



November 2018: Hong Kong Residential Market Survey

Expectations for prices, volumes, rents all remain negative

- Prices and rents still seen to contract over the next three and twelve months
- Demand remains negative across the board, while supply has been less elastic
- Sales volumes fall while anecdotal evidence suggests more caution in the market

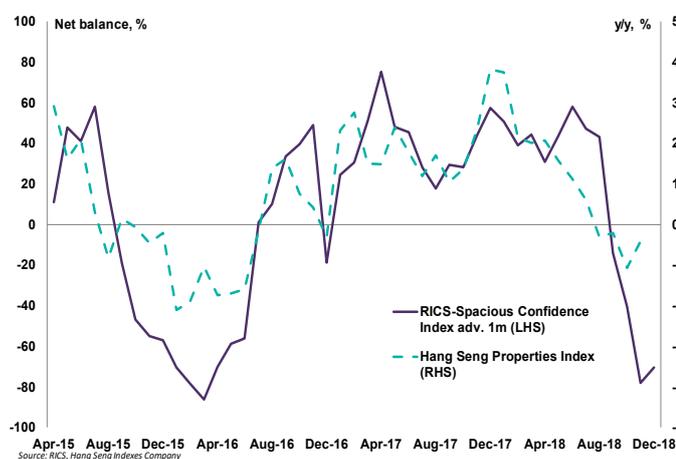
The results of the Hong Kong Residential Market Survey show that market sentiment remained downbeat in November. The Confidence Index, an amalgamated measure of short-term price and sales expectations, has been negative since August and was little changed in November from October, as shown in Chart 1.

Chart 2 shows that respondents reported price declines for the second consecutive month in November. The contraction in prices continued to be widespread, and not confined to a specific region (New Territories, Kowloon, Hong Kong Island). Similarly, sales volumes were reported to contract for the fourth consecutive month (Chart 3), though the contraction in volumes in the New Territories was less acute than in Kowloon or Hong Kong Island.

Against this backdrop, expectations for prices and sales volumes remain firmly rooted in negative territory over the next three months (Charts 4 and 5 respectively) and twelve months (Chart 6). One-year price forecasts, as shown in Chart 9, have appeared to stabilize around the three-month moving average, with contributors expecting approximately a 6% pullback in headline prices over the next twelve months.

Underlying supply and demand conditions were little

Chart 1: Confidence Index

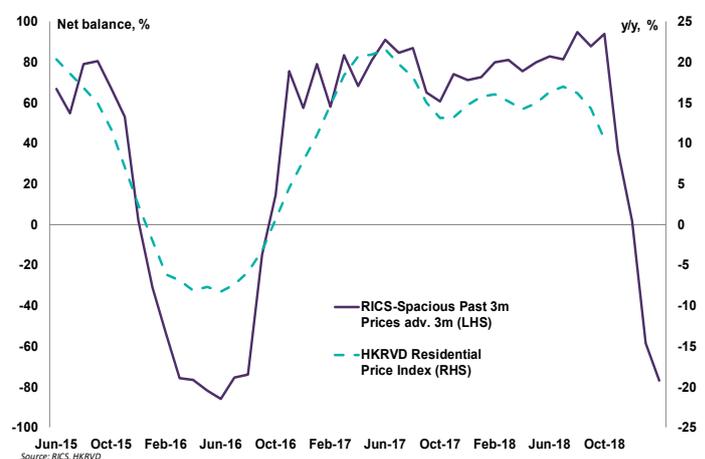


changed in November from October, as new buyer enquiries were reported to have contracted at a quicker pace than the contraction in new instructions to sell. Chart 12 shows that this was particularly visible in the New Territories, where the stock of properties for sale increased in November. Generally, the supply of properties for sale has been less elastic than buyer demand, though anecdotal evidence has suggested that both buyers and sellers may be sitting on the side-lines following the recent moderation in prices, which is likely a contributing factor to the decline in market liquidity.

The pullback in demand was evident from both investors and owner-occupiers, though the pullback in demand from owner-occupiers did moderate slightly in November from October. Demand from buyers in mainland China was also negative for the fourth consecutive month, as shown in Chart 13.

Expectations for the lettings market were less subdued than the sales market as supply-demand conditions are more balanced (Chart 7). However, as shown by Chart 8, rents are still expected to decline over the next three months. Headline rents are also expected to be slightly lower over the next twelve months (Chart 10), though rents on Hong Kong Island are expected to be little changed over the next year.

