



January 2023: Hong Kong Residential Monitor

Market sentiment recovers with cautious optimism

- Market sentiment continues to recover cautiously with an improved headline index
- Sales market activity indicators turn significantly less downbeat
- Longer-term outlook improves with positive sales and price expectations

The January 2023 RICS-Spacious Hong Kong Residential Property Monitor results show market sentiment continuing to recover, with twelve-month expectations for sales and prices turning positive. The Confidence Index improved from -22 to -6 this month, reflecting the sustained positive effects of China's reopening after Covid-related lockdowns. When disaggregated, a similar pattern can be seen in Hong Kong Island (with the index moving from -20 to +2), Kowloon (-27 to -11), and the New Territories (-21 to -6).

Demand indicators appear to have turned a corner

The latest net balance for new buyer enquires continued recover, posting a reading of -14% compared to figures of -23% and -60% over the two previous reports. Mainland buyers have been a large contributor to this trend, with the net balance for the series rebounding from -53% to -3%, as shown in chart 4. Meanwhile, the feedback on enquiries from investors and owner-occupiers remained relatively stable, returning net balance readings of -27% and +2% respectively. The aggregated credit conditions metric also turned less negative, recording a net balance of -24% compared to -35% previously.

Longer-term sales market sentiment improves

For the twelve months ahead, expectations for residential sales volume picked up, with a net balance of +18% of respondents now anticipating an increase in activity (up from +11% last time). Alongside this, the twelve-month price expectations series turned positive, rising from a net balance of -19% last month to +16% in January. At the district level, the New Territories saw the largest improvement in longer-term price expectations, albeit the outlook has also turned positive in both Kowloon and Hong Kong Island (in net balance terms).

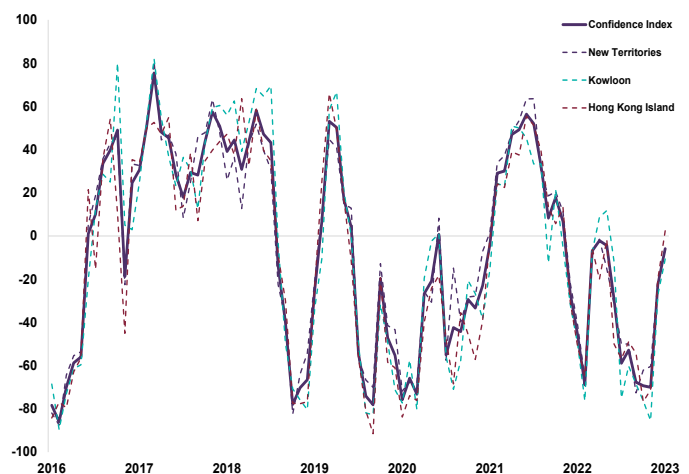
Tenant demand remains varied at the district level

In the lettings market, tenant demand trends remain varied across districts. Indeed, both Hong Kong Island and Kowloon saw an improvement, with the latest demand net balances rising from -11% to +5% and -16% to -8% respectively. Meanwhile, the New Territories saw a weakening in the tenant demand series, falling from a net

balance of -9% previously to -19%. Despite these changes, the overall tenant demand indicator remained at -11% (identical to last month's reading).

With respect to rental prices, the aggregated measure capturing changes over the past three months returned a less negative net balance of -21% (improved from -50% beforehand). Across Hong Kong Island, this series moved from a net balance of -49% in December to -21%, with Kowloon (-61% to -24%), and the New Territories (-44% to -19%) also posting significantly less negative readings relative to last month. Looking ahead, the three-month rental expectations measure returned a neutral net balance of zero, compared to -19% in December. This was mostly driven by Kowloon, where the net balance turned positive from -45% to +14%. Meanwhile, near-term rental expectations are now broadly flat in the New Territories (-3% net balance) and remain slightly negative for Hong Kong Island (-12% 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

