



March 2021: Hong Kong Residential Monitor

Residential market sentiment continues to increase

- Prices continue to rise and rents stabilize amid robust demand
- Aggregate prices and sales volumes expected to increase throughout 2021, rents seen unchanged
- Longer-term price expectations moderate, but remain near 2%

The rebound in Hong Kong's housing market appears to be well underway, according to respondents to the March 2021 RICS-Spacious Hong Kong Residential Monitor. The Confidence Index* (CI), shown in Chart 1, remained stable at +30 in March (vs +29 in April). This also marks the first consecutive positive reading for the CI since early 2019.

Market sentiment appears to be buoyed by an increase in home prices. Chart 2 shows for the second consecutive month a majority (65%) of respondents observed some degree of increase in home prices over the past three months. This is clearly a dramatic turnaround from a year ago, when 84% of survey participants reported falling prices.

Perhaps unsurprisingly, the recovery has been underpinned by strong fundamentals. Survey participants noted that buyer demand increased for the third consecutive month; in net balance terms it was the fastest increase in demand since April 2019, suggesting that the expansion is on firm footing. Furthermore, Chart 4 shows that demand is now rising at a quicker pace than is supply. And although demand from buyers in mainland China remains weak, demand from both investors and owner-occupiers in Hong Kong is increasing (Chart 6).

To a lesser degree, there also appears to be some recovery in the rental market. Respondents were more cautious on this, however, commenting on COVID restrictions continued impact on global mobility as well as anecdotal evidence suggesting a pickup in emigration. However, a third of respondents observed an increase in rents over the past three months, up from 15% who noted this in February, and substantially higher than this time last year when three quarters of respondents said that rents had declined to a greater or lesser extent (Chart 3).

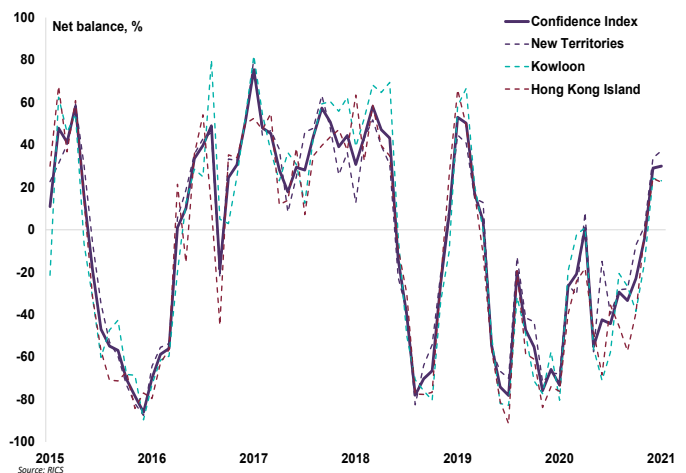
Tenant demand was also seen to have risen in March for the first time since June 2019 (Chart 5). In net balance terms, tenant demand is now more or less rising at the same pace as the supply of new properties to rent. Although this doesn't point to a robust rebound in rents, it does suggest that a lack of tenant demand is no longer a drag on the rental market.

Against this backdrop, survey participants have maintained

their relatively upbeat expectations in the short-term. Chart 7 shows that both prices and sales volumes are expected to rise at a robust pace over the next three months, while rents are expected to stabilize over the same period. Looking further ahead, one-year expectations for prices, rents and sales volumes have not changed substantially at the aggregate level, as can be seen in Charts 8 through 13. There is some divergence in price expectations between Hong Kong's three regions (New Territories, Kowloon, Hong Kong Island) is visible in Chart 8, however.

Somewhat interestingly, despite the improvement in short-term metrics respondents' longer-term expectations in March were more muted than in prior months. Survey participants see aggregate home prices rising 1.9% per year over the next five years on average, down from the 2.5% that was expected in the February survey. Factoring in the 2.1% price growth expected over the next twelve months, this equates to home price growth averaging 1.8% from 2022 to 2025. This is amongst the most modest medium-term price growth expectation since May 2020.

