



CUSHMAN &
WAKEFIELD

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INSTANT INSIGHT

HONG KONG BUDGET 2026/27 HOUSE VIEWS

March 2026

Better never settles

An aerial photograph of a city skyline, featuring a prominent, tall, blue skyscraper with a rounded top. The city is densely packed with various buildings, and a body of water is visible in the background. The image is used as a background for the document's cover page.

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01

NORTHERN METROPOLIS DEVELOPMENT



PUBLIC-PRIVATE PARTNERSHIP TO RELEASE INDUSTRIAL SPACE

The Budget:

- To explore ways of further encouraging developers owning land in the Northern Metropolis (NM) to collaborate with technology or advanced manufacturing enterprises in submitting joint development proposals to the government.
- Through tripartite co-operation, relevant land and corporate resources will be channeled towards the target industries for priority development in Hong Kong, enabling greater participation of the business sector in the I&T transformation of the economy and expediting the NM development through concerted efforts.



ACCELERATING LAND FORMATION AND CONSTRUCTION

The Budget:

- The first batch of site formation works for the I&T land in San Tin Technopole and the university land in Hung Shui Kiu will be completed within this year.
- To seek funding approval from the LegCo in 2026-27 for kickstarting projects such as the site formation and engineering infrastructure works for Ngau Tam Mei NDA and Stage 2 of San Tin Technopole Phase 1 Development, as well as construction of the government joint-user complex in Kwu Tung North.
- To introduce a bill for dedicated legislation to accelerate the development of the NM in the middle of this year.

Our views:

We believe that introducing a public-private partnership model can enhance execution efficiency and help alleviate the fiscal burden on the government, thereby expediting the Northern Metropolis (NM) development through leveraging market efficiency and innovation capabilities. However, the key lies in how clearly the government defines the roles of the public and private sectors. The government should ensure transparency in industry development goals, and land use and return distribution, to attract private market participation. With clear planning, phased implementation and rigorous regulation, the public-private partnership model could become an important tool for driving industry development in the NM.

As highlighted in our earlier research, the government may consider securing strategic “anchor institutions” and avoiding blurred industry positioning among different areas of large-scale land disposal. This would help establish clear positioning of the large-scale land plots and enhance the pilot area’s overall attractiveness. We hope that the government will announce more details on the educational and I&T enterprises to be established as anchor institutions, in order to strengthen developers’ confidence. Meanwhile, we also hope that, while student intake and campus sites are introduced into Hung Shui Kiu/ Ha Tsuen New Development Area (NDA), it could closely align with the area’s industrial positioning and functional roles, so as to generate synergies and complement the upcoming educational sites in Ngau Tam Mei.



MULTI-PRONGED DEVELOPMENT APPROACH

The Budget:

- To accelerate the development of the NM with an innovative mindset, including the large-scale land disposal approach adopted to expedite the granting of land in new development areas. Tenders are being invited for the first pilot area in Hung Shui Kiu/ Ha Tsuen.
- The government have introduced flexible land premium payment arrangements, such as allowing the offsetting of land premium by surrendering land in the NM to be resumed by the government as well as staged payment of land premium.

Our views:

We welcome the government's adoption of our earlier recommendation to introduce land premium payment arrangements in the NM. This is expected to help alleviate cash-flow burdens on enterprises engaged in land development, thereby enhancing both the feasibility and pace of public-private partnership and industry-driven approach.



RAISING BORROWING CEILING OF BOND PROGRAMS

The Budget:

- To raise the total borrowing ceiling of green bonds and infrastructure bonds from HK\$700 billion announced last year to HK\$900 billion, accelerating the development of the NM and other public work projects related to the economy and people's livelihood.

Our views:

We support the government's proposal to increase the borrowing ceiling of the two bond programs to HK\$900 billion to finance the development of the NM. Looking ahead, more long-term bonds will also be issued to better align cash-flow schedules and capital deployment for infrastructure works. Beyond direct bond issuance, we recommend the government adopt a more macro asset allocation perspective and make better use of the sizeable Mandatory Provident Fund (MPF) pool. According to MPFA data, total MPF assets reached a historical high of approximately HK\$1.55 trillion at the end of December 2025. The government could consider relaxing investment restrictions on the MPF, allowing a proportion of assets, such as 10%, to be invested in long-term bonds for the NM development. Such a move could provide a stable source of funding for the NM development, while offering MPF members an investment alternative with lower risk and more stable returns, thereby achieving a win-win outcome.



02

COMMERCIAL PROPERTIES



COMMERCIAL LAND SALES REMAINING ON HOLD

The Budget:

- Not to put up general commercial sites for sale in the coming year.
- Hong Kong Investment Corporation (HKIC) to collaborate with regional and international long-term capital to channel funds into high-quality commercial property projects that align with the city's industrial positioning and match them with enterprises from target industries.



