

Hong Kong Retail Leasing

Retail – Hong Kong – Q2 2026



Selective Recovery Continues, But Retail Polarisation Deepens

Recovery is holding, but the gap between prime and local retail is widening

QoQ CHANGE IN RENT – Q2 26

Do you know?



-1.8%
Shopping Centre

0.0%
Prime Street

2026 RENTAL FORECAST

Prime Street Shops

Flat to +5%

Major Shopping Centre

Flat to +3%

Suburban Retail

0% to -5%



Hong Kong's retail market is improving, but the recovery remains selective. Sales growth is still being led by online and discretionary categories, while rents increasingly depend on catchment quality, tenant mix and destination strength rather than footfall alone.

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KEY STATS



-1.8%

QOQ CHANGE IN
SHOPPING CENTRE
RENTS (Q2 26)

0.0%

QOQ CHANGE IN
PRIME STREET
RENTS (Q2 26)

+7.1%

Q2 2026 TOTAL
RETAIL SALES YOY
GROWTH

+25.3%

Q2 2026 ONLINE
RETAIL SALES YOY
GROWTH

Selective Recovery Continues, But Retail Polarisation Deepens

KEY TAKEAWAYS

- Retail sales remained positive in Q2, but growth stayed concentrated in online channels, jewellery and consumer durables rather than broad-based daily-needs spending.
- Prime street-shop rents paused in Q2 after the strong Q1 rebound, while shopping-centre rents turned negative again, led by the New Territories.
- Core districts continue to benefit from tourism recovery, luxury demand and experience-led concepts, while suburban malls remain exposed to northbound leakage and online substitution.
- Around 7.8 million sq ft of future retail supply is scheduled from 2025 onward, much of it in emerging and suburban locations, increasing medium-term competition.
- 2026 remains a stabilisation year rather than a broad rebound, with better-located and better-curated assets likely to outperform.

RECOVERY IS HOLDING, BUT POLARISATION IS DEEPENING

Hong Kong's retail market remained on a recovery path in Q2 2026, but the rebound was still selective rather than broad-based. Total retail sales rose 7.1% year on year in Q2, while online sales increased 25.3%,

confirming that spending momentum remains strongest in digital and discretionary categories rather than in the daily-needs segments that support many neighbourhood malls. The market is therefore improving, but in a distinctly two-speed way.

Change In Prime Shopping Streets Rent Indices By District

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

Change In Prime Shopping Centres Rent Indices By District

QoQ Change	2025 Q2	2025 Q3	2025 Q4	2026 Q1	2026 Q2
All	-0.5%	-0.2%	-1.4%	+0.4%	-1.8%
Hong Kong Island	-0.7%	-0.6%	-0.3%	+1.2%	-0.5%
Kowloon	0.0%	0.0%	-1.2%	+0.5%	-2.0%
New Territories	-0.8%	0.0%	-2.7%	-0.3%	-2.7%

Source Savills Research & Consultancy

Prime streets stabilise first, while malls continue to reprice

Rental trends in Q2 reinforced the market's growing divergence. Prime street-shop rents were flat quarter on quarter across all four core districts after rebounding strongly in Q1, suggesting the market is consolidating recent gains rather than moving into a sharper upswing.

By contrast, major shopping-centre rents fell 1.8% quarter on quarter overall, with the

New Territories down 2.7%, Kowloon down 2.0% and Hong Kong Island down 0.5%. This shows that the strongest tourist and luxury pitches are stabilising first, while the wider shopping-centre market is still repricing in response to weaker local demand and tougher tenant trading conditions.

This split is consistent with broader structural trends. Prime districts are benefiting from

improving tourist flows, luxury demand, flagship expansion and experience-led formats, while many suburban and local malls remain more exposed to everyday spending weakness, online substitution and northbound leakage. In practical leasing terms, rents are increasingly determined by catchment quality, tenant mix and the ability of each asset to function as a destination.

