



## February 2024: Hong Kong Residential Monitor

# Market sentiment improves as the government removes all cooling measures

- Headline confidence index returns to neutral ground
- Sales expectations turn positive but price projections still show weakness
- Mixed picture observed in the lettings market

The results of the RICS-Spacious Hong Kong Residential Property Monitor in February 2024 reveal improved sentiment across the sales and lettings markets. Shown in Chart 1, the headline confidence index rose to +2 in February, significantly improved on -58 in January. At the district level, Kowloon and Hong Kong Island have received a noticeable boost from recent easing measures, while responses remain somewhat subdued across the New Territories.

### Price trends remain subdued while volumes pick up

The sales market is characterised by a turnaround in the picture for transaction volumes alongside continued weak momentum for prices. As seen from Chart 2, the net balance for the price indicator remains negative at -53%. By way of contrast, the agreed sales metric moved from -67% previously to a neutral reading of 0%. A similar scenario is also seen in the forward-looking indicators. As illustrated in Chart 5, short-term sales expectation flipped from a net balance of -49% to +21%. On the contrary, the 3-month price expectations series remains negative with a net balance of -17%. This divergence in views is also observed over the longer term. Indeed, respondents now foresee prices falling by -2.3% over the year ahead but volumes growing by +3.4% (as depicted in Chart 7).

### The New Territories lags behind the sales recovery

When disaggregated, a stronger recovery in sales volumes is seen in Kowloon and Hong Kong Island. For instance, on Hong Kong Island, the short-term sales and price expectations series recorded net balances of +31% and -6%, with both showing significant improvements from the previous month. This picture is mirrored in Kowloon, with the 3-month price and sales expectations net balances coming in at +58% and -8%, respectively. Meanwhile, the New Territories numbers are slightly weaker with regard to the sales and price outlook, returning a net balance of -5% for the sales expectations series and -26% for price expectations.

### Kowloon sees more signs of demand recovery

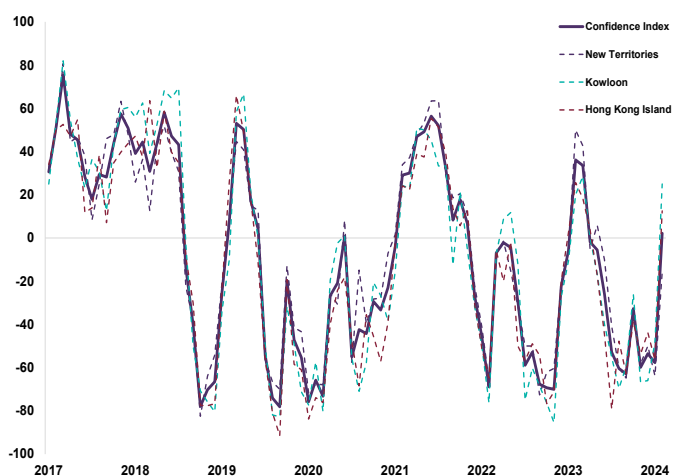
An improvement in demand is also evident in the buyer

enquiries data highlighted in Charts 3 and 4. At the aggregate level, this metric moved into positive territory for the first time since May 2023, posting a net balance of +5%. Drilling deeper, the rebound is more pronounced in Kowloon, where the new buyer enquiries metric registered a net balance of +42% as opposed to -50% in January. On a weaker note, both Hong Kong Island and the New Territories saw less of a rebound, returning net balances of -13% (prev. -35%) and -11% (prev. -61%) respectively.

### Mixed picture in the lettings market

As shown in Chart 6, at the headline level, tenant demand increased according to a net balance of +19% of respondents (up slightly from +13% in January). However, on closer inspection, the picture is mixed by region. The New Territories saw a largely stagnant picture for tenant demand (net balance at +3%), while, in contrast, Hong Kong Island and Kowloon posted solid tenant demand net balances at +40% and +36%. As expected, this resilient demand should continue to support the rental market.

Chart 1: Confidence Index



\*The Confidence Index is a composite measure capturing overall market momentum, encompassing variables on short-term price and sales expectations.

