



## December 2020: Hong Kong Residential Monitor

# Outlook for sales volumes improves while rent expectations deteriorate

- Aggregate sales volumes expected to rise nearly 1% over the next 12 months
- Rents remain under pressure amid tepid demand
- Outlook for price growth over the next five years still sluggish

Although sentiment surrounding the housing market remained negative to end 2020, data from the latest RICS-Spacious Hong Kong Residential Monitor suggests that the downside pressure may be easing. The Confidence Index\* (CI), shown in Chart 1, rose to -23 in December from -33 in November. Although a negative reading continues to indicate a contraction in market activity, -23 is the least negative return since June.

As depicted in Chart 1, the dispersion in sentiment between Hong Kong's regions appears to have widened of late. In December, the CI for the New Territories moved to -7 from -28 previously. Meanwhile, the CI for Kowloon and Hong Kong Island were significantly more negative, at -38 and -39 respectively. Of note, throughout this period, Hong Kong Island has tended to be the negative outlier, while sentiment towards Kowloon's housing market has been more volatile.

At an aggregate level, survey respondents continued to observe a contraction in prices over the previous three months. However, as can be seen in Chart 2, the share of respondents noting a fall in prices greater than 2% shrank slightly from 36% to 33%, while the share which observed some degree of price increase rose from 15% to 23%. Nevertheless, a headline net balance of 37% of respondents reported a decline in prices in Q4 2020.

Supply and demand fundamentals appear to be weighing on prices. Chart 4 shows that at an aggregate level, buyer demand declined, albeit at a more modest rate in December than in November, as demand from owner-occupiers remained stable (Chart 6). Meanwhile, the supply of properties for sale rose moderately, and demand from buyers in mainland China remained weak. Feedback also indicates that, in net balance terms, the stock of housing on realtors books increased, as did the period of time from initial listing to final sale.

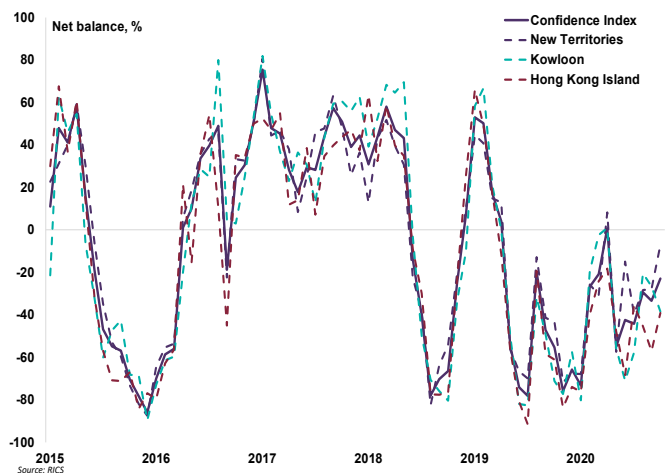
The rental market appears to be under more pressure than the sales market. A net balance of 43% of respondents noted rents have declined over the past three months. Although in net balance terms this does not differ significantly from the reported change in prices in December, Chart 3 shows that more than a fifth of respondents continue to see rents

decline more than 5% over the past three months. Moreover, rents appeared under acute pressure right throughout 2020, with between 19-33% of survey participants reporting rent declines of more than 5% in each month of the year. Chart 5 shows that in net balance terms, there was a substantial gap between the supply of rental properties and tenant demand for all of 2020.

Perhaps unsurprisingly, during the first quarter of 2021, both prices and rents are expected to decline (Chart 7). Respondents have a less pessimistic outlook for sales activity, with only a slight decline in sales volumes expected over the first three months of 2021.

