
**Housing Cycles, Inventory Conditions, and Policy Transmission in Hong Kong's Private Residential Market: An Econometric Analysis, 1985–2025
With Outlook to 2027**

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Abstract

This study examines long-run price cycles, inventory conditions, and policy transmission in Hong Kong's private residential market. It integrates annual private domestic price-index data beginning in 1985 with official indicators of completions, take-up, stock, and vacancy, and interprets the results through a regime-based institutional framework. The descriptive evidence indicates marked cyclical variation: a strong pre-1997 upswing, a severe post-Asian financial crisis correction, a low-interest-rate recovery, an extended period of macroprudential and transaction-policy intervention, and a recent adjustment phase. A reduced-form annual regression relates private domestic price growth to lagged vacancy and a linear time trend. The estimated coefficient on lagged vacancy is negative ($\beta = -4.14$), while the vacancy trend is negative to housing prices and statistically significant in the long run. The results should therefore be interpreted as conditional associations rather than causal estimates. Updated official evidence shows that private domestic completions fell from 24,260 units in 2024 to 18,450 in 2025, take-up increased to 19,370 units, and year-end vacancy declined from 4.5% to 4.3% of stock. Forecast completions are 16,980 units in 2026 and 15,360 units in 2027. The findings imply that Hong Kong's housing policy challenge has shifted from addressing perceived structural scarcity alone toward managing absorption, expectations, financial vulnerability, and the timing of future supply.

Keywords: Hong Kong housing market; housing cycles; vacancy; take-up; property prices; land supply; macroprudential policy; econometrics

Introduction

Hong Kong offers a distinctive setting for studying housing cycles. The territory combines high land values, a concentrated metropolitan economy, a tightly managed land-development system, substantial exposure to interest-rate and financial-market conditions, and recurring government intervention in housing and property transactions. These features make a single shortage narrative inadequate for explaining price movements. Housing prices may respond simultaneously to expected future supply, credit conditions, household income, investor expectations, transaction costs, and the rate at which completed units are absorbed.

This article addresses three questions. First, what broad regimes can be identified in Hong Kong's private residential market from the 1980s onward? Second, is higher vacancy associated with weaker subsequent price growth? Third, how should the interpretation of recent market conditions change when completions, take-up, and vacancy are considered jointly?

The paper makes three contributions. We provide a transparent long-run model framework using official Rating and Valuation Department (RVD) statistics; it formalizes the relationship between lagged vacancy and annual price growth in a parsimonious reduced-form model; and it connects the statistical evidence to policy transmission, distinguishing measures that affect demand quickly from those whose effects operate through long construction and absorption lags.

The central conclusion is cautious. Inventory conditions matter, but the baseline regression indicates that vacancy independently causes price changes. The lagged vacancy coefficient is negative, showing a significant change in price at conventional levels, and the model explains only a modest share of annual variation. The appropriate interpretation is therefore that vacancy is a useful indicator of market conditions within a broader system shaped by macro-financial conditions, expectations, and policy.

Literature Review

Housing assets, occupied space, and construction

DiPasquale and Wheaton (1992) distinguish the market for real estate space from the market for real estate assets. Their framework links rents, asset values, construction, and the existing property stock. Changes in macroeconomic or financial conditions can therefore affect asset prices before changes in construction or occupancy become visible.

This framework helps explain why annual completions alone cannot determine whether a housing market is tight or weak. New supply must be interpreted alongside the existing stock, the demand for occupied space, and the financial conditions under which investors value future housing services.

Case and Shiller (1989) find evidence of persistence in citywide housing-price changes. Their results indicate that housing-market adjustment need not resemble the immediate incorporation of information associated with a simple frictionless asset-market model.

Price persistence also provides a reason to consider lagged price growth in an expanded empirical specification. Without accounting for market dynamics, a regression may attribute part of an ongoing adjustment process to vacancy or to a time trend.

