



February 2019 Hong Kong Residential Market Survey

Prices, rents stabilize following Lunar New Year holiday

- Outlook for prices, sales volumes and rents improve following Lunar New Year holiday
- Pent-up demand to purchase property appears to be prevalent among owner-occupiers
- Some caution remains in longer-term outlook given uncertain external economic environment

The results of the February 2019 RICS-Spacious Hong Kong Residential Market Survey point to a continued stabilization in Hong Kong's housing market. The Confidence Index, an amalgamated measure of short-term price and sales expectations, increased sharply from -25 in January to +7 in February. This is indicative of a stabilization in conditions since the index bottomed in October 2018 at -78, and was the first non-negative reading since July 2018. As shown in Chart 1, the pick-up was particularly acute on Hong Kong Island, where the Confidence Index increased to +26 in February.

Respondents continued to report a modest contraction in prices over the past three months (Chart 2), though in net balance terms the pullback in prices was at a significantly slower pace than was reported in the past four months. Chart 3 shows that contributors expect aggregate prices and transaction volumes to remain unchanged over the next three months, and rents are expected to post a modest increase. Meanwhile, on Hong Kong Island, prices, transaction volumes, and rents are all expected to increase over the next three months, the first time respondents have expected this since June 2018.

The outlook for prices and rents for the next twelve months have similarly improved, as shown in Charts 6 and 7. Contributors expect headline prices to decline just 0.3% over the next year, less than the three month average of a 3% decline (Chart 6). Meanwhile, Chart 7 shows that headline rents are now expected to increase 0.9% over the next year, above the three month moving average forecast of no change.

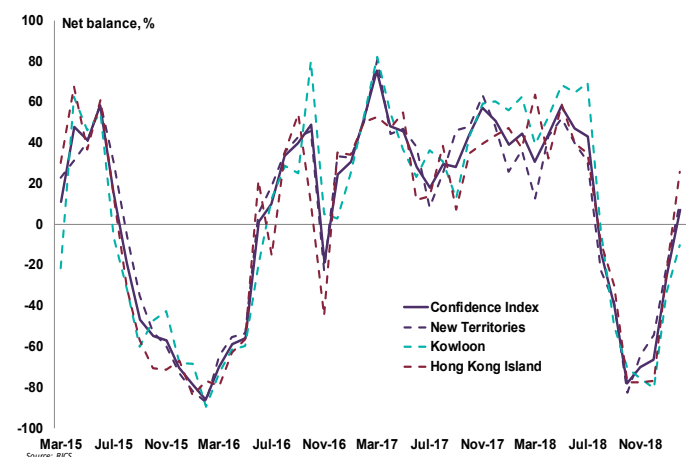
This optimism may be driven by a shift in supply and demand fundamentals. As shown in Chart 4, new enquiries from buyers increased for the first time since July 2018. This aligns with anecdotal evidence from respondents who said that buyer demand had started to recover following the Lunar New Year holiday. The increase in demand appears to be driven by owner-occupiers, as contributors are reporting little change in demand from investors and buyers from mainland China. Meanwhile, the supply of properties being made available for sale was seen to be little changed from January.

A similar dynamic is seen in the rental market, shown in Chart 5. Tenant demand was reported to have increased at a robust pace in February, while the increase in properties available to rent was more modest.

James Fisher, Spacious COO and Head of Market Analytics says "Spacious' user data has recorded 3 months in a row of improving sale market enquiry rates, which is a proxy for buyer demand that indicates increased transaction volumes in the near term. Enquiry prices have stabilized in the sale and rent markets but sellers and landlords were still reducing listing prices in February as the marketplace looks to be searching for equilibrium following recent volatility."

Sean Ellison, RICS Senior Economist says "Respondents to the Spacious-RICS Hong Kong Residential Market Survey have indicated that the market has stabilized to begin 2019. Although pent-up demand and an undersupply of housing acts as a cushion for the market, risks appear to still be skewed to the downside. Namely, a recurrence of trade tensions or underwhelming economic growth from China would likely result in another pullback in demand. Against this backdrop, there is more caution in the outlook for rents and prices than in recent years."