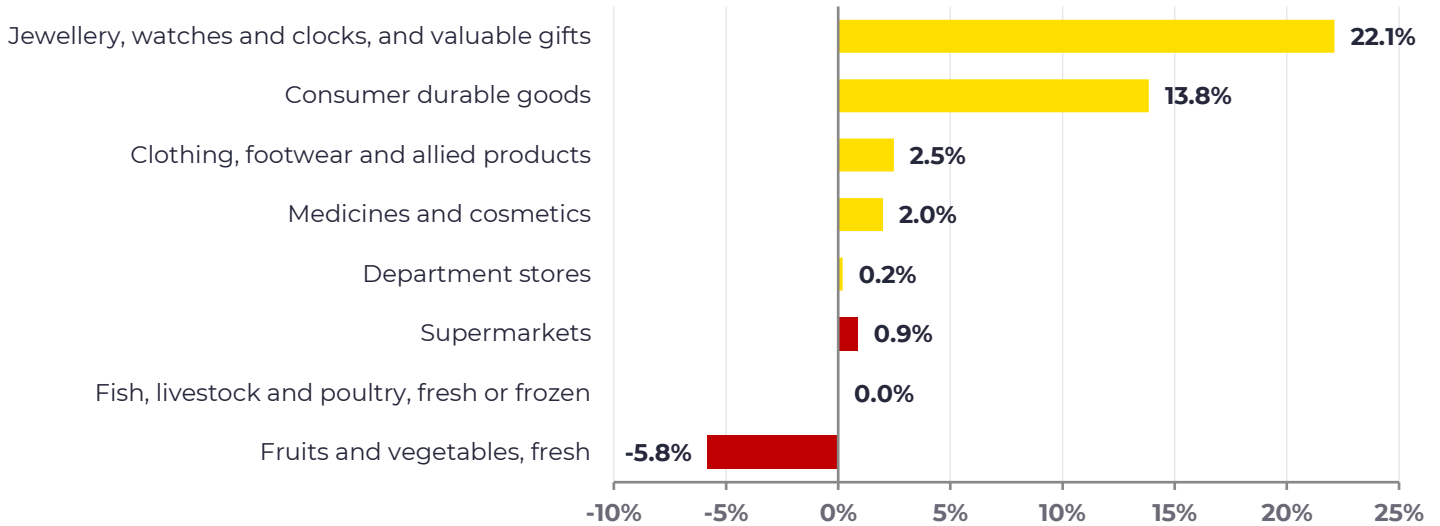
DEMAND IS IMPROVING, BUT SPENDING QUALITY STILL MATTERS MORE THAN FOOTFALL

The recovery in retail demand remains real, but it is still narrow. Total retail sales rose 7.1% year on year in Q2 2026, while online sales jumped 25.3%, extending the pattern already visible in Q1.

Category performance was uneven: jewellery, watches and valuable gifts rose 22.1%, consumer durables increased 13.8%, and clothing and allied products also advanced, while supermarkets rose only 0.9% and some fresh-food categories were flat or negative.

This suggests that spending is recovering most strongly in discretionary, digitally enabled and tourism-linked categories, rather than in the daily-needs base that supports many local shopping centres.

