Robust education sector demand helps investment volume grow 56% y-o-y in H1 2026

▼ 1.2% q-o-q
Office Capital Values (Stratified)

▶ Flat q-o-q
Retail Capital Values (High St. Shops)

▼ 2.2% q-o-q
Industrial Capital Values (Warehouses)

HK$9.0bn (▼ 40% q-o-q)
Investment Volume*

(*) 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) fell 5% y-o-y to HK$9.0 billion in Q2 2026 but increased 56% y-o-y to HK$24.1 billion for the H1 2026 period.
- The number of deals recorded during the quarter rose by 112% y-o-y to 36. Among these, 16 involved financially stressed assets, which transacted for a total of HK$3.7 billion as sizeable discounts succeeded in enticing investors and end-users.
- Investors continued to seek commercial and single-owned residential properties for conversion into student accommodation. Highlights included Singapore's Wee Hur Capital acquiring One Bedford Place, an office building in Tai Kok Tsui, for HK$749 million, and Crystal Investment purchasing two assets, Smart A in Kowloon City and The Quay in Hung Hom, for a total of HK$443 million.
- Local developers were seen to be targeting redevelopment sites to replenish their land banks amid improving residential market performance. Major acquisitions included Chinachem Group's purchase of the whole block of North Point Terrace for over HK$1.9 billion for redevelopment.

The Backdrop

- While the U.S. federal funds rate remained unchanged in Q2 2026, more economists expect one potential hike by end-2026 due to surging inflation driven by supply shocks and geopolitical volatility.
- The benchmark 1M-HIBOR rose from an average of 2.30% in the last week of Q1 2026, to an average of 2.96% in Q2 2026. Negative yield carry conditions associated with many commercial properties in Hong Kong continue to persist.
- Hong Kong's real GDP grew by 5.9% y-o-y in Q1 2026, accelerating from 4.0% y-o-y growth in Q4 2025. Growth was driven by sustained strong performance in external trade and a pick-up in domestic demand. Full-year real GDP growth forecasts for 2026 remain at 2.5%-3.5%.
- Funds raised through IPOs in Hong Kong was HK$210.2 billion in H1 2026, an increase of 92% when compared with HK$109.4 billion in H1 2025. Full-year IPO fundraising is forecasted to reach HK$380 billion in 2026, compared with HK$285.8 billion raised in 2025.
- In May 2026, Able Engineering, a local construction company, won a tender for a residential site in Tung Chung for a premium of HK$1.627 billion or an accommodation value of HK$3,052 per sq. ft., about 103% higher than the accommodation value of an adjacent site tendered in February 2025. The tender attracted a total of six bidders.

Investment Trends

Commercial real estate investment volume fell 5% y-o-y to HK$9.0 billion in Q2 2026 but increased 56% y-o-y to HK$24.1 billion in H1 2026. The number of deals recorded during the quarter rose by 112% y-o-y to 36. Among these, 16 involved financially stressed assets, which transacted for a total of HK$3.7 billion as sizeable discounts succeeded in enticing investors and end-users.

The education sector remained a key driver of investment demand. Investors continued to search for commercial and single-owned residential properties for conversion into student accommodation to meet growing demand spurred by the influx of non-local students. Highlights this quarter included Singapore's Wee Hur Capital acquiring One Bedford Place, an office building in Tai Kok Tsui, for HK$749 million, and Crystal Investment purchasing two assets, Smart A in Kowloon City and The Quay in Hung Hom, for a total of HK$443 million. Transactions for student accommodation conversion amounted to HK$1.4 billion in Q2 2026.

In addition to conversion opportunities, the growth of the education sector is prompting education institutions to acquire commercial properties as campuses or administrative offices. Related deals this quarter included Chow Tai Fook Enterprises' purchase of the G/F-4/F of 5-7 Tai Fung Avenue in Taikoo Shing, which is the campus of DSC International School operated by its education arm CTF Education Group, for HK$400 million.

Office assets remained the most traded sector in Q2 2026, with investment volume totalling HK$3.9 billion and representing 43% of total quarterly investment volume. Transaction activity was underpinned by sustained end-user demand and non-local investors targeting financially stressed office properties.

Retail and industrial investment volume stayed low as investors generally held higher yield expectations. Nevertheless, both sectors captured end-user demand as asset prices have already corrected substantially. Major transactions included financial services provider Phillip Securities Group acquiring a nearly 60,000-sq. ft. retail space at Bell House in Yau Ma Tei for HK$313 million to be transformed into its flagship branch in Kowloon, and Able Engineering procuring Four Seas Group Building, a warehouse in Sai Kung, for HK$173 million as a self-owned working space.

