The Next Wave: The Dual Forces of Decentralisation and Recentralisation

Relocate or Not to Relocate

November 2026

This report analyses Hong Kong's next wave of office decentralisation and recentralisation across key office submarkets.

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To Relocate or Not to Relocate

1. Executive Summary

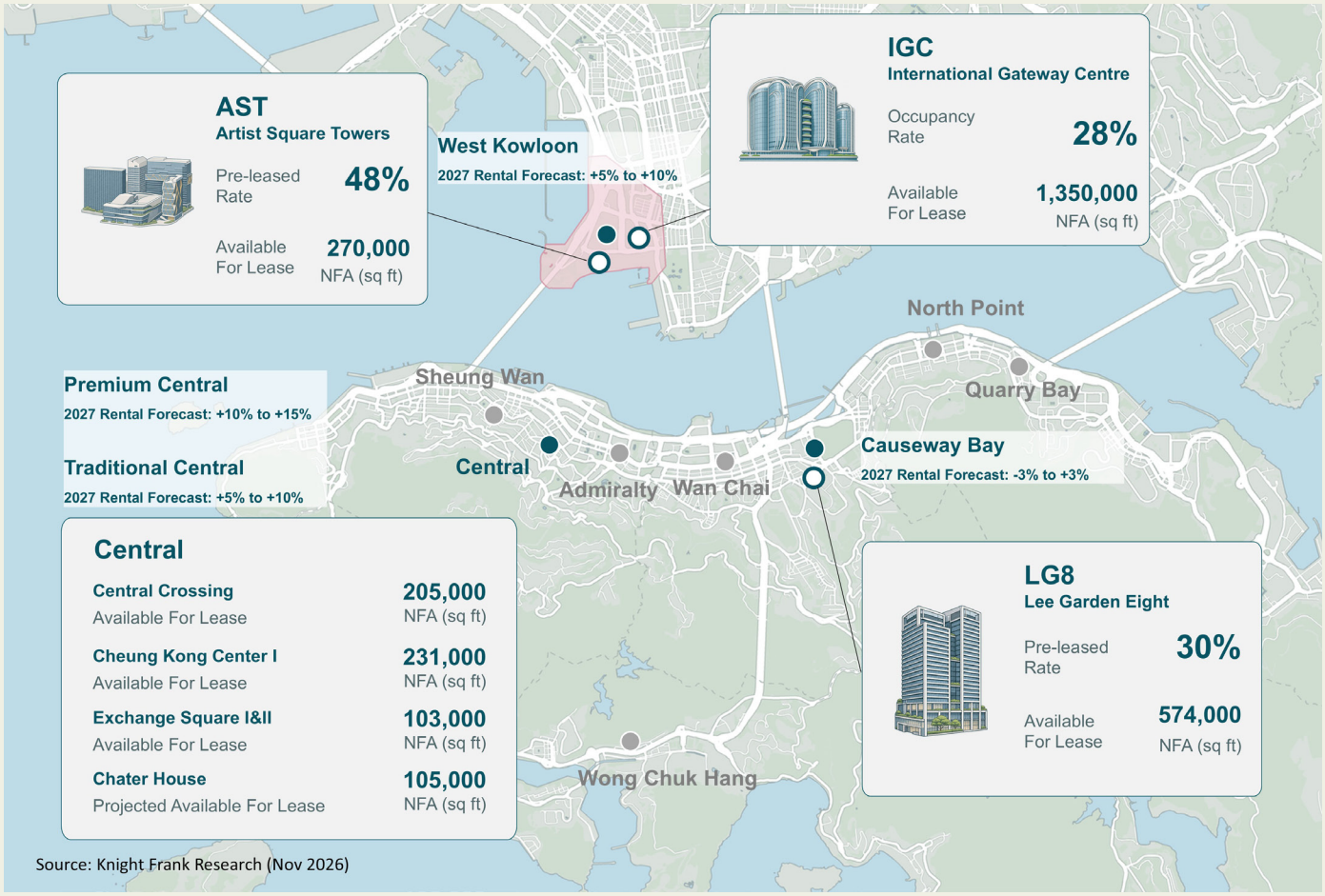
The V-shaped rebound in Premium Central has slammed the door on cheap core space. After a grinding 36-month downcycle, Premium Central rents surged 28.8% from their August 2025 trough to HK$130 psf in September 2026—erasing three years of declines in just 13 months. Core vacancy has dropped from 14.5% at the start of the year to 6.9%, driven by a resurgence in mainland IPOs alongside growth in the asset management and private wealth sectors. With flagship assets like One and Two IFC effectively at full occupancy and effective rents climbing, the flight-to-quality phase is rapidly hitting a capacity ceiling.

Upcoming tight supply makes decentralisation inevitable once again. Unlike in previous cycles, core-adjacent options are scarce: Admiralty's waterfront corridor sits at a tight 4% vacancy and cannot absorb large expansion mandates. As a result, two distinct trends are emerging.

De-Centralisation: Occupiers requiring large floorplates, premier specifications, and harbour views are increasingly looking outward. The rental gap has reopened aggressively, with the Central-to-fringe discount widening back to multi-year highs and shifting corporate strategies from core consolidation back to cost-effective decentralisation.

Two distinct submarkets are poised to capture this outward spillover:

- **West Kowloon (The Scale & Institutional Magnet):** Anchored by ICC, IGC, and the Artist Square Towers, West Kowloon forms a consolidated institutional enclave of 4.2 million sq ft net effective area—equivalent to 100% of Admiralty's total office footprint, 80% of Premium Central, and 70% of Core TST. With its rental discount against Central expanding to HK$35 psf, it stands as the primary destination for investment banks, tech majors, and PRC asset managers requiring contiguous expansion floors and High-Speed Rail connectivity.
- **Causeway Bay (The Financial & Professional Services Hub):** Underpinned by the completion of Caroline Hill Road (Lee Garden Eight), the district is again in the spotlight. Anchored by pre-leasing commitments from ZA Bank and multiple follow-on leases secured by local law firms in November, occupancy has escalated sharply—capturing financial and professional services tenants seeking new and large floor space within Hong Kong Island.



