## CHAPTER 4 : DEVELOPMENTS IN SELECTED SECTORS

***Summary***

* *After staging a brief rebound in early 2023, the residential property market turned sluggish in the latter part of the year, as market sentiment was weighed down by tightened financial conditions, lacklustre local stock market performance, and slowing global economic growth. Trading activities rebounded in the first quarter of 2023 but quietened visibly in the subsequent quarters. Flat prices declined by 7% 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 109 000 units as estimated at end-2023. Reflecting the impacts of the various demand-side management measures, speculative activities and non-local demand stayed low in 2023 while investment activities by locals remained modest.*
* *The non-residential property market stayed weak in 2023. Trading activities for all major market segments fell to record low levels. Prices declined, while rentals generally showed some improvement.*
* *Inbound tourism revived strongly in 2023 alongside the resumption of normal travel with the Mainland and the rest of the world, though the pace of recovery decelerated somewhat towards the end of the year. Visitor arrivals leapt to 34.0 million for the year as a whole, with the number in the fourth quarter returning to 58% of the level in the same period in 2018.*
* *The logistics sector remained sluggish in 2023 amid weak external trade performance. Total container throughput declined by 14.0%, while air freight throughput rebounded slightly by 3.2% against a low base of comparison.*

**Property**

* 1. After staging a brief rebound in early 2023, the *residential property market* turned sluggish in the latter part of the year, as market sentiment was weighed down by tightened financial conditions, lacklustre local stock market performance, and slowing global economic growth.
  2. Trading activities rebounded in the first quarter of 2023 but quietened visibly in the subsequent quarters. For the year as a whole, the total number of sale and purchase agreements for residential property received by the Land Registry fell by another 5% to 43 002, the lowest level since figures are available and well below the five-year average of 59 254 in 2018‑2022. Within the total, primary market transactions increased slightly by 4% to 10 752, while secondary market transactions fell by 7% to 32 250. Total consideration also declined by 5% to $389.2 billion.



* 1. Overall flat prices bounced back by 6% during the first four months, but reverted to a decline of 12% during the rest of the year. Flat prices in December 2023 were on average 7% lower than in December 2022, and 22% below the peak in September 2021. Analysed by size, prices of small/medium‑sized flats and large flats both fell by 7% during the year.
  2. Meanwhile, the leasing market for residential property revived over the course of the year. Overall flat rentals in December 2023 were on average 7% higher than in December 2022, but still 6% below the peak in August 2019. Analysed by size, rentals of small/medium-sized flats and large flats rose by 7% and 5% respectively during the year. Reflecting the movements of prices and rentals, the average rental yield for residential property rose to 2.9% in December 2023 from 2.5% a year earlier.



* 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) fell further to around 67% in the fourth quarter of 2023 alongside the decline in flat prices. This was lower than the 70% a year earlier, but it remained significantly above the long-term average of 51% over 2003‑2022(1).



* 1. Increasing housing land supply is a policy priority of the Government(2). For the 2023-24 financial year, a total of three residential sites were sold by the Government under the Land Sale Programme, capable of providing about 1 890 units in total. Taking into account the Government’s land sales, the Urban Renewal Authority’s projects, and private development and redevelopment projects, the total private housing land supply in 2023-24 is estimated to have a capacity to produce about 11 530 units, which is close to the annual private housing supply target of 12 900 units.
  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 109 000 units as estimated at end-2023. Another 4 900 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 remained tight during 2023. The gross completions of private flats decreased by 35% to 13 900 units in 2023. After netting off demolitions, the net completions of 12 800 units were lower than the take-up of 15 700 units(3). As a result, the vacancy rate fell from 4.4% at end‑2022 to 4.1% at end‑2023, below the long‑term average of 4.6% over 2003‑2022. The Rating and Valuation Department forecasts gross completions at 22 300 units in 2024 and 25 500 units in 2025(4), compared with the average of 16 400 units per annum in the past ten years (2014‑2023).
  4. To dampen speculative activities as well as investment and non-local demand against the backdrop of a tight housing demand‑supply balance, the Government implemented a number of demand-side management measures during 2010 to 2017 to facilitate the steady development of the property market and accord priority to the home ownership needs of the people of Hong Kong. These have yielded notable results. On *speculative activities*, the number of short‑term resales (comprising confirmor transactions and resales within 24 months after assignment) remained low at 36 cases per month or 0.9% of total transactions in 2023, 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 (SSD)). Reflecting the effects of the Buyer’s Stamp Duty (BSD), *purchases by non-local individuals and non‑local companies* stayed low at 32 cases per month or 0.8% of total transactions in 2023, much lower than the monthly average of 365 cases or 4.5% in January to October 2012. As an indicator of *investment activities* by Hong Kong Permanent Residents (HKPRs), purchases by HKPRs subject to the New Residential Stamp Duty (NRSD) stayed at a modest level of 109 cases per month or 2.7% of total transactions in 2023, markedly lower than the monthly average of 1 180 cases subject to Doubled Ad Valorem Stamp Duty or 22.1% in January to November 2016.
  5. In the face of rising interest rates, moderated growth in many economies, declining transactions in the local residential property market alongside a downward adjustment of property prices, as well as the increasing housing supply in the coming years, and having considered the overall situation, the Government made adjustments to the demand-side management measures for residential properties on 25 October 2023. These included shortening the applicable period of the SSD from three to two years, reducing the respective rates of the BSD and the NRSD by half to 7.5%, and introducing a stamp duty suspension arrangement for incoming talents’ acquisition of residential properties. At end‑2023, 305 cases have been approved under this stamp duty suspension arrangement.







