

Expansion and upgrading demand from financial firms drives steady leasing momentum



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

- Gross office leasing volume reached 1.4 million sq. ft. in Q3 2026, an increase of 17% q-o-q. Central accounted for 27% of quarterly leasing volume, with 73% of activity in the district involving Central A1 buildings. Leasing volume reached 3.6 million sq. ft. y-t-d, up 12% y-o-y.
- Citywide quarterly net absorption totalled 858,600 sq. ft., bringing the y-t-d total to 1.8 million sq. ft., the highest first nine-month figure for any year since 2018. All major submarkets recorded positive quarterly net absorption, led by Central with 223,000 sq. ft. and Greater Tsim Sha Tsui with 226,000 sq. ft.. Central registered 432,500 sq. ft. y-t-d, the highest y-t-d total in 20 years. Kowloon East was the only submarket to report negative net absorption y-t-d.
- The period saw one new building come on stream in Kowloon East. However, vacancy in the new addition was offset by positive net absorption. This ensured citywide vacancy fell by 0.8-ppt, the largest quarterly decline since Q2 2015, to 15.5%, the lowest level since Q1 2023.
- Lower vacancy supported a 3.2% q-o-q increase in rents, marking the fourth consecutive quarterly gain and bringing y-t-d growth to 6.7%. Central rents rose 15.8% y-t-d, led by a 24.3% increase in Central A1 rents, the strongest growth since Q4 2010. Other core submarkets also recorded growth q-o-q and y-t-d, although rents in decentralised submarkets continued to fall.

The Backdrop

- Hong Kong’s IPO market continues to scale new heights, with HK\$388 billion raised from 116 listings in the first three quarters of the year. This represents a 106% y-o-y increase and surpasses every previous nine-month total in the market’s history, supporting demand for office space from financial institutions and professional services firms.
- Hong Kong’s GDP increased by 5.1% y-o-y in H1 2026, marking the strongest half-year growth in five years. The government has revised up Hong Kong’s GDP growth forecast for 2026 from 2.5%-3.5% to 3.5%-4.0%, reflecting the city’s positive economic momentum.
- With fresh graduates entering the labour market, the unemployment rate edged up 0.1-ppt to 3.8% in August 2026, marking the first rise since December 2025.
- As the mainland tightens its tax net on offshore investment incomes, southbound fund flows are expected to slow, although the ultimate impact remains to be seen.
- In September, the U.S. Federal Reserve raised its benchmark interest rate by 25bps, marking its first hike since 2023. However, Hong Kong’s major banks did not increase their Best Lending Rates. The potential for further rate hikes may indicate an increase in business financing costs.

Demand and Activity

Gross leasing volume reached 1.4 million sq. ft. in Q3 2026, a rise of 17% q-o-q, bringing the y-t-d total to 3.6 million sq. ft. up 12% y-o-y. Central accounted for 27% of this quarter's leasing volume, with 73% of activity in the district involving Central A1 buildings on the back of solid expansionary demand, primarily from the financial sector.

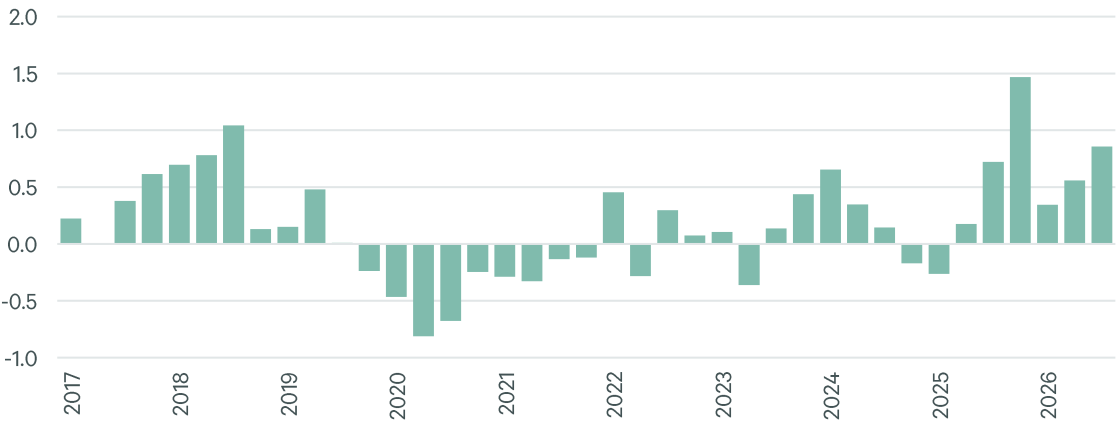
Banking and financial services reclaimed its status as most active sector in Q3 2026, accounting for 37% of total leasing volume, or 531,200 sq. ft., marking the sector's highest quarterly volume since Q2 2018. Driven by upgrading and expansion activity, buildings completed since 2024 or scheduled for completion captured over 61% of the sector's leasing volume. Mainland Chinese financial firms turned more active over the period, leasing 213,200 sq. ft. or 15% of total leasing volume, their highest volume and share since Q3 2024. Notable transactions included GF Securities leasing 59,200 sq. ft. at International Gateway Centre. In contrast, leasing momentum from the insurance sector moderated, with the sector accounting for just 6% of total volume, compared to 24% in Q2 2026.

