

***Rating and Valuation Department***  
***Hong Kong Property Review 2021***  
***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 2020 was 20 890 units, 53% greater than those in 2019. 74% of the completions were in the New Territories, 19% in Kowloon and 7% on Hong Kong Island. At district level, the top three suppliers, namely Tuen Mun, Tai Po and Yuen Long, altogether accounted for 55% of the overall completions.

Take-up, at 12 550 units, was 35% fewer than that of the last year. Vacancy at 2020 year-end rose to 4.3% of the total stock, equivalent to 52 370 units. Among these vacant units, about 10 350 units were not yet issued with Certificate of Compliance or Consent to Assign after obtaining the Occupation Permit.

The forecast completions in 2021 and 2022 are 18 230 and 19 980 units respectively. In 2021, 55% of the completions will come from the New Territories, of which Sai Kung and Tuen Mun will provide 25% and 15% of the new supply respectively. In 2022, the New Territories remains to be the major supplier providing 60% of the total supply. Sha Tin will contribute 21% and Kowloon City will provide another 20%.

With low interest rate environment and solid end-user demand bolstering the residential property market, domestic prices and trading volume remained largely stable over the year, despite the COVID-19 pandemic and gloomy economic outlook. Having reached the peak in June, domestic prices lingered for the whole year and experienced only an insignificant movement of -0.5%. Following the erosion of affordability of tenants by an economic slowdown and a high unemployment rate, landlords were generally willing to accept rent reductions by a larger margin. The overall domestic rents subsided 6.1% year-on-year by December 2020.

## PRIVATE OFFICE

Office completions contracted to 69 000 m<sup>2</sup> in 2020. Grade A completions were 46 000 m<sup>2</sup>, distributed among Tsuen Wan, Sai Kung and Yau Tsim Mong. Grade B completions of 23 000 m<sup>2</sup> mainly came from Sha Tin. There were insignificant amount of Grade C completions, which all were located in Wan Chai.

The overall take-up subsided to a negative level at 286 000 m<sup>2</sup> in the year, attributed from the negative take-ups of 189 000 m<sup>2</sup>, 57 000 m<sup>2</sup> and 40 000 m<sup>2</sup> for Grade A, Grade B and Grade C offices respectively. The overall year-end vacancy increased to 11.5%, amounting to 1 434 000 m<sup>2</sup>. The vacancy rates of Grade A, Grade B and Grade C offices rose to 11.8%, 11.9% and 9.4% respectively. Grade A offices in the sub-districts of Tsim Sha Tsui, Sheung Wan and Wan Chai / Causeway Bay recorded double-digit vacancy rates.

Forecast completions in 2021 at 71 000 m<sup>2</sup> are similar to the completions in 2020 but will rebound to 275 000 m<sup>2</sup> in 2022. In 2021, new Grade A completions will account for 45 000 m<sup>2</sup>, mainly from Sham Shui Po amounting to 75% of the anticipated supply. Grade A completions in 2022 will be 185 000 m<sup>2</sup>, with Kwun Tong and the Eastern district together contributing 69%. Grade B completions in 2021 will provide 21 000 m<sup>2</sup>, but surge to 90 000 m<sup>2</sup> in 2022. Grade C office completions will increase to 5 000 m<sup>2</sup> in 2021 but will be minimal in 2022.

Office prices experienced sharp monthly changes during the year and ended in a fall of 5.9% between the fourth quarters of 2019 and 2020. Tense China-US relations together with the severe epidemic situation deteriorated the global economic conditions and dampened the local market activities in the office sector. Grade A, B and C office prices dropped by 12.2%, 9.6% and 6.1% respectively between the fourth quarters of 2019 and 2020. During the corresponding period, overall office rents also fell by 10.0%, with Grade A, B and C offices recording decreases of 11.4%, 8.5% and 6.0% respectively.

## **PRIVATE COMMERCIAL**

Completions in 2020 dropped to 67 000 m<sup>2</sup>, with the New Territories accounting for 48% of the completions. A negative take-up of 108 000 m<sup>2</sup> was recorded in the year and vacancy rate climbed to 11.4%, amounting to 1 321 000 m<sup>2</sup>.

Completions are expected to decrease further to 53 000 m<sup>2</sup> in 2021, with Wan Chai contributing the most, accounting for 30% of the anticipated supply. In 2022, the completions will rise to 173 000 m<sup>2</sup>, of which Kowloon City and Sha Tin will become the major suppliers, providing 56% of the total supply.

With the retail sales softening amid the poor economic sentiment and dwindling tourism-related activities, private retail rents retreated by 7.4% between the fourth quarters of 2019 and 2020, but prices generally remained stable. Trading volume showed no sign of improvement in the year as compared with that of the last year.

## **PRIVATE FLATTED FACTORIES**

Completions in 2020 went down to 38 000 m<sup>2</sup>, mainly from Tuen Mun, Kwun Tong and Southern district. Take-up reached a negative 110 000 m<sup>2</sup>. Vacancy at the year-end rose to 6.4% at 1 038 000 m<sup>2</sup>.

Completions are anticipated to increase to 68 000 m<sup>2</sup> in 2021 and further to 173 000 m<sup>2</sup> in 2022.

