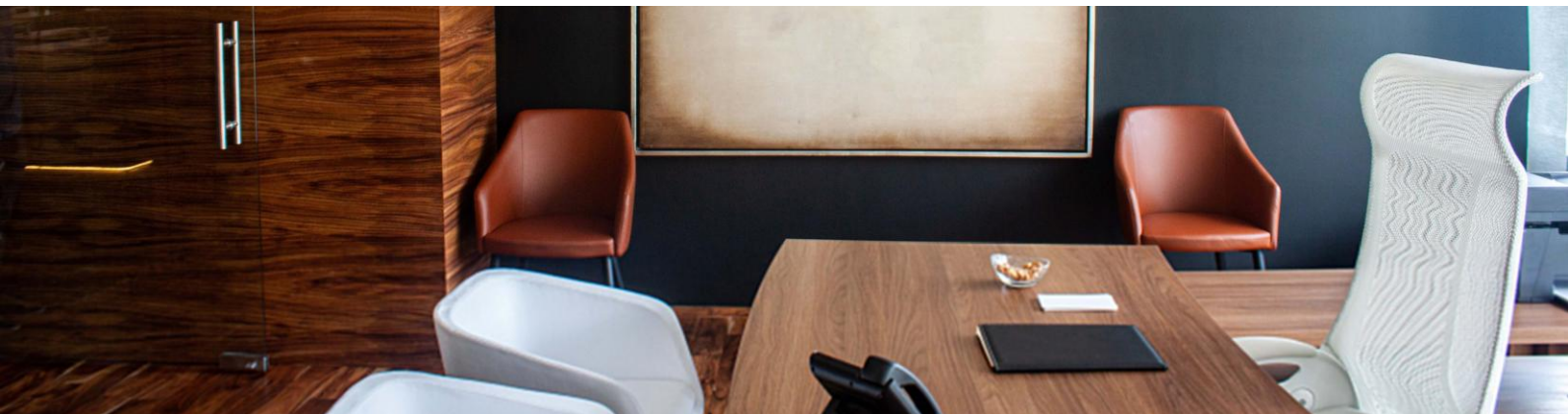


Hong Kong Office Leasing

Office – Hong Kong – Q2 2026



Prime Central Tightens as Fund FOMO Accelerates

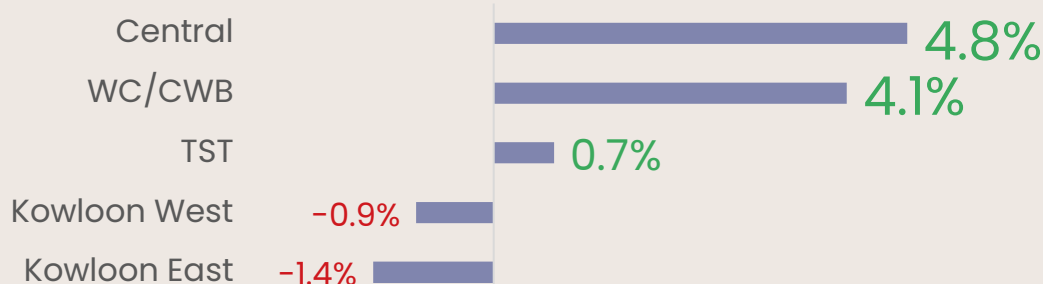
Q2 2026 marked a more visible office rebound in Central and other core districts, but the recovery remained narrow, led by aggressive hedge-fund and quant-fund take-up, stronger financial demand and shrinking high-quality supply.

Do you
know?



312k sq. ft.
NET TAKE-UP IN CENTRAL, 1H 2026

Grade A rental change by district, Q2 2026 (QoQ)



2H2026 RENTAL FORECAST

Prime office in Central*

0% to 5%

* Prime office buildings in Central include: One & Two IFC, Chater House, AIA Central, The Henderson & Central Yards

