

From Volatility to Opportunity



2026 Outlook for Hong Kong Island Grade-A Office Market

April 2026

This report examines the key demand drivers, occupier trends, and market headwinds as we look forward in to 2026

knightfrank.com.hk/research



Contents

- 1 Executive Summary**
- 2 Market Overview**
- 3 Demand Drivers**
 - Chinese mainland IPO Surge Driving Multi-Sector Demand
 - Financial Sector Expansion and Liquidity Revival
- 4 Emerging Trends**
 - Tenant Appetite and Leasing Dynamics
 - User-to-Owner Acquisition
- 5 Where are the opportunities in 2026?**
- 6 2026 Office Rental Outlook by Submarkets**

1. Executive Summary



Hong Kong is sharpening its role as a high-trust hub for capital and global finance. We have seen an uptick in transactions for Premium Grade Assets in Central and West Kowloon, with demand for this basket of buildings likely to increase further in 2026. Landlords positioning their assets to capture this demand are likely to see rental uplifts.

The opportunity for occupiers is likely to be either in the buildings that will have significant future vacancy, due to large moves that are set to happen through to 2028, or in quality buildings outside of Central and West Kowloon.

Wendy Lau

Executive Director,
Head of Hong Kong Office Strategy & Solutions

To Landlords



Fitted offices have shorter void periods than bare shell units: providing fit out, including floor coverings, partitions, and furniture is likely to increase leasing velocity



Non-monetary incentives: access to tenant programming, third spaces and shared amenities increase attractiveness of assets



Asset enhancement: offices with high occupancy rate may consider asset enhancement works to justify future rental growth

To Tenants



Window closing for upgrade: Vacancy in Premium Grade Assets is tightening and therefore speed to market is key for occupiers interested in these assets.



Stability over uncertainty: longer-term leases can ensure rent stability and Capex amortisation



Beyond Central and West Kowloon: opportunities for favourable commercial terms in quality assets remains outside of Core Central and West Kowloon for occupiers seeking value over address

2025 Leasing Demand Summary

Companies associated with Chinese mainland IPO activities have continued to grow, driving increased demand for banking, legal, and professional services. Wealth management and insurance firms are broadening their office footprint to meet the rising needs of clients from the mainland. Concurrently, unprecedented southbound capital inflows and a more favourable financial climate have allowed funds and trading companies to pursue expansion more aggressively. Consequently, the committed floor area of new leases in 2025 has surpassed that of lease renewals, indicating a fundamentally stronger demand, especially for new, high-quality spaces.

Fig 1. Finance Sector in Hong Kong Island

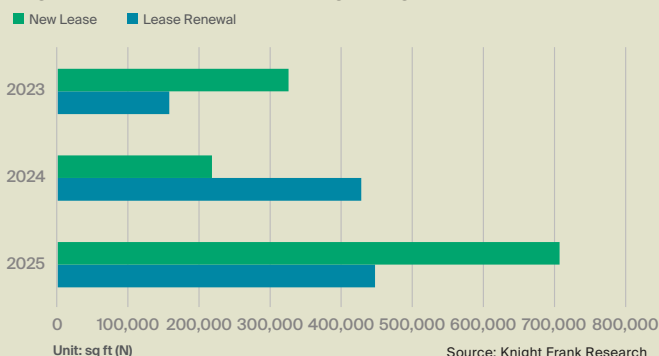
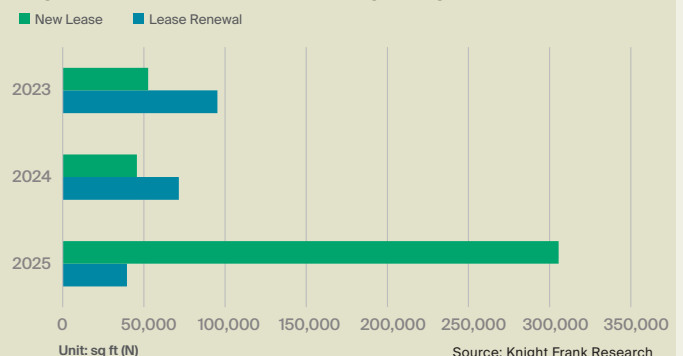


