



## May 2023: Hong Kong Residential Monitor

# Sales market loses momentum from post-Covid bounce

- Headline confidence (sales) index reverts to negative territory
- Mixed picture at a district level regarding sales market conditions
- Lettings market reflecting more optimism

The May 2023 RICS-Spacious Hong Kong Residential Property Monitor results reveal a subtle downward trend in market sentiment. As highlighted in Chart 1, the headline Confidence Index fell from -2 to -6 between April and May. Feedback from respondents indicates a more downbeat shift in Hong Kong Island and Kowloon, where the confidence reading slipped to -17 having been in the neutral zone previously. In contrast, the headline index in the New Territories showed a spark of optimism, rising from -5 to +6. Meanwhile, the rental market appears to be displaying a greater level of resilience than the sales market across all districts.

### Mixed sales market picture among districts

At the aggregate level, as illustrated in Chart 2, the three-month price expectations series continued to fall, posting a reading of -9% (down from -5% from the previous month). When disaggregated at a more local level, the picture is mixed. The New Territories managed to return to positive territory, with the net balance increasing from -18% to +6%. Sales expectations within the district also remained largely unchanged, holding at +6%. Elsewhere, Hong Kong Island and Kowloon both saw continued declines in the sales expectations signal, decreasing from 0% to -12% and -7% to -10%, respectively. The price outlook echoed the downbeat mood in both districts, registering net balances of -24% (Hong Kong Island) and -23% (Kowloon) for three-month price expectations.

Chart 3 and 4 further demonstrate a weakening picture which is notably reflected in buyer demand metrics. The overall buyer enquiries series recorded a net balance of -5% as opposed to -13% in April. Differentiating the buyer categories as illustrated in Chart 4, the investor enquiries indicator experienced a further drop from -6% to -27% and the owner-occupier enquiries measure also declined, slipping from a net balance of +13% to a neutral 0%.

### Lettings market loses some momentum but remains positive

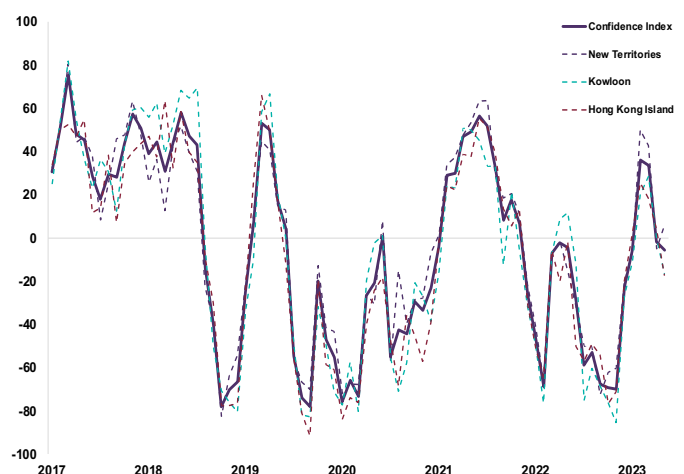
As shown in Chart 2, at the headline level, the 3-month rental expectations series softened from +13% to +7%.

On closer inspection, this easing was largely driven by Kowloon, where a significant moderation in the net balance (from +22% to +5%) was recorded. This is also visible in its tenant demand and landlord instruction series, with both turning negative (+17% to -6% and +29 to -6%) over the month, a trend partly encapsulated by Chart 6. Contrarily, Hong Kong Island witnessed an improvement in both the tenant demand and landlord instructions series, registering net balances of +23% (vs. +15% in April) and +35% (vs.+28% in April), respectively.

### Divergent outlook for rents and prices

Overall, the New Territories stands out as displaying more optimism, with expectations across both the sales and rental markets remaining mostly positive in 2023 so far. At the same time, Hong Kong Island and Kowloon have seen more solid demand trends across the lettings market, despite the subdued sales market backdrop. On the back of this, the twelve-month outlook for rents exceeds that for prices (Chart 7).

