## CHAPTER 3 : DEVELOPMENTS IN SELECTED SECTORS

***Summary***

* *The residential property market revived in the first quarter of 2023. Market sentiment improved as the local economy recovered. Both trading activities and flat prices rebounded.*
* *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 107 000 units as estimated at end-March 2023.*
* *The non-residential property market stabilised somewhat in the first quarter. Trading activities of all major segments rebounded, particularly towards the end of the quarter, while prices and rentals showed mixed performance.*
* *The tourism sector revived strongly in the first quarter alongside the progressive resumption of normal travel with the Mainland and the rest of the world. Visitor arrivals surged to 2.5 million in March, equivalent to 44% of the pre-recession monthly level in the second quarter of 2019.*
* *The logistics sector weakened further in the first quarter amid subdued external trade. Total container throughput fell by 7.7% from a year earlier, while air freight throughput dropped by 6.4%.*

**Property**

* 1. The *residential property market* revived in the first quarter of 2023 after undergoing a marked correction last year. Market sentiment improved as the local economy recovered. Both trading activities and flat prices rebounded.
  2. The total number of sale and purchase agreements for residential property received by the Land Registry jumped by 67% over the extremely low level in the preceding quarter or 39% over a year earlier to 14 023 in the first quarter, though still somewhat below the quarterly average of around 14 800 cases in 2018-2022. Within the total, primary market transactions surged by 118% over the preceding quarter as developers resumed the launching of new projects, and secondary market transactions rose by 58%. Total consideration leapt by 62% over the preceding quarter to $120.0 billion.



* 1. After a decline of 7% during the fourth quarter of 2022, overall flat prices rose back by 5% during the first quarter of 2023. Analysed by size, prices of small/medium-sized flats and large flats rose by 5% and 2% respectively. However, flat prices in March 2023 were still on average 12% below the peak in September 2021.
  2. Overall flat rentals were virtually unchanged between December 2022 and March 2023, with those of small/medium-sized flats little changed and those of large flats edging up by 1% over the period. Flat rentals in March 2023 were on average 12% below the peak in August 2019. The average rental yield for residential property edged down from 2.5% in December 2022 to 2.4% in March 2023.



* 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) rose to 73% in the first quarter alongside the rebound in flat prices, significantly above the long-term average of 51% over 2003‑2022(1). Should interest rates rise by two percentage points to a level closer to the historical standards, the ratio would reach 86%.



* 1. Increasing housing land supply is a policy priority of the Government(2). In February, the Government announced the 2023‑24 Land Sale Programme, which comprises 12 residential sites capable of providing about 9 100 flats 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 potential private housing land supply in 2023‑24 is estimated to have a capacity to produce about 20 600 units, exceeding the private housing supply annual target of 12 900 units by almost 60%.
  2. Reflecting the Government’s sustained efforts in raising land and flat 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 107 000 units as estimated at end‑March 2023. Another 3 000 units could be added to the total supply after the conversion of a number of residential sites into “disposed sites”. Also, the annual average completion of private residential flats is projected at over 19 000 units in 2023‑2027.
  3. 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 0.8% of total transactions in the first quarter, 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* also stayed low at 37 cases per month or 0.7% of total transactions in the first quarter, 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 177 cases per month or 3.3% of total transactions in the first quarter, 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 60% in the first quarter, likewise 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. In the 2023‑24 Budget, the Financial Secretary announced the adjustment of the value bands of the ad valorem stamp duty payable for the sale and purchase or transfer of residential and non-residential properties, with a view to easing the burden on ordinary families of purchasing their first residential properties. The adjustment took immediate effect on 22 February 2023.
  2. The *non-residential property market* stabilised somewhat in the first quarter. Trading activities of all major segments rebounded, particularly towards the end of the quarter, though were still at relatively low levels. Prices and rentals showed mixed performance.
  3. Prices of *office space* on average decreased by 1% during the first quarter. Analysed by office class, prices of Grade A and Grade C office space rose by 2% and 1% respectively, while those of Grade B office space were down by 1%. Meanwhile, overall office rentals were virtually unchanged between December 2022 and March 2023. Within the total, rentals of Grade A office space fell by 1%, while those of Grade B and Grade C office space both increased by 1%. Compared with the respective peaks in 2018 and 2019, prices and rentals in March 2023 were on average 21% and 14% lower. The average rental yields of Grade A, B and C office space were 2.5%, 2.7% and 3.0% respectively in March 2023, compared with 2.6%, 2.7% and 3.0% in December 2022. Transactions for office space increased by 14% over the preceding quarter or by 32% over a year earlier to 180 cases in the first quarter, though still considerably below the quarterly average of 230 cases in 2018-2022.
  4. Prices of *retail shop space* fell by 2% during the first quarter while rentals edged up by 1%. Compared with the respective peaks in 2018 and 2019, prices and rentals in March 2023 were 19% and 12% lower. The average rental yield edged up from 2.7% in December 2022 to 2.8% in March 2023. For all commercial spaces, transactions rose by 7% over the preceding quarter to 310 cases(3) in the first quarter, though remained 3% lower than a year earlier and far below the quarterly average of 400 cases in 2018-2022.
  5. Prices and rentals of *flatted factory space* rose by 3% and 2% respectively during the first quarter. Prices in March 2023 were 8% lower than the peak in 2019, while rentals were comparable to the peak in 2021. The average rental yield edged down from 3.1% in December 2022 to 3.0% in March 2023. Transactions surged by 40% over the preceding quarter or by 3% over a year earlier to 520 cases in the first quarter, but were still far below the quarterly average of 750 cases in 2018-2022.