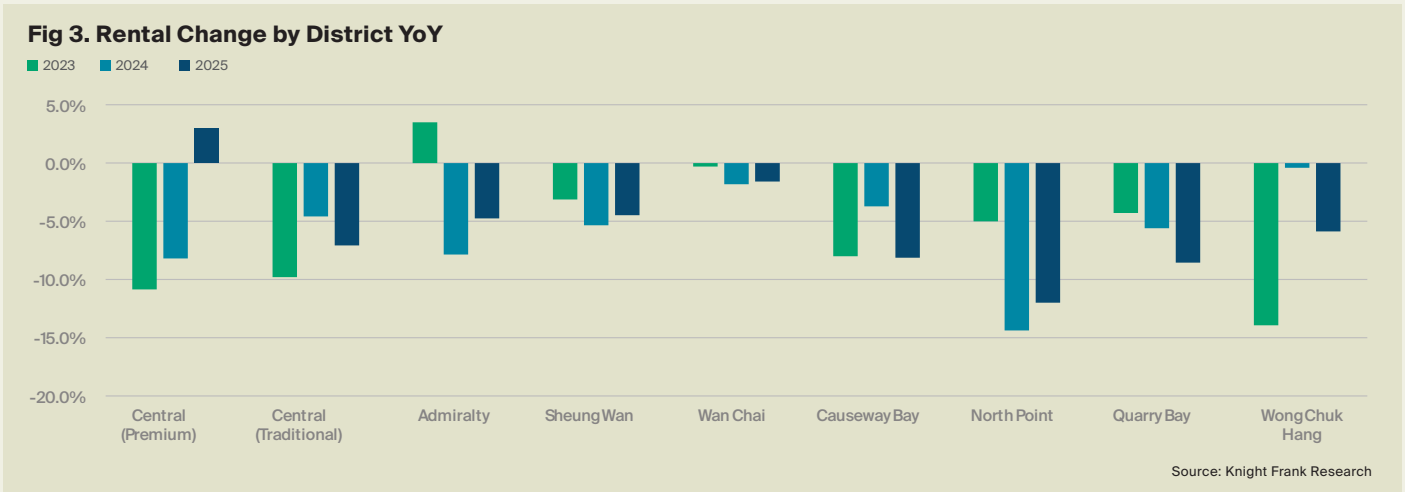
Fig 2. Insurance Sector in Hong Kong Island



2. Market Overview

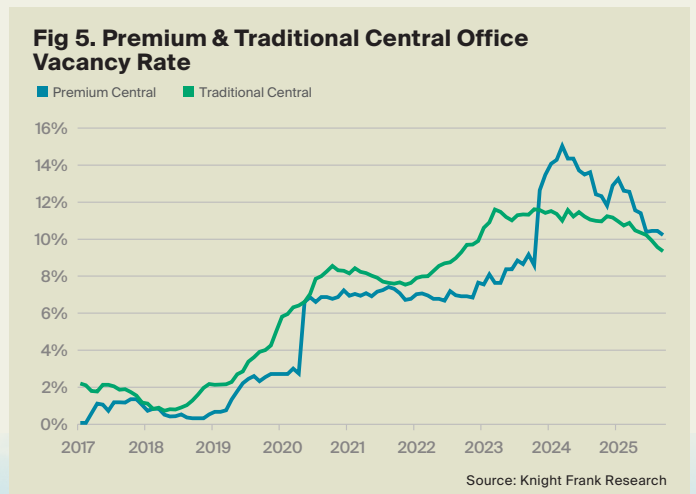
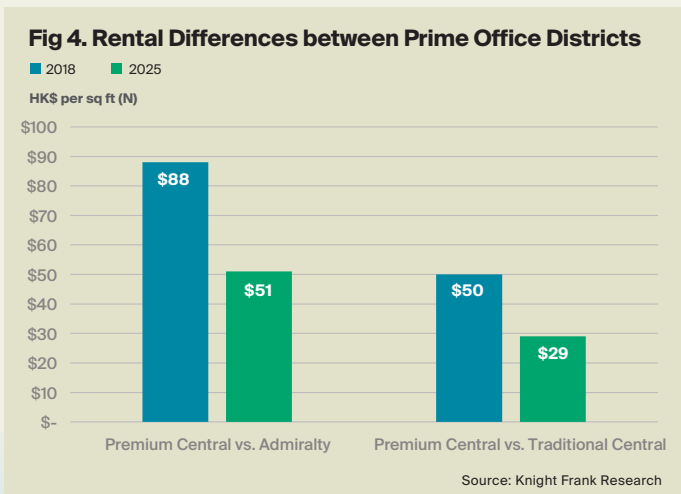
Diverging performance between submarkets

