CHAPTER 3 : DEVELOPMENTS IN SELECTED SECTORS

***Summary***

* *The residential property market was quiet for most of the third quarter of 2024, but market sentiment improved and developers stepped up launches of new projects after the US interest rate cut in September. For the quarter as a whole, trading activities were lower than the preceding quarter, while flat prices remained soft.*
* *Reflecting the Government’s sustained efforts to raise flat supply, the total private first-hand flat supply in the coming three to four years remained at a high level of 108 000 units as estimated at end‑September 2024.*
* *The non-residential property market stayed weak in the third quarter. Trading activities for all major market segments remained subdued. Prices and rentals stayed soft.*
* *The tourism sector continued to recover in the third quarter. Visitor arrivals rose by 9.6% year-on-year in the third quarter to 11.4 million, equivalent to 71% of the level in the same period in 2018.*
* *The logistics sector continued to show mixed performance in the third quarter. Total container throughput fell by 7.5% from a year earlier, while air freight throughput increased by 11.7%.*

**Property**

* 1. The *residential property market* was quiet for most of the third quarter of 2024, but market sentiment improved and developers stepped up launches of new projects after the US interest rate cut in September. For the quarter as a whole, trading activities were lower than the preceding quarter, while flat prices remained soft.
  2. The total number of sale and purchase agreements for residential property received by the Land Registry retreated by 43% from the preceding quarter to 10 225 in the third quarter, though the level was still 11% higher than a year earlier. Within the total, primary and secondary market transactions dropped by 62% and 32% from the preceding quarter respectively. In parallel, total consideration decreased by 49% from the preceding quarter to $85.0 billion.



* 1. Overall flat prices declined by 5% during the third quarter. Analysed by size, prices of small/medium‑sized flats and large flats dropped by 5% and 4% respectively. Flat prices in September 2024 were on average 8% lower than in December 2023 and 28% below the peak in September 2021.
  2. Meanwhile, overall flat rentals increased further by 2% during the third quarter. Analysed by size, rentals of small/medium-sized flats and large flats went up by 2% and 1% respectively. Flat rentals in September 2024 were on average 5% higher than in December 2023, but were still 2% below the peak in August 2019. The average rental yield for residential property rose from 3.0% in June to 3.2% in September.



* 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) improved to around 62% in the third quarter alongside the fall in flat prices, but it remained above the long‑term average of 54% over 2004‑2023(1).



* 1. Maintaining a sustained supply of housing land in a prudent manner is a policy priority of the Government to ensure the healthy and stable development of the residential property market. In October, the Government announced that it would put up one residential site for sale in the fourth quarter. Combining the various sources (including a Government land sale, a railway property development project, and private development and redevelopment projects), the total private housing land supply in the fourth quarter is expected to produce around 2 200 flats. Together with the supply in the previous two quarters, the total private housing land supply for the first three quarters of the 2024‑25 financial year is estimated to produce about 5 760 units, or around 44% of the annual private housing supply target (13 200 units).
  2. Reflecting the Government’s sustained efforts to raise 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) remained at a high level of 108 000 units as estimated at end‑September 2024. Another 3 600 units could be added to the total supply after the conversion of a number of residential sites into “disposed sites”. In October, the Chief Executive announced a number of measures on housing and land supply in the 2024 Policy Address, including the relaxation of the maximum loan‑to-value ratios of property mortgage loans (***Box 3.1***).

**Box 3.1**

**Latest Government measures on housing and land supply (October 2024)**

In the 2024 Policy Address, the Chief Executive announced various measures on housing and land supply, as well as some adjustments to the countercyclical macroprudential measures for property mortgage loans, as summarised below.

