

***Rating and Valuation Department***  
***Hong Kong Property Review 2020***  
***Preliminary Findings***

***Definition of Terms***

To facilitate interpretation of the findings, the terms used are explained as follows:

- **Completions** refer to premises issued with an Occupation Permit.
- **Take-up** represents the net increase in the number of units or floor area occupied in the year under review. The figures are computed by adding the completions in that year to the vacancy figures at the beginning of the year, and then subtracting the year's demolition and the year-end vacancy figures (with figures for wholesale conversion, if any, already reflected).
- **Vacancy** indicates the number of units or floor area not physically occupied at the time of conducting the survey at the end of the year. Some vacant domestic units are not yet issued with Certificate of Compliance or Consent to Assign after obtaining the Occupation Permit. Units under decoration are classified as vacant.
- The **take-up** and **vacancy** figures bear **no** relationship with the number of units sold by developers (i.e. primary market transactions) or still retained by them (the unsold stock).
- Completions, take-up and vacancy figures **exclude** village houses.

## **PRIVATE DOMESTIC**

Private domestic completions in 2019 was 13 640 units, 35% fewer than those in 2018. 58% of the completions were in the New Territories, 24% in Kowloon and 18% on Hong Kong Island. At district level, the top three suppliers, namely Tai Po, Sai Kung and Sham Shui Po, altogether accounted for 46% of the overall completions.

Take-up, at 19 280 units, was 66% above that of the last year. Vacancy at 2019 year-end dropped to 3.7% of the total stock, equivalent to 44 890 units. Among these vacant units, about 7 340 units were not yet issued with Certificate of Compliance or Consent to Assign after obtaining the Occupation Permit.

The forecast completions in 2020 and 2021 are 20 850 and 18 920 units respectively. In both 2020 and 2021, 67% of the completions will come from the New Territories. District-wise, Tuen Mun and Tai Po will provide 23% and 18% of the new supply in 2020 respectively whereas in 2021, Sai Kung will contribute 24% and Yuen Long will provide another 18%.

The residential property market picked up notably in the first half of the year in terms of both prices and trading volume, brought about by improved market sentiment and sustained demand from homebuyers. Domestic price surged by 10.4% in the first five months of the year with sales activity peaking in May. Market sentiment turned more cautious following the re-escalation of United States-China trade tensions in May and local social incidents in the second half of the year. Yet, domestic price still edged up 5.4% for the whole year, mainly attributable to the hefty gain registered in the first half of the year. The leasing market recovered gradually since March but showed signs of cool-off from September onwards. Offsetting the gains from the second and third quarters by the decline from the fourth quarter, overall rents slid a modest 1.9% year-on-year by December 2019.

## PRIVATE OFFICE

Office completions in 2019 rose by 49% to 267 000 m<sup>2</sup>, a record high since 2008. Grade A completions were 242 000 m<sup>2</sup>, of which 54% came from Kwun Tong and 23% from Sha Tin. Grade B completions of 20 000 m<sup>2</sup> mainly came from the Eastern district. The Central and Western districts contributed almost all of the Grade C completions of 4 800 m<sup>2</sup>.

The overall take-up contracted to 147 000 m<sup>2</sup> in the year. Grade A offices had a positive take-up of 169 000 m<sup>2</sup> while Grade B and Grade C offices recorded negative take-up of 20 000 m<sup>2</sup> and 1 600 m<sup>2</sup> respectively. The overall year-end vacancy increased marginally to 9.0%, amounting to 1 104 000 m<sup>2</sup>. The vacancy rates of Grade A, Grade B and Grade C offices edged up to 9.0%, 9.7% and 7.5% respectively. Grade A offices in sub-districts maintained their single-digit vacancy rates.

Forecast completions in 2020 will plummet to 78 000 m<sup>2</sup>, but will surge to 293 000 m<sup>2</sup> in 2021. In 2020, new Grade A completions will account for 48 000 m<sup>2</sup>, mainly from Tsuen Wan amounting to 49% of the anticipated supply. Grade A completions in 2021 will be 228 000 m<sup>2</sup>, with Kowloon City and the Eastern district together contributing 60%. Grade B completions in 2020 will grow to 30 000 m<sup>2</sup>, and further increase to 60 000 m<sup>2</sup> in 2021. Grade C office completions will be minimal in 2020 but will rebound to 5 000 m<sup>2</sup> in 2021.

Office prices moved downwards while rents remained relatively stable in the year. After a short-lived rebound in the second quarter, office prices stayed lacklustre in the fourth quarter of the year. Despite the positive developments in the United States-China trade talks towards the end of the year, the uncertainties associated with the local social incidents, deteriorated economic conditions and global economic slowdown dampened market activities in the office sector. Overall office prices dropped by 10.4% while the decline in Grade A, B and C office prices were 13.7%, 1.0% and 5.8% respectively between the fourth quarters of 2018 and 2019. During the corresponding period, overall office rents gained 1.1%, with Grade A and B offices

recording a marginal increase of 1.3% and 0.9% respectively, while Grade C offices slightly dropped by 0.3%.

## **PRIVATE COMMERCIAL**

Completions in 2019 dropped by 6% to 118 000 m<sup>2</sup>, with the New Territories accounting for 47% of the completions. Take-up shrunk to 8 000 m<sup>2</sup> in the year and vacancy rate climbed slightly to 10.1%, amounting to 1 164 000 m<sup>2</sup>.

Completions are expected to decrease slightly to 105 000 m<sup>2</sup> in 2020, with Sha Tin and Tsuen Wan contributing the most, together accounting for half of the anticipated supply. In 2021, the completions will reduce to 98 000 m<sup>2</sup>, of which Kowloon City and Wan Chai will become the major suppliers, providing 63% of the total supply.

Dented by the deterioration in retail sales since the third quarter, both private retail prices and rents fell in 2019, retreating by 15.0% and 3.7% respectively between the fourth quarters of 2018 and 2019. Trading volume slackened in the second half of the year.

## **PRIVATE FLATTED FACTORIES**

Completions in 2019 rose to 56 000 m<sup>2</sup>, mainly from Kwai Tsing and Tsuen Wan. Take-up reached 60 000 m<sup>2</sup>. Vacancy at the year-end eased down to 5.9% at 972 000 m<sup>2</sup>.