Citywide net absorption reached 858,600 sq. ft., the highest quarterly total since Q4 2025. This brought the y-t-d total to 1.8 million sq. ft., the highest y-t-d amount for a third quarter since 2018. Positive absorption was broadly distributed across submarkets. Central registered 223,000 sq. ft., making it the third strongest quarter in 20 years (80 quarters). This brought Central's y-t-d total to 432,500 sq. ft., the highest y-t-d total in 20 years, owing to the 332,500 sq. ft. recorded in Central A1 buildings, which was mostly contributed by improved occupancy in Cheung Kong Center II. Greater Tsim Sha Tsui recorded 226,000 sq. ft., remaining positive for a second consecutive quarter, supported by several sizable deals in Tsim Sha Tsui West.

Hong Kong East recorded net absorption of 54,100 sq. ft. in Q3 2026, partly driven by improved occupancy in One Taikoo Place. Positive quarterly net absorption brought y-t-d net absorption for the submarket to 173,000 sq. ft., marking the highest y-t-d total since 2022.

Kowloon East recorded positive quarterly net absorption of 79,500 sq. ft. in Q3 2026, marking a second consecutive quarter of positive net absorption. However, Kwun Tong's y-t-d figure remained negative at -128,900 sq. ft., outweighing gains seen in Kowloon Bay and Kai Tak, making Kowloon East the only submarket to report negative y-t-d net absorption.

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



Source: CBRE Research, Q3 2026.

TABLE 1: Selected Leasing Transactions in Q3 2026

Building	District	Tenant	Size (sq. ft. NFA)
Grand Central Plaza, Tower 2	Sha Tin	CUHK	90,400
International Gateway Centre	Tsim Sha Tsui West	GF Securities Brokerage	59,200
Cheung Kong Center II	Central	Susquehanna International Group	52,400
International Commerce Centre	Tsim Sha Tsui West	Morgan Stanley	49,000
Kingston International Centre	Kowloon Bay	Kum Shing Limited	45,500
One Kowloon	Kowloon Bay	Multi Lines International	43,000
Lee Garden Eight - Tower 3	Causeway Bay	ZA Bank	38,000
FWD Tower	Quarry Bay	FWD Life Insurance	37,400
Kingston International Centre	Kowloon Bay	China Travel Services	32,400
Central Yards Phase 1	Central	Jane Street	31,600

Source: CBRE Research, Q3 2026.

Vacancy

Despite the completion of a new building in Kowloon East, positive net absorption ensured citywide vacancy fell 0.8-ppt to 15.5%, marking the third consecutive quarterly decline. Vacancy dropped by 1.8-ppt y-t-d, representing the largest y-t-d improvement since 2010.

Central vacancy fell 1.5-ppt to 7.8%, largely due to a 3.2-ppt decrease in Grade A1 buildings. Vacancy in this segment has now fallen for seven consecutive quarters, reaching 7.7%, the first single-digit percentage since Q1 2024.

Greater Tsim Sha Tsui saw vacancy fall by 1.7-ppt q-o-q to 16.6%, marking the largest drop since Q2 2011, aided by improved occupancy at International Gateway Centre.

