

### MARKET FUNDAMENTALS

	YOY Chg	Outlook
<b>30,000</b> Median HH Income (HKD)	▲	▲

<b>3.8%<sup>1</sup></b> Unemployment Rate (Dec 2025 – Feb 2026)	▲	▼
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<b>18.4%<sup>2</sup></b> Tourist Arrival Growth <small><sup>1</sup> Three-month moving average, seasonally adjusted <sup>2</sup> The figure refers to Jan - Feb 2026 combined</small>	▲	▲
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### ECONOMIC INDICATORS

	YOY Chg	Outlook
<b>3.8%</b> GDP Growth (Q4 2025)	▲	▲

<b>11.8%</b> Retail Sales Growth <sup>3</sup>	▲	▲
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<b>1.7%</b> CPI Growth <sup>4</sup> (Feb 2026)	▲	▲
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<b>3.8%</b> Private Consumption Expenditure Growth (Q4 2025)	▲	▲
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<sup>3</sup> The figure refers to the Jan - Feb of Q1 2026  
<sup>4</sup> Composite CPI, non-seasonally adjusted

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

### OVERALL RETAIL SALES CONTINUE TO RECOVER

Improved tourist arrivals and sustained local consumption sentiment continued to support the Hong Kong retail market in Q1. The city's overall retail sales for the January to February 2026 period picked up by 11.8% y-o-y to record HK\$72.4 billion, now marking ten consecutive months of y-o-y growth. Among major retail categories, the Jewellery & Watches sector led the market recovery with a notable 27.8% y-o-y increase, followed by the Medicines & Cosmetics and Fashion & Accessories sectors at 8.3% and 6.6% y-o-y, respectively. This suggests an ongoing recovery and strengthening of tourist-oriented business sectors.

### CAUSEWAY BAY AND CENTRAL RECORD ZERO VACANCY

The overall high street vacancy rate continued to trend down in Q1, standing at 4.2% compared with 5.9% at the end of 2025. Across core retail districts, Hong Kong Island outperformed Kowloon, with both Causeway Bay and Central recording zero vacancies in the quarter. In Causeway Bay, a local currency exchange chain and a local souvenir shop took up retail spaces at the intersection of Kai Chiu Road and Jardine's Crescent to benefit from increasing tourist traffic. Meanwhile, Central witnessed new entrants, with Chinese mainland apparel group HLA, and renowned Portuguese egg custard tart brand Manteigaria, both committing to their first Hong Kong stores on Queen's Road Central, at 2,250 sf and 580 sf, respectively. The influx of tourists has continued to help strengthen non-local retailers' confidence in entering the city's high streets.

The vacancy rate in Tsimshatsui dropped further to 7.1% in Q1. The district has seen leasing demand outside of traditional categories, with new leases signed by a "cha chaan teng" F&B operator and a financial securities firm on Haiphong Road, both occupying more than 600 sf. Elsewhere, while some tenants vacated their spaces in Mongkok, the district's vacancy rate remained stable at 6.1%, supported by expansion by Taiwanese beverage chain store Gui Ji, relocation by OLENS, and the commitment of local bakery brand Conte de Cookie on Sai Yeung Choi Street South.

As for high street retail rental levels, Central and Causeway Bay showed stronger performances due to zero vacancies, with q-o-q increases of 1.1% and 0.8%, respectively. Mongkok high street retail rents picked up by 0.6% q-o-q, while a more affordable, mass-market tenant mix saw Tsimshatsui rental levels drop by 1.1% q-o-q. Regarding the F&B sector, high availability continued to weigh on rents across key districts, with Causeway Bay, Central, Tsimshatsui and Mongkok all recording declines of less than 1% q-o-q.