Completions are anticipated to drop slightly to 54 000 m<sup>2</sup> in 2020 but will rebound to 67 000 m<sup>2</sup> in 2021.

The industrial property sector encountered an uncertain market condition in 2019. Prices fell 6.8% while rents gained 1.6% comparing the fourth quarters in 2018 and 2019. Sales volume dwindled in the latter half of 2019 since its peak in March of the year.

## **PRIVATE INDUSTRIAL/OFFICE**

There were no industrial/office completions in 2019. Take-up turned positive to 2 000 m<sup>2</sup> and the vacancy rate edged down to 9.0% at 49 000 m<sup>2</sup>.

It is anticipated to have no new supply in 2020 and 2021.

## PRIVATE DOMESTIC

### ALL UNITS COMPLETIONS, TAKE-UP AND VACANCY

	No. of units						
	2015	2016	2017	2018	2019	2020	2021
Completions	11 300 #	14 600	17 790	20 970	13 640	[20 850]	[18 920]
Take-up*	10 530	11 880	16 950	11 620	19 280		
Vacancy	42 040	43 660	42 940	51 430	44 890		
%☆	3.7	3.8	3.7	4.3	3.7		

“Private domestic” excludes flats built under the Home Ownership, Private Sector Participation, Buy or Rent Option, Tenants Purchase, Urban Improvement, Flat-For-Sale and Sandwich Class Housing Schemes, etc.

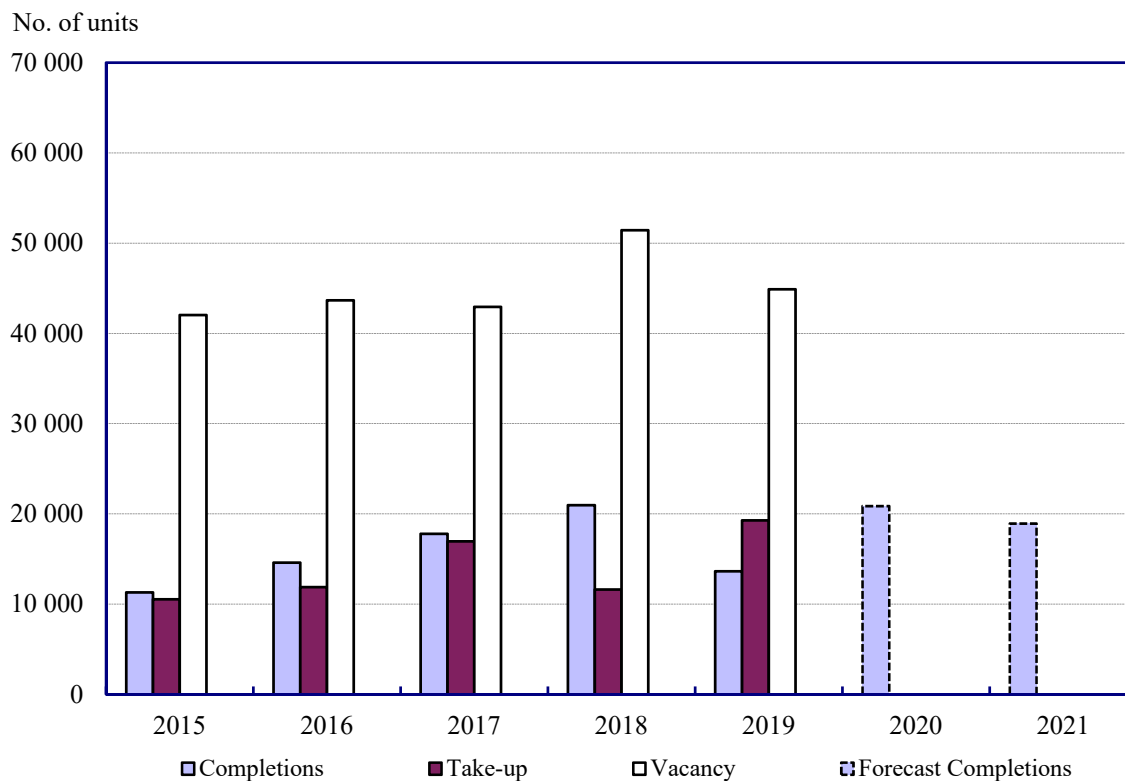
Figures exclude village houses.

# Completions of 2015 include 16 flats completed and designated as subsidised sale flats in the year but sold to the public in the open market at prevailing market prices in 2017. There is no amendment to other related take-up and vacancy figures.

\* Take-up represents the net increase in the number of units occupied in the year under review. The figures are computed by adding the completions in that year to the vacancy figures at the beginning of the year, and then subtracting the year’s demolition and the year-end vacancy figures (with figures for wholesale conversion, if any, already reflected).

☆ Vacancy at the end of the year as a percentage of stock.

[ ] Forecast figures



## **PRIVATE DOMESTIC**

### **SMALL / MEDIUM UNITS (Saleable Area less than 100 m<sup>2</sup>) COMPLETIONS, TAKE-UP AND VACANCY**

No. of units

	2015	2016	2017	2018	2019	2020	2021
Completions	9 380 #	12 520	16 350	18 860	12 300	[19 620]	[17 660]
Take-up*	8 970	11 040	14 860	11 080	16 750		
Vacancy	34 830	35 240	35 310	42 340	37 090		
%☆	3.3	3.3	3.3	3.9	3.3		

Figures exclude village houses.

