



## July 2019: Hong Kong Residential Market Survey

# Market confidence plunges amid ongoing protests

- Buyer demand contracts as respondents cite ongoing protests as a headwind
- Expectations have shifted to a slight decline in prices and volumes over the next year
- Respondents expect tighter access to credit despite expectations for more interest rate cuts

Respondents to the July 2019 RICS-Spacious Hong Kong Residential Market Survey show that the ongoing protests have begun to weigh on market activity. The Confidence Index\*, shown in Chart 1, fell from +4 in June to -54 in July, the lowest level since December 2018. Recall in December 2018 trade tensions between the U.S. and China were significantly escalated and the U.S. central bank had recently increased interest rates (and was expected to continue to do so).

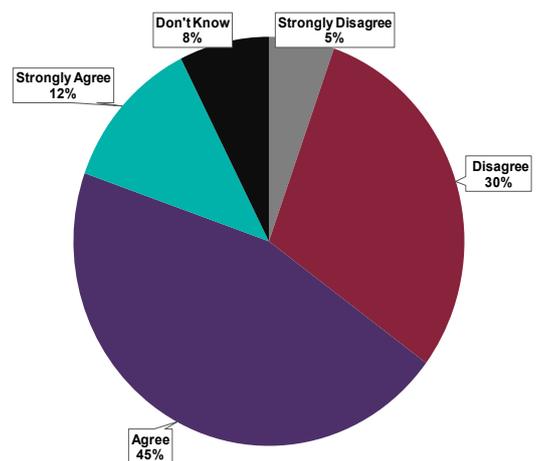
Respondents comments indicate that the ongoing protests in Hong Kong have begun to negatively impact the market. Note that in the June survey, 57% of respondents said that the protests were expected to negatively impact buyer demand (chart to the right). Respondents also noted the ongoing trade dispute between the U.S. and China as having adverse consequences on the market. Interestingly, credit conditions were also said to have tightened, and are expected to continue to tighten despite the more benign outlook for interest rates.

As shown by Chart 2, prices appear to have begun declining as 38% of respondents reported prices fell to some degree during the past three months. Meanwhile, Chart 4 shows that survey participants noted a fairly sharp pullback in buyer demand in during July. The drop appears to be driven by buyers from mainland China as well as owner-occupiers, as demand from investors appears to be holding up for now (Chart 6).

Sales market weakness is expected to persist in the short-term, with both prices and volumes expected to decline over the next three months (Chart 7). Volumes are also expected to contract over the next twelve months (Chart 10), and expectations for prices are significantly more subdued than during the June survey (Chart 8). Chart 9 shows that 53% of respondents expect prices to decline over the next twelve months.

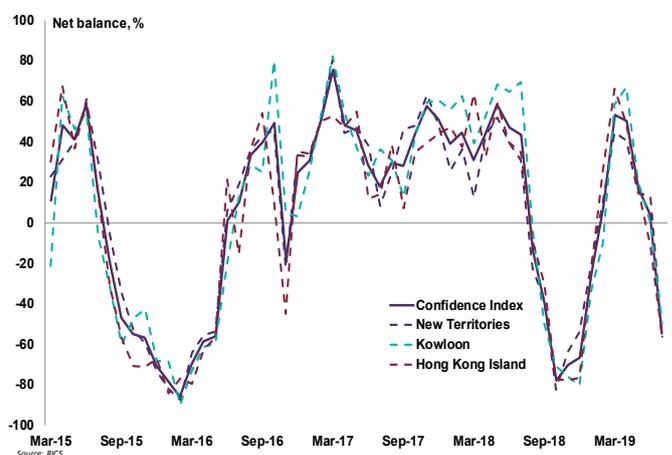
The rental market was slightly more resilient than the sales market, though Chart 5 shows that demand was flat in July amid increasing supply. Rents are expected to increase only marginally over the next year (Chart 12).

