

Hong Kong Market Report Q3 2026



October 2026

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

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- **Central Grade-A office net absorption in first three quarters of 2026 surged to 139% of full-year 2025 levels, fueled by record non-local corporate registrations, a revived IPO market, and occupier urgency to lock in leases ahead of projected rental hikes.**

Table 1. Q3 2026 Grade A Office Highlights

	 Overall Hong Kong	 Overall Central	 Tsim Sha Tsui & West Kowloon
Total Grade-A Office Vacancy	12.7%	8.1%	16.2%
Average Unit Rent (NFA sq ft)	HK\$54.9	HK\$102.2	HK\$53.0
Quarterly Net Absorption (NFA sq ft)	+549,745	+203,018	+157,876
New Pre-leasing Commitments (NFA sq ft)	+203,010	+80,340	0

Note:

NFA Net Floor Area, excluding all structural encumbrances and shared building common areas.

Net Absorption refers to closing occupied stock minus opening occupied stock. Occupation Permit determines when a building enters completed stock. Pre-leased space contributes to net absorption when recognised as occupied.

New pre-leasing commitments refer to any leasing signed for upcoming supply before occupation permit is obtained.

Source: Knight Frank Research

The race for premier office space in Hong Kong has reached an inflection point. Driven by a rebound in Chinese IPOs and sustained mainland capital, One and Two IFC are nearing full capacity. Premium Grade-A Central rents surged 27.7% year-on-year in September, with vacancy tumbling from the beginning of the year at 14.5% to 6.9% in September. Rental growth in Q3 broadened across the city, with Central, Admiralty, Wan Chai, and Kowloon posting gains between 1.3% and 27.7%.

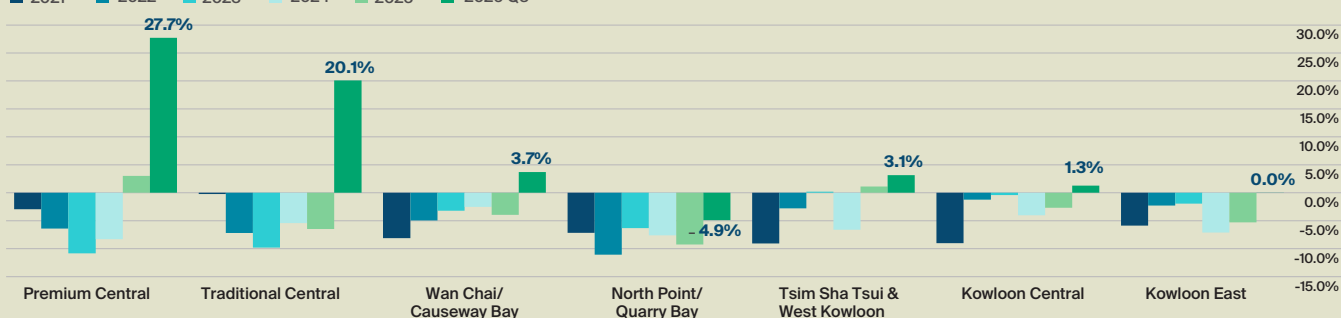
For the first three quarters, net absorption for Hong Kong Grade-A offices was 139% of 2025 level. With pipeline deliveries remaining modest over the next four years, rents are positioned

on a sustained upward trajectory. This tight supply is forcing tenants to act 12 to 18 months ahead of lease expiries to lock in rates.

This squeeze is fueling decentralisation. With Central availability becoming tight, occupiers requiring expansion space and harbour views will move outward. With vacancy rate low at 4%, waterfront corridors in Admiralty are no longer beneficiary this time around. We expect gradual spill over to West Kowloon and Causeway Bay due to upcoming completions, and to Quarry Bay due to affordable rents and high vacancy.

Fig 1. Rental Change (YoY) of Major Districts

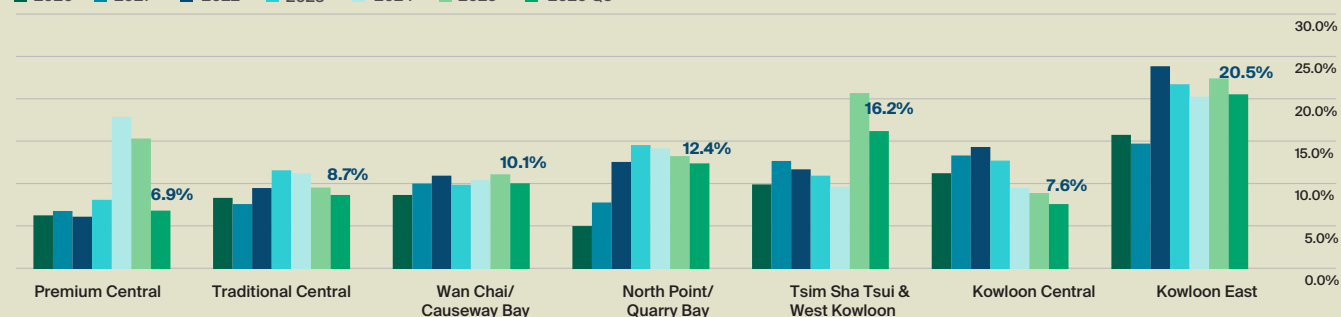
■ 2021 ■ 2022 ■ 2023 ■ 2024 ■ 2025 ■ 2026 Q3



