



November 2023: Hong Kong Residential Monitor

Sales market sentiment remains negative while rental market holds steady

- Headline confidence index falls further into negative territory
- The sales market sees declines in both price and sales expectations
- Lettings market shows mixed picture across districts

The results for the November 2023 RICS-Spacious Hong Kong Residential Property Monitor show sentiment turning more negative in the sales market and an overall steady picture for the lettings market. As highlighted in Chart 1, the headline confidence index falls further into the negative territory, from -33 to -60 over the month. At the district level, broadly similar declines are visible in each area, suggesting that the cuts in property tax have not yet come into effect. Meanwhile, rental market feedback remains neutral across districts.

Sales market outlook worsens in price and volume

At the aggregate level, as illustrated in Chart 2, the three-month price expectations series continues to slide with a reading of -73% in November, down from -48% in October. Moreover, the 12-month price expectations series also showed a similar trend with a net balance of -64% vs. -33% previously. Concurrently, sales volume expectations are also subdued across the districts, with the overall 3-month expectation metric recording at a net balance of -47%.

When disaggregated, subdued confidence in each district can be seen. For instance, on Hong Kong Island, the price expectations series recorded a net balance of -74% in the short term and -59% over the longer time horizon. A similar picture is seen in Kowloon, with the 3-month and 12-month price expectations readings at net balances of -75% and -63%, respectively. In the New Territories, price expectations too indicate a negative outlook, with a net balance of -71% for the short term and -67% for the longer term.

Weak buyer demand seen across districts

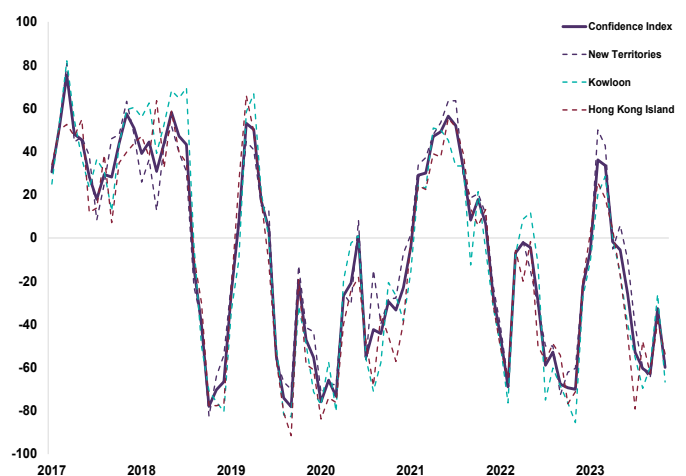
Charts 3 and 4 further highlight the downbeat trend in new buyer enquiries. Most notably, the measure for investor demand registered a sharp decline, dropping from -39% to -63% in net balance terms. Meanwhile, the owner-occupier enquiries metric continued to deteriorate, slipping from -33% to -43%, which is in part reflective of the sustained period of high mortgage rates. The longer-

term expectation is also soft in the sales market, as seen from Chart 7. The 12-month growth estimates for both the price and sales registered sharp declines, decreasing from -2.6% to -6.7% and -0.8% to -5.4%.

Mixed picture in the lettings market

As shown in Chart 2, at the headline level the three-month rental expectations reading remained at near-zero level. Drilling deeper, the reading for New Territories stayed on the marginally negative side, registering a net balance of -5%. Meanwhile, in Hong Kong Island, the reading slipping from +18% to 0%. In contrast, the Kowloon rental market appears more resilient, seeing a modest gain from +9% to +13%. Regarding tenant demand, the overall metric remains positive, with the net balance seeing an increase from +6% to +13% (as shown in Chart 6). This resiliency is more pronounced in Kowloon and Hong Kong Island with net balances at +24% and +19%, while the New Territories recorded a less strong reading of +5%.

