

Quick Stats

	Change from	
	Q3 11	Q4 10
Price	↓	↑
Rent	↓	↑

Hot Topics

- Singapore introduces the Additional Buyer's Stamp Duty (ABSD) in an attempt to curb excessive inflows into real estate sector
- Rents in Bangkok rise by 1.4% q-o-q as widespread flooding causes tenants in affected areas to rent condominiums in the city centre with high rents
- Access to capital remains a challenge for both developers and home buyers, particularly in China and Vietnam

OVERVIEW

• Sales slow as weak sentiment prevails

The weak economic recovery in the United States, deepening Eurozone debt crisis and property cooling measures implemented by various governments across the region continued to weigh on residential buyer sentiment in Q4 2011. Buyers and investors adopted a wait-and-see strategy whilst there were signs that owners were gradually becoming more flexible towards pricing. Sales were stagnant as price expectations between buyers and sellers diverged, which caused both parties to take longer to reach agreement.

• Prices decline for second consecutive quarter

Luxury home prices continued to weaken in Q4 2011 with the CBRE Asia Luxury Residential Price Index recording a fall of 1.5% q-o-q following a decline of 0.2% in Q3 2011. Greater caution among buyers and investors amid the economic slowdown along with the persistent measures directed at cooling the housing market were the main reasons behind the decline. Declines in prices were recorded in seven out of the ten markets tracked, led by Hong Kong which was down by 5.4% q-o-q.

• Rents fall as leasing demand fades

The CBRE Asia Luxury Residential Rental Index fell by 2.0% q-o-q in Q4 2011, marking the first q-o-q decline witnessed since the market rebound began in mid-2010. Hong Kong headed the decline with a fall of 7.0% q-o-q as expatriate leasing demand weakened amid the deteriorating global economy. Rents in Beijing, Shanghai and Guangzhou continued to rise, however, as potential buyers were forced into the leasing market by ongoing purchase restrictions.

• Markets likely continue to weaken in the months ahead

Transaction volume and prices are expected to soften further in the months ahead with developers particularly in China offering price discounts and launching cheaper units. Prices in Hong Kong and Singapore are also expected to moderate as a result of subdued investor interest and the tighter credit environment. Rents across Asia are likely to weaken further as multinationals cut back on hiring, which could affect the flow of expatriates to the region.

Asia Luxury Residential Price and Rent

Region/country	City *	Local currency/measure (LCM)	Average Prices			Average Rents		
			LCM	US\$ p.sq.ft.	q-o-q (%)	LCM pm	US\$ p.sq.ft.pm	q-o-q (%)
Greater China	Beijing	RMB p.sq.m.	55,227	814.5	-0.1	118	1.7	2.1
	Shanghai	RMB p.sq.m.	59,140	872.2	0.2	149	2.2	0.4
	Guangzhou	RMB p.sq.m.	31,500	464.5	0.5	83	1.2	4.3
	Hong Kong	HK\$ p.sq.ft.	21,853	2,814.4	-5.4	49	6.4	-7.0
Singapore	Singapore	S\$ p.sq.ft.	2,780	2,144.2	-0.7	5	3.9	-1.9
Thailand	Bangkok	THB p.sq.m.	115,755	342.7	0.0	393	1.2	1.4
Vietnam	Ho Chi Minh City	US\$ p.sq.m.	4,183	388.6	-1.1	16	1.5	-11.7
Malaysia	Kuala Lumpur	RM p.sq.ft.	747	235.5	0.0	3	1.1	-1.6

Note: Refers to luxury residential apartment/condominium units.

(*) The following markets are quoted on a gross floor area basis: Beijing, Shanghai, Guangzhou, Hong Kong, and Kuala Lumpur. Others are quoted on a net floor area basis.