Sales activities for flatted factories in 2020 were more subdued than those in the previous year. Both prices and rents fell 2.8% and 0.9% respectively comparing the fourth quarters in 2019 and 2020.

## **PRIVATE INDUSTRIAL/OFFICE**

There were no industrial/office completions in 2020. Similar to the flatted factories, the take-up turned negative to 13 000 m<sup>2</sup> and the vacancy rate rose to 10.2% at 56 000 m<sup>2</sup>.

It is anticipated to have no new supply in 2021 and 2022.

## PRIVATE DOMESTIC

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

No. of units

	2016	2017	2018	2019	2020	2021	2022
Completions	14 600	17 790	20 970	13 640 #	20 890	[18 230]	[19 980]
Take-up*	11 880	16 950	11 620	19 280	12 550		
Vacancy	43 660	42 940	51 430	44 890	52 370		
%☆	3.8	3.7	4.3	3.7	4.3		

“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.

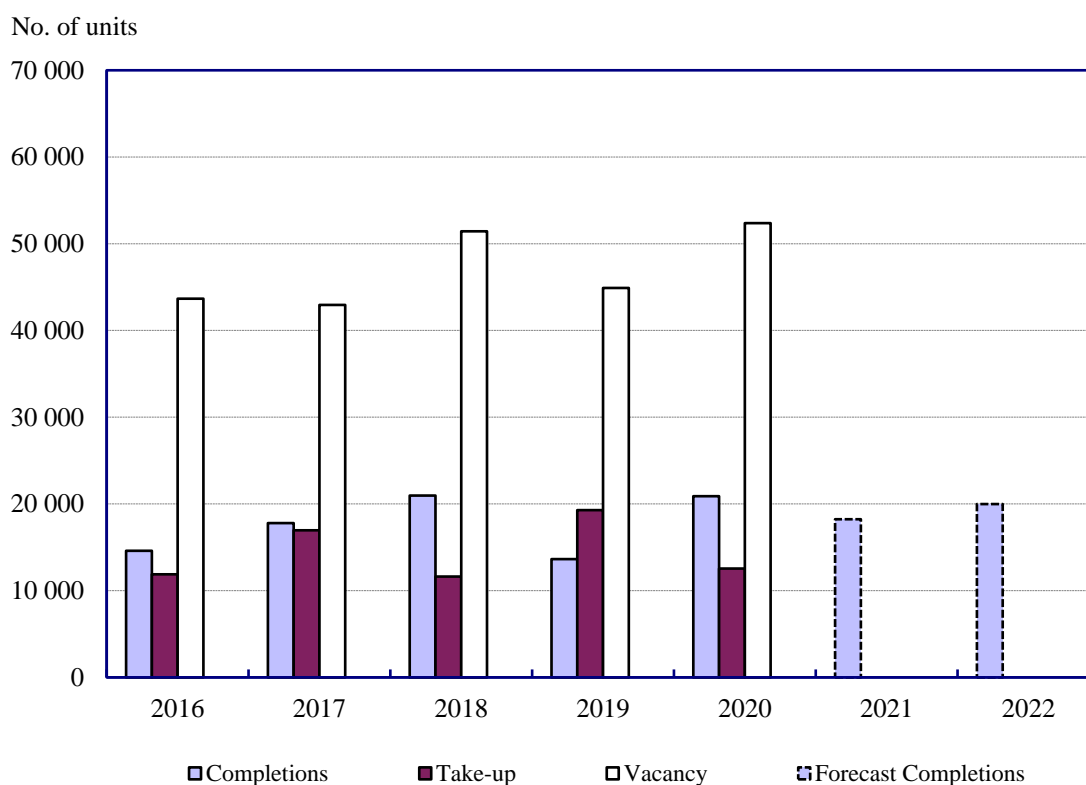
Figures exclude village houses.

# Completions of 2019 include 43 flats completed and designated to be sold to the public in the open market at prevailing market prices but converted to subsidised sale flats in 2020.

\* 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

	2016	2017	2018	2019	2020	2021	2022
Completions	12 520	16 350	18 860	12 300 #	19 750	[17 250]	[19 010]
Take-up*	11 040	14 860	11 080	16 750	10 790		
Vacancy	35 240	35 310	42 340	37 090	45 260		
%☆	3.3	3.3	3.9	3.3	4.0		