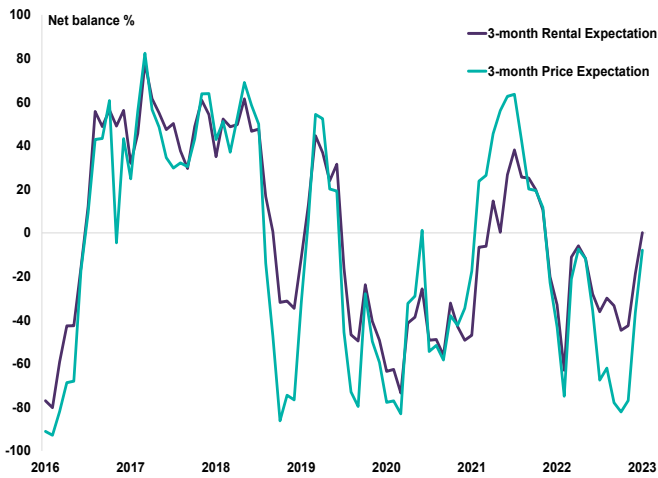


Chart 3: Buyer enquiries and instructions to sell

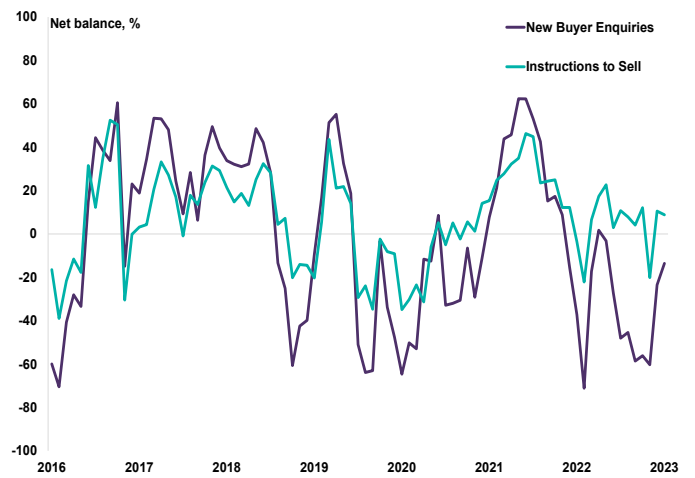


Chart 4: New buyer enquiries by type

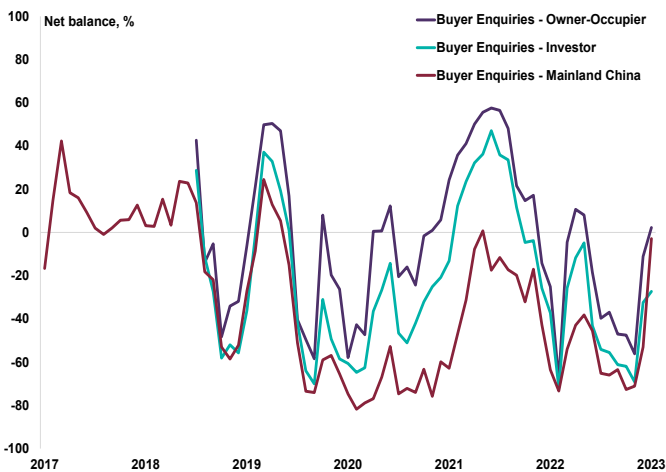


Chart 5: Unsold homes on books changes

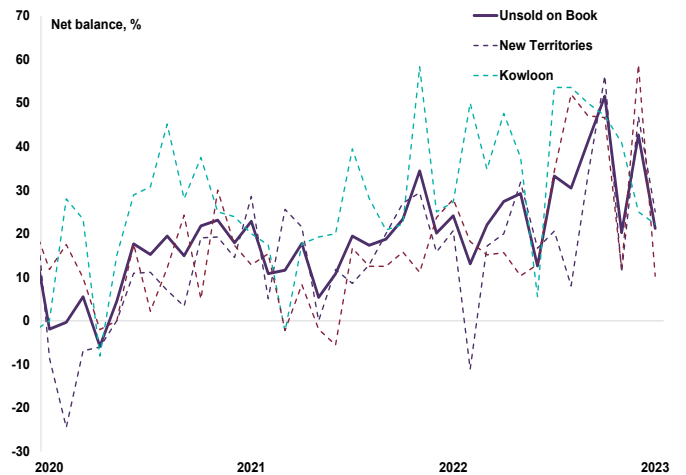


Chart 6: Tenant demand and landlord instructions

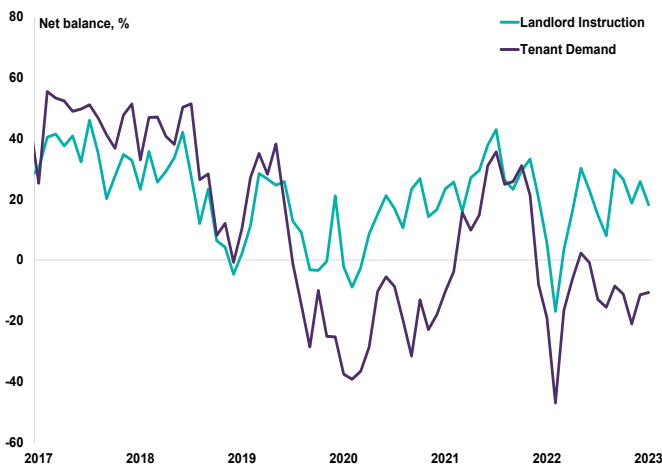
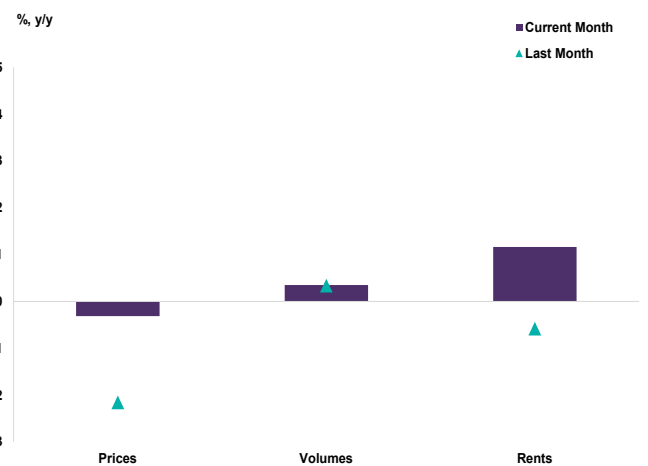


Chart 7: 12-month expectations



Comments from survey participants in Hong Kong

Hong Kong

Whether lending rate will further increase in next 12 months. - Hong Kong Island

Uncertain of political situation. - Hong Kong Island

China foreign policy. - Hong Kong Island

Rate hike cycle. - Hong Kong Island

Uncertainties and risks caused by continuing interest hike. - Kowloon

Unleash economic recovery potential with resuming measures on proper business and city development. - Kowloon

Chinese New Year Effect and Reopening of Border should be considered. - Kowloon

Policy issues. - 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:

February survey: 24 March 2023

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

Donglai Luo

RICS Senior Economist
+65 8030 4177
dluo@rics.org

Lauren Hunter

RICS Economist
lhunter@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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