Research on the Impact of Hong Kong Property Stamp Duty Adjustments on the Real Estate Market in the Post-COVID Era

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Abstract: After COVID-19, the Hong Kong real estate market faces numerous challenges and opportunities. This study examines the impact of the adjustments of Hong Kong's property stamp duty on the real estate market, focusing on the effects of policy changes on housebuyer costs, market transaction volume, and property price. The study found that the stamp duty adjustments significantly reduce the cost of purchasing property, stimulate market transaction volume in the short term, and have a certain impact on the real estate market price. However, in the long run, the policy effects are gradually diminished, and the stability of property prices still depends on economic fundamentals and supply-demand dynamics. Additionally, the limitations on policy implementation may also lead to issues, such as competition from external capital and the allocation of public housing resources. This study provides the theoretical basis for government to optimize policy and enriches the related research in the field of real estate economics.

Keywords: Real Estate, Stamp Duty, Post-COVID Era.

1 Introduction

For a long time, the Hong Kong real estate market has played an essential role in Hong Kong's economic system and has been a focal point of global attention. Over the past years, persistently high property prices have placed significant financial pressure on many residents, making home owners cannot afford it. Meanwhile, Balemi et al. mentioned that the heterogeneity of the real estate market and the varying channels of macroeconomic shocks have led to differential impacts of COVID on the market [1]. Against the backdrop, the real estate market of Hong Kong is also facing new challenges. To address these market changes, the Hong Kong government has introduced adjustments to stamp duty policies to promote market development.

While there has been extensive research on Hong Kong's economic development and stock market, studies specifically examining the new stamp study adjustment policies remain limited. The significance of the study is that it can further enrich the theoretical research results in the field of real estate economics by organizing the data and analyzing the impact of stamp duty changes in Hong Kong housebuyer cost, real estate

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market transaction volume, and real estate market price. At the same time, the study will evaluate the strengths and weaknesses of the policy's implementation, offering recommendations for optimization. Meanwhile, it will also serve as a case reference and theoretical foundation for future scholars studying Hong Kong's real estate policies, enhancing the understanding of the operation dynamics of the Hong Kong real estate market.

2 An Overview of Hong Kong's Real Estate Market and Stamp Duty Policy

2.1 The development and current status of Hong Kong's real estate market after the epidemic

The spread of COVID-19 has had a certain impact on the real estate market in the Hong Kong Special Administrative Region. Xie and others pointed out in their research that the uncertainty of the COVID-19 pandemic has dealt a heavy blow to listed real estate companies [2]. The market value of Hong Kong real estate investment trusts (REITs) also fell sharply in the first quarter of 2020. As a result, this has also led to a decline in the sentiment of global commercial real estate investors and tenants, and reduced global commercial real estate investment and home purchase intentions, which in turn affected market expectations in the Hong Kong real estate market and led to a suppression of home purchase demand. Against this backdrop, home purchase demand in the real estate market has been suppressed, transaction activity has significantly decreased, and housing prices have fluctuated. Today, as the epidemic recedes, the economy is also showing a trend of recovery. The Hong Kong government has also introduced corresponding policies to promote the stable development of the market. JLL's press release mentioned that although the recovery efficiency is not rapid, it still allows the leasing demand for office buildings of 50,000 square feet or more to rise to a new high in 2019 by 2024 [3]. This reflects the trend of positive development of business activities, driving employment and income, thereby stimulating home purchase demand.

2.2 Hong Kong's Stamp Duty Policy Adjustment After the Epidemic

In the context of economic recovery after the epidemic, to increase market momentum and reduce the burden on home buyers, the Financial Secretary of the Hong Kong Special Administrative Region reduced the stamp duty on residential properties from 15% to 7.5% on October 25, 2023, to cope with the new market situation. Later, when the fiscal budget was announced on February 28, 2024, and February 26, 2025, the additional stamp duty on residential transactions, buyer stamp duty, new residential stamp duty policy, and new stamp duty fee standards were revoked in combination with the market conditions at different times to make the policy impact more effective.

3 Analysis of the Impact of Stamp Duty Adjustment on the Hong Kong Real Estate Market

3.1 Analysis of the Cost Impact on Home Buyers

Property stamp duty, as an important part of the Hong Kong real estate market, directly changes the purchase cost of home buyers and thus affects their decision-making when buying a home [1].

