## CHAPTER 3 : DEVELOPMENTS IN SELECTED SECTORS

***Summary***

* *The residential property market was very active at the beginning of the second quarter of 2024 following the cancellation of the demand-side management measures (DSMMs) for residential properties, but quietened progressively thereafter as pent-up demand faded. Market sentiment turned increasingly cautious during the quarter as the prospect of US interest rate cuts dimmed. Flat prices declined for the quarter as a whole, and many developers adopted a conservative pricing strategy when launching new projects.*
* *Reflecting the Government’s sustained efforts to raise land and flat supply, the total private first-hand flat supply in the coming three to four years would remain at a high level of 109 000 units as estimated at end‑June 2024.*
* *The non-residential property market remained sluggish in the second quarter. Trading activities for all major market segments stayed generally subdued* *while prices and rentals fell further.*
* *The tourism sector continued to recover in the second quarter, though the pace moderated. Visitor arrivals rose by 17.2% year-on-year in the second quarter to 9.9 million, equivalent to 66% of the level in the same period in 2018.*
* *The logistics sector put up mixed performance in the second quarter. Total container throughput decreased by another 7.2% from a year earlier, while air freight throughput increased further by 16.8%.*

**Property**

* 1. The *residential property market* was very active at the beginning of the second quarter of 2024 following the cancellation of the DSMMs for residential properties, but quietened progressively thereafter as pent-up demand faded. Market sentiment turned increasingly cautious during the quarter as the prospect of US interest rate cuts dimmed. Flat prices declined for the quarter as a whole, and many developers adopted a conservative pricing strategy when launching new projects.
  2. The total number of sale and purchase (S&P) agreements for residential property received by the Land Registry surged to 8 551 in April, the highest level since October 2012, and then fell to 5 546 in May and 3 856 in June. There were in total 17 953 S&P agreements received in the second quarter, up by 83% over the preceding quarter or 47% over a year earlier. Within the total, primary and secondary market transactions increased by 128% and 64% over the preceding quarter respectively. In parallel, total consideration leapt by 115% over the preceding quarter to $165.3 billion. For the first half of 2024 as a whole, the number of S&P agreements went up by 66% over the second half of 2023 to 27 776, and total consideration by 65% to $242.3 billion.



* 1. Overall flat prices recorded a 2% decline during the second quarter, with the small increase in April more than offset by the decreases in May and June. Analysed by size, prices of small/medium‑sized flats fell by 2% during the quarter, while those of large flats were little changed. Flat prices in June 2024 were on average 3% lower than in December 2023 and 24% below the peak in September 2021.
  2. Meanwhile, overall flat rentals rose by 2% during the second quarter. Analysed by size, rentals of small/medium-sized flats and large flats went up by 2% and 1% respectively. Flat rentals in June 2024 were on average 2% higher than in December 2023, but 6% below the peak in August 2019. The average rental yield for residential property edged up from 2.8% in March to 2.9% in June.



* 1. 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) was virtually unchanged at around 65% in the second quarter, and it remained above the long‑term average of 54% over 2004‑2023(1).