Demand for premium Grade-A office space in Central is rising; however, due to oversupply in several districts, rental forecasts for non-premium offices outside Central are expected to decline in 2026. Over 2025, we noted that over 50% of new leases were in Central, with this trend continuing vacancy will tighten in Central. This will have a positive ripple effect in to Sheung Wan, Admiralty and Wan Chai, especially in respect to assets with harbour views.



Diverging performance between buildings

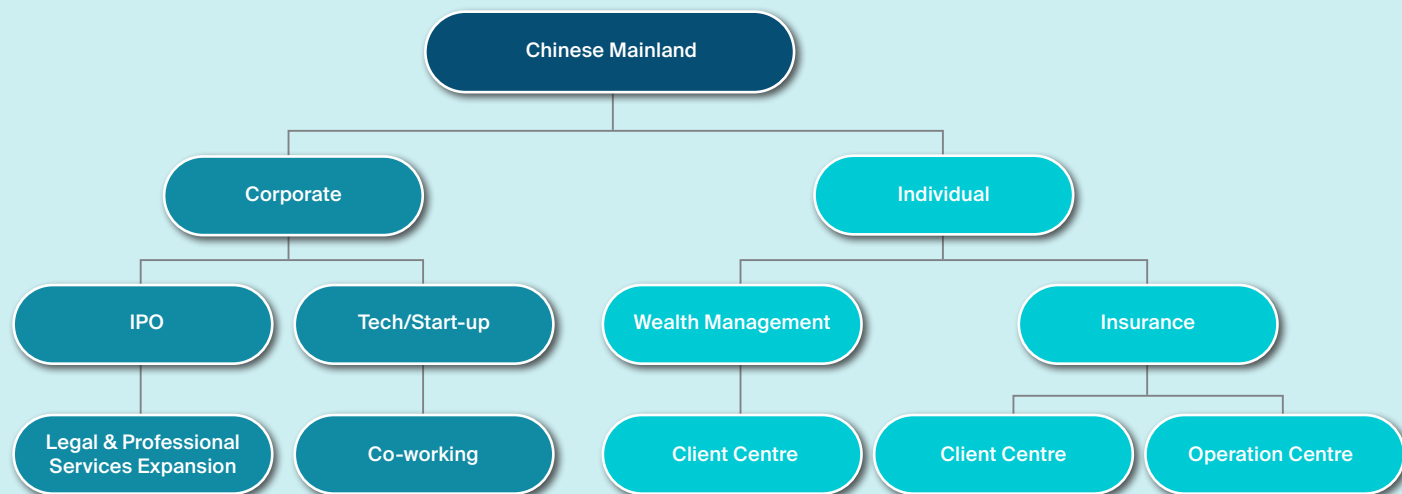
We expect the bifurcation of the market to widen further in 2026. The Grade-A office market in 2025 displayed a clear two speed pattern, with prime CBD buildings offering modern specifications and a comprehensive amenity stack continuing to attract stable demand and “flight-to-quality” relocation. Meanwhile, older or non-core Grade-A buildings faced growing challenges due to outdated features, inefficient layouts, and weaker locations that limited their appeal to tenants seeking high performance space.



3. Demand Driver 1

Chinese Mainland IPO Surge Driving Multi-Sector Demand

Chinese mainland enterprise demand is positively impacting multiple layers in Hong Kong's office leasing market



Robust Demand from Chinese Mainland Enterprises

Tenants from the Chinese mainland typically seek an office with sea views, an impressive lobby entrance, and convenient access to MTR stations. Central and Kowloon Station remain the most desired locations due to their connection to the High-Speed Rail. As it is becoming difficult to find prime central offices, companies could also consider areas such as Sheung Wan, Admiralty, Wan Chai North, and Causeway Bay, where offices with sea views are available at more competitive rental rates.