Do you believe that the recent protests in Hong Kong will have a negative impact on buyer demand for the next 12 months? (June 2019)



Source: RICS

Chart 1: Confidence Index



Source: RICS

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

Chart 2: Prices - past 3 months

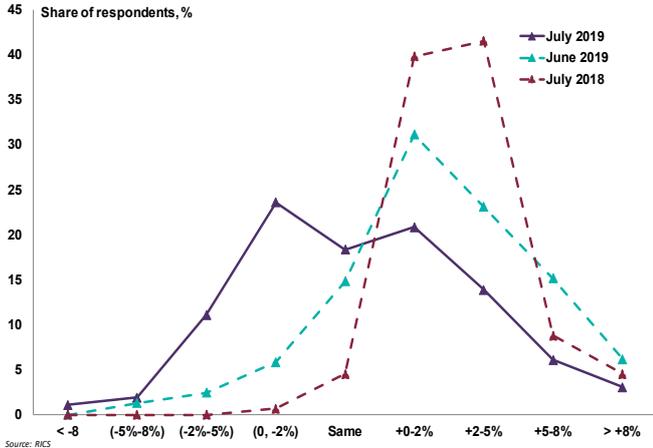


Chart 3: Rents - past 3 months

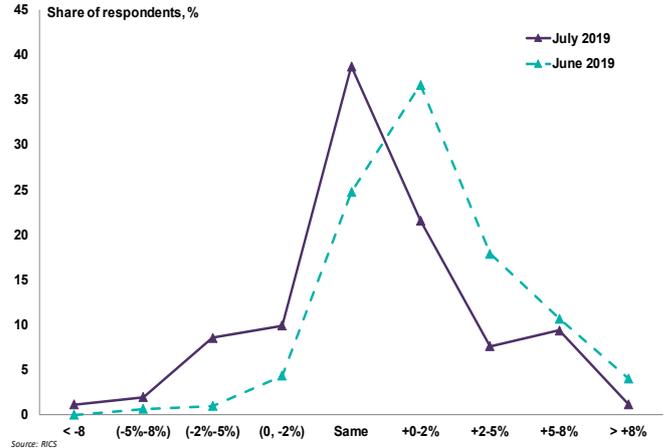


Chart 4: Buyer enquiries and instructions to sell

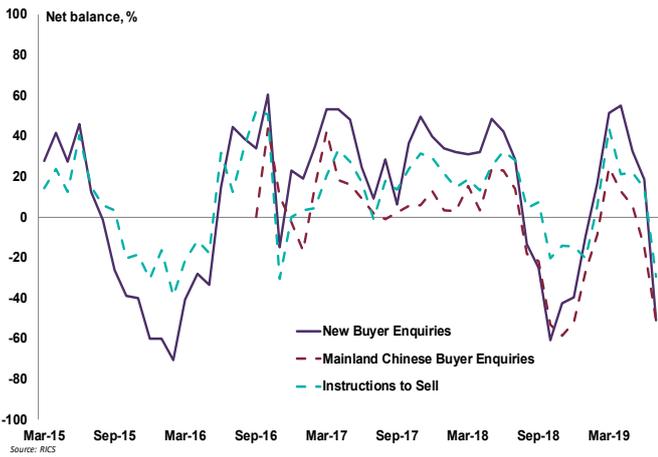


Chart 5: Tenant demand and instructions to rent