FIGURE 1: Selected Investment Transactions

Property Name	Sector	Price (HK$ mil)	Area (sq. ft.)	Unit Price (HK$/sq. ft.)	Buyer
En-bloc, North Point Terrace	Residential	1,900	146,818	12,941	Chinachem Group
En-bloc, One Bedford Place	Office	749	184,041	4,069	Wee Hur Capital
En-bloc, Austin Plaza	Office	580	81,705	7,099	Private Investor
En-bloc, Kowloon Investment Building	Industrial	410	105,263	3,895	iMiracle Shenzhen Technology
G/F-4/F, 5-7 Tai Fung Avenue	Retail	400	146,000	2,740	Chow Tai Fook Enterprises
En-bloc, Soravit on Granville	Hotel	369	45,345	8,135	Private Investor
G/F-3/F, Bell House	Retail	313	59,563	5,255	Phillip Securities Group
En-bloc, Smart A	Office	300	36,231	8,280	Crystal Investment
Various Units, 58/F, The Center	Office	269	13,442	20,000	Private Investor
Various Units, 46/F, The Center	Office	268	13,788	19,444	Universe Glory

Source: CBRE Research, Q2 2026.

Sources of Demand

Developers became more active this quarter, deploying HK$2.1 billion of capital and accounting for 23% of total quarterly investment volume. Local developers were seen to be targeting redevelopment sites to replenish their land banks amid improving residential market performance. Major acquisitions included Chinachem Group's purchase of the whole block of North Point Terrace for over HK$1.9 billion for redevelopment.

End-users continued to make acquisitions for self-use to hedge against long-term rental expenses amid a period of capital value correction. This cohort invested HK$2.6 billion in commercial real estate during the quarter, constituting 29% of quarterly investment volume. Education institutions continued to add to their footprint in the commercial property segment, as evidenced by the Hang Seng University of Hong Kong acquiring a floor at Metropole Square in Shek Mun for HK$115 million.

Investors, including property funds, and local and non-local investors, were primarily targeting student accommodation conversion opportunities, as well as hotel and living sector assets, such as serviced apartments. Tight credit lending remained a hurdle for investors in general.

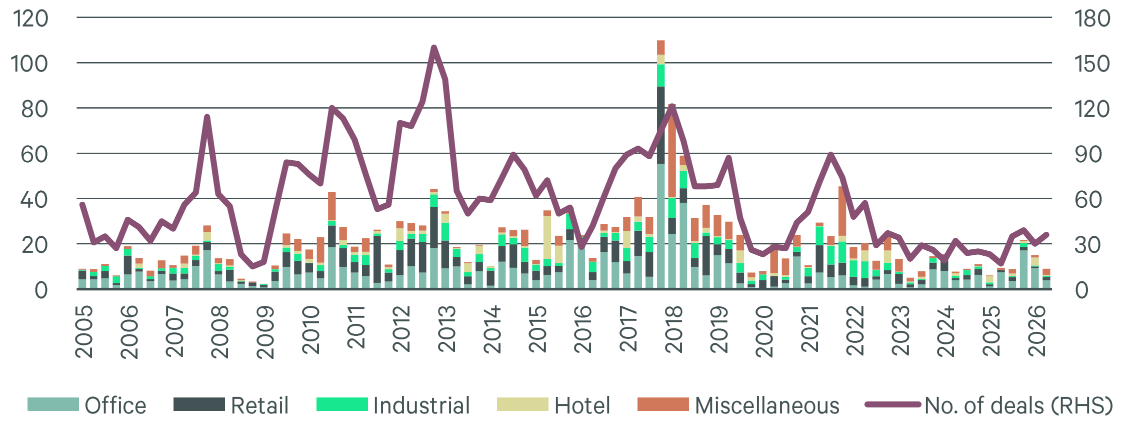
Asset Performance

Capital values experienced downward pressure this quarter as market activity remained driven by price discounts. Grade A office capital values fell 1.2% q-o-q, marking the 18th consecutive quarterly decline. This brought the drop from the peak achieved in Q3 2018 to 62.4%. Yields expanded modestly during the quarter, ending June at 3.3%.

Investment demand for industrial properties was tepid mainly due to higher vacancy and the ongoing rental decline. Warehouse capital values dropped a further 2.2% q-o-q, bringing the total fall to 28.1% since the commencement of the current downward cycle. Yields stayed at 3.9%.

