



June 2023: Hong Kong Residential Monitor

Downturn hits sales market hardest as confidence fades across districts

- Headline confidence index falls further into negative territory
- The sales market sees declines in both price and sales expectations
- Mixed picture at district level for the rental market

The June 2023 RICS-Spacious Hong Kong Residential Property Monitor results show a significant downturn in overall market sentiment. As highlighted in Charts 1, the headline Confidence Index fell from -6 to -26 over the month. The slack is seen across districts; in Hong Kong Island, the confidence index slipped from -17 to -45, in Kowloon from -17 to -40 and in the New Territories from +6 to -10. Meanwhile, the lettings market continues to display a more of a mixed picture.

Sales market worsens with weak demand

At the aggregate level, as illustrated in Chart 2, the three-month price expectations series continues to soften with a reading of -20% in June, down from -2%. When disaggregated at district level, the picture is broadly consistent. The net balance for three-month price expectations in the New Territories turned negative decreasing from +6% to -13%. Meanwhile, Hong Kong Island and Kowloon showed readings deep into negative territory with net balances of -54% and -48% in the price outlook. A similar picture is evident in the three-month sales expectations indicator. Hong Kong Island and Kowloon registered net balances of -36% and -32%, while the New Territories recorded a net balance of -7%, down from +6% in May. To summarise, the sales market sentiment indicators experienced a significant decline, led primarily by Hong Kong Island and Kowloon. The New Territories also exhibited negative sentiment, albeit to a lesser degree.

Charts 3 and 4 further highlight the downbeat trend in new buyer enquiries. Most notably, the measure for mainland demand registered a sharp decline, dropping from -3% to -32% in net balance. Meanwhile, the investor enquiries metric continued to deteriorate, slipping from -27% to -39% in net balance terms, which is reflective of the sustained high interest rate.

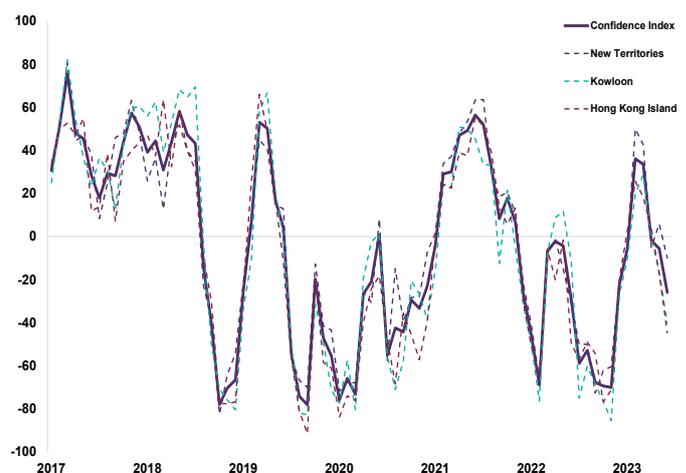
Moreover, these headwinds have also dampened the long-term expectations in the sales market, as seen from Chart 7. Both the price and volume outlook for the next

twelve months worsened compared with the May survey recording growth rate estimates of -2.5% and -2.1%, respectively.

Lettings market sees mixed picture across districts

As shown in Chart 2, at the headline level the three-month rental expectations reading softened from +7% to -4%. On closer inspection, the decline was largely driven by Kowloon, recording a significant drop in the net balance from +5% to -24%. The reading for New Territories also slipped from +6% to 0%. In contrast, the Hong Kong Island rental market appears more resilient, seeing a modest gain from +12% to +18%. That said, positive signs are visible in the tenant demand indicator. The overall tenant demand metric rebounded with the net balance increasing from +6% to +38% (Chart 6). This pattern is also evident across districts; New Territories (+6% to +33%), Kowloon (-6% to +38%) and Hong Kong Island (+23% to +48%).