Source: Knight Frank Research (Nov 2026)

Re-centralisation: Conversely, occupiers with strong stickiness to Central can choose to stay or relocate back to lock in rents before they climb further. Tenants can still secure prime core space by tapping into existing vacancies and confirmed upcoming exits, including Jane Street's departure from Chater House (105,000 sq ft NFA), as well as available space in Cheung Kong Center I (approx. 25% vacancy) and Exchange Square I & II (approx. 10% vacancy, or roughly 100,000 sq ft).

Table 1. Prime Office Market Indicators by Submarket (Sept 2026)

		Submarket	Net effective rent	Change		Vacancy		
			HK$ psf / mth	MoM %	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	10.2	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.
*ICC as the proxy of West Kowloon

Source: Knight Frank Research

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

District	Net effective rent	Change		Vacancy		
	HK$ psf / mth	MoM %	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	9.8	20.7	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.
*ICC as the proxy of West Kowloon

Source: Knight Frank Research

Chart 1. Skyrocketing Rent in Premium Central is Getting Less Affordable (as of Q3 2026)

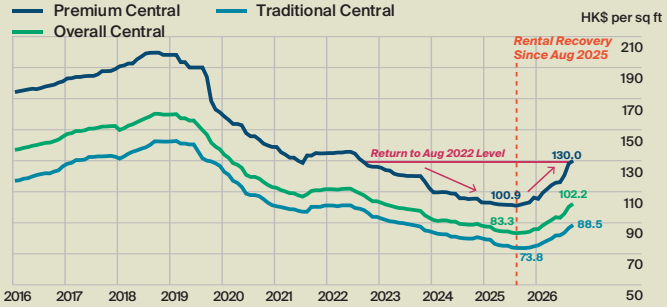
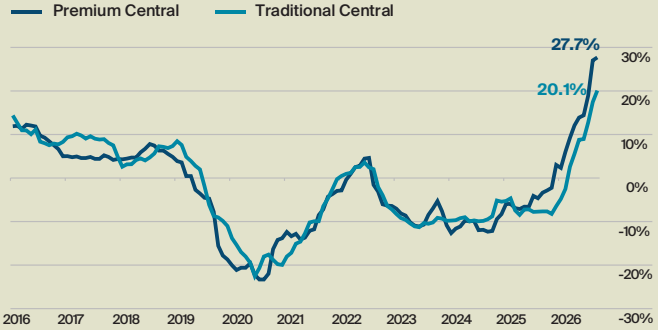
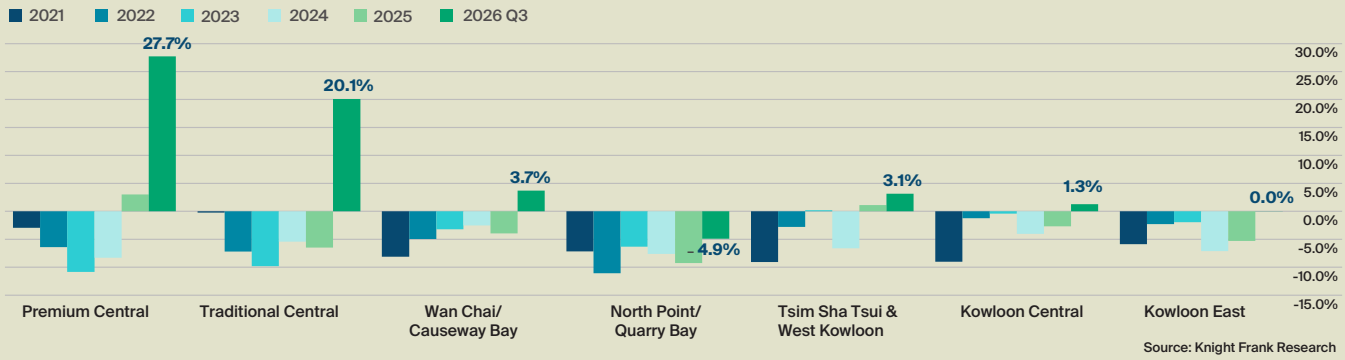


Chart 2. Rental Change (YoY) (as of Q3 2026)



