



September 2022: Hong Kong Residential Monitor

Sentiment in the sales market turns more negative across the three districts

- Price expectations drop further in all three districts
- Lettings market sentiment still pessimistic with both rent performance and expectations turning weaker
- New buyer enquiries continue to decrease as unsold homes pile up

The September 2022 RICS-Spacious Hong Kong Residential Property Monitor results show market sentiment falling further into the negative zone even with some COVID restrictions lifting. The headline Confidence Index decreased from -53 to -68, recording the lowest reading since February 2020 when the COVID wave peaked. Facing the headwinds from rising interest rates and slowing global economy, the headline indices of all the three districts, the New Territories, Kowloon, and Hong Kong Island, fell further, reflecting a sweeping pessimism across the region.

Price expectations turn more negative along with weak rental expectations

At the aggregate level, the net balance for the price expectation series over the next 3 months continued to drop from -62% to -78%. The 3-month rental expectations gauge also fell, just less sharply, from -30% to -33%. When disaggregated, all the three districts recorded lower readings for the 3-month price expectations, the New Territories (-81%), Kowloon (-81%), and Hong Kong Island (-66%), near the level seen during COVID peak in February. On the other hand, a mixed picture is seen in the lettings market. The 3-month rental expectations in the New Territories recorded a downbeat -39% (compared to -15% in previous month), while Kowloon and Hong Kong Island see modest easing in negativity at -30% and -26%, compared to -47% and -41% in August. The divergence may reveal the limited boost from lifting some COVID restrictions in the city.

Buyers expectations are dampened as credit conditions deteriorate further

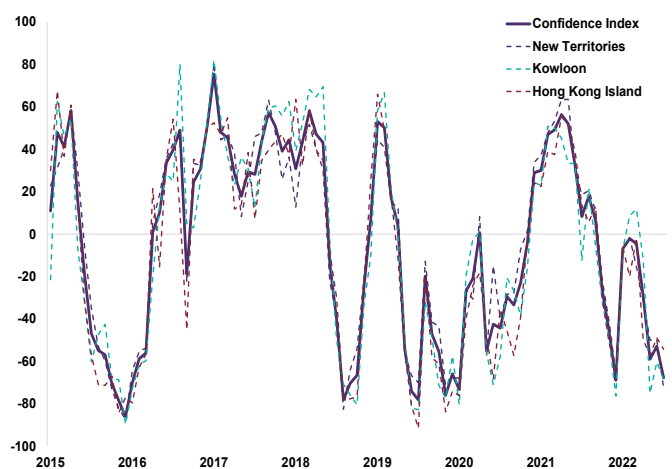
At the headline level, the credit condition indicator for September and the expectations series for 1 month and 3 months all turned more negative, reaching a lower level previously seen in early 2020. On closer inspection, all three districts share the deterioration in the perception of credit conditions. The pessimistic outlook adds to the pressures on the sales market. This is especially the

case in Hong Kong Island, where the past month investor enquiries metric posted a reading of -71%, significantly lower than -50% in August. As a result, unsold homes on books continues to rise, with the overall reading coming in at +41%, the highest record since the inception of this index.

The lettings market is struggling with low tenant demand

The aggregated reading for tenant demand remained negative (-9% compared to -16% in August) though the reading for the landlord instructions indicator jumped from +8% to +30%. The scenario is similar across the districts. For example, in the New Territories, landlord instructions turned positive with a reading of +17%, compared to the -8% in August, while the tenant demand net balance moved from -20% to -10%. Back at the national level, rents were reported to have fallen by a net balance of -45% of respondents (down from -33% previously).

