Hong Kong Market Report Q4 2025

Knight Frank

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

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Office

Finance sector and PRC-related demand drive solid take-up in premium office spaces in Central, while existing vacant space and future supply still hinder overall rental growth

Q4 2025 Office Highlights

Total Grade-A Office Vacancy
15.6%

Average Unit Rent (Net sq ft)
HK$49.5

Quarterly Take-up (Net sq ft)
+880,125

Table 1 : Q4 2025 Major Leasing Transactions

District	Property	Tenant	Area (Net sq ft)
Central	Two International Financial Centre	QRT	137,306
Admiralty	Two Pacific Place	Futu Securities	38,169
North Point	Foyer	Agba Group	18,677
Cheung Sha Wan	83 King Lam Street Tower A	GE Medical Systems	17,718
Kowloon Bay	One Kowloon	Aggressive Construction	17,250
West Kowloon	International Gateway Centre	Cooperatieve Rabobank	15,000

Source: Knight Frank Research

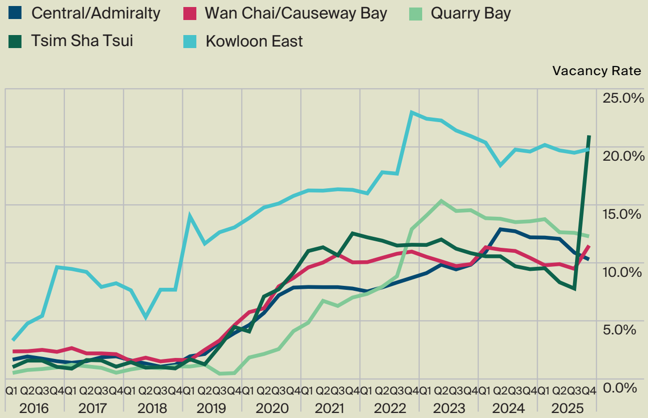
Market Highlights

International Gateway Centre (IGC), located in Kowloon Station, was completed in December 2025, providing around 1,900,000 sq ft (net) of space and will be ready for handover condition in Q1 2026.

Quant trader QRT has committed 6 floors at Two IFC, around 140,000 sq ft which will be vacant following UBS relocation, becoming one of the standout expansion committments in 2025.

Diverging performance between submarkets as well as building grades and specifcations.

Fig 1 : Office Vacancy Rate



Source: Knight Frank Research

HONG KONG ISLAND

The market continued to exhibit a clear bifurcation between submarkets through the end of 2025. Leasing momentum in premium Grade-A buildings picked up, with premium offices in Central rents rising 3% YoY in 2025 as a whole, suggesting that certain buildings may have reached their bottom. Demand for premium buildings in Central remained primarily driven by financial institutions pursuing upgrades and expansions, alongside in-house expansions of law firms, reinforcing the district's resilience and sustained appeal to top-tier occupiers.

On the other hand, an substantial influx of supply scheduled for 2026 and secondary vacancies weigh on the performance of traditional buildings in Central and other submarkets. Notably, Traditional Central, Causeway Bay and Quarry Bay were underperformed, with rents falling 7.1%, 8.1% and 8.6% YoY respectively in 2025.

Landlords remain flexible regarding leasing agreements, offering not just rental adjustments but various non-financial incentives. This dynamic has continued to favour tenants in lease negotiations, tenants are increasly seeking the relaxation of restrictive clauses, such as removing sales and redevelopment rights amid the increasing sales activity in the office sector.

KOWLOON

Leasing activity in Kowloon softened notably in Q4, particularly in December due to the holiday season and corporate decision-making delays. Overall relocation appetite remained muted, with transaction volumes largely sustained by lease renewals.

Tsim Sha Tsui outperformed the broader Kowloon market, with rental decline narrowed to 0.5% YoY compared to 4.0% for overall Kowloon in 2025. Demand was mainly driven by banking & finance and insurance sectors, generating a higher volume of new lease transactions involving smaller floor plates for project offices and client-facing spaces.

Following the completion of IGC in December, including IGC, the vacancy rate in Tsim Sha Tsui is 21%; excluding IGC, the vacancy rate stands at 7.5%. As no major new supply is expected in the near term, the market is likely to gradually absorb the existing vacancies.

