

Asian property bulls shrug off bubble talk

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SINGAPORE: "Bubble" may be the word on everyone's lips when talking about spiralling housing prices in China, Hong Kong and Singapore, but contrarians believe these fears are overblown and prices have yet to peak.

They point to savings-heavy Asia, a preference for bricks and mortar, low interest rates and a faster-than-expected recovery in Asian economies, led by China.

"We're not near any bubble territory. Such rapid upward moves have simply illustrated the resilience of Asian households and companies," said Frankie Lee, who manages around US\$800 million (US\$1 = RM3.53) as head of property equities for Asia at Henderson Global Investors.

Fears of overheating in these markets have been fanned by media reports of huge crowds at property launches snapping up residential units the minute they are launched and the availability of easy credit in these centres.

"Act now to prevent a housing bubble", read one headline in Singapore's Straits Times newspaper yesterday, calling for banks to tighten lending terms.

Henderson's Lee said property prices would continue to rise in the next one or two quarters, but less sharply, as the nascent economic recovery takes hold and boosts employment in these cities.

Bubble contrarians say housing prices, especially in Singapore and Hong Kong, remain affordable to their cash-rich citizens, even after the recent sharp gains.

Tan Chin Keong, real estate analyst with UBS Wealth Management in Singapore, notes a typical Hong Kong homebuyer would have to set aside about 35 per cent of monthly income to service a mortgage at current prices, down from 70 per cent a decade ago.

In Singapore, household debt is around 15 per cent of total assets, while cash holdings alone exceed the total amount of borrowings, Tan said, citing central bank figures.

Mortgage rates in Hong Kong and Singapore have also been falling in recent months and are at or near all-time lows, due to loose monetary policies and fierce competition among banks.

Hong Kong's residential prices have risen by more than a fifth this year, helped by a lack of new supply and low mortgage rates.

In Singapore, residential sales hit new record highs in June and July, helped by low interest rates and increased confidence about the local economy.

Chinese homebuyers are also flush with cash, analysts say.

Lee Wee Liat, China property analyst at Nomura, says feedback from developers indicates that around 30 per cent of homebuyers paid for their property in cash, while those who borrowed typically took loans of 50 to 60 per cent of the property value.

Still, market bears continue to warn that China's housing prices may begin to ease and could reverse early next year as supply catches up and demand wanes.

The National Development and Reform Commission, China's top economic planning agency, noted in a report to the country's State Council, or Cabinet, that "housing prices in some cities are rising overly fast", a strong indication Beijing has grown uneasy about the increases and may step in to cool the market down.

Chinese residential property prices shot up in March and the month-on-month growth has been accelerating through July.

Property consultancy DTZ cautioned clients not to be caught up in the current euphoria over Asian residential property, saying market bulls were looking at just one to two months of data and calling it a trend.

"Prices may come off a bit until we see a more sustained economic recovery, both in the region and globally," said David Green-Morgan, Asia-Pacific research director at DTZ. Market bulls noted that the rally in home prices has helped property stocks outperform their respective markets.

In Hong Kong, the HSI-Properties Index is up 49 per cent year-to-date, outperforming the 37 per cent advance on the main index. In Singapore, property stocks have gained 57 per cent, against a 50 per cent rise in the benchmark index. The outlook on China property stocks is mixed due to uncertainty about the sort of measures authorities are likely to implement in a bid to cool the market as well as differing views about the quality of the firms' landbank. - Reuters