## CHAPTER 3 : DEVELOPMENTS IN SELECTED SECTORS

***Summary***

* *After staying quiet in the first two months of 2024, the residential property market turned active in March as market sentiment improved after the cancellation of all demand‑side management measures (DSMMs) for residential properties* *and the adjustments of macroprudential measures. Flat prices showed signs of stabilisation towards the end of the quarter.*
* *Reflecting the Government’s sustained efforts to raise land and flat supply, the total private first-hand flat supply in the coming three to four years would rise to 112 000 units as estimated at end‑March 2024.*
* *The non-residential property market stayed lacklustre in the first quarter. Trading activities for all major market segments declined further, while prices and rentals stayed soft.*
* *The tourism sector continued to improve in the first quarter. Visitor arrivals rose further from 10.7 million in the fourth quarter of 2023 to 11.2 million in the first quarter of 2024, equivalent to 72% of the level in the same period in 2018.*
* *The logistics sector showed mixed performance in the first quarter. Total container throughput declined further by 2.7% from a year earlier, while air freight throughput increased by 18.9%.*

**Property**

* 1. After staying quiet in the first two months of 2024, the *residential property market* turned active in March as market sentiment improved after the cancellation of all DSMMs (namely Special Stamp Duty, Buyer’s Stamp Duty and New Residential Stamp Duty) for residential properties and the adjustments of macroprudential measures as announced in the 2024‑25 Budget (the Budget). Flat prices showed signs of stabilisation towards the end of the quarter.
  2. The total number of sale and purchase agreements for residential property received by the Land Registry rebounded by 29% from a low base in the preceding quarter to 9 823 in the first quarter, but the level was still 30% lower than a year earlier. Within the total, primary and secondary market transactions increased by 54% and 21% over the preceding quarter respectively. In parallel, total consideration rose back by 12% over the preceding quarter to $77.0 billion, but was still 36% lower than the same quarter last year.



* 1. Overall flat prices fell further by 3% during the first two months of 2024, but then rose back by 1% in March, the first monthly increase since April 2023. Taking the first quarter as a whole, flat prices declined by 2%. Analysed by size, prices of small/medium‑sized flats and large flats dropped by 2% and 1% during the quarter respectively. Flat prices in March 2024 were on average 23% below the peak in September 2021.
  2. Meanwhile, overall flat rentals were little changed during the first quarter after staying on a general uptrend for most of 2023. Analysed by size, rentals of small/medium-sized flats and large flats both showed little change. The average rental yield for residential property edged up from 2.8% in December 2023 to 2.9% in March 2024.



* 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) declined further to around 65% in the first quarter alongside the fall in flat prices during the quarter, but it remained above the long-term average of 54% over 2004‑2023(1).



* 1. Increasing housing land supply is a policy priority of the Government. In February, the Government announced the 2024‑25 Land Sale Programme, which comprises eight residential sites capable of providing about 5 700 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 private housing land supply in the 2024‑25 financial year is estimated to have a capacity to produce about 15 100 units, exceeding the private housing supply annual target of 13 200 units by around 15%.
  2. Reflecting the Government’s sustained efforts to raise 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 112 000 units as estimated at end‑March 2024. Another 3 100 units could be added to the total supply after the conversion of a number of residential sites into “disposed sites”.
  3. The Government has also been adopting a pragmatic approach in continuously evaluating the residential property market situation. After prudent consideration of the latest market situation and the high level of housing supply in the coming few years, the Government cancelled all DSMMs for residential properties on 28 February 2024. The Hong Kong Monetary Authority (HKMA) also adjusted the countercyclical macroprudential measures for property mortgage loans in accordance with the evolving market situation on the same day(2).
  4. The *non-residential property market* stayed lacklustre in the first quarter. Trading activities for all major market segments declined further, while prices and rentals stayed soft.
  5. Price index for overall office space was not available in December 2023 as there were insufficient transactions for Grade A office space in that month. Comparing the data in March 2024 with those in November 2023, prices for *office space* on average fell by 9%. Analysed by grade, prices of Grade A, B and C office space declined by 10%, 10% and 8% respectively. Meanwhile, overall office rentals on average fell by 2% between December 2023 and March 2024. Within the total, rentals of Grade A, B, and C office space retreated by 2%, 1% and 3% respectively. Compared with the respective peaks in 2018 and 2019, prices and rentals in March 2024 on average were 33% and 16% lower. The average rental yields of Grade A, B and C office space rose to 2.9%, 3.3% and 3.5% respectively in March 2024, from 2.6%, 3.0% and 3.3% in November 2023. Transactions for office space declined by 2% from the preceding quarter or by 28% from a year earlier to 131 cases in the first quarter, considerably below the quarterly average of 197 cases in 2019‑2023.
  6. Prices of *retail shop space* declined by 4% between December 2023 and March 2024, while rentals were little changed. Compared with the respective peaks in 2018 and 2019, prices and rentals in March 2024 were 26% and 10% lower. The average rental yield edged up from 2.9% in December 2023 to 3.0% in March 2024. For all commercial spaces, transactions decreased by 12% from the preceding quarter or by 37% from a year earlier to 197 cases(3) in the first quarter, far below the quarterly average of 363 cases in 2019‑2023.
  7. Prices and rentals of *flatted factory space* fell by 6% and 1% respectively during the quarter. Compared with the respective peaks in 2019 and 2023, prices and rentals in March 2024 were 20% and 2% lower. The average rental yield rose from 3.3% in December 2023 to 3.5% in March 2024. Transactions fell by 4% from the preceding quarter or by 32% from a year earlier to 356 cases in the first quarter, far below the quarterly average of 602 cases in 2019‑2023.



