



April 2021: Hong Kong Residential Monitor

Rents stabilize as housing sentiment maintains positive trajectory

- Confidence Index rises to highest level since April 2019
- Prices seen to have risen, expected to continue to rise over the next year as sales volumes increase
- Rents stabilize, expected to pick up for the first time in two years

Hong Kong's housing market recovery continues to gain speed according to responses to the RICS-Spacious Hong Kong Residential Monitor in April 2021. The Confidence Index* (CI), shown in Chart 1, rose to +47 in April (vs +30 in March), a level not reached since April 2019.

Robust fundamentals continue to underpin the housing market's strength. Chart 4 shows the degree to which demand from prospective buyers has rebounded in recent months. New buyer enquiries have risen from a net balance of -29% as recently as November to a net balance of +46% in April. Meanwhile, Chart 6 shows that demand from both owner-occupiers and investors is increasing, while Chart 4 shows that demand from residents of mainland China has stabilized to a degree. The increase in demand is also being observed across all three of Hong Kong's regions tracked by this survey (New Territories, Kowloon, Hong Kong Island). Finally, although the supply of properties for sale continues to rise, in net balance terms this appears to be doing so at a slower pace than demand is increasing.

Given these supply-demand dynamics, it is perhaps unsurprising that a majority of respondents noted that home prices increased over the past three months (72% in April, 65% in March). As can be seen in Chart 2, prices were seen increasing slightly faster in April than in March. This equates to roughly a 1.9% observed increase in house prices in the February-April period (vs a 1.1% observed increase in the January-March period).

The run of strength is expected to continue in the near-term. Chart 7 shows that prices are expected to continue to rise over the next three months. In net balance terms, respondents are expecting a quicker pace of increase in April (+46%) than they were in March (+26%). Given that the number of homes hitting the market is seen to be increasing, sales volumes are also expected to rise over this period.

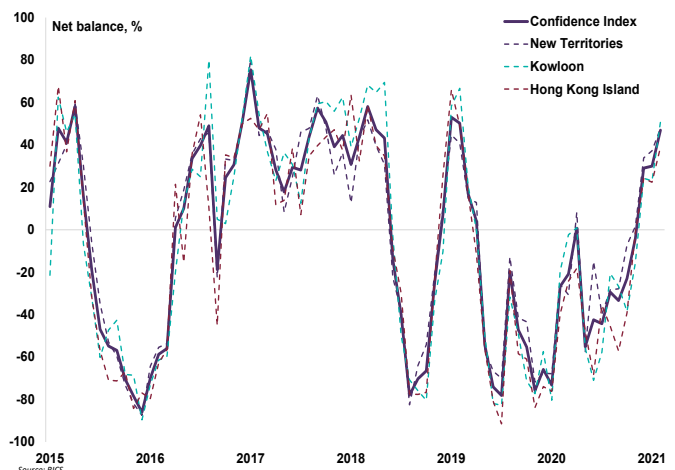
Survey participants were significantly more optimistic in their longer-term outlook for the sales market as well. This may in part be fuelled by a modest easing of credit conditions expected over the next year (although they remain tight at the moment). Aggregate 12-month price expectations jumped from +2.1% in the March survey to +4.5% in April. As

can be seen in Chart 8, the outlook strengthened for each region of Hong Kong.

Similarly, Chart 10 shows that sales volumes are expected to rise 5.3% over the next year (vs 3.2% expected in March). Price growth is expected to average 2.5% annually from 2022-2025, up from the 1.8% expected in the March survey. Some respondents sounded a note of caution, however, commenting that risks, including that from COVID as well as domestic and foreign policy, still lurk on the horizon. This is an indication that market expectations may be heavily leveraged on policy moving forward.

The rental market is also showing signs of recovery. Rents were seen to be little changed over the past three months after a slight decline observed in March (Chart 3). And, although tenant demand and the supply of properties to rent diverged somewhat in April (Chart 5), Chart 7 shows that rents are expected to increase over the next three months for the first time since June 2019. The outlook for rents over the next year also shifted higher, as is evidenced by Chart 12, with aggregate rents now expected to rise 1.6%.

