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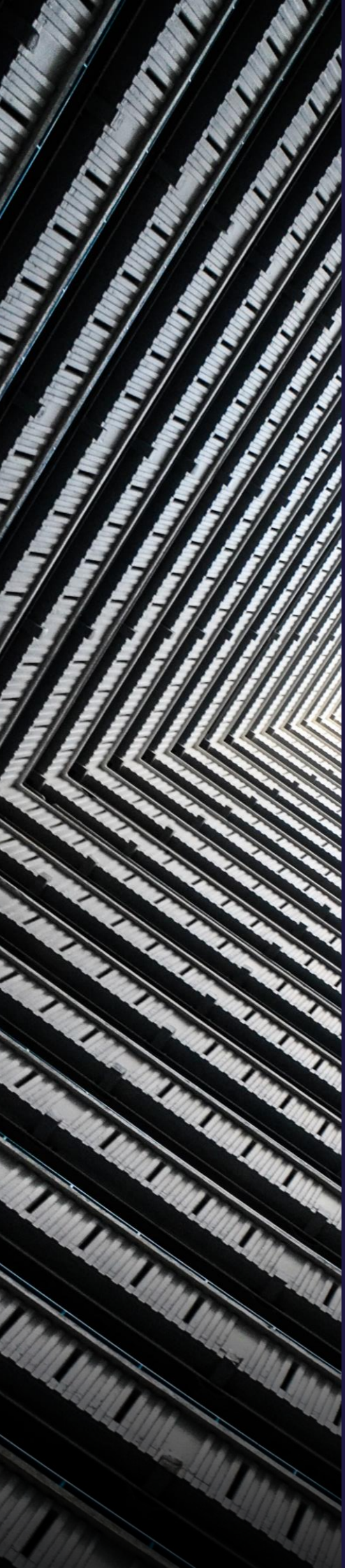
HONG KONG BUDGET 2025/26 HOUSE VIEWS

FEB 2025

Better never settles



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01

LAND & HOUSING POLICY

FURTHER RELAXATION OF RESIDENTIAL STAMP DUTY

The Budget:

- To raise the maximum value of properties chargeable to a stamp duty of HK$100 from HK$3 million to HK$4 million, in order to ease the burden on buyers of residential and non-residential properties at lower values.

Our views:

We applaud the government's decision to raise the maximum value of properties chargeable to stamp duty at HK$100 to HK$4 million, enabling buyers to save up to HK$60,000. This adjustment should attract a larger pool of end-users and investors into the market, underpinning transactions of small-sized units.

Land Registry data suggests that there were 7,623 residential transactions in the HK$3 million to HK$4 million range in 2024, a 14% share of total residential transactions. We believe this modification will invigorate housing upgrade activities, potentially benefitting around 20% of total transactions, surpassing the government's estimate of 15%.

STABILIZING HOUSING AND LAND SUPPLY

The Budget:

- The Land Sale Programme of the coming year to comprise eight residential sites. Together with railway property development projects, projects undertaken by the URA as well as private development and redevelopment projects, the potential land supply to have a capacity for providing about 13,700 units.
- To prepare land for production of 80,000 private housing units in the coming five years, in which 65% of the land comes from the Northern Metropolis (NM) and Tung Chung New Town Extension (URA or private development projects not covered).

Our views:

The eight residential sites for sale next year will help maintain a stable land supply. We also recommend the government to streamline the tender terms to attract more mid-to-small sized developers and new entrants to participate in the bidding, and to boost market sentiment.

Separately, the government's initiative of providing land for building 80,000 private housing units in the coming five years could help stabilize the housing supply pipeline. However, as 65% of the new land will come from the NM and Tung Chung New Town Extension, the government should ensure that infrastructure is in place before the completion of residential projects, to avoid inconvenience for residents upon moving in, and to strengthen the confidence of interested developers.

02

COMMERCIAL PROPERTIES

PUTTING COMMERCIAL LAND SALES ON HOLD

The Budget:

- Not to roll out any commercial site for sale in the coming year, to allow the market to absorb the existing supply.
- To consider rezoning some of the commercial sites into residential use and allowing greater flexibility of land use.