Chart 1: Confidence Index



Hong Kong market charts

Chart 2: Prices - past 3 months

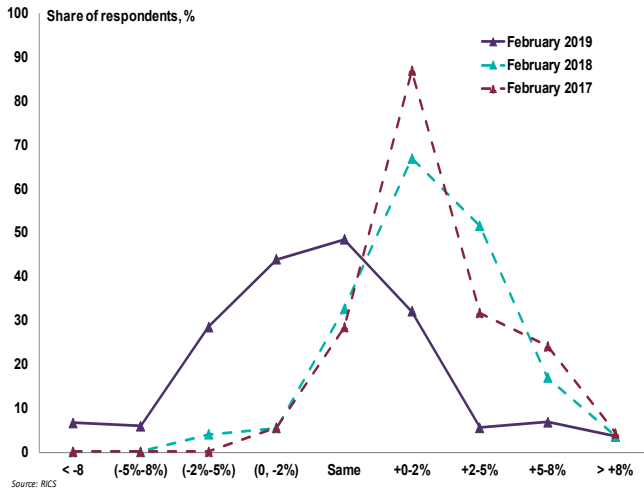


Chart 3: 3 month expectations

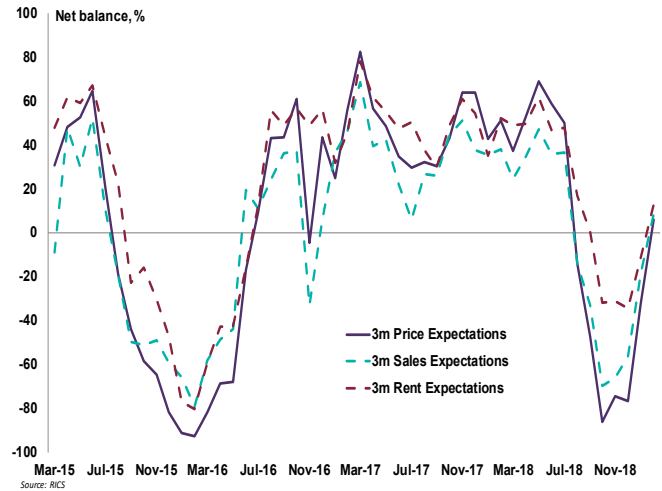


Chart 4: Buyer enquiries and instructions to sell

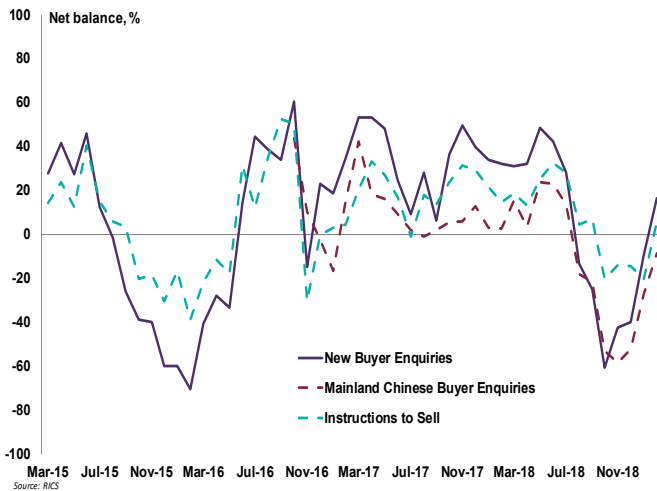


Chart 5: Tenant demand and instructions to rent