Tsim Sha Tsui / West Kowloon

0% to 3%

Rest of HK

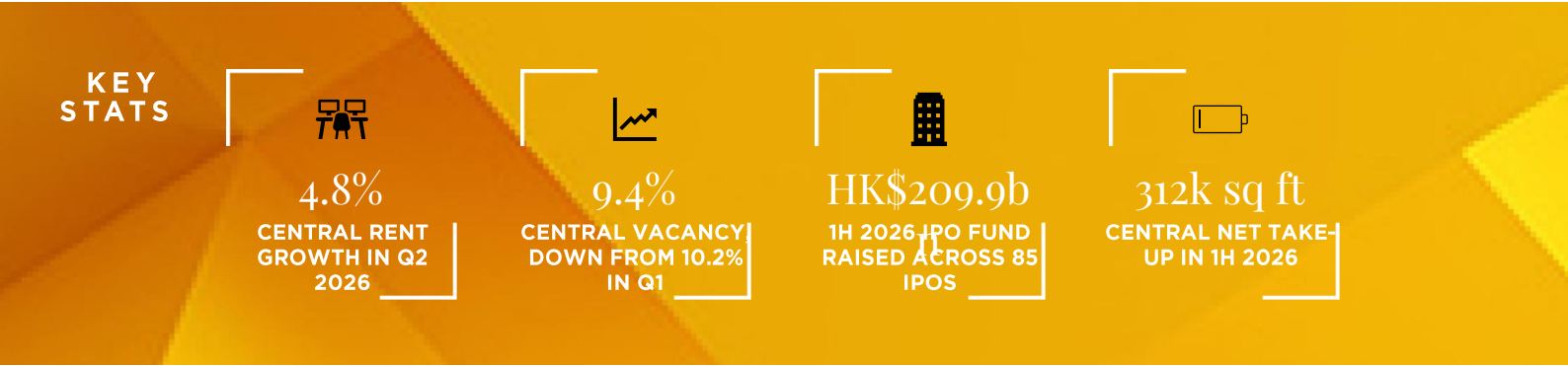
0% to -5%



Prime Central is no longer just recovering; it is being actively tightened by forward leasing from hedge funds and quant funds that are prioritising space security over immediate utilisation.

Hong Kong Office Leasing

Office – Hong Kong – Q2 2026



Recovery Broadens, but Remains Highly Prime-Focussed

KEY TAKEAWAYS

- Hedge funds and quant funds became the dominant marginal demand driver in Central, with some firms taking space ahead of current staffing needs to avoid missing scarce top-grade options.
- This FOMO-led forward take-up is inflating space per capita, pushing demand beyond immediate operational needs and distorting the prime Central market over the past six to 12 months.
- High tenant concentration in some Central buildings now increases landlord vulnerability, as any fund downsizing or sublease release could create sudden vacancy shocks.
- Outside the fund, wealth and IPO-related ecosystem, other sectors remained subdued, meaning districts without these recovery drivers may continue to struggle.
- Grade A new completions average just 0.6m sq ft per annum from 2026 to 2032 versus 2.0m historically, and this shrinking pipeline, especially in core CBDs, underpins the prime rental recovery.

PRIME CENTRAL TIGHTENS AS FUND FOMO ACCELERATES FOMO-DRIVEN FUND LEASING IN CENTRAL

The defining Q2 story was the pre-emptive expansion of hedge funds and quant funds in Central. Savills' evidence shows firms committing to large, contiguous floorplates well ahead of headcount, effectively banking space for future growth rather than for current need. That forward commitment has pulled Central vacancy down to 9.4% and lifted rents 4.8% QoQ, but it has also distorted the district's demand pattern: leased area per employee has risen to unusually high levels, so take-up now reflects competition for scarce prime space more than underlying employment growth.

Over the past six to 12 months, hedge funds and quant funds have leased well ahead of immediate staffing needs, taking large prime floorplates as an option on future expansion rather than as space they currently occupy. The driver is FOMO: occupiers fear that if they do not secure premium Central space now, contiguous high-quality floors may not be assemblable later. Prime Central demand has therefore been pulled forward and partly decoupled from current headcount, with leased area per employee running well above historic norms.

