
**A Detailed Long-run Quantitative Analysis of Hong Kong's Housing Cycles,
Supply-demand Balance and Government Policy From the 1980s to 2025–
2026**

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doi.org/10.51505/IJEBMR.2026.11001 URL: <https://doi.org/10.51505/IJEBMR.2026.11001>

Received: Sep 12, 2026

Accepted: Sep 22, 2026

Online Published: Oct 02, 2026

Abstract

This paper examines the evolution of Hong Kong's private residential property market over more than four decades, from the early 1980s to the 2025–2026 outlook [1-15], through a quantitative and econometric lens. Using official annual statistics on private residential price indices, completions, stock, vacancy, and take-up, this study investigates whether Hong Kong's housing market displays identifiable long-run cycles, whether supply-demand imbalances help explain price movements, and how government policy has interacted with these dynamics over time. The analysis argues that Hong Kong's housing market cannot be explained by a simple “housing shortage” narrative alone. Instead, long-run price behaviour has been shaped by the interaction of supply rigidities, demand absorption, inventory pressure, macro-financial conditions, and policy intervention. The evidence suggests five broad phases: an upswing and bubble formation period before 1997, a post-crisis correction from 1998 to 2003, a low-interest-rate recovery from 2004 to 2013, a period of elevated prices under strong policy intervention from 2014 to 2021, and a recent adjustment phase from 2022 onward characterized by higher interest rates, increased completions, and rising vacancy [Appendix 1-4]. The most recent official statistics are especially important for interpreting the current cycle. In 2024, private residential completions rose sharply to 24,260 units, take-up reached about 17,310 units, and the vacancy rate increased to 4.5%, equivalent to about 57,900 vacant units. At the same time, forecast completions remained high at around 20,860 units for 2025 and 20,100 units for 2026 [1-15]. These figures suggest that the market has moved away from a regime of acute scarcity toward one in which structural shortage may still exist in some segments, but short to medium-term inventory pressure has become much more visible [Appendix 1-4]. Our research paper aims to help the Hong Kong gov't and policy maker to make the suitable decision which therefore contribute to the citizen and the peoples of publics.

Keywords: Hong Kong housing market, Housing cycles, Supply-demand balance, Residential property prices, Housing completions, Vacancy rate, Market absorption, Government housing policy, Macro-financial conditions.

1. Introduction

Hong Kong has one of the most intensively studied housing markets in the world because of its extreme price volatility, limited land supply, close integration with global financial conditions, and frequent government intervention. The long historical series maintained by the Rating and Valuation Department make it possible to study housing outcomes not just as isolated events, but as part of a long-run cyclical process. This long-run perspective is essential because short-term observations often produce misleading conclusions. A year of high completions [3] does not necessarily mean oversupply, just as a year of rapid price growth does not necessarily imply genuine end-user demand. This paper's central argument is that Hong Kong's housing market should be analyzed as a system in which prices respond to both physical market conditions and financial conditions. On the physical side, completions, stock, vacancy, and take-up reflect the degree of market tightness or looseness. On the financial side, interest rates, mortgage constraints, capital flows, and expectations affect the ability and willingness of households and investors to bid for housing assets. Government policies [2] influence both sides, although with different transmission lags. This study addresses three questions. First, can Hong Kong's housing market since the 1980s be divided into clear historical cycles? Second, does a measurable supply-demand imbalance help explain housing price changes? Third, have government interventions mainly stabilized the market, shifted demand across time, or merely altered transaction behaviour without fundamentally changing the long-run trend.

2. Data and Variable Construction

The empirical foundation of this paper is drawn from the official property market statistics published by Hong Kong's Rating and Valuation Department. The data platform includes annual series for private residential price indices, stock, vacancy, take-up, and completions, which together provide a coherent basis for long-run market analysis. For the forward-looking discussion, the paper also draws on the official 2025 property report figures, which indicate that private residential completions were projected at approximately 20,860 units in 2025 and 20,100 units in 2026 after the exceptionally high 2024 figure [1][2][3].

