



June 2024: Hong Kong Residential Monitor

Sales market sentiment remains negative while the rental market continues to pick-up

- Headline confidence index slips further into negative territory
- Sales market subdued as demand remains flat
- Lettings market metrics exhibit more positive signals

The results of the June 2024 RICS-Spacious Hong Kong Residential Property Monitor show a further deterioration in sales market conditions. As highlighted in Chart 1, the headline confidence index fell from -36 to -41 over the month. The negative feedback is visible across all districts but especially in Kowloon where the confidence index declined from -48 to -68. In Hong Kong Island and the New Territories, broadly similar negative readings (to May) were recorded at -33 and -29, respectively. In contrast, lettings market sentiment lifted, supported by robust demand and positive rental expectations.

Sales market continues to decelerate

Overall, the sales market continues to slowdown, with both the price and sales metrics recording negative balances. At the aggregate level, as seen in Chart 2, the price indicator slumped from a net balance of -28% to -77%. The agreed sales indicator also registered a negative reading of -38%. The sluggish conditions also dampened the sales market outlook. As depicted in Chart 5, the 3-month sales expectations metric remains in negative territory (net balance of -30%) with the short-term price expectations indicator falling from -41% to -53%. The long-term price expectations series also turned significantly more pessimistic, with the net balance decreasing from -21% to -53%.

At the district level, Kowloon continues to see the sharpest declines in forward-looking sentiments, with the near-term sales and price expectations series registering net balance of -64% and -72% respectively. Elsewhere, feedback from Hong Kong Island paints a similar picture to the previous month, with the near-term sales and price expectations metrics at -25% and -40. In tandem, the New Territories also reported negative projections for the near-term sales and price outlook, registering net balances of -13% and -46% respectively.

Buyer demand weakens as investment suppressed

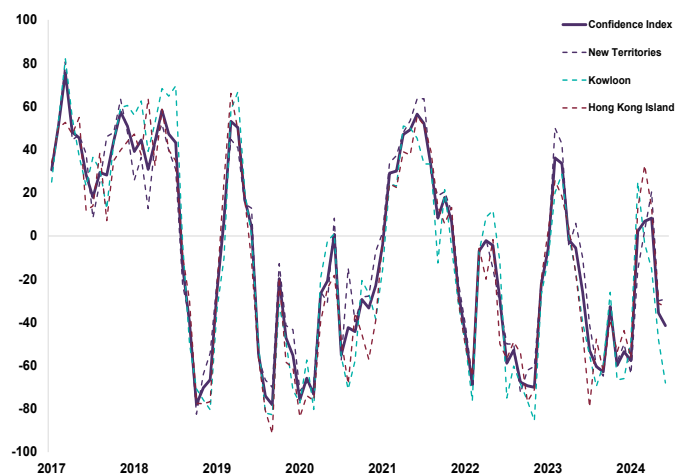
On closer inspection, a more nuanced picture is evident when it comes to buyer appetite as shown in Chart 4. At the aggregated level, the demand metrics for investors and mainland buyers both posted visible drops with net balances of -31% and -13% in June. Broadly similar declines are seen across districts for these two buyer categories. On the other

hand, demand from owner-occupiers slightly improved, with a reading of +2% as opposed to -12% previously. That said, the near-zero reading masks divergent responses from the owner-occupiers in the New Territories (+14%) and Kowloon (+12%) versus in Hong Kong Island (-40%).

