BRE Index for the Hong Kong Residential Property Market

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Background
Since the Asian economic crisis in late 1997, deteriorating economic conditions have dramatically weakened consumer’s confidence, particularly in the Hong Kong property market. Most forecasts for property prices are currently based on the trend analysis of history data, assuming the trend will continue in the future. However, the growth rate of real estate prices or the particular value of a real property in the past provides little help, if any, in predicting the possible prices in the future. Market psychology and confidence indeed play a more important role in housing price movements. This project is unique in capturing the developmental trend in housing price expectations over time and the behaviour of housing actors for developing time series confidence indices.

Significance of the Project
There are some consumer sentiment surveys in forecasting economic, social and political activities in Hong Kong. However, there are hardly any comprehensive surveys on housing price expectations and investor confidence in the property market. Using a forward-looking approach, this project, the first of its kind in Hong Kong, attempts to fill this gap by providing a better understanding of rational and irrational market expectations in a longitudinal framework.

Aims and Objectives
The purpose of the project is to explore changes in price expectations and confidence of housing consumers over time. The project intends to develop an independent confidence index for residential properties in Hong Kong. It adopts the name of BRE Index with a view to promoting the image of the Department of Building and Real Estate (BRE), the Hong Kong Polytechnic University.

Outcome and Deliverables
The BRE Index provides an objective resource to forecast market performance. This Index is currently produced and released at a press conference on a quarterly basis. It provides an objective tool and a statistical pointer that forecasts future housing price trends. Further, this project yields a constant stream of data for publication purposes. Given its research value, the project generates important research findings on market psychology and expectation.
Benefits to Community / Government

The project is of high societal significance. The database would be of high relevance to both the industry and the community at large. The survey results will demystify the theoretical puzzles over what really affects the operation of the Hong Kong property market. The potential impact of the results on the population at large and policy-makers within Hong Kong is very high. In essence, the project will help market participants in housing decision and government officials in better forecasting housing demand and formulating housing policy.