



July 2023: Hong Kong Residential Monitor

Sales market shows negative sentiment across the districts

- Headline confidence index falls further into negative territory
- The sales market sees declines in both sales price and volume expectations
- Rental market shows mixed picture on district level

The results for the July 2023 RICS-Spacious Hong Kong Residential Property Monitor point to a further softening in sentiment in the face of the challenging macro environment. As shown in Chart 1, since its peak in February 2023, the headline confidence index has been falling, with a reading of -53 in the latest month. The reading for Hong Kong Island dropped the most, from -45 to -79 in July. Meanwhile Kowloon and the New Territories also saw declines in the headline index, down from -40 to -55 and -10 to -41, respectively.

Weak buyer demand seen across the districts

Seen in Chart 3, at the aggregate level, the July net balance for new buyer enquiries gives a reading of -44% with agreed sales indicator also slipping further into negative territory. However, the instruction to sell manages to hold at positive level with a net balance of +8%. More specifically, the broad downward trend seen from previous month continues with all three districts seeing agreed sales dropping, especially in Hong Kong Island, sliding from -56% to -71%. On the other hand, its instruction to sell has flipped from a net balance +32% to -4%, showing inconsistency between owner and buyer sentiments.

Price and volume indicator both dragged down

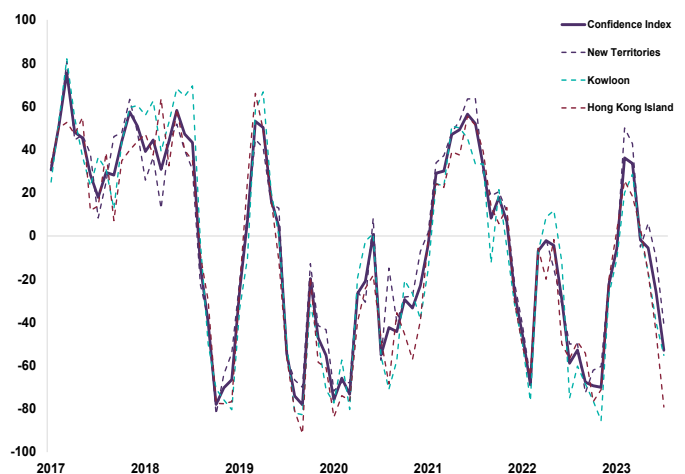
At aggregated level, a net balance of -59% for the 3-month price outlook is registered, as depicted in Chart 2, which is more negative than that in June (-32%). Looking closer, the slide is mainly due to a sharp downturn in the New Territories with a net balance of -50% of respondents from -13% in June. Hong Kong Island also recorded visible drop from -54% to -83% in net balance. Meanwhile, Kowloon continues to exhibit similar level of negative readings from the previous month at -58% for the 3-month price expectation. Moreover, regarding 12-month price expectations, all three districts are in negative territory. More significantly, in Kowloon and Hong Kong Island, the indicators fall from -38% to -65% and -39% to -63% separately.

Mid-term and long-term sales expectations are also dampened. At 3-month and 12-month horizon, sales volume expectation saw net balances of -47% and -19% respectively, reflecting continued declines over the month.

Mixed picture in the lettings market

In Chart 6, the aggregated tenant demand indicator softened from a net balance of +38% to +8% in July. Yet, the landlord instruction metric climbed from +25% to +29%. However, the aggregated long-term rental expectation is still in broadly neutral territory at +0.5%, shown in Chart 7. Drilling into district-level specifics, Hong Kong Island saw the demand indicator plummeting from +48% to -4% pulling its 3-month rental expectation down from +18% to -21%. In contrast, the tenant demand in Kowloon recorded a positive reading at +14% and its 3-month rental expectation rebounded from -24% to +30% in net balances. Overall, the lettings market portrays a mixed landscape.

