoting a sense of well-being and satisfaction.



Singapore

Among all the markets assessed, Singapore is the single standout city to achieve a top five ranking in each indicator, highlighting its strengths and accomplishments as a young and small nation.

Key factors for attracting discerning individuals to relocate to the city-state include political stability, developed financial services, a skilled workforce, and high living standards with established healthcare and education systems. Moreover, Singapore's strategic geographical location, recognised as a gateway to Asia, holds significant appeal for individuals aiming to be in closer proximity to their regional investments.

Singapore's thriving Family Office sector, with numbers skyrocketing from 400 in 2020 to 1,650 by August 2024, together with the attributes, solidifies Singapore's global appeal as an ideal relocation destination for those seeking to establish a stable base in the Asia-Pacific region.

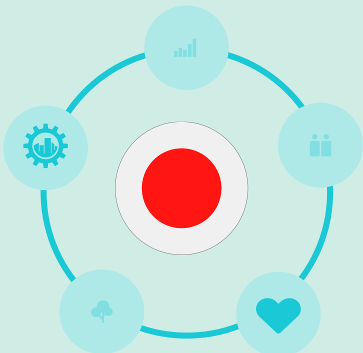
Australia

Australia's diverse landscape caters to various lifestyles, contributing to its growth and appeal. For instance, Perth boasts the highest population growth (3.6%) across the country in FY2023, attracting skilled workers from overseas, while Brisbane's solid employment and population growth have resulted in decade-low office vacancy rates. Neighbouring Gold Coast's abundance of sunny days and barmy nights allows an enviable lifestyle combining water sports, rainforest walks, and waterfront dining with live music.

Sydney remains Australia's financial capital and draws more than a third of Australia's growing UHNW population.

Further south, Melbourne ranks fourth globally and retains the top spot in Australia on the Economist Intelligence Unit (EIU) most liveable city in 2024, driven by exceptional healthcare, education, culture, and environment. The city also shines in higher education, with international students comprising nearly half of its three largest campuses.

Japan

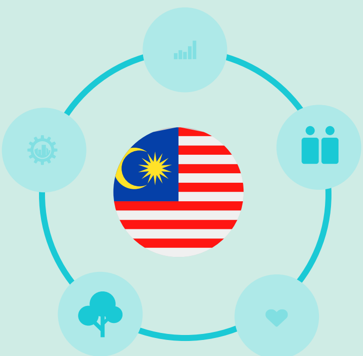


Japan's excellence in 'Quality of Life' and 'Infrastructure and Mobility' sets it apart as a model nation in these categories. Boasting one of the highest life expectancies globally, Japan's residents benefit from a healthy and balanced lifestyle.

Complementing this high quality of life is the country's cutting-edge transportation system and top-notch infrastructure, enabling seamless connectivity. Coupled with a deep appreciation for history and heritage, Japan remains an attractive destination for residents and visitors alike. The nation's relentless pursuit of progress ensures that its infrastructure and quality of life remain global benchmarks.

Despite Japan's modest 0.9% growth forecast for 2024, it maintains a positive trajectory in terms of real wage growth, which should stimulate consumer spending and bolster economic resilience, thus offsetting potential concerns and contributing to overall financial well-being.

Malaysia



Malaysia's digital landscape is undergoing a transformative surge as global tech giants recognise its immense potential. Amid the Artificial Intelligence (AI) boom, companies like Oracle, Microsoft, Nvidia, and Google have made significant investments since 2023, leveraging competitive wages, favourable tax policies, and a young, educated workforce. This is a testament to the nation's favourable business climate and positions it as a burgeoning hub for technological innovation in the region.

Capitalising on the family office boom, Malaysia has introduced an unprecedented zero-tax rate for family offices and private asset management firms in Forest City, a special financial zone (SFZ) in Johor. Set to take effect in Q1 2025, Forest City offers a compelling alternative to traditional wealth management hubs like Singapore, Hong Kong SAR, and Dubai, aiming to attract capital inflows and create opportunities for regional financial institutions.

1.2 Emerging markets experiencing significant growth

While acknowledging the distinct advantages of the top-ranked markets, it's important to note that those not featured in the top five also possess their own unique strengths and competitive factors.

India

7.0% GDP growth rate

Improving Environment

Strengthening infrastructure

India's economic landscape presents vast opportunities, driven by a projected 7.0% growth rate in 2024, making it the world's fastest-growing economy, according to the World Bank. By 2030, it is expected to become the third-largest economy, per the IMF and WEF. India's strong economic outlook, coupled with its favourable policy environment, highly skilled workforce, and growing consumer markets, is drawing investment across sectors.

The country's thriving tech sector plays a pivotal role in this growth. By 2026, India's IT sector is expected to generate $350 billion in revenue, contributing 10% to the nation's GDP, as noted by Encora. While it is an established offshoring destination, India is also transitioning to higher-value functions such as AI and blockchain, further enhancing its role in corporate business strategy and solidifying its position as a key player on the international stage.

Vietnam

6.0% GDP growth rate

Rich nature and culture

Upgrading infrastructure

Vietnam's GDP is projected to grow by 6.1% in 2024, making it the region's second-fastest-growing economy after India. This growth is partly driven by the 'China+1' strategy, which attracts manufacturing companies due to lower manpower costs and a business-friendly environment. In 2023, manufacturing accounted for 23.9% of GDP, a 1.3% (US$40.7 billion) increase from 2017, as per the World Bank.

The country has also emerged as the premier destination of choice for a growing number of expatriates and digital nomads, largely due to its successful efforts in enhancing living conditions, upgrading infrastructure, offering a lower cost of living, along with rich natural and cultural experiences.

To summarise, Vietnam's strong manufacturing base and alluring liveability solidify its position as a significant global player, appealing to both foreign investors and individuals seeking rewarding experiences.

Thailand

2.8% GDP growth rate

Cultural abundance

Quality living environment

As Southeast Asia's leading automotive hub and the world's tenth-largest, Thailand aims to become the region's EV manufacturing powerhouse. Over the next five years, the Thai Board of Investment anticipates US$5.5 billion in EV and EV-related infrastructure investments. This market is expected to experience a 3.67% compound annual growth rate (CAGR) from 2024-2029, outpacing that of Asia's at 2.31%, per Statista.

Thailand's attractive business incentives have successfully drawn numerous MNCs to establish their headquarters within the country, leading to a significant increase in the expat population. These expats enjoy the benefits of a lower cost of living, high-quality healthcare services, diverse cultural experiences, and access to top-notch international schools.

