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According to Knight Frank

KNIGHT Frank, the independent global property consultancy, recently launched the May 2017 issue of Asia-Pacific Residential Review, tracking cross-border residential land acquisition activity in Asia-Pacific.

The report reveals that cross-border residential land investment activity in Asia-Pacific has risen by 136.9 per cent over the last decade, hitting more than US$42 billion in 2016, compared to US$17.8 billion in 2007.

The main bulk of this cross-border capital originated from developers based in Hong Kong and mainland China, constituting 80.2 per cent of the total money spent on acquiring overseas residential lands within Asia-Pacific. On the surface, Hong Kong developers alone are the front-runner with 74.5 per cent of the market share but in fact the most acquisitive companies have roots in the mainland.

Singapore-based developers are trailing behind Hong Kong, snapping up 7.3 per cent of the total cross-border volume as they actively pursue more overseas development opportunities. Other notable players include United States (3.2%), Japan (2.4%), Malaysia (1.7%) and United Arab Emirates (1.1%).

Trending: Growth in outbound activity by mainland Chinese developers

Developers from mainland China have been the most active cross-border residential land buyers in Asia-Pacific from 2012 to 2016. Transaction volumes were going from practically zero in 2009 to more than US$2.5 billion in 2016.

From 2012 to 2016, the favourite destinations for the Chinese developers was Australia (36.5%) along with other key markets including Hong Kong (23.7%), Malaysia (19.7%) and Singapore (15.4%).

"Following the flurry of cooling measures introduced in major Chinese cities and the recently enforced capital controls, we expect Chinese developers to put more money into Hong Kong and smaller Tier-3 Chinese cities this year. Evidently, we saw that in the first quarter of 2017 alone, Chinese developers invested over US$5.1 billion in the region, with more than US$4.9 billion or 95 per cent concentrated in Hong Kong", said Nicholas Holt, Head of Research for Asia-Pacific.

Cross-border investment activities continue to rise

Over the ten-year period between 2007 and 2016, Asia-Pacific developers demonstrated a strong preference for opportunities within their home region. Close to a total of US$2.1 trillion (including both cross-border and domestic deals) was invested in Asia-Pacific residential land sites.

Approximately 11 per cent, amounting to US$230 billion, originated from cross-border deals. Looking at these cross-border deals, Asia-Pacific developers made up 94 per cent of the buying activity for sites within Asia-Pacific and invested merely US$6 billion in residential land sites in Europe, the Americas and Africa.

Cross-border investment activity in Asia-Pacific continued to rise in Q1 2017, with close to US$10 billion in cross-border investments being recorded, representing 15.2 per cent of the total sales volume in that quarter — the highest Q1 figure ever recorded since at least 2007.

"The increasingly globalised nature of Asia-Pacific's development markets will spread from the gateway cities to more secondary and niche opportunities, as land in some of the major cities becomes more scarce and developers become more familiar with these untapped markets.

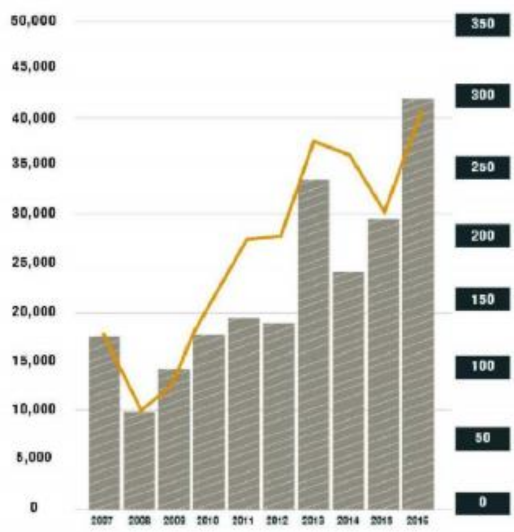
"Along with the Chinese, Singaporean and Hong Kong players, we expect other developer nationalities — who up to now have not yet significantly ventured into offshore markets — begin to become more active, as diversification, brand building and the potential to ride out downswings in domestic markets encourage this outbound trend", explained Holt.

"As one of the top five overseas investment destination for residential land in Asia Pacific from 2012 to 2016, Malaysia was ranked 4th with a growth of US$1.4 billion investment in 2015.

"The general outlook for Malaysia property market is still lacklustre but the market is improving. Given the favourable foreign residency scheme, lower cost of living, strong economic potential and weak Ringgit, Malaysia continues to attract more international investors.

"About 35 per cent of residential land transactions were carried out by foreign buyers in the last 5 years, of which the majority were from mainland China. One of the top destinations for Chinese developers is Johor – where barren ground and reclaimed lands are being developed into high-rise luxury apartments", highlighted Sarkunan Subramaniam, Managing Director of Knight Frank Malaysia.

Cross-Border Residential Land Acquisitions in Asia-Pacific



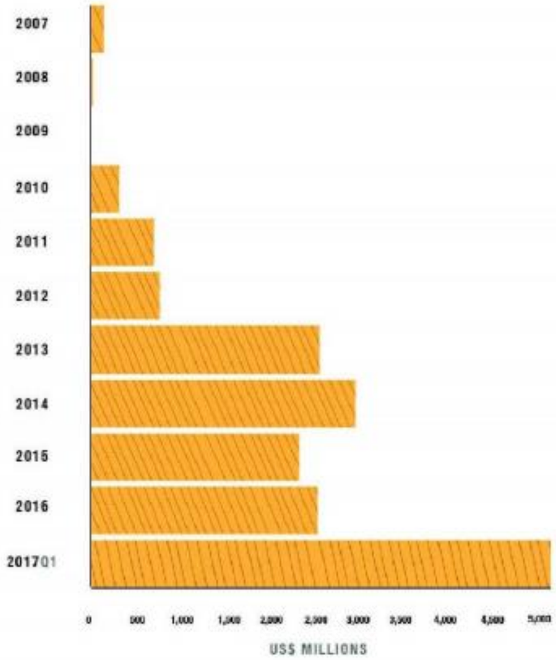
Volume in US$ millions (LHS)

No.of sites acquired (RHS)

Note: Non-local deals between Hong Kong and China are classified as cross-border for analysis purpose

Source : Real Capital Analytics, Knight Frank Research

The Growing Wave of Chinese Capital



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