

Rating and Valuation Department

Hong Kong Property Review 2023

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 2022 were 21 170 units, 47% more than those in 2021. 61% of the completions were in the New Territories, 27% in Kowloon and 12% on Hong Kong Island. At district level, the top three suppliers, namely Kowloon City, Yuen Long and Sha Tin, altogether accounted for 49% of the overall completions.

Take-up, at 14 010 units, remained at a similar level as that of the last year. Vacancy at 2022 year-end slightly rose to 4.4% of the total stock, equivalent to 54 970 units. Among these vacant units, about 7 880 units were not yet issued with Certificate of Compliance or Consent to Assign after obtaining the Occupation Permit.

The forecast completions in 2023 and 2024 are 19 950 and 26 970 units respectively. In these two years, Kowloon will be the major supplier providing 52% and 47% of the total supply in 2023 and 2024 respectively, with Kowloon City alone contributing 24% and 33% of the total supply respectively.

Dampened by the rising interest rates, sluggish local demand and weakened market confidence amid uncertain global economic conditions during 2022, as well as the fifth wave of the COVID-19 epidemic in the first half of the year, domestic prices in December 2022 fell significantly year-on-year by 15.2%, despite a short-lived rebound of less than 1% in April of the same year. Due to lacklustre demand for rental premises, domestic rents in 2022 also softened, yet at a comparatively milder year-on-year rate of -4.2% by December 2022.

PRIVATE OFFICE

Office completions surged significantly to 351 000 m² in 2022. Grade A completions were 299 000 m², mainly distributed among Kowloon City, Kwun Tong and the Eastern district. Grade B completions of 50 000 m² mainly came from Kwun Tong and Tsuen Wan. There was insignificant amount of Grade C completions equivalent to 2 000 m², 1 000 m² of which were located in Wan Chai.

The overall take-up reverted to a positive level at 19 000 m² in the year, attributed from the positive take-ups of 42 000 m² and 9 000 m² for Grade A and Grade C offices respectively, while Grade B offices had a negative take-up at 32 000 m². The overall year-end vacancy rate increased to 14.4%, amounting to 1 860 000 m². The vacancy rates of Grade A and Grade B offices were 15.1% each, while that of Grade C offices was 8.8%. Grade A offices in all sub-districts recorded double-digit vacancy rates, except for Central where a low rate of 8.7% was observed.

Forecast completions in 2023 will fall to 267 000 m² from last year's level and further to 106 000 m² in 2024. In 2023, there will be new Grade A completions of 251 000 m², with Sham Shui Po and the Central and Western districts contributing 38% and 25% of the anticipated supply respectively. Grade A completions in 2024 will account for 87 000 m², mainly from Kwun Tong amounting to 49% of the anticipated supply. Grade B completions in 2023 will provide 15 000 m² and slightly rebound to 18 000 m² in 2024. Grade C office completions in 2023 and 2024 will be 1 000 m² each.

The gloomy economic outlook in the majority of 2022 brought about by global interest rate hikes, escalating geopolitical tensions and the fifth wave of local epidemic in the first half of the year posed market uncertainties and subdued demand of offices, as prices registered a drop of 3.0% between the fourth quarters of 2021 and 2022, with Grade A, B and C office prices falling by 4.9%, 2.9% and 7.6% respectively. Office rents declined by 2.4%, as Grade A, B and C office rents recorded a fall of 2.6%, 2.2% and 1.8% respectively during the corresponding period.

PRIVATE COMMERCIAL

Completions of commercial premises in 2022 soared to 118 000 m² from 2021, with Kowloon and the New Territories altogether accounting for 88% of the completions. A positive take-up of 52 000 m² was recorded in the year and the year-end vacancy rate remained at a high level of 10.5%, amounting to 1 224 000 m².

Completions are expected to further increase to 147 000 m² in 2023, with Kowloon City contributing the most at 47% of the anticipated supply. In 2024, completions will reduce to 76 000 m², of which Wan Chai will become the major supplier, providing 30% of the total supply.

Adversely affected by the cross-border travel restriction and sluggish local economic conditions during the year, prices and rents of retail premises retreated by 7.1% and 5.0% respectively between the fourth quarters of 2021 and 2022, with the trading volume plunging by 36% in 2022.

PRIVATE FLATTED FACTORIES

Completions of flatted factories increased to 105 000 m² in 2022, with Tsuen Wan attributable to 60% of the total supply. Take-up reached a positive 149 000 m². Vacancy rate at the year-end fell to 5.3% at 852 000 m².

Completions in 2023 are anticipated to decrease to 103 000 m² and contract further to 41 000 m² in 2024.

Sales activities for flatted factories in 2022 were subdued, registering a 45% decrease in trading volume. Prices for flatted factories fell by 5.3% while rents recorded an insignificant change of -0.2% comparing the fourth quarters in 2021 and 2022.

PRIVATE INDUSTRIAL/OFFICE

There were no industrial/office completions in 2022. The take-up turned positive to 3 000 m². Vacancy rate slightly fell to 11.3% at 60 000 m².

It is anticipated to have no new supply in 2023 and 2024.