Furthermore, numerous technology firms and start-ups from the Chinese mainland are using Co-working spaces as a temporary office solution, with the intention of moving to traditional office spaces later. Overall, the natural expansion of businesses by Chinese mainland firms has increased significant leasing demand and is anticipated to continue.



Laura Lee
Manager

Hong Kong Office Strategy & Solutions



IPO – lifting upstream & downstream business demand

#118 companies listed in 2025 (+74% YoY)
HK\$286 billion fund-raised in 2025 (+225% YoY)

H-shares listed on the HKEX were the primary contributors in 2025, accounting for over 60% of both the listed companies and funds raised. The resurgence of the IPO market has heightened the demand for banking, legal, and professional services. Consequently, businesses associated with Chinese mainland IPOs have experienced growth and demand for expansion in 2025.



Wealth Management

AUM of Mainland-related *asset management entities was HK\$3.1 trillion in 2024 (+15% YoY)

As connections between the Chinese mainland and Hong Kong strengthen, wealth management and private banking have seen an increase in business streams from Mainland clients. Moreover, banks have established wealth management client centers in prime office locations to address this growing demand.

*Note: Asset managers subject to SFC regulation



Insurance

New insurance premiums for long term business increased +50% YoY in 1H2025

The insurance sector is also benefiting from stronger business flows from the Chinese mainland. Many firms have significantly expanded their client centres and operational offices, particularly in Tsim Sha Tsui, to meet rapidly rebounding demand.



Tech/Start-up

Beyond the services required for company listings, Hong Kong's advantages as a springboard for Chinese mainland enterprises expanding overseas have become increasingly evident. Mainland technology firms and start-ups are strengthening their presence in the city, opting for smaller offices and co-working spaces that provide the flexibility needed for future operational decisions.

3. Demand Driver 2

Financial Sector Expansion and Liquidity Revival



Transactions & Arbitrage

- VIX spiking above 60
- +94% YoY increase in Hong Kong equity turnover in 2025



Capital Inflow

HK\$1.07 trillion net inflow as of September 2025, representing 33% higher than full year 2024



Improved Liquidity

3-month HIBOR
2.7% (Feb 2026)
4.0% (Feb 2025)
4.7% (Feb 2024)

