



January 2019 Hong Kong Residential Market Survey

Signs of stabilization amid improving economic environment

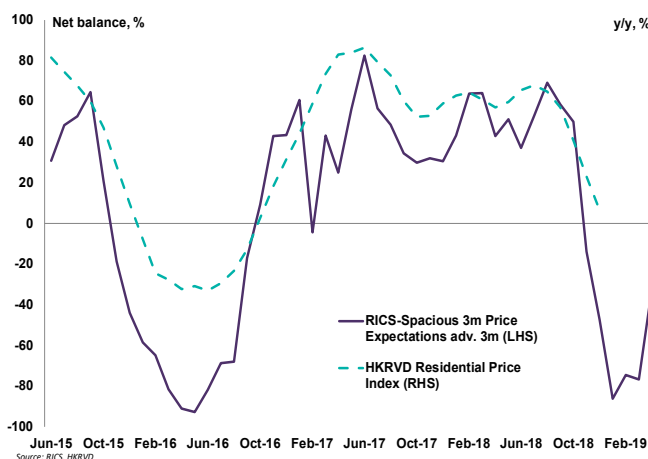
- Prices, sales, rents all still expected to contract, though at a slower pace than was expected in recent months
- Supply and demand is more balanced, though headline demand to buy continues to decline
- Economic background benign amid reduced downside risks from trade, interest rate increases

The results of the January 2019 RICS-Spacious Hong Kong Residential Market Survey indicate some signs of stabilization in the market. Respondents reported that prices continued to decline, though at a slower pace than in previous months. Similarly, the decline in sales were also said to have declined at a slower pace than in recent months, and after rents declined for consecutive months they were reported to have been little changed in January.

The shift in prices and rents came amid more balance in supply and demand. As shown in Chart 5, headline buyer demand was flat in January after declining for five consecutive months. This was largely driven by demand from owner-occupiers, as buyer demand from investors and buyers from Mainland China were said to have declined, albeit at a slower pace than seen in the final months of 2018. Meanwhile, the supply of properties available to sell continued to tighten modestly. As shown by Chart 6, tenant demand was said to have increased marginally during January. Survey participants also noted little change in landlords instructions to rent.

Against this backdrop, short-term expectations for prices (Chart 1), rents (Chart 2), and sales volumes (Chart 3) were all less negative than in recent months. However all are still expected to decline in the short term.

Chart 1: Price expectations - next 3 months



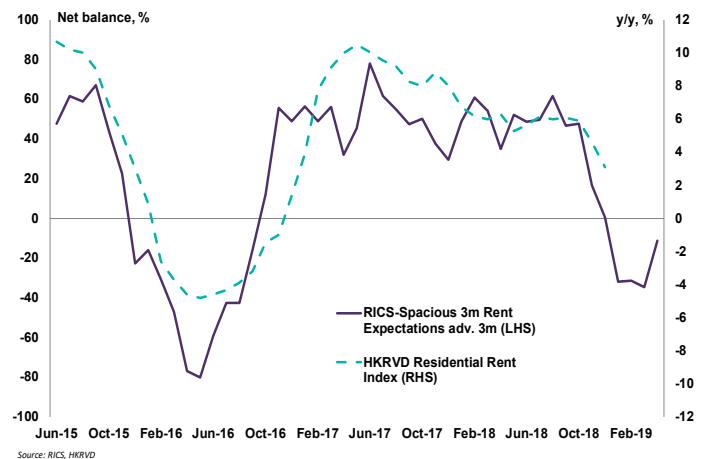
Source: RICS, HKRVD

Expectations for prices and rents also improved over the longer term. Chart 7 shows that respondents expect headline prices to decline just 1.9% over the next twelve months, significantly above the three-month moving average of a 7% decline. Similarly, Chart 8 shows that headline rents are expected to see little change over the next year, though are still expected to decline in Kowloon.

