



January 2021: Hong Kong Residential Monitor

Expectations for sales and rental markets Continue to diverge

- Downward pressure on prices and sales volume appears to be easing
- That said, the 12 month outlook for prices is highly disparate
- Rents remain under pressure as some respondents mention BNO passport applications are set to open

Responses to the January 2021 RICS-Spacious Hong Kong Residential Monitor appear to indicate a degree of stabilization in the sales market. The Confidence Index* (CI), shown in Chart 1, rose to -4 in January from -23 in December. The reading was also the highest since June 2020 (+1). Although sentiment appears to have improved in all three of Hong Kong's regions, it seems to be slightly stronger in the New Territories (+2) and Hong Kong Island (-1) than it is in Kowloon (-16).

As can be seen in Chart 2, the improvement in sentiment comes amid easing pressure on prices. The share of survey participants who noted a decline in prices over the past three months fell from 60% in December to 49% in January. This roughly corresponds to a 1.1% observed decline in prices over the period, vs an approximate 1.5% decline reported in December.

Sales market fundamentals also appear to have improved. Chart 5 shows that demand from prospective buyers increased modestly in January (net balance +8%), though demand from buyers in Mainland China continues to contract (net balance -63%). As in previous months, the improvement in aggregate demand appears to be driven by an increase in demand from owner-occupiers, though in net balance terms demand from investors is declining at the slowest pace since June of 2019 (Chart 6). However, new supply (net balance +15%) continues to rise at a quicker pace than aggregate demand, in net balance terms, indicating that some downward pressure on prices persists.

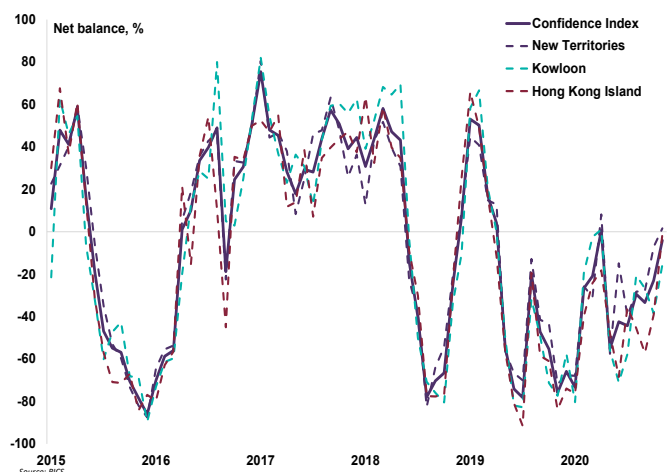
Other areas of the sales market also appear to be improving. Sales volumes were said to be flat in January, after 19 consecutive months of declines. Against this backdrop, it is perhaps no surprise that volumes are expected to increase modestly over the next three months, the first time respondents expected an increase in sales volumes since May 2019 (Chart 7). In addition, although prices are still seen falling over the next three months, the decline is expected to be more modest than in previous reports (in net balance terms).

A similar dynamic is evident over the longer term. Chart 8 shows that aggregate prices are expected to increase

0.4% over the next twelve months; though Chart 9 shows that the outlook for prices is highly disparate with a third of respondents expecting price increases of up to 5%, and a quarter of respondents expecting price decreases of up to 5%. Meanwhile, Chart 10 shows that aggregate sales volumes are seen rising 2.4% over the same period. Both indicators signal that prices and sales volumes are expected to increase in each of Hong Kong's regions (New Territories, Kowloon, Hong Kong Island) over the next year.

Conditions are more muted in the rental market, as they have been for the past several months. Chart 3 shows that the share of respondents who observed a decline in rents over the past three months rose from 58% in December to 64% in January (translating into an estimated 2.5% decline in rents over the period). Similarly, Chart 5 shows that demand from tenants continues to contract, as it has since July 2019, while the supply of new properties to rent increases, an ongoing trend since April 2020. Chart 7 shows that over the short term, rents are expected to contract at a quicker pace than prices (in net balance terms). Over the next year aggregate rents are seen falling 2% (Chart 12).