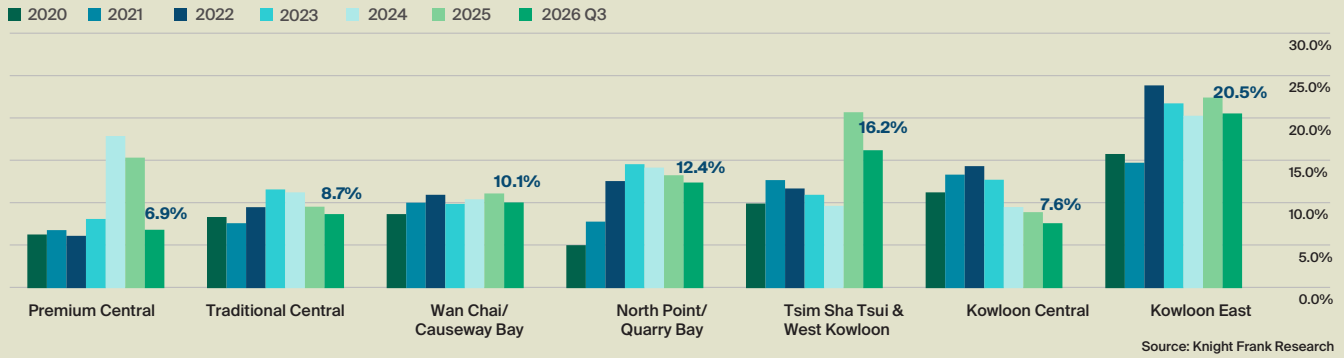
Source: Knight Frank Research

Chart 3. Rental Change (YoY) of Major Districts



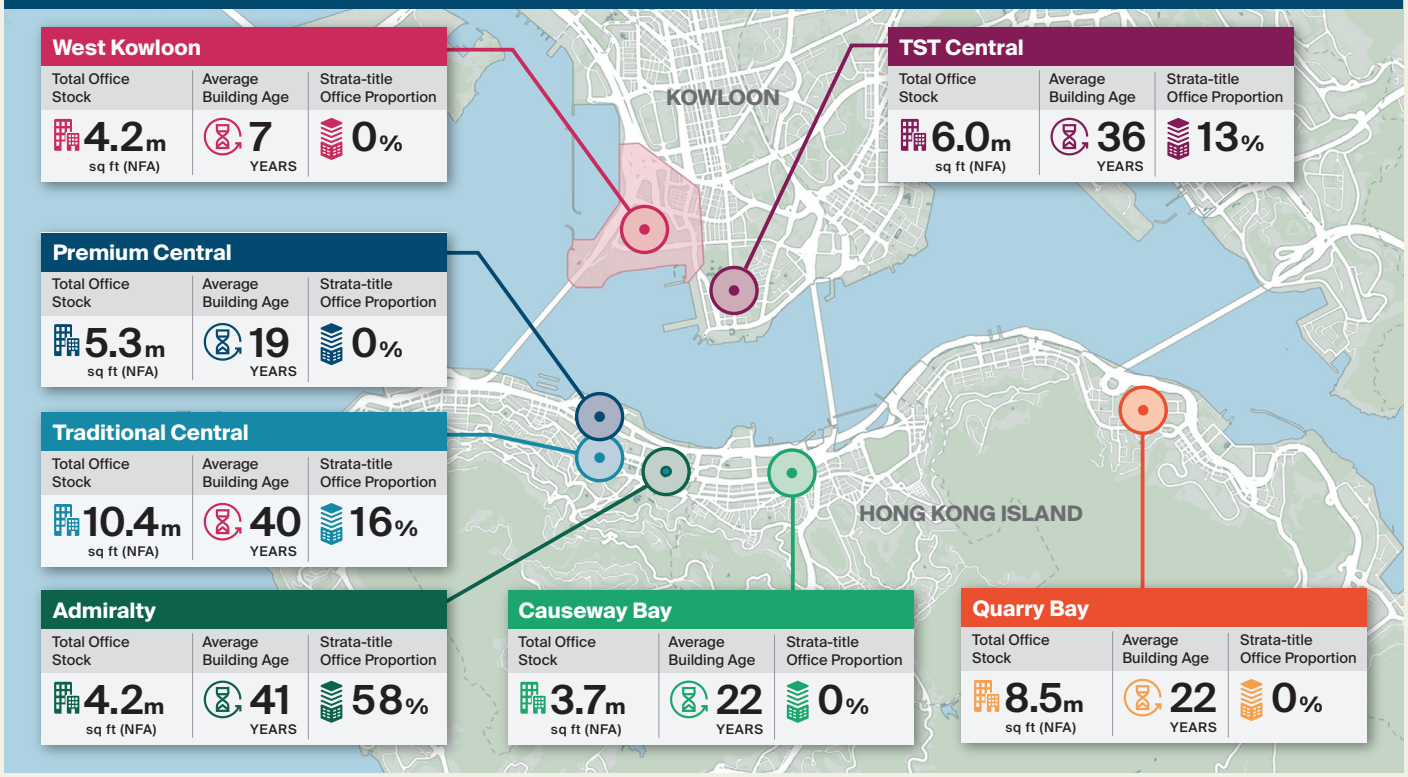
Source: Knight Frank Research

Chart 4. Vacancy Rate of Major Districts



Source: Knight Frank Research

Chart 5. Hong Kong's Sub-Office Market at a Glance



2. The Cost of the Core: Rising Rents and Aging Infrastructure

Grade-A office supply in Central is tightening

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 inflows, One and Two IFC are nearing full capacity. While it took roughly two years to fill recent additions such as Cheung Kong Center II and The Henderson, expansion from asset management and securities firms has emerged as a major driver of the current leasing rally.

The primary catalyst behind this wave is the rapid growth of quantitative trading firms, multi-strategy hedge funds, and private capital managers. Fuelled by regional trading activity and the consolidation of APAC headquarters in Hong Kong, firms including SIG, Point72, Qube Research & Technologies, and Jane Street have aggressively leased large, contiguous floorplates across Central. SFC Type 9 License, continuous growth in asset management firm set up since 2023 has a track record as a leading indicator of such trend.