**Land**

* 1. No land site was disposed in the first quarter. Meanwhile, one land exchange case and lease modifications of four sites were approved in the first quarter.

**Tourism**

* 1. The tourism sector continued to improve. *Visitor arrivals* rose further from 10.7 million in the fourth quarter of 2023 to 11.2 million in the first quarter of 2024, equivalent to 72% of the level in the same period in 2018. Mainland visitors, which accounted for 77% of the total in the first quarter, increased from 8.1 million in the preceding quarter to 8.7 million. There were 1.8 million and 0.8 million visitors from other short‑haul markets and long-haul markets respectively, slightly down from the preceding quarter(4). Analysed by length of stay, overnight and same-day visitors both rose to 5.6 million. Visitor spending, as measured by exports of travel services, jumped by 40.4% in real terms over a year earlier and recovered to 53% of the level in the same period in 2018.

**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 |
|  | 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 |
|  |  |  |  |  |  |
| 2024 | Q1 | 11 228 800 | 8 694 900 | 1 778 700 | 755 200 |

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 |
|  | Q2 | 4 237 500 | 4 231 700 |
|  | Q3 | 5 267 600 | 5 170 500 |
|  | Q4 | 5 313 900 | 5 363 800 |
|  |  |  |  |
| 2024 | Q1 | 5 613 400 | 5 615 400 |

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

* 1. Hotel businesses continued to recover though the momentum has slowed somewhat. The average hotel room occupancy rate increased from 76% a year earlier to 85%, though it edged down from 86% in the fourth quarter of 2023 and remained below the 91% recorded in the same quarter in 2018. Meanwhile, the average achieved hotel room rate rose by 19.3% over a year earlier to $1,431(5).
  2. The Financial Secretary announced various measures in the Budget to build Hong Kong as a premier destination for business and tourism, including an allocation of additional funding of over $1.09 billion to the Tourism Commission and the Hong Kong Tourism Board for supporting their work. Highlights include the revamping of “A Symphony of Lights” light‑and‑sound show, organisation of regular pyrotechnic and drone shows against the backdrop of the splendid night views of Victoria Harbour and the promotion of immersive and in‑depth tourism with themes like “Citywalk”. Meanwhile, $100 million was earmarked to boost mega-event promotions over the next three years.

**Logistics**

* 1. The logistics sector showed mixed performance in the first quarter. *Total container throughput* declined further, albeit by a smaller 2.7% from a year earlier, to about 3.3 million twenty-foot equivalent units (TEUs). The value of trade handled at the Hong Kong port fell by 5.1% and its share in total trade dropped from 13.7% a year earlier to 11.9%.



* 1. *Air freight throughput* increased by 18.9% year-on-year to 1.1 million tonnes in the first quarter, partly due to a low base of comparison. The value of trade by air rose by 5.0%, though its share in total trade decreased from 48.2% to 46.1%.



**Transport**

* 1. Traffic flows for all modes of cross-boundary passenger transport continued to improve in the first quarter. Air passenger trips as well as water‑borne and land-based cross‑boundary passenger trips increased from 11.8 million, 2.3 million and 55.8 million trips in the preceding quarter to 12.7 million, 2.4 million and 58.3 million trips in the first quarter respectively. Air passenger trips and water‑borne cross‑boundary passenger trips returned to 69.3% and 36.8% of their corresponding levels in the same quarter in 2018, while land‑based cross‑boundary passenger trips were 4.7% higher than the level in the same quarter in 2018. Meanwhile, average daily cross‑boundary vehicle movements rose by 5.4% over the preceding quarter to 38 811, equivalent to 92.9% of the daily average in the same quarter in 2018.