PRIVATE DOMESTIC

ALL UNITS COMPLETIONS, TAKE-UP AND VACANCY

No. of units

	2018	2019	2020	2021	2022	2023	2024
Completions	20 970	13 640 #	20 890	14 390	21 170	[19 950]	[26 970]
Take-up*	11 620	19 280	12 550	14 110	14 010		
Vacancy	51 430	44 890	52 370	50 160	54 970		
%☆	4.3	3.7	4.3	4.1	4.4		

“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.

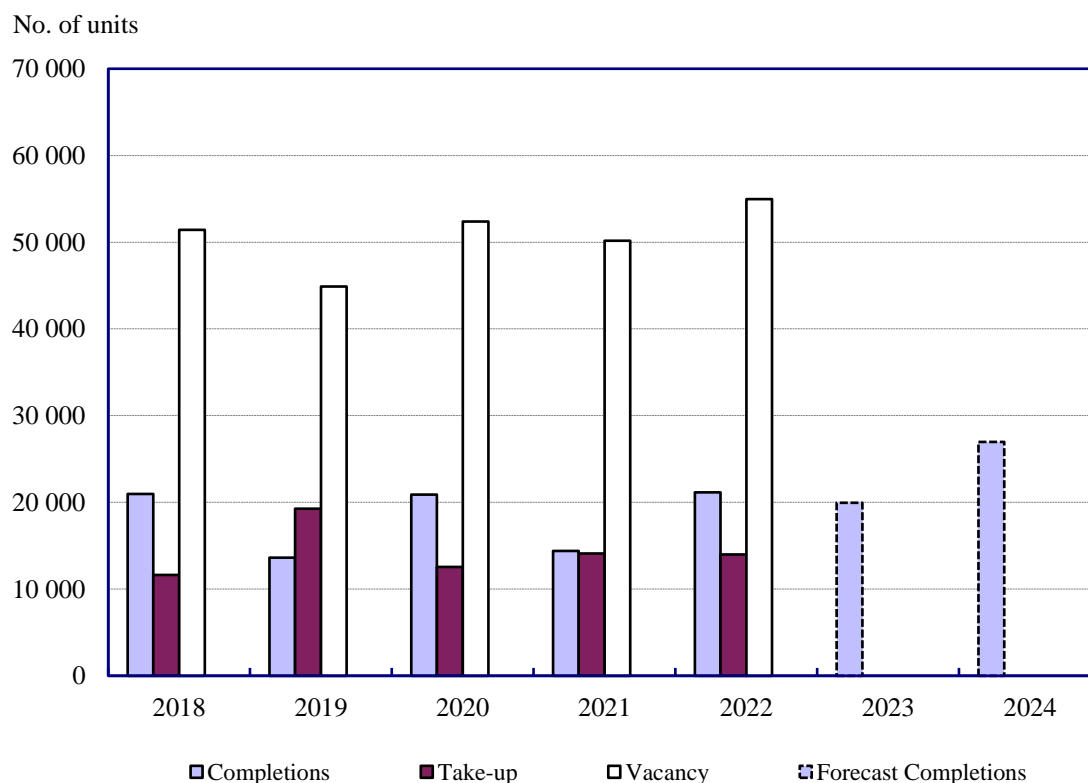
Figures exclude village houses.

Completions of 2019 include 43 units 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 m²) COMPLETIONS, TAKE-UP AND VACANCY

No. of units

	2018	2019	2020	2021	2022	2023	2024
Completions	18 860	12 300 #	19 750	14 020	19 600	[18 520]	[25 970]
Take-up*	11 080	16 750	10 790	14 100	13 100		
Vacancy	42 340	37 090	45 260	42 860	47 080		
%☆	3.9	3.3	4.0	3.8	4.1		

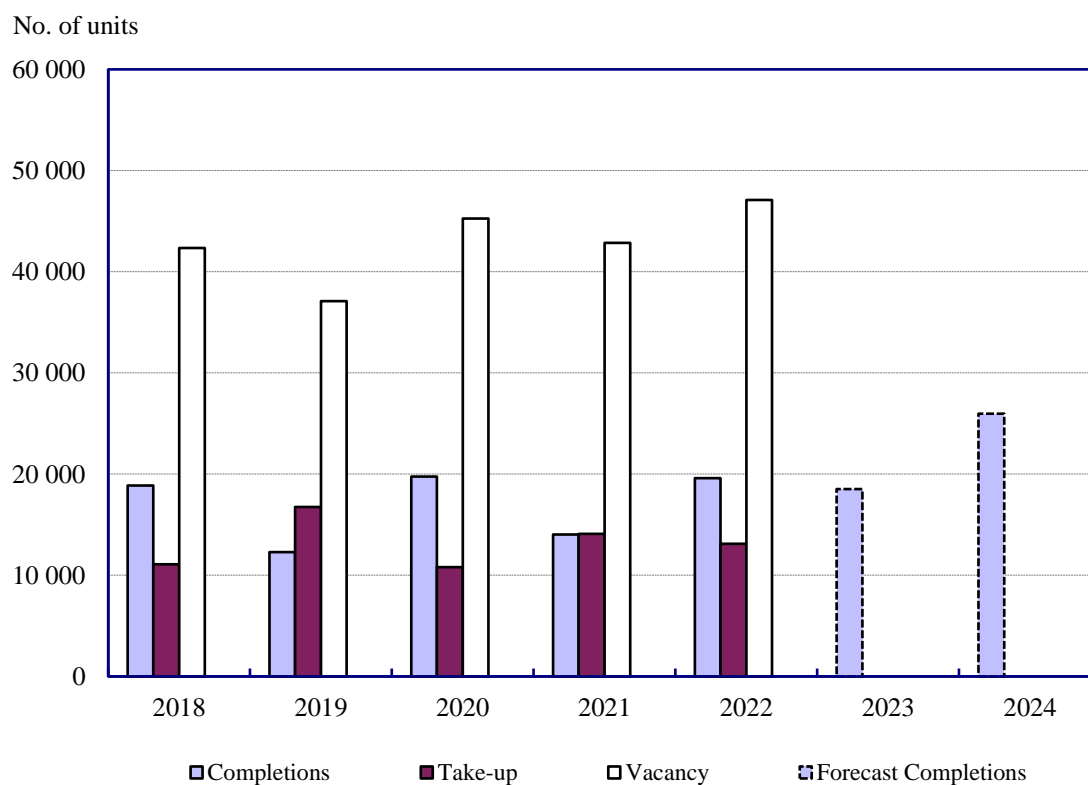
Figures exclude village houses.

