



April 2022: Hong Kong Residential Monitor

Conditions appear to be turning a corner with twelve-month expectations strengthening

- Confidence Index moves into neutral territory having rebounded sharply from the recent low seen in Feb
- Past price metric remains slightly negative but twelve month expectations point to a return to growth
- Kowloon reportedly leading the recovery, while conditions are more subdued across Hong Kong Island

The April 2022 RICS-Spacious Hong Kong Residential Property Monitor results suggest demand conditions are now stabilising across the sales market, with much of the negativity seen in recent months dissipating (at least at the aggregate level). In keeping with this, the headline Confidence Index moved to -2 in April, up from -7 previously, and representing a marked improvement compared to a reading of -69 returned in the February report.

New buyer enquiries steady but sales still subdued

At the aggregate level, the latest net balance for new buyer enquiries came in at +2%, rising from a reading of -17% beforehand. That said, the regional data shows some disparity, with respondents in Kowloon citing an increase in demand during April (net balance +36%), while this metric remains somewhat negative for both the New Territories and Hong Kong Island.

With respect to agreed sales, a headline net balance of -17% of contributors noted a fall in transactions during April, albeit this is much less downbeat than the reading of -35% posted previously. Looking ahead however, near term sales expectations point to a largely stable trend emerging, while twelve-month expectations are now consistent with a solid upturn in sales coming through further out (as the net balance improved to +40% from +21% last time).

Pricing metrics remain negative for now but forward looking indicators point to a turnaround

During April, a headline net balance of -23% of survey participants reported a decline in house prices, marking the fifth consecutive negative reading for this metric. That said, the latest net balance is significantly less downbeat than figures of -54% and -60% posted in March and February respectively. Looking into the regional level data shows that prices were more or less stable in Kowloon (net balance -5%), but continued to decline across Hong

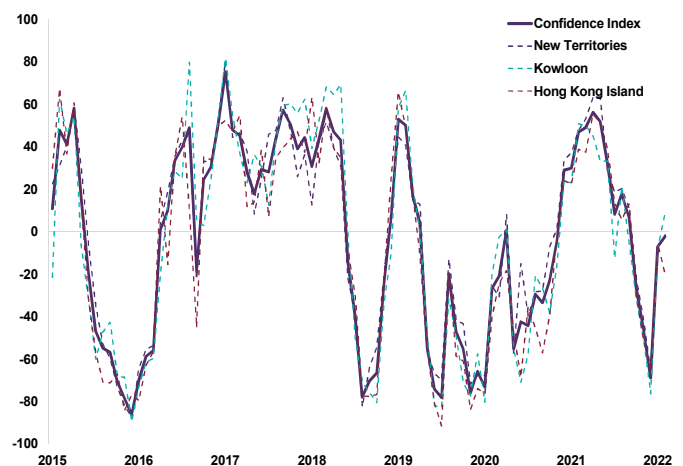
Kong Island (net balance -62%) and, to a lesser extent, in the New Territories (net balance -18%).

Nevertheless, twelve-month price expectations point prices rebounding in both Kowloon and the New Territories, although sentiment is much flatter when it comes to the outlook for prices within Hong Kong Island.

Tenant demand appears to have stabilised

In the rental market, tenant demand seems to have largely stabilised now following a sequence of negative returns, evidenced by the latest net balance moving to -6% from -17% in March. Alongside this, landlord instructions rose according to a net balance of +16% of survey participants. Going forward, near-term rental expectations point to a broadly steady picture for rents over the coming three months, while the outlook is modestly positive at the twelve-month time horizon.

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: Home Price Perceptions Index

