Rents rise for third consecutive quarter as leasing recovery broadens

▲ 570K sq. ft.
Overall Net Absorption

16.2% (▼0.6-ppt q-o-q)
Overall Vacancy Rate

▲ 2.0% q-o-q
Overall Rents

Note: All floor sizes mentioned in this report refer to Net Floor Area (NFA). All rents mentioned in this report refer to Net Effective Rent.

Executive Summary

– Office leasing volume strengthened in Q2 2026, rising by 23% q-o-q to 1.1 million sq. ft.. This brought the H1 2026 total to 2.1 million sq. ft., reaching 48% of 2025's full-year figure. Central led leasing activity in H1 2026 with 100 deals, marking the most active first half since 2019.

– Citywide net absorption reached 569,600 sq. ft. in Q2 2026, bringing the total for H1 2026 to 945,000 sq. ft., an improvement from H1 2025's -88,000 sq. ft.. All major submarkets reported positive net absorption this quarter, led by Greater Tsim Sha Tsui with 163,500 sq. ft., and Central with 104,300 sq. ft.. Hong Kong East recorded 104,400 sq. ft. of net absorption, pushing its H1 2026 total up to 119,000 sq. ft., its highest half-year figure since H2 2022. Kowloon East recorded 35,500 sq. ft. this quarter but its H1 2026 total was -95,500 sq. ft..

– This quarter's lack of new supply combined with positive net absorption led citywide vacancy to fall by 0.6-ppt to 16.2%, marking a second consecutive quarterly decline.

– Overall rents increased by 2.0% q-o-q and 3.5% y-t-d, reversing declines seen in H2 2025. Central rents grew 10.7% y-t-d, primarily driven by a 18.5% y-t-d rise in Central A1 rents, which returned to Q2 2022 levels. Greater Tsim Sha Tsui recorded a fourth consecutive quarter of rental growth with a 1.2% increase. Decentralised submarkets continued to report q-o-q declines.

The Backdrop

– Research by Boston Consulting Group has found that Hong Kong is now the largest cross-border wealth management centre in the world, and is projected to grow at 9% annually and maintain its top ranking until at least 2030. This will lend long-term support to office demand in the city's CBDs.

– The city's IPO market further accelerated in H1 2026, with fundraising reaching around HK$203 billion, a 92% surge y-o-y and accounting for nearly 74% of 2025's full-year total. This elevated Hong Kong to second place in the global IPO fundraising market.

– Mainland Chinese authorities recently implemented measures to curb unauthorised trading, which will restrict the flow of funds across borders. While this has not yet had an impact on leasing demand, the measures will direct wealth into official channels and strengthen corporate financing in the long run.

– Real GDP growth accelerated for the sixth consecutive quarter, reaching 5.9% y-o-y in Q1 2026. This marked the strongest quarterly growth since Q2 2021, when GDP rebounded from the low base in 2020. Current solid growth is supporting business confidence and demand for office space.

– Citywide net absorption remained positive for the second consecutive quarter, with all major submarkets reporting figures in positive territory. Coupled with the absence of new supply in H1 2026, citywide vacancy dropped by 1.0-ppt y-t-d, the largest half-year fall since H2 2010.

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Demand and Activity

Leasing volume strengthened in Q2 2026, rising by 23% q-o-q to 1.1 million sq. ft.. This brought the H1 2026 total to 2.1 million sq. ft., reaching 48% of 2025's full-year figure. Central led leasing activity with 100 deals in H1 2026, marking the most active first half since 2019..

Insurance was the most active sector in Q2 2026, accounting for 246,200 sq. ft., or 22% of new leasing volume, its highest quarterly figure since Q2 2019. Notable transactions included AXA's lease of 72,800 sq. ft. at International Gateway Centre, and Prudential's lease of 56,700 sq. ft. at One Taikoo Place. Banking and financial services ranked second, with 166,600 sq. ft., or 15% of total volume, the sector's lowest share since Q2 2024. The sector nevertheless remained the largest source of demand in H1 2026, representing 24% of the half-year total, largely contributed by an investment bank's pre-commitment in Q1 2026 to a new development.