Our views:

We are pleased to see the government temporarily suspend the sale of commercial land parcels, allowing the market to gradually absorb current vacant spaces and new projects under construction. We suggest that the government regularly review market conditions for the optimal timing to relaunch sales of commercial sites.

Meanwhile, there is currently a significant shortage in the student accommodation market. Our latest estimates indicate that, on average, three university students in Hong Kong are competing for a single bed on campus, with projected demand for student beds now potentially exceeding 50,000. This shortage has forced some students who are unable to secure dormitory housing to seek alternatives in the private residential rental market.

Thus, we welcome the government's consideration of rezoning certain commercial sites for residential use. Additionally, we recommend the government to consider permitting the conversion of existing suitable commercial buildings and hotels into student accommodation or talent housing, and to relax some of the restrictions in the existing approval process. This will provide greater flexibility in land use. We anticipate that these measures will offer more housing options in the market, stabilize rents, and effectively address the challenges associated with the shortage of student beds.

PROMOTING THE DEVELOPMENT OF AI & DATA CENTERS

The Budget:

- To develop AI as a strategic industry.
- Commenced procedures to re-zone a 10 hectare site at Sandy Ridge for data centers use, as well as actively making preparations for the land sale of the site.

Our views:

The government has strongly promoted the development of artificial intelligence and innovation and technology (I&T) in the Budget, which could in turn benefit the long-term development of the data center sector. We urge the government to simplify the land approval process and to announce the development details of the data facility cluster at Sandy Ridge as soon as possible, as well as to offer favorable terms to attract developers and data center operators to set up operations in the area.

03

TOURISM INDUSTRY

MEGA EVENT ECONOMY

The Budget:

- To promote and publicize Hong Kong as a mega events capital globally.
- To host large-scale sports and entertainment events at the Kai Tak Sports Park to boost foot traffic and consumption.
- To support the hosting of major international sports events in Hong Kong, striving to attract sports activities that can bring significant economic benefits to the city.

SEIZING OPPORTUNITIES FROM RESUMPTION OF "MULTIPLE-ENTRY IVS"

The Budget:

- To continue to leverage various measures benefiting Hong Kong and proactively promote the development of the city's tourism industry, given the Central Government resumed the multiple-entry Individual Visit Scheme (IVS) for Shenzhen permanent residents and extended the arrangement to residence permit holders.
- To promote a series of distinctive tourism products, such as eco-tourism, panda tourism, and horse-racing tourism, to enrich travel experience in Hong Kong.

Our views:

We support the government's initiatives in actively seizing opportunities from the resumption and expansion of "Multiple-Entry IVS," and introducing a series of measures to boost the city's culture, sports, and tourism development. We believe these measures can attract greater visitor numbers and provide more diversified travel experiences, in turn driving expanded foot traffic and tourist spending, and boosting the city's overall retail sentiment.

04

TALENT HUB

ATTRACTING OVERSEAS STUDENTS

The Budget:

- To reserve about 90 hectares of land in Northern Metropolis for developing the Northern Metropolis University Town.
- To continue attract more students, especially those from ASEAN and other B&R countries, to study in Hong Kong through various measures, including the Belt and Road Scholarship.

Our views:

We welcome the government's emphasis on attracting high-caliber talent and students, and on initiatives such as the Northern Metropolis University Town and the Belt and Road Scholarship. These efforts will play a crucial role in attracting global talent and students to Hong Kong in the long term, hence supporting investment demand in the rental apartment and student housing sector, which will then potentially stimulate more conversion opportunities from hotels and serviced apartments.

ALL-OUT EFFORTS TO TRAWL FOR TALENTS

The Budget:

- To enhance the existing talent schemes and allow young non degree talents with professional and technical qualifications and experience to come to Hong Kong.
- To invite top and leading talents to come to Hong Kong for development under the Quality Migrant Admission Scheme.
- To continue to organize "Global Talent Summit • Hong Kong."
- To launch a series of enhancement measures to provide greater flexibility under the New Capital Investment Entrant Scheme.

Our views:

We look forward to the government announcing the details of the New Capital Investment Entrant Scheme as soon as possible.

We also urge the government to lower the investment threshold for residential properties to HK$10 million and to remove the cap on property investments. This will attract small- and mid-size investors, enhancing Hong Kong's competitiveness as an international financial center and drawing in more talent and capital.