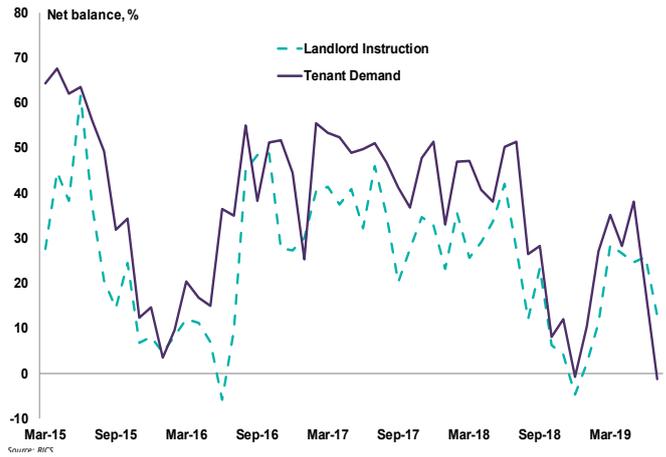


Chart 6: Buyer enquiries by type

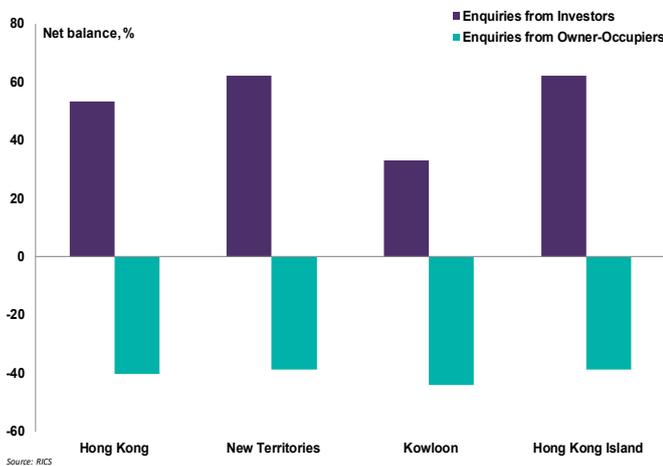


Chart 7: 3 month expectations

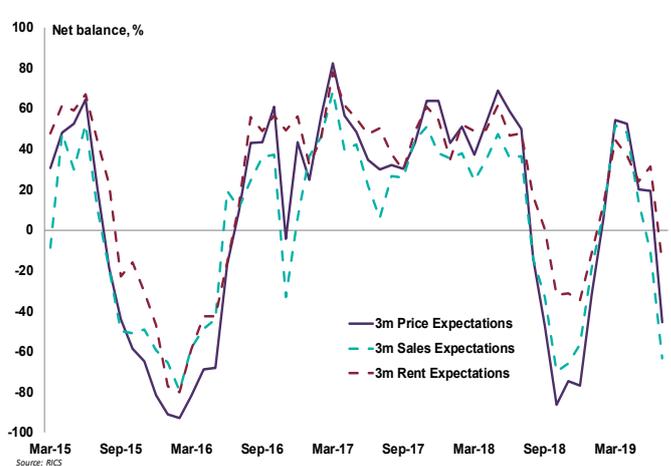


Chart 8: Price forecasts - next 12 months

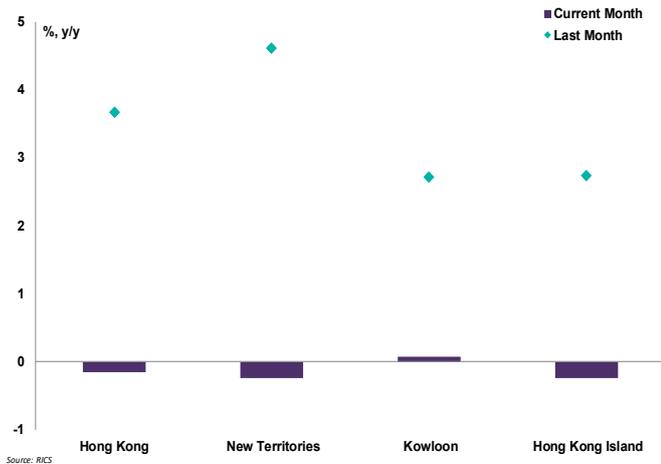


Chart 9: Price distribution - next 12 months

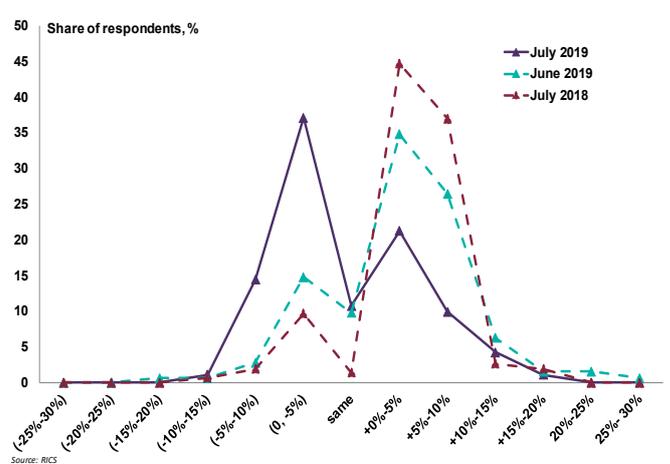


Chart 10: Volume forecasts - next 12 months

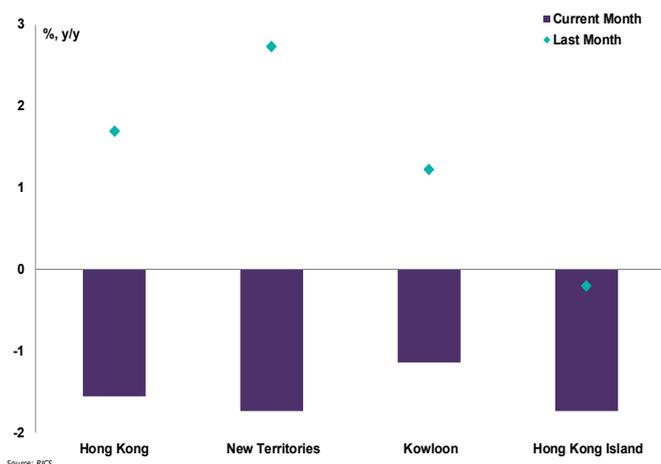


Chart 11: Volume distribution - next 12 months