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

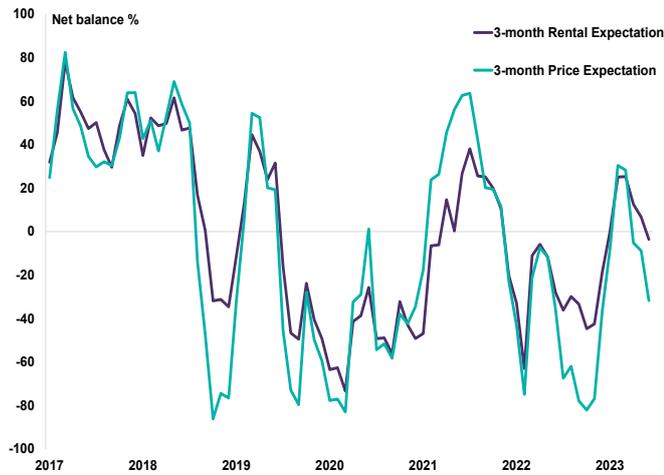


Chart 3: Buyer enquiries and instructions to sell

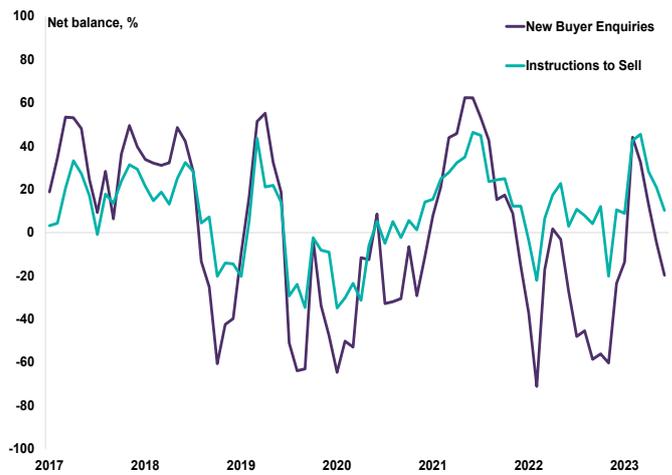


Chart 4: New buyer enquiries by type

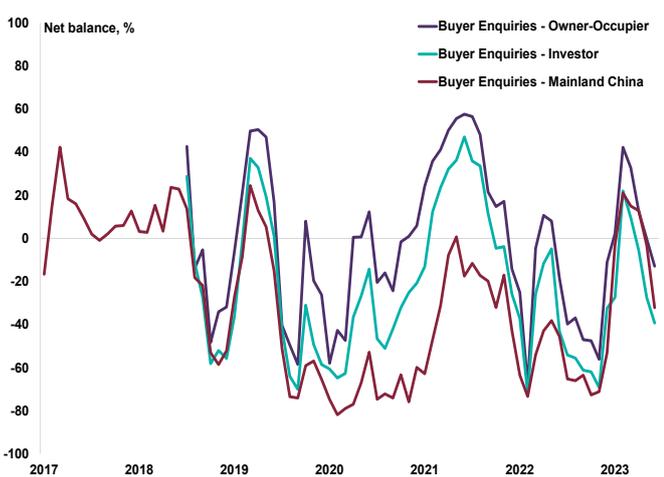


Chart 5: Unsold homes on books changes

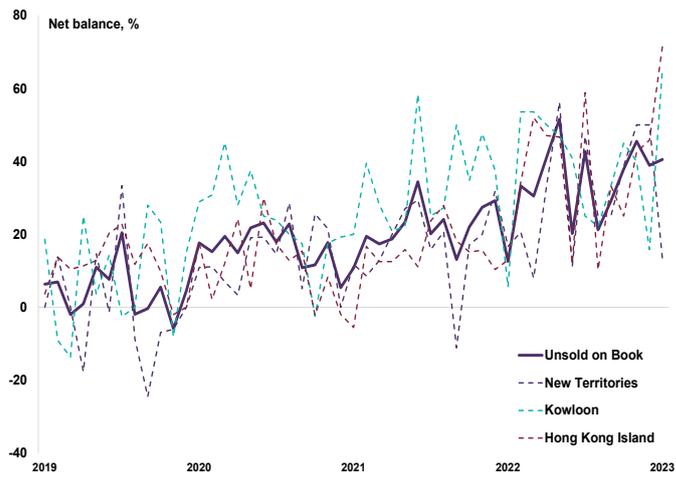


Chart 6: Tenant demand and landlord instructions

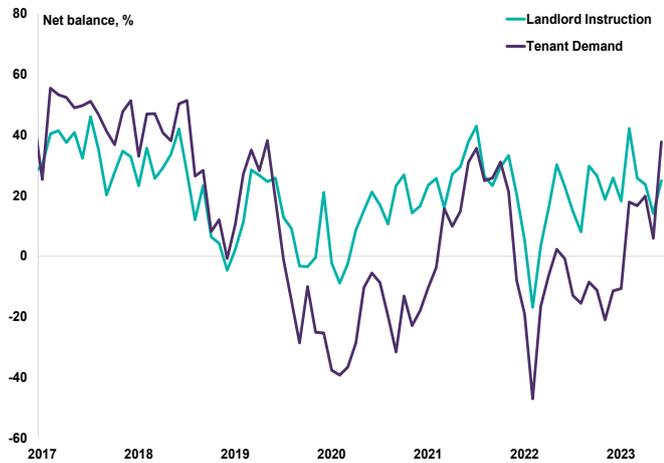
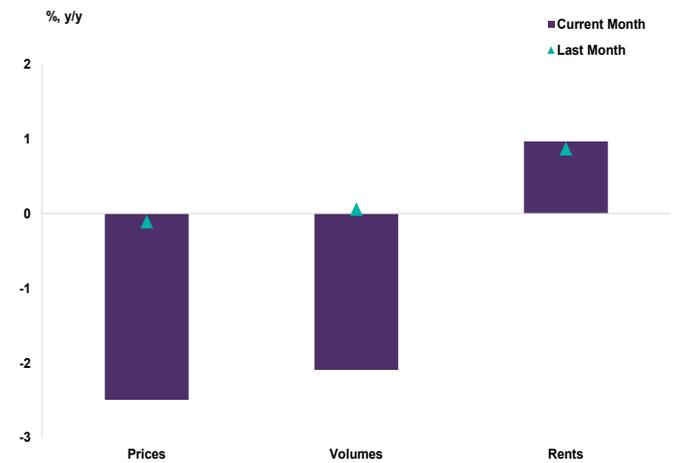


Chart 7: 12-month expectations



Comments from survey participants in Hong Kong

Hong Kong

Whether loan interest rates will maintain at high level. - Hong Kong Island

The policy to handle geo-political risk. - Hong Kong Island

Interest rates and slowly foreigners coming into Hong Kong. - Hong Kong Island

Impact of interest hike still exists, affecting both market sentiment and attitude of users.
- Kowloon

Freezing price in primary market but reducing price in secondary property market. -
Kowloon

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:

June survey: 18 August 2023

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