

# *Rating and Valuation Department*

## *Hong Kong Property Review 2024*

### *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 2023 were 13 850 units, 35% fewer than those in 2022. In the year, 50% of the completions were in Kowloon, 44% in the New Territories and 6% on Hong Kong Island. At district level, Kowloon City was the top supplier, followed by Tuen Mun. These two districts accounted for 40% of the overall completions.

Take-up, at 15 670 units, was 12% higher than that of the last year. Vacancy at 2023 year-end slightly fell to 4.1% of the total stock, equivalent to 52 150 units. Among these vacant units, about 5 040 units were not yet issued with Certificate of Compliance or Consent to Assign after obtaining the Occupation Permit.

The forecast completions in 2024 and 2025 are 22 270 and 25 530 units respectively, with supply mainly concentrating in Kowloon and the New Territories. Among the new supplies in these two consecutive years, Kowloon City alone will contribute 26% and 27% of the total supply respectively.

Amid tightened financial conditions, uncertain external economic outlook, weak local demand and cautious sentiments, domestic prices fell 7.0% year-on-year by December 2023 notwithstanding a slight rebound in the first four months of 2023. Trading volume also shrank by 5%. In contrast, the rental market was upbeat, driven by the influx of talents via a number of talent admission schemes. Domestic rents recorded a year-on-year growth of 6.0% by December 2023.

## PRIVATE OFFICE

Office completions decreased significantly to 159 000 m<sup>2</sup> in 2023. Grade A completions, amounting to 144 000 m<sup>2</sup>, mostly came from Sham Shui Po. Grade B completions of 14 000 m<sup>2</sup> were mainly distributed among Kwun Tong and Wan Chai. There was only an insignificant amount of Grade C completions equivalent to 1 000 m<sup>2</sup>.

The overall take-up was at 41 000 m<sup>2</sup> in the year, with a positive take-up of 45 000 m<sup>2</sup> for Grade A offices while Grade B and Grade C offices each registered a negative take-up of 2 000 m<sup>2</sup>. The overall year-end vacancy rate rose to 14.9%, amounting to 1 960 000 m<sup>2</sup>. The vacancy rates of Grade A, Grade B and Grade C offices were 16.0%, 14.9% and 9.0% respectively. Grade A offices in all sub-districts recorded double-digit vacancy rates, ranging from 10.0% to 17.3%.

Forecast completions in 2024 will be 156 000 m<sup>2</sup>, similar to last year's completion level. The figure will fall to 136 000 m<sup>2</sup> in 2025. In 2024 and 2025, the Central and Western district will be the major supplier of new Grade A completions, accounting for 43% and 40% of the total anticipated supplies of 146 000 m<sup>2</sup> and 127 000 m<sup>2</sup> respectively. Grade B completions in 2024 and 2025 will be the same at 9 000 m<sup>2</sup> each, while Grade C completions in these two years will be insignificant.

Despite a visible local economic growth, the relatively high interest rate environment and heightened geopolitical tensions gave rise to sluggish demand and soft sentiments for the office market in 2023. Prices fell by 7.8% between the fourth quarters of 2022 and 2023, with Grade A, B and C office prices recording a fall of 2.0%, 11.5% and 7.9% respectively. During the same period, the flexible leasing arrangements offered by landlords kept office rents at bay with an insignificant drop of 0.7%, as Grade A office rents registered a modest decline of 1.7% while Grade B and C office rents rose slightly by 0.7% and 0.6% respectively.

## **PRIVATE COMMERCIAL**

Completions of commercial premises in 2023 declined to 91 000 m<sup>2</sup> from 2022, with Kowloon contributing the most at 62% of the completions. A positive take-up of 87 000 m<sup>2</sup> was recorded in the year and the year-end vacancy rate was 10.3%, amounting to 1 217 000 m<sup>2</sup>.

Completions are anticipated to decrease to 78 000 m<sup>2</sup> in 2024, of which Wan Chai will be the major supplier, accounting for 36% of the expected supply. In 2025, completions will rise to 89 000 m<sup>2</sup>, with Kowloon City providing the most at 33% of the total supply.

Anticipating a strong post-pandemic recovery of inbound tourism and improvement in consumer sentiment, rents of retail premises registered an increase of 3.7% between the fourth quarters of 2022 and 2023. However, the sales market remained subdued in 2023 amid relatively high interest rates and perceived changes in spending patterns of local residents and tourists. Prices of retail premises retreated by 6.8% comparing the fourth quarters in 2022 and 2023 while the trading volume further contracted by 20% in 2023.

## **PRIVATE FLATTED FACTORIES**

Completions of flatted factories decreased by half to 57 000 m<sup>2</sup> in 2023, with Sai Kung and Kwai Tsing altogether accounting for 88% of the total supply. Take-up turned negative at 46 000 m<sup>2</sup>. Vacancy rate at the year-end rose slightly to 5.7% at 931 000 m<sup>2</sup>.

Completions in 2024 and 2025 are anticipated to stay steady at 55 000 m<sup>2</sup> and 52 000 m<sup>2</sup> respectively.

The sales market for flatted factories in 2023 performed poorly. Prices for flatted factories fell by 5.1% between the fourth quarters of 2022 and 2023, while the trading volume shrank by 7% in the year. In contrast, rents recorded a moderate growth of 3.5% comparing the fourth quarters in 2022 and 2023.

