Hong Kong Market Report Q2 2026

July 2026

This report analyses the performance of Hong Kong's office, residential and retail property markets

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Office

The total number of registered non-Hong Kong companies reached an all-time high 16,014 by end of June 2026 (+3.3% YoY).

Q2 2026 Office Highlights

Total Grade-A Office Vacancy
13.9%

Average Unit Rent (Net sq ft)
HK$52

Quarterly Take-up (Net sq ft)
660,527

Table 1 : Q2 2026 Major Leasing Transactions

District	Property	Tenant	Area (Net sq ft)
Kwun Tong	Manulife Financial Centre	Manulife	213,593
Kwai Chung	Kowloon Commerce Centre	HKMA	53,503
Kwun Tong	The Quayside	Levi Strauss	18,205
Quarry Bay	One Taikoo Place	Prudential Hong Kong	54,873
Wong Chuk Hang	One Island South	Odoo HK Limited	37,344
Quarry Bay	One Taikoo Place	Allianz Trade / Allianz Insurance	29,562

Source: Knight Frank Research

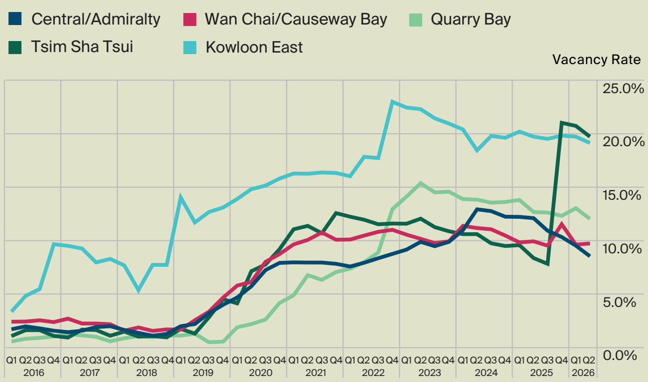
Market Highlights

The co-working sector recorded over 200,000 sq ft of new lettings in 1H 2026, supporting leasing momentum across Hong Kong Island.

Manulife has renewed over 300,000 sq ft at Kwun Tong.

Levi Strauss committed to a within-district relocation to The Quayside, securing over 18,000 sq ft of office space.

Fig 1 : Office Vacancy Rate



Source: Knight Frank Research

HONG KONG ISLAND

Hong Kong Island's office market continued to recover in 1H 2026, with average rents rising 5.5% YoY, marking the first rental growth since 2H 2021. Leasing activity remained strong as net absorption reached 861,000 sq ft, following 594,000 sq ft in 2H 2025. The rebound was led by Overall Central, where rents increased by 10.8% YoY, significantly outperforming other submarkets.

Co-working sector was a key demand driver, completing 12 major leasing transactions, including seven deals between 10,000 and 20,000 sq ft and three exceeding 20,000 sq ft. These transactions accounted for more than 200,000 sq ft of leased space. Demand was evenly distributed between Grade A and Grade B buildings, reflecting varying location preferences and operational requirements. Central and Causeway Bay captured 46% and 40% of total co-working expansion respectively, supported by growing demand from start-ups and PRC firms seeking flexible office solutions in Hong Kong.

KOWLOON

Kowloon East landlords continued to offer flexible renewal terms to retain occupiers, leading to a slight increase in lease renewals during Q2, while relocation activity among both large corporates and SMEs moderated. Most relocations were driven by occupiers seeking better space utilisation, consolidating operations and managing occupancy costs. Floor plate, total rental expenditure and fit-out costs remained the primary considerations for tenants evaluating relocation options.

Both West Kowloon and Kowloon Central remained the most active leasing submarkets, with strong demand for premium office space. At The Gateway, only a limited number of whole-floor vacancies remain available, while harbour-view offices are nearing full occupancy, reflecting sustained demand for quality space in prime locations.

Although leasing conditions continued to vary across Kowloon's submarkets, overall office rents have largely stabilised. With no major Grade-A office completions anticipated in 2026, vacancy rates and take-up are expected to improve further, reinforcing the market's ongoing bottoming-out phase and supporting a gradual recovery.

