



December 2024: Hong Kong Residential Monitor

Sales market retreats while the lettings market remains resilient

- Headline confidence index falls further into negative territory
- Buyer demand deteriorates again in the sales market
- Lettings market remains resilient

The results of the December 2024 RICS-Spacious Hong Kong Residential Property Monitor point to a contrasting picture between a weakened sales market and a resilient lettings market. Chart 1 shows subdued sentiment in the sales market with the headline confidence index falling further from -20 to -29 over the month. The negative feedback continues to be seen across all districts in the residential sector. Meanwhile, positive signals are visible in the lettings market as supported by robust tenant demand.

Both sales volume and price remain sluggish

At the aggregated level, the sales volumes did not bounce back after the decline in November, as highlighted in Chart 2. The latest number of the agreed sales series has stayed in the negative territory, albeit less so with a net balance of -29% (vs. -36% in November). The downbeat signal is mirrored in the forward-looking series, with a net balance of -20% for the three-month sales expectation metric. Alongside this, the headline price indicator remains stuck in negative territory with a net balance reading of -45%, hitting the eighteenth successive month where the feedback from respondents indicates falling prices. Furthermore, the short-term price expectations series also registered a drop to a net balance of -38% (vs. -32% in the previous month).

At the district level, similar cautious sentiments are reflected across all regions. Specifically, the headline confidence index was somewhat less negative in Kowloon in December with a net balance of -13. In comparison, the mood in Hong Kong Island and the New Territories is more pessimistic with readings around -30.

Buyer demand fall on worsened credit conditions

Charts 3 and 4 further illustrate the downward trend in new buyer enquiries. At the aggregated level, the new buyer enquiries metric remains slightly subdued, with a negative net balance at -9%, similar to the level at -11% in November. The downbeat sentiment aligns with the deteriorating credit conditions expectation, which stays negative for the second consecutive month following China's stimulus announcement in October 2024.

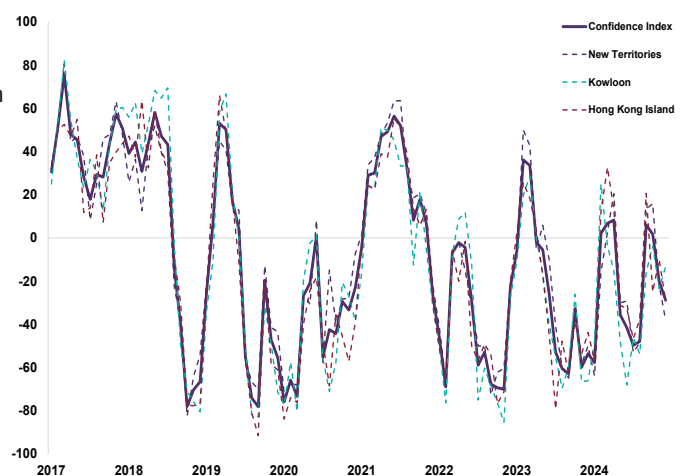
Drilling into different buyer categories, mainland buyer demand exhibits more resilience, which hovers near

the neutral level at -1% in net balance terms. In contrast, the owner-occupier enquiries and investor enquiries metrics are both suppressed by tighter credit conditions, registering net balances of -13% and -20%, respectively.

Lettings market remains steady

A more upbeat picture is seen in the lettings market. As illustrated in Chart 6, tenant demand and landlord instructions both remain in the positive territory, registering +38% and +29% respectively. Looking closer, the tenant demand across all districts shows similarly positive trends, indicating a stable demand environment. Meanwhile, the expansion in market activities pushes up the short-term rent expectation, recording a net balance of +34%. Moreover, the upward rent pressure is also visible when looking at the twelve-month time horizon with an estimated annual growth rate of 2.2%, 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

