



## December 2018: Hong Kong Residential Market Survey

# Prices, volumes and rents extend recent decline

- Prices and sales seen contracting over the next year as buyer demand contracts
- Rents expected to decline at a slower pace with supply and demand more balanced
- Despite fewer U.S. interest rate rises expected, credit conditions are expected to deteriorate further

The results of the Hong Kong Residential Market Survey show that respondents continue to see declining prices and rents across Hong Kong. As indicated by Chart 2, respondents are reporting the fastest decline in prices (in net balance terms) since March 2016, and across all three regions of Hong Kong (the New Territories, Kowloon and Hong Kong Island).

Demand remained soft according to survey respondents, with headline buyer demand reported to have declined for the fifth consecutive month. The drop in buyer demand was particularly soft amongst investors and buyers from mainland China (Chart 13); demand from owner-occupiers also declined though at a more modest pace in net balance terms.

Meanwhile, the supply of properties for sale continued to contract at a slower pace than buyer demand. For the third consecutive month, respondents reported a modest decline in new instructions to sell. Chart 12 illustrates the gap between supply and demand, spread across all three of Hong Kong's regions. As a result, headline sales volumes were reported to have declined for the fifth consecutive month, especially in Kowloon and on Hong Kong Island.

Against this backdrop, overall prices and sales volumes

are seen declining over the next three months as shown by Charts 4 and 5, respectively. The declines are seen to be particularly acute on Hong Kong Island, where almost all contributors expect prices to contract over the next three months.

Chart 6 shows that the pullback in prices and volumes is seen persisting over the next 12 months. Contributors see headline prices declining 7.6% over the next year, though they are expected to fall further in Kowloon (9.4%) and on Hong Kong Island (8.5%) than in the New Territories (6.2%).

A similar dynamic is visible in the rental market. Chart 7 shows that the change in the supply of rental properties is relatively balanced with change in tenant demand to rent. Meanwhile, headline rents are expected to decline over the next three months (Chart 8) and twelve months (Chart 10), particularly in Kowloon where respondents are expecting a 3.5% pullback over the next twelve months.

Although the outlook for interest rates is slightly more benign, respondents continue to report tighter credit conditions, as shown in Chart 14. This also indicates that credit conditions are expected to remain tight over the next three months.

Chart 1: Confidence Index

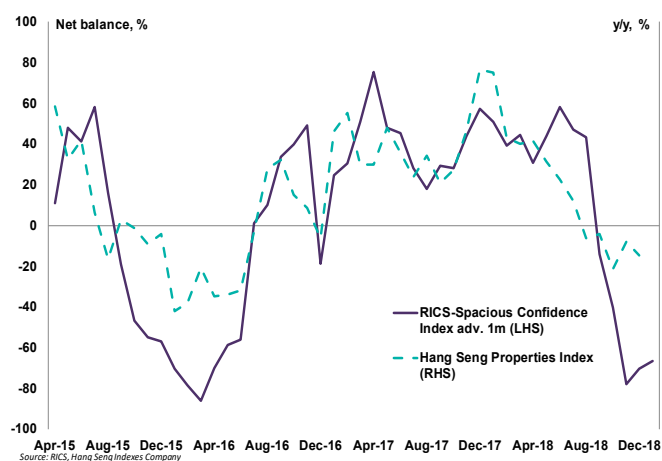
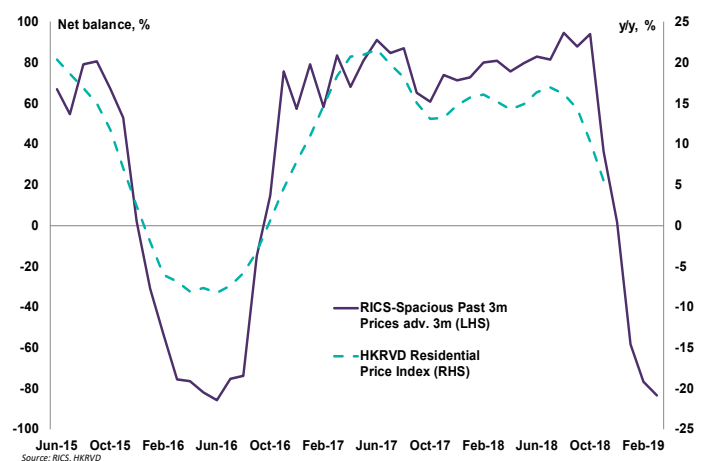