## **PRIVATE INDUSTRIAL/OFFICE**

There were no industrial/office completions in 2023. The take-up turned negative to 1 900 m<sup>2</sup>. Vacancy rate increased to 11.9% at 62 000 m<sup>2</sup>.

It is anticipated to have no new supply in 2024 and 2025.

# PRIVATE DOMESTIC

## ALL UNITS COMPLETIONS, TAKE-UP AND VACANCY

No. of units

	2019	2020	2021	2022	2023	2024	2025
Completions <sup>#</sup>	13 640	20 890	14 390	21 170	13 850	[22 270]	[25 530]
Take-up*	19 280	12 550	14 110	14 010	15 670		
Vacancy	44 890	52 370	50 160	54 970	52 150		
%☆	3.7	4.3	4.1	4.4	4.1		

“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.

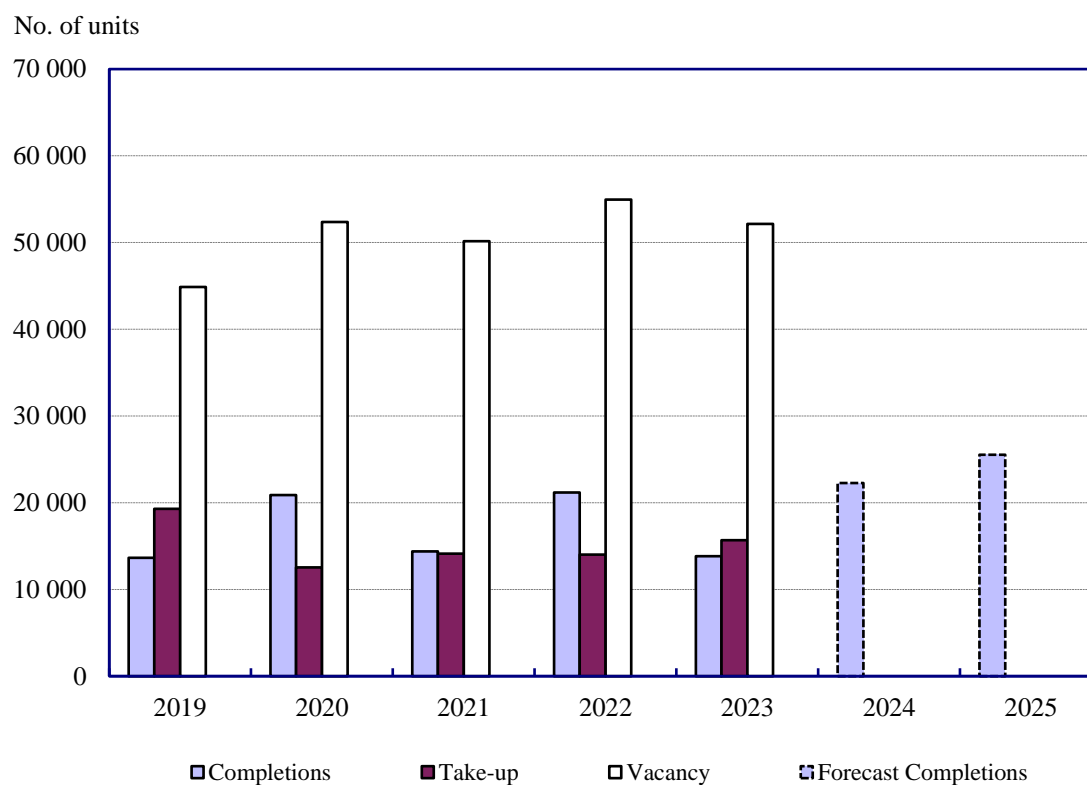
Figures exclude village houses.

# 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. Forecast completions from 2025 onwards include subsidised sale flats to be completed under the Starter Homes for Hong Kong Residents (SH) projects.

\* 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

	2019	2020	2021	2022	2023	2024	2025
							No. of units
Completions <sup>#</sup>	12 300	19 750	14 020	19 600	13 530	[20 920]	[24 390]
Take-up*	16 750	10 790	14 100	13 100	17 510		
Vacancy	37 090	45 260	42 860	47 080	42 280		
%☆	3.3	4.0	3.8	4.1	3.6		

