

FIGURES | HONG KONG INVESTMENT | Q3 2026

Investment volume surges as buoyant education sector entices broad spectrum of capital



(*) Investment volume includes commercial property transactions worth more than USD 10 million (HK\$ 77 million) and excludes government land sales, equity deals and internal transactions.

Executive Summary

- Commercial real estate investment volume (including commercial real estate transactions over HK\$77 million) increased 83% q-o-q to HK\$18.5 billion in Q3 2026. Y-t-d investment volume reached HK\$43.6 billion, growing 80% y-o-y and achieving 95% of 2025's total volume.
- A total of 37 deals were completed this quarter. Among these, 18 involved financially stressed assets, which transacted for a total of HK\$8.1 billion as sizeable discounts succeeded in enticing investors and end-users.
- Investors retained a strong interest in student accommodation owing to the structural tailwind generated by the influx of non-local students. Highlights included Singapore's CapitaLand Investment acquiring ibis Hong Kong Central & Sheung Wan for HK\$2.3 billion for conversion, and Chinese e-commerce company JD Group purchasing two hotels, Silka Seaview Hotel in Yau Ma Tei and 218 Apartment in Wan Chai, for a total of HK\$1.03 billion, with both properties earmarked for conversion.
- Developers continued to target redevelopment sites to replenish their land banks amid improving residential market performance. In Q3 2026, a residential site at 992-998 King's Road in Quarry Bay was acquired by a local developer for HK\$4.5 billion.

The Backdrop

- The Fed hiked the U.S. federal funds rate by 25bps to 3.75%-4.00% this quarter, marking the first increase since 2023. A total of 16 out of 18 Fed officials indicated the possibility of at least one more interest rate hike by the end of 2026.
- While major banks kept prime rates unchanged, the benchmark 1M-HIBOR rose from 2.94% on June 30, 2026, to 3.01% on September 30, 2026, the highest quarter-end level since Q4 2025. Negative yield carry conditions associated with many commercial properties continue to persist.
- According to Hong Kong's First Five-year Plan, the number of non-local students enrolled in full-time locally-accredited post-secondary education programmes in Hong Kong is expected to grow from 79,800 in 2024/25 to 100,000 in 2029/30, supporting demand for education sector assets.
- In August 2026, a consortium of China Overseas Land and Investment, China Merchants Land, China Resources Land, China Tourism Group, JD Group and Sino Land won the first tender project under large-scale land disposal in the Northern Metropolis located in the Hung Shui Kiu Pilot Area with an accepted tender price at HK\$1.03 billion. The consortium will be responsible for forming and developing various sites in the area, including three residential sites and a smart modern logistics centre on an Enterprise and Technology Park (E&TP) site, while two other E&TP sites will be handed back to the government after site formation.

Investment Trends

Commercial real estate investment volume increased 83% q-o-q to HK\$18.5 billion in Q3 2026. Y-t-d investment volume reached HK\$43.6 billion, growing 80% y-o-y and achieving 95% of 2025's total volume. Of the 37 transactions completed this quarter, 18 involved financially stressed assets, which transacted for a total of HK\$8.1 billion as sizeable discounts succeeded in enticing investors and end-users.

Investors retain a strong interest in student accommodation, including purpose-built facilities and conversion from hotels, en-bloc residential buildings, and non-Grade A offices, owing to the structural tailwind generated by the influx of non-local students. During the quarter, aggregate capital deployed into the sector reached HK\$5.3 billion across nine transactions. Highlights included Singapore's CapitaLand Investment acquiring ibis Hong Kong Central & Sheung Wan for HK\$2.3 billion for conversion, and Chinese e-commerce company JD Group purchasing two hotels, Silka Seaview Hotel in Yau Ma Tei and 218 Apartment in Wan Chai, for a total of HK\$1.03 billion, with both properties earmarked for conversion. Conversions have accounted for nine hotel transactions y-t-d, the highest y-t-d deal count since 2017.

