



## February 2021: Hong Kong Residential Monitor

# Housing market confidence back in positive territory

- Prices seen rising for first time in two years amid increasing demand
- Both prices and sales volumes expected to increase throughout 2021
- Rental market continues to lag, though outlook slightly more upbeat than previous months

Responses to the February 2021 RICS-Spacious Hong Kong Residential Monitor indicate that the housing market may have turned the page on its recent downturn. The Confidence Index\* (CI), shown in Chart 1, rose to +29 in February from -4 in January. This is the highest the CI has been since April 2019, breaking a streak of seven consecutive months in negative territory, and puts the residential market on a positive trajectory.

Chart 2 shows the significant shift in prices reported by survey contributors. Nearly half (45%) of respondents said that home prices increased over the past three months, compared to 31% who held this view in January and just 3% who reported an increase in prices one year ago. However, it is important to note that 27% of respondents reported that prices increased by less than 2%, while 17% of respondents saw prices fall by more than 2%. This roughly equates to just a 0.1% increase in prices observed over the past three months, which seems more like a stabilization in prices rather than an expansion.

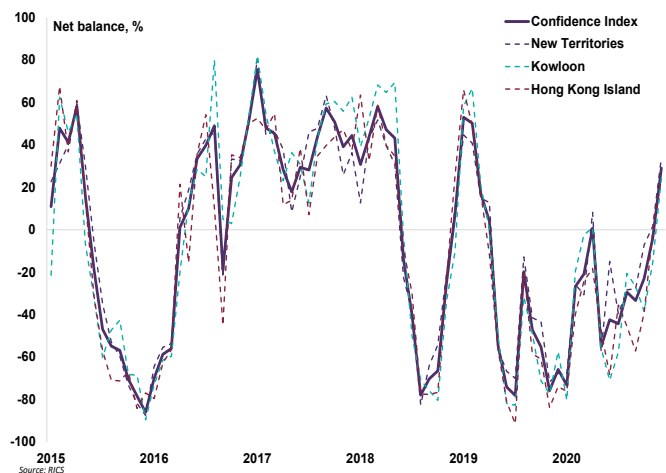
The improvement in prices appear to have filtered through to expectations. A net balance of 24% of respondents expect aggregate prices to rise over the next three months. As can be seen in Chart 7, this is the most optimistic the market has been since April 2019. Over the next year, prices are expected to rise 2.1% (Chart 8), though Chart 9 shows that a significant portion of respondents (27%) still expect prices to fall to some extent. The short-term optimism does not appear to have shifted the longer-term outlook, however, as price growth from 2022-2025 is expected to average 2.6%, similar to what has been projected since the end of 2020.

Supply and demand fundamentals remained healthy in February. In net balance terms, respondents saw buyer demand rise at roughly the same rate as supply (Chart 4), with rising demand coming from both owner-occupiers and investors (Chart 6), despite access to credit remaining tight. Perhaps stemming from this, contributors noted an increase in sales volumes during February for the first time since May 2019. Volumes are expected to continue to rise over the next 3 months (Chart 7), and are expected to increase 3.4% over the next year (Chart 10).

The same cannot be said for the rental market. Chart 5 shows that although there was a modest sequential improvement in tenant demand, the supply of properties to rent continues to rise. A net balance of 30% of respondents saw rents decline over the past three months, as nearly half of respondents reported some degree of decline in rental levels (Chart 3). Chart 7 shows that rents are expected to continue to fall over the next three months, though in net balance terms, the decline is expected to be less acute than in previous months. Over the next year, rents are expected to remain fairly stable, with participants only pricing in a 0.2% decline (Chart 12). Though not as bullish as the outlook for prices or volumes, Chart 13 shows that it is more optimistic than last month or a year ago.

The increased optimism for the sales market appears to be linked to the improvement in COVID-19 in the city as well as the limited capacity for new supply to hit the market. However, some respondents also highlighted the weak economic outlook and scarcity of government support in the recent budget as factors that could weigh on any market recovery.

