



February 2025: Hong Kong Residential Monitor

Sales market sentiment shifts towards a less negative outlook

- Headline confidence index turns less negative
- Buyer demand improves in Kowloon and Hong Kong Island
- Lettings market remains stable

The results of the February 2025 RICS-Spacious Hong Kong Residential Property Monitor show less negative sentiment in the sales market and an overall positive outlook for the lettings market. Chart 1 displays the headline confidence index which remains in negative territory, albeit not quite as downbeat as previously. Comparatively, the negative signals are more visible in Kowloon and the New Territories. Meanwhile, the lettings market has been firm with positive feedback across the districts.

Sales market continues to show weakness

At the aggregate level, both the price and sales volume indicators remained in the negative zone, as illustrated in Chart 2. That said, the agreed sales series recorded slight improvements in Kowloon (-16% vs. -29% previously) and Hong Kong Island (-9% vs. -40% previously). Meanwhile, the overall near-term sales outlook is anticipated to stay in the negative zone, though with a less negative three-month sales expectations net balance, increasing from -30% to -14% over the month. When disaggregated, the picture is mixed. The sales expectation series in Hong Kong Island points to a positive net balance (+13%) for the three-month sales outlook while the reading was neutral in Kowloon (-4%) and sluggish in the New Territories (-32%).

Meanwhile, improved sales activity has not translated into price stabilisation. Indeed, the price outlook remained subdued across the districts with similar readings around -40% in net balance terms. The prevailing negativity is also evident in longer-term price projections, with the annual rate of change expected to come in at -2.6% (as illustrated in Chart 7).

Buyers remain cautious with signs of stabilisation

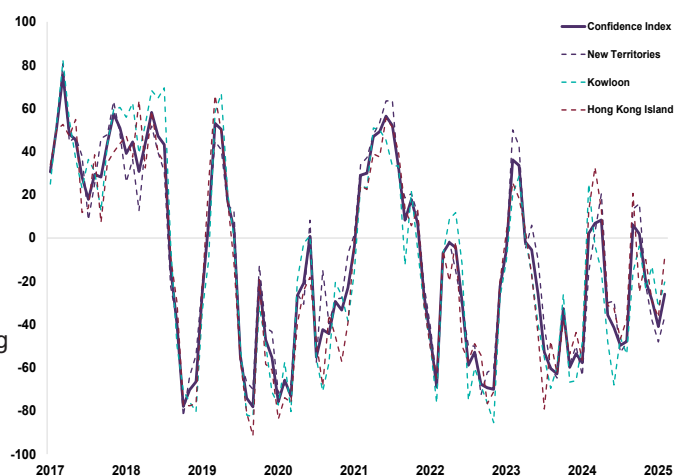
Charts 3 and 4 further illustrate buyer demand trends at the headline level and across different buyer types. At the aggregate level, the new buyer enquiries metric saw an increase over the month, with a nearly neutral net balance at -6% (vs. -36% last December). Drilling deeper, the improvements primarily came from Kowloon (+8%) and Hong Kong Island (+5%) with the New Territories lagging behind (-18%). On the other hand, the readings for instructions to sell outpaced the net balance for buyer demand in Hong Kong Island (+18%) and Kowloon (+30%), indicating a stronger mood for selling. When it comes to different buyer

categories, signs of weak demand are visible. Specifically, mainland buyer demand continues to register a neutral net balance reading of -6%. Meanwhile, the owner-occupier and investor enquiries metrics are more suppressed by tight credit conditions, registering net balances of -13% and -19%, respectively.

A resilient picture is seen in the lettings market

The lettings market has been firm since mid-2024, supported by robust tenant demand. As captured in Chart 6, the overall tenant demand indicator remained at +24% in February. Looking closer, this optimism can be seen across regions, though with varying momentum. Tenant demand edged higher in Hong Kong Island and Kowloon. Meanwhile, the rental market in the New Territories shows neutral trends for both tenant demand and rental expectations. In general, the resilience in rental market activities is also reflected in positive short-term and year-ahead rental price expectations, as depicted in Charts 5&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