This change in sentiment comes amid an improvement in background economic conditions. During the survey period, expectations for an escalation in tariffs between the United States and China moderated substantially. Any escalation was seen as a significant downside risk to the Hong Kong economy. Although the outlook for the current trade negotiations remains unclear, the probability of further tariffs appears to have declined.

Hong Kong has also benefited from more subdued credit environment. Signals from the United States central bank suggest that the current cyclical increase in interest rates may be on hold for the near term. Given the linkages in the US-Hong Kong interest rates via Hong Kong's fixed exchange rate, this should mean that Hong Kong banks can withhold from raising exchange rates in the near-term. As shown by Chart 4, contributors have noted less of a deterioration in credit conditions in January.

Chart 2: Rent expectations - next 3 months



Source: RICS, HKRVD

Hong Kong market charts

Chart 3: Sales expectations - next 3 months

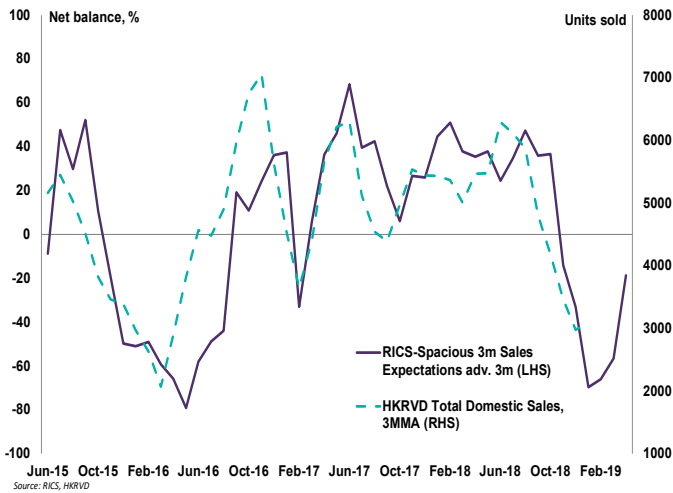


Chart 4: Credit conditions

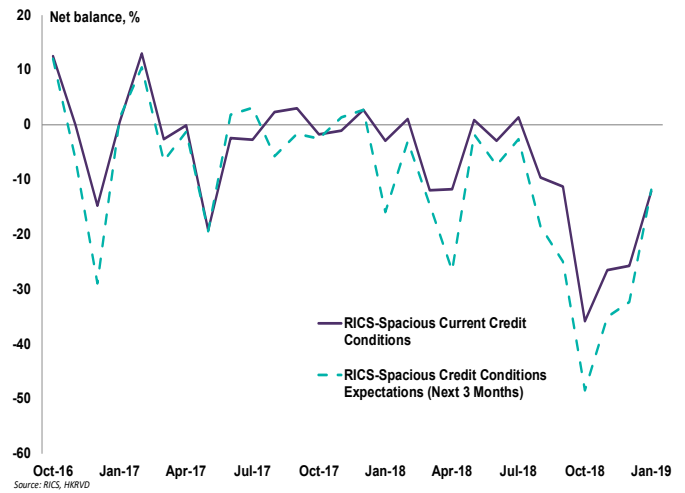


Chart 5: Buyer enquiries and instructions to sell

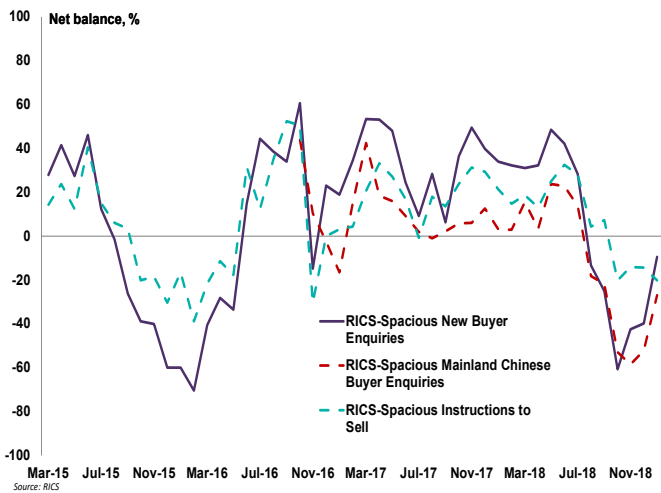


Chart 6: Tenant demand and landlord instructions to rent

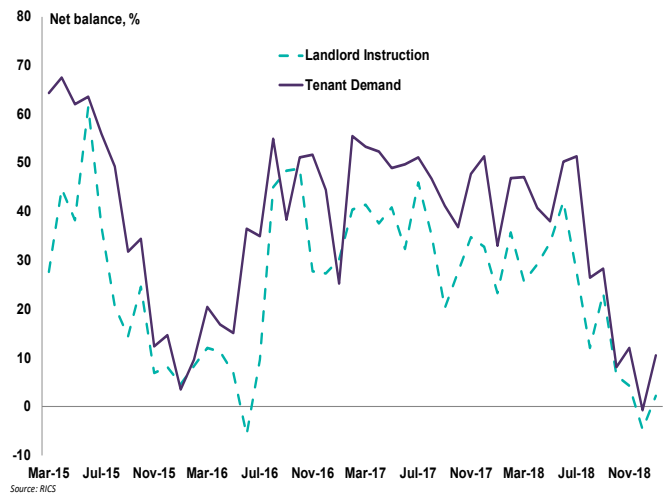


Chart 7: Price forecasts - next twelve months

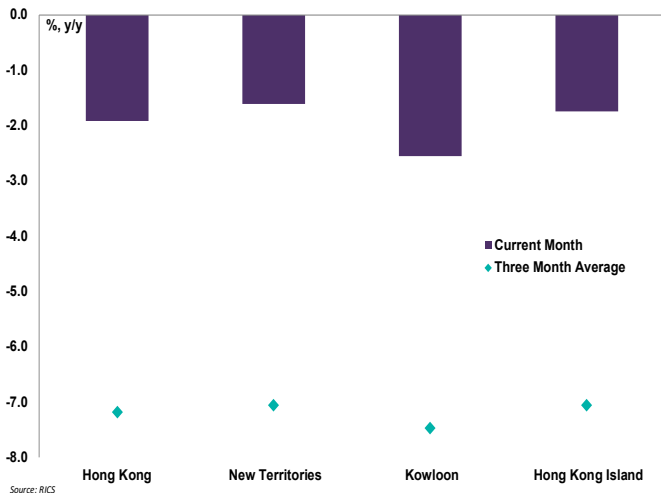
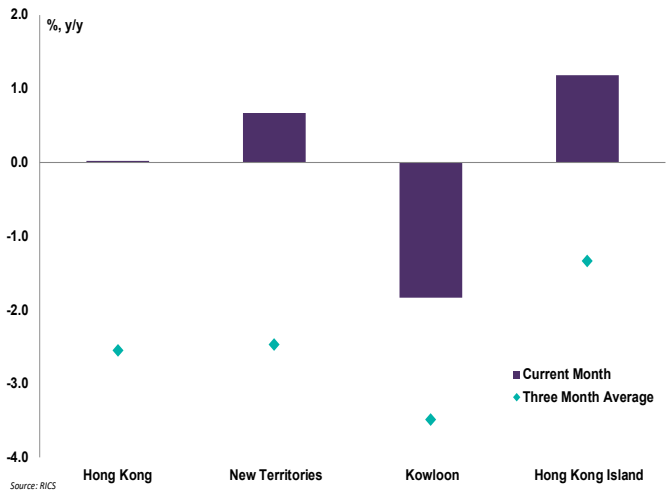


Chart 8: Rent forecasts - next twelve months



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 21 January 2019 with responses received until 19 February 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:

February Survey: 20 March 2019

March Survey: 22 April 2019

April Survey: 22 May 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