## CHAPTER 3 : DEVELOPMENTS IN SELECTED SECTORS

***Summary***

* *The residential property market remained soft in the first quarter of 2025. Market sentiment turned more cautious towards the end of March amid growing external uncertainties from the United States’ trading policies and the resulting near-term interest rate outlook. Flat prices fell for the quarter as a whole, while rentals continued to show resilience.*
* *Reflecting the Government’s sustained efforts in raising flat supply, the total private first-hand flat supply in the coming three to four years remained at a high level of 105 000 units as estimated at end‑March 2025.*
* *The non-residential property market remained generally weak in the first quarter. Trading activities across major market segments showed mixed performance, while prices and rentals declined further.*
* *The tourism sector improved further in the first quarter. Visitor arrivals rose by 8.9% over a year earlier to 12.2 million in the first quarter of 2025, with non-Mainland visitor arrivals increasing more visibly than their Mainland counterparts.*
* *The logistics sector recorded mild growth in the first quarter. Total port container throughput, air freight throughput and total road cargo throughput rose by 2.7%, 3.2% and 6.4% respectively from a year earlier.*

**Property**

* 1. The *residential property market* remained soft in the first quarter of 2025. Market sentiment turned more cautious towards the end of March amid growing external uncertainties from the United States’ trading policies and the resulting near-term interest rate outlook. Flat prices fell for the quarter as a whole, while rentals continued to show resilience.
  2. The total number of sale and purchase agreements for residential property received by the Land Registry retreated by 19% from the preceding quarter to 12 193 in the first quarter, but was 24% higher than the level a year ago. Transactions picked up in March as compared to the first two months, driven noticeably by activities in the consideration range between $3 million and $5 million. Within the total, primary and secondary market transactions decreased by 22% and 18% over the preceding quarter respectively. In parallel, total consideration fell by 30% over the preceding quarter to $88.6 billion, yet was 15% higher than the same quarter last year.



* 1. Overall flat prices fell by 2% in the first quarter of 2025. Analysed by size, prices of small/medium‑sized flats and large flats both declined by 2% during the quarter. Flat prices in March 2025 were on average 29% below the peak in September 2021.
  2. Meanwhile, overall flat rentals continued to show resilience, edging up by 0.4% during the first quarter. Analysed by size, rentals of small/medium-sized flats rose by similar magnitudes, of 0.5% and 0.4% respectively. The average rental yield for residential property edged up from 3.1% in December 2024 to 3.2% in March 2025.



* 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 slightly further to around 59% in the first quarter alongside easing flat prices during the quarter, but remained above the long-term average of 56% over 2005‑2024(1).



* 1. Maintaining a continuous and sustained supply of housing land in a paced and pragmatic manner is a policy priority of the Government to ensure the healthy and stable development of the residential property market. In February, the Government announced the 2025‑26 Land Sale List, which comprises eight residential sites, capable of providing about 4 450 flats in total. Taking all sources of estimated land supply into account, the total private housing land supply in the 2025‑26 financial year is estimated to have a capacity to produce about 13 700 units, similar to the private housing supply annual target of 13 200 units. The Government will continue to make reference to the market situation and other supply sources, so as to announce the Land Sale Programme on a quarterly basis. Depending on the market situation, the Government may also put up additional sites to respond to market changes.
  2. Reflecting the Government’s sustained efforts in raising 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 105 000 units as estimated at end‑March 2025. Another 1 100 units could be added to the total supply after the conversion of a number of residential sites into “disposed sites”.
  3. In the 2025-26 Budget, the Financial Secretary announced that the maximum value of properties chargeable to the ad valorem stamp duty of $100 would be raised from $3 million to $4 million, with a view to easing the burden on buyers of properties at lower values. The adjustment took effect on 26 February 2025.
  4. The *non-residential property market* remained generally weak in the first quarter. Trading activities across major market segments showed mixed performance, while prices and rentals declined further.
  5. Prices and rentals for *office space* on average fell further by 4% and 1% respectively between December 2024 and March 2025. Within the total, prices and rentals of Grade A office space retreated by 3% and 1% respectively during the quarter. Compared with the respective peaks in 2018 and 2019, prices and rentals in March 2025 on average were 46% and 19% lower. The average rental yield of office space edged up to 3.8% in March 2025 from 3.7% in December 2024, while that of Grade A office space also increased to 3.5% from 3.4%. Transactions for office space rose by 20% from the preceding quarter to 220 cases in the first quarter, above the quarterly average of 180 cases in 2020‑2024.
  6. Prices and rentals of *retail shop space* were down by 1% and 2% respectively between December 2024 and March 2025. Compared with the respective peaks in 2018 and 2019, prices and rentals in March 2025 were 37% and 17% lower. The average rental yield edged up to 3.4% in March 2025 from 3.3% in December 2024. For all commercial spaces, transactions decreased by 22% from the preceding quarter to 270 cases(2) in the first quarter, still far below the quarterly average of 350 cases in 2020‑2024.
  7. Prices and rentals of *flatted factory space* declined by 2% and 1% respectively during the quarter. Compared with the respective peaks in 2019 and 2023, prices and rentals in March 2025 were 29% and 5% lower. The average rental yield edged up to 3.9% in March 2025 from 3.8% in December 2024. Transactions for flatted factory space rose by 23% from the preceding quarter to 560 cases in the first quarter, on par with the quarterly average of in 2020‑2024.



