## CHAPTER 3 : DEVELOPMENTS IN SELECTED SECTORS

***Summary***

* *The residential property market showed some stabilisation in the second quarter of 2025. Market sentiment continued to improve amid easing external uncertainties, particularly after the sharp declines in the Hong Kong Interbank Offered Rates in May which subsequently lowered mortgage rates. Trading activities turned more active in tandem. Flat prices held broadly stable. Rentals stayed resilient.*
* *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 101 000 units as estimated at end‑June.*
* *In the non-residential property market, while prices and rentals remained soft in the second quarter, trading activities of all major market segments picked up.*
* *Inbound tourism improved further, with visitor arrivals rising by 15.0% over a year earlier to 11.4 million in the second quarter.*
* *The performance of the logistics sector varied across major segments in the second quarter. Air freight throughput and total road cargo throughput rose by 0.8% and 7.0% year-on-year respectively, while total port container throughput reverted to its downtrend, posting a decline of 7.7%.*

**Property**

* 1. The *residential property market* showed some stabilisation in the second quarter of 2025. Market sentiment continued to improve amid easing external uncertainties, particularly after the sharp declines in the Hong Kong Interbank Offered Rates in May which subsequently lowered mortgage rates. Trading activities turned more active in tandem. Flat prices held broadly stable. Rentals stayed resilient.
  2. The total number of sale and purchase agreements for residential property received by the Land Registry rebounded appreciably by 37% over the preceding quarter to 16 754 in the second quarter, only 7% lower than the high level after the cancellation of all the demand-side management measures for residential properties a year ago. Within the total, both primary and secondary market transactions showed notable rebounds, up by 40% and 36% respectively over the preceding quarter. Total consideration also jumped by 60% over the same period to $141.5 billion, though it was still some 14% lower than a year earlier.



* 1. Overall flat prices held broadly stable, rising back by 1% during the second quarter. Analysed by size, prices of small/medium-sized flats increased by 1% during the quarter, while prices of large flats stayed virtually unchanged. Flat prices in June were on average 1% lower than in December 2024 and still 28% below the peak in September 2021.
  2. Meanwhile, overall flat rentals stayed resilient, with a further increase of 1% between March and June. Analysed by size, rentals of small/medium‑sized and large flats rose by 1% and 2% respectively. Overall flat rentals in June were on average 2% higher than in December 2024. The average rental yield for residential property remained unchanged at 3.2% in June, same as that in March.



* 1. Largely supported by the notable declines in mortgage rates in the second quarter, 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 further to around 55%, which was comparable to the long‑term average of 56% over 2005‑2024(1).



* 1. Maintaining a sustained supply of housing land in a prudent and pragmatic manner is a policy priority of the Government to ensure the healthy and stable development of the residential property market. In July, the Government announced that it would put up one residential site for sale in the third quarter. Taking the site together with six cases of lease modifications, the total private housing land supply in the third quarter is expected to produce around 4 950 flats. Together with the supply in the preceding quarter, the total private housing land supply for the first half of the 2025‑26 financial year is estimated to produce about 6 000 units, reaching around 45% of the annual private housing supply target (13 200 units). The Government will continue to flexibly adjust the land disposal strategy according to the market situation, in order to meet the development needs of society.
  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 101 000 units as estimated at end‑June. Another 5 100 units could be added to the total supply after the conversion of a number of residential sites into “disposed sites”.
  3. The *non-residential property market* stayed weak in general in the second quarter. While prices and rentals remained soft, trading activities of all major market segments picked up.
  4. Prices and rentals for *office space* on average went down by 3% and 1% respectively between March and June. As for Grade A office space, prices and rentals declined by 5% and 1% respectively. Compared with the respective peaks in 2018 and 2019, prices and rentals of overall office space in June on average were 48% and 20% lower. The average rental yields of overall office space and Grade A office space rose further to 4.0% and 3.6% in June from 3.8% and 3.5% in March respectively. Transactions for office space increased by 13% over the preceding quarter to 250 cases in the second quarter, noticeably above the quarterly average of 180 cases in 2020‑2024.
  5. Prices of *retail shop space* declined by 3% during the quarter, while rentals stayed flat. Compared with the respective peaks in 2018 and 2019, prices and rentals in June were 39% and 18% lower. The average rental yield edged up to 3.4% in June from 3.3% in March. For all commercial spaces, transactions bounced back by 33% over the preceding quarter to 360 cases(2) in the second quarter, slightly above the quarterly average of 350 cases in 2020‑2024.
  6. Prices of *flatted factory space* retreated by 3% between March and June, while rentals remained virtually unchanged. Compared with the respective peaks in 2019 and 2023, prices and rentals in June were 32% and 5% lower. The average rental yield edged up to 4.0% in June from 3.9% in March. Transactions for flatted factory space rose by 5% over the preceding quarter to 590 cases in the second quarter, above the quarterly average of 560 cases in 2020‑2024.



