



October 2017: Hong Kong Residential Market Survey

Buyer demand steers robust housing market momentum

- Activity across the housing market picks up with an acceleration in new buyer enquiries and new instructions
- As a result, sales volumes expected to pick up speed over the next quarter
- Respondents project solid house price growth in the coming year

The October Hong Kong Residential Market Survey suggests sentiment surrounding the housing market is continuing to improve. Contributors reported a steady rise in headline prices (as indicated in Chart 1) alongside an increase in buyer demand and an optimistic outlook for near term prices and sales volumes.

As shown in Chart 6, headline demand and supply accelerated in October; this slightly stronger picture for activity comes amidst robust GDP growth figures in Q3 2017 driven by a pick-up in private consumption. Significantly, the increase in new buyer enquiries outpaced the increase in new instructions for the first time in five months. When disaggregated (Chart 12), demand growth bounced back in Kowloon and Hong Kong Island, outstripping supply growth, whereas in the New Territories, demand and supply indicators were relatively similar.

Prices over the past month continued to increase firmly at the headline level, with enquiries from mainland China still flat; price growth was once again driven by domestic buyers. At the same time, respondents also noted a steady increase in sales volumes for the fourth consecutive month.

Against this backdrop, price and sales expectations were revised up (as shown in Chart 3 and 4) with respondents in Kowloon and Hong Kong Island notably more positive relative to previous months.

Further out, over the year ahead, a headline net balance of +48% of contributors anticipate prices will rise, with sentiment comfortably positive in all regions.

For the fifth consecutive month, our survey results indicate there was little change in credit conditions in October. In the coming quarter, respondents believe credit conditions will remain more or less the same.

Momentum in the lettings market remains positive, with contributors reporting an increase in both tenant demand and landlord instructions. Having said that, chart 8 shows that tenant demand growth is still outpacing growth in supply. This supply and demand imbalance is expected to support rental growth in the near term. Indeed headline three month rental expectations edged up in October, as Chart 7 indicates. This points to a slight acceleration of quarter-on-quarter rental growth as estimated by the HKRVD Residential Rental Index.

Chart 1: Prices - past month

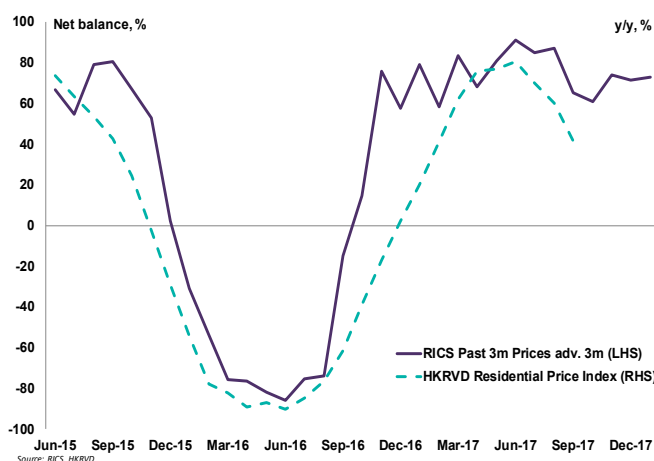
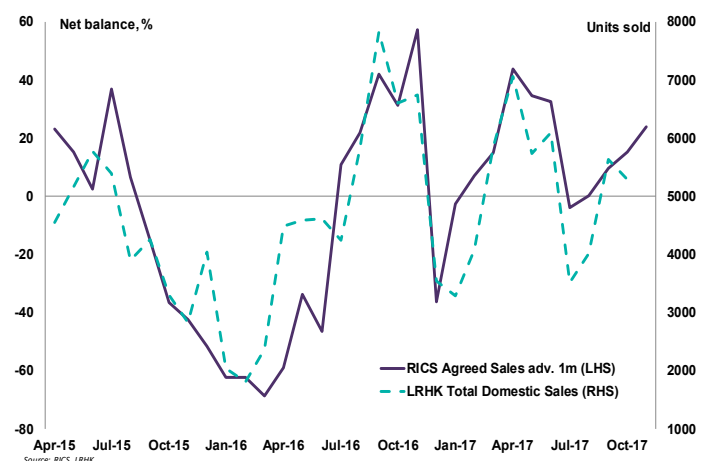