PROMOTING INDUSTRY DEVELOPMENT OF AI

The Budget:

- To establish the Committee on AI+ and Industry Development Strategy to formulate strategies and create favorable conditions for AI to empower the transformation and development of industries.
- The HK\$3 billion AI Subsidy Scheme launched by the government has enhanced local AI research standards and application.
- The Hong Kong Artificial Intelligence Research and Development Institute Company Limited to come into operation in 2H 2026.
- To announce tender result of Sandy Ridge data facility site shortly. The project can provide a GFA of 250,000 sq m and will render crucial support for data and computing power required by the use of AI.

Our views:

We support the government's decision, in response to market supply and demand conditions, to pause the sale of general commercial sites in the coming year. As of Q4 2025, the overall availability rate in the Hong Kong Grade A office market stood at 20.3%. The temporary suspension of commercial land sales will allow the market to gradually absorb current vacant office spaces, helping stabilize the office sector. Nevertheless, the government should regularly review market conditions for optimal timing of a relaunch of sales of commercial sites.

In parallel, the collaboration between the HKIC and private capital to channel funds into high-quality commercial property projects aligned with the city's industry positioning, and to facilitate connections with enterprises in target sectors, represents a constructive and market-oriented approach. This will likely improve efficiency in project-enterprise matching, providing more suitable premises for emerging industries such as I&T and medical research, and injecting new demand into the commercial real estate sector.

Our views:

The government is accelerating efforts to drive the industrialization of AI, encouraging its wider adoption and deeper integration across industries. In the long term, this will boost demand for computing power and strengthen absorption of high-specification data center facilities in the local market.

Meanwhile, the data center parcel at Sandy Ridge will provide a GFA of more than 250,000 sqm, representing approximately 25% of the current citywide inventory of around 10 million sq ft, marking a rare large-scale project in recent years. If this is successfully tendered, it could provide high power capacity and advanced infrastructure for Hong Kong's AI development and hence strengthen the city's position as a data center hub within the Greater Bay Area and Asia in the long run.



03

CAPITAL MARKETS



HIKING STAMP DUTY FOR LUXURY HOMES

The Budget:

- To raise rates of stamp duty on residential property transactions valued >HK\$100 million, from 4.25% to 6.5%; affecting about 0.3% of residential property transactions. The revenue is estimated to increase by HK\$1 billion per annum.
- Effective from 26th February, 2026

Our views:

We believe the adjustment on stamp duty rates remains at a rational level and in line with the "affordable users pay" principle. Yet, this will inevitably prompt certain potential buyers to defer their purchasing decisions. However, we anticipate that, as long as the market adapts and responds, Hong Kong's luxury residential market will continue to demonstrate resilience and sustained activity. We encourage the government to exercise prudence in future stamp duty adjustments, to avoid diminishing the attractiveness of the city's residential market.



OTHER COMMENTS FROM CUSHMAN & WAKEFIELD

Our views:

We support the government in strengthening talent admission from Chinese mainland and overseas markets, yet the Budget has not suggested concrete measures to assist home ownership in Hong Kong for incoming talent. We also recommend a moderate lowering of the investment threshold and relaxing the criteria for qualifying properties to include more residential transactions into the scope of the New Capital Investment Entrant Scheme.

Furthermore, we suggest reviewing restrictions faced by non-local investors in relation to bank financing and mortgages, enhancing capital liquidity and flows. We believe this will attract a greater influx of international financial and human capital.



04

TOURISM & LOGISTICS



PROMOTING TOURISM INDUSTRY

The Budget:

- The Hong Kong Tourism Board (HKTB) to draw more overnight visitors, including Chinese mainland cities outside Guangdong, ASEAN and the Middle East. The HKTB will further attract more international cruises to include Hong Kong in their itineraries.
- Fully connected the 13-km long harbourfront from Kennedy Town to Shau Kei Wan.
- To continue working with Kai Tak Sports Park Limited to proactively attract more major international sports events and activities.

Our views:

We welcome the government's diversified policies and continued funding to promote Hong Kong's exhibition industry, incentive travel, the revitalization of historic buildings, international cruise development, major sports events, harborfront enhancement works and "urban-rural integration" initiatives. Through these targeted and wide-ranging programs, Hong Kong will attract visitors with varying interests and spending power, strengthening the overall competitiveness of the city's tourism sector. We believe the abovementioned measures will drive the growth of high value-added economic activities in the long term, further energize local retail sentiment, and inject momentum into the economy.

Looking ahead, we are optimistic about the medium- to long-term outlook for the city's retail rental performance. We expect retail rents to show more positive adjustments as policies are progressively implemented and tourism continues to expand.



INTERNATIONAL MARITIME CENTER AND MODERN LOGISTICS CLUSTER

The Budget:

- To align with the national maritime strategic development, elevate Hong Kong's status as an international maritime center, and strive to promote smart logistics and digital transformation in the industry.
- To reserve 32 hectares of land in Hung Shui Kiu/ Ha Tsuen NDA for developing a modern logistics cluster and will invite expressions of interest from the industry for the development of the first site this year.

