



## December 2021: Hong Kong Residential Monitor

# Confidence Index falls sharply

- Confidence Index slips into negative territory across all areas
- House price balance turns negative for the first time since January 2021
- Near term outlook for sales downbeat although twelve month expectations point to a flatter trend

The December 2021 RICS-Spacious Hong Kong Residential Monitor results point to a sharp deterioration in market conditions over the month. Enquiries, sales and prices all reportedly declined, while near term expectations signal a subdued trend remaining in place over the coming three months. Alongside this, the Confidence Index registered a value of -21, down from +7 previously, marking the weakest reading since November 2020.

### Agreed sales decline amid weaker demand

At the headline level, new buyer enquiries fell over the month according to a net balance of -15% of respondents. When disaggregated, both Kowloon and Hong Kong Island saw a steep drop-off in demand, while the picture was much flatter in the New Territories. Nevertheless, respondents across all areas reported a decline in agreed sales during December, with the aggregate net balance standing at -29% (down from -10% last month). Looking ahead, near-term sales expectations also weakened significantly, as the latest net balance dipped to -30% compared to a figure of +2% posted back in November. That said, at the twelve month time horizon, respondents foresee a largely flat trend, evidenced by the latest net balance sitting at +4%.

Meanwhile, the volume of new sales instructions being listed on the market continued to increase modestly through December. Indeed, the latest net balance came in at +12% which was unchanged compared to November. On the back of this, the stock of unsold homes on agent's book reportedly picked up once again (net balance +20% vs +34% last time).

### Headline price indicator turns negative

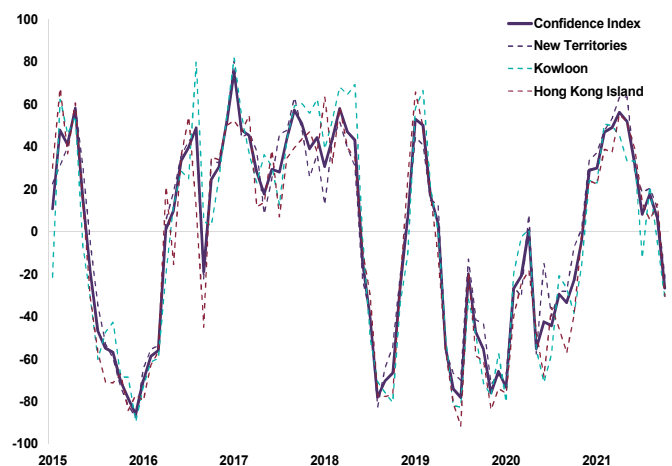
For the first time since January 2021, the survey's headline metric on price growth slipped below zero in December, with the latest net balance of -11% indicative of declining house prices. All areas display negative feedback regarding house price movements in December, with the pace of decline reported (in net balance terms) broadly even across each region.

Going forward, near-term price expectations point to further declines over the coming three months, as the December net balance slipped to -23% from +12% previously. Further out, however, respondents do still foresee prices being marginally higher than current levels in a year's time (net balance +7%).

### Rents also now expected to drift lower

In the lettings market, tenant demand softened slightly over the month, with the latest net balance easing to -8% from +21% in November. Accompanying this, rental growth expectations also turned negative, as a net balance of -20% of respondents now anticipate rental prices declining over the next three months. For the time being, the twelve month outlook remains a little more resilient, with respondents projecting a 0.5% increase in rents throughout 2022.

Chart 1: Confidence Index



\*The Confidence Index is a composite measure capturing overall market momentum, encompassing variables on short-term price and sales expectations. The Home Price Perceptions Index measures the perceived monthly change in home prices as reported by survey participants, where March 2015=100. The Rent Perceptions Index measures the perceived monthly change in rents as reported by survey respondents, where March 2019=100.