More occupiers are cautiously resuming relocation studies, adopting a conservative strategy that prioritises cost efficiency. They continue to focus on securing competitive rents, minimising capital expenditure on fit-out and relocation costs, and maximising space utilisation. Increasingly, tenants are showing a preference for fitted or build-to-suit premises.

Table 2 : Prime Office Market Indicators (Dec 2025)

District	Net effective rent HK$ psf / mth	Change QoQ %	Change YoY %	Vacancy Q419 %	Vacancy Q425 %
Premium Central	105.8	2.9	3.0	-	-
Traditional Central	77.2	1.2	-7.1	-	-
Overall Central	88.1	2.0	-2.7	3.4	11.6
Admiralty	55.5	0.3	-4.8	5.6	6.2
Sheung Wan	48.4	0.0	-4.5	4.1	13.5
Wan Chai	48.5	-0.3	-1.6	5.0	11.2
Causeway Bay	47.5	-0.8	-8.1	4.1	12.1
North Point	26.8	-6.0	-12.0	4.2	17.0
Quarry Bay	37.8	-0.1	-8.6	0.5	12.3
Tsim Sha Tsui	51.8	1.2	-0.5	4.5	21.0
Cheung Sha Wan	26.2	1.3	-5.1	1.1	17.6
Hung Hom	35.5	0.0	-1.1	5.7	12.1
Kowloon East	24.6	0.3	-7.3	13.1	19.8
Mong Kok / Yau Ma Tei	42.1	0.0	-12.4	-	-

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

QUARTERLY INSIGHT

The office market closed the year with selective recovery across submarkets, reflecting a clear divergence – robust demand for premium, well-located assets in Premier Central, while conventional buildings and non-core areas continue to face challenging conditions. Net take-up remained positive, supported by selective expansions from financial institutions in Central. In Kowloon, leasing activity was supported by the insurance and broader financial sectors.

Looking forward to 2026, the outlook is cautiously optimistic. Core districts are expected to remain the primary beneficiaries of upgrade-driven relocations, while non-core areas will continue to navigate heightened competition from new developments and existing vacancies.

Consolidation trends are expected to push vacancy rates higher in certain locations, requiring landlords to adopt a proactive and flexible approach. With rent differentials across districts narrowing and high-quality supply increasing, tenant-favourable conditions are likely to persist, enabling occupiers to secure competitive terms in prime, high-specification buildings.