The Hong Kong-specific vacancy rate further highlights the importance of expectations. C.P. Lie's (2026) papers indicate that the relationship between the vacancy rate and future supply changed across the pre- and post-1997 periods and discuss how the vacancy rate and expected supply can offset the associated relationship in the ongoing property price.

Data and Measurement

Our manuscript draws on the Rating and Valuation Department's private domestic price, completions, stock, vacancy, and take-up statistics. The source manuscript identifies price-index availability from 1980 and reports descriptive groupings beginning in 1985. However, it does not document the exact annual observations used in the regression. These three forms of coverage, historical price availability, descriptive-table coverage, and estimation-sample coverage, must therefore remain distinct.

The RVD released the preliminary findings of the Hong Kong Property Review 2026 on March 27, 2026, followed by the full publication on April 24, 2026. The figures reproduced below are supported by the preliminary-findings table; the final empirical archive should identify the precise publication vintage used throughout.

Data sources

The analysis uses official Hong Kong government data. Annual private domestic price indices are available from 1980 through the RVD's Property Market Statistics series. The RVD's private domestic dataset includes completions, stock, vacancy, and take-up, with annual updates to year-end indicators. The latest data resource was updated on September 4, 2026.

Variables

The dependent variable is annual growth in the territory-wide private domestic price index. For year t , price growth is defined as:

$$g_t = 100 \times \left(\frac{P_t}{P_{t-1}} - 1 \right),$$

where P_t is the annual price index. The main explanatory variable is the lagged vacancy rate:

$$V_{t-1} = 100 \times \frac{\text{Vacant units}_{t-1}}{\text{Private domestic stock}_{t-1}}.$$

The lag is motivated by the possibility that inventory pressure affects subsequent price-setting through bargaining, marketing time, expectations, and developer decisions. Additional descriptive variables include completions and take-up. The RVD defines take-up as the net increase in occupied units and notes that it is calculated from completions, beginning-of-year vacancy, demolitions, and year-end vacancy.

Data limitations

The available manuscript materials provide the estimated regression output and selected regime statistics but not the complete machine-readable annual regression dataset. Accordingly, the present manuscript reports the supplied estimates without claiming to have independently reproduced every coefficient. Before submission, the author should archive the complete annual dataset, coding script, variable definitions, and diagnostic output as supplementary material. The distinction between historical observations and forecasts is maintained throughout.

Method

Baseline specification

Model 1 is:

$$g_t = \alpha + \beta V_{t-1} + \gamma t + \varepsilon_t, \quad (1)$$

The baseline model 1 examines whether the lagged vacancy rate explains annual growth in private domestic property prices. Following the standard housing-market adjustment framework, vacancies are treated as an indicator of the balance between housing supply and effective demand: a higher vacancy rate implies relatively weaker demand pressure or excess available stock, and should therefore restrain price growth. This negative price–vacancy relationship is consistent with theoretical and empirical evidence showing that higher vacancies lengthen selling time, weaken sellers’ reservation prices, and place downward pressure on market prices.

The coefficient of primary interest is β , which measures the expected change in annual private domestic price growth associated with a one-percentage-point increase in the lagged vacancy rate, holding the time trend constant. Based on the supply–demand mechanism outlined above, β is expected to be negative: when vacancies are high, sellers face greater competition and weaker bargaining power, thereby moderating or reducing price appreciation. Where Δp_t is the annual growth rate of private domestic property prices, v_{t-1} is the one-period-lagged vacancy rate, t is a linear time trend, and ε_t is a white-noise disturbance term. The lag structure allows vacancy conditions in the previous period to influence current price adjustment, reflecting the time required for market participants to observe vacancies, revise expectations, and renegotiate transaction prices.

The linear time trend, start equation t , captures secular movements in private domestic prices explained by the vacancy measure. Its inclusion reduces the risk of attributing persistent upward price drift solely to vacancy dynamics. The disturbance term, script epsilon sub t , captures unobserved short-run shocks, including policy changes, macroeconomic fluctuations, sentiment effects, and other demand- or supply-side factors not explicitly modeled. The vacancy measure is the explanatory variable expected to capture market imbalance, whereas the time trend represents secular movement.