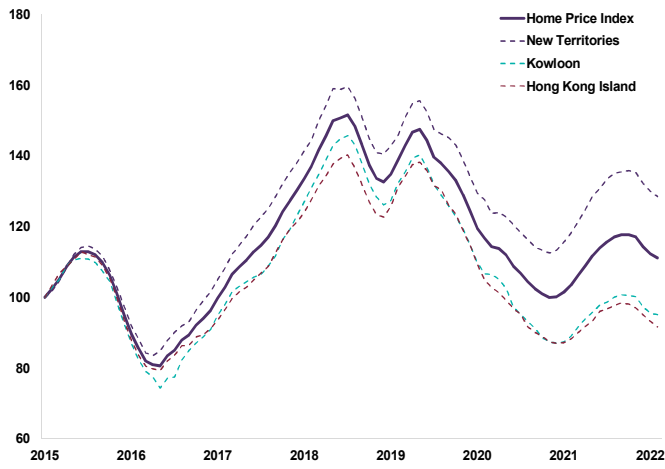


Chart 3: Buyer enquiries and instructions to sell

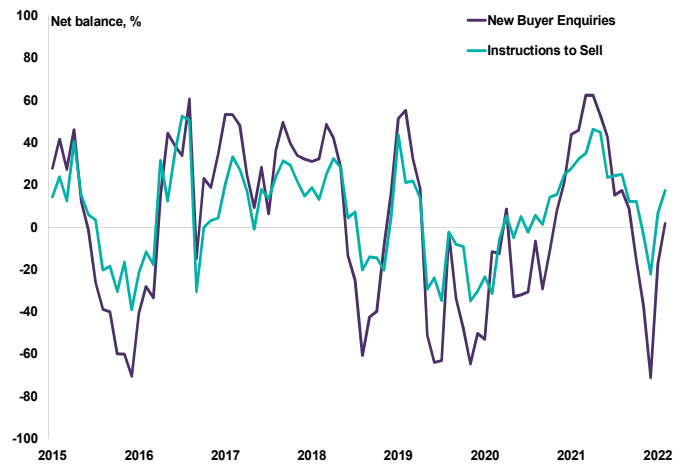


Chart 4: Buyer enquiries by type

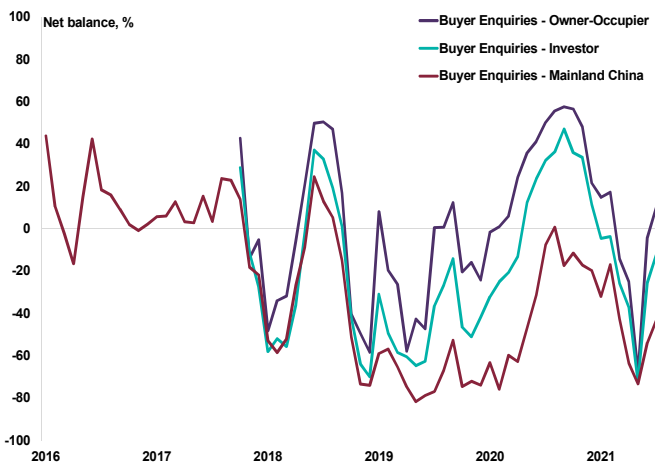


Chart 5: Rent Perceptions Index

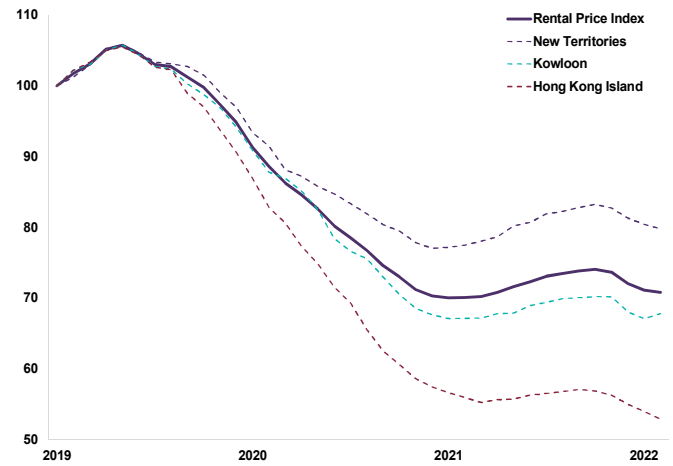


Chart 6: Tenant demand and landlord instructions

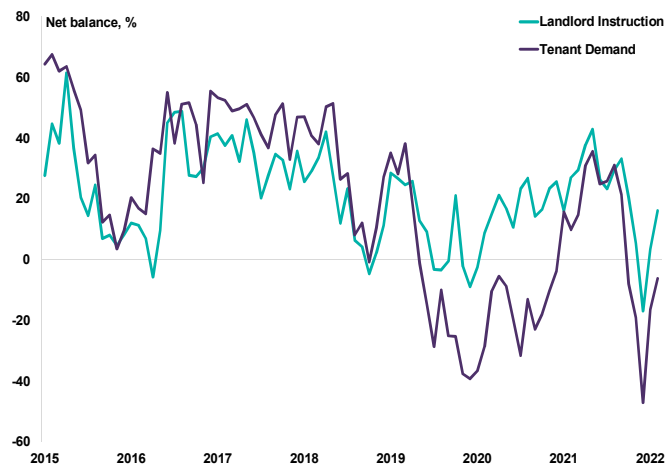
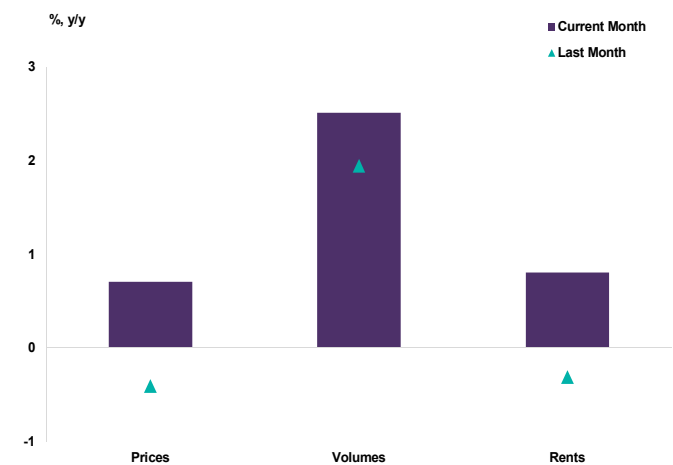


Chart 7: 12 month expectations



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:

May survey: 16 June 2022

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