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

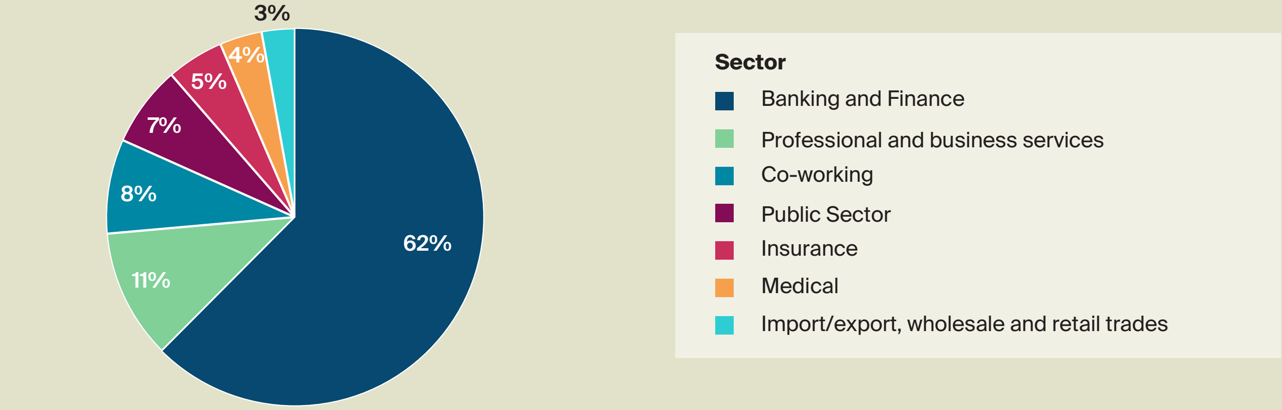
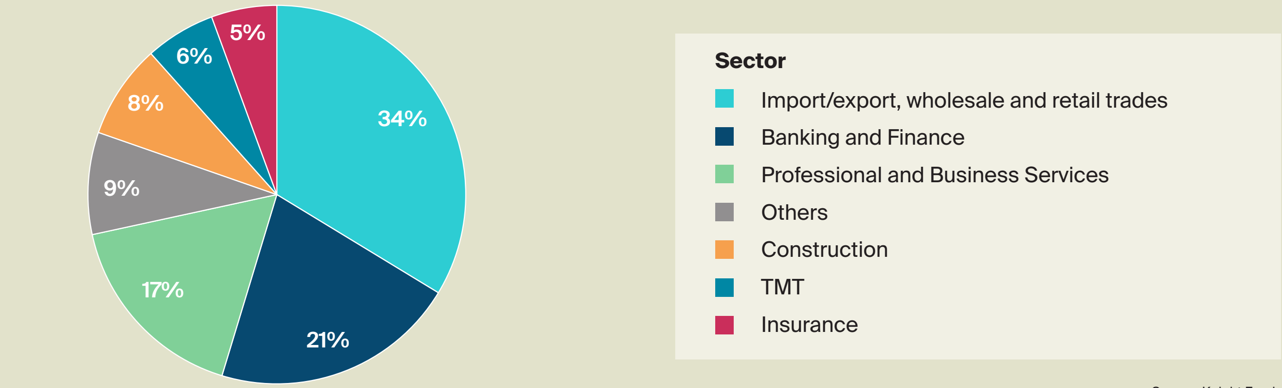
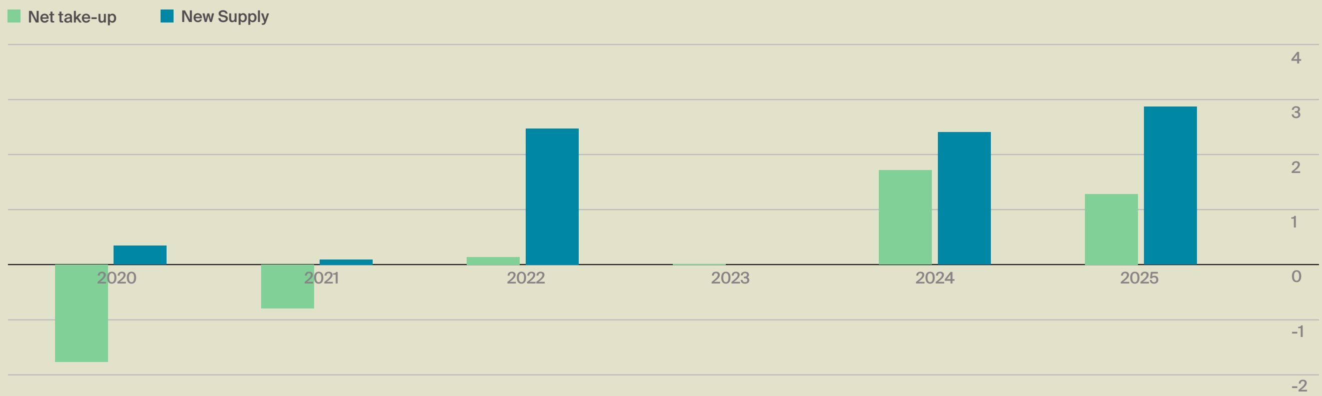


Fig 3 : Quarterly Take-up by Sectors - Kowloon



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	83,637	Tung Wah Group of Hospitals
Sheung Wan	212-232 Des Voeux Road Central	135,000	Tai Hung Fai
Hung Hom	Conic Investment Building	385,718	Cheung Kong
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

Robust transaction growth amid price sensitivity and rising inventory pressure

Hong Kong's residential market entered a phase of recovery in 2025. All-year transaction volume reached 62,832, up 18.3% YoY, returning to 2020's level. Primary activity remained strong, with transactions rising 21.5% YoY, while the secondary market also recorded growth of 16.9% YoY. The primary market accounted for 33% of total sales, above the average 27% in the past 5 years. On the other hand, private residential price index recorded a year-to-date gain of 2.8% in November, back to September 2016's level.

In the first-hand market, eight projects were launched during the quarter, providing 2,786 units. Kowloon led new supply of 1,693 units, largely in Kai Tak and Yau Tong. Notable sell-through performances underscored the strong demand for competitively priced projects, particularly at Austin Bohemian in Jordan (100% sell-through, 63 units sold) and Spring Garden in Wan Chai (98%, 86 units sold).