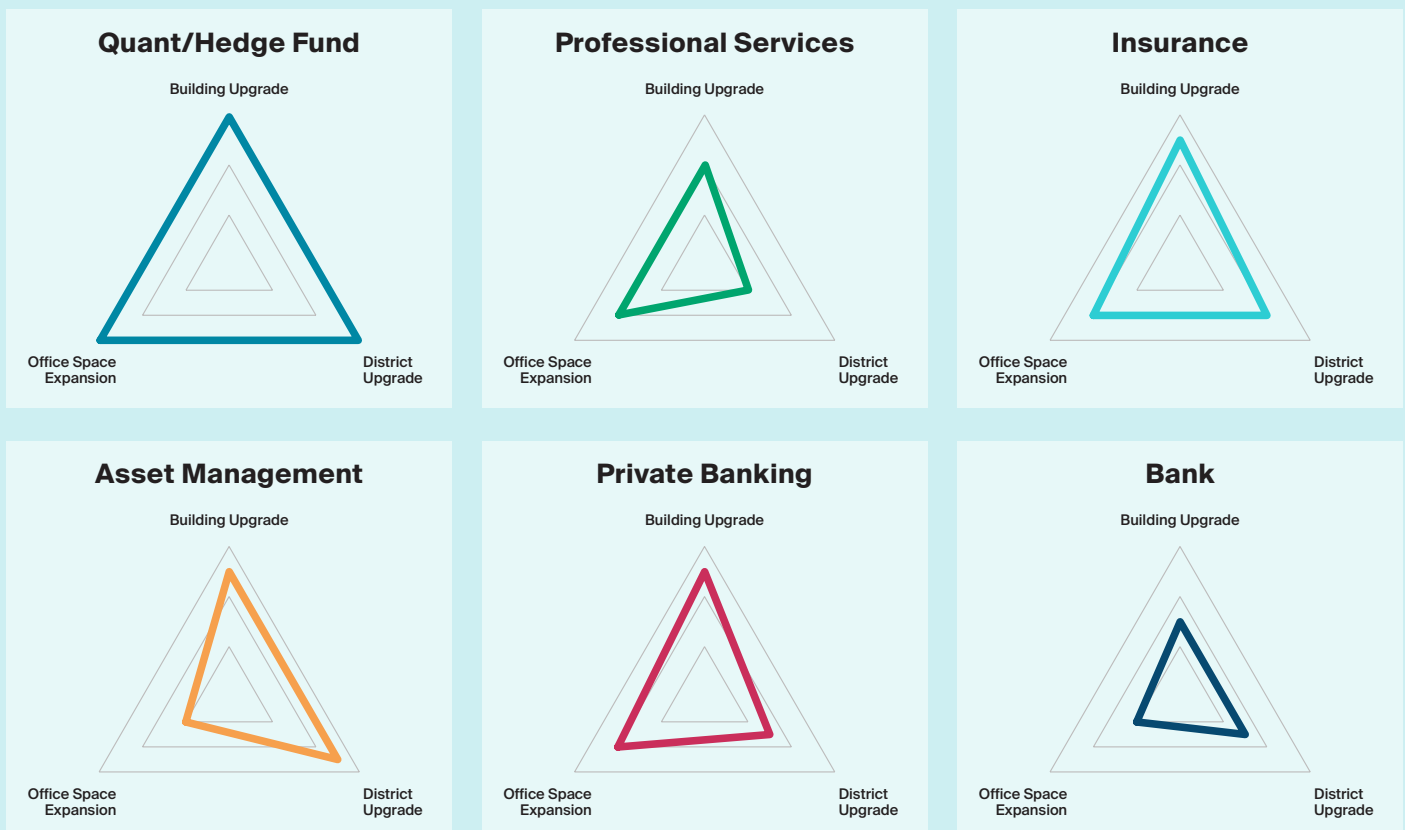
In Q2 2025, a sharp spike in the Chicago Board Options Exchange Volatility Index (VIX) generated substantial opportunities for arbitrage, dispersion trades, and high-frequency strategies across equities and derivatives. The global market conditions created one of the most favourable environments in years for hedge funds and quantitative trading firms. Reflecting this momentum, Point72 relocated to the newly completed The Henderson office tower in the same year, underscoring its commitment to a growing Asia-Pacific trading and investment platform.

At the same time, an increasing volume of capital is flowing from Mainland China into Hong Kong's stock market, injecting fresh liquidity into the market and

boosting trading volumes and revenue potential for systematic investors. Expectations of lower interest rates and further easing of HIBOR conditions improved liquidity and reduced funding costs, encouraging hedge funds to take on additional leverage and risk. Collectively, these dynamics significantly enhanced both the performance and profitability of quantitative and multi-strategy funds.

Against this backdrop, leading market makers such as Qube Research & Technologies and Jane Street embarked on major expansion plans, securing premium Grade-A space in Two IFC and Central Yards. Their growth reflects increasing headcount requirements, rising infrastructure demands, and continued long-term confidence in Hong Kong's position as Asia's pre-eminent trading hub.

Office Leasing Demand by Sector in Hong Kong Island



4. Emerging Trend 1

Tenant Appetite and Leasing Dynamics



Uniqueness



Large Floor Plate



Naming right/signage



Exclusive lobby/lifts

Amid persistently high office vacancy and continued new supply, successful projects are increasingly defined by their ability to deliver unique value propositions. Successful landlords achieve this by leveraging innovative design and proactive pre-leasing to meet the specific requirements of large occupiers.

UBS was among the first to commit to IGC in West Kowloon, taking 460,000 sq ft with a dedicated lift lobby and signage.



High Specification



ESG



Technology



Seaview

When considering relocation upgrades, tenants typically expect high specifications from new offices, such as:

ESG Features

- Energy efficiency
- Water conservation
- Waste reduction systems

Building Features

- Improved floor plate efficiency
- Superior standards in building management
- Ceiling height



Amenities/Facilities



Wellness



Meeting & Conference Facilities



Leisure Area



Multi-function Rooms or Clubhouse

While a number of premium Grade-A towers in Central are now close to full occupancy, many other office buildings continue to record vacancy levels of 10% to 20%. To retain existing tenants and attract new leases, landlords are increasingly enhancing their buildings with upgraded amenities and value-add facilities.

