



June 2021: Hong Kong Residential Monitor

Sales market activity continues to display strong momentum

- Indicators capturing new buyer enquiries, sales and new instructions all remain firmly positive
- House prices continue to rise firmly across all areas
- Rental outlook beginning to strengthen

The June 2021 RICS-Spacious Hong Kong Residential Monitor is again pointing to strong momentum in sales market activity. The Confidence Index* (CI), shown in Chart 1, returned a reading of +56, a slight increase from an already solid figure of +49 in May. As such, this measure continues to signal a firm rate of expansion across the sales market.

Home prices inflation shows no sign of easing

A net balance of +72% of chartered surveyors who participated in the June survey reported an increase in house prices at the aggregate level. Consequently, prices have now risen in each of the past five months, with the pace of growth in June appearing similar to that seen in May (net balance +77% previously). Alongside this, a net balance of +50% of respondents reported a pick-up in sales volumes, marking the sixth successive month of improvement.

Looking at new buyer demand, a headline net balance of +62% of contributors noted an increase in enquiries through June (unchanged from the net balance returned last month). At the same time, the flow of new instructions being listed onto the sales market continues to improve, evidenced by a net balance of +46% of respondents noting an increase in listings (up from a reading of 35% previously). Nevertheless, in net balance terms, the pace of fresh supply growth is not quite enough to match demand, with the new buyer enquiries indicator running ahead of new instructions in each of the last four months.

Outlook remains upbeat

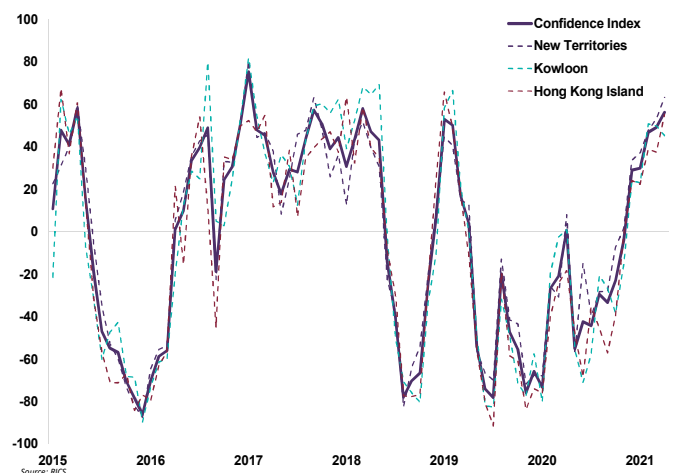
Respondents anticipate prices and sales volumes will continue to rise both in the near term and over the next twelve months. For prices, projections stand at just over 4% in aggregate regarding the year ahead, with expectations in the New Territories and Kowloon marginally stronger than those across Hong Kong Island. For sales volumes, a net balance of +68% of contributors foresee a further pick-up

over the year ahead at the headline level, with all areas covered displaying virtually identical expectations.

Demand gaining traction across the lettings market

On the lettings side of the market, a headline net balance of +31% of respondents reported an increase in tenant demand, extending a run of positive readings for this indicator into a fourth straight month. What's more, demand growth has accelerated noticeably over recent reports, with the latest reading the strongest since June 2019. This has now begun to feed through into near term rental growth expectations, which moved into positive territory, posting a net balance of +27% (up from a reading of zero last time). Over the next twelve months, respondents now expect rents to increase by roughly 2.5%, with projections being upgraded from the 1% rise envisaged in May.

