End-users boost transaction volume despite subdued investor sentiment

▼ 1.6% q-o-q
Office Capital Values (Stratified)

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

▼ 2.0% q-o-q
Industrial Capital Values (Warehouses)

HK$20.3bn (▲ 130% 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) grew 130% q-o-q to HK$20.3 billion in Q4 2025. This brought the full-year total for 2025 to HK$44.5 billion, representing a slight increase of 3.1% compared with the full-year figure for 2024.
- The number of transactions registered in Q4 2025 totalled 31, dropping 11% q-o-q. There were only 106 transactions completed in 2025, the second-lowest level recorded since 2005, with just seven of them exceeding HK$1 billion.
- End-users remained the most dominant source of demand, accounting for 79% of overall investment volume in Q4 2025. They also completed the largest transaction of the year, which included Alibaba Group and Ant Group purchasing 13 floors at One Causeway Bay for about HK$7.2 billion for use as their Hong Kong headquarters. Other deals included JD.com buying a 50% share by value of CCB Tower in Central for about HK$3.5 billion.
- Industrial investor sentiment improved with three en-bloc properties transacted in Q4 2025. The biggest deal saw Brookfield partner with Uni-China Group to form a cold storage joint venture to buy No. 4-6 Tsing Tim Street in Tsing Yi for HK$663 million.

The Backdrop

- The U.S. federal funds rate was cut by 50bps in Q4 2025. Banks in Hong Kong followed by lowering their best lending rates by 12.5bps to 5%-5.25%. The U.S. Fed expects to enact another 25bps rate cut in 2026 as it waits for clearer signals from the labour market and inflation.
- Hong Kong's Aggregate Balance stood at HK$54 billion by the end of 2025, about 20% higher than the level at end-2024. The 1M-HIBOR pulled back slightly from 3.54% on September 30, 2025, to 3.08% on December 31, 2025. Negative yield carry conditions continued to be witnessed for many commercial properties across sectors.
- Hong Kong's real GDP grew by 3.8% y-o-y in Q3 2025, picking up from the 3.1% y-o-y growth in the preceding quarter. Growth was largely driven by a continued surge in exports and sustained expansion in domestic demand. The government revised up its real GDP growth forecast for full-year 2025 from 2%-3% to 3.2%, improving from the 2.5% growth seen in 2024.
- In November 2025, Chinachem Group won a tender for a residential site in Tsuen Wan for a premium of HK$2.475 billion or an accommodation value of HK$5,692 per sq. ft., about 14% higher than the higher end of market expectations and 8% higher than the second-highest bid. The tender attracted a total of nine bidders.

Investment Trends

Commercial real estate investment volume increased 130% q-o-q to HK$20.3 billion in Q4 2025, the highest quarterly level since Q4 2022. This brought the full-year total for 2025 to HK$44.5 billion, a slight increase of 3.1% compared with the full-year figure for 2024. The number of transactions registered this quarter was 31, a fall of 11% q-o-q. There were only 106 transactions completed in 2025, the second-lowest level since 2005, with just seven of them exceeding HK$1 billion. Mainland Chinese buyers spent a total of HK$18.2 billion on Hong Kong commercial properties in 2025, accounting for 41% of investment volume, the highest share on record.

Office remained the most active sector in Q4 2025, representing 83% of investment volume, as end-users remained highly acquisitive. Mainland Chinese companies completed several purchases to accommodate expansion plans, led by the HK$7.2 billion purchase of 13 floors at One Causeway Bay by Alibaba Group and Ant Group for use as their Hong Kong headquarters. Elsewhere, JD.com bought a 50% share by value of CCB Tower in Central for about HK$3.5 billion. Office investment totalled HK$29.1 billion in 2025, an increase of 30% y-o-y.

Retail investment slowed with only a handful of transactions registered in Q4 2025. These included McDonald's Corporation's sale of three shops to private investors for a total of HK$261 million as a part of its asset-light retail strategy. Retail investment totalled HK$4.2 billion in 2025, dropping 59% y-o-y and reaching the lowest annual level on record.

Industrial investor sentiment improved with three en-bloc properties transacted in Q4 2025. The biggest deal saw Brookfield partner with Uni-China Group to form a cold storage joint venture to buy No. 4-6 Tsing Tim Street in Tsing Yi for HK$663 million. Elsewhere, a local investor acquired Big Orange in Tai Wai for HK$500 million, and a mainland Chinese company purchased G2000 Warehouse Building in Fanling for HK$380 million. Industrial investment totalled HK$3.2 billion in 2025, dropping 35% y-o-y and reaching the lowest annual level on record.