Table 2 : Prime Office Market Indicators (Jun 2026)

	Net effective rent	Change		Vacancy	
District	**HK$ psf / mth**	**QoQ %**	**YoY %**	**Q120 %**	**Q2 26 %**
Premium Central	115.6	4.0	14.4	-	-
Traditional Central	86.4	5.9	11.4	-	-
Overall Central	97.5	5.1	12.7	4.3	9.9
Admiralty	58.8	3.2	5.1	5.7	4.5
Sheung Wan	48.8	1.0	0.2	4.8	10.0
Wan Chai	49.9	0.3	2.5	6.4	9.7
Causeway Bay	45.7	-2.9	-7.1	4.8	10.8
North Point	26.4	-0.8	-12.0	5.1	14.5
Quarry Bay	36.6	0.0	-7.4	1.9	11.4
Tsim Sha Tsui	52.7	0.1	0.0	4.1	19.4
Cheung Sha Wan	26.2	0.0	0.5	0.9	12.4
Hung Hom	36.3	0.1	2.8	7.8	11.9
Kowloon East	24.8	0.3	1.0	13.9	19.1
Mong Kok / Yau Ma Tei	42.3	2.1	-2.4	-	-

Source: Knight Frank Research
Note: Rents are subject to revision.

Quarterly Insight

Premium Grade A office spaces in Central continue to draw strong interest from tenants. Among the latest developments, Cheung Kong Centre II has achieved notable leasing success, with occupancy levels reaching around 60%, driven by its high-quality specifications and harbour-view. In the context of ongoing leasing activity in Central, new projects such as Takshing House and Central Crossing are also well positioned to capitalize on the district's robust demand. In Kowloon, leasing demand is anticipated to remain supported by ongoing growth in the banking and finance, PRC corporate, and insurance sectors. This consistent tenant activity is expected to sustain leasing momentum and contribute to a gradual recovery in the Kowloon office market.

Fig 2 : Quarterly Take-up by Sectors - Hong Kong Island

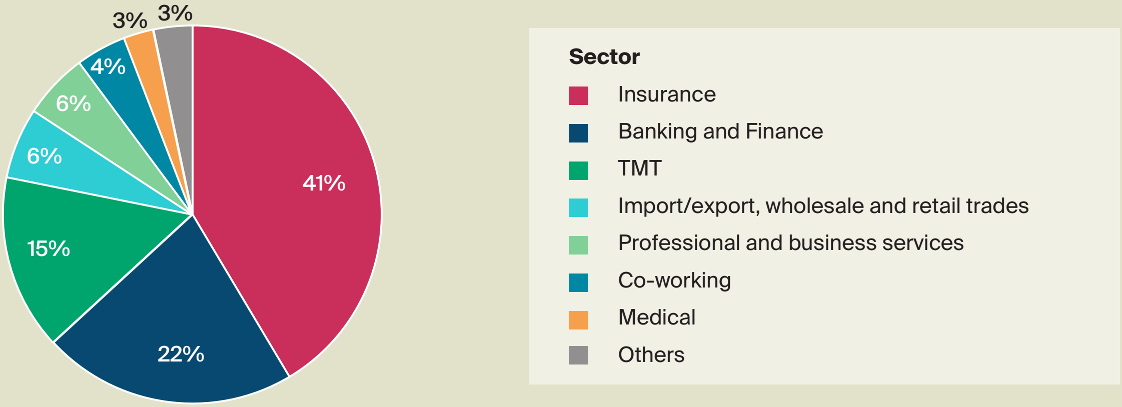
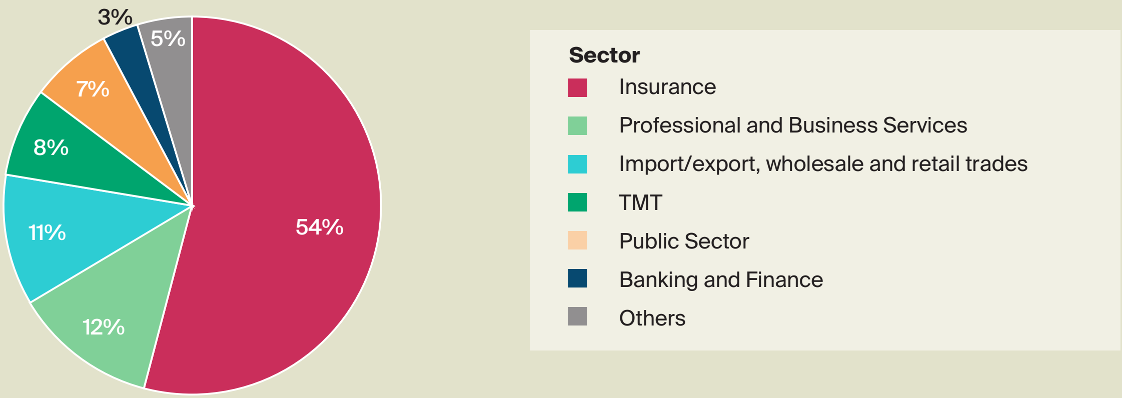
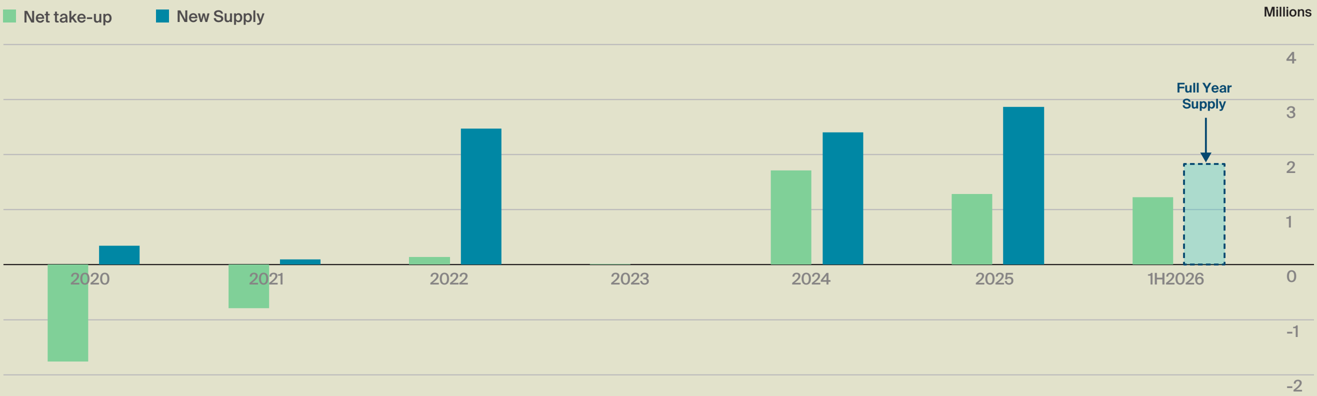