Retail capital values remained flat despite accelerating retail sales and rental growth in high street shops. This was because investors retained higher yield expectations. Yields expanded slightly and registered 3.3% in core districts.

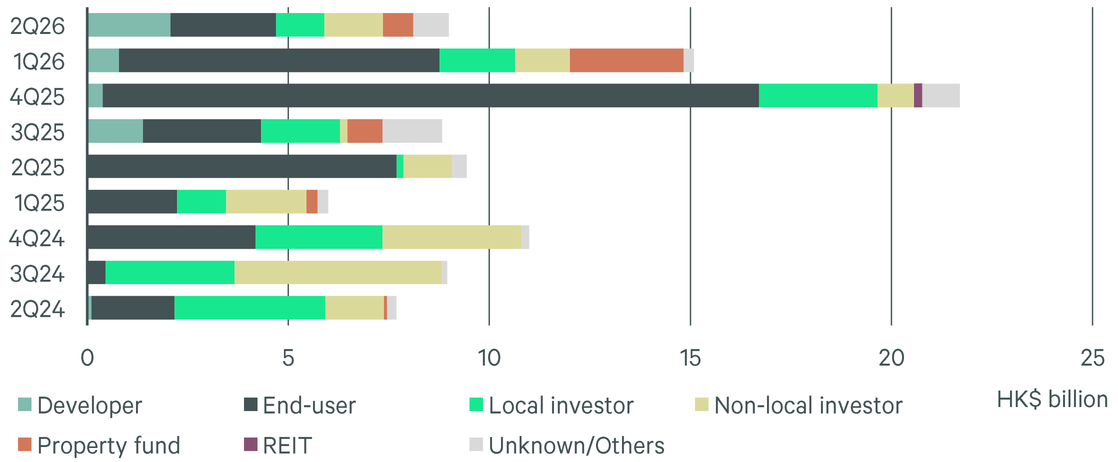
FIGURE 2: Total Investment Turnover



Miscellaneous – car park, mixed, school campus, bare site, property for redevelopment, etc

Source: CBRE Research, Q2 2026.

FIGURE 3: Buyer Profile



Source: CBRE Research, Q2 2026.

Outlook

With the U.S. Federal Reserve executing a major hawkish pivot to focus strictly on price stability and just one rate hike seen as possible before year-end, Hong Kong's interest rates are predicted to remain elevated for the rest of 2026. Many commercial properties will therefore be locked into an extended negative carry condition, which will hinder investment demand. The impact of the recent cross-border regulatory clampdown, which aims to close informal financial channels, on the investment market is yet to be seen.

Banks are managing non-performing loan ratios and forcing distressed asset owners to offload properties at potentially massive losses to recover capital, while being highly selective in making new loans. CBRE expects to see more transactions involving distressed assets in the coming months. End-users and cash-rich investors could be drawn to acquire these assets at discounted prices.

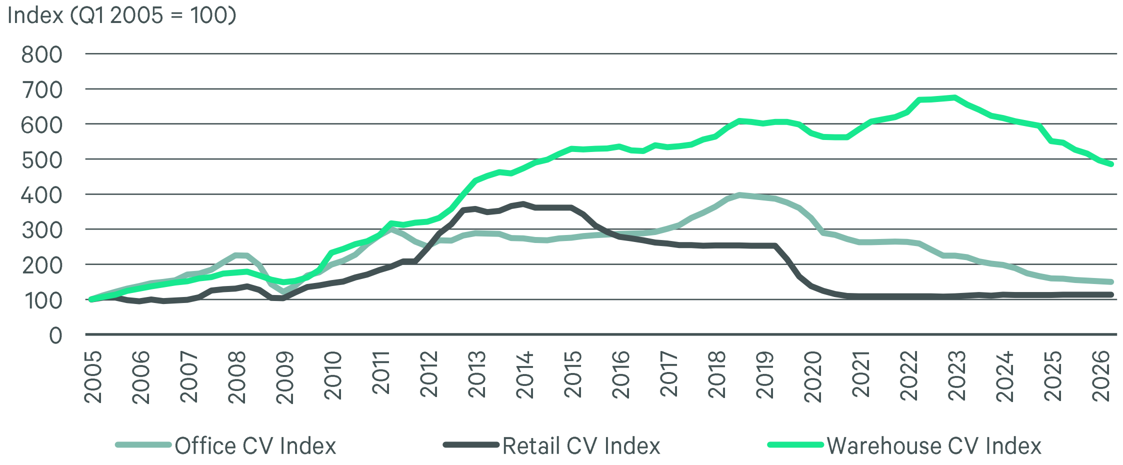
End-users are anticipated to remain the dominant source of demand in the near future. Corporate end-users, especially those expanding from mainland China, may decide to buy office assets to establish their headquarters in Hong Kong. In addition to office assets, financial services companies retain an interest in purchasing retail properties in core districts to gain business exposure and serve clients in physical locations.

