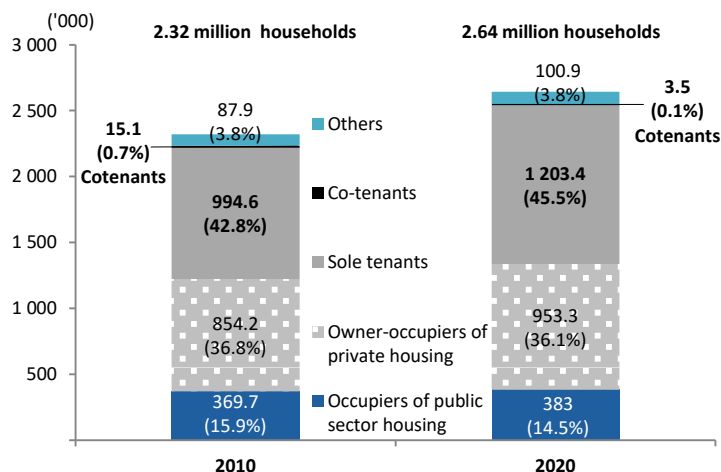


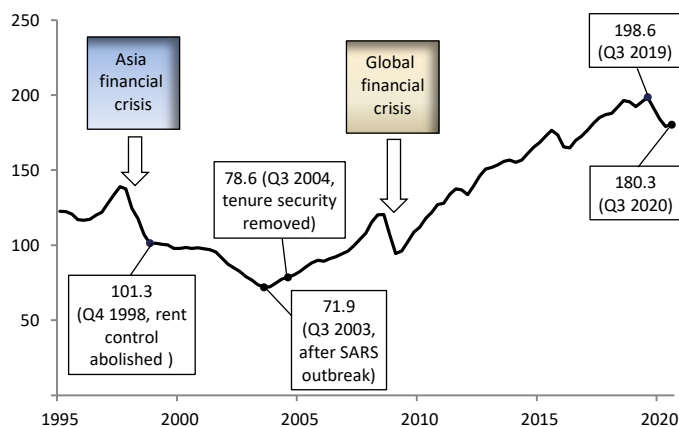


## Private domestic rental market in Hong Kong

**Figure 1 – Household number by tenure of accommodation as at mid-year**



**Figure 2 – Trend of quarterly rental index for private housing**



**Figure 3 – Annual average rent for private housing units of different sizes**

	Less than 40 sq m <sup>(1)</sup>	40-69.9 sq m	70-99.9 sq m	100-159.9 sq m	160 sq m or above
HK\$ per sq m					
1999	193	197	248	274	307
2009	236	226	272	304	362
2019	507	432	450	458	468
1999-2009 change (%)	43 (22%)	29 (15%)	24 (10%)	30 (11%)	55 (18%)
2009-2019 change (%)	271 (115%)	206 (91%)	178 (65%)	154 (51%)	106 (29%)

Note: (1) sq m refers to square metre.

### Highlights

- Private domestic rental housing ("private housing") plays an important role in the housing market by satisfying demand not met by the public sector such as the means-tested public rental housing. In 2010, about 994 600 (42.8%) of all households were private housing sole tenants, while in 2020, the number has grown to 1.2 million, representing 45.5% of all households. The number of co-tenants who share a unit with others has on the other hand shrunk markedly (**Figure 1**).
- While nearly half of the population lives in private housing, the Government has refrained from intervening in rent after it abolished tenancy control in December 1998 and tenure security in July 2004. Since then, private housing rent has been left to market forces. The past two decades saw a rising rental trend, despite some fluctuations coincided with economic downturns. It reached the peak in the third quarter of 2019 and began to fall in the fourth quarter. Impacted by the COVID-19 pandemic, the quarterly rent index in the third quarter of 2020 has dropped to 180.3, 9.2% lower than the 2019 peak (**Figure 2**).
- Among different sizes of units, the rising rental trend has been the strongest among small units (less than 40 sq m). During 2009-2019, these units sustained a 115% rental growth, markedly outgrowing that of large units. On a per sq m basis, the rent of small units was the most expensive in 2019 (HK\$507 on average) (**Figure 3**). This observation also appears to be consistent with the reported high sq m rent of sub-divided units for which the Government is considering rent control.