Landlords are encouraged to reposition underutilised space to better align with tenant demand and improve asset competitiveness.



Commercial Term



Capex Subsidisation



Reinstatement/Surrender Option



Flexible Leasing Term



Waive Sales & Redevelopment Clause

Offering flexible commercial terms has become one of the most effective ways for landlords to accommodate diverse tenant requirements. Such customised arrangements also help mitigate the impact of potential rental declines by maintaining occupancy and stabilising cash flows.

However, determining the right balance of flexible provisions requires careful assessment. Landlords must evaluate property performance, tenant profiles, and long-term leasing strategies to identify the optimal mix of terms that supports both competitiveness and asset value.

4. Emerging Trend 2

User-to-Owner Acquisition

Institutional property investors remain cautious, but some occupiers are taking advantage of improved economic sentiment and a significant reduction in property prices to buy offices for self-use.

Top 10 Recent Office Investment Transactions 2023 - 2026YTD

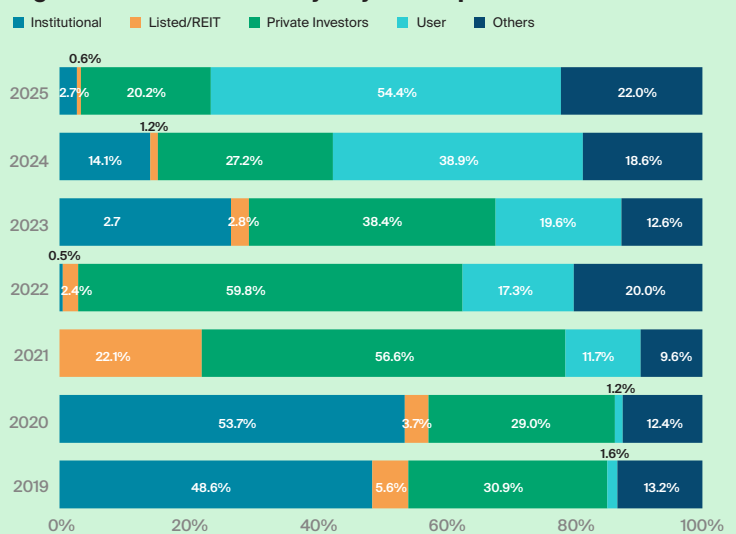
Property	Portion	Buyer	Source of Capital	Consideration (HK\$ million)	sq ft
One Causeway Bay	Partial	Alibaba	User	7,203	270,000
Nexus Building	En-bloc	Steve Chang	Fund	6,400	264,334
One Exchange Square	Partial	HKEX	User	6,300	147,025
One Island East	Partial	SFC	User	5,400	243,191
CCB Tower	Partial	JD	User	3,498	114,603
Cheung Kei Centre	En-bloc	Metropolitan University	User	2,650	279,003
Harbour East	En-bloc	Li Ning	User	2,208	130,077
Festival Walk	En-bloc	City University	User	1,960	213,982
AIA Central	Interest	AIA	User	1,775	41,890
The Center	Partial	DBS	User	1,346	51,086
Viva Place	Partial	Dah Sing Bank	User	839	117,672

Source: Knight Frank, MSCI

Nine of the ten largest office transactions by consideration have involved tenants purchasing assets for owner-occupation. With office prices having fallen significantly over the past few years, major corporations and institutions have taken advantage of the softer market to acquire their own premises. Beyond attractive pricing, buyers with stable operations and strong liquidity—such as statutory entities, banks, and educational institutions—gain greater control over their real estate while reducing exposure to future rental volatility.

At the same time, companies such as Li Ning and Alibaba, confident in both Hong Kong’s long-term prospects and their own business performance, are investing in office properties for self-use and to establish prominent flagship locations in the city. While these acquisitions may temporarily create vacancies in certain buildings, the broader shift from leasing to ownership is increasingly blurring the lines between occupier demand and investment demand.