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

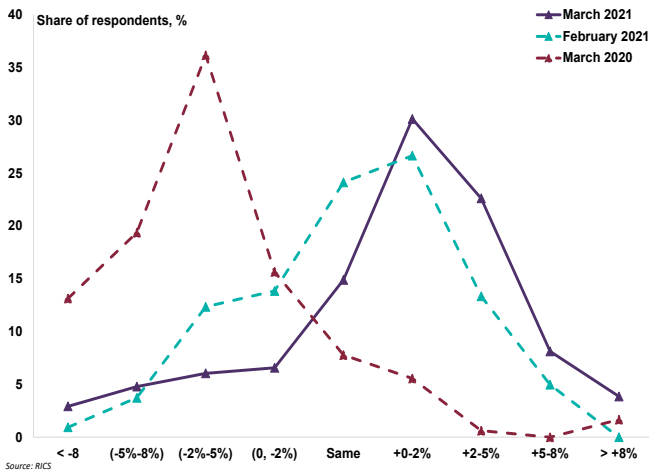


Chart 3: Rents - past 3 months

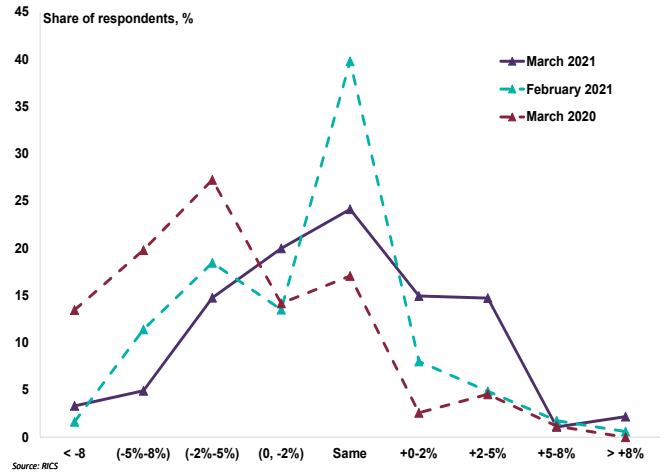


Chart 4: Buyer enquiries and instructions to sell

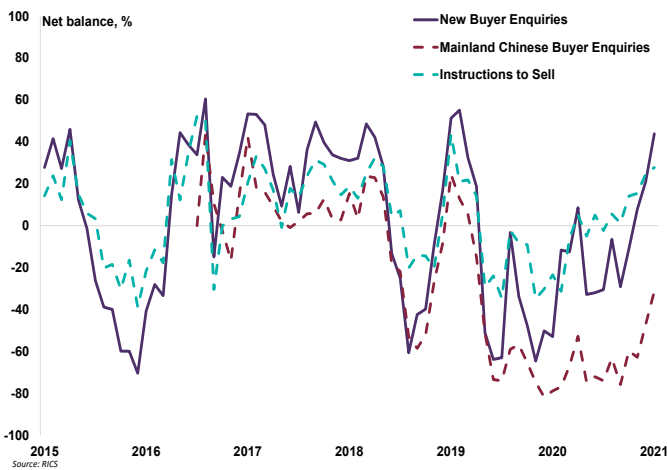


Chart 5: Tenant demand and instructions to rent

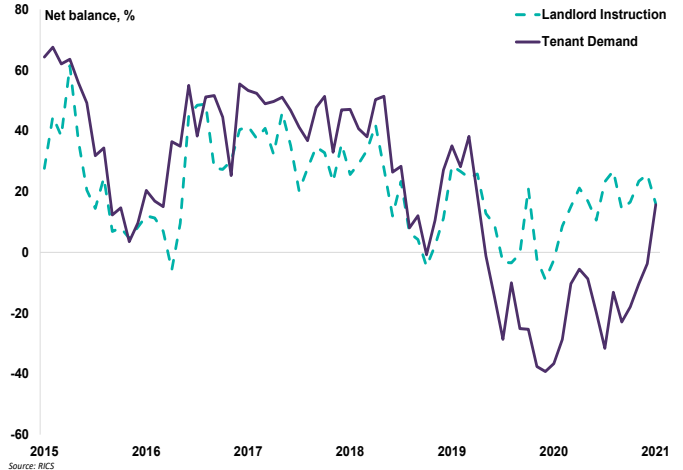


Chart 6: Buyer enquiries by type

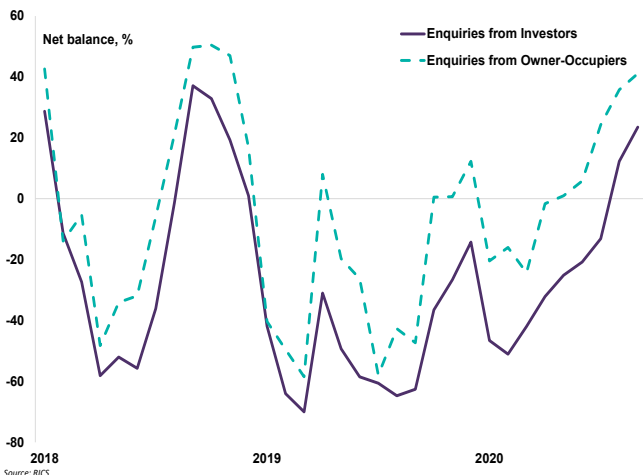


Chart 7: 3 month expectations

