



January 2025: Hong Kong Residential Monitor

Sales market remains subdued amid weak demand

- Headline confidence index falls further on selling pressure
- Buyer demand weakens despite declining prices
- Lettings market remains resilient

The results of the January 2025 RICS-Spacious Hong Kong Residential Property Monitor point to divergent trends between the sales and lettings market. Chart 1 shows subdued sentiment in the sales market with the headline confidence index falling further from -29 to -41 during the holiday season, the lowest since August 2024. The negative feedback continues to be seen across all districts in terms of the residential sales market. Meanwhile, the lettings market has entered the New Year with a positive outlook, bolstered by stable tenant demand.

Sales market confidence continues to decline

Overall, sales volumes showed no signs of improvement in January, as highlighted in Chart 2. The reading of the agreed sales series remains in negative territory, with a net balance of -32% (similar to -29% in December). Moreover, the sales picture is not anticipated to improve in the near term, as indicated by the muted three-month sales expectations indicator (net balance -30%). However, willingness to sell continues to edge higher, as reflected by a marginally positive net balance of +6% for the instructions-to-sell series. Unsurprisingly, this greater selling pressure vs buyer demand has sustained the downward trend in the headline price indicator. What's more, the near-term price outlook remains pessimistic, posting a reading below -50% in net balance terms. The prevailing negativity is also evident in the longer-term price projections, with the annual rate of change expected to come in around -3% (as illustrated in Chart 7).

Buyers remain cautious despite price discount

Charts 3 and 4 further illustrate the downward trend on the demand side. At the aggregated level, the new buyer enquiries metric saw a sudden drop over the month, with a negative net balance at -36% (vs. -9% last December). The deteriorating sentiment is in keeping with the anticipated worsening in credit conditions, driven by slower-than-expected rate cuts due to inflationary risks as well as uncertainty in economic growth. Drilling deeper, the demand weakness is visible across different buyer categories. Specifically, mainland buyer demand failed to maintain its previously neutral stance, registering a softer net balance reading of -15%. Meanwhile, owner-occupier

and investor enquiries metrics are more suppressed by tighter credit conditions, registering net balances of -23% and -39%, respectively.

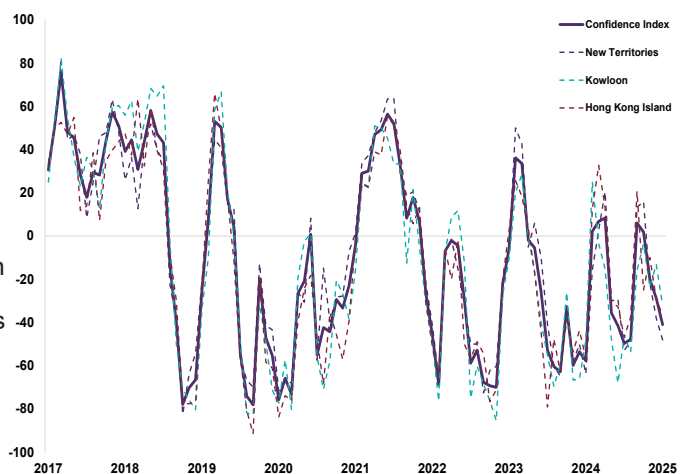
A more upbeat picture is seen in the lettings market

The lettings market continues to exhibit bullish signs. As illustrated in Chart 6, the tenant demand and landlord instructions series both sit in positive territory, registering +27% in net balance terms. Looking closer, tenant demand shows similarly positive trends across all districts, indicating a stable environment. Meanwhile, the increase in market activity has driven up short-term rent expectations, with an average reading of +35% at the aggregated level.

Comments from James Fisher (Spacious COO & Head of Market Analysis and Analytics) :

Spacious user data continues to show declining asking prices. Buyers remain choosy and sellers are willing to cut prices given ample inventory and the expectation of high interest rates.