Source: Knight Frank Research

Fig 2. Vacancy Rate of Major Districts

■ 2020 ■ 2021 ■ 2022 ■ 2023 ■ 2024 ■ 2025 ■ 2026 Q3



Source: Knight Frank Research

Fig 3. Net absorption & Completion (NFA sq ft)

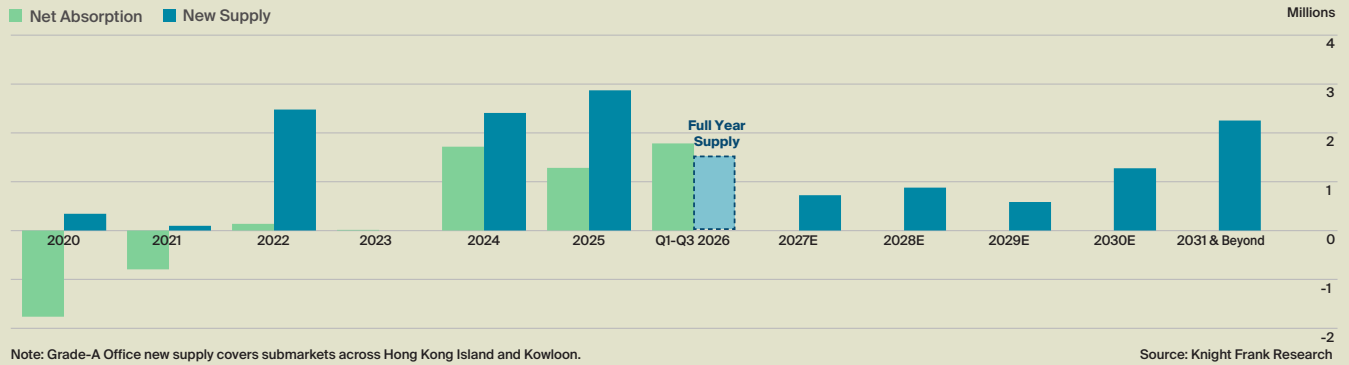


Table 2. Prime Office Market Indicators by Submarket (Sept 2026)

Submarket			Net effective rent	Change		Vacancy		
			HK\$ psf / mth	QoQ %	YoY %	Sept 2024 (Recent High) %	Jan 2026 %	Sept 2026 %
Overall Hong Kong Island	Overall Central	Premium Central	130.0	1.4	27.7	19.1	14.5	6.9
		Traditional Central	88.5	2.1	20.1	11.7	9.5	8.7
	Rest of Hong Kong Island	Admiralty	63.2	2.1	13.7	7.7	5.9	4.0
		Sheung Wan	50.4	0.9	3.4	10.8	12.6	10.0
		Wan Chai	52.6	1.9	8.7	12.5	11.0	10.2
		Causeway Bay	46.7	0.9	-5.0	7.9	8.8	9.9
		North Point	27.4	0.5	-7.2	16.2	16.9	14.2
		Quarry Bay	36.1	0.2	-4.4	13.5	12.1	11.9
Overall Kowloon	Kowloon Central	Tsim Sha Tsui	46.6	0.0	0.4	9.7	8.1	6.8
		Hung Hom	34.1	0.0	3.2	12.1	13.5	12.4
		Mong Kok	40.5	-2.9	-3.4	-	8.4	8.2
	West Kowloon	West Kowloon	67.1	0.0	-8.4	10.4	42.7	37.3
	Kowloon East	Kowloon Bay	22.5	0.0	-0.4	26.0	27.6	25.0
		Kwun Tong	28.9	-1.5	0.1	14.7	15.5	16.3

Note: Net effective rent refers to the average rental payable over the lease term after adjusting for all landlord incentives and concessions. Premium Central offices are selected based on ceiling height, specifications, floor plate size, quality and age.