## Private domestic rental market in Hong Kong (cont'd)

Figure 4 – Completions of new private domestic units

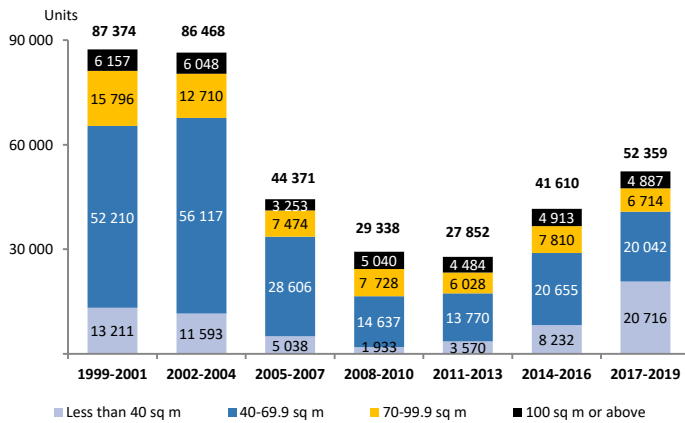


Figure 5 – Average proportion of newly completed private domestic units for lease<sup>(1)</sup>

	Less than 40 sq m	40-69.9 sq m	70-99.9 sq m	100-159.9 sq m	160 sq m or above	All
1999-2003	14.4%	10.3%	13.0%	27.4%	66.7%	13.0%
2004-2008	34.5%	20.8%	18.2%	27.7%	66.8%	22.3%
2009-2013	52.3%	34.7%	30.9%	35.4%	45.1%	35.1%
2014-2018	50.4%	34.6%	26.5%	19.9%	37.8%	35.2%
2019	46.1%	31.8%	26.2%	24.0%	44.1%	37.3%

Note: (1) The calculation of lease rate is based on declaration from owners of the newly completed flat valued by the Rent and Valuation Department. In 2019, the department valued 13 372 units.

Figure 6 – Property market yields<sup>(1)</sup> of private domestic units

	Less than 40 sq m	40-69.9 sq m	70-99.9 sq m	100-159.9 sq m	160 sq m or above
2000	5.9%	5.0%	5.0%	4.9%	4.6%
2004	5.3%	4.4%	4.0%	3.8%	3.3%
2008	4.9%	4.2%	3.8%	3.7%	3.1%
2012	3.5%	3.1%	2.8%	2.5%	2.2%
2016	3.0%	2.7%	2.6%	2.4%	2.2%
Sep 2020	2.4%	2.2%	2.1%	2.1%	1.9%

Note: (1) The yields are derived by comparing the average rent/rateable value and price/rateable value factors.

## Highlights

- Multiple factors could affect private housing rent, such as the new domestic unit supply which has been tight and seen as a main reason for driving up property prices. Since mid-2000s, the number of newly completed units had dropped to low levels, until mid-2010s when the supply picked up. The tight new supply was particularly acute in small units below 40 sq m, with only few thousands completed annually during the nine-year period from 2005 to 2013 (Figure 4). In recent years, the number of new small units has grown markedly. However, there have been concerns about the proliferation of "nano flats" in the market, which are high in per sq m prices but may not be considered a long term accommodation solution.
- In 2019, 37% of newly completed private domestic units were leased, while the rest were occupied by the owners, according to figures from Rate and Valuation Department. In fact, the rate has been increasing over the past two decades (Figure 5), indicating that new units have been more intended for lease than before. This trend, again, was more notable in small units. For the largest units, however, the opposite trend prevailed.
- Despite the increasing proportion of newly completed units for lease, rising property prices may have continued weakening the attractiveness of leasing out flats. For small units below 40 sq m, the yield has fallen from 5.9% in 2000 to 2.4% in 2020 (August) (Figure 6). The same falling trend is also seen in larger units. For units of 160 sq m or above, the yield in August 2020 was just 1.9%. Having said that, amid the low interest rate environment, investors may still be keen on investing in housing properties in Hong Kong in view of its resilience to the COVID-19 pandemic.

Data sources: Latest figures from Rate and Valuation Department and Census and Statistics Department.