



## May 2024: Hong Kong Residential Monitor

# Sales market recovery loses momentum

- Headline confidence index flips into negative territory
- Sales recovery stalls as demand falls
- Lettings market remains more resilient

The results of the May 2024 RICS-Spacious Hong Kong Residential Property Monitor point to a stalling in the recent recovery across the sales market. As highlighted in Chart 1, the headline confidence index fell to -36, a sudden drop from +8 in the previous month. Moreover, feedback from respondents signals the market recovery has lost steam in all districts. The headline index readings in Hong Kong Island and the New Territories are now negative, falling from figures above +10 previously to around -30 over month. At the same time, the confidence index in Kowloon slipped deeper into negative territory, coming in at -48 (-15 last time). Meanwhile, the lettings market displays a higher level of resilience, with stronger demand seen in Hong Kong Island and Kowloon.

### Visible slowdown in the sales market

Overall, the sales market saw an abrupt deceleration in May, as both the price and sales metrics registered a marked slump. At the aggregate level, as illustrated in Chart 2, the price indicator deteriorated from a net balance of -7% to -28%, and the agreed sales indicator plunged from +34% to -27%. Moreover, as depicted in Chart 5, the short-term sales expectations metric retreated sharply from a thirteen-month high, posting a net balance of -30%. The long-term sales expectations series also turned significantly more pessimistic, with the net balance decreasing from +40% to -7%.

Upon closer inspection, Kowloon experienced the largest decline in forward-looking sentiment, with the near-term sales expectations series recording a net balance of -44%. Meanwhile, rather weak short-term price expectations are also now evident across the region, as this indicator registered a negative net balance reading of -52% (down from -35% in April). Elsewhere, Hong Kong Island and The New Territories also saw a notable deterioration in near-term sales and price expectations, with respondents now anticipating downward moves across both variables in the coming three months (albeit the outlook is not quite as downbeat as in Kowloon).

### Buyer demand recovery stalls

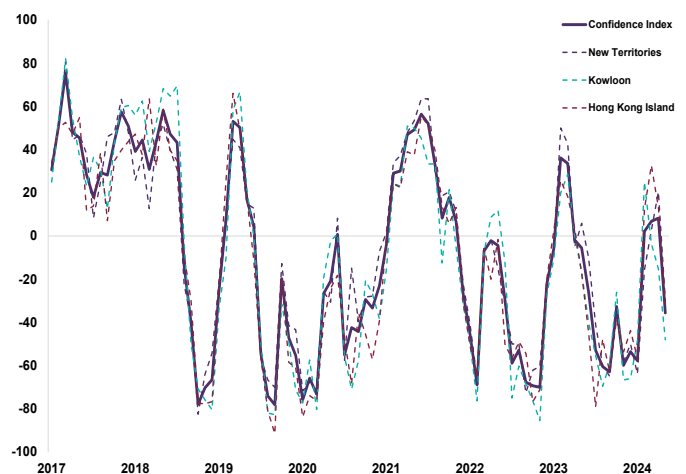
When looking at buyer demand, noteworthy declines are seen across different categories, as shown in Chart 4. According to respondents' feedback, demand from investors

softened significantly, posting a net balance of -13% in May. Alongside this, demand from owner-occupiers also declined, returning a net balance of -8%. Similarly, mainland buyer demand flatlined across all districts this month, registering a net balance of -5% as opposed to +47% previously. Given the region-wide similarities in this weakening demand scenario, the downturn is a reflection of the ongoing impact of high interest rates as well as the challenges posed by the wider economy. Furthermore, the market slump is compounded by the seasonally weak demand that typically follows April.

### Lettings market remains more resilient

Compared with the sales market, the lettings market demonstrates a bit more resilience. Shown in Chart 6, at the headline level, tenant demand and the landlord instructions both managed to increase slightly (evidenced by positive net balances of around +20%). When disaggregated, the tenant demand measure remains solid in Hong Kong Island and Kowloon, with net balances coming in +33% and +26% respectively. In contrast, the tenant demand metric was only marginally positive in The New Territories (net balance +8%).