Source: Knight Frank Research

Table 3. Prime Office Market Indicators by Major Districts (Sept 2026)

District	Net effective rent	Change		Vacancy		
	HK\$ psf / mth	QoQ %	YoY %	Sept 2024 (Recent High) %	Jan 2026 %	Sept 2026 %
Overall Central	102.2	1.8	22.4	14.4	11.3	8.1
Wan Chai/Causeway Bay	50.5	1.5	3.7	11.0	10.2	10.1
North Point / Quarry Bay	34.3	0.2	-4.9	14.1	13.1	12.4
Tsim Sha Tsui & West Kowloon	53.0	0.0	3.1	9.7	8.1	16.2
Kowloon Central	44.4	-0.3	1.3	10.2	9.0	7.6
Kowloon East	26.4	-0.7	0.0	21.5	22.0	20.5

Note: Net effective rent refers to the average rental payable over the lease term after adjusting for all landlord incentives and concessions. Premium Central offices are selected based on ceiling height, specifications, floor plate size, quality and age.

Source: Knight Frank Research

Fig 4. Quarterly Take-up by Sectors - Hong Kong Island

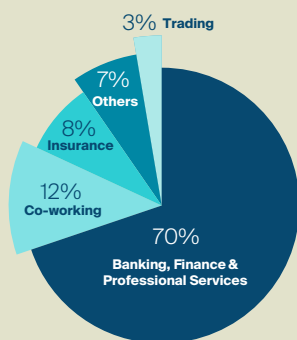
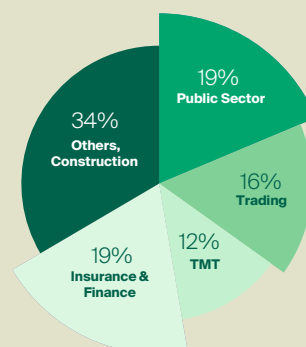


Fig 5. Quarterly Take-up by Sectors - Kowloon



Source: Knight Frank Research

HONG KONG ISLAND



Central: Chinese Financial is the Influx

Despite expectations of tighter outbound capital rules, mainland financial institutions drove a strong Q3 rebound. Notable decentralisation includes mainland brokerage Guangfa Securities (GF Securities) moved from Wanchai Grade-B office to lease entire high floor of approximately 70,000 sq ft at One IGC (International Gateway Centre) atop the West Kowloon High Speed Rail Station.

KOWLOON



Kowloon: More relocations ahead

Relocations accounted for approximately 90% of the top 10 office transactions by floor area, jumping from roughly 55% the previous month. The average transaction size expanded notably in Q3 to 5,400 sq ft, up from 4,000 sq ft in the first half of the year. Rather than renewing with incumbent landlords, occupiers are actively seizing the window to upsize, upgrade, and reposition their footprints to lock in favourable rates ahead of broader rental growth.

On the supply side, the completion of Crystal Tower in Kwun Tong introduced fresh Grade-A space this quarter. With anchor commitments still pending, the newly delivered floorplates add immediate pressure to Kowloon East's already elevated vacancy rates.

Table 4. Major Future Supply (2026 -2027)

Year	Development	District	Net (sq ft)	Developer
2026	Crystal Tower (completed)	Kwun Tong	158,715	Crystal Group
2026	7 Lai Yip Street (completed)	Kwun Tong	99,375	Bright Wind Ltd
2026	Tung Wah Tower (completed)	Wan Chai	83,637	Tung Wah Group of Hospitals
2026	Lee Garden Eight	Causeway Bay	697,500	Hysan, Chinachem
2026	92-103 Connaught Road West	Sai Wan	232,918	Tai Hung Fai
2026	Central Crossing	Central	135,102	Wing Tai, CSI Properties
2026	State Theatre Redevelopment	North Point	104,363	New World Development
New Supply 2026			1,511,610	
2027	Artist Square Towers	West Kowloon	519,308	Sun Hung Kai Properties
2027	Central Yards Phase 1	Central	202,500	Henderson Land
New Supply 2027			721,808	

Source: Knight Frank Research

Residential

► Market Repositions into Consolidation Amid Rate Hike Expectations

2026 Forecast – Residential Sector



Mass Residential Prices

↑ 8-10%



Luxury Residential Prices

↑ 5-8%



Mass Residential Rents

↑ 5-8%



Luxury Residential Rents

↑ 3-5%

Residential Sales Market

The market has bottomed since April 2025. Home price rose by 12% from trough and recovered from the multi-year downturn, but the rate-cycle shift has shifted buyer sentiment from recovery to wait-and-see.

Actual mortgage costs have not risen materially yet — this is the key difference versus a full rate-hike transmission during August 2022 to December 2024 where a sharp hike in effective mortgage rate in Hong Kong from rose sharply 1.5% to above 4%.

Watchpoints for the next 3–6 months: whether local banks raise Prime, the path of HIBOR, further Fed action, and primary launch pricing and volume.