Completions of 2019 include 43 units 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

LARGE UNITS (Saleable Area 100 m² or above) COMPLETIONS, TAKE-UP AND VACANCY

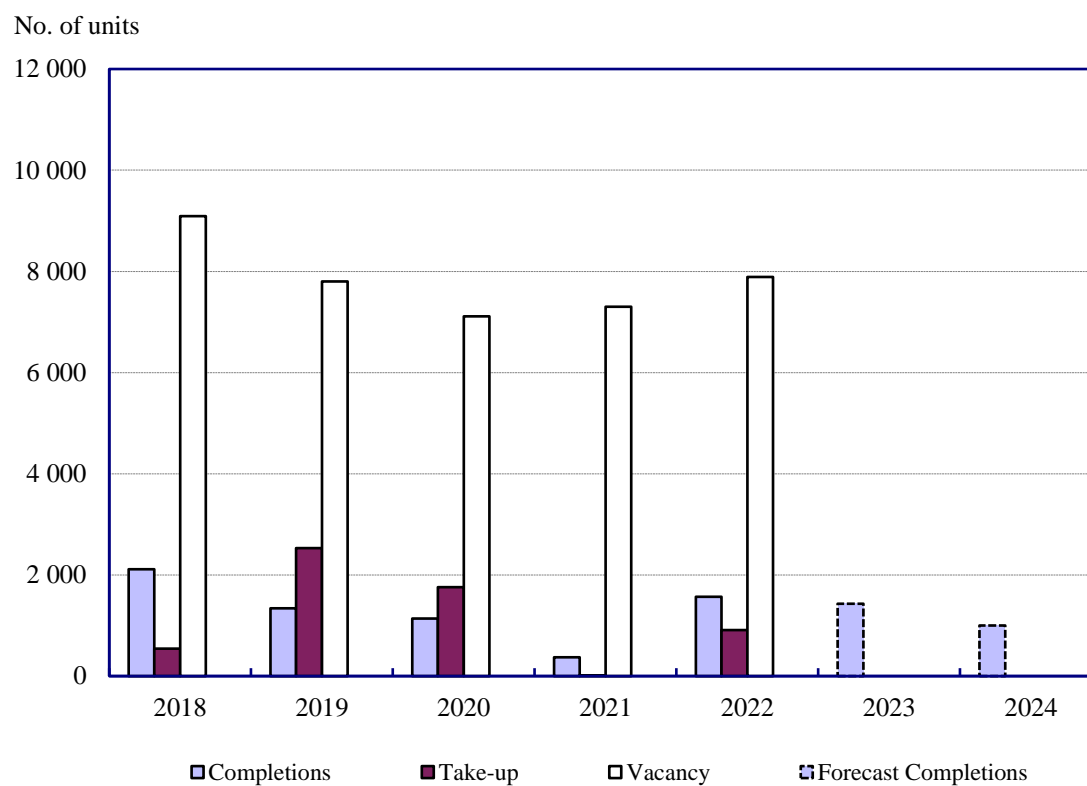
	2018	2019	2020	2021	2022	2023	2024
Completions	2 110	1 340	1 140	370	1 570	[1 430]	[1 000]
Take-up*	540	2 530	1 760	10	910		
Vacancy	9 090	7 800	7 110	7 300	7 890		
%☆	9.6	8.1	7.3	7.5	8.0		

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

	2018	2019	2020	2021	2022	2023	2024
Completions ('000 m ²)	179	267	69	70	351	[267]	[106]
Take-up* ('000 m ²)	266	147	- 286	- 40	19		
Vacancy ('000 m ²)	1 032	1 104	1 434	1 541	1 860		
%☆	8.6	9.0	11.5	12.3	14.4		