Industrial investment volume surged 521% q-o-q to HK\$3.1 billion amid robust end-user demand for different types of industrial properties. During the quarter, U.S. hyperscaler Amazon Web Services procured the iTech Tower 3.1 and iTech Tower 3.2 data centres in Fanling for up to HK\$2.445 billion, turning from a tenant into an asset owner. Elsewhere, the Hong Kong University of Science and Technology acquired Pricerite Group Building, a warehouse in Sai Kung, for HK\$141 million for storage purposes.

Office investment volume totalled just HK\$2.8 billion or 15% of total investment volume, its lowest share since Q2 2022. Transaction activity was driven by financially stressed asset sales, including the HK\$892 million deal for HDH Centre in Causeway Bay.

The rebound in the residential market is prompting developers and investors to search for development sites and residential assets with redevelopment potential in strategic locations with limited supply. Major transactions this quarter included a local developer purchasing a residential site at 992-998 King's Road in Quarry Bay for HK\$4.5 billion and a Singaporean investor securing Jade Beach Villa in Chung Hom Kok for HK\$1.168 billion for redevelopment.

FIGURE 1: Selected Investment Transactions

Property Name	Sector	Price (HK\$ mil)	Area (sq. ft.)	Unit Price (HK\$/sq. ft.)	Buyer
992-998 King's Road	Site	4,500	448,000	10,045	Local Developer
En-bloc, iTech Tower 3.1 & iTech Tower 3.2	Data Centre	2,445	184,301	13,266	Amazon Web Services
En-bloc, ibis Hong Kong Central & Sheung Wan	Hotel	2,300	218,636	10,520	CapitaLand Investment
En-bloc, Jade Beach Villa	Residential	1,168	57,375	20,357	Private Investor
En-bloc, HDH Centre	Office	892	81,201	10,985	Private Investor
En-bloc, Silka Seaview Hotel	Hotel	750	108,877	6,889	JD Group
50% stake, MPM Plaza	Retail	650	47,102	13,800	Miramar Group
En-bloc, The Quad	Student Accommodation	529	41,875	12,621	CMC REIT, BGO & Welkin Links Capital
En-bloc, Kowloon Funeral Parlour	Funeral Parlour	473	42,000	11,262	Private Investor
En-bloc, Winland House	Office	438	83,698	5,233	Private Investor

Source: CBRE Research, Q3 2026.

Sources of Demand

The period saw developers continue to target redevelopment sites to replenish their land banks amid improving residential market performance. Highlights included the sale of a residential site at 992-998 King’s Road in Quarry Bay to a local developer for HK\$4.5 billion.

Singaporean capital was active, completing acquisitions totalling HK\$4.2 billion, accounting for 23% of total investment volume. This cohort mainly focused on conversion opportunities in the student accommodation sector. Major deals included Shorea Capital’s acquisition of The Pemberton, an office building in Sheung Wan, for HK\$379 million, and Centurion Corporation’s purchase of Yan Wo Building, a residential building in North Point, for HK\$364 million.

REITs returned to the market after a two-quarter lull. CMC REIT partnered with BGO and Welkin Links Capital to purchase The Quad, a Purpose-Built Student Accommodation (PBSA) asset in Hung Hom, for HK\$529 million, marking the first ever sale of a PBSA asset in Hong Kong.

End-users and investors were seen targeting financially stressed properties at discounted pricing this quarter. However, end-users accounted for just 19% of total investment volume in Q3 2026, their lowest share since Q3 2024. Conversely, investors were behind 52% of this quarter’s volume, their highest share since Q1 2025.

