



January 2022: Hong Kong Residential Monitor

Strong run in market through 2021 gives way to some caution

- Confidence indicator retreats as key metrics soften
- Buyer enquiries slip across the board albeit less so for owner occupiers
- Price trend set to flatten after solid gains last year

The January 2022 RICS-Spacious Hong Kong Residential Property Monitor suggests that the deterioration in market conditions at the back end of 2021 continued into the early part of the new year after a solid performance through much of the previous twelve month period. Indeed, the headline Confidence Index (chart 1) slipped to a reading of -46, which is the lowest value recorded since July 2020 (-55). This is reflected in somewhat less positive, or a little more negative, feedback around all the key metrics collated as part of this survey. Consistent with this shift in tone are the signs of a slightly less accommodating environment around credit conditions with survey insight pointing to this more challenging trend continuing through the course of this year.

Demand ebbs after strong run

The new buyer enquiries indicator, measured in net balance terms, typically provides a good guide to the mood amongst potential purchasers in the residential market. It recorded a series of very firm readings particularly around the middle of last year (as demonstrated in chart 3) but the momentum subsequently slackened with the metric turning modestly negative in December (implying a small fall in demand compared with the preceding month) followed by a slightly larger drop in January. A broadly similar pattern is visible (when disaggregated) in Hong Kong Island, Kowloon and the New Territories according to respondents to the survey. Enquiries from owner-occupiers has, perhaps not unsurprisingly, proved most resilient but it too has dipped although softer trends are more visible amongst investors and potential purchasers from the mainland.

The impact of this shift in buyer appetite also appears evident in other activity indicators including, critically, the agreed sales measure. This series (again collated in a net balance format and reflecting the comparison with the previous period) has been in negative territory for five successive months, albeit modestly so until very recently. Greater caution is also visible in the feedback around three months expectations for sales (net balance -48% after -30%

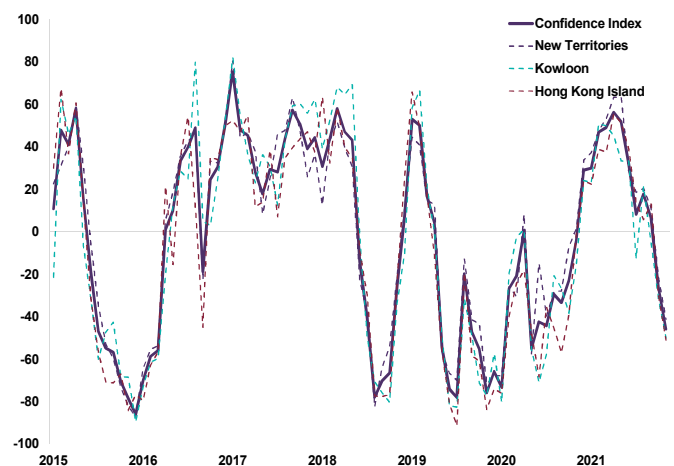
in December) with the one year view now pretty flat (the net balance has fallen from +44% in November to +4% in December to -12% in the latest survey).

Price and rent trend flattens

The softer pattern around activity indicators can also be seen in the key measure tracking pricing behaviour. The headline net balance of -18% follows a -11% reading in December and, once again, is the most downbeat signal in a year. The twelve months expectations metric is broadly flat but looking further out, the medium term (5 year) point estimate is still in positive territory.

The picture regarding the rental market is not dissimilar with a dip in tenant demand contributing towards a more cautious January read on rents (net balance of -21% compared with +3% in January). That said, the twelve month view in this segment of the residential market is a little more downbeat (chart 7).

