



March 2023: Hong Kong Residential Monitor

Overall sentiment continues to show optimism with varied pictures on the district level

- Market sentiment stays positive with a steady aggregated index
- The sales market exhibits a trade-off between price and volume
- Credit conditions remain unchanged with positive expectations

Market sentiment remained in positive territory, as evidenced by the March 2023 results of the RICS-Spacious Hong Kong Residential Property Monitor. As illustrated in Chart 1, the overall Confidence Index held steady at +34 this month, akin to the previous month's level of +36. Optimism is most pronounced in the New Territories, even though the headline index slipped from +50 to +43, followed by Kowloon (+20 to +29) and Hong Kong Island (+26 to +18).

Buyer enquiries rebound is mitigated by an increase in unsold homes

At the aggregated level, the sales market exhibited comparable optimism to the previous month, with the net balances for new buyer enquiries and instructions to sell registering similar readings (as illustrated in Chart 4), but the picture on district level is mixed. Kowloon experienced the most significant jump in the new instructions to sell, with the net balance increasing from +48% to +70%. The overall net balance registered for new buyer enquiries was +37%, slightly down from +42% in February. Concurrently, the net balance for investor enquiries in Kowloon recorded a downturn from +33% to -11%. In line with this, as seen from the net balance of unsold homes on the books (shown in Chart 5), both the New Territories and Kowloon recorded notable increases, rising from +25% to +39% and +33% to +45%, respectively.

On the other hand, the aggregated credit conditions metric stayed into the neutral zone, returning a net balance of 0% on the month-on-month level and +16% for the 12-month expectations, which reflects slightly better financial conditions than February.

Twelve-month outlook holds steady

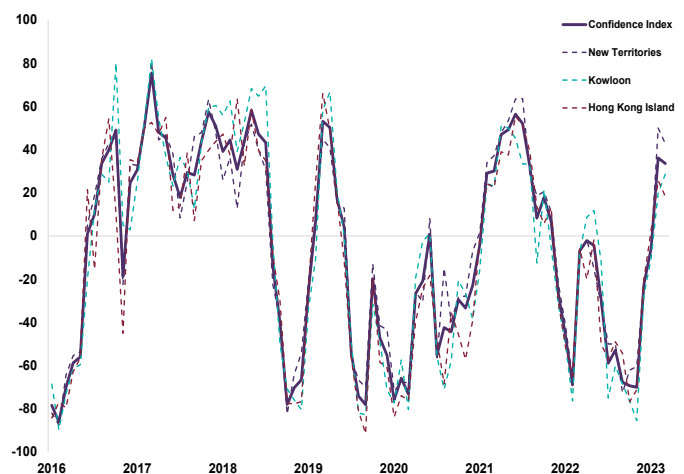
Looking ahead, the net balance for price expectations at the twelve-month time horizon decreased slightly from +39% to +31%. Meanwhile, the twelve-month sales volume expectations remained largely unchanged, recording +44% compared to +42% from previous month.

Looking closer, Hong Kong Island showed more optimism in price expectations, with the net balance increasing from +21% to +37, while Kowloon registered an upbeat in the 12-month sales volume expectation, increasing from +24% to +38%.

Rental market conditions vary by district

In the lettings market, the picture for landlord instructions varies across districts. Specifically, Hong Kong Island and Kowloon registered mild changes, with net balance readings turning from +28% to +34% and +41% to +37% respectively. The New Territories meanwhile saw cooling supply, with the net balance decreasing from +48% to +16%. The overall rental expectation indicator remained stable as seen from Chart 2, with the net balance for 3-month expectations at +25%, unchanged from February. On the district level, Kowloon's reading shifted from -4% to +14%, while the New Territories experienced a decline from +48% to +35%.

