



August 2024: Hong Kong Residential Monitor

Sentiment in the sales market remains negative, whilst the rental market shows more momentum

- Headline confidence index stays in negative territory
- Sales price and volume expectations continue to deteriorate
- Lettings market exhibits more positive signals

The feedback from the August 2024 RICS-Spacious Hong Kong Residential Property Monitor presents a stark contrast between the sales and lettings market. Shown in Chart 1, the headline confidence index remained stuck in the negative zone at -48. Moreover, readings across all districts mirror the subdued atmosphere in the sales market seen in the previous month. In contrast, strong tenant demand is boosting lettings market sentiment and elevating rental price expectations in the process.

Sales market sentiment continues to deteriorate

Overall, low sales and price performance suggests that it is too soon to say that the market has bottomed out, as illustrated in Chart 2. The price indicator for the last three months remains in the negative territory at a net balance of -71%. Concurrently, the agreed sales indicator worsened to -54% over the month. Moreover, forward-looking metrics are similarly downbeat. As depicted in Chart 5, the 3-month sales expectations metric was once again in negative territory (net balance of -32%), while the short-term price expectations indicator softened to -64%. Consequently, the long-term price and sales expectations series are still suppressed, registering net balances of -42% and -10%, respectively.

At the district level, sentiment metrics are little changed. Kowloon registered the lowest headline index at -54, with the sales expectations series falling to a net balance of -37%. Elsewhere, feedback from The New Territories and Hong Kong Island also present a muted picture in comparison to the previous month, with the headline confidence index at -49 and -38, respectively.

Willingness to sell failed to stimulate demand

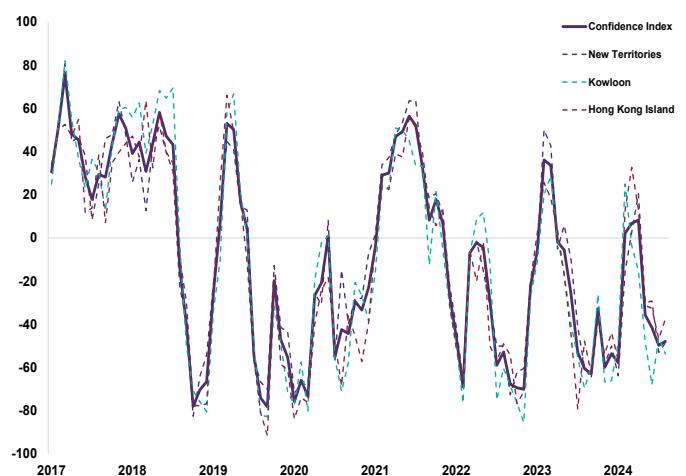
As seen in Chart 3, the metric for instructions to sell reversed to a positive net balance of +15% over the month. The reversal is seen across all regions. In particular, in Kowloon, the instruction to sell metric has flipped from -5% to +33% over the month. On the demand side, however, declines in multiple metrics suggest that home buyer demand remains at a low level. For example, in Kowloon, despite sellers showing more willingness to sell, the aggregated buyer enquiries metric decreased from -38% to -48%. More specifically, the demand metric for owner-occupier buyers dropped from a net balance of -13% to

a deeply negative reading of -48%. In tandem, demand metrics for the mainland buyer and investor categories both fell further into negative territory, registering respective net balances of -39% and -52%.

Lettings market supported by tenant demand

Meanwhile, the rental market has seen a more positive picture. Shown in Chart 6, tenant demand outpaced landlord instructions (in net balance terms), while both saw upturns at the aggregated level. When disaggregated, more bullish signals are seen in Hong Kong Island, where the strong tenant demand metric reached a net balance of +70%. Elsewhere, Kowloon also recorded a positive demand metric net balance of +58%, along with The New Territories at +26%. This robust demand has translated into firmly positive rental price expectations, with the short-term rental expectations series registering a net balance of +45% at the aggregated level. Moreover, 12-month rental growth projections have been revised up to +2.7%, compared to +1.3% in the previous month, as shown in Chart 7.

