



November 2022: Hong Kong Residential Monitor

Sentiment remains negative in both the sales and lettings markets

- Confidence indicator remains deeply in the negative zone
- Instructions to sell measure sees sharp decline
- Tenant demand and landlord instructions record significant drops

The November 2022 RICS-Spacious Hong Kong Residential Property Monitor results show market sentiment remains negative. The headline Confidence Index was almost unchanged, with a reading of -70 compared to -69 of the previous month. The November results have yet to reflect the potential positive impact of China's reopening from the Covid-related lockdowns, resulting in a similar scenario to last month in both sales and lettings market.

Price expectations remain pessimistic with worsening credit conditions

At the aggregate level, the three-month price expectations series remains at -77%, similar to -82% from last month. When disaggregated, the New Territories (-66%) and Hong Kong Island (-77%) both saw modest gains while staying in the deeply negative zone. Kowloon also maintained a deeply negative reading with a net balance of -96%. Alongside this, the aggregated credit conditions metric recorded a net balance of -55% with no sign of relief in the data on 3-month expectations, where the three districts saw further declines - Hong Kong Island (-48%), Kowloon (-54%) and the New Territories (-59%).

Weak demand in the sales market dampens the price and sales performance

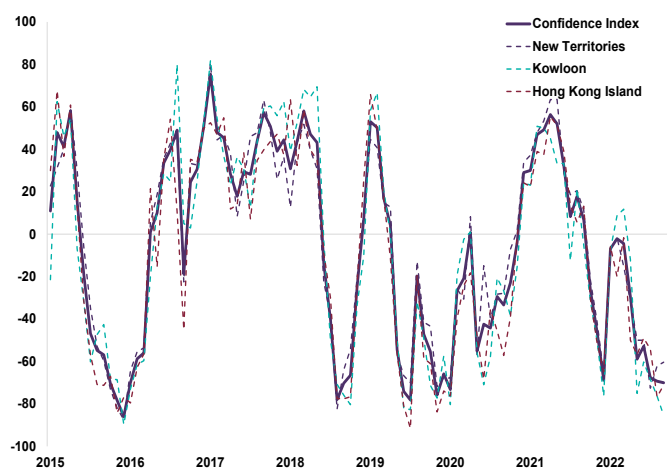
At the headline level, new buyer enquiries for October recorded a weak net balance of -60%, similar to the previous month's level at -56%. On closer inspection, investor, and owner-occupier enquiries maintained a negative trend, posting net balances of -69% and -56% respectively. Respondents also returned deeply negative readings with respect to mainland buyer enquiries with the net balance coming in at -71%. Instructions to sell sank as well, from a net balance of +12% to -20% at the aggregated level. As a result, the total agreed sales metric suffered a further drop with a net balance reading of -80%. Sales expectations are also weak, with the overall reading coming in at -63% in net balance terms. In

the wake of the soft demand trend, sellers appear more cautious, with the metric for unsold homes on books down from +52% to +20%.

Deteriorating scenario seen in the lettings market

The aggregated reading for tenant demand fell significantly (-21% net balance compared to -11% in October) and the reading for the landlord instructions indicator decreased from +27% to +19%. Similar divergence between landlords and tenants persists across districts. Unsurprisingly, the lacklustre performance is also shown through the rental expectations series, with rents now seen falling over the next 3 months by a net balance of -43% of respondents (almost unchanged from -45% last time). Kowloon is expected to suffer the steepest declines (in net balance terms) posting a reading of -63% vs. -42% in October.