This unique combination of advantages not only stimulates Thailand's economic progress but also nurtures a vibrant and diverse community.

"As global wealth shifts and geopolitical landscapes evolve, affluent individuals are seeking prime residential hotspots that provide both lifestyle benefits and financial security. Markets like Singapore, Japan, and Australia continue to attract the world's most discerning investors, offering not only strong economic fundamentals but also exceptional quality of life, infrastructure, and mobility. In this rapidly changing environment, Asia-Pacific remains a key destination for those looking to secure their wealth and future-proof their legacy."

Kevin Coppel

Managing Director,
Knight Frank Asia-Pacific

The Methodology

The research evaluates five crucial aspects that play a significant role for individuals contemplating a long-term move.

Economy: Metrics include GDP growth forecast, unemployment rate, labour productivity, wage levels, and the presence of major companies, analysing a city's economic resilience and growth trajectory.

Human Capital: Factors such as median age, literacy rate, number of top universities, population growth, and cultural exports are reviewed to understand how well a city can support a capable and progressive workforce.

Quality of Life: Life expectancy, visa-free travel, housing costs, happiness level, safety, and cultural amenities are inspected to gauge the satisfaction of residents and the city's liveability standards.

Environment: Air quality, climate risks, agriculture, water access, and waste recovery rate are gauged to measure sustainability and resilience to environmental challenges.

Infrastructure & Mobility: The study analyses transportation efficiency, quality of infrastructure, technological adoption, and number of direct non-stop flights to evaluate a city's structural framework, accessibility, and prospects for expansion.

Diverse Regional Housing Options

2.1 A Snapshot of Choices in Asia-Pacific

Housing markets in the Asia-Pacific are broadly characterised by high home ownership aspirations (Figure 1) amid persistent constraints in housing supply and sustained economic growth. The region's expanding middle class, expected to hit 3.5 billion people by the end of the decade, further underpins housing demand in the region's emerging markets.

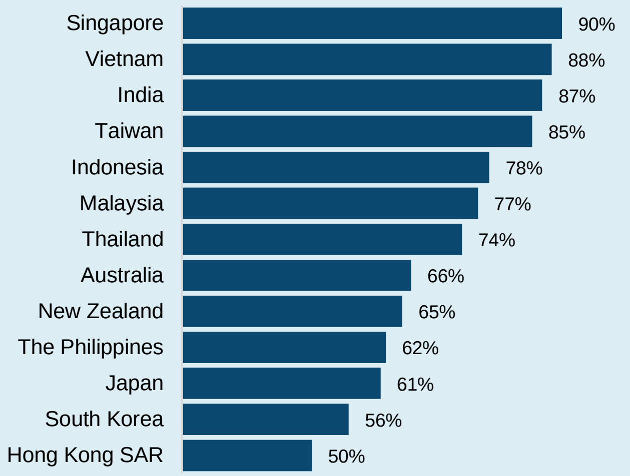
Sustained wage growth in the region has also continued to prop up residential prices. According to the latest Salary Trends Report by ECA International, real wages in Asia-Pacific rose 1.8% in 2023 to outperform the rest of the world. Projected growth in 2024, at 2.2%, will similarly lead other regions.

The region's diverse economic backdrop has generated a range of options for buyers, from safe-haven markets like Singapore and Australian cities to growth opportunities in Southeast Asia's emerging economies, with variations in residential prices even within the prime segment (Figure 2).

While foreign purchases have fallen due to interest rate hikes and cooling measures implemented in some markets, this has been partially offset by government efforts to revive property markets in others. In addition, various visa schemes to lure global talent or well-heeled individuals and digital nomad schemes have supported the demand for residential property.

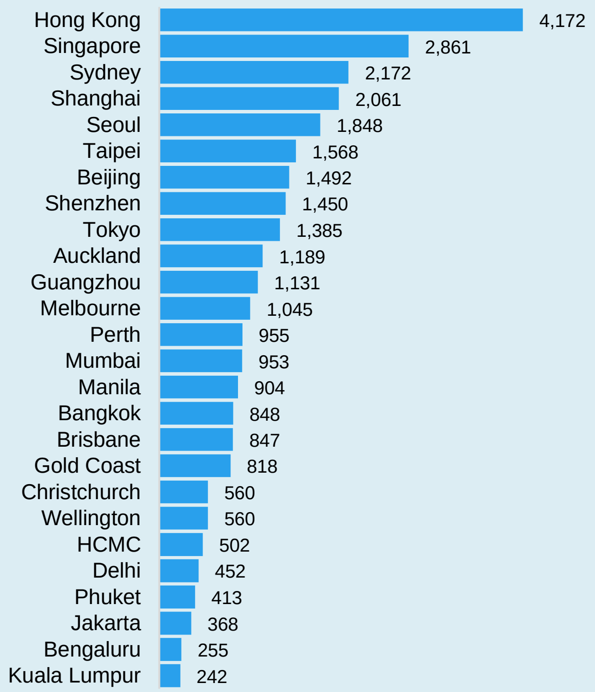
The property downturn in the Chinese mainland has also reshaped residential property investments in the region. While Chinese buyers have become more selective, safe haven markets like Australia continue to appeal; the yen's depreciation has also fuelled interest in Japanese residential property. Buyers from Taiwan have also become more active regionally and were the fourth largest source of investments in Australian property.

Figure 1: High Home Ownership Rates in Asia-Pacific



Source: *Trading Economics, various government agencies, Knight Frank Research*

Figure 2: Prime Residential Prices (US$/sqft)



Note: *As at Q3 2024; based on internal floor space*
Source: *Knight Frank Research*

