



October 2022: Hong Kong Residential Monitor

Sentiment deteriorates further in both the sales and lettings markets

- Confidence indicator remains deeply in the negative zone for a fourth consecutive month
- New buyer enquiries and agreed sales remain weak across the market
- Respondents expect rents to fall across all districts

The October 2022 RICS-Spacious Hong Kong Residential Property Monitor results show market sentiment remains in negative territory across the regions. The headline Confidence Index was almost unchanged from last time, coming in at -69 compared to -68. Facing headwinds from rising interest rates and a slowing global economy, the headline index shows declines across the three districts, reflecting widespread pessimism throughout the market.

Price expectations turn more pessimistic with credit conditions worsening

At the aggregate level, the three-month price expectations series continued to drop from a net balance of -78% to -82%. When disaggregated, Kowloon (-95%) and Hong Kong Island (-87%) both saw further declines while the New Territories maintained a deeply negative reading with a net balance of -73%. Alongside this, the aggregated credit conditions metric recorded a net balance of -50% with a significant drop in Kowloon (-26% to -53%). Moreover, there is no sign of relief in the data on 3-month credit conditions expectations, where the three districts see similar net balances - Hong Kong Island (-53%), Kowloon (-47%) and the New Territories (-45%).

Weak demand in the sales market weighs on price and sales performance

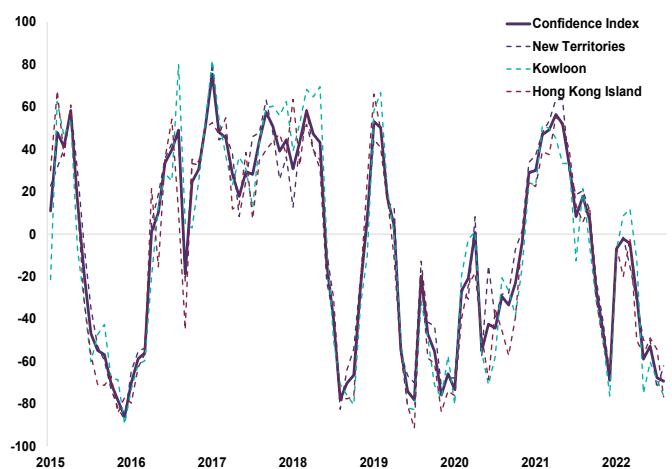
At the headline level, new buyer enquiries for October recorded a weak net balance of -56%, similar to the previous month. On closer inspection, investor, and owner-occupier enquiries maintained a negative trend, posting net balances of -62% and -47% respectively. Respondents also report a further drop in mainland buyer enquiries with the net balance falling from -63% to -73%. This is especially the case in Kowloon, where the mainland buyer enquiries metric returned a net balance of -80% (significantly lower than -60% previously). Modest drops are also seen in Hong Kong Island (-61% to -71%) and the New Territories (-67% to -69%). As a result, the total agreed sales metric remains firmly negative with a

net balance reading of -65%. Sales expectations are also soft, with the overall reading coming in at -56% in net balance terms.

Demand also falling across the lettings market

The aggregated reading for tenant demand fell slightly (-11% net balance compared to -9% in September) and the reading for the landlord instructions indicator decreased from +30% to +27%. Similar divergence between landlords and tenants persists across districts. Unsurprisingly, this is impacting the rental expectations, with rents now seen falling over the next 3 months by a net balance of -45% of respondents (weakening from -33% last time). Hong Kong Island is expected to suffer the steepest declines (in net balance terms) posting a reading of -47% vs. -26% in September.