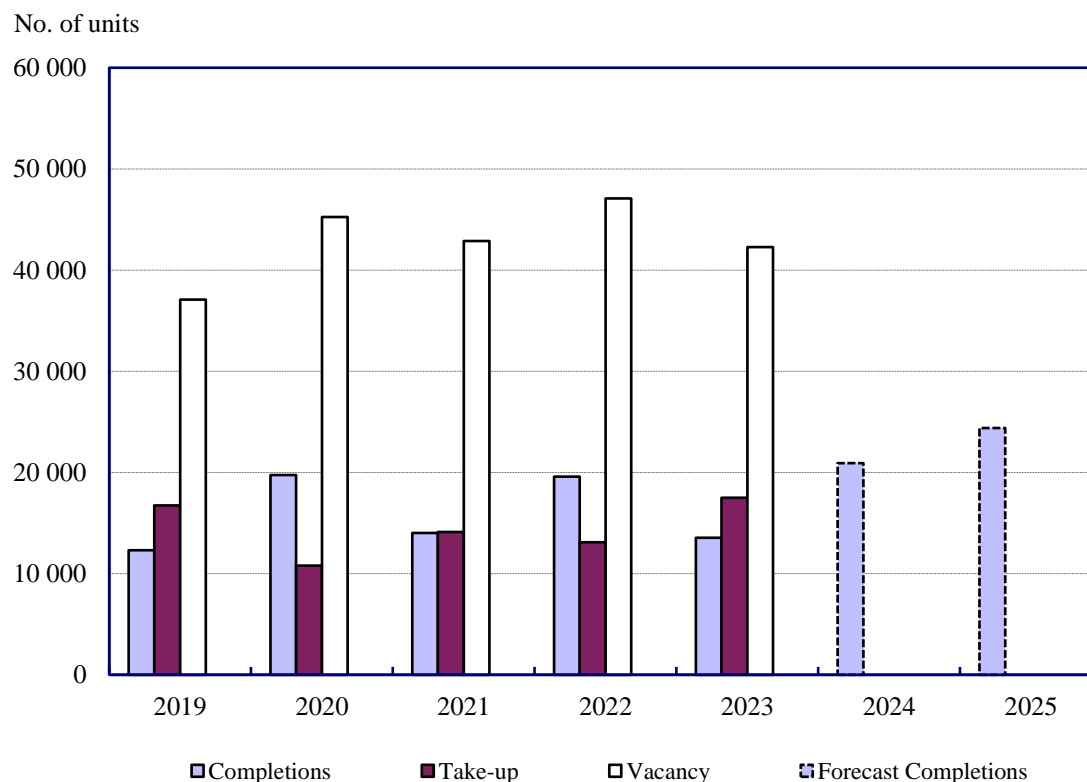
Figures exclude village houses.

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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

	2019	2020	2021	2022	2023	2024	2025
Completions <sup>#</sup>	1 340	1 140	370	1 570	320	[1 350]	[1 140]
Take-up*	2 530	1 760	10	910	- 1 840		
Vacancy	7 800	7 110	7 300	7 890	9 870		
% <sup>☆</sup>	8.1	7.3	7.5	8.0	10.0		

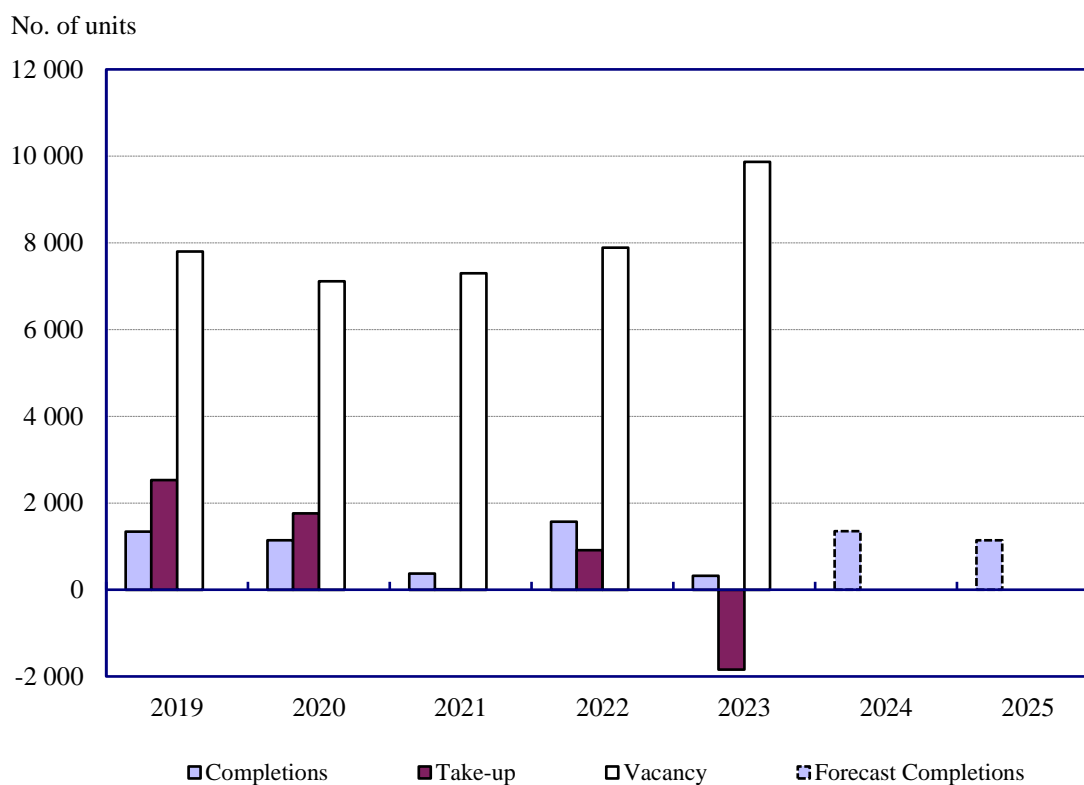
Figures exclude village houses.

# Forecast completions from 2025 onwards include subsidised sale flats to be completed under the Starter Homes for Hong Kong Residents (SH) projects.

\* 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). A negative figure indicates a net decrease in occupied unit.