Overall, the residential market is expected to remain stable-to-consolidating into year-end rather than re-accelerating. Structural demand and limited supply keep the medium-term bias constructive provided rates do not rise sharply from current effective levels. Price growth is expected to soften and home price to grow by 8-10% year on year. We continue to believe volume growth to lead price growth. First hand sales to reach 20,000 units by this end

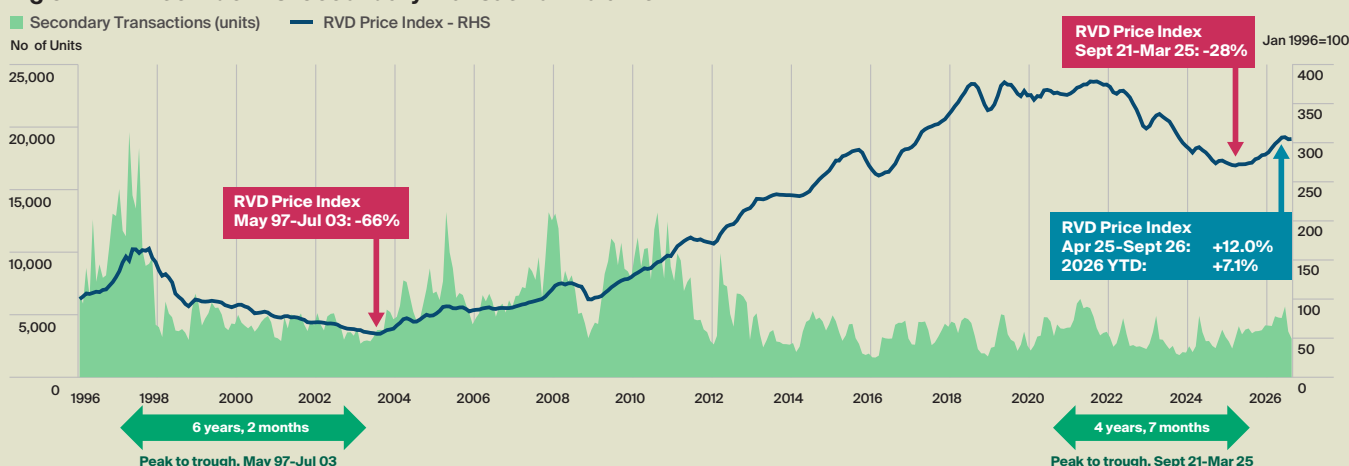
year, and monthly transaction volume of 1,500 units for coming months will comfortably reach out expectation.

Amid US rate hike expectation, developers continue to offer attractive fixed rate mortgage packages to lock in financing cost before potential rate hike. For instance, “first mortgage followed by bank mortgage” schemes during the pre-sale period. These packages often feature fixed interest rates below 3.0%, providing strong incentives for homebuyers and supporting primary market sales.

Despite tighter PRC tax enforcement, there are currently limited signs of a material impact on mainland buyers’ interest in Hong Kong residential property. Demand from mainland purchasers appears to remain broadly resilient, suggesting that other considerations, including investment diversification and housing needs, continue to support buying interest.

Several notable developments stood out during the quarter. The Legacy in Mid-Levels West recorded strong sales momentum, with approximately 20 to 30 units sold within a short period, attracting significant interest from Chinese mainland buyers.