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

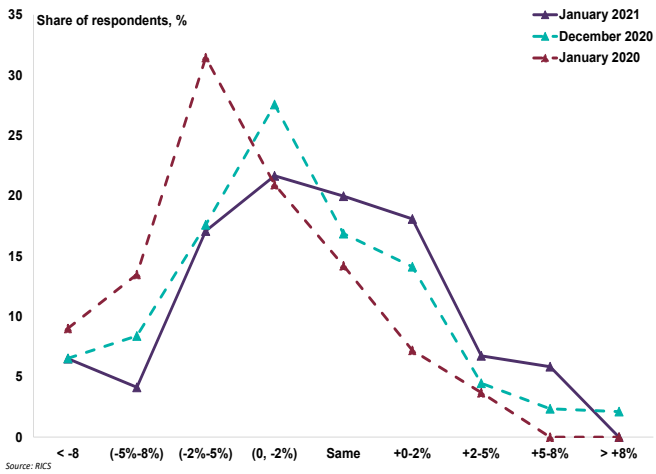


Chart 3: Rents - past 3 months

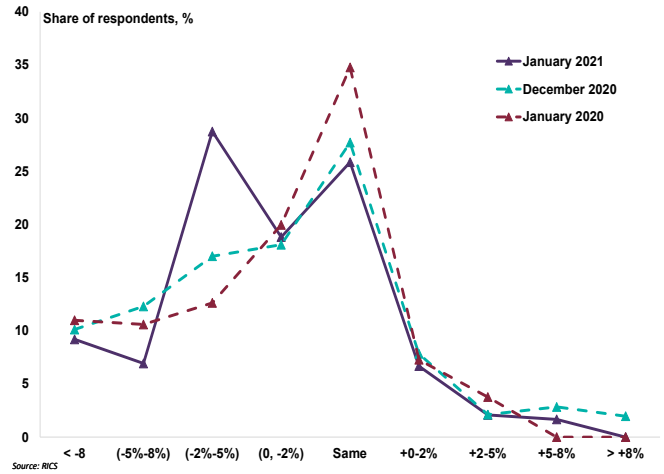


Chart 4: Buyer enquiries and instructions to sell

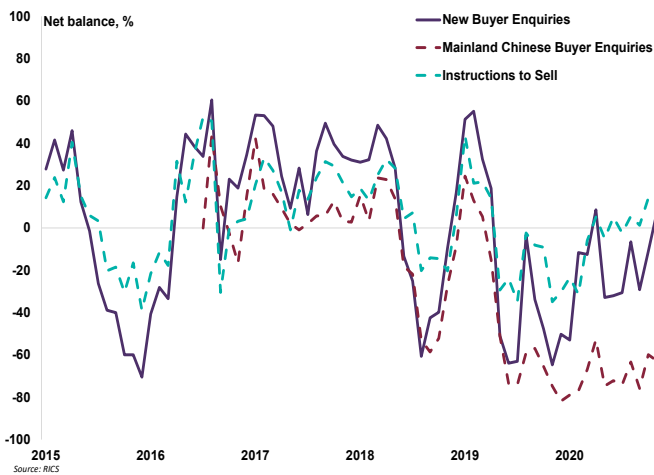


Chart 5: Tenant demand and instructions to rent

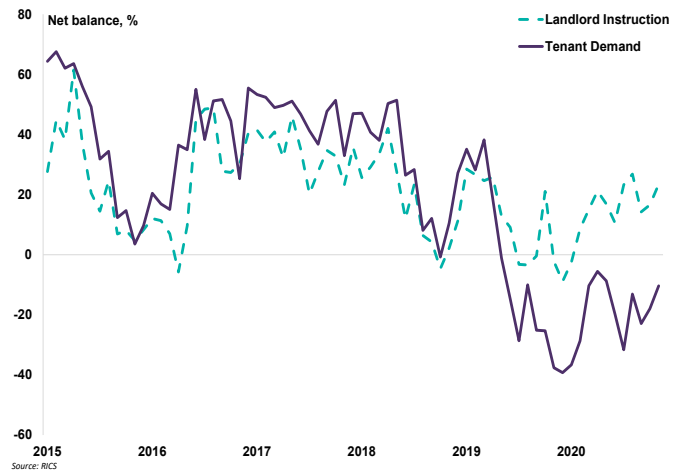


Chart 6: Buyer enquiries by type

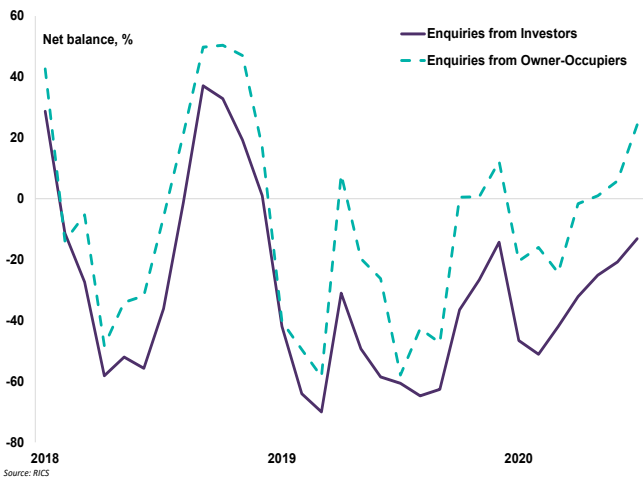


Chart 7: 3 month expectations

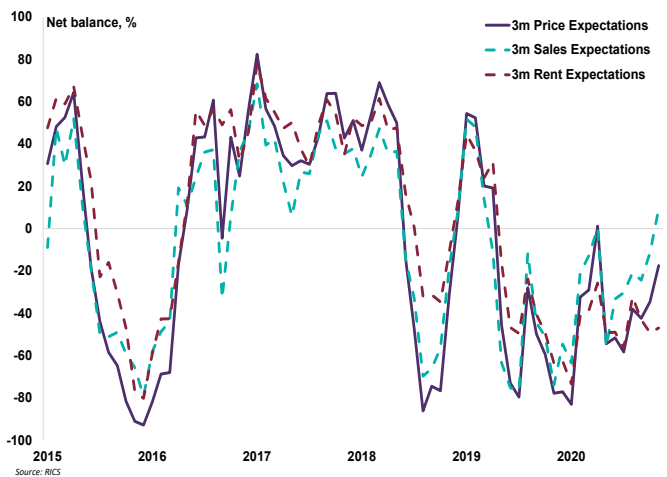