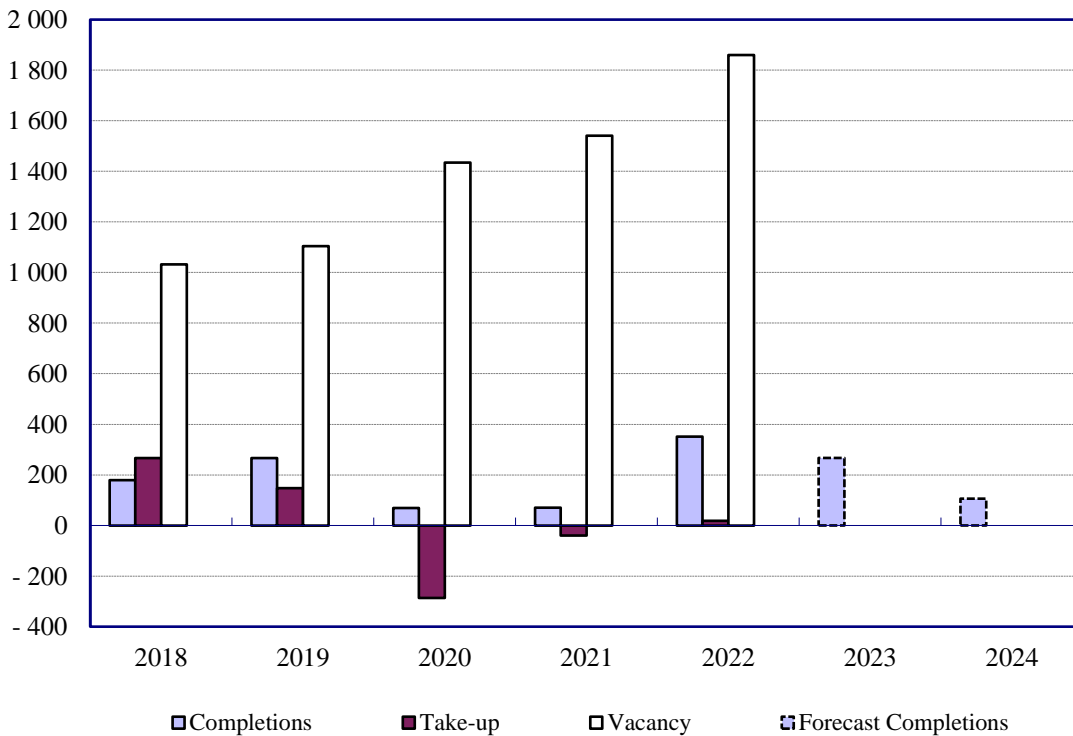
* Take-up represents the net increase in the floor area occupied in the year under review. The figures are computed by adding the completions in that year to the vacancy figures at the beginning of the year, and then subtracting the year's demolition and the year-end vacancy figures (with figures for 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 m²)



PRIVATE OFFICE

GRADE A COMPLETIONS, TAKE-UP AND VACANCY

	2018	2019	2020	2021	2022	2023	2024
Completions ('000 m ²)	178	242	46	49	299	[251]	[87]
Take-up* ('000 m ²)	234	169	- 189	- 18	42		
Vacancy ('000 m ²)	674	720	955	1 023	1 280		
%☆	8.7	9.0	11.8	12.5	15.1		

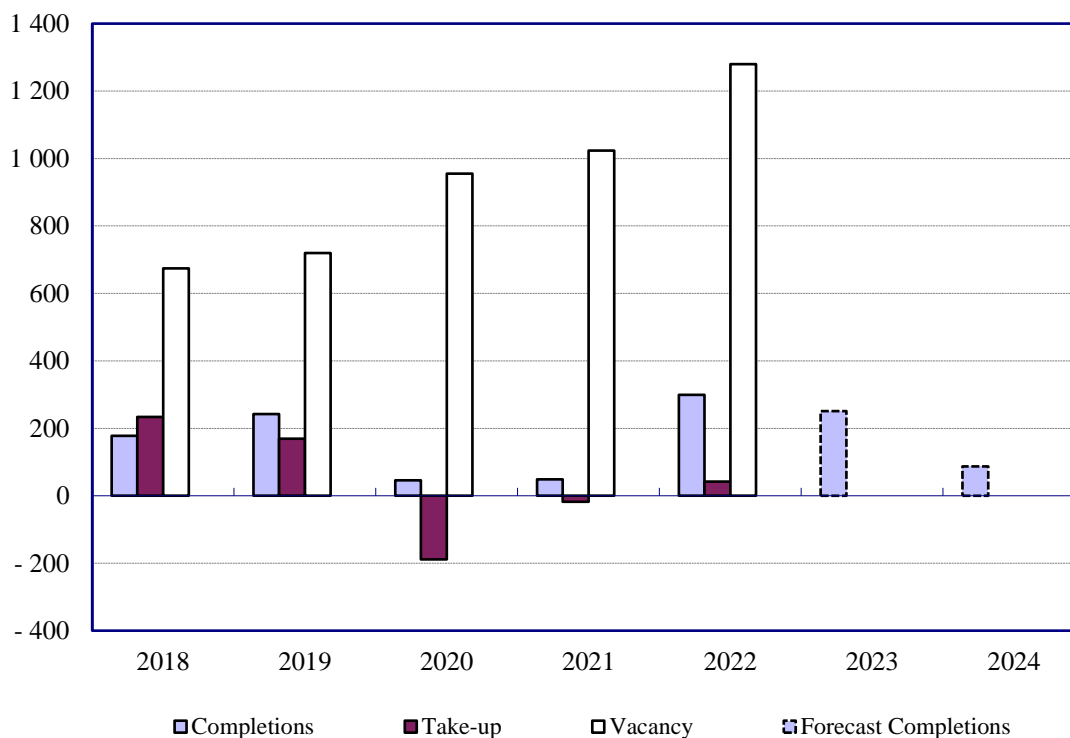
* Take-up represents the net increase in the floor area occupied in the year under review. The figures are computed by adding the completions in that year to the vacancy figures at the beginning of the year, and then subtracting the year's demolition and the year-end vacancy figures (with figures for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