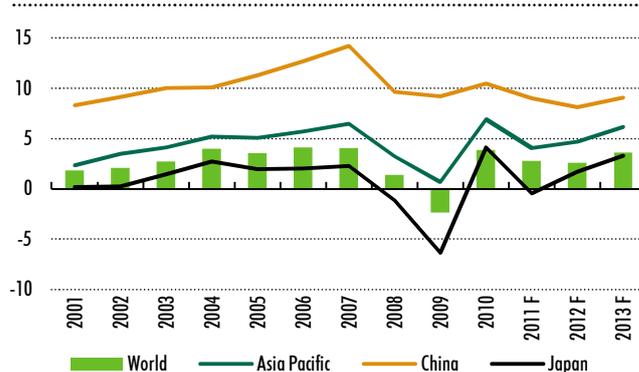
ECONOMIC UPDATE AND POLICY WATCH

Economic growth in Asia Pacific continued to moderate in Q4 2011, primarily due to softening global import demand and the short-term decline of industrial production under the impact of severe flooding in Thailand and the lingering effect of the March earthquake and tsunami in Japan. In China, authorities cut the bank reserve ratio for the first time in three years in an attempt to help buoy the slowing economy, whilst a halt in housing price growth helped alleviate some concerns over a potential hard landing. The regional labour market began to show signs of stress, with companies in the financial sector retrenching staff in Singapore and Hong Kong, whilst employment growth within the manufacturing sector in Southeast Asia began to slow. The fragile recovery in the United States together with the ongoing Eurozone debt crisis remained a major concern.

The property lending environment in Asia remained tight and purchasing activity continued to be inhibited by households' restricted access to mortgage loans. During the period the Central bank of Malaysia instructed local banks to evaluate borrowers' net income when they apply for loans as opposed to gross income, a move which will result in more stringent loan approvals and reduce the amount of money households will be able to borrow for mortgages. Bank financing for local developers in China and Vietnam remained tight, prompting them to search for alternative sources of funding, even at a higher cost of borrowing. At the same time, weak sales put many developers under additional financial strain, forcing them to cut prices to generate sales.

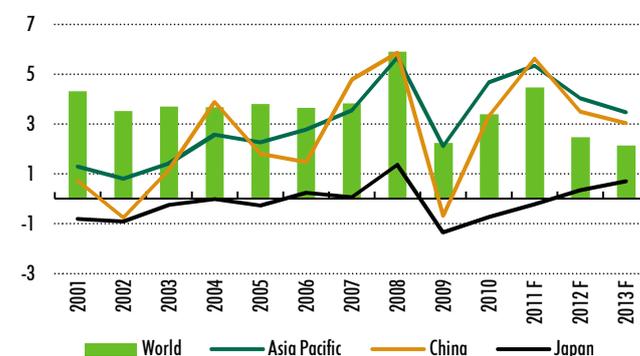
During the quarter Singapore introduced the Additional Buyer's Stamp Duty (ABSD) in an attempt to curb excessive inflows into real estate sector. The measure is expected to gradually affect prices and sales volume in the luxury and prime segments of the market. In Korea the Seoul city government relaxed its stance by lowering capital gains taxes for multiple homeowners and easing regulations on apartment redevelopment in several southern areas of the city in an attempt to stimulate the market. Authorities in China and Hong Kong kept existing policies in place.

Real GDP Growth (% , y-o-y)



Source: Oxford Economics

Inflation rate (% , y-o-y)



Source: Oxford Economics

Typical Mortgage Rate (%)

Market	Dec 2011	Sep 2011	Q-o-Q (bps)
China	7.22	7.22	-
Hong Kong	2.97	2.78	19
Singapore	2.08	1.87	21
Kuala Lumpur	4.20	4.20	-
Bangkok	6.38	6.38	-
HCMC	20.50	21.50	-100
South Korea	5.01	4.97	4

The mortgage rate quoted above is indicative only and varies from bank to bank
Source: Local lenders

Property measures introduced during Q4 2011

Market	Measures	Impact
China	<ul style="list-style-type: none"> No significant new measures 	
Hong Kong	<ul style="list-style-type: none"> No significant new measures 	
Singapore	<ul style="list-style-type: none"> Introduced an Additional Buyer's Stamp Duty (ABSD) of 10% to be paid by foreign buyers and 3.0% to be paid by citizens who already own two or more residential properties 	<ul style="list-style-type: none"> Sales volume moderated Foreign purchases dried up
Malaysia	<ul style="list-style-type: none"> Bank Negara Malaysia revised lending guidelines to require banks to calculate the debt service ratio for loans by using net income (minus tax, employees provident fund and social security payments) instead of gross income 	<ul style="list-style-type: none"> Households found it more difficult to obtain loan approvals Slower launch and take-up of more affordable properties
South Korea	<ul style="list-style-type: none"> Lowered capital gains tax on home transactions for multiple homeowners Eased regulations on apartment redevelopment in three districts of Seoul which had witnessed speculative activity 	<ul style="list-style-type: none"> Yet to be seen Expected to result in a slight recovery in investment demand for property

PRICES

Luxury home prices continued to weaken in Q4 2011 with the CBRE Asia Luxury Residential Price Index recording a fall of 1.5% q-o-q following a decline of 0.2% in Q3 2011. Greater caution among buyers and investors amid the economic slowdown along with the implementation of persistent measures directed at cooling the housing market were the main reasons behind the decline. Declines in prices were recorded in seven out of the ten markets tracked, led by Hong Kong which was down by 5.4% q-o-q, followed by Ho Chi Minh City down 1.1% q-o-q and Singapore down 1.8% q-o-q. Shanghai and Guangzhou also saw a weaker growth as a result of shrinking demand, whilst prices in Beijing edged down by 0.1% q-o-q mainly due to several new projects being listed for sale with slightly lower prices.