Hotel investment accelerated as facilitation measures under the "Hostels in the City Scheme" encouraged investors to participate in student hostel conversion or redevelopment opportunities to meet growing demand from non-local students. Deals included a local investor acquiring the Bauhinia Hotel (Tsim Sha Tsui) for HK$338 million for conversion into a student hostel. Hotel investment totalled HK$4.9 billion in 2025, rising 149% y-o-y, and was higher than both retail and industrial investment for the first time since 2015.

FIGURE 1: Selected Investment Transactions

Property Name	Sector	Price (HK$ mil)	Area (sq. ft.)	Unit Price (HK$/sq. ft.)	Buyer
21/F-35/F, One Causeway Bay	Office	7,209	301,555	23,907	Alibaba Group & Ant Group
CCB Tower (50%)	Office	3,498	111,622	31,338	JD.com
Office Portion, Festival Walk	Office	1,960	213,982	9,160	City University of Hong Kong
En-bloc, China Huarong Tower	Office	1,160	95,515	12,145	OCBC Bank
En-bloc, 1 Humphreys Avenue	Office	790	58,591	13,483	Private Investor
En-bloc, 4-6 Tsing Tim Street	Industrial	663	246,000	2,695	Brookfield & Uni-China Group
52/F, The Center	Office	565	25,695	22,000	Prosperous Global Investment Limited
En-bloc, Big Orange	Industrial	500	236,148	2,117	Private Investor
En-bloc, G2000 Warehouse Building	Industrial	380	123,591	3,075	Mainland Chinese Company
En-bloc, The Bauhinia Hotel (Tsim Sha Tsui)	Hotel	338	60,894	5,551	Private Investor
En-bloc, Ovolo Central	Hotel	253	26,202	9,656	Private Investor

Source: CBRE Research, Q4 2025.

Sources of Demand

End-users remained the most dominant source of demand in Q4 2025, accounting for 79% of overall investment volume and the top four transactions by consideration, all of which exceeded HK$1 billion. End-user purchasers, including non-local corporations and local universities, mainly targeted office assets. Deals included the City University of Hong Kong's acquisition of the office portion of Festival Walk in Kowloon Tong for about HK$2.0 billion, and OCBC Bank's purchase of China Huarong Tower in Wan Chai for about HK$1.2 billion.

Local investors displayed diverse preferences while exhibiting a strong focus on financially stressed assets at discounted prices. Transactions included the sale of the office building at 1 Humphreys Avenue in Tsim Sha Tsui to a local investor for HK$790 million. Elsewhere, a local investor bought a retail space in Lee Kee Building Arcade for about HK$132 million.

Non-local investors turned more active in the investment market this quarter, showing interest in the office sector. This was exemplified by a mainland Chinese investor acquiring a floor at Bank of America Tower in Central for about HK$247 million.

During the quarter, REITs returned to the investment market for the first time since Q1 2023. The deal in question saw CMC REIT acquire Habyt Austin Avenue in Tsim Sha Tsui for about HK$206 million for conversion into a student hostel.