The expansion of the education sector will continue, underpinned by favourable government policies allowing a higher intake of non-local students. Education institutions, including universities and international schools, plan to enlarge their capacity by securing commercial properties as campuses or offices.

Local and foreign investors will continue to target student accommodation conversion opportunities. While hotels are the most viable asset type, investors may have to shift their focus to offices and single-owned residential properties as suitable and available hotels are becoming scarcer and more expensive following a flurry of conversion-related transactions.

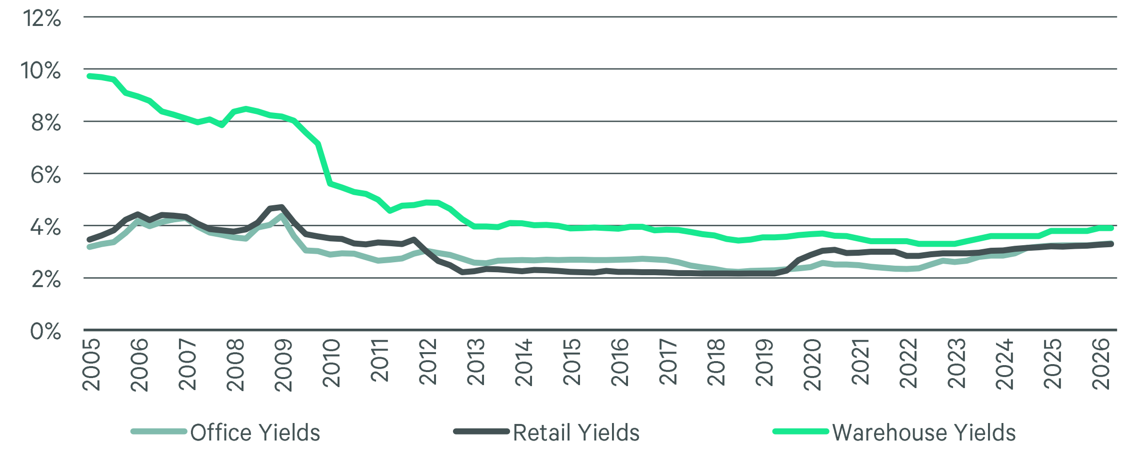
Capital values of commercial properties are predicted to face downward pressure in H2 2026 owing to the presence of distressed asset sales and expectations for higher interest rates. Grade A office and warehouse values are forecasted to drop by 3-5% and 5-7%, respectively, for the full-year, while high street shop values are forecasted to remain largely flat.

FIGURE 4: Capital Values



Source: CBRE Research, Q2 2026.

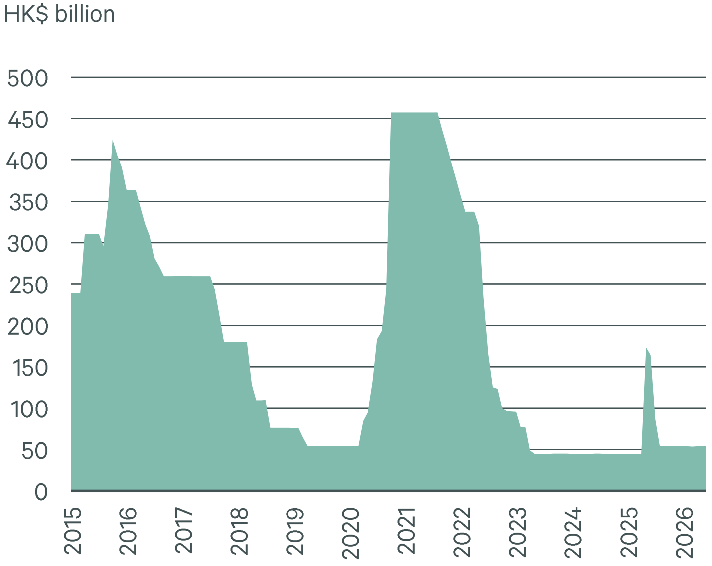
FIGURE 5: Market Yields



Source: CBRE Research, Q2 2026.