In Hong Kong East, the vacancy rate fell by 0.5-ppt q-o-q to 13.1%, the lowest level since Q4 2022. Conversely, Kowloon East saw vacancy edge up 0.3-ppt to 23.7%, primarily driven by a rise in Kwun Tong, partially due to the completion of Crystal Tower.

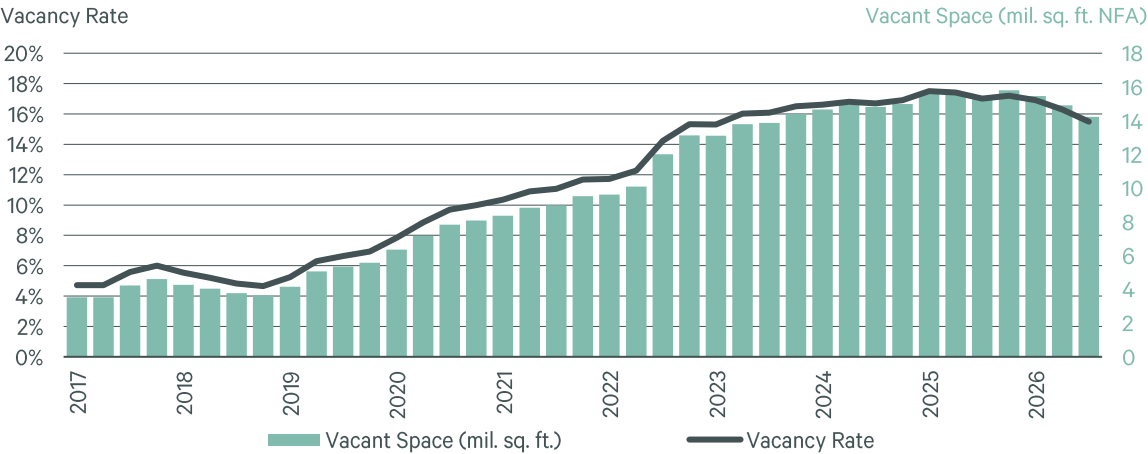
Rents

Lower vacancy supported a 3.2% q-o-q increase in citywide rents in Q3 2026, marking the fourth consecutive quarterly gain and the highest quarterly growth since Q2 2015. This brought y-t-d rental growth to 6.7%, the strongest y-t-d growth since 2015. Rental performance continued to diverge between core and decentralised submarkets.

Core Central rents increased 4.6% q-o-q, largely driven by 4.9% q-o-q growth in the Central A1 segment. Core Central and Central A1 rents increased 15.8% y-t-d and 24.3% y-t-d, respectively, rising also 20.0% and 32.3% from the trough registered in Q3 2025, respectively. Rents in Greater Tsim Sha Tsui increased 0.9% q-o-q, bringing y-t-d growth to 3.1%, the strongest y-t-d gain since 2018, with rents in Tsim Sha Tsui West up 6.5% y-t-d.

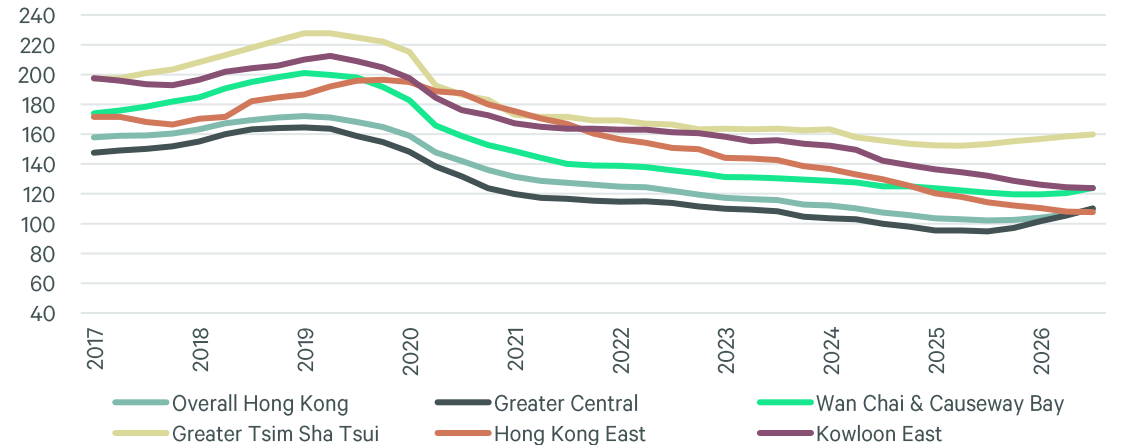
Vacancy pressure ensured decentralised submarkets stayed weak, with rents in Hong Kong East falling 0.3% q-o-q and 3.9% y-t-d, and those in Kowloon East declining 0.6% q-o-q and 3.5% y-t-d.