Chart 2: Sales - past month



National market charts

Chart 3: Price expectations - next 3 months

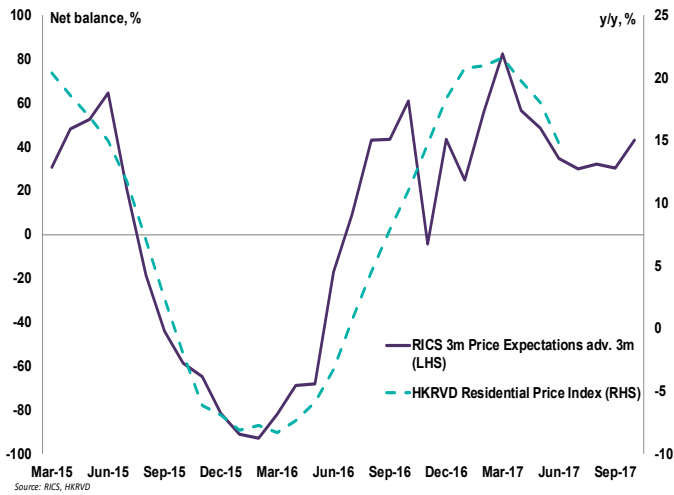


Chart 4: Sales expectations - next 3 months

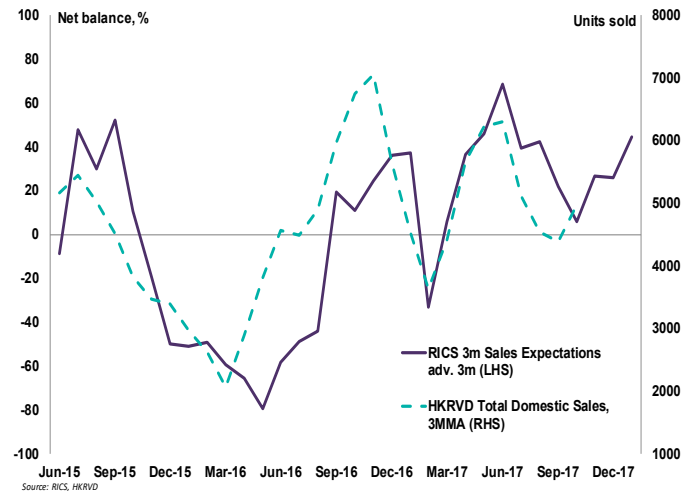


Chart 5: 12 month expectations - prices and sales

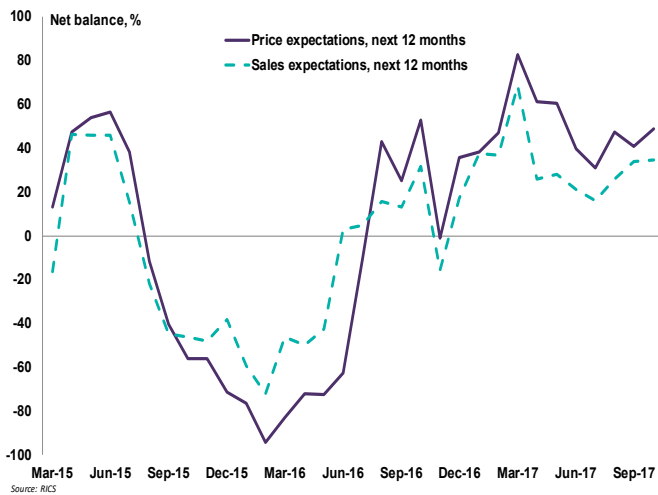


Chart 6: Instructions to sell and buyer enquiries - past month

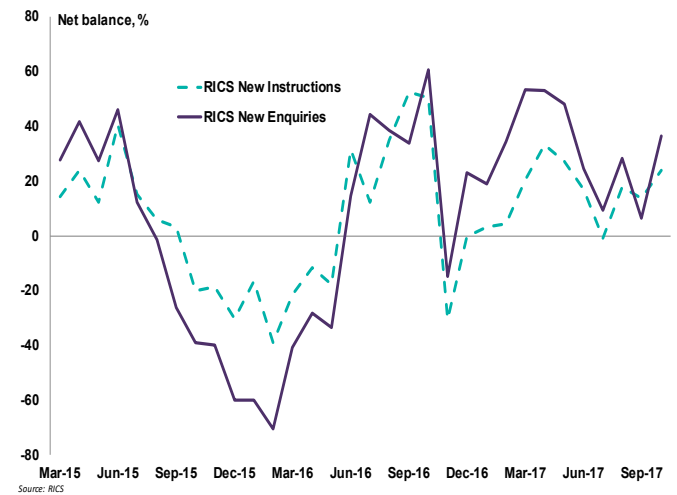


Chart 7: Rent expectations - next three months

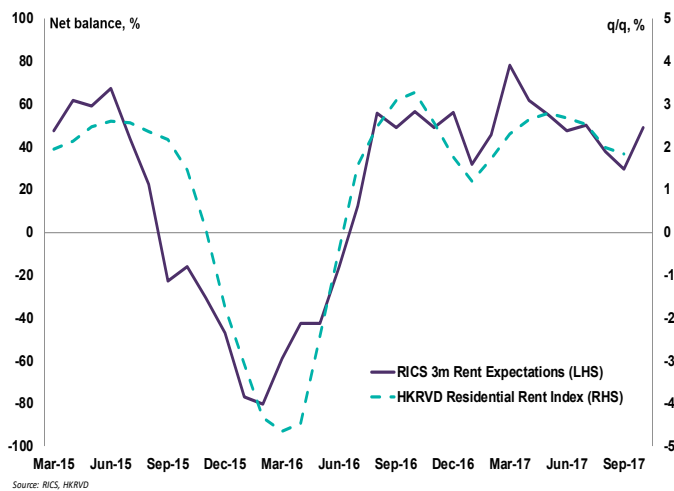
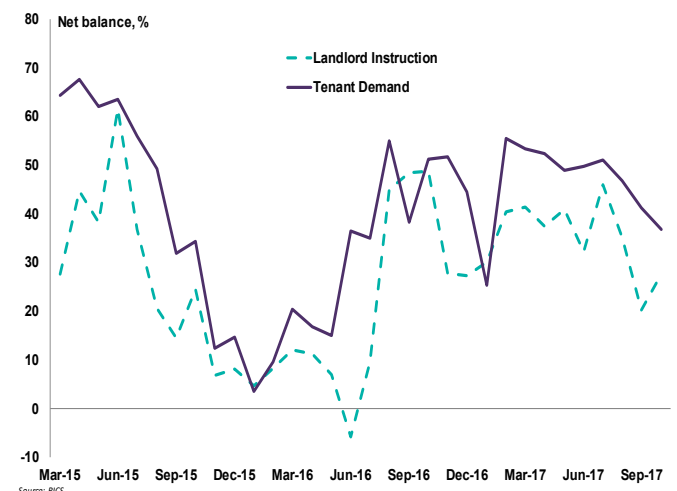