Chart 1: Confidence Index



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

Chart 2: 3-month rental and price expectations

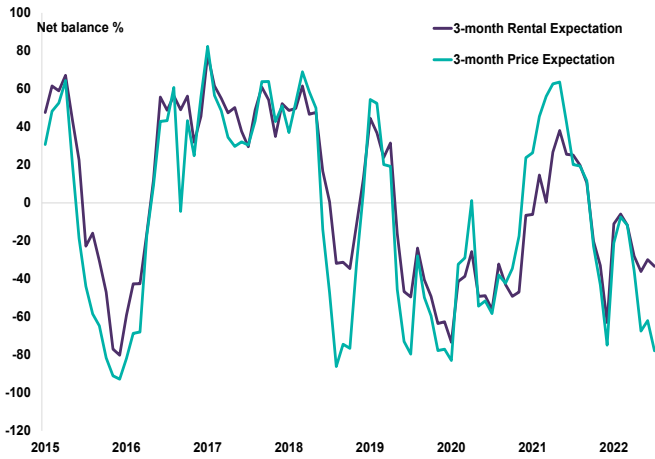


Chart 3: Buyer enquiries and instructions to sell

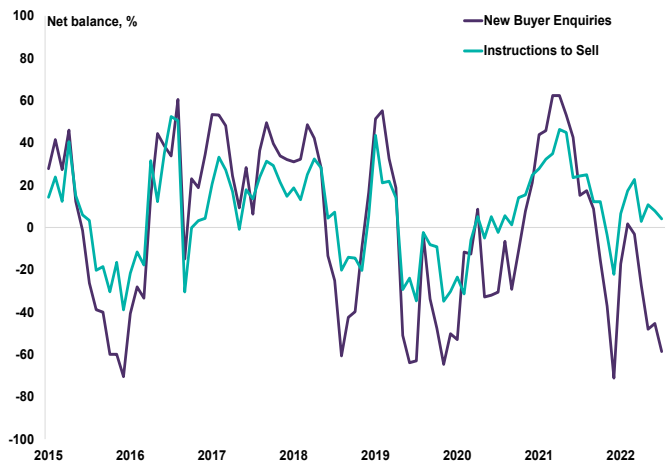


Chart 4: New buyer enquiries by type

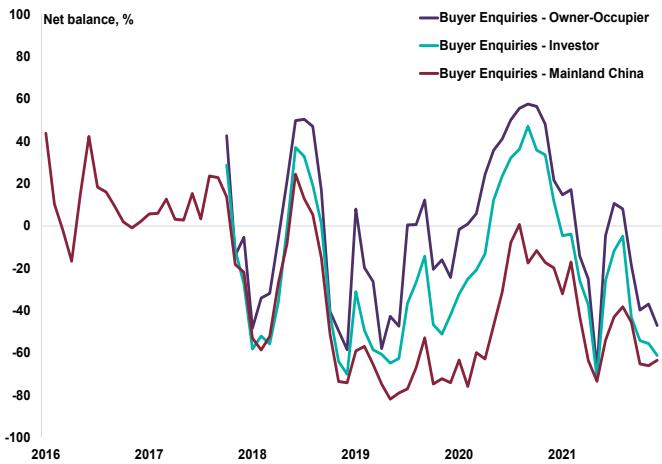


Chart 5: Unsold homes on books changes

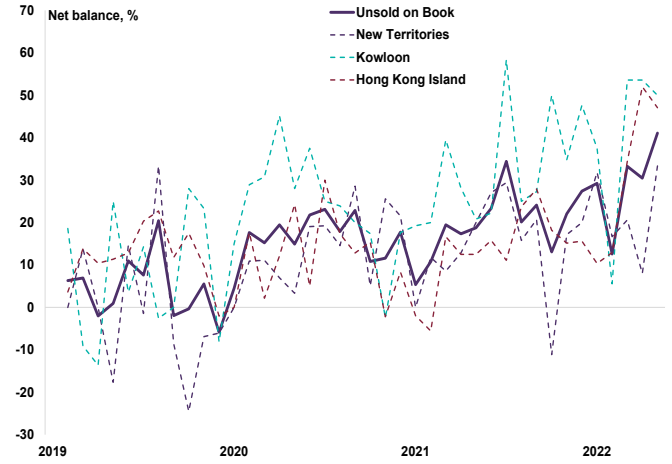


Chart 6: Tenant demand and landlord instructions

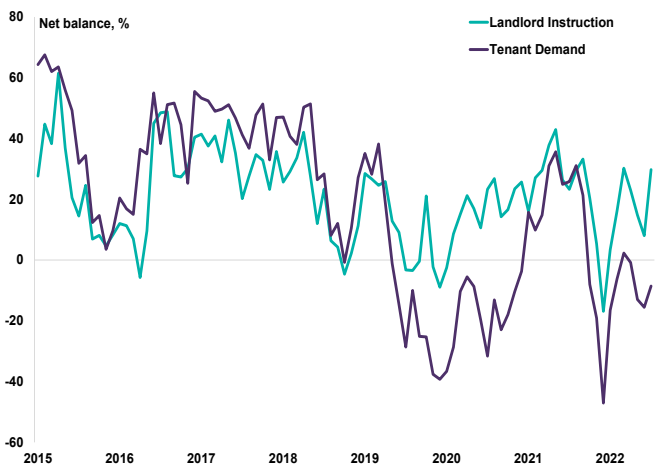
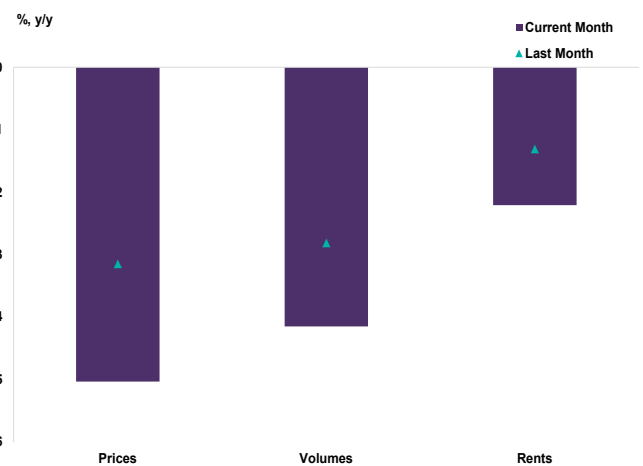


Chart 7: 12-month expectations



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).

Survey release dates:

October survey: 17 November 2022

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