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

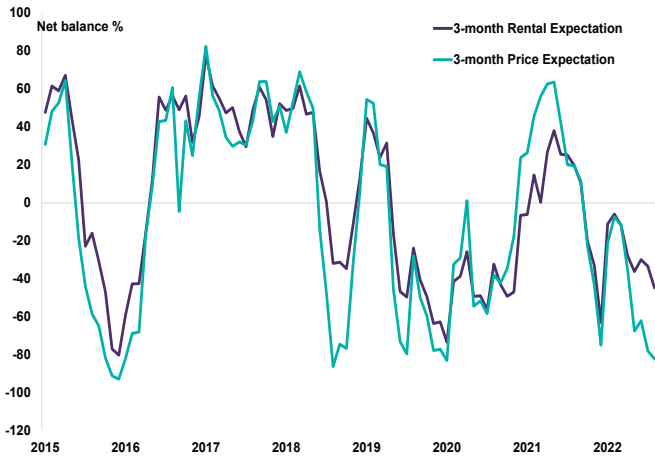


Chart 3: Buyer enquiries and instructions to sell

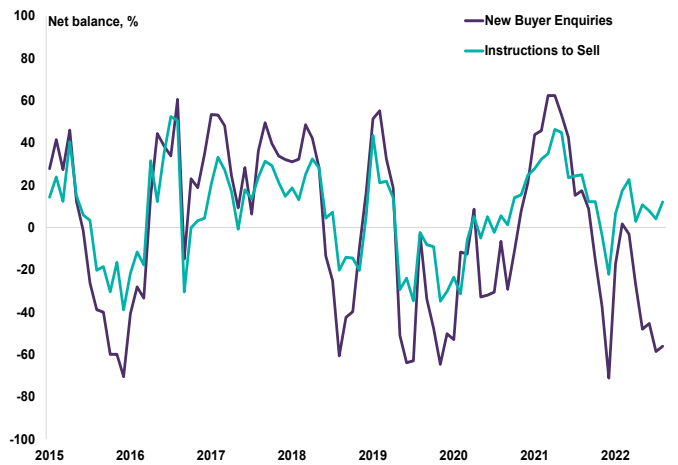


Chart 4: New buyer enquiries by type

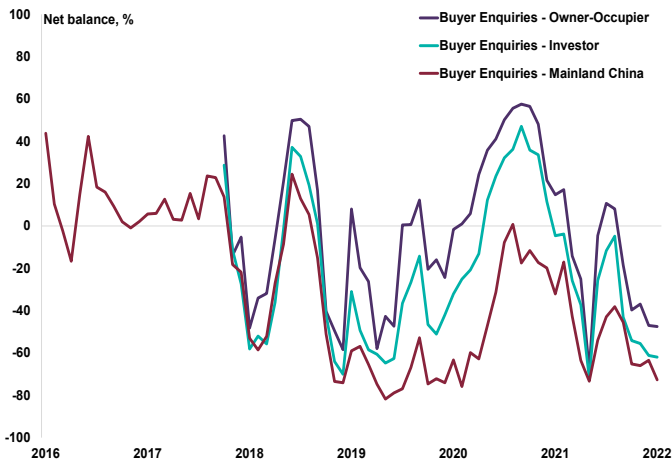


Chart 5: Unsold homes on books changes

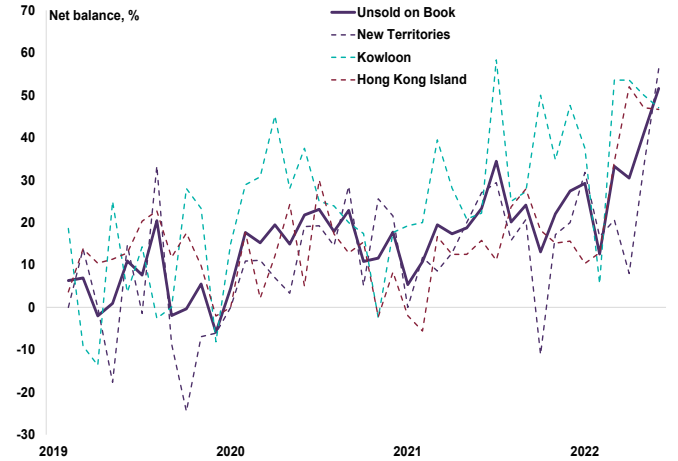


Chart 6: Tenant demand and landlord instructions

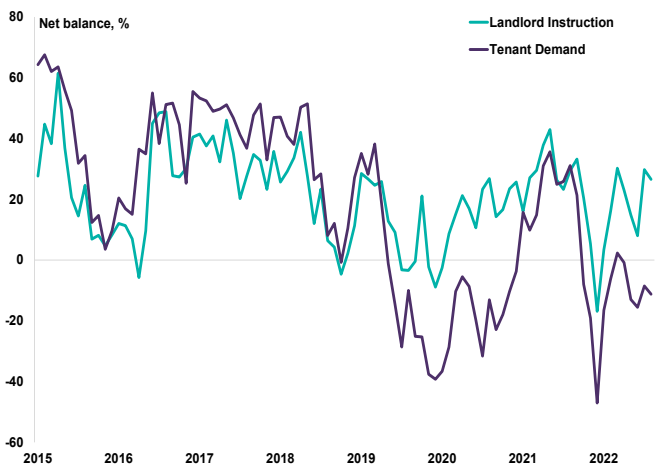
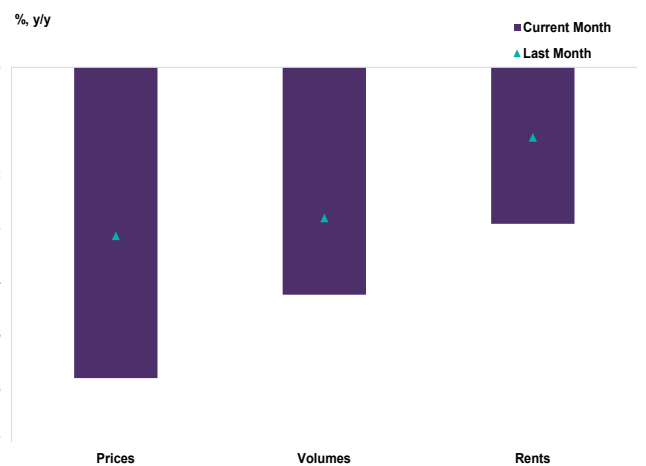


Chart 7: 12-month expectations



Comments from survey participants in Hong Kong

Hong Kong

Pandemic restrictions impacting the market. - Hong Kong Island

Increase in interest rates, government measures on control of Covid-19. - Hong Kong Island

HK Covid-19 policy. - Hong Kong Island

Uncertainty of interest rate (Peak). - Hong Kong Island

Uncertainties and risks caused by interest hike & global economic recession. - Kowloon

Pandemic stricken economy worsens still without global cross border business reboot. - Kowloon

Government legislation. - Kowloon

Covid. - New Territories

Current market is seriously affected by both Covid pandemic and the world political environment. - New Territories

Covid 19. - New Territories

Government Policy. - New Territories

Government measures. - 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: 15 December 2022

Contact details

This publication has been produced by RICS. For all economic enquiries, including participation in the monitor please contact: economics@rics.org

James Fisher

Spacious COO & Head of Market Analysis and Analytics
+65 68128179
james@spacious.hk

Simon Rubinsohn

RICS Chief Economist