Fig 3 : Quarterly Take-up by Sectors - Kowloon



Source: Knight Frank Research

Fig 4 : Net Take-up & Completion (Net million sq ft)



Source: Knight Frank Research

Table 3 : Future Supply Y2026

District	Development	Area (Net sq ft)	Developer
Wan Chai	199-203 Hennessy Road (Completed)	83,637	Tung Wah Group of Hospitals
Sheung Wan	212-232 Des Voeux Road Central	135,000	Tai Hung Fai
Central	Central Crossing	135,102	Wing Tai / CSI
Kwun Tong	Crystal Tower	158,715	Crystal Group
Causeway Bay	Lee Garden Eight	697,500	Hysan / Chinachem
Sai Wan	92-103 Connaught Road West	232,918	Tai Hung Fai

Source: Knight Frank Research

Residential

Residential activity stays elevated as market enters a rebalancing phase

For the first half of 2026, the residential market demonstrated strong momentum, supported by a robust demand and an optimistic market sentiment. Total transaction volume in Q2 increased by 19% QoQ to 22,156 transactions. The first-hand sales market was particularly active, with a 26% QoQ growth to 6,997 transactions in Q2, reflecting strong buyer appetite for new launches and developers' proactive sales strategies.

Prices for mass residential continued to rise, reaching a growth of 7.6% YTD or 12.5% YoY in May. The PRC government's new outbound investment regulation might temporarily hinder the near-term market sentiment. Moving to second half 2026, price growth is likely to moderate as sentiment normalises following the heightened activity seen in the first half of the year.

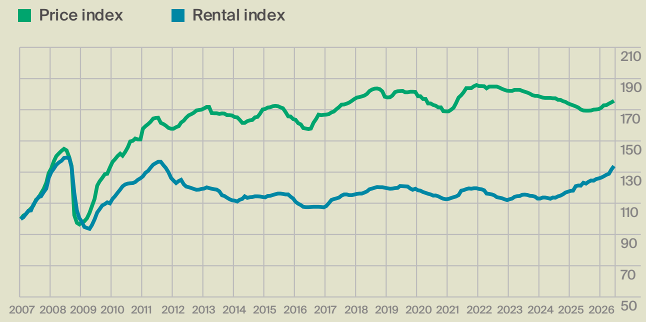
In the first-hand sales market, 13 new developments were launched during Q2, providing 5,186 units in total. Three projects in Kai Tak contributed more than 1,700 units, while phases of the redevelopment project One Victoria Cove also added over 900 units. Strong sales performance is observed across both high-end sea-view new builds and more affordable projects in older urban areas. Phase 1 of One Victoria Cove, for example, achieved a 100% sell-through of all 360 units launched. Demand for prime units is expected to gradually spillover to lower-tier alternatives, bringing a more resilient and balanced market dynamics.

