Hong Kong Market Report Q2 2025

July 2025

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

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Office

The leasing markets in Hong Kong Island and Kowloon are experiencing a divergence

Q2 2025 Office Highlights

Total Grade-A Office Vacancy
14.8%

Average Unit Rent (Net sq ft)
HK$49.5

Quarterly Take-up (Net sq ft)
+103,484

Table 1 : Q2 2025 Major Leasing Transactions

District	Property	Tenant	Area (Net sq ft)
Central	Harbourfront Site 3 Phase 1	Jane Street	223,000
Causeway Bay	One Causeway Bay	Cathay United Bank	36,000
Causeway Bay	Lee Garden One & Two	Hong Kong Jockey Club	44,000
Tai Kok Tsui	HSBC Centre Tower 1	BOOTS	16,740
Tsim Sha Tsui	The Gateway Tower 2	iFast HK	10,735
Tsim Sha Tsui	The Gateway Tower 2	Sun Life HK	6,696

Source: Knight Frank Research

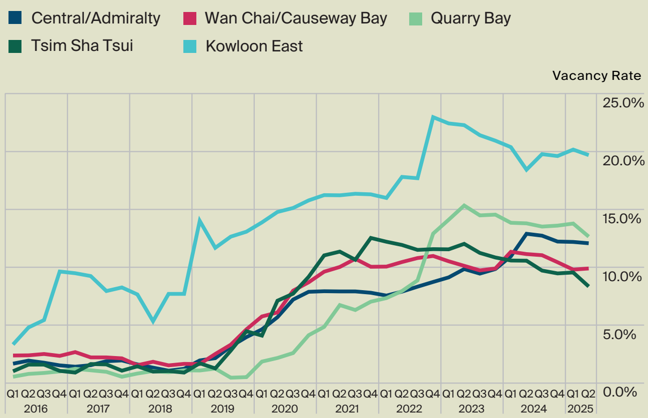
Market Highlights

The new lease secured by Jane Street at Harbourfront Site 3 encompasses over 70% of the Phase 1 office space, with handover anticipated in early 2027.

China Merchant Plaza in Sheung Wan was completed in June 2025, offering approximately 130,000 sq ft of net area.

Tenants are persistently seeking flight-to-quality spaces, while trading and related sectors in Kowloon continue to face challenges.

Fig 1 : Office Vacancy Rate



Source: Knight Frank Research

HONG KONG ISLAND

Market momentum is steadily improving as the macroeconomic landscape stabilises in Hong Kong. Hedge funds remain main market players, with property upgrades and expansion deals predominantly originating from this sector. Jane Street's significant leasing transaction at Harbourfront Site 3, occupying 223,000 sq ft, sends a positive signal to the market, particularly benefitting landlords in Central. Moreover, legal firms serving PRC companies' IPOs could be an emerging driver of demand in the near term.

Buildings located in Central, offering unit sizes between 3,000 and 5,000 sq ft with fitted interiors, are gaining traction due to their prime location and suitable size. Additionally, the current affordable rents and availability of fitted office space are facilitating tenants in their efforts to centralise or upgrade their offices. Although the leasing market is still on the path to recovery, tenants remain vigilant in their search for flight-to-quality/functionality spaces that offer maximum incentives.

KOWLOON

Global uncertainties surrounding trade and sourcing pose significant challenges for the Kowloon leasing market. As a large portion of tenants are tied to supply chain operations, external headwinds are affecting leasing sentiment. June proved to be a quieter month, with transactions concentrated primarily in the Kowloon East. Leasing activity is more pronounced among companies involved in electronics, construction, and building sectors. Tsim Sha Tsui saw a modest rental growth of +0.7% QoQ, benefitted from leasing demand from insurance, finance and professional service sectors.

As overall market demand in Kowloon remains sluggish and office supply continues to increase, landlords are actively implementing various strategies to attract and retain tenants. Larger landlords are presenting an array of incentives, such as enhanced common area amenities, renovation options, and flexible leasing terms, in order to mitigate the impact of lower rents. In contrast, smaller landlords offer rental subsidies as their primary incentive.