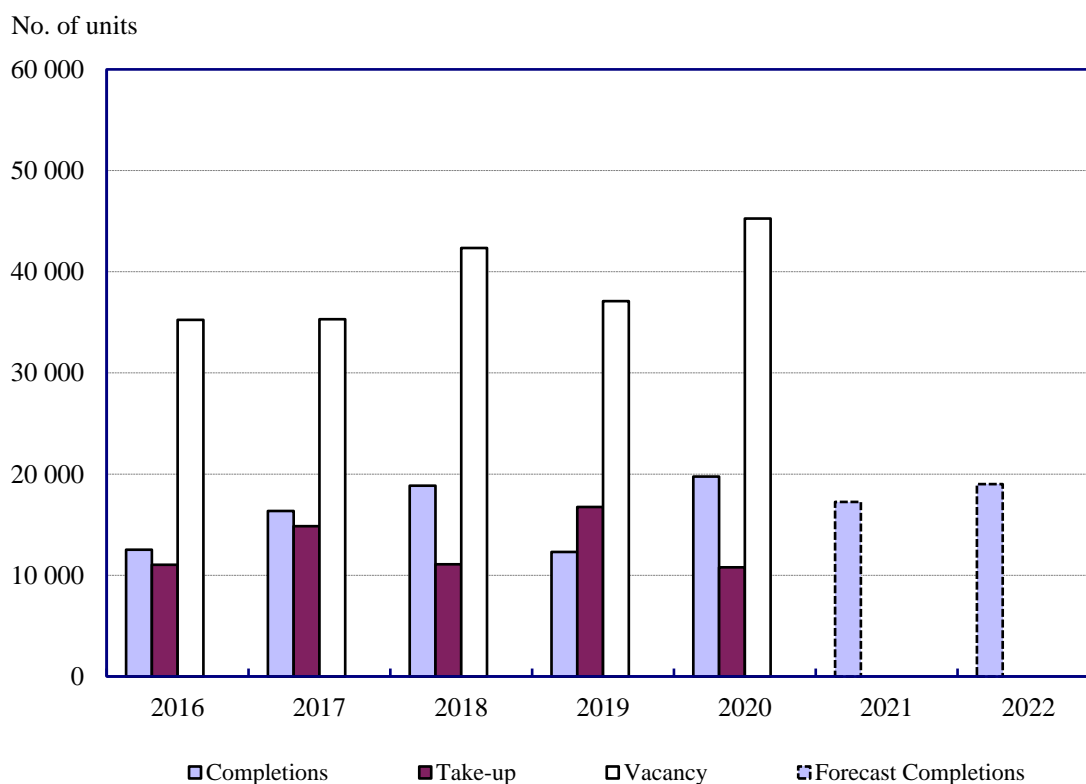
Figures exclude village houses.

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

[ ] Forecast figures



## PRIVATE DOMESTIC

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

No. of units

	2016	2017	2018	2019	2020	2021	2022
Completions	2 080	1 440	2 110	1 340	1 140	[980]	[970]
Take-up*	840	2 090	540	2 530	1 760		
Vacancy	8 420	7 630	9 090	7 800	7 110		
%☆	9.2	8.2	9.6	8.1	7.3		

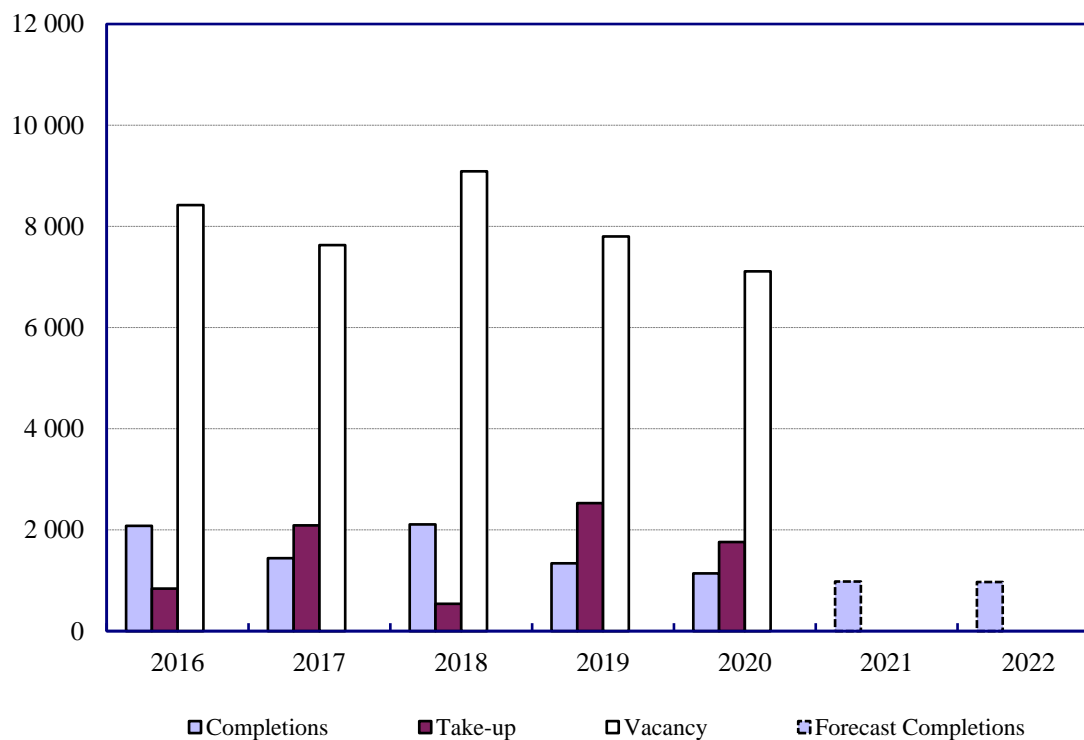
Figures exclude village houses.

