

# HONG KONG BUDGET **2023/24** HOUSE VIEWS

FEB 2023



An aerial photograph of a city, likely Hong Kong, showing a mix of modern glass skyscrapers and older buildings. A prominent multi-lane highway runs diagonally across the lower half of the image. A red banner with the word 'CONTENT' in white capital letters is positioned in the upper right quadrant. The background is slightly hazy, suggesting a clear but bright day.

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# HOUSING & LAND POLICY



## SYNOPSIS

- **Public Housing:** The Government has identified sufficient land for the provision of about 360,000 public housing units, around 20% higher than the supply target in the Long- Term Housing Strategy, which will be able to meet the demand for around 300,000 public housing units in the next 10 years.
- **Private Housing:** It is estimated that the completion of private residential units will average over 19,000 units annually in the five years from this year onwards. As at end-2022, the potential supply of first-hand private residential units for the next three to four years is expected to remain at a relatively high level of about 105,000 units. The 2023-24 Land Sale Programme will cover a total of 12 residential sites and the potential land supply for the whole year is expected to have a capacity to provide about 20,550 units.
- **Transitional Housing:** As at end-2022, about 7,000 units have been put into service. It is expected that about 14,000 additional units will be coming on stream in the next two years.
- **Light Public Housing:** the Government has identified eight sites for the construction of Light Public Housing.



## VIEWS FROM CUSHMAN & WAKEFIELD

Housing has always been a major concern for Hong Kong citizens. Cushman & Wakefield is pleased to see the Government is actively creating land to increase the land supply in the market. However, in view of the recent failure of Government land sales bids, Cushman & Wakefield suggests that the Government reviews standard land prices and bidding prices to make sure they are on par with the market situation. The Northern Metropolis Area is the new engine for the future development of Hong Kong. To accelerate the development of the area, we suggest that the Government set up phased indicators for new development areas in Yuen Long South and Hung Shui Kiu in order to speed up their planning and development. We also suggest that the Government prioritize land consolidation and planning of industrial park construction.

Cushman and Wakefield agree that Light Public Housing can help fulfill the short-term demand for public housing supply. At the same time, in order to address the public's concerns over the recovery of land designated for light public housing, we suggest that the Government publish a clear timeline for land recovery, and may consider putting some of the light public housing sites on the land requisition list. This will convey a clear message to the market that "the sites currently planned for the light public housing are only temporary," thereby giving the public confidence that the sites will be put back on the market upon expiration.

# PROMOTING HOME OWNERSHIP



## SYNOPSIS

- **Demand-side Measure:** The government has said that current demand-side measures, commonly known as “spicy measures”, will remain unchanged.
- **Stamp Duty:** The government is committed to lower the first-time home buyers tax band of Ad Valorem Stamp Duty (Rates at Scale 2). For instance, the 3% charge from the original tax bracket of HK\$4 to HK\$6 million is adjusted to the HK\$6 to HK\$9 million bracket.



## VIEWS FROM CUSHMAN & WAKEFIELD

Cushman & Wakefield supports the Government’s adjustments to the Ad Valorem Stamp Duty (Rates at scale 2), by easing the burden on ordinary families and first-time home buyers, particularly for those in small to medium-sized units priced under HK\$10 million. Although house prices have experienced volatility with downturn over the past three years due to the ongoing pandemic, with the resumption of cross-border travel between Hong Kong and the mainland this year, it is expected that both the macro-economy and buyers’ sentiment will improve. We have noticed a gradual pick-up in home viewings and transactions in the market. With the Government’s adjustments of the AVD, Cushman & Wakefield expects that overall property prices will rebound by 5-10% in 1H23.

Regarding the “removal of spicy measure (stamp duty),” Cushman & Wakefield believes that such measures were initially targeted to curb foreign buyers and short-term speculations. Currently, the residential market is dominated by local self-use buyers. We believe that the government can consider to review and relax some of the other stamp duties, by allowing the market to return to market-driven supply and demand, further helping to stabilize the property market.