RENTS

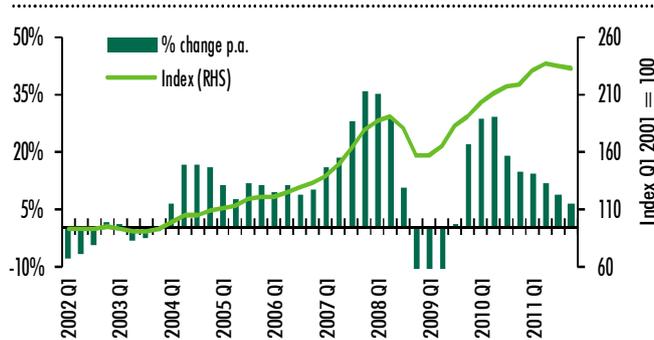
The CBRE Asia Luxury Residential Rental Index weakened by 2.0% q-o-q in Q4 2011, marking the first q-o-q fall recorded since the rebound began in mid-2010. Hong Kong declined by 7.0% q-o-q as expatriate leasing demand weakened amid the deteriorating global economy. The markets to record increases were Beijing, Shanghai and Guangzhou with increases ranging from 0.4% to 4.3% q-o-q. Rents in Bangkok rose by 1.4% q-o-q as floods caused tenants in affected areas to rent condominiums in the city centre with high rents, whilst in China potential buyers were forced into the leasing market by the ongoing purchase restrictions.

MARKET OUTLOOK

Deepening concerns over the impact of the Eurozone debt crisis and the fragile economic recovery in the U.S. point to a cautious outlook for Asian residential property markets in 2012. In the luxury segment the near term prospects will be affected by the continued tightening of bank credit, property developers' weak cash flow and buyers' expectations that prices will fall further. Buyers and investors are likely to adopt a wait-and-see strategy whilst sellers could become more flexible towards pricing. Sales are expected to remain stagnant as price expectations between buyers and sellers diverge, which will cause both parties to take longer to reach agreement.

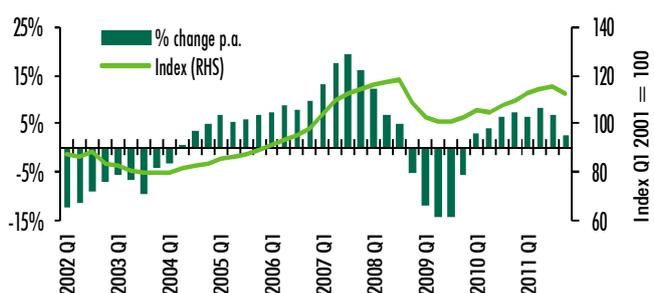
Access to capital will remain a challenge for both developers and homebuyers, particularly in China and Vietnam. Lack of finance and shrinking sales volume will put further financial pressure on developers, some of which may slash prices in order to stimulate sales. Authorities are expected to keep existing tightening measures on the housing market in place and adjust policies when necessary. Multinationals will exercise greater financial restraint towards expatriate packages and leasing demand from this portion of the market is expected to moderate further.

Asia Luxury Residential Price Index



Source: CBRE Research

Asia Luxury Residential Rental Index



Source: CBRE Research

Selected Luxury Residential Completions Q4 2011

City	District	Property	No. of units
Beijing	Chaoyang	Sun Star City Ph3	3,462
Shanghai	Putuo	Central Mansion	284
Shanghai	Putuo	Central Garden	227
Shanghai	Zhabei	Rich Garden	288
Guangzhou	Tianhe	Favorview Palace Heywood Hill	406
Guangzhou	Tianhe	The Canton Mansion	512
Hong Kong	Mid-Levels	Seymour	82
Bangkok	Ratchada-Huaykwang	Rhythm	539
Kuala Lumpur	Jalan Maarof	Gaya Bangsar	284
Kuala Lumpur	Jalan Sultan Ismail	Regalia	1,033
Kuala Lumpur	Changkat Duta Kiara	Seni Mont Kiara Ph 2	205

