CBRE

Brisk leasing momentum underpins steady rental growth

▲ 1.0% q-o-q
High Street Shop Rents*

▶ Flat q-o-q
Rents (Shopping Centre)

6.5% ▼ (0.3-ppt q-o-q)
High Street Shop Vacancy*

(*) High street shops in core shopping districts, which include Central, Causeway Bay, Tsim Sha Tsui and Mong Kok.

Executive Summary

- Leasing activity in core districts accelerated this quarter, with leasing volume jumping 73% q-o-q to 376,000 sq. ft.. This pushed up the half-year total by 22% y-o-y to 593,900 sq. ft., accounting for 52% of 2025's total.
- Demand from the F&B sector was robust in Q2 2026, with the sector leasing a total of 161,000 sq. ft., the highest quarterly figure on record and more then double the amount reported in Q1 2026. New and existing Chinese restaurants expanded over the quarter.
- Fashion remained the second-largest contributor to leasing volume, accounting for 40,000 sq. ft.. Several Chinese brands debuted in Hong Kong during the period.
- Demand from cosmetics stores rebounded sharply to 18,500 sq. ft., the strongest quarter since Q2 2023.
- Vacancy rates for high street shops in core districts fell by 0.3-ppt q-o-q to 6.5%, the second lowest level since Q4 2019. Low vacancy contributed to a 1.0% q-o-q increase in rents, marking the sixteenth consecutive quarterly rise and bringing y-t-d growth to 1.8%.

The Backdrop

- Market fundamentals remained strong in Q2 2026, with visitor arrivals up 9.5% y-o-y in April and May combined, bringing y-t-d growth to 14.1%.
- Retail sales in April-May rose by 8.3% y-o-y, bringing y-t-d growth to 10.6% y-o-y. Growth during this period was driven by a 23.3% y-o-y surge in watch and jewellery sales; a 18.1% y-o-y rise in electronic goods sales; and 14.4% y-o-y growth in non-classified consumer goods sales.
- Online retail sales increased by 32.6% y-o-y in April-May, adding to 30.1% y-o-y growth in Q1 2026. The segment's share of total retail sales increased to 10.1% as of May 2026, the highest since November 2025.
- The latest quarterly figure shows that total restaurant receipts edged up by 1.1% y-o-y, the biggest increase since Q1 2024 and marking a second consecutive quarter of growth.
- Stock market volatility, concerns about oil price-driven inflation, and interest rate outlook uncertainty may restrain retail sales growth in the coming months.
- The two-tier retail market will persist. High-street areas are likely to stay resilient on the back of solid tourism arrivals, while non-core and neighbourhood retail shops will continue to face intense pressure, forcing landlords to rely on further rental discounts to attract tenants.

Leasing Trends

Retail leasing momentum strengthened in Q2 2026, with new leasing volume in core districts increasing by 73% q-o-q to 376,000 sq. ft. This brought the H1 2026 total to 593,900 sq. ft., reflecting a 22% y-o-y rise and accounting for 52% of the total volume for 2025.

Leasing demand from the F&B sector was robust, involving 161,000 sq. ft.. This marked the strongest quarter on record and was more than double the volume seen in Q1 2026. During the quarter, new and existing Chinese restaurants expanded in major districts. Highlights included a Chinese restaurant leasing 8,500 sq. ft. at Evernew House in Causeway Bay for its first location in the city, and Teochew specialist Gaginang committing to 7,800 sq. ft. at Tsim Sha Tsui Centre for its second location in Hong Kong. Elsewhere, Coucou Hotpot leased 7,800 sq. ft. in Emperor Watch & Jewellery Centre on Russell Street.

