

# Hong Kong Monthly

March 2025

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

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## Office

### ► The legal and finance sectors lead the market amid challenges

#### HONG KONG ISLAND

In February, the overall average Grade A rent in Hong Kong Island continued to decline, dropping by 0.5% MoM and 4.3% YoY to HK\$60.8 per sq ft. There has been notable activity in smaller office spaces, particularly those ranging from 2,000 to 3,000 sq ft.

The legal sector is experiencing significant growth due to the increasing complexity of financial markets, resulting in heightened demand for specialised legal services. This trend has led to new entries and expansions by law firms focusing on private equity funds, investment trusts, exchange traded funds (ETFs) and other finance-related matters. Recently, two UK law firms have set up their new outposts in Hong Kong: one firm leased the entire 21st floor of Gloucester Tower, Central, covering 12,600 sq ft, while the other secured 3,000 sq ft in K11 ATELIER, Quarry Bay.

Meanwhile, the finance sector remained active. For instance, a multinational company providing commercial insurance brokerage services leased 23,000 sq ft on the 25th floor of Two Taikoo Place, relocating from Causeway Bay; while a large-scale transaction involving an alternative investment firm leasing 55,049 sq ft was recorded in The Henderson.

On another front, there has been an increase in inspections and inquiries from the crypto sector, which typically prefers smaller office spaces and co-working environments. Government's investments in Web3 infrastructure and talent development,

coupled with tax relief on crypto profits for hedge funds and private equity firms, are anticipated to attract investment.

The office leasing market is currently facing significant challenges, including declining rents, high vacancy rates and an oversupply of space. We expect that the measures announced in the Budget—specifically, the halt on releasing new commercial sites for sale in the coming year and the rezoning of some commercial properties for residential use—will stabilise the supply-demand dynamics of the office market and mitigate further rental pressures.

#### KOWLOON

The Kowloon office market experienced relatively stagnant conditions in February, largely due to the CNY holidays, which delayed decision-making and led to a significant focus on lease renewals. As a result, relocations fell by 19% compared to January.

Despite the decrease in overall transactions, average rents for relocations surged by 10%. This uptick can be attributed to tenants' increasing interest in prime locations such as Tsim Sha Tsui, where rental rates have become more appealing following recent market corrections. This trend is further highlighted by declining vacancy rates in iconic commercial buildings, with Harbour City's office portfolio witnessing a reduction in vacancy from over 15% to nearly 10%. Notably, the International Commerce Centre completed a substantial gross transaction of 27,000 sq ft with HSBC,

underscoring selective demand for high-quality office spaces.

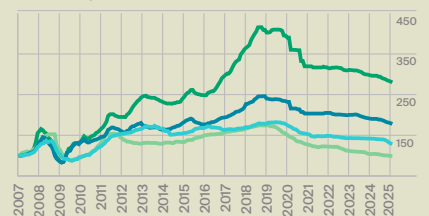
However, we are cautious about February's average rent increases as these transactions focus on high-value locations that do not represent the market. Given the ongoing negotiations in decentralised Kowloon areas and a notable 40% difference between core and decentralised markets, it is our view that the overall rent is likely to experience a decline in the coming months as more deals are finalised in lower-rent locations like Kwun Tong and Cheung Sha Wan.

Looking ahead, the Kowloon office market is expected to stabilise at its current low levels amid weak demand across key business sectors. Landlords will likely continue to engage in aggressive competition, offering further incentives and rent discounts to attract tenants, particularly for newer properties facing higher vacancy rates. This competitive landscape creates opportunities for tenants in strong positions, facilitating an increase in early negotiations and lease restructures within the market.

**Fig 1. Grade-A office rents and prices**

2007 = 100

■ Hong Kong Island price index ■ Hong Kong Island rental index  
■ Kowloon price index ■ Kowloon rental index



Source: Knight Frank Research

## Grade-A office market indicators (February 2025)

District	Net effective rent			Price (Gross)		
	HK\$ psf / mth	MoM %	YoY %	HK\$ psf	MoM %	YoY %
Premium Central	102.6	0.0	-5.9	-	-	-
Traditional Central	82.1	-0.3	-4.3	-	-	-
Overall Central	89.9	-0.2	-4.0	28,913	-0.7	-6.1
Admiralty	56.9	-1.5	-10.1	25,603	-0.7	-5.6
Sheung Wan	49.2	-1.0	-8.0	24,525	-0.8	-5.3
Wan Chai	49.2	-0.4	-1.6	21,638	-0.7	-6.3
Causeway Bay	50.9	-1.5	-5.0	19,209	-0.5	-5.1
North Point	30.5	0.0	-12.9	-	-	-
Quarry Bay	41.1	-0.3	-5.8	-	-	-
Tsim Sha Tsui	51.2	-0.2	-4.9	13,103	-0.8	-5.5
Cheung Sha Wan	27.0	-1.1	-8.7	-	-	-
Hung Hom	35.5	0.0	-5.2	-	-	-
Kowloon East	25.7	-1.2	-10.9	10,624	-0.9	-7.5
Mong Kok / Yau Ma Tei	46.3	-2.4	-7.4	-	-	-

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

# Residential

## ► Residential market shows early signs of recovery

In early 2025, Hong Kong's residential market continues to grapple with declining home prices. In January, typically a slow month due to the Lunar New Year holiday, the housing price index continued its downward trend, following the drop of 0.65% MoM decline in December. The index reached its lowest level in eight and a half year, decreasing by 0.45% MoM, marking a nearly 28% reduction from its peak in September 2021, as reported by the Rating and Valuation Department.