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

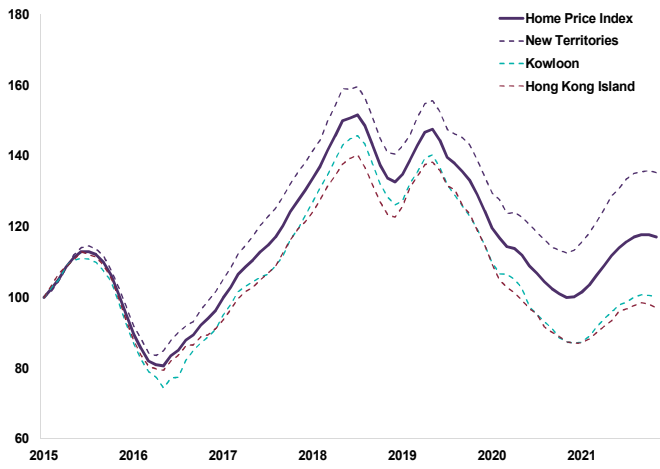


Chart 3: Buyer enquiries and instructions to sell

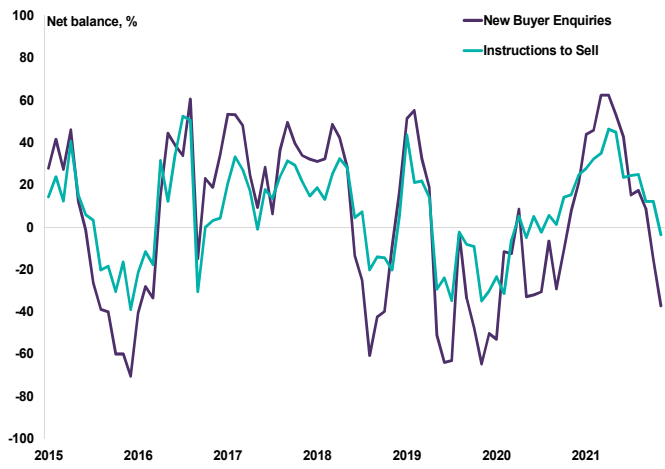


Chart 4: Buyer enquiries by type



Chart 5: Rent Perceptions Index

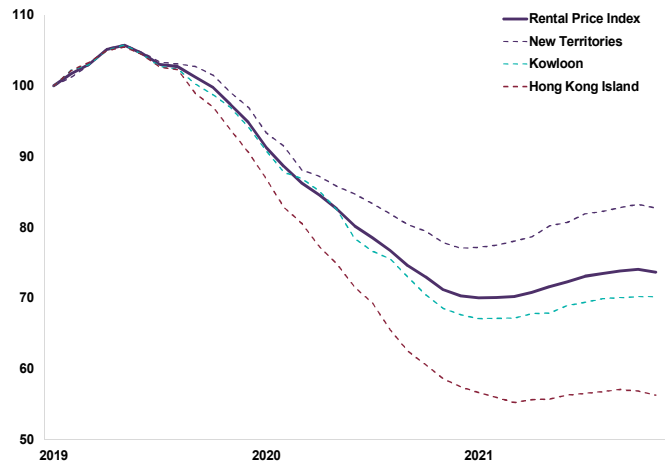


Chart 6: Tenant demand and landlord instructions

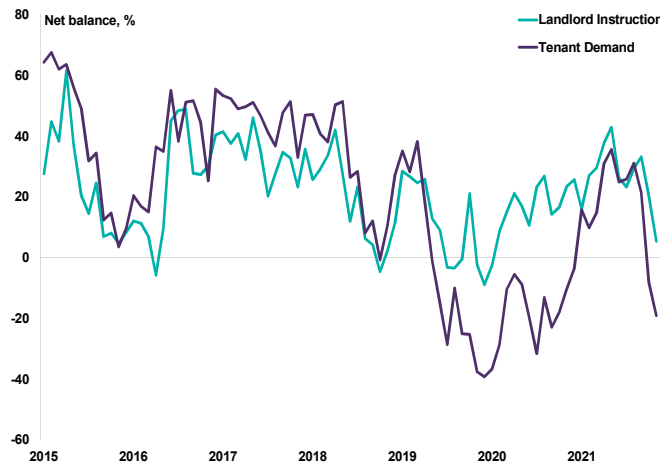


Chart 7: 12 month expectations



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 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:

February survey: 17 March 2022

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