



August 2020: Hong Kong Residential Market Survey

Housing market confidence remains negative

- Overall market confidence remains negative amid declining aggregate demand
- Some divergence between New Territories and Kowloon, Hong Kong Island
- Higher share of respondents noting sharper drops in prices, rents

Sentiment surrounding Hong Kong's housing market remains negative according to feedback from contributors to the RICS-Spacious Hong Kong Residential Market Survey in August 2020. The Confidence Index* improved slightly to -42 in August from -55 in July. However, as can be seen in Chart 1 this modest improvement hides a sharp divergence in conditions between Hong Kong's three regions. The Index fell to -71 in Kowloon and -68 in Hong Kong Island in August (vs -56 and -48 respectively in July), while the Index rose from -58 in July to -15 in August in the New Territories.

This divergence is evident throughout housing market indicators. Chart 4 shows that at a headline level, respondents noted a pullback in buyer demand in August at a similar level to what was reported in July (in net balance terms). However, contributors in the New Territories reported only a very modest pullback in demand, whereas in Kowloon and Hong Kong Island demand was seen to contract at the fastest pace since March.

The support from buyers in the New Territories appeared to come from owner occupiers, which was flat in net balance terms. A more acute contraction was observed by respondents in Kowloon and Hong Kong Island. Meanwhile, demand from investors continued to contract sharply across all three regions. Survey participants also reported a tightening of credit conditions for the fourteenth consecutive month. Credit conditions are expected to continue to deteriorate over the next twelve months.

Against this backdrop, respondents noted the fastest deterioration in prices since April. As can be seen in Chart 2, 10% of respondents noted that headline house prices had declined by more than 8% over the past three months. This was primarily driven by Kowloon, where a third of respondents reported a greater than 8% contraction in home prices.

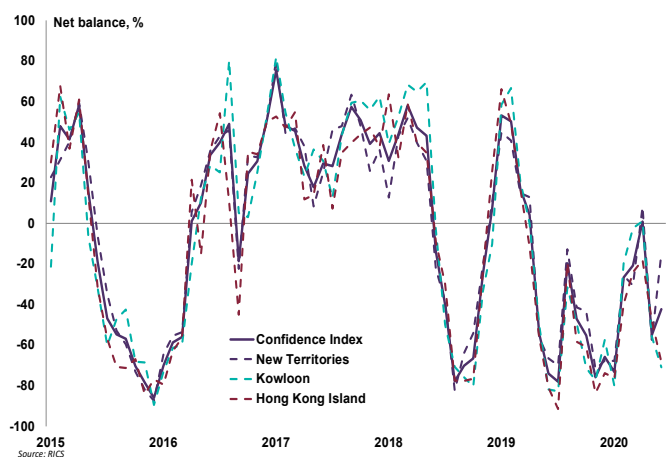
A similar dynamic was evident in the letting market. Chart 5 shows a continued contraction in tenant demand, while the supply of properties available to rent continued to rise. Similar to the sales market, however, tenant demand was unchanged in the New Territories and contracted more sharply in Kowloon and Hong Kong Island.

At a headline level, rents were also seen to have fallen at the fastest pace since April, as 15% of respondents saw rents decline by more than 8% over the past 3 months (Chart 3). Similar to other metrics, the share of respondents noting a greater than 8% decline in rents was higher in Kowloon (31%) and Hong Kong Island (21%) than it was in the New Territories (2%).

Expectations have also diverged amongst the three regions. Chart 7 shows that prices, volumes and rents are expected to fall over the next three months. The declines in Kowloon and Hong Kong Island are expected to be much more substantial than in the New Territories.

There is even more nuance between the regions in 12-month expectations. Headline prices are expected to fall by 3.2% over the next year, little changed from what was expected in the July results. However, Chart 8 shows that twelve-month price expectations range from -8.1% in Kowloon to just -0.1% in the New Territories. Charts 10 and 12 show that a similar dynamic can be observed in volumes and sales, respectively.