Table 2 : Prime Office Market Indicators (June 2025)

	Net effective rent	Change		Vacancy	
District	**HK$ psf / mth**	**QoQ %**	**YoY %**	**Q2 19 %**	**Q2 25 %**
Premium Central	101.1	-0.7	-6.6	-	-
Traditional Central	77.6	-1.8	-7.2	-	-
Overall Central	86.5	-1.3	-6.9	1.7	13.5
Admiralty	55.9	0.0	-8.7	3.4	7.5
Sheung Wan	48.8	-0.5	-9.3	1.6	13.5
Wan Chai	48.5	-1.2	-2.9	2.9	11.4
Causeway Bay	49.2	-1.8	-7.7	1.9	6.8
North Point	30.1	-1.4	-11.1	6.1	16.4
Quarry Bay	39.5	-1.4	-7.0	1.2	12.6
Tsim Sha Tsui	51.3	0.5	-3.8	1.3	8.3
Cheung Sha Wan	26.1	-4.3	-10.1	1.2	25.4
Hung Hom	35.3	-3.5	-4.6	5.1	10.8
Kowloon East	24.5	-4.3	-13.6	11.7	19.7
Mong Kok / Yau Ma Tei	43.4	-4.7	-12.8	-	-

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

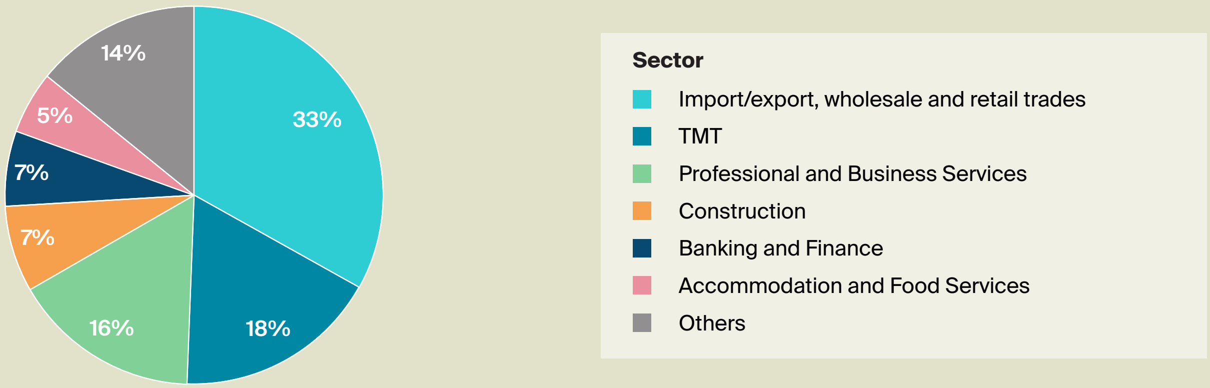
QUARTERLY INSIGHT

Hong Kong is a leading market for IPO fundraising for the 1H 2025 with several remarkable listings. Improved market sentiment, increased liquidity and favourable listing policy will continue to attract PRC companies from multiple sectors to raise capital in Hong Kong. The resurgence of IPO activity will remain a near-term positive catalyst for the Hong Kong Island market for 2H 2025. We expect a further uptick in leasing demand from the banking, finance and professional service sectors.

In the Kowloon market, Kowloon East continues to face challenges, particularly among tenants in supply chain operations and global trading sectors. These businesses are more impacted from global uncertainties and have increasingly opted to downsize operations. Tsim Sha Tsui is expected to outperform in the near-term, benefiting from a tenant mix more aligned with Central, where service-oriented firms dominate.