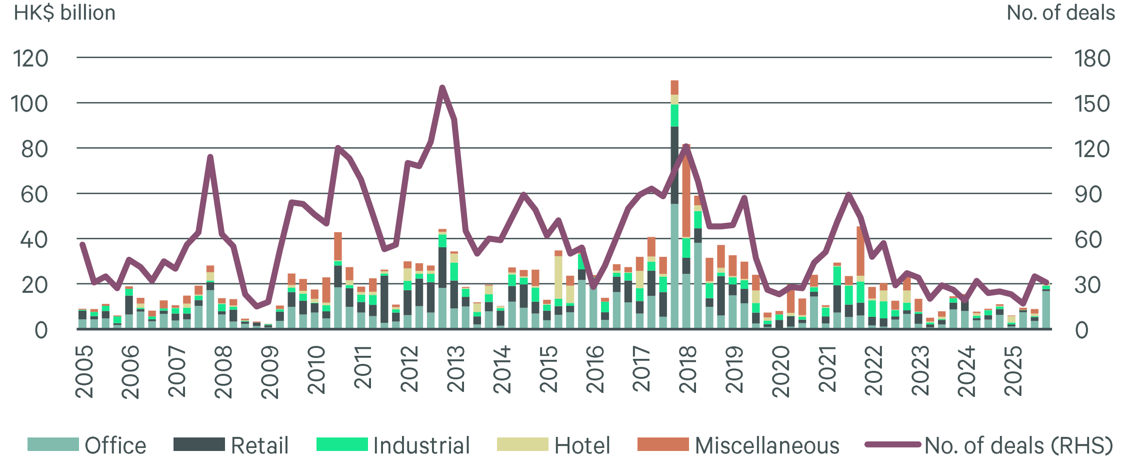
Asset Performance

Grade A office capital values fell 1.6% q-o-q in Q4 2025, marking the 16th consecutive quarterly decline. This brought the full-year fall to 7.8%, and the decline from the peak achieved in Q3 2018 to 61.4%. Yields expanded modestly to 3.3%.

High-street shop capital values stayed flat q-o-q, maintaining full-year growth of 1.0%. Yields remained largely stable at 3.2%.

Warehouse capital values dropped 2.0% q-o-q, marking the 11th consecutive quarterly decline. This brought the full-year fall to 13.2%, with a total decrease of 23.6% since the commencement of the current downward cycle. Yields remained stable at 3.8%.

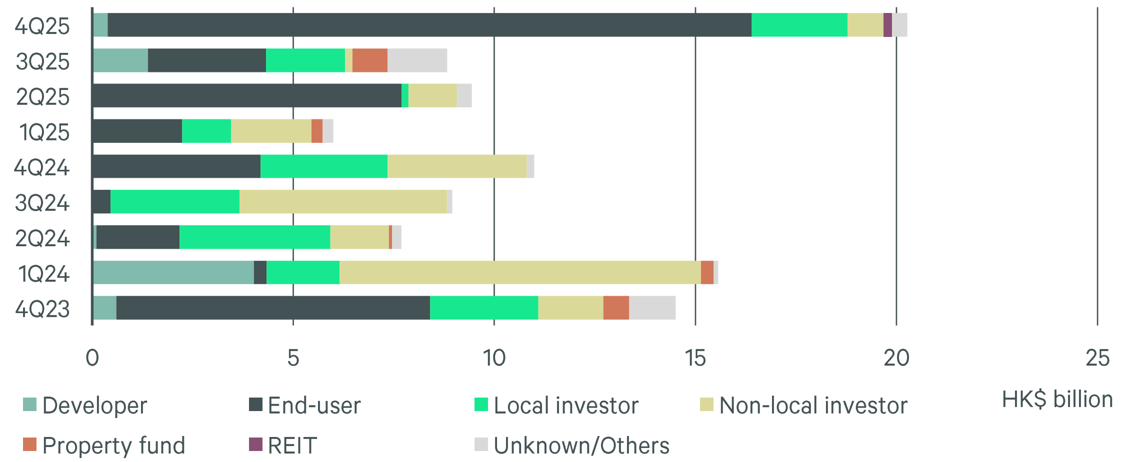
FIGURE 2: Total Investment Turnover



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

Source: CBRE Research, Q4 2025.

FIGURE 3: Buyer Profile



Source: CBRE Research, Q4 2025.

Outlook

While widely expected interest rate cuts in 2026 may boost sentiment, investment will remain informed by market fundamentals and the outlook for specific property sectors. With rate cuts this year anticipated to be modest, they will likely have only a limited impact on local interest rates. Some trophy assets will therefore likely remain in negative carry conditions.

Other tailwinds will include improving residential sales, which should strengthen investor confidence and indirectly improve demand for commercial real estate. Corporate end-users are expected to remain most active, while institutional investors may return to the market in search of financially stressed office buildings as well as living sector assets.