Fig 6. RVD Price Index vs. Secondary Transaction Volume



Source: Land Registry, Rating and Valuation Department, Knight Frank Research

Fig 7. RVD Rental Index

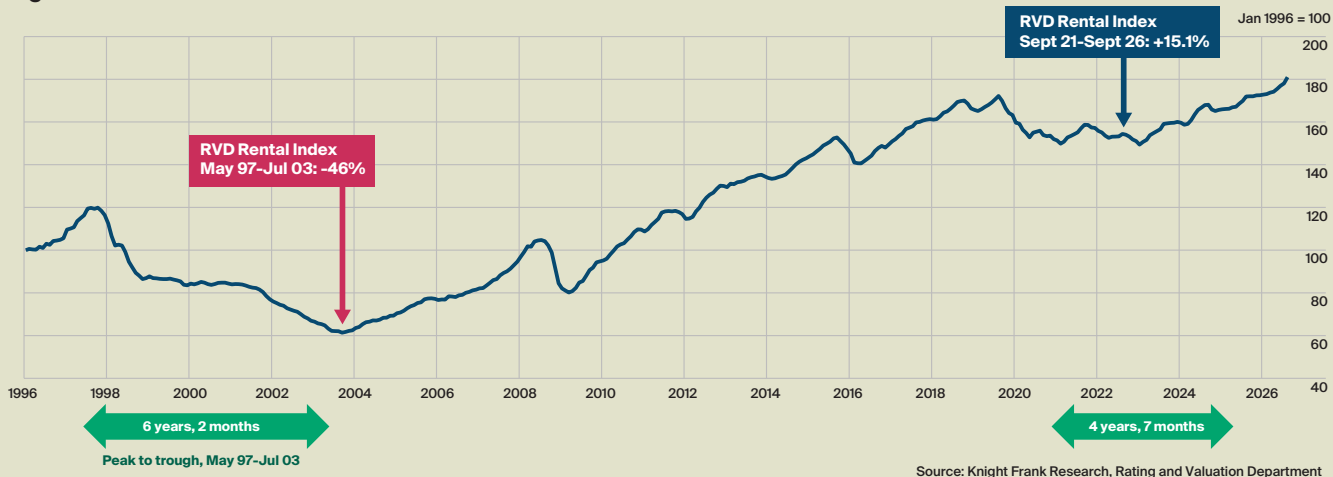


Fig 8. Mortgage Rate vs. Monthly Transactions

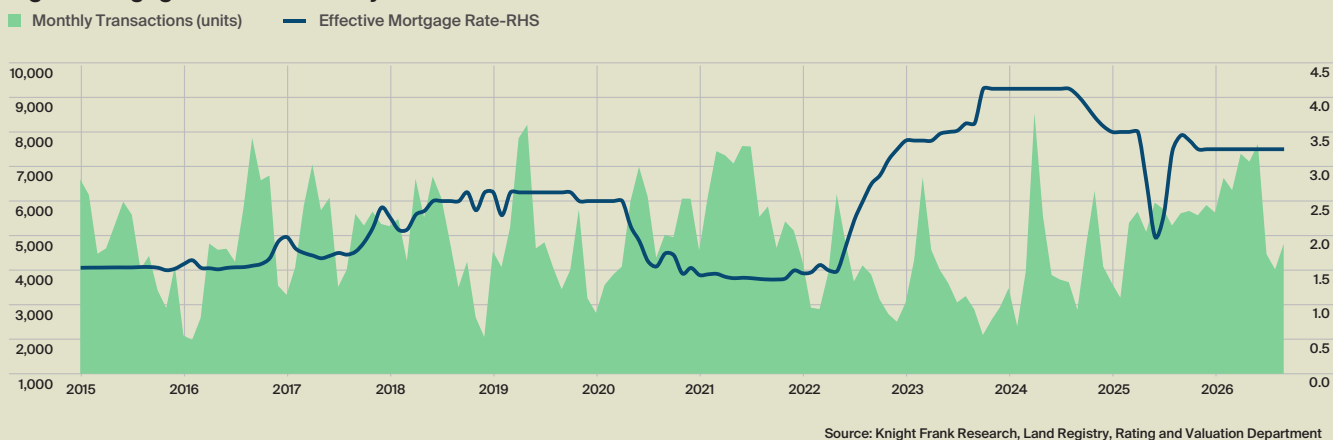


Fig 9. Primary and Secondary Transaction Volume

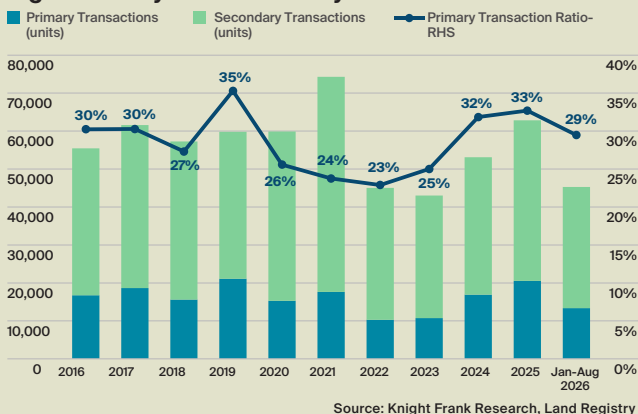
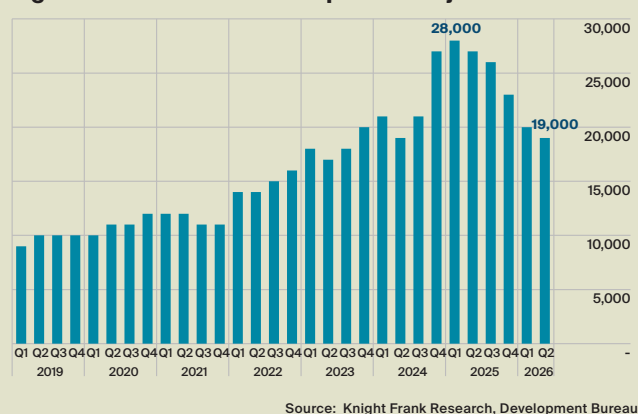


Fig 10. Unsold Units of Completed Projects



The Atlas in Yau Tong proved particularly popular among local Hong Kong buyers due to its competitive pricing of around HK\$13,000 per sq ft and affordable entry price. Demand remains concentrated in smaller-sized units. Approximately 80% of purchasers were local residents, a trend that has become less common in recent years. This demonstrates that well-priced new developments continue to resonate strongly with local end-users.

