



## September 2018: Hong Kong Residential Market Survey

# Expected pullback in prices, sales seen cooling rents

- Respondents' now see both prices and sales falling over next three and twelve months
- Buyer demand dropped across the board, including from residents of mainland China
- Although tenant demand remains robust, rents seen flat over the next three months

The results of the September Hong Kong Residential Market Survey showed that sentiment surrounding the housing market extended its decline. The Confidence Index, an amalgamated measure of short-term price and sales expectations, fell from -14 to -40, the lowest level since May 2016 (Chart 1).

Respondents reported that home prices have been little changed over the past three months. This was evident both at the headline level, as shown by Chart 2, but also across each of Hong Kong's three regions (New Territories, Kowloon, Hong Kong Island). Chart 3 shows that respondents also see a continued contraction in sales volumes, in net balance terms.

Buyer demand fell across the board, but Chart 12 shows that the pullback was particularly acute in Kowloon. Respondents primarily attributed the drop in demand to falling interest from property investors, while demand from owner occupiers was largely unchanged from August. Chart 13 shows that demand from mainland Chinese buyers also contracted across the board, and like headline demand was particularly acute in Kowloon.

Against this backdrop, expectations for prices and sales contracted sharply. Charts 4 and 5 show that price and sales volume expectations, respectively, for the next

three months are now firmly rooted in negative territory. Moreover, Chart 6 shows that both prices and sales volumes are now seen contracting over the next year.

The breadth of the pullback is evident in Chart 9. Price forecasts are now substantially below the three-month moving averages for each of New Territories, Kowloon, and Hong Kong Island, and are seen falling 2.2%, 2.7% and 2.7% respectively over the next year.

Although tenant demand remains fairly robust for the rental market, as shown by Chart 7, wavering confidence in the sales market appears to be having some affect on the outlook for rents. Despite what appear to be solid demand-supply fundamentals, Chart 8 shows that contributors do not expect headline rents to increase over the next three months. Chart 10 shows that one-year rental growth is also seen to be muted.

Tighter credit conditions may be a catalyst for this, as respondents reported a modest deterioration in access to credit for the second consecutive month, and Chart 14 shows that this is expected to continue for the next three months. This comes as some Hong Kong banks have begun to raise prime borrowing rates, and the US Federal Reserve is expected to increase interest rates again in December.

Chart 1: Confidence Index

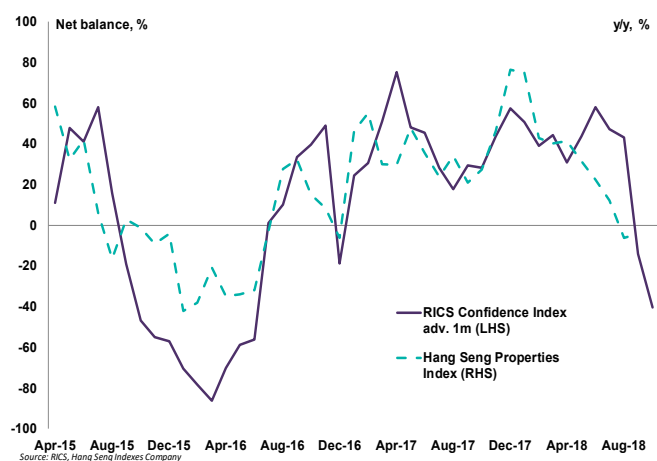
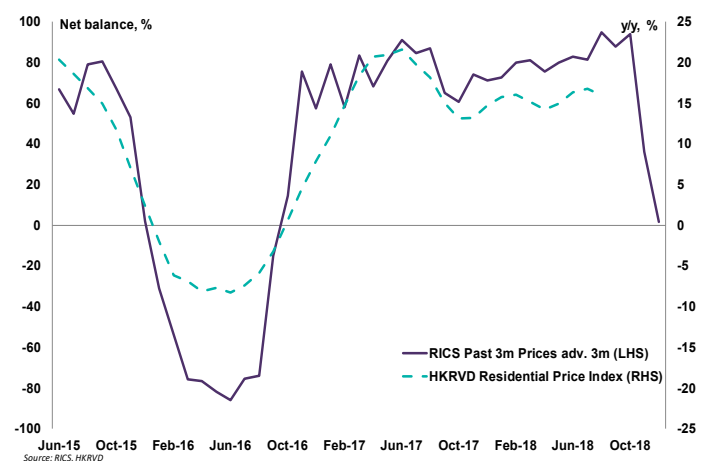