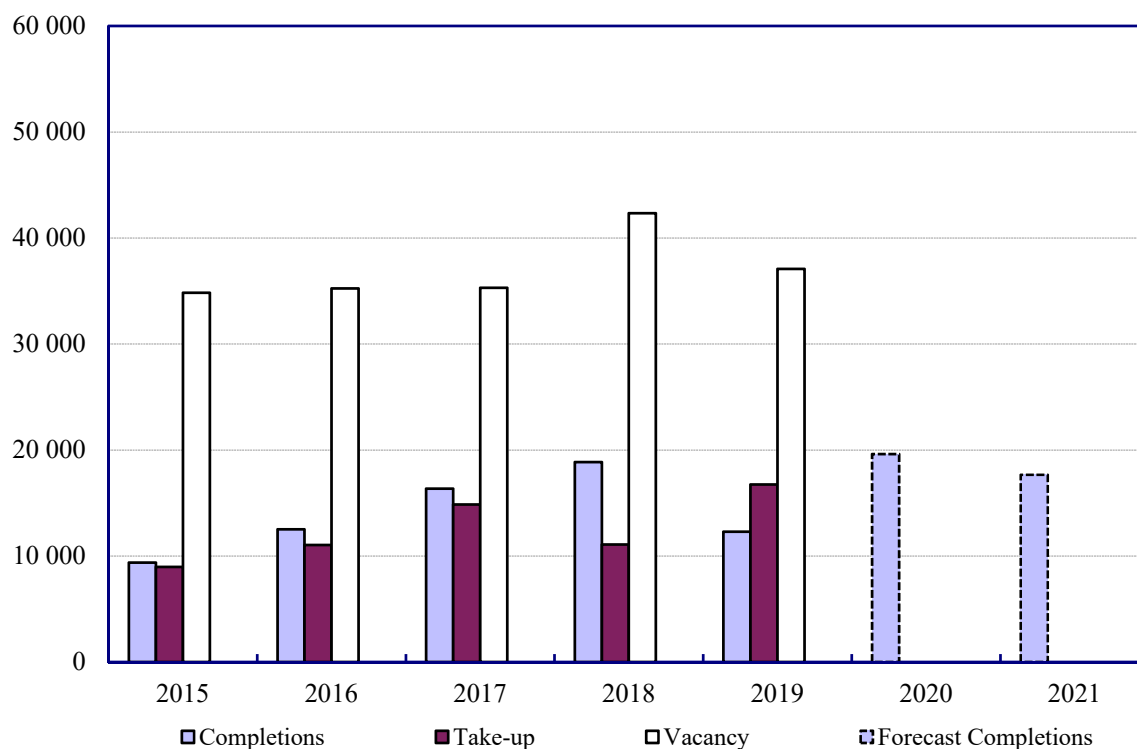
# Completions of 2015 include 16 flats completed and designated as subsidised sale flats in the year but sold to the public in the open market at prevailing market prices in 2017. There is no amendment to other related take-up and vacancy figures.

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☆ Vacancy at the end of the year as a percentage of stock.

[ ] Forecast figures

No. of units





## **PRIVATE DOMESTIC**

### **LARGE UNITS (Saleable Area 100 m<sup>2</sup> or above) COMPLETIONS, TAKE-UP AND VACANCY**

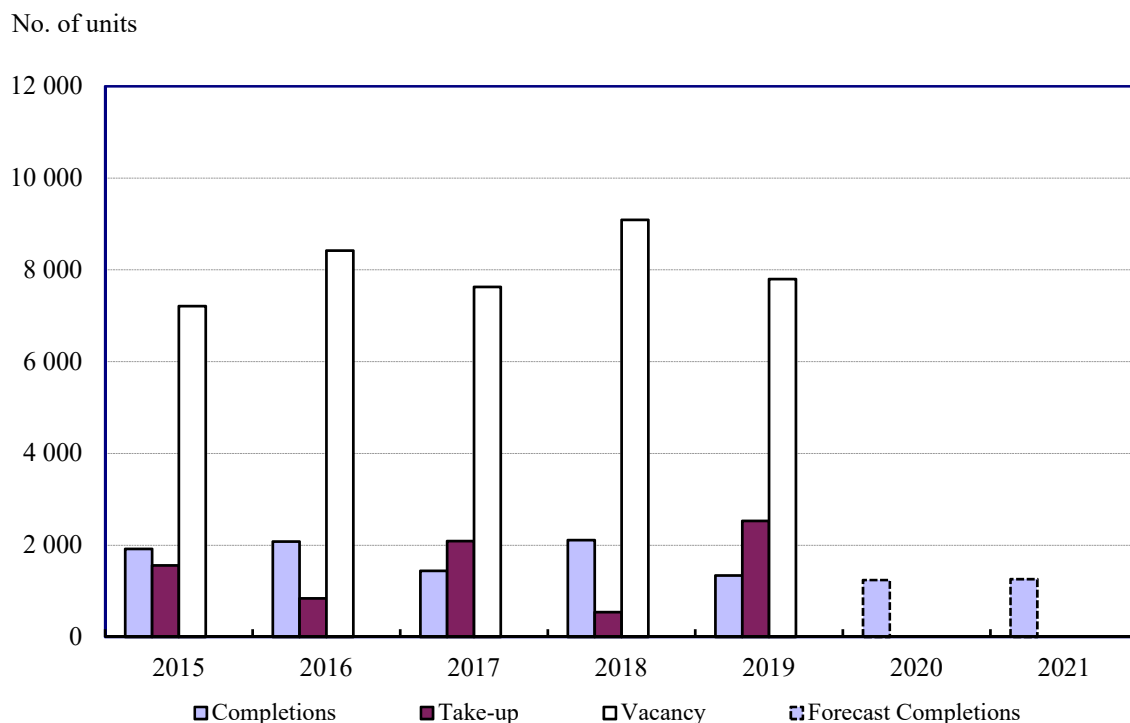
	No. of units						
	2015	2016	2017	2018	2019	2020	2021
Completions	1 920	2 080	1 440	2 110	1 340	[1 240]	[1 260]
Take-up*	1 560	840	2 090	540	2 530		
Vacancy	7 210	8 420	7 630	9 090	7 800		
%☆	8.1	9.2	8.2	9.6	8.1		

Figures exclude village houses.

\* Take-up represents the net increase in the number of units occupied in the year under review. The figures are computed by adding the completions in that year to the vacancy figures at the beginning of the year, and then subtracting the year's demolition and the year-end vacancy figures (with figures for wholesale conversion, if any, already reflected).

☆ Vacancy at the end of the year as a percentage of stock.