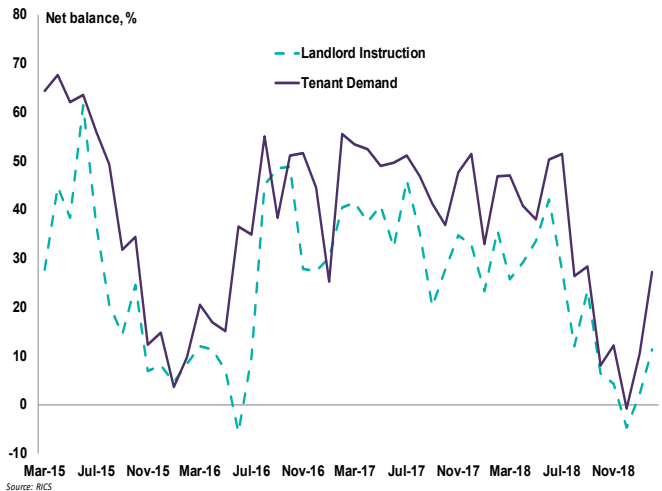


Chart 6: Price forecasts - next twelve months

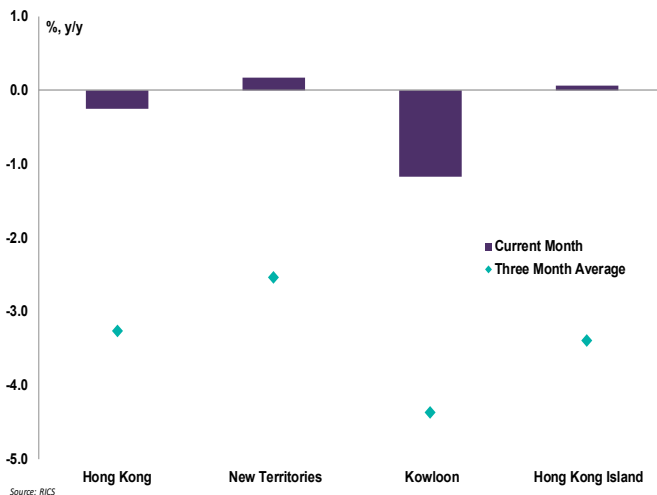


Chart 7: Rent forecasts - next twelve months



Hong Kong market charts

Chart 8: Distribution of price forecasts - next twelve months

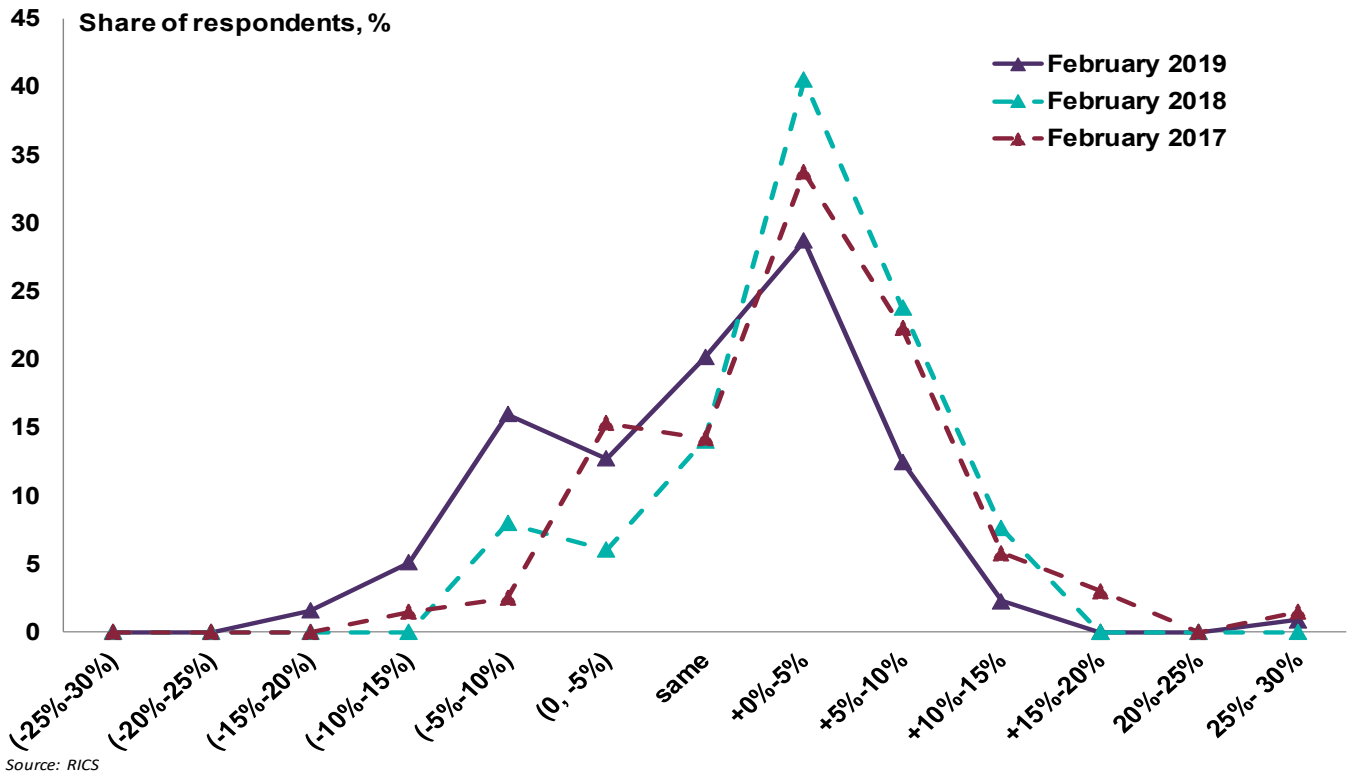
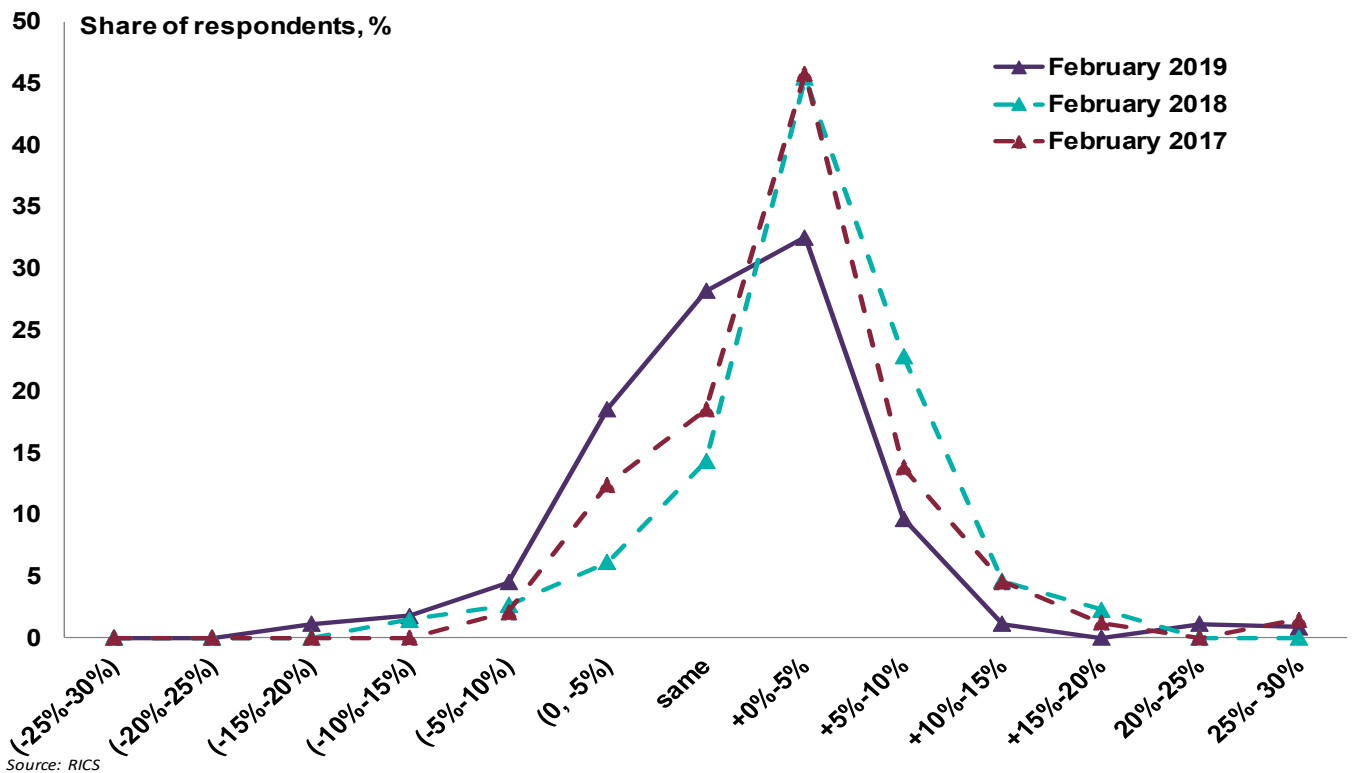