**Land**

* 1. Three sites (comprising one residential site, one commercial site and one external telecommunications station site) with a total area of about 2.2 hectares were disposed of in the first quarter, fetching a land premium of about $6.2 billion. In the first quarter, one land exchange case and lease modifications of ten sites were approved.

**Tourism**

* 1. The tourism sector revived strongly in the first quarter. The progressive resumption of normal travel with the Mainland and the rest of the world saw *visitor arrivals* surge from the low level of 160 600 in December 2022 to 0.5 million in January 2023, 1.5 million in February and 2.5 million in March. The figure for March has already returned to 44% of the pre‑recession monthly level in the second quarter of 2019. Mainland visitors, which accounted for 76% of the total in the first quarter, leapt from 173 500 in the fourth quarter of 2022 to 3.4 million in the first quarter of 2023, and those from other short-haul markets and long-haul markets rose sharply from 103 700 and 77 600 to 779 100 and 274 400 respectively(4). Analysed by length of stay, overnight and same-day visitors jumped from 329 800 and 25 100 to 2.3 million and 2.1 million respectively. Visitor spending, as measured by exports of travel services, surged by 504.5% in real terms over the low level a year earlier and recovered to 42.4% of the level in the second quarter of 2019 prior to the recession.

**Table 3.1 : Number of visitor arrivals**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  |  | All sources | Mainland China | Other short-haul markets\* | Long-haul markets\* |
|  |  |  |  |  |  |
| 2019 | 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 | 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 | 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 | 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 |
|  |  |  |  |  |  |
| 2023 | Q1 | 4 414 800 | 3 361 200 | 779 100 | 274 400 |

Notes : (\*) See note (4) 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 3.2 : Number of overnight and same-day visitor arrivals**

|  |  |  |  |
| --- | --- | --- | --- |
|  |  | Overnight visitor arrivals | Same-day visitor arrivals |
|  |  |  |  |
|  |  |  |  |
| 2019 | 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 | Q1 | 1 280 900 | 2 208 300 |
|  | Q2 | 26 500 | 300 |
|  | Q3 | 33 800 | 300 |
|  | Q4 | 18 100 | 500 |
|  |  |  |  |
| 2021 | Q1 | 16 300 | 200 |
|  | Q2 | 16 900 | 300 |
|  | Q3 | 29 000 | 300 |
|  | Q4 | 26 900 | 1 400 |
|  |  |  |  |
| 2022 | Q1 | 10 700 | 800 |
|  | Q2 | 62 700 | 1 800 |
|  | Q3 | 164 600 | 9 100 |
|  | Q4 | 329 800 | 25 100 |
|  |  |  |  |
| 2023 | Q1 | 2 340 400 | 2 074 400 |

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

* 1. The hotel sector staged a visible recovery in tandem. The average hotel room occupancy rate rose from 66% in the fourth quarter of 2022 to 76% in the first quarter of 2023. Nevertheless, this was still below the occupancy rate of 88% in the second quarter of 2019 prior to the recession. The average achieved hotel room rate rose by 21.0% over a year earlier to $1,200(5).

**Logistics**

* 1. The logistics sector weakened further in the first quarter amid subdued external trade. *Total container throughput* fell by 7.7% from a year earlier to 3.4 million twenty‑foot equivalent units (TEUs). The value of trade handled at the Hong Kong port decreased by 32.0%, and its share in total trade went down from 17.1% a year earlier to 13.7%.