[ ] Forecast figures



## PRIVATE OFFICE

### ALL GRADES COMPLETIONS, TAKE-UP AND VACANCY

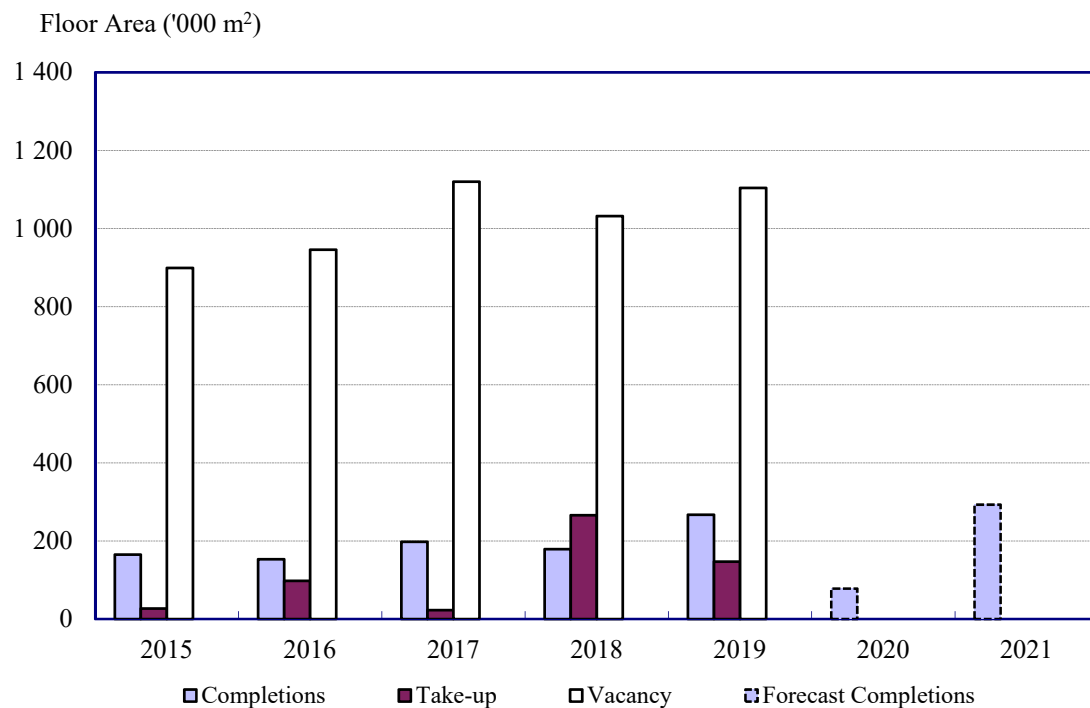
	2015	2016	2017	2018	2019	2020	2021
Completions ('000 m <sup>2</sup> )	165	153	198	179	267	[78]	[293]
Take-up* ('000 m <sup>2</sup> )	27	98	23	266	147		
Vacancy ('000 m <sup>2</sup> )	899	946	1 120	1 032	1 104		
%☆	8.0	8.2	9.5	8.6	9.0		

\* Take-up represents the net increase in the floor area occupied in the year under review. The figures are computed by adding the completions in that year to the vacancy figures at the beginning of the year, and then subtracting the year's demolition and the year-end vacancy figures (with figures for wholesale conversion, if any, already reflected).

☆ Vacancy at the end of the year as a percentage of stock.

[ ] Forecast figures

N.B. Office grades are determined in accordance with criteria which principally reflect the qualities of construction, finishes, facilities and management. Location is not a criterion.



## PRIVATE OFFICE

### GRADE A COMPLETIONS, TAKE-UP AND VACANCY

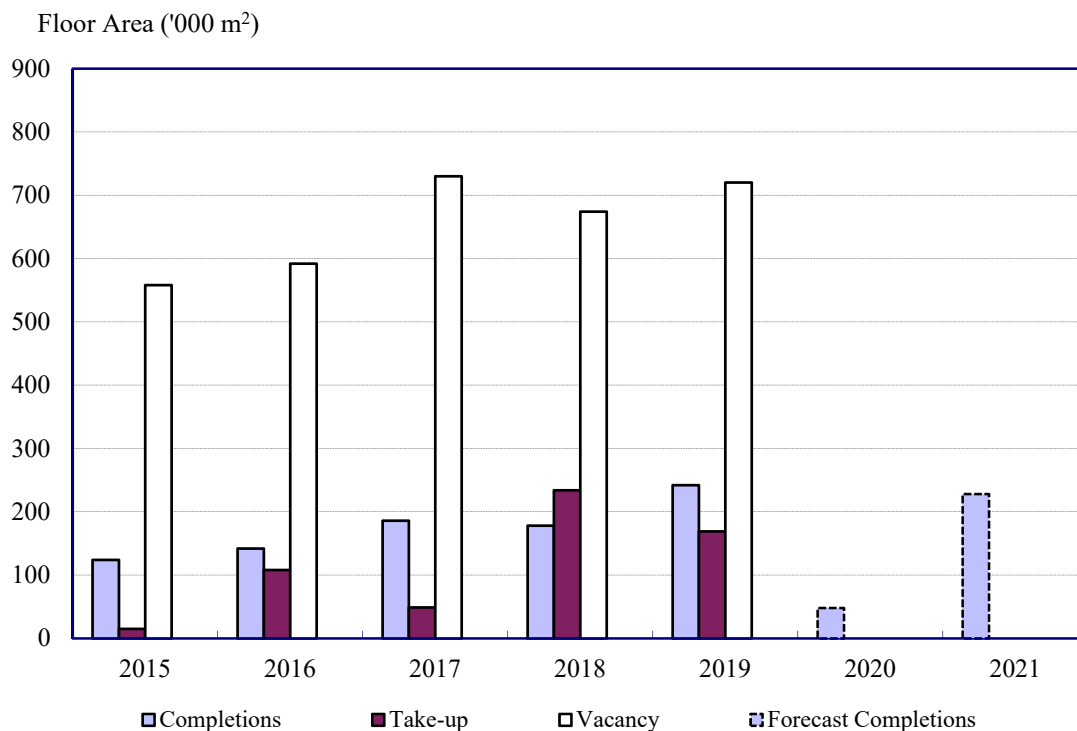
	2015	2016	2017	2018	2019	2020	2021
Completions ('000 m <sup>2</sup> )	124	142	186	178	242	[48]	[228]
Take-up* ('000 m <sup>2</sup> )	15	108	49	234	169		
Vacancy ('000 m <sup>2</sup> )	558	592	730	674	720		
%☆	7.8	8.0	9.6	8.7	9.0		

\* Take-up represents the net increase in the floor area occupied in the year under review. The figures are computed by adding the completions in that year to the vacancy figures at the beginning of the year, and then subtracting the year's demolition and the year-end vacancy figures (with figures for wholesale conversion, if any, already reflected).