The luxury residential market also continued to grow, recording 120 transactions priced above HK$78 million (US$10 million), representing a 25% QoQ increase. One of the highlights is a 1,608-sq ft four-bedroom apartment at Central Residence by the Park, transacted at over HK$103 million, or more than HK$64,000 per sq ft.

On the leasing front, the market recorded milder but steady momentum. Mass residential rents increased by 5.1% YoY or 1.7% YTD in May, supported by demand from young Mainland professionals. Traditional luxury residential districts also remained firm, underpinned by landlords' positive expectations, as reflected in the Knight Frank Luxury Residential Rental Index, which recorded growth of 6.3% YTD by the end of Q2. As the peak leasing season begins, strong demand is expected for strategically located urban new developments and properties near university clusters.

Fig 5. Luxury Residential Rents and Prices

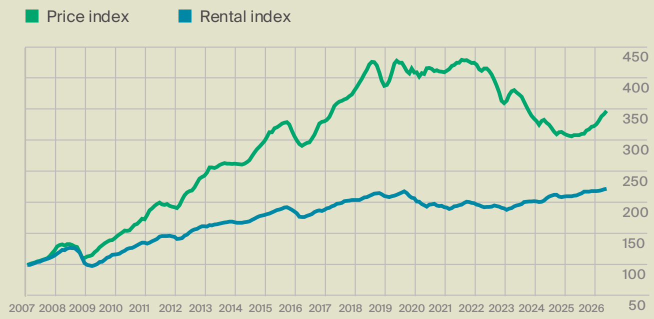
2007 = 100



Source: Knight Frank Research

Fig 6. Mass Residential Rents and Prices

2007 = 100



Source: Knight Frank Research / Rating and Valuation Department

2026 Forecast – Residential Sector

Mass Residential Prices	↑ 8-10%
Luxury Residential Prices	↑ 5-8%
Mass Residential Rents	↑ 5-8%
Luxury Residential Rents	↑ 3-5%

On the land supply side, only one site was awarded in Q2 2026 under the Government's Land Sale Programme, with an estimated supply of 1,332 units. Disposals scheduled for Q3 2026 are expected to provide more than 10,000 units, predominantly through railway property developments and the Hung Shui Kiu/Ha Tsuen pilot area project. This marks a shift in the Government's land disposal strategy from smaller- to medium-sized sites, which generally entail lower development risks, towards larger-scale sites in new development areas. It shows the Government's intention to accelerate urbanisation process of emerging areas.

Developers are likely to adopt a more conservative approach in its sale of the remaining inventory in view of the abundance new supply, which involves at least 14 projects to be launched in the next quarter, providing 2,343 units. As the market enters a rebalancing phase, price growth is expected to become more selective, with well-located and competitively priced projects likely to continue outperforming the broader market.

Table 4 : Selected Luxury Residential Sales Transactions (Jun 2026)

District	Building	Tower / Floor / Unit	Saleable Area (sq ft)	Price (HK$)	Price (HK$ per sq ft)
Mid-Levels Central	33 Kennedy Road	28-29/F, Unit South	1,562	78,100,000	50,000
Mid-Levels	Central Residence by the Park	28/F, Unit A	1,608	103,224,000	64,194
Mid-Levels	Central Residence by the Park	28/F, Unit B	1,254	74,989,000	59,800
Kai Tak	Cullinan Harbour	Phase 1, Tower 5, 6/F, Flat B	1,366	67,260,000	49,239
West Kowloon	The Cullinan Zone 3 Royal Sky	78/F, Unit D	1,091	61,500,000	56,370

Source: Knight Frank Research
Note: All transactions are subject to confirmation.

Table 5 : Selected Luxury Residential Lease Transactions (Jun 2026)

District	Building	Tower / Floor / Unit	Lettable Area (sq ft)	Monthly Rent (HK$)	Monthly Rent (HK$ per sq ft)
Ho Man Tin	St.George's Mansions	Tower 2, Middle Floor, Flat B	1,868	158,000	85
Whampoa	Stars by the Harbour	House 3	2,196	168,000	77
Kai Tak	The Knightsbridge	Tower 5, Lower Floor, Flat A	1,282	95,000	74
Mid-Levels West	39 Conduit Road	Middle Floor, Flat B	2,355	200,000	85
Happy Valley	The Leighton Hill	Tower 5, Lower Floor, Flat B	1,724	120,000	70

Source: Knight Frank Research
Note: All transactions are subject to confirmation.

