



## December 2017: Hong Kong Residential Market Survey

# Mainland Chinese buyer interest increases ahead of Lunar New Year

- Robust demand continues to support prices while volumes are expected to continue to rise
- Respondents report an increase in demand from buyers in mainland China but warn of Lunar New Year lull
- Banks yet to pass on higher borrowing costs to customers, but contributors more wary of higher interest rates

The December Hong Kong Residential Market Survey shows that momentum in the housing market remains robust. The Confidence Index, an amalgamated measure of short-term price and sales expectations remained firmly in positive territory in December, as indicated in Chart 1.

Respondents observations on headline past price growth (Chart 2) and expectations for headline price growth over the next quarter (Chart 4) indicates that home prices are likely to continue to expand on a year-on-year basis in the coming months. Volumes are also reported to have increased over the past three months (Chart 3), and are expected to continue to do so over the next quarter (Chart 5).

Chart 12 shows that supply and demand conditions remain supportive of prices for all three regions (New Territories, Kowloon, Hong Kong Island). Against this backdrop, price forecasts for all regions are above the three-month moving average, as shown in Chart 9.

Contributors reported a modest increase in headline demand from buyers from mainland China, driven by buyer interest in properties in the New Territories and Hong Kong Island (Chart 13). It was the first

time since May of 2017 that respondents reported a substantial increase in mainland demand. However some respondents also commented that they expected demand to cool heading into the Lunar New Year in February.

The rental market remained robust in December. Chart 7 indicates that the supply-demand balance continued to be supportive of rents, while Chart 8 indicates that rents are expected to maintain year-on-year growth in the coming months. However some respondents noted that the lettings market tends to remain quiet until after the Lunar New Year.

Although HIBOR has continued to rise in December following a rate increase by the U.S. Federal Reserve, respondents continued to indicate that there has been little change in credit conditions, as shown in Chart 14.

Note that survey responses for December were collected after the U.S. central bank raised interest rates on December 13. Some respondents have begun to caution that once banks begin to pass on higher interest rates to customers, this could serve as a catalyst prompting a pullback in demand.

Chart 1: Confidence Index

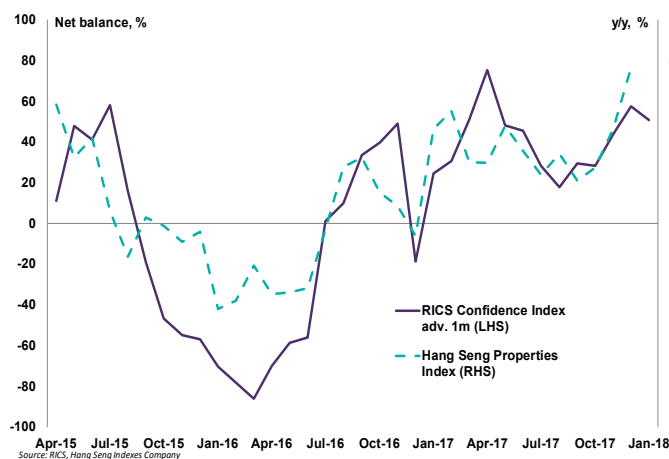
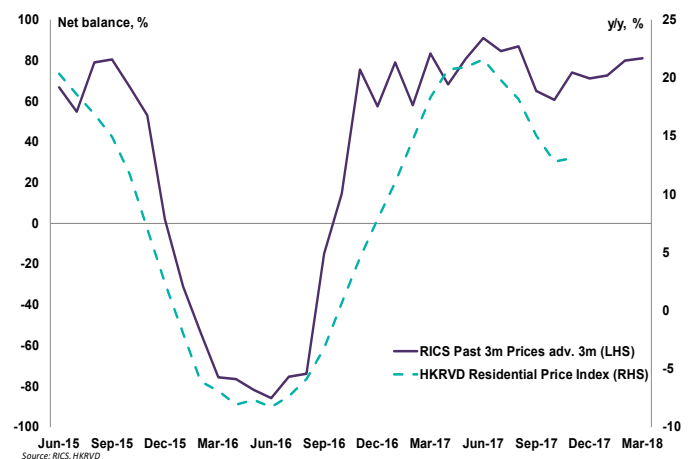