* 1. Increasing housing land supply is a policy priority of the Government. In July, the Government announced that it would put up one residential site for sale in the third quarter. Taking into account the Government land sale, an Urban Renewal Authority project, and private development and redevelopment projects, the total private housing land supply in the third quarter is expected to produce around 1 790 flats. Together with the supply in the preceding quarter, the total private housing land supply for the first half of 2024‑25 financial year is estimated to produce about 4 065 units, reaching around 30% of the annual private housing supply target (13 200 units).
  2. Reflecting the Government’s sustained efforts to raise land and 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) would remain at a high level of 109 000 units as estimated at end‑June 2024. Another 2 000 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* remained sluggish in the second quarter. Despite some rebound from the low levels in the preceding quarter, trading activities for all major market segments stayed generally subdued. Prices and rentals fell further.
  4. Prices of *office space* on average went down visibly by 6% during the second quarter, with prices of Grade A, B, and C office space falling by 5%, 7% and 5% respectively. Meanwhile, overall office rentals fell by 1% between March and June. Within the total, rentals of Grade A, B, and C office space retreated by 1%, 2% and 1% respectively. Compared with the respective peaks in 2018 and 2019, prices and rentals of office space in June 2024 on average were 35% and 17% lower. The average rental yields of Grade A, B and C office space rose to 3.1%, 3.3% and 3.5% respectively in June, from 2.9%, 3.1% and 3.4% in March. Transactions for office space increased by 16% over the preceding quarter to 150 cases in the second quarter, but were still 20% lower than the level a year earlier and visibly below the quarterly average of 200 cases in 2019‑2023.
  5. Prices of *retail shop space* declined by a visible 6% during the second quarter, while rentals went down by 1%. Compared with the respective peaks in 2018 and 2019, prices and rentals in June 2024 were 29% and 14% lower. The average rental yield rose from 2.8% in March to 3.0% in June. For commercial spaces, transactions rebounded by 72% over the low level in the preceding quarter or by 20% over a year earlier to 340 cases(2) in the second quarter, though they were still somewhat below the quarterly average of 360 cases in 2019‑2023.
  6. Prices and rentals of *flatted factory space* fell by 2% and 1% respectively during the quarter. Compared with the respective peaks in 2019 and 2023, prices and rentals in June 2024 were 22% and 3% lower. The average rental yield remained unchanged at 3.5% in June as compared with that in March. Transactions rose by 13% over the preceding quarter to 400 cases in the second quarter, but were still 27% lower than a year earlier and far below the quarterly average of 600 cases in 2019‑2023.



**Land**

* 1. One site for an electric vehicle charging station with an area of about 0.1 hectare was disposed of in the second quarter, fetching a land premium of about $82 million. In addition, the tender exercise for a residential site in Sha Tin commenced in the quarter and the tender closing date of an industrial site in Yuen Long has been extended from 28 June 2024 to 27 December 2024. In the second quarter, lease modifications of five sites were approved.

**Tourism**

* 1. The tourism sector continued to recover, though the pace moderated. *Visitor arrivals* increased by 17.2% over a year earlier to 9.9 million in the second quarter, equivalent to 66% of the level in the same period in 2018. Mainland visitors, which accounted for 75% of the total in the quarter, grew by 10.3% over a year earlier to 7.4 million. Visitor arrivals from other short‑haul markets and long-haul markets grew by 40.9% and 51.8% over a year earlier to 1.7 million and 0.8 million respectively(3). Analysed by length of stay, overnight and same‑day visitors rose by 16.3% and 18.0% over a year earlier to 4.9 million and 5.0 million respectively. Meanwhile, visitor spending, as measured by exports of travel services, fell by 8.8% in real terms from a year earlier amid the change in consumption patterns of visitors and the strength of the Hong Kong dollar.

**Table 3.1 : Number of visitor arrivals**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  |  | All sources | Mainland China | Other short-haul markets\* | Long-haul markets\* |
|  |  |  |  |  |  |
| 2019 | Q1 | 18 234 400 | 14 582 200 | 2 486 500 | 1 165 700 |
|  | Q2 | 16 637 500 | 12 991 300 | 2 448 200 | 1 198 000 |
|  | Q3 | 11 891 600 | 9 356 000 | 1 648 000 | 887 600 |
|  | Q4 | 9 149 200 | 6 845 100 | 1 356 900 | 947 100 |
|  |  |  |  |  |  |
| 2020 | Q1 | 3 489 200 | 2 665 900 | 483 500 | 339 800 |
|  | Q2 | 26 900 | 15 300 | 4 800 | 6 700 |
|  | Q3 | 34 100 | 14 300 | 10 200 | 9 700 |
|  | Q4 | 18 600 | 10 900 | 5 100 | 2 700 |
|  |  |  |  |  |  |
| 2021 | Q1 | 16 500 | 11 600 | 3 100 | 1 900 |
|  | Q2 | 17 200 | 12 700 | 2 400 | 2 100 |
|  | Q3 | 29 400 | 21 800 | 4 300 | 3 200 |
|  | Q4 | 28 300 | 19 700 | 5 200 | 3 500 |
|  |  |  |  |  |  |
| 2022 | Q1 | 11 500 | 8 600 | 2 000 | 900 |
|  | Q2 | 64 500 | 53 400 | 5 700 | 5 500 |
|  | Q3 | 173 700 | 139 600 | 17 300 | 16 800 |
|  | Q4 | 354 900 | 173 500 | 103 700 | 77 600 |
|  |  |  |  |  |  |
| 2023 | Q1 | 4 414 800 | 3 361 200 | 779 100 | 274 400 |
|  | Q2 | 8 469 100 | 6 749 600 | 1 224 100 | 495 500 |
|  | Q3 | 10 438 100 | 8 574 500 | 1 331 700 | 531 800 |
|  | Q4 | 10 677 700 | 8 075 200 | 1 842 900 | 759 600 |
|  |  |  |  |  |  |
| 2024 | Q1 | 11 228 800 | 8 694 900 | 1 778 700 | 755 200 |
|  | Q2 | 9 922 400 | 7 446 000 | 1 724 200 | 752 300 |