Table 6 : Key First Hand Sales Residential Launches (Q2 2026)

First Sale Date	Development	District	No. of units	Average price per sq ft (HK$)	Incentives (Highest discount rate)
27 Jun 26	22 Square	Yau Ma Tei	84	19,068	8%
14 Jun 26	One Victoria Cove (Phase 4)	Hung Hom	264	21,430	9%
4 Jun 26	Pavilia Rosa	Kowloon Tong	109	38,809	5%
15 May 26	La Montagne (Phase 4B)	Wong Chuk Hang	368	41,583	18%
10 May 26	One Victoria Cove (Phase 3)	Hung Hom	288	22,414	9%
9 May 26	Highwood (Phase 2)	To Kwa Wan	415	21,490	10%
9 May 26	Lime Spark	Tsuen Wan	462	18,801	15%
9 May 26	Porto	Ap Lei Chau	174	23,634	16.5%
25 Apr 26	One Victoria Cove (Phase 1)	Hung Hom	360	20,165	9%
21 Apr 26	Cullinan Harbour (Phase 2B)	Kai Tak	140	42,965	NA
18 Apr 26	KT Marina 2	Kai Tak	1121	21,001	25%
13 Apr 26	The Pavilia Farm III	Tai Wai	892	25,823	20%
1 Apr 26	Victoria Voyage (Phase 2B)	Kai Tak	509	34,518	NA

Source: Market Source / Knight Frank Research

Table 7 : Residential Land Sales Results in 2026-2027 Land Sale Programme (Q2 2026)

Tender Award Date	Lot No. & Location	User	Site Area (sq ft)	Max GFA (sq ft)	Premium (HK$ Million)	Accommodation Value (HK$ sq ft)	Tender Awarded	*Estimated no. of units
19 May 26	TCTL 54, Area 106A, Tung Chung	Residential	152,331	533,157	1,627	3,052	Able Best Limited	1,332

* Estimated number of residential units is derived by dividing the maximum GFA by an assumed average unit size of 400 sq ft.

Source: Knight Frank Research / Market Source

Table 8 : Land Supply in Q3 2026

Name	Estimated no. of units
MTR Corporation Tuen Mun A16 Station (Package 2) project	5,510
Three residential sites in the large-scale land disposal pilot area in the Hung Shui Kiu/Ha Tsuen New Development Area	3,120
URA Bailey Street/Chi Kiang Street project	1,220
KIL 11301, Fat Kwong Street, Ho Man Tin	250
Private development and redevelopment projects, three projects are expected to complete the lease modification procedures	90
Total	**10,190**

Source: Lands Deparment / Market Source / Knight Frank Research

Retail

Retail Market Recovery, Polarisation and the Rise of Omnichannel Retail

Hong Kong's retail sales increased by 7.9% YoY in May, with cumulative sales from January to May 2026 rising by 10.6% YoY to HK$171.5 billion. Among key categories, luxury categories (including jewellery, watches, clocks, and valuable gifts) remained the strongest performers, recording 25.8% YoY growth in May, following 20.5% in April, supported by RMB appreciation and a rebound in mainland Chinese visitor arrivals. In contrast, local consumption categories showed more moderate growth, with department stores up 9.2% YoY and consumer durable goods rising 8.9%, through growth has softened.

During the first half of 2026, mainland visitor numbers reached 26.71 million, up 13% YoY. The latest figures from the Hong Kong Tourism Board shows that the per capita spending by mainland overnight visitors reached HK$5,305 in Q1 2026, +3.8% compared to Q1 2025, providing a boost to the city's luxury sales. However, the tourism recovery was partly offset by outbound spending. During the same period, (January to June 2026), statistics on daily passenger traffic show that Hong Kong residents made an estimated 61.8 million outbound trips, resulting in persistent cross-border consumption leakage and remaining a key challenge for retailers with greater exposure to domestic demand.