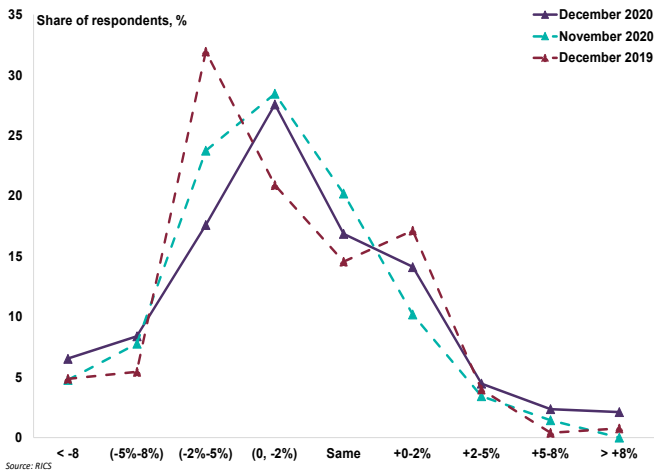
A similar dynamic is expected to play out over the next twelve months. Prices are expected to decline 1.7% throughout 2021 (Chart 8) while rents are expected to fall 2.7% over the same period (Chart 12). Meanwhile, as shown in Chart 10, sales volumes are expected to rise 0.8% over the next 12 months. Longer term expectations for prices remain stable, with annual price growth expected to average 2.3% from 2022 to 2026.

### Chart 1: Confidence Index

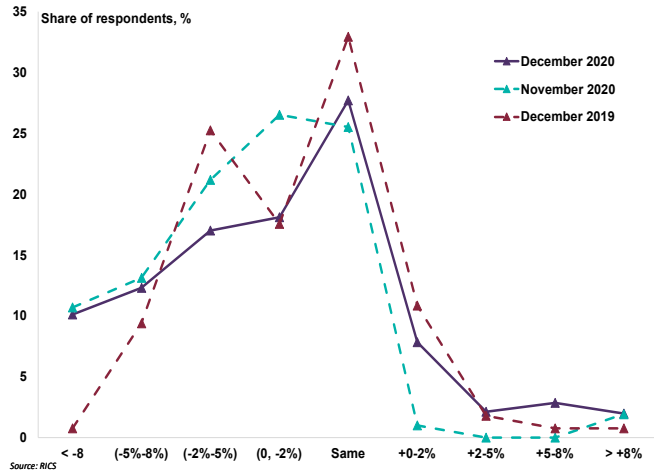


\*The Confidence Index is a composite measure capturing overall market momentum, encompassing variables on short-term