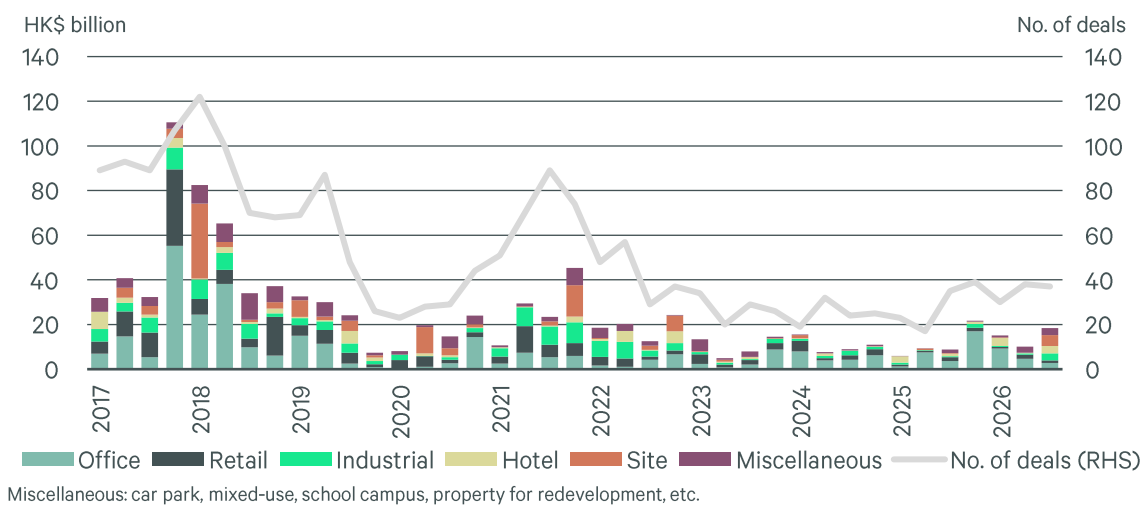
Asset Performance

Capital values bifurcated across property sectors in Q3 2026. Grade A office capital values rose 0.9% q-o-q, their first quarterly gain after 18 consecutive quarters of decline since Q1 2022. This turnaround is being driven by improving leasing momentum and rental growth in some districts. Yields compressed modestly during the quarter, ending September at 3.2%.

Retail capital values grew 0.5% q-o-q on the back of low vacancy and steady rental growth for high street shops. Yields continued to expand gradually to meet investors’ higher yield expectations, registering 3.3% in core districts.

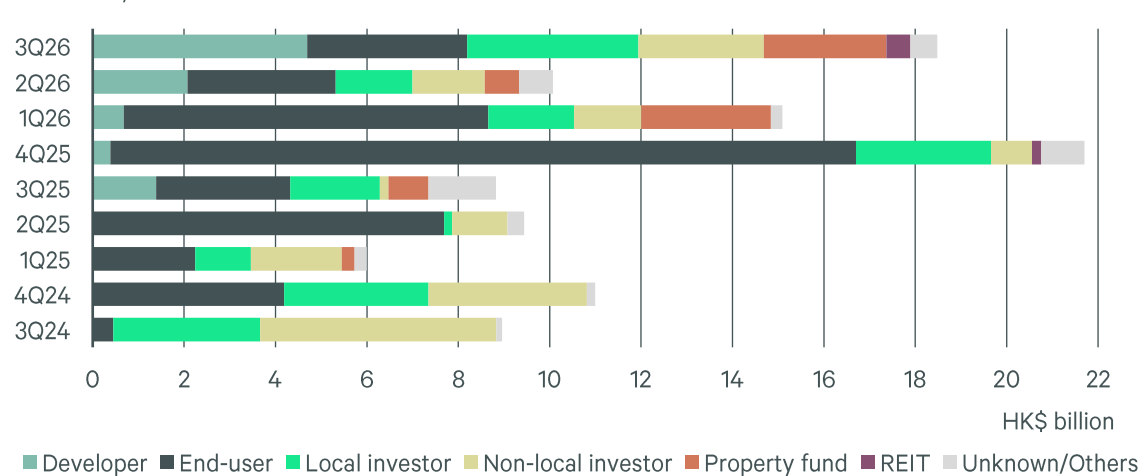
Warehouse capital values dropped a further 0.7% q-o-q as landlords cut rents to improve occupancy. This marked the fourteenth consecutive quarterly capital value decline and brought the total fall to 28.6% since the last peak in Q1 2023. Yields stayed at 3.9%.