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

[ ] Forecast figures

No. of units





# PRIVATE OFFICE

## ALL GRADES COMPLETIONS, TAKE-UP AND VACANCY

	2016	2017	2018	2019	2020	2021	2022
Completions ('000 m <sup>2</sup> )	153	198	179	267	69	[71]	[275]
Take-up* ('000 m <sup>2</sup> )	98	23	266	147	- 286		
Vacancy ('000 m <sup>2</sup> )	946	1 120	1 032	1 104	1 434		
%☆	8.2	9.5	8.6	9.0	11.5		

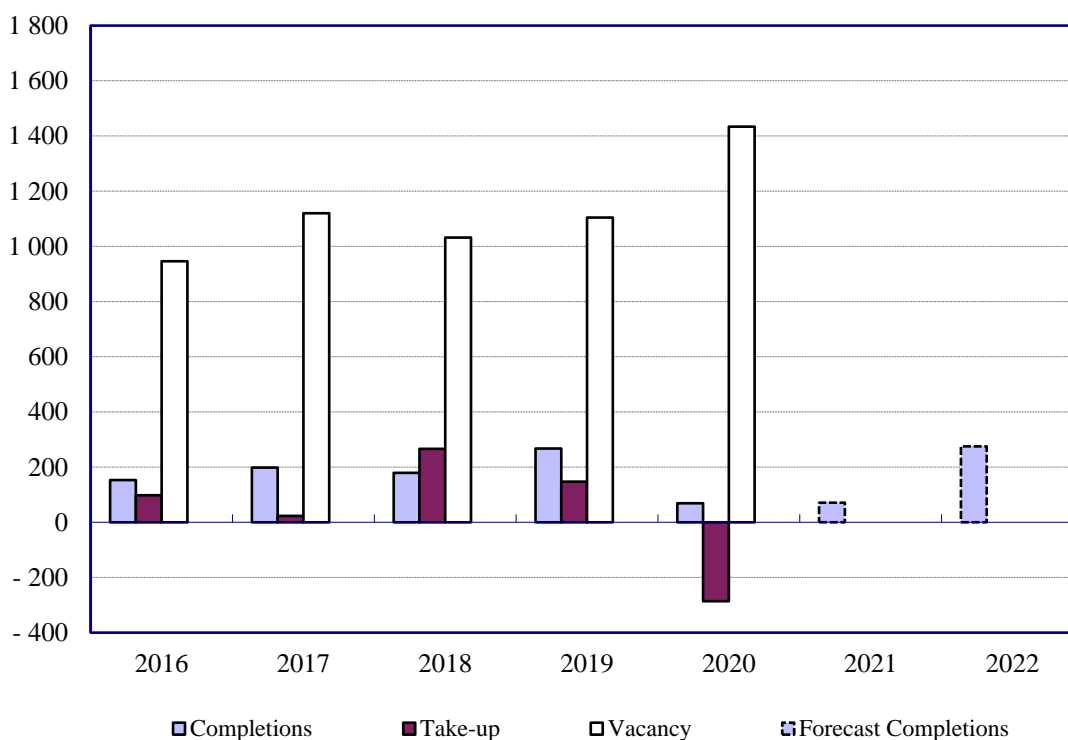
\* Take-up represents the net increase in the floor area occupied in the year under review. The figures are computed by adding the completions in that year to the vacancy figures at the beginning of the year, and then subtracting the year's demolition and the year-end vacancy figures (with figures for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

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.

Floor Area ('000 m<sup>2</sup>)



# PRIVATE OFFICE

## GRADE A COMPLETIONS, TAKE-UP AND VACANCY

	2016	2017	2018	2019	2020	2021	2022
Completions ('000 m <sup>2</sup> )	142	186	178	242	46	[45]	[185]
Take-up* ('000 m <sup>2</sup> )	108	49	234	169	- 189		
Vacancy ('000 m <sup>2</sup> )	592	730	674	720	955		
%☆	8.0	9.6	8.7	9.0	11.8		

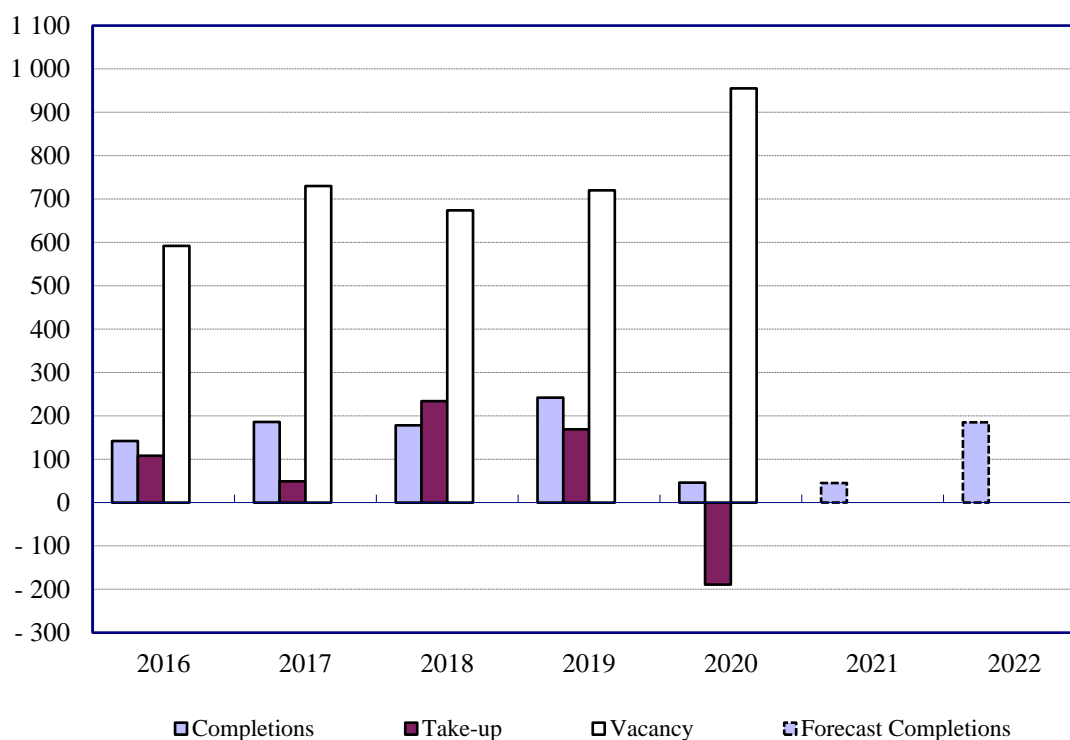
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☆ Vacancy at the end of the year as a percentage of stock.

