MARKETBEAT
HONG KONG
CAPITAL MARKETS Q2 2026

MARKET FUNDAMENTALS

	Y-o-Y Chg
23.2B[1] YTD Investment Volume (HKD)	+84%
8,310 Office Capital Value (HKD/sf)	-13%
3.39% Office Gross Yield	+1bps

[1] Data as of 30 Jun 2026
Source: Cushman & Wakefield Research

ECONOMIC INDICATORS Q2 2026

	YOY Chg	Outlook
5.9% GDP growth (Q1 2026)	▲	▲
2.0% CPI Growth[2] May 2026	▲	▲
4.44% 10-year government bond rate (U.S.) (Jun 2026)	▲	▲

[2] Composite CPI, non-seasonally adjusted
Source: Hong Kong Census and Statistics Department; U.S. Department of Treasury; Moody's Analytics

TRANSACTION MOMENTUM SUSTAINS IN Q2

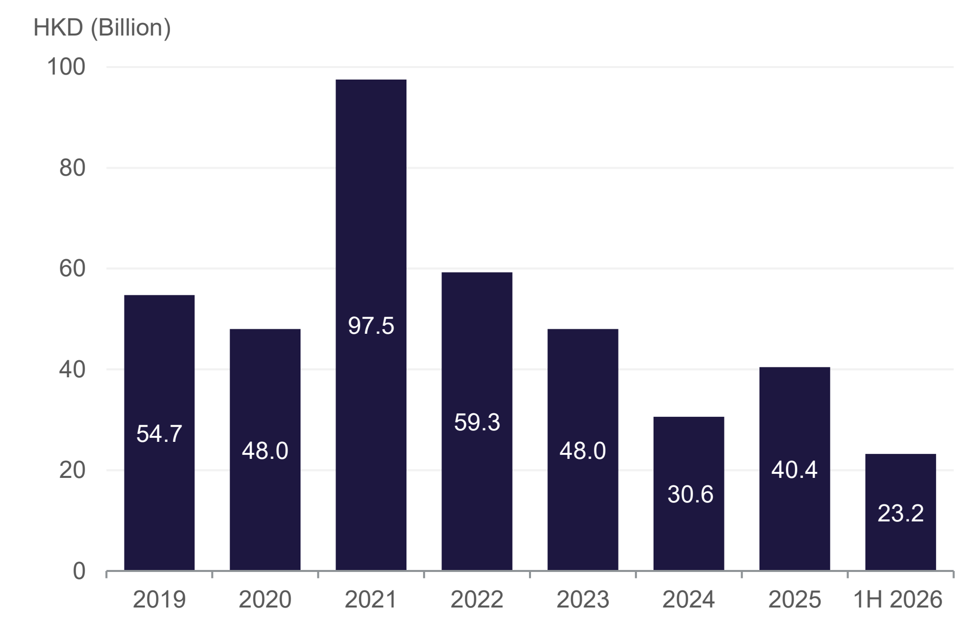
The stable interest rate environment combined with still-attractive price levels across property sectors continued to sustain momentum in the Hong Kong commercial real estate investment market through Q2 2026. The city's total large-sized (>HK$100 million) non-residential transaction volume for the quarter recorded approximately HK$9.8 billion, up 29.8% y-o-y, bringing total investment volume for the 1H 2026 period to HK$23.2 billion, up 84% on the prior year, although down 26.8% q-o-q. Local buyers remained the major source of capital in Q2, accounting for 59% of the quarter's total consideration. Notably, foreign investors comprised 36% of total transaction volume in Q2, drawn by discounted property prices and conversion projects with opportunistic or value-add angles. In terms of price movement, while the overall Grade A office capital value as at Q2 2026 is still 66% below the peak of 2018, it has remained largely stable over the last three quarters, indicating that the market is still consolidating and awaiting further recovery.

