



February 2023: Hong Kong Residential Monitor

## Near-term expectations turn positive across both the sales and rental markets

- Forward-looking indicators improve across all three districts
- New buyer enquiries increase noticeably over the month
- Twelve-month price and sales expectations move further into positive territory

Market sentiment continues to recover according to the February 2023 results of the RICS-Spacious Hong Kong Residential Property Monitor. As shown in chart 1, the overall Confidence Index improved from -6 to +36 this month, reflecting an uptick in optimism across all districts. The recovery is most notably seen in the New Territories, with the headline index increasing from -6 to +50, followed by Kowloon (-11 to +20) and Hong Kong Island (+2 to +26).

### Sales market indicators return to positive territory

The sales market saw an increase in the aggregated net balance for new buyer enquiries, rising from -14% to +44% (as shown in chart 4). The New Territories contributed most significantly to this pick-up, with the enquiries net balance jumping from -16% to +52%. Meanwhile, enquiries in Kowloon and Hong Kong Island also improved firmly, recording an increase in net balance readings from -11% to +44% and -12% to +29% respectively. Meanwhile, the aggregated credit conditions metric moved into the neutral zone, returning a net balance of -5% compared to -24% in the previous month. Alongside this, the net balance for investor enquiries flipped from -27% to +22% while owner-occupier enquiries also increased from a net balance of +2% to +42%.

### Twelve-month outlook continues to improve

Looking ahead, the net balance for price expectations at the twelve-month time horizon increased from +16% to +39%. On the same basis, the year-on-year price change estimate turned positive at +1.7% (-0.3% previously). Similarly, twelve-month sales volume expectations also improved, posting a net balance of +42% compared to a reading of +18% last month.

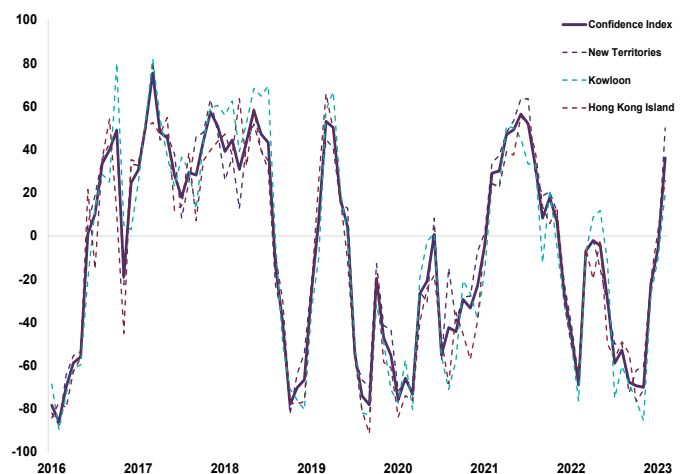
### Rental market conditions vary somewhat by district

In the lettings market, the picture for tenant demand varies across districts. Specifically, Hong Kong Island and Kowloon registered mild improvements, with net

balance readings increasing from +5% to +10% and -8% to +17% respectively. The New Territories meanwhile saw a stronger rebound, with the net balance increasing from -19% to +21%.

The rental level indicator (tracking the trend over the past three months) moved up from a net balance of -21% last month to +5% this time, therefore signalling a more stable trend coming through. When disaggregated, the net balance reading seen across Hong Kong Island moved from -24% to -11%, Kowloon from -24% to +8%, and the New Territories from -19% to +10%. Moreover, these improvements translated into a pick-up in near-term rental expectations, posting a net balance of +25% compared to 0% in the previous month. That said, this was mostly driven by the New Territories turning positive from -3% to +48%, while expectations are much flatter in Kowloon (-4% net balance) and Hong Kong Island (+10% net balance).

