

# A RESILIENT RESIDENTIAL MARKET DESPITE ECONOMIC SLOW DOWN

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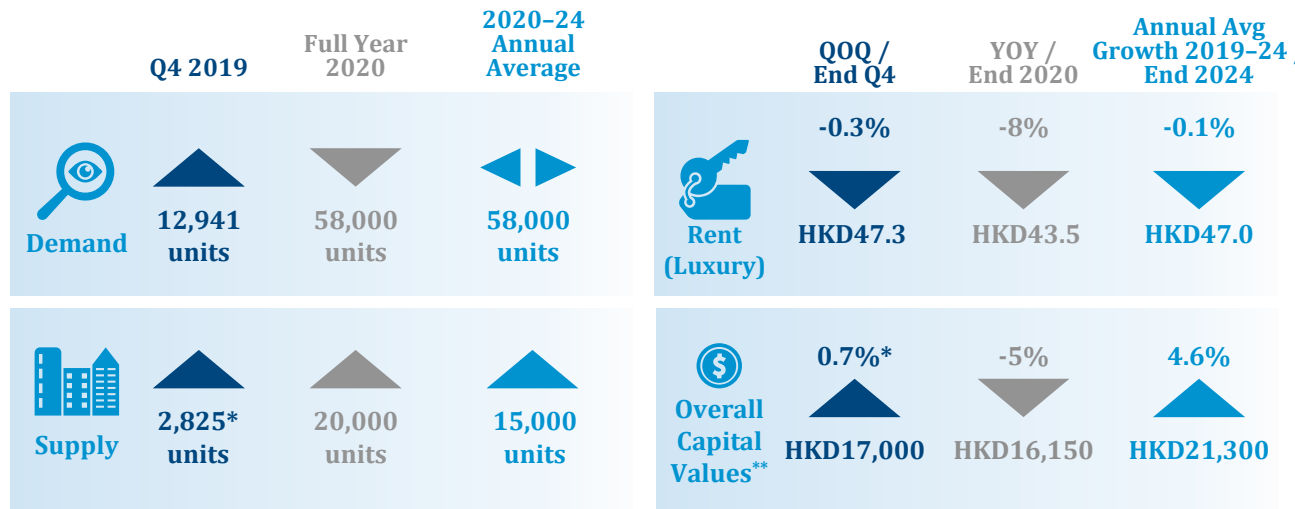
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## Outlook/recommendations

- > We expect the economic slowdown to weaken sentiment in 2020.
- > Residential prices should fall modestly despite a supply shortage and low interest rates. Rents should stay relatively firm.
- > We recommend home buyers consider options provided by the price correction and active new launches from developers.

## Q4 2019 highlights

- > Primary transactions dropped by 5.3% QOQ, while secondary was up by 10.5% QOQ, driven by the new loan-ratio policy.
- > As of November, prices for mass-market units were up 0.7% from September. Luxury prices declined 0.6% QOQ.
- > Mass-market rents declined 3% in Oct-Nov, while luxury unit rents dropped 0.3% in Q4.



## Key statistics (QOQ) as of Q4 2019

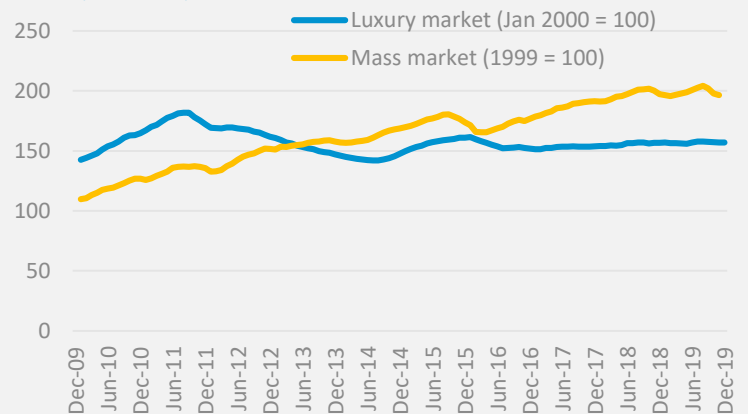
3-month HIBOR  
**2.4% (+0.1pp)**

Inflation\*  
**3.0% (-0.2pp)**

Unemployment Rate  
**3.3% (+0.3pp)**

## Hong Kong residential rental trend

Index (1999=100)



Source: Colliers International, Land Registry, Rating and Valuation Department. \*The total change or combined figure in October and November 2019. \*\*Based on the growth rate of the monthly private domestic price index by the Rating and Valuation Department. The average of the monthly private domestic average prices in Q4 2018 represents the end-2018 price figure. Remarks: 1 USD = 7.8 HKD. 1 sq m = 10.76 sq ft. This report covers the Hong Kong Special Administrative Region of the People's Republic of China.



