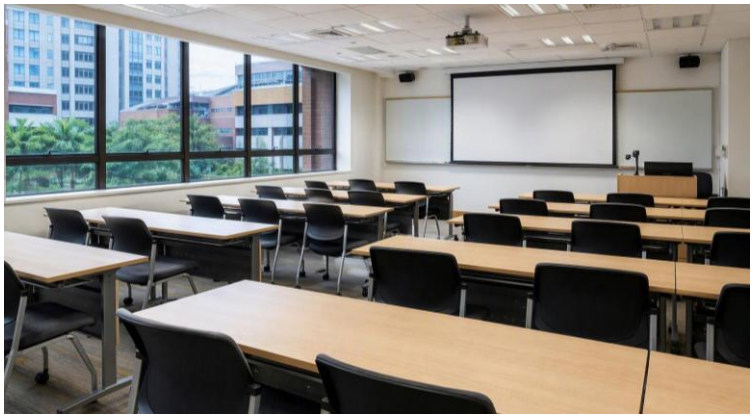
RESEARCH

MARKET IN MINUTES

Hong Kong Sales & Investment

Investment – Hong Kong – Q3 2026

savills 第一太平戴維斯

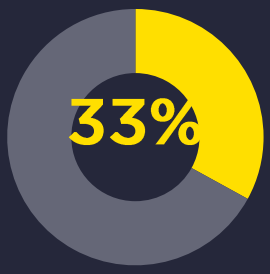




Education Opens New Investment Channels

Student-hostel conversions and school expansion support demand. Singaporean investors are keen on the local living sector.

Do you Know?



share of investment

Education-Related Investment

HK$17.0B

YTD to 22 October 2026

INVESTMENT OUTLOOK, Q4 2026–2027

Theme	Directional view
Student housing	Interest continues; execution matters
Education retail	Suitable space may attract new tenants
Office	Selective institutional and self-use demand
Source of Funding	Singaporean and other Southeast Asian investors in the pipeline

> “Education is opening new investment channels, but sustainable returns depend on suitable premises, controlled conversion costs and an entry price that withstands higher funding costs.

Q3 Education-led demand supports selective investment

Source Savills Research & Consultancy

RESEARCH

MARKET IN MINUTES

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KEY STATS

HK$51B
DEALS >HK$50M YTD TO 22 OCT 2026

33%
EDUCATION SHARE OF CONSIDERATION YTD TO 22 OCT 2026

15 / 19
HOTEL / SA DEALS FOR STUDENT USE JAN–OCT 2026

34%
MAINLAND BUYING RESIDENTIAL >HK$100M Q3 2026

Living and Learning Lead Investment

KEY TAKEAWAYS

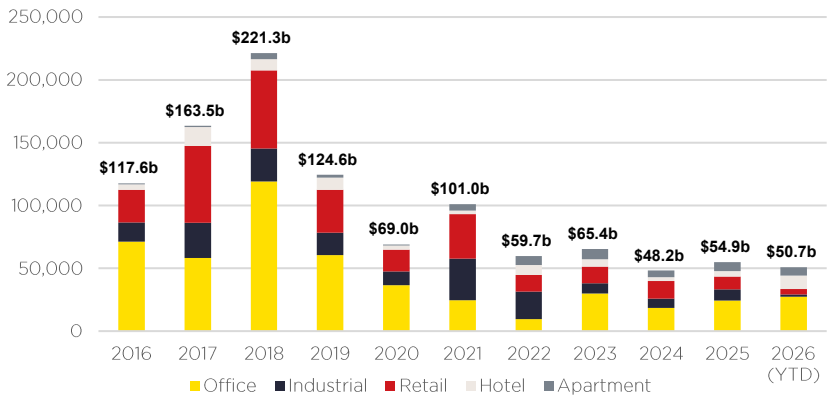
- Student housing attracts Singaporean capital, but conversion approvals and costs determine returns.
- Long-term education leases could make suitable suburban retail more defensive and revive investor interest.
- Institutions and self-users support office liquidity. Industrial transactions fell 19.1% QoQ, with selective self-use demand.
- Mainland-linked buyers' share of deals over HK$100m fell to 34% in Q3 from 51% in 1H 2026. Tax and compliance concerns may delay purchases.
- Higher funding costs could prolong repricing and refinancing-driven sales, favouring cash-rich buyers and disciplined entry prices.

EDUCATION AND END-USERS SUPPORT ACTIVITY

Education-related acquisitions accounted for 33% of investment consideration to 22 October. Institutions and end-users are securing long-term space through occupation or conversion, despite an uneven recovery in commercial rents.

Deals above HK$50 million totalled HK$50.7bn to 22 October, including apartments. Non-residential consideration excluding apartments reached HK$44.15bn. These year-to-date totals extend beyond the third quarter.

Investment transactions by property type, 2016–2026 YTD
HK$ million, transactions over HK$50M



Source Savills Research & Consultancy. YTD to 22 October 2026.