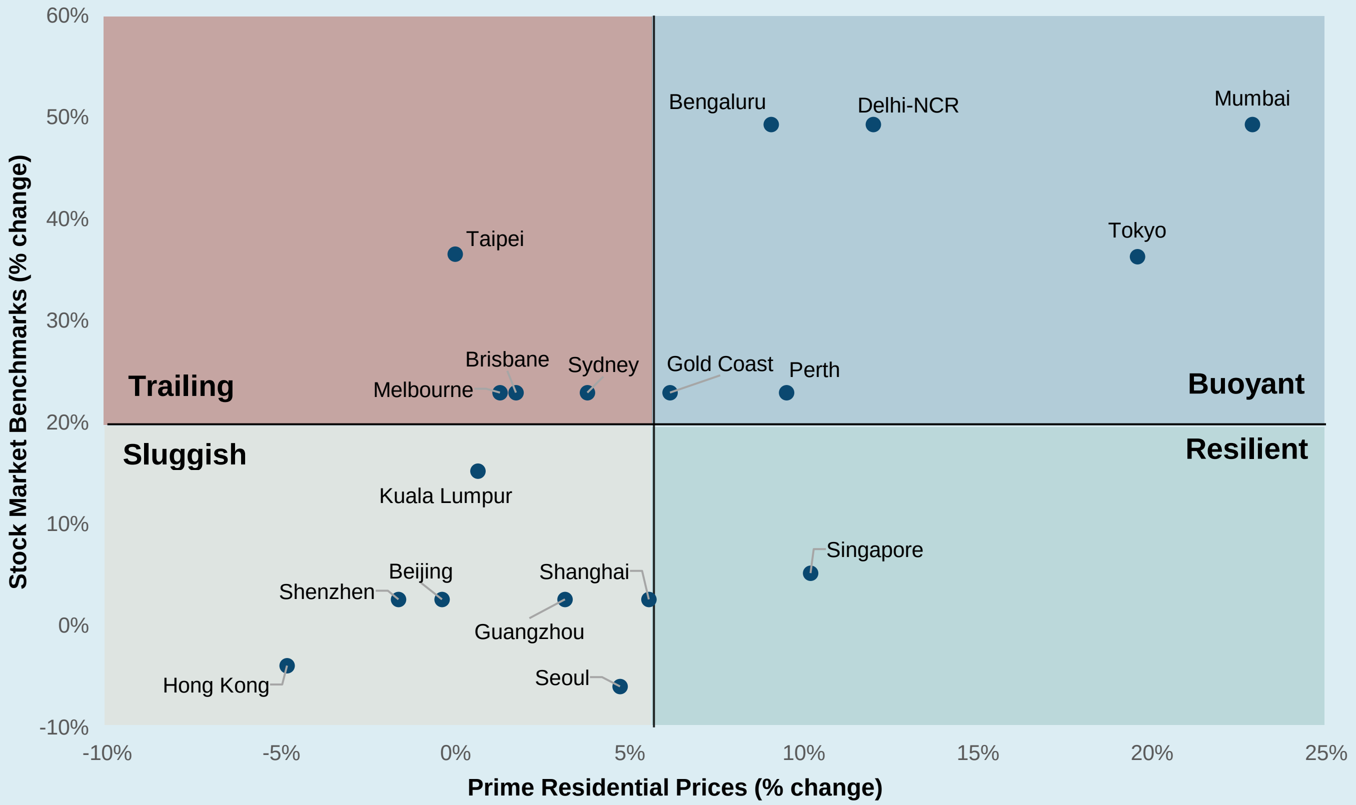
2.2 Cross-border purchases of residential property in 2023
(Number of units)

Chinese mainland buyers have remained a significant source of investments in the region's residential markets, topping the list in both Thailand and Australia. According to Thailand's Real Estate Information Center (REIC), the number of units transferred to foreign buyers rose 25% in 2023, with over 45% attributed to Chinese mainland buyers. Measures to reduce transaction costs will sustain foreign participation in Thailand.

Figure 3: Number of residential units bought by foreigners in selected markets ▶

Source: Foreign Investment Review Board, REIC, URA

Figure 4: Stock Markets vs Prime Property ▼



Period of comparison: Q1 2022-Q3 2024
Source: *Macrobond, Knight Frank Research*

2.3 Prices

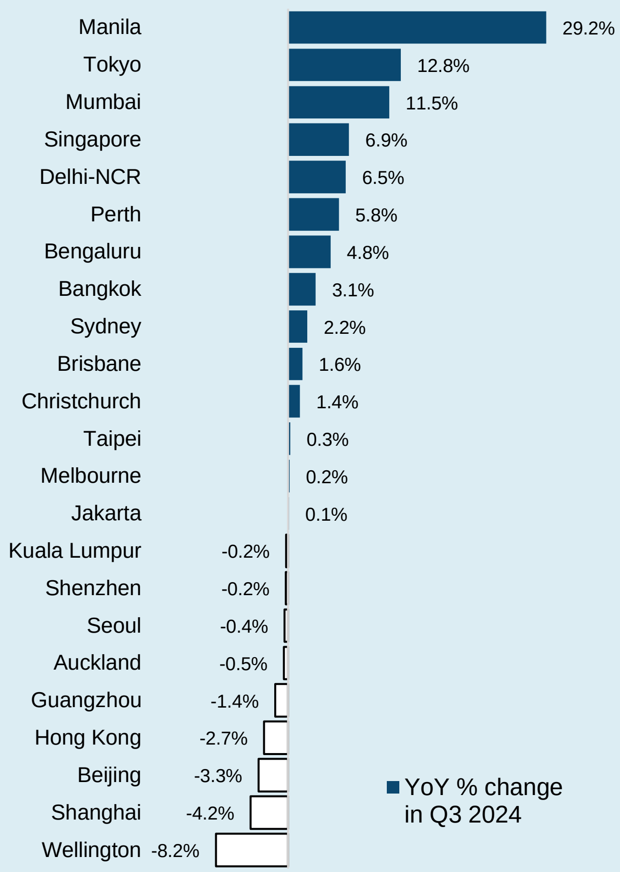
It is increasingly apparent that Asia-Pacific's prime residential sector is one of the region's most resilient asset, which has withstood the effects of the pandemic and the onslaught of higher interest rates. While the region's downtrend coincided with the Federal Reserve's (Fed's) hiking cycle, home values recovered faster than anticipated despite economic and geopolitical headwinds.

Prime residential prices in the region rose 2.9% year-on-year (YoY) in Q3 2024 to clock a sixth consecutive quarterly rise, with 14 out of 23 markets tracked reporting stable or increasing prices (Figure 5).

Despite a series of rate hikes, prime residential prices in Australian cities have largely remained on an uptrend. Shielded by cash buyers who are less dependent on financing and lower supply, prices rose an average of 2.4% year-on-year in the third quarter of 2024.

Stock and real estate markets are inextricably linked through wealth effects. Although the strength of the relationship is influenced by other factors such as regulations, both markets have been observed to move in tandem. While rate hikes have weighed on real estate prices since 2022, a number of markets have still outperformed relative to their respective stock markets. Japan's stocks, which hit an all-time high this year, were accompanied by strong price appreciation in Tokyo's residential prices. This is also the case in Mumbai while prices in Singapore held up despite the lack of stock market momentum. Conversely, the slump in Chinese and Hong Kong stocks has seen real estate prices decline in its cities (Figure 4).