LANDLORD RISK, TAX REFORM AND WIDER IMPLICATIONS

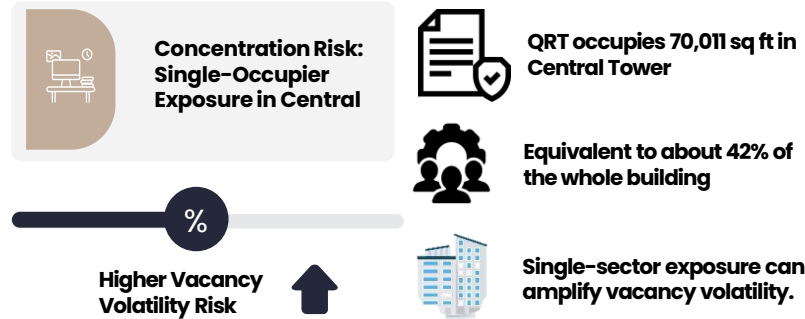
This expansionary sentiment is now supported by policy. The Inland Revenue (Amendment) Bill 2026 proposes broader fund and carried-interest concessions, supporting further growth in qualifying platforms, although Singapore's matching tax concession may moderate the pace. As IFC, Chater House and The Henderson near full occupancy, demand is filtering into the next tier of Central buildings and associated law firms and fund advisers, tightening the premium Central office market.

Forward leasing activity has left a small number of prime buildings unusually concentrated in a single occupier segment. Central Yards, LHT Tower, Central Tower, The Henderson and Two IFC now have significant exposure to hedge funds and quantitative funds, increasing landlord risk if their space requirements change. The recent subletting of part of a US hedge fund's premises is an early indication that space secured for future expansion can be returned to the market just as quickly.

Share of Building Area Occupied by Hedge Funds / Quant Funds

Building	HF / QF occupied area	Share of building area
Central Yards	271,239 sq ft	88.4%
LHT Tower	63,777 sq ft	54.6%
Central Tower	77,513 sq ft	46.6%
The Henderson	122,605 sq ft	31.6%
Two IFC	245,744 sq ft	45.3%
8 Queen's Road Central	21,084 sq ft	30.4%

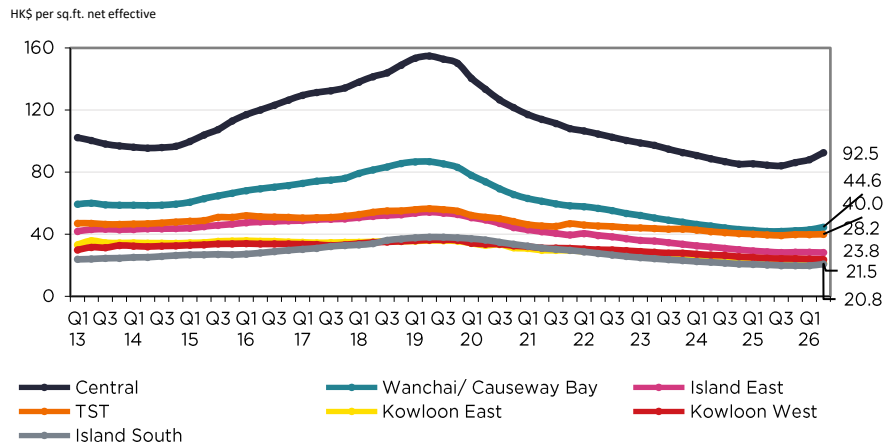
Source Savills Research & Consultancy



MARKET PERFORMANCE AND SEGMENTATION

Hong Kong's Grade A office market strengthened further in Q2 2026, with overall rents rising 1.3% quarter on quarter and overall vacancy easing from 15.2% to 14.8%. The rebound was led by Central, where rents rose 4.8% and vacancy tightened to 9.4%, while Wanchai / Causeway Bay also posted 4.1% rental growth. By contrast, Kowloon East and Kowloon West still recorded rental declines, confirming that the current upturn is not broad-based but concentrated in better-located, higher-quality offices.

Change in Grade A Office Rental Levels, Q1/2013 to Q2/2026



Source Savills Research & Consultancy

MAINLAND "GO ABROAD" DEMAND AS STRUCTURAL SUPPORT

Chinese corporates' accelerated "going abroad" strategy is emerging as a structural support for Hong Kong's Grade A office market. Recent HKTDC and Deloitte surveys size the wave: 95% of Mainland enterprises plan further overseas expansion and 83% will use Hong Kong's professional services, up from 62% in 2023. Mainland banks, securities firms and corporates are placing group treasury, cross-border settlement and offshore RMB cash pools here.