Chart 2: Prices - past three months



# National market charts

Chart 3: Sales - past month

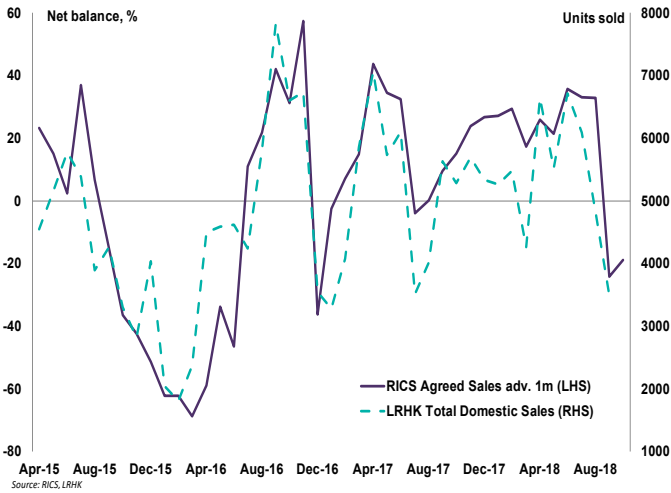


Chart 4: Price expectations - next 3 months

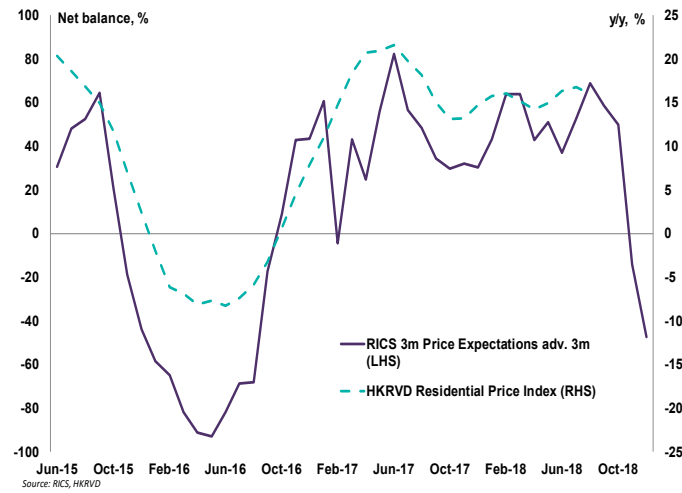


Chart 5: Sales expectations - next 3 months

