Hong Kong Market Report Q3 2025

Knight Frank

Oct 2025	This report analyses the performance of Hong Kong's office, residential and retail property markets	knightfrank.com.hk/research

Hong Kong Overall Office Highlights

- Premium Grade-A office spaces in Central is driving office absorption, while other districts continue to experience a struggle between supply and demand.

Q3 2025 Office Highlights

Total Grade-A Office Vacancy
14.5%

Average Unit Rent (Net sq ft)
HK$49.0

Quarterly Take-up (Net sq ft)
+311,437

Table 1 : Q3 2025 Major Leasing Transactions

District	Property	Tenant	Area (Net sq ft)
Central	Central Tower	Qube Research & Technologies	20,255
Central	AIA Central	Jun He Law Offices	13,644
Admiralty	Two Pacific Place	Credit Agricole Corporate & Investment Bank	19,513
Cheung Sha Wan	83 King Lam Street Tower A	AECOM	110,000
Kai Tak	Airside	Shanghai Commercial Bank	71,863
Kwun Tong	The Millennity Tower 2	Shell	12,295

Source: Knight Frank Research

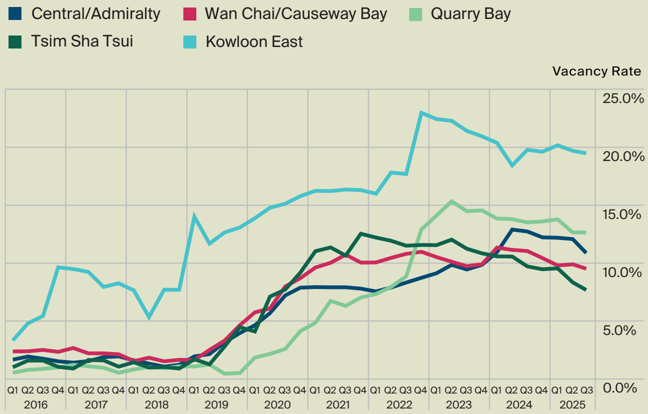
Market Highlights

Although the occupier demand from the finance sector for premium Grade-A offices in Central continues, other older Grade-A options and some new developments continue to see a lack in leasing activity.

One Causeway Bay, located in Causeway Bay district, was successfully delivered to market in September 2025, providing around 500,000 sq ft (net) of space.

Expansion and relocation efforts in Kowloon are primarily centered in the Tsim Sha Tsui District, while renewal projects dominate the non-core areas.

Fig 1 : Office Vacancy Rate



Source: Knight Frank Research

HONG KONG ISLAND

Leasing demand is being led by financial institutions such as quant funds, hedge funds, wealth managers, and private banking, with a clear trend toward upgrading or expanding into premium Grade-A office spaces in Central. This has helped narrow the year-to-date rental decline in Premium Central to -1.3% as of August, outperforming the broader Grade-A market's -5.2% drop. Meanwhile, traditional Grade-A buildings are focusing on tenant retention and competing with new developments to capture limited relocation demand, resulting in slower pre-leasing progress for some new projects.

Beyond the financial sector, co-working space operators are seeking additional locations to accommodate growing demand from Mainland enterprises and start-ups. PRC legal firms are also contributing to leasing momentum, buoyed by IPO-related activity in Hong Kong. Meanwhile, the technology sector is generating scattered but notable leasing interest in high-quality office buildings situated in non-core areas, often involving substantial floor plates to support expansion needs.

KOWLOON

Leasing sentiment in Kowloon mirrors that of Hong Kong Island. In Tsim Sha Tsui, the core district, witnesses an increase in leasing transactions primarily driven by professional services and insurance companies. Offices in Tsim Sha Tsui remain highly sought after by tenants due to their strategic location and accessibility to XRL, making them particularly attractive to businesses serving Mainland Chinese clients. Properties offering renovated interiors and sea views are especially favoured. Conversely, new developments in non-core CBD areas are facing challenges in attracting tenants, primarily due to limited access to MTR stations.

The relocation sentiment in Q3 appears weaker, with expectations leaning towards a higher prevalence of lease renewals as global trade uncertainties persist. Rising renovation costs dampen relocation appetite, as initial capital expenditure becomes an increasingly significant deterrent for tenants. In response, landlords are stepping up efforts to attract new occupiers by offering enhanced incentives—ranging from increased capital expenditure contributions to upgraded fixtures and fit-outs.