Residential Leasing Market

Rental strength provides a floor for owner-occupiers and a relative bright spot for investors.

The residential leasing market remains robust, with demand continuing to outpace available supply. Limited housing stock has contributed to upward pressure on rents, particularly in the luxury segment. The continued return of expatriates and multinational corporations' employees has further strengthened leasing demand across the market.

Table 5. Selected Luxury Residential Sales Transactions (Sept 2026)

District	Building	Tower / Floor / Unit	Saleable Area (sq ft)	Price (HK\$ million)	Price (HK\$ per sq ft)
Kowloon Tong	Mont Verra	Tower 6, 6–7/F, Flat A	7,403	580	78,347
The Peak	Black's Link Villa	Unit 58	4,380	296	67,580
Mid-Levels West	The Legacy	Phase 1, Tower 2, 39/F	4,710	285	60,488

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

Table 6. Selected Luxury Residential Lease Transactions (Sept 2026)

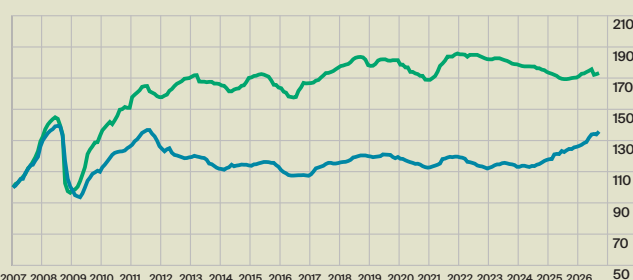
District	Building	Tower / Floor / Unit	Lettable Area (sq ft)	Monthly Rent (HK\$)	Monthly Rent (HK\$ per sq ft)
The Peak	No. 11 Plantation Road	House	6,372	600,000	94
The Peak	No. 3 Plunkett's Road	House	4,130	408,000	99
The Peak	Dynasty Court	Tower 2, Middle floor, Flat A	2,153	108,000	84

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

Fig 11. Luxury Residential Rents and Prices

2007 = 100

■ Price index ■ Rental index

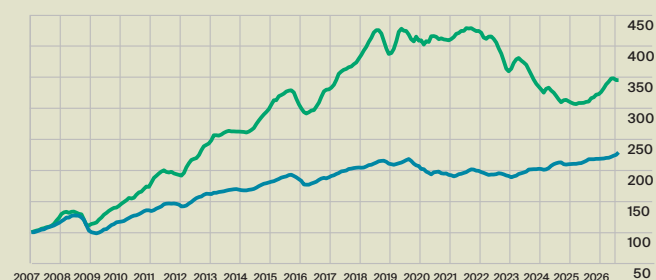


Source: Knight Frank Research

Fig 12. Mass Residential Rents and Prices

2007 = 100

■ Price index ■ Rental index



Source: Knight Frank Research, Rating and Valuation Department

Demand from mainland Chinese tenants also remains active. These tenants typically seek larger family-sized homes, particularly in locations with access to prestigious local or international schools. Many prefer to lease initially while becoming familiar with the Hong Kong market before considering property purchases at a later stage.

Luxury residential properties with monthly rents ranging between HK\$120,000 and HK\$150,000 remain especially sought-after. Among local Hong Kong residents, professionals in the technology sector are increasingly opting to lease rather than purchase, particularly those benefiting from improved liquidity following IPO-related opportunities.

Retail

► Inbound Tourism Provides Early Support to Retail and Leasing Activity

Hong Kong's retail market gained further momentum, fuelled by stronger sales and visitor demand. Total retail sales grew 8.5% YoY to HK\$266 billion in the first eight months, led by a 22.6% YoY increase in jewellery, watches and clocks, and valuable gifts. Visitor arrivals also rose 10.5% YoY to 36.7 million, with Chinese Mainland visitors accounting for around 78% of the total.

The positive momentum continued during the Mainland's National Day Golden Week from 1 to 7 October. The city welcomed around 1.6 million visitors, including more than 1.4 million from the Chinese Mainland, surpassing last year. Hotel occupancy reached around 90% during the holiday period.