Chart 2: Prices - past three months



# National market charts

Chart 3: Sales - past month

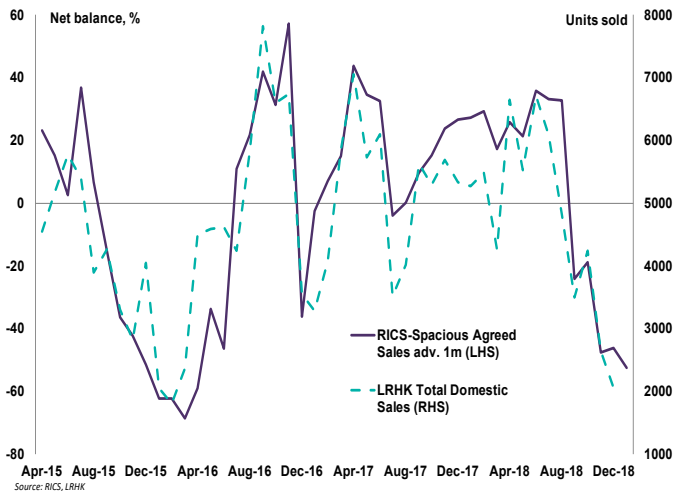


Chart 4: Price expectations - next 3 months

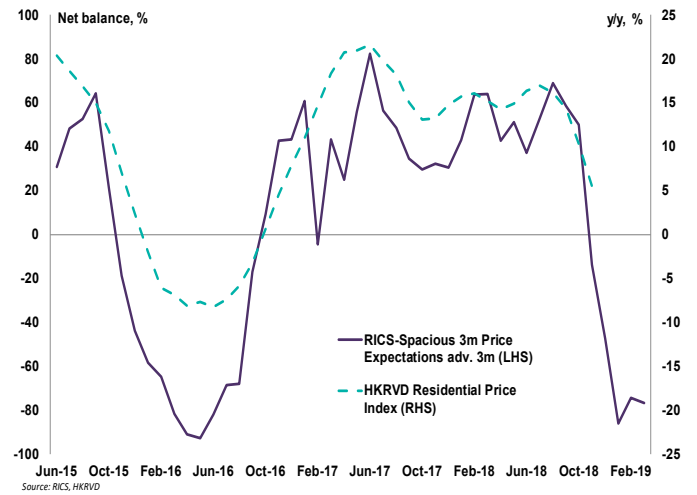


Chart 5: Sales expectations - next 3 months

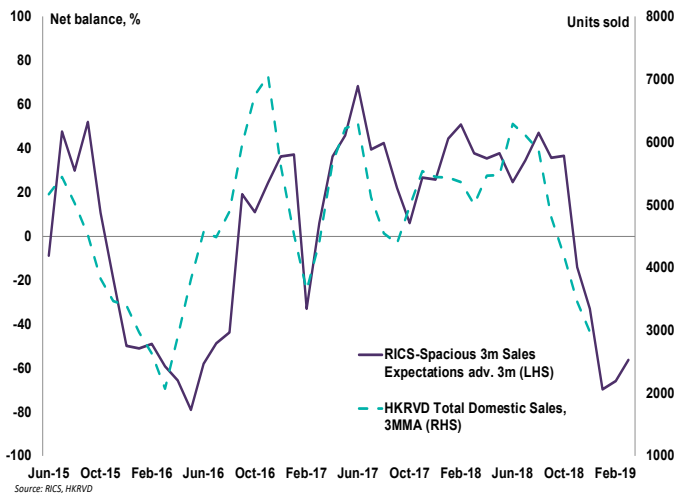


Chart 6: 12 month expectations - prices and sales

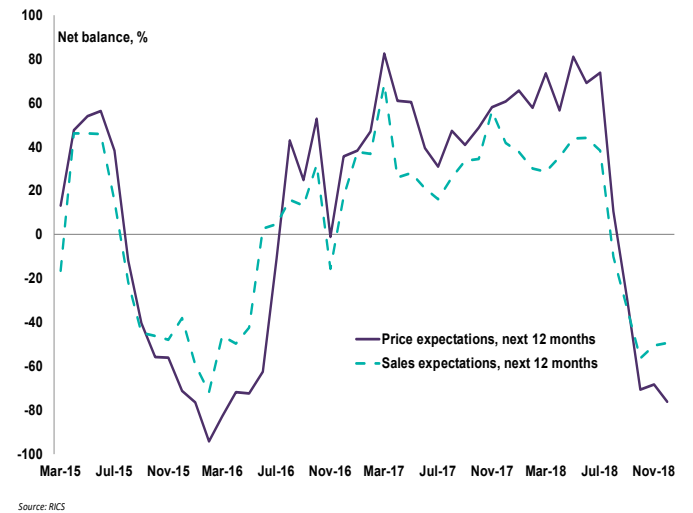


Chart 7: Tenant demand and landlord instructions - past three months

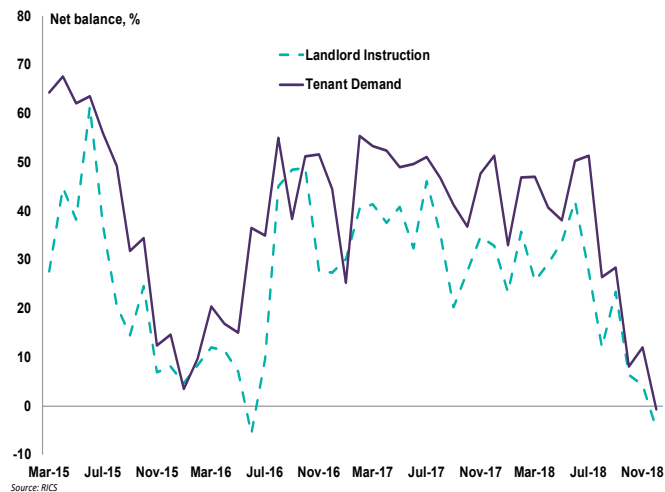
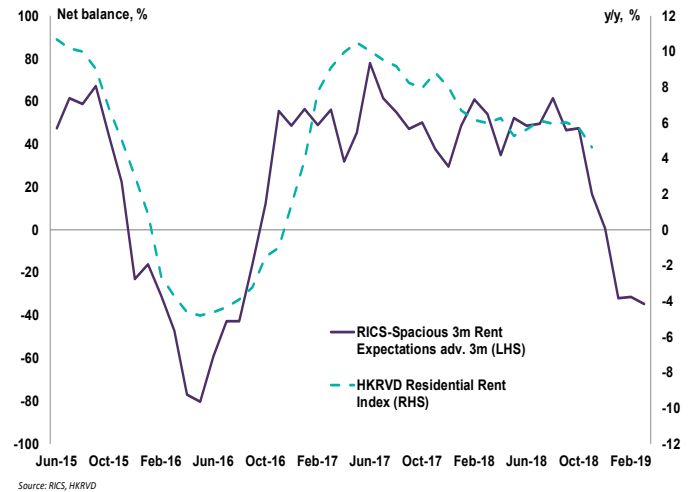