### LEASING MOMENTUM TO SUSTAIN WITH GENTLE RENTAL RECOVERY

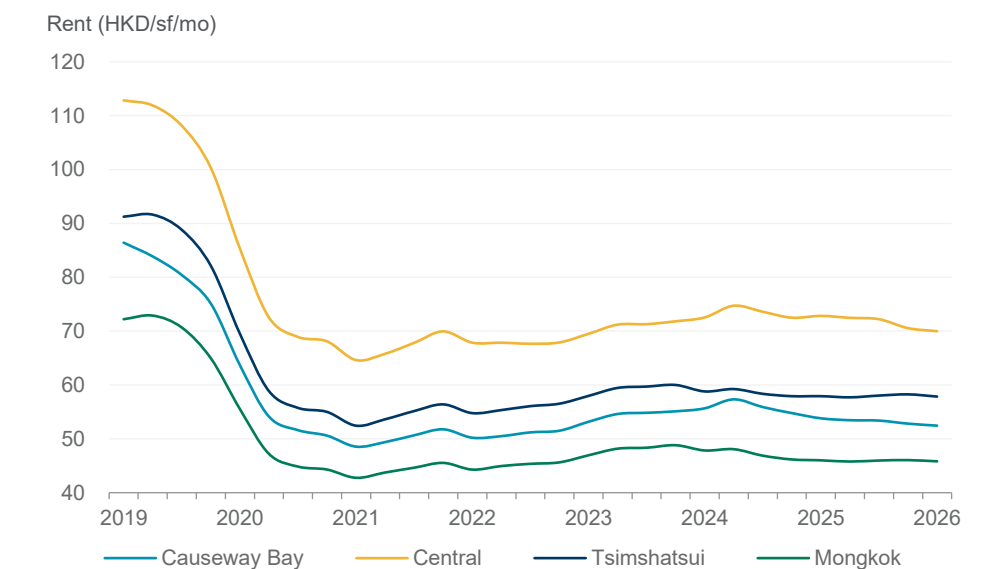
The city's retail market is poised for a more optimistic trajectory in 2026. However, we anticipate a gradual rental recovery rather than a rapid rebound. On the positive side, firstly, the wealth effect stemming from a recovery in home prices is expected to lift local consumption sentiment. Secondly, the packed mega-events calendar will continue to draw promising tourist inflows, stimulating greater foot traffic and tourist spending along high streets. Nevertheless, given the shift in consumption patterns and the entry of more affordable brands into high streets, overall rents are likely to recover gently throughout the year, rather than rising sharply. We maintain our forecast of a 2% to 3% increase in overall high street retail rents for 1H 2026.

### HIGH STREET AVERAGE RENT




Source: Cushman & Wakefield Research

### F&B AVERAGE RENT



Source: Cushman & Wakefield Research

**HIGH STREET RENTS Q1 2026**

	EFFECTIVE RENT			Q-O-Q CHANGE	1H 2026 FORECAST
	HKD/SF/MO	US\$/SF/MO	EUR/SF/MO		
Causeway Bay	796	102	88	0.8%	
Central	433	55	48	1.1%	
Tsimshatsui	869	111	96	-1.1%	
Mongkok	360	46	40	0.6%	
<b>HONG KONG AVERAGE</b>	<b>615</b>	<b>78</b>	<b>68</b>	<b>0.1%</b>	

Exchange Rate: 1USD = 0.8696EUR = 7.8334HKD (as of Mar 17, 2026)

**HIGH STREET VACANCY RATE**

	Q2 2025	Q3 2025	Q4 2025	Q1 2026
Causeway Bay	13.2%	7.9%	2.6%	0.0%
Central	8.6%	10.0%	4.3%	0.0%
Tsimshatsui	9.4%	10.6%	8.3%	7.1%
Mongkok	9.5%	5.3%	6.1%	6.1%
<b>Overall</b>	<b>9.7%</b>	<b>8.3%</b>	<b>5.9%</b>	<b>4.2%</b>

**KEY LEASE TRANSACTIONS Q1 2026**

PROPERTY	DISTRICT	TENANT	SECTOR	SF (APPROX.)
Shop on B/F & G/F, 77 Queen's Road Central	Central	HLA	Fashion & Accessories	2,250
Shop D on G/F, 35-37 Haiphong Road	Tsimshatsui	Cha Chaan Teng	F&B	670
G/F, 41 Haiphong Road	Tsimshatsui	Chief Securities	Banking & Finance	640
Shop B on G/F, 79-83 Queen's Road Central	Central	Manteigaria	F&B	580
Shop 4 on G/F, 2J-2Q Sai Yeung Choi Street	Mongkok	Gui Ji	F&B	500

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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