



## October 2023: Hong Kong Residential Monitor

# Sales market sentiment slightly shifts toward a less negative outlook

- Headline confidence index turned less negative
- Sales market suppressed by weak demand
- Mixed picture seen in the lettings market

The results for the October 2023 RICS-Spacious Hong Kong Residential Property Monitor show less negative sentiment in the sales market and an overall positive outlook for the lettings market. Chart 1 displays the headline confidence index which remains in the negative territory, albeit less so. At the district level, similar improvements are observed, with the confidence index rising from around -60 to -30.

### Sales markets continue to show weakness

Seen in Chart 2, at the aggregate level, the 3-month price expectations series remained in the negative zone in October. The net balance for near-term price expectations metric produced a reading of -48%, slightly higher than -66% seen in the previous month. Moreover, the 12-month price expectations series also showed a similar trend with a net balance of -33% vs. -57% previously. 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 -50% in the short term and -41% over the longer horizon. A similar picture is seen in Kowloon, with the 3-month and 12-month price expectations readings both at net balances of -39%. In the New Territories, price expectations too indicate a negative outlook, with a net balance of -53% for the short term and -26% for the longer term.

### Weak buyer demand seen across districts

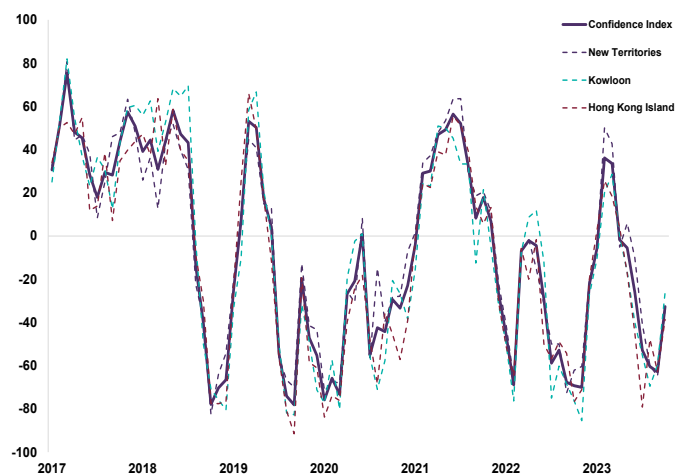
Buyers enquiries across the sales market continue to show weakness, as evidenced by Chart 3. At the aggregate level, a net balance of -35% of respondents confirmed the negative perception in new buyer enquiries over the past month (-61% in September). The New Territories saw a net balance of -26% compared with -56% last month. Meanwhile, Hong Kong Island posted a net balance of -55% for buyer enquiries, mirrored by -40% in Kowloon, similar to the picture in previous survey. This negative landscape is similarly visible in different types of buyer demand as reflected by Chart 4. For example, buyer enquiries from owner-occupiers

registered a negative net balance of -33%. The reading for investor enquiries also remained deeply in the negative zone at -39%. Alongside this, instructions to sell has softened with the net balance flipping from +29% to -5%.

### Mixed picture in the lettings market

The lettings market has been firm since the start of this year as captured in Charts 2&6. However, the overall tenant demand indicator dropped from a net balance of +34% in September to +6% in October. In keeping with this, the net balance for near-term rental expectations also declined from +16% to +3% over the month. A mixed picture is seen at the district level. Specifically, Hong Kong Island saw the strongest tenant demand with a net balance of +29%, resulting in a positive net balance of +18% to the near-term rental expectation. Meanwhile Kowloon and the New Territories recorded neutral readings at 0% for the tenant demand, while 3-month rental expectations softened from +38% to +9% and -4% to -6%, respectively.