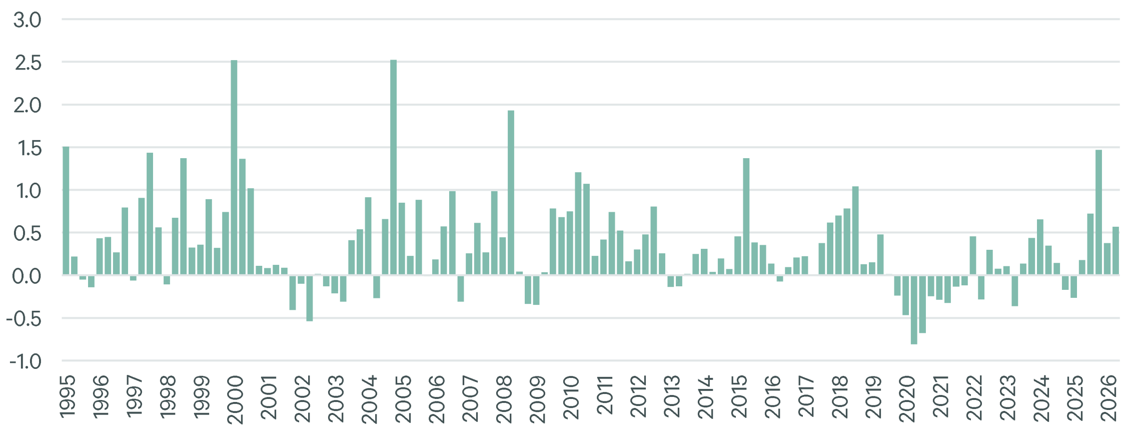
Demand from mainland Chinese firms improved over the quarter, rising to 128,200 sq. ft. or 11% of overall volume, up from 89,200 sq. ft. or 9% in Q1 2026. While the number of deals nearly doubled from Q1 2026, the figure of 217,400 sq. ft. of H1 2026 is still below the average half-year level seen over the past three years. Major deals included Sino Ocean Group's lease for 10,400 sq. ft. at Great Eagle Centre in Wan Chai.

Citywide net absorption reached 569,600 sq. ft. in Q2 2026, bringing the total for H1 2026 to 945,000 sq. ft., much improved from the -88,000 sq. ft. seen in H1 2025. All major submarkets reported positive net absorption for the quarter, led by Greater Tsim Sha Tsui with 163,500 sq. ft., and Central with 104,300 sq. ft.. Activity in Greater Tsim Sha Tsui was supported by insurance occupiers' flight-to-quality moves to International Gateway Centre. Central saw occupancy in A1 buildings grow by 108,100 sq. ft., the highest quarterly gain since Q1 2006.

Hong Kong East posted net absorption of 104,400 sq. ft. in Q2 2026, marking its strongest quarterly performance since Q3 2022. This was mainly driven by improved occupancy in Two Taikoo Place thanks to relocation demand from insurance companies. The strong quarterly figure ensured H1 2026's total reached 119,000 sq. ft., the highest half-year figure since H2 2022.

Kowloon East recorded 35,500 sq. ft. of net absorption this quarter on the back of improved occupancy in Kwun Tong and Kai Tak. However, its half-year figure was -95,500 sq. ft., making it the only major submarket to report negative net absorption in H1 2026.

FIGURE 1: Quarterly Net Absorption (million sq. ft. NFA)



Source: CBRE Research, Q2 2026.

TABLE 1: Selected Leasing Transactions in Q2 2026

Building	District	Tenant	Size (sq. ft. NFA)
International Gateway Centre	Tsim Sha Tsui West	AXA	72,800
One Taikoo Place	Quarry Bay	Prudential	56,700
One Island South	Wong Chuk Hang	Odoo	41,900
Two Taikoo Place	Quarry Bay	Allianz Worldwide Partners	29,600
Two Taikoo Place	Quarry Bay	RGA Reinsurance	21,300
83 King Lam Street	Cheung Sha Wan	Giordano	16,100
Li Po Chun Chambers	Sheung Wan	Nanyang Commercial Bank	15,700
AIRSIDE	Kai Tak	AIA	14,800
International Gateway Centre	Tsim Sha Tsui West	FWD Life Insurance	14,800
Tsim Sha Tsui Centre, East Wing	Tsim Sha Tsui East	Dandee Hong Kong	14,800

Source: CBRE Research, Q2 2026.

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Vacancy

This quarter's lack of new supply, combined with positive net absorption, pulled down citywide vacancy by 0.6-ppt q-o-q to 16.2%. This marked the second consecutive quarterly decline in vacancy. With the y-t-d fall reaching 1.0-ppt, this was the largest half-year improvement since H2 2010. Total vacant space decreased to 14.9 million sq. ft., down from the all-time high of 15.8 million sq. ft. in Q4 2025, when a new project with 2.0 million sq. ft. was completed.