+44(0)20 7334 3774
srubinsohn@rics.org

Tarrant Parsons

RICS Senior Economist
+44(0)20 7695 1585
tparsons@rics.org

Donglai Luo

RICS Senior Economist
+65 8030 4177
dluo@rics.org

Lauren Hunter

RICS Economist
lhunter@rics.org

Disclaimer

This document is intended as a means for debate and discussion and should not be relied on as legal or professional advice. Whilst every reasonable effort has been made to ensure the accuracy of the contents, no warranty is made with regard to that content. Data, information or any other material may not be accurate and there may be other more recent material elsewhere. RICS will have no responsibility for any errors or omissions. RICS recommends you seek professional, legal or technical advice where necessary. RICS cannot accept any liability for any loss or damage suffered by any person as a result of the editorial content, or by any person acting or refraining to act as a result of the material included.

Delivering confidence

We are RICS. Everything we do is designed to effect positive change in the built and natural environments. Through our respected global standards, leading professional progression and our trusted data and insight, we promote and enforce the highest professional standards in the development and management of land, real estate, construction and infrastructure. Our work with others provides a foundation for confident markets, pioneers better places to live and work and is a force for positive social impact.

Americas, Europe, Middle East & Africa
aemea@rics.org

Asia Pacific
apac@rics.org

United Kingdom & Ireland
contactrics@rics.org



[rics.org](https://www.rics.org)