*Increase public housing supply and enhance the housing ladder*

* Coupled with Light Public Housing (LPH), the total public housing supply in the coming five years (2025-26 to 2029-30) will reach 189 000 units, which is about 80% higher than that of the first five-year period since the current‑term Government took office (2022-23 to 2026-27). On LPH, about 9 500 units will be completed next year, moving towards the target of completing about 30 000 units by 2027-28.
* In the past two years, the average waiting time for Public Rental Housing (PRH) has dropped from the peak of 6.1 years to 5.5 years. Following the gradual completion of LPH next year, the Composite Waiting Time for Subsidised Rental Housing could be further shortened to 4.5 years in 2026-27.
* The Government will continue to adopt a phased completion approach for some PRH units, making them available ahead of the completion date of the whole development and enabling applicants to move in earlier. The Advance Allocation Scheme has helped more than 2 000 families to move into PRH units five to nine months in advance and will provide about 10 000 more PRH units ahead of schedule by 2027-28.
* To address the public aspiration for home ownership, theHong Kong Housing Authority (HA) will further enhance the housing ladder by gradually adjusting the ratio between PRH (including Green Form Subsidised Home Ownership Scheme units) and subsidised sale flats (SSF) from the current 70:30 to 60:40; allocating an extra ballot number to applicants who failed to purchase a SSF in the last two consecutive sale exercises of the same type of SSF; and adjusting the ratio for quota allocation between Green and White Form applicants from the existing 40:60 to 50:50 to encourage more PRH tenants to buy Home Ownership Scheme (HOS) flats.
* To support young people to purchase SSF, HA will allocate an extra ballot number to young family applicants and one-person applicants aged below 40 with White Form status for the purchase of HOS flats from the next HOS sale exercise onwards; and will increase the White Form Secondary Market Scheme quota by 1 500, all of which will be allocated to young family applicants and one-person applicants aged below 40.

*Sustain the orderly supply of land for private housing*

* The Government will make land available in the next five years (2025-26 to 2029-30) to provide about 80 000 private housing units.

**Box 3.1 (Cont’d)**

*Adjust the countercyclical macroprudential measures for property mortgages*

* Taking into account the latest market developments, the Hong Kong Monetary Authority considered that there was room to further adjust the countercyclical macroprudential measures, while continuing to maintain banking stability and ensuring the proper risk management of property mortgage loans. After the adjustments, the maximum loan-to-value ratio for all residential and non-residential properties have been standardised at 70% and the debt servicing ratio limit at 50%.

*Tackle the issue of subdivided units*

* The Government plans to introduce into the Legislative Council (LegCo) in 2025 a piece of new legislation to regulate the renting of subdivided units (SDUs) in residential buildings. Subject to LegCo’s passage of the new legislation, pre-existing substandard SDUs must, within a grace period, be converted to Basic Housing Units (BHUs) that meet the required minimum standards to ensure safe and reasonable living environment, while new SDUs entering the market must apply for recognition as up-to-standard BHUs before being rented out.  Under this system, the renting of substandard SDUs or SDUs without recognition as BHUs after the grace period would be illegal and subject to enforcement actions, and thus the number of substandard SDUs in residential buildings will gradually go down to zero.

*Create developable land*

* The Government remains determined to sustain efforts in land production. According to the latest forecast, the supply of developable land will reach about 3 000 hectares in the next decade (2025‑26 to 2034‑35), including about 1 700 hectares from the Northern Metropolis and about 300 hectares from the Kau Yi Chau Artificial Islands.
* The Government will also resume around 1 000 hectares of private land for government projects in the five years from 2024‑25 to 2028‑29 and further resume about 300 hectares of land in the ensuing three years.

*Expedite urban redevelopment*

* The Government is examining the use of newly developed land to drive large-scale urban redevelopment projects, including the cross-district transfer of plot ratios and the construction of more dedicated rehousing estates. The target is to formulate proposals in the first half of next year.
* The Government will continue encouraging redevelopment and conversion of aged industrial buildings. An array of measures under the revitalisation scheme for industrial buildings will be extended to the end of 2027, including allowing an increase in plot ratio of up to 20% for industrial building redevelopment projects.

The Government recognises that housing is an issue of great public concern, and will take forward various measures to enhance the speed, quantity, quality and efficiency of housing supply as appropriate. The Government will also take into account the latest market situation when adjusting the countercyclical macroprudential measures for property mortgage loans and disposing land, ensuring the market’s stable and healthy development.

