



## May 2019: Hong Kong Residential Market Survey

# Prices reported to have increased in May, but trade concerns weigh on expectations

- Prices and rents extend 2019 increases in May
- But expectations moderate amid a renewal in the U.S.-China trade dispute
- Robust demand and a benign outlook for interest rates helping to ease downside risks

The results of the 2019 RICS-Spacious Hong Kong Residential Market Survey shows that although prices and rents continued to increase over the first half of 2019, economic uncertainty is weighing on the outlook. The Confidence Index\*, shown in Chart 1, declined from +50 in April to a three-month low of +17 in May. However, this still indicates that market sentiment remains positive.

Respondents continued to report an increase in home prices in the May survey. A net balance of 68% of contributors said that prices have increased over the past three months, the strongest reading in 2019. Chart 2 indicates that a greater share of price increases were in the 0-5% range in May, whereas in April more had been reported in the 5-8% range. This seems to indicate that although market momentum remains positive, prices are showing some signs of moderation.

The outlook for prices, sales and rents have also all lost some momentum, shown in Chart 3, as contributors expect the pace of growth to slow over the next three months. Feedback from survey respondents suggests that concerns over the renewal in trade tensions between the United States and China are a catalyst for a more cautious outlook. Recall that the pullback seen at the end of 2018 was also prompted by concerns over protectionism.

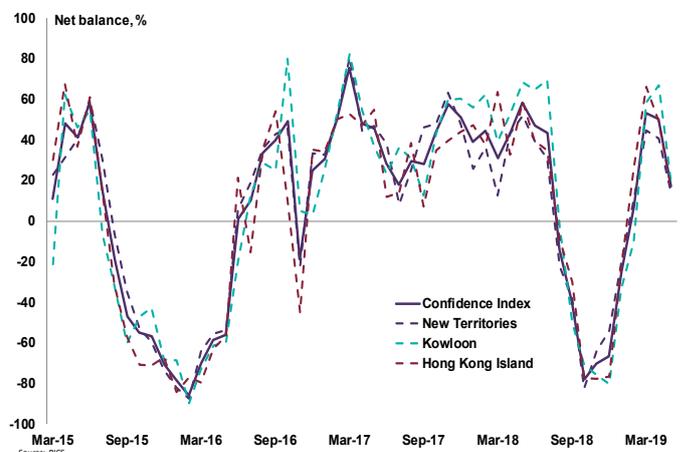
A key difference between now and late 2018 is that the outlook for credit conditions is less negative. In October of 2018, a net balance of 48% of respondents said that they expected credit conditions to tighten over the next three months, whereas the May results indicate that respondents expect little change in credit conditions in the near-term. This may be why although respondents have revised down their forecasts for prices and rents over the next year, both are still expected to increase. Charts 6 and 7 show that headline prices and rents are expected to increase 2.6% and 2.9% over the next year, respectively.

James Fisher, Spacious COO and Head of Market Analytics says "Spacious' user data for May showed a weakening in sale market enquiry rates. Enquiry rate, a proxy for buyer

demand, deteriorated in the second half of the month, likely due to the increased threat of trade war escalation. The enquiry price signal increased during the month, a bullish indicator for pricing. However, listing prices moderated to neutral, signaling sellers may be less confident after strong price gains in March and April. In the rental market, enquiry rates increased but enquiry and listing price signals moderated.

Sean Ellison, RICS Senior Economist says "Hong Kong's housing market had a euphoric beginning to 2019 as it absorbed pent-up demand but the renewed trade dispute between the United States and China has put the market on a more cautious footing, and recent political protests represent a downside risk. However, demand continues to outpace supply and the outlook for interest rates is benign, which should provide a cushion for the market. Barring a flare-up in foreign or domestic tensions, expectations for a "soft landing", a moderate expansion in prices and rents, during 2019 appear to be well-founded."