### 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

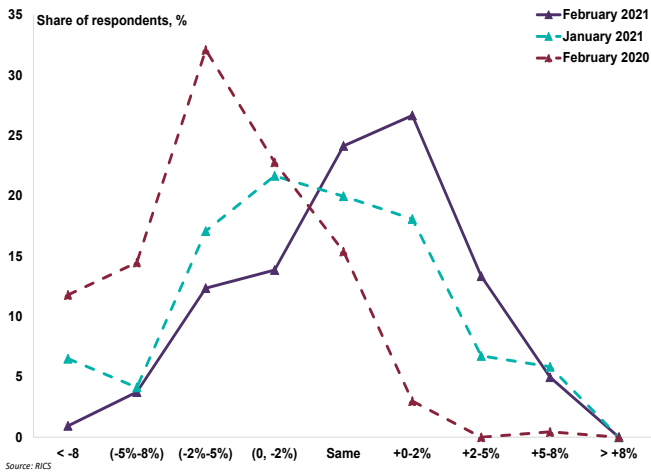


Chart 3: Rents - past 3 months

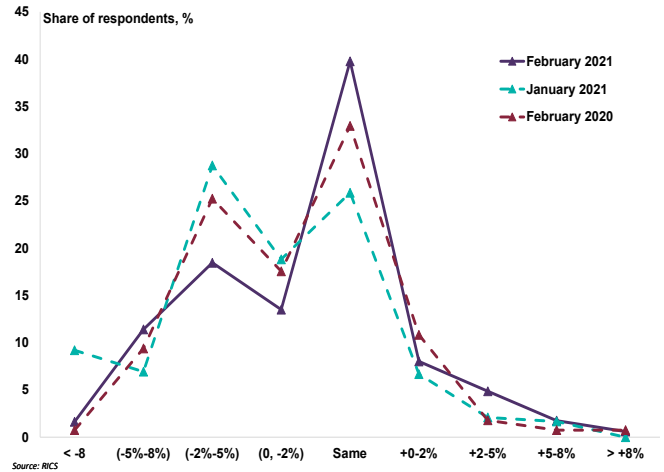


Chart 4: Buyer enquiries and instructions to sell

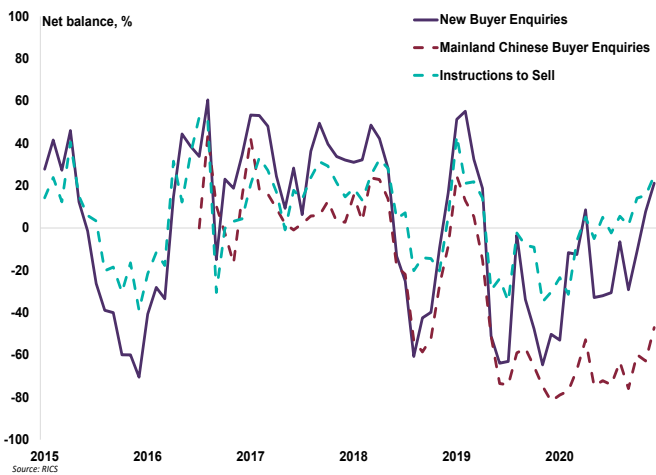


Chart 5: Tenant demand and instructions to rent

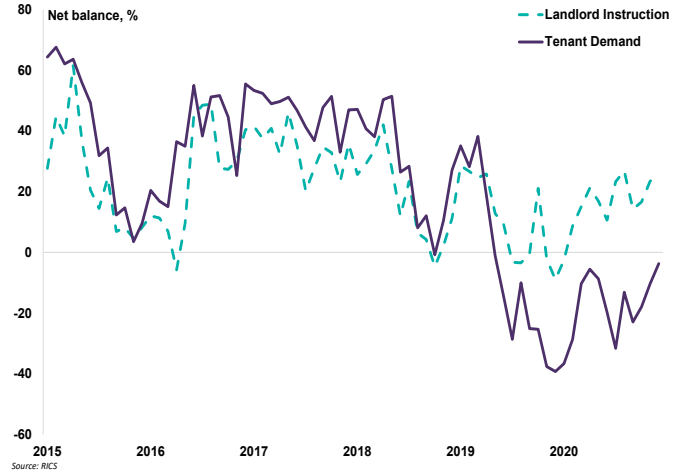


Chart 6: Buyer enquiries by type

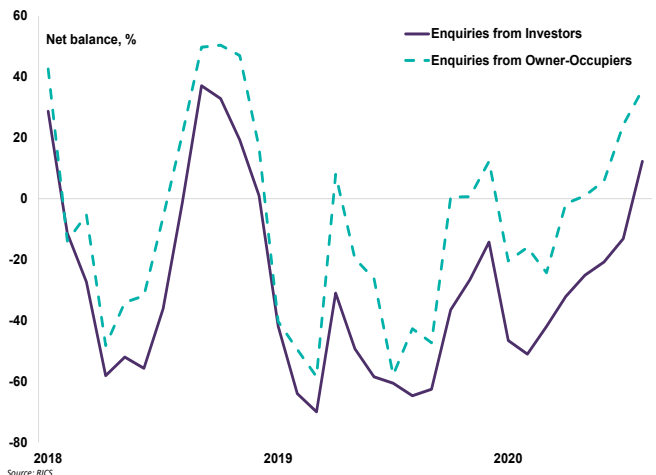


Chart 7: 3 month expectations

