



September 2023: Hong Kong Residential Monitor

Sales market sentiment remains negative while rental market continues to recover

- Headline confidence index still in negative territory
- New buyer enquiries continue to drop
- Long-term rental expectation turn positive

The results for the September 2023 RICS-Spacious Hong Kong Residential Property Monitor show a stark contrast between feedback for the sales and lettings markets. Chart 1 displays the headline confidence index which continues to show weakened sentiment with a reading of -63 in the latest month. At the district level, Hong Kong Island saw the most significant declines, slipping from -48 to -63. Concurrently, the headline index in Kowloon and the New Territories stood at -60 and -65, which are similar to the levels seen in August.

Sales markets continue to show weakness

Seen in Chart 2, at the aggregate level, the 3-month price expectations series presents a suppressed picture in September. The net balance for near-term price expectations metric produced a reading of -66%, similar to -69% seen in previously. Moreover, the 12-month price expectations series also registered a net balance of -57%. When disaggregated, suppressed confidence in each district can be seen. For instance, on Hong Kong Island, the price expectations series recorded a net balance of -64% in the short term and -50% over the longer horizon. A similar picture is seen in Kowloon, with the 3-month and 12-month price expectations readings at net balances of -73% and -65% respectively. In the New Territories, price expectations too indicate a negative outlook, with a net balance of -63% for the short term and -56% for the longer term.

Sales expectations dampened by weak buyer demand

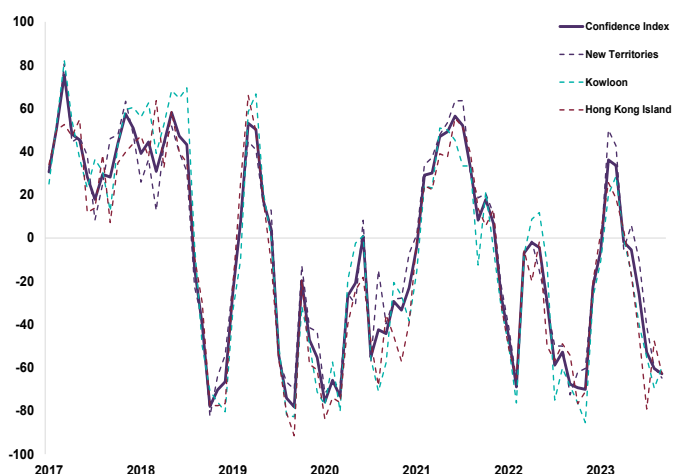
Buyers enquiries across the sales market continue to fall, as evidenced by Chart 3. At the aggregate level, a net balance of -61% of respondents confirmed a further drop in new buyer enquiries over the past month. Drilling deeper, the decrease is seen in all three districts. Hong Kong Island posted a net balance of -67% for buyer enquiries, mirrored by -70% in Kowloon and -54% in the New Territories. As a result, 3-month sales expectations has been marked down with the net balance slipping further from -52% to -60%. This negative landscape is

also visible in different types of buyer demand as reflected by Chart 4. For example, buyer enquiries from owner-occupiers registered a drop in the net balance from -25% to -43%. The reading for investor enquiries also remained deeply in the negative zone at -57%.

Rental market boosted by tenant demand recovery

The lettings market has recovered consistently since the start of this year as captured in Charts 3&6. The overall tenant demand indicator climbed from a net balance of +24% in August to +34% in September. In keeping with this, the net balance for near-term rental expectations also rose from +10% to +16% over the month. At a district level, Hong Kong Island and Kowloon benefited the most from this recovery, with both seeing 3-month rental expectation picking up from +18% to +32% and +22% to +38% respectively. Conversely, while the tenant demand indicator in the New Territories increased from +10% to +27%, near-term rental expectations remain broadly neutral, with a net balance of -4%.