[ ] Forecast figures

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Floor Area ('000 m<sup>2</sup>)



# PRIVATE OFFICE

## GRADE B COMPLETIONS, TAKE-UP AND VACANCY

	2016	2017	2018	2019	2020	2021	2022
Completions ('000 m <sup>2</sup> )	11	10	1	20	23	[21]	[90]
Take-up* ('000 m <sup>2</sup> )	- 6	- 26	35	- 20	- 57		
Vacancy ('000 m <sup>2</sup> )	250	286	252	273	340		
%☆	9.4	10.4	9.0	9.7	11.9		

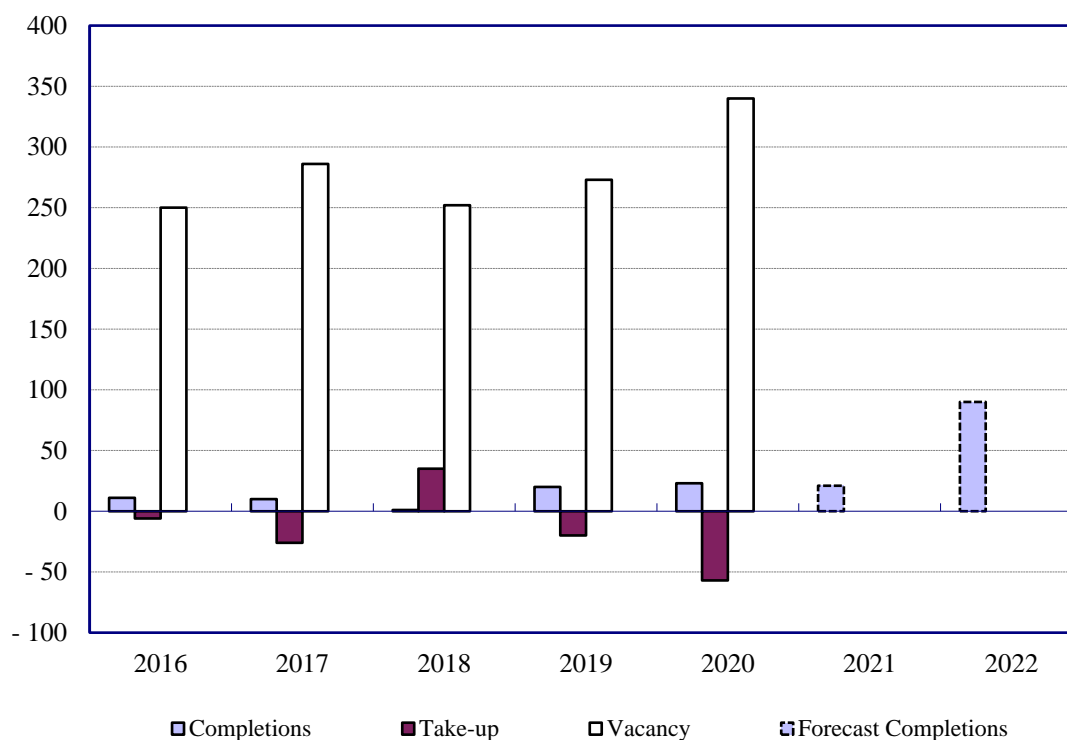
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☆ Vacancy at the end of the year as a percentage of stock.

[ ] Forecast figures

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Floor Area ('000 m<sup>2</sup>)



# PRIVATE OFFICE

## GRADE C COMPLETIONS, TAKE-UP AND VACANCY

	2016	2017	2018	2019	2020	2021	2022
Completions ('000 m <sup>2</sup> )	0	2	0	5	0	[5]	[0]
Take-up* ('000 m <sup>2</sup> )	- 4	0	- 3	- 2	- 40		
Vacancy ('000 m <sup>2</sup> )	104	104	106	111	139		
%☆	7.0	7.0	7.2	7.5	9.4		