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

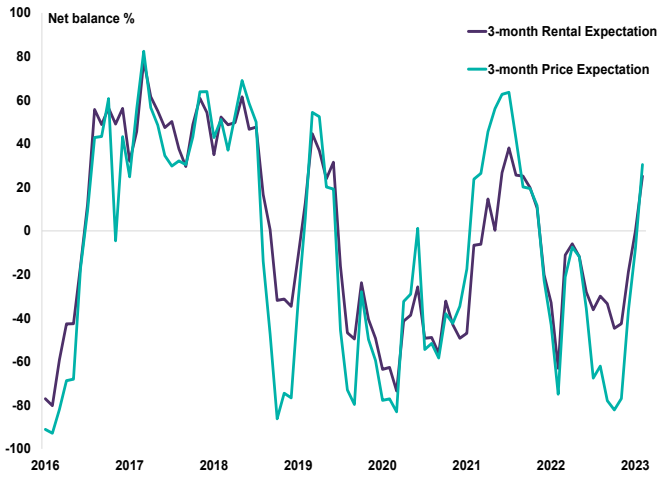


Chart 3: Buyer enquiries and instructions to sell

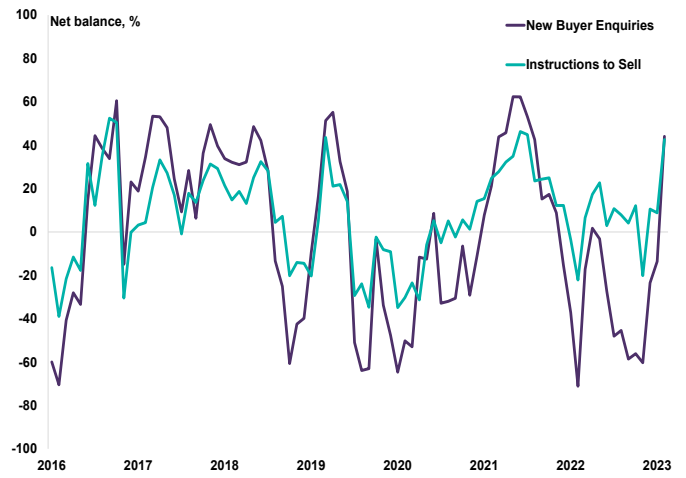


Chart 4: New buyer enquiries by type

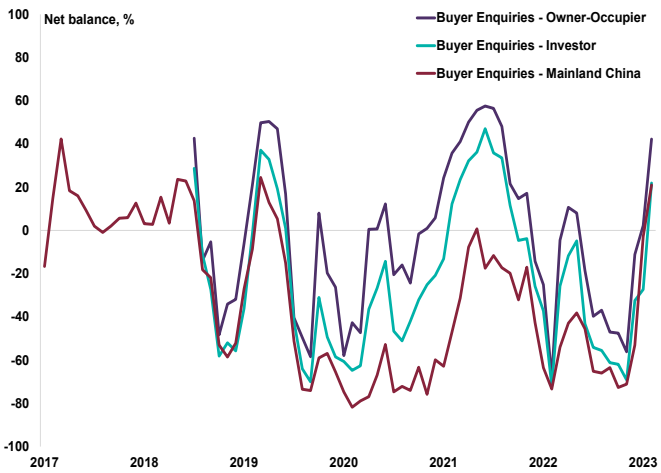


Chart 5: Unsold homes on books changes

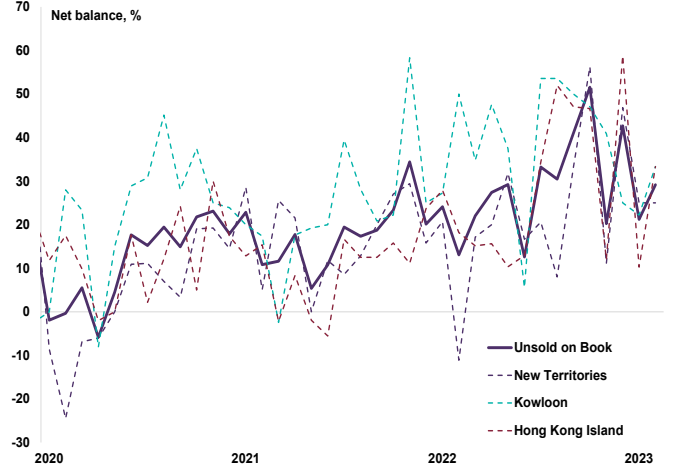


Chart 6: Tenant demand and landlord instructions

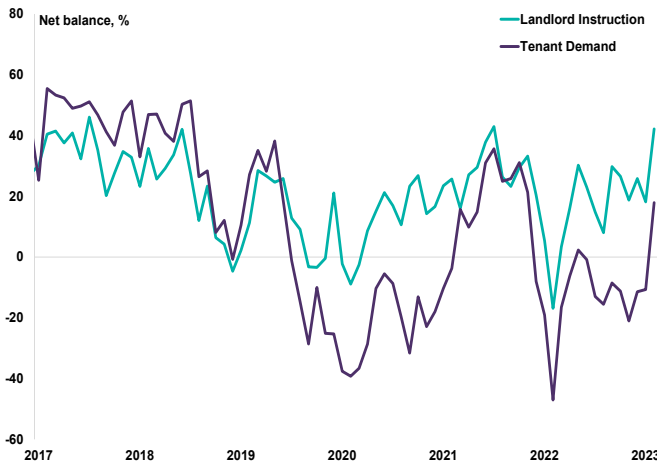
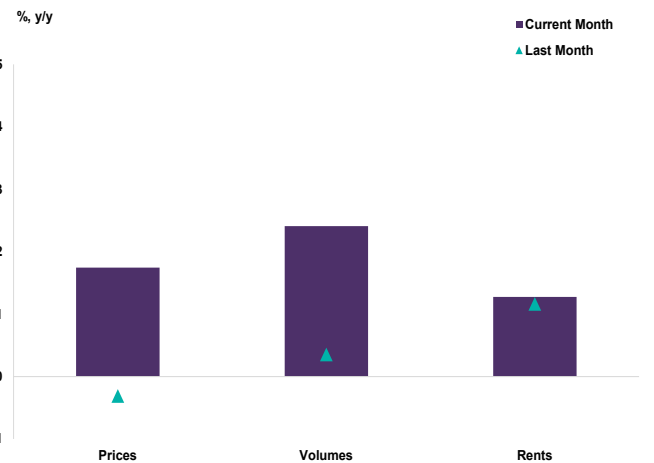


Chart 7: 12-month expectations



## Comments from survey participants in Hong Kong

### Hong Kong

Economic downturn, investment fund and money flow out from Hong Kong, aging population. - Hong Kong Island

Whether lending rate will go down and global economic conditions will improve in coming years. - Hong Kong Island

Scrapping the restrictions, the business activities between mainland China and Hong Kong will need time to recover. Investment decisions will be more conservative and cautious with new government in China and Hong Kong. Moreover, local consumer confidence is weak and rate hike brings risks to the banking sector. These will affect Hong Kong property market indirectly. - Hong Kong Island

Uncertainty and effect of interest hike still exist. - Kowloon

Local economy and property market would be better with unleashed Mainlander cross-border spending. - Kowloon

Current market totally depends Hong Kong open to the outside world, especially Mainland China. - New Territories

Property market is improving as Covid has gone. Expect more investors come from China to buy. - New Territories

Property market is rising after Covid and turnover is increasing. - New Territories

US-Sino relationship. - New Territories

Government measures. - New Territories

Influential factors include high inflation rate, high interest rate, and pace of economic recovery. - 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:

**February survey:** 20 April 2023

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