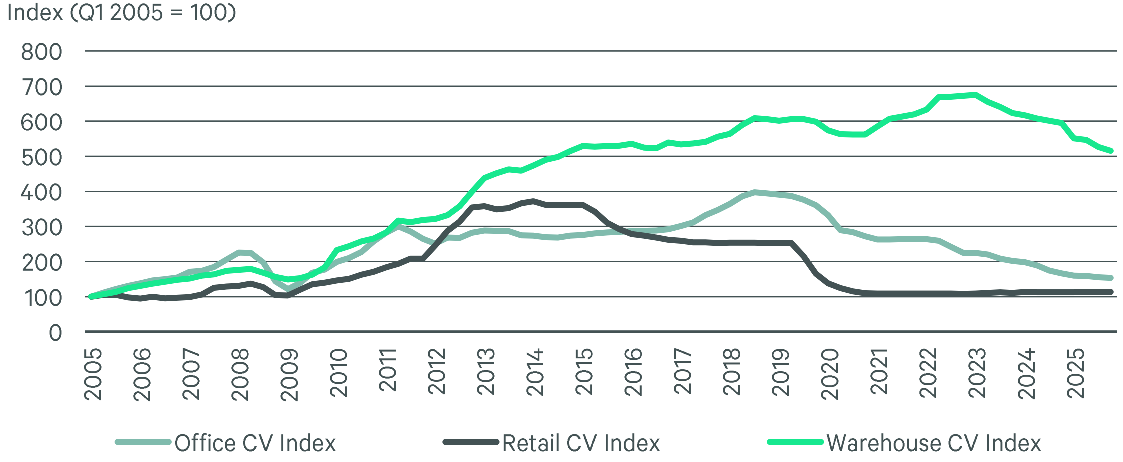
Several recent major office acquisitions by mainland Chinese corporations may inspire their peers to capitalise on discounted prices to purchase offices to hedge against long-term overheads. Mainland Chinese capital is expected to stay active in 2026, especially for offices with naming and signage rights.

Demand from universities may decline after institutions' recent spending spree. The requirement to return some funding to the government and a planned 2% cut in annual university grants over the next three years to address the government budget deficit will likely result in more cautious spending by this group of buyers.

Demand for converting properties into student hostels will remain robust due to a shortage of purpose-built student accommodation. These conversions typically involve smaller hotels and commercial buildings and require only modest investment.

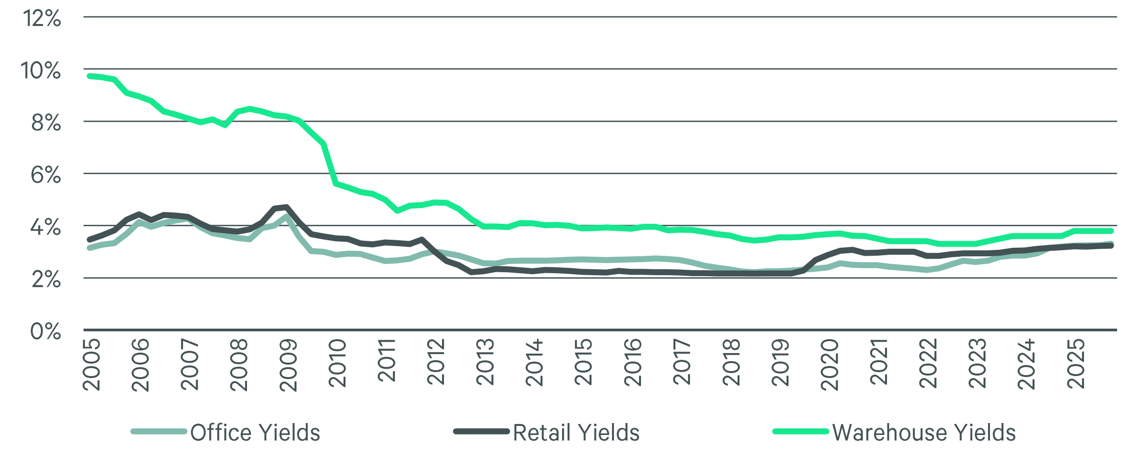
Commercial real estate investment volume is forecast to rise by 5% in 2026. While office and warehouse capital values are projected to remain under pressure, office assets in the Central CBD may outperform. Retail capital values are anticipated to rise, supported by rental growth.

FIGURE 4: Capital Values



Source: CBRE Research, Q4 2025.

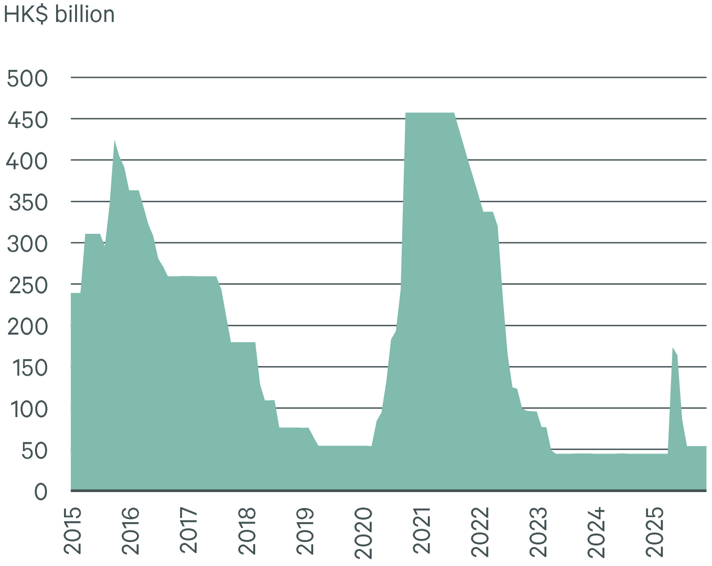
FIGURE 5: Market Yields



Source: CBRE Research, Q4 2025.