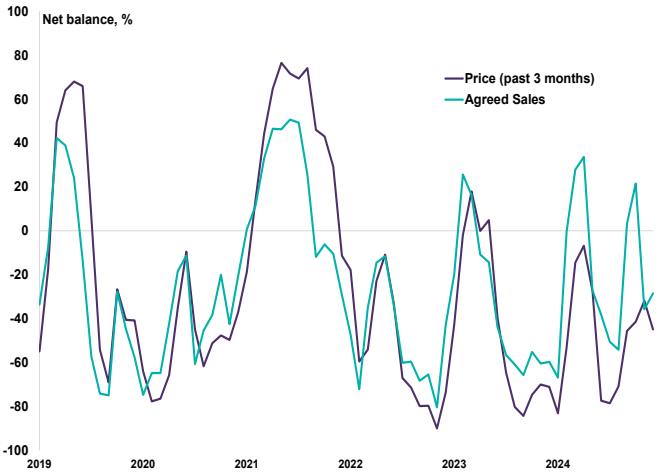


Chart 3: Buyer enquiries and instructions to sell

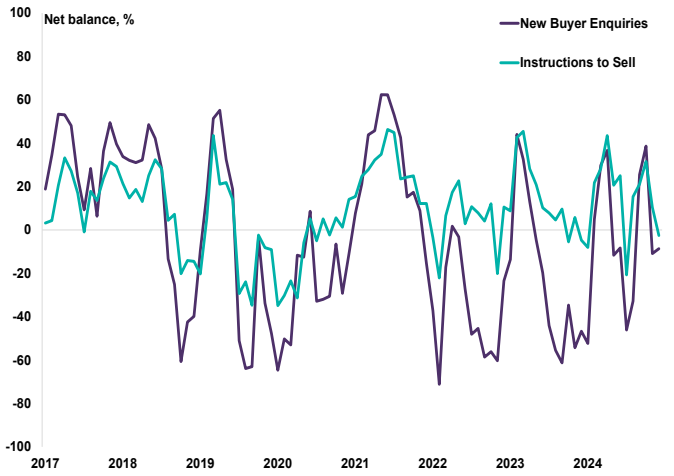


Chart 4: New buyer enquiries by type

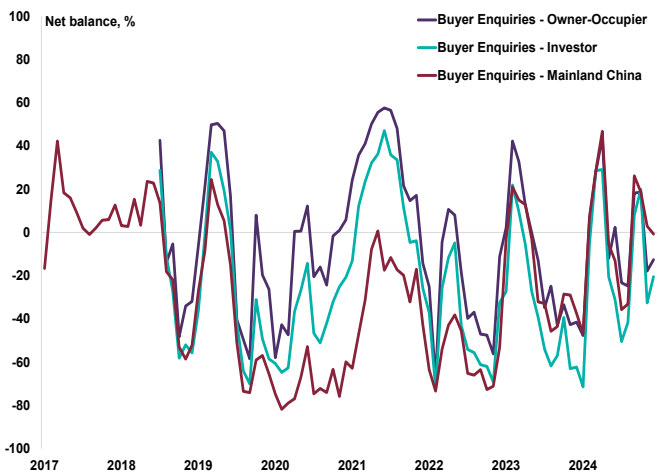


Chart 5: 3-month rent/price/sales expectations

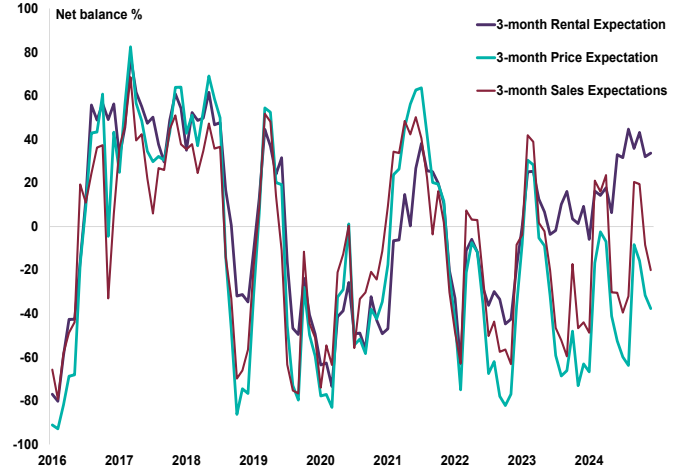


Chart 6: Tenant demand and landlord instructions

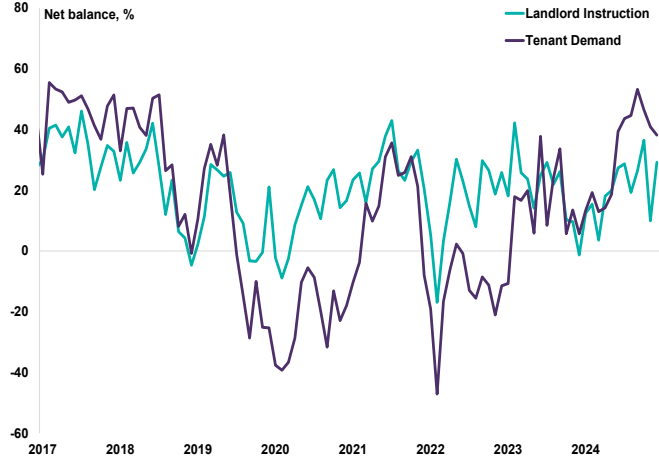


Chart 7: 12-month expectations



Comments from survey participants in Hong Kong

Hong Kong

Government measures. - Hong Kong Island

Whether loan interest rates will further decrease in coming 12 months. - Hong Kong Island

Slow economic recovery. - Kowloon

General economy condition. - The New Territories

Government measures and political issues. - The New Territories

The interest rate is expected to fall and the investment sentiment of buyers will improve soon. - 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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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:

January survey: 20 February 2025

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