Table 2 : Prime Office Market Indicators (Sep 2025)

District	Net effective rent	Change		Vacancy	
	HK$ psf / mth	QoQ %	YoY %	Q3 19 %	Q3 25 %
Premium Central	101.3	0.2	-3.3	-	-
Traditional Central	76.0	-2.0	-7.9	-	-
Overall Central	85.7	-1.0	-5.9	2.6	12.3
Admiralty	55.6	-0.6	-5.8	4.8	6.7
Sheung Wan	48.5	-0.6	-7.6	2.7	13.7
Wan Chai	48.5	-0.4	-1.4	3.4	11.2
Causeway Bay	48.9	-0.6	-5.7	3.2	6.1
North Point	29.6	-1.7	-8.1	4.7	18.4
Quarry Bay	38.0	-3.8	-8.4	0.5	12.6
Tsim Sha Tsui	51.2	-0.3	-4.0	2.8	7.8
Cheung Sha Wan	25.9	-0.6	-10.1	1.2	22.0
Hung Hom	35.3	0.0	-4.4	7.0	10.9
Kowloon East	24.4	-0.3	-12.8	12.6	19.5
Mong Kok / Yau Ma Tei	41.9	-3.4	-15.8	-	-

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

QUARTERLY INSIGHT

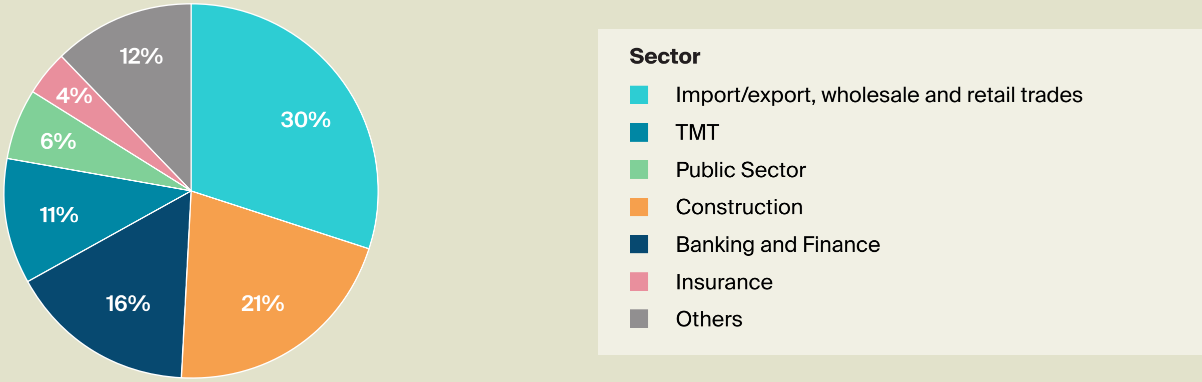
The leasing landscape is showing encouraging signs of momentum, particularly in terms of net take-up during the first three quarters. Expansion activity has been led by funds and financial institutions concentrated in Central, while wealth management and private banking operations are establishing their presence across the city—especially in core business districts with strong connectivity to the XRL.

At the same time, non-core offices face heightened competitive pressure the rent differentials between core and non-core districts continue to dimmish and an abundance of new Grade-A office supply is set to enter the supply pipeline.

As the rent differentials between districts continue to diminish and a growing number of high-quality offices are set to enter the development pipeline. Upcoming relocations and consolidations are expected to contribute to rising vacancy levels citywide, prompting landlords to adopt more flexible leasing strategies to remain competitive.