Currently, the developer needs to pay the stamp duty to the government upfront for redevelopment projects, with the refund due when the project is completed. Cushman & Wakefield recommends that the government consider adjusting the stamp duty policy for redevelopment projects, which can help encourage developers to accelerate the acquisition of old buildings for redevelopment, and in turn increase housing supply in the short to medium term.

# REVIVAL OF RETAIL MARKET



## SYNOPSIS

- **Consumption Vouchers:** The government has said it will Issue electronic consumption vouchers this year with a total value of HK\$5,000 to each eligible Hong Kong permanent resident and new arrival aged 18 or above, in two instalments.
- **Tourism Boost:** The government will earmark HK\$100 million for attracting more mega events with significant visitor appeal and tourism promotional effects to be staged in Hong Kong. The Hong Kong Tourism Board (HKTB) has committed to more than HK\$250 million to sustain its efforts in organizing or helping promote major tourism events.



## VIEWS FROM CUSHMAN & WAKEFIELD

The government is again issuing electronic consumer vouchers, which is believed to boost local F&B and consumption and speed up the recovery of the retail market. In addition, the organization and promotion of large-scale international events and "urban sports" can help capture the opportunities brought about by emerging sports tourism, and act as a new impetus for the recovery of the retail market. Under the pandemic, the public's awareness of health has continued to grow. Moreover, the number of 24-hour fitness centers has increased markedly, with more than 100 established in the period. Private indoor rock-climbing centers have also increased with more than 20 centers opened. Many shopping malls have also introduced skateboarding grounds and rock climbing and running facilities into the shopping mall to attract footfall.

Cushman & Wakefield is conservative yet optimistic about the rental growth of high-street shops in the first half of the year. However, the tourism and retail industries in Hong Kong are still facing labor shortages. At the same time, the market still takes time to assess the renewed consumption patterns of tourists. It is expected that there will be more notable and positive changes in retail rents in 2H2023.



# DATA CENTER & LOGISTICS SITES



## SYNOPSIS

- **Commercial Land Sale:** The Land Sale Programme will include three commercial sites and three industrial sites, capable of providing about 200,000 square meters of commercial floor area and 170,000 square meters of industrial floor area.
- **Infrastructure:** The government reiterated initiatives to shape Hong Kong into the “Airport City” and smart port, and to strengthen its role as global trading center.



## VIEWS FROM CUSHMAN & WAKEFIELD

To cope with the development of Hong Kong’s international shipping center and “smart port,” Cushman & Wakefield believes that more logistics sites will need to be reserved to support import/export and storage of goods in the future. We suggest that the Government could consider relocating the existing brownfield operators to suitable logistics sites in the Northern Metropolis, to better consolidate and enhance the land usage within the area. However, if the land is sold through public tenders, the cost and rent level may greatly increase, even exceeding an affordable range which operators can bear. Currently, the logistics rental level in the city has recorded an annual increase of around 5%. The monthly rent of modern multi-story warehouses/ industrial buildings ranges from HK\$12 to HK\$17 per sq ft (by gross floor area, at an efficiency of 50% to 70%), which is a 50% rental gap compared to the rents of New Territories brownfield sites of HK\$13 to HK\$15 per sq ft (by net floor area).

While smart cities and the digital economy are a global trend, we are pleased to see the Government committing resources and introducing measures to promote such development in Hong Kong. The data center industry is one of the cornerstones of Hong Kong’s digital economy, and we suggest that the Government should adopt a progressive approach and release data center sites of about 200,000 to 300,000 sq feet in popular data centers areas. These locations include Kwai Chung, Tsuen Wan, Tsing Yi, Sha Tin, Fanling and Tseung Kwan O. The site release action should be every one to two years according to the market demand-supply dynamics, with the objective of attracting more data center operators to set up in Hong Kong and develop Hong Kong into an international data center hub. We also advise that the Lands Department should consider waiving the requirement to build a public car park in the Conditions of Sale for data center sites. Correspondingly, the government departments should also liaise with the power company in advance to ensure the sites have reliable and sufficient power once the data center(s) is completed.

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