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 m²)



PRIVATE OFFICE

GRADE B COMPLETIONS, TAKE-UP AND VACANCY

	2018	2019	2020	2021	2022	2023	2024
Completions ('000 m ²)	1	20	23	21	50	[15]	[18]
Take-up* ('000 m ²)	35	- 20	- 57	- 22	- 32		
Vacancy ('000 m ²)	252	273	340	380	450		
%☆	9.0	9.7	11.9	13.1	15.1		

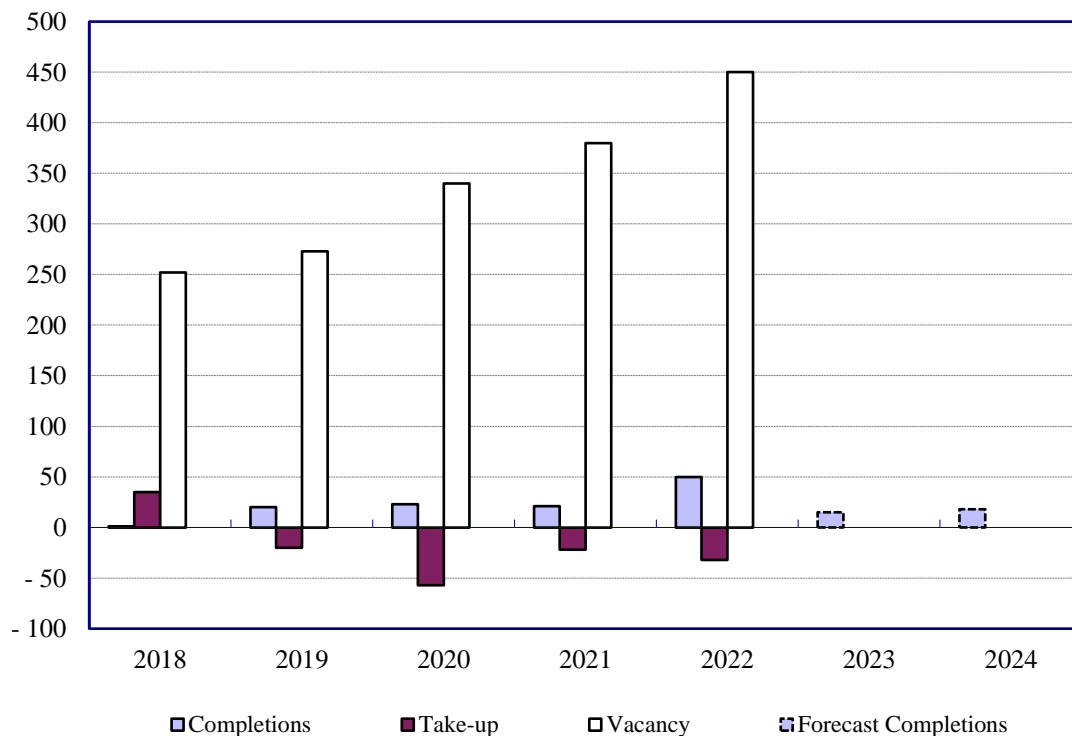
* Take-up represents the net increase in the floor area occupied in the year under review. The figures are computed by adding the completions in that year to the vacancy figures at the beginning of the year, and then subtracting the year's demolition and the year-end vacancy figures (with figures for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

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 m²)



PRIVATE OFFICE

GRADE C COMPLETIONS, TAKE-UP AND VACANCY

	2018	2019	2020	2021	2022	2023	2024
Completions ('000 m ²)	0	5	0	0	2	[1]	[1]
Take-up* ('000 m ²)	-3	-2	-40	0	9		
Vacancy ('000 m ²)	106	111	139	138	130		
%☆	7.2	7.5	9.4	9.3	8.8		