The following is a comparison of Hong Kong's ad valorem stamp duty rate policy before and after:

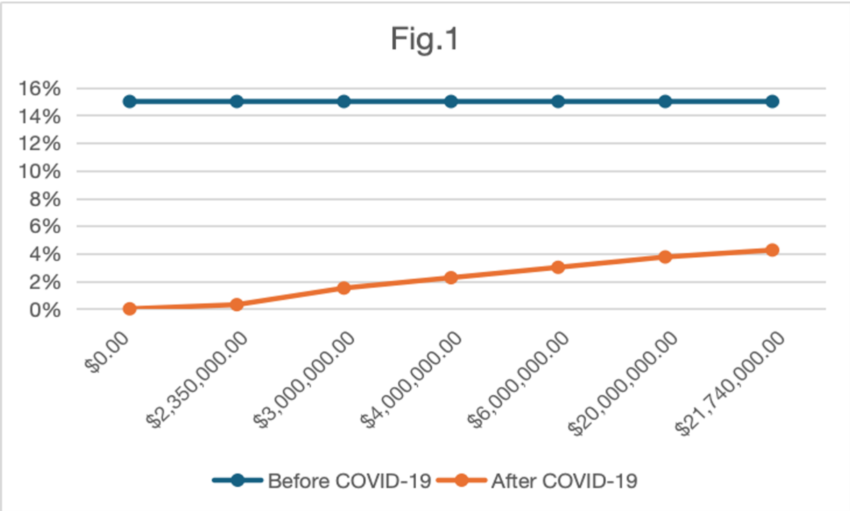

Fig. 1. Comparison of Hong Kong ad valorem stamp duty rates before and after(Picture credit: Original) (Data source: compiled based on data from www.gov.hk)

As can be seen from Fig. 1, there is a significant difference in the ad valorem stamp duty rates in the two different periods, which directly affects the expenses of home buyers. Before the epidemic, the stamp duty on residential properties in Hong Kong was very high, which greatly increased the cost of buying a house. However, with the adjustment of the Hong Kong government's policy in October 2023, the tax rate was significantly reduced. Before the policy change, if a Hong Kong permanent resident purchased a residential unit worth HK$6 million, he had to pay a total of HK$900,000 in ad valorem stamp duty, accounting for 15% of the total price. If a non-Hong Kong permanent resident purchased a residential unit worth HK$6 million, he had to pay a total of HK$1.8 million in ad valorem stamp duty and buyer's stamp duty, accounting for 30% of the total price. After the policy change, the government reduced the tax rate to 4.25% and abolished the buyer's stamp duty. This adjustment lowered the threshold for home buyers. According to Jones Lang LaSalle data, the overall transaction volume rebounded by 20.3% month-on-month in November after the policy was released [4]. This reflects that home buyers' choices are determined as the cost of buying a house decreases. Balemi et al. pointed out in their article that during the epidemic, home purchase transactions were greatly reduced due to high costs and market instability, and the reduction of stamp duty effectively alleviated this problem [1]. It can be seen that the reduction of stamp duty has a positive impact on home buyers to a certain extent, reducing their home purchase burden and promoting transaction volume.

3.2 Analysis of the Impact on Real Estate Market Transaction Volume

As the market economy recovers, the real estate market has experienced a dynamic cycle, and Hong Kong is no exception [5]. The reduction in stamp duty directly stimulated the market's activity, especially the short-term response when the policy was first implemented. According to JLL data, the primary property market responded extremely enthusiastically, exceeding the expectations of most market participants. In just nine days after the budget (2/29-3/08), there were 1,275 transactions in the primary market [6]. At the same time, in December 2023, two months after the first stamp duty policy was issued, Hong Kong's total residential transaction volume rebounded by 20.3% month-on-month [7]. It can be seen that the policy adjustment has a certain driving effect on market transaction volume in the short term [8]. The increase in transaction volume is mainly due to the cost advantage brought by the reduction in stamp duty, which stimulated the release of the rigid demand market.

It is also worth noting that long-term price trends are still affected by the supply and demand structure and economic environment [9]. The office vacancy rate in Hong Kong in March 2025 was 13.7%. Among the various districts, the vacancy rate in Kowloon East rose from 18.6% in the fourth quarter of 2024 to 21.3%. The vacancy rate in Central tended to stabilize, while the vacancy rates in Wan Chai, Causeway Bay, and Tsim Sha Tsui improved from 9.5% to 8.3%. In terms of shops, as of the end of March 2025, the vacancy rate of street shops in the core area slightly decreased from 10.5% at the end of 2024 to 10.6% [10]. The vacancy rate of premium shops rose from 9.1% to 9.2%. As for residential properties, the price rate of small and medium-sized houses remained flat in the first quarter, with a slight decline of only 0.1% quarter-on-quarter. It can be seen that the impact of this policy adjustment has gradually weakened over time, and even in some aspects there is no positive feedback. This shows that the long-term repair effect of stamp duty is limited and still needs to rely on economic recovery and the recovery of industrial demand [11].

It can be seen that the release of policies has a significant effect on short-term market trading volume, but in the long run, its stimulating effect is limited.

