Hong Kong Monthly

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

Flight-to-quality and recentralisation intensify as rents in Central drop further

HONG KONG ISLAND

Office rents on Hong Kong Island have continued to decline, with the rents in March recorded at HK$59.8 per sq ft. This represents a 1.6% MoM and 5.7% YoY decrease, marking the third consecutive month of falling rents. Traditional Grade A offices in Central have experienced a more pronounced drop, with a 3.7% MoM decrease in monthly rents. As a result, more tenants are seeking higher-quality office leasing options.

Office market leasing demand in March was largely driven by insurance companies, law firms and hedge funds. Several major insurance companies were actively exploring opportunities to upgrade their office space. Law firms, particularly those from Chinese mainland, were also experiencing an increase in inquiries about office consolidation, relocation and upgrades. While office rents in CBD continued to undergo downward adjustment, the rental gap among districts was narrowing. This allowed companies who previously located in decentralised districts to take advantage of the current market conditions to recentralise their office.

Despite the heightened economic uncertainty amid the US tariff policy, the Hong Kong office leasing market has not yet shown immediate impacts. Companies appear to be adopting a cautious approach, opting to monitor market conditions as policy amendments and global dynamics change too rapidly.

Looking ahead, more major developments set to enter the market, including One Causeway Bay, Lee Garden Eight and Central Crossing. Other offices will continue to face challenges in balancing overall occupancy and rents, as tenants are presented with more options. We expect office rents to remain under pressure in 2025.

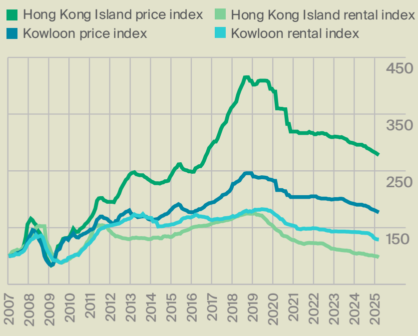
KOWLOON

The Kowloon office market showed positive activity in March, contrasting with the quiet market environment in the first two months of 2025. Transaction volume experienced a 4.4% MoM increase. While transactions primarily involve units below 3,000 sq ft, sizable transactions of over 10,000 sq ft increased by 10% in number. Following two subdued months leading up to the fiscal year-end in March, companies expedited their decision-making, resulting in an increase in transaction volume. The dominant sources driving leasing activity remain electronics and IT-related companies. Office spaces in Kowloon East commanding rents at or below HK$20 per sq ft also contribute significantly to the market transactions.

Amid the uncertainty surrounding tariff implementation, the market has observed two distinct responses. Large corporates are likely to secure longer lease terms to reduce risk exposure to the market while seeking flexibility in size and other terms. Conversely, some companies are favouring short-term renewals to capitalise on the benefits of flexibility and risk reduction. For example, an apparel-making company renewed for 6 months, while a US electronics company opted for an 18-month lease.

In conclusion, leasing activity in the Kowloon office market during Q1 2025 indicated that flexibility and cost remained the primary concerns for tenants. Global trading uncertainty has affected market sentiment. As a result, companies have expedited leasing decisions to reduce market risk exposure. Leasing demand from mainland Chinese companies has nearly frozen. The adverse effects of tariffs on the sourcing, trading, and retail industries are expected to become more pronounced in the second quarter. We expect Grade A office rents in Kowloon to remain under pressure in the short term due to the negative market outlook and uncertainty surrounding tariffs.

Fig 1. Grade-A office rents and prices
2007 = 100



Source: Knight Frank Research

Grade-A office market indicators (March 2025)

District	Net effective rent	Change		Price (Gross)	Change	
	HK$ psf / mth	MoM %	YoY %	HK$ psf	MoM %	YoY %
Premium Central	101.8	-0.7	-6.9	-	-	-
Traditional Central	79.0	-3.7	-7.2	-	-	-
Overall Central	87.7	-2.4	-6.6	28,713	-0.7	-6.7
Admiralty	55.9	-1.6	-11.0	25,383	-0.9	-6.4
Sheung Wan	49.0	-0.5	-8.8	24,325	-0.8	-6.1
Wan Chai	49.1	-0.4	-2.4	21,484	-0.7	-7.0
Causeway Bay	50.1	-1.7	-6.2	19,109	-0.5	-5.6
North Point	30.5	0.0	-12.9	-	-	-
Quarry Bay	40.9	-0.6	-5.8	-	-	-
Tsim Sha Tsui	51.1	-0.2	-4.8	12,989	-0.9	-6.3
Cheung Sha Wan	27.0	0.0	-8.7	-	-	-
Hung Hom	35.5	0.0	-6.6	-	-	-
Kowloon East	25.6	-0.4	-11.2	10,524	-0.9	-8.4
Mong Kok / Yau Ma Tei	45.5	-1.8	-9.0	-	-	-

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

Residential

Hong Kong residential market overcast with economic uncertainty

Hong Kong's residential property market has shown a significant uptick in transaction volume following the government's announcement to reduce the stamp duty on the sale of flats worth up to HK$4 million in the Budget. Total residential sales surged to 5,367 in March, marking a 68% MoM increase, with first-hand sales rising significantly to 2,229 transactions, up 148% MoM. Nonetheless, overall residential home prices fell slightly by 0.9% MoM in February, reaching their lowest level in over eight years after three consecutive months of decline.