Chart 6. SFC Type 9 License Growth vs Overall Central Grade-A Office Rents

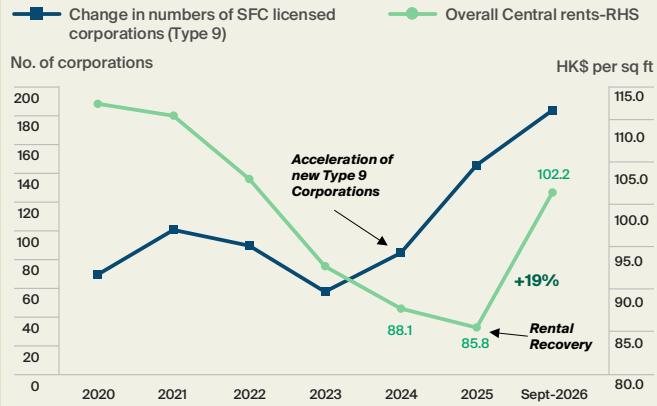
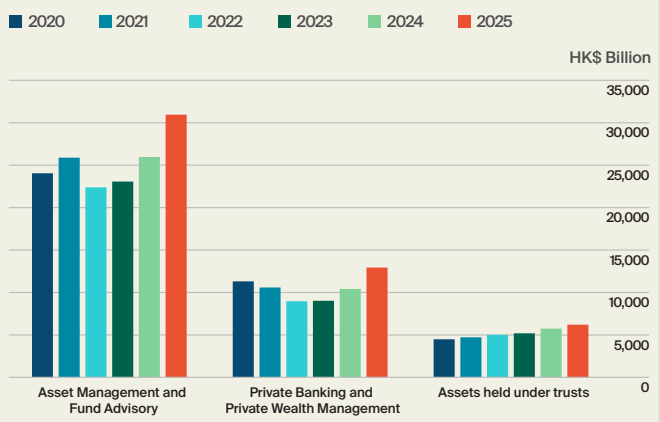
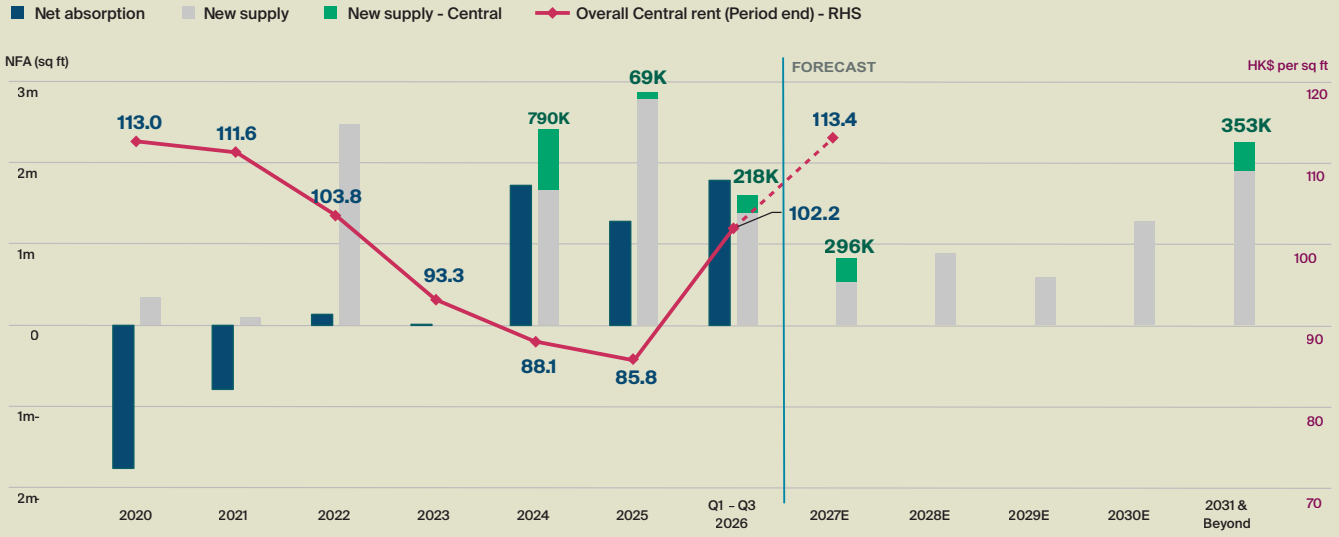


Chart 7. AUM of Asset and Wealth Management Activities in Hong Kong



Source: Knight Frank Research, SFC

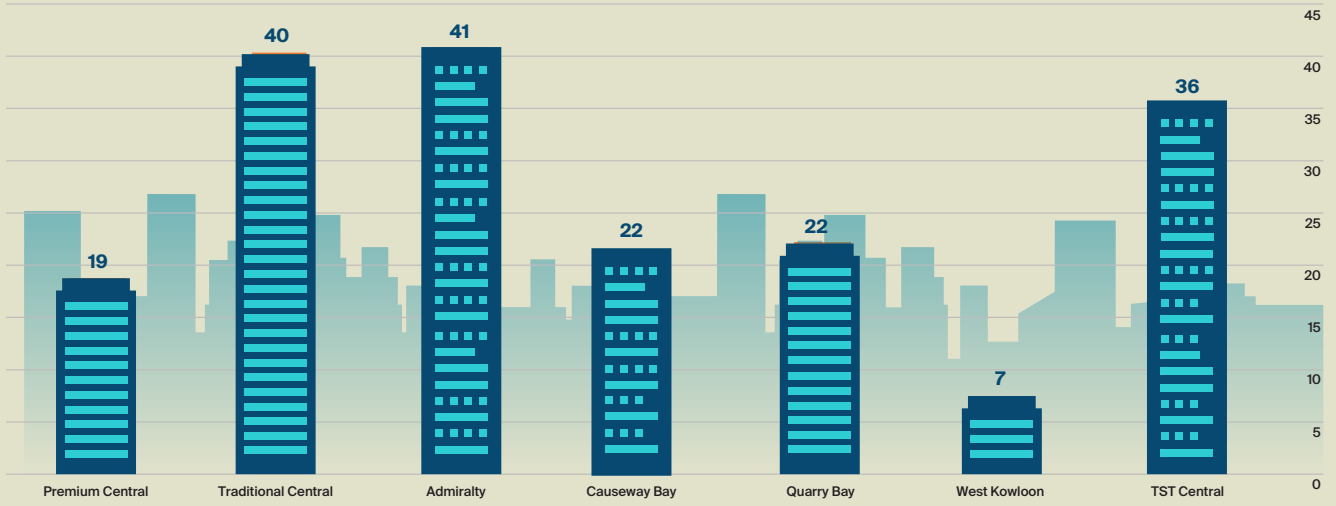
Chart 8. Upcoming Tight Supply Drives Rental Growth



Note: No net absorption forecast is provided for 2027E onwards, and no Central rent forecast is provided after 2027E.

