

Asia-Pacific Residential Review



H2 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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► “The residential market experienced a surge in the past six months, following the FED’s decision to pause rate hikes, which encouraged potential buyers who had been waiting on the sidelines to make purchasing decisions. Ongoing constraints on the supply side, including input costs, labour shortages and construction delays, have played a role in supporting prices in numerous cities across the Asia-Pacific region. Notable performers such as Singapore, Sydney, Brisbane, Perth, Manila, Delhi, and Bengaluru have benefited from factors like the wealth effect, demand exceeding supply, and optimistic economic growth prospects.”

KEVIN COPPEL, MANAGING DIRECTOR, ASIA-PACIFIC

NOTABLE RECOVERY OF THE RESIDENTIAL MARKET IN APAC

In the Asia-Pacific (APAC) region, there has been a notable acceleration in price recovery, driven by peaking interest rates and declining inflation. Knight Frank’s tracking of 25 cities reveals that 21 experienced positive or stable year-on-year (YoY) growth in the second half of 2023, a significant improvement from the 14 cities in H1 2023. The price reversed from a contraction of 0.2% in H1 2023 to a 4.5% growth in H2 2023. Despite challenges such as a sharp increase in mortgage rates affecting housing affordability across markets like Hong Kong to South Korea, rebounding demand amid low supply pipeline has instilled buyer confidence, creating upward pressure on prices. While it is anticipated that the cycle of rate hikes may be concluding, uncertainties persist regarding the strength of the recovery in a higher-for-longer rate environment.

SOUTHEAST ASIA (SEA)

Singapore’s mainstream housing market defied expectations with the strongest APAC growth at 13.7% YoY. Despite a quieter sales market and reduced launches due to a challenging macro-economic environment and higher acquisition costs following cooling measures in April 2023, Singapore remains a safe haven, attracting talent and maintaining population growth. This, coupled with the wealth effect, is expected to support stable prices despite a decline in transaction volumes. In the Manila metropolitan area, prices surged by 8.6% YoY, driven by the resumption of Business Process Outsourcing (BPO) firms. This has led to an increasing number of expats returning to oversee business operations, contributing to the area’s strong performance.

AUSTRALASIA

In December 2023, the Reserve Bank of Australia (RBA) maintained its official

4.5%

Average year-on-year residential price growth in H2 2023

21

Of 25 cities monitored recorded positive annual price growth in H2 2023

Singapore

Top performing market with 13.7% YoY growth

Cautiously Optimistic

Outlooks across Asia-Pacific as rate hikes take a pause

cash rate target at 4.35%. Anticipated impacts on current mortgage holders from prior consecutive interest rate hikes have been relatively minimised. Across major Australian cities, there is a shared challenge of elevated construction costs and limited supply, resulting in an upward trajectory for property prices and rents. This trend is expected to continue into 2024, driven by sustained demand, scarce new stock, and robust immigration nationwide. With the exception of Melbourne (up by 3.2% YoY), the rest of the Australian major cities, namely Perth, Sydney, Brisbane, and Gold Coast’s mainstream residential markets, all experienced double-digit

growth in 2023, ranging between 10.8% and 12.8% YoY. Prices are expected to rise by mid-range single digits in 2024.

In New Zealand, the housing market has exhibited signs of stabilisation and has recovered some of its losses since reaching a floor in the second half of 2023. Prices in Wellington and Auckland rose by 2.75% and 0.5% YoY, respectively, reversing the trend from the earlier double-digit declines.

EAST ASIA

Despite government attempts to stabilise the real estate sector, the extended liquidity crisis is expected to weigh on the economic recovery of the Chinese mainland market. Weakness in the housing market will persist into 2024, with transaction volumes still declining which signals room for further contraction in the sector. The Chinese government is anticipated to start another round of stimulus package, although confidence in the consumer sentiment and property sector will not return any time soon. The Hong Kong residential market is facing similar challenges, including weak market sentiment, high interest rates, and a substantial inventory of unsold completed new flats. Elevated mortgage rates are impacting homebuyers' affordability, with many struggling to pass stress tests. The cautious approach of potential homebuyers, influenced by a slower-than-expected economic recovery, has contributed to a wait-and-see attitude. Tokyo and Osaka continued to see price gains as yields over debt costs still offer good spreads for investors. Seoul saw a 5.5% decline YoY due to the slowing export-oriented economy and higher borrowing costs.

