



November 2020: Hong Kong Residential Monitor

# Housing sentiment subdued as prices, transaction volumes and rents expected to contract

- Sentiment still negative as prices, rents contract
- Rents remain under more pressure than prices, especially on Hong Kong Island
- Outlook for transaction volumes over the next twelve months deteriorate

Trends in activity across Hong Kong's housing market remain negative according to respondents to the RICS-Spacious Hong Kong Residential Monitor in November. The Confidence Index\*, shown in Chart 1, fell to -33 in November from -29 in October. Confidence deteriorated in all three regions, but fell particularly sharply on Hong Kong Island.

At a headline level, survey contributors continue to report declining home prices over the past three months. A net balance of 50% of participants noted a decline in prices. However, as shown in Chart 2, based on the distribution of responses, this equates to a relatively minor observed decline of only 1-2% over this period. Contributors in all three regions tracked by this survey (New Territories, Kowloon, Hong Kong Island) reported similar declines in prices over the past three months.

Rents were seen to have experienced a slightly larger fall of 3% over the past three months. The differences in distributions can be seen in Chart 5. However, looking at regional changes in rents reveals significantly more skew than what was observed in prices. Respondents in Hong Kong Island have seen rents fall close to 5% over the past three months, while those in the New Territories saw rents fall by less than 2%.

Demand from prospective tenants remains subdued across all of Hong Kong's regions, though (in net balance terms) is declining at a quicker pace in Hong Kong Island than in Kowloon or the New Territories. Meanwhile, as shown in Chart 5, the supply of properties available to let at the aggregate level was seen to have risen in November, as it has for the past 8 months.

The picture changes slightly when looking at supply and demand for the sales market. Chart 4 shows that although demand continues to decline, the supply of new properties for sale has been little changed over the past several months. This is likely a contributing factor to declining sales volumes; survey participants have noted a decline in aggregate sales volumes for the past 18 months. As in previous months, buyer demand appears to be buoyed by owner-occupiers (Chart 6), as demand from investors as well as that from buyers in mainland China (Chart 4) continues to

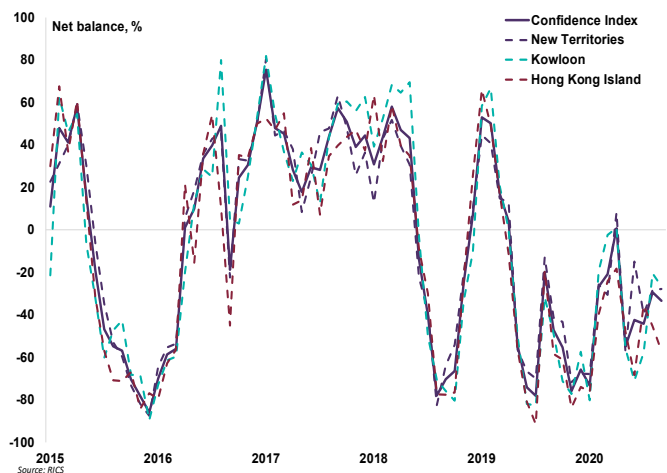
fall.

Credit conditions remain tight, as respondents noted tighter access to credit in November (as they have for the past 17 months). This, along with the underlying supply-demand conditions, appear to have filtered through to contributors' expectations. Chart 7 shows that prices, sales volumes and rents are all expected to continue to contract over the next three months.

The longer-term outlook has deteriorated somewhat since the October survey. This can be seen in Charts 8 through 13 on page 3 of this report. Aggregate prices and rents are expected to fall close to 3%, while sales volumes are expected to decline slightly more than 1%. From a regional perspective, the outlook is more pessimistic for Hong Kong Islands than for Kowloon or the New Territories.

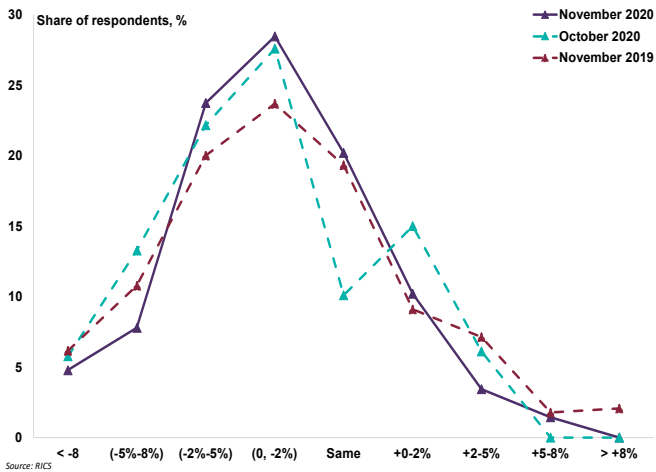
The worsening outlook appears to be somewhat transitory, as beyond the next 12 months prices are expected to increase 2.7% annually over the next 5 years. This is up from the 2.3% expected in October, and the most positive outlook since April.