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

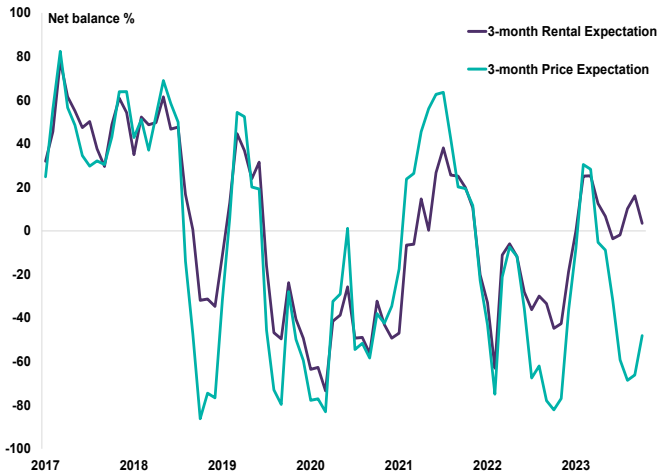


Chart 3: Buyer enquiries and instructions to sell

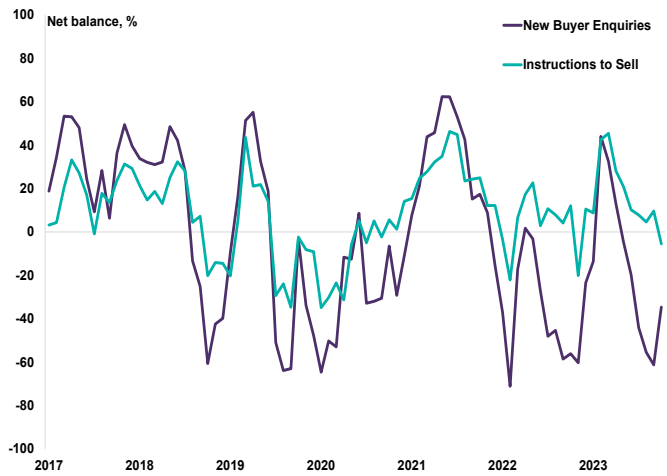


Chart 4: New buyer enquiries by type

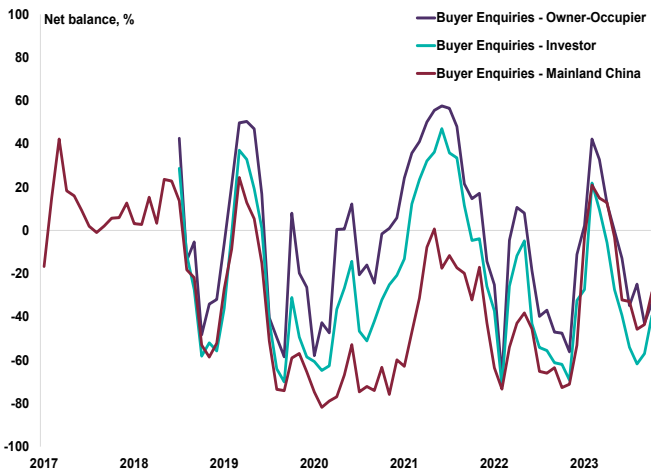


Chart 5: Unsold homes on books changes

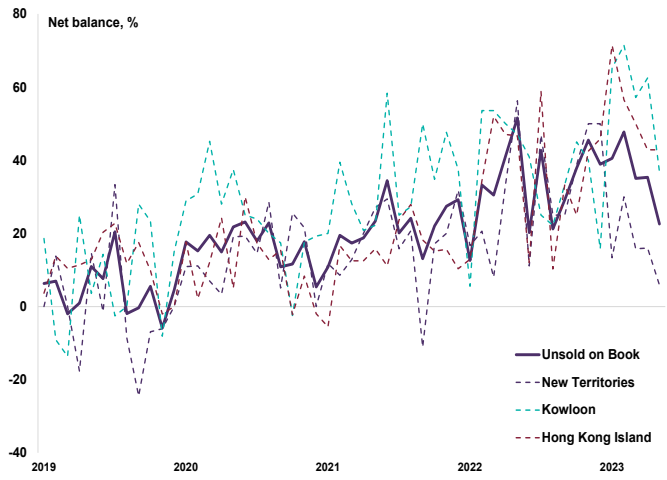


Chart 6: Tenant demand and landlord instructions

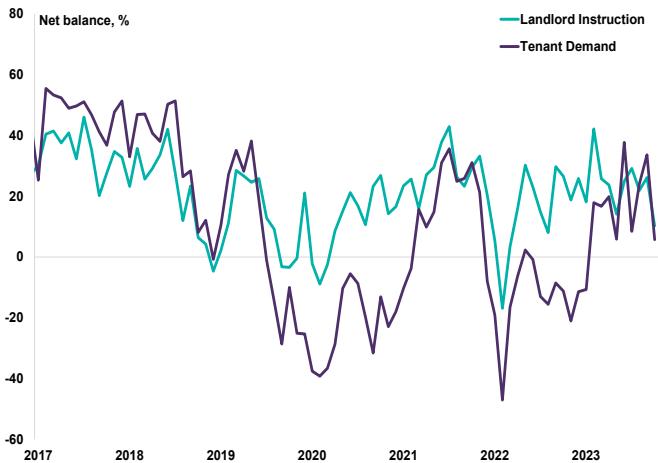
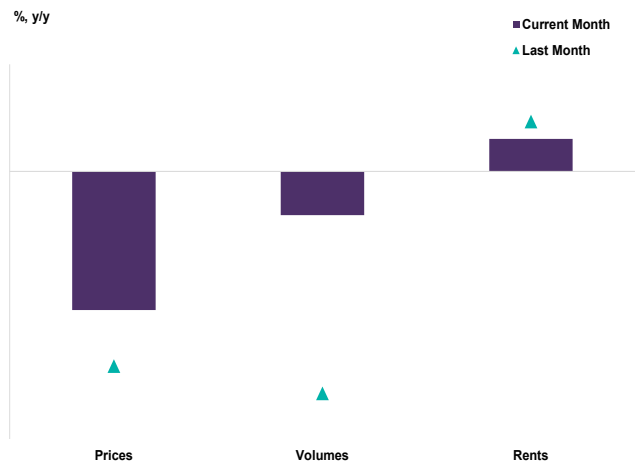


Chart 7: 12-month expectations



## Comments from survey participants in Hong Kong

### Hong Kong

Interest rate is still high, while economy is sluggish. - Hong Kong Island

Levy on second house. - Hong Kong Island

Property loan interest rates, global economic condition, government relaxation on property stamp duty. - Hong Kong Island

Government policy. - Hong Kong Island

Government should launch positive measures to boost land sale, as an icon to stimulate real estate industry. - Hong Kong Island

Slow pace of economy recovery may affect real estate industry too. - Kowloon

Local economy creeps sluggishly that property market to let and for sale are underperformed sharply. - Kowloon

Global economy weakened by wars. - The New Territories

Adjustment of SSD, BSD and AVD by Policy Address. - The New Territories

Market will improve. - 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:

**November survey:** 21 December 2023

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