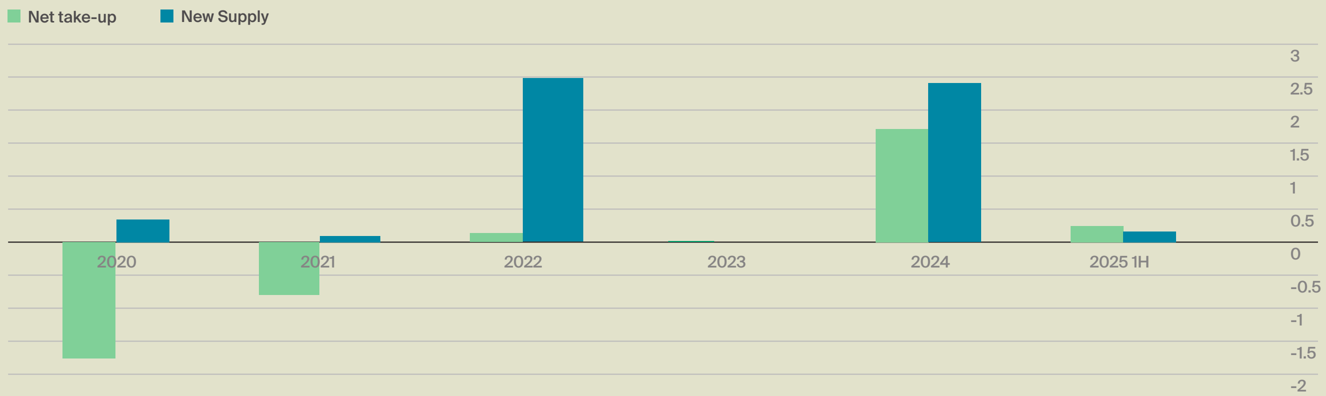
Fig 2 : Quarterly Take-up by Sectors - Hong Kong Island

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 in 2025

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	CK Asset
Causeway Bay	One Causeway Bay	500,844	Mandarin Oriental Hotel Group
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

Sales activity strengthened by mortgage affordability and incentives, while pricing remains subdued across segments

Hong Kong's residential market regained momentum in June, with total transactions rising to 5,955 units up 17% MoM, driven by a 28% surge in first-hand sales to 2,147 units. For Q2 2025, total residential transactions climbed to 16,754 units, marking a 37% increase over Q1. The rebound is supported by improved mortgage affordability, following a decline in the one-month HIBOR, which has restored positive carry for homeowners. If interest rates remain low, mortgage repayments could become more attractive than renting, further supporting sales market recovery.

Despite the rebound in transaction volume, prices remain under pressure. The private residential property price index was flat in May after a brief rebound in April. Prices are down 0.9% YTD and 6.2% YoY. However, buyer interest remains strong for properties priced between HK$12-15 million, which have attracted the highest number of enquiries. This segment is especially popular among home upgraders and families, who typically look for three-bedroom units approximately 800 sq ft.

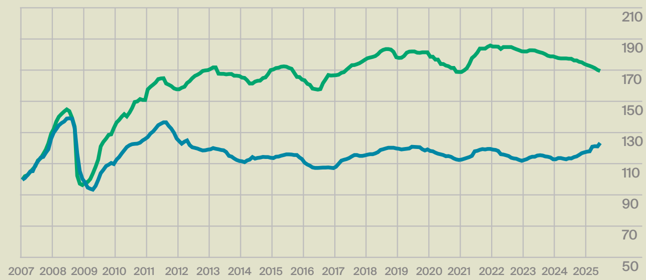
In the primary market, Wong Chuk Hang and Ma On Shan emerged as the most active districts during the quarter. Among the standout developments, Sierra (Phase 1B), launched in May, recorded a 97% sales rate, selling 767 of 794 units. Another notable project, Deep Water Pavilia, launched in May, sold 372 out of 447 units (83% sales rate). A highlighted transaction within this development was at a high-floor unit in Tower 1A (1,706 sq ft), was sold for HK$50,000 per sq ft or HK$85.3 million. The strong market response was largely driven by developer incentives, including flexible payment plans, attractive mortgage schemes, and rental perks, which significantly boosted buyer confidence.

