RESEARCH

MARKET IN MINUTES

Hong Kong Retail Leasing

Retail – Hong Kong – Q1 2026

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Selective Recovery Reshapes Retail Demand

Prime core districts are recovering, but leasing momentum remains highly selective and concentrated in proven retail nodes.

Do you know?

QoQ CHANGE IN RENT – Q1 26

2026 RENTAL FORECAST

Prime Street Shops

+5%

Major Shopping Centre

+3% to 5%

> HK's retail leasing market is improving at the top end, but recovery is uneven. Prime core districts gain momentum, while local malls and suburban tourist spots face pressure from weak spending, northbound consumption, and shifting visitor behaviour.

Source Savills Research & Consultancy

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KEY STATS

+0.4%
QOQ CHANGE IN SHOPPING CENTRE RENTS (Q1 26)

+2.7%
QOQ CHANGE IN PRIME STREET RENTS (Q1 26)

+12.8%
2025 ONLINE RETAIL SALES YOY GROWTH

+12.3%
2025 NORTHBOUND TRAVEL

Selective Recovery Reshapes Retail Demand

KEY TAKEAWAYS

- Leasing momentum is improving, but remains concentrated in the strongest streets, best-positioned malls and most productive retail nodes.
- Local malls are under increasing pressure from northbound consumption, softer traditional dining demand and the rising share of online spending.
- Core districts are benefiting from two notable sources of demand: expansion by banks and securities firms, and the continued entry of Mainland consumer brands.
- Event-led and experience-driven formats are becoming more relevant as landlords and occupiers look to capture traffic linked to concerts, pop-ups and destination-led consumption.
- We forecast around 5% rental growth for prime street shops in 2026, 3% to 5% for prime shopping centres, but up to a 5% decline for weaker suburban retail.

RECOVERY IS RETURNING, BUT UNEVENLY

Hong Kong's retail leasing market has entered a more constructive phase, but the recovery remains selective rather than broad-based. Prime street shop rents rose by 2.7% quarter-on-quarter in Q1 2026, with Tsim Sha Tsui up 3.2%, Mong Kok 3.0%, Central 2.5% and Causeway Bay 2.0%, while major shopping centre rents edged up 0.4% overall. These figures point to firmer occupier sentiment, but leasing momentum remains concentrated in the most productive districts and assets. Retailers are still expanding cautiously, with a stronger focus on visibility, customer fit and operational efficiency than on network expansion for its own sake.

Change In Prime Shopping Streets Rent Indices By District

QoQ Change	2025 Q1	2025 Q2	2025 Q3	2025 Q4	2026 Q1
All	-3.5%	0.9%	0.2%	1.1%	2.7%
Central	-3.8%	0.7%	0.0%	0.7%	2.5%
Causeway Bay	-3.0%	0.0%	0.0%	1.5%	2.0%
Tsim Sha Tsui	-3.0%	0.7%	0.7%	1.5%	3.2%
Mongkok	-4.3%	2.2%	0.0%	0.7%	3.0%

Change In Prime Shopping Centres Rent Indices By District

QoQ Change	2025 Q1	2025 Q2	2025 Q3	2025 Q4	2026 Q1
All	-2.0%	-0.5%	-0.2%	-1.4%	0.4%
Hong Kong Island	-2.5%	-0.7%	-0.6%	-0.3%	1.2%
Kowloon	-1.6%	0.0%	0.0%	-1.2%	0.5%
New Territories	-2.0%	-0.8%	0.0%	-2.7%	-0.3%

Source Savills Research & Consultancy

LOCAL MALLS FACE MOUNTING PRESSURE

The divergence between core districts and local malls is becoming more pronounced. Neighbourhood and residential schemes are more exposed to mass-market dining and daily-needs spending, the very segments most affected by outbound and particularly northbound consumption. Hong Kong residents made about 117.5 million departures in 2025, meaning 9.8 million outbound trips per month on average, up 12.3% year-on-year. Travel remained elevated into early 2026, with resident departures during the first three months of the year rising by nearly 11% from a year earlier to reach 30.2 million outbound trips. Separate market estimates in 2025 suggested that outbound spending had reached around HK$50 billion, equivalent to roughly 9% of total consumption.