**Innovation and technology**

* 1. The Financial Secretary announced a number of measures to promote the development of innovation and technology in the Budget. The measures included (i) allocating $3 billion to support local universities, research institutes and enterprises to leverage the computing power of the Artificial Intelligence (AI) Supercomputing Centre in phases from 2024 and to promote AI ecosystem development; (ii) establishing the Hong Kong Microelectronics Research and Development Institute in 2024 to support the research and development of third‑generation semiconductors; (iii) launching a $6 billion subsidy programme to support universities to set up life and health technology research institutes; (iv) setting up the Greater Bay Area International Clinical Trial Institute in Hetao Shenzhen Hong Kong Science and Technology Innovation Co-operation Zone this year to provide a one-stop clinical support platform that coordinates clinical trial resources, and to promote cooperation with the clinical trial network in the Mainland, in particular the Greater Bay Area; (v) allocating $2 billion to support InnoHK research clusters to establish presence in the Lok Ma Chau Loop and another $200 million to provide assistance to start-ups engaging in life and health technology in the Hong Kong-Shenzhen I&T Park (HSITP) in the form of incubation and acceleration programmes, etc., thereby facilitating the setting up of the InnoLife Healthtech Hub in HSITP; (vi) launching the New Industrialisation Acceleration Scheme this year and providing enterprises in the fields of life and health technologies, AI and data science, advanced manufacturing, and new energy technologies with funding up to $200 million each on a 1 (Government): 2 (Company) matching basis to set up new production facilities in Hong Kong; (vii) earmarking $3 billion for the implementation of a Frontier Technology Research Infrastructure Support Scheme to accelerate related cross-disciplinary research spearheaded by eight funded universities and renowned scholars; (viii) allocating $300 million to set up a “digital identity of enterprises” platform (viz. business version of “iAM Smart”); and (ix) allocating $100 million under the Social Innovation and Entrepreneurship Development Fund to launch territory-wide digital inclusion programmes to enhance the capability of elderlies in adopting digital technologies and to reduce digital exclusion.

**Arts and Culture**

* 1. With a view to developing Hong Kong into an East-meets-West centre for international cultural exchange, the Government continues to implement a host of measures to support the development of high-quality arts, culture and creative industries. Among them, “Art March” was launched in March 2024 as a brand to promote a series of mega arts and cultural events organised, funded or supported by the Government, such as art exhibitions, film events and a cultural summit. Hong Kong will also host two large-scale arts events in October this year, including the inaugural Hong Kong Performing Arts Expo and the fourth Guangdong‑Hong Kong‑Macao Greater Bay Area Culture and Arts Festival.

**Environment**

* 1. The Financial Secretary set out various green initiatives in the Budget covering green finance, green shipping and green aviation, including extending the Green and Sustainable Finance Grant Scheme and allocating $65 million to provide incentives for Hong Kong-registered ships that have attained a high rating under international standards of decarbonisation formulated by the International Maritime Organization. The first registration tax (FRT) concession arrangement for electric vehicles (EVs) was also extended for two years to 31 March 2026, though with the concessions reduced by 40% for electric private cars (e-PCs) given the price reduction of EVs and increasing availability of vehicle options. At the same time, e-PCs valued at over $500,000 before tax will not be entitled to concessions under the “affordable users pay” principle. As for other types of electric vehicles, including electric commercial vehicles, electric motorcycles and electric motor tricycles, the FRT will continue to be waived in full over the next two years.
  2. The relevant legislation for the regulation of disposable plastic tableware and other plastic products came into effect on 22 April 2024. Adopting a progressive implementation model, the Environmental Protection Department (EPD) will not take enforcement actions against non-compliant businesses during the six-month adaptation period. The EPD has arranged for staff to inspect relevant business premises, and will focus on promotion and education, as well as provide appropriate advice to help businesses to comply with the requirements under the new legislation. The EPD also advises businesses to exhaust their stock of the regulated products within the adaptation period to avoid wastage, and source suitable alternatives as early as possible.**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. On 28 February, the HKMA made several adjustments to the counter‑cyclical macroprudential measures for property mortgage loans and other related supervisory requirements on property loans, while continuing to maintain banking stability and ensuring the proper risk management of property lending by banks. The adjustments, which took immediate effect, included: (i) raising the maximum LTV ratio to 70% for self-occupied residential properties for properties valued at $30 million or below, 60%‑70% with a loan cap of $21 million for properties valued above $30 million and up to $35 million, and 60% for properties valued above $35 million and all non‑self‑use residential properties; (ii) increasing the maximum LTV ratio for non-residential properties from 60% to 70%; (iii) increasing the maximum LTV ratio for mortgage loans assessed based on the net worth of mortgage applicants from 50% to 60% (applicable to both residential and non-residential properties); (iv) suspending the interest rate stress testing requirement for property mortgage lending; (v) increasing the overall financing cap for property development projects from 50% of the expected value of the completed properties to 60%; and (vi) lifting the additional capital requirement on banks for exposures to property developers offering mortgage financing with high LTV ratios.
2. 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.
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 2024, visitor arrivals from the Mainland, other short-haul and long-haul markets accounted for respective shares of 77%, 16% and 7% 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.