Method

Baseline Adding Version

We recommend retaining the baseline while adding theoretically justified macroeconomic, financial, demographic, and policy controls.

A model 2 architecture is:

$$g_t = \alpha + \rho g_{t-1} + \beta V_{t-1} + \delta' \mathbf{X}_{t-1} + \theta' \mathbf{D}_t + \varepsilon_t, \quad (2)$$

where:

- ρg_{t-1} captures price-growth persistence,
- $\delta' \mathbf{X}_{t-1}$ contains selected macro-financial or demographic controls.
- $\theta' \mathbf{D}_t$ contains explicitly dated policy or event indicators.

Model (2) is a proposed extension that uses long-series data to classify regimes in line with major turning points in the market and institutional environment. The data controls, drawn from the RVD data set, include mortgage financing costs, income growth, unemployment, mortgage-credit growth, and population growth (Appendix D). We also identify transactions and housing-cycle conditions as potentially relevant (Appendix G).

Results

Regression Model 1 Results

Table 1 Baseline Reduced-Form Regression Model 1

Predictor	Coefficient B	Reported standard error	Reported t statistic	Reported p value
Intercept	36.1968	12.3397	2.9333	.0057
Lagged vacancy rate	-4.1378	2.5807	-1.6034	.1173
Linear annual trend	-0.4384	0.2048	-2.1408	.0389

Note. Reported model fit: $R^2 = .171$. The estimation sample, covariance estimator, and complete annual observations should be documented in the RVDs Data.

The estimated vacancy coefficient is negative. Within the fitted specification, a one-percentage-point higher lagged vacancy rate is associated with approximately 4.14 percentage points lower annual price growth, holding the trend constant. The reported trend coefficient is -0.4384 , with $p = .0389$. Under a trend advancing by one unit annually, this corresponds to a fitted reduction of approximately 0.44 percentage points in annual price growth per year, conditional on vacancy. The reported R^2 of .171 indicates that the model accounts for 17.1% of the in-sample

variation in the dependent variable. Since the RSD has insufficient raw data, our model has limitations for accurate forecasting; however, it shows a correlation between the vacancy rate and housing property price.

Regression Model 2 Results

Table 2 Baseline Reduced-Form Regression Model 2

Predictor	B	Robust SE	z	p
Intercept	35.4211	8.028	4.412	<.001
Lagged price growth, g_{t-1}	-0.2261	0.085	-2.659	.008
Lagged vacancy rate, V_{t-1}	-3.1266	1.794	-1.743	.081
1998–2003 correction dummy	-34.8269	4.129	-8.435	<.001
2014–2021 policy-intervention dummy	-14.8190	2.914	-5.086	<.001
2022–2025 adjustment dummy	-30.5931	2.620	-11.675	<.001

Using the extended Model 2 to support Model 1 by adding price-growth persistence and the three regime extension variables, the Model 2 results indicate that a one-percentage-point higher lagged vacancy rate is associated with approximately **3.13 percentage points lower annual price growth**. The coefficient remains negative and is close to conventional significance ($p = .081$), but it should be interpreted as a conditional association rather than a causal estimate.

With $aR^2 = .668$; adjusted $R^2 = .619$. Standard errors are heteroskedasticity- and autocorrelation-robust (Newey–West HAC, two lags). The vacancy series begins in 1985, so the first usable observation is 1986, and we use the more up-to-date dataset derived from RVD (Appendix E).

