



April 2019: Hong Kong Residential Market Survey

Rebound in prices underway despite renewed trade concerns

- Respondents report price increases as buyer demand remains robust
- Price forecasts revised higher despite renewed trade disputes between the United States and China
- Kowloon and Hong Kong Island expected to see faster growth than New Territories over the next year

The results of the April 2019 RICS-Spacious Hong Kong Residential Market Survey shows that sentiment remained elevated in April. The Confidence Index*, shown in Chart 1, held steady at +50 in April (vs +53 in March), and well above the long-run average of +7. Note that survey responses were collected between April 22 and May 12, which partially includes the period of renewed trade tensions between the United States and China.

Respondents continued to report increasing prices during April. As shown in Chart 2, a weighted average of 50% of respondents reported prices increased up to 5% in April (vs 53% in March). More respondents also reported a faster increase in prices, with 19% reporting price increases between 5% to 8%, up from 8% in March. Meanwhile, just 12% of respondents reported price declines in April, in stark contrast to December when 89% of respondents were reporting price declines.

Fundamentals remained supportive of rising prices. As shown by Chart 4, the pace of increase of headline demand was said to have increased during April while the increase in the supply of properties for sale slowed (in net balance terms). The spread was particularly stark in the New Territories, where a net balance of 45% of respondents reported increased buyer enquiries but a balance of only 9% reported an increase in instructions to sell.

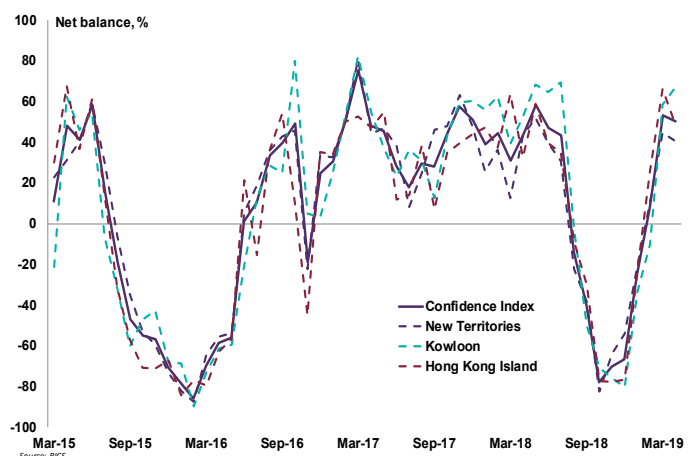
Against this backdrop, most survey participants were optimistic about the outlook for the market. Chart 3 shows that prices, sales and rents are all expected to increase over the next three months. Meanwhile, Charts 6 and 7 show that prices and rents are expected to increase over the next year, though there is some discrepancy by region as Kowloon and Hong Kong Island are expected to see larger increases than the New Territories.

James Fisher, Spacious COO and Head of Market Analytics says "Spacious' user data for April showed a moderation in sale market enquiry rates. Enquiry rate, a proxy for buyer demand, remained strong compared to historical levels but moderated from the high level seen in March. Given April

transaction volume was very strong, a volume only achieved once since October 2012, the moderation was not surprising. Enquiry price and listing price signals were positive for both sales and rentals, a bullish indicator for pricing. The potential for trade war escalations and their impact on the Hang Seng and RMB, which are both down 7% since May 5th, will test the market's strong recent performance. That said, Spacious observed no material deterioration in enquiry rates when comparing the periods 2 weeks before and 2 weeks after May 5th."

Sean Ellison, RICS Senior Economist says "The April Survey results indicate that sentiment in Hong Kong's housing market remains upbeat. It appears that buyers who withheld from the market during the September-January downturn are re-entering, and supply has also been quick to respond. However, the timing of the survey means that respondents may not have fully priced in the impact of the renewed escalation of trade tensions between the United States and China."