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

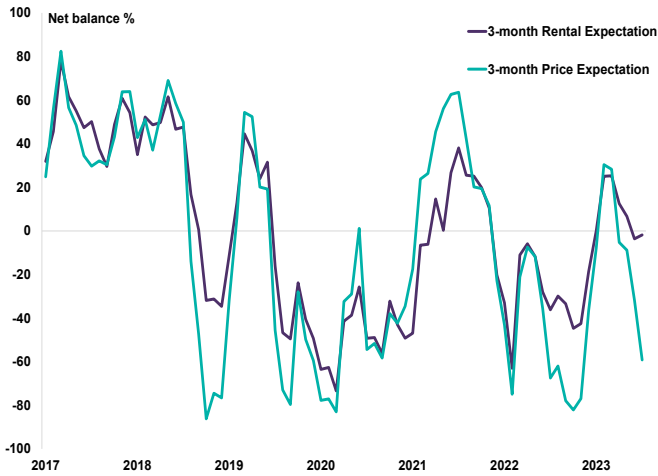


Chart 3: Buyer enquiries and instructions to sell

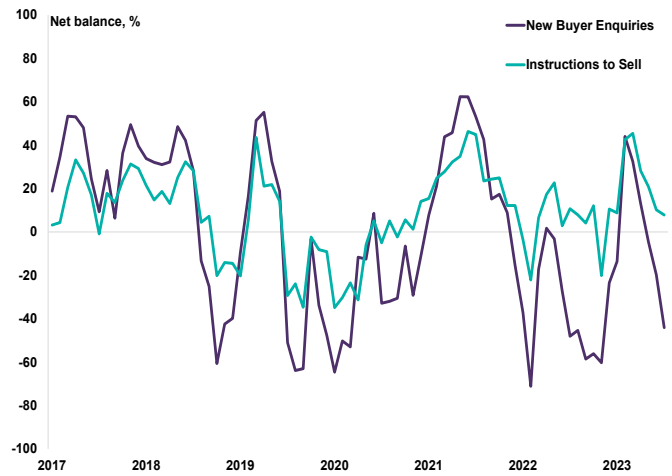


Chart 4: New buyer enquiries by type

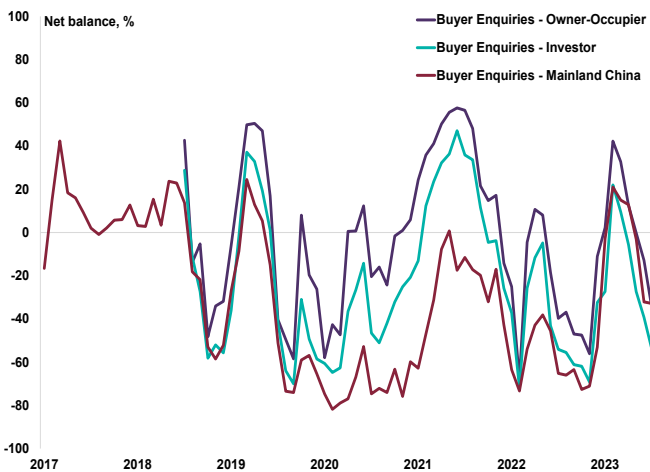


Chart 5: Unsold homes on books changes

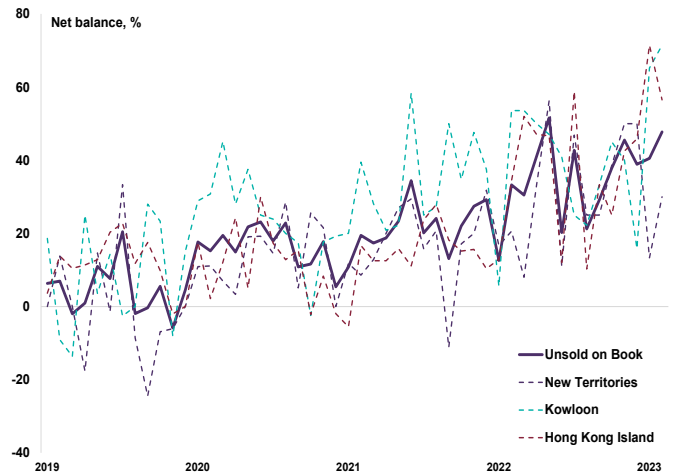


Chart 6: Tenant demand and landlord instructions

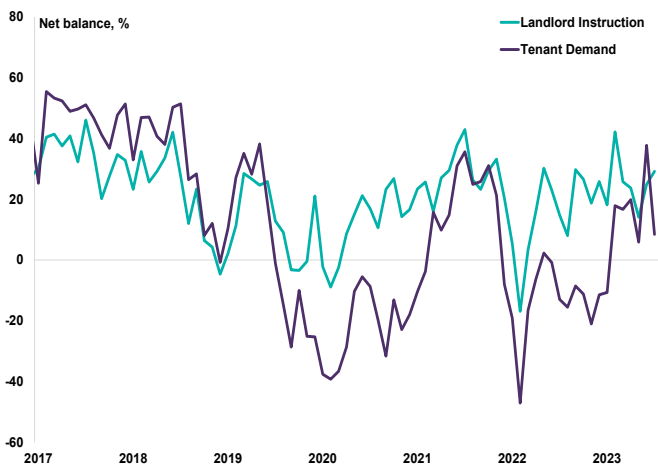
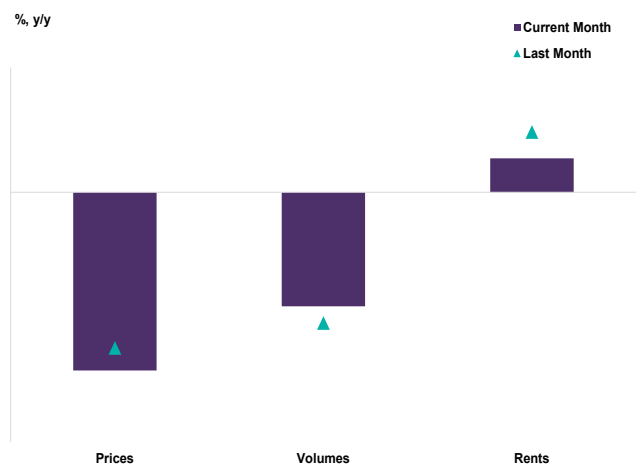


Chart 7: 12-month expectations



Comments from survey participants in Hong Kong

Hong Kong

Hong Kong's property price is 8 times higher than Mainland China, very big difference. - Hong Kong Island

Whether property loan interest rates will further increase in coming few months. - Hong Kong Island

The economy of Mainland China. - Hong Kong Island

We need positive real estate development policy from HKSAR govt to showcase a bright future. - Hong Kong Island

High interest rate still has impact on confidence of potential purchasers. - Kowloon

Interest rate. - The New Territories

Timing of Public Holidays. - The New Territories

Less Investors. - The 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:

August survey: 21 September 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

Disclaimer

This document is intended as a means for debate and discussion and should not be relied on as legal or professional advice. Whilst every reasonable effort has been made to ensure the accuracy of the contents, no warranty is made with regard to that content. Data, information or any other material may not be accurate and there may be other more recent material elsewhere. RICS will have no responsibility for any errors or omissions. RICS recommends you seek professional, legal or technical advice where necessary. RICS cannot accept any liability for any loss or damage suffered by any person as a result of the editorial content, or by any person acting or refraining to act as a result of the material included.

Delivering confidence

We are RICS. Everything we do is designed to effect positive change in the built and natural environments. Through our respected global standards, leading professional progression and our trusted data and insight, we promote and enforce the highest professional standards in the development and management of land, real estate, construction and infrastructure. Our work with others provides a foundation for confident markets, pioneers better places to live and work and is a force for positive social impact.

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

Asia Pacific
apac@rics.org

United Kingdom & Ireland
contactrics@rics.org



[rics.org](https://www.rics.org)