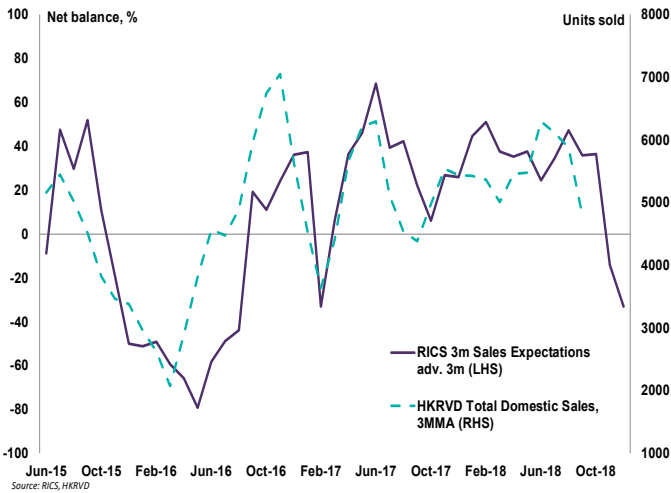


Chart 6: 12 month expectations - prices and sales

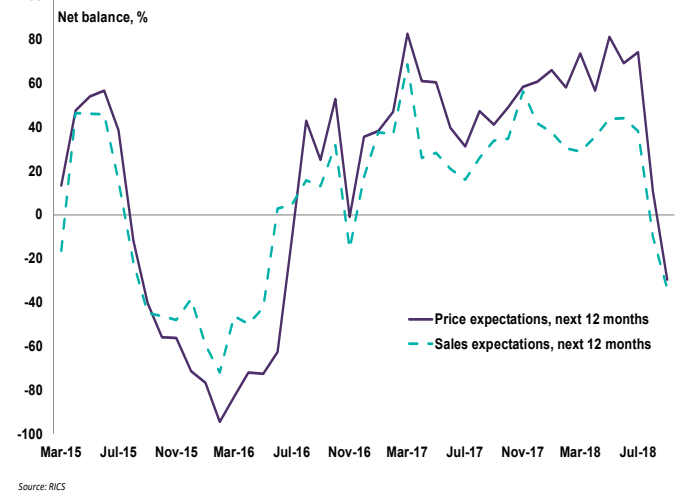


Chart 7: Tenant demand and landlord instructions - past three months

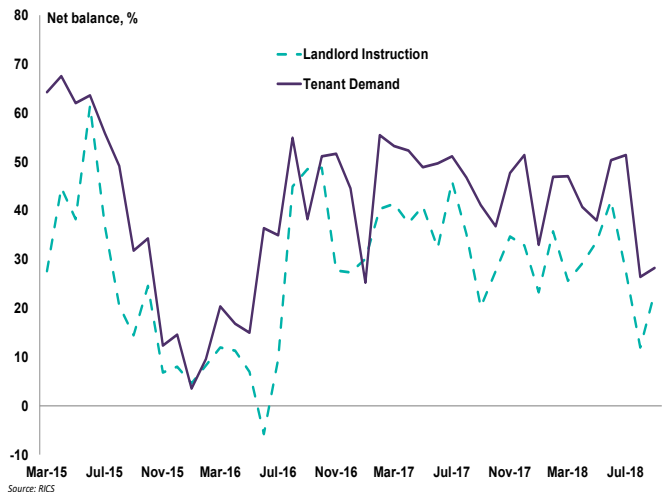
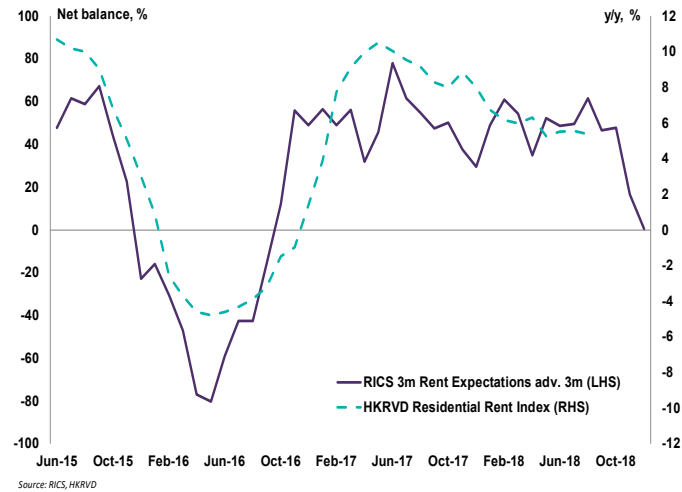