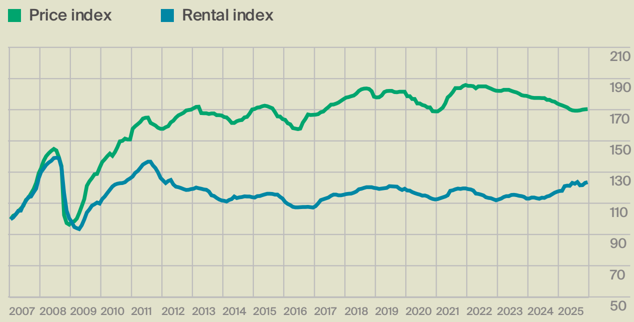
The luxury segment sustained momentum in Q4, with 81 transactions above HK$78 million (US$10 million), a 45% QoQ increase. A key highlight was the sale of a 9,455 sq ft house at Mount Nicholson, transacted for HK$1.04 billion, or HK$109,889 per sq ft. The market further saw rising participations from foreign buyers, complementing the continued presence of Mainland Chinese buyers.

The leasing market continued to strengthen, with rents rising 0.2% MoM in November and 4.3% YTD, supported by steady demand from professionals and students. Leasing activity in December remained concentrated in Mid-Levels and West Kowloon.

On the development front, four land parcels were sold in 2025 and one in January 2026, predominantly comprising small to medium-sized plots, each expected to yield fewer than 1,500 units. These sites offer developers advantages, including lower upfront capital requirements and shorter development cycles. The upcoming Q1 land sale programme follows a similar pattern, with an emphasis on urban locations and mid-scale sites that align with developers' current risk appetite.

Fig 5. Luxury Residential Rents and Prices

2007 = 100



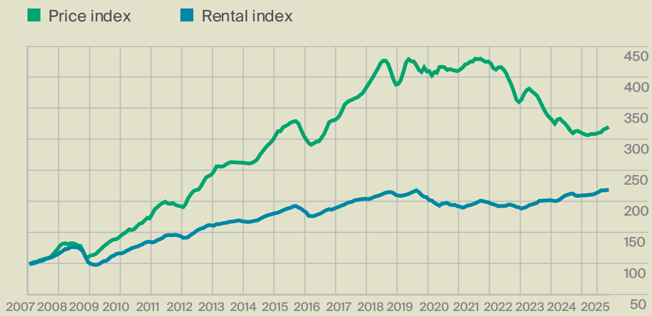
Source: Knight Frank Research

While inventory remains a concern, pressure has eased compared with previous years. As of December, unsold units stood at approximately 11,250, a reduction of about 6,280 units from 17,530 in June 2025.

Developers are adopting a more strategic approach amid improving market sentiment and homebuying activity, launching projects at market-acceptable pricing and selectively replenishing their land banks. This measured strategy is helping restore confidence and support a gradual rebalancing of the market.

Fig 6. Mass Residential Rents and Prices

2007 = 100



Source: Knight Frank Research / Rating and Valuation Department

2026 Forecast – Residential Sector

Mass Residential Prices	+5% to +8%
Luxury Residential Prices	+3% to +5%
Mass Residential Rents	+3% to +5%
Luxury Residential Rents	+3% to +5%

Table 4 : Selected Residential Sales Transactions (Dec 2025)

District	Building	Tower / Floor / Unit	Saleable Area (sq ft)	Price (HK$ million)	Price (HK$ per sq ft)
Stanley	One Stanley	House 18	5,567	362.5	65,116
Stanley	One Stanley	House 10	5,301	322.7	60,875
The Peak	Mount Nicholson	Phase 1, House 6	9,455	1,039	109,889
The Peak	15 Shouson	Unit 15	4,831	289.86	60,000
West Kowloon	The Cullinan Zone 1 Sun Sky	71/F, Flat C	1,037	46	44,359

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

Table 5 : Selected Residential Lease Transactions (Dec 2025)