Chart 8: Tenant demand and landlord instructions - past three months



Regional market charts

Chart 9: Price forecasts - next twelve months

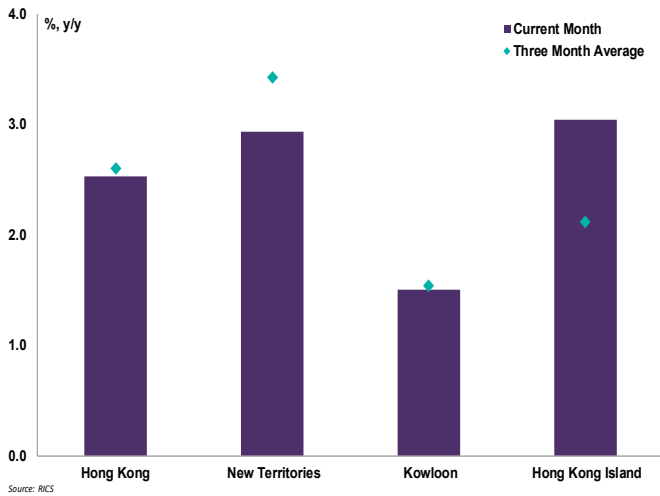


Chart 10: Rent forecasts - next twelve months

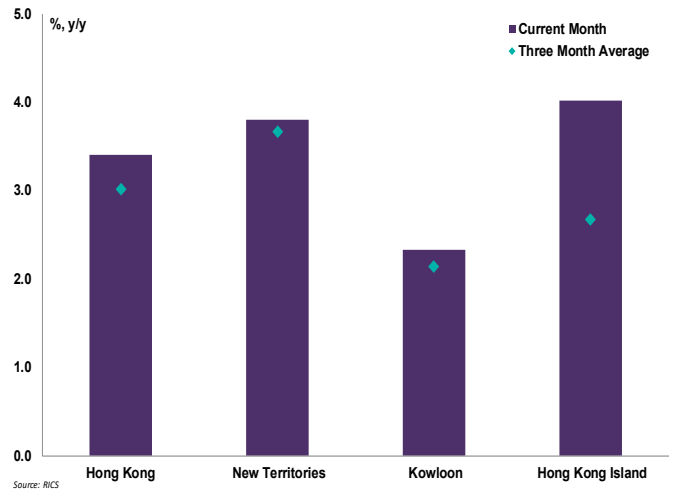


Chart 11: 12 month expectations - prices and sales

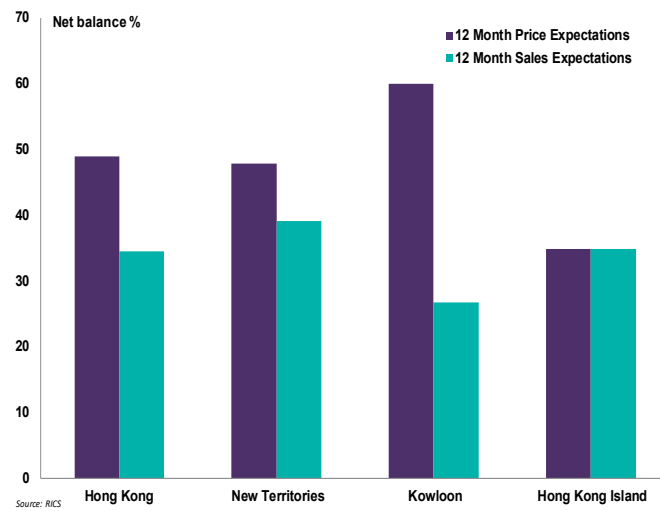


Chart 12: Instructions to sell and buyer enquiries - past month