**Land**

* 1. No land site was disposed in the second quarter. In addition, the tender exercise for a residential site in Tuen Mun commenced in the quarter, while two land exchange cases and lease modifications of seven sites were approved.

**Tourism**

* 1. Inbound tourism improved further, with *visitor arrivals* rising by 15.0% over a year earlier to 11.4 million in the second quarter. Mainland visitor arrivals, accounting for 74.9% of the total, grew notably further by 14.7% over a year earlier to 8.5 million, while non‑Mainland visitor arrivals grew slightly faster at 15.8% to 2.9 million. Visitor arrivals from long-haul markets rose by 17.7% to 0.9 million, outpacing the short‑haul markets (excluding the Mainland) that grew by 14.9% to 2.0 million. Analysed by length of stay, overnight and same‑day visitor arrivals rose by 9.5% and 20.4% over a year earlier to 5.4 million and 6.0 million respectively. Meanwhile, visitor spending, as measured by exports of travel services, rose by 13.6% in real terms from a year earlier.

**Table 3.1 : Number of visitor arrivals ('000)**

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | Overall | By source\* | | | By length of stay | |
|  |  | Mainland China | Other short-haul markets | Long-haul markets | Overnight visitors | Same-day visitors |
|  |  |  |  |  |  |  |  |
| 2023 | Q3 | 10 438.1 | 8 573.5 | 1 328.7 | 535.9 | 5 267.6 | 5 170.5 |
|  |  | (5 909.4) | (6 038.5) | (7 631.6) | (3 082.2) | (3 100.0) | (56 831.0) |
|  | Q4 | 10 677.7 | 8 077.7 | 1 834.1 | 765.9 | 5 313.9 | 5 363.8 |
|  |  | (2 908.9) | (4 552.7) | (1 689.8) | (872.2) | (1 511.3) | (21 286.8) |
|  |  |  |  |  |  |  |  |
| 2024 | Q1 | 11 228.8 | 8 698.2 | 1 770.3 | 760.3 | 5 613.4 | 5 615.4 |
|  |  | (154.3) | (159.2) | (126.3) | (175.1) | (139.9) | (170.7) |
|  | Q2 | 9 922.4 | 7 452.3 | 1 713.0 | 757.1 | 4 928.9 | 4 993.6 |
|  |  | (17.2) | (10.4) | (40.1) | (52.1) | (16.3) | (18.0) |
|  | Q3 | 11 437.5 | 9 095.7 | 1 662.9 | 679.0 | 5 656.8 | 5 780.8 |
|  |  | (9.6) | (6.1) | (25.2) | (26.7) | (7.4) | (11.8) |
|  | Q4 | 11 914.0 | 8 797.0 | 2 133.9 | 983.2 | 5 744.9 | 6 169.2 |
|  |  | (11.6) | (8.9) | (16.3) | (28.4) | (8.1) | (15.0) |
|  |  |  |  |  |  |  |  |
| 2025 | Q1 | 12 228.2 | 9 245.4 | 2 084.3 | 898.6 | 5 888.4 | 6 339.8 |
|  |  | (8.9) | (6.3) | (17.7) | (18.2) | (4.9) | (12.9) |
|  | Q2 | 11 407.9 | 8 548.4 | 1 968.4 | 891.1 | 5 395.9 | 6 012.0 |
|  |  | (15.0) | (14.7) | (14.9) | (17.7) | (9.5) | (20.4) |

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. Visitors are classified by nationality/region.

