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Singapore rises as Hong Kong sinks in projected real estate price increases for 2020

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Hong Kong's plunge to the least favoured real estate investment destination in Asia next year occurred as the city's tourism and retail sectors suffer

The fortunes of two of Asia's hottest property markets are diverging. Singapore is now ranked No. 1 for real estate investment prospects in terms of price increases in 2020. Hong Kong, buffeted by months of violent anti-government protests, has plunged to the bottom of the list from 14th place in 2019.

That's according to an Urban Land Institute and PwC report released on Tuesday into property trends in the region.

The city state has benefited from an uptick in interest among investors who are avoiding China and Hong Kong, which are seen as "geopolitical flashpoints". Singapore ranked second-last in the list of 22 centres as recently as 2017, beaten out by cities including Tokyo, Bangalore and Sydney as vacancies surged and rents declined. In 2017, Hong Kong ranked 18th.

Over the past few quarters, apartment prices have rebounded in Singapore, signalling resilience in the residential market, while the office sector has largely absorbed the oversupply.

Hong Kong's struggles bode well for Singapore, at least in the short term, Urban Land Institute CEO Ed Walter said.

"A lot of theory in investing is less about what was, versus what is or what is going to be," he said.

Singapore was also one of the few markets regionally to see an increase in property transactions in the first half, with most activity driven by cross-border capital. Deals totalled US$4.9 billion in the period, up 73 per cent year-on-year, the report found.

Australia also registered a rise, with deals increasing 3 per cent to almost US$12 billion. More broadly, capital inflows into property from the US and Europe to Asia-Pacific dropped amid trade war concerns, reaching the lowest since 2012 in the second quarter.

Hong Kong's plunge to the least favoured real estate investment destination next year occurred as the city's tourism and retail sectors take a battering, impacting economic growth.

Investors scouting for deals, however, will be disappointed. Commercial and residential property owners alike will probably "opt to sit tight and wait out the storm" given they're in general not highly leveraged, the report said.

Walter described Hong Kong as a "very resilient market" aided by its high property prices.

Once the protests end, sectors such as retail can rebound quickly, he said: "The bigger issue is what happens from a political perspective and what does that signal about Hong Kong's place as a financial centre."

From a purely residential investment outlook for 2020, Ho Chi Minh City is a bright spot, according to the report, which canvassed 463 real estate executives. Bangkok, Singapore, Shenzhen and Sydney round out the top five.
Foreign developers and private-equity firms have ploughed money into Vietnam, particularly the luxury end of the market. But concerns have been raised about the sustainability of such investments as land prices soar and supply threatens to outpace demand.