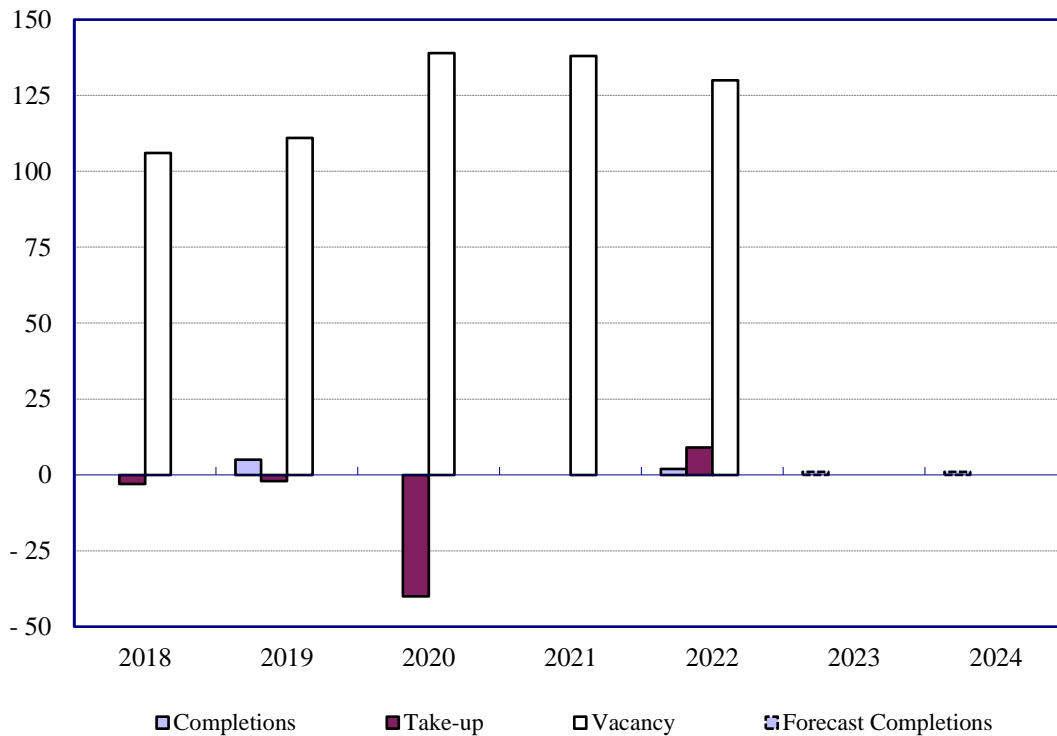
* Take-up represents the net increase in the floor area occupied in the year under review. The figures are computed by adding the completions in that year to the vacancy figures at the beginning of the year, and then subtracting the year's demolition and the year-end vacancy figures (with figures for 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 m²)



PRIVATE COMMERCIAL

COMPLETIONS, TAKE-UP AND VACANCY

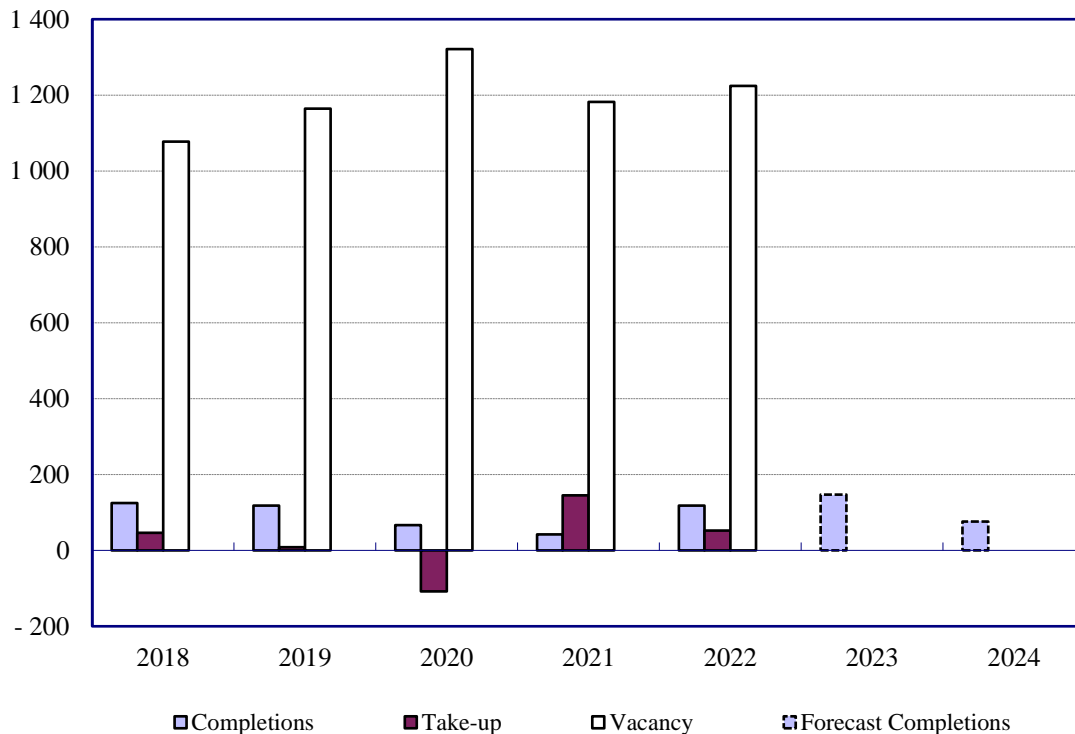
	2018	2019	2020	2021	2022	2023	2024
Completions ('000 m ²)	125	118	67	42	118	[147]	[76]
Take-up* ('000 m ²)	46	8	- 108	145	52		
Vacancy ('000 m ²)	1 077	1 164	1 321	1 182	1 224		
%☆	9.4	10.1	11.4	10.2	10.5		