Figure 5: YOY% Change in Prime Residential Prices



Source: *Knight Frank Research*

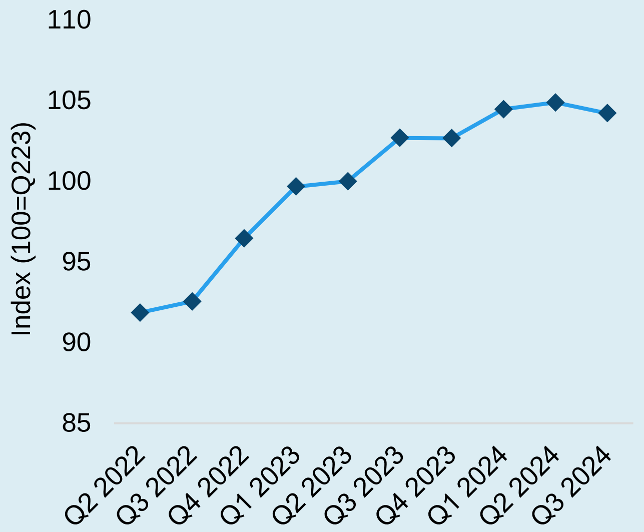
2.4 Rents

Prime residential rents in Asia-Pacific grew marginally year-on-year by 1.0% in the third quarter of 2024 (Figure 6), marking a significant deceleration from 2023, when rents logged a rise of close to 11% in the third quarter. Quarter-on-quarter, rents softened by under 1% in the third quarter of 2024, with declines across most markets.

While this suggests an end to the substantial upward repricing of key city markets seen over recent years, prime rents in the region are still 8.0% above Q4 2022 levels. During this period, rents in Sydney rose 23.1%, due to record net migration and inadequate supply. This has left renters in the region facing steeper increases than those in the rest of the world.

These conditions, likely to persist for now, will continue to support above-trend growth in the medium term. As rate cuts by central banks in the Asia-Pacific are likely to be relatively delayed in the short term, elevated funding costs are expected to keep buyers hesitant and further divert demand to the rental market.

Figure 6: Prime Global Rental index (Asia-Pacific)



Source: *Knight Frank Research*

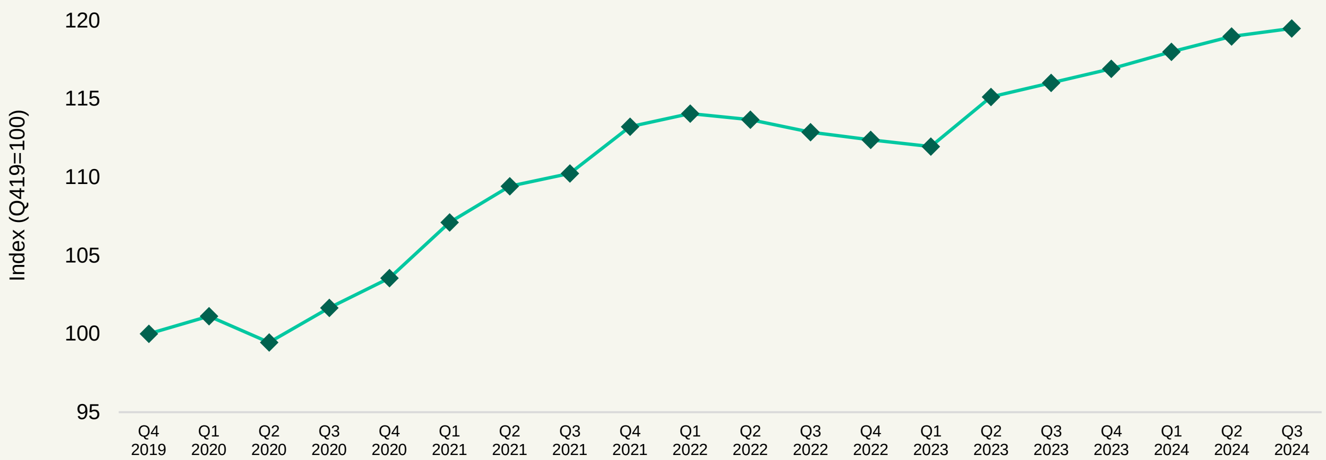
Outlook

With the Fed currently on an easing cycle, the region's residential prices are expected to remain on an uptrend into 2025. Although Chinese mainland and Hong Kong SAR markets could continue to weigh on the region's overall outlook in the short term, recent moves to roll back stamp duties and ease home buying curbs amid lowered down-payments and mortgage rates are likely to creep into the prime segment and stabilise prices in 2025.

Investment Hotspots and Lifestyle Choices

Real estate markets across Asia-Pacific are increasingly attractive to both local and foreign investors seeking a blend of lifestyle benefits and lucrative property price appreciations (Figure 7). Countries like Vietnam, Malaysia, Australia, and Japan have gained traction among cross-border buyers due to favourable ownership regulations and economic and demographic tailwinds. Here, we explore insights and emerging trends in these markets, showcasing why they are enticing options for investors.

Figure 7: Asia-Pacific Residential Price Index



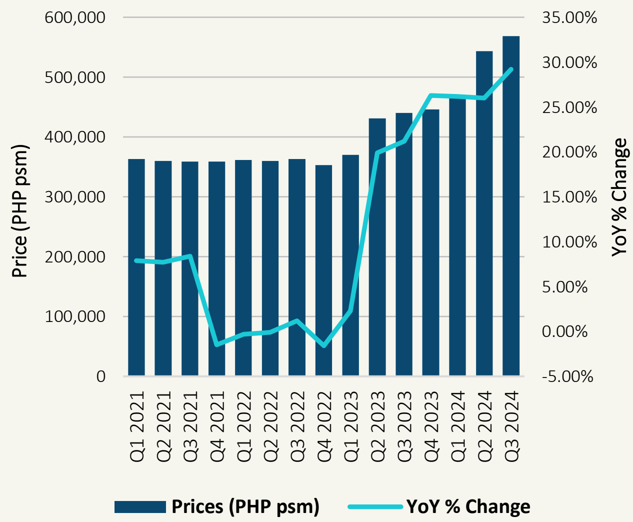
Source: *Knight Frank Research*

3.1 Selected Market Commentaries

Manila, Philippines

Manila's prime residential prices are the fastest growing across the world, according to Knight Frank's Prime Global Cities Index. Luxury residential properties have enjoyed a surge in popularity, resulting in significant appreciation in their market value, driven by high pre-selling prices in under-construction projects. Real estate investors are generally confident with the resilience of luxury property segments, even within the global economic landscape characterised by rising interest and mortgage rates. Significant local wealth creation has spurred the rapid expansion of investable luxury residential developments, particularly in the CBD. Developers have proactively prepared for increased supply in anticipation of this surge in demand, further propelling the momentum in the luxury real estate sector.