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

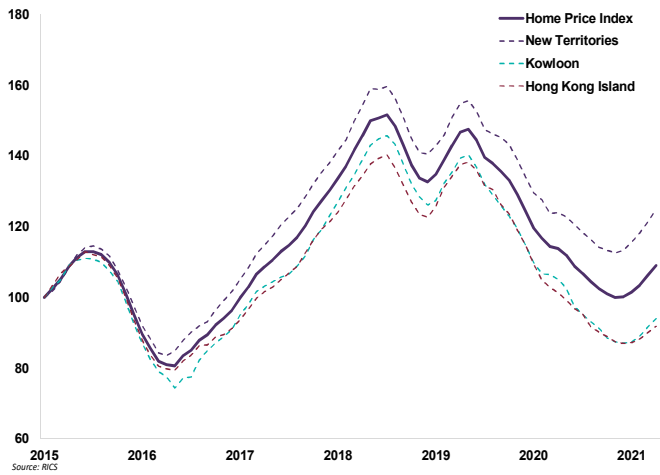


Chart 3: Buyer enquiries and instructions to sell

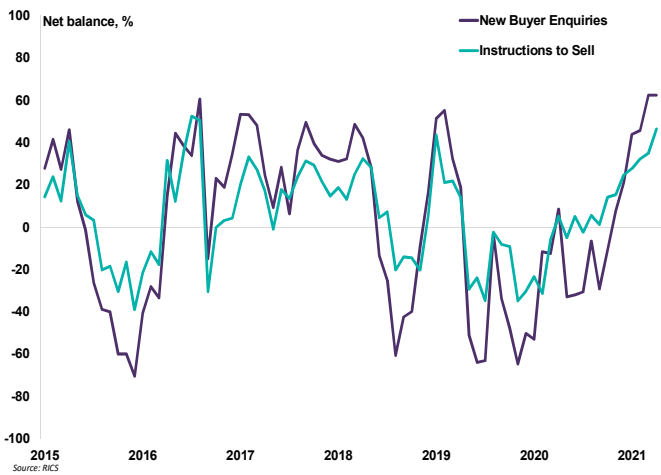


Chart 4: Buyer enquiries by type

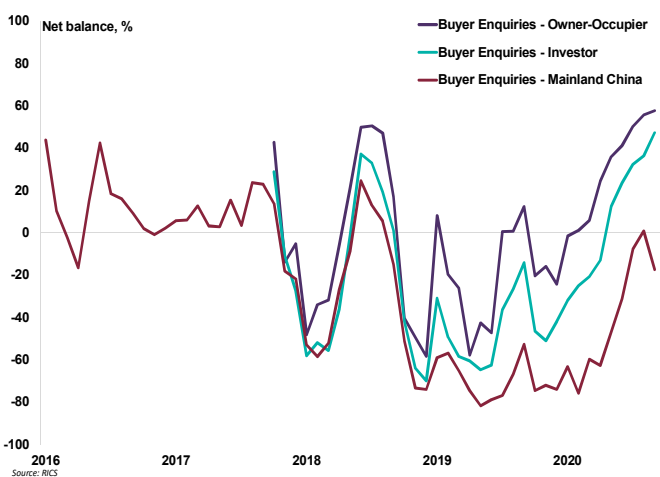


Chart 5: Rent Perceptions Index

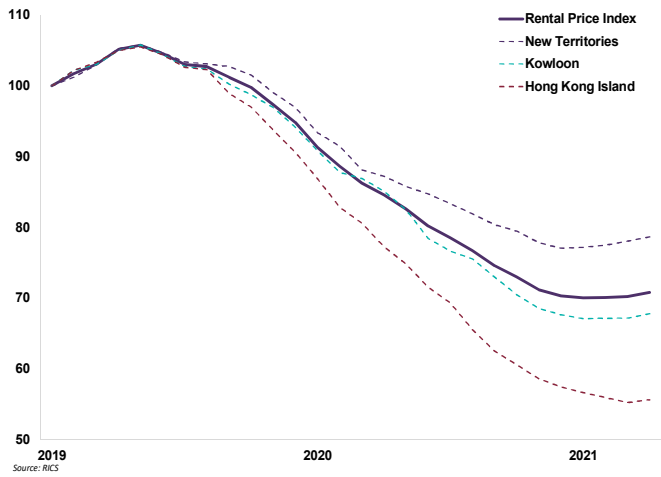


Chart 6: Tenant demand and landlord instructions

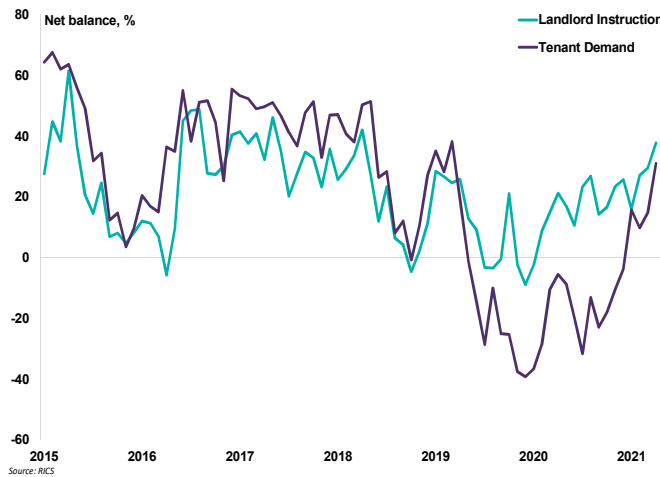
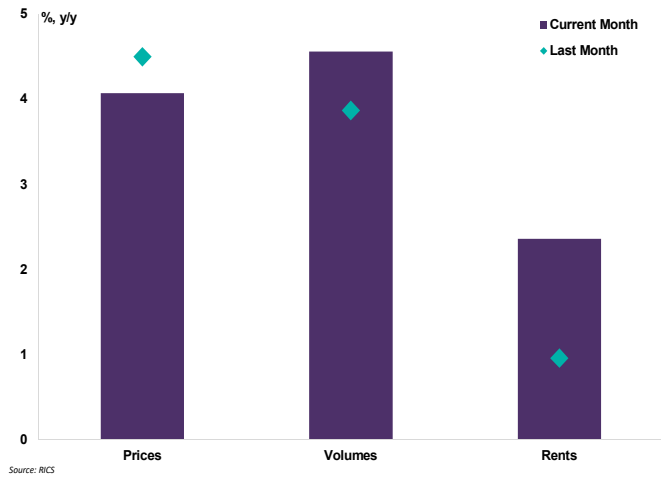


Chart 7: 12 month expectations



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.

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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 May 2021 with responses received until 6 June 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:

July Survey: 17 August 2021

August Survey: 16 September 2021

September Survey: 19 October 2021

Contact details

This publication has been produced by RICS. For all economic enquiries, including participation in the monitor please contact: economics@rics.org

James Fisher

Spacious COO & Head of Market Analysis and Analytics
+65 68128179
sellison@rics.org

Simon Rubinsohn

RICS Chief Economist
+44(0)20 7334 3774
srubinsohn@rics.org

Tarrant Parsons

RICS Economist
+44(0)20 7695 1585
tparsons@rics.org

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Americas

Latin America
ricsamericalatina@rics.org

North America
ricsamericas@rics.org

Asia Pacific

ASEAN
ricsasean@rics.org

Greater China (Hong Kong)
ricshk@rics.org

Greater China (Shanghai)
ricschina@rics.org

Japan
ricsjapan@rics.org

Oceania
oceania@rics.org

South Asia
ricsindia@rics.org

EMEA

Africa
ricsafrica@rics.org

Europe
ricseurope@rics.org

Ireland
ricsireland@rics.org

Middle East
ricsmiddleeast@rics.org

United Kingdom RICS HQ
contactrics@rics.org