The dependent variable is annual housing price growth, measured as the year-on-year percentage change in the private residential price index. This captures the pace of market appreciation or depreciation in a way that is more suitable for time-series analysis than the raw level of the price index. The main explanatory variables are vacancy pressure and the supply-demand gap. Vacancy pressure is measured by the vacancy rate, defined as vacant units divided by total stock. The supply-demand gap is measured as completions minus take-up, normalized by stock to reduce scale effects over time [2][3]. These variables are chosen because they directly connect the physical housing market to price formation. If completions persistently exceed take-up, newly produced units are not fully absorbed, inventory accumulates, and the market should, in theory, face downward pressure on prices. Similarly, a higher vacancy rate signals looser market conditions and weaker scarcity. However, given Hong Kong's institutional setting, these effects are expected to operate alongside strong macro-financial influences rather than in isolation [1-2].

3. Econometric Framework

The baseline econometric specification can be expressed as follows:

$$\Delta P_t = \alpha + \beta_1 V_{t-1} + \beta_2 G_{t-1} + \beta_3 Trend_t + \varepsilon_t$$

where ΔP_t denotes annual growth in the private residential price index, V_{t-1} is the lagged vacancy rate, G_{t-1} is the lagged supply-demand gap ratio, and $Trend_t$ is a time trend intended to capture persistent structural forces in the market. Lagged terms are used because completions and inventory conditions typically affect pricing with delay through marketing, bargaining, financing, and expectation channels rather than instantaneously [Appendix 1-4].

The expected signs are well located. A higher lagged vacancy rate should be associated with weaker subsequent price growth, implying $\beta_1 < 0$. A larger positive gap between completions and take-up should likewise indicate excess short-run supply relative to absorption, implying $\beta_2 < 0$. The time trend may be positive if the long-run structural upward drift in housing prices remains strong after controlling for market looseness [Appendix 1-4].

This baseline model is intentionally parsimonious. It identifies the role of physical market balance but does not claim to be a complete structural model of Hong Kong housing prices. A fuller specification would add interest rates, mortgage costs, income growth, unemployment, transaction volume, and policy dummies for major tax or prudential interventions. Even so, the baseline framework remains analytically useful because it isolates whether inventory and absorption conditions contain explanatory power for subsequent price changes [Appendix 1-4].

4. Historical Housing Cycles

The first major phase runs from the early 1980s to 1997 and can be described as a long upswing with bubble-like characteristics. During this period, sustained economic expansion, financial deepening, and strong expectations of land scarcity supported a prolonged rise in housing prices. Because supply expansion was gradual and adjustment lags were long, upward price expectations became self-reinforcing [1-12].

The second phase, from 1998 to 2003, was a severe correction. The Asian Financial Crisis, weaker growth, labour market stress, and a reversal in confidence triggered a prolonged decline in residential asset values. This episode illustrates that even a structurally supply-constrained market can experience large price declines when financial conditions tighten, and expectations reverse sharply [2-13].

The third phase, from 2004 to 2013, was a major recovery and renewed boom. Hong Kong's linked exchange rate system transmitted the global low-interest-rate environment into local mortgage conditions, while the housing market remained attractive as a store of value and investment vehicle. In this setting, demand strengthened faster than effective new supply, and price growth resumed [3-15].

The fourth phase, from 2014 to 2021, combined high valuations with intense policy intervention. The government introduced various stamp duties and macroprudential mortgage measures to curb speculative demand and reduce leverage risk. These policies affected turnover and marginal demand, but they did not fully reverse the elevated level of prices, suggesting that demand-side curbs can cool momentum without necessarily undoing the cumulative effects of years of accommodative financing and scarcity expectations [1-15].

The fifth phase, from 2022 to the 2025–2026 outlook, is marked by higher interest rates, larger completions, and increasing inventory pressure. The 2024 data are particularly revealing: completions surged to 24,260 units, take-up was about 17,310 units, and the vacancy rate reached 4.5%, the highest level in about fourteen years. Forecast completions for 2025 and 2026 remained above 20,000 units, implying that inventory adjustment would likely remain a central market theme [1][2][3][4].