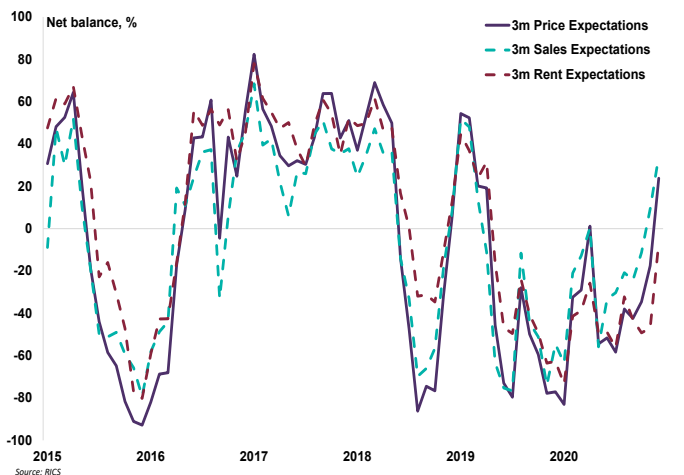


Chart 8: Price expectations - next 12 months

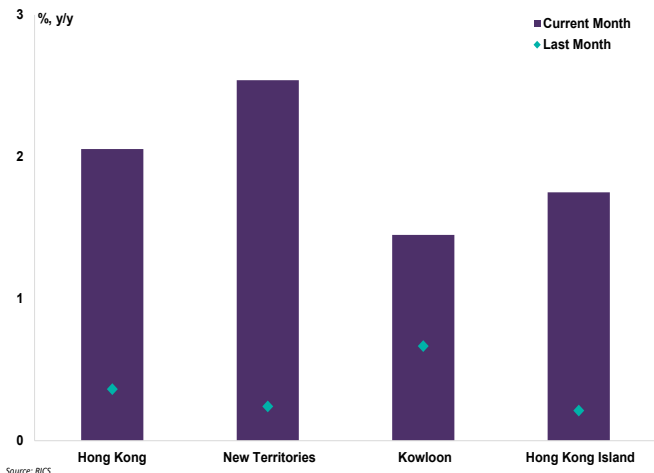


Chart 9: Price distribution - next 12 months

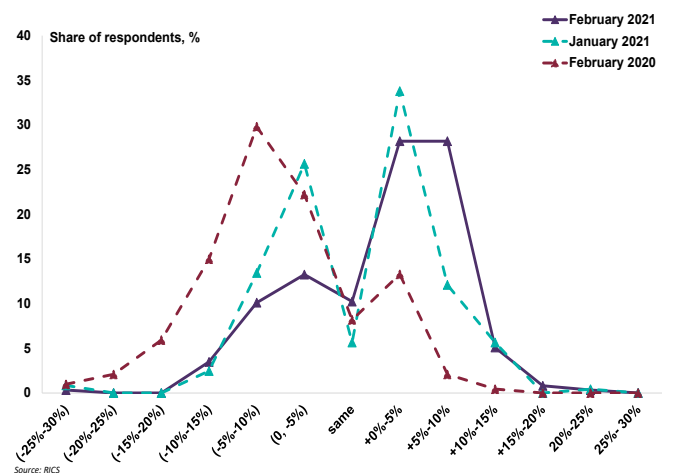


Chart 10: Volume expectations - next 12 months

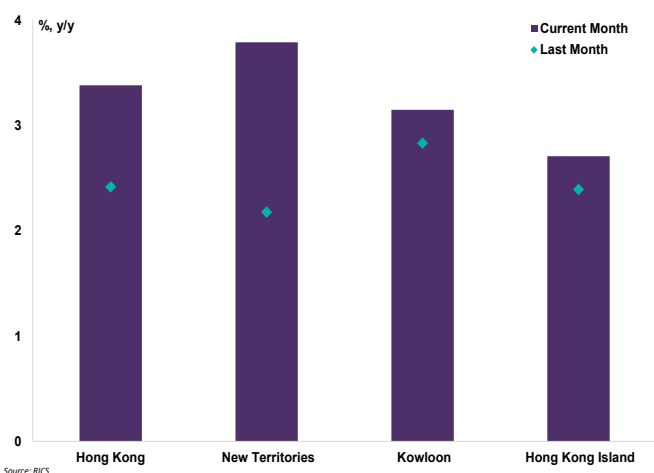


Chart 11: Volume distribution - next 12 months

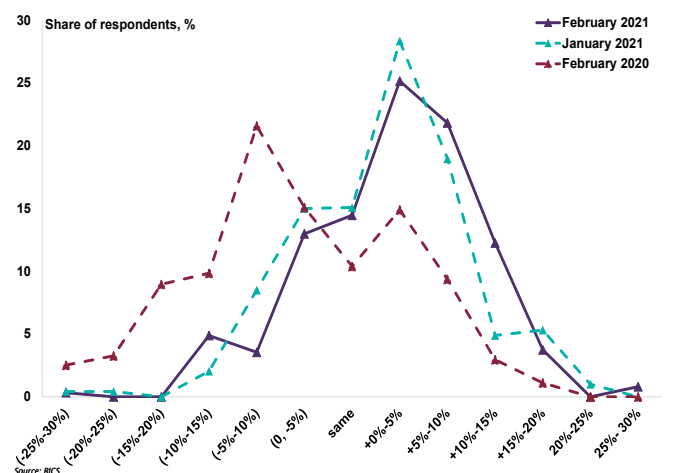


Chart 12: Rent expectations - next 12 months

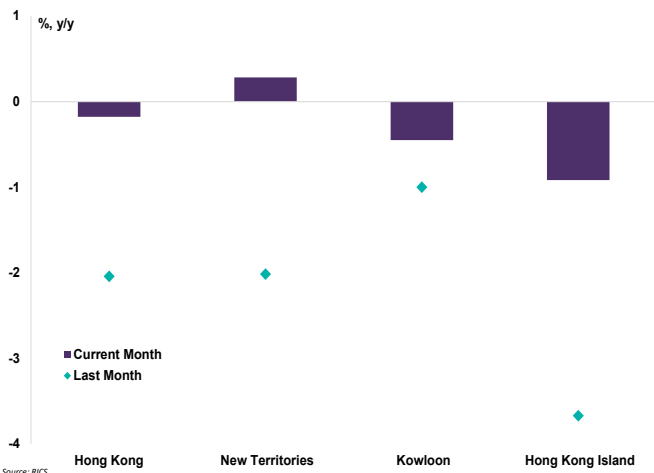
