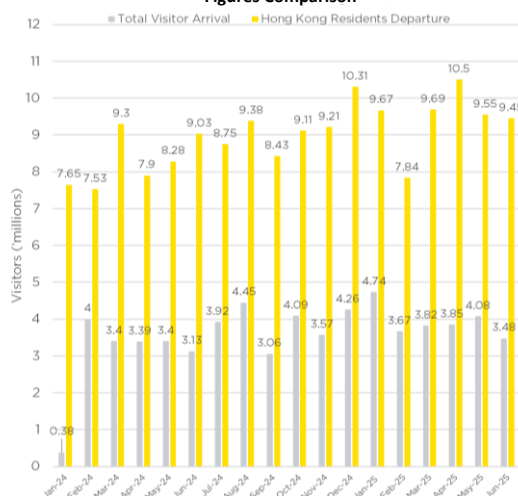


“Hong Kong's retail market faces sustained pressure from shifting consumption patterns and cross-border spending. Yet the rise of value-focused retailers, resilient F&B concepts, and major event-driven footfall demonstrates the sector's capacity for adaptation in challenging times.”

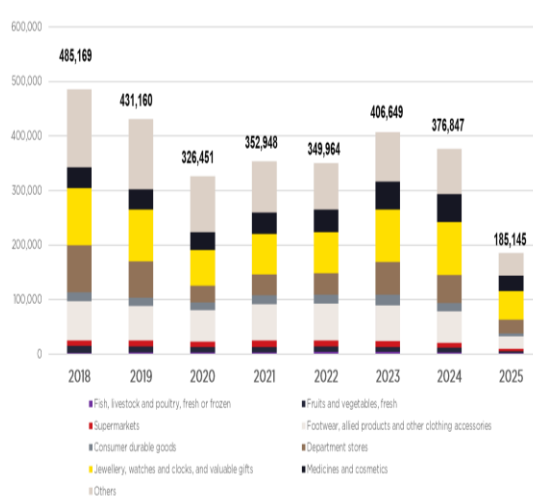
JACK TONG, SAVILLS RESEARCH & CONSULTANCY

GRAPH 1: Hong Kong Mainland Visitor Arrival in Labor Holiday Figures Comparison



Source Immigration Department, Hong Kong Travel Board

GRAPH 2: Retail sales figure in Hong Kong Jan 2020 – June 2025



Source Census & Statistics Department

Hong Kong's retail market faced continued pressure in the 2nd quarter of 2025, with the sustained momentum of outbound spending by Hong Kong residents remaining a key negative factor, drawn northward to Mainland China by the strong Hong Kong dollar and more affordable retail and dining options. While same-day tourist arrivals increased 16% year-on-year, this failed to translate into meaningful sales growth, highlighting the shrinking spending power of inbound visitors. Retail sales saw only marginal stabilisation in May (+2.4%) and June (+0.7%) from a 13-month consecutive decline in retail sales value from March 2024, resulting in a negligible 0.3% overall increase for the quarter—far from enough to offset the structural decline.

On the other hand, A CUHK study analyzing data from AlipayHK's 4.5 million active users, reveals over two-thirds of active Hong Kong regular spenders in mainland China, with nearly half their expenditures going toward services and 28% toward retail, accelerating the hemorrhage out of local consumption. Spending has expanded beyond Shenzhen and Guangzhou to lower-tier cities like Zhongshan and even distant Chongqing, revealing a permanent lifestyle shift in cross-border consumption. AlipayHK reports over 2 million Hong Kong users adopted the platform for mainland spending in just one year, with spending shifting from luxury purchases to daily essentials—confirming the erosion of core local demand.

This challenging environment led to a wave of closures, affecting industries from food & beverage, fashion, cinemas to supermarkets. Over 300 retail shops shuttering in 1H 2025, 70% of which were F&B outlets, including 23 local restaurant chains and several overseas brands. The cinema sector mirrored this distress, reporting a 16% year-on-year drop in total revenue for 2025 year-to-date, the weakest performance since 2011, followed by the closure of 10 cinemas in the first half alone.

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TABLE 1: Prime Street Shop Rental Changes

	2024 Q1 (QoQ%)	2024 Q2 (QoQ%)	2024 Q3 (QoQ%)	2024 Q4 (QoQ%)	2025 Q1 (QoQ%)	2025 Q2 (QoQ%)
Overall	-2.9%	-1.8%	-0.7%	+1.0%	-3.5%	+0.9%
Central	-5.0%	-1.3%	-1.3%	+0.6%	-3.8%	+0.7%
Causeway Bay	-2.5%	-0.1%	0.0%	+1.2%	-3.0%	0.0%
Tsim Sha Tsui	-0.1%	-0.7%	-1.3%	+1.4%	-3.0%	+0.7%
Mong Kok	-3.8%	-5.0%	-0.1%	+0.7%	-4.3%	+2.2%