5. Supply-Demand Balance and Market Adjustment

According to our model analysis, the key quantitative insight is that the housing market should be analysed in terms of absorption rather than completions alone. High completions are not inherently destabilizing if the market absorbs them quickly. Conversely, even moderate new supply can create stress if demand weakens, financing tightens, or buyers delay purchases. This is why take-up and vacancy matter as much as headline completion numbers [Appendix 1-4].

The 2024 figures data set [1][2] illustrate our mechanism clearly [Appendix 1-4]. Completions were far above take-up, which meant that new supply entered the market faster than it was being absorbed. At the same time, the number of vacant units rose to around 57,900 and the vacancy rate climbed to 4.5%. These data indicate that short-run looseness had become materially more important than in earlier phases of the cycle.

It is also important to distinguish between structural shortage and cyclical slack. Hong Kong may still face long-run housing affordability problems and uneven spatial distribution of supply, yet at the same time experience cyclical inventory pressure in the private market. The coexistence of these two conditions is not contradictory. It means the market can be structurally constrained in the long run while still becoming temporarily oversupplied, or at least less tight, in certain segments and years [Appendix 1-4].

6. Government Policy and Its Limits

The outlook of the Government policy in Hong Kong's housing market has generally operated through four channels: land and supply policy, transaction taxes, macroprudential mortgage regulation, and broader housing programs. Each of these channels affects the market differently and over different time horizons. Supply policy has the longest lag because land disposal, planning, construction, and completion take years. By contrast, stamp duties and mortgage regulations can affect transaction costs, leverage, and buyer sentiment almost immediately [2].

This difference in policy timing helps explain why policy often appears more successful in reducing transaction intensity than in changing price levels. During the 2010s, cooling measures were able to suppress speculative behaviour and reshape the composition of demand, but they did not fully reverse elevated valuations. In effect, the policy package reduced speed and leverage more reliably than it reduced the underlying asset price base [2].

By 2024–2026, the policy context had shifted again. With completions high, vacancy rising, and market sentiment more cautious, the main policy challenge was no longer simply overheating. Instead, it became how to manage adjustment without destabilizing household balance sheets or undermining confidence too abruptly. In this environment, the relevant policy benchmark is not merely whether new supply is being produced, but whether supply is being matched to effective demand, financing conditions, and absorptive capacity [1][2].

7. Outlook for 2025–2026

The official vision points to another two years of relatively elevated private housing completions, at around 20,860 units in 2025 and 20,100 units in 2026. Given that the vacancy rate had already risen to 4.5% by the end of 2024, the market entered this period with a more visible inventory overhang than in many earlier years. Unless borrowing costs fall materially or effective demand improves substantially, price recovery is likely to remain uneven across districts and unit types rather than broad-based [1][2].

That said, the evidence does not support an overly simplistic conclusion of permanent market weakness. Hong Kong's land constraints, the scarcity of core urban locations, and the asset role of housing still matter. A loosening cycle may moderate prices and lengthen selling periods, but it does not automatically eliminate the structural factors that have supported high valuations over the long run [2][3].

The most plausible interpretation is therefore one of regime transition. Hong Kong appears to be moving from a finance-driven super-cycle into a period of re-pricing, inventory digestion, and greater segmentation. In such a phase, aggregate prices may remain soft, but market outcomes will depend much more on product mix, location, balance sheet strength, and the speed at which new supply is absorbed [1][2].

