



November 2024: Hong Kong Residential Monitor

Recovery in the sales market stalls while the Lettings market remains resilient

- Headline confidence index falls back into negative territory
- Sales market falters on renewed downshift in demand
- Lettings market continues to record more positive signals

The results of the November 2024 RICS-Spacious Hong Kong Residential Property Monitor reveal contrasting fortunes in the sales and lettings markets. Chart 1 shows a softening in sentiment in the sales market with the headline confidence index falling from +2 to -20 over the month. The negative feedback is visible across all districts pointing to a subdued atmosphere in the residential sector running into the year end. Meanwhile, the lettings market continues to paint a more resilient picture supported by robust tenant demand.

Sales market activity retreats

The tentative uplift in sales volumes seen in previous months reversed course in November, as highlighted in Chart 2. After two consecutive months of positive readings in the agreed sales series, the latest number has fallen back into negative territory, with a net balance of -36%. The more downbeat tone is also captured in the forward-looking series, with a net balance of -8% for the three-month sales expectation metric. Alongside this, the headline price indicator remains stuck in negative territory with a net balance reading of -32%; this is less negative than the -41% recorded in October but still represents the seventeenth successive month where the feedback from respondents has been consistent with falling prices. Meanwhile, the short-term price expectations series also registered a further drop to a net balance of -32%.

Drilling down to a district level, broadly similar cautious sentiments are echoed in all areas. For the record, the headline confidence index was a little less negative in Hong Kong Island in November (-10 as against -24 in Kowloon and -22 in the New Territories) but the mood is still subdued.

Buyer demand declines as supply continues to rise

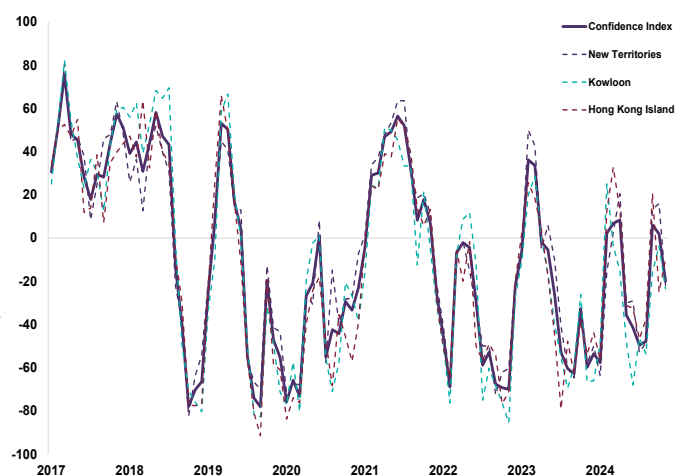
Looking closer at the demand side in the sales market, buyer enquiries slipped back in the latest survey with the net balance reading reversing from +39% to -11%. This reflects the pattern through much of the past year which has seen tentative signs of an uplift in appetite from potential purchasers followed by months of declining interest. Meanwhile, new instruction to sell have continued to edge upwards through the course of 2024 with only two months where the results signalled modest drops (Chart 3).

Lettings market remains resilient

The story emanating from the lettings market remains more upbeat. As illustrated in Chart 6, tenant demand and landlord instructions both remain in the positive territory, registering +41% and +10% respectively. Against this backdrop, the short-term rental expectation series is suggestive of rents continuing to move higher, with a net balance of +32%. Moreover, when focusing on the twelve-month time horizon there is little sense that this trend will slow materially (Chart 7).

Disaggregating this series, Hong Kong Island is showing greater upward pressure on rents with the three months expectations indicator standing at +53%; the respective figures for Kowloon and the New Territories are net balances of +29% and +25%.

