



July 2024: Hong Kong Residential Monitor

Sales market sentiment continues to deteriorate, while the rental market demonstrates resilience

- Headline confidence index still stuck in negative territory
- Sales market activity continues to slow
- Lettings market shows more optimistic signals

The feedback from the July 2024 RICS-Spacious Hong Kong Residential Property Monitor shows a continued weakening in sales market sentiment. As highlighted in Chart 1, the headline confidence index fell from -41 to -50 over the month. These negative results are visible across all districts, with similar readings recorded in each instance. By way of contrast, sentiment in the lettings market is being supported by robust tenant demand, with much of this positivity attributable to the newly introduced visa programmes.

Both sales and price expectations remain subdued

Overall, the sales market continues to show weakness in both pricing and sales volume trends, as evidenced in Chart 2. The price indicator, tracking changes over the past three months, remains in deeply negative territory at a net balance of -79%. Concurrently, the agreed sales indicator dropped from a net balance of -38% to -51% over the month. Moreover, forward-looking metrics are similarly downbeat. As depicted in Chart 5, the 3-month sales expectations metric slipped further into negative territory, recording a net balance of -39%. Similarly, the short-term price expectations indicator fell from -53% to -60%. Likewise, the 12-month price and sales expectations indicators are also downbeat, registering net balances of -54% and -15%, respectively.

This subdued picture is mirrored across all districts. The New Territories saw a particularly sharp decline in near-term sales expectations, with this metric registering a net balance of -47%, as opposed to -13% in June. Elsewhere, feedback from Kowloon and Hong Kong Island also presents a muted near-term outlook for activity, with the 3-month sales expectations series posting a net balance of -23% in the former and -45% for the latter.

Demand weakens with buyers staying on the sidelines

Looking closer at the demand side, visible declines are seen across all categories of buyers. Most significantly, the demand metric for owner-occupier buyers dropped from a neutral reading of +2% to a negative net balance of -23%. In tandem with this, demand metrics for the mainland buyer and investor categories both fell further into negative territory, registering net balances of -36% and -50%, respectively.

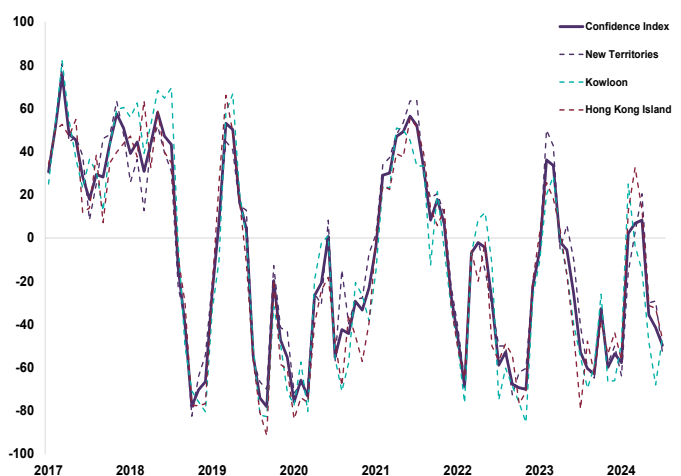
Drilling deeper into the results, a mixed picture is seen in demand changes at a district level. In Hong Kong Island, the

mainland buyer demand measure was hit hardest, flipping from +24% to -23% over the month. Meanwhile, in Kowloon and the New Territories, owner-occupiers appeared more hesitant in July, with the demand series weakening to -13% and -29% having been in modestly positive territory across both districts beforehand.

Lettings market remains resilient

In contrast, the picture is more positive in the lettings market. As illustrated in Chart 6, tenant demand and landlord instructions both moved up at the aggregate level. When broken down, more bullish signals are seen in Hong Kong Island and Kowloon, both featuring strong tenant demand metrics with net balances above +60%. Elsewhere, the New Territories also saw positive demand trends, albeit comparatively softer, recording a net balance of +24%. Driven by this robust demand, the short-term rental price expectations series points to solid growth going forward, registering a net balance of +32%. However, slightly further ahead, 12-month rental growth projections has been trimmed to +1.3%, compared to +1.8% last month (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