Chart 8: Rent expectations - next 3 months



# Regional market charts

Chart 9: Price forecasts - next twelve months

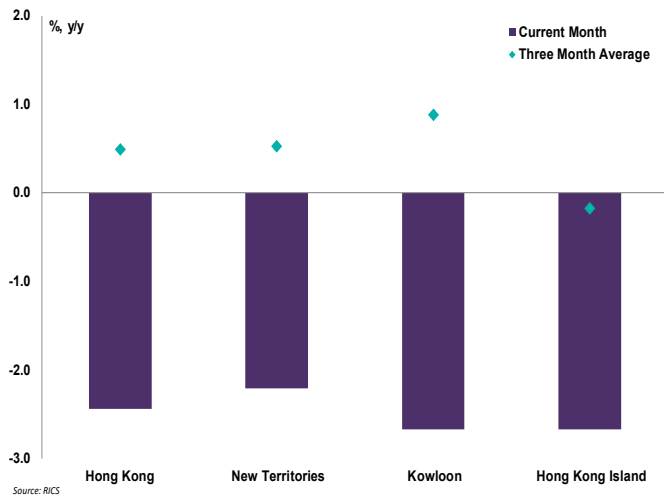


Chart 10: Rent forecasts - next twelve months

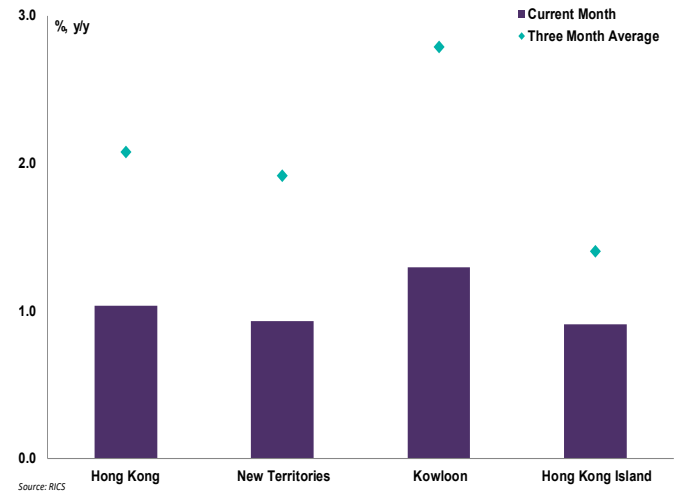


Chart 11: 12 month expectations - prices and sales

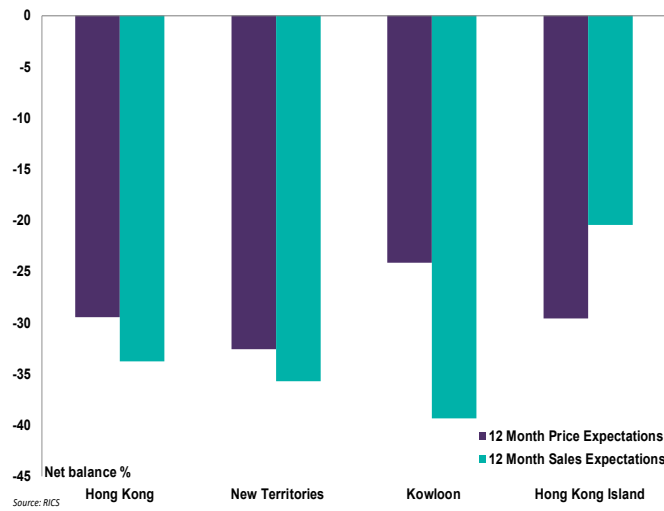


Chart 12: Instructions to sell and buyer enquiries - past month

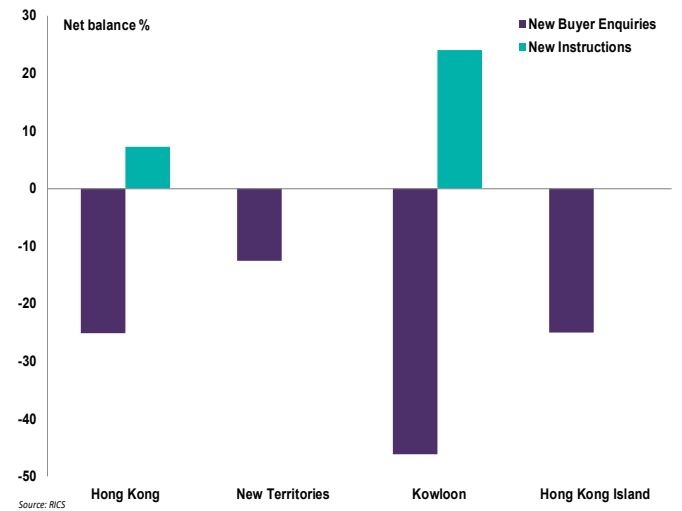


Chart 13: Buyer enquiries from mainland China

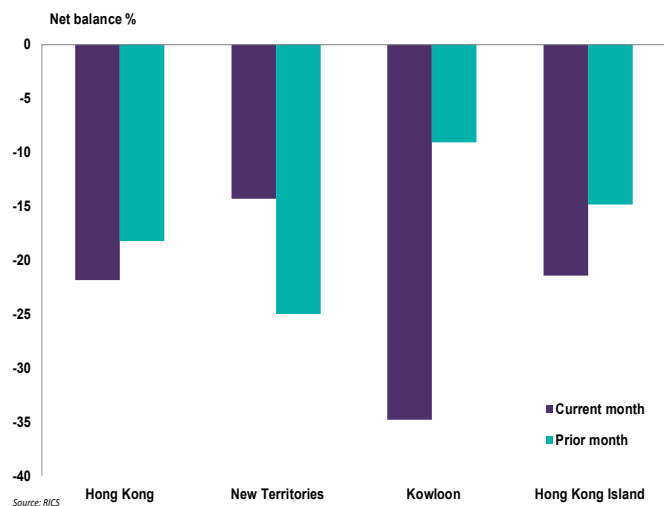
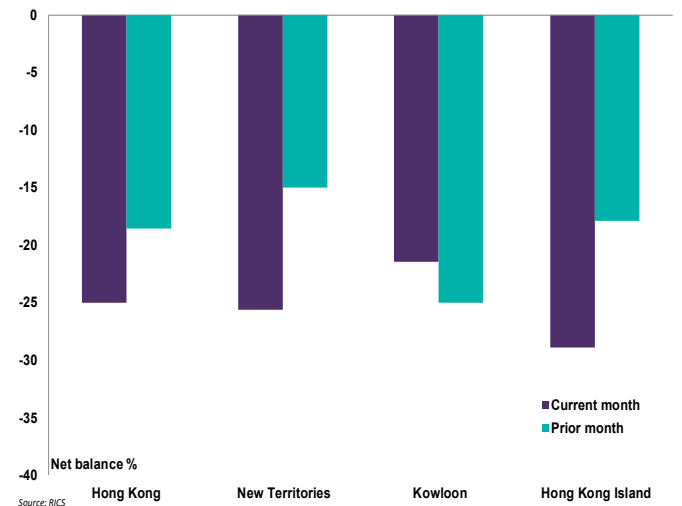


Chart 14: 3 month expectations - credit conditions



# 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](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 24 September 2018 with responses received until 13 October 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).

## Contact:

### Sean Ellison

Senior Economist Asia-Pacific  
RICS  
+65 6812 8179  
[sellison@rics.org](mailto:sellison@rics.org)

### James Fisher

COO & Head of Market Analysis and Analytics  
Spacious  
+852 3460 4713  
[james@spacious.hk](mailto:james@spacious.hk)

### Simon Rubinsohn

Chief Economist  
RICS  
+44 (0) 20 7334 3774  
[srubinsohn@rics.org](mailto:srubinsohn@rics.org)

### Jeffrey Matsu

Senior Economist  
RICS  
+44 (0) 20 7695 1644  
[jmatsu@rics.org](mailto:jmatsu@rics.org)

### Tarrant Parsons

Economist  
RICS  
+44 (0) 20 7695 1585  
[tparsons@rics.org](mailto:tparsons@rics.org)

### Kisa Zehra

Economist  
RICS  
+44 (0) 20 7695 1675  
[kzehra@rics.org](mailto: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