District	Building	Tower / Floor / Unit	Lettable Area (sq ft)	Monthly Rent (HK$)	Monthly Rent (HK$ per sq ft)
Central	One Central Place	Upper Floor, Flat B	667	61,000	91
West Kowloon	The Arch	Tower 1A, Lower Floor, Flat C	932	77,000	83
West Kowloon	The Cullinan	Zone 1, Lower Floor, Flat A	1,530	128,800	84
Mid-Levels East	Harmony	Lower Floor, Flat A	2,094	233,000	111
Mid-Levels Central	Dynasty Court	Tower 1, Lower Floor, Flat A	2,153	150,000	70

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

Table 6 : First Hand Sales – Launched Projects (Q4 2025)

First Sale Date	Development	District	No. of Units	Average Price per sq ft (HK$)	Incentives (Highest discount rate)
10 Dec 25	Double Coast III	Kai Tak	361	19,980	12%
23 Nov 25	Soyo Square	Cheung Sha Wan	95	17,965	12%
20 Nov 25	Austin Bohemian	Jordan	63	22,733	20%
17 Nov 25	One Park Place	Yau Tong	748	15,405	15%
2 Nov 25	Spring Garden	Wan Chai	88	32,929	11%
21 Oct 25	Grand Mayfair III	Yuen Long	680	15,249	16%
14 Oct 25	Phase 2 of Cullinan Sky	Kai Tak	584	34,875	10%
8 Oct 25	Woodis	Wan Chai	167	25,874	8%

Source: Knight Frank Research / Market Source

Table 7 : Residential Land Sales Results in 2025-2026

Tender Award Date	Lot No. & Location	User	Site Area (sq ft)	Max GFA (sq ft)	Premium (HK$ millions)	Accommodation Value (HK$ millions)	Tender Awarded	*Estimated No. of Units
27 Jan 25	STTL 651, Mei Tin Road, Tai Wai	Resi	38,750	193,752	606	3,128	Sun Hung Kai	484
19 Feb 25	TCTL 55, Area 106B, Tung Chung	Resi	114,615	401,153	602	1,501	Sun Hung Kai	1,003
13 Aug 25	TMTL 569, Hoi Chu Road, Tuen Mun	Resi	47,017	282,103	1,089	3,860	Sino Land	705
18 Nov 25	TWTL 441, Junction of Wing Shun Street & Texaco Road, Tsuen Wan	Resi	70,127	434,790	2,475	5,692	Chinachem	1,087
7 Jan 26	NKIL 6674, Choi Hing Road, Jordan Valley, Kowloon	Resi	41,226	371,035	1,610	4,339	Sino Land	928

Source: Lands Deparment / Market Source / Knight Frank Research

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

Table 8 : Land Sale Programme for Janaury to March 2026

Government Land Sale

Lot No.	Location	User	Site Area (sq ft)	Max GFA (sq ft)	Estimated No. of Units
NKIL 6675	Choi Ha Road, Ngau Tau Kok, Kowloon	Residential	33,713	284,452	420
SIL 860	Shau Kei Wan Main Street East, Hong Kong	Residential	14,521	130,686	200

Other Residential Land Sales

Name	Estimated No. of Units
MTR Corporation’s Kam Sheung Road Station (Phase 2) project	1,290
URA Kai Tak Road/Sa Po Road development project	810
Private development and redevelopment projects, two projects are expected to complete the lease modification procedures	190
Total	**2,960**

Source: Market Source / Knight Frank Research

Retail

Positive retail sales alongside stable F&B demand and ongoing prime street repositioning

