



February 2022: Hong Kong Residential Monitor

Sentiment continues to deteriorate across the market

- Confidence indicator slips for a fourth consecutive month
- Buyer enquiries and agreed sales continue to fall noticeably
- Respondents report declining prices across all regions

The February 2022 RICS-Spacious Hong Kong Residential Property Monitor results show a further deterioration in market sentiment over the month, with the worsening pandemic backdrop in recent weeks said to be weighing on conditions significantly. Indeed, the Confidence Index pulled back for the fourth successive month, returning a reading of -69, down from -46 previously. As such, this is the weakest return for the overall confidence metric since January 2020.

New buyer enquiries and sales fall in February

At the headline level, a net balance of -71% of respondents cited a decline in new buyer enquiries over the latest survey period, marking the third straight report in which this indicator has been in negative territory. Meanwhile, the number of new listing coming onto the sales market dipped in February, with the net balance slipping to -22% from -4% previously (the weakest return since April 2020).

At the same time, the latest feedback also points to a relatively sharp downturn in the volume of sales agreed over the month, evidenced by a net balance of -72% of contributors noting a decline. When disaggregated, both enquiries and sales fell across all regions covered (Kowloon, the New Territories and Hong Kong Island). Looking ahead, sales expectations remain firmly negative for the coming three months. With respect to the twelve-month view, a net balance of -23% of survey participants anticipate sales falling throughout the year ahead (moving deeper into negative territory from a reading of -12% last time).

House price falls appear to be gathering pace

During February, a net balance of -60% of contributors saw a fall in house prices, representing a marked deterioration on the reading of -18% posted in the January results. The steepest declines (in net balance terms) were reported across Hong Kong island and

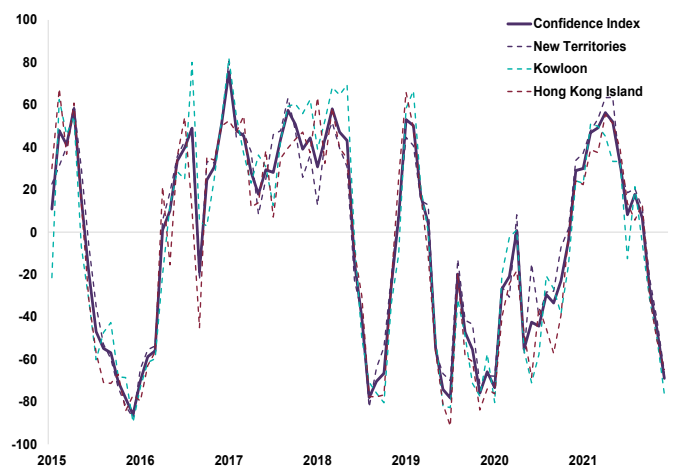
the New Territories. Although Kowloon also exhibited a noticeable drop in the house price gauge, it was not quite as acute as in the two aforementioned regions.

Going forward, respondents anticipate a further fall in prices both at the three and twelve month time horizons, with these expectations becoming more deeply entrenched in negative territory over February.

Lettings market also sees a drop in demand

A more cautious tone to the data can also be seen across the rental market, with tenant demand falling according to a net balance of -47% of respondents. As a result, near-term rental growth expectations depict a declining trend in the coming three months. Meanwhile, projections are also negative regarding the twelve month outlook, with respondents projecting a -2% fall in headline rents over the year to come.