☆ Vacancy at the end of the year as a percentage of stock.

[ ] Forecast figures

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## **PRIVATE OFFICE**

### **GRADE B COMPLETIONS, TAKE-UP AND VACANCY**

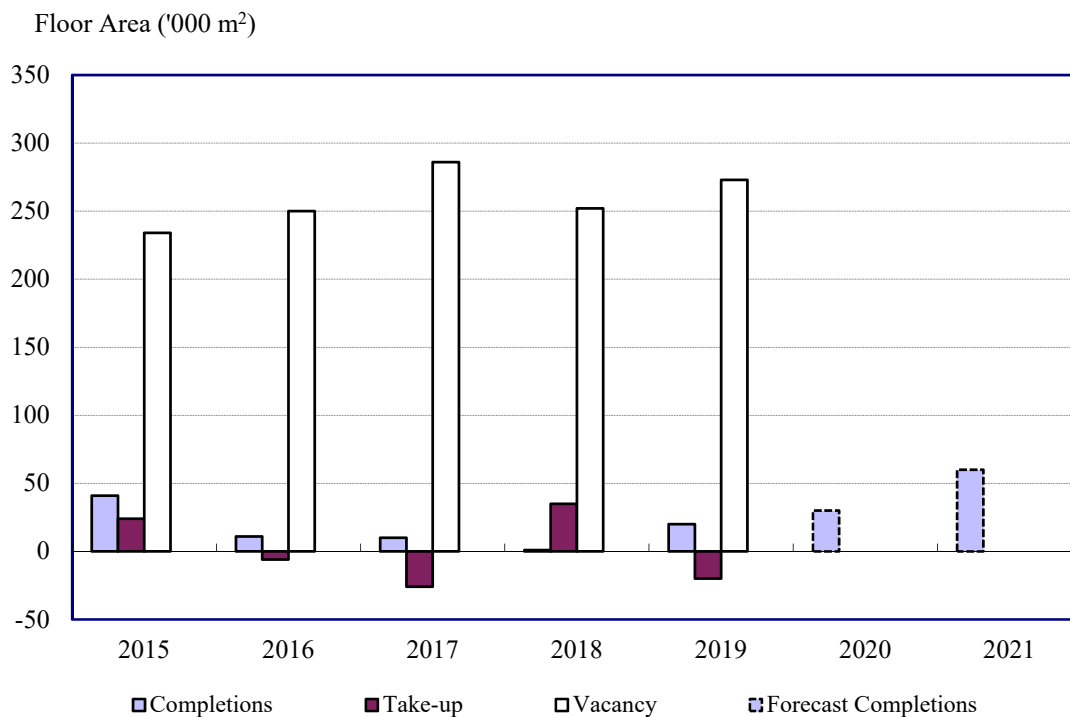
	2015	2016	2017	2018	2019	2020	2021
Completions ('000 m <sup>2</sup> )	41	11	10	1	20	[30]	[60]
Take-up* ('000 m <sup>2</sup> )	24	- 6	- 26	35	- 20		
Vacancy ('000 m <sup>2</sup> )	234	250	286	252	273		
%☆	8.9	9.4	10.4	9.0	9.7		

\* Take-up represents the net increase in the floor area occupied in the year under review. The figures are computed by adding the completions in that year to the vacancy figures at the beginning of the year, and then subtracting the year's demolition and the year-end vacancy figures (with figures for wholesale conversion, if any, already reflected). A negative figure indicates a net decrease in occupied floor space.

☆ Vacancy at the end of the year as a percentage of stock.

[ ] Forecast figures

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## PRIVATE OFFICE

### GRADE C COMPLETIONS, TAKE-UP AND VACANCY

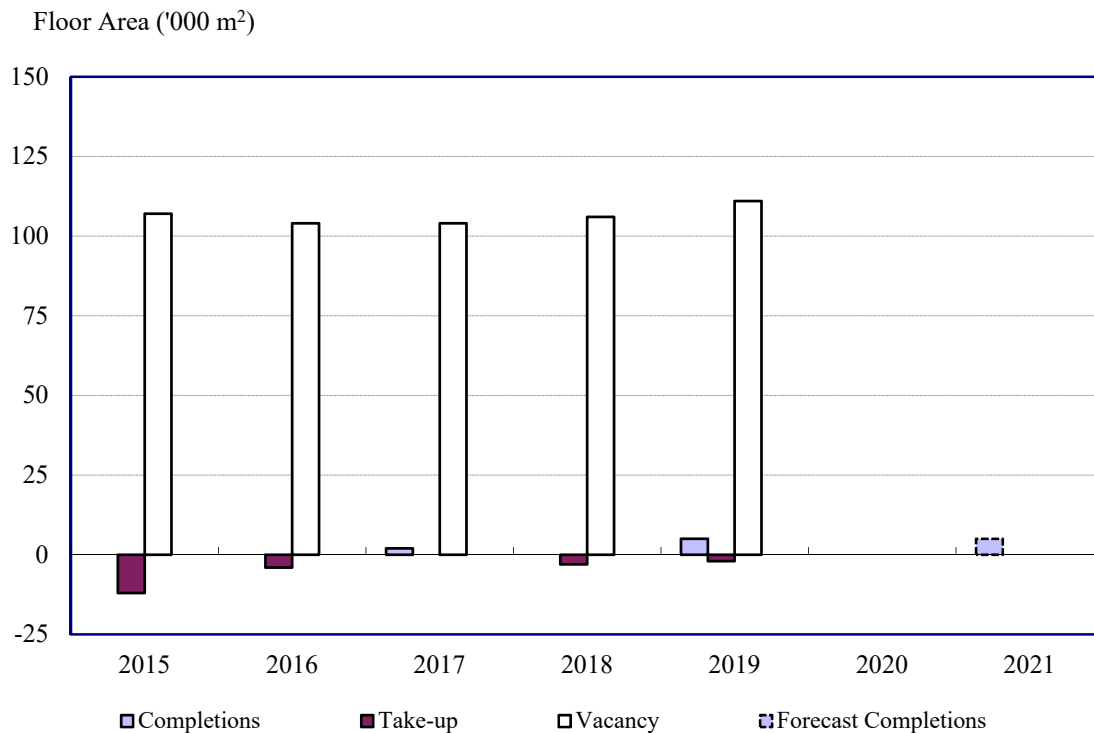
	2015	2016	2017	2018	2019	2020	2021
Completions ('000 m <sup>2</sup> )	0	0	2	0	5	[0]	[5]
Take-up* ('000 m <sup>2</sup> )	- 12	- 4	0	- 3	- 2		
Vacancy ('000 m <sup>2</sup> )	107	104	104	106	111		
%☆	7.2	7.0	7.0	7.2	7.5		