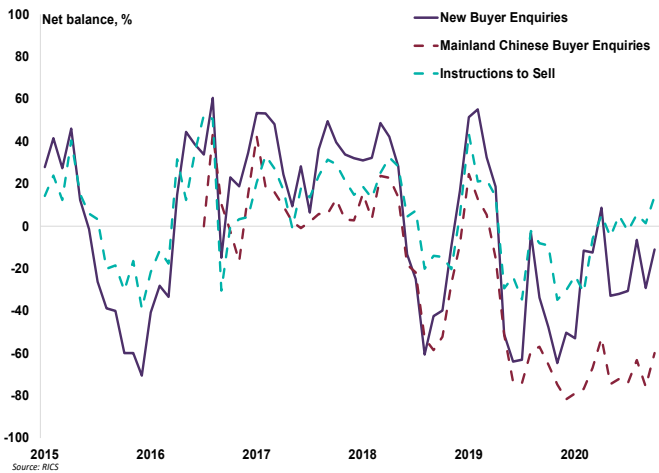
**Chart 2: Prices - past 3 months**



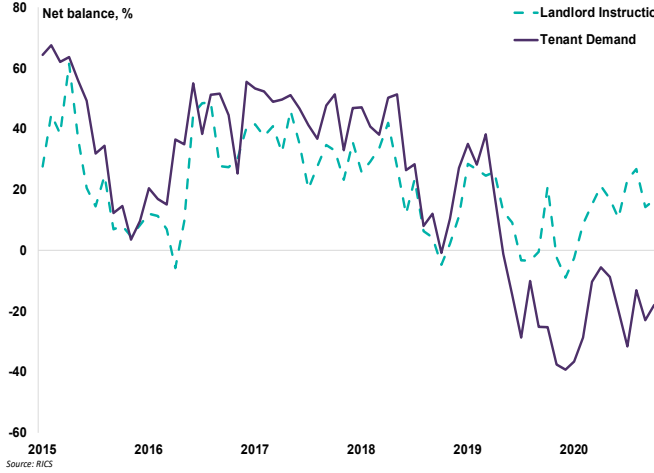
**Chart 3: Rents - past 3 months**



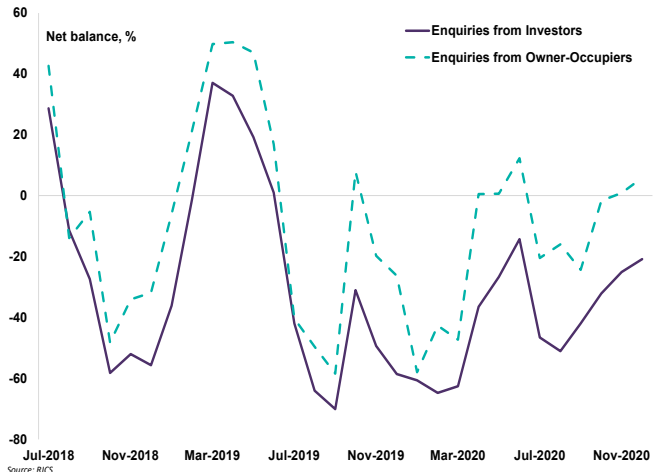
**Chart 4: Buyer enquiries and instructions to sell**



**Chart 5: Tenant demand and instructions to rent**



**Chart 6: Buyer enquiries by type**



**Chart 7: 3 month expectations**

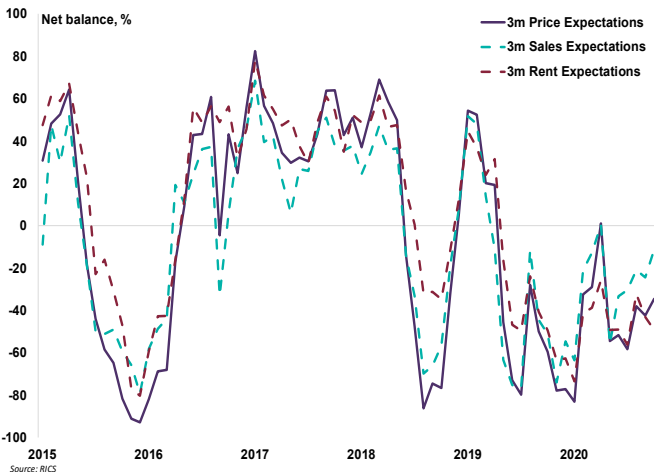
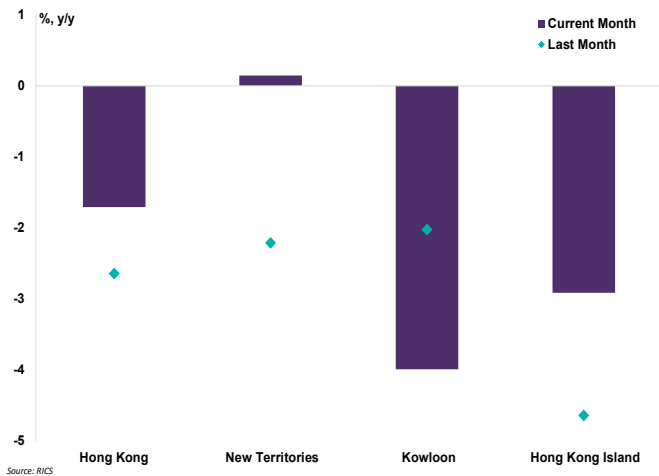
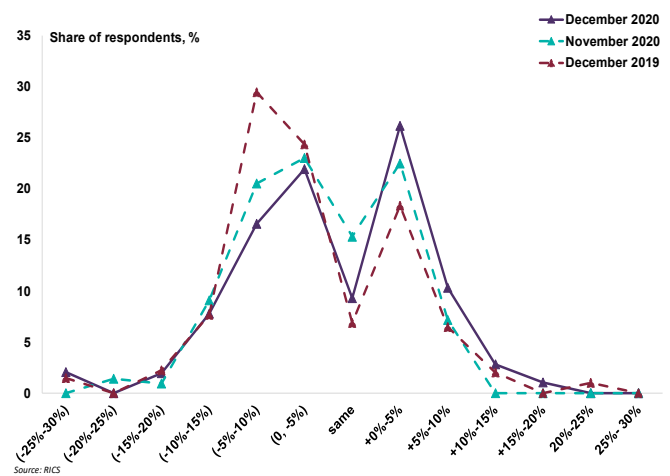