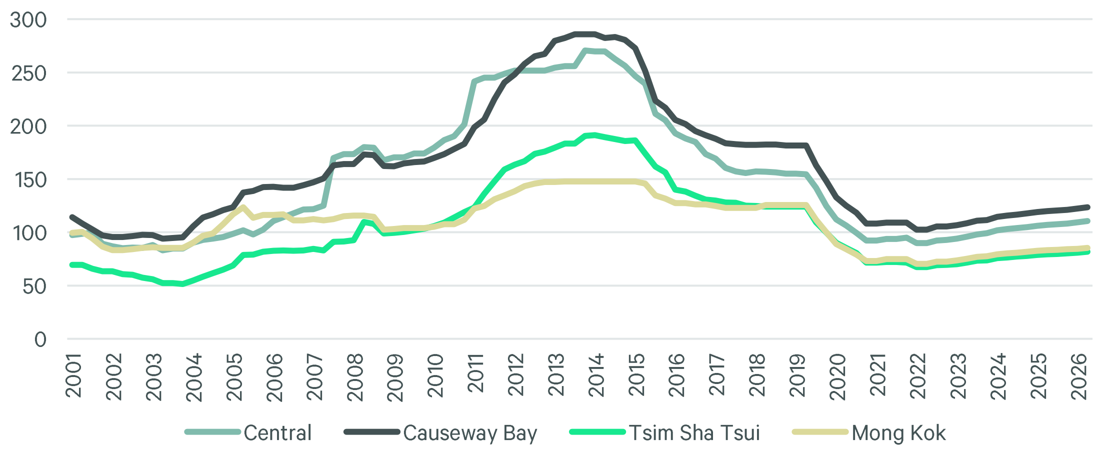
Following Q1 2026's strong performance, fashion remained the second-largest contributor to leasing volume, committing to 40,000 sq. ft. of space this quarter. This was primarily driven by ISA, which leased 20,000 sq. ft. at Sino Plaza in Causeway Bay. Several Chinese brands debuted in the city during the quarter, including Urban Revivo leasing 8,800 sq. ft. in Harbour City in Tsim Sha Tsui, Benlai taking 6,000 sq. ft. in Langham Place in Mong Kok, and HLA leasing 3,200 sq. ft. at China Travel Building in Central.

Demand from cosmetics retailers rebounded sharply, with the sector leasing 18,500 sq. ft. of space in Q2 2026 for its strongest quarter since Q2 2023. This surge was mainly driven by the expansion of Sasa, which leased two locations in Mong Kok totaling 10,300 sq. ft. and two locations in Tsim Sha Tsui totaling 6,200 sq. ft.. Lung Fung Mall continued to expand, leasing 11,800 sq. ft. at Carnarvon Plaza in Tsim Sha Tsui.

Thanks to this quarter's strong leasing momentum, high street shop vacancy decreased by 0.3-ppts q-o-q to 6.5%. Vacancy in Central remained low at 2.6%, while vacancy in Tsim Sha Tsui and Causeway Bay dropped by 1.5-ppts to 11.4% and 2.6-ppts to 6.5%, respectively. Conversely, Mong Kok saw vacancy edge up by 0.6-ppts to 6.3%.

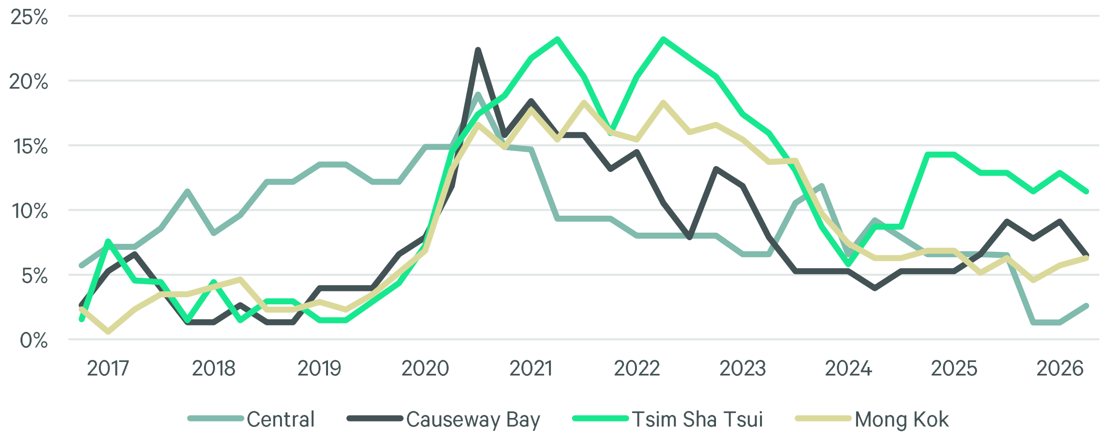
Low vacancy ensured high street shop rents increased by 1.0% q-o-q as landlords adopted a more aggressive position. This took rental growth for the first half of the year to 1.8%. Despite recent steady growth, rents are still 32% below the peak achieved in mid-2019.