Figure 8: Manila Prime Residential Performance

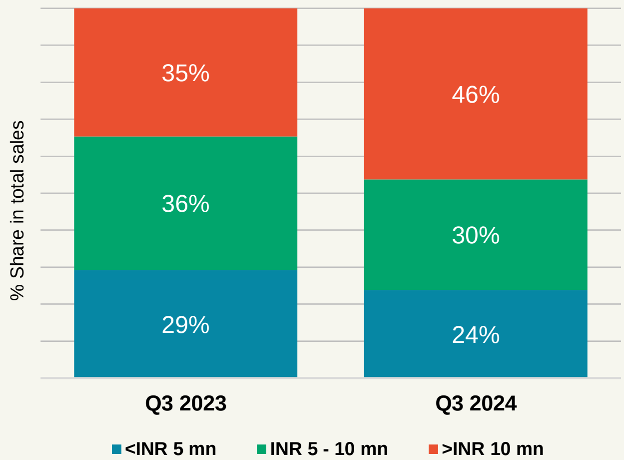


Source: *Knight Frank Research*

India

Momentum in the residential market has trended well in 2024 with Q3 2024 recording the highest quarterly sales this year at 87,108 units. This works out to a 5% higher level in YoY terms and a more significant 9% higher level compared to year-to-date terms. Sales at the top end of the market with units priced over INR 10 million, continue to grow at a healthy pace. Consistent with the upward trend seen in the past 13 quarters, the share of sales for these prime properties grew significantly to 46% in Q3 2024 compared to 35% a year ago (Figure 9). The need for larger living spaces and an upgraded lifestyle, sparked during the pandemic, continues to fuel demand in this segment. Sales in this segment have grown by 41% YoY and it has been the primary driver for overall sales growth during the quarter. Sales in the INR 5-10 million (USD 60,000-119,000) and <INR 5 million categories have dropped by 14% and 13% YoY, respectively, as homebuyers' focus shifted to the premium-priced category during the quarter.

Figure 9: Ticket size split comparison of sales during Q3 2023 and Q3 2024



Source: *Knight Frank Research*

Kuala Lumpur, Malaysia

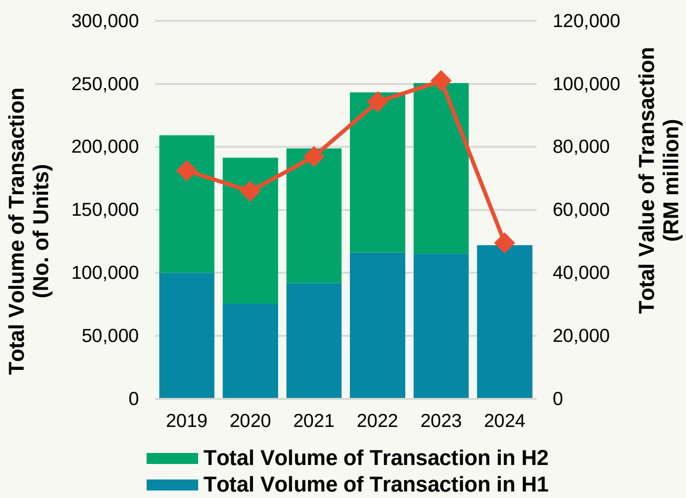
Malaysia's residential market continues to captivate local buyers and investors, as evidenced by the sustained demand in both sales and rental sectors. The wide array of residential options caters to various demographic segments, ensuring broad market appeal. Moreover, government incentives are making Malaysia's residential market an enticing choice for those seeking homes for personal use and long-term value appreciation.

The shift towards remote/hybrid working models has led many local affluent buyers to seek larger living spaces in prime areas, increasing interest in properties that offer enhanced amenities and lifestyle options.

On the foreign buying front, properties in prestigious locations, such as KLCC, Bukit Bintang and Mont' Kiara, are once again attracting foreign investments, which are crucial for sustaining growth in the prime segment.

Kuala Lumpur's residential market holds an enduring appeal for discerning investors, with property values primed for potential growth. The city's robust economic expansion and exceptional quality of life will continue to foster an environment conducive to real estate investment.

Figure 10: Malaysia Residential Property Transaction



Source: *NAPIC, Knight Frank Research*

Bangkok, Thailand

Bangkok's prime real estate segment has shown impressive resilience despite the challenges posed by limited land availability and rising land costs in the central business district and along the Chao Phraya riverside. With a remarkable sales rate exceeding 80% of the total supply, this sector demonstrates the unwavering demand for high-quality developments in the city's most coveted locations.

Foreign buyers significantly influence Bangkok's prime real estate segment, with Chinese investors leading the pack. However, tighter capital controls have resulted in a slight dip in Chinese purchasing activity compared to last year. Nonetheless, foreign investment remains a crucial factor in shaping the prime segment's landscape.

For international buyers in Bangkok, the focus lies primarily on condominiums strategically situated near mass transit systems and popular retail hubs, such as Siam Paragon, Central World, Em-District, and Icon Siam. Key decision factors for these investors include premier locations, attractive rental yields, and the availability of top-notch property management services. Convenient access to urban amenities and transportation options reflects the cosmopolitan lifestyle that many foreign investors seek when choosing Bangkok as their real estate investment destination.

In the future, developers must expand their focus beyond the above factors and prioritise land acquisition near international schools. Projects in these prime locations have witnessed significant demand, as investors recognise the potential for higher returns through rentals.

Frank Khan, Executive Director, Head of Residential, Knight Frank Thailand, said,

"Successful luxury housing investments hinge on developers' ability to identify and acquire locations that align with market expectations. By concentrating on these coveted areas, developers can differentiate themselves, carving a unique niche within this flourishing sector and laying the groundwork for long-term growth and success."

Explore the trends and growth of condominiums near international schools in Bangkok here.