Chart 8: Price expectations - next 12 months

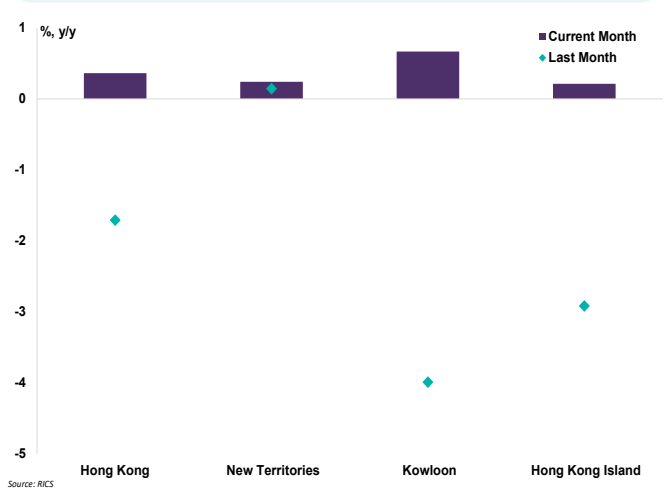


Chart 9: Price distribution - next 12 months

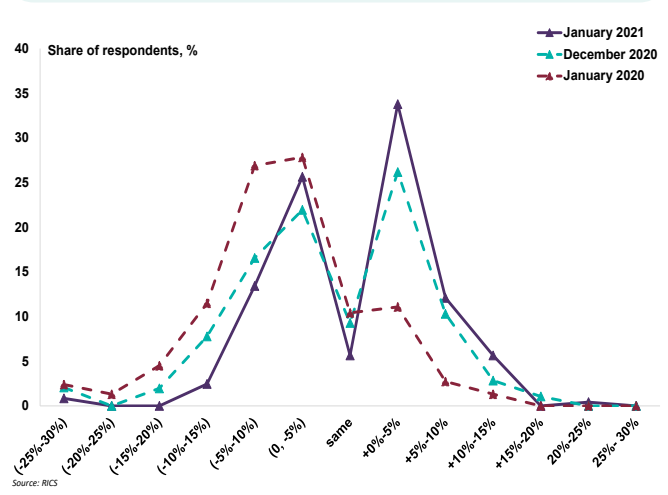


Chart 10: Volume expectations - next 12 months

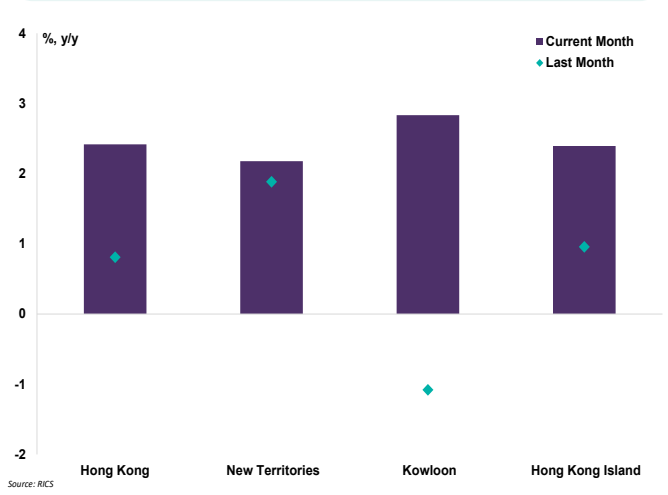


Chart 11: Volume distribution - next 12 months

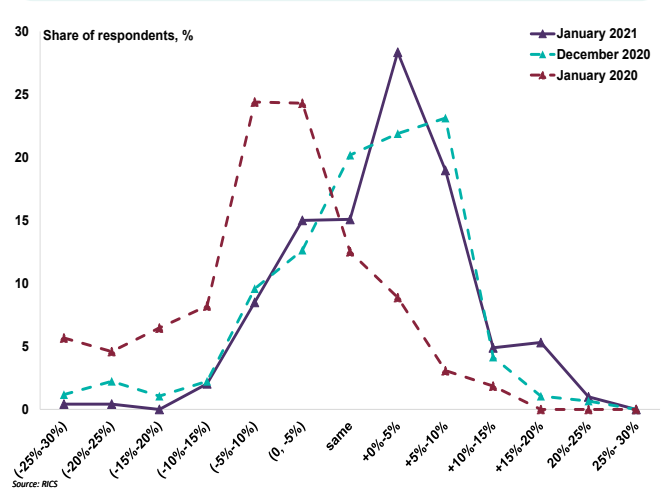


Chart 12: Rent expectations - next 12 months

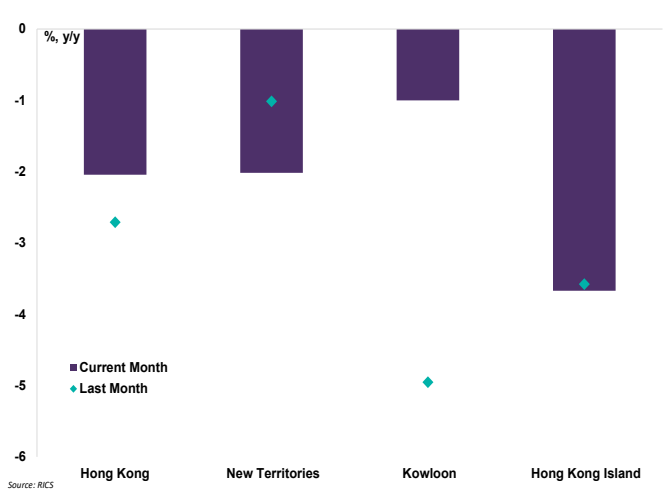
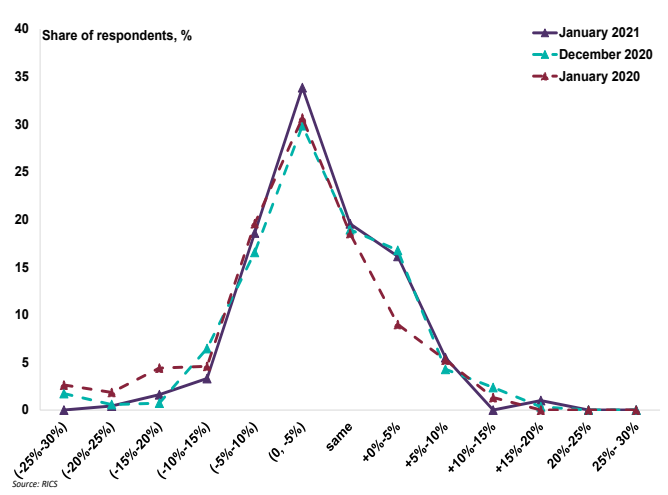


Chart 13: Rent distribution - next 12 months



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 along with other surveys covering global housing, commercial and land markets, as well as construction activity.

About RICS:

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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 19 January 2021 with responses received until 8 February 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:

February Survey: 17 March 2021

March Survey: 20 April 2021

April Survey: 18 May 2021

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