FIGURE 1: High-street Shop Rental Index (1996 Q1 = 100)



Source: CBRE Research, Q2 2026.

FIGURE 2: High-street Shop Vacancy Rate



Source: CBRE Research, Q2 2026.

Outlook

Stronger economic growth fuelled by robust demand for financial services; a solid pipeline of global MICE events; and the ongoing influx of high-net-worth individuals will increase demand for haute cuisine options as well as selected luxury goods in the coming quarters. This will support demand for properties suitable for retail and upscale restaurants, strengthening landlords' position in major commercial districts. Accelerating online sales will continue to pose a challenge to brick-and-mortar retailers, however, making it hard for landlords to fill vacancy in neighbourhood locations. This will ensure Hong Kong's retail leasing market remains polarised.

The recent wave of new set ups by mainland Chinese brands, particularly in the lifestyle, apparel, and specialty F&B sectors, is expected to continue as they look to expand their presence and reach more customers. These new entrants typically seek retail locations with high visibility and significant marketing potential. Retail spaces situated on busy streets and at key intersections which offer these advantages are expected to be keenly sought after and support rental growth.

In addition to new entrants, deep rental discounts have sparked a flight-to-quality trend similar to those observed in other real estate sectors. Large international brands and other major retailers are competing for the best available discounted prime locations to enhance their portfolios.

Wealth management centres and securities firms have established a foothold in prime retail corridors in recent quarters. However, strict capital controls in mainland China are placing considerable pressure on their operations, especially those reliant on retail clients from mainland China for account openings. This may slow the rate of expansion of their retail network.

New leasing momentum is expected to increase modestly from last year's levels, reaching 1.2 million sq. ft. for the entire year. This will be primarily driven by a significant number of lease expiries for shops that secured tenants in 2023 when Hong Kong fully reopened after the pandemic. As some retailers are focusing on minimising fit-out CapEx and opting to renew leases, new leasing volume is unlikely to return to previous levels. High-street rents in core shopping districts will likely register a 3% to 5% rental increase for the full year.