Chart 9: Distribution of rent forecasts - next twelve months



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:

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 24 February 2019 with responses received until 10 March 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:

March Survey: 22 April 2019

April Survey: 22 May 2019

May Survey: 24 June 2019

Contact:

Sean Ellison

Senior Economist Asia-Pacific
RICS
+65 6812 8179
sellison@rics.org

James Fisher

COO & Head of Market Analysis and Analytics
Spacious
+852 3460 4713
james@spacious.hk

Simon Rubinsohn

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

Jeffrey Matsu

Senior Economist
RICS
+44 (0) 20 7695 1644
jmatsu@rics.org

Tarrant Parsons

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

Kisa Zehra

Economist
RICS
+44 (0) 20 7695 1675
kzehra@rics.org

Disclaimer:

This document is intended as a means for debate and discussion and should not be relied on as legal or professional advice. Whilst every reasonable effort has been made to ensure the accuracy of the contents, no warranty is made with regard to that content. Data, information or any other material may not be accurate and there may be other more recent material elsewhere. RICS will have no responsibility for any errors or omissions. RICS recommends you seek professional, legal or technical advice where necessary. RICS cannot accept any liability for any loss or damage suffered by any person as a result of the editorial content, or by any person acting or refraining to act as a result of the material included.



Confidence through professional standards

RICS promotes and enforces the highest professional qualifications and standards in the valuation, development and management of land, real estate, construction and infrastructure. Our name promises the consistent delivery of standards – bringing confidence to markets and effecting positive change in the built and natural environments.

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