In February, total residential sales transactions fell to 3,200, an 11.7% MoM drop, according to the Land Registry. However, first-hand sales showed a significant uptick, rising by 17% MoM to 900 transactions after two consecutive

months of decline. This increase in first-hand sales indicates improved market sentiment and a potential revival in buyer interest, particularly in response to recent policy changes. The 2025-26 Budget announced an adjustment to the threshold for homes eligible for the HK\$100 stamp duty, raising it from HK\$3 million to HK\$4 million. This modification is anticipated to encourage first-time buyers to enter the primary market, and we expect residential transactions to increase by 5% to 10%.

Some new developments which feature units priced below HK\$4 million (or under HK\$10,000 per sq ft) have successfully attracted buyer interest. Projects like Henderson's Eight Southpark in Kowloon City and Sun

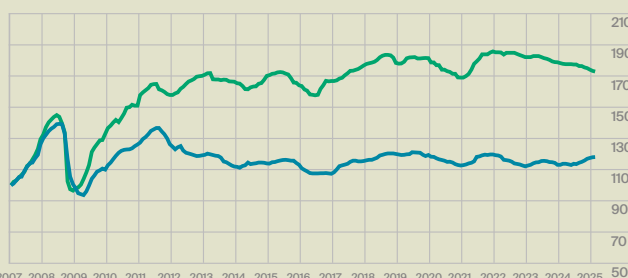
Hung Kai Properties' Yoho West Parkside in Yuen Long received overwhelming responses in their launches. Given the deep discounts, all units in these projects sold out in the initial offerings.

On the other hand, the luxury residential segment has remained resilient. The new luxury residential project in Kai Tak, The Knightsbridge, has experienced strong demand for larger units exceeding 1,000 sq ft, with prices surpassing HK\$30 million. Additionally, Mont Verra in Shek Kip Mei has successfully sold three luxury mansions this year, with prices reaching over HK\$50,000 per sq ft. These sales highlight a persistent appetite for high-end properties among affluent buyers, particularly as confidence in the market

**Fig 2. Luxury residential rents and prices**

2007 = 100

■ Price index ■ Rental index

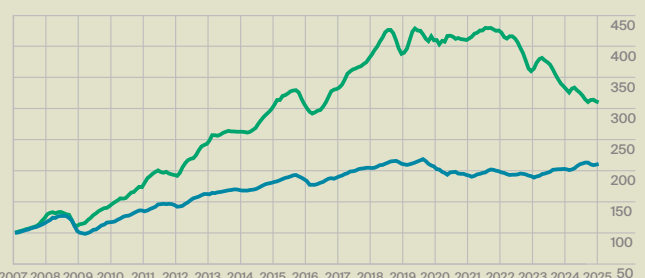


Source: Knight Frank Research

**Fig 3. Mass residential rents and prices**

2007 = 100

■ Price index ■ Rental index



Source: Knight Frank Research / Rating and Valuation Department

begins to stabilise.

As the market generally anticipates more interest rate cuts in 2025, and the Hang Seng Index has improved,

home buyers have become more active, as reflected by the brisk sales in the primary market. This shift in mindset could signal a turning point for the

residential market. As confidence grows, we expect home prices to bottom out in the first half of 2025, paving the way for a more robust recovery.

### Selected residential sales transactions (February 2025)

District	Building	Tower / floor / unit	Saleable area (sq ft)	Price (HK\$ million)	Price (HK\$ per sq ft)
Mid-Levels East	Leon Court	6A	2,480	42.5	17,127
Mid-Levels East	Leon Court	7A	2,480	42.5	17,127
Mid-Levels Central	Tregunter Tower 1	17B	2,330	41.5	17,811
Mid-Levels West	Piccadilly Mansion	5A	2,499	50.5	20,208
Pokfulam	Scenic Villas	Block A1 12E	2,311	37.5	17,227
Repulse Bay	HK Parkview	T11 Unit 67-8/F	2,049	48	23,426

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

### Selected residential lease transactions (February 2025)

District	Building	Tower / floor / unit	Lettable area (sq ft)	Monthly rent (HK\$)	Monthly rent (HK\$ per sq ft)
Mid-Levels Central	8 Kennedy Terrace	High Floor	3,621	400,000	110
Mid-Levels West	Argenta	High Floor	2,123	128,000	60
Mid-Levels West	Seymour	High Floor Flat A	1,730	108,000	62
Happy Valley	Beverly Hill	Block J2 Low Floor	1,468	55,000	37
Island South	Marinella	T1-High Floor Flat A	1,949	115,000	59
Island South	Shouson Peak	House	4,240	390,000	92