* 1. The *non-residential property market* stayed weak in the third quarter. Trading activities for all major market segments remained subdued. Prices and rentals stayed soft.
  2. Prices of *office space* on average decreased further by 6% during the third quarter, with prices of Grade A, B, and C office space falling by 5%, 5% and 6% respectively. Meanwhile, overall office rentals declined by 2% between June and September. Within the total, rentals of Grade A, B, and C office space retreated by 2%, 2% and 1% respectively. Compared with the respective peaks in 2018 and 2019, prices and rentals of office space in September 2024 were 40% and 19% lower. The average rental yields of Grade A, B and C office space rose further to 3.2%, 3.5% and 3.8% respectively in September, from 3.1%, 3.4% and 3.6% in June. Transactions for office space fell by 15% from the preceding quarter or by 5% from a year earlier to 130 cases in the third quarter, below the quarterly average of 200 cases in 2019‑2023.
  3. Prices of *retail shop space* went down by another 6% during the third quarter, while rentals were little changed. Compared with the respective peaks in 2018 and 2019, prices and rentals in September 2024 were 34% and 14% lower. The average rental yield rose further from 3.1% in June to 3.3% in September. Transactions of commercial spaces(2) fell by 33% from the preceding quarter or by 22% from a year earlier to 230 cases in the third quarter, below the quarterly average of 360 cases in 2019‑2023.
  4. Prices of *flatted factory space* fell further by 6% during the quarter, while rentals were little changed. Compared with the respective peaks in 2019 and 2023, prices and rentals in September 2024 were 27% and 3% lower. The average rental yield increased from 3.5% in June to 3.8% in September. Transactions rose by 3% over the preceding quarter to 410 cases in the third quarter, yet were still 2% below a year earlier and below the quarterly average of 600 cases in 2019‑2023.



**Land**

* 1. Two sites (comprising one residential site and one site for an electric vehicle charging station) with a total area of about 0.3 hectares were disposed of in the third quarter, fetching a land premium of about $0.6 billion. In addition, the tender exercise for a residential site in Sha Tin commenced in the quarter, while one land exchange case and lease modifications of 12 sites were approved.

**Tourism**

* 1. The tourism sector continued to recover. *Visitor arrivals* rose by 9.6% over a year earlier to 11.4 million in the third quarter, equivalent to 71% of the level in the same period in 2018. Mainland visitors, which accounted for 80% of the total in the quarter, grew by 6.1% over a year earlier to 9.1 million. Visitor arrivals from other short‑haul markets and long-haul markets grew by 25.3% and 26.7% over a year earlier to 1.7 million and 0.7 million respectively(3). Analysed by length of stay, overnight and same‑day visitors rose by 7.4% and 11.8% over a year earlier to 5.7 million and 5.8 million respectively. Meanwhile, visitor spending, as measured by exports of travel services, fell by 3.1% in real terms from a year earlier amid the change in consumption patterns of visitors and the strength of the Hong Kong dollar.

**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 |
|  | Q2 | 9 922 400 | 7 446 000 | 1 724 200 | 752 300 |
|  | Q3 | 11 437 500 | 9 095 300 | 1 668 200 | 674 000 |

Notes : (\*) See note (3) 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 |
|  | Q2 | 4 928 900 | 4 993 600 |
|  | Q3 | 5 656 800 | 5 780 800 |

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

* 1. The average hotel room occupancy rate was 86% in the third quarter, higher than the 84% recorded a year earlier but still below the 91% recorded in the same quarter in 2018. Meanwhile, the average achieved hotel room rate fell by 15.4% from a year earlier to $1,201(4).
  2. The 2024 Policy Address indicated that the Government will develop Hong Kong into a premier tourism destination through innovative thinking and making better use of our rich and unique resources. The Development Blueprint for Hong Kong’s Tourism Industry 2.0 will be published this year, with a focus on promoting culture, sports, ecology and mega events. The Government will also set up a Working Group on Developing Tourist Hotspots to identify and develop tourist hotspots of high popularity in various districts.