Hotel performance also remained healthy, with average occupancy at 87% from January to August, up one percentage point YoY, while ADR increased 6.9% YoY to HK\$1,292. Overall, the sustained growth in visitor arrivals, robust Golden Week traffic and solid hotel performance point to resilient visitor-driven consumption, providing support for Hong Kong's retail market heading into the fourth quarter.

Improving retail and tourism fundamentals continued to drive leasing activity in prime locations. Alo Yoga opened its first flagship store at K11 MUSEA in Tsim Sha Tsui, occupying more than 7,000 sq ft, with tourists accounting for around 60% of spending. In Admiralty, King Fook Holdings committed to a 5,920 sq ft single-brand watch boutique at Pacific Place Two, at an average monthly rent of approximately HK\$3.7 million, or HK\$630 per sq ft, signalling continued expansion by luxury retailers.

Latest Tourism Statistics – Chinese Mainland Visitors

Same Day Visitors (No.)

Jan 2019

3,591,753

Aug 2026

2,877,376

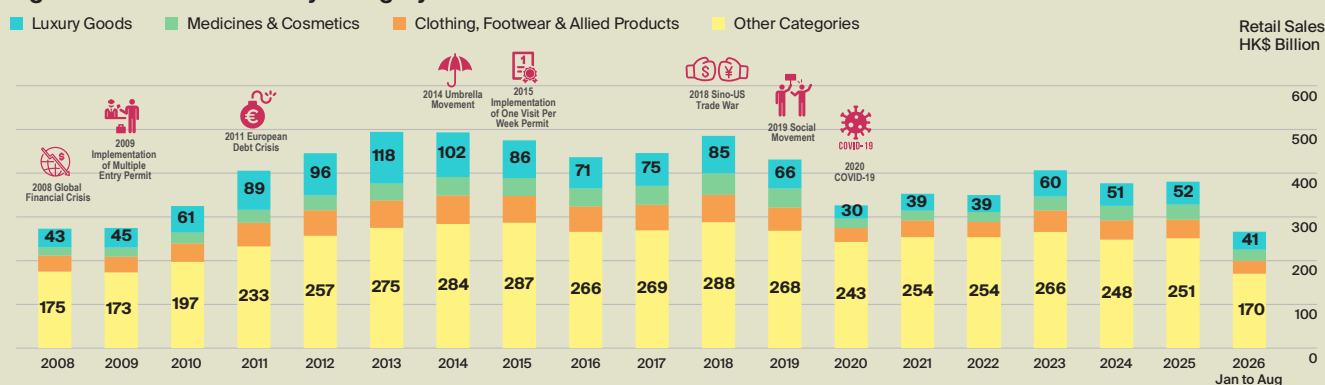
Difference

- 19.9%

Source: Knight Frank Research, Tourism Board

Beyond core retail districts, new neighbourhood malls are also broadening Hong Kong's retail landscape. Link REIT's The Anderson in Kwun Tong opened in October with approximately 139,000 sq ft of retail space and an initial occupancy rate of 83%. Serving the expanding Anderson Road residential catchment, its mix of F&B, outdoor and lifestyle offerings create opportunities for experience-led concepts, marketing activations and social-media engagement.

Fig 13 : Retail Sales Value by Category



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

Table 7. Key Retail Lettings in Q3

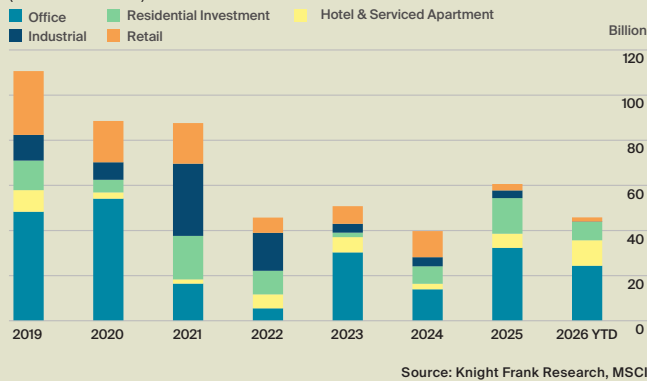
District	Property	Floor	Monthly Rental (HK\$)	Area (sq ft)	Rental (HK\$ per sq ft)	Tenant
Tsim Sha Tsui	Silvercord Centre	G/F	800,000	3,517	227	Lung Fung
Mong Kok	Tung Fong Building	G/F	700,000	1,800	389	Longbridge
Causeway Bay	Hong Kong Mansion	G/F	600,000	1,640	366	EleBank

Source: Knight Frank Research, Market Source

Capital Markets

- **Investment volume recovery driven by offices and hotels. Capital market transactions surged as investors bottom-fish, following an approximately 40% valuation correction.**

Fig 14. Hong Kong Capital Markets Transaction Value (>100 million)

