



August 2023: Hong Kong Residential Monitor

Sales market confidence continues to soften as rental market maintains its resilience

- Headline confidence index falls further into negative territory
- The sales market depressed by weak demand
- Near-term rental expectations turn positive

The results for the August 2023 RICS-Spacious Hong Kong Residential Property Monitor show a stark contrast between feedback for the sales and lettings markets. Chart 1 captures the weakening trend in the headline confidence index with a reading dropping to -60 in the latest month. Looking closer, Kowloon and the New Territories recorded the most significant declines slipping respectively from -55 to -70 and from -41 to -60. Concurrently, the headline index in Hong Kong Island stood at -48, which represents a slight improvement from the reading of -79 in July.

Sales and rental markets show divergent trends

Seen in Chart 2, at the aggregate level the 3-month expectations metrics for rents and prices present a contrasting picture in August. The net balance for the near-term price expectations gives a reading of -69%, dipping further into negative territory. Conversely, the 3-month rental expectations indicator actually managed to rebound into positive territory with a net balance of +10%. Drilling into district level results, the contrast between sales and rental market sentiment are again very much in evidence. For example, in Hong Kong Island, the short-term price expectation registered a net balance of -50% while the reading for rental expectation held steady at +18%. A similar picture is seen in Kowloon, with the 3-month price and rental expectation readings at net balances of -87% and +22% respectively. The New Territories also registered negative price expectation readings at a net balance of -65%, with a neutral near-term rental expectation reading at 0%.

Sales market suffering from weak buyer demand

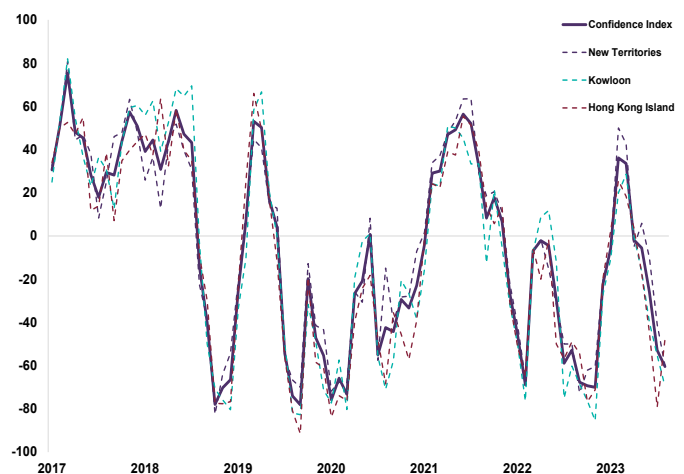
The sales market is suffering from a downturn in buyers enquiries, as evidenced by Chart 3. At aggregated level, a net balance of -55% of respondents reported a drop in new buyer enquiries over the past month, which is more negative than in June (-44%). Drilling deeper, the decrease is mainly owing to a significant fall in the New Territories with a net balance of -60% as against -25% in

July. As a result, the 3-month sale expectation has been marked down from -32% to -55% in net balance terms. Hong Kong Island and Kowloon continues to exhibit similar level of negative readings for both the new buyer enquiries and sales expectation, staying at similarly negative level of previous month. This negative landscape is also visible in the long-term sales volume and price expectations as seen in Chart 7.

Rental market supported on tenant demand recovery

In the lettings market, tenant demand has been on the recovery path since the start of this year. Shown in Chart 6, the overall tenant demand indicator remained in positive territory, recording a net balance of +22% in August. At a district level, Hong Kong Island saw tenant demand picking up from -4% to +45%. The comparative numbers for Kowloon were +14% to +33%. Meanwhile, tenant demand in the New Territories remains unchanged, at a net balance of +10%.

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: 3-month rental and price expectations