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

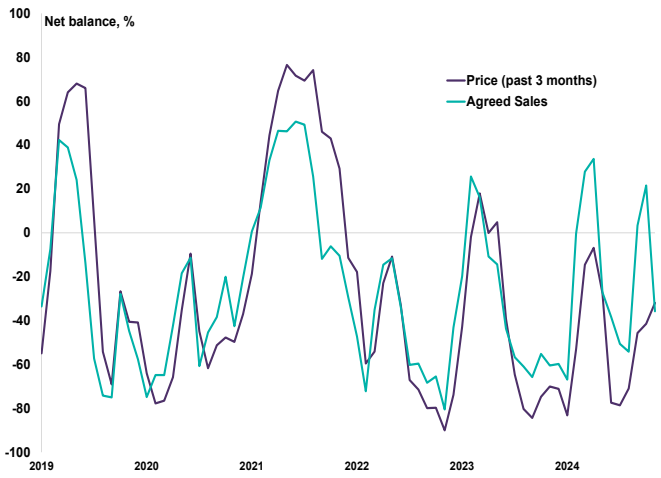


Chart 3: Buyer enquiries and instructions to sell

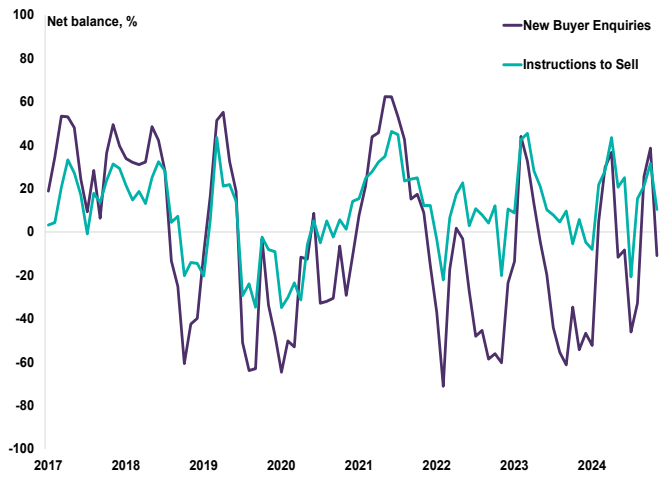


Chart 4: New buyer enquiries by type

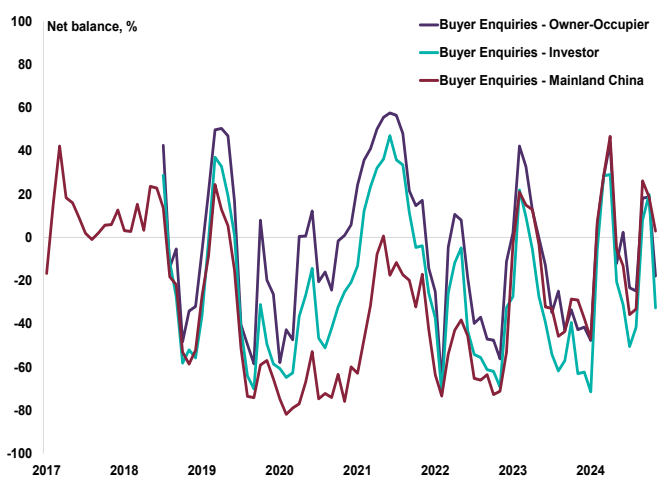


Chart 5: 3-month rent/price/sales expectations

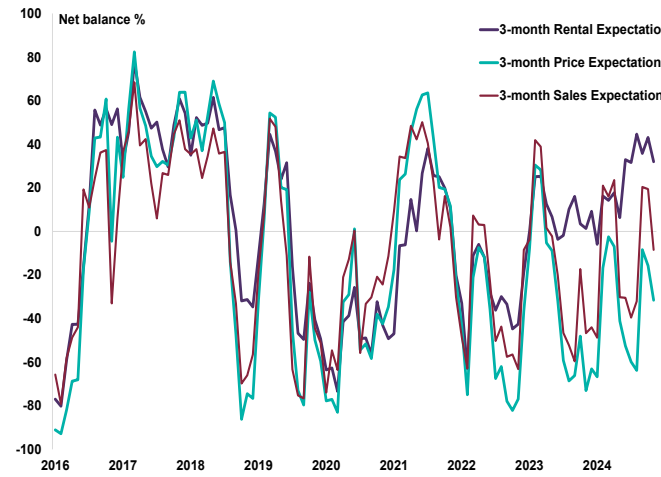


Chart 6: Tenant demand and landlord instructions

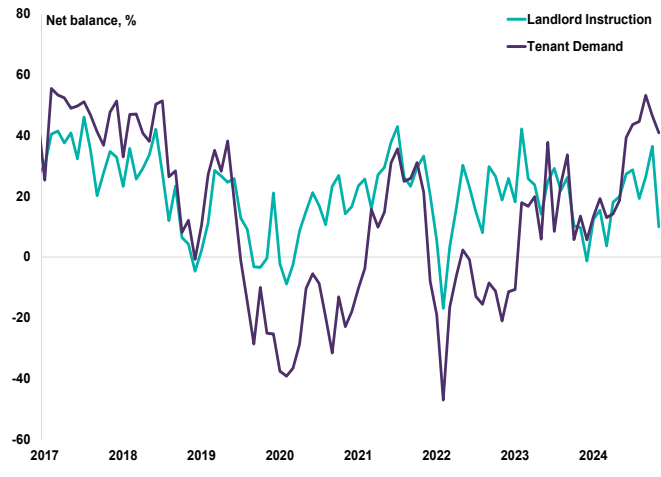
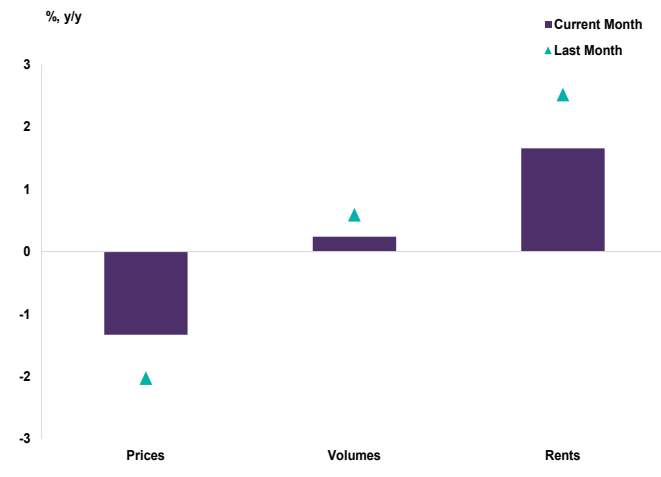


Chart 7: 12-month expectations



Comments from survey participants in Hong Kong

Hong Kong

Loan interest rate policy direction. - Hong Kong Island

Business slowing down in China. - Hong Kong Island

Slow economic recovery still has impact on confidence of potential buyers. - Kowloon

Bank interest rate. - Kowloon

Government measures. - The New Territories

Government policies and interest rate changes. - 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:

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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:

December survey: 16 January 2025

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