Appendix

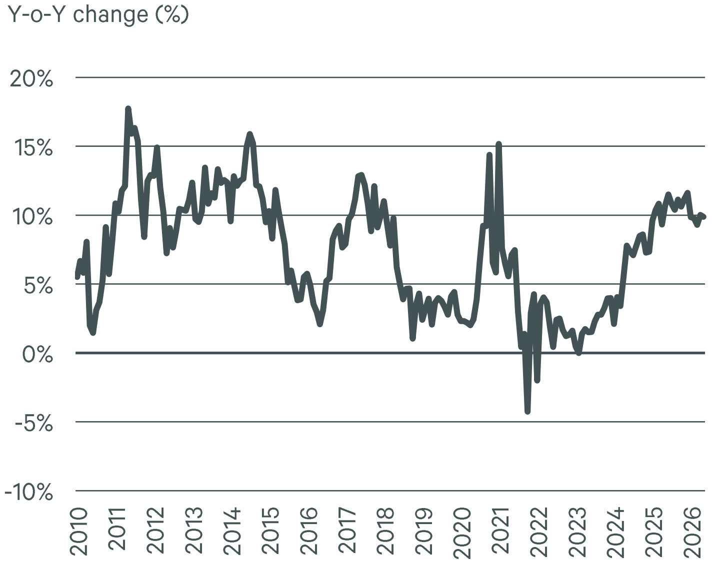
FIGURE 6: Hong Kong Interbank Aggregate Balance



Source: Hong Kong Monetary Authority, Q2 2026.

	June 2026
Hong Kong Interbank Aggregate Balance (HK$ billion)	54
Hong Kong Interbank Aggregate Balance (Q-o-Q)	+0.4%
Hong Kong Interbank Aggregate Balance (Y-o-Y)	-67.1%
Hong Kong Interbank Aggregate Balance (Y-t-D)	+0.1%

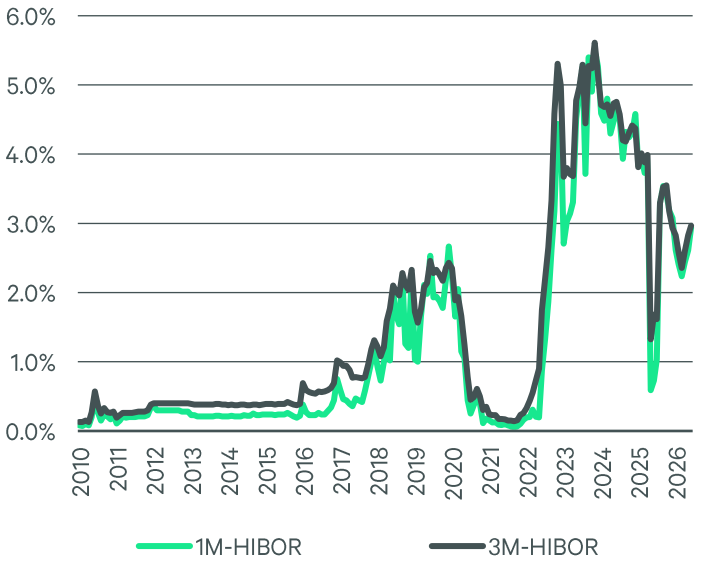
FIGURE 7: M2 Money Supply



Source: Hong Kong Monetary Authority, Q2 2026.

	May 2026
Hong Kong M2 Money Supply (HK$ billion)	21,612
Hong Kong M2 Money Supply (Y-o-Y)	+9.9%
Hong Kong M2 Money Supply (Y-t-D)	+4.9%

FIGURE 8: Interest Rates



Source: Hong Kong Monetary Authority, Q2 2026.

	September 2025	December 2025	March 2026	June 2026
1M-HIBOR	3.54%	3.08%	2.24%	2.94%
3M-HIBOR	3.53%	2.93%	2.36%	2.97%

Appendix

Loan-to-value ratio (LTV) cap

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

Debt servicing ratio (DSR) limit

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

Source: Hong Kong Monetary Authority, October 2024.

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

Jeffrey Sun
Senior Manager
Research
+852 2820 1492
jeffrey.sun@cbre.com

Jonathan Chau
Executive Director,
Head of Investment Property &
Private Office, Capital Markets
+852 2820 8113
jonathan.chau@cbre.com

Reeves Yan
Executive Director,
Head of Capital Markets, Hong Kong
+852 2820 8181
reeves.yan@cbre.com