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

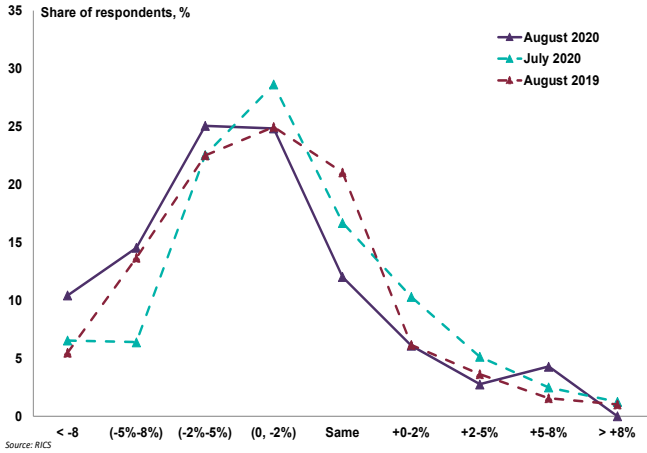


Chart 3: Rents - past 3 months

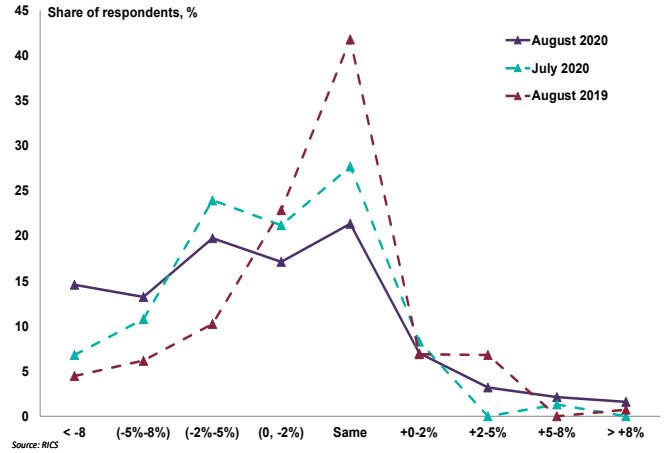


Chart 4: Buyer enquiries and instructions to sell

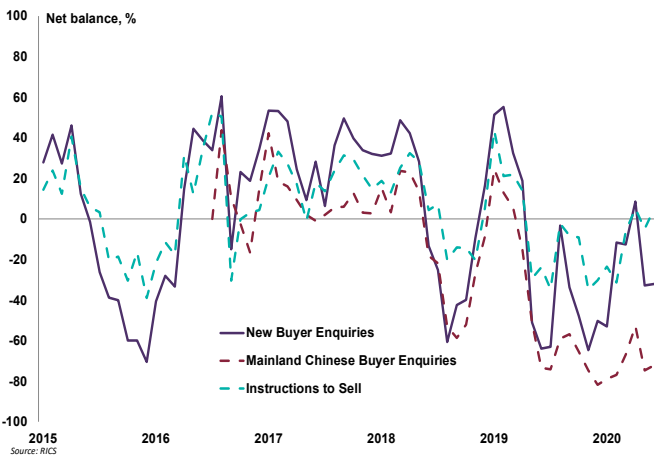


Chart 5: Tenant demand and instructions to rent

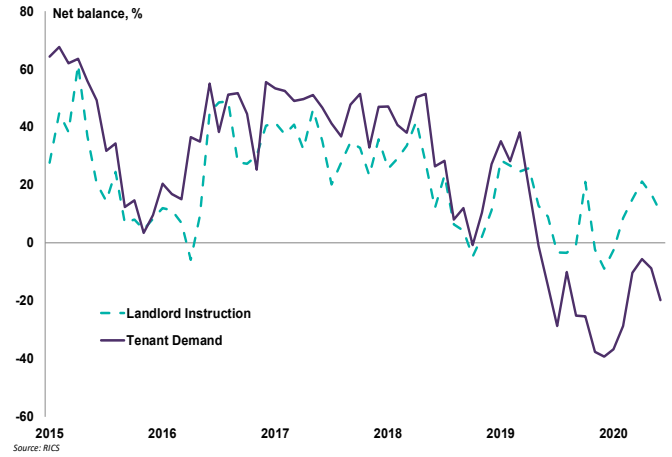


Chart 6: Buyer enquiries by type

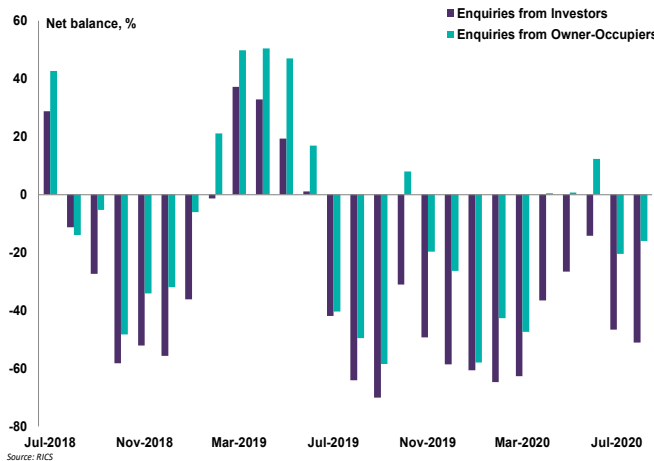


Chart 7: 3 month expectations

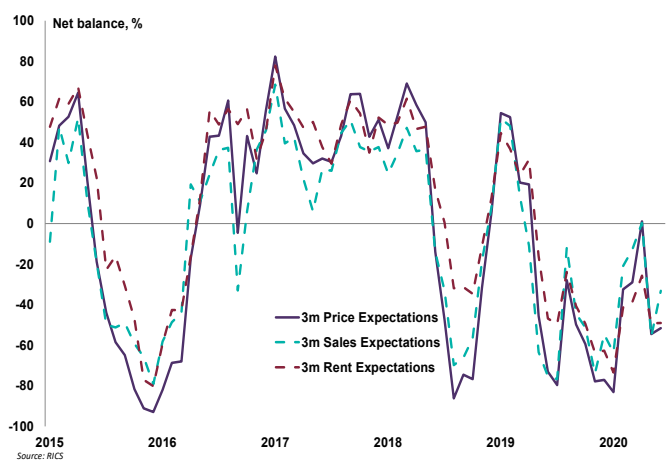


Chart 8: Price expectations - next 12 months

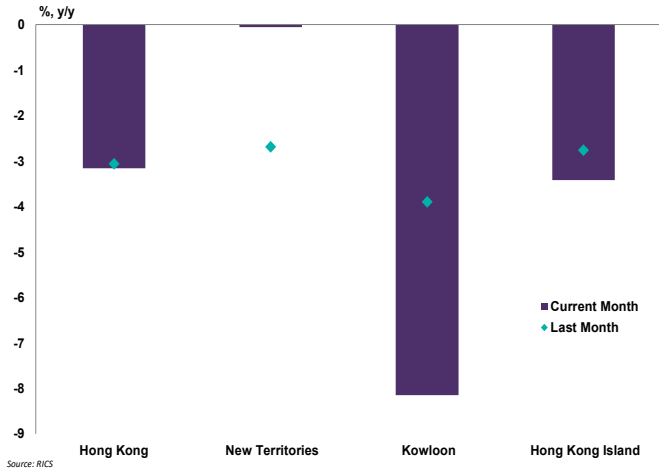


