## CHAPTER 4 : DEVELOPMENTS IN SELECTED SECTORS

***Summary***

* *The residential property market underwent a marked correction in 2022 amid tightened financial conditions and worsened global and local economic outlook. Trading activities were moderate in the first half of the year, and then quietened visibly in the second half. Flat prices fell by a cumulative 16% during the year.*
* *Reflecting the Government’s sustained efforts in increasing land and flat supply, total private first-hand flat supply in the coming three to four years would rise to a record high of 105 000 units as estimated at end-2022. Reflecting the impacts of the various demand-side management measures, speculative activities and non-local demand stayed low in 2022 while investment activities remained modest.*
* *The non-residential property market weakened during 2022 amid subdued economic conditions. Prices and rentals for most major market segments declined. Trading activities fell to very low levels.*
* *The tourism sector remained very weak in 2022, though steady improvement has been seen since the second quarter following the gradual relaxation of control arrangements for inbound visitors. There were 604 600 visitor arrivals in 2022, markedly higher than the 91 400 recorded in 2021, but still only amounted to 0.9% of the pre‑recession level of 65.1 million in 2018.*
* *The logistics sector was sluggish in 2022 amid the deteriorating trade performance. Total container throughput declined by 6.5%, and air freight throughput fell by 16.4% from the high level in the preceding year.*

**Property**

* 1. The *residential property market* underwent a marked correction in 2022. Market sentiment turned increasingly cautious over the course of the year as financial conditions tightened amid the sharp monetary policy tightening by the US Federal Reserve and the global and local economic outlook worsened.
  2. Trading activities were moderate in the first half of 2022, and then quietened visibly in the second half. For the year as a whole, the total number of sale and purchase agreements for residential property received by the Land Registry plunged by 39% to 45 050, the lowest level since figures are available and well below the five-year average of 62 562 from 2017 to 2021. Within the total, primary and secondary market transactions plummeted by 42% and 39% respectively to 10 315 and 34 735. Total consideration fell sharply by 44% to $407.7 billion.



* 1. Overall flat prices declined by 3% during the first half of the year, and then visibly faster by 13% during the second half despite some signs of stabilisation towards the end of the year. Flat prices in December 2022 were on average 16% lower than both a year earlier and the peak in September 2021. Analysed by size, comparing December 2022 with December 2021, prices of small/medium-sized flats and large flats fell by 16% and 7% respectively.
  2. The leasing market for residential property also weakened. Flat rentals in December 2022 were on average 4% lower than in December 2021, and 12% below the peak in August 2019. Analysed by size, rentals of small/medium-sized flats and large flats fell by 4% and 3% respectively during the year. Reflecting the movements of prices and rentals, the average rental yield for residential property rose from 2.2% a year earlier to 2.5% in December 2022.



* 1. The index of home purchase affordability (i.e. the ratio of mortgage payment for a 45-square metre flat to median income of households, excluding those living in public rental housing and public temporary housing) remained elevated at around 70% in the fourth quarter of 2022. This was significantly above the long-term average of 49% over 2002-2021(1), though slightly lower than the 72% a year earlier as the effect of rising mortgage rates was more than offset by the decline in flat prices. Should interest rates rise by two percentage points to a level closer to the historical standards, the ratio would reach 83%.