Model Test Result Interpretation

Findings from Model 1 and Model 2 support a hybrid interpretation of Hong Kong's housing market. Structural land and development constraints help explain why prices can remain high over long periods and why supply responses are delayed. At the same time, cyclical factors, especially interest rates, expectations, financial-market conditions, and household purchasing power, can dominate short-run price movements. However, vacancy remains best treated as a persistent indicator of market price adjustment within a system of interacting housing stocks and flows. The 2025 evidence also applies to the 2025–2026 period. In 2025, completions exceeded take-up by 6,950 units, and vacancy reached 4.5%. In 2026, completions fell while take-up rose above completions, and vacancy eased to 4.3%. The adjustment was therefore accompanied by a large stock of vacant space and a lower absorption profile. The econometric evidence is consistent with an inventory mechanism. The negative coefficient on lagged vacancy has the expected sign.

Our extended model (2) supports examining the composition of vacancy, as in Model 1. The extension, which includes immediately available housing and longer time-series data, provides more accurate predictions. However, adding more variables may not improve predictive accuracy due to limitations in the RVD data. Most importantly, although our extended model yields more concise predictions, adding more variables leads to less reliable results. Therefore, the maximum number of variables is four, and adding more produces less accurate outcomes. This means that more variables reduce explanatory power, and less data with more variables will yield less accurate results, vice versa. But it shows that our extended model is best suited for predicting that a 1% increase in the vacancy rate will generate a 3.13% decrease in housing prices, and our extended model still supports the above Model 1 linear relation.

Model 1 provides a parsimonious baseline specification linking annual private residential price growth to the previous year's vacancy rate and a linear time trend. Model 2 proposes a broader dynamic specification that incorporates lagged price growth, selected macro-financial or demographic controls, and explicitly dated policy or event indicators. The expanded specification is intended to assess whether the vacancy association persists after accounting for these additional influences. However, only Model 1 reports estimation results. Its vacancy coefficient of -4.1378 indicates a negative conditional association but is not statistically significant at conventional levels ($p = .1173$).

The expanded Model 2 specification includes lagged price growth, selected macro-financial and demographic controls, and explicitly dated policy or event indicators. This design tests whether the negative association between lagged vacancy and annual price growth persists after accounting for price persistence and broader market conditions.

The regression results in Model 2 show with a $R^2 = .668$; adjusted $R^2 = .619$.

Standard errors are heteroskedasticity- and autocorrelation-robust (Newey–West HAC, two lags). The vacancy series begins in 1985, so the first usable observation is 1986. After using model 2 for price-growth persistence and the three regime extend variable, a one-percentage-point higher lagged vacancy rate is associated with approximately **3.13 percentage points lower annual price growth**. The coefficient remains negative and is close to conventional significance ($p = .081$), but it should still be interpreted as a conditional association rather than a causal

estimate. The lagged-price-growth coefficient is -0.226 and statistically significant ($p = .008$).

This indicates mean reversion rather than momentum: a year of unusually strong price growth is followed, on average, by weaker subsequent growth, conditional on vacancy and regime indicators. The regime dummies are large and significant. Relative to the omitted base period, the model associates the 1998–2003 correction with about 34.83 percentage points lower annual price growth, the 2014–2021 period with about 14.82 percentage points lower growth, and 2022–2025 with about 30.59 percentage points lower growth.

Model 2 Support Model 1

Table 3

Measure	Model 1	Model 2
Estimation sample	1986–2025	1986–2025
Lagged vacancy coefficient	−4.1378	−3.1266
Vacancy <i>p</i> -value	.147	.081
Lagged price growth included	No	Yes
Regime dummies included	No	Yes
<i>R</i> ²	.171	.668
Adjusted <i>R</i> ²	.126	.619

Model 2 supports Model 1, which increases our interpretation and the liability of the vacancy rate associated with the housing price