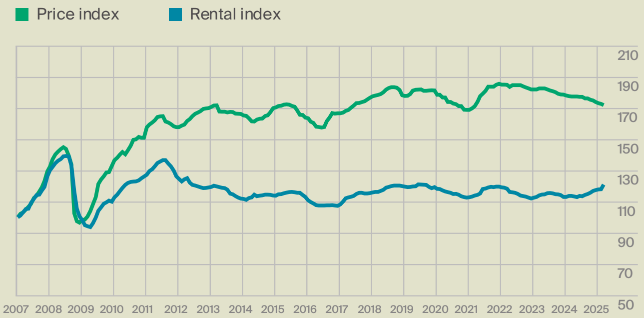
Bolstered by the reduced stamp duty, the first-hand market recorded brisk sales in March. Three new developments launched in March, including Eight Southpark in Kowloon City, Yoho West Parkside in Tin Shui Wai and Le Mont in Tai Po. With a total of 1,923 units, 1,202 units were successfully sold, representing 62.5% of the inventory. Notably, 82% of Eight SouthPark were sold at an average price of HK$18,814 sq ft, 10% cheaper than comparable properties in the same neighbourhood and in Kai Tak. Developers have been more active in offering discounts to attract potential buyers.

The luxury property market activity in March was driven by a significant number of distressed units, providing bottom-fishing opportunities for cash-rich buyers. A total of 18 transactions for properties exceeding HK$78 million (US$10 million) were recorded in March, reflecting a 5.9% MoM increase. The total consideration reached HK$2.75 billion, marking a 49% MoM increase. Notably, a 3,202-sq-ft- house at 31 Barker Road, The Peak, was sold for HK$288 million, or HK$89,944 per sq ft.

The leasing market continued to outperform the sales market, with the rental index for February rising 0.3% MoM, marking its third consecutive months increase and reaching a five-year high. Factors supporting the leasing market include increased demand from professionals and students from Chinese mainland and overseas. Heightened global economic uncertainty has also prompted more buyers to delay flat purchases and turn to the leasing market.

Fig 2. Luxury residential rents and prices

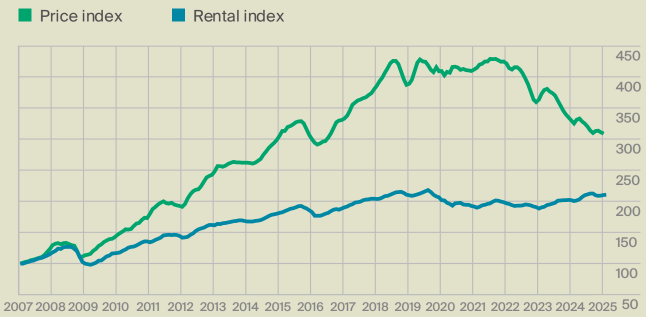
2007 = 100



Source: Knight Frank Research

Fig 3. Mass residential rents and prices

2007 = 100



Source: Knight Frank Research / Rating and Valuation Department

Looking ahead, the escalating US tariff policy is negatively impacting homebuyer sentiment in Hong Kong. Amid macroeconomic uncertainties and currency depreciation risks, buyers are likely to be more cautious, potentially delaying purchases. The erratic stock market has also dampened investment confidence. Consequently, both investors and end-users are expected to adopt a wait-and-see approach amid high uncertainty. We expect the overall home prices to drop by 2-3% in the first half of 2025.

Selected residential sales transactions (March 2025)

District	Building	Tower / floor / unit	Saleable area (sq ft)	Price (HK$ million)	Price (HK$ per sq ft)
The Peak	31 Barker Road	House B	3,202	288	89,944
Happy Valley	The Leighton	T5-38A	2,485	168	67,606
Mid-Levels East	Evergreen Villa	C2-4/F	2,323	44	18,941
Mid-Levels Central	Clovelly Court	T1-16B	2,348	66.88	28,484
Mid-Levels West	Po Shan Mansion	B1-10	2,410	43.9	18,216
Tsim Sha Tsui	The Austin	T3-27&28C	2,657	105	39,518

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

Selected residential lease transactions (March 2025)

District	Building	Tower / floor / unit	Lettable area (sq ft)	Monthly rent (HK$)	Monthly rent (HK$ per sq ft)
Mid-Levels Central	Garden Terrace 3	High Floor B	2,828	160,000	57
Mid-Levels West	80 Robinson Road	Low Floor A	1,042	53,000	51
Mid-Levels East	Bellevue Court	Low Floor B	2,257	85,000	38
Happy Valley	The Leighton Hill	T5 – High Foor B	1,724	126,000	73
Repulse Bay	Repulse Bay Garden	Block 8 – High Floor	2,049	84,000	41
Tsim Sha Tsui	The Austin	T2-Low Floor B	1,440	78,000	54

