

MARKET FUNDAMENTALS

	YOY Chg	Outlook
30,000 Median HH Income (HKD)	<div></div>	<div></div>
3.5% <sup>1</sup> Unemployment Rate (Mar – May 2025)	<div></div>	<div></div>
11.9% <sup>2</sup> Tourist Arrival Growth <small><sup>1</sup> Three-month moving average, seasonally adjusted <sup>2</sup> The figure refers to Jan – May 2025 combined</small>	<div></div>	<div></div>

ECONOMIC INDICATORS

	YOY Chg	Outlook
3.1% GDP Growth (Q1 2025)	<div></div>	<div></div>
0.1% Retail Sales Growth <sup>3</sup>	<div></div>	<div></div>
1.9% CPI Growth <sup>4</sup> (May 2025)	<div></div>	<div></div>
0.6% Private Consumption Expenditure Growth (Q1 2025) <small><sup>3</sup> The figure refers to the Apr – May of Q2 2025 <sup>4</sup> Composite CPI, non-seasonally adjusted</small>	<div></div>	<div></div>

Source: Hong Kong Census and Statistics Department, Hong Kong Tourism Board, Moody's Analytics

RETAIL SALES CONTINUE TO CONTRACT DESPITE IMPROVING TOURIST ARRIVALS

Hong Kong saw a 11.9% y-o-y uptick in total tourist arrivals for the January to May 2025 period. However, the city's overall retail sales in the period continued to contract, down 4.0% y-o-y at HK\$155.1 billion. The downturn is largely due to the shift in consumption patterns among tourists, who are now placing greater emphasis on culture, experience and affordability. As a result, among key retail categories, sales in high-end segments traditionally favored by tourists were most impacted. Sales in the Jewellery & Watches and Fashion & Accessories sectors dropped by 8.8% and 5.7% y-o-y, respectively. The Medicines & Cosmetics; and Food, Alcohol & Tobacco; sectors recorded y-o-y growth of 3.4% and 2.7% y-o-y, respectively.

HIGH STREET RENTS PRESSURED BY LIFTED VACANCY

Overall retail leasing activity was most active in Mongkok in the Q2 period, aided by the district's relatively attractive rental level and stable tourist footfall. In the quarter, international sportswear giant Adidas leased a 1,880 sf retail space on Sai Yeung Choi Street South, while a local fashion retailer opened a 1,000 sf store on the same street. The market also saw relocation activity within the district, with international handmade cosmetics brand LUSH moving to a 1,000 sf store neighboring its previous store on Sai Yeung Choi Street South. Local bakery chain Hashtag B's expansion to a ground-floor store at CTMA Centre was a further notable transaction in the district. In Causeway Bay, Futu Securities' multi-floor store lease spanning 5,400 sf at Soundwill Plaza on Russell Street was a noted new lease in the quarter, with the brand aiming to grow its offline presence and services.

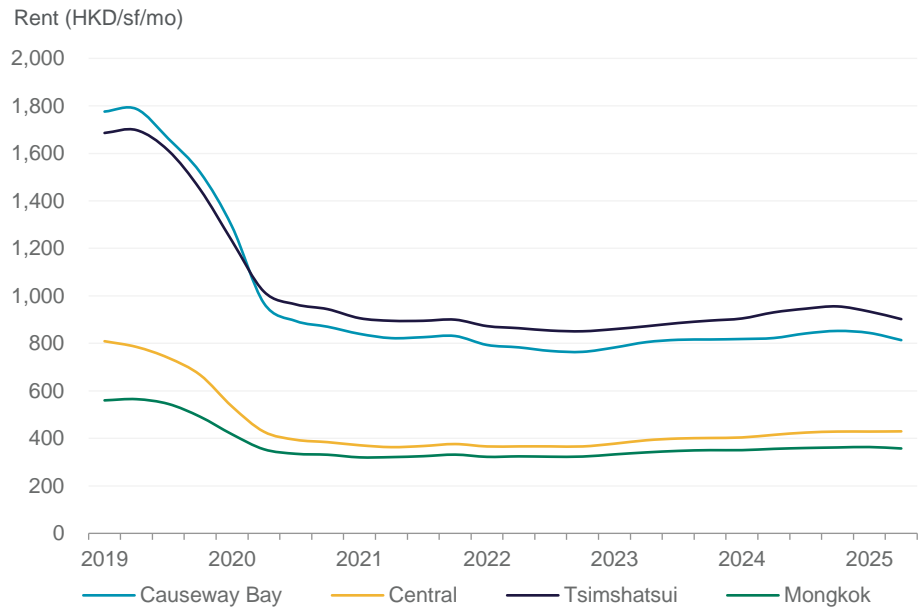
Despite this activity, vacancy rates generally trended upward across core districts in Q2. The vacancy rate in Causeway Bay climbed to 13.2%, from 5.3% last quarter. Vacancy rates in Mongkok and Central rose slightly q-o-q, to 9.5% and 8.6%, respectively, while Tsimshatsui remained stable at 9.4%.