**Logistics**

* 1. The logistics sector continued to show mixed performance in the third quarter. *Total container throughput* fell by 7.5% from a year earlier, to about 3.4 million twenty-foot equivalent units (TEUs). The value of trade handled at the Hong Kong port declined by 4.2% and its share in total trade dropped from 11.8% a year earlier to 10.6%.



* 1. On the other hand, *air freight throughput* increased by 11.7% year‑on‑year to 1.2 million tonnes in the third quarter. The value of trade by air rose by 2.2%, though its share in total trade decreased from 47.3% a year earlier to 45.2%.



**Transport**

* 1. Traffic flows for most modes of cross-boundary passenger transport recorded modest increases in the third quarter. Air passenger trips rose from 12.6 million trips in the preceding quarter to 13.7 million trips, while water‑borne cross‑boundary passenger trips stayed at 2.1 million trips. As to land-based cross-boundary traffic, passenger trips increased from 58.4 million to 63.6 million, while average daily cross‑boundary vehicle movements also increased further by 4.8% over the preceding quarter to 43 236.

**Innovation and technology**

* 1. In the 2024 Policy Address, the Chief Executive announced a series of measures to build a more comprehensive innovation and technology (I&T) ecosystem to support Hong Kong’s development into an international I&T centre, a position supported by the National 14th Five-Year Plan. The measures include, among others: (i) drawing up a medium to long-term development plan for new industrialisation in Hong Kong; (ii) taking forward the third InnoHK research cluster which focuses on advanced manufacturing, materials, energy and sustainable development; (iii) increasing investment and guiding more market capital to invest in I&T industries by setting up a $10 billion I&T Industry‑Oriented Fund and optimising the Innovation and Technology Venture Fund to invest in strategic industries; (iv) launching the Pilot I&T Accelerator Scheme to attract professional start-up service providers with proven track records from within and outside Hong Kong to set up accelerator bases in Hong Kong; (v) fostering the development of the low‑altitude economy in Hong Kong; and (vi) enhancing I&T infrastructure, e.g. operation of Cyberport’s Artificial Intelligence (AI) Supercomputing Centre and the $3 billion AI Subsidy Scheme to grow the local AI ecosystem.

**Arts, Cultural and Creative Industries**

* 1. As remarked in the 2024 Policy Address, the Cultural and Creative Industries Development Agency adopts an industry-oriented approach to promote the development of the cultural and creative industries. Relevant measures include incubating more cultural and creative projects with potential for industrialisation through the CreateSmart Initiative and strengthening cross‑sectoral collaboration, and leveraging market resources; facilitating more registration of local and non-local cultural and creative products on the Asia IP Exchange Portal to foster cross-sectoral exchange, collaboration and business matching, and promoting transactions and transformation of cultural IP; and making the new flagship Hong Kong Fashion Fest, which is the new brand for Hong Kong Fashion Design Week, an annual signature event to develop Hong Kong into a fashion design hub in Asia.

**Environment**

* 1. The Chief Executive announced in the 2024 Policy Address that, to promote the development of new energy, the Government will earmark around $750 million under the New Energy Transport Fund to subsidise the taxi trade and franchised bus companies to purchase electric vehicles, and launch the Subsidy Scheme for Trials of Hydrogen Fuel Cell Electric Heavy Vehicles. The Government will also earmark $300 million for a new scheme to provide subsidies to the private sector for installing quick-charging facilities, with a target of having a total of 3 000 quick chargers installed by 2030. Meanwhile, the Government will continue to promote waste reduction and recycling, with initiatives such as reinforcing publicity and education and expanding the community recycling network. The Government will also inject $100 million for a new round of the Cleaner Production Partnership Programme to expedite green transformation, renovation and the upgrading of local factories and Hong Kong-owned factories in Guangdong Province.

**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. Commercial space comprises retail premises and other premises designed or adapted for commercial use but excludes purpose-built office space.
2. 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 third quarter of 2024, visitor arrivals from the Mainland, other short-haul and long‑haul markets accounted for respective shares of 80%, 15% and 6% of the total (figures do not add up to 100% due to rounding).
3. 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.