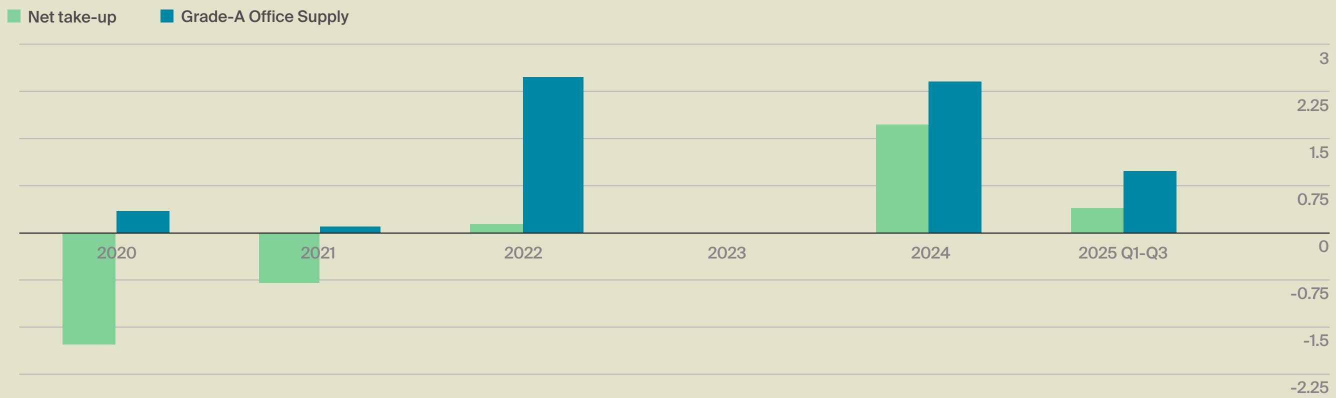
Fig 2 : Quarterly Take-up by Sectors - Hong Kong Island

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 Y2025

District	Development	Area (Net sq ft)	Developer
Wan Chai	199-203 Hennessy Road	83,637	Tung Wah Group of Hospitals
Central	Takshing House	130,000	Tak Shing Investment Co Ltd
Hung Hom	Conic Investment Building	385,718	Cheung Kong
Pok Fu Lam	Cyberport 5 Development	258,624	Cyberport Management Company Ltd.
Sheung Wan	212-232 Des Voeux Road Central	135,000	Tai Hung Fai
West Kowloon	International Gateway Centre	1,921,350	Sun Hung Kai Properties

Source: Knight Frank Research

Residential

Residential market sees steady transaction growth amid soft pricing and policy support

Hong Kong's residential market demonstrated resilience in September 2025, with total transactions rising 6.7% MoM to 5,643 units. Primary sales led the growth, increasing by 10.8% to 1,974 units, while secondary sales rose 4.5% to 3,669 units. In September, the share of primary transactions rose to 35% of the total sales, compared to just 18% during the same period last year. For Q3 overall, transaction volume reached 16,700 units, reflecting only a slight 0.3% QoQ decline, underscoring a steady market momentum. The momentum was underpinned by a strong rebound in the stock market and a 25-basis-point rate cut by HKMA to lift buying sentiment.

Despite an uptick in activity, property prices remained soft as developers focused on clearing unsold inventory. Around 13,000 first-hand completed units available for sale, with Kai Tak and Tuen Mun holding the largest shares. To drive sales, developers offered deeper discounts on the new projects, which in turn exerted downward pressure on secondary market prices. As a result, the private residential price index dropped by 1.2% YoY or 0.2% YTD.

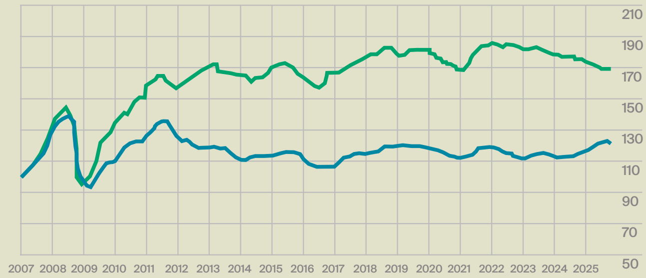
Well-located and competitively priced developments continued to outperform. For example, The MVP in Mid-Levels West achieved a 97% sales rate with an average sales price (ASP) HK$31,400 per sq ft, while House Muse in Kowloon City sold 96% of its units with ASP HK$19,100 per sq ft—highlighting sustained demand in prime locations. In Q3, 14 new developments were launched, adding 4,299 units across the city. We expect that more small- to medium-scale projects (typically fewer than 500 units) are expected in the coming months.

The luxury residential segment also showed resilience, recording 56 transactions over HK$78 million (US$10 million)—a 3.7% increase QoQ—amounting to HK$81.3 billion in total value. A standout deal was a 4,736 sq ft unit at 8 Deep Water Bay Road, sold for HK$319 million (HK$67,356 per sq ft), underscoring the enduring appeal of trophy assets among homebuyers.