Chart 2: Prices - past three months



National market charts

Chart 3: Sales - past month

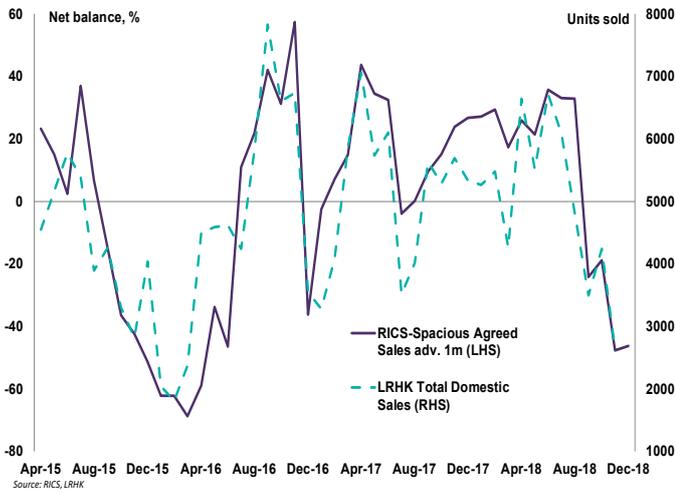


Chart 4: Price expectations - next 3 months

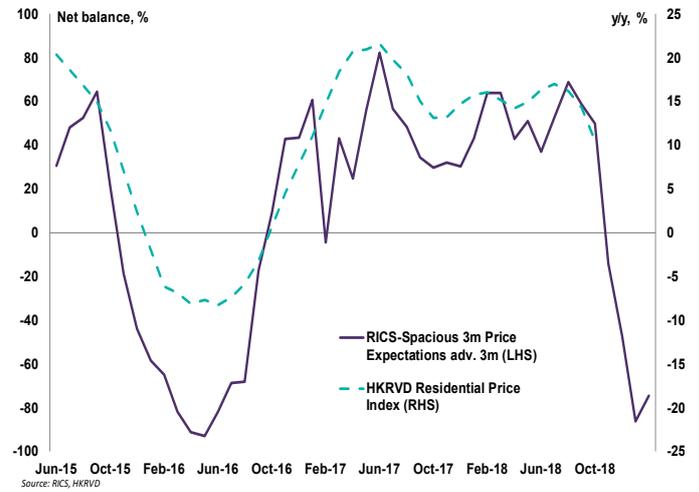


Chart 5: Sales expectations - next 3 months

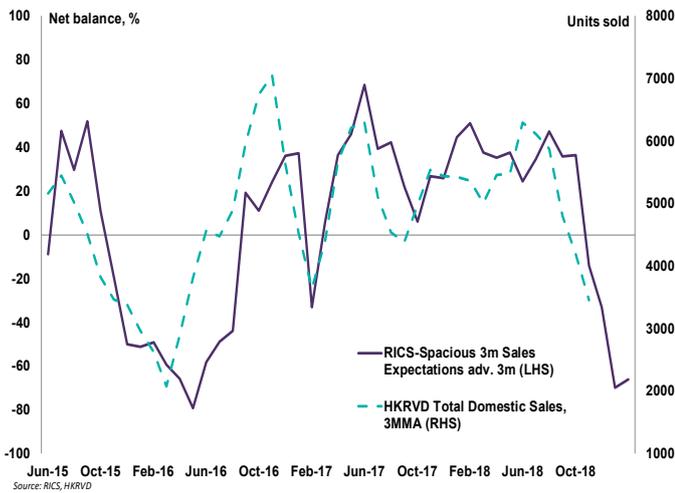


Chart 6: 12 month expectations - prices and sales

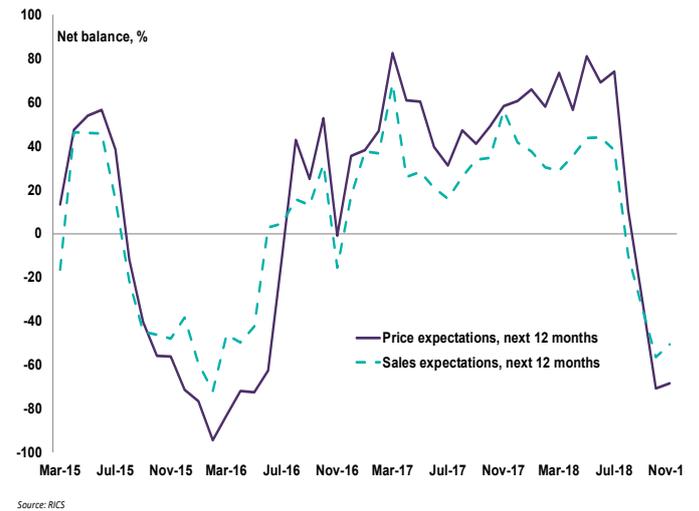


Chart 7: Tenant demand and landlord instructions - past three months

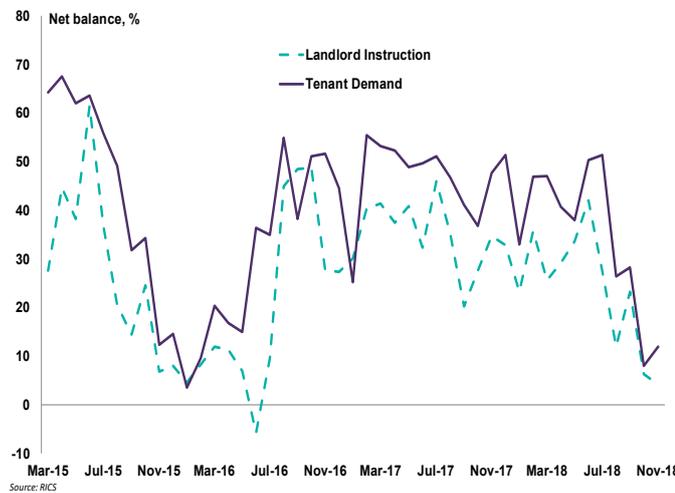
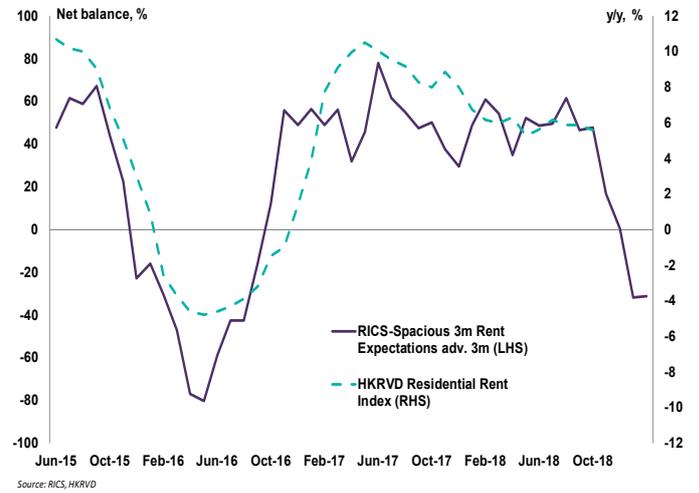