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: Current price and agreed sales

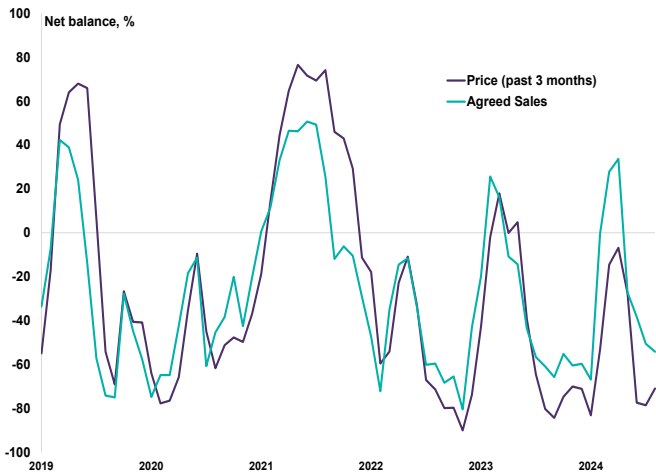


Chart 3: Buyer enquiries and instructions to sell

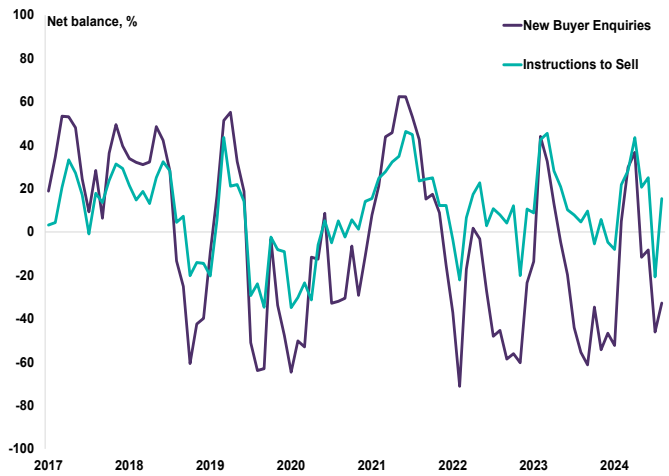


Chart 4: New buyer enquiries by type

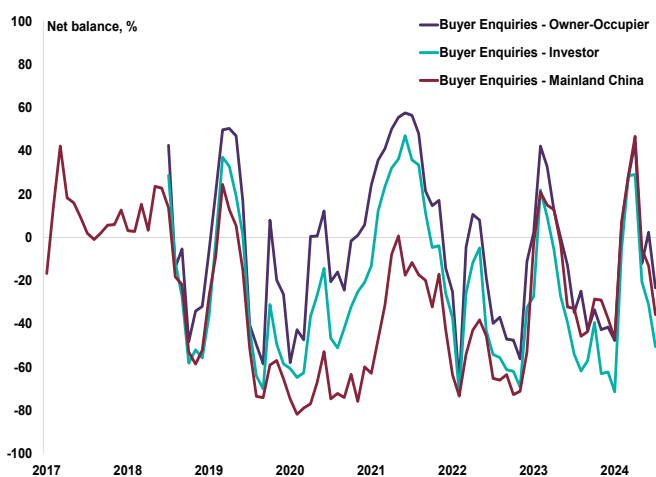


Chart 5: 3-month rent/price/sales expectations

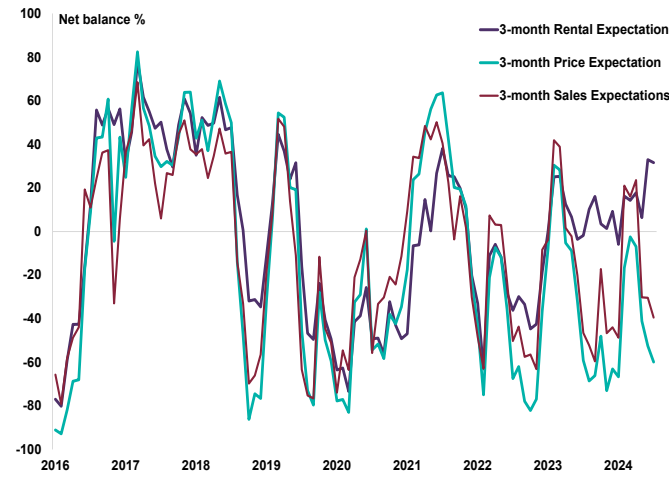


Chart 6: Tenant demand and landlord instructions

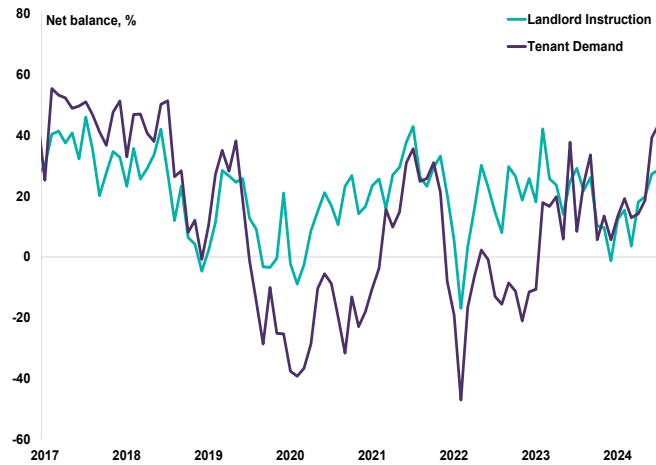
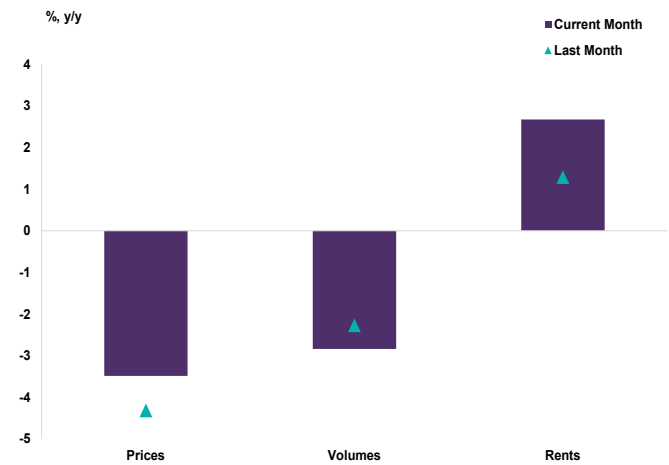


Chart 7: 12-month expectations



Comments from survey participants in Hong Kong

Hong Kong

- The summer is slow this year. Many residents have left town for a vacation. - Hong Kong Island
- Fewer sales as prices continue to fall and potential buyers wait for a bottom. - Hong Kong Island
- Economic growth. - Hong Kong Island
- Central government policy. - Hong Kong Island
- The inactivated economic atmosphere impacts the real estate market. - Hong Kong Island
- Economic downturn and (lack of) investor confidence. - Hong Kong Island
- Whether property loan interest rates decrease within 12 months; deterioration of economic condition. - Hong Kong Island
- Local property market and economy deteriorated evidently and affected each other. - Kowloon
- Interest rate. - Kowloon
- Interest rate and bankers. - Kowloon
- The property market is facing a difficult era. Prices are lowering and it is still hard to sell. - The New Territories
- Governance of HKSAR government. - The New Territories
- Expectation of downturn of sales prices due to the China economic recession. - The New Territories
- Income from salary. - The New Territories
- The Federal funds rate trend. - 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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Contact details

This publication has been produced by RICS. For all economic enquiries, including participation in the monitor please contact: economics@rics.org

James Fisher

Spacious COO & Head of Market Analysis and Analytics
+65 68128179
james@spacious.hk

Simon Rubinsohn

RICS Chief Economist
+44(0)20 7334 3774
srubinsohn@rics.org

Tarrant Parsons

RICS Senior Economist
+44(0)20 7695 1585
tparsons@rics.org

Donglai Luo

RICS Senior Economist
+65 8030 4177
dluo@rics.org

Adib Munim

RICS Economist
amunim@rics.org

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Americas, Europe, Middle East & Africa
aemea@rics.org

Asia Pacific
apac@rics.org

United Kingdom & Ireland
contactrics@rics.org



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