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

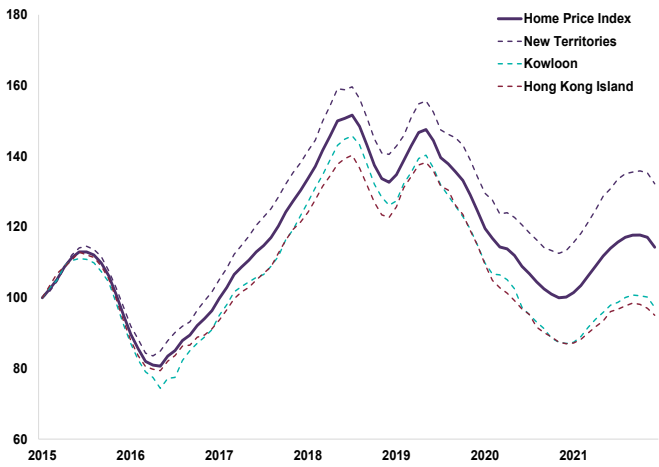


Chart 3: Buyer enquiries and instructions to sell

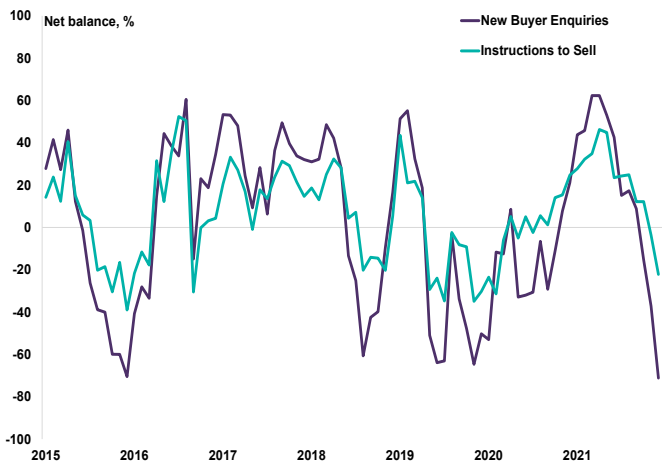


Chart 4: Buyer enquiries by type

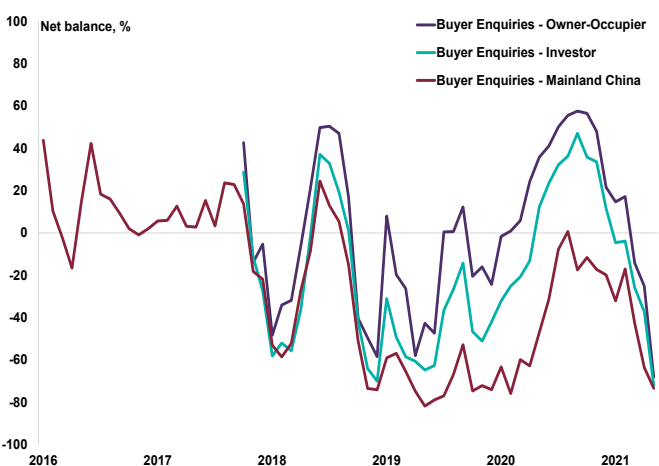


Chart 5: Rent Perceptions Index

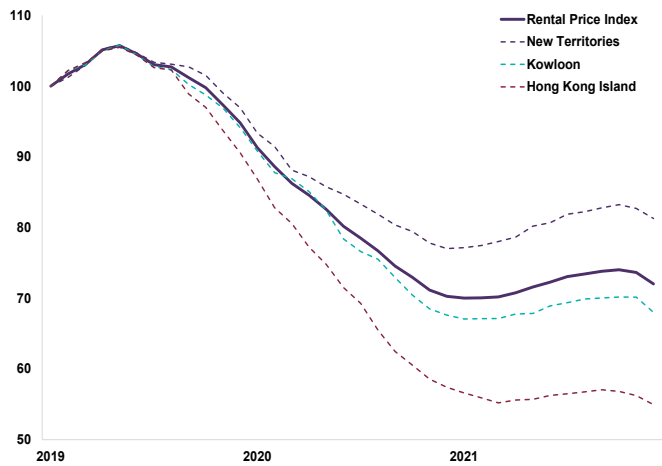


Chart 6: Tenant demand and landlord instructions

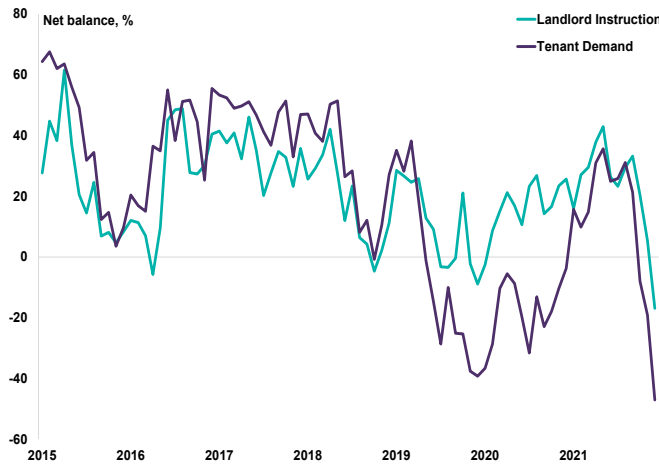
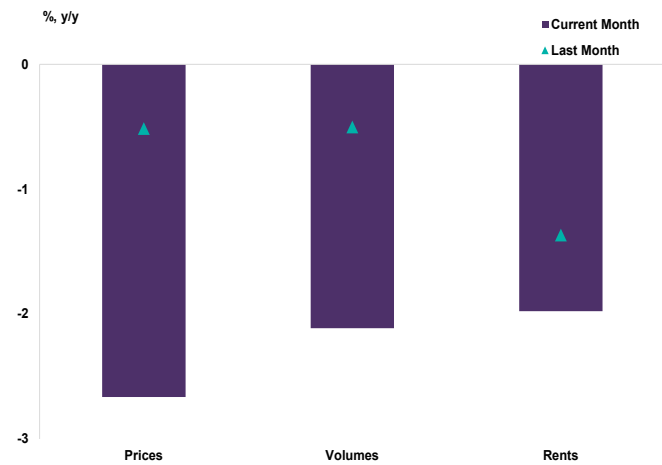


Chart 7: 12 month expectations



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:

March survey: 21 April 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

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

Asia Pacific
apac@rics.org

United Kingdom & Ireland
contactrics@rics.org



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