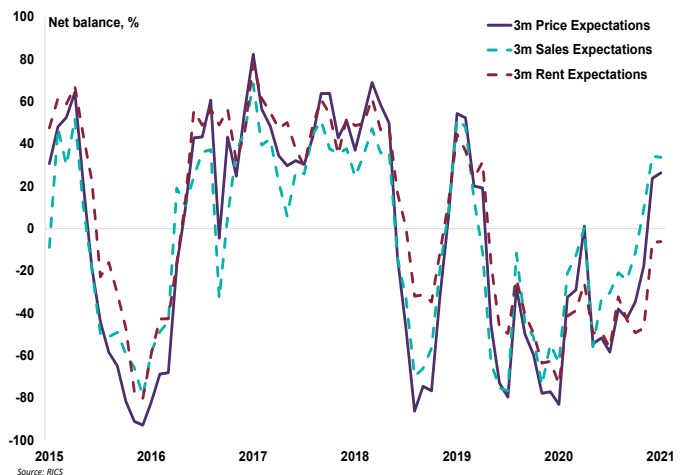


Chart 8: Price expectations - next 12 months

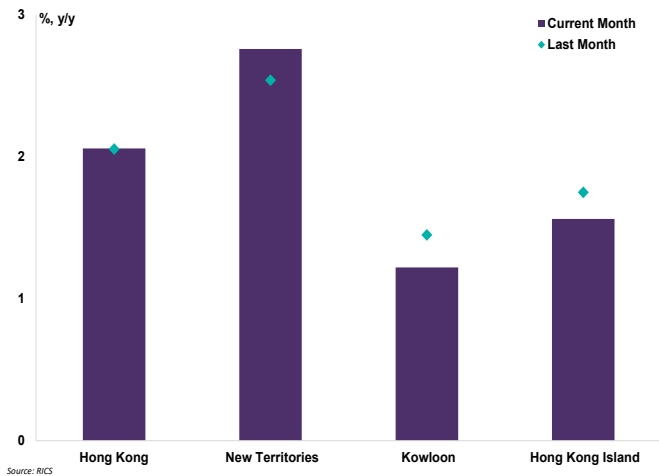


Chart 9: Price distribution - next 12 months

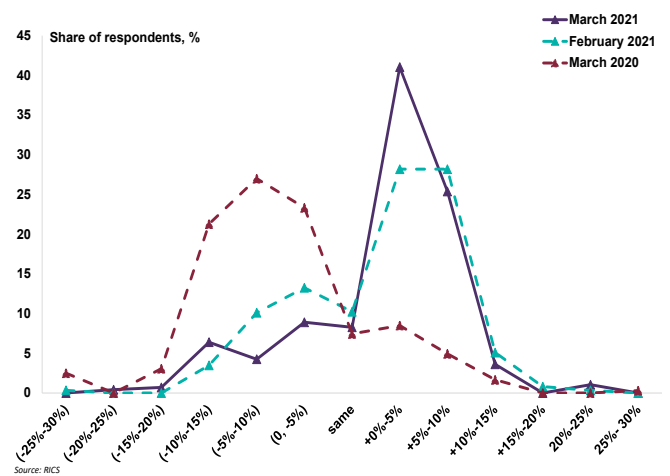


Chart 10: Volume expectations - next 12 months

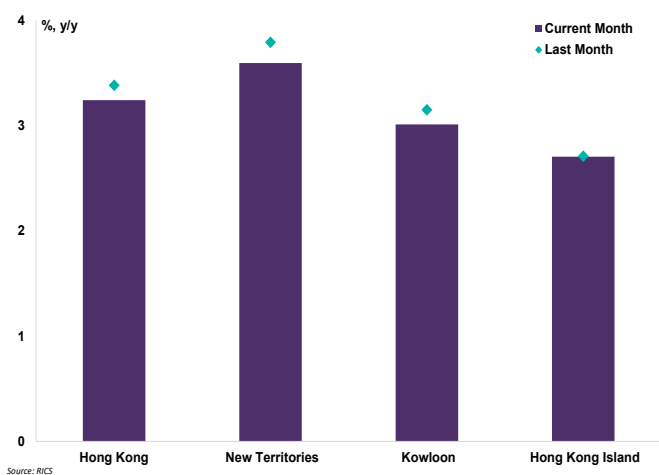


Chart 11: Volume distribution - next 12 months

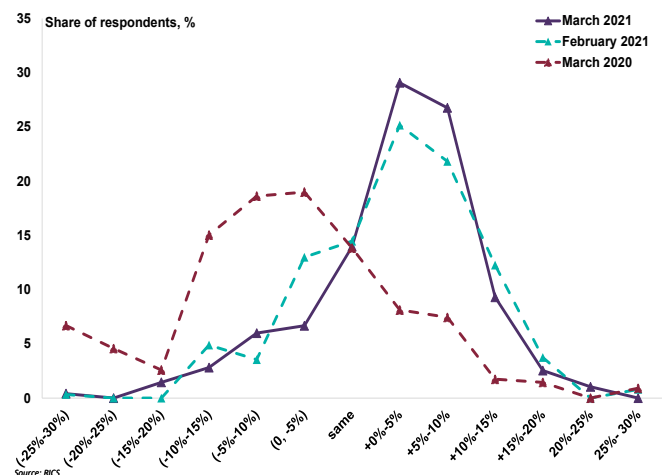


Chart 12: Rent expectations - next 12 months