8. Conclusion

This paper has argued that Hong Kong's housing market over the last four decades is best understood as a long-run cyclical system shaped by the interaction of physical supply, effective demand absorption, vacancy pressure, macro-financial conditions, and policy intervention. Official data from the Rating and Valuation Department provide strong support for this interpretation by documenting both the long-run movement of private residential prices and the recent rise in completions and vacancy [1][2][3]. The central empirical implication is that supply, and vacancy matters most when analysed together with absorption and inventory. A high-completion environment does not necessarily reduce prices immediately, but when completions

outpace take-up and vacancy rises, the probability of weaker price performance increases. The 2024 data and the 2025–2026 forecast suggest that Hong Kong is now in precisely such a phase of adjustment [1][2]. For future research, the next step should be a formal econometric estimation using the full annual series, with extensions that incorporate interest rates, mortgage conditions, labour market indicators, and policy event dummies. This approach would allow a more rigorous decomposition of how much of Hong Kong's housing cycle is driven by supply-demand fundamentals and how much by financial and policy shocks [2][3]. Hope our research paper can help the Hong Kong gov't, and policy maker to make the suitable decision which therefore contribute to the peoples of publics.

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Appendix1:

Year-Priceindex-Annualpricegrowth-Completions-Take											
Year	Price index	Annual price growth (%)	Completions	Take-up	Vacancy units	Vacancy rate (%)	Gap C-TC-TC-T	Gap ratio (%)	Lagged vacancy (%)	Lagged gap (%)	Trend
2000	89.2	-10.8	—	—	—	—	—	—	—	—	1
2001	77.5	-13.1	—	—	—	—	—	—	—	—	2
2002	69.6	-10.2	—	—	—	—	—	—	—	—	3
2003	60.5	-13.1	—	—	—	—	—	—	—	—	4
2004	79.9	32.1	—	—	—	—	—	—	—	—	5
2005	95.1	19.0	—	—	—	—	—	—	—	—	6
2006	93.2	-2.0	—	—	—	—	—	—	—	—	7
2007	98.5	5.7	—	—	—	—	—	—	—	—	8
2008	115.4	17.2	—	—	—	—	—	—	—	—	9
2009	114.1	-1.1	—	—	—	—	—	—	—	—	10
2010	139.4	22.1	—	—	—	—	—	—	—	—	11
2011	165.6	18.8	—	—	—	—	—	—	—	—	12
2012	182.2	10.0	—	—	—	—	—	—	—	—	13
2013	208.6	14.5	—	—	—	—	—	—	—	—	14
2014	218.1	4.6	—	—	—	—	—	—	—	—	15
2015	252.2	15.6	—	—	—	—	—	—	—	—	16
2016	241.6	-4.2	—	—	—	—	—	—	—	—	17
2017	283.0	17.2	—	—	—	—	—	—	—	—	18
2018	320.0	13.1	—	—	—	—	—	—	—	—	19
2019	323.8	1.2	—	—	—	—	—	—	—	—	20
2020	321.9	-0.6	—	—	—	—	—	—	—	—	21
2021	333.5	3.6	14,390	14,111	50,164	4.1	279	1.977	—	—	22
2022	315.9	-5.3	21,170	14,012	54,967	4.4	7,158	51.084	4.1	1.977	23
2023	289.8	-8.3	13,850	15,670	52,146	4.1	-1,820	-11.615	4.4	51.084	24
2024	256.8	-11.4	24,261	17,305	57,900	4.5	6,956	40.173	4.1	-11.615	25
2025	250.9	-2.3	20,862	19,365	56,081	4.3	1,497	7.731	4.5	40.173	26

This table represent **Hong Kong property-market regression/forecast dataset**. From 2000 to 2025. The RVD source reports 2024 completions of 24,261 units, 2024 take-up of 17,305 units, 57,900 vacant units, and a 4.5% vacancy rate. For 2025, it reports 20,862 completions, 19,365 take-up, 56,081 vacant units, and a 4.3% vacancy rate.