SOUTH ASIA

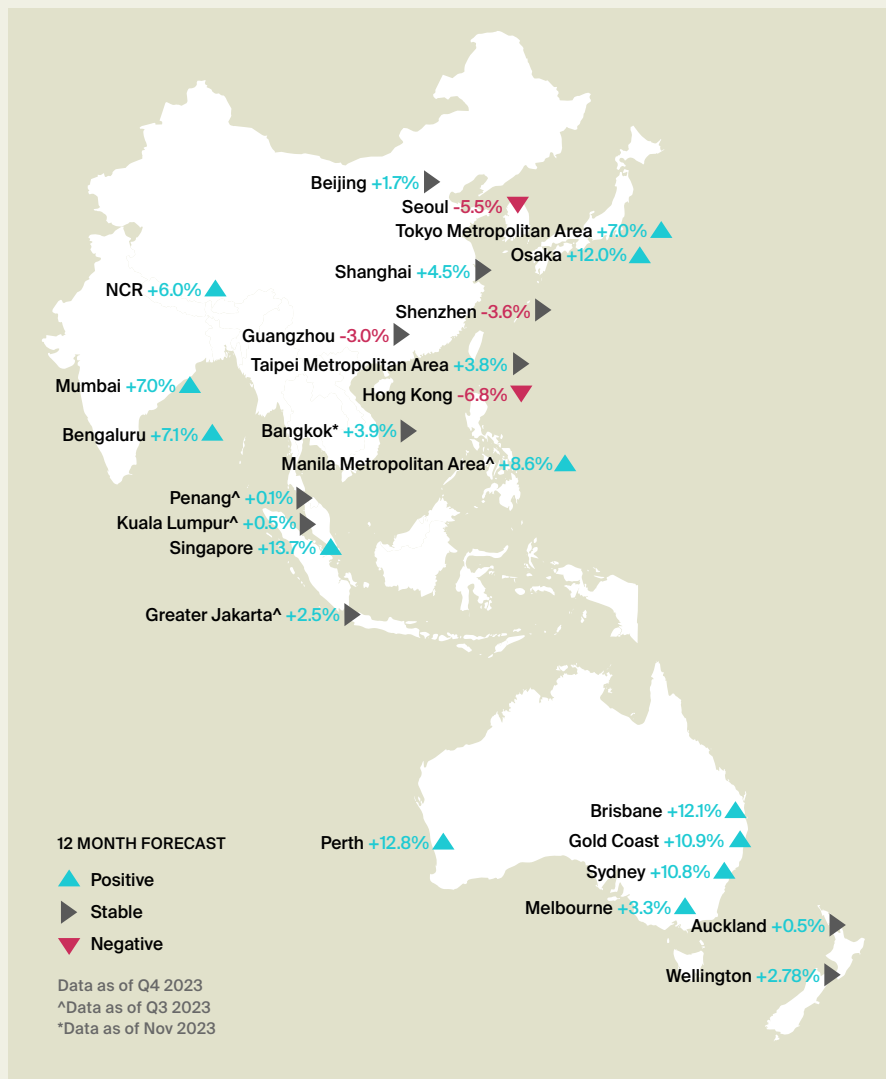
Despite higher mortgage rates and prices, the demand for residential properties across India's major cities has reached a 10-year high in 2023. The top 8 property markets experienced a 5% growth in annual sales, totalling 329,097 apartments in 2023. Mumbai led in sales with 86,871 units, showing a 2% growth. Together with NCR and Bengaluru, these three cities garnered 60% of the total sales volume across

Indian market.

The growth momentum is anticipated to continue steadily into 2024, with the potential for sustained performance in the real estate market. The expected reduction in interest rates may further support the affordable housing sector, which has been losing momentum amid changing economic conditions.

H2 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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