Chart 8: Rent expectations - next 3 months



# National & regional market charts

Chart 9: Price forecasts - next twelve months

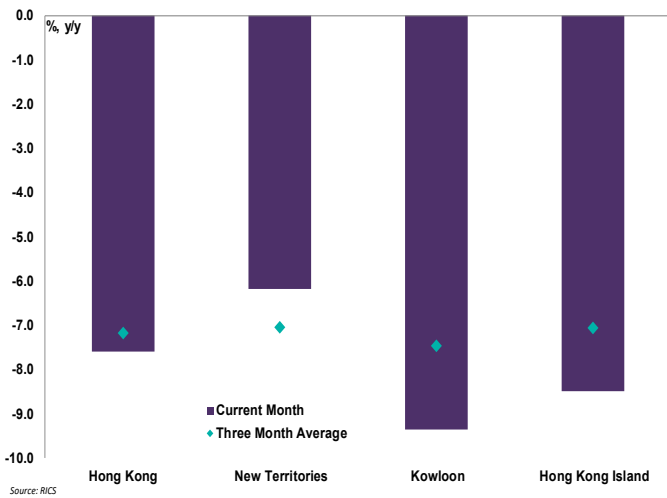


Chart 10: Rent forecasts - next twelve months

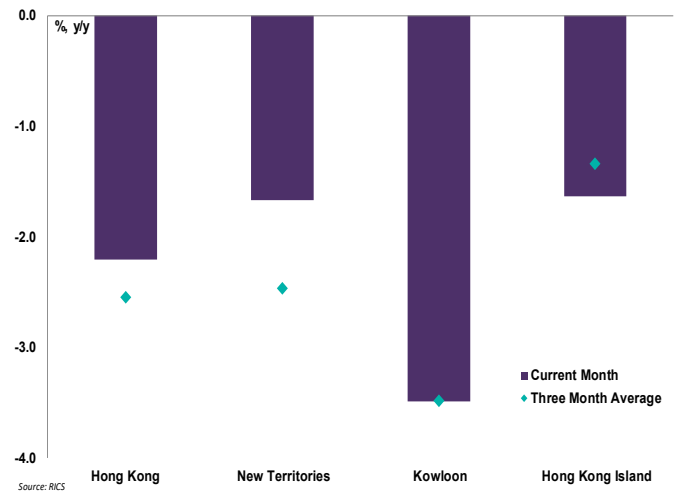


Chart 11: 12 month expectations - prices and sales

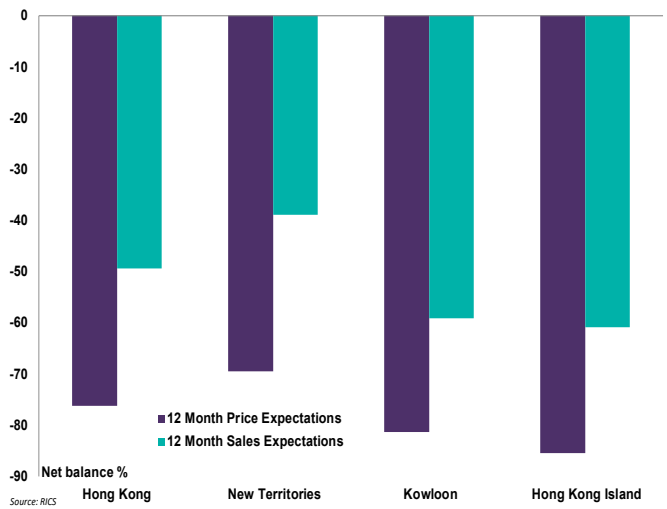


Chart 12: Instructions to sell and buyer enquiries - past month

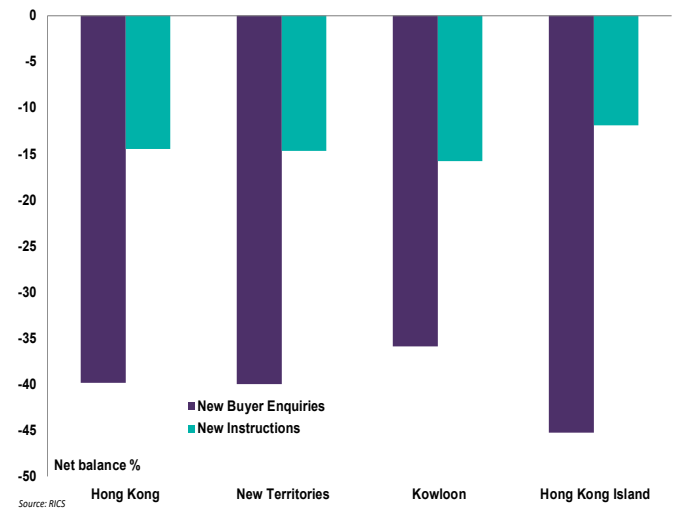


Chart 13: Buyer enquiries