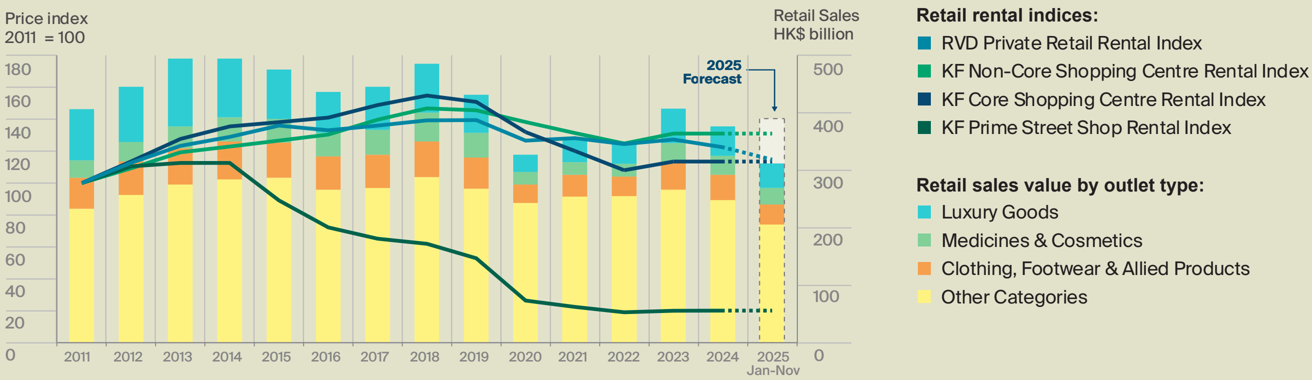
Hong Kong's retail market is showing early signs of stabilisation. From January to November, total retail sales reached approximately HK$345 billion, a 0.4% YoY increase. Monthly sales returned to positive growth from May onwards, ending a 14-month period of contraction and suggesting a tentative stabilisation of consumer spending.

In 2025, the sector continued to come under competitive pressure from cross-border consumption and online sales. E-commerce penetration in Hong Kong has risen sharply, with online sales jumping from 6.3% (or HK$20 billion) of total retail in 2020 to 9.5% (or HK$32.6 billion) in the first eleven months of 2025. On the other hand, credit card spending by Hong Kong residents also illustrated the shift of spending behaviour. Although total credit card transaction value almost doubled from HK$591 billion in 2020 to HK$1,023 billion in 2024, the share of domestic spending fell from 87.3% in 2020 to 68.2% in 2024. Overseas spending increased from 12.7% to 31.8% over the same period, underscoring the ongoing leakage of consumer spending outside the local retail market.

Latest Tourism Statistics – Chinese Mainland Visitors

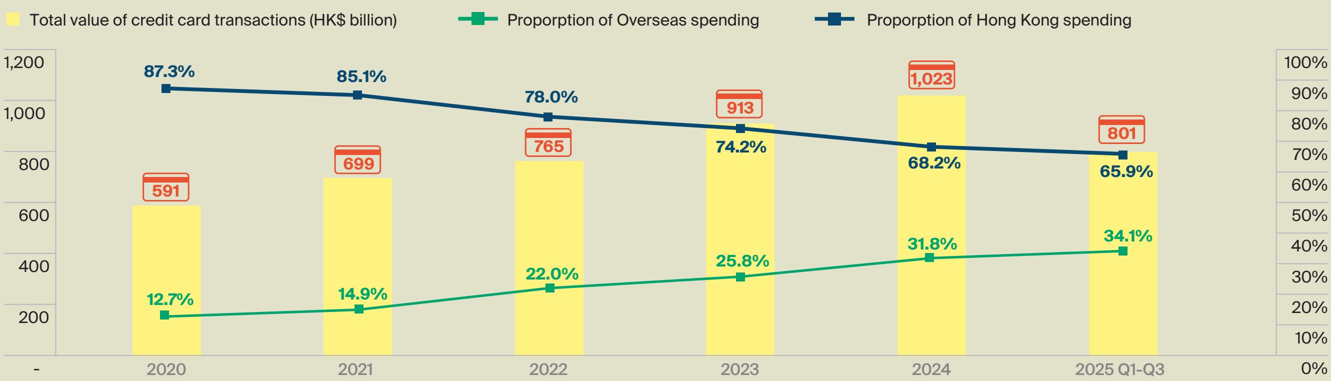
Source: Knight Frank Research / Tourism Board

Fig 7 : Retail Rents and Sales



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

Fig 8: Total Value of Credit Card Transactions: Overseas vs Hong Kong Spending



Source: Knight Frank Research / HKMA

Table 9 : Key Retail Lettings in Q4

District	Property	Floor	Monthly Rental (HK$)	Area (sq ft)	Rental (HK$ per sq ft)	Tenant
Causeway Bay	58 Russell Street & 73-75 Percival Street	Multiple Floors	$1,200,000	7,300	$164	Longbridge Securities
Causeway Bay	5-19 Jardine's Bazaar (Capitol Centre)	G/F-4/F	$4,000,000	50,000	$80	HSBC
Central	12 Pedder Street (Pedder Building)	Ground Floor Shop	$1,000,000	5,000	$200	Lactose
Central	35 Queen's Road Central	G/F-3/F	$1,500,000	9,373	$160	OCBC Bank
Causeway Bay	22-36 Paterson Street	Ground Floor Shop 32	$200,000	800	$250	Insta360