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

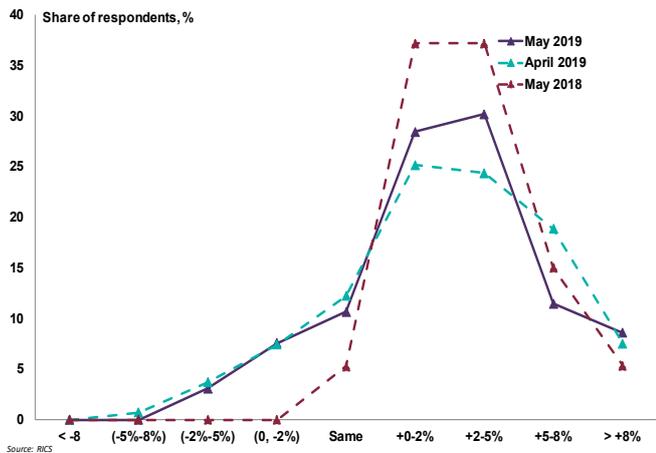


Chart 3: 3 month expectations

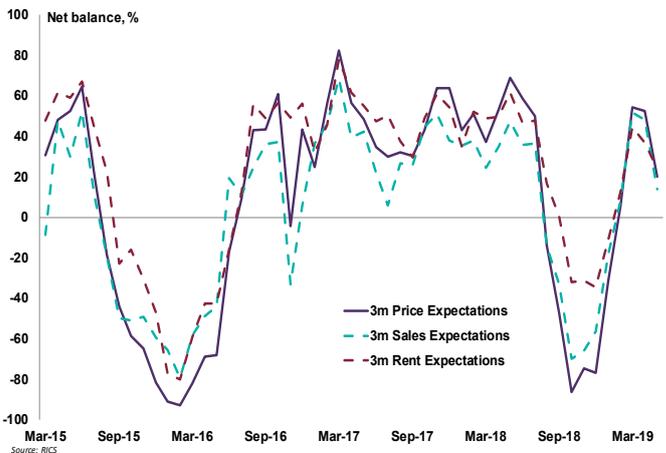


Chart 4: Buyer enquiries and instructions to sell

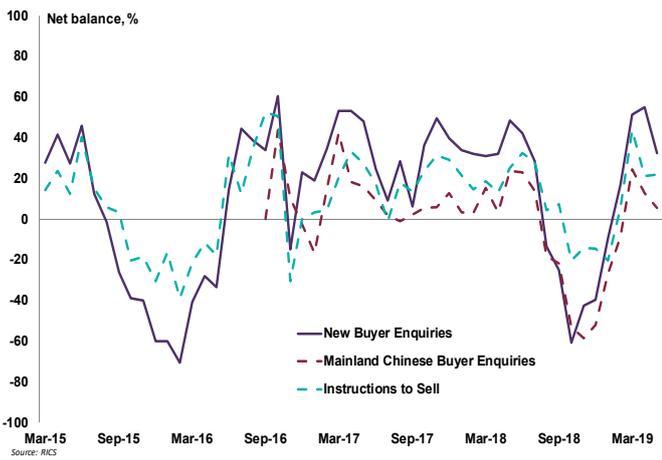


Chart 5: Tenant demand and instructions to rent

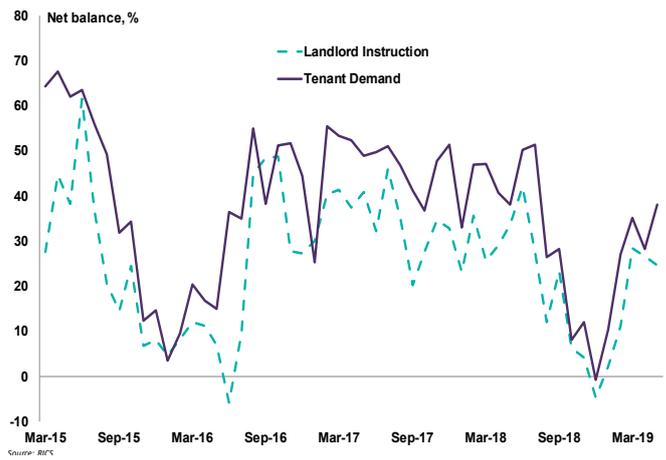