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

[ ] Forecast figures





# PRIVATE OFFICE

## ALL GRADES COMPLETIONS, TAKE-UP AND VACANCY

	2019	2020	2021	2022	2023	2024	2025
Completions ('000 m <sup>2</sup> )	267	69	70	351	159	[156]	[136]
Take-up* ('000 m <sup>2</sup> )	147	- 286	- 40	19	41		
Vacancy ('000 m <sup>2</sup> )	1 104	1 434	1 541	1 860	1 960		
%☆	9.0	11.5	12.3	14.4	14.9		

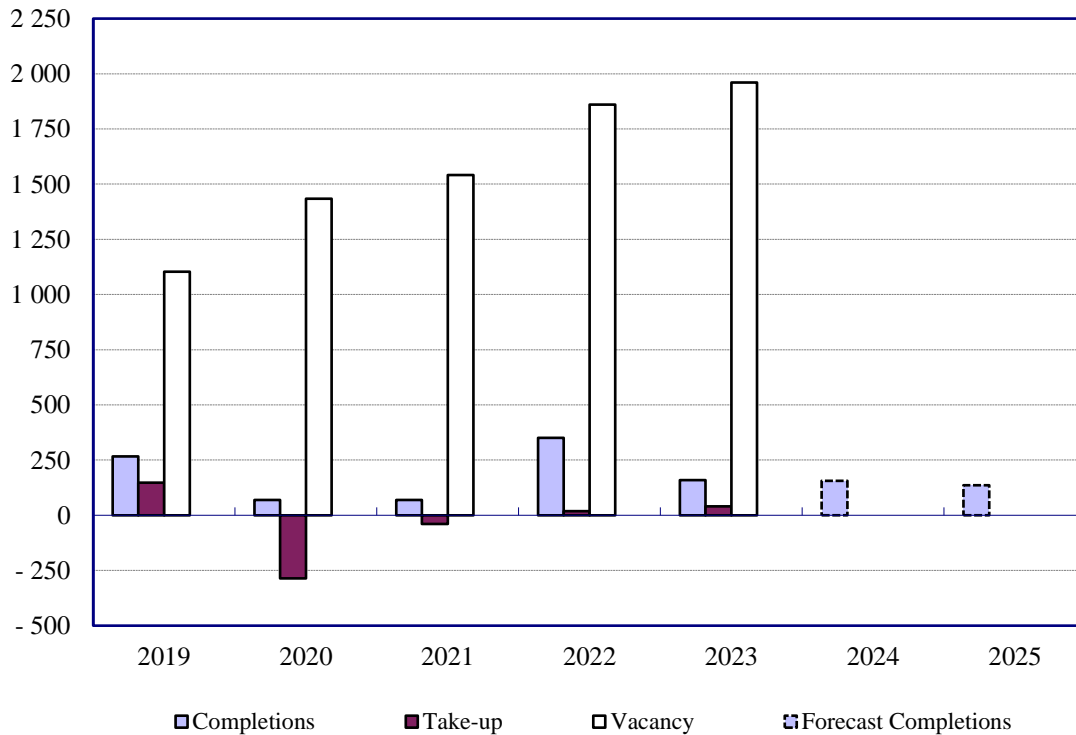
\* Take-up represents the net increase in the floor area occupied in the year under review. The figures are computed by adding the completions in that year to the vacancy figures at the beginning of the year, and then subtracting the year's demolition and the year-end vacancy figures (with figures for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

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

	2019	2020	2021	2022	2023	2024	2025
Completions ('000 m <sup>2</sup> )	242	46	49	299	144	[146]	[127]
Take-up* ('000 m <sup>2</sup> )	169	- 189	- 18	42	45		
Vacancy ('000 m <sup>2</sup> )	720	955	1 023	1 280	1 377		
%☆	9.0	11.8	12.5	15.1	16.0		

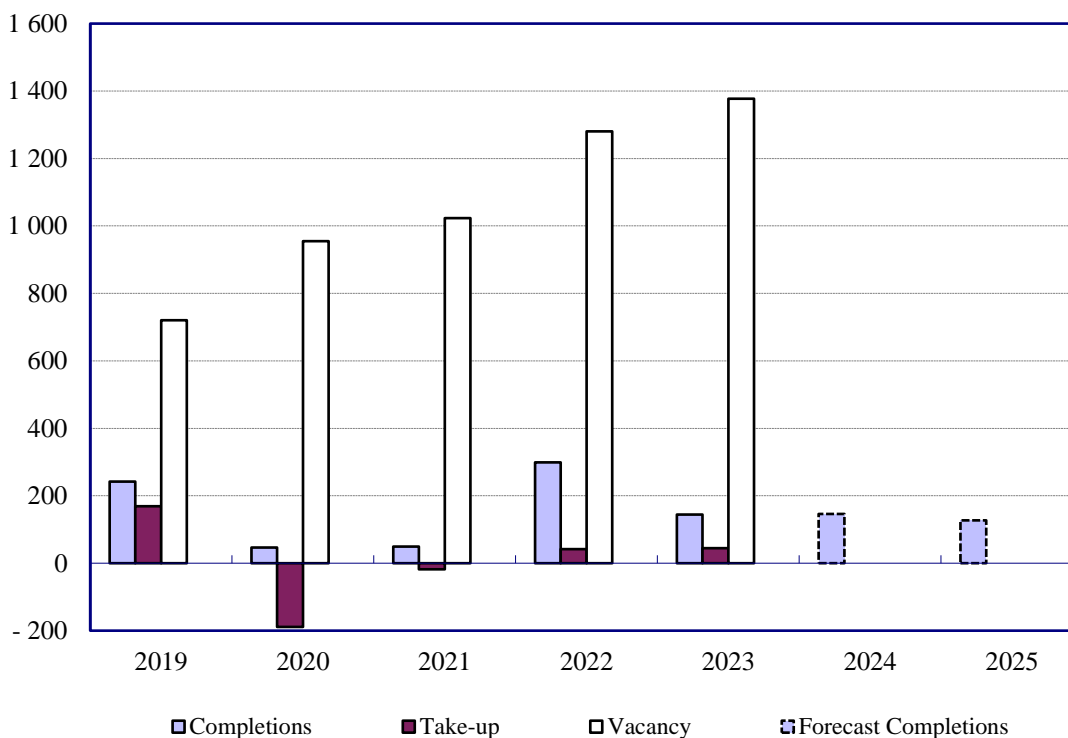
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☆ Vacancy at the end of the year as a percentage of stock.