Phnom Penh, Cambodia

While only 24.2% of Cambodia's population currently residing in urban areas, this is projected to increase to 30.6% by 2030 and a further escalation to 41.1% by 2050, which presents a growing need for affordable housing, especially in Phnom Penh. As young rural populations migrate to urban centres for better opportunities, rising disposable incomes and reduced borrowing costs are driving domestic housing demand. In hotspots like Boeung Keng Kang 1 (BKK1), Phnom Penh's most desirable residential area, the strong demand for rental properties has driven both local and foreign investments. This demand is fuelled by the area's central location, tree-lined streets, and a range of amenities such as cafes, retail stores, and healthcare facilities, making it attractive for renters and offering healthy returns for investors. Rental returns are a standout positive, offering net returns of around 6% to 7%, which is favourable compared to other regional markets. There has also been a clear shift in preference toward lower-density developments featuring more open-air spaces, facilities, and amenities within condominiums, as well as larger outdoor areas for housing projects.

Ross Wheble, Country Head, Knight Frank Cambodia said,

"Developers are increasingly integrating wellness-oriented features into their projects; however, these additions are more often used as unique selling points rather than being driven by explicit buyer demand. Investment has been pouring in from key countries such as Japan, Singapore, Korea, Malaysia, Chinese mainland, Taiwan, and Hong Kong SAR, reflecting strong international interest in our market."

3.2 Destination Spotlight

Contributed by:

Truong Anh Nguyen
Research Manager
Knight Frank Vietnam

Vietnam:
A Fast-Emerging Luxury Market

Vietnam's residential property market, particularly in Ho Chi Minh City (HCMC) and Hanoi, has captured the attention of HNWIs due to several factors. The average selling price for high-end apartments in the country, ranging from US$5,400 per square meter (psm) to US$15,000 psm for ultra-luxury properties, is on par with global developed markets. The allure stems from Vietnam's rapid economic growth, which not only drives demand for real estate but also promises capital appreciation. This combination makes the country an attractive investment destination, as its real estate market is primed for long-term growth and offers significant potential returns.

Government reforms have played a pivotal role in easing foreign property ownership regulations and creating a more investor-friendly environment. Vietnam's strategic location in Southeast Asia positions it as a regional business hub, and its emergence as a 'China+1' destination has attracted a growing expatriate population, including young professionals and families, boosting the appeal for international investors. This aligns with broader cross-border trends, where affluent buyers from Asia seek luxury properties in emerging markets with high rental yields and strong growth potential. The influx of MNCs, such as Apple and Intel, setting up offices in HCMC further boosts rental demand for luxury residential properties, driven by the needs of international professionals taking up senior roles.

Infrastructure development is another critical factor shaping the outlook for Vietnam's property market. The expansion of highways, metro systems, and airports improves connectivity and accessibility, enhancing property values in emerging urban areas. These developments, coupled with government incentives for foreign buyers, will likely sustain Vietnam's attractiveness as a prime destination for HNWIs seeking diversification and long-term growth.

District 1 in HCMC, provides unparalleled access to corporate offices, commercial hubs, and cultural attractions, making it a hotspot for both local and international investors. District 2, on the other hand, known for its peaceful riverside views and international schools, has become popular among families and expatriates. Infrastructure improvements, including the upcoming metro system, have significantly boosted District 2's appeal. Post-pandemic, a growing demand for larger living spaces has been pushing District 2 into the spotlight. The shift toward hybrid work models has spurred demand for homes with amenities like study rooms and gyms. On the rental front, flexible lease terms and incentives are now more common, contrasting with the pre-pandemic market, which had higher demand and less flexibility.

Buyer Profiles and Nationalities

Vietnam's high-end real estate market has shown resilience post-pandemic, attracting overseas Vietnamese (Viet Kieu) and international investors from countries like South Korea, Japan, and the Chinese mainland. Many Viet Kieu are motivated by family ties, while international buyers are drawn to Vietnam's economic growth and potential for price appreciation. The diverse buyer pool underscores Vietnam's appeal as both a lifestyle and investment destination.

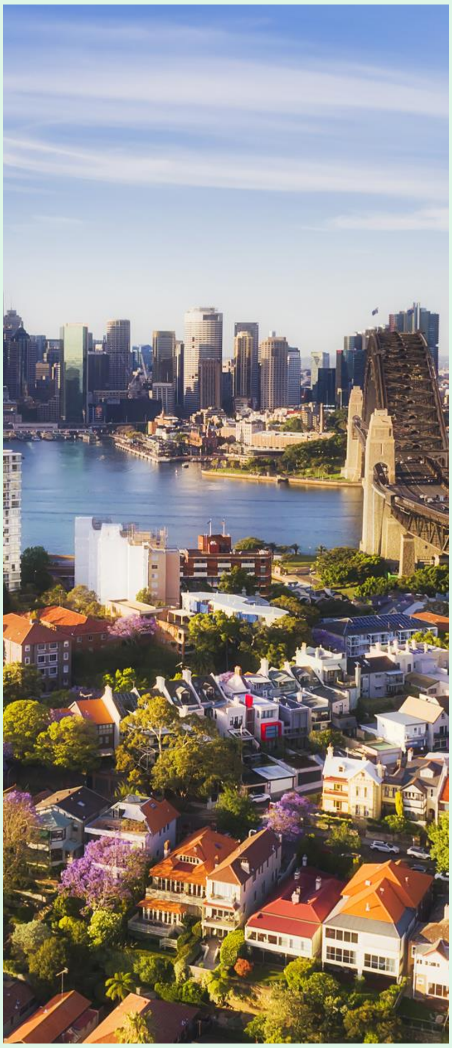
Urban areas like HCMC and Hanoi are favoured by those seeking proximity to business hubs and vibrant social experiences. In contrast, resort locations such as Nha Trang and Da Nang attract buyers looking for a laid-back and coastal lifestyle. Foreign investors are increasingly targeting these resort cities, attracted by the potential for vacation rental income and scenic beauty.

Contributed by:

Michelle Ciesielski
Head of Residential Research,
McGrath Estate Agents (Knight Frank's partner in Australia)

Australia:

A Mature, Stable Market for Cross-Border Investors



Australia remains an attractive investment proposition. The country has long been considered a safe haven for doing business with abundant opportunities in a solid-performing economy with a relatively stable political system. When buying property, there is transparency in the sales transaction and ownership, where the majority tends to be freehold. The world-class health and education system is admired by many and is set amongst a comfortable climate and environment.