FIGURE 2: Total Investment Turnover



Source: CBRE Research, Q3 2026.

FIGURE 3: Buyer Profile



Source: CBRE Research, Q3 2026.

Outlook

As the U.S. Fed has initiated a renewed phase of monetary tightening, Hong Kong’s interest rates are anticipated to follow and be at elevated levels. Negative yield carry conditions across many commercial properties will continue to constrain investment demand, especially among core investors seeking steady rental income.

Credit availability is expected to remain tight as traditional lenders actively manage risk by cleaning up existing non-performing loan portfolios and applying stringent underwriting standards for new loans. The coming quarters will see an increased volume of transactions involving financially stressed assets, as cash-rich occupiers and investors target these properties to capitalise on deeply discounted pricing.

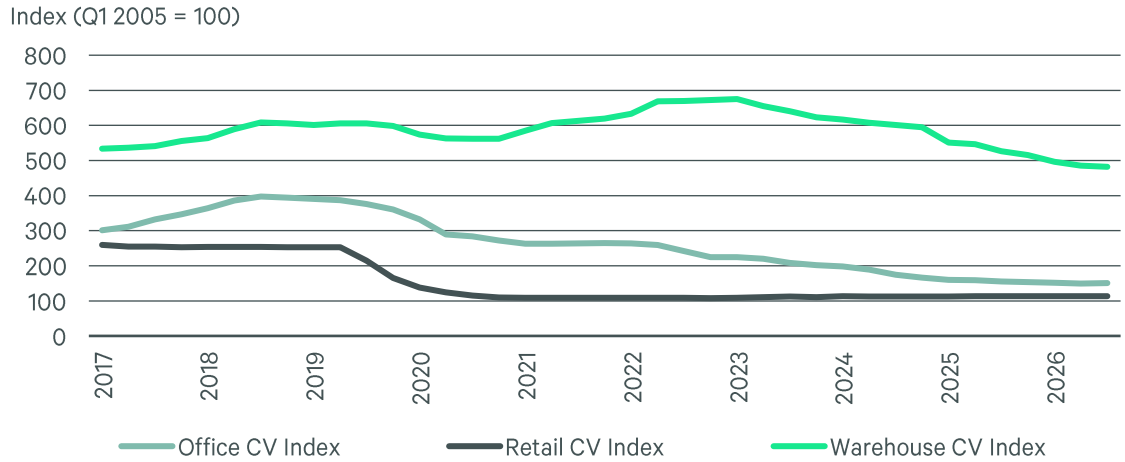
The education sector is poised to expand significantly, driven by favourable government policies designed to enlarge the non-local student population. Value-add and opportunistic investors will maintain their focus on identifying suitable office, hotel and en-bloc residential assets and repurposing them for student accommodation. However, as competition for these assets intensifies, yields will likely compress. As the PBSA sector matures, stabilised assets will be able to be aggregated into larger portfolios or operating platforms to attract more institutional capital and enhance market liquidity.

The expansion of the education sector is also translating into increasing campus space requirements. This will likely be accommodated via the adaptive reuse of underutilised properties, such as converting non-Grade A offices and neighbourhood retail podiums into satellite university campuses, continuing education centres or international school campuses.

Corporate end-users are expected to leverage the asset price correction by purchasing commercial properties for self-use, while developers will pursue redevelopment opportunities to arbitrage between discounted land values and recovering residential prices.