Chart 1: Confidence Index



*The Confidence Index is a composite measure capturing overall market momentum, encompassing variables on short-term

Chart 2: Prices - past 3 months

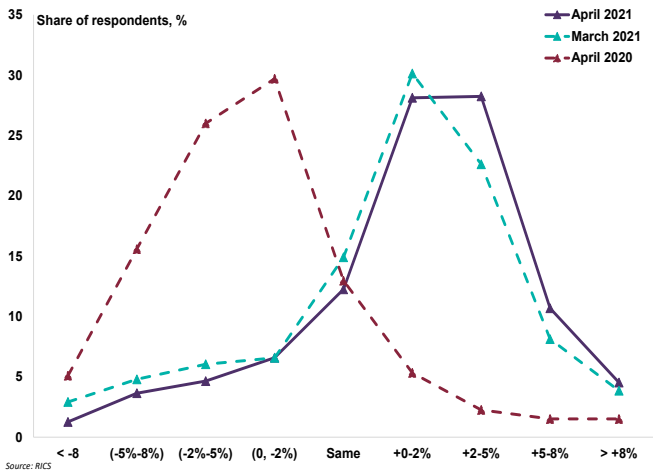


Chart 3: Rents - past 3 months

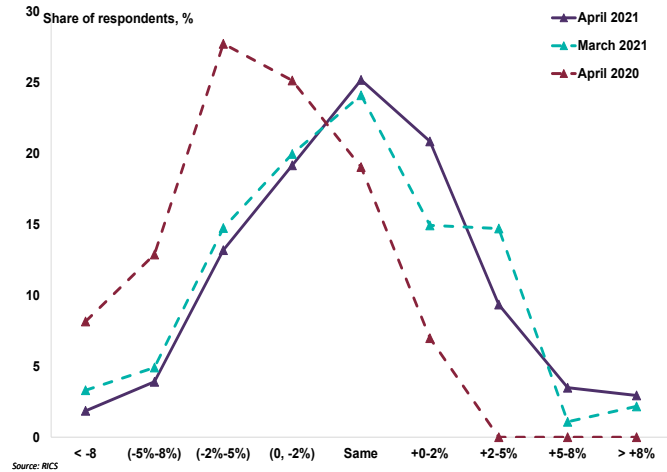


Chart 4: Buyer enquiries and instructions to sell