Chart 2: Prices - past month



# National market charts

Chart 3: Sales - past month

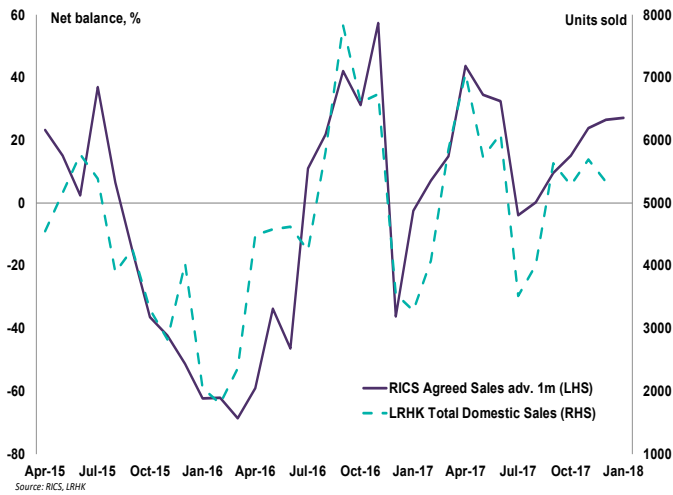


Chart 4: Price expectations - next 3 months

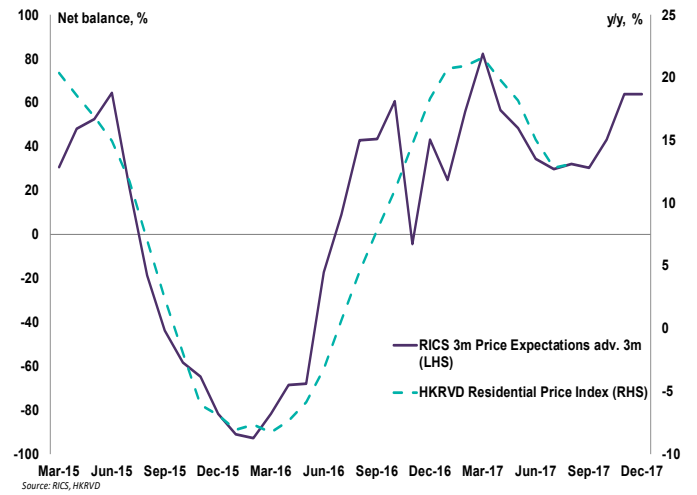


Chart 5: Sales expectations - next 3 months