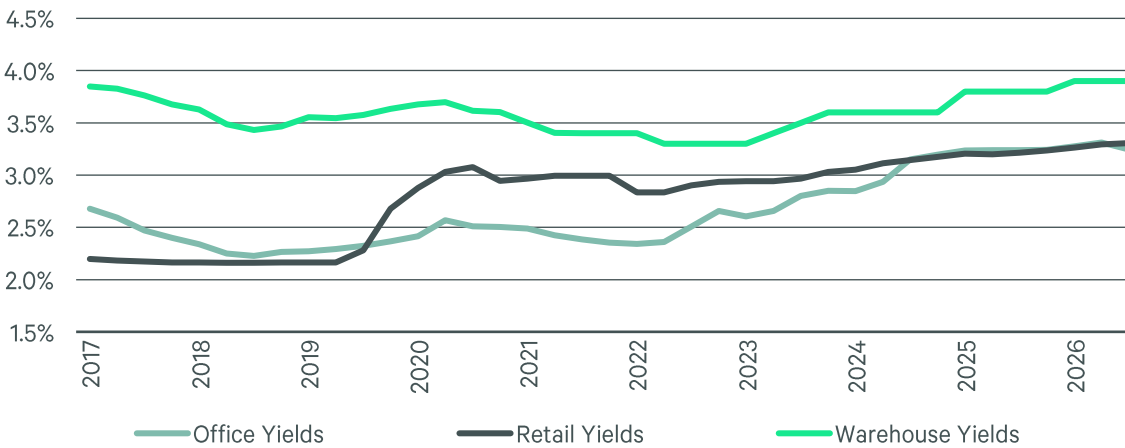
Capital values of commercial properties are projected to remain bifurcated. Grade A office and high street shop values exhibit early signs of recovery, although financing hurdles may dampen this upward momentum. Conversely, warehouse values are forecasted to extend their decline, albeit at a moderated pace.

FIGURE 4: Capital Values



Source: CBRE Research, Q3 2026.

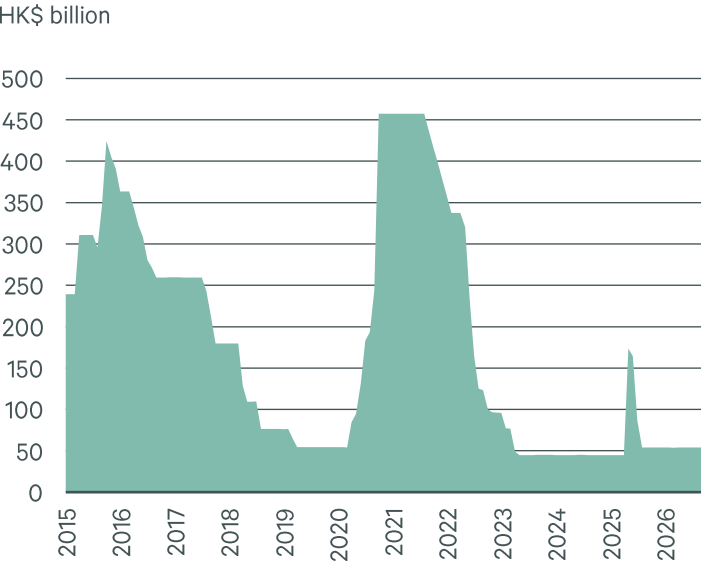
FIGURE 5: Market Yields



Source: CBRE Research, Q3 2026.