FIGURE 2: Quarterly Vacancy



Source: CBRE Research, Q3 2026.

FIGURE 3: Quarterly Rental Movement (Index, Q1 2010=100)



Source: CBRE Research, Q3 2026.

Outlook

Unveiled in September, Hong Kong's first Five-Year Plan aims to reinforce the city's role as an international financial centre, wealth management hub and innovation economy. These ambitions will support office demand from both traditional services sector occupiers, as well as emerging growth sectors over the medium term.

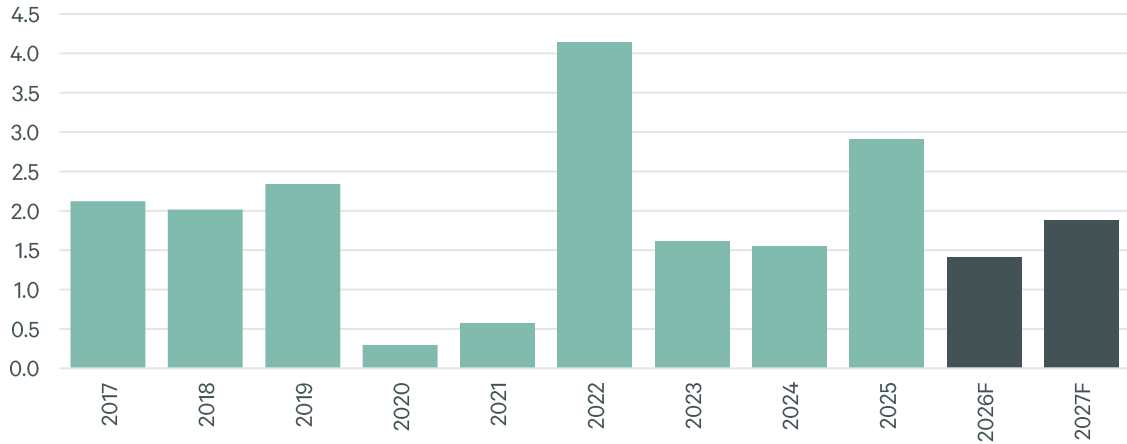
Recent tax measures directed at outbound investment from the mainland may temporarily affect wealth management activity as mainland Chinese investors revise their investment strategies. However, the impact of these measures on corporate tenants' long-term office demand is expected to be minimal.

Financial firms are expected to continue being the primary driver of office leasing activity. As the availability of large contiguous office space continues to tighten in premium buildings in Central, new supply in Tsim Sha Tsui West will cater to the requirements of financial occupiers, particularly mainland Chinese financial institutions supported by the ongoing expansion of cross-border financial connectivity schemes.

Despite the office market's strong performance so far this year, vacancy pressure is expected to increase. Approximately 3.1 million sq. ft. of new supply will enter the market, with 1.2 million sq. ft. scheduled for completion by the end of 2026 and an additional 1.9 million sq. ft. expected in 2027. Leasing activity has been slow for most upcoming projects, leaving 1.5 million sq. ft. of space unleased in core submarkets and over 900,000 sq. ft. still vacant in decentralised submarkets. However, activity in Core Central is expected to remain resilient, with the district likely to face limited direct impact from new supply.