\* Take-up represents the net increase in the floor area occupied in the year under review. The figures are computed by adding the completions in that year to the vacancy figures at the beginning of the year, and then subtracting the year's demolition and the year-end vacancy figures (with figures for wholesale conversion, if any, already reflected). A negative figure indicates a net decrease in occupied floor space.

☆ Vacancy at the end of the year as a percentage of stock.

[ ] Forecast figures

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## **PRIVATE COMMERCIAL**

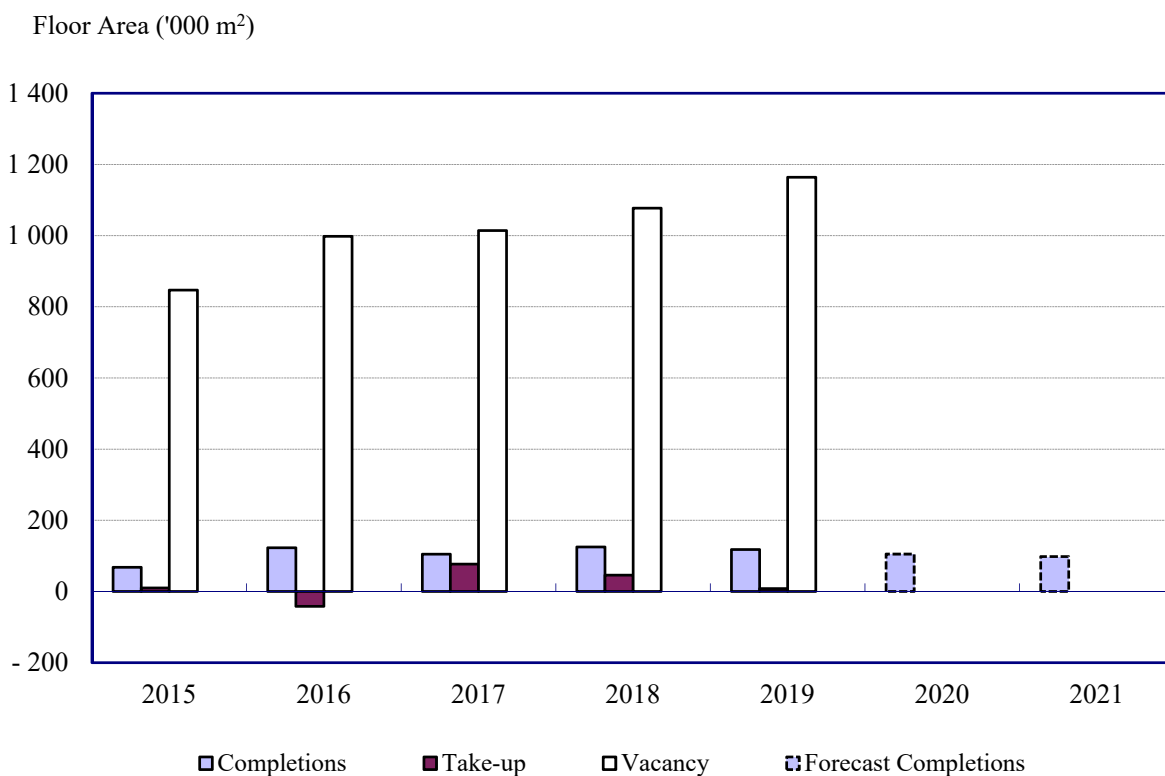
### **COMPLETIONS, TAKE-UP AND VACANCY**

	2015	2016	2017	2018	2019	2020	2021
Completions (‘000 m <sup>2</sup> )	68	123	105	125	118	[105]	[98]
Take-up* (‘000 m <sup>2</sup> )	10	- 42	77	46	8		
Vacancy (‘000 m <sup>2</sup> )	847	998	1 014	1 077	1 164		
%☆	7.7	9.0	9.0	9.4	10.1		

\* Take-up represents the net increase in the floor area occupied in the year under review. The figures are computed by adding the completions in that year to the vacancy figures at the beginning of the year, and then subtracting the year’s demolition and the year-end vacancy figures (with figures for wholesale conversion, if any, already reflected). A negative figure indicates a net decrease in occupied floor space.

☆ Vacancy at the end of the year as a percentage of stock.