Challenges faced by local malls:

- Increase in outbound travel
- Rise In Online Shopping
- Headwinds for Traditional Chinese F&B

Online shopping is adding to this pressure. Official figures show that online retail sales reached HK$35.7 billion in 2025, up 12.8% year on year, while total retail sales rose by only 1% to HK$380.5 billion. In December alone, online sales rose by 30.9% and accounted for 8.8% of total retail spending. This suggests that a steadily rising share of household expenditure is being diverted away from local physical stores, particularly in categories where convenience, price transparency and fulfilment speed matter most.

The operational impact is increasingly visible in neighbourhood retail. Traditional Chinese restaurants have been among the most exposed: House of Canton in Cityplaza closed in early 2026 after more than four decades, while other long-established Chinese dining operators have also exited or downsized. That said, the weakness is not uniform across the food-and-beverage sector. More contemporary, specialised or youth-oriented concepts continue to expand selectively. Taste Gourmet signed four additional restaurant leases in early 2026, while operators such as Flat Iron Steak and Bakehouse have continued to grow through clearly defined concepts and strong customer recognition. In other words, the pressure is most acute in traditional, undifferentiated trades rather than across the entire local mall market.

CORE DISTRICTS REMAIN THE CLEAREST WINNERS

The three core retail districts remain the principal beneficiaries of the current upturn, supported not only by improving tourism but also by new sources of occupier demand. One of the more notable trends has been the growing retail presence of banks and securities firms. Recent transactions include a 50,000 sq ft-plus lease at Capitol Centre in Jardine's Bazaar, Causeway Bay, at HK$4 million per month for HSBC's wealth management consolidation and expansion; a 9,400 sq ft deal at 35 Queen's Road Central at HK$1.5 million per month for OCBC's business expansion; and a 4,500 sq ft letting at the Holiday Inn Golden Mile on Nathan Road, Tsim Sha Tsui, at HK$1.2 million per month to enhance DBS brand exposure. Securities firms have also been active. Longbridge leased a 1,106 sq ft ground-floor shop in Tsuen Wan's Tai Hung Fai Centre for HK$200,000 per month, while Forthright Securities took a 14,000 sq ft three-storey retail space at 188 Des Voeux Road Central for its first Hong Kong flagship.

A second driver has been the continued expansion of Mainland consumer brands into Hong Kong's prime districts. In Central, Mainland menswear label HLA leased its first Hong Kong outlet at China Travel Building, 77 Queen's Road Central, taking about 3,202 sq ft across the ground floor and basement at roughly HK$400,000 per month. In Causeway Bay, fragrance brand To Summer opened its first Hong Kong flagship at 52 Yun Ping Road in September 2025, using an approximately 800 sq ft standalone store as its first step outside Mainland China.

Major Retail Shop Leasing Transactions, Q1/2026

Company Name	Property	Unit	Area (sq.ft.)	Type of Transaction	Effective Rent (HK$psf)
HSBC's wealth management	Capitol Centre, Causeway Bay	G/F -4/F	50,000	Expansion	$80
OCBC	35 Queen's Road Central	G/F	9,400	Expansion	$160
DBS (2nd Flagship Store)	Holiday Inn Golden Mile, Tsim Sha Tsui	Three-story	10,800	New Letting	$70
Forthright Securities	188 Des Voeux Road Central	G/F, 1/F, 2/F	14,000	New Letting	Confidential
HLA (Mainland menswear label)	China Travel Building, 77 Queen's Road Central	G/F, Basement Floor	3,202	New Letting	$125
To Summer (Chinese Fragrance Brand)	52 Yun Ping Road, Causeway Bay	G/F	800	New Letting	Confidential

Wealth Management & Securities Brokerage Firms Mainland Consumer Brands

FORMATS ARE BECOMING MORE EXPERIENCE-LED

Store strategy is evolving alongside demand. Physical space is increasingly being used not only for direct sales, but also for branding, customer engagement and experiential consumption. The growth of the city's mega-event economy is helping to attract more event-driven trades and supporting formats that benefit from concentrated bursts of traffic. Live Nation's TIDES venue at Whampoa, for example, is a new 1,500-capacity live music venue designed for concerts, brand activations and mid-scale productions, illustrating how retail-adjacent entertainment uses can generate new visitation. Fever's Candlelight concert series has also expanded across venues such as PMQ, with multiple performances sold out in 2026, underscoring the commercial value of event-led footfall. These trends favour operators that can trade on concerts, pop-up culture and social-media-led discovery, rather than relying solely on conventional walk-in demand.