[ ] Forecast figures

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



# PRIVATE OFFICE

## GRADE B COMPLETIONS, TAKE-UP AND VACANCY

	2019	2020	2021	2022	2023	2024	2025
Completions ('000 m <sup>2</sup> )	20	23	21	50	14	[9]	[9]
Take-up* ('000 m <sup>2</sup> )	- 20	- 57	- 22	- 32	- 2		
Vacancy ('000 m <sup>2</sup> )	273	340	380	450	450		
%☆	9.7	11.9	13.1	15.1	14.9		

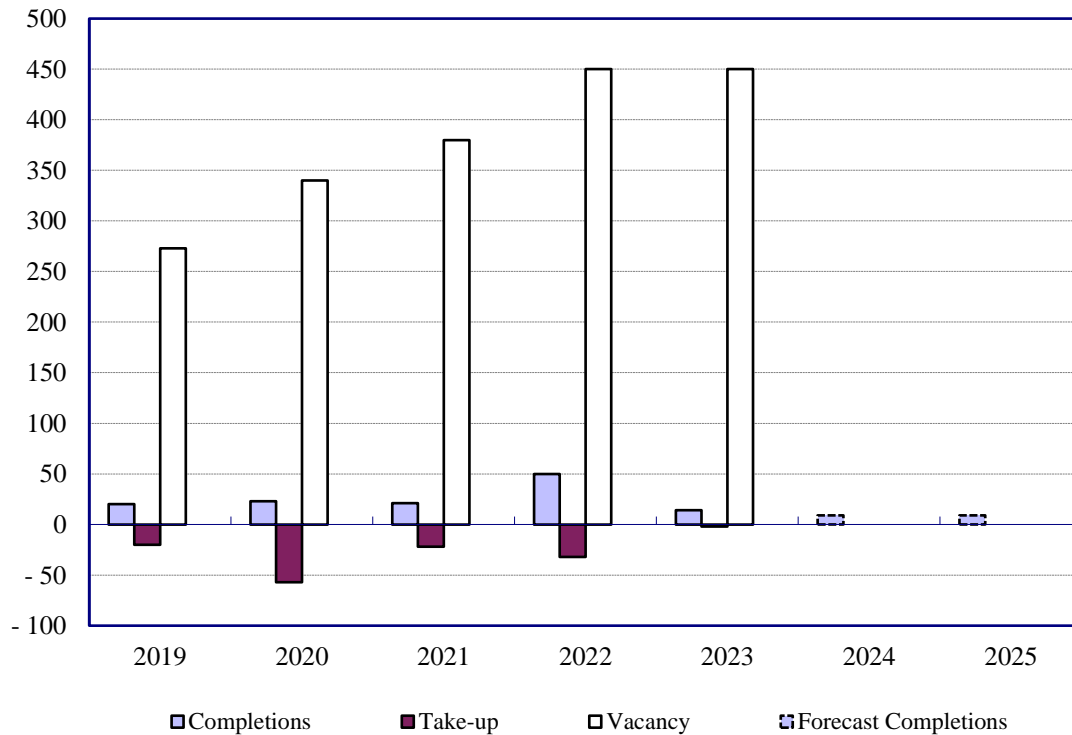
\* Take-up represents the net increase in the floor area occupied in the year under review. The figures are computed by adding the completions in that year to the vacancy figures at the beginning of the year, and then subtracting the year's demolition and the year-end vacancy figures (with figures for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

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



# PRIVATE OFFICE

## GRADE C COMPLETIONS, TAKE-UP AND VACANCY

	2019	2020	2021	2022	2023	2024	2025
Completions ('000 m <sup>2</sup> )	5	0	0	2	1	[1]	[0]
Take-up* ('000 m <sup>2</sup> )	-2	-40	0	9	-2		
Vacancy ('000 m <sup>2</sup> )	111	139	138	130	133		
%☆	7.5	9.4	9.3	8.8	9.0		