Source: Knight Frank Research

Chart 9. Building Age by Submarket



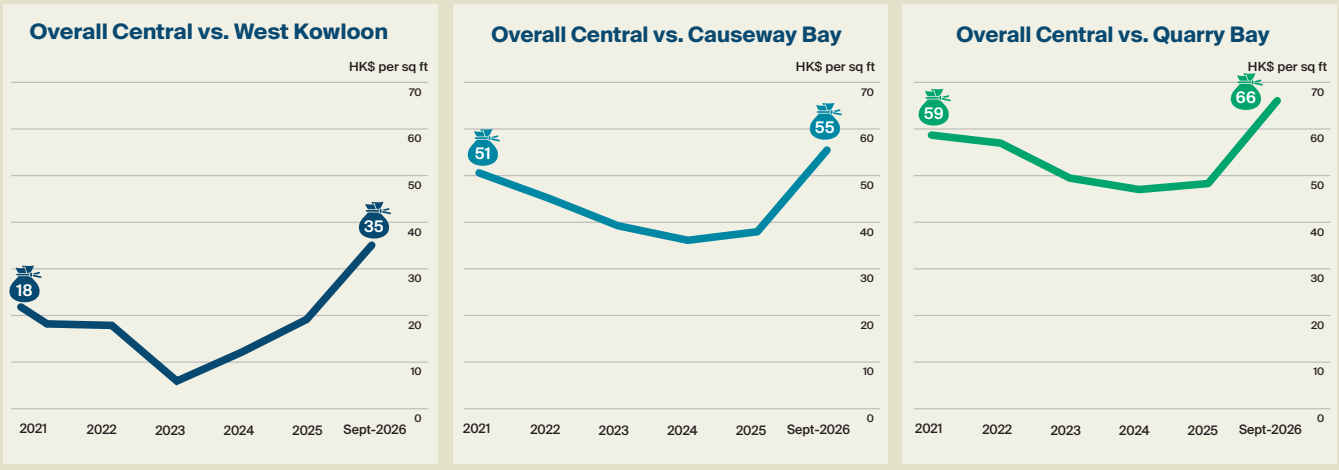
Source: Knight Frank Research

This momentum is no longer confined to Central; it is generating a clear spillover effect across the wider market. Over the first three quarters of 2026, net absorption for Hong Kong Grade-A offices reached 139% of 2025's full-year level, already outpacing total new supply for 2026. With pipeline deliveries remaining modest over the next four years—and new Central supply only arriving in 2027 and 2031 onwards—rents are positioned on a sustained upward trajectory.

At the same time, as core rents climb and contiguous prime space grows scarce, occupiers seeking larger, modern floorplates are increasingly looking beyond traditional Central—where the average building age is around 40 years—toward emerging commercial hubs such as Causeway Bay and West Kowloon. Meanwhile, several law firms have relocated to Quarry Bay to capture meaningful cost savings.

The rent gap between Central and decentralised districts has widened due to surging core rents. Relocating to West Kowloon, Causeway Bay, or Quarry Bay can save occupiers up to HK$35–66 per sq ft, prompting some existing Central tenants to decentralise.

Chart 10. Rental Savings Up To HK$35-66 per sq ft



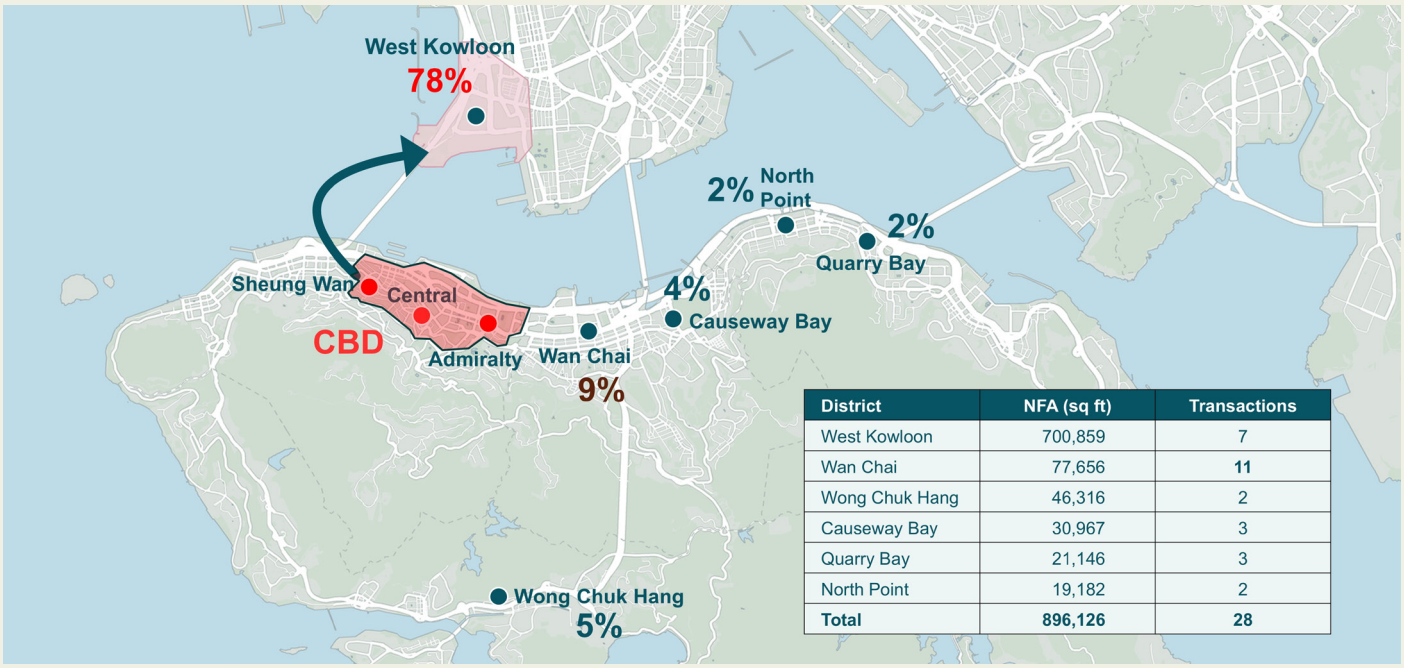
Source: Knight Frank Research

3. The Great Relocation: Who Is Moving Where?

CBD Outward Relocations (2024 – 2026 Q3)

The CBD relocation trend is no longer a broad, fragmented scatter—it is a concentrated, one-way flight across Victoria Harbour. Between 2024 and Q3 2026, over NFA of 896,126 sq ft office space relocated out of the core CBD (Central, Admiralty, Sheung Wan). The relocation map reveals sharp, district-by-district polarities:

CBD Occupiers Relocating to Other Districts by Committed NFA of New Leases (2024–2026 Q3)



District	NFA (sq ft)	Transactions
West Kowloon	700,859	7
Wan Chai	77,656	11
Wong Chuk Hang	46,316	2
Causeway Bay	30,967	3
Quarry Bay	21,146	3
North Point	19,182	2
Total	**896,126**	**28**