Chart 8: Rent expectations - next 3 months



Regional market charts

Chart 9: Price forecasts - next twelve months

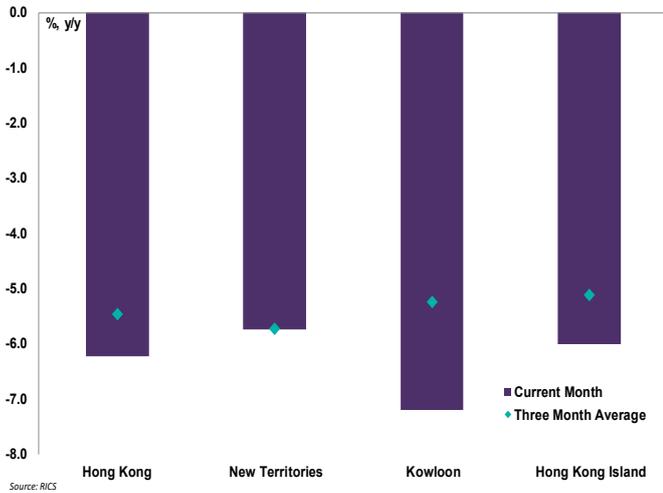


Chart 10: Rent forecasts - next twelve months

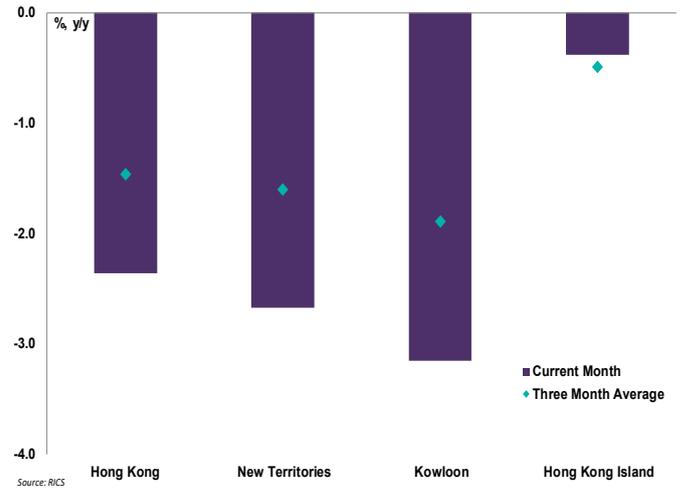


Chart 11: 12 month expectations - prices and sales

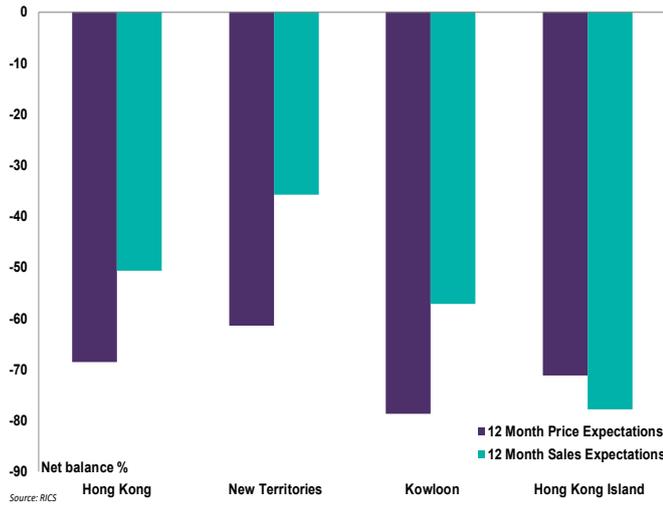


Chart 12: Instructions to sell and buyer enquiries - past month

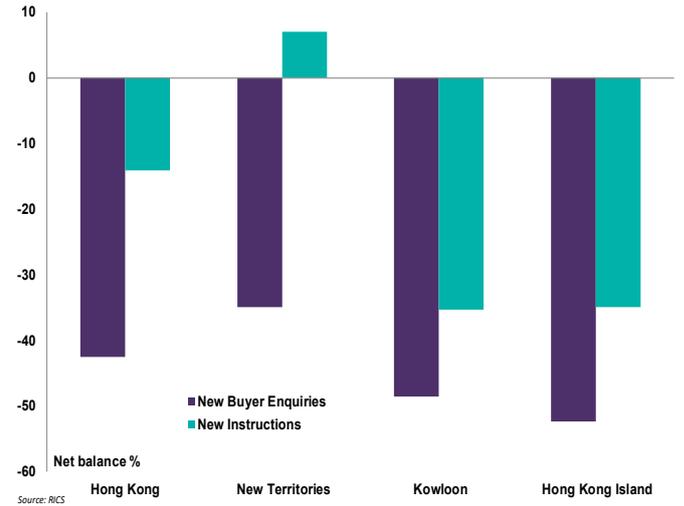