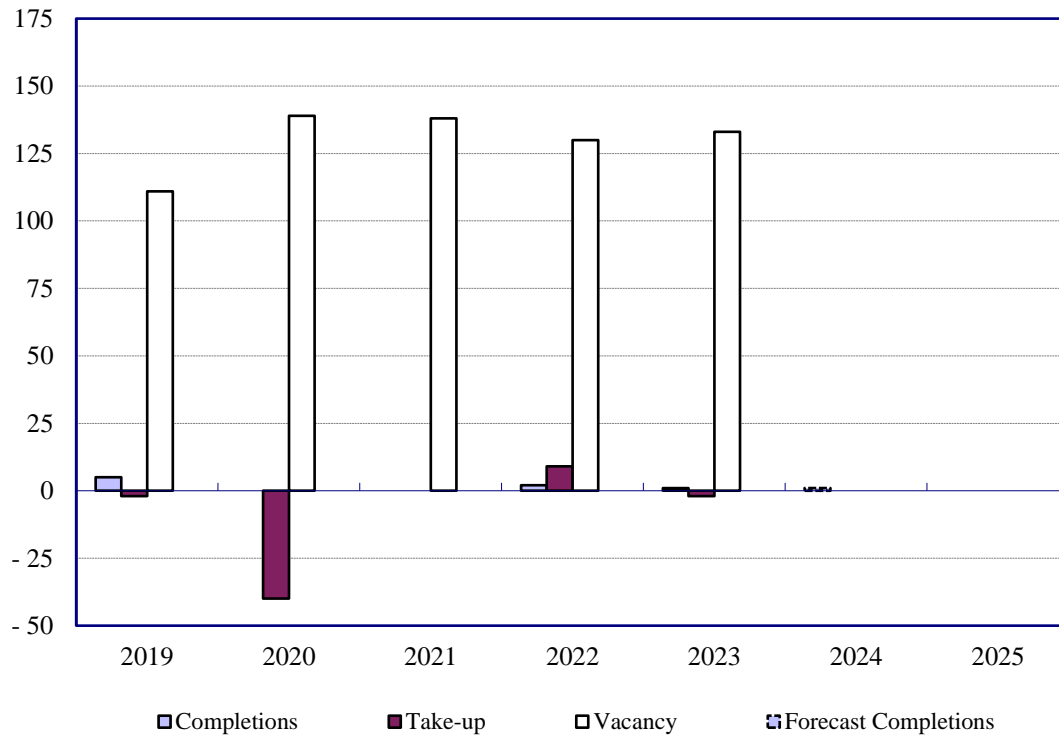
\* Take-up represents the net increase in the floor area occupied in the year under review. The figures are computed by adding the completions in that year to the vacancy figures at the beginning of the year, and then subtracting the year's demolition and the year-end vacancy figures (with figures for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

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

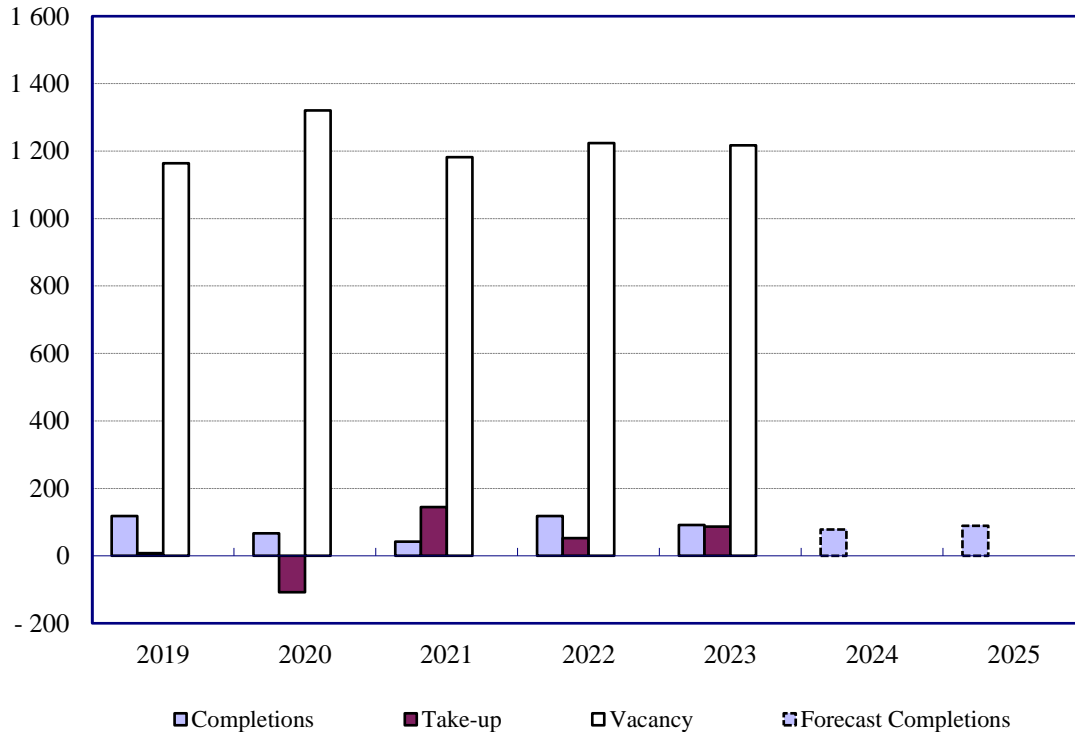
	2019	2020	2021	2022	2023	2024	2025
Completions ('000 m <sup>2</sup> )	118	67	42	118	91	[78]	[89]
Take-up* ('000 m <sup>2</sup> )	8	- 108	145	52	87		
Vacancy ('000 m <sup>2</sup> )	1 164	1 321	1 182	1 224	1 217		
%☆	10.1	11.4	10.2	10.5	10.3		

