



October 2018: Hong Kong Residential Market Survey

Respondents report pullback in prices; rents seen falling in the near-term

- Recent weakness in prices and sales seen persisting over the next twelve months
- Buyer demand down across the board as credit conditions continue to tighten
- Rents now also expected to decline over the next three and twelve months across all regions

The results of the October Hong Kong Residential Market Survey showed that sentiment surrounding the housing market extended its decline. As shown in Chart 1, the Confidence Index, an amalgamated measure of short-term price and sales expectations, fell from -40 to -78, the second lowest level on record (to February 2016).

Respondents reported the first drop in prices over the last three months since June 2016 (Chart 2). All three regions (New Territories, Kowloon, Hong Kong Island) reported falling prices over the last three months. The declines were particularly acute on Hong Kong Island, where a net balance of 67% of respondents said that house prices declined over the last three months.

Against this backdrop, the pullback in prices are expected to persist over the next three months, as shown in Chart 4. Contributors' one-year price forecasts are similarly downbeat, headline prices are expected to decline nearly 8% over the next year (Chart 9). Respondents in the New Territories on average see a 9.2% pullback in prices over the next twelve months.

Similarly, respondents also reported a further fall in sales over the last month, as shown in Chart 3. Sales are also expected to continue to decline over the next three

months (Chart 5) and over the next year (Chart 6).

One of the factors potentially driving this is the gap between demand and the supply of new properties to buy. This gap is the widest since January 2016 as respondents are reporting demand declining at a faster pace than is supply (in net balance terms). As shown in Chart 12, the gap is evident across all three regions and is particularly wide in the New Territories.

Contributors also noted an acute drop in buyer enquiries from both owner occupiers and investors. Enquiries from potential buyers from Mainland China were also reported to have declined at the quickest pace on record, in net balance terms. Chart 13 shows that this was spread fairly evenly between all three regions.

Credit conditions also continued to tighten, as evidenced by Chart 14. For the third consecutive month, respondents said that they expect conditions to continue to tighten in the near term.

The decline in prices also is starting to spread to rents. Chart 8 shows that rents are now expected to decline over the next three months, while Chart 10 shows that rents are also now seen declining over the next year.

Chart 1: Confidence Index

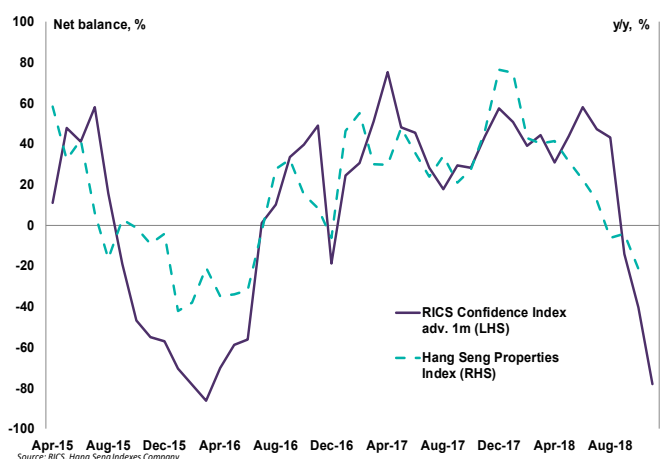
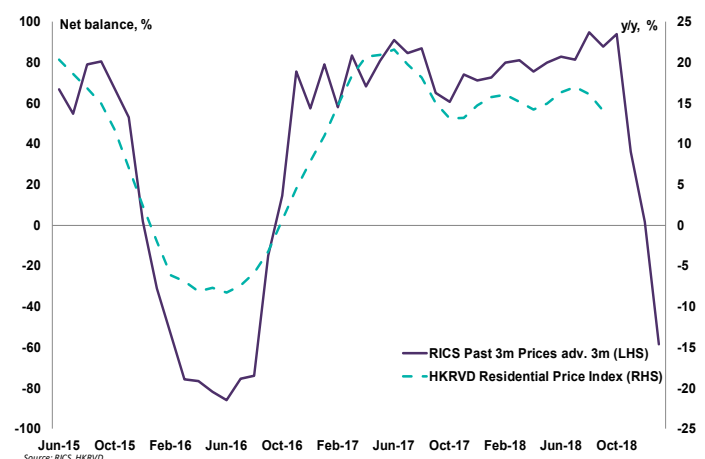