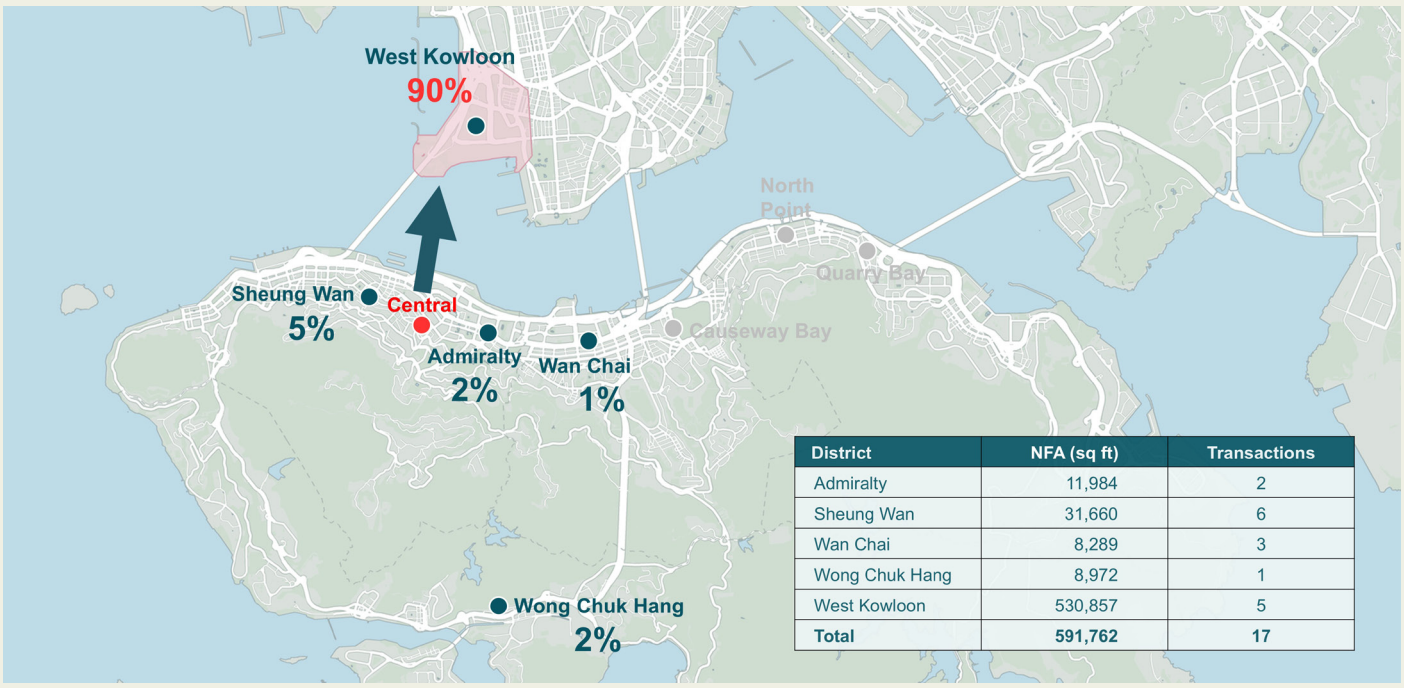
1. Central: The West Kowloon Runaway (90% Captured)

When Central occupiers relocate, they don't downscale to fringe Hong Kong Island—they cross the harbour in bulk.

- Destination of Choice: West Kowloon captured a crushing 90% of all outbound Central NFA (530,857 sq ft).
- The Remainder: Minor spillovers trickled into Sheung Wan (5%, 31,660 sq ft), Wong Chuk Hang (2%), and Admiralty (2%).

Central tenants are executing large-footprint consolidations. Rather than compromising on building grade or fragmenting operations, core occupiers are trading Central postcodes directly for institutional scale and High-Speed Rail connectivity in West Kowloon.

Central Occupiers Relocating to Other Districts by Committed NFA of New Leases (2024–2026 Q3)



District	NFA (sq ft)	Transactions
Admiralty	11,984	2
Sheung Wan	31,660	6
Wan Chai	8,289	3
Wong Chuk Hang	8,972	1
West Kowloon	530,857	5
Total	**591,762**	**17**

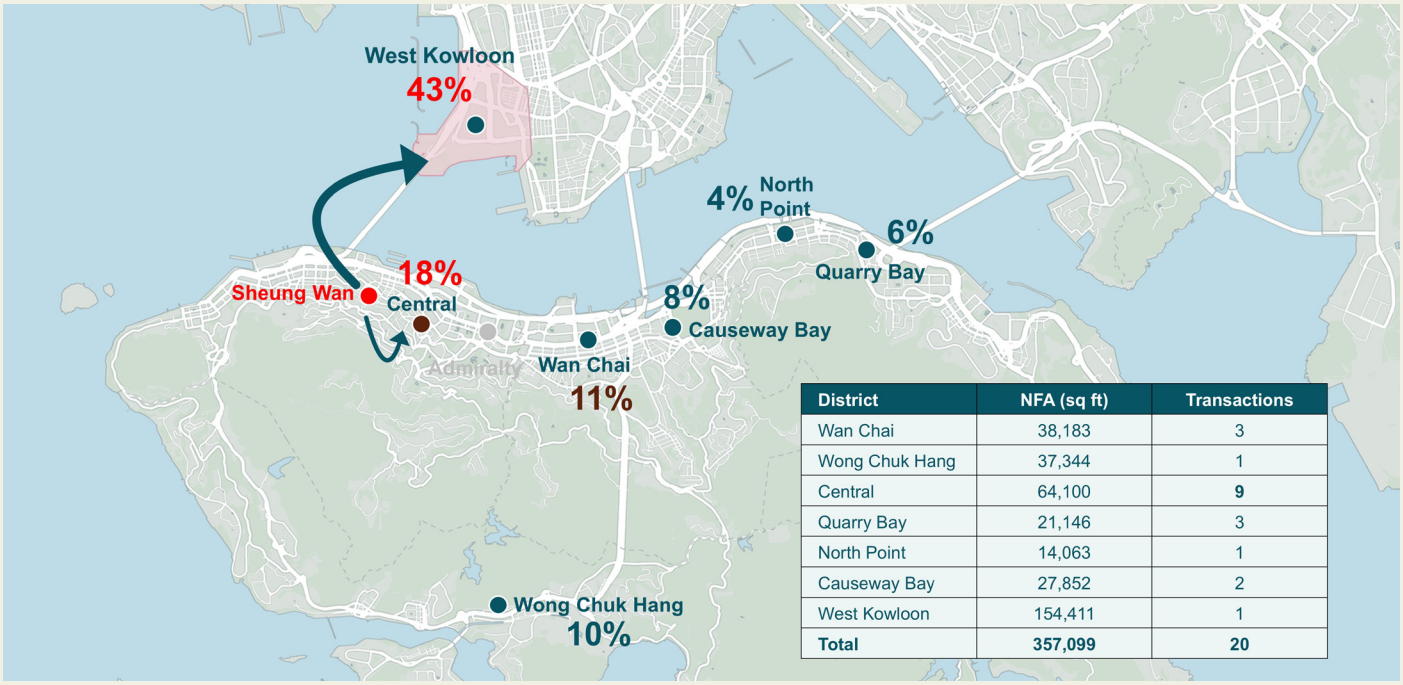
2. Sheung Wan: The High-Volume Cross-Harbour Split (43% to West Kowloon)