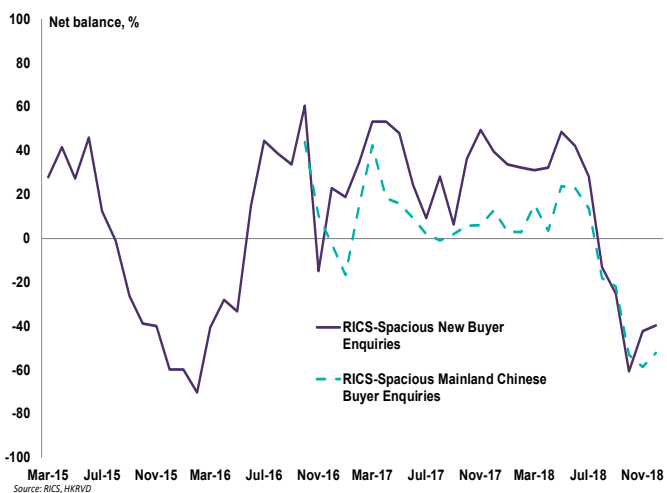
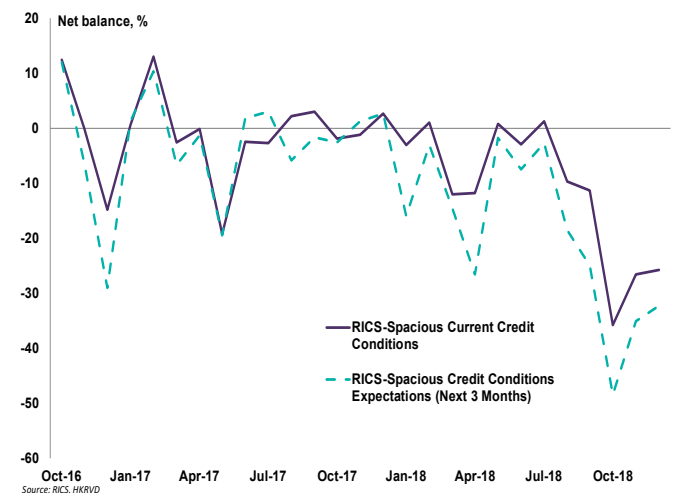


Chart 14: Credit conditions



# 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](http://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 7 December 2018 with responses received until 13 January 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:

**January Survey:** 20 February 2019

**February Survey:** 20 March 2019

**March Survey:** 22 April 2019

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