Chart 1: Confidence Index*



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

Chart 2: Prices - past 3 months

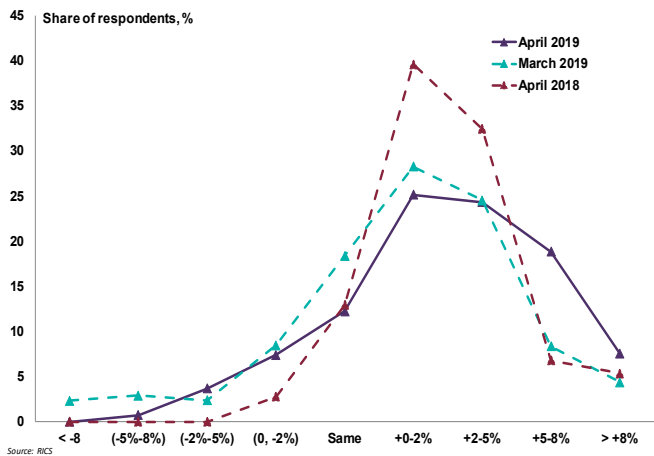


Chart 3: 3 month expectations

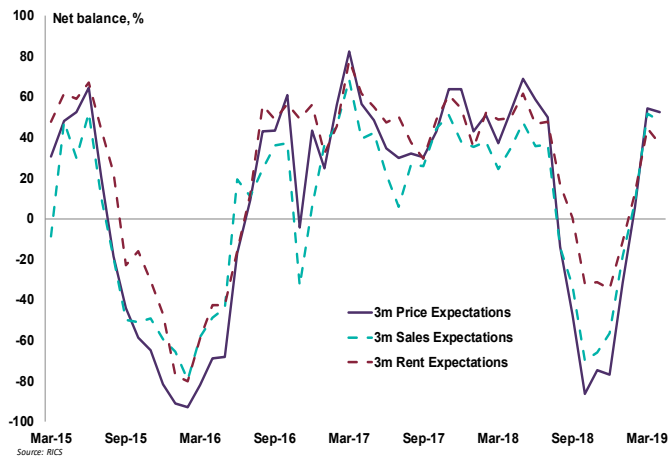


Chart 4: Buyer enquiries and instructions to sell

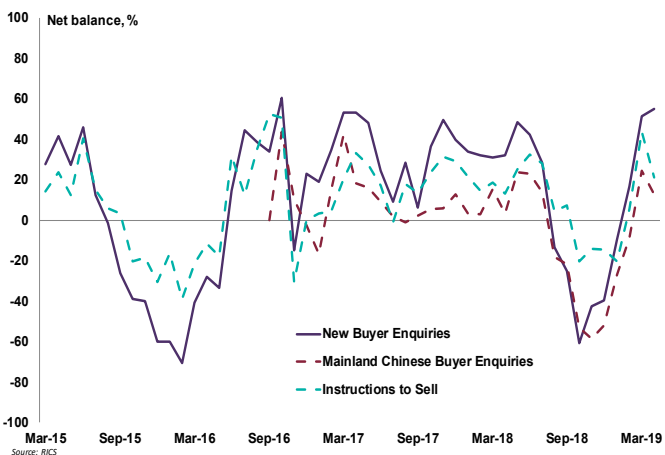


Chart 5: Tenant demand and instructions to rent

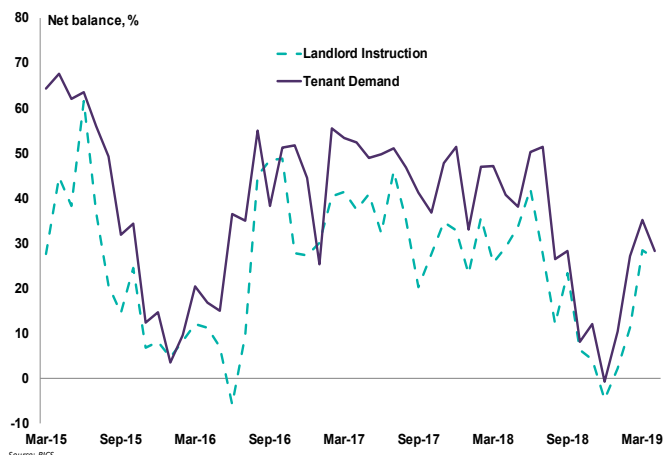