* 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

Floor Area ('000 m²)



PRIVATE FLATTED FACTORIES

COMPLETIONS, TAKE-UP AND VACANCY

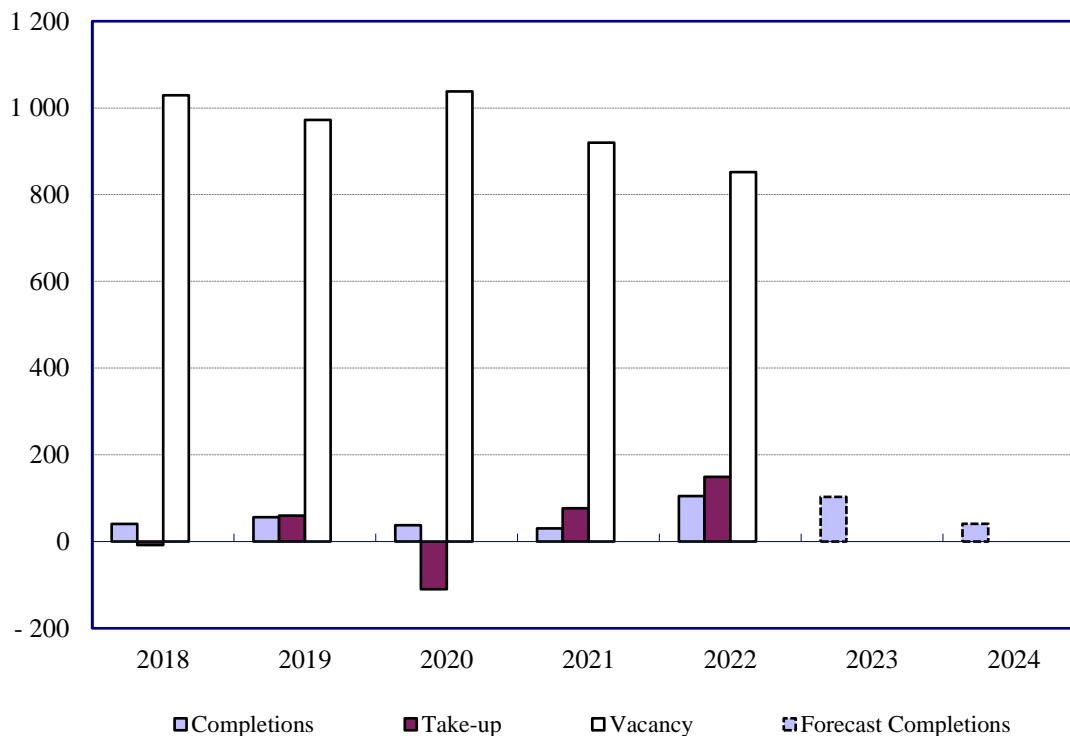
	2018	2019	2020	2021	2022	2023	2024
Completions ('000 m ²)	41	56	38	30	105	[103]	[41]
Take-up* ('000 m ²)	- 8	60	- 110	77	149		
Vacancy ('000 m ²)	1 029	972	1 038	920	852		
%☆	6.3	5.9	6.4	5.7	5.3		

* 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 m²)



PRIVATE INDUSTRIAL/OFFICE

COMPLETIONS, TAKE-UP AND VACANCY

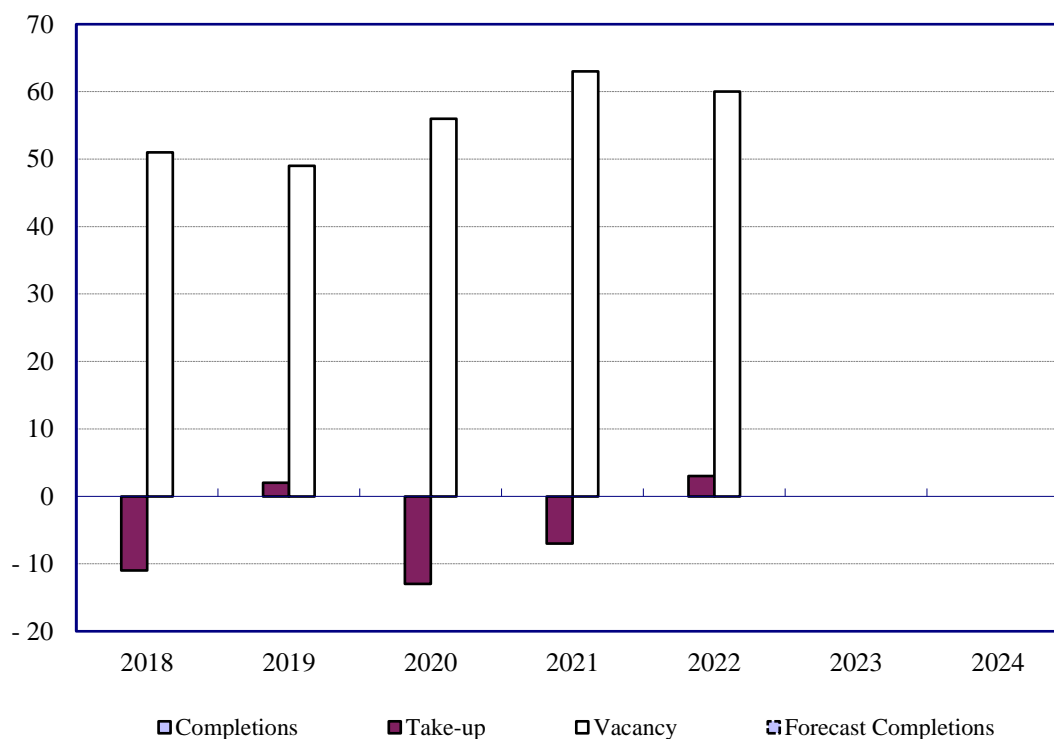
	2018	2019	2020	2021	2022	2023	2024
Completions ('000 m ²)	0	0	0	0	0	[0]	[0]
Take-up* ('000 m ²)	- 11	2	- 13	- 7	3		
Vacancy ('000 m ²)	51	49	56	63	60		
%☆	9.3	9.0	10.2	11.5	11.3		