Chart 6: Price forecasts - next twelve months

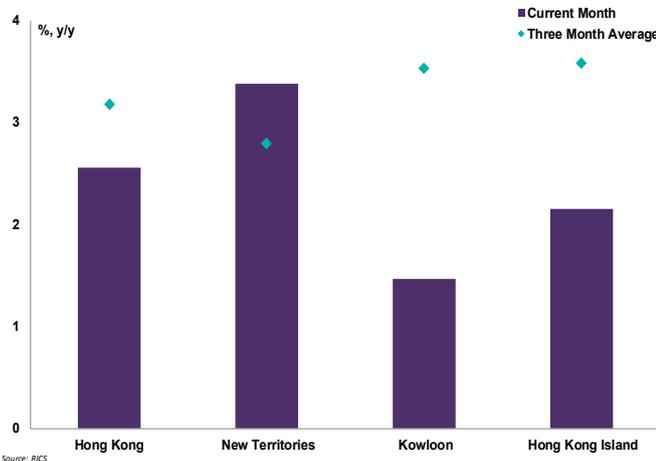


Chart 7: Rent forecasts - next twelve months

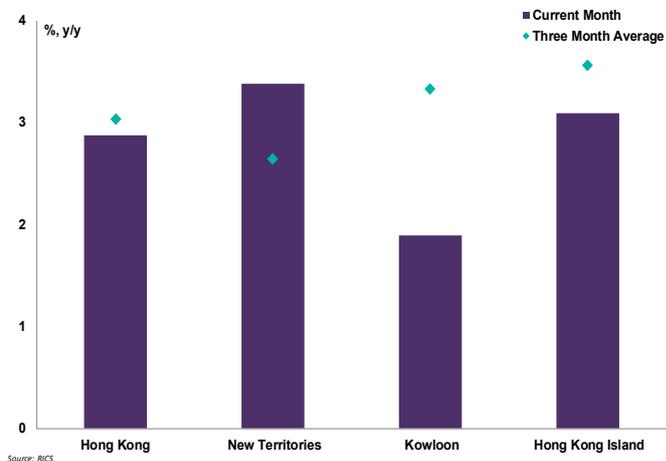


Chart 8: Distribution of price forecasts - next twelve months

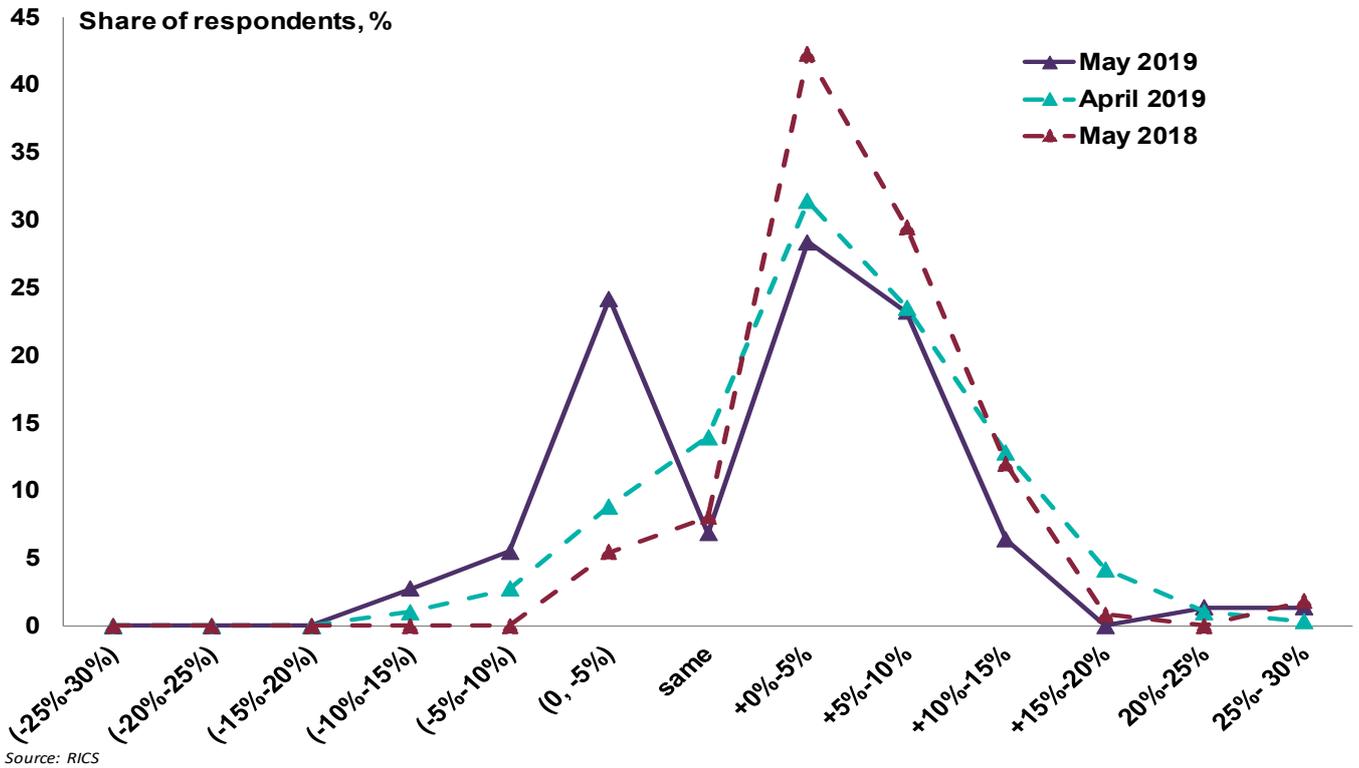
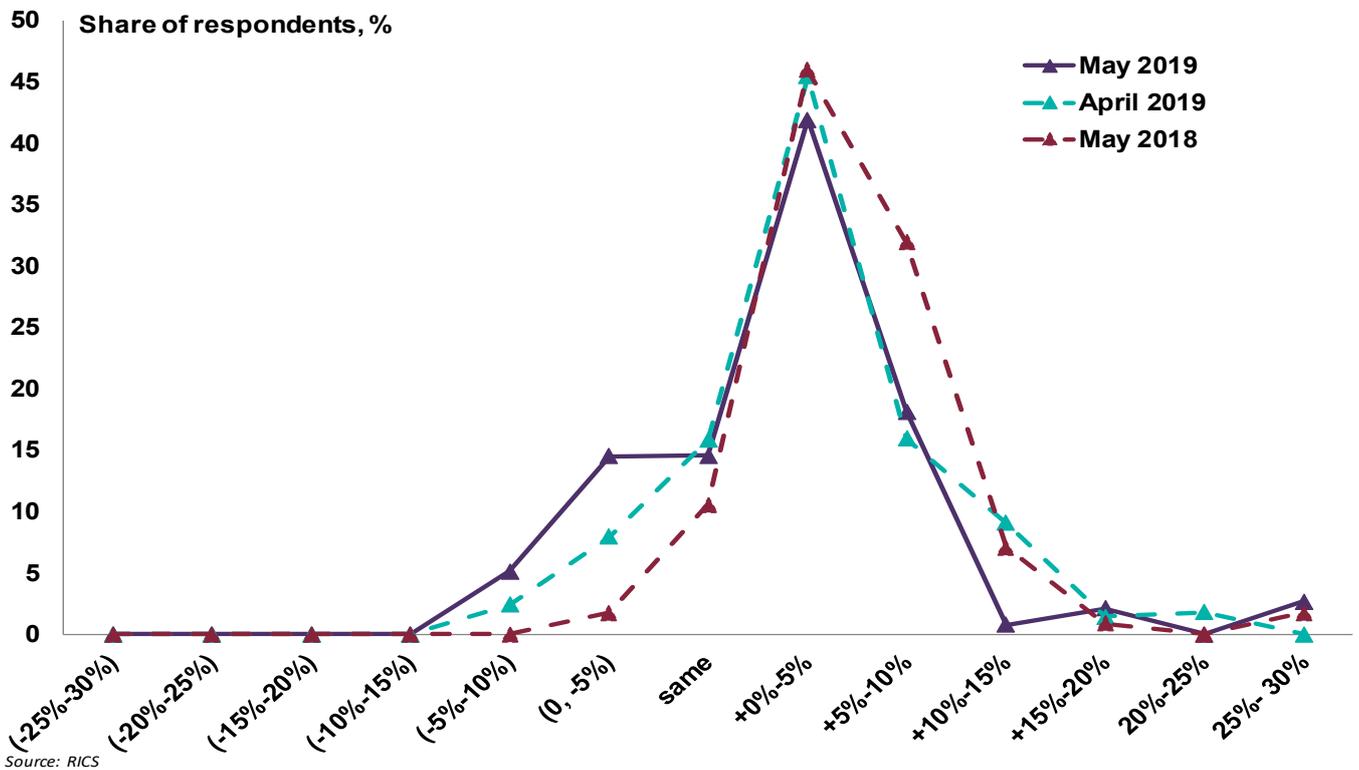


Chart 9: Distribution of rent forecasts - next twelve months



# 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](http://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 May 2019 with responses received until 9 June 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:

**June Survey:** 18 July 2019

**July Survey:** 22 August 2019

**August Survey:** 19 September 2019

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