



September 2024: Hong Kong Residential Monitor

Market sentiment improves albeit with a mixed picture at the district level

- Headline confidence index returns to neutral territory
- Sales price expectations remain negative
- Tenant demand continues to rise across the rental market

The results from the September 2024 RICS-Spacious Hong Kong Residential Property Monitor show slightly improved sentiment in the sales market as illustrated in Chart 1, where the headline confidence index rose from -48 to +6 over the month. However, mixed signals are seen at the district level. Responses in Kowloon remain somewhat subdued with a negative headline index at -16, whilst respondents from Hong Kong Island and The New Territories report a better tone to the market. In the lettings market, strong tenant demand continues to boost overall market sentiment, strengthening rental price expectations.

A mixed picture in the sales market

At the aggregate level, the latest results show improved sales performance, although house price trends remain softer at this stage (as depicted in Chart 2). Indeed, the price indicator for the last three months remained in negative territory at a net balance of -46%. Meanwhile, the agreed sales indicator recorded a near-zero net balance of +3% over the month. Though the current sales improvement is modest, forward-looking metrics reveal more optimistic signs. As depicted in Chart 5, the 3-month sales expectations metric jumped from a net balance of -32% to +20%. Alongside this, the short-term price expectations indicator posted a net balance of -8%. Concurrently, the long-term price and sales expectations series also gained from momentum, registering net balances of -3% and +32%, respectively.

At the district level, however, the picture is mixed. Kowloon saw the lowest price expectations reading amongst the districts, at a net balance of -32%. In comparison, Hong Kong Island recorded an improved price expectation metric at +6%. On the other hand, the sales expectations series saw a greater improvement, with both The New Territories and Hong Kong Island gaining positive net balances of +27 and +35%, respectively. Meanwhile, Kowloon saw a neutral reading at zero for the near-term sales expectation.

Visible improvements in buyer sentiment

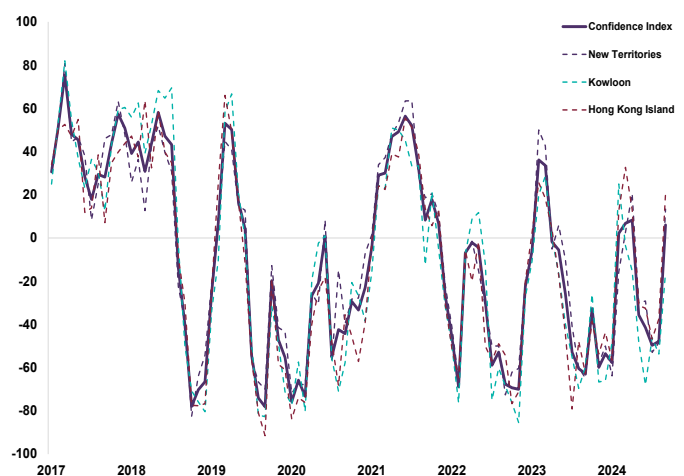
As shown in Chart 3, the metric for buyer enquiries saw a sharp reversal from a negative net balance of -33% to +25% over the month. The turnaround is best seen in Hong Kong Island where the buyer enquiries metric leaped from -70% to +24%. On specific buyer categories, however, the recovery is unbalanced. Demand from mainland buyers displays

the most pronounced increase, with the metric scoring a net balance of +26% on average across the districts. This is accompanied by a positive trend in owner-occupier demand in Hong Kong Island and The New Territories (net balances around +30%). Still suppressed by high interest rates, the investor demand recovery is comparatively less visible, with a net balance of 8% at the aggregated level.