[ ] Forecast figures



## PRIVATE FLATTED FACTORIES

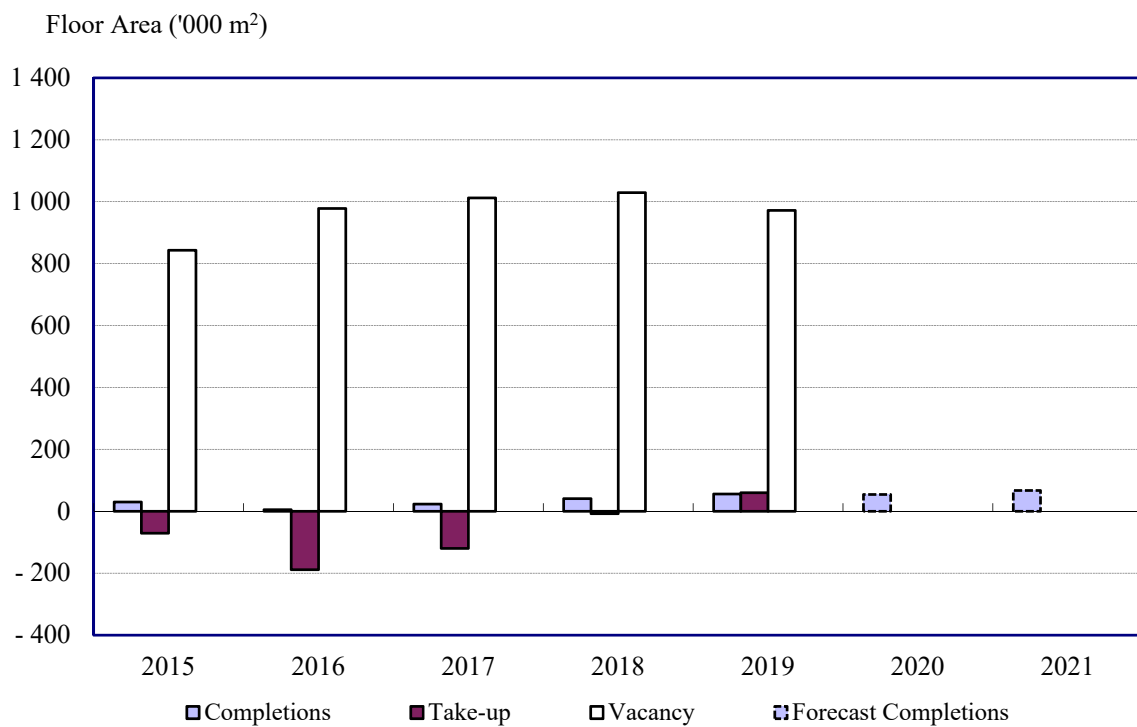
### COMPLETIONS, TAKE-UP AND VACANCY

	2015	2016	2017	2018	2019	2020	2021
Completions (‘000 m <sup>2</sup> )	30	5	23	41	56	[54]	[67]
Take-up* (‘000 m <sup>2</sup> )	- 71	- 189	- 120	- 8	60		
Vacancy (‘000 m <sup>2</sup> )	843	978	1 012	1 029	972		
%☆	5.0	5.8	6.1	6.3	5.9		

\* Take-up represents the net increase in the floor area occupied in the year under review. The figures are computed by adding the completions in that year to the vacancy figures at the beginning of the year, and then subtracting the year’s demolition and the year-end vacancy figures (with figures for wholesale conversion, if any, already reflected). A negative figure indicates a net decrease in occupied floor space.

☆ Vacancy at the end of the year as a percentage of stock.

[ ] Forecast figures



## **PRIVATE INDUSTRIAL/OFFICE**

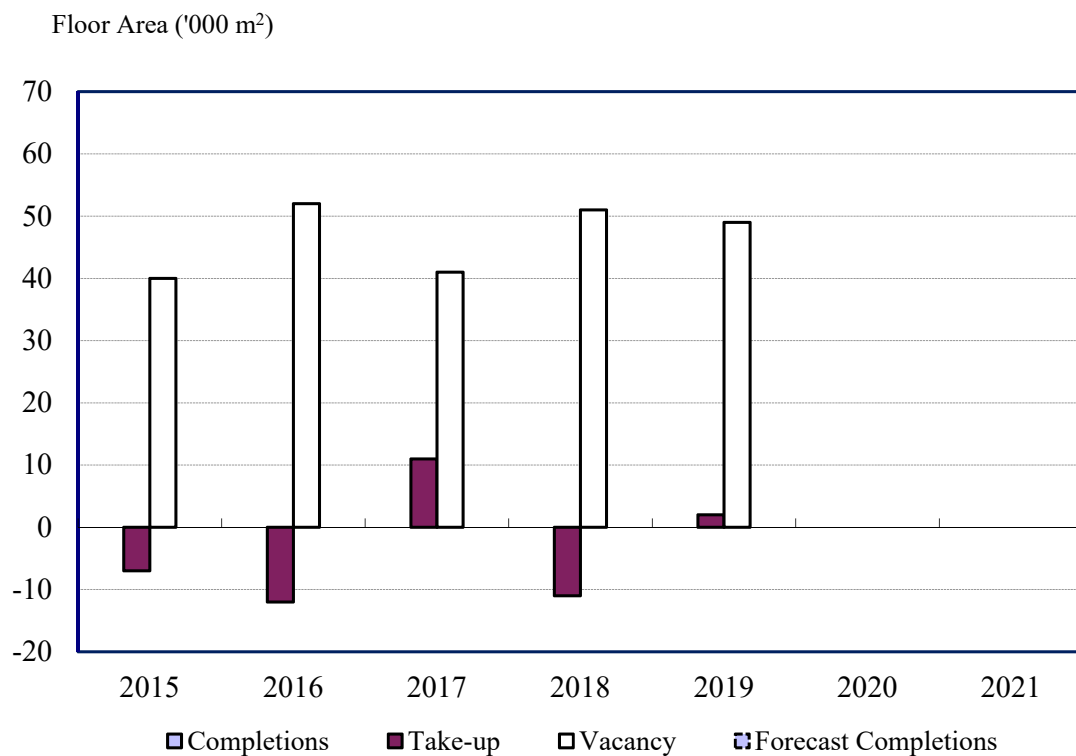
### **COMPLETIONS, TAKE-UP AND VACANCY**

	2015	2016	2017	2018	2019	2020	2021
Completions (‘000 m <sup>2</sup> )	0	0	0	0	0	[0]	[0]
Take-up* (‘000 m <sup>2</sup> )	- 7	- 12	11	- 11	2		
Vacancy (‘000 m <sup>2</sup> )	40	52	41	51	49		
%☆	6.8	8.9	7.4	9.3	9.0		

\* Take-up represents the net increase in the floor area occupied in the year under review. The figures are computed by adding the completions in that year to the vacancy figures at the beginning of the year, and then subtracting the year’s demolition and the year-end vacancy figures (with figures for wholesale conversion, if any, already reflected). A negative figure indicates a net decrease in occupied floor space.