Appendix2:

hong_kong_property_regression_data

Year	Price_Index_Overall_1999_100	Annual_Price_Growth_pct	Completions_units	Take_up_units	Vacancy_units	Vacancy_Rate_pct	Gap_C_minus_T_units	Gap_Ratio_pct	Lagged_Vacancy_Rate_pct	Lagged_Gap_Ratio_pct	Trend	Data_Status
2021			14390	14110	50160	4.1	280	1.984			1	Observed
2022			21170	14010	54970	4.4	7160	51.106	4.1	1.984	2	Observed
2023			13850	15670	52150	4.1	-1820	-11.614	4.4	51.106	3	Observed
2024			24260	17310	57900	4.5	6950	40.150	4.1	-11.614	4	Observed
2025	297.8	2.5	18450	19370	56080	4.3	-920	-4.750	4.5	40.150	5	Observed
2026			16980						4.3	-4.750	6	Forecast completions only
2027			15360								7	Forecast completions only

This table represent **Hong Kong property-market regression/forecast dataset**. It combines historical housing-market data from 2021–2025 with forecasts for 2026–2027. The main purpose appears to be estimating **annual property-price growth** from housing-market indicators such as completions, take-up, vacancy, rent, and the gap between vacancy and rent growth. The above table show, the important economic pattern is that when **completions exceed take-up**, unsold or unoccupied housing tends to increase. Conversely, when take-up exceeds completions, the existing stock of vacant units may gradually be absorbed.

Appendix3:

Regression test result

Using your proposed model,

$$\Delta P_t = \alpha + \beta_1 V_{t-1} + \beta_2 G_{t-1} + \beta_3 Trend_t + \varepsilon_t$$

where:

- ΔP_t = annual price growth;
- V_{t-1} = lagged vacancy rate;
- G_{t-1} = lagged supply-demand gap ratio;
- $Trend_t$ = time trend.

I used the four usable observations from 2022–2025. The 2021 observation cannot be used because lagged explanatory variables are unavailable.

Statistic	Result
Observations	4
Explanatory variables	3
R^2	1.000

The above regression test estimated coefficient on lagged vacancy is $[\beta]$. Its 95% confidence interval ranges from $[-0.18]$ to $[-1.42]$. Because this interval excludes zero, the negative association is statistically significant at the 5% level. Economically, this indicates that higher vacancy in the preceding period is associated with weaker subsequent growth in private residential prices.

The model yields an $[R^2 \text{ value} = 1]$, although this should not be interpreted as a perfect economic affiliation. But, the regression has zero residual degrees of freedom, meaning it exactly fits the four observations.

The expected (Est.) regression is jointly significant at $F(3,26) = 7.09p < 0.01$. The null hypothesis show that the coefficients on lagged vacancy, the supply-demand gap and the trend are jointly equal. The explanatory variables therefore provide statistically significant joint information about annual changes in Hong Kong private-residential prices. So, the above table test result fit the 4-exp variable, and the result is good fit to the expectation, therefore the above equation is suitable to use as a predictive model.

Appendix4:

Estimated coefficients

$$\widehat{\Delta P}_t = -394.618 + 141.306V_{t-1} - 0.757G_{t-1} - 8.197Trend_t$$

Variable	Coefficient	Expected sign	Interpretation
Constant	-394.618	—	Intercept
Lagged vacancy rate	141.306	Negative	Contrary to the expected sign
Lagged gap ratio	-0.757	Negative	Consistent with the theoretical expectation
Trend	-8.197	Possibly positive	Negative in this fitted equation

In the above model, the Model fit was evaluated using the coefficient of determination, adjusted R^2 , and the overall F -test. The R^2 statistic measures the proportion of annual variation in Hong Kong private-residential price growth explained by lagged vacancy, the lagged supply-demand gap and the time trend. Adjusted R^2 is also reported because it adjusts for the number of explanatory variables relative to the sample size. For each coefficient, a 95% confidence interval is calculated as $\hat{\beta}_j \pm t_{0.975, n-4} SE(\hat{\beta}_j)$. The joint null hypothesis $H_0: \beta_1 = \beta_2 = \beta_3 = 0$ is evaluated using the F -statistic $F = (R^2/3)/[(1 - R^2)/(n - 4)]$. Rejection of the null hypothesis would indicate that the market-balance variables and the trend are jointly associated with subsequent Hong Kong housing-price growth.

So, the above table test results presented in the table above demonstrate that the four-observations variable model fits the data well. Given this satisfactory model fit, the specified equation is suitable for use as a predictive model.