Chart 2: Current price and agreed sales

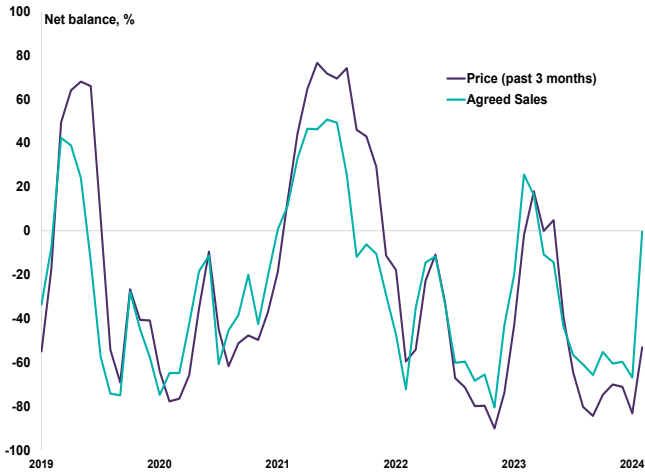


Chart 3: Buyer enquiries and instructions to sell

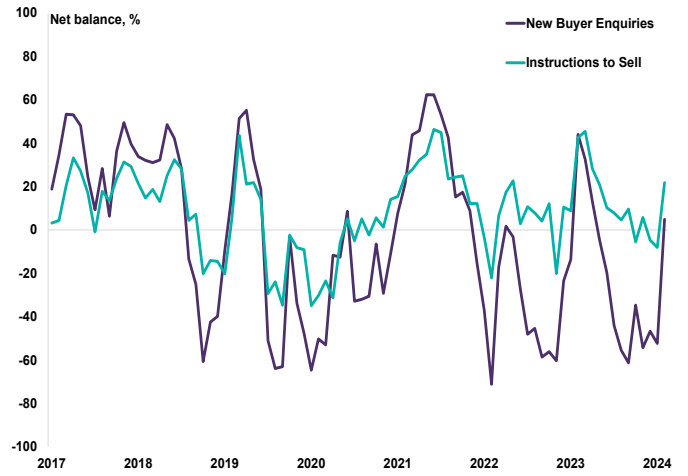


Chart 4: New buyer enquiries by type

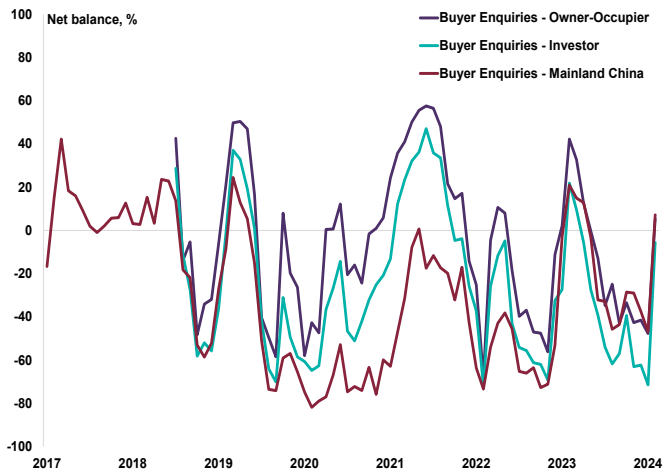


Chart 5: 3-month rent/price/sales expectations

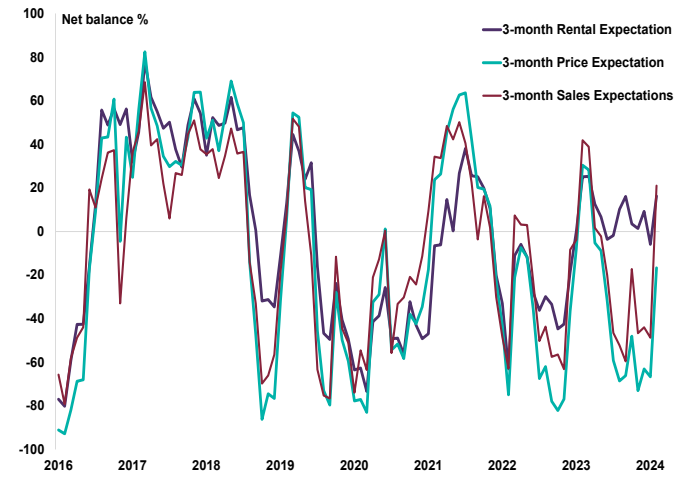


Chart 6: Tenant demand and landlord instructions

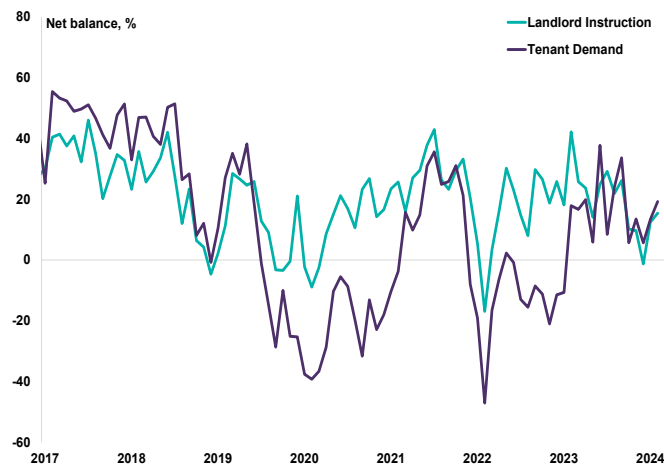
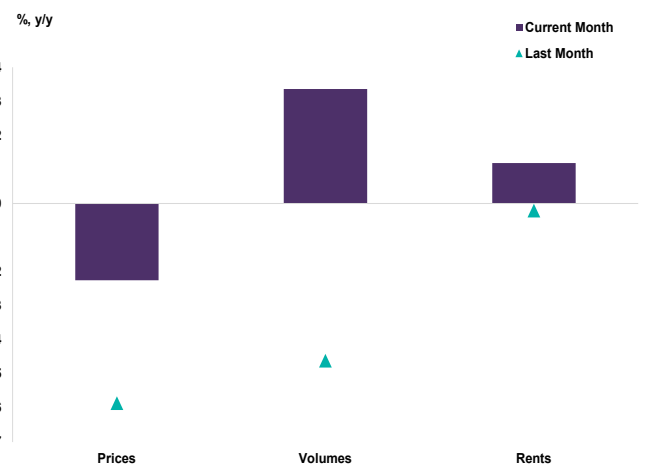


Chart 7: 12-month expectations



## Comments from survey participants in Hong Kong

### Hong Kong

The political economy. - Hong Kong Island

When the property loan interest rates will be lowered. - Hong Kong Island

Mainland China economy. - Hong Kong Island

Political economic situation. - Hong Kong Island

The removal of demand control measures by the government may stimulate the sentiment of buyers. - Kowloon

Calendar effects affect transactions volume. - The New Territories

Lunar Chinese New Year. - The New Territories

Government measures. - 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](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).

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.

### Survey release dates:

**February survey:** 18 April 2024

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