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

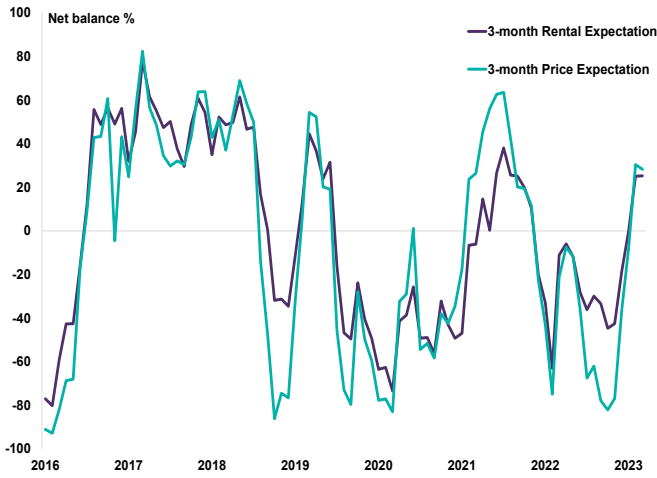


Chart 3: Buyer enquiries and instructions to sell

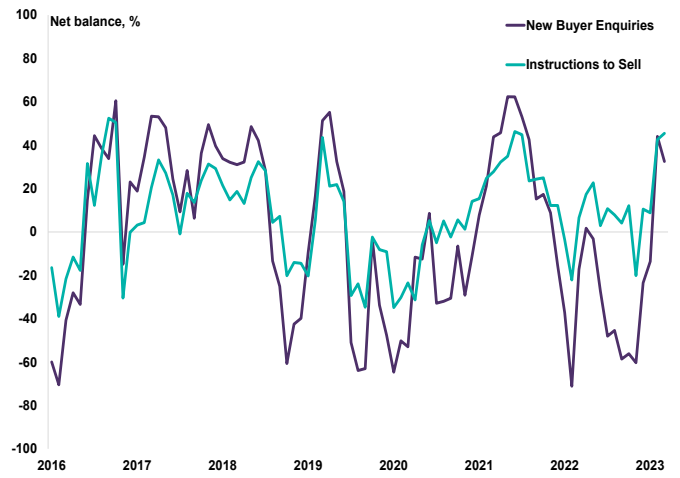


Chart 4: New buyer enquiries by type

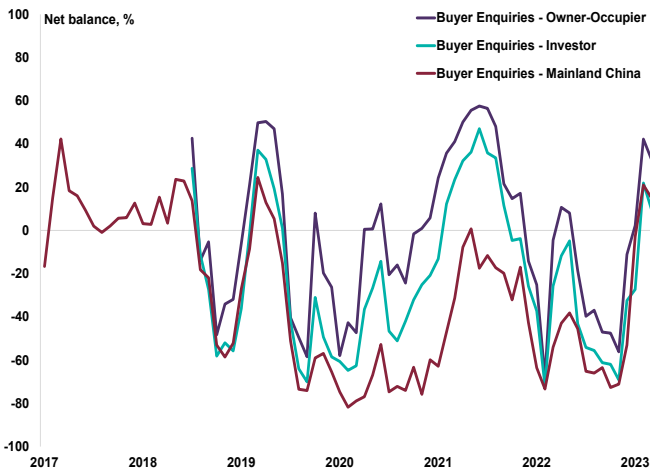


Chart 5: Unsold homes on books changes

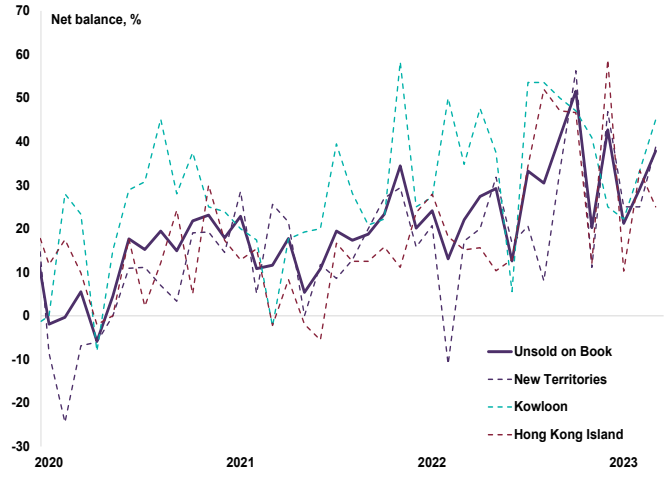


Chart 6: Tenant demand and landlord instructions

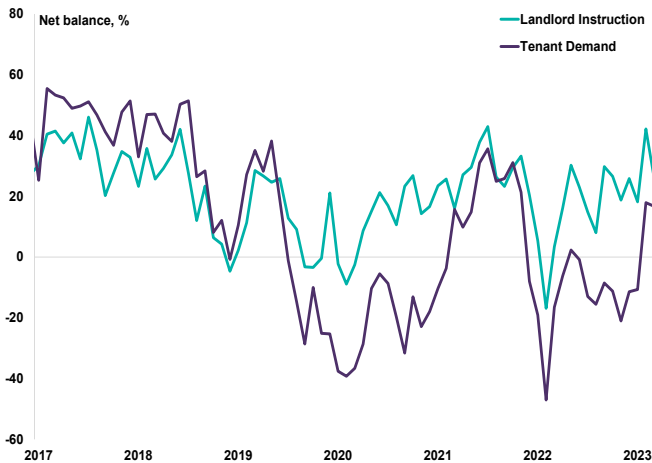
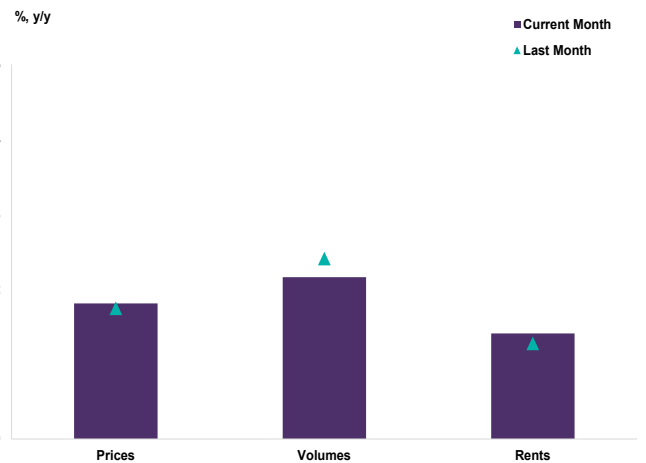


Chart 7: 12-month expectations



Comments from survey participants in Hong Kong

Hong Kong

Whether bank lending rate will further increase or remain in high level in coming twelve months. - Hong Kong Island

Interest Rate & Tension between China and USA. - Hong Kong Island

Geopolitics. - Kowloon

Property market recovers with weak local economic growth, slow investor and end user patronage. - Kowloon

Possible continuing interest hike and slow pace of economy recovery. - Kowloon

Geo-political uncertainty and western banking misgovernance. - New Territories

Market still in down side situation as local developers are using cold call method to sell the units. - New Territories

The reason is "Open the Boundary between PRC China to HK" so there are a certain demand from China. - 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:

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