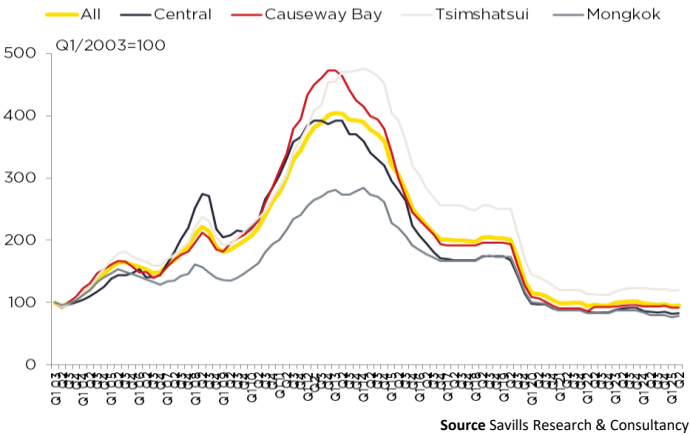
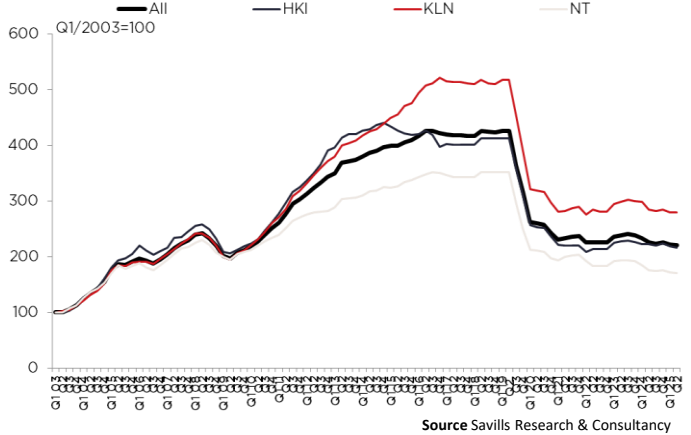


TABLE 2: Major Shopping Centre Rental Changes (Base Rent)

	2024 Q1 (QoQ%)	2024 Q2 (QoQ%)	2024 Q3 (QoQ%)	2024 Q4 (QoQ%)	2025 Q1 (QoQ%)	2025 Q2 (QoQ%)
Overall	-3.4%	-0.8%	+1.0%	-2.1%	-2.0%	-0.5%
Hong Kong Island	0.0%	-1.0%	+1.9%	-2.0%	-2.5%	-0.7%
Kowloon	-4.6%	-0.8%	+0.9%	-0.8%	-1.6%	0.0%
New Territories	-5.0%	-0.5%	+0.3%	-3.7%	-2.0%	-0.8%



Despite the prevailing challenges, several positive trends emerged in 2nd quarter of 2025, offering resilience and partially offsetting the rental declines. A clear response to consumption downgrading is the rapid expansion of budget-focused retail concepts. International value retailers entered the market, such as the Japanese household goods store 3 Coins, whose first Hong Kong branch in Hysan Place reportedly broke its parent company's first-day sales record in Japan, attracting significant queues with items starting at HK\$18. Local players are also thriving; T.momo Shopping Mall established 13 stores targeting residential areas and plans 17 new openings in FY25, focusing on affordable furniture starting around HK\$330. The F&B sector adapted with concepts like "two-dish meal" takeaways, exemplified by openings of Kuen Fat Kitchen and competitors, operating stores offering family-friendly meals averaging HK\$35-43, primarily in residential and office areas like Kwun Tong, Tsim Sha Tsui, Causeway Bay & Yau Ma Tei. The financial sector is also contributing to retail demand, with online trading platforms such as Futu Securities and Longbridge Securities expanding their physical footprints in prime areas like Causeway Bay and TST, utilizing flagship branches to enhance customer engagement and trust. These new demand drivers are crucial factors helping to slow the pace of rental decline across various market segments.

Hong Kong's cultural and entertainment sector delivered a strong boost to retail activity, with overseas visitor numbers surging 18% during major event periods. The highly anticipated ComplexCon at AsiaWorld-Expo (March 21–23) drew 35,000 attendees—a 16% increase year-on-year—generating an estimated HKD 8.8 million in spending. Similarly, Art Basel saw 80,000 visitors, up 14% from the previous edition, while the Hong Kong Sevens recorded full occupancy of all 60 corporate boxes, underscoring strong corporate demand. The influx of high-spending visitors pushed hotel occupancy rates in prime districts to 90%, with retail sector benefiting from a significant uptick in foot traffic.

Beyond short-term spikes, large-scale infrastructure projects are laying the foundation for sustained retail growth. The "Skytopia" development, Hung Hom Promenade revitalization (featuring a luxury marina and leisure facilities), and the upcoming Victoria Cove waterfront district are set to diversify Hong Kong's tourism appeal. These projects integrating entertainment, culture and premium waterfront experiences will reshape Hong Kong's urban landscape, reinforcing the city's status as a global lifestyle destination.

Hong Kong's 2025 Outlook: Challenges and Opportunities

Hong Kong's retail leasing market faces persistent challenges in 2nd quarter of 2025, with currency headwinds, subdued local consumption, and F&B sector contractions underscoring near-term uncertainties., are all contributing to an unsatisfactory retail market in the first quarter. However, emerging trends across short, medium, and long-term horizons suggest a path toward gradual recovery. The expansion from mainland brands in core districts, diversification of tenant mixes, and government initiatives in large-scale projects create new demand. It is believed that global arts festivals and sports competition will continue attract quality visitors to Hong Kong.

Savills Forecast in 2H2025	
Prime Street Shop	0% to -5%
Prime Shopping Mall	0% to -5%