Source: Knight Frank Research / Market Source

Beyond domestic factors, visitors are contributing less to the retail market than in the past. Overall overnight visitor per-capita spending in Q3 2025 was HK$5,299, 11.8% lower than pre-COVID level in 2019. Notably, Mainland Chinese overnight visitors per-capita spending stood at HK$4,857 in Q3 2025, a 21.9% decline from Q1 2019's level. Meanwhile, visitor volumes continue to recover. Total visitors from all markets reached 12.8 million in Q3 2025, up 12.2% YoY. Among them, Mainland Chinese visitors accounted for 10.2 million, also recording a 12.1% YoY increase. Overall, while visitor arrivals are improving, per-capita spending remains subdued, limiting the uplift to the retail sector.

Slower-than-expected domestic and visitor spending recovery continue to reshape Hong Kong's retail landscape. On the high-street level, structural shift in consumption pattern and substantial rental corrections have encouraged a more diversified tenant mix beyond traditional retail. Financial institutions and banks have been taking up prominent retail spaces – Key Q4 transactions include Longbridge Securities leasing 7,300 sq ft in Causeway Bay, HSBC securing approximately 50,000 sq ft at Capitol Centre, and OCBC Bank leasing 9,373 sq ft at 35 Queen's Road Central.

To secure occupancy in the face of conservative expansion by general retailers, landlords may place greater emphasis on F&B tenants, which typically demonstrate greater resilience to e commerce competition. The F&B sector remained relatively resilient, averaging at HK$27.3 billion between 2023 - Q3 2025, slightly down 5% from the 2017–2019 average of HK$28.7 billion. Visitor inflows also supported demand for local-style cha chaan tengs and traditional bing suts, which remain popular among tourists seeking authentic dining experiences.

On the flip side, F&B operators typically command lower rental levels than traditional retailers. At the same time, the sector is facing intensifying local and regional competition, alongside rising labour and food costs, which continues to compress operating margins. As a result, landlords may need to adopt more pragmatic rental expectations when incorporating F&B tenants into their portfolios, balancing occupancy stability against income optimisation.

Looking ahead, a more diversified tenant mix and gradual consumption recovery are expected to support rental growth of 5%–10% for prime street shops. This outlook is underpinned by strong street visibility, resilient mainland visitor demand, and limited new supply.

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

Research & Consultancy

Martin Wong
Senior Director
Head of Research & Consultancy, Greater China
+852 2846 7184
martin.wong@hk.knightfrank.com

Keith Chan
Economist
Research & Consultancy, Greater China
+852 2846 9514
keithch.chan@hk.knightfrank.com

Commercial Markets

Paul Hart (E-127564)
Managing Director, Greater China,
Head of Commercial
+852 2846 9537
paul.hart@hk.knightfrank.com

Capital Markets

Antonio Wu (E-053542)
Head of Capital Markets, Greater China
+852 2846 4998
antonio.wu@hk.knightfrank.com

Office Strategy & Solutions

Wendy Lau (E-141423)
Executive Director
Head of Hong Kong Office Strategy & Solutions
+852 2846 4988
wendy.lau@hk.knightfrank.com

Steve Ng (E-188091)
Executive Director
Head of Kowloon Office Strategy & Solutions
+852 2846 0688
steve.ng@hk.knightfrank.com

Residential Agency

William Lau (E-096365)
Senior Director
Head of Residential Agency
+852 2846 9550
williammw.lau@hk.knightfrank.com

Retail Services

Helen Mak (E-087455)
Senior Director
Head of Retail Services
+852 2846 9543
helen.mak@hk.knightfrank.com

Valuation & Advisory

Valuation & Advisory
Cyrus Fong (S-368139)
Executive Director
Head of Valuation & Advisory, Greater China
+852 2846 7135
cyrus.fong@hk.knightfrank.com

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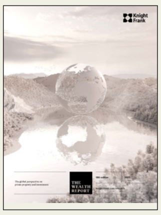

The Wealth Report

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