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

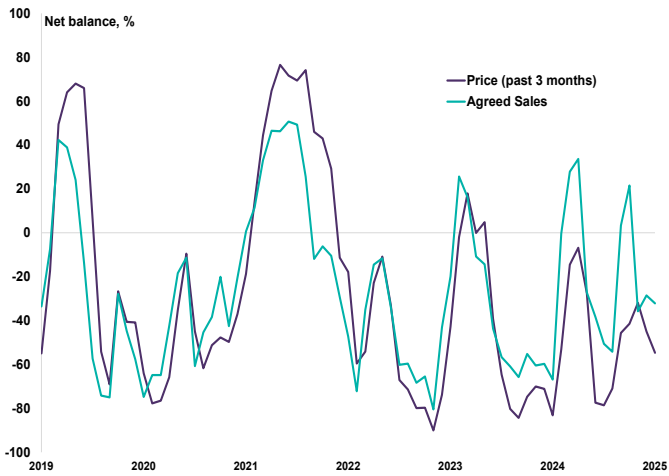


Chart 3: Buyer enquiries and instructions to sell

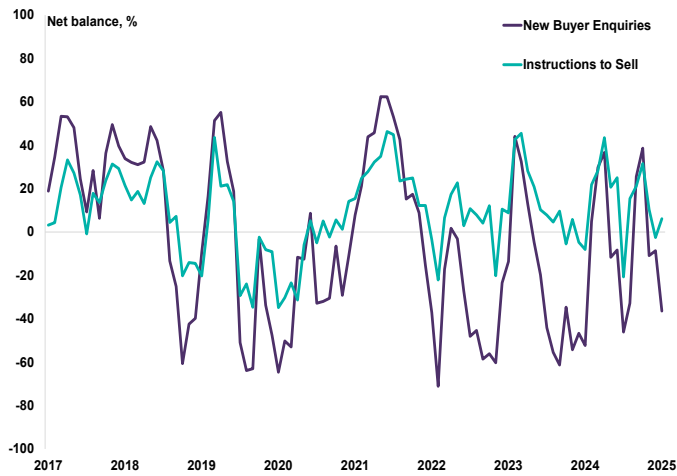


Chart 4: New buyer enquiries by type

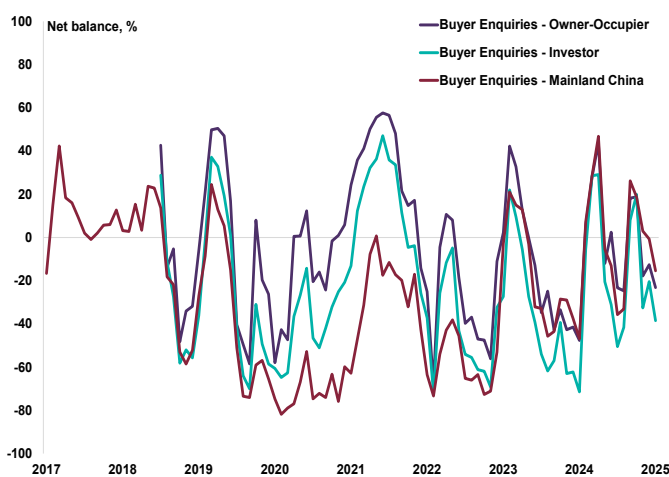


Chart 5: 3-month rent/price/sales expectations

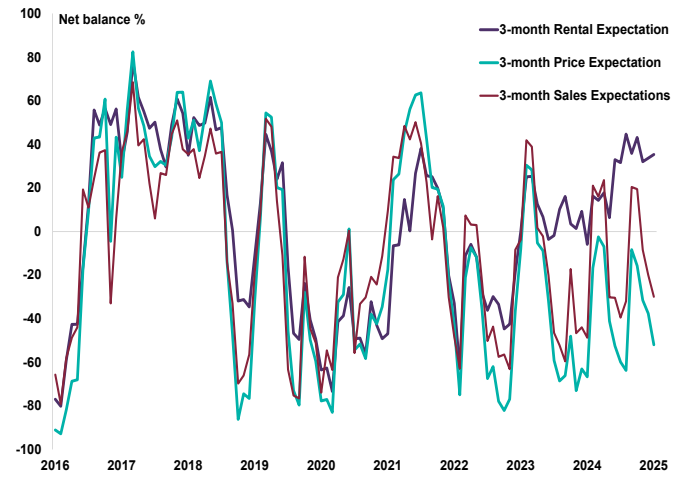


Chart 6: Tenant demand and landlord instructions

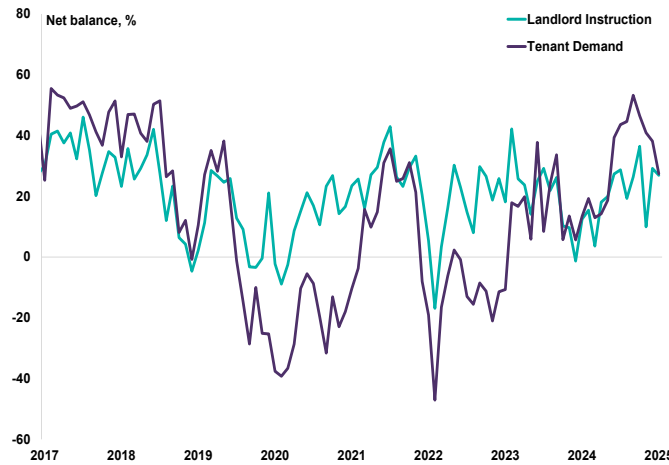
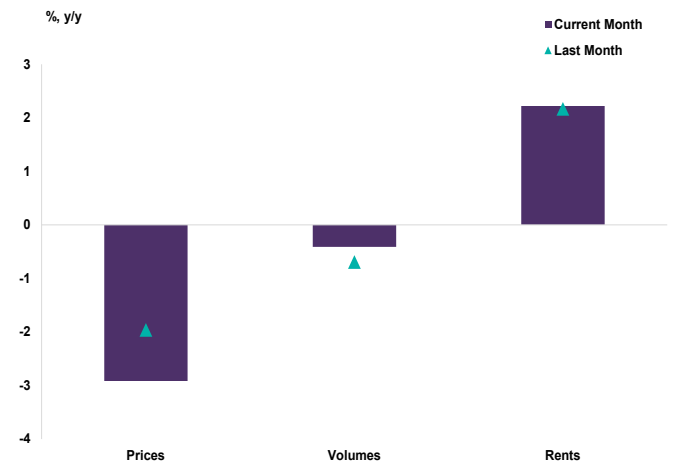


Chart 7: 12-month expectations



Comments from survey participants in Hong Kong

Hong Kong

China policy. - Hong Kong Island

The price is far from affordable compared to average income in Hong Kong. - Hong Kong Island

Interest rate and global economy. - Hong Kong Island

Geopolitical risk, increment of US tariffs impacts the property market. - Hong Kong Island

Central government policy. - Hong Kong Island

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

New year holiday effect. - Kowloon

On par with low local economic market growth. - Kowloon

Uncertain interest rate trend may hinder the confidence of potential buyers. - Kowloon

General Global Political Impacts. - Kowloon

The interest rate is expected to be reduce and the investment sentiment of buyers will improve soon. - The New Territories

Unexpected downfall in economic conditions of China and HK. - The New Territories

Governance issue 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 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:

February survey: 20 March 2025

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