* 1. Increasing housing land supply is a policy priority of the Government(2). For the 2022-23 financial year, a total of eight residential sites were sold or would be put up for sale by the Government under the Land Sale Programme, capable of providing about 5 180 units in total. Combining the various sources (including Government land sale, railway property development projects, the Urban Renewal Authority’s projects, and private development and redevelopment projects), the total private housing land supply in 2022-23 is estimated to have a capacity to produce about 16 000 units, exceeding the private housing supply annual target (12 900 units) by more than 20%.
  2. Reflecting the Government’s sustained efforts in raising land supply, the *total supply of first-hand flats* *in the private sector* in the coming three to four years (comprising unsold flats of completed projects, flats under construction but not yet sold and flats on disposed sites where construction can start any time) would rise to a record high of 105 000 units as estimated at end-2022. Another 5 700 units could be added to the total supply after the conversion of a number of residential sites into “disposed sites”.
  3. The demand-supply balance of private flats showed some improvement during 2022. The gross completions of private flats surged by 47% to 21 200 units in 2022. After netting off demolition of 2 400 units, the net completions of 18 800 units were higher than the take-up of 14 000 units(3). As a result, the vacancy rate rose from 4.1% at end-2021 to 4.4% at end-2022, slightly below the long-term average of 4.7% over 2002‑2021. The Rating and Valuation Department forecasts gross completions at 19 900 units in 2023 and 27 000 units in 2024(4), compared with the average of 15 900 units per annum in the past ten years (2013-2022).
  4. To dampen speculative, investment and non-local demand, and to reduce the possible risks to financial stability arising from an exuberant property market, the Government implemented a number of demand-side management and macro-prudential measures during 2009 to 2017. These measures have yielded notable results. On *speculative activities*, the number of short-term resale (comprising confirmor transactions and resale within 24 months after assignment) remained low at 41 cases per month or 1.0% of total transactions in 2022, well below the monthly average of 2 661 cases or 20.0% in January to November 2010 (i.e. the period before the introduction of the Special Stamp Duty). Reflecting the effects of the Buyer’s Stamp Duty, *purchases by non-local individuals and non-local companies* stayed low at 22 cases per month or 0.5% of total transactions in 2022, much lower than the monthly average of 365 cases or 4.5% in January to October 2012. As an indicator of *investment activities*, purchases subject to the New Residential Stamp Duty stayed at a modest level of 176 cases per month or 4.3% of total transactions in 2022, markedly lower than the monthly average of 1 412 cases subject to Doubled Ad Valorem Stamp Duty or 26.5% in January to November 2016. As to *mortgage lending*, the average loan-to-value ratio of new mortgages was 56% in 2022, below the average of 64% in January to October 2009 before the first round of macro-prudential measures for residential property mortgage lending was introduced by the Hong Kong Monetary Authority.







* 1. The *non-residential property market* weakened during 2022 amid subdued economic conditions. Prices and rentals for most major market segments declined. Trading activities fell to very low levels.
  2. Prices for *office space* on average dropped by 7% between December 2021 and December 2022. Analysed by office class, prices of Grade A, B and C office space declined by 10%, 10% and 7% respectively. Over the same period, office rentals on average fell by 3%. Within the total, rentals of Grade A, B and C office space retreated by 2%, 4% and 3% respectively. Compared with the respective peaks in 2018 and 2019, prices and rentals of office space in December 2022 on average were 24% and 14% lower. The average rental yields of Grade A, B and C office space rose to 2.8%, 2.9% and 3.1% respectively in December 2022, from 2.5%, 2.7% and 2.9% a year earlier. Transactions for office space shrank by 38% to a record low of 670 cases in 2022, significantly below the annual average of 1 180 cases in 2017-2021. As to the demand-supply balance, as the take-up of 19 300 m2 was much lower than the completion of 351 300 m2, the vacancy rate rose from 12.3% at end-2021 to 14.4% at end-2022, staying above the long-term average of 9.2% over 2002‑2021.
  3. Prices and rentals of *retail shop space* fell by 9% and 4% respectively between December 2021 and December 2022. Compared with the respective peaks in 2018 and 2019, prices and rentals in December 2022 were 15% and 13% lower. The average rental yield edged up from 2.5% in December 2021 to 2.6% in December 2022. For all commercial spaces, transactions plunged by 36% to 1 400 cases(5) in 2022, considerably below the annual average of 1 780 cases in 2017-2021. As the take-up of 52 200 m2 was lower than the completion of 117 700 m2, the vacancy rate rose from 10.2% at end-2021 to 10.5% at end‑2022, above the long-term average of 9.1% over 2002-2021.
  4. Prices of *flatted factory space* in December 2022 were 6% lower than in December 2021 and 10% below the peak in 2019. Rentals moved within a narrow range during the year, ending little changed from a year earlier and 1% lower than the peak in 2021. The average rental yield rose from 2.9% in December 2021 to 3.1% in December 2022. Transactions fell by 45% to a record low of 2 000 cases in 2022, well below the annual average of 3 630 cases in 2017-2021. As the take-up of 148 700 m2 exceeded the completion of 105 000 m2, the vacancy rate went down from 5.7% at end-2021 to 5.3% at end‑2022, below the long-term average of 6.8% over 2002-2021.





**Land**

* 1. Fifteen sites with a total area of about 14.8 hectares were disposed of in 2022, fetching a land premium of about $29.3 billion. Among these sites, there were eight residential sites, three commercial sites, one industrial site, one site for logistics services and public vehicle park and two sites for external telecommunications station. In addition, the tender exercise for one residential site in Stanley and one external telecommunications station site in Chung Hom Kok commenced in the fourth quarter. Regarding exchange of land, 12 sites with a total area of about 99.8 hectares were approved in 2022. As to lease modifications, a total of 89 sites were approved.