Vacancy in Greater Central fell by 0.7-ppt to 9.3%, the lowest level since Q4 2022,. In core Central, vacancy dropped 0.7-ppt to 8.9% as Central A1 vacancy fell by 2.3-ppt to 10.9%. Vacancy in Wan Chai and Causeway Bay eased by 0.2-ppt to 10.8%, the lowest level since Q1 2021, due to a decrease in vacancy in Causeway Bay, which offset the increase in Wan Chai.

Hong Kong East experienced its largest quarterly improvement since Q3 2019, with the vacancy rate falling by 1.0-ppt to 13.7%. While this was primarily supported by strong absorption in Taikoo, North Point also reported improved occupancy. Greater Tsim Sha Tsui's vacancy rate decreased by 1.2-ppt to 18.4%, mainly due to reduced vacancy in International Gateway Centre. Vacancy in Kowloon East edged down by 0.2-ppt to 23.4% due to positive net absorption, but vacancy in Kowloon Bay increased for the second consecutive quarter.

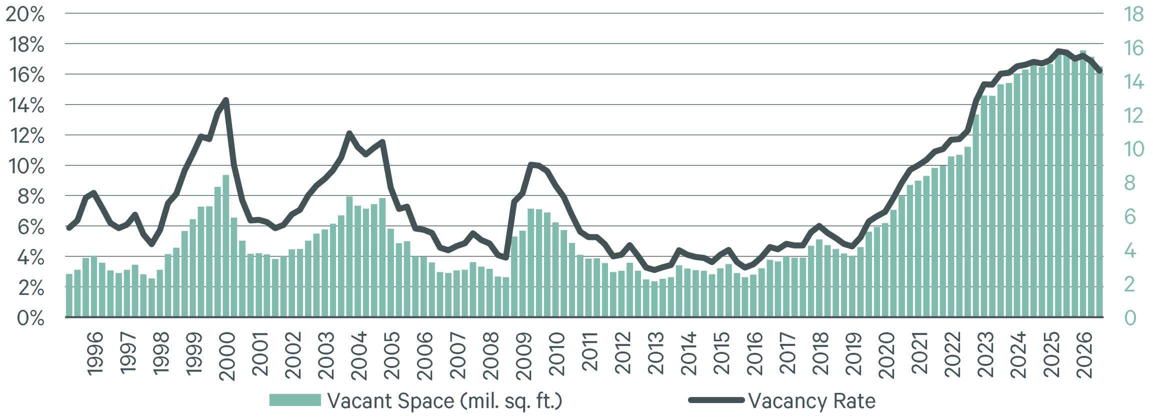
Rents

Improved occupancy underpinned rental growth of 2.0% q-o-q in Q1 2026, the third consecutive quarterly increase. This brought y-t-d growth to 3.5%, the fastest half-year growth since H1 2018. Rents rebounded by 4.0% from Q3 2025's trough after declining for 26 consecutive quarters.

Greater Central led the rest of the market with rental growth of 3.9% q-o-q and 8.5% y-t-d, the strongest first-half performance since H1 2011. Core Central rents increased by 10.7% y-t-d mainly due to Central A1 rents jumping 18.5% y-t-d, marking a return to levels last seen in Q2 2022. Greater Tsim Sha Tsui recorded a fourth consecutive quarter of rental growth with a 1.2% q-o-q increase, supported by a 3.1% gain in Tsim Sha Tsui West.

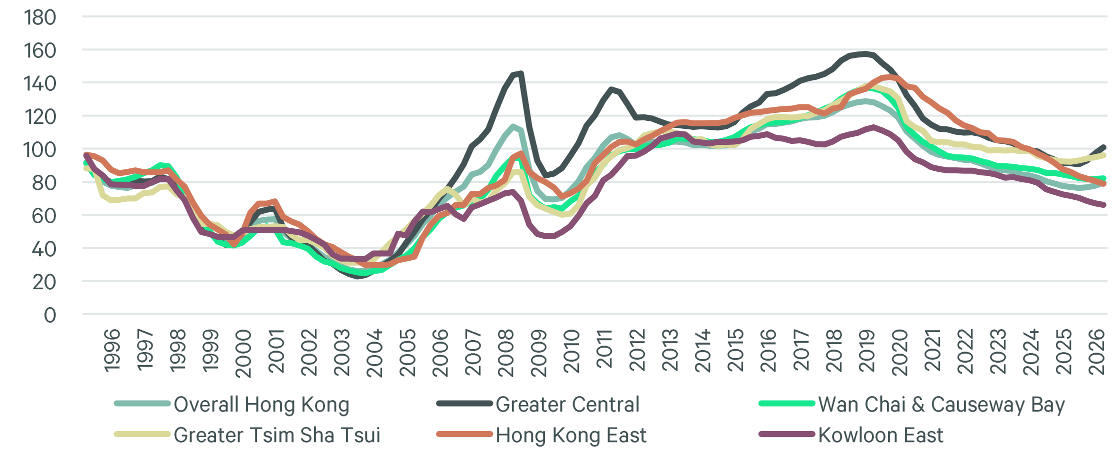
Decentralised submarkets continued to report rental declines this quarter. Hong Kong East was the weakest performer at -2.0% q-o-q, making it the only major Island submarket in negative territory. Rents in Kowloon East also fell, albeit at a slower pace of 1.1% q-o-q.