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

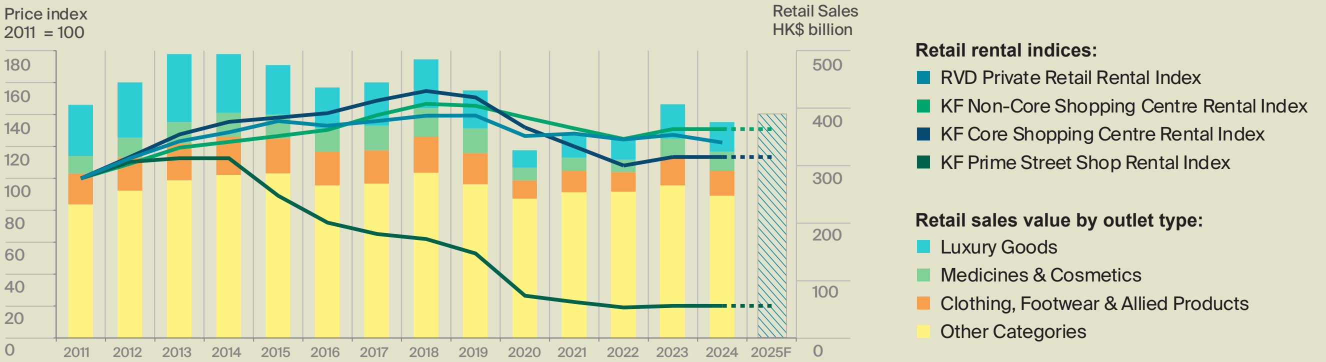
Retail

Retail markets navigate cautiously amid global economic shifts

Hong Kong's retail market continues to face significant challenges, evidenced by a continued decline in retail sales. In February 2025, total retail sales value dropped further by 13% YoY to HK$29.4 billion, marking the 12th consecutive month of decrease. The decline was partly influenced by the early arrival of Lunar New Year in late January this year. However, the combined retail sales value for January and February 2025 totaled HK$64.8 billion, still reflecting a 7.8% drop compared to the same period last year.

Recently, the movement of Chinese e-commerce giants like JD.com and Alibaba have been reshaping Hong Kong's retail landscape. JD.com is set to launch a JD Mall focused on home appliances, while Alibaba has opened its first store in Tsim Sha Tsui. These developments not only expand consumer choices but also pose challenges for local retailers, as online platforms offer significantly lower prices and more efficient after-sales services.

Fig 4. Retail rents and sales



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

These innovative online-offline models allow e-commerce retailers to be increasingly attractive to customers, further impacting traditional brick-and-mortar stores.

On a positive note, the Hong Kong Super March events significantly boosted visitor arrivals in Hong Kong. March saw over 3.4 million visitors, a 12% YoY increase, including 960,000 overseas tourists. The Hong Kong Sevens attracted a record audience of 140,000, while Art Basel and ComplexCon also reported strong attendance. Art Basel closed its doors with resounding success, attracting 91,000 visitors, a 21% increase YoY and ComplexCon drew 35,000 attendees, marking a 16% YoY increase. Hotel occupancy rates in prime districts approached 90%.

Besides, leasing activity in prime retail streets has gained momentum. Futu Securities International (Hong Kong) leased a 4,540-sq-ft space in Soundwill Plaza on Russell Street. The space was previously occupied by the Transformers: The Art restaurant, for HK$1.2 million per month, or an 86% decrease from 2015 levels. Despite the increased leasing activities, overall rents continue to face downward pressure due to declining retail sales.

Looking ahead, Hong Kong's retail market is expected to see a slowdown in activity as retailers respond cautiously to global economic uncertainties and local stagnant economic growth. More landlords have begun to reduce rents to retain tenants, even for renewals – a trend that has rarely occurred in the past. This may lead to further declines in retail rents and dampen commercial real estate investment.

Retail sales by outlet type (February 2025)

Outlet	Value (HK$ billion)	Share of total %	Change MoM %	Change QoQ %	Change YoY %
Jewellery, watches and clocks, and valuable gifts	4.2	14.2	-6.5	-7.0	-13.5
Clothing, footwear and allied products	3.9	13.1	-14.1	-1.2	-14.7
Department stores	2.0	6.8	-28.5	-31.5	-21.3
Fuel	0.6	2.2	-15.5	-12.7	-13.0
Food, alcoholic drinks and tobacco (excluding supermarkets)	3.4	11.4	-14.9	13.5	-9.2
Consumer durable goods	3.4	11.7	-15.4	-33.8	-16.4
Supermarkets	3.7	12.7	-18.1	-10.0	-13.7
Others	8.2	27.8	-20.3	11.6	-9.1
All retail outlets	29.4	100.0	-16.9	-7.2	-13.0

Source: Knight Frank Research / Census and Statistics Department

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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