Chart 2: Prices - past three months



National market charts

Chart 3: Sales - past month

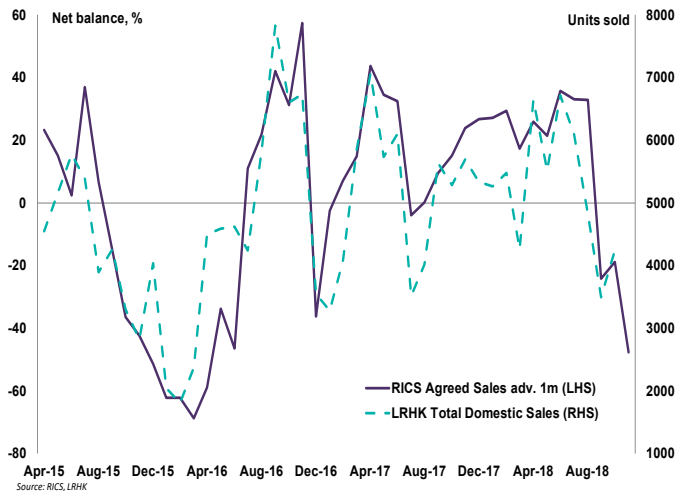


Chart 4: Price expectations - next 3 months

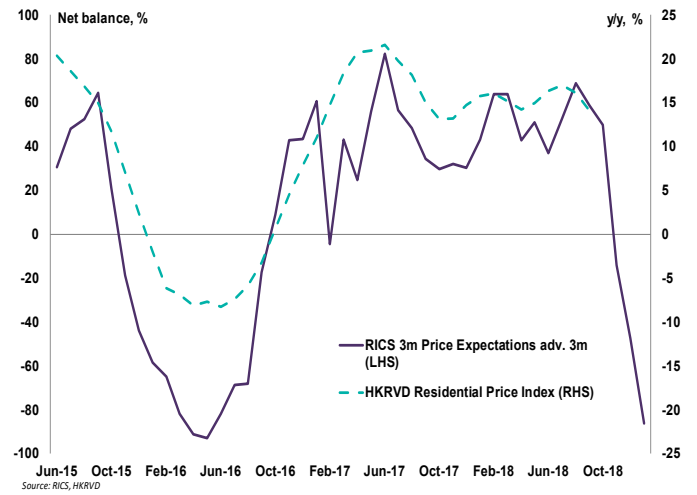


Chart 5: Sales expectations - next 3 months

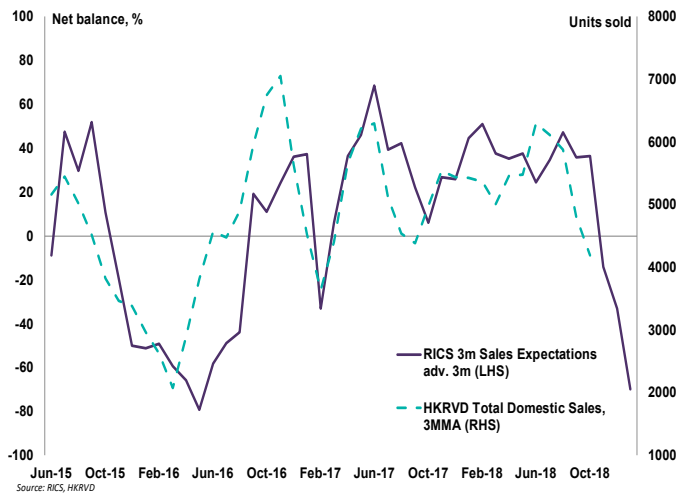


Chart 6: 12 month expectations - prices and sales

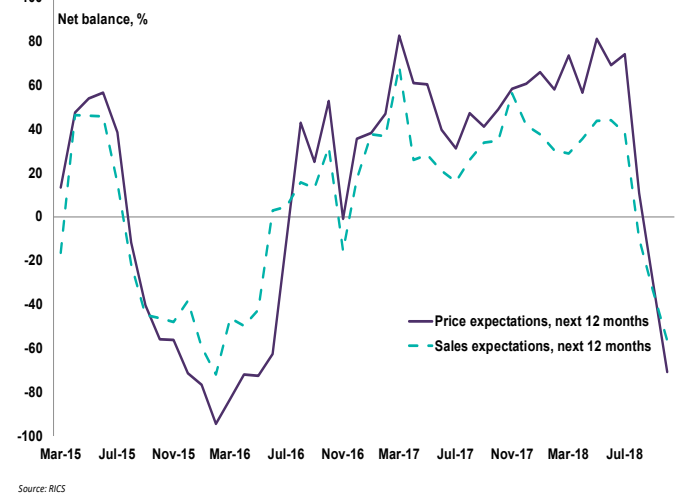


Chart 7: Tenant demand and landlord instructions - past three months

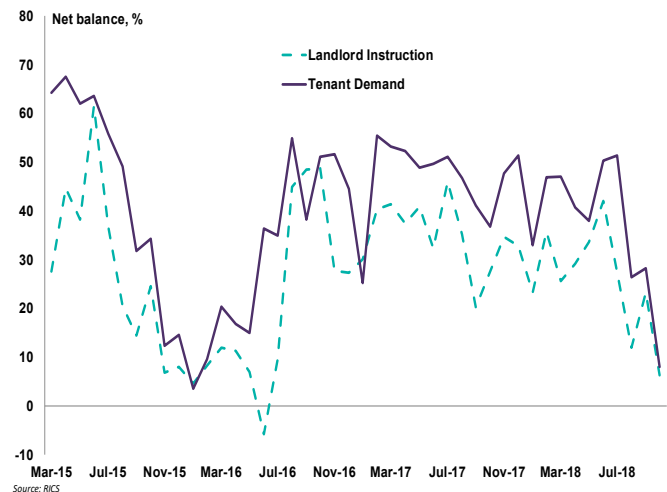
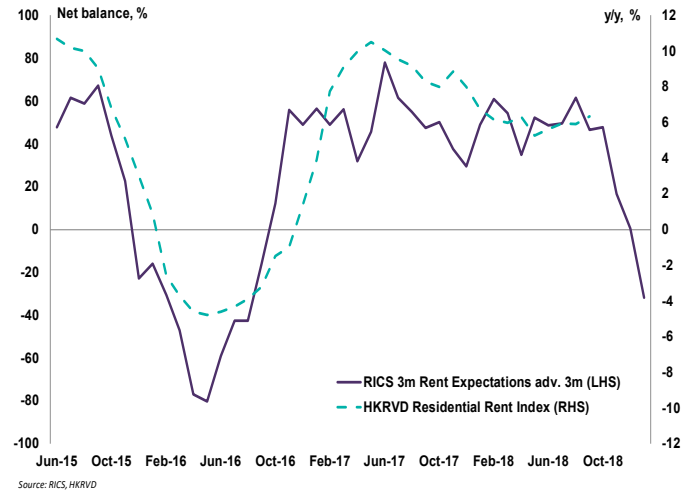