Meanwhile, the leasing market continued to outperform, rising 1.1% MoM in August or 3.2% YTD. Mass market leasing remained active, driven by strong demand from students and professionals—particularly in areas near HKU, which saw a surge in enquiries and site inspections. Luxury leasing held steady, supported by demand from AI professionals and mainland Chinese investors, despite seasonal slowdowns.

Fig 5. Luxury Residential Rents and Prices

2007 = 100



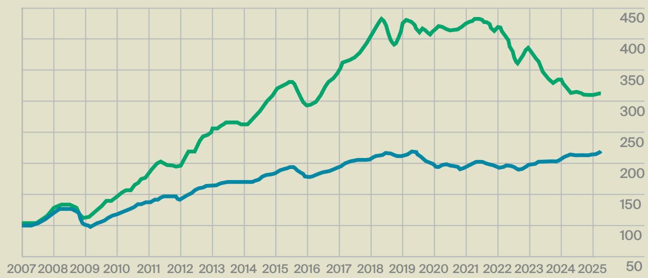
Source: Knight Frank Research

Since the implementation of the progressive rating system for domestic tenements in January 2025, tenant preferences in the luxury segment have shifted. Some tenants are opting for smaller units or compromising on views to reduce rental costs and rating exposure. For instance, a unit with a rateable value of HK$2,000,000 — equivalent to a monthly rent of HK$166,667 — now incurs an additional HK$91,500 in annual rates, representing a 92% increase from previous levels. While the new system primarily affects properties with a rateable value exceeding HK$550,000 — representing just 2% of private domestic tenements — its impact is concentrated in the luxury market.

Looking ahead, total transaction volume is projected to reach between 60,000 and 62,000 units in 2025. Prices are expected to increase 2% to 3% this year, with a potential rebound of up to 5% in 2026.

Fig 6. Mass Residential Rents and Prices

2007 = 100



Source: Knight Frank Research / Rating and Valuation

2026 Forecast – Residential Sector

Mass Residential Prices +5%

Luxury Residential Prices +5%

Mass Residential Rents +3% to +5%

Luxury Residential Rents +3% to +5%

Table 4 : Selected Residential Sales Transactions (Sep 2025)

District	Building	Tower / Floor / Unit	Saleable Area (sq ft)	Price (HK$ million)	Price (HK$ per sq ft)
Deep Water Bay	Deep Water Bay Road 8	Unit 3	4,736	319	67,356
Shouson Hill	Shouson Peak	Unit 17M	2,972	133.68	44,980
Pok Fu Lam	Mount Pokfulam	86/F, Unit A	3,724	159.387	42,800
Kai Tak	Pano Habour	Tower 1, 11/F, Unit A	2,088	9.5422	45,700
Kai Tak	The Knightsbridge	Tower 8, 22/F, Unit A	1,259	4.898	38,904

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

Table 5 : Selected Residential Lease Transactions (Sep 2025)

District	Building	Tower / Floor / Unit	Lettable Area (sq ft)	Monthly Rent (HK$)	Monthly Rent (HK$ per sq ft)
Mid-Levels West	Alassio	Upper Floor, Flat B	1,650	147,000	89
Tsin Sha Tsui	Harbour Pinnacle	Upper Floor, Flat A	1,968	145,000	74
Mid-Levels West	University Heights	Block 1, Middle Floor, Flat B	1,508	110,000	73
West Kowloon	The Cullinan	Tower 21, Zone 6, Lower Floor, Flat B	1,117	82,000	73
Repulse Bay	Belleview Place	Block 3, Flat A	1,371	98,000	71

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

Table 6 : First Hand Sales – Launched Projects (Sep 2025)

First Sale Date	Development	District	No. of Units	Average Price per sq ft (HK$)	Incentives (Highest discount rate)
25/9/2025	The Legacy (Phase 1)	Mid-Levels West	106	NA	NA
19/9/2025	House Muse	Kowloon City	120	19,101	20%
14/9/2025	Phase 1 of Highwood	To Kwa Wan	401	18,570	10%
13/9/2025	The MVP	Mid-Levels West	117	31,403	10%
6/9/2025	Phase 1 of The Headland Residences	Chai Wan	592	17,207	15%

Source: Knight Frank Research / Market Source

Table 7 : Progressive Rating System for Domestic Tenements

The progressive rating system for domestic tenements has taken effect following the gazettal of the Rating (Amendment) Ordinance 2024 on 1 November 2024. Starting from 1 January 2025:

- For domestic tenements with rateable value of $550,000 or below, About 98% of private domestic tenements, the rates percentage charge remains at 5%.
- For domestic tenements with rateable value over $550,000, Rates are calculated according to the following progressive rates charge scale:

Annual RV of Domestic Tenements	Before Jan 2025	After Jan 2025 Rates % Changes	Proportion of Private Domestic Tenements
$550,000 or below	5%	5%	About 98% (Around 2.16M tenements)
$550,001 - $800,000	5%	1st $500,000: 5% Next: $250,000: 8%	About 1.1% (Around 24,000 tenements)
About $800,000	5%	1st $500,000: 5% Next: $250,000: 8% Above: $800,000:12%	About 0.8% (About 18,000 tenements)

Rateable value "RV" refers to an estimate of the annual rental value of a property at a designated valuation reference date based on the assumptions stipulated in the Rating Ordinance.

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

Table 8. Examples for Additional Rates Payable

Annual RV of Domestic Tenements	Annual Rates Payable after the Amendment	% Change after the Amendment
$550,000 or below	Unchanged	0%
$600,000	Additional $1,500	+5%
$800,000	Additional $7,500	+19%
$1,000,000	Additional $21,500	+43%
$2,000,000	Additional $91,500	+92%

Rateable value "RV" refers to an estimate of the annual rental value of a property at a designated valuation reference date based on the assumptions stipulated in the Rating Ordinance.

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

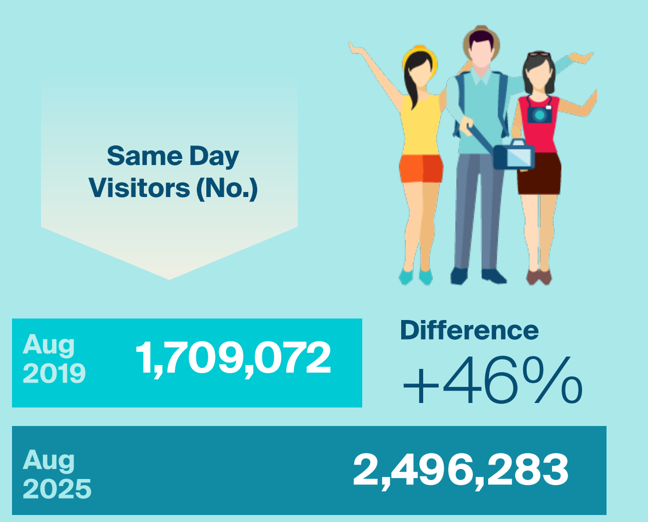
Retail

Retail recovery gains momentum amid luxury surge and mainland brand expansion

Hong Kong's retail sales rose 3.8% YoY in August, marking the fourth consecutive month of growth and signalling a gradual recovery in consumer demand. However, performance across different retail categories remains uneven. For instance, total sales of consumer durables and furniture and fixtures were -13.6% and -16.1% respectively for the first eight months YoY. The declines may be attributed to increased competition from cross-border shopping, where similar goods are often available at lower prices in mainland China. Reflecting this pressure, several retailers in the consumer durables and furniture segments closed stores during the quarter. These include Daiso in Tai Po and three Living Plaza branches in South Horizons, Sheung Wan, and Tuen Mun. Furniture retailer Pricerite, which operated 27 stores at the end of 2022, now has only 14 remaining.