Chart 9: Price distribution - next 12 months

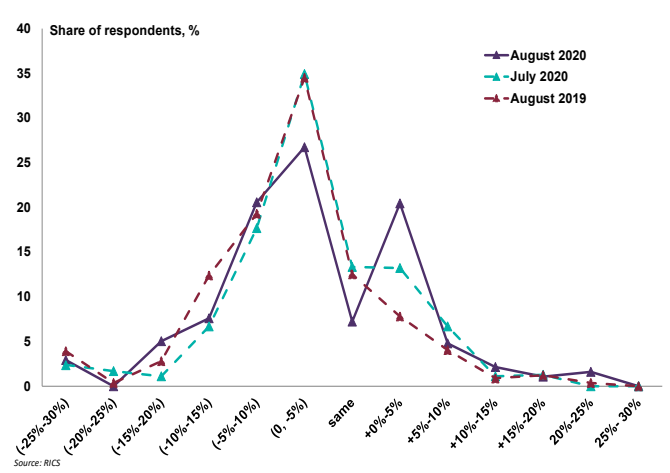


Chart 10: Volume expectations - next 12 months

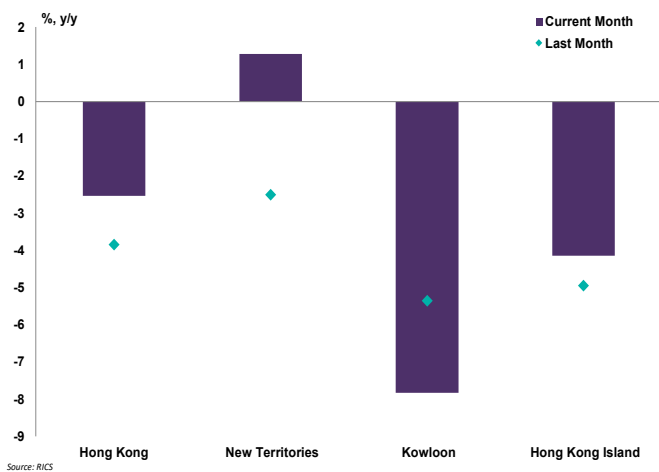


Chart 11: Volume distribution - next 12 months

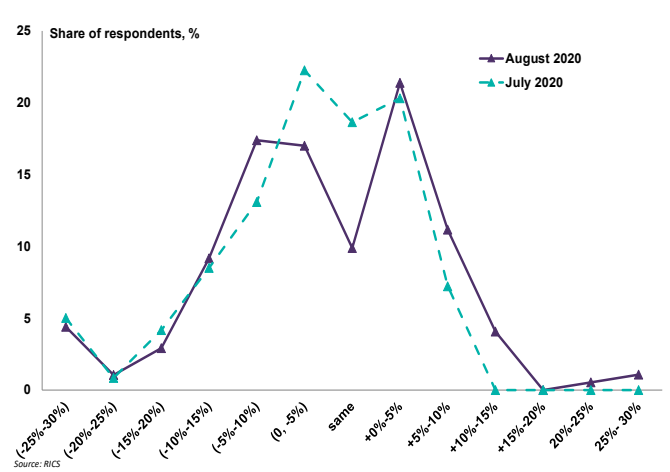


Chart 12: Rent expectations - next 12 months

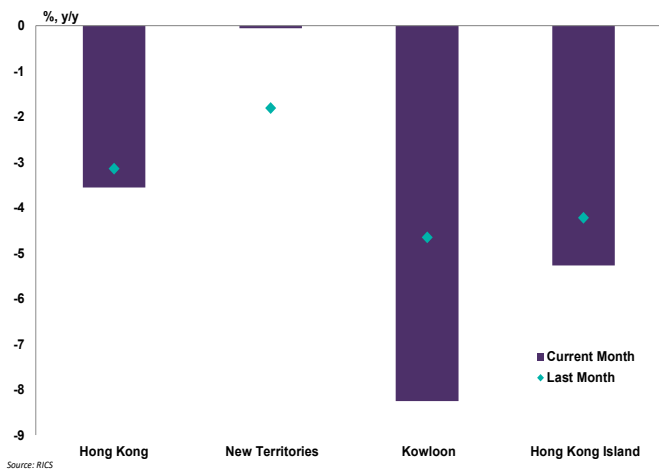
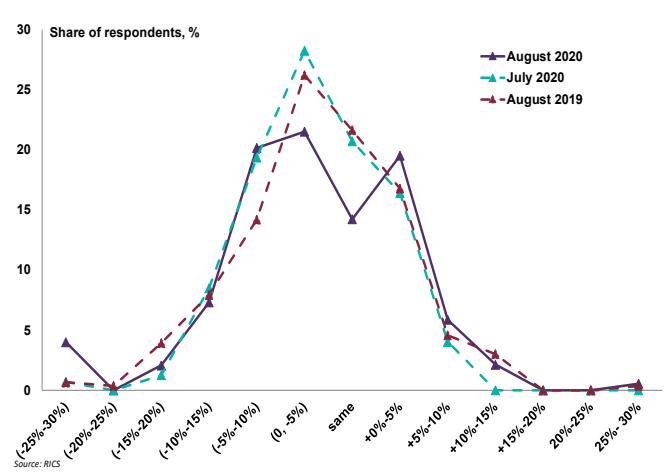


Chart 13: Rent distribution - next 12 months



Information

Hong Kong Residential Market Survey:

RICS-Spacious Hong Kong Residential Market Survey 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.

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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 21 July 2020 with responses received until 9 August 2020. 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:

September Survey: 20 October 2020

October Survey: 18 November 2020

November Survey: 17 December 2020

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

Kisa Zehra

RICS Economist
+44(0) 7695 1675
kzehra@rics.org

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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