**Land**

* 1. Three sites (comprising two residential sites and one site for logistics services and public vehicle park) with a total area of about 5.9 hectares were disposed in the first quarter, fetching a land premium of about $4.9 billion. In addition, the tender closing dates of another two industrial sites in Yuen Long were both further extended from 21 March 2025 to 25 July 2025. Meanwhile, one land exchange case and lease modifications of 17 sites were approved in the first quarter.
  2. As regards sites for commercial use, in view of the high vacancy rates of offices in recent years and the relatively ample supply in the next few years, the Financial Secretary announced in the Budget that the Government would not roll out any commercial sites for sale in the coming year (i.e. 2025-26) so as to allow the market to absorb the existing supply. The Government will also consider rezoning some of the commercial sites, which are expected to be available for sale in the next few years, into residential use and allowing greater flexibility of land use.

**Tourism**

* 1. The tourism sector improved further. *Visitor arrivals* rose by 8.9% over a year earlier to 12.2 million in the first quarter of 2025. Mainland visitor arrivals, which accounted for 75.6% of the total in the first quarter, grew by 6.3% over a year earlier to 9.2 million. Meanwhile, non-Mainland visitor arrivals increased more visibly by 17.9% to 3.0 million during the same period. Visitor arrivals from other short‑haul markets and long-haul markets grew by 17.7% and 18.2% to 2.1 million and 0.9 million respectively (***Box 3.1***). Analysed by length of stay, overnight and same‑day visitor arrivals rose by 4.9% and 12.9% over a year earlier to 5.9 million and 6.3 million respectively. Meanwhile, visitor spending, as measured by exports of travel services, rose by 5.3% in real terms from a year earlier.