Chart 2: Home Price Perceptions Index

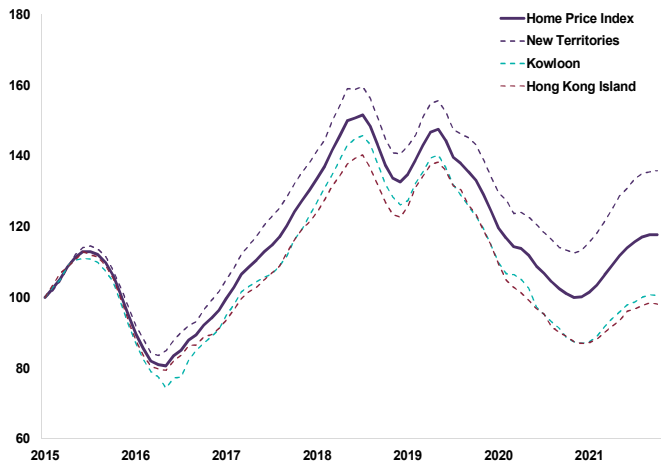


Chart 3: Buyer enquiries and instructions to sell

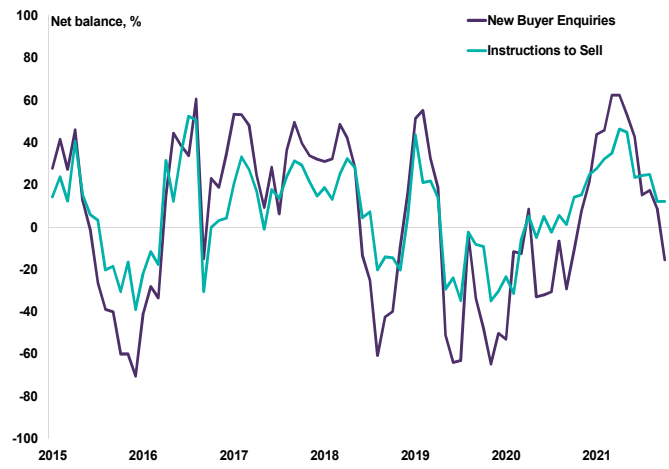


Chart 4: Buyer enquiries by type

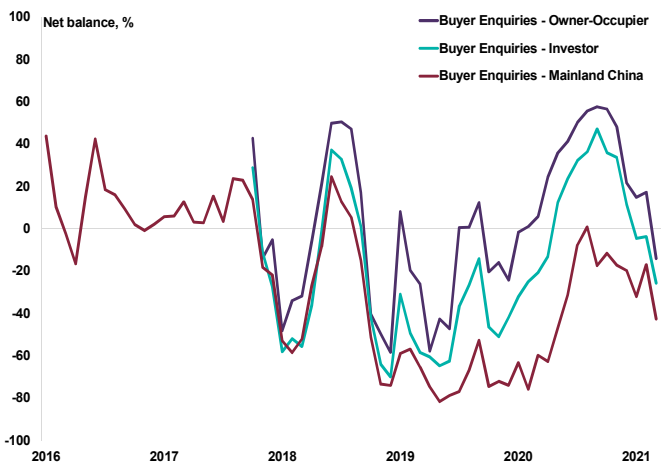


Chart 5: Rent Perceptions Index

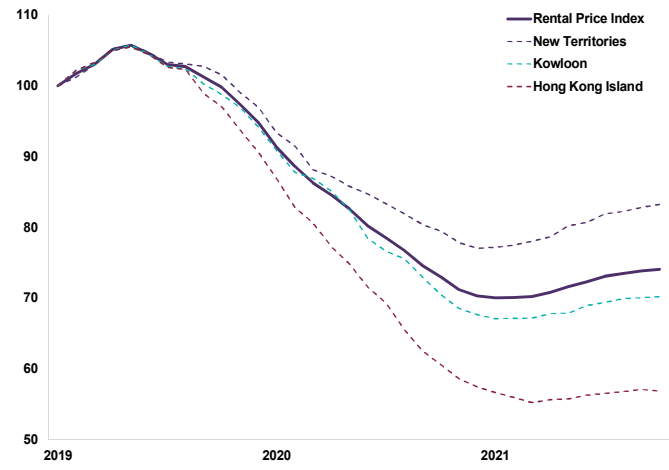


Chart 6: Tenant demand and landlord instructions

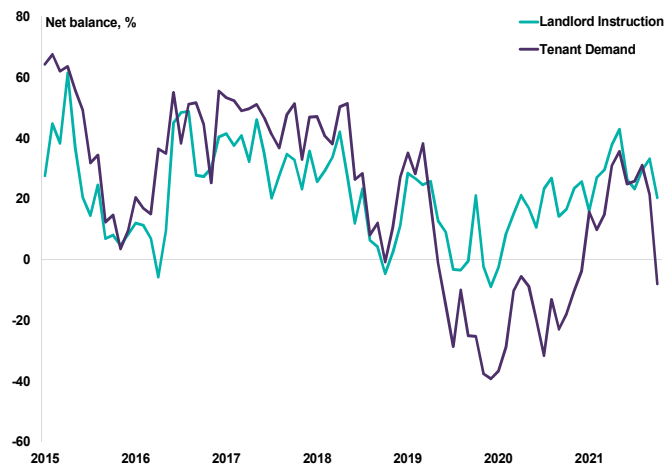
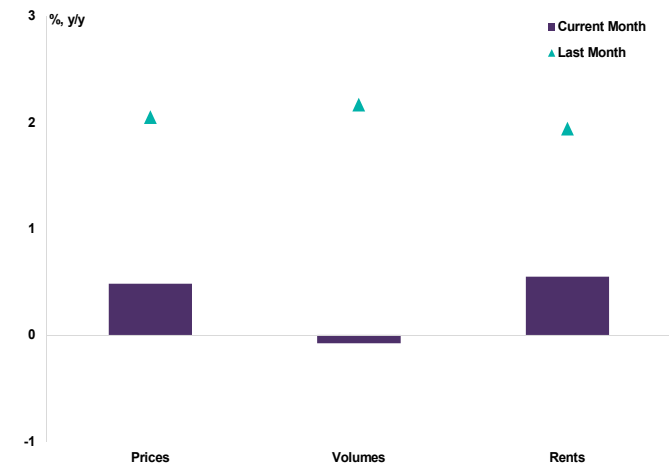


Chart 7: 12 month expectations



# 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.

## 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:

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:** 17 February 2022

## Contact details

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