Sheung Wan saw substantial displacement across 357,099 sq ft net of outbound moves, acting as a feeder pool across the city:

- Top : West Kowloon took the lion's share at 43% (154,411 sq ft).
- Island East & Fringe Dispersal: Wan Chai absorbed 11% (38,183 sq ft), Wong Chuk Hang took 10% (37,344 sq ft), Causeway Bay captured 8%, and Quarry Bay took 6%.
- Core Upgrades: Notably, 18% (64,100 sq ft across 9 transactions) relocated back into Central, capturing boutique upgrades during the market trough.

Mid-market financial and professional firms in Sheung Wan either seized the window to upgrade into Central or decamped entirely to West Kowloon and South Island for cost relief.

Sheung Wan Occupiers Relocating to Other Districts by Committed NFA of New Leases (2024–2026 Q3)



District	NFA (sq ft)	Transactions
Wan Chai	38,183	3
Wong Chuk Hang	37,344	1
Central	64,100	**9**
Quarry Bay	21,146	3
North Point	14,063	1
Causeway Bay	27,852	2
West Kowloon	154,411	1
Total	**357,099**	**20**

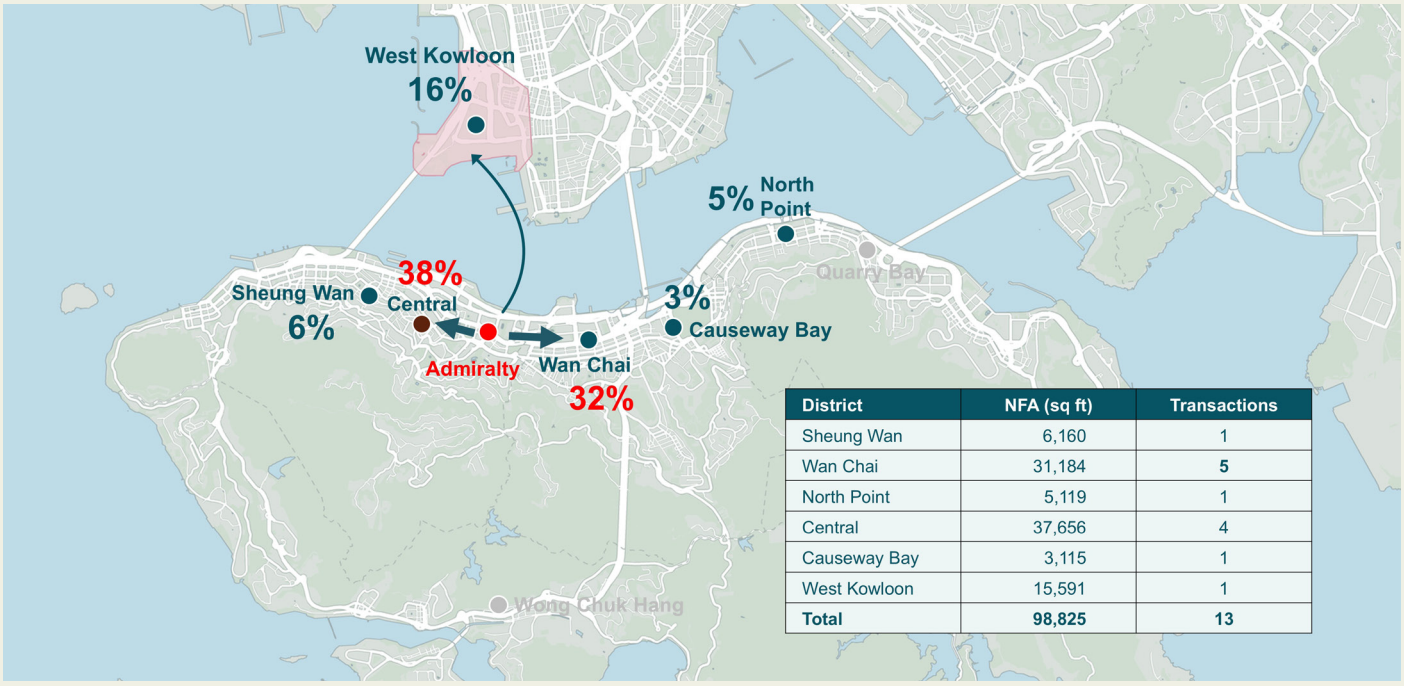
3. Admiralty: Local Clustered Upgrades (Wan Chai & Central Dominate)

Admiralty occupiers stayed firmly tied to the core corridor, showing near-zero appetite for decentralized fringe markets:

- The Split: Relocations were overwhelmingly anchored next door: Central absorbed 38% (37,656 sq ft) and Wan Chai captured 32% (31,184 sq ft).
- Cross-Harbour: West Kowloon secured 16% (15,591 sq ft).
- Island East: A negligible 5% moved to North Point and 3% to Causeway Bay.