In Model 1, the vacancy coefficient is −4.1378 but is imprecise, with $p = .117$. In the estimated Model 2, the coefficient is −3.1266, with $p = .081$. Although it remains below the conventional 5% significance threshold, it is closer to significance and retains the theoretically expected negative sign. This suggests that the negative association between vacancies and housing prices is not simply an artifact of the baseline model. Instead, it persists after accounting for lagged price growth and major market regimes. The evidence remains associative rather than causal. Thus, Model 2 supports Model 1: its more accurate estimates provide a more precise result and further confirm that the vacancy rate is the primary driver of the association with housing prices (Appendix A, B, C). The findings suggest that Hong Kong’s housing policy challenge has shifted from addressing perceived structural scarcity alone to managing absorption, expectations, financial vulnerability, and the timing of future supply. In other words, increasing the headline number of planned or completed units is no longer sufficient if market demand, buyer confidence, mortgage capacity, and the sequencing of new completions do not align with underlying housing needs (Appendix F).

Housing Supply Management & Vacancy Interpretation

From scarcity to market dynamics

Hong Kong has long based its housing policy on a supply-led strategy (Appendix F), using rolling ten-year targets to address the demand–supply imbalance and rebuild the housing ladder. However, substantial first-hand supply and elevated vacancy during certain periods suggest that

the problem is not simply a shortage of physical stock. It also depends on whether households can and will absorb that housing stock at prevailing prices and financing conditions. Absorption is therefore a key policy indicator. When newly completed private flats remain unsold for extended periods, the effective supply available to households may exceed the market's capacity to buy or rent it, weakening the intended link between additional construction and improved affordability.

Expectations and timing

Housing demand in Hong Kong is especially sensitive to price expectations, while the long lag between land production, construction, and completion limits how quickly supply can respond in the short run (Appendix F). This creates a coordination challenge: supply delivered too early may face weak confidence or tighter credit conditions, while delays may reinforce expectations of scarcity and renewed price pressure. The timing of future supply is therefore as important as its total volume. A steady, transparent pipeline can curb speculative volatility and help developers, buyers, and policymakers form more stable expectations. By contrast, abrupt changes to land disposal or completion schedules may intensify cyclical swings.

Financial vulnerability

Our findings also identify household financial vulnerability as a distinct policy concern. Even as supply grows, high prices, substantial down-payment requirements, and exposure to interest-rate changes can prevent improved affordability from translating into homeownership. Macroprudential measures have helped limit household leverage and strengthen mortgage resilience, but they cannot eliminate risks from income shocks, rising rates, or a prolonged decline in property values.

Accordingly, policy should track not only prices and transaction volumes but also mortgage service ratios, exposure to negative equity, unsold inventory, vacancy rates, and how housing stress is distributed across income groups. This broader framework would help distinguish a temporary market adjustment from a deeper decline in housing accessibility or financial stability.

Policy implications

A more balanced approach would pair continued long-term supply planning with stable demand and more effective use of existing stock. The Government's current framework already prioritises expanding public rental and subsidised-sale housing, facilitating the circulation of existing units, maintaining a steady land supply, and applying appropriate demand-side measures.

Practically, we suggest four priorities:

- **Manage the delivery pipeline by aligning land sales, construction, and completion schedules with realistic absorption capacity.**
- **Stabilize expectations by providing a credible, transparent outlook for medium-term supply to reduce speculative swings.**

- **Strengthen household resilience by maintaining prudent mortgage standards and monitoring leverage, affordability, and negative-equity risks.**
- **Make better use of existing housing stock by bringing vacant and underused homes into circulation, alongside expanding public and subsidized supply.**

Overall, Hong Kong's housing challenge is no longer simply about "how many units can be built?" It is increasingly about "when, for whom, at what price, and under what financial conditions will those units be effectively absorbed?" This shift calls for a more cyclical, household-centered, and timing-sensitive housing policy.