Notes : (\*) See note (3) at the end of this chapter for the definitions of other short-haul and long‑haul markets.

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

**Table 3.2 : Number of overnight and same-day visitor arrivals**

|  |  |  |  |
| --- | --- | --- | --- |
|  |  | Overnight visitor arrivals | Same-day visitor arrivals |
|  |  |  |  |
|  |  |  |  |
| 2019 | Q1 | 7 775 100 | 10 459 300 |
|  | Q2 | 7 145 100 | 9 492 400 |
|  | Q3 | 5 108 400 | 6 783 200 |
|  | Q4 | 3 723 700 | 5 425 500 |
|  |  |  |  |
| 2020 | Q1 | 1 280 900 | 2 208 300 |
|  | Q2 | 26 500 | 300 |
|  | Q3 | 33 800 | 300 |
|  | Q4 | 18 100 | 500 |
|  |  |  |  |
| 2021 | Q1 | 16 300 | 200 |
|  | Q2 | 16 900 | 300 |
|  | Q3 | 29 000 | 300 |
|  | Q4 | 26 900 | 1 400 |
|  |  |  |  |
| 2022 | Q1 | 10 700 | 800 |
|  | Q2 | 62 700 | 1 800 |
|  | Q3 | 164 600 | 9 100 |
|  | Q4 | 329 800 | 25 100 |
|  |  |  |  |
| 2023 | Q1 | 2 340 400 | 2 074 400 |
|  | Q2 | 4 237 500 | 4 231 700 |
|  | Q3 | 5 267 600 | 5 170 500 |
|  | Q4 | 5 313 900 | 5 363 800 |
|  |  |  |  |
| 2024 | Q1 | 5 613 400 | 5 615 400 |
|  | Q2 | 4 928 900 | 4 993 600 |

Note : Figures may not add up to total visitor arrivals due to rounding.

* 1. The average hotel room occupancy rate retreated from 83% a year earlier to 81% in the second quarter, and remained below the 90% recorded in the same quarter in 2018. Meanwhile, the average achieved hotel room rate fell by 7.1% from a year earlier to $1,305(4).
  2. The Central Government introduced various measures to support Hong Kong’s tourism and economic development in recent months. Following the expansion to Xi’an and Qingdao on 6 March 2024, the Individual Visit Scheme (IVS) was further expanded to cover eight more Mainland cities, namely Taiyuan, Hohhot, Harbin, Lhasa, Lanzhou, Xining, Yinchuan and Urumqi starting from 27 May 2024, raising the number of applicable cities of IVS to 59 and covering all provincial capital cities. Besides, the duty-free allowance was increased from RMB5,000 to RMB12,000 for luggage articles brought into the Mainland from Hong Kong by visitors who are Mainland residents starting from 1 July 2024. Together with the measure for additional duty-free goods at the value of RMB3,000 purchased at port entry duty-free stores, this brought the total amount of allowance to RMB15,000. Meanwhile, the SAR Government announced in May the calendar of mega events in Hong Kong for the second half of 2024, with more than 100 mega events to be held, which will bring the total number of mega events in the city to at least 210 this year. Separately, the Hospitality Campaign was launched in June to promote hospitality and reinforce Hong Kong’s brand as the best tourism destination.

**Logistics**

* 1. The logistics sector put up mixed performance in the second quarter. *Total container throughput* decreased by another 7.2% from a year earlier, to about 3.4 million twenty-foot equivalent units (TEUs). The value of trade handled at the Hong Kong port declined further by 3.1% and its share in total trade dropped from 12.8% a year earlier to 11.3%.