Appendix

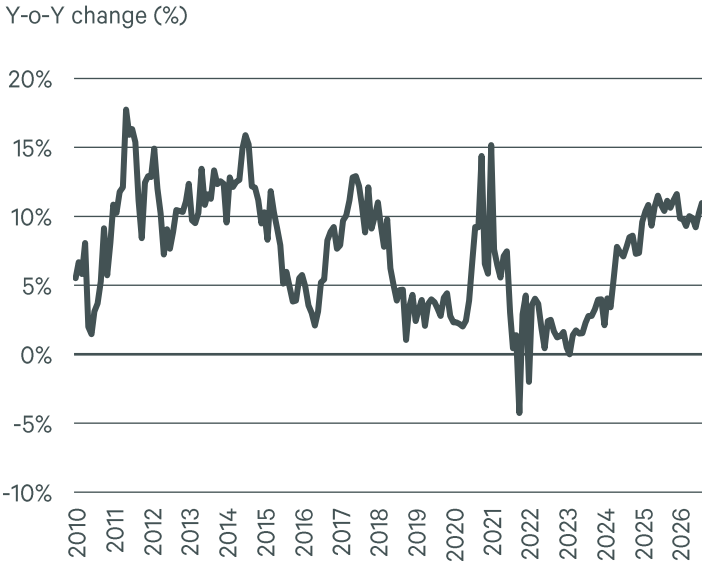
FIGURE 6: Hong Kong Interbank Aggregate Balance



Source: Hong Kong Monetary Authority, Q3 2026.

	September 2026
Hong Kong Interbank Aggregate Balance (HK\$ billion)	54
Hong Kong Interbank Aggregate Balance (Q-o-Q)	+0.2%
Hong Kong Interbank Aggregate Balance (Y-o-Y)	-0.2%
Hong Kong Interbank Aggregate Balance (Y-t-D)	+0.3%

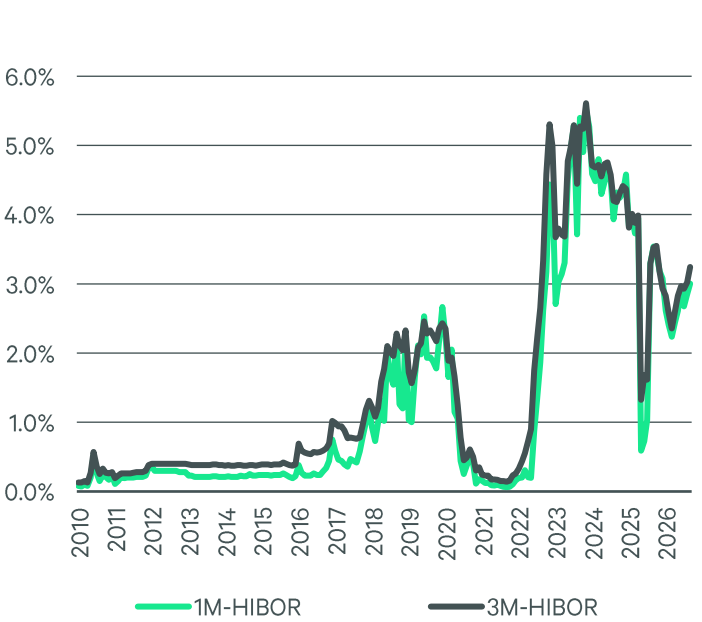
FIGURE 7: M2 Money Supply



Source: Hong Kong Monetary Authority, Q3 2026.

	August 2026
Hong Kong M2 Money Supply (HK\$ billion)	22,174
Hong Kong M2 Money Supply (Y-o-Y)	+11.0%
Hong Kong M2 Money Supply (Y-t-D)	+7.6%

FIGURE 8: Interest Rates



Source: Hong Kong Monetary Authority, Q3 2026.

	December 2025	March 2026	June 2026	September 2026
1M-HIBOR	3.08%	2.24%	2.94%	3.01%
3M-HIBOR	2.93%	2.36%	2.97%	3.24%

Appendix

Loan-to-value ratio (LTV) cap

	Residential, commercial and industrial properties and standalone car parking spaces
DSR-based lending	
Net worth-based lending	70%

Source: Hong Kong Monetary Authority, October 2024.

Debt servicing ratio (DSR) limit

	Residential, commercial and industrial properties and standalone car parking spaces
DSR limit	50%

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