Tenant demand remains bullish

The lettings market continues to show bullish signs, as has been the case since the start of 2024. As evidenced in Chart 6, tenant demand exceeded landlord instructions in net balance terms, with both indicators also experiencing uplifts at the aggregated level. Moreover, when disaggregated, rising demand is reported across all districts, with each region registering net balances above +50%. As a result, rental price expectations moved higher, with the short-term rental expectations series registering a net balance of +36% at the aggregated level. Moreover, 12-month rental growth projections holds at +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

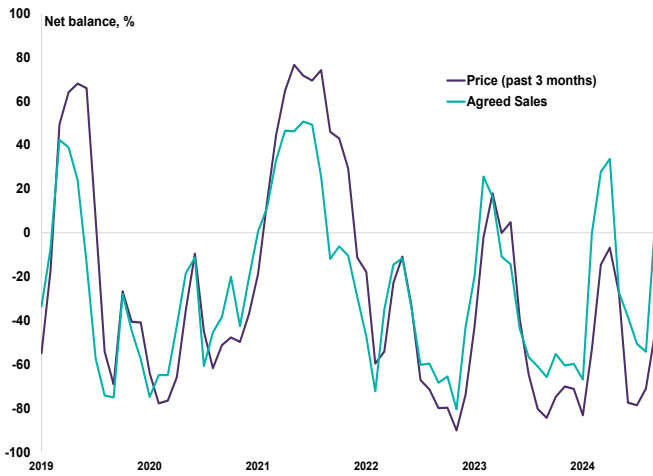


Chart 3: Buyer enquiries and instructions to sell

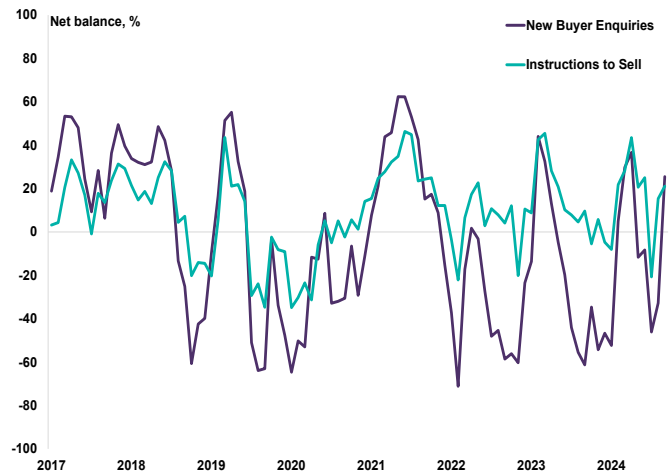


Chart 4: New buyer enquiries by type

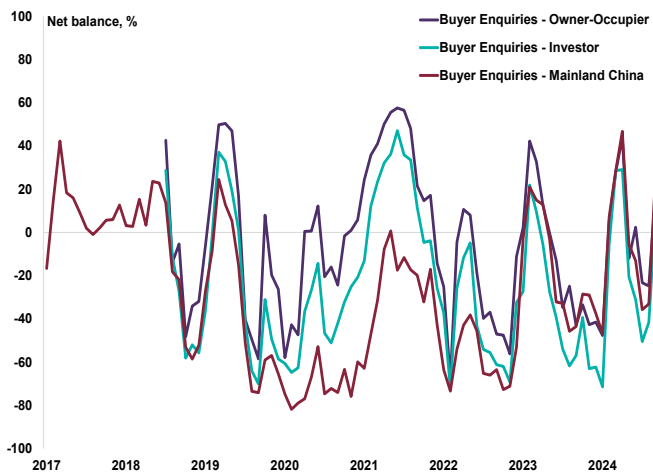


Chart 5: 3-month rent/price/sales expectations

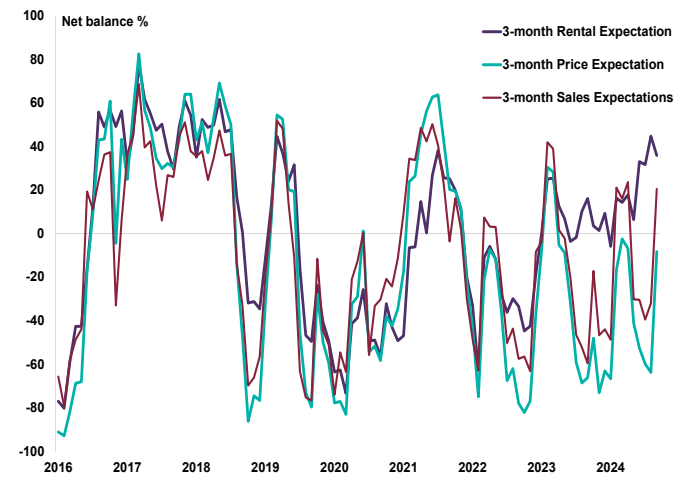


Chart 6: Tenant demand and landlord instructions

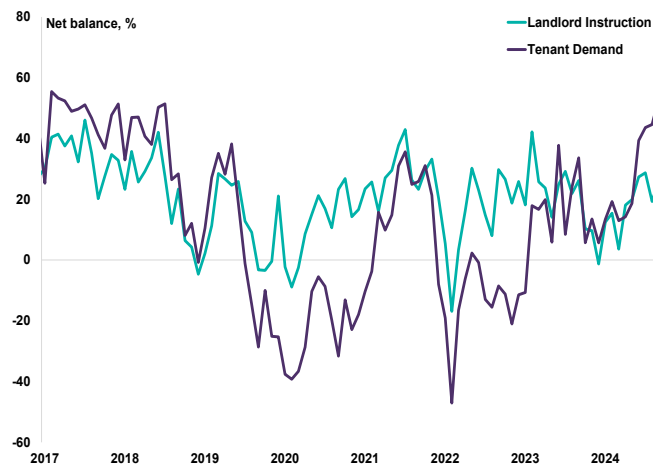
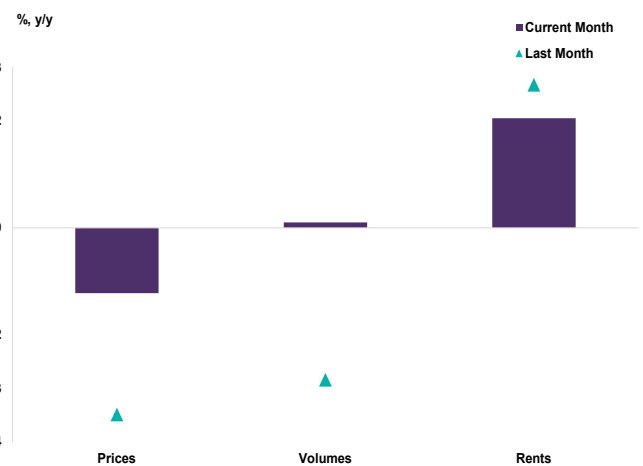


Chart 7: 12-month expectations



Comments from survey participants in Hong Kong

Hong Kong

Local bank Interest rate started to cut in line with US rate cut this month. - Hong Kong Island

Whether loan interest rates will be lowered in the coming years. - Hong Kong Island

The global economic and geopolitical climate remains gloomy. - Hong Kong Island

Growth of China's Property market carries positive influence to HK market. - Kowloon

Weak economic recovery still has impact on property price level and confidence of potential buyers. - Kowloon

China-US relation. - Kowloon

Bank interest rate. - Kowloon

Governance of the HKSAR government. - The New Territories

Chinese government economic policy. - 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:

October survey: 21 November 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

Disclaimer

This document is intended as a means for debate and discussion and should not be relied on as legal or professional advice. Whilst every reasonable effort has been made to ensure the accuracy of the contents, no warranty is made with regard to that content. Data, information or any other material may not be accurate and there may be other more recent material elsewhere. RICS will have no responsibility for any errors or omissions. RICS recommends you seek professional, legal or technical advice where necessary. RICS cannot accept any liability for any loss or damage suffered by any person as a result of the editorial content, or by any person acting or refraining to act as a result of the material included.

Delivering confidence

We are RICS. Everything we do is designed to effect positive change in the built and natural environments. Through our respected global standards, leading professional progression and our trusted data and insight, we promote and enforce the highest professional standards in the development and management of land, real estate, construction and infrastructure. Our work with others provides a foundation for confident markets, pioneers better places to live and work and is a force for positive social impact.

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

Asia Pacific
apac@rics.org

United Kingdom & Ireland
contactrics@rics.org



rics.org