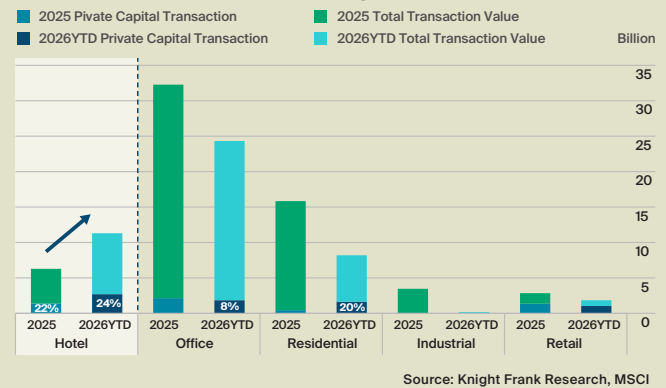


Hong Kong commercial capital markets are surging as opportunistic investors bottom-fish following sharp asset repricing, with year-to-date transaction volume reaching 75% of 2025's total.

While the office sector generated the largest headline value amounting to 53 % of all deals, hospitality has emerged as the market's clear growth driver. Hotels stand out as the only real estate segment to log an outright surge in transaction value, with year-to-date 2026 deal volume reaching HK\$11.3 billion, already close to double of full-year figure for 2025 at HK\$6.3 billion.

Private capital is a significant driver behind this rally; family offices and UHNW investors accounted for 16% of total transactions among all sectors in 2026 year-to-date, up from 9% in the full year of 2025. In the hotel and student accommodation sectors, private capital, including family offices and UHNW investors, accounted for 24%. Private capital is targeting a range of investments. Core investors are seeking high-yielding investments, while some opportunistic private capital is pursuing conversion plays, particularly for

Fig 15. Private Capital as a Percentage of Total Transaction Value among Asset Classes (HK\$)



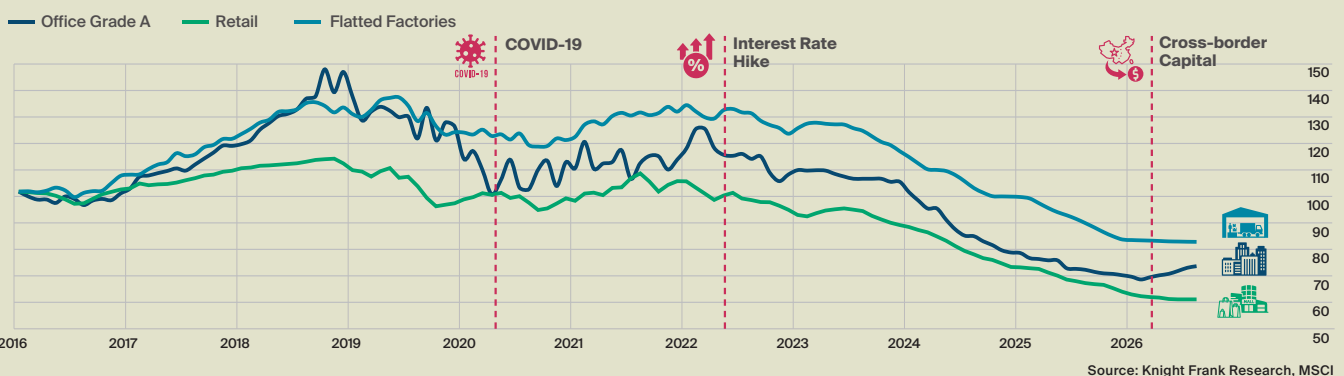
student housing. Notable second-half transactions in the hospitality space include the Sheraton Hong Kong Tung Chung Hotel, which was acquired by a Malaysian private group for a c.HK\$2.7 billion, while the Ibis Hong Kong Central and Sheung Wan traded for c.HK\$2.3 billion and was acquired by Capitaland.

With over 3,384 single-family offices now established as of end 2025—outpacing regional peers—and Hong Kong poised to overtake Switzerland as the world's largest cross-border wealth management hub, private capitals are deploying aggressively into tangible assets. Of which, 32.4% belong to UHNW individuals with wealth exceeding US\$100 million.

We expect this sector continue to drive investment activities in Hong Kong. The 2025 Policy Address set a new goal to facilitate at least 220 additional family offices between 2026 and 2028. This momentum is further bolstered by the government's initiative to establish a world-class international gold trading and vault storage hub, cementing Hong Kong's appeal as a premier safe haven for physical and institutional wealth.

Fig. 16 Price Indices by Sectors (2016=100)

	2016-2021	2022-2025	2026YTD
Grade A Office	+12%	-39%	+5%
Retail	+4%	-40%	-5%
Flatted Factories	+30%	-37%	-1%



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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