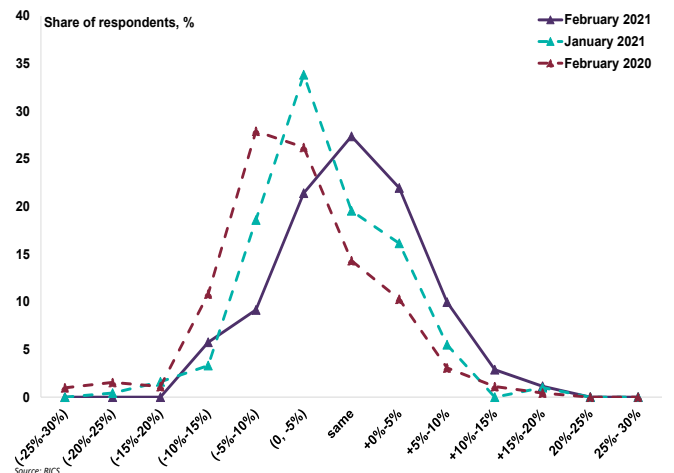


Chart 13: Rent distribution - next 12 months



# Information

## Hong Kong Residential 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 17 February 2021 with responses received until 9 March 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:

**March Survey:** 20 April 2021

**April Survey:** 18 May 2021

**May Survey:** 17 June 2021

## Contact details

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