☆ Vacancy at the end of the year as a percentage of stock.

[ ] Forecast figures





**MONTHLY PRICE INDICES FOR PRIVATE DOMESTIC PROPERTIES**

(1999 = 100)

Year	Month	Small / Medium	Large	Overall
1997	Oct (Peak)	172.3	183.4	172.9
2018	Jan	360.5	316.7	358.4
	Feb	366.9	317.7	364.5
	Mar	372.6	318.5	370.0
	Apr	379.8	321.3	377.0
	May	386.2	326.7	383.4
	Jun	394.1	331.8	391.1
	Jul	397.8	332.9	394.8
	Aug	397.7	331.7	394.6
	Sep	392.7	324.4	389.4
	Oct	381.9	316.5	378.7
	Nov	369.8	310.0	366.8
	Dec	361.9	309.3	359.4
2019	Jan	363.4	312.8	361.0
	Feb	369.5	316.4	367.0
	Mar	381.4	322.3	378.7
	Apr	395.2	331.8	392.3
	May	399.9	336.4	396.9
	Jun	396.8	332.1	393.7
	Jul	396.5	333.1	393.5
	Aug	391.1	329.6	388.2
	Sep	384.1	323.3	381.4
	Oct	380.8	319.5	378.2
	Nov*	387.5	322.0	384.9
	Dec*	381.6	313.7	378.9

\* Provisional - liable to change as further data becomes available for analysis.

Technical Notes :

- (i) Small / Medium units are those with saleable area less than 100 m<sup>2</sup>. Large units are those with saleable area 100 m<sup>2</sup> or above.
- (ii) The indices are based on an analysis of prices paid for completed properties sold in the secondary market. Date of sale is the date on which an Agreement for Sale and Purchase is signed. Provisional agreement is generally reached 2-3 weeks earlier.

**PRICE INDICES****(1999 = 100)**

<b>Private Domestic Properties</b>	<b>2018</b>	<b>2019</b>			
	<b>4Q</b>	<b>1Q</b>	<b>2Q</b>	<b>3Q</b>	<b>4Q*</b>
Small / Medium Units (Saleable Area less than 100 m <sup>2</sup> )	371.2	371.4	397.3	390.6	383.3
Large Units (Saleable Area 100 m <sup>2</sup> or above)	311.9	317.2	333.4	328.7	318.4
<b>Overall</b>	<b>368.3</b>	<b>368.9</b>	<b>394.3</b>	<b>387.7</b>	<b>380.7</b>

<b>Non-Domestic Properties</b>	<b>2018</b>	<b>2019</b>			
	<b>4Q</b>	<b>1Q</b>	<b>2Q</b>	<b>3Q*</b>	<b>4Q*</b>
Offices :      Grade A	(586.9)	537.8	534.8	520.3	(506.6)
Grade B	585.1	545.2	580.3	615.8	(579.3)
Grade C	560.0	536.2	581.4	582.9	527.5
<b>Overall</b>	<b>576.9</b>	<b>539.3</b>	<b>562.1</b>	<b>553.1</b>	<b>516.7</b>
Retail Premises :	597.5	572.8	573.5	544.1	507.8
Flatted Factories :	902.2	889.1	928.4	886.4	840.9

\* Provisional - liable to change as further data becomes available for analysis.

( ) Indicates fewer than 20 transactions.

**Technical Notes :**

The indices are based on an analysis of prices paid for completed properties sold in the secondary market. Premises of all ages and in all locations are included. Where appropriate, the date of agreement is taken as the date of sale.

**RENTAL INDICES****(1999 = 100)**

<b>Private Domestic Properties</b>	<b>2018</b>	<b>2019</b>			
	<b>4Q</b>	<b>1Q</b>	<b>2Q</b>	<b>3Q</b>	<b>4Q*</b>
Small / Medium Units (Saleable Area less than 100 m <sup>2</sup> )	199.7	196.3	199.2	202.8	195.3
Large Units (Saleable Area 100 m <sup>2</sup> or above)	157.6	156.7	156.8	157.2	152.6
<b>Overall</b>	<b>195.6</b>	<b>192.4</b>	<b>195.3</b>	<b>198.6</b>	<b>191.4</b>

<b>Non-Domestic Properties</b>	<b>2018</b>	<b>2019</b>			
	<b>4Q</b>	<b>1Q</b>	<b>2Q</b>	<b>3Q*</b>	<b>4Q*</b>
Offices :      Grade A	265.6	268.1	271.8	272.8	269.1
Grade B	250.4	254.2	258.7	258.5	252.6
Grade C	233.4	234.9	238.9	238.9	232.6
<b>Overall</b>	<b>256.4</b>	<b>259.3</b>	<b>263.5</b>	<b>264.1</b>	<b>259.3</b>
Retail Premises :	188.0	189.3	189.0	189.0	181.0
Flatted Factories :	205.4	206.7	211.0	212.9	208.7

\* Provisional - liable to change as further data becomes available for analysis.

**Technical Notes :**

The indices are based on an analysis of rentals paid for completed properties. Premises of all ages and in all locations are included. Where appropriate, the commencement date of a tenancy agreement is adopted as the effective date. However, rents are normally agreed earlier (1/2-1 month earlier for fresh lettings and 1-3 months for lease renewals). Rent-free periods are taken into account if known.

**PRICE AND RENTAL MOVEMENTS IN 2019**

(based on Appendices B &amp; C)

Private Property Category (Territory-wide)		% Change* <u>4Q 2019*</u> 4Q 2018	
		Price	Rental
Domestic Premises :	Small / Medium Units (Saleable Area less than 100 m <sup>2</sup> )	3.3	-2.2
	Large Units (Saleable Area 100 m <sup>2</sup> or above)	2.1	-3.2
	<b>Overall</b>	<b>3.4</b>	<b>-2.1</b>
Offices :	Grade A	-13.7	1.3
	Grade B	-1.0	0.9
	Grade C	-5.8	-0.3
	<b>Overall</b>	<b>-10.4</b>	<b>1.1</b>
Retail Premises :		-15.0	-3.7
Flatted Factories :		-6.8	1.6

\* Provisional - liable to change as further data becomes available for analysis.