ACTIVITY DRIVEN BY END-USER AND EDUCATION SECTOR DEMAND

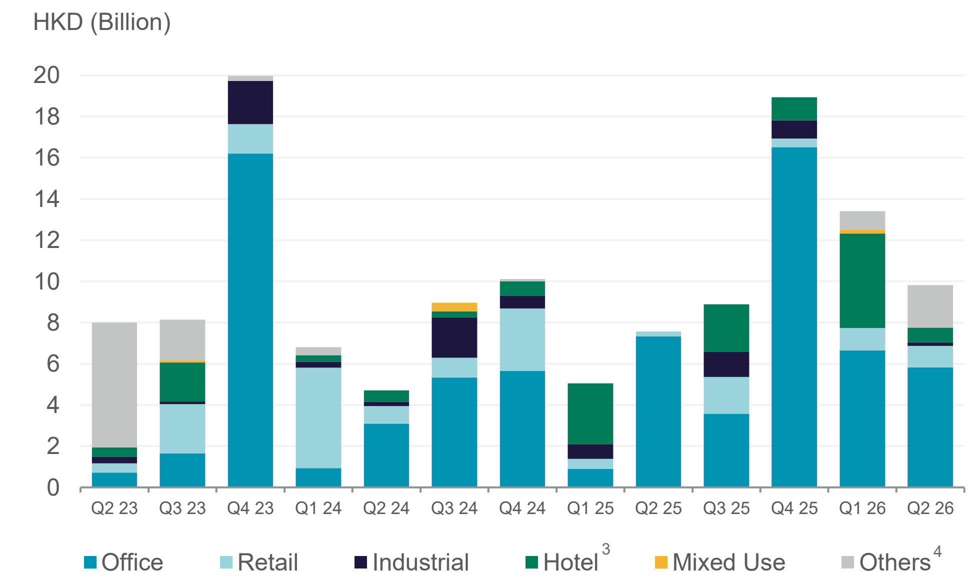
The office sector recorded twelve transactions in Q2, comprising 59% of the quarter's total investment consideration. The largest office deal by consideration was DBS Bank's purchase of six office floors in The Center on Queen's Road Central for more than HK$2.6 billion, raising the bank's total ownership in the building to fourteen floors. The transaction unit price represented a 48% discount from the seller's acquisition price in 2017, enabling the bank to expand its head office in the city at reasonable cost. The Hang Seng University of Hong Kong also expanded its teaching facilities in Shek Mun's Metropole Square by acquiring a further floor for HK$115 million. Elsewhere, Singapore developer and fund manager Wee Hur Holdings purchased the en-bloc One Bedford Place in Tai Kok Tsui for HK$720 million, with plans to convert the strategically located commercial tower into a 500-bed student housing project via the Hostels in the City Scheme, tapping into the city's growing student accommodation demand. A disposal of a 94% stake in Hong Xiang Centre in Wanchai for HK$225 million was a similar case, with strong conversion potential into student housing.

Other office investment acquisitions during the quarter included a local investor's purchase of the en-bloc Austin Plaza in Jordan for HK$580 million, and the acquisition of an en-bloc commercial tower at 8 Bute Street in Mongkok from a local family for HK$410 million.

OVERALL INVESTMENT VOLUME



INVESTMENT VOLUME BY SECTOR



[3] "Hotel" category includes investment for co-living and rental apartments;
[4] "Others" category covers carparks and private sites for development or conversion purpose
Source: EPRC; Media articles; HKEx; Cushman & Wakefield Research

Two “Site” transactions took a 21% share of Q2 total transaction volume, both residential development sites bought by local developers. Chinachem Group acquired the first, a residential site at 1 North Point Terrace for HK$1.9 billion, while First Group announced the purchase of the site at 54-60 Fuk Wa Street in Sham Shui Po, with both sites adjacent to well-established neighborhoods. These redevelopment sites acquisitions, aimed at expanding urban area land banks, highlight developers’ rising confidence in the city and forward-looking long-term investment strategies.

In the retail sector, five deals were concluded in Q2, accounting for 11% of total investment consideration in the quarter. Philip Securities Group acquired a multi-floor retail space on Nathan Road in Yau Ma Tei at a total cost of HK$310 million, aiming to reposition the premises as the firm’s flagship store in Kowloon and supporting the expansion of its investment and wealth management services. In addition, several neighborhood retail transactions were recorded in the quarter, including McDonald’s disposal of a self-occupied store in Quarry Bay, and the Urban Renewal Authority’s sale of the retail podium at De Novo in Kai Tak, both transacted at HK$110 million.

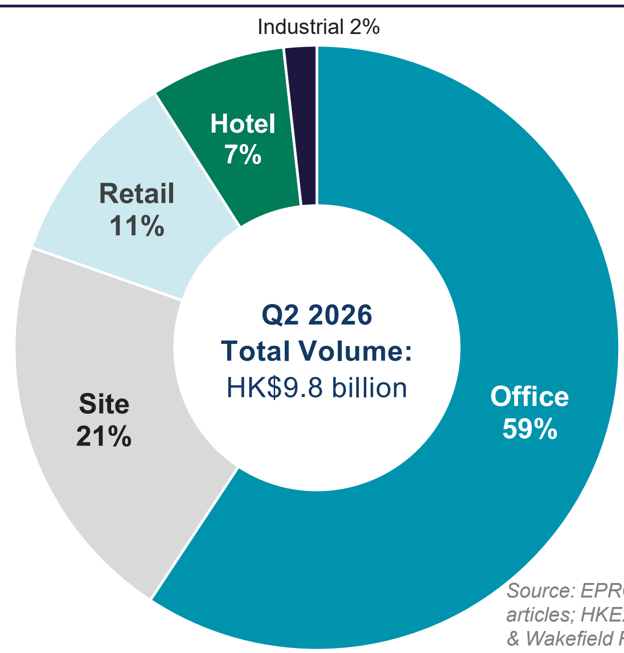
The hotel / rental housing sector saw three transactions in Q2. Among them, major Hong Kong student accommodation operator Crystal Group purchased The Quay residential building, strategically located in Hung Hom, for student housing conversion, at HK$140 million. Other transactions for investment purposes in the quarter comprised a boutique hotel on Granville Road in Tsimshatsui, and a serviced apartment on 52 Hollywood Road in Central, acquired at HK$370 million and HK$204 million, respectively.