( ) % change over a year earlier. The abnormal year-on-year changes of visitor arrivals in 2023 were due to a low base of comparison amid boundary controls against the COVID‑19 pandemic.

Figures may not add up to the corresponding totals due to rounding.

* 1. The average hotel room occupancy rate was 83% in the second quarter, higher than the 81% recorded a year earlier. Meanwhile, the average achieved hotel room rate fell by 10.0% from a year earlier to $1,174(3).
  2. The Government announced nine projects in May, through consolidating and enriching current tourism resources, to maximise the value of tourist hotspots. All projects are targeted to be rolled out by the end of 2026 to offer tourists new experiences. Meanwhile, close to 100 mega events were held in the first half of 2025, covering signature cultural, arts and creative events; festival, celebration, gala and carnival events; sports and games; finance, economics, innovation and technology (I&T) events, as well as conferences and exhibitions. These mega events enhance Hong Kong’s attractiveness as a tourist destination.

**Logistics**

* 1. The performance of the logistics sector varied across major segments in the second quarter. *Total container throughput* reverted to its downtrend, posting a year-on-year decline of 7.7% to about 3.2 million twenty-foot equivalent units (TEUs). The value of trade handled at the Hong Kong port contracted by 2.6%, with its share in total trade down further to 9.6%.



* 1. *Air freight throughput* rose slightly by 0.8% year-on-year to 1.2 million tonnes in the second quarter. The value of trade by air increased notably by 12.1%, notwithstanding a slight decline of its share in total trade to 44.6%.



* 1. *Total road cargo throughput* expanded noticeably by 7.0% to 4.3 million tonnes in the second quarter over a year earlier. The value of trade by road grew strongly by 22.2%, and the respective share in total trade went up to 45.4%.

**Transport**

* 1. Cross-boundary traffic flows showed some improvements in the second quarter. Both air and land‑based passenger trips increased distinctly by 18.0% and 17.5% over a year earlier to 14.8 million and 68.7 million respectively. Water-borne passenger trips, at 2.0 million, exhibited a narrowed year-on-year decline of 3.1% as compared with the 11.0% decline in the preceding quarter. As regards vehicle flows, average daily cross‑boundary vehicle movements stayed vibrant, surging further by 19.1% year-on-year to 49 169.
  2. The Government announced the policy of “Southbound Travel for Guangdong Vehicles” in July. The Scheme, which is a mutual arrangement with “Northbound Travel for Hong Kong Vehicles” and targeted to be launched in November this year, will open up a new mode of southbound travel for Mainland residents with different travel purposes to use the Hong Kong International Airport or stay in Hong Kong, which will in turn promote social exchanges, benefit many trades and sectors in Hong Kong, as well as promote the integration of the Greater Bay Area.

**Innovation and technology**

* 1. The Business of Innovation and Technology Week was held in April, featuring signature I&T events such as InnoEX, the annual major exhibition showcasing cutting-edge technology solutions in key areas such as low‑altitude economy, artificial intelligence, robotics, cybersecurity and smart mobility, as well as the Hong Kong World Youth Science Conference where top‑notch renowned scientists and laureates of the Nobel Prize and Turing Award gathered and exchanged. Concurrently, the World Internet Conference Asia‑Pacific Summit was hosted by Hong Kong for its first time, focusing on high-level global dialogues on large language models, digital finance, digital government and smart living. All these events showcased Hong Kong’s I&T strengths, fostered international collaboration, drove synergies across industries and further strengthened Hong Kong’s position as an international I&T centre.

**Environment**

* 1. In April, the Air Pollution Control (Amendment) Ordinance 2025 came into operation to update Air Quality Objectives (AQOs), which were benchmarked against the latest Global Air Quality Guidelines introduced by the World Health Organization. Among the 15 updated AQOs, seven were set at the most stringent levels of the Guidelines, which are on par with those of other advanced economies.

**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.