3.3 Analysis of the Impact on Real Estate Market Prices

Hong Kong's dense population and crowded housing are rare among Asia's first-tier cities, which also makes the impact of stamp duty adjustments on housing prices more complicated [12]. On the one hand, due to the stockpiling of properties caused by COVID-19, developers have adopted a strategy of launching properties at low prices to quickly remove inventory, which has caused a certain impact on housing prices; on the other hand, the increase in transaction volume will to some extent suppress the impact. The following figure compares the housing prices of various districts in Hong Kong in 2023 and 2024, and the housing prices of various districts in Hong Kong in 2024 and 2025 (Until April):

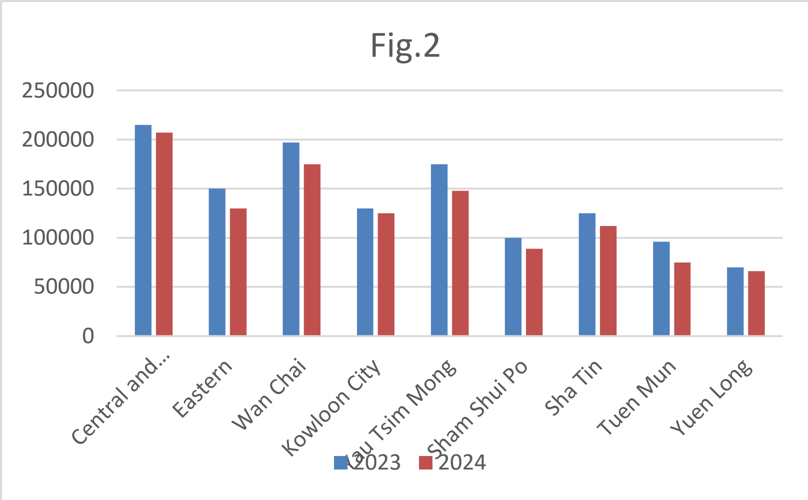

Fig. 2.Comparison of housing prices in different districts of Hong Kong in 2023 and 2024（Picture credit : Original）

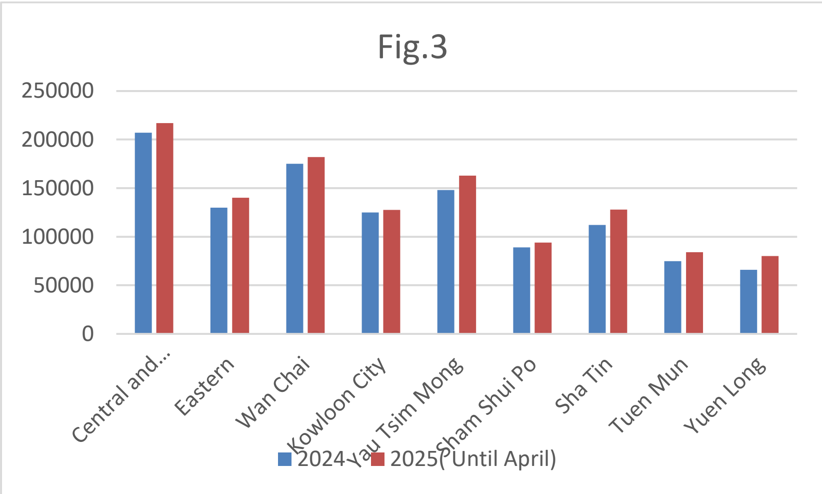

Fig. 3. Comparison of housing prices in different districts of Hong Kong in 2024 and 2025 until April (Picture credit : Original)

According to Fig.2, it is not difficult to find that the average housing prices in various districts of Hong Kong in 2024 are generally lower than those in 2023. After the first stamp duty policy was issued at the end of 2023, as Boug, P et al. studied, the policy will have a certain degree of anti-fall effect on housing prices, but there are still many aspects of the real estate market that need to be improved [13]. This reflects that the impact of the first adjustment result is limited. Therefore, the Hong Kong government also reduced stamp duty in the later period. According to Fig.3, it can be seen that the average housing prices in various districts of Hong Kong in 2025 (Until April) are generally higher than those in 2024. The prices of the real estate market also ushered in a rebound in early 2025, and three consecutive comprehensive adjustments helped the rise in housing prices.