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

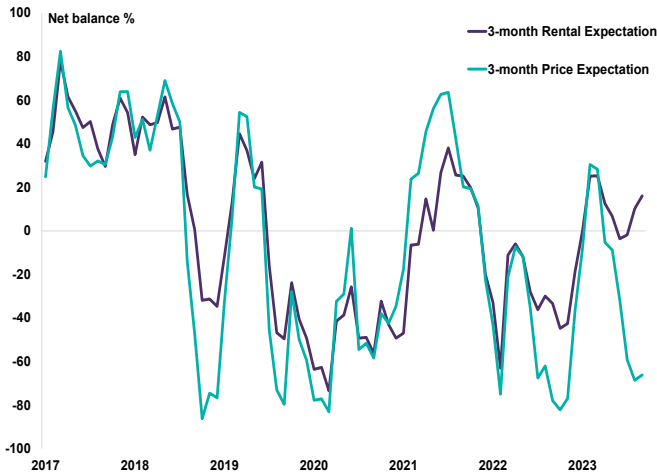


Chart 3: Buyer enquiries and instructions to sell

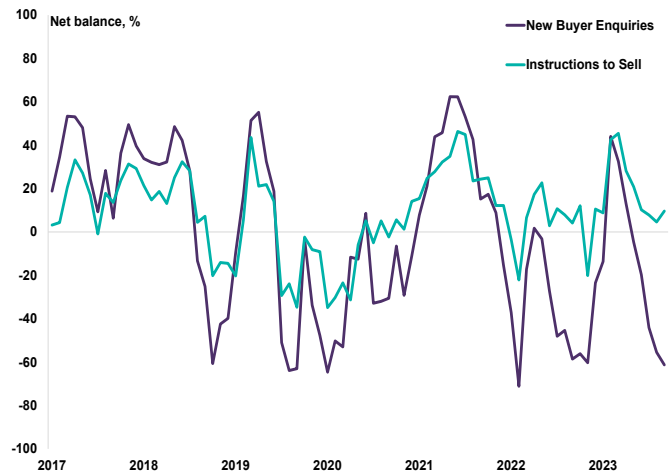


Chart 4: New buyer enquiries by type

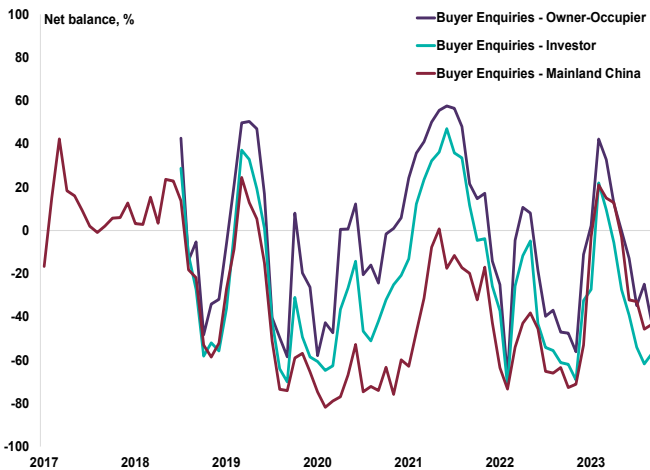


Chart 5: Unsold homes on books changes

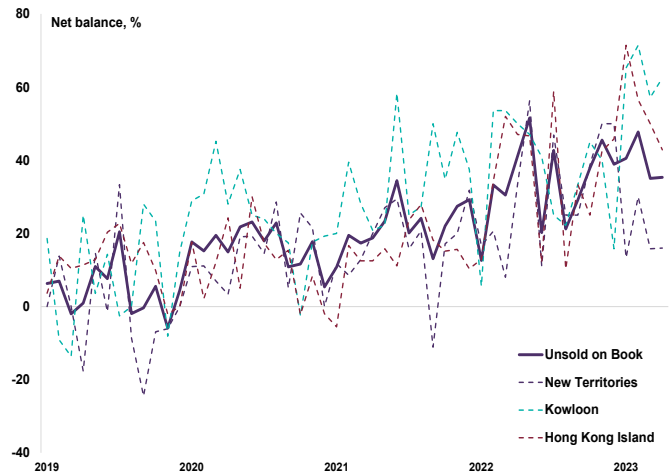


Chart 6: Tenant demand and landlord instructions

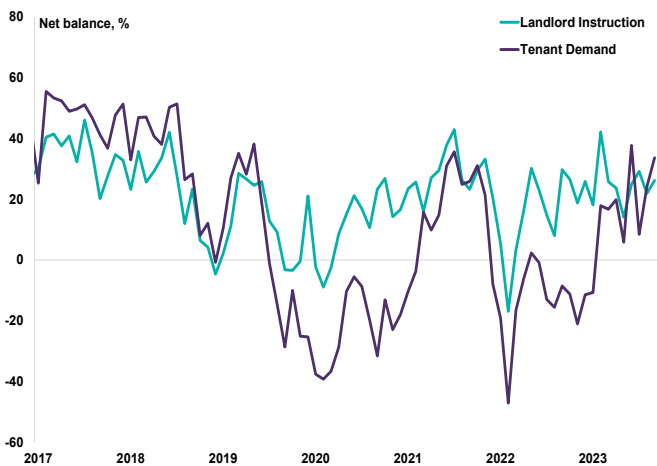
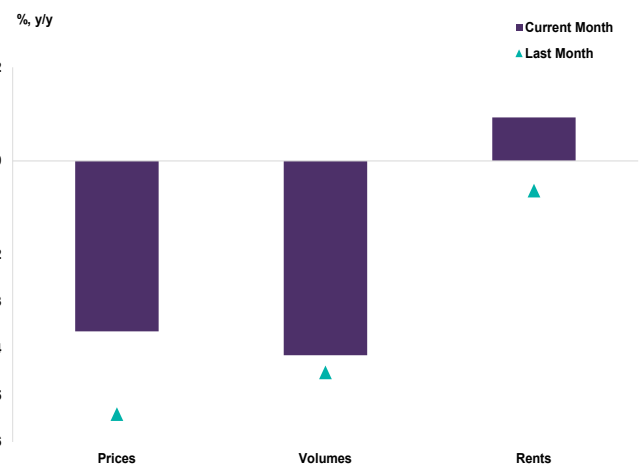


Chart 7: 12-month expectations



Comments from survey participants in Hong Kong

Hong Kong

Government regulations. - Hong Kong Island

Loan interest rates, government relaxation on the property transaction stamp duty, 10 yrs bond yield. - Hong Kong Island

Central government policy. - Hong Kong Island

Depreciation of RMB. - Kowloon

The effect of interest hike still having an impact on buyer's confidence of domestic property market. - Kowloon

Government attitude towards real estate market has changed to an unfavoured tone so far. - Kowloon

Worldwide wars. - 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:

October survey: 16 November 2023

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