**Tourism**

* 1. The tourism sector remained very weak in 2022, though steady improvement has been seen since the second quarter following the gradual relaxation of control arrangements for inbound visitors (including the lift of the ban on non-Hong Kong residents entering Hong Kong from overseas places in the beginning of May, adjustments to the quarantine arrangements for inbound travellers in mid-August and the lift of the inbound compulsory quarantine requirement in late September). *Visitor arrivals* rose progressively from 11 500 in the first quarter to 354 900 in the fourth quarter. For 2022 as a whole, there were 604 600 visitor arrivals, markedly higher than the 91 400 recorded in 2021, but still only amounted to 0.9% of the pre-recession level of 65.1 million in 2018. Visitors from the Mainland, other short-haul markets and long-haul markets all recorded visible increases in 2022(6). Visitor spending, as measured by exports of travel services, increased by 64.8% in real terms over the low level in the preceding year, but was still only 7.8% of the level in 2018.

**Table 4.1 : Number of visitor arrivals**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  |  | All sources | Mainland China | Other short-haul markets\* | Long-haul markets\* |
|  |  |  |  |  |  |
| 2019 | Annual | 55 912 600 | 43 774 700 | 7 939 600 | 4 198 300 |
|  |  |  |  |  |  |
|  | Q1 | 18 234 400 | 14 582 200 | 2 486 500 | 1 165 700 |
|  | Q2 | 16 637 500 | 12 991 300 | 2 448 200 | 1 198 000 |
|  | Q3 | 11 891 600 | 9 356 000 | 1 648 000 | 887 600 |
|  | Q4 | 9 149 200 | 6 845 100 | 1 356 900 | 947 100 |
|  |  |  |  |  |  |
| 2020 | Annual | 3 568 900 | 2 706 400 | 503 600 | 358 900 |
|  |  |  |  |  |  |
|  | Q1 | 3 489 200 | 2 665 900 | 483 500 | 339 800 |
|  | Q2 | 26 900 | 15 300 | 4 800 | 6 700 |
|  | Q3 | 34 100 | 14 300 | 10 200 | 9 700 |
|  | Q4 | 18 600 | 10 900 | 5 100 | 2 700 |
|  |  |  |  |  |  |
| 2021 | Annual | 91 400 | 65 700 | 15 000 | 10 700 |
|  |  |  |  |  |  |
|  | Q1 | 16 500 | 11 600 | 3 100 | 1 900 |
|  | Q2 | 17 200 | 12 700 | 2 400 | 2 100 |
|  | Q3 | 29 400 | 21 800 | 4 300 | 3 200 |
|  | Q4 | 28 300 | 19 700 | 5 200 | 3 500 |
|  |  |  |  |  |  |
| 2022 | Annual | 604 600 | 375 100 | 128 600 | 100 800 |
|  |  |  |  |  |  |
|  | Q1 | 11 500 | 8 600 | 2 000 | 900 |
|  | Q2 | 64 500 | 53 400 | 5 700 | 5 500 |
|  | Q3 | 173 700 | 139 600 | 17 300 | 16 800 |
|  | Q4 | 354 900 | 173 500 | 103 700 | 77 600 |

Notes : (\*) See note (6) at the end of this chapter for the definitions of other short-haul and long‑haul markets.

Figures may not add up to the corresponding totals due to rounding.

**Table 4.2 : Number of overnight and same-day visitor arrivals**

|  |  |  |  |
| --- | --- | --- | --- |
|  |  | Overnight visitor arrivals | Same-day visitor arrivals |
|  |  |  |  |
| 2019 | Annual | 23 752 400 | 32 160 300 |
|  |  |  |  |
|  | Q1 | 7 775 100 | 10 459 300 |
|  | Q2 | 7 145 100 | 9 492 400 |
|  | Q3 | 5 108 400 | 6 783 200 |
|  | Q4 | 3 723 700 | 5 425 500 |
|  |  |  |  |
| 2020 | Annual | 1 359 400 | 2 209 500 |
|  |  |  |  |
|  | Q1 | 1 280 900 | 2 208 300 |
|  | Q2 | 26 500 | 300 |
|  | Q3 | 33 800 | 300 |
|  | Q4 | 18 100 | 500 |
|  |  |  |  |
| 2021 | Annual | 89 200 | 2 200 |
|  |  |  |  |
|  | Q1 | 16 300 | 200 |
|  | Q2 | 16 900 | 300 |
|  | Q3 | 29 000 | 300 |
|  | Q4 | 26 900 | 1 400 |
|  |  |  |  |
| 2022 | Annual | 567 800 | 36 800 |
|  |  |  |  |
|  | Q1 | 10 700 | 800 |
|  | Q2 | 62 700 | 1 800 |
|  | Q3 | 164 600 | 9 100 |
|  | Q4 | 329 800 | 25 100 |

Note : Figures may not add up to total visitor arrivals due to rounding.