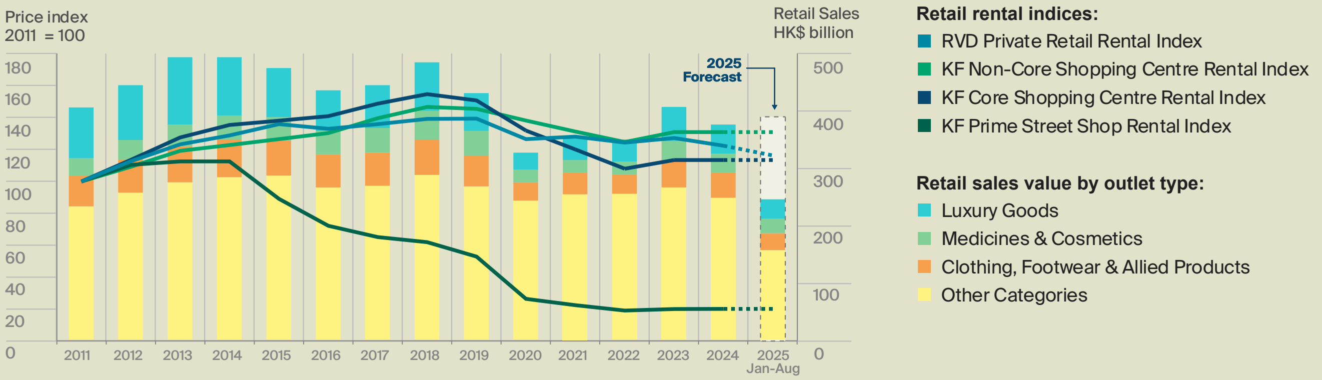
In contrast, the luxury sales stood out at +16.4% YoY in August but remained -2% for the first eight months YoY, contributed by the rebound in visitor numbers and raised gold-related goods sales arising from a sharp rise in gold prices. In 2025, the average price of 24K gold in Hong Kong was HK$25,337 per ounce. By October, prices peaked at HK$32,745 per ounce, +60.6% YTD. The volume of luxury sales in August was +14.1% YoY, suggesting the boarder recovery in various luxury items, including watches and high-value gifts, beyond just gold-related goods.

Latest Tourism Statistics – Chinese Mainland Visitors



Source: Knight Frank Research / Tourism Board

Fig 7 : Retail Rents and Sales



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

Table 9 : Key Retail Lettings in Q3

District	Property	Floor	Monthly Rental (HK$)	Area (sq ft)	Rental (HK$ per sq ft)	Tenant
Causeway Bay	22-24 Russell Street	G/F to 4/F	$1,500,000	8,740	$171.6	Yu Cheung Pharmacy
Causeway Bay	G/F No.6 & 1/F Nos.4-8 Kai Chiu Road	Ground floor & 1st floor	$650,000	4,713	$137.9	Fashion store
Causeway Bay	52 Yun Ping Road	G/F Unit	$350,000	800	$437.5	To Summer (Perfumes & fragrances)
Tsim Sha Tsui	15 Middle Road (H Zentre)	Ground Floor Shop 1 & 2	$600,000	7,954	$75.4	Peking Hotpot
Mong Kok	46 Argyle Street (Lee Kwan Building)	Ground Floor Shop	$150,000	650	$231.0	Crypto Exchange
Sheung Shui	122 – 132 San Fung Avenue (Lung Ha Building)	Ground Floor Shop E	$100,000	1,700	$59.0	T.momo Shopping Mall

Source: Knight Frank Research / Market Source

Founded in Beijing in 2009, LAOPU GOLD has emerged as China's premier brand in traditional gold craftsmanship is riding a wave of momentum with the launch of its new 4,000 sq ft flagship store in IFC Mall this October, drawing long queues and bustling foot traffic. The brand made its Hong Kong debut in 2018 with a modest 700 sq ft shop in Harbour City and went public on the Hong Kong Stock Exchange in Jun last year. Despite the downsizing and store closures among local retailers, mainland Chinese brands are actively expanding across Hong Kong's prime malls, neighbourhood malls and high streets, which help retail landlords improve occupancy rates in the near term.

Tourism also played a supportive role in retail activity. During the eight-day National Day Golden Week and Mid-Autumn Festival holiday, Hong Kong recorded approximately 1.64 million inbound visitors. Mainland tourists accounted for over 1.4 million, or 85% of the total, drawn by attractions such as the National Day fireworks, horse racing events, and cultural festivities. However, due to structural shifts and evolving consumption patterns among mainland visitors, overall spending is expected to remain below pre-covid levels. Notably, per-capita spending by overnight mainland tourists declined by 19%, from HK$6,011 in Q2 2019 to HK$4,892 in Q2 2025.

While recent retail sales figures point to a recovery, the market remains in transition. Many retailers have undergone consolidation, leaving noticeable vacancies across major shopping streets. As it remains unclear whether this consolidation phase has concluded, retail rents are expected to stay broadly stable in the near term.

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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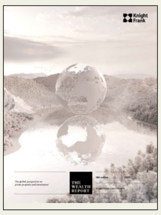

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