



CHINA – December 2022

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BLEAK YEAR FOR HOME PRICES

Hong Kong home prices are likely to slide 15 percent this year, the first annual drop since 2008, as they may fall for the seventh consecutive month in December, the longest losing streak since the SARS outbreak in 2003.

Rating and Valuation Department data shows that private home prices fell by 13.84 percent in the first 11 months of the year and by 14.75 percent from the peak in September 2021.

The home price index sank for six months in a row by 3.33 percent to 339.4 points in November. This was the biggest monthly decrease in 14 years.

In November, home transactions slumped 46.8 percent monthly to 371 in the primary market, while the secondary market reported only 2,159 deals, a new low for 34 months.

This is because of the sixth interest rate increase by the United States, the lack of new measures on China's reopening and the repeated Covid outbreak in the mainland, says Centaline Property Agency.

As December is clouded by the global economic downturn, Knight Frank Hong Kong estimates that home prices will dip further and lead to a 15 percent decrease for the whole year, while Ricacorp Properties gave a worse forecast of 16 percent.

The fall in December will mean a drop of seven consecutive months, the longest losing streak since the SARS outbreak in 2002-2003, which recorded an 18-month slide, and will end annual rises since 2009.

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Centaline believes the property market will bottom out and rally 15 percent next year, citing the removed border controls between China and Hong Kong and slower interest rate rises by the Federal Reserve.

Beijing will scrap compulsory quarantine requirements for visitors with a 48-hour negative Covid test result on January 8, opening the door after three years. It could bring tourists back to Hong Kong.

Ricacorp also estimates home prices could rebound after the first quarter if Hong Kong's economy recovers significantly and funds from the mainland pour back into local properties.

However, Knight Frank warned that the transaction volume could remain low in the first quarter, ranging from 3,000 to 4,000 a month, as purchasing power might still be weak.

Citibank also predicts that mainlanders could start their outbound trips in the second quarter.

Knight Frank said home prices could fall 5-10 percent next year amid fears of economic recession, and potential home-buyers might pause plans as the continuous rise of interest rates by the United States could push borrowing costs between local lenders even higher.

The mortgage-related one-month Hong Kong interbank offered rate has climbed 28 times this year - 4.4188 percent as of yesterday - though it dropped for eight days in a row recently, while the Fed could stop the interest rate increases at a peak higher than expected.

Meanwhile, developers have delayed the launch of new homes amid falling prices.

The stock of units for sale jumped 35 percent yearly to 18,331 this month.

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