Australia's prestige residential market was subdued as the pandemic approached across sales, price and rental performance. At the time, the number of foreign buyers was modest relative to other global cities, and the pipeline of new homes was diminishing, although the number of Australian UHNWIs continued to rise.

When international borders closed, many expatriates came home to Australia. These expats either returned to their own investment home, which was being rented out, or required a home from the shallow number available in the rental pool. This placed, and continues to place, immense pressure on rental vacancies and encouraged double-digit prime rental growth to be recorded. Across Australia's prestige properties, annual rental growth peaked in September 2023 at 16.4%, to 12.2% in June 2024.

Those lucky enough to buy a prime luxury home from the slim number of listings were paying rapidly escalating prices each month into the pandemic, with a 13.0% annual growth peak recorded in March 2022. Many locals were upsizing both their indoor and outdoor living spaces fuelled by their lockdown experience. Significant home renovations were being made by those selling, as well as those staying put.

A growing number of second homes were being purchased for holidaying with the family in a coastal village, or in the countryside through this time. Australians travelled locally given international travel was not readily available, and this allowed time to reevaluate their wealth portfolios. For this same reason, Australia's foreign buyers across all price points, had mostly evaporated over this time to modestly recover to represent a 3.7% share in Q2 2024, according to the NAB Property Survey.

Current active buyers are now mostly those downsizing from a large family-landed home, to a well-sized apartment close to lifestyle amenities. Apartments provide security, privacy and lock-up-and-leave options for active retirees which is increasing their appeal. Many downsizers are cash buyers so have avoided the challenge of recent mortgage interest rate rises which have impacted first home buyers and investors getting into the market.

Whilst momentum has slowed for prime home sales in anticipation of a potential official cash rate reduction in the first half of 2025, there currently remains only a modest number of prestige listings when buying activity returns. This has influenced the prime residential price growth of 2.6% in the year to June 2024 across Australia, with an average 5% annual growth forecast for 2025. As potential buyers rent for longer, and the number of UHNWIs continues to rise after expanding by 2.9% in 2023, the shortage of new homes forecast prime rents across Australia to be 8% in 2025.

Knight Frank, together with New Zealand-based Bayleys, has a partnership with Australian residential real estate group McGrath, following the acquisition of a controlling stake in the agency in June 2024.

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Tokyo:
Big in Japan

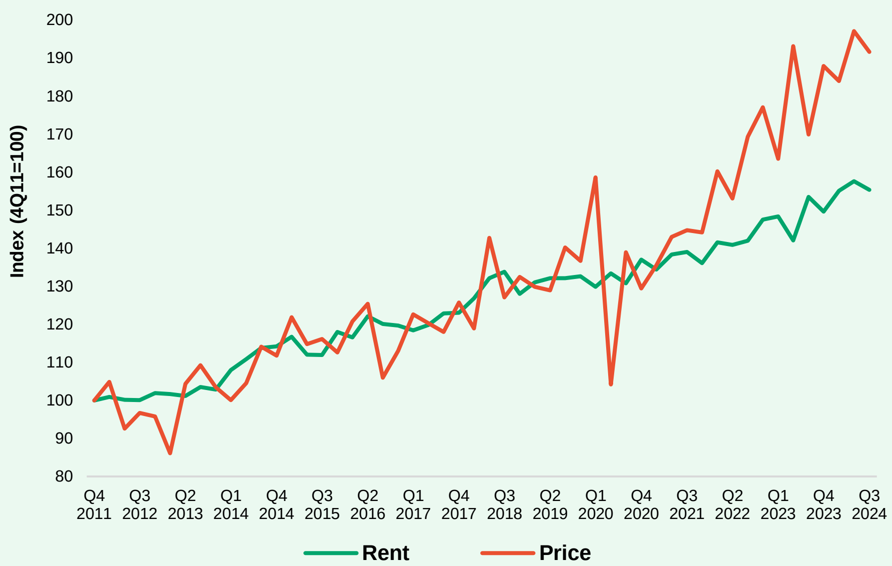
While rents have been outperforming prices in many markets as construction delays and interest rate hikes compelled many to turn to leasing, Japan has evidently been an outlier, where sustained loose monetary policies have widened the price-rent gap.

Since Q1 2022, when the Fed kickstarted its hiking cycle, prices have surged by over 20% (Figure 11) to an average transacted price of JPY 2.3 million per square meter (approximately US$15,410 per square meter). This is driven by the demand for high-end condominiums, where buyers are keen to explore opportunities.

The yen's depreciation has also made Tokyo's real estate inexpensive compared to other global cities. According to Knight Frank's Wealth Report 2024, US$1 million buys 64 sqm of prime property in Tokyo – double what buyers can get in Singapore and nearly triple that of Hong Kong (Figure 12). This has propelled foreign interest in the country's real estate. An estimated 20% of high-priced condominiums transacted in central Tokyo are purchased by foreign buyers, of which a significant proportion are from the region. However, inflationary pressures have compelled the Bank of Japan to reverse years of exceptional easing policies, culminating in a second rate hike that set the policy rate at 'around 0.25%', the highest since 2008. While interest rate hikes will generally put downward pressure on prices, we expect fundamentals to prevail over the increase in funding costs, which, nonetheless, will remain manageable.

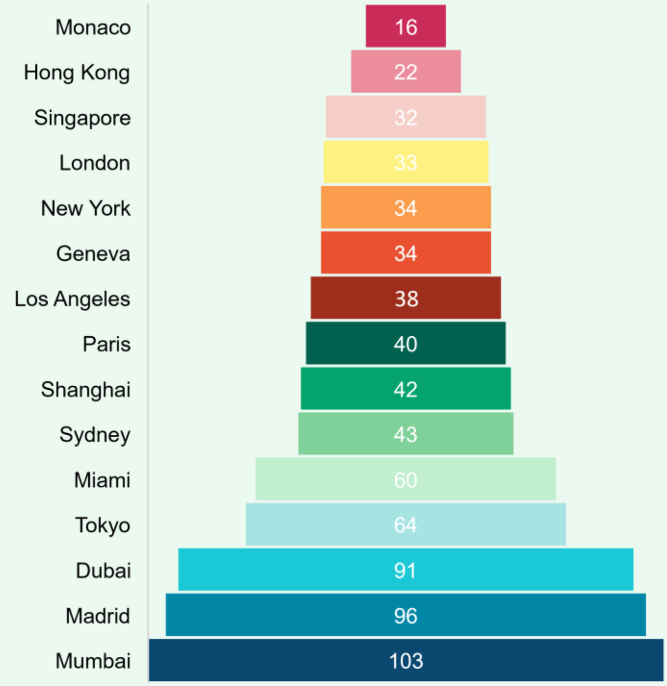
While Tokyo is the only prefecture in Japan to have seen its population grow, these numbers have been boosted by the increase in foreign residents (Figure 13). The non-resident population surpassed 3 million nationwide for the first time in 2023. Thus, Tokyo's population is not expected to peak before 2030. Knight Frank's Wealth Sizing model also expects the number of UNHWIs in Japan to rise by over 10% through 2028. That increase, coupled with foreign migration, is expected to support demand for prime residential property in the city.