Source: CBRE Research

Selected Luxury Residential Development Pipeline

City	District	Property	No. of units
Beijing	Chaoyang	No.11 Mansion	125
Shanghai	Pudong	Shanghai Arch	250
Guangzhou	Liwan	R&F Eagle Lake Terrace	450
Guangzhou	Yuexiu	Canton View Bay	150
Singapore	District 1	Marina Bay Suites	221
Hong Kong	Mid-Levels	Gramercy	106
Hong Kong	Island South	Shouson Peak	31
Manila	Makati CBD	Raffles Residences	220
Kuala Lumpur	KLCC	Binjai 8	310

Source: CBRE Research

MARKET SUMMARIES



Luxury home prices in **Beijing** fell marginally by 0.1% q-o-q in Q4 2011 as sales activity remained sluggish and several units in new projects were sold at a discount. Many potential buyers have instead opted to rent homes, a trend which led to a rise in leasing demand over the period and resulted in a 2.1% q-o-q increase in rents. Just under 7,000 new units will be delivered in 2012 and this strong pipeline is likely to exert further downward pressure on prices.

Sales volume in **Shanghai** fell by 18.7% q-o-q due to the combined effect of high prices, capital gains taxes and home purchase restrictions. Price growth of luxury apartments moderated to 0.2% q-o-q as a wait-and-see mood prevailed. Potential buyers instead turned to the leasing market, where rents rose by 0.4% q-o-q. This trend is expected to persist and will continue to inhibit price growth and push up rents.

Luxury home prices growth in **Guangzhou** moderated to 0.5% q-o-q in Q4 2011 as developers were less aggressive in their asking prices. Prices are likely to trend downwards as purchase restrictions continue to inhibit buyer demand. Rents rose by 4.3%. Rental growth will continue as the current low yields could prompt landlords to raise rents amid sustained expatriate demand from Japanese auto manufacturers.

The **Hong Kong** market weakened further with prices and rents down by 5.4% and 7.0% q-o-q respectively. Potential buyers turned more cautious amid the Eurozone debt crisis, whilst the decline in rents was due to softer expatriate leasing demand. Deal volume will continue to ease going forward.

In **Singapore** the introduction of the Additional Buyer's Stamp Duty (ABSD) caused prices to ease by 0.7% q-o-q. Rents fell by 1.9% q-o-q under pressure from more new completions in prime districts. With the anticipated economic slowdown in 2012, luxury sales volume will remain thin and prices are likely to decline by 10% to 15% over the year.



The **Bangkok** condo market remained steady in Q4 2011 amid firm demand from buy-to-let investors which offset the negative impact of the flooding and ensured prices remained unchanged. Rents rose by 1.4% q-o-q as floods caused some tenants to move to city centre units with higher rents. Residential developers retained a strong appetite for development sites and land prices continued to rise.

Sales of luxury residential properties in **Seoul** fell by 50% q-o-q mainly due to the weakening economy, although the government did introduce several new stimulus measures directed at the residential market. Rents continued to soar as potential homebuyers opted to rent instead of purchase. Whilst the new measures may help shield prices from a drastic fall, their impact will be limited given the loss of confidence among buyers amid the protracted economic downturn.

Prices in **Manila** remained static over Q4 2011. Leasing demand from expatriates remained firm thanks to continued growth in the Business Process Outsourcing (BPO) sector, although rents were unchanged. Given the tight availability and negligible supply until the Raffles Residence comes on stream in Q2 2012, prices will likely rise going forward.

Residential prices in **Kuala Lumpur** remained static as the market was overshadowed by the weak external environment. Rents fell by 1.6% q-o-q as expatriate tenants preferred to lease smaller and cheaper units. New supply, particularly within the city fringes, coupled with tightening credit will lead to slower take-up and put downward pressure on prices.

Prices in **Ho Chi Minh City** fell by 1.1% q-o-q due to price discounts offered by developers. The period saw a rapid increase in supply of units originally designed for sale but offered for lease, which caused rents to fall by 11.7% q-o-q. The growing supply of units for leasing will likely exert further downward pressure on rents whilst prices will continue to soften along with weaker demand and credit tightening by banks.

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This report was prepared by CBRE's Asia Pacific Research Team, which forms part of CBRE Global Research and Consulting - a network of preeminent researchers and consultants who collaborate to provide real estate market research, econometric forecasting and consulting solutions to real estate investors and occupiers around the globe.

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