**Table 3.1 : Number of visitor arrivals**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  |  | All sources | Mainland China | Other short-haul markets\* | Long-haul markets\* |
|  |  |  |  |  |  |
| 2019 | Q1 | 18 234 400 | 14 527 700 | 2 522 900 | 1 183 800 |
|  | Q2 | 16 637 500 | 12 943 000 | 2 482 100 | 1 212 400 |
|  | Q3 | 11 891 600 | 9 321 900 | 1 673 300 | 896 300 |
|  | Q4 | 9 149 200 | 6 814 500 | 1 380 800 | 953 900 |
|  |  |  |  |  |  |
| 2020 | Q1 | 3 489 200 | 2 644 800 | 498 800 | 345 600 |
|  | Q2 | 26 900 | 15 200 | 4 900 | 6 800 |
|  | Q3 | 34 100 | 14 200 | 10 200 | 9 700 |
|  | Q4 | 18 600 | 10 800 | 5 100 | 2 700 |
|  |  |  |  |  |  |
| 2021 | Q1 | 16 500 | 11 600 | 3 100 | 1 900 |
|  | Q2 | 17 200 | 12 700 | 2 400 | 2 200 |
|  | Q3 | 29 400 | 21 800 | 4 300 | 3 300 |
|  | Q4 | 28 300 | 19 600 | 5 200 | 3 500 |
|  |  |  |  |  |  |
| 2022 | Q1 | 11 500 | 8 600 | 2 000 | 1 000 |
|  | Q2 | 64 500 | 53 400 | 5 600 | 5 500 |
|  | Q3 | 173 700 | 139 700 | 17 200 | 16 800 |
|  | Q4 | 354 900 | 173 600 | 102 500 | 78 800 |
|  |  |  |  |  |  |
| 2023 | Q1 | 4 414 800 | 3 356 000 | 782 400 | 276 300 |
|  | Q2 | 8 469 100 | 6 748 400 | 1 223 100 | 497 700 |
|  | Q3 | 10 438 100 | 8 573 500 | 1 328 700 | 535 900 |
|  | Q4 | 10 677 700 | 8 077 700 | 1 834 100 | 765 900 |
|  |  |  |  |  |  |
| 2024 | Q1 | 11 228 800 | 8 698 200 | 1 770 300 | 760 300 |
|  | Q2 | 9 922 400 | 7 452 300 | 1 713 000 | 757 100 |
|  | Q3 | 11 437 500 | 9 095 700 | 1 662 900 | 679 000 |
|  | Q4 | 11 914 000 | 8 797 000 | 2 133 900 | 983 200 |
|  |  |  |  |  |  |
| 2025 | Q1 | 12 228 200 | 9 245 400 | 2 084 300 | 898 600 |

Notes : (\*) 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.

The requirement for visitors to furnish an arrival or departure card is cancelled with immediate effect on 16 October 2024 as stipulated in the 2024 Policy Address, to facilitate a faster and more convenient immigration clearance. “Place of residence” data derived solely from arrival cards is no longer available. The classification method of this table has been changed from by country/region of residence to by nationality/region. 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 |
|  | Q4 | 5 744 900 | 6 169 200 |
|  |  |  |  |
| 2025 | Q1 | 5 888 400 | 6 339 800 |

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

* 1. The average hotel room occupancy rate was 88% in the first quarter, higher than the 85% recorded a year earlier. Meanwhile, the average achieved hotel room rate fell by 11.6% from a year earlier to $1,265(3).
  2. To pursue the concept of “tourism is everywhere” and implement the Development Blueprint for Hong Kong’s Tourism Industry 2.0, the Financial Secretary announced in the Budget an allocation of $1,235 million to the Hong Kong Tourism Board (HKTB) in the coming year. The HKTB will collaborate with more international brands to tell the good stories of Hong Kong’s tourism, and continue to support the staging of more meetings, incentive travels, conventions and exhibitions in Hong Kong. The Government will step up efforts to promote a series of distinctive tourism products such as eco-tourism, panda tourism, horse-racing tourism, etc., to enrich travel experiences in Hong Kong. Meanwhile, resources were earmarked to strengthen support to the cruise industry, encouraging cruise lines to increase their number of ship calls to Hong Kong, make overnight calls and use Hong Kong as the home port.

**Box 3.1**

**Latest performance of the tourism sector in Hong Kong**

The tourism sector continued to revive in 2024, and improved further in the first quarter of 2025. Visitor arrivals rose by 30.9% to around 44.5 million in 2024, and by a further 8.9% year-on-year in the first quarter of 2025. Within which, Mainland visitor arrivals increased by 27.2% to 34.0 million in 2024. Non-Mainland visitor arrivals surged even more noticeably by 44.4% to 10.5 million. In the first quarter of 2025, Mainland and non-Mainland visitor arrivals rose by 6.3% and 17.9% year-on-year respectively (***Chart 1***).

|  |
| --- |
| **Chart 1 : Visitor arrivals by market** |
|  |

In 2024, various initiatives (such as hosting of different mega events covering sports, gastronomy and entertainment elements) were stepped up to enhance Hong Kong’s appeal as a travel destination. These in turn helped contribute to diversifying the sources of visitors. While inbound visitors remain predominantly from the Mainland, non-Mainland visitor arrivals are gradually taking up a larger share of the total, from 21.3% in 2023 to 23.5% in 2024. Apart from traditional sources like Japan, Korea, the United States and Europe, which accounted for around one-third of non-Mainland visitor arrivals in 2024, South and Southeast Asia gained its prominence. In 2018, only around a quarter of non-Mainland visitor arrivals were from South and Southeast Asia, and this share rose to about one-third in 2024. In fact, the number of visitor arrivals from South and Southeast Asia, following a solid recovery in 2023, increased by 44.1% in 2024 and further by 12.9% year-on-year in the first quarter of 2025. In particular, visitor arrivals from the Philippines, the largest source market in South and Southeast Asia, surged visibly by 54.5% in 2024 and by 17.2% year-on-year in the first quarter of 2025. Visitor arrivals from a number of other Southeast Asia economies also recorded noticeable growth (***Table 1***).