* 1. *Air freight throughput* likewise dropped by 6.4% from a year earlier to 0.9 million tonnes in the first quarter. The value of trade by air decreased by 14.5%, though its share in total trade edged up from 47.9% a year earlier to 48.2%.



**Transport**

* 1. Traffic flows for all modes of cross-boundary passenger transport recovered strongly in the first quarter. Air passenger traffic jumped by 105.4% from 3.4 million trips in the preceding quarter to 7.0 million trips, while water‑borne and land-based cross‑boundary passenger trips also surged from 9 200 and 364 600 to 1.3 million and 23.2 million respectively. The passenger trips of these three modes of transport have returned to 36.7%, 29.4% and 35.4% of their corresponding pre-recession levels in the second quarter of 2019. Meanwhile, average daily cross-boundary vehicle movements rose by 110.7% over the preceding quarter to 16 340, equivalent to 36.8% of the pre-recession level in the second quarter of 2019.

**Innovation and technology**

* 1. The Financial Secretary announced a number of measures to promote the development of innovation and technology, digital economy and Web3 in the 2023‑24 Budget. The measures included (i) setting aside $6 billion for universities and research institutes to set up thematic research centres related to life and health technology; (ii) earmarking $3 billion to enhance basic research in frontier technology fields such as artificial intelligence and quantum technology; (iii) supporting the establishment of a Microelectronics Research and Development Institute to strengthen collaboration among universities, research and development centres and the industry for expediting the “1 to N” transformation; (iv) stepping up investment in technology start-ups through the Hong Kong Science and Technology Park Corporation and the Cyberport; (v) earmarking $500 million to launch a Digital Transformation Support Pilot Programme to assist small and medium‑sized enterprises in applying ready‑to‑use basic digital solutions; and (vi) allocating $50 million for expediting the development of the Web3 ecosystem.

**Environment**

* 1. The Financial Secretary proposed various green initiatives in the 2023‑24 Budget to build Hong Kong into a green city and to achieve carbon neutrality before 2050, including (i) earmarking $200 million for commencing trials of hydrogen fuel cell electric double-deck buses and heavy vehicles; (ii) setting aside $350 million for subsidising in-harbour ferry operators to construct and test electric ferries and related charging facilities; (iii) putting in place a 100% loan guarantee scheme for the taxi trade as an incentive for taxi owners to replace their existing taxis with battery electric taxis; and (iv) allocating an additional $62 million for extension of the food waste collection network to cover more premises and expanding the trial scheme on food waste collection in public rental housing estates.
  2. Separately, the Government submitted in March 2023 the Product Eco‑responsibility (Amendment) Bill 2023 (Amendment Bill) to the Legislative Council for the regulation of disposable plastic tableware and other plastic products, proposing to prohibit the local sale and provision of nine types of disposable plastic tableware for both dine-in and takeaway customers, as well as to regulate the manufacture, sale and supply of a series of disposable plastic products. The regulation would be implemented in two phases, with the first phase to commence six months after passage of the Amendment Bill (by end‑2023 or early 2024 at the earliest). Meanwhile, the Amendment Bill also proposed to optimise the operation of the producer responsibility schemes on glass beverage containers and waste electrical and electronic equipment, as well as to expand the coverage of the latter.

**Arts, culture and creative industries**

* 1. With a view to further establishing Hong Kong’s positioning as an East‑meets-West centre for international cultural exchange, the Financial Secretary announced in the 2023‑24 Budget to allocate a total of $135 million in five years to facilitate Hong Kong artists in taking part in performances and productions in the Greater Bay Area (GBA), and $20 million to organise the GBA Culture and Arts Festival in 2024. The Budget also proposed an injection of $500 million into the CreateSmart Initiative to support the creative industries by encouraging more cross-sectoral and cross‑genre collaboration, promoting co‑production of television variety programmes by local television stations with Mainland or Asian production teams, as well as supporting the Hong Kong Design Centre and the Hong Kong Trade Development Council to implement flagship events and incubation programmes.

**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. 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.
3. 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 the first quarter of 2023, visitor arrivals from the Mainland, other short-haul and long-haul markets accounted for respective shares of 76%, 18% and 6% of the total.
4. The figures on hotel room occupancy and achieved room rate do not include guesthouses. The figures are subject to revision later as more data become available.