In terms of luxury residential sales, a total of 54 transactions for properties exceeding HK$78 million (US$10 million) were recorded in Q2, up 29% QoQ. The total consideration reached HK$78.5 billion, marking a 45.8% QoQ increase, indicating renewed momentum in the luxury segment.

The leasing market continues to outperform, +0.7% MoM in May and +1.4% YTD. The sustained momentum is largely driven by continued demand from non-local professionals and students. Notably, there is a growing influx of expatriates from non-finance sectors, such as supply chain and logistics companies, alongside increased local tenant mobility.

Fig 5. Luxury Residential Rents and Prices

2007 = 100



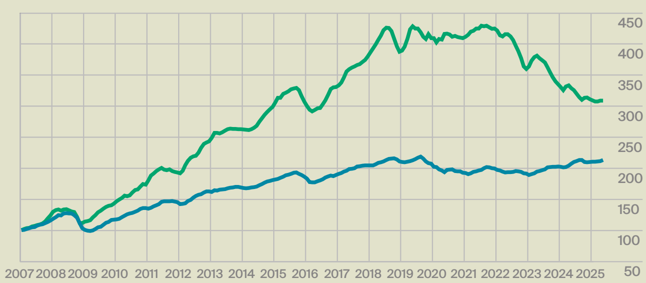
Source: Knight Frank Research

During the quarter, demand was primarily led by family tenants, with 400–500 sq ft apartments being the most sought-after. These units typically command monthly rents in the range of HK$20,000-30,000, with strong interest focused on areas such as Sai Ying Pun and Wan Chai. Looking ahead to Q3, we anticipate an increasing leasing activity from young professionals, particularly those relocating from the UK and Singapore for work opportunities.

We expect that both the luxury and mass-market rental sectors will post positive growth of 3-5% this year, underpinned by solid market fundamentals and supportive government measures. Meanwhile, the sales market is likely to see a recovery in transaction activity, although price trends—particularly in the secondary market—may remain subdued.

Fig 6. Mass Residential Rents and Prices

2007 = 100



Source: Knight Frank Research / Rating and Valuation Department

2025 Forecast – Residential Sector

Segment	Forecast
Mass Residential Prices	0 to -3%
Mass Residential Rents	+3% to +5%
Luxury Residential Prices - $20M to $40M	0 to -5%
Luxury Residential Prices - Over $40M	Stable
Luxury Residential Prices - Over $80M	Stable
Luxury Residential Rents	0 to +3%

Table 4 : Selected Residential Sales Transactions (June 2025)

District	Building	Tower / Floor / Unit	Saleable Area (sq ft)	Price (HK$ million)	Price (HK$ per sq ft)
Mid-Levels Central	21 Borrett Road	10/F, Unit 3	2,193	148	67,487
Shouson Hill	Shouson Peak	Unit 17J	2,901	128.8	44,398
Wong Chuk Hang	Deep Water Pavilia	Phase 5A, Tower 1A, 38/F, Unit P2	1,706	85.3	50,000
Wong Chuk Hang	Deep Water Pavilia	Phase 5A, Tower 1A, 37/F, Unit P2	1,706	81.9	48,007
West Kowloon	The Harbourside	Tower 1, 79-80/F, Unit C	1,819	118.5	65,146

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

Table 5 : Selected Residential Lease Transactions (June 2025)

District	Building	Tower / Floor / Unit	Lettable Area (sq ft)	Monthly Rent (HK$)	Monthly Rent (HK$ per sq ft)
Repulse Bay	Marinella	Tower 3, Upper Floor, Flat A	2,308	150,000	65
Repulse Bay	Marinella	Tower 1, Middle Floor, Flat A	1,949	122,800	63
Mid-Levels Central	Clovelly Court	Block 1, Middle Floor, Flat B	2,348	131,000	56
Mid-Levels Central	University Heights	Tower 1, Upper Floor, Flat B	1,506	120,000	80
West Kowloon	The Cullinan	Diamond Sky, Lower Floor, Flat A	1,443	150,000	104
Mid-Levels East	Highcliff	Upper Floor, Flat B	2,624	155,000	59