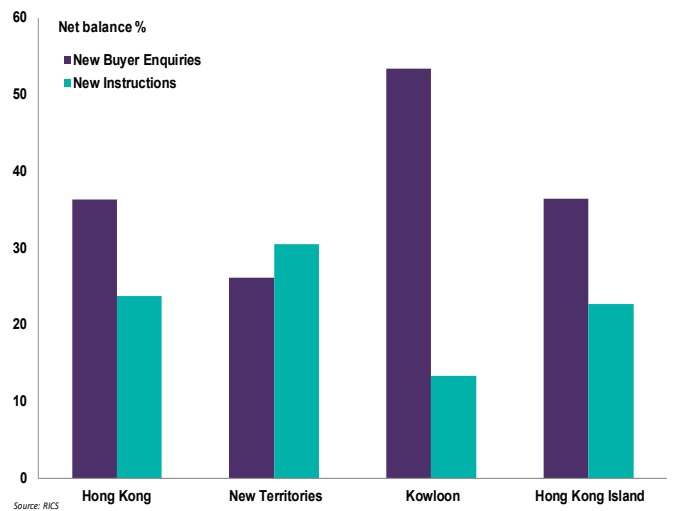


Chart 13: Buyer enquiries from mainland China

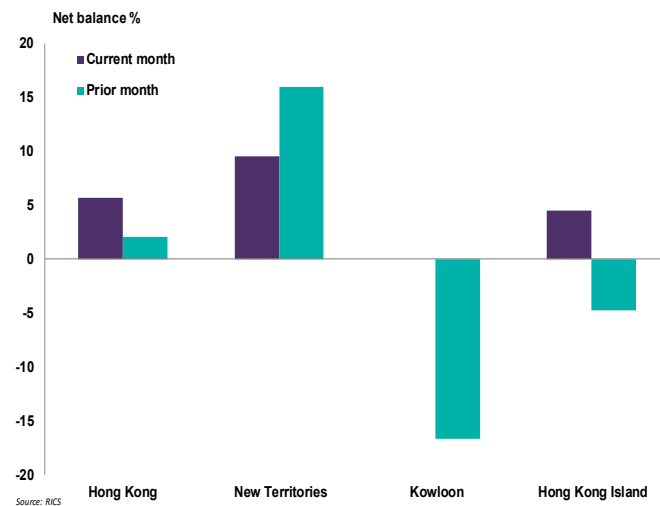
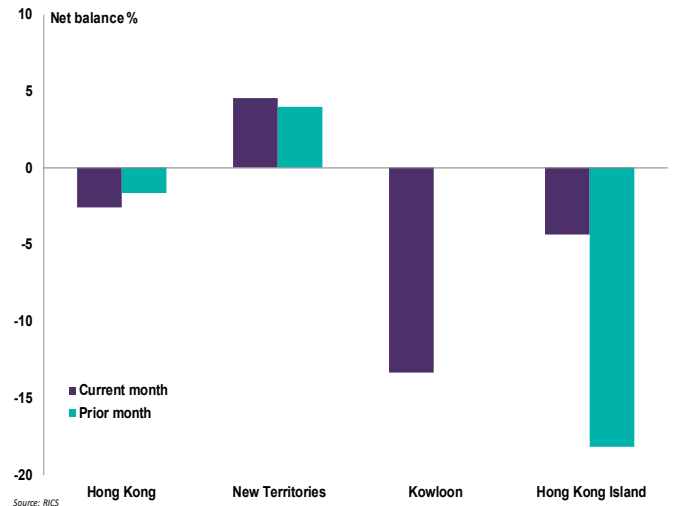


Chart 14: 3 month expectations - credit conditions



Methodology

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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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