Admiralty occupiers demonstrate strong locational inertia. They are either upgrading into core Central or shifting one MTR stop east to Wan Chai to preserve proximity to government and institutional hubs.

Admiralty Occupiers Relocating to Other Districts by Committed NFA of New Leases (2024–2026 Q3)



District	NFA (sq ft)	Transactions
Sheung Wan	6,160	1
Wan Chai	31,184	**5**
North Point	5,119	1
Central	37,656	4
Causeway Bay	3,115	1
West Kowloon	15,591	1
Total	**98,825**	**13**

4. Where are the opportunities in 2027?

Table 3. Leasing Dynamics, Supply Pipeline, and Pre-Leasing Analysis

Asset Name	Developer / Ownership Model	Net Floor Area (NFA)	Completion & Handover Timeline	Key Anchor Tenants & Status
Central Crossing	Wing Tai Properties, CSI Properties	218,000 sq ft (Office)	Completion scheduled in end 2026	TBC
International Gateway Centre (IGC)	Sun Hung Kai Properties	1.88 million sq ft (Office)	Completed Dec 2025; Handover Q1 2026 onwards	UBS (Dedicated Anchor Tower Handover); AXA (97,500 sq ft, 10-year lease, occupancy 2028)
Artist Square Towers (AST)	Sun Hung Kai Properties (34-yr BOT with WKCDA)	519,000 sq ft (Office)	Completion phased (2025–2028)	J.P. Morgan (250,000 sq ft across 6 floors, 10-year anchor lease)
Lee Garden Eight (LG8)	Hysan Development, Chinachem Group	820,000 sq ft (Office)	Completion scheduled in end 2026	ZA Bank (approx. 45,000 sq ft)

Source: Knight Frank Research

De-Centralisation



West Kowloon: Up and Coming Critical Mass

The completion of IGC and AST brings West Kowloon's Grade-A office stock to over 4.2 million square feet of net effective area—matching or exceeding the total commercial office inventory of Admiralty, 80% of Premium Central, or 70% of core Tsim Sha Tsui.

Only New Sizable Building Cluster in Hong Kong

The completion of Lee Garden 8 in Causeway Bay brings in a NFA of 820,000 sq ft of new Grade-A office stock to over 3.7 million square feet of net effective area.

Chart 11. Rental Changes by Submarkets



*Note: ICC as the proxy of West Kowloon

Source: Knight Frank Research

Re-Centralisation

Central: Central Crossing New Supply Core Space

The completion of Central Crossing in Central adds an NFA of 218,000 sq ft of new Grade-A office stock, reinforcing the core CBD's prime inventory amid tight Premium Central vacancy and surging net absorption.



Source: www.centralyards.com

5. Deeper Dive into West Kowloon: Who and Where?

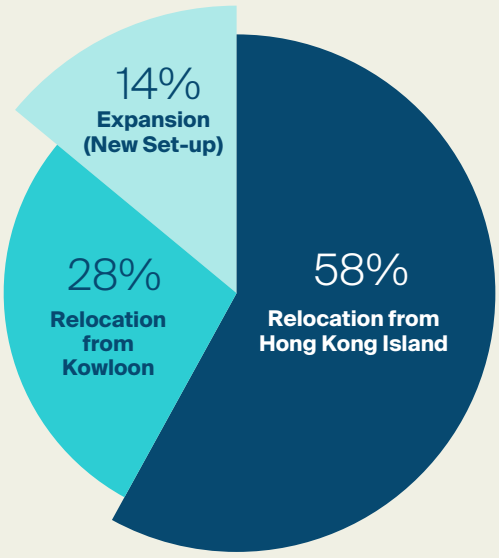
Since 2024, when the market was searching for a bottom, West Kowloon has absorbed a sizeable 1.4 million sq ft of net floor area (NFA)—comprising 58% relocated from Hong Kong Island, 28% from within Kowloon, and the remaining 14% from business expansions and new setups, led primarily by insurance companies. The table below details key tenants and their previous locations.

Table 4. Notable Transactions in West Kowloon

Building	Tenant	Sector	Previous Location
IGC – UBS Tower	UBS	Banking & Finance	Central & Sheung Wan
AST - East & West Tower	JP Morgan Chase	Banking & Finance	Kowloon East
IGC – Ping An Tower	Ping An	Insurance	Central
IGC – One IGC	AXA	Insurance	Expansion
IGC – One IGC	GF Securities	Banking & Finance	Wan Chai
IGC – One IGC	Huawei Technologies	Technology	TST Central
IGC – One IGC	E.Sun Commercial Bank	Banking & Finance	TST Central
IGC – One IGC	Sun Life	Insurance	Expansion
IGC – Ping An Tower	Banco Santander	Banking & Finance	Central
IGC – One IGC	AIA	Insurance	Expansion
IGC – One IGC	Rabobank	Banking & Finance	Admiralty
IGC – One IGC	FWD	Insurance	Expansion
IGC – Ping An Tower	Lioner International	Wealth Management	Central
IGC – Ping An Tower	China Construction Bank	Banking & Finance	Expansion
IGC – Ping An Tower	Hays Group	Professional Services	Expansion

Source: Knight Frank Research

Chart 12. Occupier Relocations by Previous Locations



Source: Knight Frank Research

6. De-centralisation or Re-centralisation ? To Relocate or Not to Relocate

A sharp rebound in Premium Central—only took 13 months to catch up the loss in previous cycle of 36 months—has abruptly closed the tenant-favourable window, forcing occupiers into a strategic dilemma: renewal or relocate.

Staying in Central requires absorbing immediate rental spikes to lock in leases before escalating scarcity and further rate increases take hold. Conversely, decentralising unlocks a compelling arbitrage of HK$35–66 psf by relocating to West Kowloon, Causeway Bay, or Quarry Bay.

With core concessions vanishing, corporate decision-makers must weigh paying rising premiums for Central prestige against capturing scale and massive cost savings across Victoria Harbour. The next decentralisation and recentralisation wave has arrived.



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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