Chart 8: Rent expectations - next 3 months



Regional market charts

Chart 9: Price forecasts - next twelve months

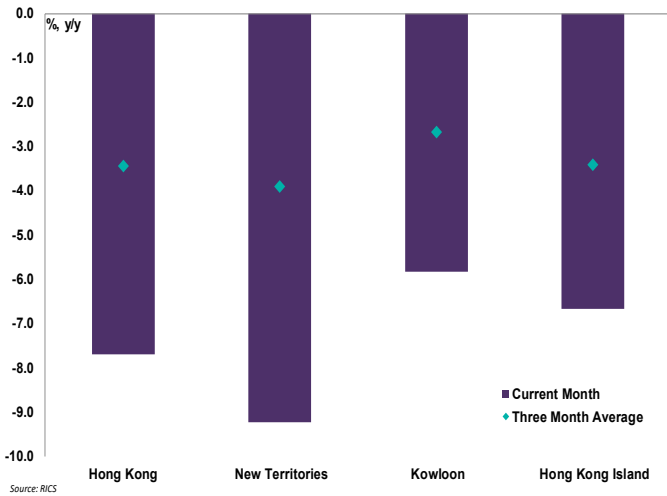


Chart 10: Rent forecasts - next twelve months

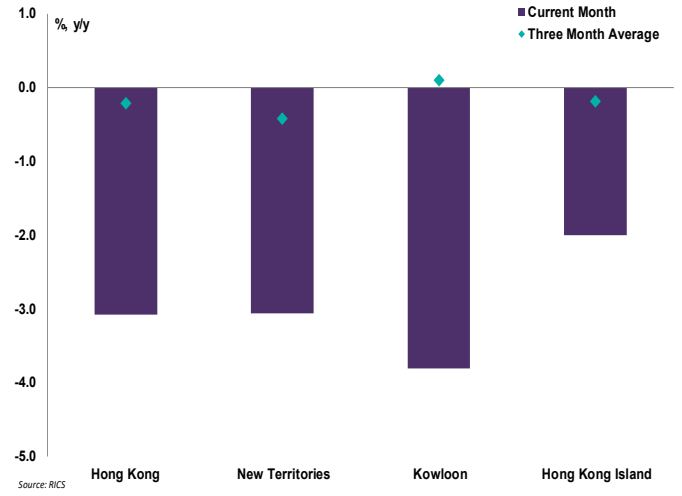


Chart 11: 12 month expectations - prices and sales

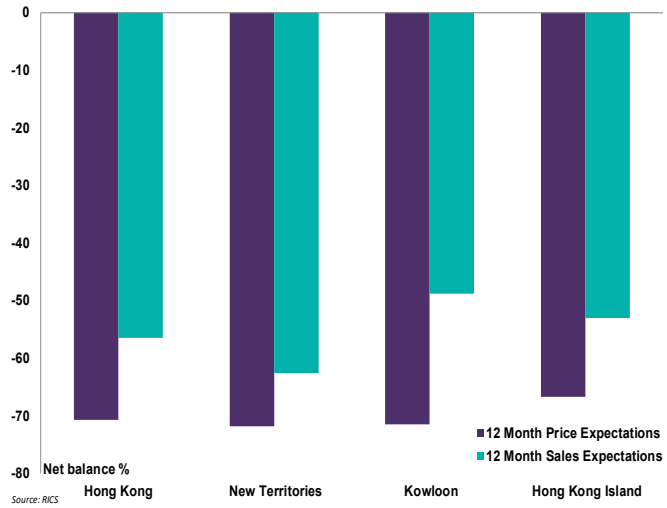


Chart 12: Instructions to sell and buyer enquiries - past month

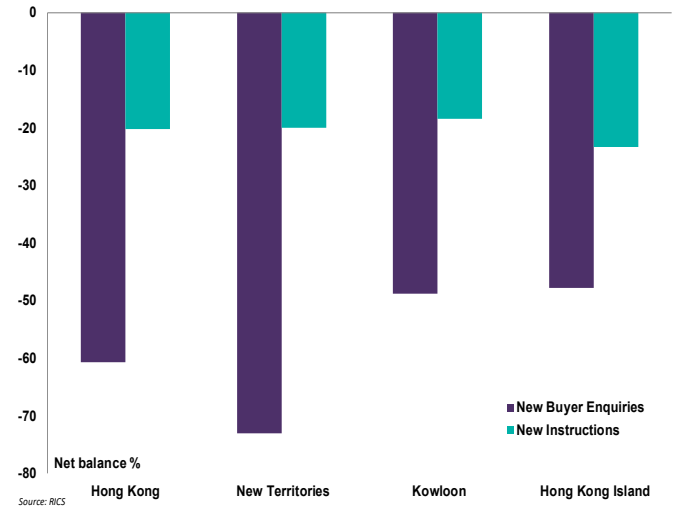


Chart 13: Buyer enquiries from mainland China

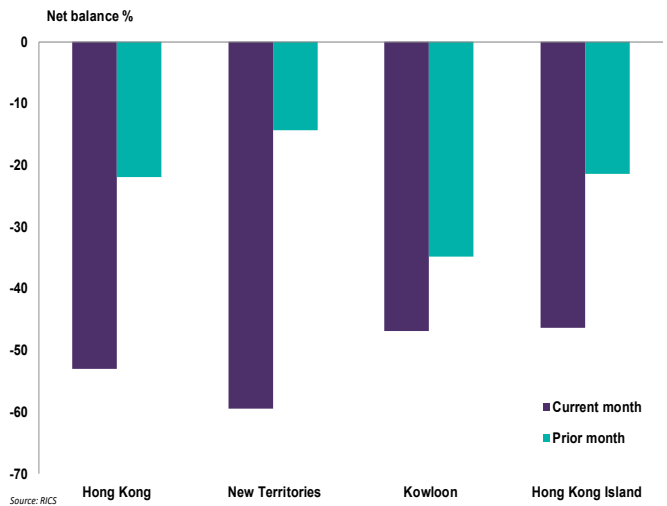
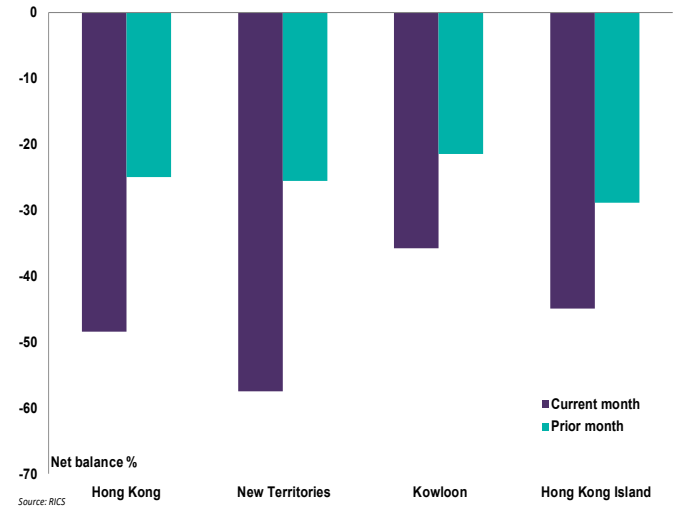


Chart 14: 3 month expectations - credit conditions



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.

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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.

Net balance data can range from -100 to +100. A positive net balance implies that more respondents are seeing increases than decreases (in the underlying variable), a negative net balance implies that more respondents are seeing decreases than increases and a zero net balance implies an equal number of respondents are seeing increases and decreases.

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).

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