



April 2023: Hong Kong Residential Monitor

Sales market loses momentum from post-Covid bounce

- Headline confidence (sales) index reverts to neutral territory
- New buyer enquiries indicator still positive albeit less so
- Lettings market remains more resilient

The April 2023 RICS-Spacious Hong Kong Residential Property Monitor results show market sentiment cooling somewhat. As highlighted in Chart 1, the headline Confidence Index fell from +34 to -2 between March and April. Feedback from respondents points to the post-Covid recovery losing steam in all the districts of Hong Kong; in Hong Kong Island, the confidence reading slipped from +18 to +4, in Kowloon from +29 to 0 and in the New Territories from +43 to -5. Meanwhile, the rental market appears to be displaying a greater level of resilience than the sales market.

Sales market recovery comes to a standstill

At the aggregate level, as illustrated in Chart 2, the three-month price expectations series returned to the neutral zone with a net balance of 0%, down from +18% the previous month. When disaggregated at a more local level, the picture is more mixed. The New Territories experienced the largest decline in the price expectation, with the net balance decreasing from +38% to -18%. Sales expectation in the district also slowed from +47% to +8%. Elsewhere, Hong Kong Island and Kowloon also both saw notable drops in the sale expectation signal, decreasing from +27% to 0% and +33% to -7% respectively. However, the shift in mood regarding the price outlook was less marked in both cases.

Chart 3 and 4 demonstrates that the less robust picture is also manifesting itself in buyer demand metrics. Most notably, the investor enquiries indicator declined from +10% to -6%, mainly as a result of fall in the New Territories series where the net balance reading dropped from +26% to -5%. At the longer horizon, as depicted in Chart 7, the aggregated reading for the 12-month expectations in sales price and volumes flattened significantly.

Lettings market exhibits greater resilience despite its contraction

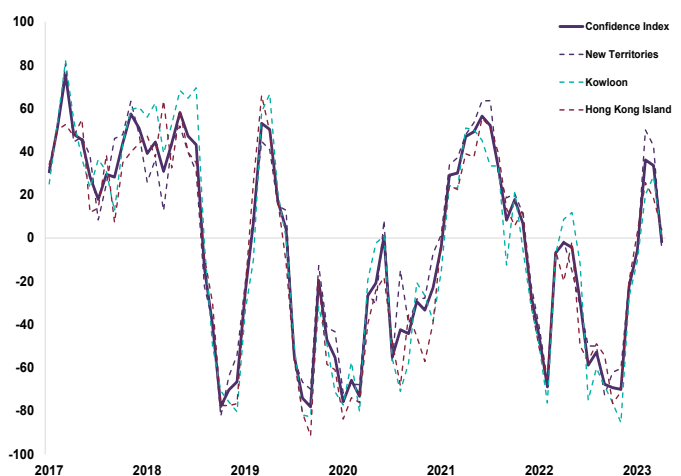
At the headline level, the 3-month rental performance

recorded a moderate net balance reading of +9%, similar to the previous month's level of +13%. This is also visible in the rental expectations data (net balance of +13% vs. +25% in March). That said, the tenant demand saw modest gain over the month with the net balance increasing from +17% to +20% while the landlord instruction series maintained broadly unchanged at +24% (+26% in March), a point illustrated in Chart 6.

Comments from James Fisher (Spacious COO & Head of Market Analysis and Analytics) :

According to user-generated data from Spacious, demand and asking prices in the sales market continued to moderate after a strong start to the year, indicating a near-term reduction in transactions and prices. In contrast, demand in the rental market improved and asking prices continued to rise, signalling bullish prospects for rents in the coming months.