The Government's consultation on the corporate treasury centre (CTC) tax regime closed in September 2026, proposing a two-tier eligibility route and wider deductions at the same 8.25% rate, with a bill due in H1 2027. As cross-border RMB usage expands, more energy, shipping and Belt-and-Road enterprises should enlarge treasury hubs here, alongside Mainland technology, e-commerce and consumer groups basing regional headquarters in Grade A towers.

Demand is landing across a widening set of districts: Central and Admiralty for treasury, banking and fund functions; Tsim Sha Tsui and the Kowloon Station precinct for cost-sensitive regional headquarters. Mainland firms made up 27.9% of foreign-affiliated companies in 2025, across 3,090 regional headquarters and offices, with Mainland regional headquarters up 16.1% year on year.



8.25%

proposed concessionary tax rate for corporate treasury centres

- Two-tier eligibility proposed
- Cash pooling deductions widened
- Bill expected H1 2027
- Relief from YA 2026/27



95%

of Mainland firms eye further overseas expansion (HKTDC)

- 74% target Asia first
- 68% want own offices
- 83% to use HK services
- 78% prefer HK vs 31% SG

PROPOSED CTC REGIME: TIMELINE AND TIER THRESHOLDS

4 Sep 2026

Within 2026

H1 2027

YA 2026/27

Consultation closed IRD clarifications Amendment bill to LegCo Earliest relief applies

Requirement (proposed)	Tier 1	Tier 2
Group annual turnover	HK\$100M minimum	Not specified
Annual operating spend in HK	HK\$4M, +HK\$1M at renewal	HK\$2M
Professional staff in HK	2, +1 at renewal	2
Approval	Pre-approval, 5 years renewable	Specified local substance threshold

Both tiers taxed at 8.25%; proposals subject to consultation. Source FSTB / IRD

WEALTH MANAGEMENT AND INSURANCE: NEW MAINLAND TAX, NEW DEMAND RISK

Insurance and wealth management remain a core Mainland demand story: AXA at One IGC (90,000 sq ft), Prudential's renewal and expansion at Taikoo Place (83,000 sq ft), HSBC at ICC (23,000 sq ft) and Standard Chartered at One Peking (12,000 sq ft), with about 70% of annual asset inflows from the Mainland.

The tax backdrop has changed. Offshore trust income has been taxed at 20% since July 2026, and Beijing and Hangzhou now apply the same rate to offshore policy dividends and interest on prepaid premium accounts, with no dedicated legislation yet.

After-tax returns remain above Mainland

deposit rates, despite illustrative IRRs declining from 6.5% to 5.9%, suggesting that the impact will be primarily sentiment-driven in the near term. Advisory and trust-related activity should continue to support Central, while insurance and wealth-management leasing in Tsim Sha Tsui and Island East may be more exposed. Nevertheless, Hong Kong should remain an attractive long-term proposition to the Mainland.

HK\$62.8bn

Mainland new policy premiums, 2024
(+9% YoY)

HK\$126bn

Participating business, Q1 2026 (+53.7% YoY)