Chart 1: Confidence Index

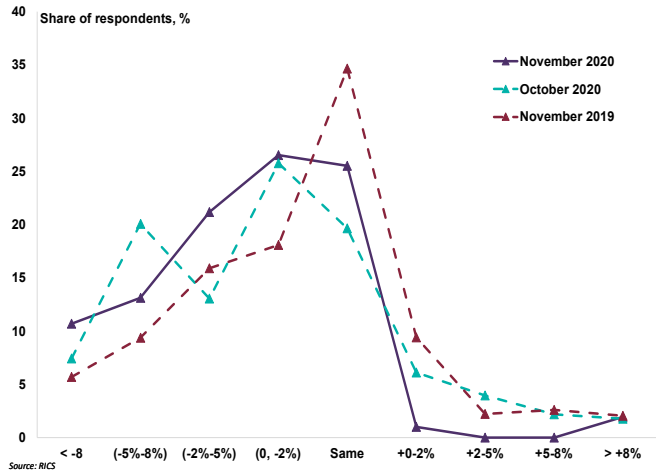


\*The Confidence Index is a composite measure capturing overall market momentum, encompassing variables on short-term

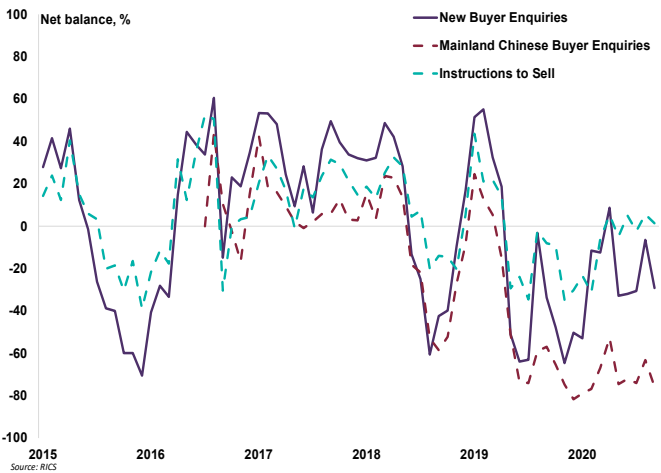
**Chart 2: Prices - past 3 months**



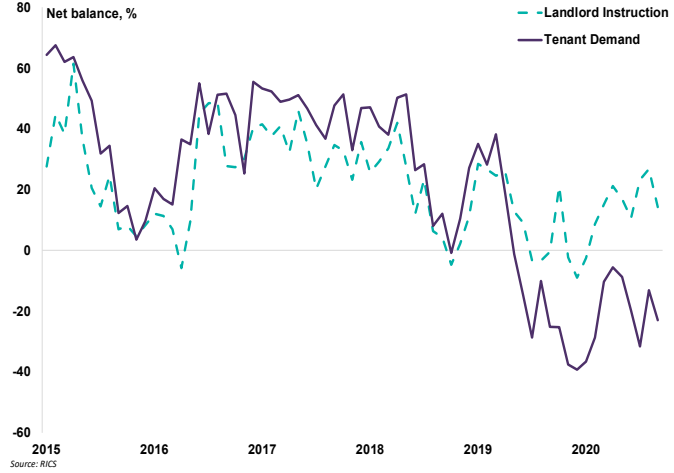
**Chart 3: Rents - past 3 months**



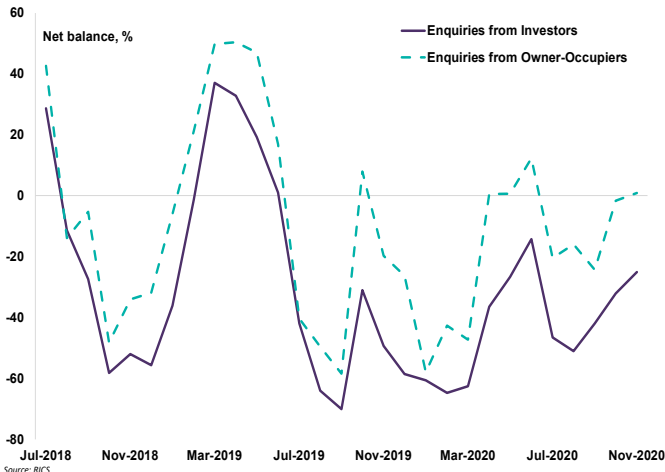
**Chart 4: Buyer enquiries and instructions to sell**