\* 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 m<sup>2</sup>)



# PRIVATE FLATTED FACTORIES

## COMPLETIONS, TAKE-UP AND VACANCY

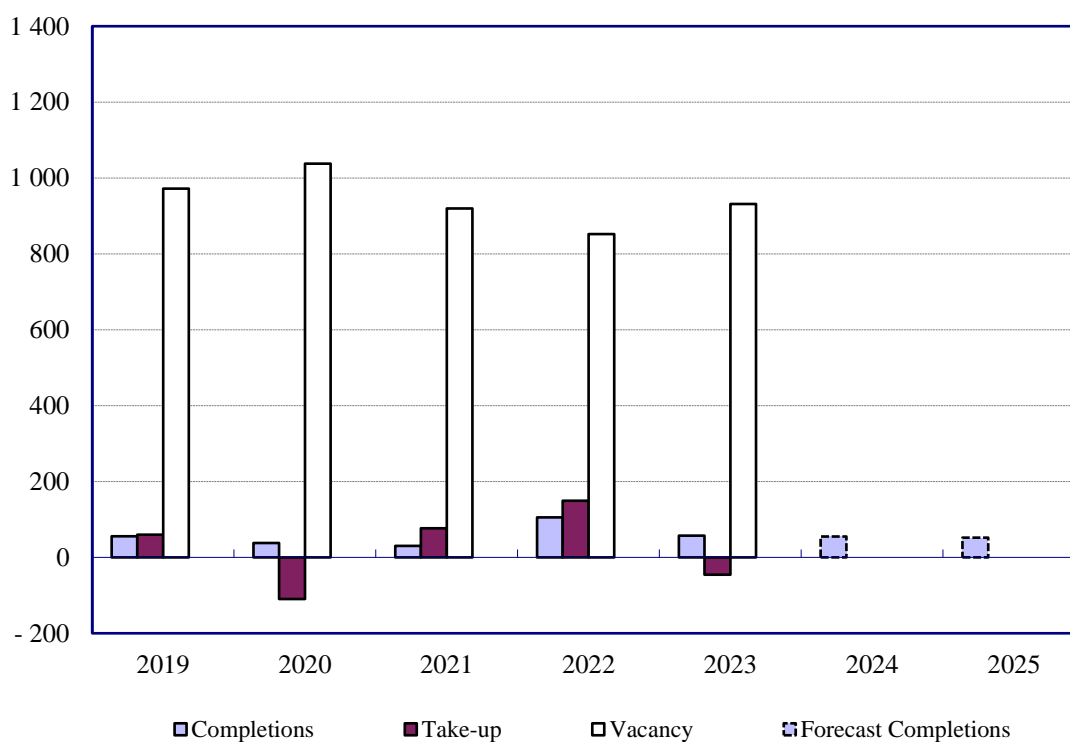
	2019	2020	2021	2022	2023	2024	2025
Completions ('000 m <sup>2</sup> )	56	38	30	105	57	[55]	[52]
Take-up* ('000 m <sup>2</sup> )	60	- 110	77	149	- 46		
Vacancy ('000 m <sup>2</sup> )	972	1 038	920	852	931		
%☆	5.9	6.4	5.7	5.3	5.7		

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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

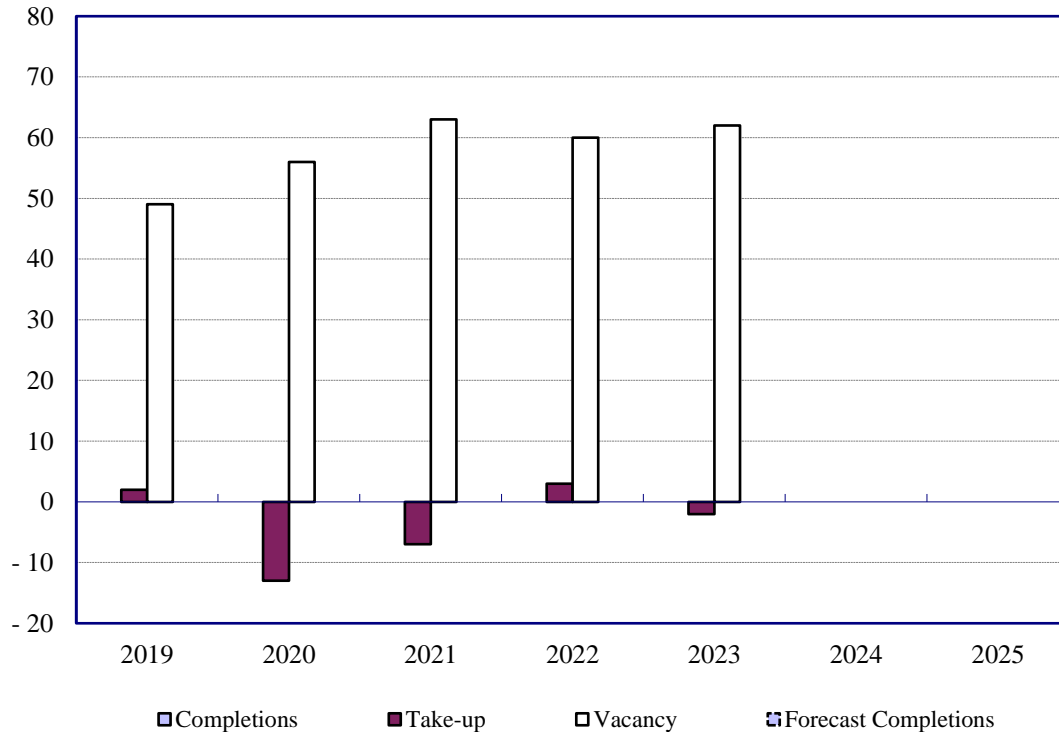
	2019	2020	2021	2022	2023	2024	2025
Completions ('000 m <sup>2</sup> )	0	0	0	0	0	[0]	[0]
Take-up* ('000 m <sup>2</sup> )	2	- 13	- 7	3	- 2		
Vacancy ('000 m <sup>2</sup> )	49	56	63	60	62		
%☆	9.0	10.2	11.5	11.3	11.9		