Fig 7. Office Transaction by Buyer Composition



Source: MSCI

“Owner-Occupiers Investing in High-Specification Office Assets”

Investment prospects in the office sector are found in high-quality offices located in prime areas. As Chinese mainland companies expand their operations and international ties through Hong Kong’s strategic location, many businesses are increasing their footprint by purchasing offices for regional headquarters. Newly constructed offices with harbour views are especially sought after, not only for their excellent condition but also due to their limited availability on Hong Kong Island.

Companies looking for office spaces exceeding 100,000 sq ft typically seek floor plates larger than 10,000 sq ft, aiming for higher efficiency and preferring single-owned properties over strata-titled offices that align with their mandates and requirements during office acquisitions.

Antonio Wu
Head of Capital Markets,
Greater China

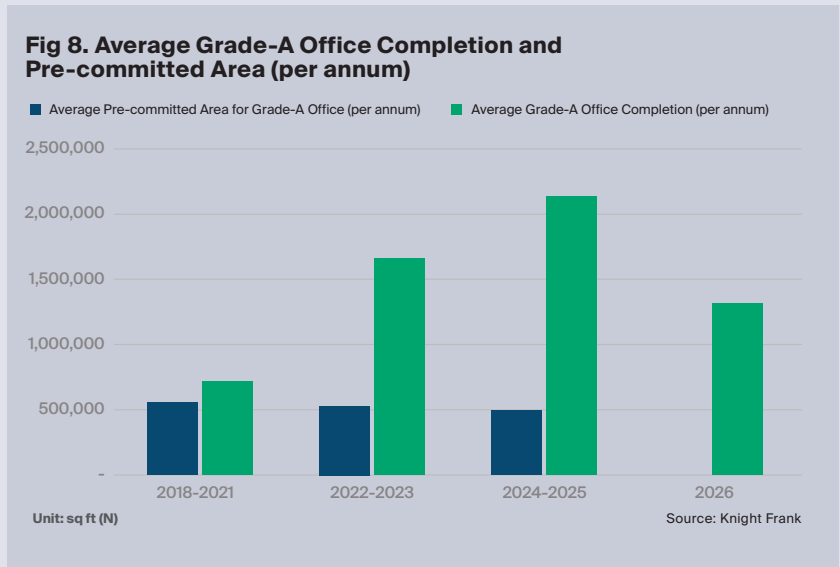


5. Where are the opportunities in 2026?






Increased transaction activity in the finance sector has strengthened confidence in Premium Grade-A offices. However, as several major occupiers begin relocating in 2026, their moves will release sizeable vacancies in their existing premises. This creates an opportunity for occupiers to consider stock which will become vacant imminently.

It is becoming increasingly challenging for tenants to secure quality space in Central. For landlords, the uptick in enquiry and transaction activity offers a window to capture positive rental reversions. By contrast, outside Central, large vacancies may prove more difficult to backfill, requiring landlords to deploy more aggressive incentives and rental discounts to remain competitive.

In 2025, more than half of all new leases were concluded in Central, and this momentum has carried into 2026. Strong demand in Central is already spilling over into adjacent districts, particularly Sheung Wan, Admiralty, and Wan Chai North. Occupiers who once focused exclusively on Central are now widening their search to these neighbouring areas as availability tightens and relocation timelines draw near.



Major Relocation Vacancies in the Future

Tenant		 Point 72	 Jane Street	 UBS	 Alibaba
Current Location	Central Tower, Central	Chater House, Central	Chater House, Central	Li Po Chun Chambers, Sheung Wan	Times Square Tower 1, Causeway Bay
Area to be Available (approx. sq ft)	70,011 (L)	32,331 (N)	94,693 (N)	66,822 (G)	~120,000 (G)
Year for Vacancy	2027	2027	2028	2026	2028

Source: Knight Frank

“Turning vacancy into opportunity”

With significant growth of the finance sector and companies linked to the Chinese mainland, the momentum in the market is largely concentrated in Premium Grade Assets in Central and West Kowloon.