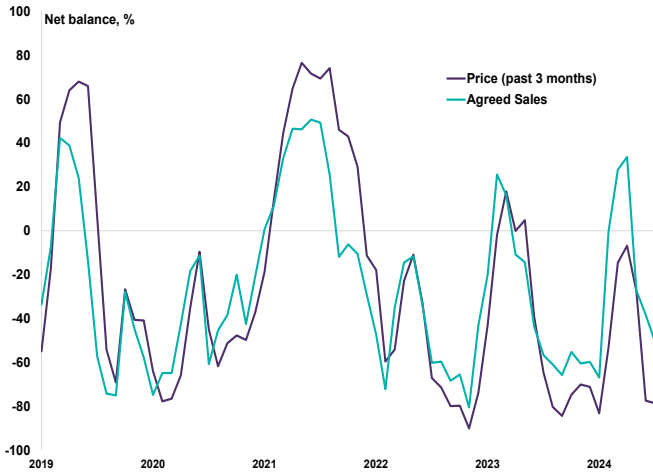


Chart 3: Buyer enquiries and instructions to sell

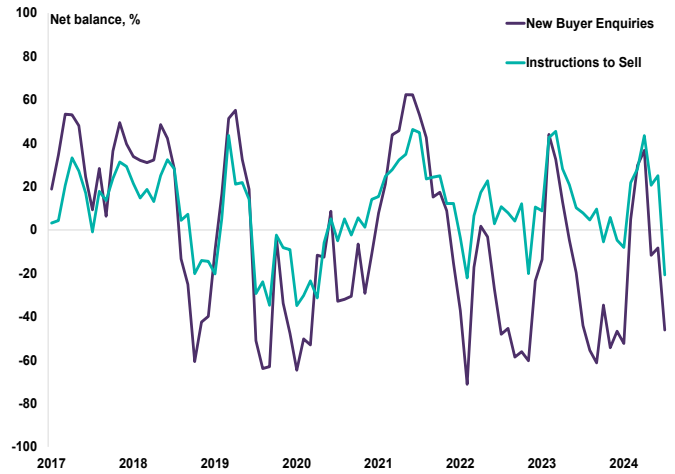


Chart 4: New buyer enquiries by type

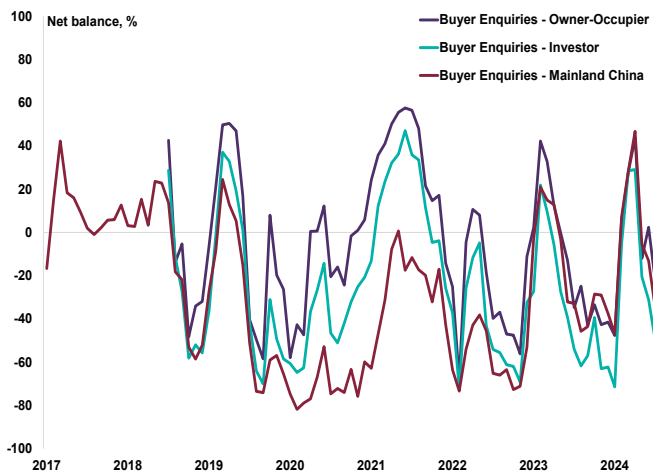


Chart 5: 3-month rent/price/sales expectations

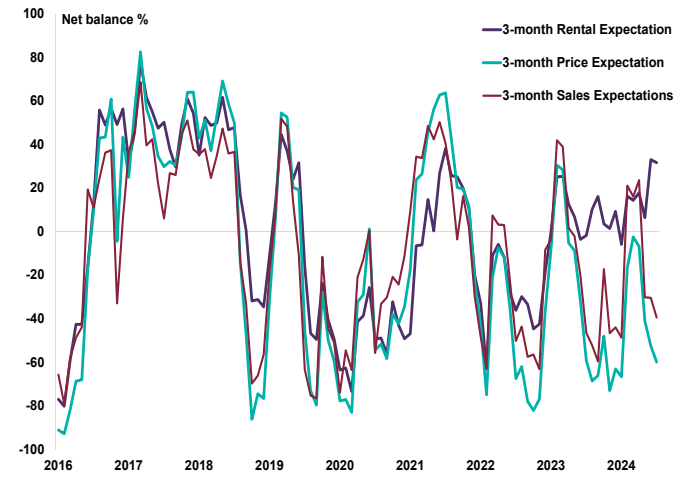


Chart 6: Tenant demand and landlord instructions

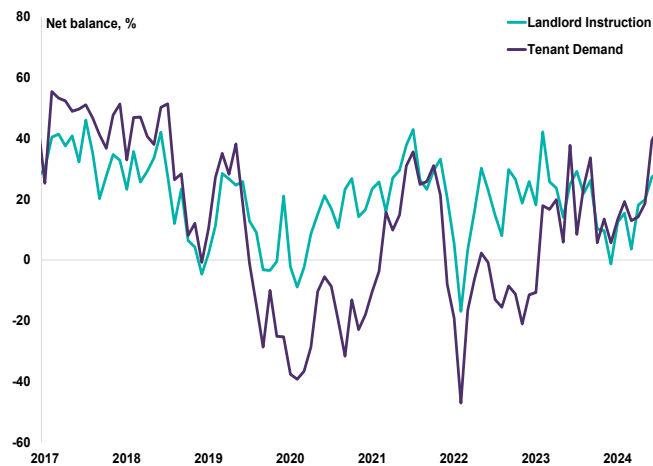
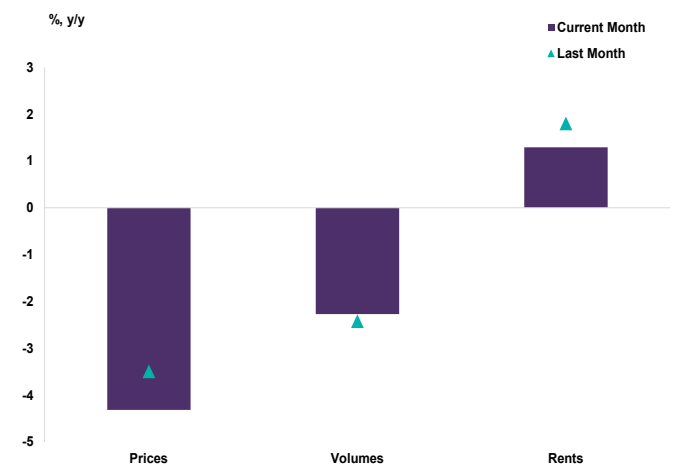


Chart 7: 12-month expectations



Comments from survey participants in Hong Kong

Hong Kong

Property loan interest rate, world and mainland China economic situations. - Hong Kong Island

China policy. - Hong Kong Island

Political and economic situations. - Hong Kong Island

The economic climate is deteriorating. - Hong Kong Island

Bank's reluctance to grant mortgage loan further dampens buyer's sentiment. - Kowloon

Rate cuts and immigration. - Kowloon

Governance of HKSAR government. - The New Territories

Market is affected by the global political issue and investors have left HK. - 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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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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