05 NORTHERN METROPOLIS DEVELOPMENT

INNOVATIVE & DIVERSIFIED LAND DEVELOPMENT APPROACH

The Budget:

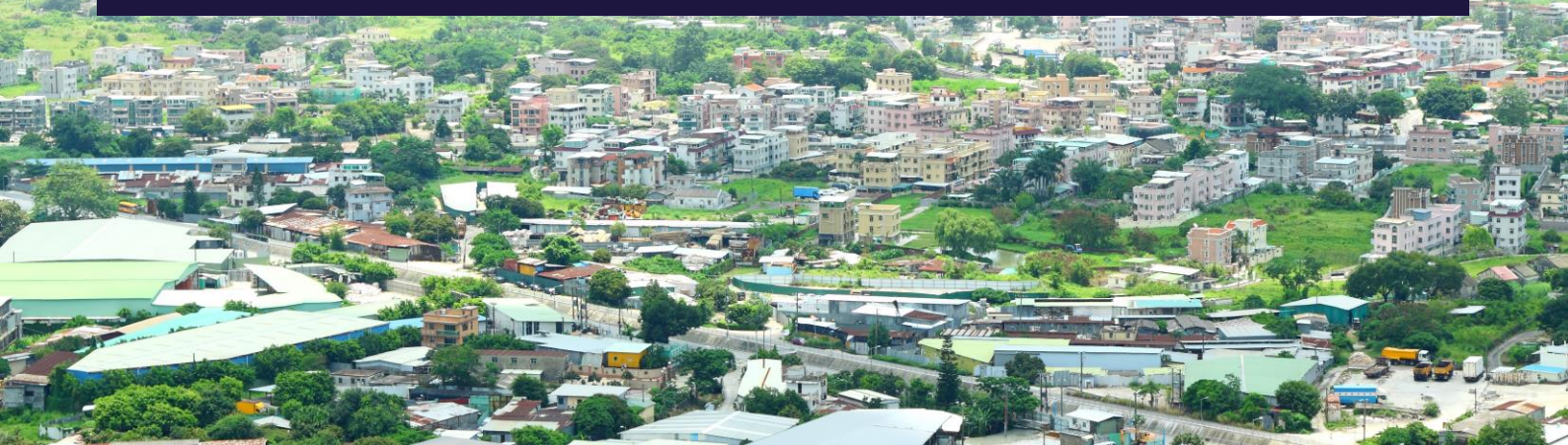
- To develop major industries in the Northern Metropolis, including innovation and technology (I&T), high-end professional services and modern logistics, tertiary education, as well as culture, sports, and tourism.
- To adopt a more diversified development approach with an innovative mindset, including piloting "large-scale land disposal“, currently inviting the market to submit expressions of interest for three pilot areas under "large-scale land disposal“, with a target of commencing tendering progressively from the second half of this year.
- To identify suitable sites for private landowners to apply for in-situ land exchange for residential and industry developments.

Our views:

We are pleased to see the government continue to facilitate Northern Metropolis development and to optimize the industrial and spatial layout. We believe that the "large-scale land disposal" model can accelerate the completion of residential, industrial, and public facilities. The Development Bureau estimates that the engineering costs for each district will be from HK$10 billion to HK$20 billion. Compared to traditional development models, the "large-scale land disposal" model can save more than HK$1 billion in public funds. While construction costs in Hong Kong are two to three times higher than in neighboring locations such as Shenzhen, we recommend that the government can reduce costs by introducing foreign labor, similar to the approach taken by the Singaporean government.

Compared to traditional land sale models, the “large-scale land disposal” model features a larger scale, longer development period, and extended payback time. This approach shifts high upfront costs and risks to developers, testing their financial sustainability and capacity to manage these burdens. However, developers can undertake planning and design in parallel with the land leveling stage, which can compress project timelines and increase autonomy in the design and construction phase. This flexibility enables them to respond effectively to market demands while developing mix-used residential or commercial projects.

We recommend the government to effectively plan and utilize transportation facilities connecting new development areas and other external regions, such as the Shenzhen Bay Bridge and the planned Hong Kong-Shenzhen Western Railway, so as to enhance transportation connectivity and convenience, boost investor confidence, attract more developers’ participation, and ensure the district's sustainability.



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