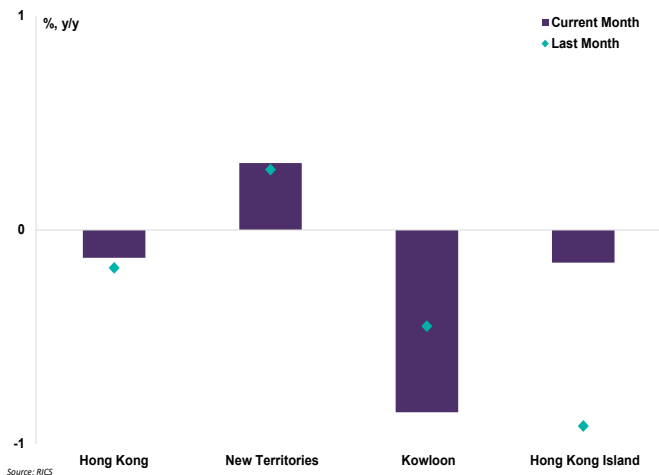
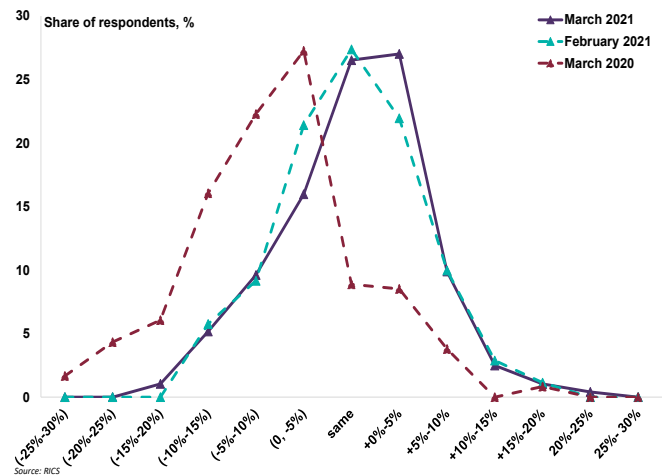


Chart 13: Rent distribution - next 12 months



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.

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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 March 2021 with responses received until 11 April 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

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