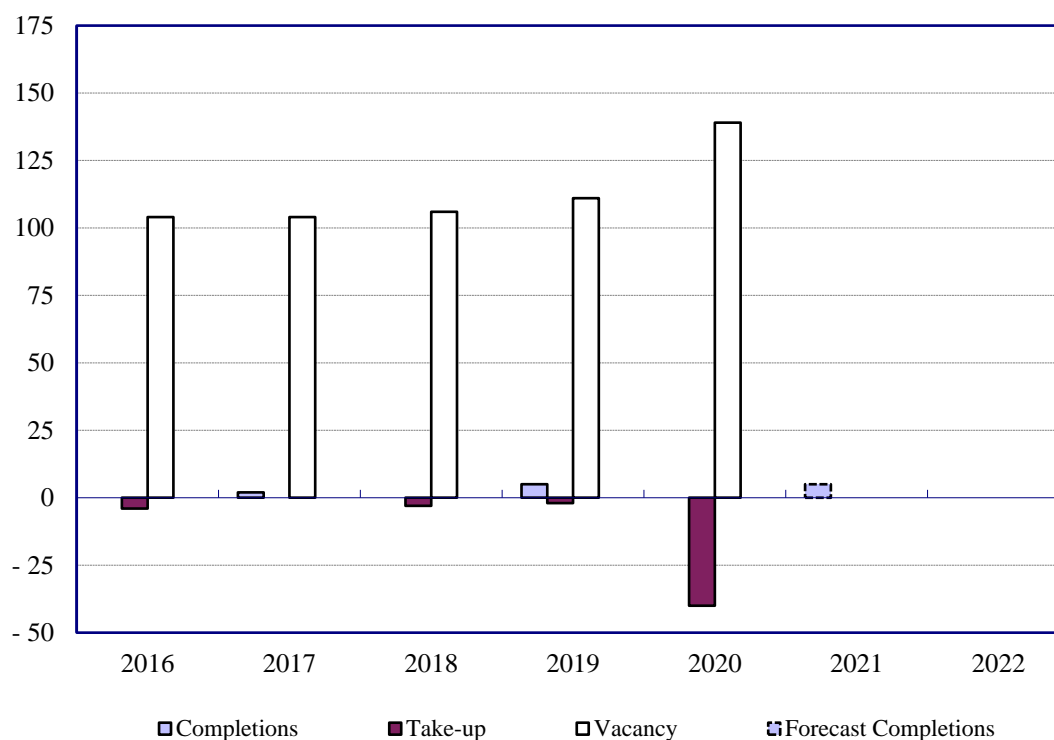
\* Take-up represents the net increase in the floor area occupied in the year under review. The figures are computed by adding the completions in that year to the vacancy figures at the beginning of the year, and then subtracting the year's demolition and the year-end vacancy figures (with figures for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

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.

Floor Area ('000 m<sup>2</sup>)



# PRIVATE COMMERCIAL

## COMPLETIONS, TAKE-UP AND VACANCY

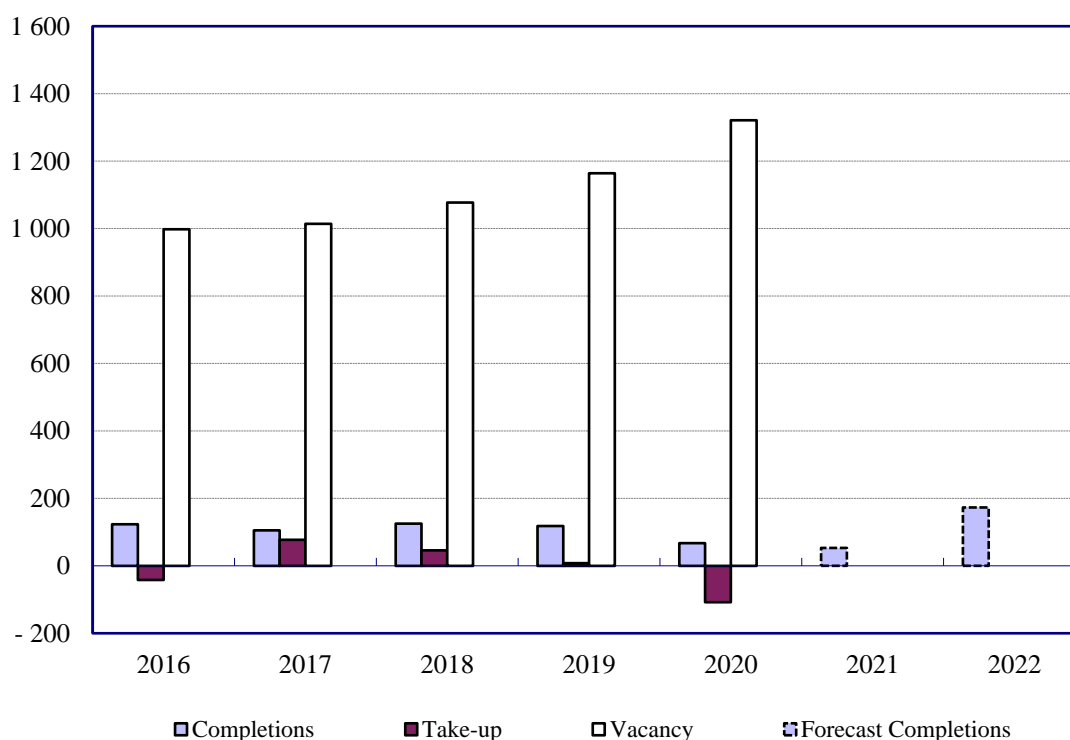
	2016	2017	2018	2019	2020	2021	2022
Completions ('000 m <sup>2</sup> )	123	105	125	118	67	[53]	[173]
Take-up* ('000 m <sup>2</sup> )	- 42	77	46	8	- 108		
Vacancy ('000 m <sup>2</sup> )	998	1 014	1 077	1 164	1 321		
%☆	9.0	9.0	9.4	10.1	11.4		