**Chart 5: Tenant demand and instructions to rent**



**Chart 6: Buyer enquiries by type**



**Chart 7: 3 month expectations**

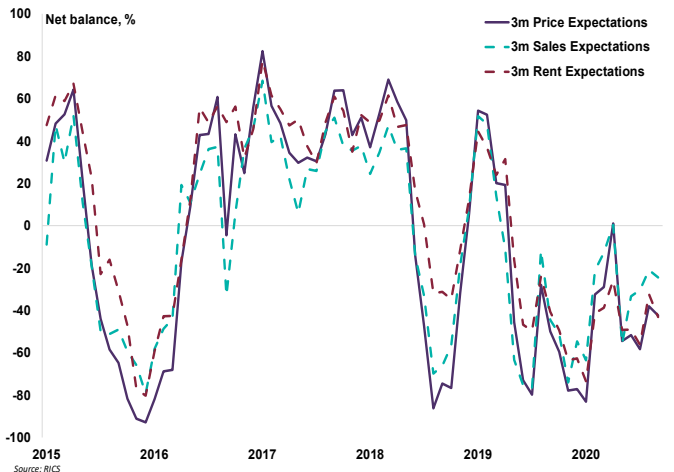
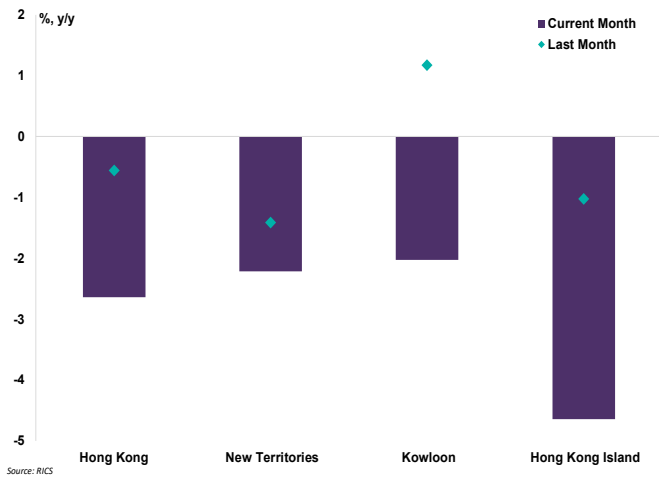
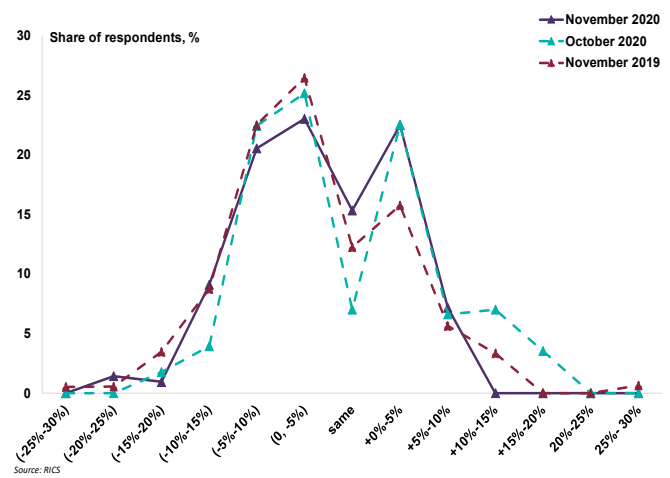