Chart 8: Price expectations - next 12 months



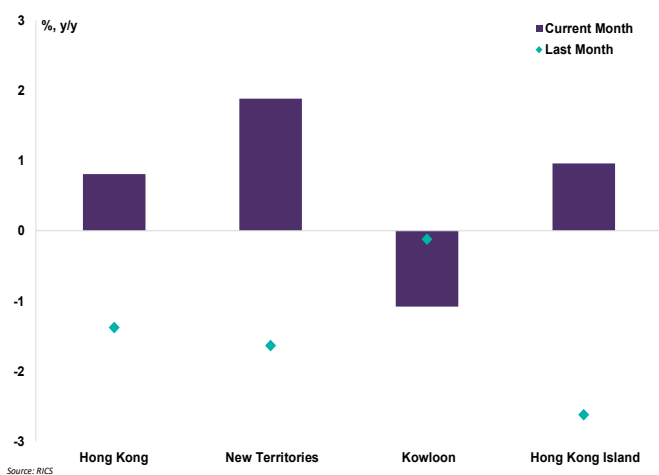
Source: RICS

Chart 9: Price distribution - next 12 months



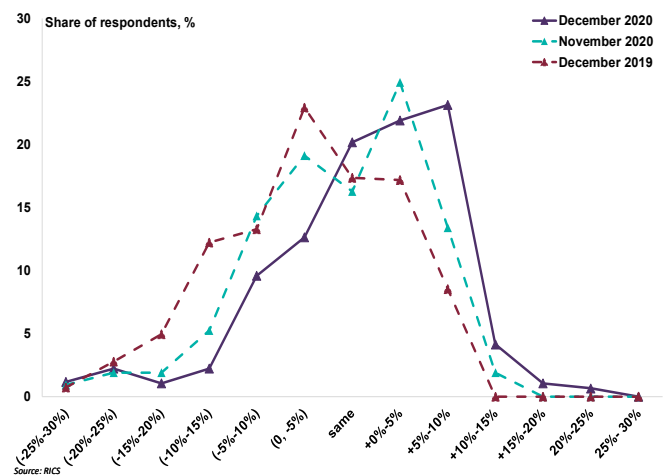
Source: RICS

Chart 10: Volume expectations - next 12 months



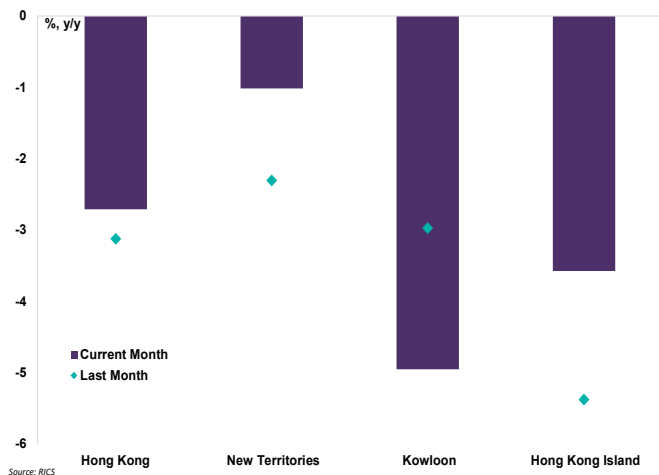
Source: RICS

Chart 11: Volume distribution - next 12 months



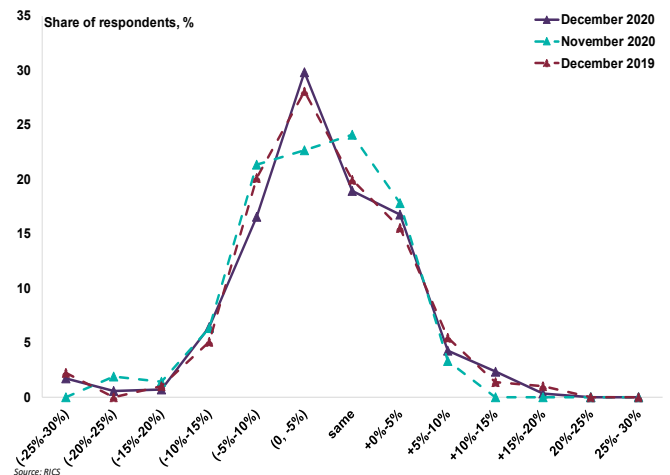
Source: RICS

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](http://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 20 October 2020 with responses received until 11 November 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:

**January Survey:** 18 February 2021

**February Survey:** 17 March 2021

**March Survey:** 20 April 2021

## Contact details

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