Our views:

The government has proposed supporting national maritime strategic development, advancing the elevation of Hong Kong's status as an international maritime center, and accelerating the smart transformation of the logistics industry as well as the expansion of the cargo hinterland. The reservation of 32 hectares of land in the Hung Shui Kiu/ Ha Tsuen New Development Area for the development of a modern logistics hub will further help consolidate Hong Kong's role as a global maritime hub.

However, we consider that in developing a modern logistics park, the government should adopt a market-oriented, enterprise-centered approach, and respond flexibly to the needs of businesses to offer appropriate incentives in order to attract enterprise participation.

05

TALENT ATTRACTION



STRENGTHENING THE STATUS AS GLOBAL EDUCATION HUB

The Budget:

- To develop the third medical school, and reserve land at Ngau Tam Mei in the NM for the permanent campus of the new medical school.
- To roll out three sites in Hung Shui Kiu/Ha Tsuen NDA shortly, for UGC-funded universities and universities of applied sciences for campus development, for the development of the NM University Town.
- To earmark HK\$10 billion for providing loans to support campus development.



DEVELOPMENT OF STUDENT HOSTELS

The Budget:

- To invite the market to submit expressions of interest for post-secondary student hostel development on three sites.
- Subject to market response, the relevant sites may be put up for tender.

Our views:

The government has demonstrated its commitment to expediting the development of higher education and advancing the “Study in Hong Kong” initiative by granting three sites in the Hung Shui Kiu/ Ha Tsuen New Development Area and earmarking HK\$10 billion in loans to support campus construction. This will help further enhance Hong Kong’s overall attractiveness as a regional education hub.

With the planning of the Northern Metropolis University Town, and policies aimed at attracting outstanding students from around the world to study in Hong Kong, demand for residential accommodation and student hostels is expected to increase in the city.

The Development Bureau earlier announced the rezoning of three commercial sites in Kai Tak, Siu Lek Yuen in Sha Tin and Tung Chung East for post-secondary student hostel use, which are expected to provide around 4,500 bed spaces. The further implementation of the Budget measures will help alleviate student housing shortages and, in the longer term, ease rental pressures in the residential market, underpinning a healthier housing market.

However, student hostel projects are not permitted for stratified sale and typically involve a longer payback period. We recommend the government provides more incentives in the land sale conditions, such as prioritizing sites near post-secondary institutions, and offering greater flexibility in land premium or tender arrangements, to encourage active participation from developers.



06

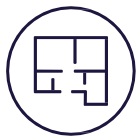
HOUSING POLICIES



STABILIZING LAND AND HOUSING SUPPLY

The Budget:

- The Land Sale Programme for the coming year to include nine residential sites.
- Together with railway property development, projects undertaken by the Urban Renewal Authority, as well as private development and redevelopment initiatives, the potential land supply for the whole year is expected to provide around 22,000 units.
- To complete around 17,000 private residential units annually over a five-year period from this year, dropping 8% over the annual average of the past five years. The first-hand private residential units potential supply for the next three to four years will be around 104,000 units.



BASIC HOUSING UNIT REGULATORY REGIME COMING INTO EFFECT

The Budget:

- The Basic Housing Unit regulatory regime to come into effect in March with a 48-month transitional arrangement.

Our views:

The land sale program for the coming year, together with the projected supply of first-hand private residential units in the next three to four years, indicates that land and housing supply is stabilizing. We recommend the government to streamline the tender terms and release sites in an orderly manner to attract more developers to participate in the bidding, in turn enhancing market vitality.

Our views:

The regulatory regime for “Basic Housing Units” is expected to take effect on March 1, 2026, with a 48-month transitional period. Some units may fall short of requirements, forcing residents to relocate. Together with ageing public rental housing units more than 50 years old, rehousing pressure will intensify. We believe a flexible and financially sustainable urban renewal strategy should be applied by the government, with a clear allocation priority for affected households, tenants of old estates, and applicants on the waiting list.

Under the current URA acquisition approach, compensating owners at a level close to first-hand residential prices (including home-purchase allowance) imposes a heavy financial burden. We recommend further optimization of the “flat-for-flat” mechanism to reduce cash payouts, such as allocating land in new development areas like Tseung Kwan O, to the URA or related bodies for non-local rehousing under the “flat-for-flat” arrangement. While the 7-year building-age benchmark has its rationale, the government may also consider offering more attractive terms to older building owners as an incentive to accelerate relocation and redevelopment.

Such an approach would ease URA’s upfront cash outlay at the initial stage, alleviating liquidity pressure, and enabling capital recycling upon project completion and sale, thereby establishing a more sustainable and self-financed redevelopment model.

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