* 1. *Air freight throughput* increased further by 16.8% year-on-year to 1.2 million tonnes in the second quarter. The value of trade by air rose by another 6.9%, though its share in total trade decreased from 46.8% to 45.6%.



**Transport**

* 1. Traffic flows for most modes of cross-boundary passenger transport showed steady performance in the second quarter. Air passenger trips edged down from 12.7 million trips in the preceding quarter to 12.6 million trips, while water‑borne cross‑boundary passenger trips fell from 2.4 million trips to 2.1 million trips. As to land-based cross-boundary traffic, passenger trips edged up from 58.3 million to 58.4 million, while average daily cross‑boundary vehicle movements increased further by 6.3% over the preceding quarter to 41 272.

**Innovation and technology**

* 1. On 18 April, the Hong Kong-Shenzhen Innovation and Technology Park Limited (HSITPL) signed Memoranda of Understanding (MOUs) to form collaborative partnerships with nearly 60 world-class enterprises, academia and research institutes from nine economies, marking a significant milestone of the park entering the operational phase. 45% of the partners originate from the industries of Life & Health Technology, New Energy, and Microelectronics, and 24 of them would be new to set foot or expand business in Hong Kong. To realise the goal of developing Hong Kong into an international innovation and technology (I&T) centre, HSITP will leverage on Hong Kong’s competitive advantages in fund raising, tax and legal system, together with the supportive cross-boundary polices in the Hetao Shenzhen-Hong Kong Science and Technology Innovation Co-operation Zone, to attract I&T companies and talent to strive and excel.
  2. The Hong Kong Science and Technology Parks Corporation signed partnerships with 11 advanced manufacturing enterprises on 28 June. These enterprises, covering sectors such as biopharmaceuticals and equipment, artificial intelligence, robotics and automation, new energy vehicles, etc., will establish or expand their advanced manufacturing operations in Hong Kong, bringing in new elements and investments to further enhance the development of the I&T ecosystem and promote new industrialisation in Hong Kong.

**Arts, Cultural and Creative Industries**

* 1. Through the collaboration between the Government and the private and art organisations, the large-scale outdoor art project “Art@Harbour2024” (AAH 2024) was held between late March and early June 2024 to bring the public and tourists a new experience at the Victoria Harbourfront through outdoor art installations and digital art façades by integrating art, science and technology. All five projects under the AAH 2024 were well received by the local public and tourists, with the projects “teamLab: Continuous” and “Science in Art” attracting a total attendance of over 1.3 million and the three arts projects in Tsim Sha Tsui, each attracting more than two million visitors.
  2. To promote cultural exchanges between the East and the West and showcase the unique charm and diverse characteristics of Chinese culture to the world, the inaugural Chinese Culture Festival is being held from June to September 2024, featuring different performing arts programmes in various forms and related extension activities, such as programmes of the Chinese Opera Festival, exemplary local arts projects, film screenings, exhibitions, and talks.
  3. Create Hong Kong was restructured as the Cultural and Creative Industries Development Agency (CCIDA) with effect from 14 June 2024, to proactively promote the development of arts, culture and creative sectors as industries under the industry-oriented principle of implementing Hong Kong’s positioning as an East-meets-West centre for international cultural exchange under the National 14th Five-Year Plan. Later in the same month, CCIDA signed MOUs with three prominent Mainland cultural and creative brands, with a view to facilitating more collaboration between Hong Kong brands and the Mainland cultural and creative brands.

**Environment**

* 1. On 17 June, the Government announced the Strategy of Hydrogen Development in Hong Kong (the Hydrogen Strategy). The Hydrogen Strategy sets out the four major strategies of improving legislation, establishing standards, aligning with the market, and advancing with prudence to create an environment conducive to the development of hydrogen energy in Hong Kong in a prudent and orderly manner, so that Hong Kong would be able to capitalise on the environmental and economic opportunities brought about by the recent developments of hydrogen energy in different parts of the world, the Mainland in particular.

**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. 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. In the second quarter of 2024, visitor arrivals from the Mainland, other short-haul and long‑haul markets accounted for respective shares of 75%, 17% and 8% of the total.
3. 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.