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

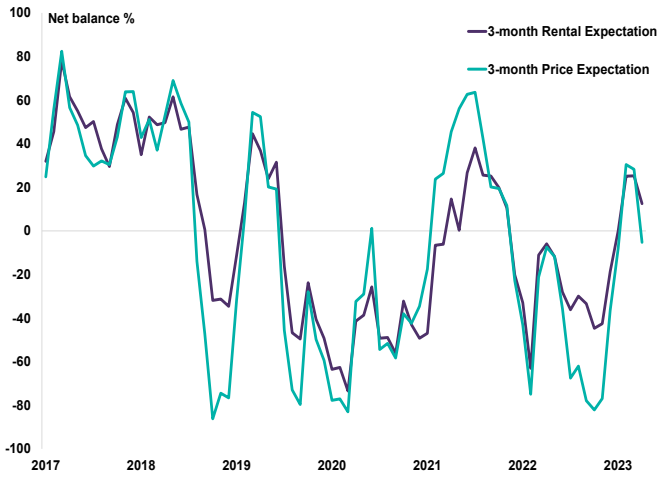


Chart 3: Buyer enquiries and instructions to sell

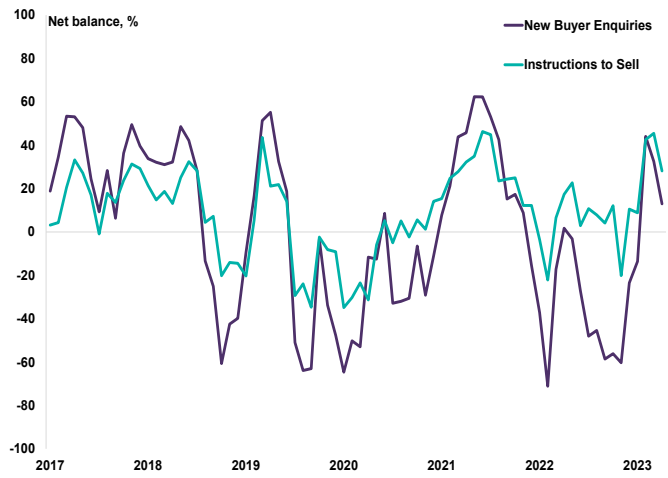


Chart 4: New buyer enquiries by type

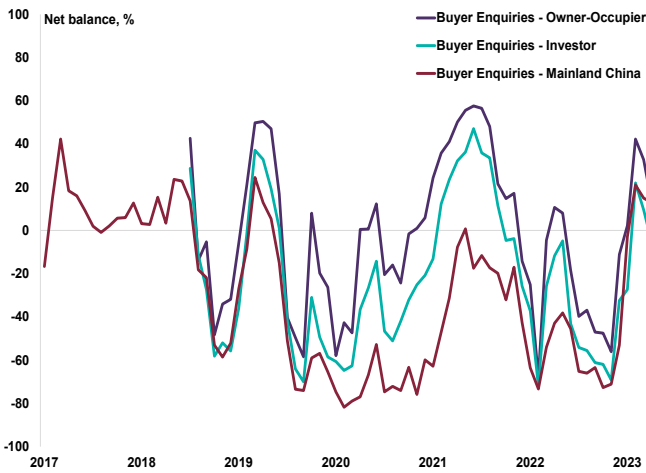


Chart 5: Unsold homes on books changes

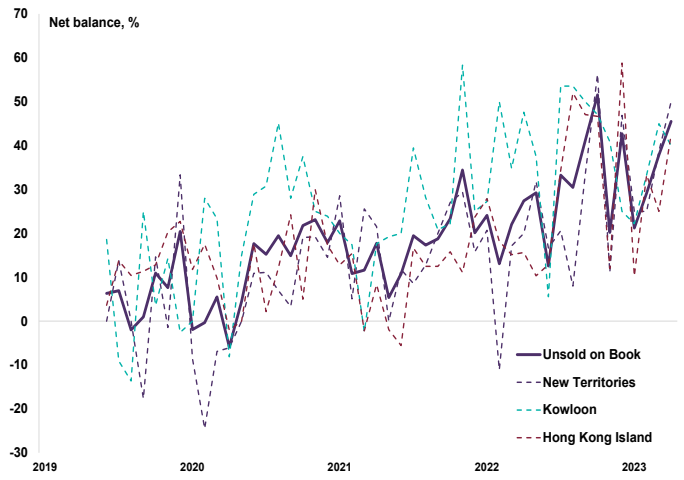


Chart 6: Tenant demand and landlord instructions

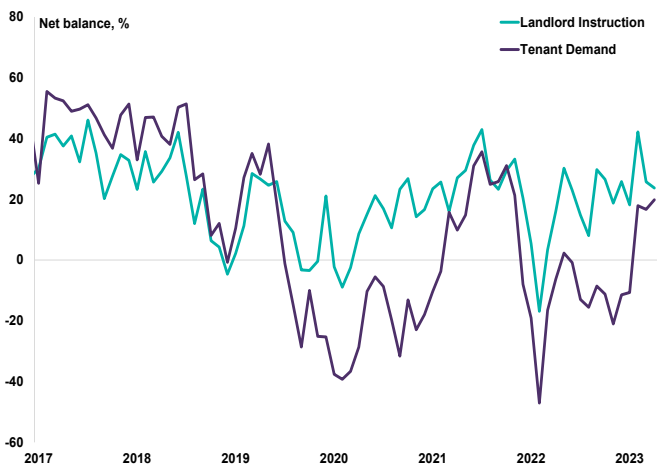
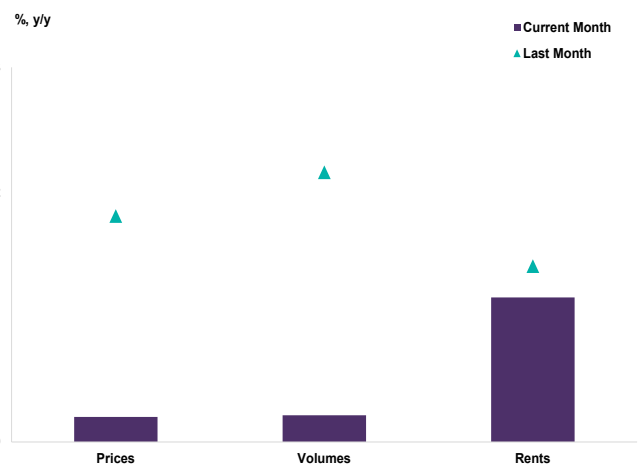


Chart 7: 12-month expectations



Comments from survey participants in Hong Kong

Hong Kong

Central government policy plays a role. - Hong Kong Island
changes in government measures. - Hong Kong Island

Slow recovery of economy may still have impact on certain prospective purchasers. - Kowloon

Outbound travel in Easter holiday affected the viewing and transaction. - Kowloon

Government Policies. - New Territories

Immigration policies. - 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:

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