Concluding the quarter, an en-bloc industrial asset in Sai Kung was transacted at HK$173 million, with the buyer believed to intend to retain the property for self-use to support daily operations.

FULL YEAR TRANSACTION VOLUME EXPECTED TO REACH MORE THAN HK$40 BILLION

Looking ahead, the city’s commercial real estate investment market is expected to demonstrate resilience in 2H 2026, supported by attractive property pricing, together with demand from end users and the living sector. Echoing our recent publication, *Hong Kong Office Building Investment Back in Focus: A Market Reassessment*, office capital values are projected to follow the recovery in rents and potentially rise over the next few years, particularly in CBD areas. Combined with the declining availability of distressed office assets, the current market encourages end-users to accelerate their decision-making to consider office property bottom-fishing, as the market is expected to offer fewer options ahead during the recovery and subsequent upcycle. Nevertheless, investor sentiment in 2H could turn more cautious compared to 1H, if uncertainty over upcoming interest rate movements persists, potentially moderating transaction momentum. Against this backdrop, the 2026 full-year investment volume is anticipated to reach more than HK$40 billion.

Q2 2026 TRANSACTIONS BY SECTORS

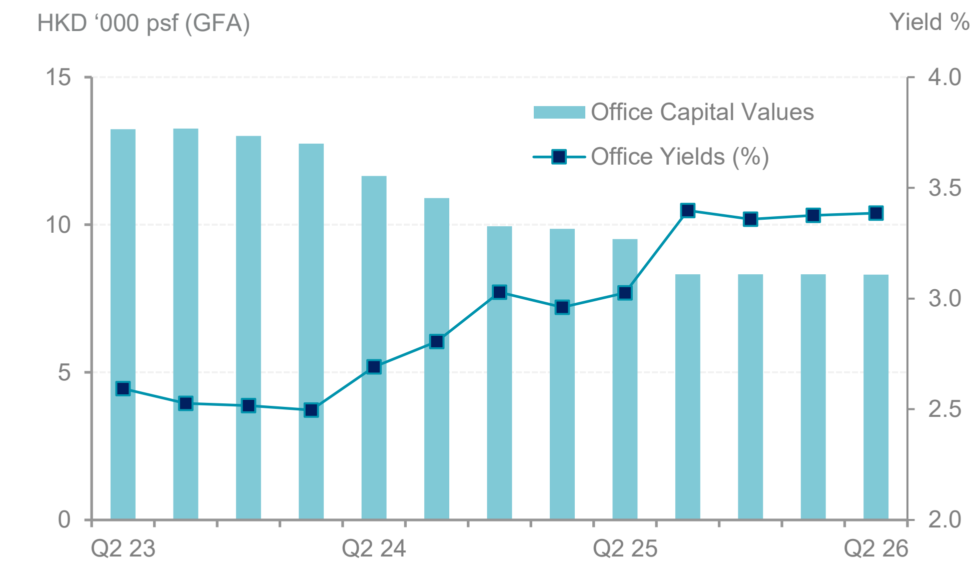


Source: EPRC; Media articles; HKEx; Cushman & Wakefield Research

Q2 2026 KEY INVESTMENT TRANSACTIONS

PROPERTY	LOCATION	PURCHASER	VENDOR	SECTOR	PRICE (HKD MN)
The Center (6 office floors)	Central	DBS Bank	Chinese Investor	Office	2,619
Residential Site at 1 North Point Terrace	North Point	Chinachem	Local Investor	Site	1,900
One Bedford Place (En-bloc)	Tai Kok Tsui	Wee Hur Holdings	Receivership Deal	Office	720
Austin Plaza (En-bloc)	Jordan	Local Investor	Gale Well Group	Office	580
8 Bute Street (En-bloc)	Mongkok	Heaven Gifts	Local Investor	Office	410

OFFICE CAPITAL VALUE AND GROSS YIELD



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