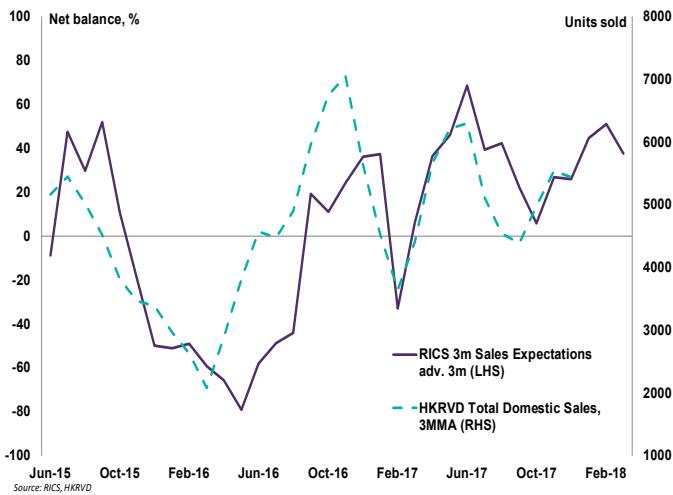


Chart 6: 12 month expectations - prices and sales

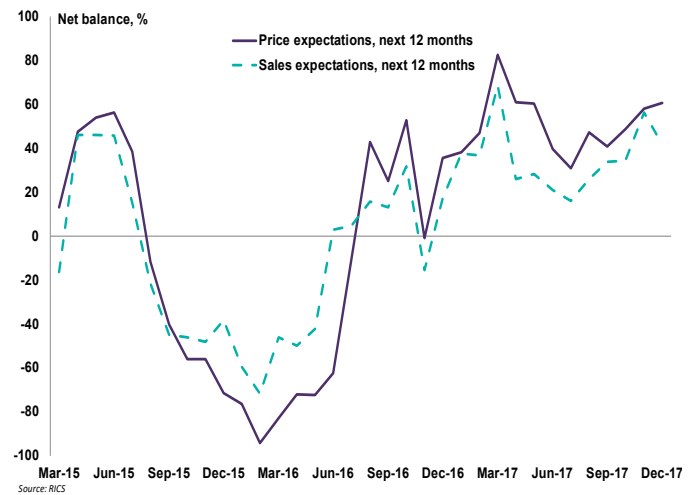


Chart 7: Tenant demand and landlord instructions - past three months

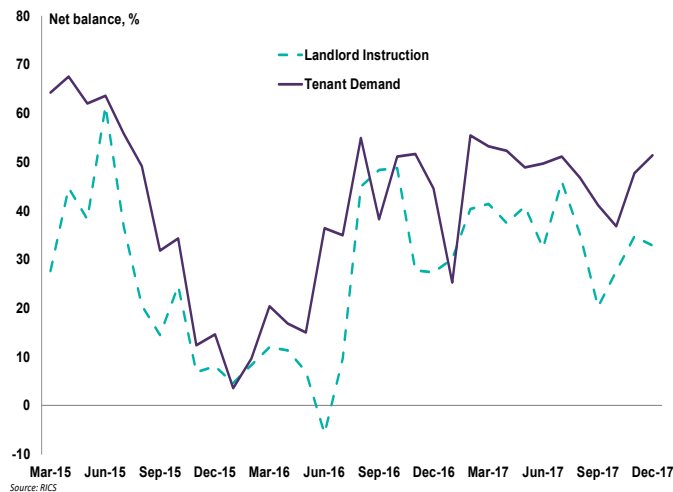
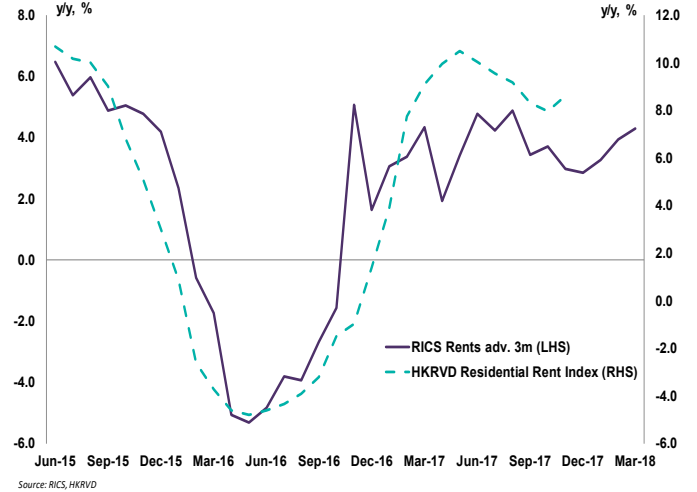