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

Table 6 : First Hand Sales – Q2 Launched Projects

First Sale Date	Development	District	No. of Units	Average Price per sq ft (HK$)	Incentives (Highest discount rate)
31/5/2025	UNI Residence	Sha Tin	240	16,184	20%
26/5/2025	Deep Water Pavilia	Wong Chuk Hang	447	22,028	20%
14/5/2025	Sierra Sea (Phase 1B)	Ma On Shan	794	11,207	15%
26/4/2025	Sierra Sea (Phase 1A(2))	Ma On Shan	781	11,950	15%

Source: Knight Frank Research / Market Source

Retail

Luxury resilience amid retail polarisation: A closer look at luxury trends

Hong Kong's retail sector showed tentative signs of recovery in May, with retail sales rising 2.4% YoY, ending a 14-month streak of decline. Total sales reached HK$31.3 billion, buoyed by a surge in mainland visitors during the "golden week" holiday. However, cumulative sales for January to May remained 4% lower than the same period last year, reflecting ongoing structural challenges.

The luxury segment remained subdued. Sales of jewellery, watches, clocks, and valuable gifts fell 3.2% YoY in May and were down 8.8% over the first five months of 2025. In contrast, budget retail options gained traction, particularly among local residents who increasingly shop across the border in Shenzhen.

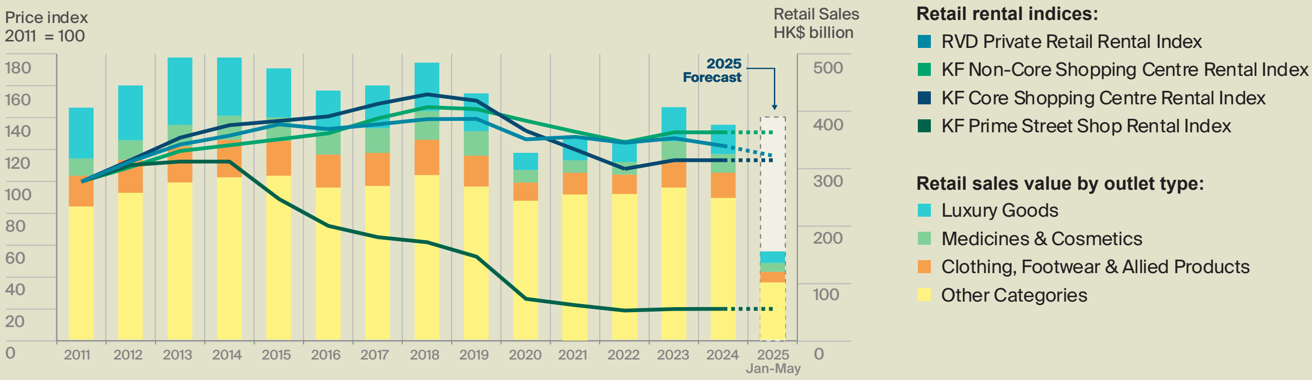
Tourism saw a robust rebound, with 4.08 million visitor arrivals in May—a 20% YoY increase. This was driven by mainland tourists and major local events such as concerts and exhibitions. From January to May, Hong Kong recorded 20 million arrivals, up 12% YoY, with mainland visitors accounting for 75% of the total. The newly opened Kai Tak Sports Park (KTSP) played a pivotal role, hosting world-class concerts like Coldplay and Blackpink, as well as major sporting events including the Snooker Grand Prix and Hong Kong Sevens. KTSP's scale and appeal have reinforced Hong Kong's position as a regional hub for mega-events, entertainment, and tourism.