* 1. The hotel sector continued to operate much below capacity in 2022. The average hotel room occupancy rate increased slightly from 63% in 2021 to 66% in 2022, remaining considerably below the average of 91% in 2018 prior to the recession. As regards the quarterly movements, the average hotel room occupancy rate rose from 57% in the first quarter to 70% and 71% respectively in the second and third quarters, before falling back to 66% in the fourth quarter following the lift of the compulsory quarantine requirement for inbound travellers. Nonetheless, the average achieved hotel room rate increased notably by 23.8% to $1,065 (7) in 2022.

**Logistics**

* 1. The logistics sector was sluggish in 2022 amid the deteriorating trade performance. *Total container throughput* declined by 6.5% to about 16.6 million twenty-foot equivalent units (TEUs). Within the laden container throughput, direct shipment and transhipment fell by 9.7% and 10.8% respectively. Yet the value of trade handled at the Hong Kong port rose by 13.2% and its share in total trade increased from 13.4% in 2021 to 16.4% in 2022, conceivably reflecting the temporary diversion of some cross-boundary freight from road to water amid the disruptions to cross-boundary land transportation.



* 1. *Air freight throughput* fell by 16.4% from the high level in 2021 to 4.2 million tonnes in 2022. Yet the value of trade by air rose by 5.2% and its share in total trade increased from 42.2% to 48.2%, conceivably due to the higher unit value of goods carried by air amid tight capacity and elevated air freight charges.



**Transport**

* 1. Traffic flows for different modes of cross-boundary passenger transport showed mixed performance in 2022. Along with the multiple rounds of relaxation of quarantine arrangement for inbound travellers during the year, air passenger trips increased visibly from 1.4 million in 2021 to 5.7 million in 2022, but were still only 7.6% of the pre-recession level of 74.7 million in 2018. Meanwhile, as the compulsory quarantine arrangement in the Mainland remained in place throughout the year, land-based cross-boundary passenger trips only increased mildly from 1.0 million to 1.1 million. On the other hand, the number of water-borne cross-boundary passenger trips plummeted from 280 600 to 33 300, attributable to the suspension of “cruise-to-nowhere” itineraries. Average daily cross-boundary vehicle movements also declined sharply by 53.7% to 7 761 mainly due to the tightening of anti‑epidemic measures for cross‑boundary goods vehicles.

**Innovation and technology**

* 1. In late December 2022, the Government promulgated the Hong Kong Innovation and Technology (I&T) Development Blueprint to establish a clear development path and formulate systematic strategic planning for Hong Kong’s I&T development in the coming five to 10 years, charting Hong Kong in moving full steam towards the vision of an international I&T centre. The Government formulated the Blueprint from the perspective of top-level planning and design and will take forward the Blueprint under four broad development directions, namely “to enhance the I&T ecosystem and promote ‘new industrialisation’ in Hong Kong”; “to enlarge the I&T talent pool to create strong impetus for growth”; “to promote digital economy development and develop Hong Kong into a smart city”; and “to proactively integrate into the overall development of the country and consolidate our role as a bridge connecting the Mainland and the world”. Under the four broad development directions, the Blueprint further sets out eight major strategies, which are:
* to enhance the I&T ecosystem and promote interactive development of the upstream, midstream and downstream sectors;
* to promote technology industry development and achieve “new industrialisation” in Hong Kong;
* to diversify venture financing channels and support the development of start-ups and industries;
* to promote I&T culture for all and enhance the overall I&T atmosphere in the community;
* to enrich I&T talent resources and develop an international talent hub;
* to accelerate the development of digital economy and smart city to enhance citizens’ quality of life;
* to deepen I&T co-operation with the Mainland for better integration into the overall national development; and
* to leverage Hong Kong’s advantages as an international city to foster global I&T collaboration.

The Blueprint also sets out the macro I&T development targets for Hong Kong which cover reference development indicators over four areas, namely R&D, startups, talent and industry development, to facilitate the review of the implementation of the Blueprint.