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

# Retail

## ► Innovative and health sectors gain momentum despite the challenging environment

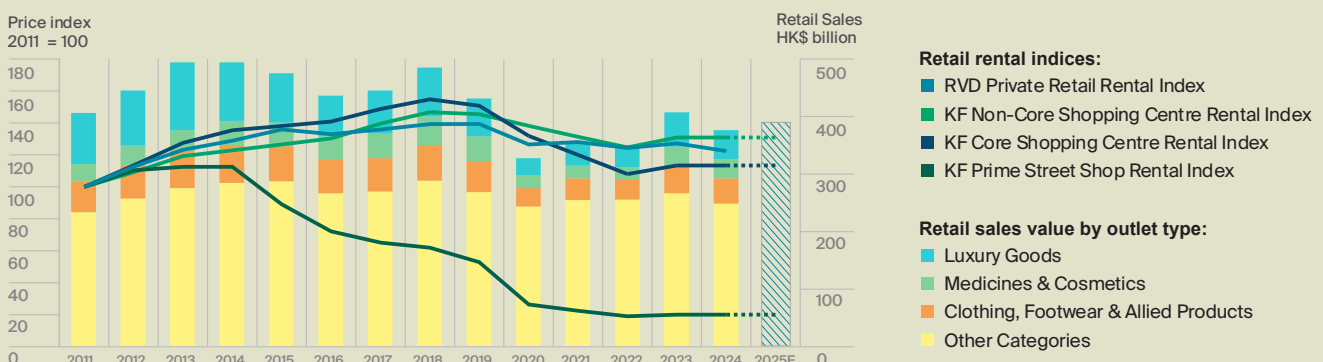
As the Lunar New Year arrived in late January, retail sales continued to show weakness, a trend that has persisted since last year. Provisional retail sales slightly increased to HK\$35.3 billion in January 2025, reflecting a 7.6% MoM growth but a 3.2% YoY decline. This marked the eleventh consecutive month of YoY

decline in retail sales, indicating a lack of positive momentum to drive growth in the retail market at the onset of 2025.

In terms of specific categories, sales value of food, alcoholic beverages, and tobacco experienced a notable 10.9% YoY growth, with alcoholic beverages and tobacco showing the most significant increase of 26.4%. This uptick may

be attributed to the tax reduction on alcoholic beverages implemented last year. Additionally, clothing, footwear, and allied products recorded a long-awaited increase of 2.2% YoY, suggesting slight recovery in certain sectors. In contrast, consumer durable goods faced a substantial decline of 23.4% YoY, while sales of jewellery, watches and clocks,

Fig 4. Retail rents and sales



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

and valuable gifts fell by 17.9% YoY.

While traditional retail sectors continue to struggle, there is a noticeable shift towards innovative and health-focused businesses that are poised to thrive in evolving retail environments. Health and wellness-related businesses, such as fitness studios, health food shops, and wellness services, are beginning to occupy prime locations once held by larger brands and conventional retailers. For instance, ONYX by GO24 Fitness recently opened its second location in Central District, located

at the basement of LHT Tower, with a ground floor entrance and a total gross area of 8,150 sq ft, leased at HK\$400,000 per month or HK\$49 per sq ft. Additionally, Stachd Pickleball opened its court in early 2025 on the third floor of Hopewell Mall, marking the first pickleball court located within a shopping mall, offering over 10,000 sq ft of space. In the F&B sector, so'N, a vegetarian restaurant and wellness workshop located at 9-10 Jaffe Road, Wan Chai, provides healthy meals alongside therapeutic events.

The recent inauguration of the

Kai Tak Sports Park on 1st March has generated positive feedback from nearby shopping malls and restaurants, noting increased foot traffic and business activity in the Kai Tak area. In light of the sporting events and infrastructure provided by the sports park, more retailers, especially those in health and wellness, are likely to seize the opportunities to expand their presence. Overall, we anticipate an increase in leasing activities in the market driven by "alternative" retailers that cater to specific consumer interests, reflecting the evolving landscape of the retail market.

### Retail sales by outlet type (January 2025)

Outlet	Value (HK\$ billion)	Share of total %	Change MoM %	Change QoQ %	Change YoY %
Jewellery, watches and clocks, and valuable gifts	4.5	12.6	-4.8	-1.1	-18.0
Clothing, footwear and allied products	4.5	12.7	8.6	43.6	2.2
Department stores	2.8	7.9	-6.4	8.1	0.5
Fuel	0.8	2.1	7.8	-2.4	-4.3
Food, alcoholic drinks and tobacco (excluding supermarkets)	3.9	11.2	21.0	27.4	10.9
Consumer durable goods	4.1	11.5	-8.2	-42.4	-23.4
Supermarkets	4.6	12.9	12.5	7.3	4.9
Others	10.3	29.0	20.2	36.7	3.7
All retail outlets	35.3	100.0	7.8	7.4	-3.2

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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