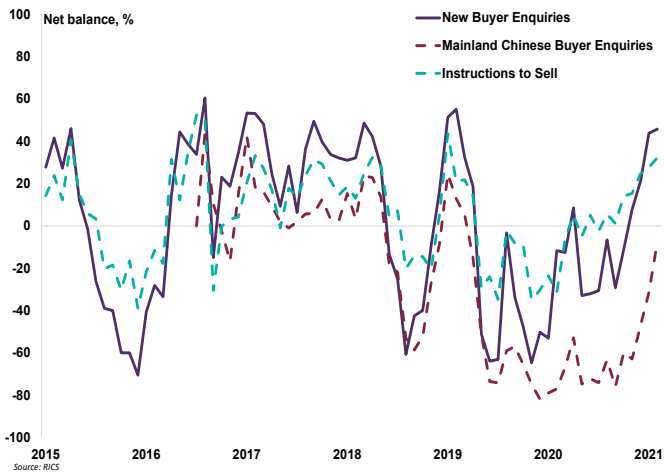


Chart 5: Tenant demand and instructions to rent

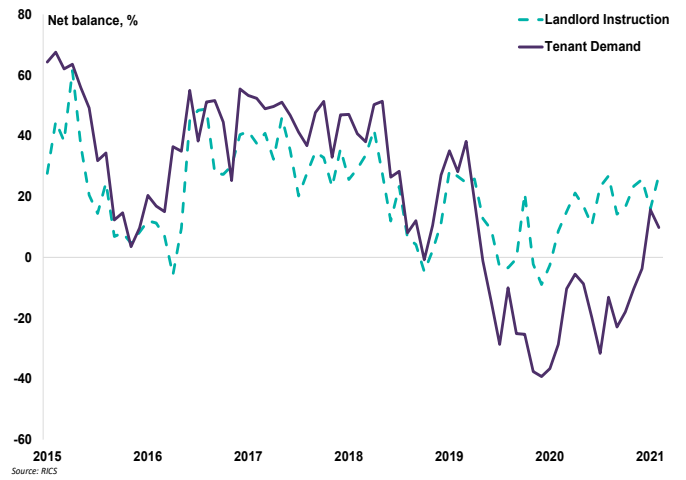


Chart 6: Buyer enquiries by type

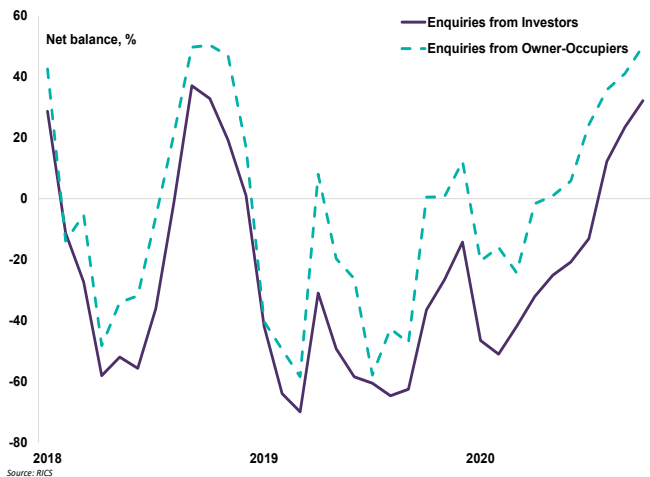


Chart 7: 3 month expectations

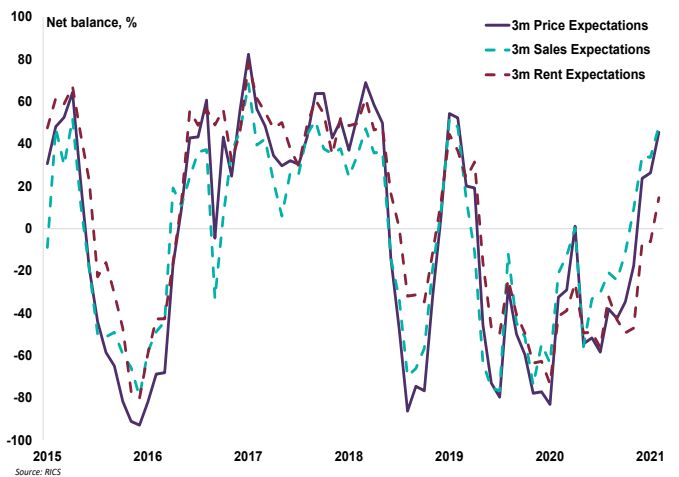
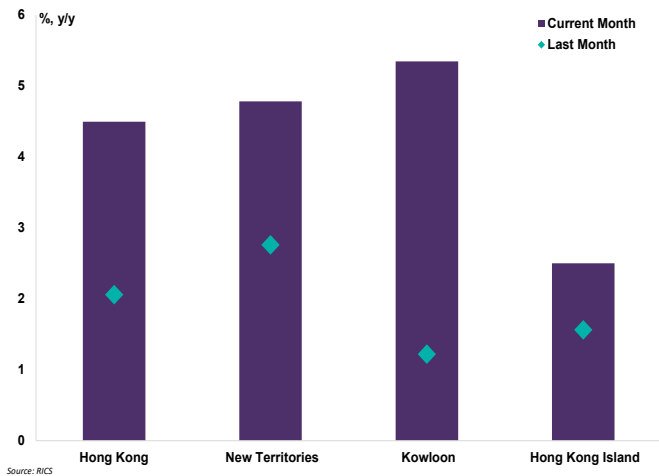
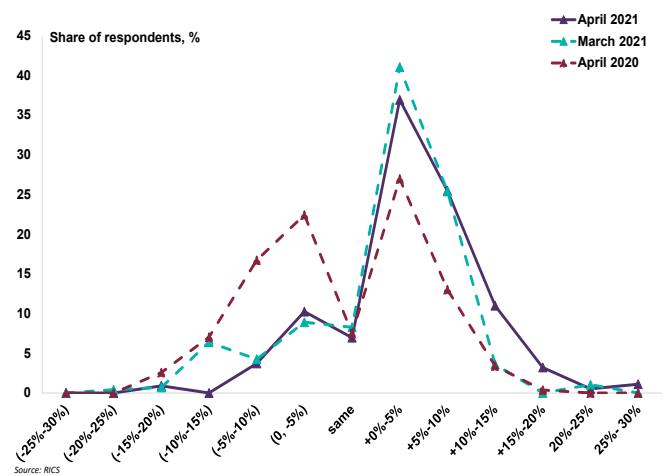