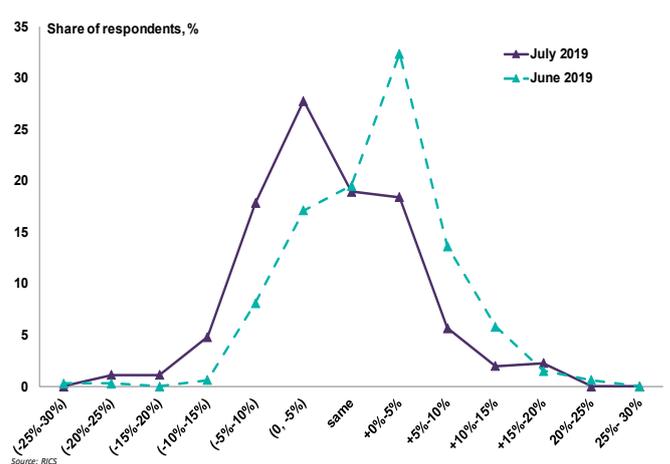


Chart 12: Rent forecasts - next 12 months

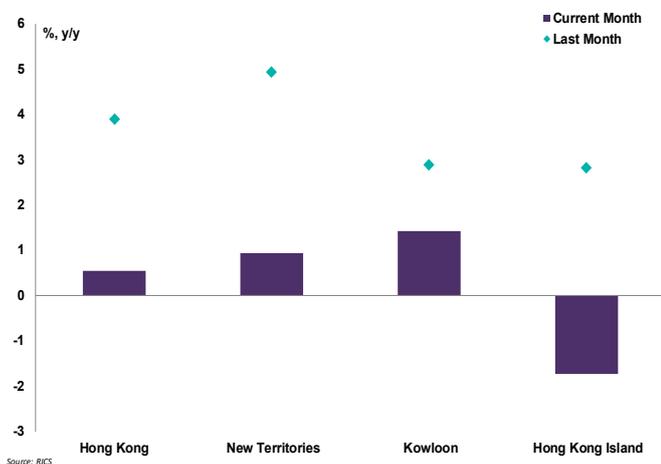
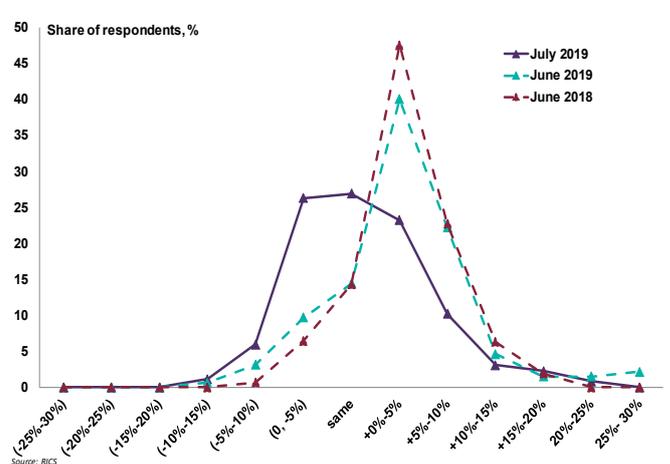


Chart 13: Rent distribution - next 12 months



# 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 18 July 2019 with responses received until 11 August 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:

**August Survey:** 19 September 2019

**September Survey:** 22 October 2019

**October Survey:** 21 November 2019

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