Vacancy pressures caused high street retail rents to generally trend downward in Q2, with landlords needing to offer greater rental discounts to secure occupancy. Retail rents in Causeway Bay fell by 3.6% q-o-q, followed by Tsimshatsui at 3.4% q-o-q. Rents in Mongkok dropped slightly by 1.7% q-o-q. Rents in Central remained largely stable in the quarter, supported by resilient local demand. In the F&B sector, operators continued to face uncertainty due to the changed consumption patterns among tourists and residents, bringing F&B rents across districts to a mild decline on a q-o-q basis, within a 1% range.

RETAIL MARKET EXPERIENCING TENANT RESHUFFLING

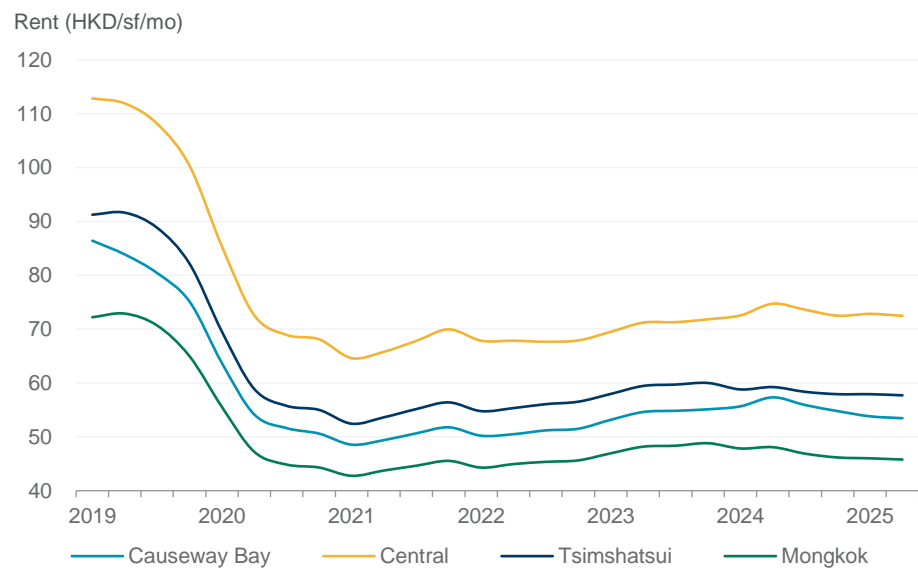
Uncertainty surrounding structural changes in consumption patterns among visitors and residents is likely to remain in the near-term, in turn forcing underperforming retailers to leave the market. The current attractive rental level is also lowering costs of entry for new market players, while benefitting mass-market retailers aiming to enter high-street areas, contributing to a reshuffling of tenants. The proactive promotion of mega-events and world-class concerts by the government will also continue to help attract international visitors, especially with the opening of the Kai Tak Stadium. Looking ahead, we expect high street retail rents and F&B rents to remain largely flat in the 2H 2025 period, and to mildly correct in the range of -1% to -3% through 2025.

HIGH STREET AVERAGE RENT



Source: Cushman & Wakefield Research

F&B AVERAGE RENT



Source: Cushman & Wakefield Research

HIGH STREET RENTS Q2 2025

	EFFECTIVE RENT			Q-O-Q CHANGE	2025 FORECAST
	HKD/SF/MO	US\$/SF/MO	EUR/SF/MO		
Causeway Bay	814	104	90	-3.6%	▼
Central	430	55	47	0.2%	▼
Tsimshatsui	902	115	100	-3.4%	▼
Mongkok	357	46	39	-1.7%	▼
HONG KONG AVERAGE	626	80	69	-2.6%	▼

Exchange Rate: 1USD = 0.8669EUR = 7.8498HKD (as of Jun 16, 2025)

HIGH STREET VACANCY RATE

	Q3 2024	Q4 2024	Q1 2025	Q2 2025
Causeway Bay	2.6%	0.0%	5.3%	13.2%
Central	8.6%	8.6%	7.1%	8.6%
Tsimshatsui	9.4%	9.4%	9.4%	9.4%
Mongkok	8.4%	8.4%	8.4%	9.5%

KEY LEASE TRANSACTIONS Q2 2025

PROPERTY	DISTRICT	TENANT	SECTOR	SF (APPROX.)
Shop A, B & C on G/F, Shop A on 1/F, Soundwill Plaza, 38 Russell Street	Causeway Bay	Futu Securities	Banking & Finance	5,400
G/F & 1/F, 48-50 Sai Yeung Choi Street South	Mongkok	ADIDAS	Athleisure	1,880
G/F & C/L, 66 Sai Yeung Choi Street South	Mongkok	LUSH	Beauty & Cosmetics	1,000
G/F & C/L, 68 Sai Yeung Choi Street South	Mongkok	SINYX	Fashion & Accessories	1,000
Shop G1-G2, G/F, CTMA Centre, 1N-1X Sai Yeung Choi Street South	Mongkok	Hashtag B	F&B	690

Note:  
Causeway Bay: Russell Street, Kai Chiu Road; Tsimshatsui: Canton Road, Haiphong Road; Central: Queen’s Road Central, Pedder Street; Mongkok: Sai Yeung Choi Street South, Argyle Street  
Source: Cushman & Wakefield Research

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