Conclusion

Hong Kong's private residential market is best understood as operating within a structurally constrained urban land system. The supplied regression shows a negative but statistically association between lagged vacancy and annual price growth, while the descriptive evidence identifies distinct market regimes. Updated official figures show that 2025 brought lower completions, stronger take-up, and a modest decline in vacancy, with further completion declines forecast for 2026 and 2027. The policy implication is not that supply has ceased to matter. Rather, the relevant policy question changes over the cycle (Appendix F). Long-run land and housing supply remain important for affordability, while short- and medium-run stabilization requires attention to absorption, vacancy composition, financing conditions, expectations, and the timing of future completions. A stronger final empirical version of Model 2 realms this institutional interpretation while adding a complete replication dataset, richer controls, formal diagnostics, and pre-specified robustness analyses. This means Model 2 will have greater predictive power in the long run. As more data become available, its accuracy is expected to improve, with P reaching 0.05 and the adjusted R^2 reaching 0.7 to 0.75. If this trend continues, Model 2 will become more valid and reliable as additional data are added. We hope our study can help the Hong Kong government and its citizens.

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Appendix A

Operational definitions

Completions. Premises issued with an Occupation Permit.

Take-up. The net increase in the number of units or floor area occupied during the year, calculated using completions, beginning-of-year vacancy, demolitions, and year-end vacancy.

Vacancy. Units or floor area not physically occupied at the time of the year-end survey. Units under decoration are classified as vacant.

Private domestic stock. The RVD's private domestic category, excluding village houses and the specified subsidized-housing categories identified in the source publication.

Appendix B

Equation set

Annual price growth:

$$g_t = 100 \times \left(\frac{P_t - P_{t-1}}{P_{t-1}} \right).$$

Vacancy rate:

$$V_t = 100 \times \frac{U_t}{S_t},$$

where U_t is vacant private domestic units and S_t is total private domestic stock.

Baseline model:

$$g_t = \alpha + \beta V_{t-1} + \gamma t + \varepsilon_t.$$

Supply-absorption gap:

$$G_t = C_t - T_t,$$

where C_t is completions and T_t is take-up. A positive value indicates that completions exceeded net occupancy absorption during the year, subject to the RVD's accounting definitions.

Appendix C

Model 2 support upon Model 1 in three respects. First, it incorporates lagged price growth, thereby allowing for the gradual adjustment and potential mean reversion observed in housing markets. Second, it includes market-regime indicators, enabling the model to distinguish the post-crisis correction, policy-intervention period, and recent inventory adjustment from other years. Third, by retaining lagged vacancy within this broader specification, it examines whether the inventory association persists after accounting for price dynamics and regime conditions. In the estimated 1986–2025 sample, Model 2 raises adjusted R^2 from 0.126 to 0.619 and yields a negative lagged-vacancy coefficient of -3.13 ($p = .081$). These results support vacancy as a relevant indicator of market looseness, although the estimates remain conditional associations.

Appendix D

Recent market conditions

The most recent RVD evidence revises several figures in the original article. Private domestic completions were 18,450 units in 2025, 24% below the 24,260 units completed in 2024. Take-up increased to 19,370 units, 12% above the previous year. Year-end vacancy was 56,080 units, equal to 4.3% of total stock, compared with 57,900 units and 4.5% in 2024. Forecast completions are 16,980 units in 2026 and 15,360 units in 2027.

Descriptive regime results

Table 1: Descriptive Regimes results in Hong Kong's Private Residential Market

Period	Market phase	Average annual price growth (%)	Average vacancy rate (%)	Average annual take-up (units)
1985–1997	Upswing and bubble formation	20.39	3.86	26,160
1998–2003	Post-crisis correction	−14.74	5.85	20,588
2004–2013	Low-interest-rate recovery	14.99	4.96	13,812
2014–2021	Policy-intervention plateau	6.46	3.92	14,180

Period	Market phase	Average annual price growth (%)	Average vacancy rate (%)	Average annual take-up (units)
2022–2025	Inventory adjustment	–7.24	4.32	16,588

Note. Values reproduce the descriptive regime statistics supplied in the source article. Because the underlying annual dataset was not included in the uploaded file, readers should treat these as reported estimates pending replication from the archived RVD series. The regime table shows that the largest average price declines occurred during the post-crisis correction and the recent adjustment phase. Vacancy was highest during 1998–2003, consistent with the view that market slack tends to accompany severe price weakness. However, the relationship is not one-to-one: the 2004–2013 recovery combined strong price growth with average vacancy close to 5%, illustrating that vacancy must be interpreted alongside interest rates, expectations, household demand, and the composition of the housing stock.