* 1. In order to contain the possible risks to financial stability arising from the property market, the Hong Kong Monetary Authority has introduced multiple rounds of macro-prudential measures since 2009 and adjusted the measures in accordance with the evolving market situation. The average loan-to-value ratio of new *mortgage loans* was 57% in 2023, well 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.
  2. The *non-residential property market* stayed weak in 2023. Trading activities for all major market segments fell to record low levels. Prices declined, while rentals generally showed some improvement.
  3. Price indices for overall *office space* were not available in August to October and December 2023, as there were insufficient transactions for Grade A office space in those months. Comparing the latest available figures in November 2023 with those in December 2022, prices for office space on average fell by 7%. Analysed by grade, prices of Grade A, B and C office space declined by 3%, 9% and 8% respectively. Overall office rentals in December 2023 were virtually unchanged from December 2022. Within the total, rentals of Grade A office space retreated by 1%, while those of Grade B and C office space went up by 2% and 1% respectively. Compared with the respective peaks in 2018 and 2019, prices in November 2023 and rentals in December 2023 on average were 26% and 14% lower. The average rental yields of Grade A, B and C office space were 2.6%, 3.0% and 3.3% respectively in November 2023, compared with 2.6%, 2.7% and 3.0% in December 2022. Transactions for office space fell further by 3% to a record low of 650 cases in 2023, significantly below the annual average of 920 cases in 2018-2022. As to the demand-supply balance, the take-up of 41 400 m2 was much lower than the completion of 158 700 m2. The vacancy rate thus climbed up from 14.4% at end-2022 to 14.9% at end-2023, staying above the long-term average of 9.3% over 2003‑2022.
  4. Prices of *retail shop space* declined by 6% between December 2022 and December 2023, while rentals increased by 3%. Compared with the respective peaks in 2018 and 2019, prices and rentals in December 2023 were 22% and 10% lower. The average rental yield rose from 2.7% in December 2022 to 2.9% in December 2023. For all commercial spaces, transactions shrank by 20% to a record low of 1 110 cases(5) in 2023, considerably below the annual average of 1 620 cases in 2018-2022. The take-up of 87 300 m2 for retail shop space was slightly lower than the completion of 90 700 m2. After taking into account demolitions, the vacancy rate fell from 10.5% at end‑2022 to 10.3% at end‑2023, still above the long-term average of 9.1% over 2003-2022.
  5. Prices of *flatted factory space* fell by 4% between December 2022 and December 2023, while rentals rose by 3%. Prices in December 2023 were 14% lower than the peak in 2019, while rentals were 2% higher than the peak in 2021. The average rental yield rose from 3.1% in December 2022 to 3.3% in December 2023. Transactions dropped by 7% to a record low of 1 860 cases in 2023, well below the annual average of 3 010 cases in 2018‑2022. With a negative take-up of 46 000 m2 and a completion of 57 400 m2, the vacancy rate went up from 5.3% at end‑2022 to 5.7% at end‑2023, but was still below the long‑term average of 6.5% over 2003‑2022.





**Land**

* 1. Six sites with a total area of about 5.6 hectares were disposed of in 2023, fetching a land premium of about $13.5 billion. Among these sites, there were four residential sites, one commercial site and one site for an external telecommunications station. Regarding exchange of land, 13 sites with a total area of about 12.1 hectares were approved in 2023. As to lease modifications, a total of 73 sites were approved.