EVOLVING STORE FORMAT

Physical Store Act As Brand Engagement

Evolves in store strategy to building long-term customer loyalty and stickiness

Mega-Event Economic & Traffic Drivers

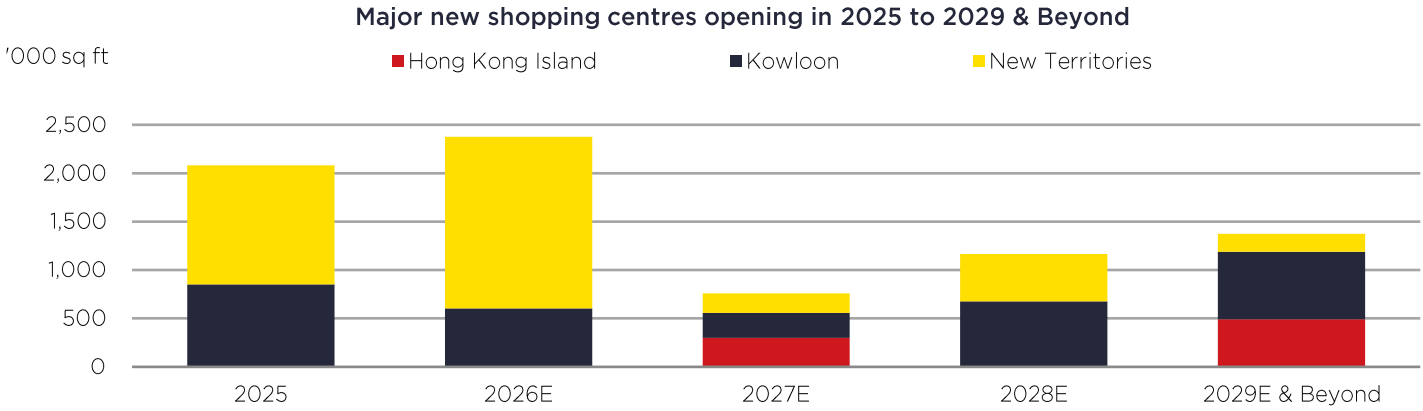
Attracts more event-driven trades and leverage on tourist flow

Operators Capitalises on Pop-culture

New event concepts with social media content to drive more commercial value

SUBURBAN TOURIST AREAS AND NEW SUPPLY REMAIN CONCERNS

Outside the core districts, traditional suburban tourist nodes such as Sai Kung and Stanley remain more exposed to changing visitor profiles and softer discretionary spending. These locations continue to attract leisure traffic, but spending appears to be more casual and experience-led, with less support for higher-value retail purchases. At the same time, the development pipeline remains sizeable, with around 7.8 million sq ft of retail space scheduled for completion between 2025 and 2029, much of it in emerging and suburban areas. This is likely to intensify tenant competition and place additional pressure on non-core locations, reinforcing the risk of prolonged weakness in less differentiated local malls and suburban schemes even as prime districts continue to recover in less differentiated local malls and suburban schemes even as prime districts continue to recover.



Source Savills Research & Consultancy

POLARISATION WILL DEFINE THE REMAINDER OF 2026

For the rest of 2026, market polarisation is likely to become even more apparent. The clearest winners should be prime street shops in the core urban districts, where stronger brand demand, financial-sector expansion and the continued entry of Mainland consumer names are supporting leasing momentum. This underpins our forecast of around 5% rental growth for prime street shops this year, with the best-performing pitches in Central, Causeway Bay and Tsim Sha Tsui expected to lead the market. Prime shopping centres should also record positive rental growth of around 3% to 5%, although performance will be increasingly dependent on positioning, tenant curation and experiential appeal. By contrast, suburban retail is likely to remain the laggard, with rents in weaker local malls and non-destination schemes potentially falling by as much as 5% as they contend with northbound spending leakage, softer traditional dining demand, online substitution and a growing pipeline of competing supply.

2026 Rental forecasts

Prime Street Shops	Major Shopping Centre	Suburban Retail
+5%	+3% to 5%	-5%

Source Savills Research & Consultancy

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