-HK\$38bn

Premiums exposed to the new 20% tax

57%

of HK private wealth is Mainland money; 63% by 2030

IPO PIPELINE AND REGULATORY SHIFTS

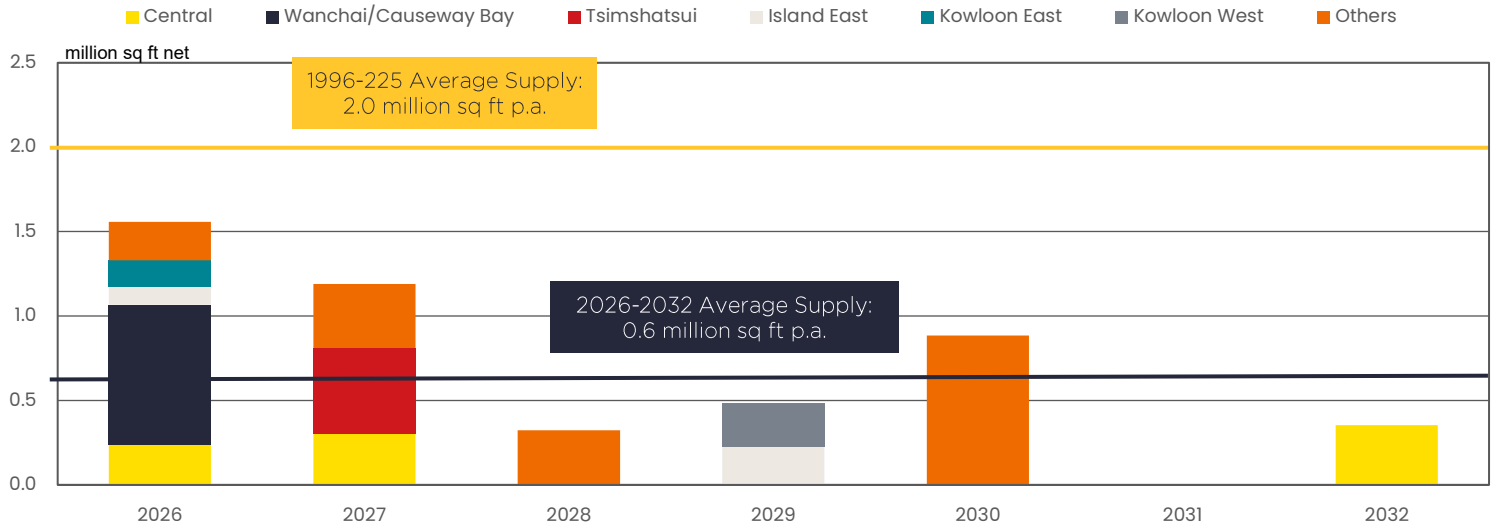
IPO-related and regulatory developments are also set to play a larger role in shaping demand patterns. New CSRC guidance steering Mainland issuers (in particular those with main businesses in Mainland) away from complex offshore red-chip frameworks toward more standardised onshore H-share-type structures may, in the near term, reduce structurally recurring work for some offshore legal and corporate-services firms and temper their expansion appetite in Central. This guidance does not apply to Mainland corporates that have already expanded

overseas and established sizable offshore operations. Over the medium to long term, however, if policy effectively results in “same venue, different structure”—with Hong Kong remaining the primary offshore listing and trading platform but under closer alignment with onshore rules—the city should retain its core role as China’s international IPO hub, with occupier demand gradually tilting away from offshore structuring work towards treasury, investor-relations, research and capital-markets functions that continue to underpin high-quality requirements in prime CBD locations.

	Number of IPOs	Fund Raised via IPO
2023	73	HK\$46.4 billion
2024	71	HK\$83.4 billion
2025	119	HK\$285.8 billion
2026 YTD	40	HK\$109.9 billion

Source Savills Research & Consultancy

Grade A office new supply by district, 2026F to 2032F



Source Savills Research and Consultancy

OUTLOOK: TIGHTENING PRIME SUPPLY, SELECTIVE RENTAL RECOVERY

Over the past 18 months, Hong Kong’s office market has improved steadily on the demand side, with net absorption turning positive again in 2025 and 1H 2026. The improvement, however, has been highly segmented: Central is already rebounding,

Tsim Sha Tsui and West Kowloon are stabilising, and Wanchai North is beginning to recover, while the rest of the market still faces a longer path to healing. As high-quality prime Central supply continues to shrink and new completions moderate,

rents in Central may be squeezed up more rapidly over the next one to two years, especially if the tax-driven fund expansion theme persists.

Upcoming supply of around 0.6 million sq ft per annum is well below the historical average, a scarcity that should underpin rents, particularly in core districts with little new stock.

Rental recovery stays narrow in 2026, with broad-based rents unlikely to inflect until vacancy nears the 6-8% band.

Grade A office rental forecast, 2026z

Submarket	2H2026 rental forecast
Prime offices in Central and Tsim Sha Tsui	0% to +5%
Rest of Central, Admiralty and Tsim Sha Tsui	0% to +3%
Rest of Hong Kong	-3% to -5%
Market-wide Grade A	0% to -5%

Source Savills Research & Consultancy



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