\* 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

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
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	339.6	303.5	338.2
	Dec	335.9	301.4	334.7
2023	Jan	339.6	303.3	338.3
	Feb	348.3	305.7	346.8
	Mar	353.7	309.8	352.3
	Apr	355.7	314.3	354.2
	May	351.9	308.7	350.4
	Jun	349.0	304.4	347.3
	Jul	345.5	302.9	344.0
	Aug	338.4	297.1	337.0
	Sep	330.5	292.1	329.1
	Oct	323.3	286.7	322.0
	Nov*	317.2	282.1	315.9
	Dec*	312.7	279.2	311.3

\* 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	2022	2023			
	4Q	1Q	2Q	3Q	4Q*
Small / Medium Units (Saleable Area less than 100 m <sup>2</sup> )	342.5	347.2	352.2	338.1	317.7
Large Units (Saleable Area 100 m <sup>2</sup> or above)	304.4	306.3	309.1	297.4	282.7
<b>Overall</b>	<b>341.0</b>	<b>345.8</b>	<b>350.6</b>	<b>336.7</b>	<b>316.4</b>

Non-Domestic Properties	2022	2023			
	4Q	1Q	2Q	3Q	4Q*
Offices : Grade A	(434.8)	443.9	438.6	(430.8)@	(426.1)@
Grade B	(512.8)	496.7	513.6	477.4	(453.6)
Grade C	479.7	478.0	480.3	465.6	441.8
<b>Overall</b>	<b>479.1</b>	<b>473.9</b>	<b>474.4</b>	<b>462.8@</b>	<b>441.8@</b>
Retail Premises :	505.9	488.0	499.0	493.3	471.4
Flatted Factories :	849.6	860.1	861.7	842.2	806.2

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

( ) Indicates fewer than 20 transactions.

@ Price indices for the third quarter of 2023 excluding Aug and Sep 2023;

Price indices for the fourth quarter of 2023 excluding Oct and Dec 2023.

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>2022</b>	<b>2023</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> )	179.7	178.0	182.9	187.5	189.2
Large Units (Saleable Area 100 m <sup>2</sup> or above)	141.4	140.2	144.4	145.7	146.3
<b>Overall</b>	<b>176.6</b>	<b>175.0</b>	<b>179.8</b>	<b>184.0</b>	<b>185.6</b>

<b>Non-Domestic Properties</b>	<b>2022</b>	<b>2023</b>			
	<b>4Q</b>	<b>1Q</b>	<b>2Q</b>	<b>3Q</b>	<b>4Q*</b>
Offices :    Grade A	230.4	228.4	227.9	227.2	226.4
Grade B	229.5	228.5	231.1	233.5	231.0
Grade C	219.4	218.0	220.7	224.7	220.7
<b>Overall</b>	<b>228.5</b>	<b>226.8</b>	<b>227.7</b>	<b>228.6</b>	<b>226.8</b>
Retail Premises :	166.9	167.5	170.4	172.8	173.1
Flatted Factories :	213.9	214.5	218.0	221.3	221.3

\* 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 2023**

(based on Appendices B &amp; C)

Private Property Category (Territory-wide)	% Change*	
	$\frac{4Q\ 2023^*}{4Q\ 2022}$	
	Price	Rental
Domestic Premises : Small / Medium Units (Saleable Area less than 100 m <sup>2</sup> )	-7.2	5.3
Large Units (Saleable Area 100 m <sup>2</sup> or above)	-7.1	3.5
<b>Overall</b>	<b>-7.2</b>	<b>5.1</b>
Offices : Grade A	-2.0	-1.7
Grade B	-11.5	0.7
Grade C	-7.9	0.6
<b>Overall</b>	<b>-7.8</b>	<b>-0.7</b>
Retail Premises :	-6.8	3.7
Flatted Factories :	-5.1	3.5

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