FIGURE 2: Quarterly Vacancy



Source: CBRE Research, Q2 2026.

FIGURE 3: Quarterly Rental Movement (Index, Q1 1995=100)



Source: CBRE Research, Q2 2026.

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Outlook

Hong Kong's Grade A office leasing market is clearly in a stabilisation phase, exhibiting a moderate rebound in demand alongside a decrease in availability. While geopolitical and global volatility is likely to continue to weigh on corporate sentiment in the near term, this will further reinforce Hong Kong's role as a critical offshore gateway. The expansion of cross-border financial schemes, state-guided capital vehicles, and Hong Kong's strengthening platform for cross-boundary wealth management are expected to propel the city's financial sector and office market in the coming quarters.

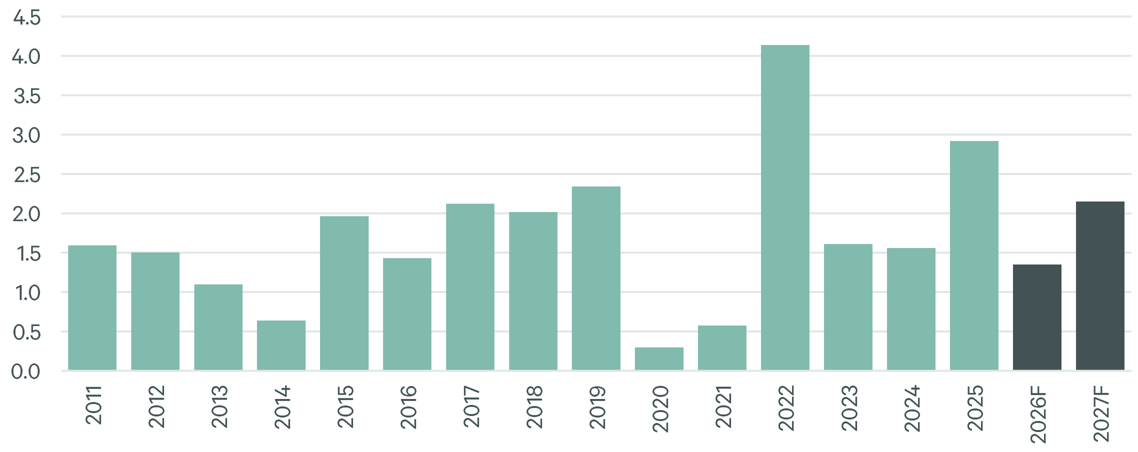
As the business outlook improves, financial firms are anticipated to remain active in securing long-term, large-scale leases, highlighting a clear trend toward seeking higher-quality office space. Emerging office clusters, such as the one in Tsim Sha Tsui West, are expected to attract increasing interest from companies looking for multiple-floor occupancy.

Hong Kong's first ever five-year plan is expected to be announced in H2 2026. This plan aims to align the city's economic and development goals with mainland China's 15th National Five-Year Plan, further solidifying Hong Kong's status as an international financial centre. Stronger alignment with the mainland is set to attract a diverse range of mainland Chinese companies beyond the financial sector, extending into areas such as innovation and technology, retail and cross-border e-commerce, and medical and health sciences. Interest from mainland Chinese companies is anticipated to drive demand for workspace in both traditional commercial districts and specialised clusters such as Cyberport and the Northern Metropolis.

Despite signs of a sustained recovery in demand, many decentralised office submarkets continue to experience high vacancy, leading to increased competition among landlords. Nearly 1.2 million sq. ft. of new office space is expected to be completed in H2 2026, including two projects in Central and Causeway Bay totaling approximately 1.0 million sq. ft.. These new additions will push up citywide vacancy rates.

