



December 2022: Hong Kong Residential Monitor

# Sentiment shows signs of relief in both the sales and lettings markets

- Headline confidence indicator remains in the negative zone despite China's reopening
- Sales and rental price expectations rebound to less negative zone
- Buyers enquiries and tenant demand also show downward momentum easing

The December 2022 RICS-Spacious Hong Kong Residential Property Monitor results show market sentiment remains negative, though significantly less so. Shown in chart 1, the headline Confidence Index recovered from -69 to -22, reflecting the early positive impact of China's reopening from the Covid-related lockdowns. Hong Kong Island (-20), Kowloon (-27) and the New Territories (-21) show broadly similar rebounds from previous months, recording the highest readings since mid-2022. In summary, cautious optimism is seen from the latest survey results.

## Buyer enquiries and tenant demand partly recover from previous downturn

In the sales market, the buyer enquiries rose to -23% from -63% in the previous month. When disaggregated by buyer types, as is illustrated in chart 4, the owner-occupier and the investor are the main contributors, jumping from -56% to -11% and -69% to -32% respectively. The mainland buyer enquiries metric also sees modest gain from -71% to -53%. Alongside this, the aggregated credit conditions metric records a net balance of -24% compared to -55% of previous month, indicating better liquidity in the market. That being said, further monetary tightening may still put pressure on the demand side in the coming months.

In the lettings market, the tenant demand metric shows more modest declines modest gains across Hong Kong Island (-19% to -11%), Kowloon (-29% to -16%) and the New Territories (-17% to -19%).

## Long-term sales expectations stabilise with less pessimistic price and rental expectations

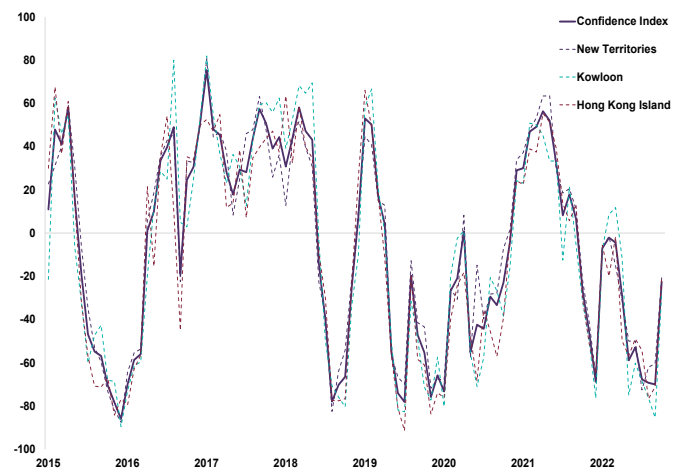
At the headline level, the 3-month rental expectation shows a weak but improved net balance of -19% as opposed to -43% in November. The 3-month price expectation metric also increases from -77% to -37%. Both indicate improvements of the market outlook, as is reflected in chart 2.

Over the longer horizon, 12-month sales volume expectations have turned positive, increasing from -48% to +11%. Looking closer, Kowloon registers the biggest increment, from -63% to +22%, followed by the New Territories, from -55% to +12%. These improvements are consistent with more stable long-term price and rental expectations picture, as is shown in chart 7.

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

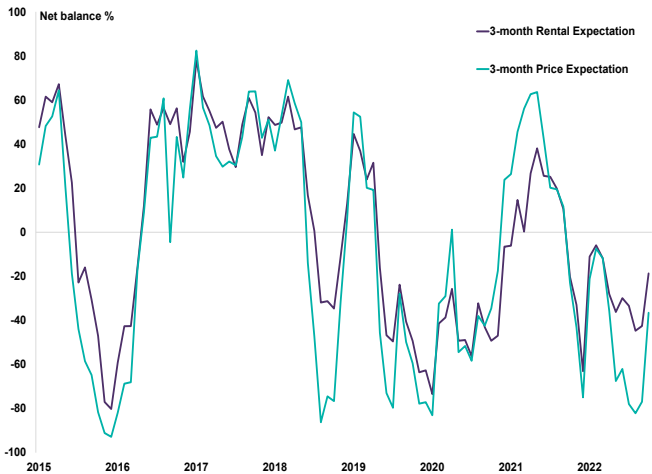
At year-end, Spacious' data showed demand cooling off for both the Sale and Rental markets. Asking prices and rents also continued their decline, signaling lower sale prices and rents in the near term. Year-end is typically a seasonally slower period. With Chinese New Year coming in late January this year, it is unlikely we'll see any material change in volumes and pricing expectations before the end of February 2023.

Chart 1: Confidence Index

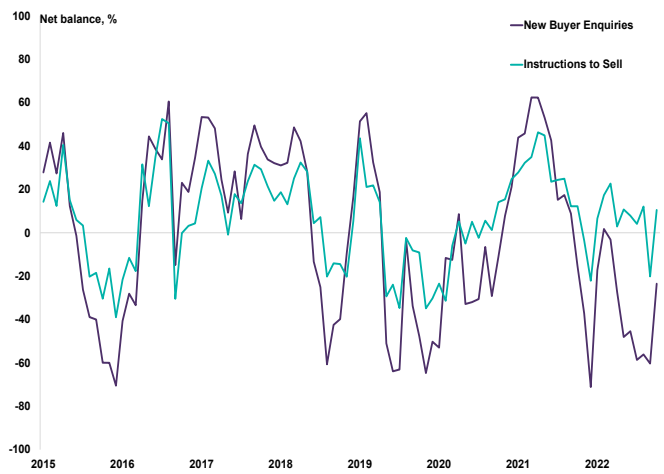


\*The Confidence Index is a composite measure capturing overall market momentum, encompassing variables on short-term price and sales expectations. The Home Price Perceptions Index measures the perceived monthly change in home prices as reported by survey participants, where March 2015=100. The Rent Perceptions Index measures the perceived monthly change in rents as reported by survey respondents, where March 2019=100.