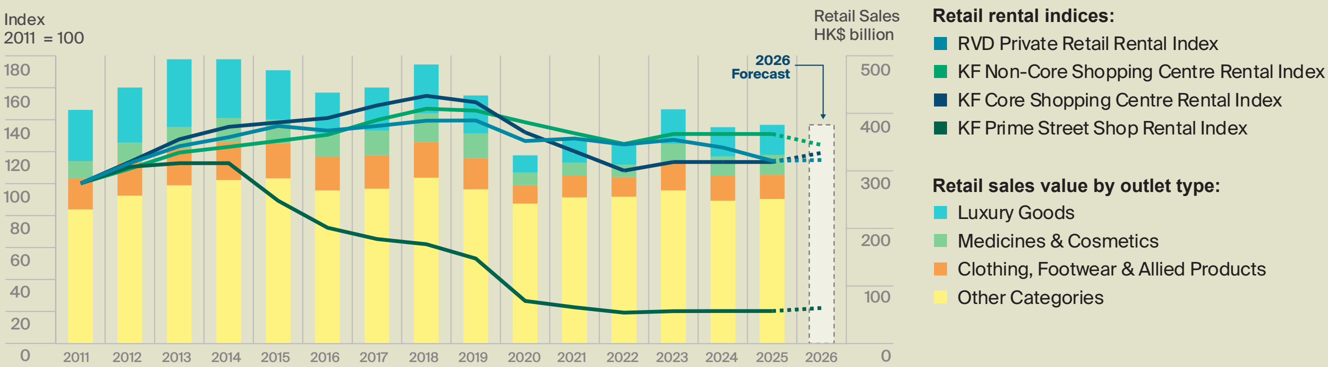
Online retail sales remained robust with 32.3% YoY in May and by 32.3% YTD, accounting for 9.2% of total retail sales. Growth was supported by the continued expansion of mainland Chinese e-commerce platforms, which are extending their reach beyond online channels into physical retail. JD.com opened its first JD MALL in Hong Kong in June 2026, marking its first expansion outside Mainland China. The 30,000 sq ft Wan Chai store highlights the growing role of experiential retail in supporting e-commerce platforms and may encourage other online retailers to establish a physical presence.

Latest Tourism Statistics – Chinese Mainland Visitors

Source: Knight Frank Research / Tourism Board

Besides, several notable leasing transactions were recorded recently, highlighting improving sentiment in the prime street shop market. Hurlingham Polo leased a 1,200 sq ft ground-floor shop at 112–114 Des Voeux Road Central for around HK$150,000 per month, representing a 36% increase from the previous rent of HK$110,000. The new lease translates into a unit rent of about HK$125 per sq ft. In Mong Kok, cosmetics chain SaSa reportedly pre-leased a 2,430 sq ft ground-floor unit at Nathan Centre, 580G–580K Nathan Road, for approximately HK$450,000 per month (HK$185 per sq ft), nearly 30% higher than the rent agreed two years ago. These transactions suggest that leasing activity in the prime street shop segment is gaining momentum, with landlords in selected locations beginning to achieve rental

Fig 7 : Retail Rents and Sales



Source: Knight Frank Research / Rating and Valuation Department / Census and Statistics Department

Table 9 : Key Retail Lettings in Q2

District	Property	Floor	Monthly Rental (HK$)	Area (sq ft)	Rental (HK$ per sq ft)	Tenant
Tsim Sha Tsui	16 Canton Road	G/F	$550,000	700	$786	Emperor Jewellery
Tsim Sha Tsui	Chungking Mansions	G/F / Unit 4	$400,000	1,200	$333	Souvenir & gift shop
Tsuen Wan	Tai Hung Fai Centre	G/F	$200,000	1,106	$181	Longbridge Securities
Central	77 Queen's Road Central	G/F & B/F	$400,000	3,202	$125	HLA
Central	Shun On Commercial Building	G/F	$150,000	1,200	$125	Hurlingham

Source: Knight Frank Research / Market Source

growth. Against this backdrop, we maintain our forecast that prime street shop rents will increase by 5% to 10% this year.

We remain cautiously optimistic about the retail outlook. Mainland and international brands continue to prefer high street and prime shopping malls for new openings amid tourism recovery. Cyclical and structural downside risks remain. While tenant sales growth in both prime and neighbourhood malls has returned to positive territory since 2025, and performance in mid-tier malls has remained stable, rental reversions continue to be negative and are likely to face near-term challenges. The increasing local penetration of e-commerce and cross-border spending will continue to drag the mass retail and thus impact the mid-tier and neighbourhood malls.

We like questions. If you've got one about our research, or would like some property advice, we'd love to hear from you.

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