As for each district, the extent of its price change is also related to the region where it is located. As Petersen, A.M. mentioned, the price of real estate is also closely related to the structural differences between urban and rural markets [14]. Hong Kong Island is a traditional core high-end district. The Central and Western Districts are concentrated with luxury homes, which are resistant to price drops and are not easily affected by stamp duty. Wan Chai District and Eastern District mainly rely on commercial real estate and the middle class, so the reduction in stamp duty has a certain degree of strength to stop the downward trend of prices. In the Kowloon District, demand is differentiated. Tourism in Yau Tsim Mong District has driven the recovery of the real estate economy. In the early stage of Kowloon City, the decline was relatively low due to fierce competition from new housing, but in the later stage, the rise and fall were not obvious due to the oversupply of new housing. Sham Shui Po District is mainly composed of old buildings and is more susceptible to market changes. Sha Tin, Tuen Mun and Yuen Long in the New Territories are under obvious price pressure.

It can be seen that the reduction and exemption of stamp duty will help to stop the decline of real estate prices in the short term, but in the long run, it still needs to rely on the effects of economic fundamentals.

4 Analysis of Policy Implementation Effects and Existing Problems

4.1 Implementation Effect

The complete abolition of additional stamp duty, buyer stamp duty, and new residential stamp duty have significantly reduced the tax burden on homebuyers. This directly reduces the cost of buying a home, allowing homebuyers to use more funds for other purposes, such as renovation and investment. This will promote real estate transactions, promote economic development, and enhance social resilience [15]. The substantial reduction in taxes and fees has directly affected the purchase price, making the purchase and sale of real estate more cost-effective, and can also attract more buyers and sellers to enter the market to increase market activity and liquidity. Data shows that the Hong Kong primary housing market recorded a total of about 4,170 transactions in March, the highest monthly record in nearly 11 years. In addition, Hong Kong is a free port, and the stability of property values is crucial to attracting funds. The "removal of the tax" policy will also help stabilize property values and attract global funds, including from the mainland. At the same time, the active market environment provides more opportunities for investors, thereby attracting talent. This is also in line with the SAR government's measures to vigorously introduce talent, providing convenience for foreign talents to buy homes, reducing their concerns, and attracting more talent to develop in Hong Kong [16]. With the real estate market becoming increasingly active, it can also drive the development of related industries, such as real estate development, intermediary services, financial loans, decoration, and building materials, etc., create more employment opportunities for the market, and promote the growth of Hong Kong's overall economy. At the same time, it will also help to enhance market confidence, drive consumption and investment, and promote economic prosperity.

4.2 Existing problems

Impact on residents' housing purchases: After the withdrawal of the hot policy, foreign capital such as mainland buyers and international investors may flood into the Hong Kong property market for speculation and compete with residents for limited housing supply [14]. Residents may face greater competition when purchasing a house, especially for young people and low- and middle-income groups who are buying a house for the first time. They may find it more difficult to buy a suitable house.

The issue on the allocation of public housing resources: If the active property market leads to rising housing prices, the assets of some families that originally meet the requirements for public housing application may increase in value, thus exceeding the asset limit for public housing application, affecting their chances of obtaining public housing. Some families with multiple properties may benefit from the increase in property value, which may trigger social doubts about the fairness of resource allocation and affect morale and personal responsibility [17].

Policy limitations: Although the market responded well in the short term after the policy was released, due to the narrow scope of the policy and the fact that it only targets real estate stamp duty, the impact of the policy has become less and less over time, making it difficult to effectively solve the instability of the market.

5 Conclusion

The adjustment of stamp duty significantly reduced the cost of home buyers, effectively stimulated market transaction volume in the short term, and increased market activity. At the same time, the policy has a significant short-term effect on stopping the decline of housing prices, but the long-term effect is limited. The stability of housing prices still needs economic recovery and industrial demand support. The implementation of the policy exposed problems such as the influx of foreign funds, the increased pressure on residents to buy houses, and the uneven distribution of public housing resources. It is also worth noting that there are differences in housing price changes in different regions of Hong Kong. The core areas are more resistant to declines while emerging areas are more significantly affected by the policy.

First, differentiated policies can be formulated for different regions, types, and groups of homebuyers, such as providing additional discounts for first-time homebuyers to ease the pressure on residents to buy houses. Or further assistance can be given to more remote locations to promote market vitality. To a certain extent, the impact of foreign funds on the market can be monitored to avoid excessive speculation and ensure the healthy development of the market. At the same time, the application conditions for public housing can be adjusted in response to new current changes to ensure that low- and middle-income families can have fair access to housing resources to avoid waste of resources. Under this condition, other measures to help economic recovery, such as industrial support, employment promotion, unemployment benefits, etc., can be combined, and more forward-looking policies can be formulated to reduce market fluctuations, such as establishing a dynamic tax rate adjustment mechanism to cope with economic changes to enhance policy sustainability. In this way, a multi-pronged approach can be used to stabilize the real estate market and promote economic development. Market data and analysis reports should be released regularly to help the public and investors make more rational decisions and enhance market confidence.

Through the above measures, the Hong Kong government can more effectively balance market vitality and social equity and promote the sustainable development of the real estate market.

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