* 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 m²)



MONTHLY PRICE INDICES FOR PRIVATE DOMESTIC PROPERTIES**(1999 = 100)**

Year	Month	Small / Medium	Large	Overall
1997	Oct (Peak)	172.3	183.4	172.9
2021	Jan	384.5	312.9	381.9
	Feb	387.3	322.6	384.9
	Mar	392.1	326.4	389.6
	Apr	393.4	329.5	391.0
	May	396.6	329.4	393.9
	Jun	396.6	330.2	394.0
	Jul	400.8	329.0	398.0
	Aug	400.2	332.8	397.5
	Sep	400.7	336.2	398.1
	Oct	398.5	336.9	396.0
	Nov	396.2	330.8	393.6
	Dec	396.7	326.0	393.9
2022	Jan	393.8	321.6	390.8
	Feb	386.6	314.4	383.6
	Mar	384.6	308.0	381.4
	Apr	388.0	314.1	385.0
	May	388.2	319.7	385.5
	Jun	384.6	314.7	381.8
	Jul	379.0	315.1	376.5
	Aug	370.6	310.8	368.2
	Sep	362.4	310.4	360.3
	Oct	351.9	308.2	350.2
	Nov*	339.8	303.5	338.4
	Dec*	335.3	302.5	334.1

* 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 m². Large units are those with saleable area 100 m² 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	2021	2022			
	4Q	1Q	2Q	3Q	4Q*
Small / Medium Units (Saleable Area less than 100 m ²)	397.1	388.3	386.9	370.7	342.3
Large Units (Saleable Area 100 m ² or above)	331.2	314.7	316.2	312.1	304.7
Overall	394.5	385.3	384.1	368.3	340.9

Non-Domestic Properties	2021	2022			
	4Q	1Q	2Q	3Q	4Q*
Offices : Grade A	457.0	(492.8)@	(470.8)	(465.4)	(434.8)
Grade B	541.8	516.2	521.5	(525.5)	(525.9)
Grade C	519.4	520.9	515.6	506.3	479.7
Overall	498.3	508.4@	500.1	499.6	483.3
Retail Premises :	546.4	542.9	525.8	517.6	507.5
Flatted Factories :	897.3	895.2	892.0	884.3	849.3

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

() Indicates fewer than 20 transactions.

@ Price indices for the first quarter of 2022 excluding Mar 2022.

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	2021	2022			
	4Q	1Q	2Q	3Q	4Q*
Small / Medium Units (Saleable Area less than 100 m ²)	187.1	183.2	180.7	182.1	179.3
Large Units (Saleable Area 100 m ² or above)	147.0	147.2	146.2	141.9	141.8
Overall	183.3	179.9	177.7	178.8	176.3

Non-Domestic Properties	2021	2022			
	4Q	1Q	2Q	3Q	4Q*
Offices : Grade A	237.2	233.9	231.4	232.8	231.0
Grade B	234.8	233.2	231.2	232.5	229.7
Grade C	223.6	219.4	216.3	218.9	219.5
Overall	234.5	231.6	229.1	230.7	228.9
Retail Premises :	175.5	170.1	165.2	165.9	166.7
Flatted Factories :	214.5	210.6	208.8	214.4	214.0

* 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 2022

(based on Appendices B & C)

Private Property Category (Territory-wide)	% Change*	
	$\frac{4Q\ 2022^*}{4Q\ 2021}$	
	Price	Rental
Domestic Premises : Small / Medium Units (Saleable Area less than 100 m ²)	-13.8	-4.2
Large Units (Saleable Area 100 m ² or above)	-8.0	-3.5
Overall	-13.6	-3.8
Offices : Grade A	-4.9	-2.6
Grade B	-2.9	-2.2
Grade C	-7.6	-1.8
Overall	-3.0	-2.4
Retail Premises :	-7.1	-5.0
Flatted Factories :	-5.3	-0.2

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