Chart 8: Price expectations - next 12 months



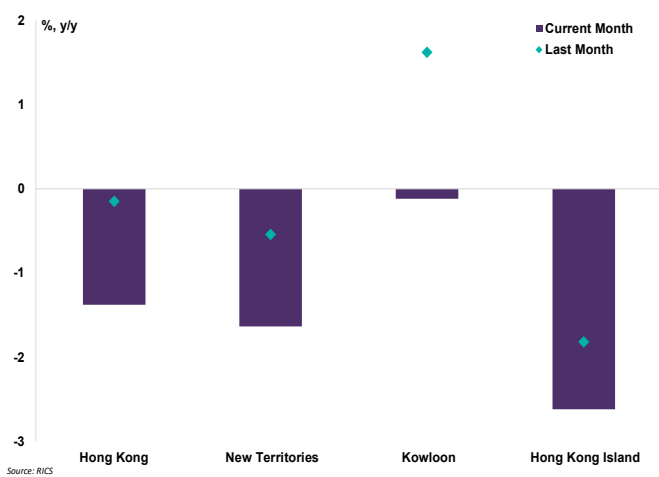
Source: RICS

Chart 9: Price distribution - next 12 months



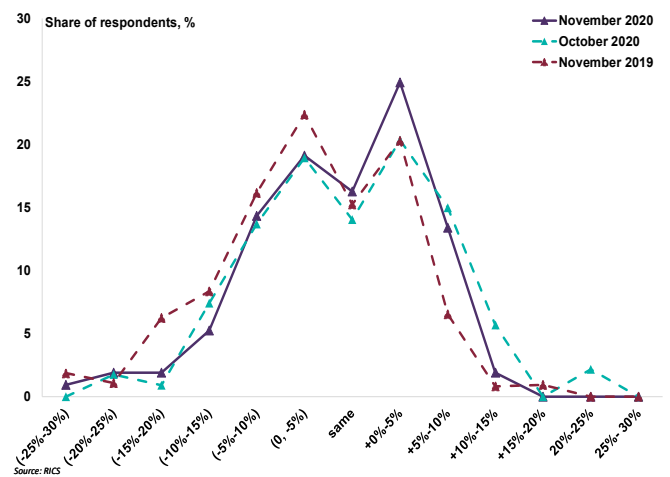
Source: RICS

Chart 10: Volume expectations - next 12 months



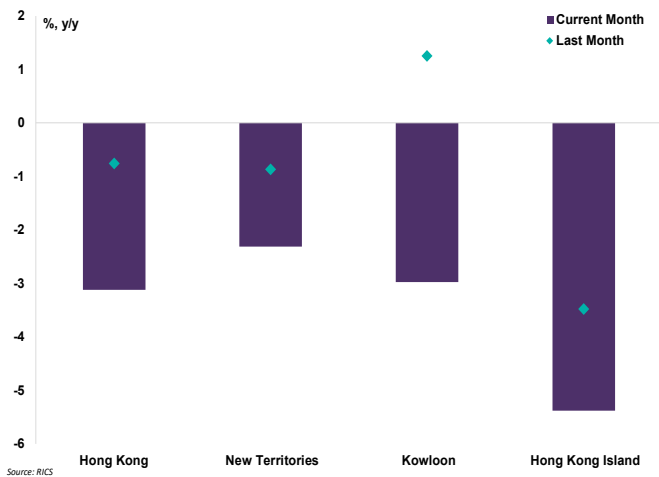
Source: RICS

Chart 11: Volume distribution - next 12 months



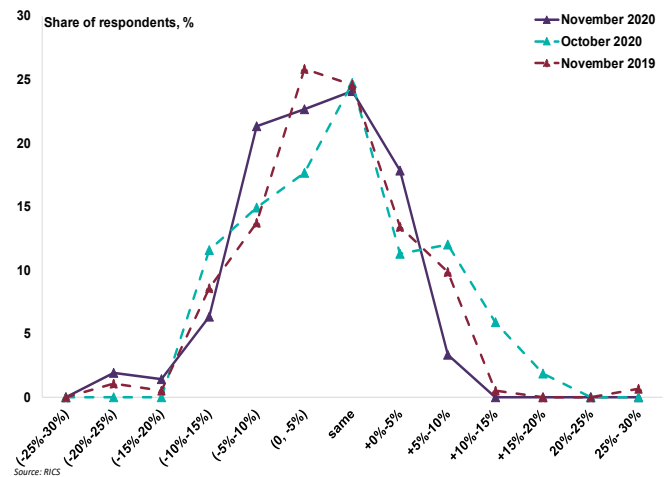
Source: RICS

Chart 12: Rent expectations - next 12 months



Source: RICS

Chart 13: Rent distribution - next 12 months



Source: RICS

# 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.

### 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:

Survey questions were sent out 20 October 2020 with responses received until 11 November 2020. 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:

**December Survey:** 19 January 2021

**January Survey:** 18 February 2021

**February Survey:** 17 March 2021

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