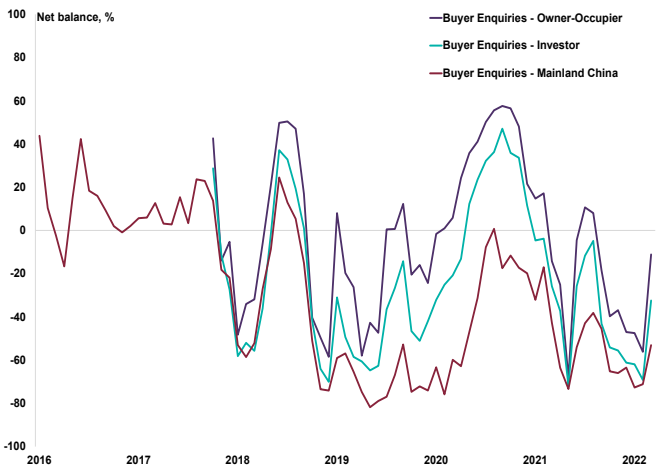
**Chart 2: 3-month rental and price expectations**



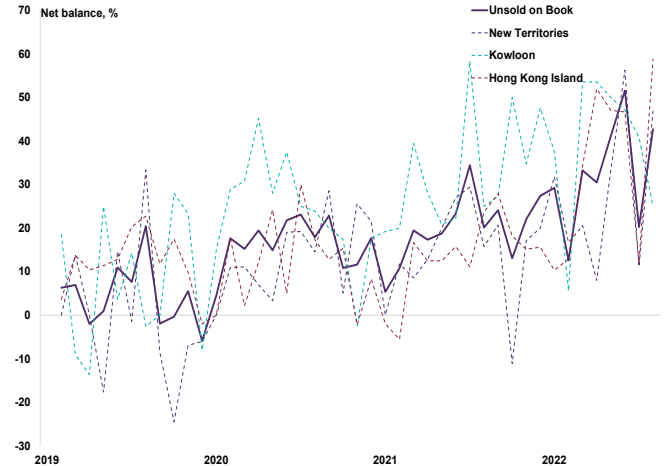
**Chart 3: Buyer enquiries and instructions to sell**



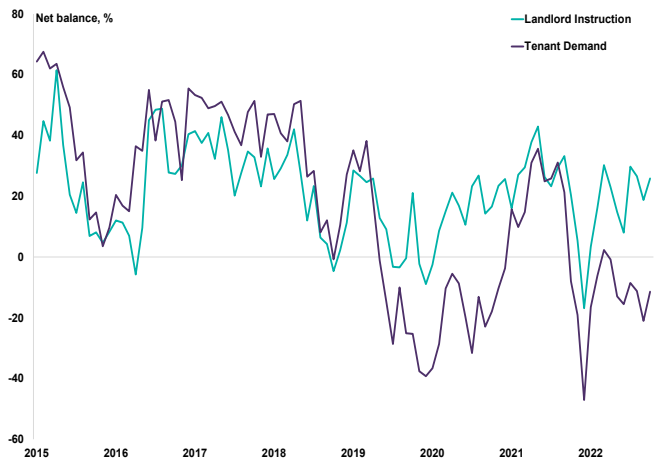
**Chart 4: New buyer enquiries by type**



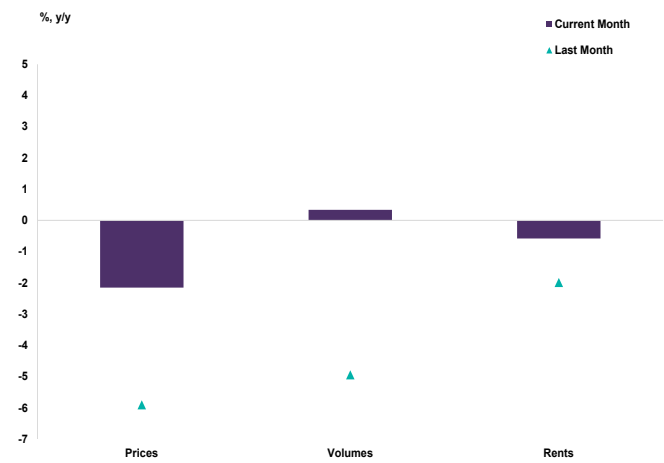
**Chart 5: Unsold homes on books changes**



**Chart 6: Tenant demand and landlord instructions**



**Chart 7: 12-month expectations**



## Comments from survey participants in Hong Kong

### Hong Kong

Lending interest rates, government measures on control of covid-19 across the border. - Hong Kong Island

The new COVID 19 policy and Chinese New Year may help the market. - Hong Kong Island

Continuing trend of interest hike and global economic recession. - Kowloon

Traditional CNY records a seasonal recession on market price and demand in local market. - Kowloon

Restrictions of COVID-19 released. - New Territories

Depressed Economy. - New Territories

Government measures, migration. - 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](http://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:** 16 February 2023

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