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

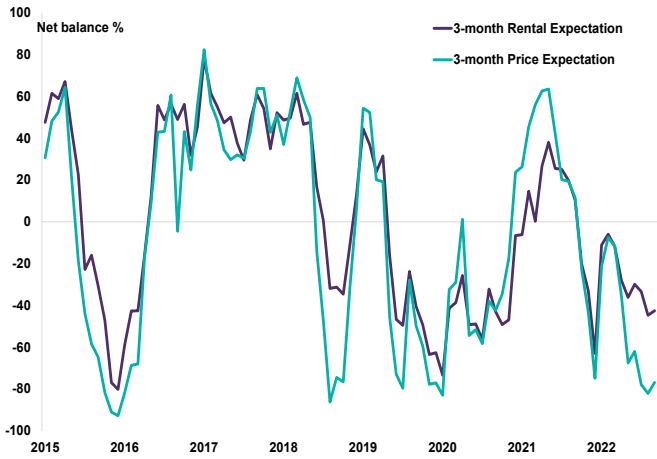


Chart 3: Buyer enquiries and instructions to sell

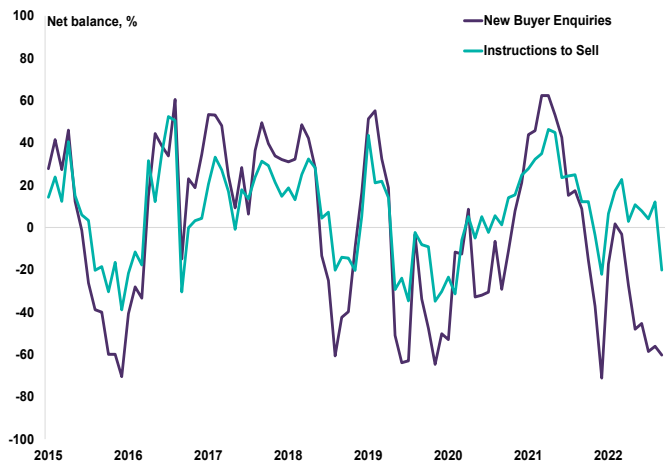


Chart 4: New buyer enquiries by type

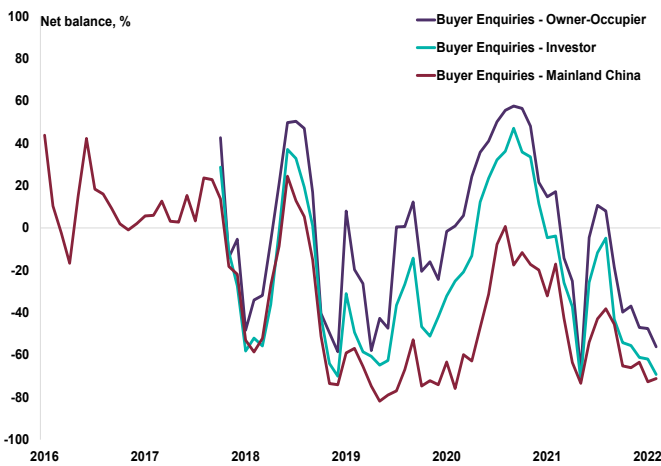


Chart 5: Unsold homes on books changes

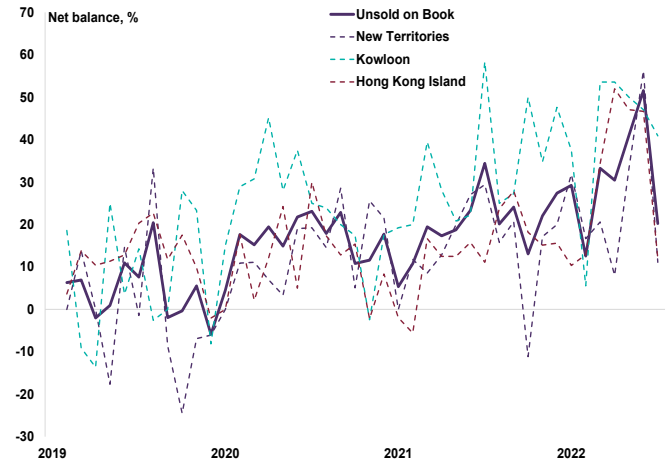


Chart 6: Tenant demand and landlord instructions

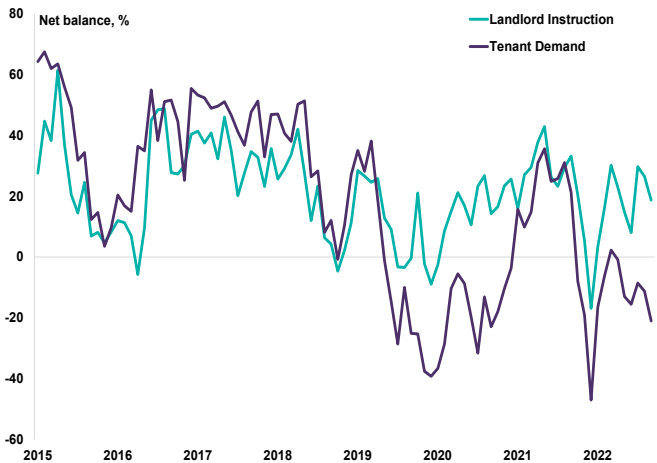
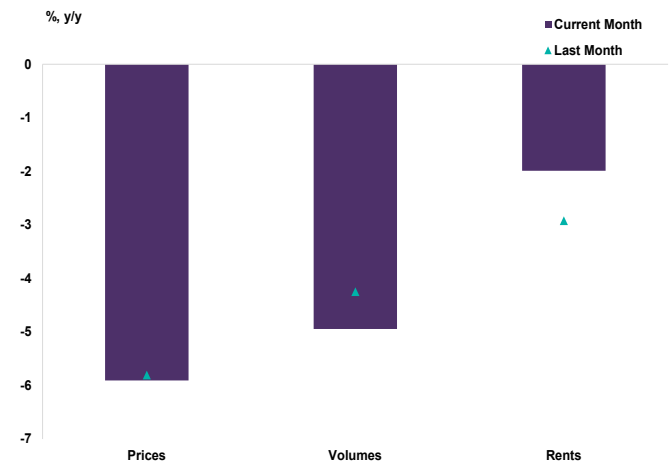


Chart 7: 12-month expectations



Comments from survey participants in Hong Kong

Hong Kong

Boarder restrictions from China still impacting the Hong Kong property market. - Hong Kong Island

Property lending rate, HK & Mainland China government measures to further release control on Covid. - Hong Kong Island

Covid-19 policy. - Hong Kong Island

High uncertainties caused by global recession & interest hike. - Kowloon

Government Policies & Interest Rate. - New Territories

Russian War. - New Territories

Right now HK does not relieve the heavy tax for property buying and transaction is low.. - New Territories

Next quarter likely to be down due to CNY. - New Territories

Government should consider relief of the taxation in order to encourage the market of buying. - 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 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:

November survey: 19 January 2023

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