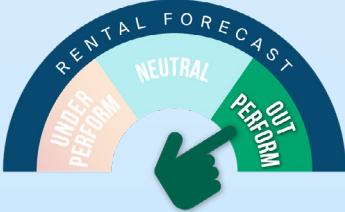
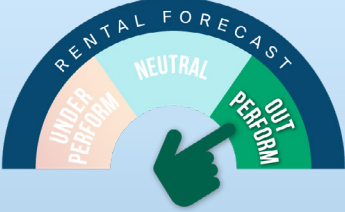
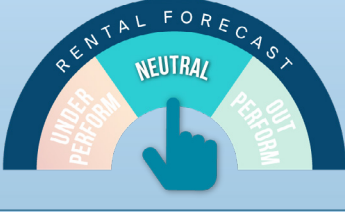
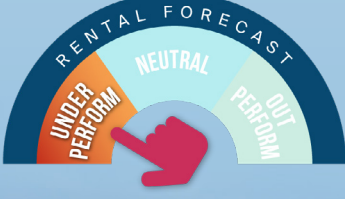
The opportunity for occupiers is to secure space in the buildings where these large occupiers will relocate from and in quality buildings located beyond Central and West Kowloon.

For asset owners, a range of strategies may be adopted, such as asset enhancements, additional amenities, flexible lease terms and fitted offices. A combination of these offerings is likely to improve leasing velocity.”

Jonathan Wright
Senior Director
Hong Kong Office Strategy & Solutions



6. 2026 Office Rental Outlook by Submarkets

Rental Forecast	District	Commentary
	Central (Premium)	<ul style="list-style-type: none"> • Premium Grade Assets in high demand • Vacancy likely to reduce to low single digits • Likely to see continued demand from financial sector • Large pre-commitments likely and possible owner occupier acquisitions
	Sheung Wan	<ul style="list-style-type: none"> • Benefitting from proximity to Central • Vacancy decreasing • Rental levels increasing in better buildings, particularly sea view spaces
	Admiralty Wan Chai North Point Central (Traditional)	<ul style="list-style-type: none"> • No major new supply in 2025/2026 • Sea-view premises are in high demand
	Causeway Bay Quarry Bay Wong Chuk Hang	<ul style="list-style-type: none"> • Recent developments along with upcoming new supply • Landlords may offer more incentives to attract and retain tenants



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



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



Sean Hsu
Assistant Manager
Research & Consultancy,
Greater China
+852 2846 4876
sean.hsu@hk.knightfrank.com



Jennifer Lau
Assistant Manager
Research & Consultancy,
Greater China
+852 2846 9552
jennifer.lau@hk.knightfrank.com

Hong Kong Office Strategy & Solutions



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



Jonathan Wright (S-539211)
Senior Director
Hong Kong Office
Strategy & Solutions
+852 2846 4845
jonathan.wright@hk.knightfrank.com



Laura Lee (S-560084)
Manager
Hong Kong Office
Strategy & Solutions
+852 2846 4846
laura.lee@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

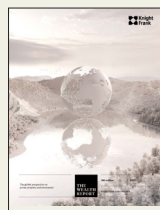
RECENT MARKET-LEADING RESEARCH PUBLICATIONS



Student Living
Revisited



Balancing Acts
2026



The Wealth
Report

Knight Frank Research provides strategic advice, consultancy services and forecasting to a wide range of clients worldwide including developers, investors, funding organisations, corporate institutions and the public sector. All our clients recognise the need for expert independent advice customised to their specific needs. Important Notice: ©Knight Frank 2026. This document and the material contained in it is general information only and is subject to change without notice. All images are for illustration only. No representations or warranties of any nature whatsoever are given, intended or implied. Knight Frank will not be liable for negligence, or for any direct or indirect consequential losses or damages arising from the use of this information. You should satisfy yourself about the completeness or accuracy of any information or materials and seek professional advice in regard to all the information contained herein.

This document and the material contained in it is the property of Knight Frank and is given to you on the understanding that such material and the ideas, concepts and proposals expressed in it are the intellectual property of Knight Frank and protected by copyright. It is understood that you may not use this material or any part of it for any reason other than the evaluation of the document unless we have entered into a further agreement for its use. This document is provided to you in confidence on the understanding it is not disclosed to anyone other than to your employees who need to evaluate it.

Knight Frank Petty Limited EAA (Company) Lic No C-010431
Knight Frank Hong Kong Limited EAA (Company) Lic No C-013197