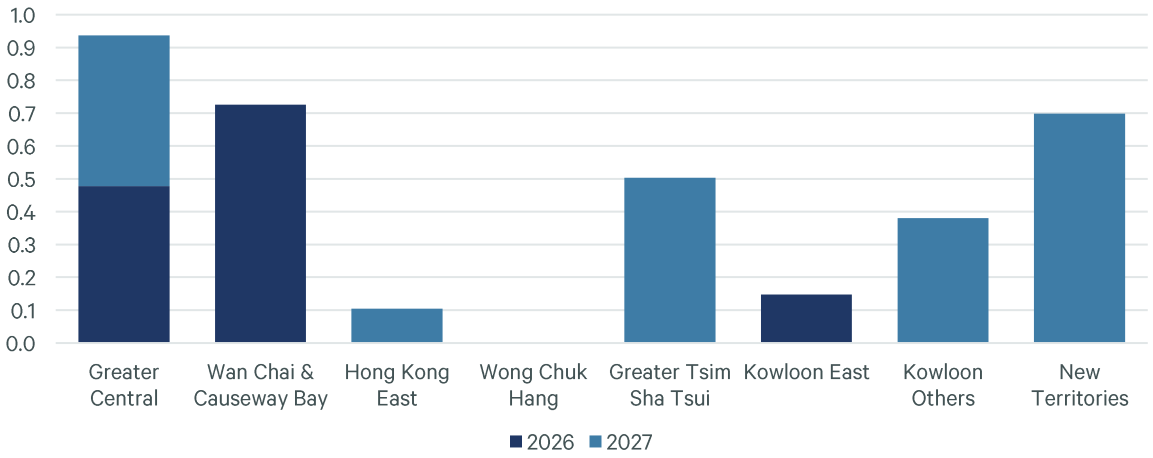
Rents are expected to remain polarised, with growth anticipated in major submarkets but decentralised locations continuing to face challenges. Reduced vacancy will support an increase in rents in Central, which are projected to rise by 15% for the full year. Rents for A1 buildings are expected to increase by 20% to 25% by year-end. In contrast, pressure on rents in decentralised submarkets will ensure overall rents rise by only 4% to 6% for the full-year.

FIGURE 4: Grade A Office Supply (million sq. ft. NFA)



Source: CBRE Research, Q2 2026.

FIGURE 5: Two-year Submarket Supply Pipeline (million sq. ft. NFA)



Source: CBRE Research, Q2 2026.

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TABLE 2: Rental Performance

Submarkets	Q2 2026 Rental Change (q-o-q)	Q2 2026 Rental Change (y-t-d)	Q2 2026 Net Effective Rents (HK$/sq. ft./mth)	Q2 2026 Net Effective Rents High / Low (HK$/sq. ft./mth)
Overall	2.0%	3.5%	45.3	133.8 / 13.4
Greater Central	3.9%	8.5%	78.8	133.8 / 35.7
Wan Chai / Causeway Bay	0.5%	0.7%	46.6	90.9 / 25.5
Hong Kong East	-2.0%	-3.6%	30.9	50.0 / 18.6
Wong Chuk Hang	0.8%	-1.1%	21.3	27.4 / 15.2
Greater Tsim Sha Tsui	1.2%	2.1%	45.8	90.4 / 20.7
Kowloon East	-1.1%	-2.9%	20.9	31.7 / 13.4
Kowloon Others	0.4%	-2.8%	27.3	49.5 / 16.6
New Territories	0.4%	-1.5%	27.4	33.8 / 17.3

Source: CBRE Research, Q2 2026.

TABLE 3: Net Absorption and Vacancy

Submarkets	Q2 2026 Net Absorption (sq. ft. NFA)	2026 YTD Net Absorption (sq. ft. NFA)	Q2 2026 Vacancy Rate	Vacancy Change (ppt, q-o-q)	Vacancy Change (ppt, y-t-d)
Overall	569,600	945,000	16.2%	-0.6	-1.0
Greater Central	161,300	375,400	9.3%	-0.7	-1.7
Wan Chai / Causeway Bay	25,000	167,400	10.8%	-0.2	-1.5
Hong Kong East	104,400	119,000	13.7%	-1.0	-1.2
Wong Chuk Hang	-9,000	61,100	17.9%	+0.3	-2.4
Greater Tsim Sha Tsui	163,500	117,800	18.4%	-1.2	-0.9
Kowloon East	35,500	-96,000	23.4%	-0.2	+0.5
Kowloon Others	44,700	177,200	17.0%	-0.6	-2.4
New Territories	44,000	22,700	27.9%	-0.8	-0.4

Source: CBRE Research, Q2 2026.

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