Appendix

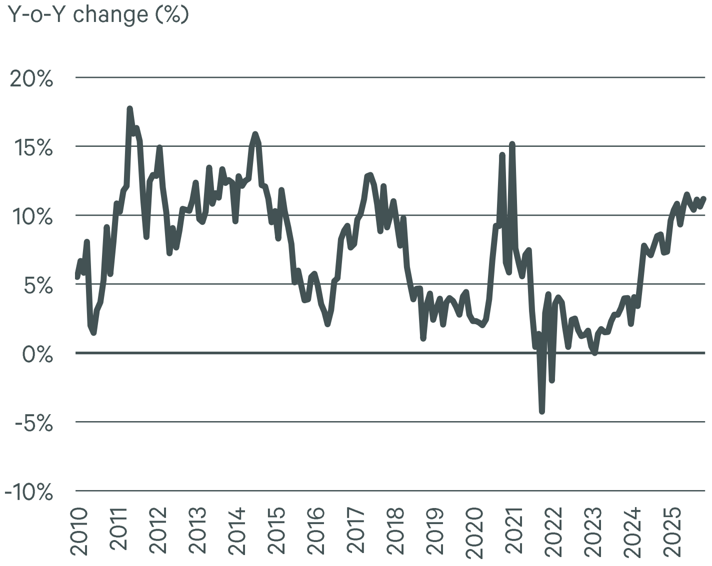
FIGURE 6: Hong Kong Interbank Aggregate Balance



Source: Hong Kong Monetary Authority, Q4 2025.

	December 2025
Hong Kong Interbank Aggregate Balance (HK$ billion)	54
Hong Kong Interbank Aggregate Balance (Q-o-Q)	-0.5%
Hong Kong Interbank Aggregate Balance (Y-o-Y)	+20.4%
Hong Kong Interbank Aggregate Balance (Y-t-D)	+20.4%

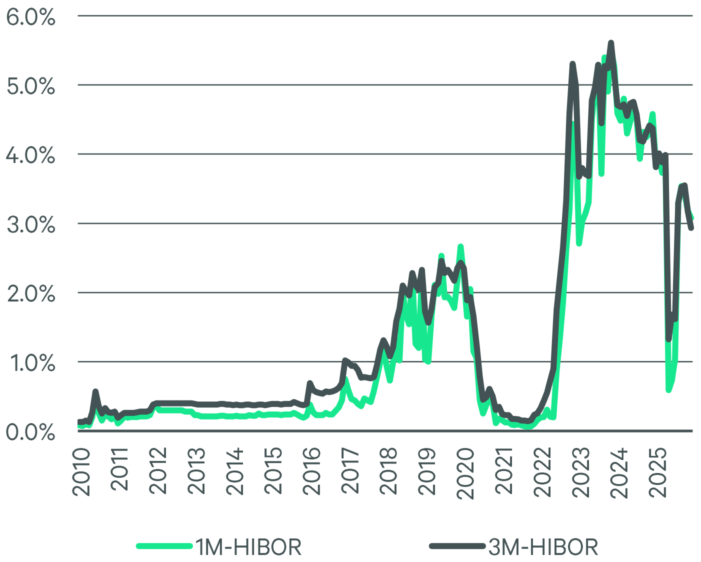
FIGURE 7: M2 Money Supply



Source: Hong Kong Monetary Authority, Q4 2025.

	November 2025
Hong Kong M2 Money Supply (HK$ billion)	20,349
Hong Kong M2 Money Supply (Y-o-Y)	+11.2%
Hong Kong M2 Money Supply (Y-t-D)	+10.2%

FIGURE 8: Interest Rates



Source: Hong Kong Monetary Authority, Q4 2025.

	March 2025	June 2025	September 2025	December 2025
1M-HIBOR	3.73%	0.73%	3.54%	3.08%
3M-HIBOR	3.88%	1.68%	3.53%	2.93%

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.

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