Lettings market improves significantly

In contrast with the sales market, the lettings market demonstrates a more positive picture. Seen from Chart 6, tenant demand and landlord instructions both continue to improve at the headline level. Particularly, the demand metric increased from a net balance +19% to +39%. When disaggregated, the optimism is more pronounced in Kowloon, recording a net balance of +52%. Elsewhere, both Hong Kong Island and the New Territories recorded similar readings at +35% and +33%, respectively. These solid demand responses have helped to push up feedback around rental expectations, both short-term and long-term. For example, the 12-month rental growth estimate is now at +1.8%, up from +0.5% last previous month, 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

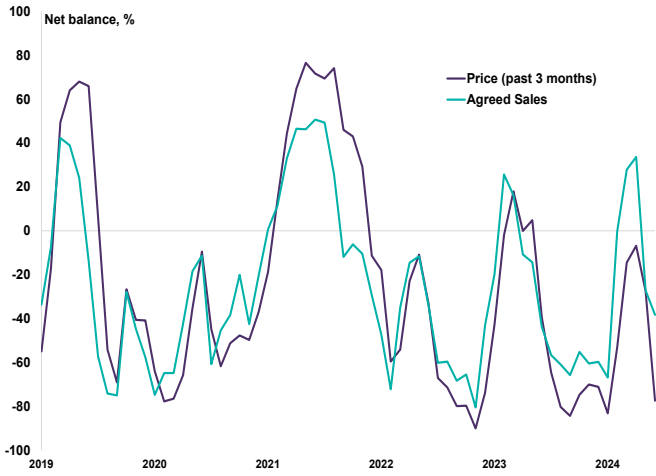


Chart 3: Buyer enquiries and instructions to sell

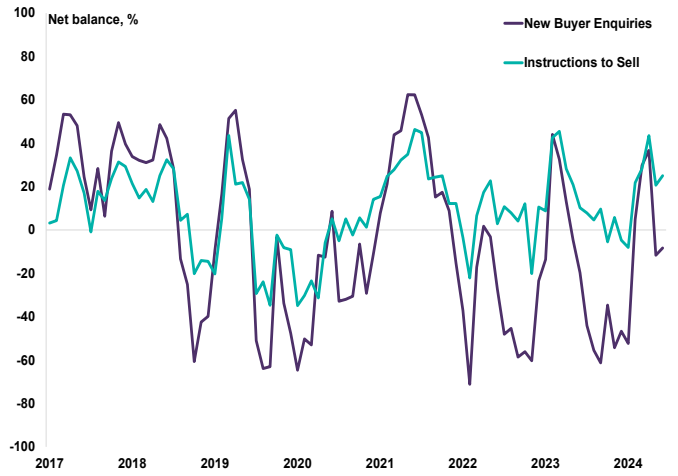


Chart 4: New buyer enquiries by type

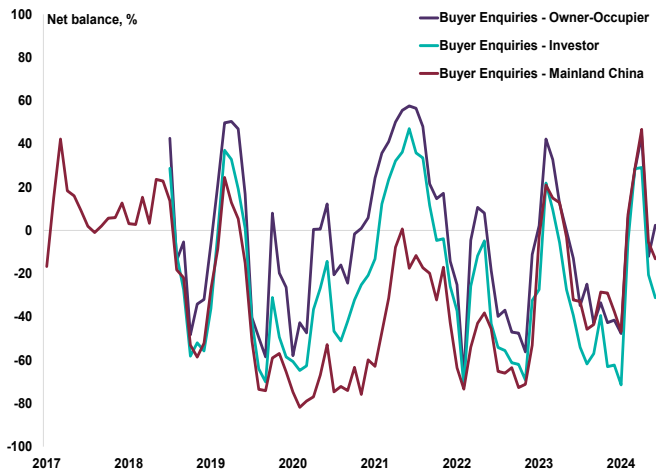


Chart 5: 3-month rent/price/sales expectations

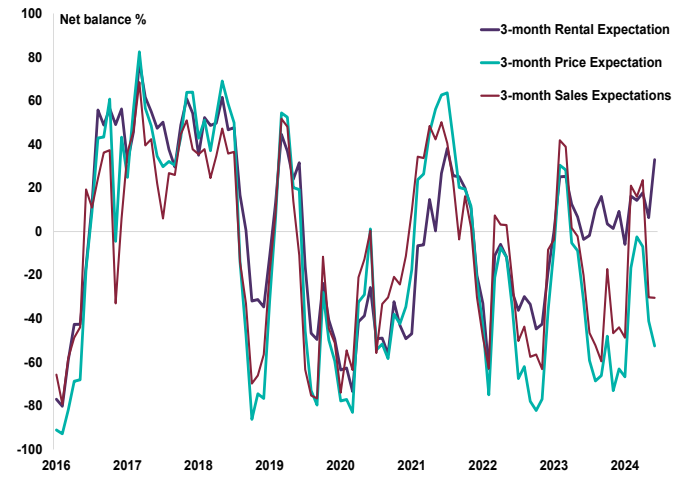


Chart 6: Tenant demand and landlord instructions

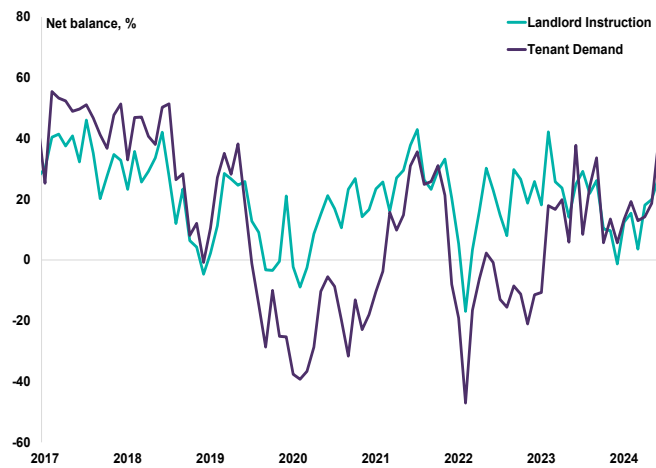
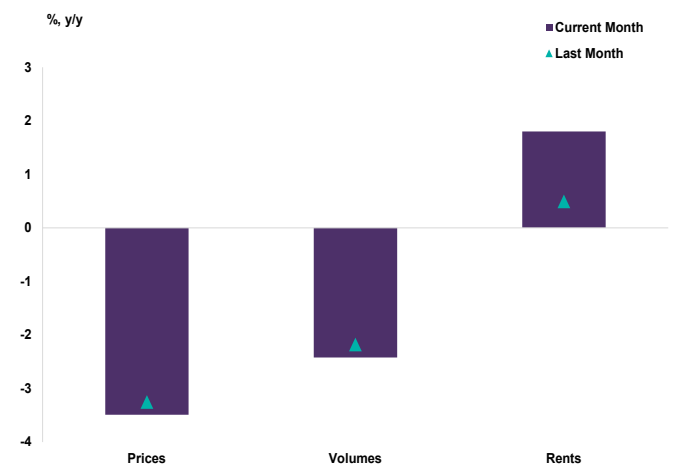


Chart 7: 12-month expectations



Comments from survey participants in Hong Kong

Hong Kong

Property loan interest rates. - Hong Kong Island

Some people are making the move from homeowner to renter. - Hong Kong Island

Economic recession remains with political attitude of the market. - Kowloon

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

HK property market is still under recession and no major information the market will recover soon. - The New Territories

Market conditions are still not favourable, i.e. slow economy recovery and high interest rates. - The New Territories

Governance of HKSAR government. - 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:

July survey: 22 August 2024

Contact details

This publication has been produced by RICS. For all economic enquiries, including participation in the monitor please contact: economics@rics.org

James Fisher

Spacious COO & Head of Market Analysis and Analytics
+65 68128179
james@spacious.hk

Simon Rubinsohn

RICS Chief Economist
+44(0)20 7334 3774
srubinsohn@rics.org

Tarrant Parsons

RICS Senior Economist
+44(0)20 7695 1585
tparsons@rics.org

Donglai Luo

RICS Senior Economist
+65 8030 4177
dluo@rics.org

Adib Munim

RICS Economist
amunim@rics.org

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Americas, Europe, Middle East & Africa
aemea@rics.org

Asia Pacific
apac@rics.org

United Kingdom & Ireland
contactrics@rics.org



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