**Tourism**

* 1. Inbound tourism revived strongly in 2023 alongside the resumption of normal travel with the Mainland and the rest of the world, though the pace of recovery decelerated somewhat towards the end of the year. *Visitor arrivals* surged from 4.4 million in the first quarter to 8.5 million in the second quarter, and then grew further to 10.4 million and 10.7 million in the third and fourth quarters respectively. For 2023 as a whole, visitor arrivals leapt to 34.0 million from merely 0.6 million in 2022. In the fourth quarter of 2023, visitor arrivals recovered to 58% of the level in the same period in 2018. Visitors from the Mainland, other short-haul markets and long-haul markets all registered strong revivals in 2023(6). Analysed by length of stay, overnight and same-day visitors rose to 17.2 million and 16.8 million respectively. Visitor spending surged by 523.1% in real terms over the extremely low level in the preceding year, and the figure in the fourth quarter of 2023 was 49% of the level in the same period 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 |
|  |  |  |  |  |  |
| 2023 | Annual | 33 999 700 | 26 760 500 | 5 177 800 | 2 061 400 |
|  |  |  |  |  |  |
|  | Q1 | 4 414 800 | 3 361 200 | 779 100 | 274 400 |
|  | Q2 | 8 469 100 | 6 749 600 | 1 224 100 | 495 500 |
|  | Q3 | 10 438 100 | 8 574 500 | 1 331 700 | 531 800 |
|  | Q4 | 10 677 700 | 8 075 200 | 1 842 900 | 759 600 |

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 |
|  |  |  |  |
| 2023 | Annual | 17 159 300 | 16 840 300 |
|  |  |  |  |
|  | Q1 | 2 340 400 | 2 074 400 |
|  | Q2 | 4 237 500 | 4 231 700 |
|  | Q3 | 5 267 600 | 5 170 500 |
|  | Q4 | 5 313 900 | 5 363 800 |

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

* 1. Hotel businesses staged a visible recovery in tandem. The average hotel room occupancy rate rose gradually from 76% in the first quarter to 86% in the fourth quarter, averaging 82% for 2023 as a whole. This figure was visibly higher than the 66% recorded in 2022 though remaining below the 91% in 2018. Meanwhile, the average achieved hotel room rate jumped by 50.2% over a year earlier to $1,558(7) in the fourth quarter of 2023, almost on par with the $1,566 in the same period in 2018.

**Logistics**

* 1. The logistics sector remained sluggish in 2023 amid weak external trade performance. *Total container throughput* declined by 14.0% to about 14.3 million twenty-foot equivalent units (TEUs). Within the laden container throughput, direct shipment and transhipment fell by 21.0% and 13.0% respectively. The value of trade handled at the Hong Kong port plummeted by 29.2% and its share in total trade dropped from 16.4% in 2022 to 12.5% in 2023.



* 1. *Air freight throughput* rebounded slightly by 3.2% in 2023 to 4.3 million tonnes against a low base of comparison. The value of trade by air fell by 8.8% and its share in total trade decreased from 48.2% to 47.2%.



**Transport**

* 1. Traffic flows for all modes of cross-boundary passenger transport recovered strongly in 2023, though by varying extents. Air passenger trips as well as water‑borne and land-based cross‑boundary passenger trips amounted to 39.5 million, 8.1 million and 172.0 million trips respectively, significantly above their corresponding levels in 2022. The passenger trips of these three modes of transport in the fourth quarter of 2023 returned to 62.9%, 40.3% and 84.1% of their corresponding levels in the same period in 2018. Meanwhile, average daily cross‑boundary vehicle movements also rebounded to 28 420 from 7 761 in the preceding year, with the figure in the fourth quarter of 2023 equivalent to 83.6% of the daily average in the same period in 2018.

**Environment**

* 1. The Environment and Ecology Bureau of the HKSAR Government signed the Cooperation Arrangement on Technical Exchange on Environmental Monitoring with China National Environmental Monitoring Centre of the Ministry of Ecology and Environment in October 2023 to strengthen co-operation in areas including monitoring of environmental water quality, environmental air quality, ecology and new pollutants.

**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. For details of the measures promulgated in 2023, see Box 3.1 of the Third Quarter Economic Report 2023.
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 2024 and 2025 are preliminary figures only, and are subject to revision upon the availability of more data.
4. The figures on transactions 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 2023, visitor arrivals from the Mainland, other short-haul and long-haul markets accounted for respective shares of 79%, 15% and 6% of the total.
6. 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.