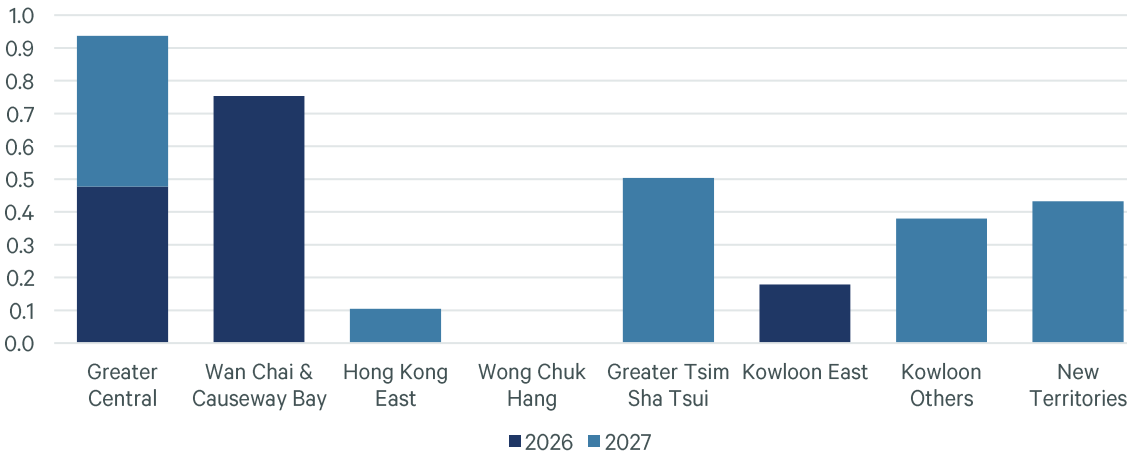
Rental performance is expected to remain polarised given the divergence in new supply between Central and other submarkets. Tightening vacancy in prime buildings is expected to support further rental growth in Central, led by Central A1 buildings, although gains are expected to gradually moderate from the sharp rebound seen in 2026. The large amount of supply set to come on stream in other core submarkets will ensure rental growth in these areas flattens out, while rents in decentralised submarkets with elevated vacancy will remain under pressure and weigh on overall rental growth. Looking to 2027, the pace of overall rental growth is expected to moderate to a range of 3% to 5% after this year's strong rebound.

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



Source: CBRE Research, Q3 2026.

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



Note: around 227,200 sq. ft. of new supply in Greater Central has been purchased for self-use.

Source: CBRE Research, Q3 2026.

TABLE 2: Rental Performance

Submarkets	Q3 2026 Rental Change (q-o-q)	Q3 2026 Rental Change (y-t-d)	Q3 2026 Net Effective Rents (HK\$/sq. ft./mth)	Q3 2026 Net Effective Rents High / Low (HK\$/sq. ft./mth)
Overall	3.2%	6.7%	46.8	140.1 / 13.4
Greater Central	4.6%	13.5%	82.4	140.1 / 35.7
Wan Chai / Causeway Bay	3.1%	3.8%	48.0	94.7 / 25.5
Hong Kong East	-0.3%	-3.9%	30.8	48.1 / 18.6
Wong Chuk Hang	2.3%	1.1%	21.8	27.4 / 15.2
Greater Tsim Sha Tsui	0.9%	3.1%	46.2	90.4 / 20.7
Kowloon East	-0.6%	-3.5%	20.8	31.7 / 13.4
Kowloon Others	2.6%	-0.3%	28.0	48.4 / 16.6
New Territories	0.5%	-1.0%	27.5	33.8 / 17.3

Source: CBRE Research, Q3 2026.

TABLE 3: Net Absorption and Vacancy

Submarkets	Q3 2026 Net Absorption (sq. ft. NFA)	2026 YTD Net Absorption (sq. ft. NFA)	Q3 2026 Vacancy Rate	Vacancy Change (ppt, q-o-q)	Vacancy Change (ppt, y-t-d)
Overall	858,600	1,762,300	15.5%	-0.8	-1.8
Greater Central	370,200	687,900	7.9%	-1.7	-3.1
Wan Chai / Causeway Bay	37,700	205,100	10.5%	-0.3	-1.9
Hong Kong East	54,100	173,000	13.1%	-0.5	-1.7
Wong Chuk Hang	64,600	125,700	15.3%	-2.5	-5.0
Greater Tsim Sha Tsui	226,300	360,600	16.6%	-1.7	-2.7
Kowloon East	79,500	-16,000	23.7%	+0.3	+0.8
Kowloon Others	17,700	194,900	16.8%	-0.2	-2.6
New Territories	8,400	31,200	27.8%	-0.2	-0.6

Source: CBRE Research, Q3 2026.

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