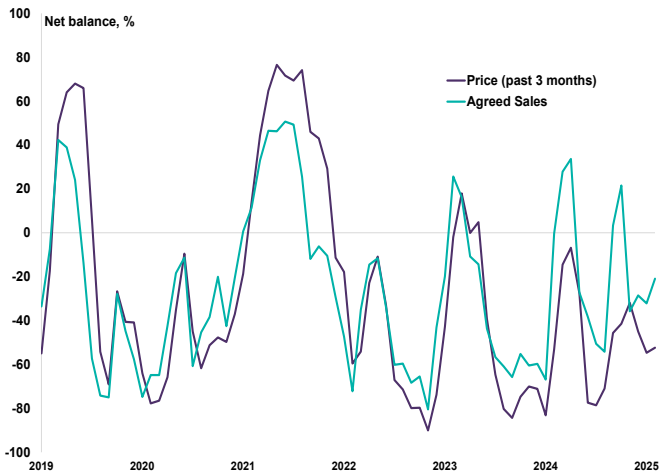


Chart 3: Buyer enquiries and instructions to sell

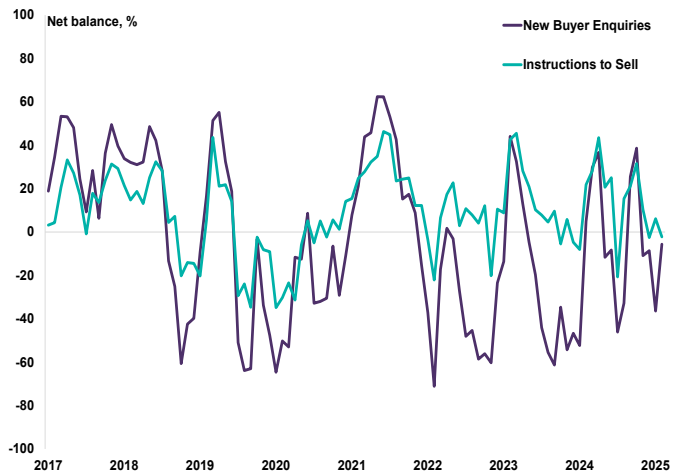


Chart 4: New buyer enquiries by type

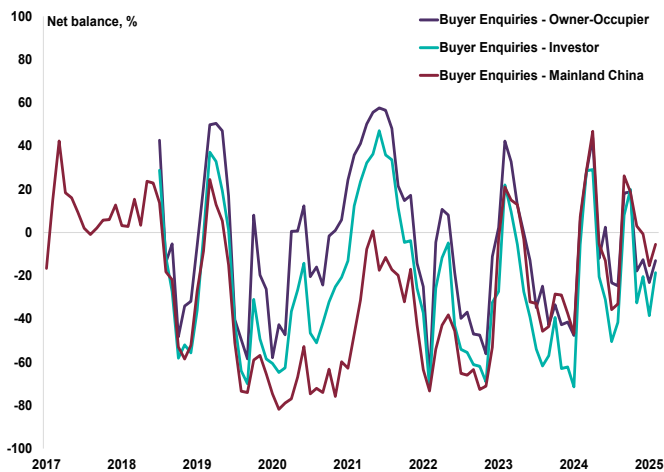


Chart 5: 3-month rent/price/sales expectations

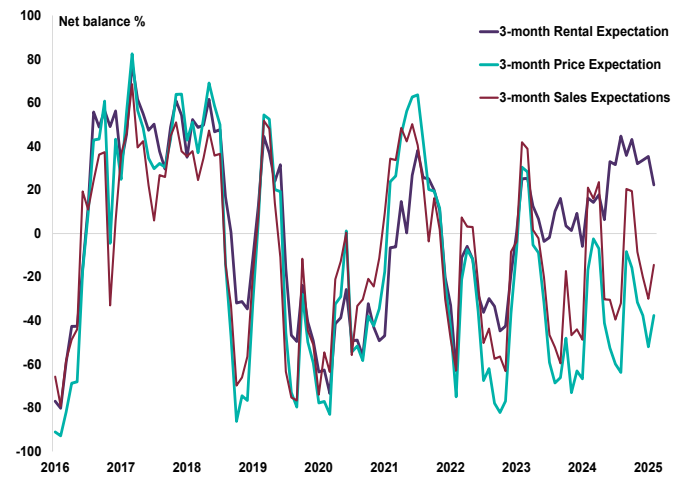


Chart 6: Tenant demand and landlord instructions

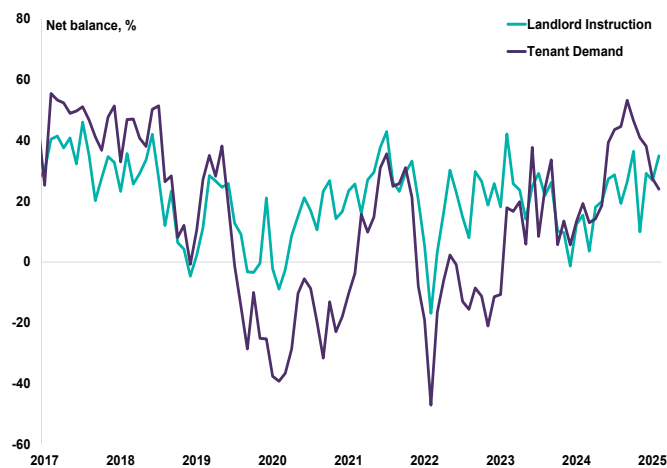
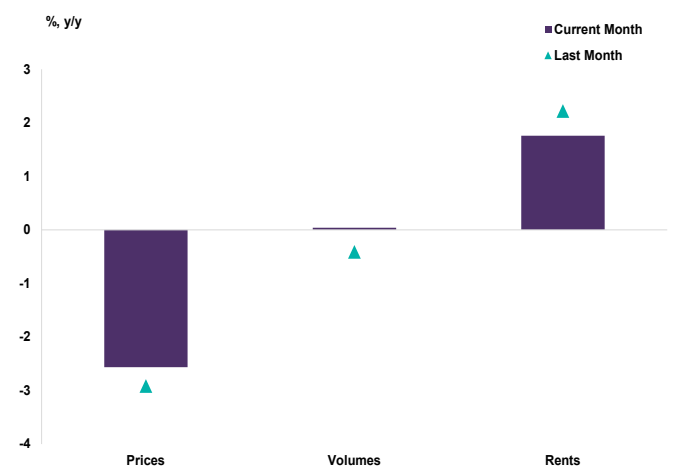


Chart 7: 12-month expectations



Comments from survey participants in Hong Kong

Hong Kong

More defaults in mortgages/bankrupt cases are surfacing. - Hong Kong Island

Christmas and Chinese New Year were close together this year. - Hong Kong Island

China economy. - Hong Kong Island

Whether loan interest rates could be further lowered in coming 12 month. - Hong Kong Island

Chinese Lunar New Year holidays slowed down the market. - Hong Kong Island

Property sales market remains lukewarm with poor local economic growth. - Kowloon

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:

March survey: 18 April 2025

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