Latest Tourism Statistics – Chinese Mainland Visitors

Source: Knight Frank Research / Tourism Board

The retail landscape is becoming increasingly polarised, with a clear divide between luxury and budget segments. This quarter, our focus will shift toward a deeper exploration of the luxury segment.

Fig 7 : Retail Rents and Sales



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

Table 7 : Key Retail Lettings in Q2

District	Property	Floor	Monthly Rental (HK$)	Area (sq ft)	Rental (HK$ per sq ft)	Tenant
Central	Central Tower	Duplex shops on G/F, 1/F & Basement	$6,000,000	20,000	$300	Marks & Spencer
Tsim Sha Tsui	Hanley House	G/F, Unit 2	$220,000	1,000 (GFA)	$220	Handbags & wallets store
Central	100 Queen's Road Central	Lower ground floor & basement	$900,000	17,332	$52	Don Don Donki
Central	Wings Building	Basement, Lower G/F & Upper G/F	$900,000	17,941	$50	Cotton On
Tsim Sha Tsui	Cheung Lee Commercial Building	1/F & 2/F	$250,000	9,000	$28	Lin Heung House

Source: Knight Frank Research / Market Source

Looking into changes in number of employed persons with different monthly income groups from 2019 to 2024, released by Census and Statistics Department, it reveals a clear upward shift in earnings. Number of employed persons with monthly income <HK$14,000 shrank by 29% (-399,200 persons), while middle-income brackets (HK$25,000–59,999) expanded (+171,600 persons). Upper-income groups (HK$60,000–79,999 and >HK$80,000) grew by 31% and 20%, respectively (+72,000 persons in total). On the other hand, changes in the number of taxpayers with different income brackets between 2019-2024 mirrors this trend. Number of taxpayers with annual income HK$200,000 & below declined by 51% (-161,059 persons), while HK$300,001–600,000 rose by 10–23% (+113,881 persons). High-income brackets (HK$600,001–900,000 and >HK$900,000) surged by 30% and 35%, respectively (+145,507 persons in total).

Despite this richer income structure, the weaker local consumer demand suggests that Hong Kong residents are showing reduced willingness to spend. This is further compounded by a shift in consumption patterns among mainland Chinese visitors, with less emphasis on luxury spending. As a result, retailers have become more conservative in their store expansion plans, and landlords are re-evaluating their retail strategies to adapt to the evolving market dynamics.

Table 8 : Employed Persons by Monthly Employment Earnings

Monthly Employment Earnings (HKD)	Changes in the number of Employed Persons (2019-2024)	Percentage Change (2019-2024)
<$14,000	-399,200	-29%
$14,000-$24,999	-22,300	-2%
$25,000-$39,999	114,000	19%
$40,000-$59,999	57,600	17%
$60,000-$79,999	39,800	31%
>$80,000	32,200	20%

Source: Knight Frank Research / Census and Statistics Department

Table 9 : Distriubtion of Salaries Tax Payers by Annual Income

Annual Income (HKD)	Changes in the number of Tax Payers (2019-2024)	Percentage Change (2019-2024)
$200,000 & below	- 161,059	-51%
$200,001 – $300,000	28,847	7%
$300,001 – $400,000	32,104	10%
$400,001 – $600,000	81,777	23%
$600,001 – $900,000	67,468	30%
> $900,000	78,039	35%

Source: Knight Frank Research / Inland Revenue Department

Additionally, Gen Z is rapidly emerging as a key driver of luxury consumption. They are moving away from blind brand loyalty, instead prioritising brand values, sustainability, and pricing transparency. Digital channels and seamless online-offline integration are also playing a critical role in driving sales. Going forward, brands must strike a new balance—one that blends cultural relevance, elevated customer experiences, and operational efficiency.

Despite the resurgence of tourism, retail consumption in Hong Kong has yet to achieve a full recovery across all sectors. Looking ahead, we expect retail rental levels to hold steady throughout 2025.

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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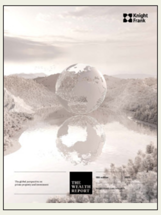

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