\* 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

Floor Area ('000 m<sup>2</sup>)



## PRIVATE FLATTED FACTORIES

### COMPLETIONS, TAKE-UP AND VACANCY

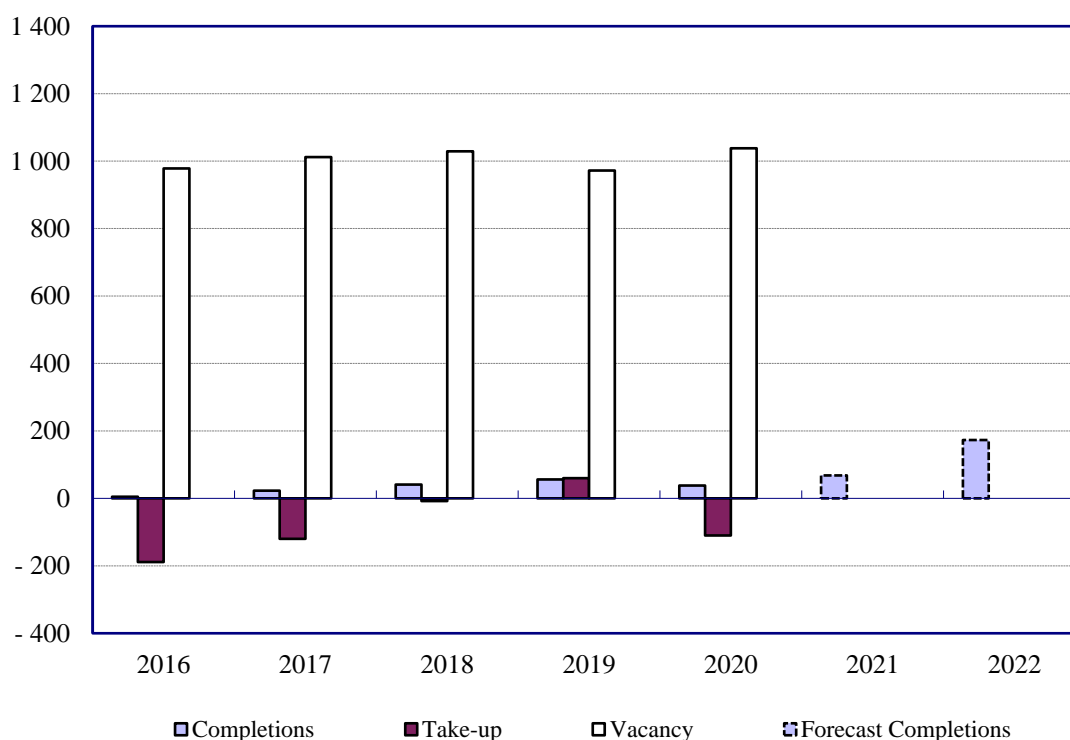
	2016	2017	2018	2019	2020	2021	2022
Completions ('000 m <sup>2</sup> )	5	23	41	56	38	[68]	[173]
Take-up* ('000 m <sup>2</sup> )	- 189	- 120	- 8	60	- 110		
Vacancy ('000 m <sup>2</sup> )	978	1 012	1 029	972	1 038		
%☆	5.8	6.1	6.3	5.9	6.4		

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

[ ] Forecast figures

Floor Area ('000 m<sup>2</sup>)



## PRIVATE INDUSTRIAL/OFFICE

### COMPLETIONS, TAKE-UP AND VACANCY

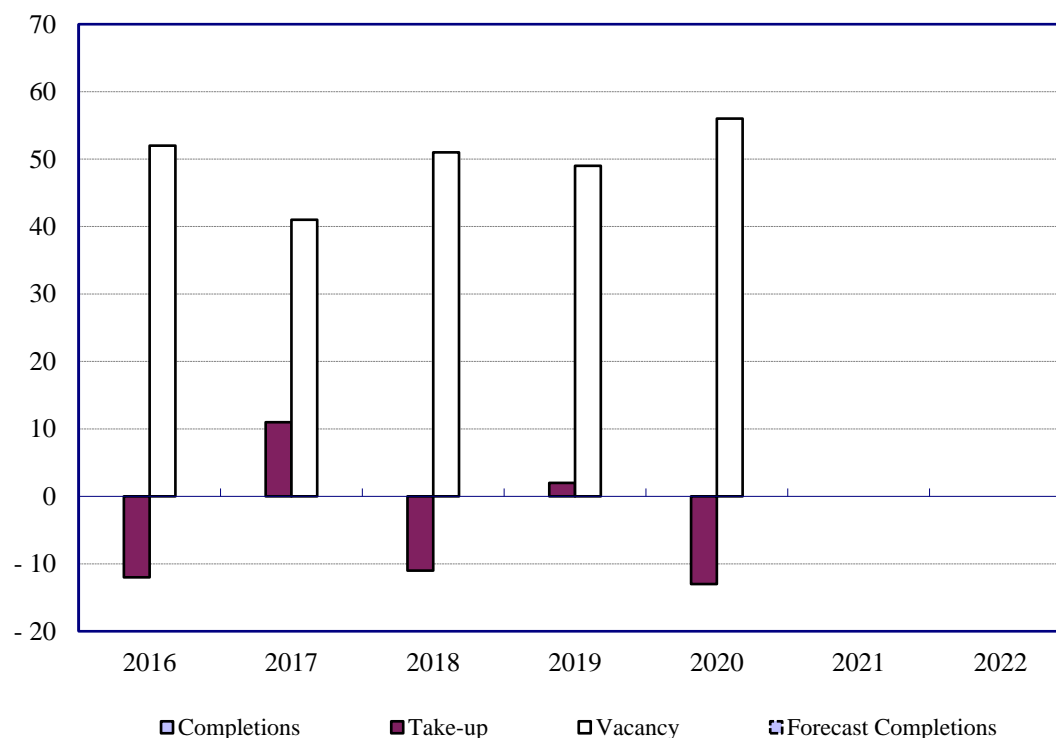
	2016	2017	2018	2019	2020	2021	2022
Completions ('000 m <sup>2</sup> )	0	0	0	0	0	[0]	[0]
Take-up* ('000 m <sup>2</sup> )	- 12	11	- 11	2	- 13		
Vacancy ('000 m <sup>2</sup> )	52	41	51	49	56		
%☆	8.9	7.4	9.3	9.0	10.2		