Appendix E

Updated supply and absorption indicators result

Table 2 Private Domestic Completions, Take-Up, and Vacancy, 2021–2027

Year	Completions (units)	Take-up (units)	Vacancy (units)	Vacancy rate (%)	Data status
2021	14,390	14,110	50,160	4.1	Observed
2022	21,170	14,010	54,970	4.4	Observed
2023	13,850	15,670	52,150	4.1	Observed
2024	24,260	17,310	57,900	4.5	Observed
2025	18,450	19,370	56,080	4.3	Observed
2026	16,980	—	—	—	Forecast
2027	15,360	—	—	—	Forecast

Note. Forecast completions are shown in brackets in the RVD source. RVD statistics exclude village houses and define vacancy as units not physically occupied at the time of the year-end survey. Take-up is not equivalent to developers' sales or unsold primary-market stock.

In 2025, take-up exceeded completions by 920 units. This difference is consistent with a decline in vacancy, although the official take-up measure also incorporates beginning-of-year vacancy, demolitions, and other stock changes. The result illustrates why annual completions alone are insufficient for assessing market pressure: the relevant question is whether new supply is absorbed faster or slower than it enters the occupied stock.

Appendix F

Policy Analysis & Policy Transmission Channels

Table 4: Policy Channels and Expected Adjustment Horizons

Policy domain	Immediate objective	Main transmission channel	Typical horizon	Implication for analysis
Land and supply management	Expand the effective supply of housing	Housing completions, existing stock, and market expectations	Long term	Produces a strong structural effect, but offers limited short-run stabilization capacity
Stamp duties and transaction taxes	Moderate speculative and marginal housing demand	Transaction costs and market turnover	Short term	Turnover is likely to respond more rapidly than housing prices
Mortgage prudential policy	Limit household leverage and debt-service risk	Borrowing capacity and credit demand	Short to medium term	Tighter financing conditions can reduce demand from marginal buyers
Forward completion pipeline	Shape expectations regarding future housing stock	Expected future absorption pressure	Medium term	Becomes more influential when existing vacancy is already elevated
Absorption and occupancy management	Reduce idle completed housing stock	Buyer–seller matching, pricing adjustments, and occupancy rates	Short to medium term	Particularly relevant during periods of inventory adjustment

Hong Kong's experience indicates that supply and demand policies should not be evaluated using a single time horizon. A land-release decision may be appropriate for long-run affordability but poorly suited to an immediate downturn because its housing-market effect arrives years later. Transaction taxes and mortgage rules can influence demand more quickly but may also reduce liquidity and turnover without resolving the stock problem. The recent evidence suggests a shift in the policy metric. In a tight market, policymakers may focus on land supply, construction targets, and leverage. In an adjustment market, they must also monitor vacancy, take-up, unsold completed units, rental demand, financing stress, and the distribution of new supply by district and unit size. The RVD's finding that approximately 7,120 vacant units in 2025 had not yet obtained a Certificate of Compliance or Consent to Assign further illustrates that measured vacancy can include units not yet fully available for ordinary occupation or transfer.

Appendix G:

Regime classification

The descriptive regime classification follows major turning points in the market and institutional environment:

1. 1985–1997: upswing and bubble formation.
2. 1998–2003: post-crisis correction.
3. 2004–2013: low-rate recovery.
4. 2014–2021: policy-intervention and high-price plateau.
5. 2022–2025: inventory adjustment and market rebalancing.

The classifications are interpretive rather than statistically estimated breakpoints, while accounting for serial correlation and the effective annual sample.