Chart 6: Price forecasts - next twelve months

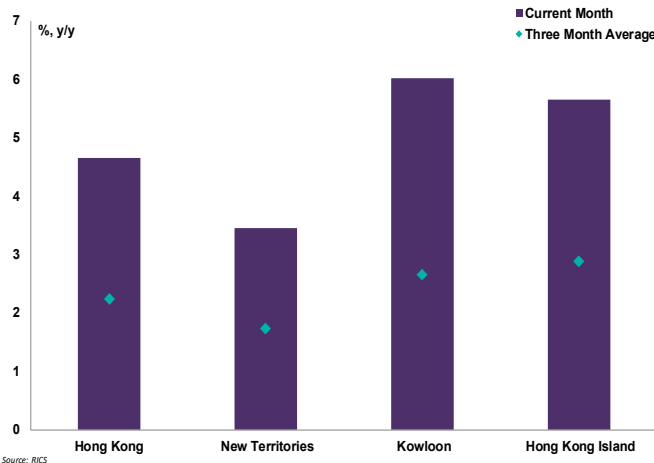


Chart 7: Rent forecasts - next twelve months

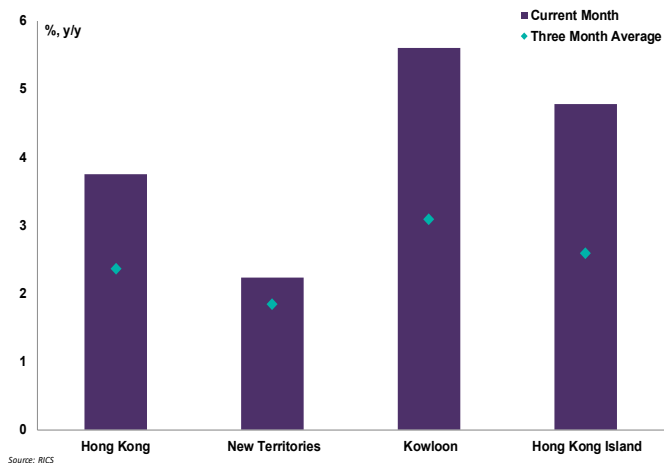


Chart 8: Distribution of price forecasts - next twelve months

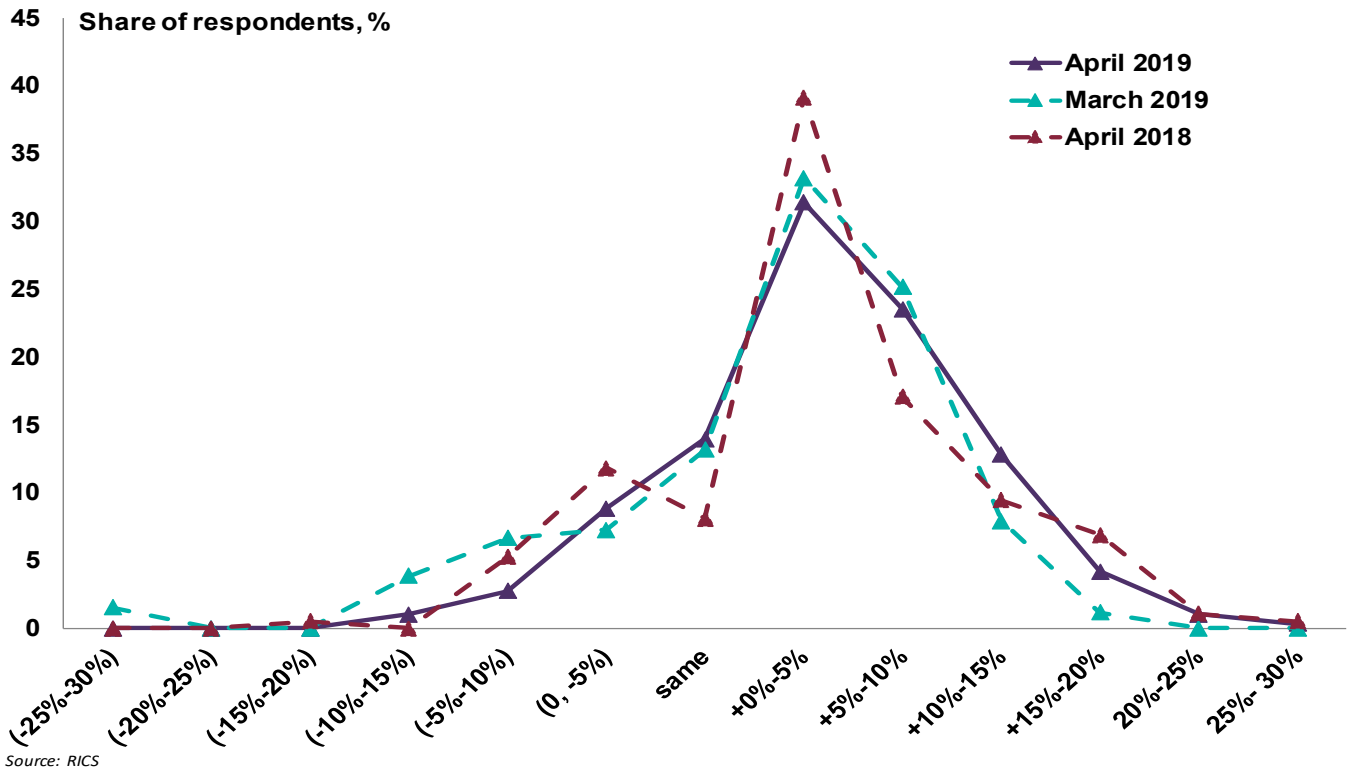
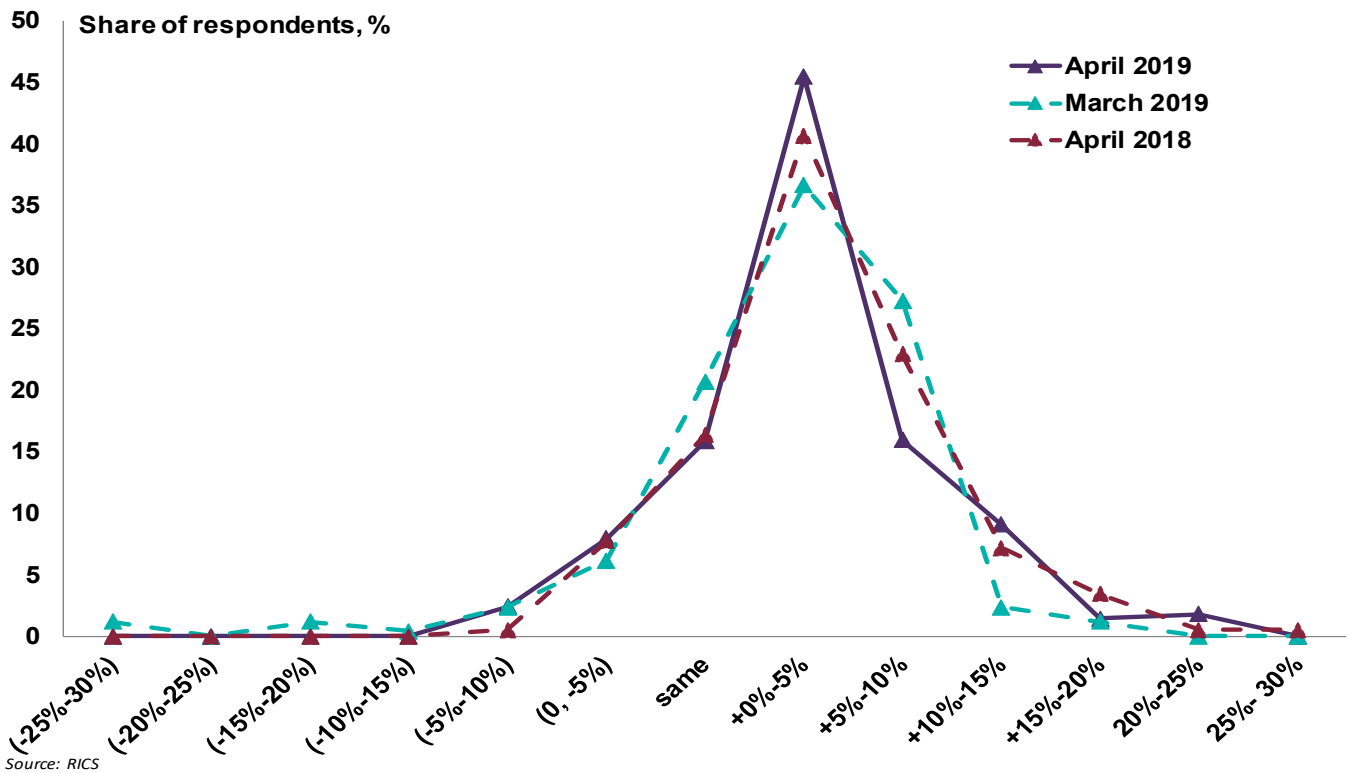


Chart 9: Distribution of rent forecasts - next twelve months



Information

Hong Kong Residential Market Survey:

RICS-Spacious Hong Kong Residential Market Survey 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 22 April 2019 with responses received until 12 May 2019. 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:

May Survey: 24 June 2019

June Survey: 18 July 2019

July Survey: 22 August 2019

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