Chart 8: Past rents



# Regional market charts

Chart 9: Price forecasts - next twelve months

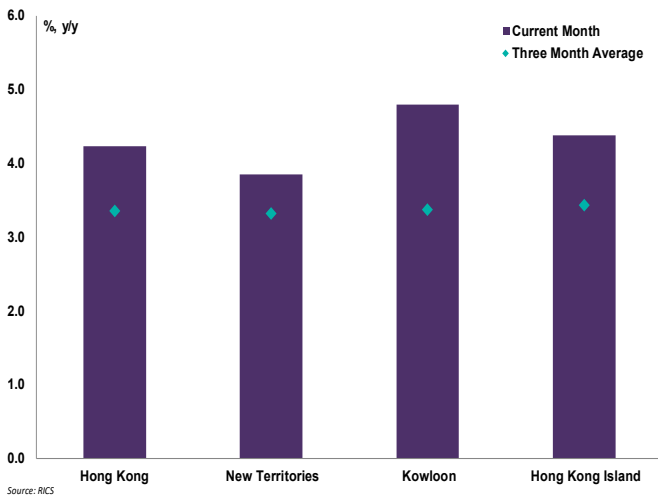


Chart 10: Rent forecasts - next twelve months

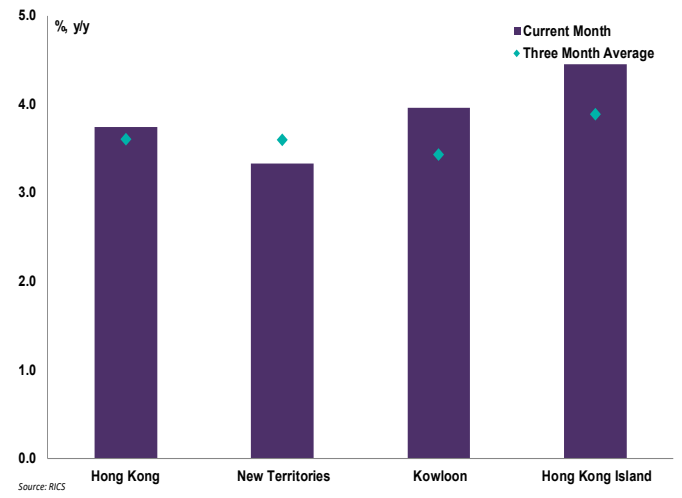


Chart 11: 12 month expectations - prices and sales

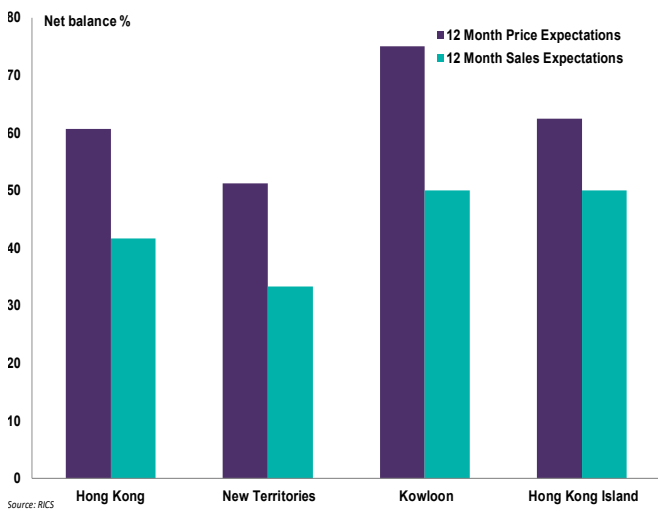


Chart 12: Instructions to sell and buyer enquiries - past month

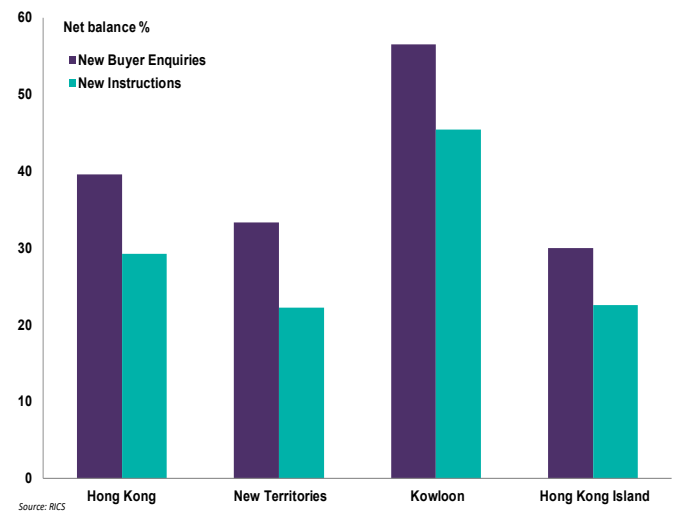


Chart 13: Buyer enquiries from mainland China

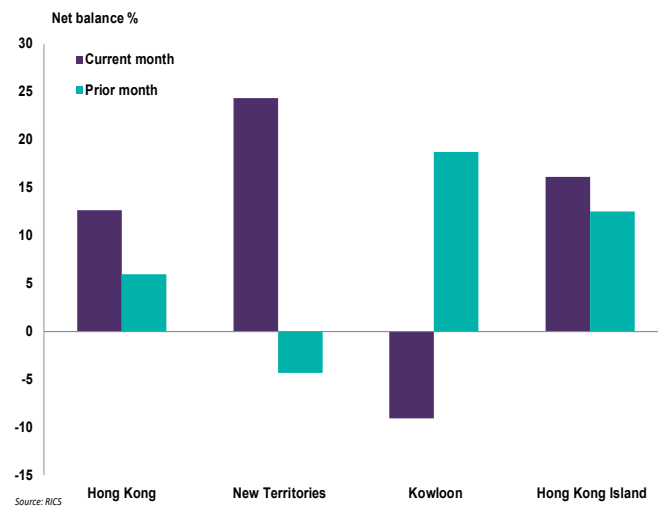
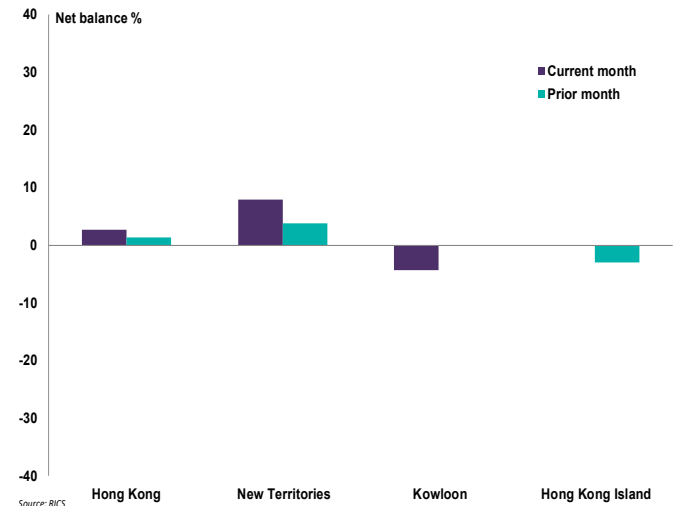


Chart 14: 3 month expectations - credit conditions



# Methodology

## Contact:

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## Survey Questions:

1. How have average prices changed over the last 3 months? (down/ same/ up)
2. How have new buyer enquiries changed over the last month? (down/ same/ up)
3. How have new vendor instructions changed over the last month? (down/ same/ up)
4. How have agreed sales changed over the last month? (down/ same/ up)
- 5.. How have buyer inquiries from residents of mainland China changed over the last month? (down/same/up)
6. How do you expect prices to change over the next 3 months? (down/same/up)
7. How do you expect sales to change over the next 3 months? (down/ same/ up)
8. How do you expect sales to change over the next 12 months? (down/ same/ up)
9. How do you expect average house prices, in your area, to change over the next 12 months? (% band, range options)
10. How have credit conditions changed over the past month? (deteriorated/same/improved)
11. How do you expect credit conditions to change over the next 3 months? (deteriorate/same/improve)