TABLE 1: Selected Leasing Transactions in Q2 2026

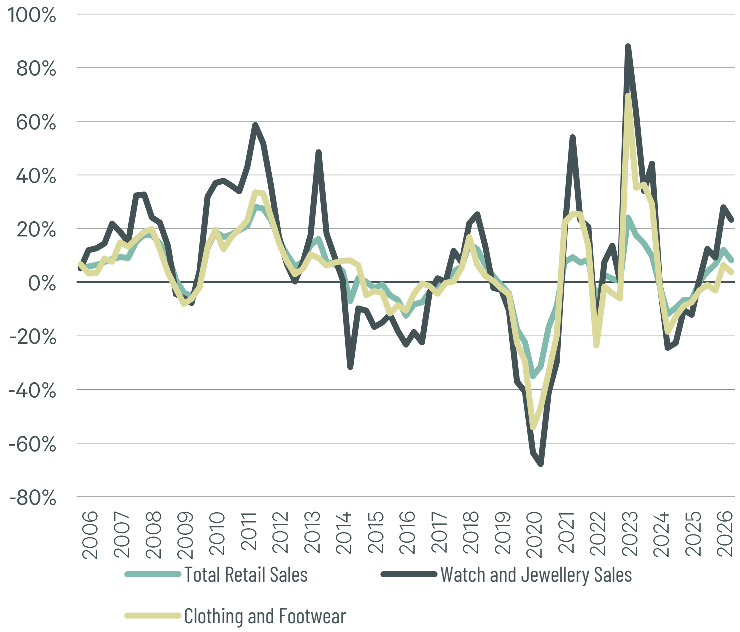
Tenant	District	Property	Address	Size (sq. ft., GFA)
ISA	Causeway Bay	G/F, UG/F, Sino Plaza	250 Gloucester Road	20,100
Fatty Lai Crab Pot	Causeway Bay	G/F-3/F, Evernew House	485 Lockhart Road	8,500
Coucou Hotpot	Causeway Bay	1/F, Emperor Watch & Jewellery Centre	8 Russell Street	7,100
My Perfect Skin	Causeway Bay	G/F, B/M, Causeway Bay Plaza 1	489 Hennessy Road	3,700
Bestmart 360	Causeway Bay	G/F, C/L, 60-62 Yee Wo Street	60-62 Yee Wo Street	3,000
a Chinese restaurant	Central	G/F, M88	2-8 Wellington Street	5,800
Korean Restaurant	Central	UG/F, 1/F, LL Tower	2-4 Shelley Street	4,600
HLA	Central	G/F, B/M, China Travel Building	77 Queen's Road Central	3,200
a bar	Central	G/F, The Centrium	60 Wyndham Street	3,200
Sa Sa	Tsim Sha Tsui	G/F, Pacific Mansion	172-174 Nathan Road	5,300
Mandj Watch	Tsim Sha Tsui	G/F, M/F, Holiday Inn Gold Mile Hotel	50 Nathan Road	3,200
Flat Iron Steak	Tsim Sha Tsui	G/F, The Langham Hong Kong	8 Peking Road	2,800
a restaurant	Tsim Sha Tsui	G/F, Shop A, Kimberley Centre	35-35A Kimberley Road	2,600
Sa Sa	Tsim Sha Tsui	G/F, 1/F, Universal Commercial Building	65-69 Peking Road	2,200
Colourmix	Mong Kok	G/F, 44-46 Sai Yeung Choi Street South	44-46 Sai Yeung Choi Street South	2,000
Sa Sa	Mong Kok	G/F, Argyle Centre	688 Nathan Road	1,200

Source: CBRE Research, Q2 2026.

FIGURE 3: Visitor Arrivals (million, quarterly)

Source: Hong Kong Tourism Board, Q2 2026.

FIGURE 4: Retail Sales (y-o-y, quarterly)



Source: Census and Statistics Department, Q2 2026.

FIGURE 5: Restaurant Receipts (y-o-y, quarterly)

Source: Census and Statistics Department, Q2 2026.

TABLE 2: Economic Indicators

Indicators	Apr-May 2026	Apr-May 2026 (y-o-y change)	Jan-May 2026	Jan-May 2026 (y-o-y change)
Visitor Arrivals	8,682,151	+9.5%	22,989,794	+14.1%
Visitor Arrivals (from mainland China)	6,589,895	+11.0%	17,670,354	+16.4%
Total Retail Sales (HK$ mil.)	65,186	+8.3%	171,514	+10.6%
Watches and Jewellery Sales (HK$ mil.)	9,312	+23.3%	25,573	+26.2%
Clothing and Footwear Sales (HK$ mil.)	7,188	+3.8%	19,599	+5.4%
Restaurant Receipts (HK$ mil.)*	28,358	+1.1%	28,358	1.1%

Source: Census and Statistics Department.
*Q1 2026.

Contacts

Marcos Chan
Executive Director
Head of Research, Hong Kong
+852 2820 2886
marcos.chan@cbre.com.hk

Zac Tang
Associate Director
Research
+852 2820 2873
zac.tang@cbre.com

Lawrence Wan
Executive Director
Head of Retail Leasing
+852 2820 8170
lawrence.wan@cbre.com