TRADE CATEGORY PERFORMANCE, Q2 2026 YOY



Source: Census and Statistics Department, HKSAR; Savills Research & Consultancy

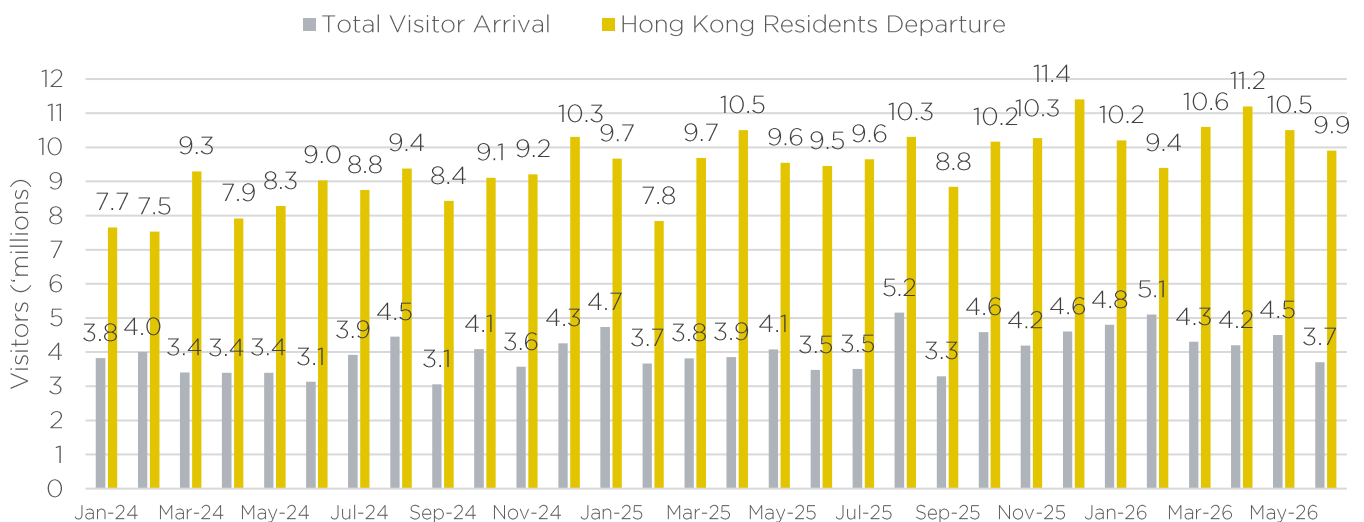
TOURISM IS RECOVERING, BUT CONVERSION STILL DECIDES RENTAL RESILIENCE

Tourism is also improving, but not all visitor recovery translates directly into rent growth. H1 2026 same-day visitors rose 13.0% year on year and mainland arrivals increased 15.5%,

while overall visitor arrivals and resident departures indicate that inbound recovery and outbound leakage are happening at the same time. Even where footfall improves, landlords still need spending depth,

tenant conversion and the right category mix to turn traffic into rental resilience. That is why stronger sales data alone do not yet amount to a broad leasing recovery.

VISITOR ARRIVALS AND RESIDENT DEPARTURES, JAN 2024 TO JUN 2026



Source: Hong Kong Tourism Board; Immigration Department, HKSAR; Savills Research & Consultancy

CORE DISTRICTS ARE STABILISING FIRST, BUT SUBURBAN PRESSURE HAS NOT GONE AWAY

Core districts continue to benefit from tourism recovery, luxury demand and more curated retail strategies. The Q2 retail overview points to stronger performance in core luxury and destination-led areas,

where landlords are using lifestyle F&B, wellness, pet-friendly concepts, pop-ups and immersive experiences to broaden catchments and extend dwell time.

These kinds of strategies are helping Central, Causeway Bay and Tsim Sha Tsui stabilise sooner than the wider market.

PRIME VERSUS SUBURBAN RETAIL: A TWO-SPEED MARKET

Indicator	Prime / core retail ▲	Suburban / community retail ▼
Q2 2026 rental movement (QoQ)	– 0.0% prime street shops	▼ -1.8% major shopping centres
Weakest regional reading	NA	▼ -2.7% New Territories
Occupancy versus income	Rents consolidating after the Q1 rebound	Link REIT 97.8% occupancy, but -8.2% reversion
Demand drivers	Tourism, luxury, flagships and experience-led formats	Northbound leakage of about HK\$55.7bn a year; online substitution
2026 rental forecast	▲ Flat to +5% streets; flat to +3% centres	▼ 0% to -5% weaker suburban

Source: Savills Research & Consultancy

SUBURBAN INCOME QUALITY, NOT VACANCY, IS NOW THE STRESS POINT

Suburban and community retail remain under greater pressure. The suburban retail overview highlights annual northbound spending of about HK\$55.7 billion and average monthly resident departures of around 10.4 million in early 2026, both of which continue to drain local catchments.

It also shows that malls can stay effectively full while income quality weakens, with Link REIT reporting 97.8% occupancy but negative 8.2% rent reversion and lower rent per square foot.

The key stress point is therefore no longer vacancy, but the level and durability of income per foot.

RETAIL REIT SCORECARD: MALLS STAY FULL, BUT INCOME QUALITY SLIPS

Retail REIT scorecard	Link REIT	Fortune REIT	Sunlight REIT
Portfolio occupancy	97.8%	96.4% six-year high	90.8%
Rental reversion	▼ -8.2%	▼ negative, but narrowing	▼ -7.9% Q1 2026
Revenue trend	▼ -2.0% YoY	▼ -3.9% YoY	▼ -2.2% YoY
Reporting period	FY to Mar 2026	1H to Jun 2026	1H to Jun 2026

Source: Link REIT, Fortune REIT and Sunlight REIT results announcements; Savills Research & Consultancy

THE F&B SECTOR: THE SHARPEST STRESS POINT IN SUBURBAN PODIUM INCOME

F&B is where suburban income quality is being decided. Headline restaurant receipts of HK\$109.6bn held broadly flat through 2025, yet a net 255 licensed venues were lost in the year to April 2025 — the first decline in six years.

The pain is concentrated by format. Traditional Chinese and banquet dining is the epicentre, with turnover down 26.2% since 2018 and 14 further closures in 1H 2026, while fast food traded 12.0% higher over the same period.

For fast-food and mass-market restaurant operators, which have long anchored the suburban retail segment, rising turnover has not prevented profit declines and margin compression, underscoring limited pricing power amid escalating costs.