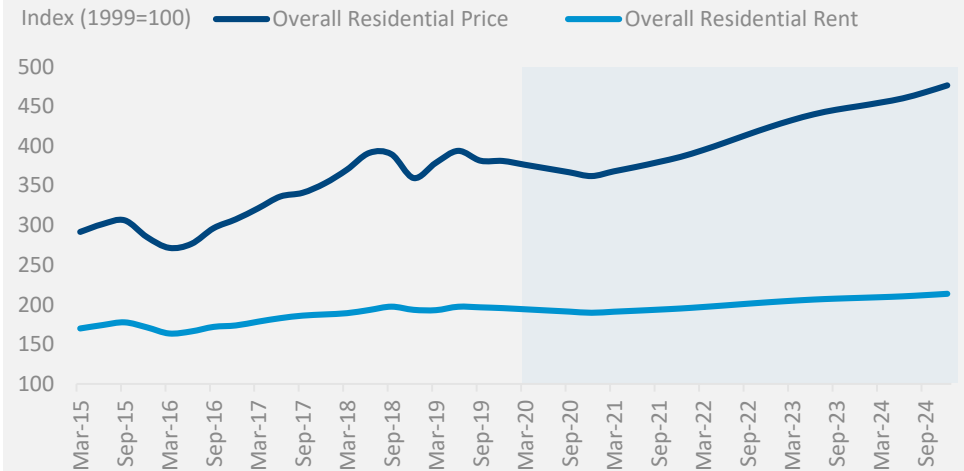
**Outlook (detailed)**

**The mass residential market to see activity pick-up**

> The new policies which aim to assist first-time buyers should stimulate more purchases within the price range of HKD6-10 million (USD0.8-1.3 million).

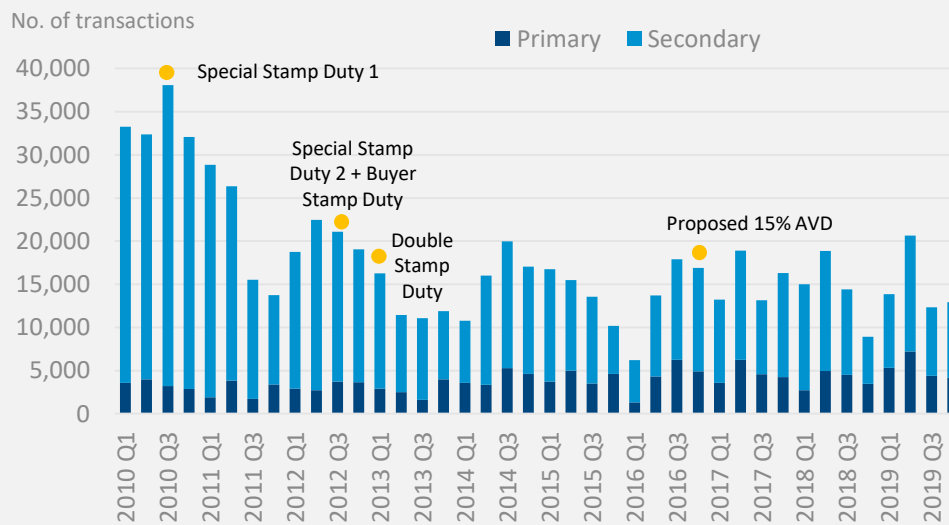
- > We expect the luxury market to remain subdued amid the down cycle with no supportive measures and a tighter budget for expatriates. We expect luxury prices to fall by 10% YOY in 2020.
- > We expect overall residential rents to fall by 3% in 2020 as the economic downturn affects wealth and spending power. Luxury residential rents should decline by 8% in 2020, implying a potential rebound of yield.

**Hong Kong residential price and rental trend**



Source: Colliers International; Rating and Valuation Department. Note: Luxury represents luxury residential units in The Peak, Mid-levels and Southside; mass refers to units smaller than 1,076 sq ft / 100 sq meters.

**Residential investment transaction volume**



Source: Land Registry



**Q4 2019 (detailed)**

**Luxury residential rents softened**

- > Rents edged down QOQ in the traditional luxury districts of The Peak (-0.2%), Mid-levels (-0.3%) and Southside (-0.3%).
- > Leasing demand from expats softened as companies had slower growth. Meanwhile, local demand and market sentiment was also affected by economic recession and a rising unemployment rate.
- > We have seen increasing supply in serviced apartments, providing tenants with more options. Meanwhile, developers have been increasingly redeveloping older properties, helping alleviate the tight supply market.

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