**Box 3.1 (Cont’d)**

**Table 1 : Visitor arrivals from selected Southeast Asia economies**

|  |  |  |
| --- | --- | --- |
|  | **2024**  **(Year-on-year change)** | **Q1 2025**  **(Year-on-year change)** |
| Indonesia | 366 973 (+42.6%) | 107 357 (+45.2%) |
| Malaysia | 405 508 (+49.9%) | 104 199 (+9.8%) |
| Philippines | 1 194 446 (+54.5%) | 312 575 (+17.2%) |
| Singapore | 466 071 (+33.1%) | 110 909 (+12.7%) |
| Vietnam | 48 309 (+51.5%) | 11 943 (+22.3%) |

The revival of the tourism sector in Hong Kong is also attributed to the Government’s efforts in promoting Hong Kong as Asia’s world city and an events capital. Among the over 240 mega events held throughout 2024, a number of global summits, conferences and high-level business activities on the mega events calendar provided impetus to MICE (meetings, incentives, conventions and exhibitions) tourism to gain further traction. Overnight MICE visitor arrivals recorded a noticeable increase of 9.2% to 1.42 million last year. Their average spending per capita also outperformed overall overnight visitor expenditure by about 40%. Beyond bringing in high value-added tourists to benefit local retail, catering, hotel sectors, MICE tourism is also conducive to networking and collaboration among businesses. This fosters new partnership opportunities and helps solidify Hong Kong’s position as a premier global business hub.

On the policy front, several developments have also supported the continuous recovery of the tourism sector in 2024. In particular, the various measures rolled out by the Central Government, including the expansion of Individual Visit Scheme (IVS) to ten more Mainland cities (covering 59 cities in total), the resumption of the multiple-entry IVS for Shenzhen permanent residents and the implementation of a new arrangement to expand the multiple-entry IVS to Shenzhen residence permit holders, have benefitted Hong Kong’s tourism sector. For instance, since the implementation of the new measure at the end of last year, around 1.18 million visitors have travelled to Hong Kong on multiple-entry IVS as at the end of the first quarter of 2025.

To implement the concept of “tourism is everywhere”, and to further advocate for the healthy and sustainable development of tourism-related industries, the Government promulgated the Development Blueprint for Hong Kong’s Tourism Industry 2.0 in December 2024, outlining in a forward-looking manner the core principles, development strategies and pathways for the future development of Hong Kong’s tourism industry. Looking ahead, the Government will continue to promote and publicise Hong Kong as a mega events capital globally, and the opening of the Kai Tak Sports Park, the largest sports infrastructure project in Hong Kong, will inject further momentum into the tourism industry, thereby boosting Hong Kong’s economic growth.

**Logistics**

* 1. The logistics sector recorded mild growth in the first quarter. *Total container throughput* increased by 2.7% from a year earlier, to about 3.4 million twenty-foot equivalent units (TEUs). Yet, the value of trade handled at the Hong Kong port fell by 3.9% and its share in total trade declined from 11.9% a year earlier to 10.3%.



* 1. *Air freight throughput* rose by 3.2% year‑on‑year to 1.2 million tonnes in the first quarter. Meanwhile, the value of trade by air rose by 9.2%, notwithstanding a decline in its share in total trade from 46.1% a year earlier to 45.6%.



* 1. *Total road cargo throughput* rose by 6.4% year-on-year to 4.0 million tonnes in the first quarter. Meanwhile, the value of trade by road rose by 16.0%, with its share in total trade rising from 41.6% a year earlier to 43.8%.