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

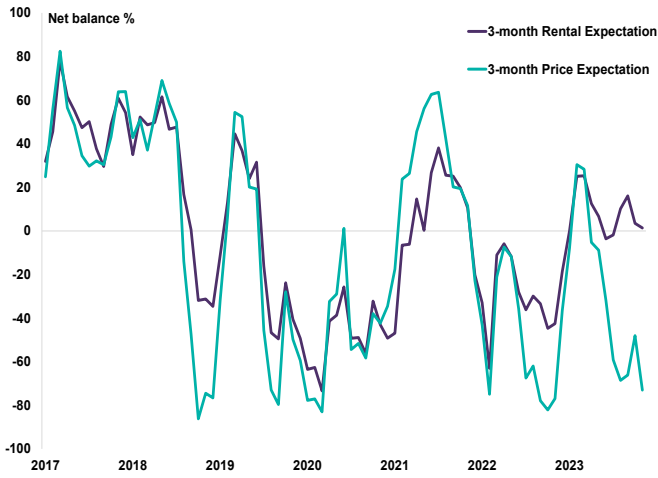


Chart 3: Buyer enquiries and instructions to sell

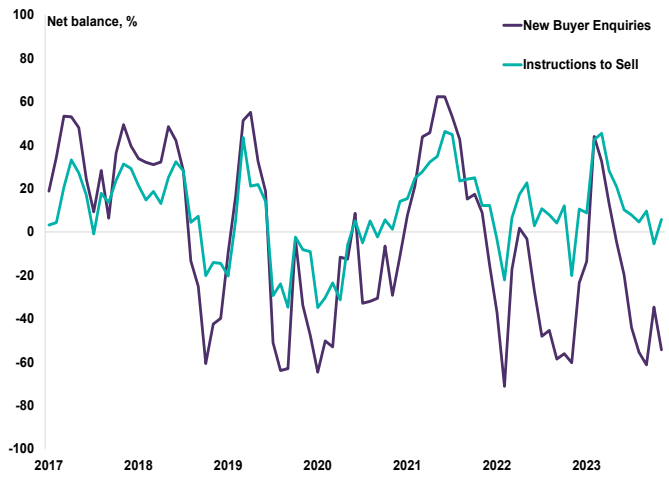


Chart 4: New buyer enquiries by type

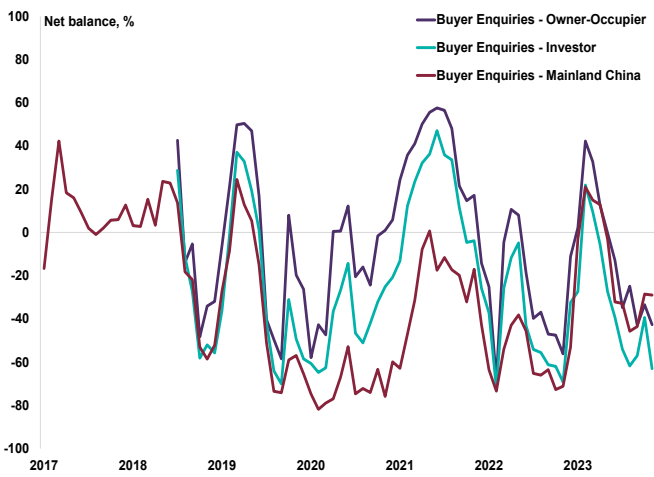


Chart 5: Unsold homes on books changes

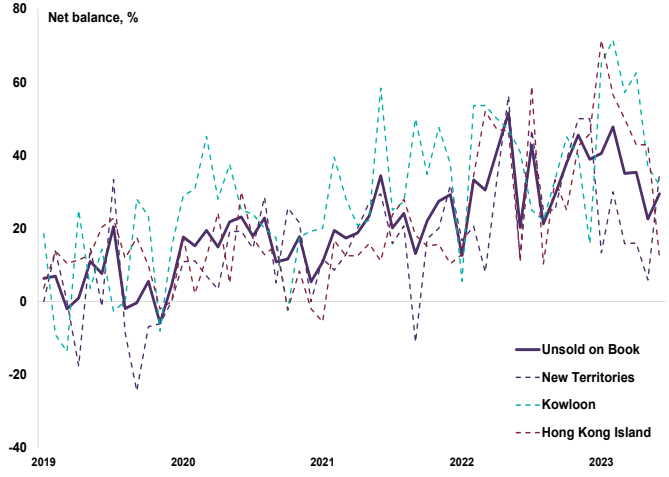


Chart 6: Tenant demand and landlord instructions

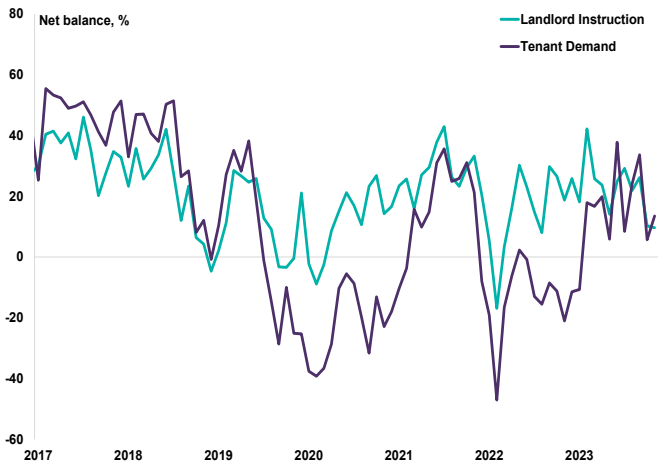
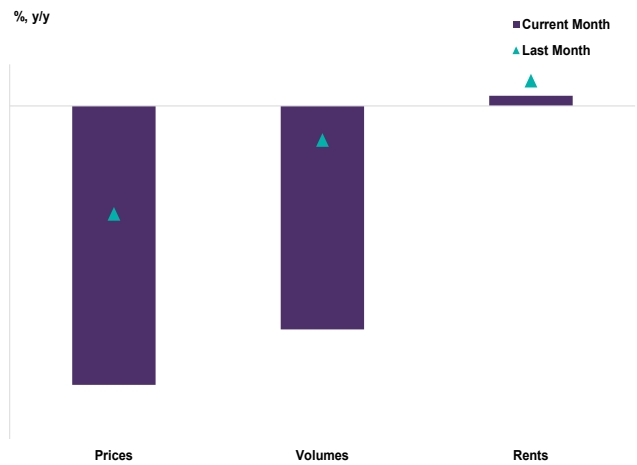


Chart 7: 12-month expectations



Comments from survey participants in Hong Kong

Hong Kong

(1)Property loan interest rates, (2) further relaxation on double stamps duties. - Hong Kong Island

Projection of economic growth is turning downwards. - Hong Kong Island

Global economic slowdown. - Hong Kong Island

No hope in Hong Kong Property Market. - Hong Kong Island

Global recession and interest hike still have impact on confidence of property buyers. - Kowloon

Local economic market stays in recession despite governmental effort to boost. - Kowloon

Reduction of BSD and AVD from 15% to 7.5%, SSD shortened from 3 years to 2 years. - 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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