Figure 11: Tokyo Prime Residential Market



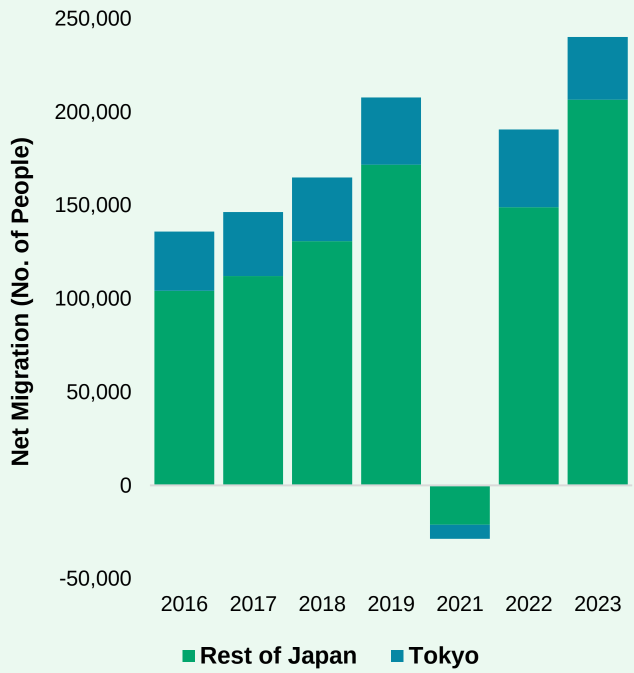
Source: *Ken Corp, Knight Frank Research*

Figure 12: How many square metres of prime property US$1m buys



Source: *Ken Corp, Knight Frank Research*

Figure 13: International Migration

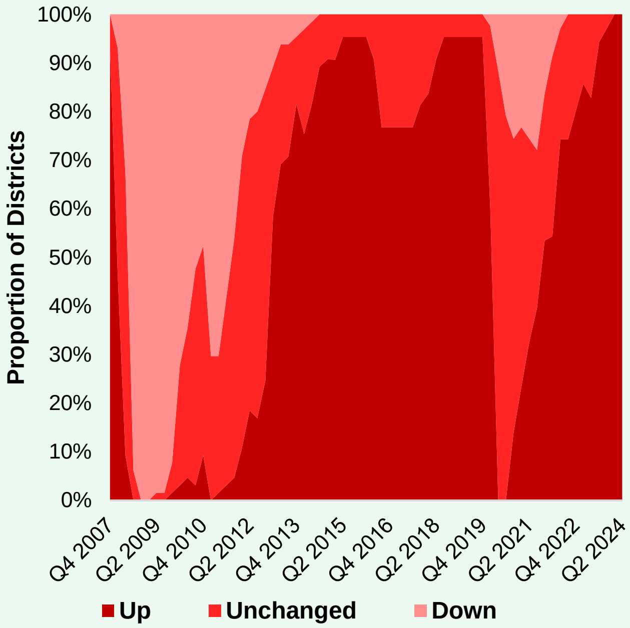


Note: 2020 data unavailable
Source: *e-Stat Japan*

Price increases in central Tokyo are expected to remain sustained for both new and existing condominiums. Land values in the capital have not been observed to have decreased for eight consecutive quarters since Q3 2022, as demand for condominiums in prime districts remains stable. With construction and labour costs soaring, developers will have to price new launches appropriately.

According to the Real Estate Economic Institute, new units priced at over JPY100 million in 2023 rose 72% from 2022. While there may be variations across Tokyo, properties in coveted locations, such as Roppongi, are expected to see keen buying interest. Buyers from the Asia-Pacific also tend to prefer prime condominium towers that afford great views, such as projects in Chuo and Minato wards.

Figure 14: Change in Land Values (Tokyo)



Source: *Ministry of Land, Infrastructure and Transport*

4. Final Thoughts

4.1 Continued Appeal to Investors, HNWIs, and Expats

The residential market in the Asia-Pacific region is expected to remain appealing to HNWIs, expatriates, and investors due to its strong price resilience. Despite increased global economic uncertainties, financial market volatilities stemming from geopolitical tensions, and higher interest rates in the past two years, the region's sustained economic growth, rising affluence, and strong housing demand will likely ensure stable price growth and returns. Safe-haven markets like Singapore, Australia, and Japan continue to lead the way, supported by improvements in urban infrastructure and government visa incentives that attract foreign talents for living, working, and studying. Notably, with 19 megacities (a vast city with a population of over ten million people) expected to emerge in the Asia-Pacific region by 2030, housing demand will remain strong, especially in prime residential segments.

4.2 Increased Focus on Affordable Housing for Locals

With the Asia-Pacific middle-class population projected to reach 1.7 billion by 2030, the demand for affordable housing is set to rise significantly. Governments across the region are expected to address affordability concerns by increasing housing supply and implementing policies that cater to the needs of the growing middle class. This is particularly crucial in emerging markets like Vietnam, Indonesia, and the Philippines, where younger populations and rapid urbanisation are driving demand for entry-level homes. Affordable housing initiatives will be essential in creating a balanced market supporting local buyers and overall housing stability.

4.3 Prime Residential Market Shifts Toward Branded Residences

The prime residential market is witnessing a shift toward branded residences, reflecting the growing preference for homes that offer a luxury lifestyle coupled with high-end services and amenities. These developments, often affiliated with global luxury brands, provide buyers with concierge services, fitness facilities, and exclusive security, making them highly desirable. Markets in Australia, India, and Thailand are seeing a rising demand in such projects, appealing to both local and international investors who value not only secure investments but also the elevated lifestyle these residences provide. According to our **Knight Frank Global Branded Residences Report**, up to 45% of buyers in Australasia are willing to pay a premium for branded residences, highlighting the growing trend in this segment.

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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