**Transport**

* 1. Cross-boundary traffic flows by mode of passenger transport showed divergent performance in the first quarter. Air passenger trips continued to grow, from 14.1 million in the preceding quarter to 14.6 million in the first quarter. On the other hand, land-based and water-borne cross-boundary passenger trips shrank from 67.4 million and 2.3 million trips to 66.2 million and 2.2 million trips respectively. Average daily cross‑boundary vehicle movements, after a strong surge in growth last year, still edged up by 0.6% over the preceding quarter to 45 711.

**Innovation and technology**

* 1. The Financial Secretary announced a number of measures to promote the development of innovation and technology (I&T), digital economy and artificial intelligence (AI) in the Budget. The measures include, among others: (i) setting aside $1 billion to establish the Hong Kong AI Research and Development Institute to promote research, development and application of AI technologies; (ii) launching a two-year Pilot Manufacturing and Production Line Upgrade Support Scheme to support some 400 enterprises’ formulation of smart production strategies and introduction of advanced technologies into existing production lines; (iii) setting up a $10 billion I&T Industry-Oriented Fund to channel more capital to invest in emerging and future industries of strategic importance; (iv) launching a $180 million Pilot I&T Accelerator Scheme to attract start-up service providers to set up accelerator bases in Hong Kong; (v) exploring the streamlining of vetting procedures of licence applications for operating Low Earth Orbit satellites; (vi) reviewing tax-deduction arrangements in respect of intellectual property (IP) to accelerate the development of IP-intensive industries and promote IP trading; and (vii) establishing a dedicated “technology enterprises channel” (TECH) to facilitate specialist technology and biotechnology companies in preparing for listing applications.
  2. On 20 March, the Government announced the first batch of 38 low-altitude economy (LAE) Regulatory Sandbox pilot projects, covering a wide range of fields and application scenarios, including emergency and rescue, logistics and distribution, inspection and safety maintenance, surveillance and low-altitude infrastructure, with a view to bringing together research and development outcomes and corporate efforts, thereby taking forward the LAE in a safe and orderly manner to make Hong Kong a pioneer in the emerging new quality productive forces industry of the LAE.

**Arts, Cultural and Creative Industries**

* 1. With a view to promoting the development of Hong Kong as an East‑meets-West centre for international cultural exchange, as announced in the Budget, the Government will continue to attract and support the staging of international or large-scale arts and cultural events in Hong Kong through the Mega Arts and Cultural Events Fund. The Government will also support the second edition of the Hong Kong Performing Arts Expo to be held in 2026, transforming the event into a flagship for Hong Kong’s arts and cultural industries. Meanwhile, the Government actively promotes diverse arts and cultural activities, such as those world-renowned art fairs, cultural summits, exhibitions, screenings and performing arts programmes in March.
  2. As announced in the Budget, the Government will support cultural IP creators and producers to propel more than 30 cultural IP projects cumulatively in the coming five years. The Government is also fostering more cross-sectoral collaboration within the cultural and creative sectors so as to enhance the communication power and sales value of cultural IP products.

**Environment**

* 1. The Financial Secretary set out various green initiatives in the Budget, including those promoting sustainable transportation and advancing waste management, among others. On green transportation, the Budget put forward a $300 million Fast Charger Incentive Scheme to provide impetus for the industry to install 3 000 fast chargers for electric vehicles by 2030. The Budget also announced tax exemptions for green methanol used for bunkering, together with a commitment to continuously implement the Action Plan on Green Maritime Fuel Bunkering to develop Hong Kong into a green maritime fuel bunkering centre. Meanwhile, the Government will further develop the smart and green mass transit systems in various areas, and will strive to invite tenders for the Kai Tak project in 2025 and the East Kowloon and Hung Shui Kiu/Ha Tsuen and Yuen Long South New Development Areas projects in 2026 respectively. On waste management, the Budget allocated an additional $180 million to expand the food waste recycling network across the city.
  2. In March 2025, the Government introduced the Buildings Energy Efficiency (Amendment) Bill 2025 (the Bill) to the Legislative Council. This bill aims to improve the energy efficiency of buildings, thereby reducing power consumption and carbon emissions. When the Bill is fully implemented, it is estimated that an additional 500 million kilowatt-hours of electricity, equivalent to the annual consumption of approximately 150 000 three-person households, could be saved in 2035.

**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. 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.
2. 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.