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

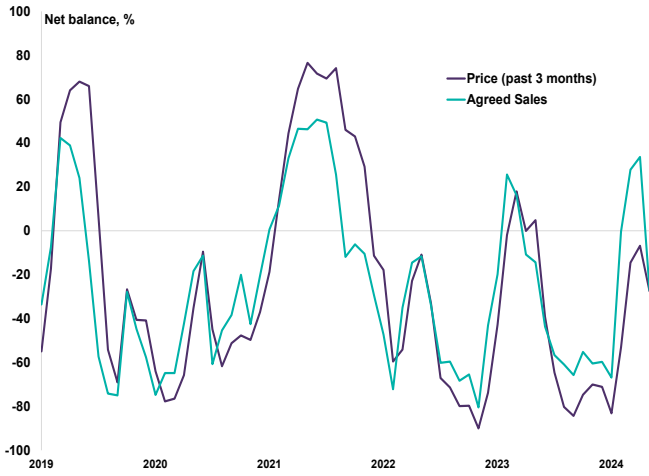


Chart 3: Buyer enquiries and instructions to sell

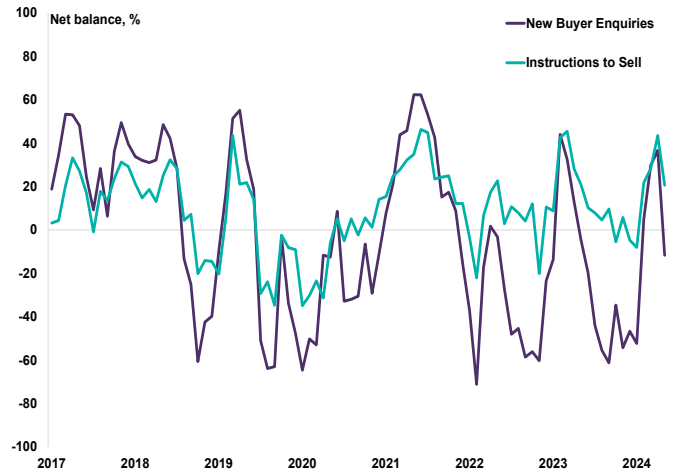


Chart 4: New buyer enquiries by type

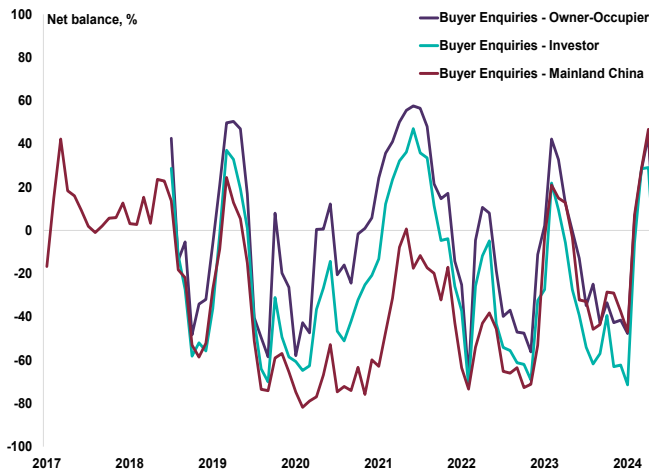


Chart 5: 3-month rent/price/sales expectations

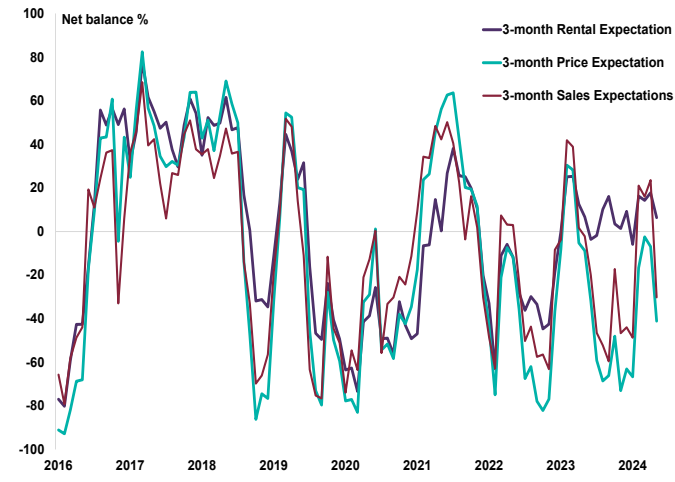


Chart 6: Tenant demand and landlord instructions

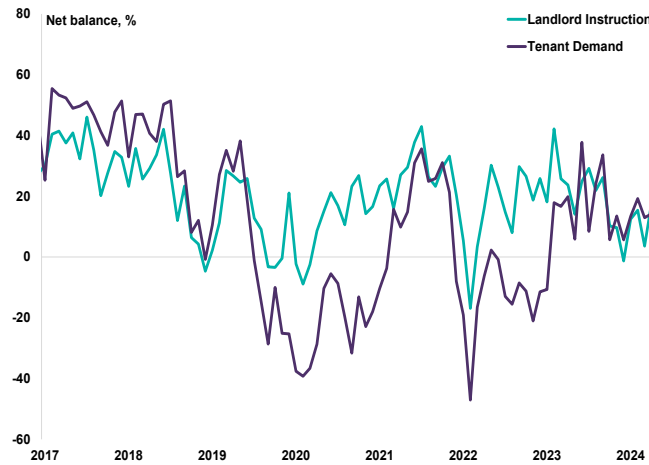
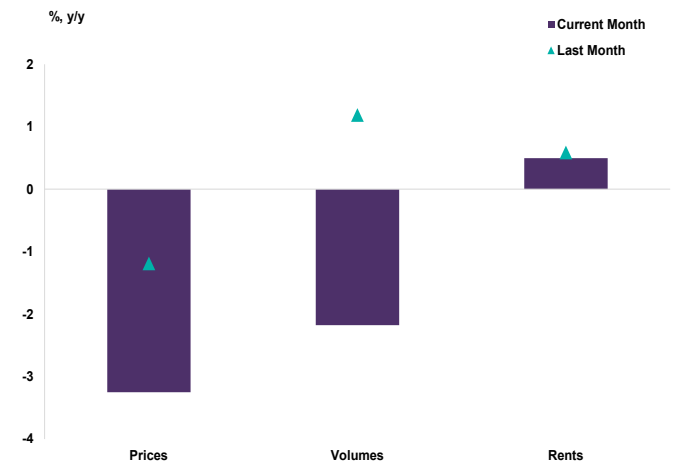


Chart 7: 12-month expectations



## Comments from survey participants in Hong Kong

### Hong Kong

Competition from China. - Hong Kong Island

Property market has slow market reviving rate with a poor local economy and high interest rate.  
- Kowloon

Market activities seem to slow down in the wake of slow economic recovery. - Kowloon  
world political situation. - Kowloon

The quality of governance of HKSAR. - 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:

**June survey:** 18 July 2024

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