THREE PRESSURE POINTS SHAPING F&B LEASING RISK

TRADITIONAL CHINESE DINING

– 26.2%

Turnover since 2018 · be selective on big format

VALUE AND FAST-FOOD FORMATS

+ 12.0%

Turnover since 2018 · anchor everyday demand

FAST FOOD CHAIN PROFIT DECLINE

– 30%

With margin squeeze reflecting weak pricing power

WHERE F&B STILL GROWS: LIGHT AND VALUE FORMATS ARE TAKING SUBURBAN SPACE

Format	Operators expanding	Latest reading	Leasing signal
Light · cafe, coffee, tea	Bakehouse, Blue Bottle, Chagee	32 shops, reaching Sha Tin and Tung Chung	Fills space full-service dining is vacating
Value · everyday meals	Tai Hing, 220+ outlets	FY2025 profit ▲ +72.3%, flat renewals	Anchors repeat suburban footfall

Source: Company filings and press reports; Savills Research & Consultancy

NEW SUPPLY WILL INTENSIFY COMPETITION AS RECOVERY STAYS TWO-SPEED

Supply remains an important medium-term headwind. Around 8.0 million sq ft of new shopping-centre space is scheduled between 2026 and 2029 and beyond, including major projects in Chek Lap Kok, West Kowloon, Kai Tak, Central, Ngau Chi

Wan and Tin Shui Wai. Much of this pipeline is located in emerging and suburban areas, which means upcoming competition will not only be for tenants but also for increasingly fragmented local spending. This is likely to raise the bar for curation,

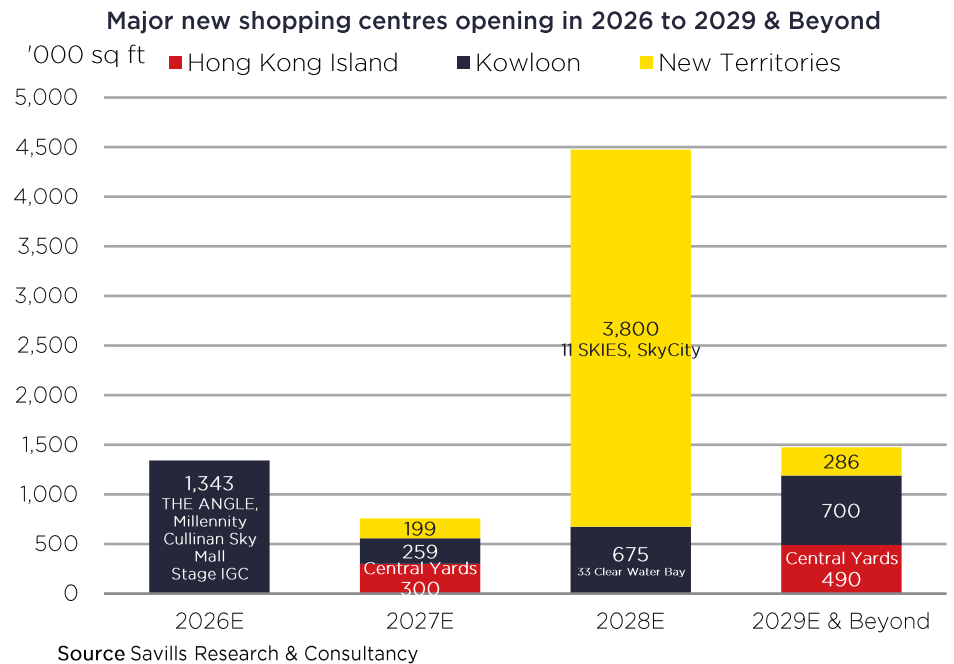
repositioning and asset enhancement, especially in older or less destination-oriented schemes.

SUPPLY, CURATION AND CATCHMENT STRENGTH WILL SHAPE THE REST OF 2026

For the rest of 2026, the market is likely to remain clearly two-speed. Prime street shops should stay broadly stable and may record modest rental growth if tourism and flagship demand keep improving,

While major shopping centres are likely to remain softer and weaker suburban rents may continue to face downward pressure. The sector is therefore not moving into a broad recovery.

Instead, it is entering a more selective phase in which the best-located, best-curved and most productive assets should outperform, while weaker community and non-destination schemes continue to reprice.



2026 Rental forecasts

Prime Street Shops	Major Shopping Centre	Suburban Retail
Flat to +5%	Flat to +3%	0% to -5%

Source Savills Research & Consultancy



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