**Environment**

* 1. The enhanced Plastic Shopping Bag (PSB) Charging Scheme was implemented on 31 December 2022. The enhancement includes (i) increasing the charging level per PSB from at least 50 cents to at least $1; (ii) removing the exemption for PSBs carrying frozen/chilled foodstuff items; and (iii) tightening the scope of exemption and limiting the number of exempted PSB to one per sale transaction as a basic principle. The enhanced scheme would help further reduce the use of PSBs and mark a step forward towards waste reduction and recycling, which would be conducive to the protection of Hong Kong’s environment.
  2. In November 2022, the Government published in the Gazette the commencement notices for the full implementation of the producer responsibility scheme on glass beverage containers in 2023. The scheme aims to put in place a system for the proper management and recycling of waste glass beverage containers generated in Hong Kong, in line with the polluter-pays principle and the vision of shared eco-responsibility.  Starting from 1 May 2023, any person who distributes glass-bottled beverages in Hong Kong must first register with the Environmental Protection Department as a registered supplier.  A registered supplier must fulfil its statutory obligations, including submission of returns, keeping records relating to the returns, payment of container recycling levies, and submission of annual audit reports.

**Notes :**

1. Starting from the third quarter of 2019, the index of home purchase affordability is calculated based on, among others, the mortgage rates of new mortgage loans with reference to both the Best Lending Rate (BLR) and the Hong Kong Interbank Offered Rate (HIBOR). As such, the data from the third quarter of 2019 onwards may not be strictly comparable with those in previous quarters, which were based on the mortgage rates of new mortgages loans with reference to the BLR only.

Figures are subject to revision later as more data become available.

1. For details of the measures promulgated in 2010, see Box 3.1 in the First Quarter Economic Report 2010, Box 3.1 in the Third Quarter Economic Report 2010 and note (2) at the end of Chapter 4 in the 2010 Economic Background and 2011 Prospects. For details of the measures promulgated in 2011, see note (2) at the end of Chapter 3 in the Half-yearly Economic Report 2011 and Box 3.1 in the Third Quarter Economic Report 2011. For details of the measures promulgated in 2012, see Box 3.1 in the Third Quarter Economic Report 2012 and Box 4.1 in the 2012 Economic Background and 2013 Prospects. For details of the measures promulgated in 2013, see Box 4.2 in the 2012 Economic Background and 2013 Prospects and Box 3.1 in the First Quarter Economic Report 2013. For details of the measures promulgated in 2014, see Box 4.1 in the 2013 Economic Background and 2014 Prospects. For details of the measures promulgated in 2015, see Box 3.1 of the First Quarter Economic Report 2015. For details of the measures promulgated in 2016, see note (1) at the end of Chapter 4 in the 2016 Economic Background and 2017 Prospects. For details of the measures promulgated in 2017, see note (3) at the end of Chapter 3 in the First Quarter Economic Report 2017, note (2) at the end of Chapter 3 in the Half-yearly Economic Report 2017 and Box 3.1 of the Third Quarter Economic Report 2017. For details of the measures promulgated in 2018, see Box 3.1 in the Half-yearly Economic Report 2018 and Box 3.1 of the Third Quarter Economic Report 2018. For details of the measures promulgated in 2019, see Box 3.1 of the Third Quarter Economic Report 2019. For details of the measures promulgated in 2020, see Box 4.1 of the 2020 Economic Background and 2021 Prospects. For details of the measures promulgated in 2021, see Box 3.1 of the Third Quarter Economic Report 2021. For details of the measures promulgated in 2022, see Box 3.1 of the Third Quarter Economic Report 2022.
2. Take-up figures represent the net increase in the number of units occupied. The figures are arrived at by adding the completions in that year to the vacancy figures at the beginning of the year, then subtracting the year’s demolition and the year-end vacancy figures. Take-up should not be confused with the sales of new developments, and it bears no direct relationship to the number of units sold by developers. Negative take-up means that there is a decrease in the number of units occupied (i.e. property previously occupied was released during the year and remained vacant at the year-end). Also, take-up, demolition, completion and vacancy figures on residential and non-residential properties are preliminary figures from the Rating and Valuation Department, and are subject to revision.
3. Forecast completions in 2023 and 2024 are preliminary figures only, and are subject to revision upon the availability of more data.
4. The figures on transaction refer to commercial space, which comprises retail premises and other premises designed or adapted for commercial use but excludes purpose-built office space.
5. Other short-haul markets refer to North Asia, South and Southeast Asia, Taiwan and Macao, but excluding the Mainland, while long-haul markets refer to the Americas, Europe, Africa, the Middle East, Australia, New Zealand and South Pacific. In 2022, visitor arrivals from the Mainland, other short-haul and long-haul markets accounted for respective shares of 62%, 21% and 17% of the total.
6. The figures on hotel room occupancy and achieved room rate do not include guesthouses.