12. What do you perceive to be average LTVs currently being offered in the market for buy-to-let landlords? (% band, range options)
13. How has tenant demand changed over the last 3 months? (down/ same/ up)
14. How have landlords instructions changed over the last 3 months? (down/ same/ up)
15. How do you expect rents to change over the next 3 months? (down/ same/ up)
16. How have rents changed over the last 12 months? (% band, range options)
17. How do you expect average rents, in your area, to change over the next 12 months? (% band, range options)

## Definitions:

**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).

In the case of the RICS price balance, a reading of +10 should not be interpreted as RICS saying that house prices are going up by 10%, but that 10% more surveyors reported increases rather than decreases in prices (over the last three months).

A change from +30 to +60 does not mean that the variable grew by 30% in one period and by 60% in the next period, but it does indicate that twice as many surveyors reported an increase compared to a decrease than in the previous period.

Likewise, if we get a reading dropping from +90 to +5, this still means that more respondents are reporting increases than decreases overall, but the breadth of those reporting increases has fallen dramatically; meanwhile, a shift in the reading from -90 to -5 still means that more respondents are reporting decreases than increases overall, but the breadth of those reporting decreases has fallen dramatically.

## Regions:

- National (headline) data are a regionally-weighted aggregation of three regions: New Territories, Kowloon and Hong Kong Island.

## Seasonal adjustments:

- Data is not seasonally adjusted.



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