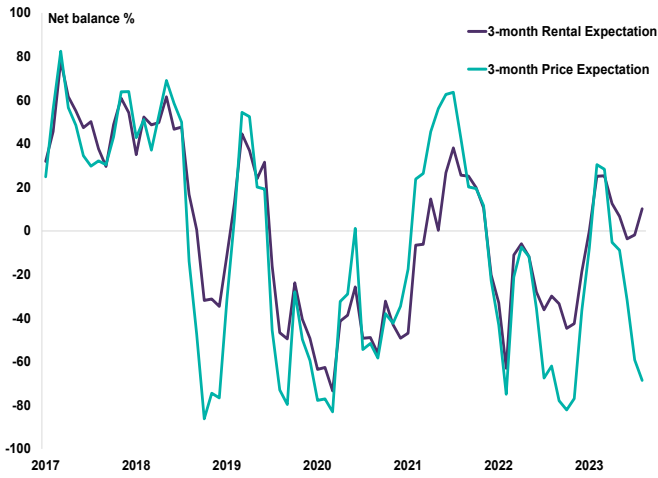


Chart 3: Buyer enquiries and instructions to sell

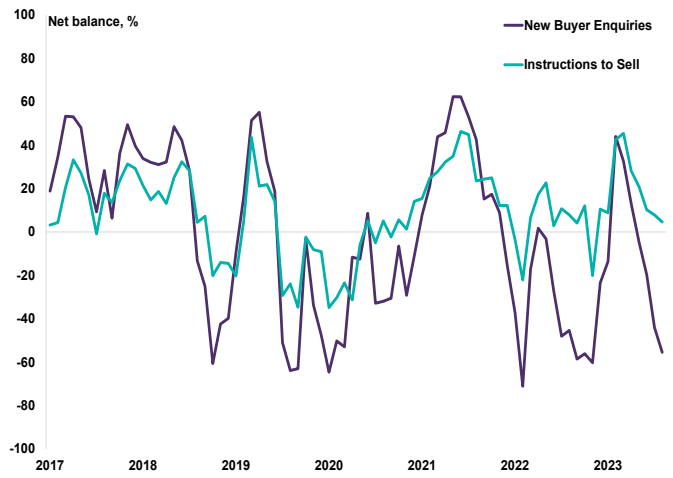


Chart 4: New buyer enquiries by type

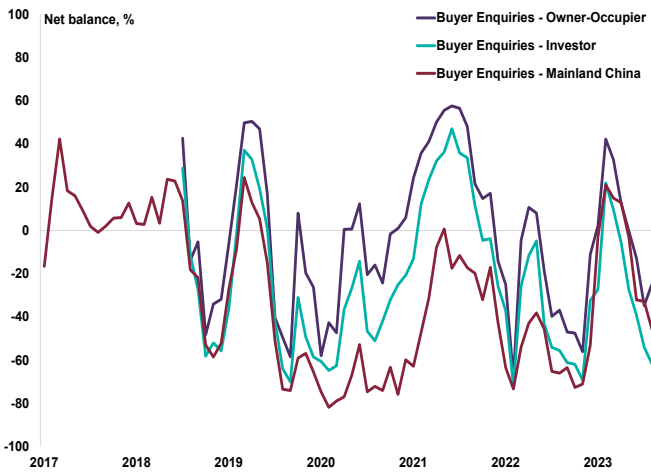


Chart 5: Unsold homes on books changes

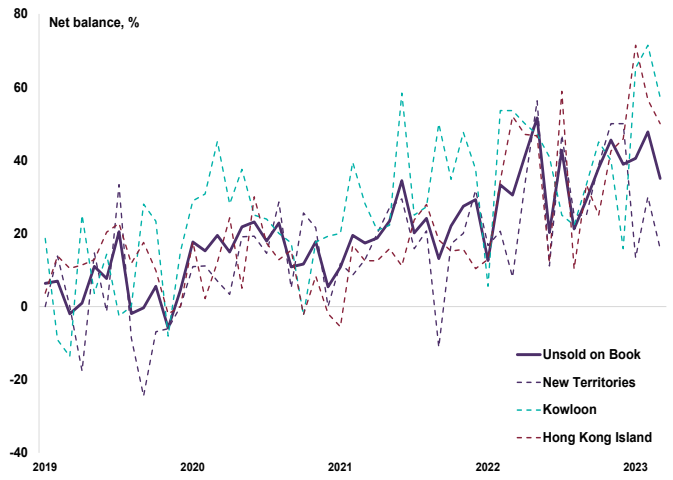


Chart 6: Tenant demand and landlord instructions

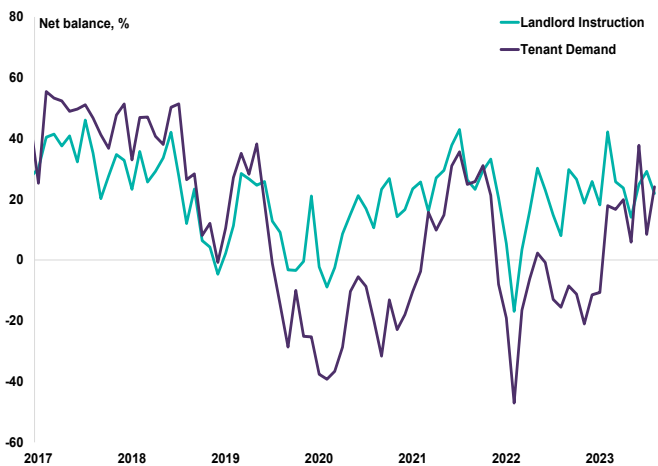
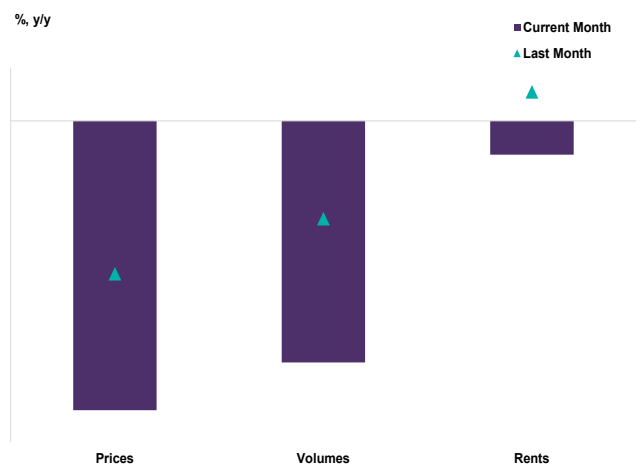


Chart 7: 12-month expectations



Comments from survey participants in Hong Kong

Hong Kong

Property loan interest rate, economic growth in Mainland China. - Hong Kong Island

Central government policy. - Hong Kong Island

Depending on the additional tax policy for the residential market. - Kowloon

Less stringent policy to support the residential market. - Kowloon

Weak local and global economics. - The New Territories

New regulations enforced. - The New Territories

Recession. - 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).

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:

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