Chart 8: Price expectations - next 12 months



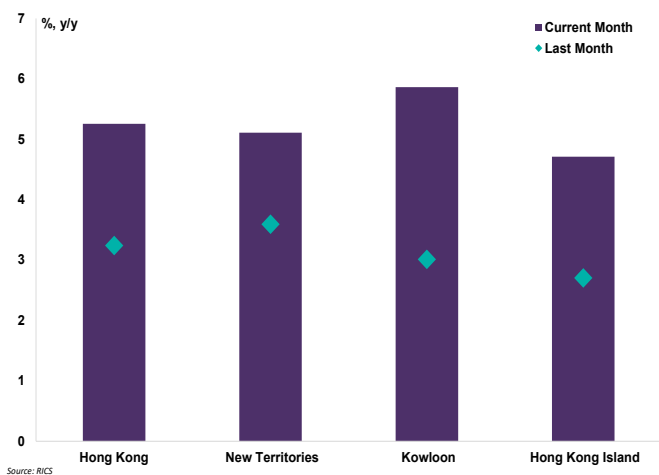
Source: RICS

Chart 9: Price distribution - next 12 months



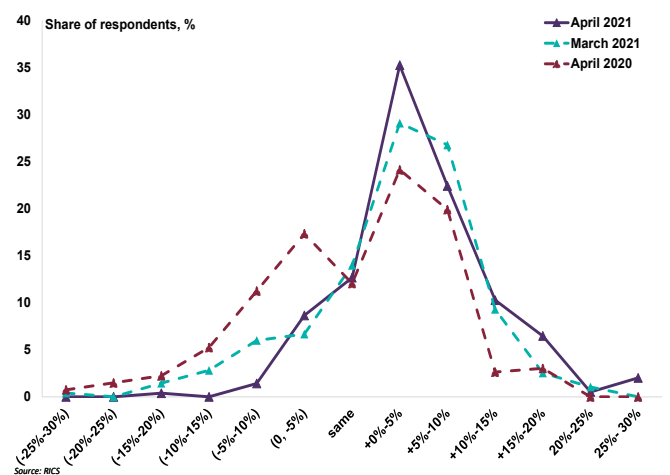
Source: RICS

Chart 10: Volume expectations - next 12 months



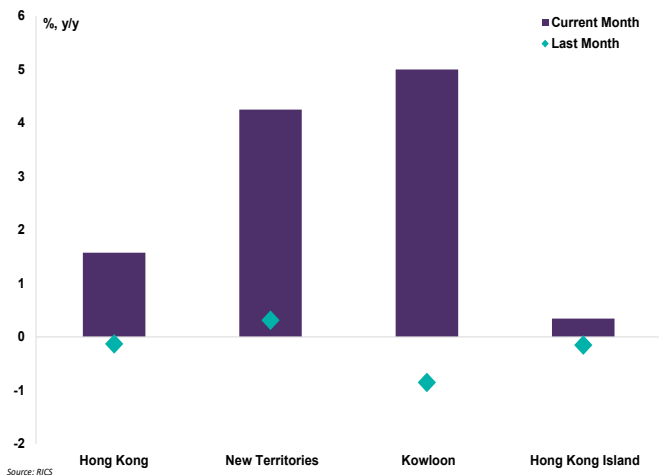
Source: RICS

Chart 11: Volume distribution - next 12 months



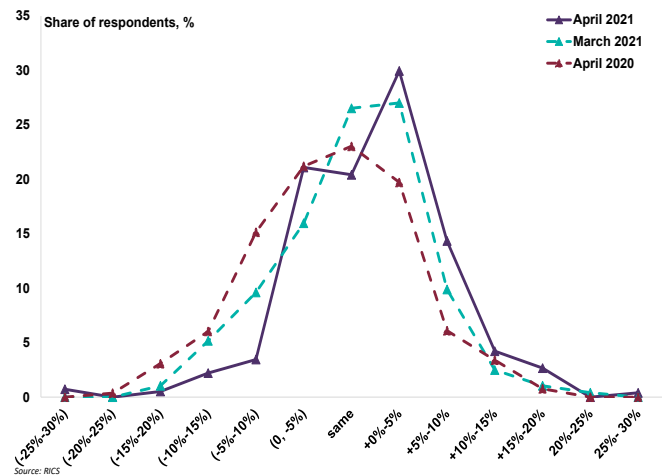
Source: RICS

Chart 12: Rent expectations - next 12 months



Source: RICS

Chart 13: Rent distribution - next 12 months



Source: RICS

Information

Hong Kong Residential Monitor:

RICS-Spacious Hong Kong Residential Monitor is a monthly guide to the trends in Hong Kong's housing market. The report is available from the RICS website www.rics.org/economics along with other surveys covering global housing, commercial and land markets, as well as construction activity.

About RICS:

RICS is a global professional body that promotes and enforces the highest professional qualifications and standards in the valuation, management and development of land, real estate, construction and infrastructure. Our name promises the consistent delivery of standards - bringing confidence to the markets we serve.

About Spacious:

Spacious is the highest quality online real estate platform in Hong Kong. Spacious is capturing data from real estate searchers and inventory holders and augmenting it with additional data sets to generate real-time, independent, and actionable insights. Spacious' vast property and demographics data can deliver valuable insights for your organization. Contact Spacious to learn more about how your organization can gain additional access to Spacious data.

Methodology:

Survey questions were sent out 20 April 2021 with responses received until 9 May 2021. National (headline) data are a regionally-weighted aggregation of three regions: New Territories, Kowloon and Hong Kong Island. Data is not seasonally adjusted.

Net balance = Proportion of respondents reporting a rise in prices minus those reporting a fall. For example, if 30% of respondents report a rise and 5% report a fall, the net balance will be 25%.

The net balance measures breadth (how widespread e.g. price falls or rises are on balance), rather than depth (the magnitude of e.g. price falls or rises). Net balance data is opinion based; it does not quantify actual changes in an underlying variable.

Therefore, a -100 reading implies that no respondents are seeing increases (or no change), and a +100 reading implies that no respondents are seeing decreases (or no change).

Survey release dates:

April Survey: 18 May 2021

May Survey: 17 June 2021

June Survey: 20 July 2021

Contact details

This publication has been produced by RICS. For all economic enquiries, including participation in the monitor please contact: economics@rics.org

Sean Ellison

RICS Senior Economist
+61 0 424 845 725
sellison@rics.org

James Fisher

Spacious COO & Head of Market Analysis and Analytics
+65 68128179
sellison@rics.org

Simon Rubinsohn

RICS Chief Economist
+44(0)20 7334 3774
srubinsohn@rics.org

Tarrant Parsons

RICS Economist
+44(0)20 7695 1585
tparsons@rics.org

Disclaimer

This document is intended as a means for debate and discussion and should not be relied on as legal or professional advice. Whilst every reasonable effort has been made to ensure the accuracy of the contents, no warranty is made with regard to that content. Data, information or any other material may not be accurate and there may be other more recent material elsewhere. RICS will have no responsibility for any errors or omissions. RICS recommends you seek professional, legal or technical advice where necessary. RICS cannot accept any liability for any loss or damage suffered by any person as a result of the editorial content, or by any person acting or refraining to act as a result of the material included.



Confidence through professional standards

RICS promotes and enforces the highest professional qualifications and standards in the valuation, development and management of land, real estate, construction and infrastructure. Our name promises the consistent delivery of standards – bringing confidence to markets and effecting positive change in the built and natural environments.

Americas

Latin America

ricsamericalatina@rics.org

North America

ricsamericas@rics.org

Asia Pacific

ASEAN

ricsasean@rics.org

Greater China (Hong Kong)

ricshk@rics.org

Greater China (Shanghai)

ricschina@rics.org

Japan

ricsjapan@rics.org

Oceania

oceania@rics.org

South Asia

ricsindia@rics.org

EMEA

Africa

ricsafrica@rics.org

Europe

ricseurope@rics.org

Ireland

ricsireland@rics.org

Middle East

ricsmiddleeast@rics.org

United Kingdom RICS HQ

contactrics@rics.org