Chart 13: Buyer enquiries from mainland China

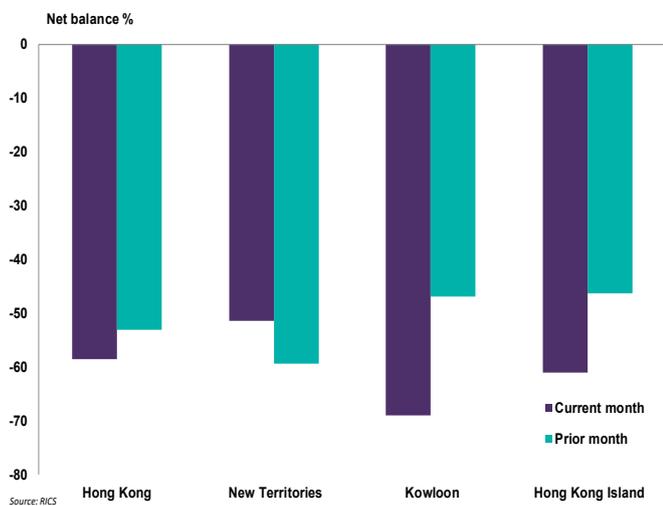
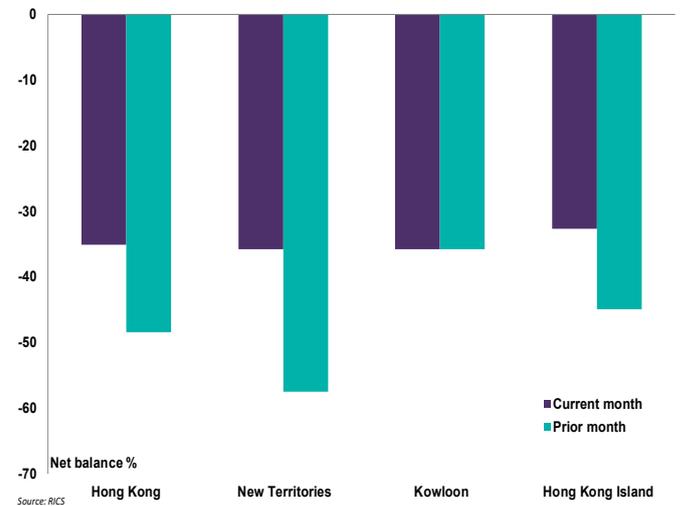


Chart 14: 3 month expectations - credit conditions



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 23 October 2018 with responses received until 11 November 2018. 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: 22 January 2019

January Survey: 20 February 2019

February Survey: 20 March 2019

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