\* 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

Floor Area ('000 m<sup>2</sup>)



**MONTHLY PRICE INDICES FOR PRIVATE DOMESTIC PROPERTIES**

(1999 = 100)

Year	Month	Small / Medium	Large	Overall
1997	Oct (Peak)	172.3	183.4	172.9
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	388.0	321.7	385.3
	Dec	382.0	313.2	379.2
2020	Jan	382.3	317.6	379.7
	Feb	375.9	313.0	373.4
	Mar	381.1	312.3	378.4
	Apr	379.9	310.3	377.5
	May	388.5	317.4	386.1
	Jun	388.9	324.3	386.7
	Jul	387.7	320.4	385.4
	Aug	384.2	319.3	382.0
	Sep	385.5	314.0	383.1
	Oct	383.9	309.0	381.3
	Nov*	383.3	310.5	380.7
	Dec*	381.9	316.6	379.5

\* 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)

Private Domestic Properties	2019	2020			
	4Q	1Q	2Q	3Q	4Q*
Small / Medium Units (Saleable Area less than 100 m <sup>2</sup> )	383.6	379.8	385.8	385.8	383.0
Large Units (Saleable Area 100 m <sup>2</sup> or above)	318.1	314.3	317.3	317.9	312.0
<b>Overall</b>	<b>380.9</b>	<b>377.2</b>	<b>383.4</b>	<b>383.5</b>	<b>380.5</b>

Non-Domestic Properties	2019	2020			
	4Q	1Q	2Q	3Q	4Q*
Offices :      Grade A	(506.6)	(459.8)	(432.0)	(425.4)	444.8
Grade B	(579.8)	(568.1)	517.0	522.2	524.1
Grade C	532.3	513.3	523.1	513.9	499.7
<b>Overall</b>	<b>517.4</b>	<b>477.1</b>	<b>451.4</b>	<b>456.8</b>	<b>487.0</b>
Retail Premises :	508.3	524.9	527.5	512.0	509.4
Flatted Factories :	844.1	841.0	829.7	816.5	820.4

\* 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)

Private Domestic Properties	2019	2020			
	4Q	1Q	2Q	3Q	4Q*
Small / Medium Units (Saleable Area less than 100 m <sup>2</sup> )	195.3	187.8	182.9	184.3	182.3
Large Units (Saleable Area 100 m <sup>2</sup> or above)	152.1	148.0	143.8	142.5	143.7
<b>Overall</b>	<b>191.3</b>	<b>184.1</b>	<b>179.2</b>	<b>180.2</b>	<b>178.4</b>

Non-Domestic Properties	2019	2020			
	4Q	1Q	2Q	3Q	4Q*
Offices :      Grade A	268.1	263.2	252.6	246.4	237.6
Grade B	252.8	246.7	238.9	230.7	231.2
Grade C	232.4	225.4	216.5	217.3	218.4
<b>Overall</b>	<b>258.7</b>	<b>253.1</b>	<b>243.4</b>	<b>237.7</b>	<b>232.9</b>
Retail Premises :	181.5	174.1	167.9	168.9	168.1
Flatted Factories :	208.2	200.9	198.8	199.9	206.4

\* 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 2020**

(based on Appendices B &amp; C)

Private Property Category (Territory-wide)	% Change*	
	$\frac{4Q\ 2020^*}{4Q\ 2019}$	
	Price	Rental
Domestic Premises :		
Small / Medium Units (Saleable Area less than 100 m <sup>2</sup> )	-0.2	-6.7
Large Units (Saleable Area 100 m <sup>2</sup> or above)	-1.9	-5.5
<b>Overall</b>	<b>-0.1</b>	<b>-6.7</b>
Offices :		
Grade A	-12.2	-11.4
Grade B	-9.6	-8.5
Grade C	-6.1	-6.0
<b>Overall</b>	<b>-5.9</b>	<b>-10.0</b>
Retail Premises :	0.2	-7.4
Flatted Factories :	-2.8	-0.9

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