Chart 1: Confidence Index



\*The Confidence Index is a composite measure capturing overall market momentum, encompassing variables on short-term price and sales expectations. The Home Price Perceptions Index measures the perceived monthly change in home prices as reported by survey participants, where March 2015=100. The Rent Perceptions Index measures the perceived monthly change in rents as reported by survey respondents, where March 2019=100.

Chart 2: 3-month rental and price expectations

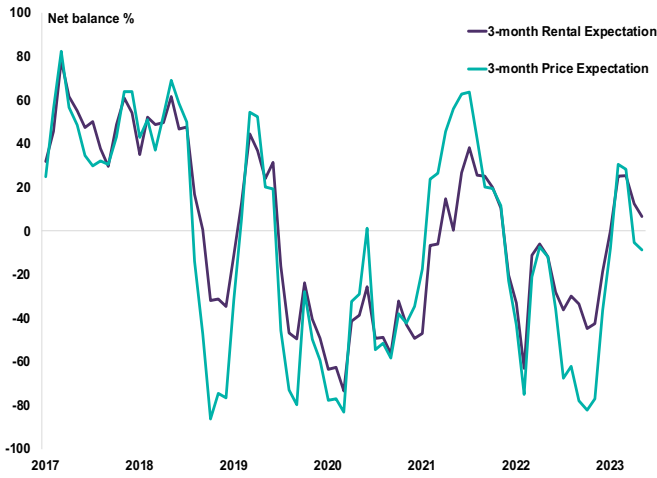


Chart 3: Buyer enquiries and instructions to sell

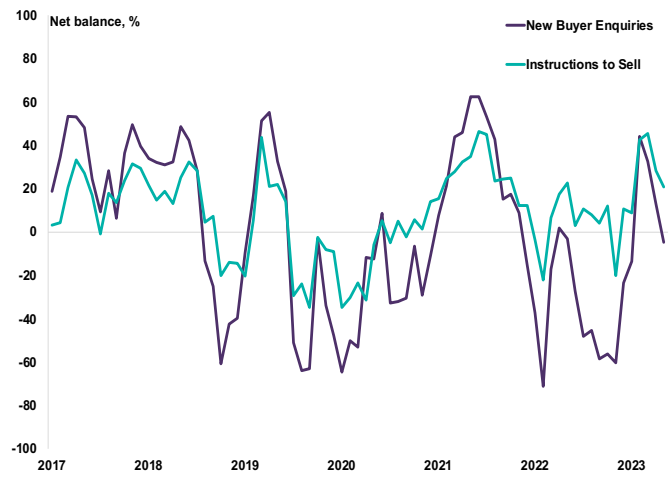


Chart 4: New buyer enquiries by type

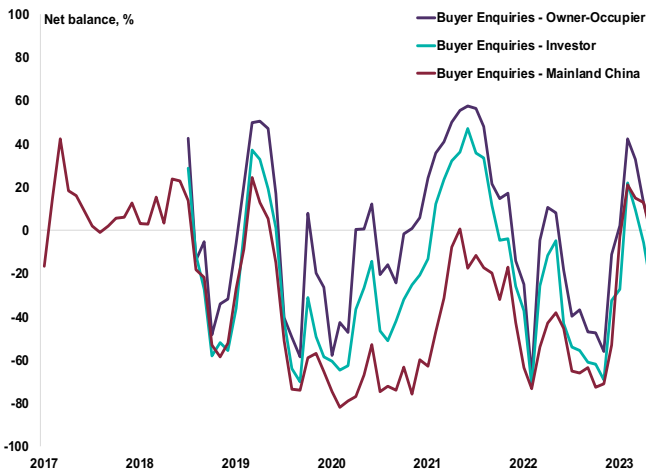


Chart 5: Unsold homes on books changes

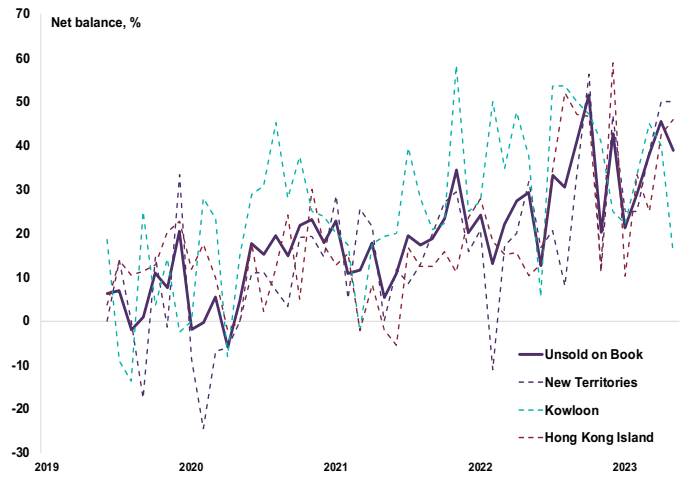


Chart 6: Tenant demand and landlord instructions

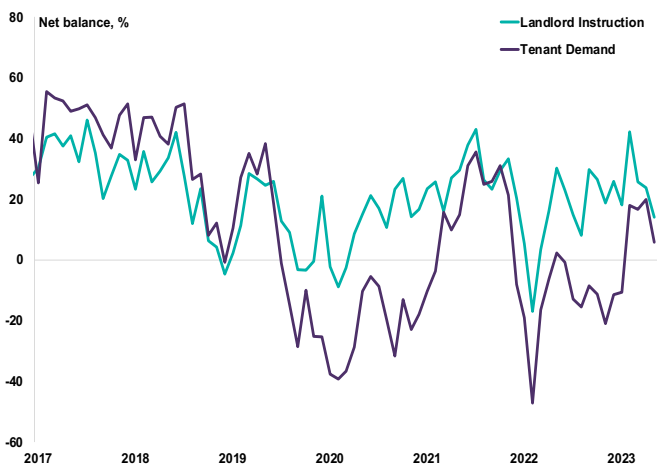
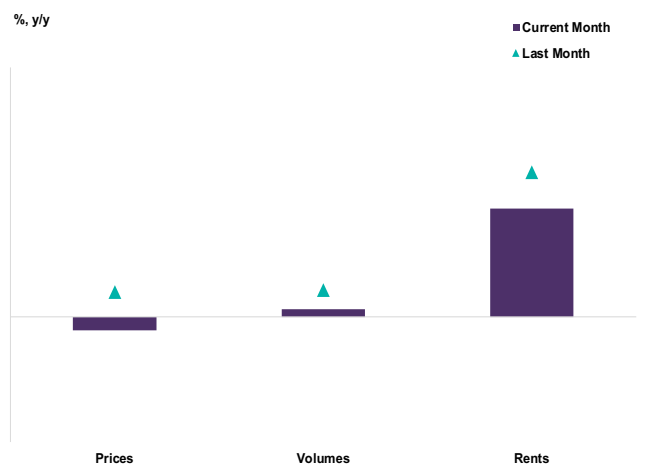


Chart 7: 12-month expectations



## Comments from survey participants in Hong Kong

### Hong Kong

Whether the bank lending interest rate will remain high for certain period (matters). - Hong Kong Island

Bank interest rate. - Hong Kong Island

Stable improvement after relaxation of COVID prevention measurement. - Hong Kong Island

Interest hike trend reached the end of cycle, now depends on pace of economy recovery. - Kowloon

Down economic situation - Kowloon

All about government policy, immigration. - New Territories

Immigration. - New Territories

# Information

## Hong Kong Residential Monitor:

RICS-Spacious Hong Kong Residential Monitor 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:

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.

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).

### Survey release dates:

**June survey:** 20 July 2023

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