Q3 Capital Value Changes

Sector	QoQ
Mass res.	+0.8%
Townhouses	+0.5%
Retail	–0.6%
Office	–0.9%
Logistics	–5.0%

Source Savills Research & Consultancy

Offices accounted for HK$27.46bn, or 54.2% of consideration. Central strata transactions moderated to 8 in Q3 from 17 in Q2. Institutions and self-users supported liquidity, without a broad recovery in capital values.

Conventional investors remain sensitive to rental prospects and financing costs. Education provides a clearer source of occupier demand, but operational suitability and capital expenditure remain essential to the investment case.

STUDENT HOUSING DRIVES CONVERSION INVESTMENT

Student accommodation offers a route into repriced hotels and commercial buildings. Savills research estimates a 53,000-bed shortfall in 2025/26, supporting interest in premises that can serve established student demand.

In January–October, 15 of 19 hotel and serviced-apartment transactions were intended for student accommodation, with HK$7.9bn of consideration. Intended use does not establish completion or operating capacity.

Location, room configuration and approvals determine conversion feasibility. Buyers must also allow for refurbishment costs and the time required to reach stabilised occupancy before assessing sustainable net income.

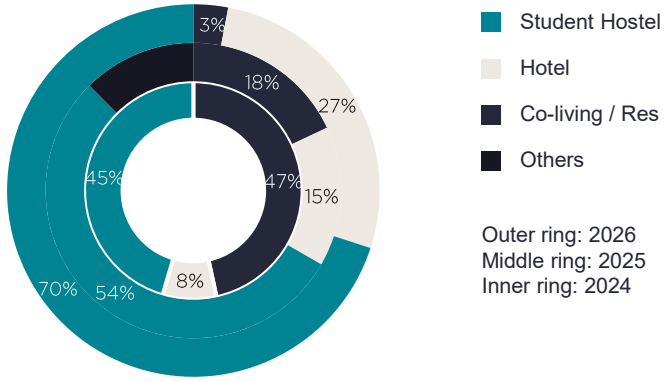
WHY SINGAPORE CAPITAL IS RETURNING

Hong Kong's price correction has opened more attractive entry points for Singaporean investors seeking rental income and medium-term capital appreciation. Renewed confidence in the market's recovery is encouraging selective acquisitions.

Accommodation assets combine recurring income with opportunities to reposition underused buildings, reinforcing interest in the living sector.

Hotel & Residential Transactions, 2024–2026

Transaction volume distribution by post-acquisition use



Source: Market News; Savills Research & Consultancy

SINGAPOREAN INVESTMENT: THE DRIVERS BEHIND THE DEALS

A preference for manageable income

Singaporean investors favour commercial assets with straightforward rent collection and management. Residential acquisitions can involve dispersed ownership and stronger competition from local and Mainland Chinese buyers. This preference supports demand for properties that professional investment teams can operate efficiently and expand into larger portfolios.

Student housing has structural support

Demand from non-local students and policies to develop Hong Kong as an international education hub underpin the student-housing investment case. Purpose-built supply has not kept pace. The shortage creates opportunities to convert suitable hotels and commercial buildings into accommodation, subject to approvals and viable refurbishment costs.

Operating expertise supports expansion

Operators such as Wee Hur and Centurion are extending their accommodation platforms into Hong Kong. Their experience supports a focus on properties with credible rental and conversion strategies. Longer due-diligence processes can, however, leave institutional buyers at a disadvantage to faster-moving local bidders, keeping acquisitions selective.

SHERATON TUNG CHUNG: REGIONAL HOTEL INVESTMENT

Beyond Singaporean accommodation platforms, Malaysia's ParkCity acquired the Sheraton and Four Points Tung Chung asset for a reported HK$2.7bn.

The combined 1,219 keys imply HK$2.215m per key, extending regional interest to a large operating hotel asset. The 4.6% passing yield uses 2025 net income, versus a projected 5.5% for 2026.

The deal signals broader Southeast Asian interest in Hong Kong hospitality, with operating income central to the investment case. It suggests regional buyers will consider complex receivership deals when entry pricing and yields justify the risks.

Selected Accommodation Transactions, 2026

Property	Buyer / investor	Price (HK$)	Proposed Usage
Sheraton / Four Points, Tung Chung	ParkCity Group	2.70bn	Hotel
ibis hotel, Sheung Wan	CapitaLand Investment	2.30bn	Student Hostel
Yan Wo Building, North Point	Centurion Corporation	364m	Student Hostel
One Bedford Place, Tai Kok Tsui	Wee Hur Holdings	748.8m	Student Hostel
Shama Hollywood	Harn Len (SEA)	204m	Serviced Apartment
Ovolo Southside	Templewater	480m	Student Hostel

Sources: Savills Research & Consultancy; The Business Times; MSCI RCA
Buyer identities do not necessarily establish the domicile of the underlying investment funds.

Selected Education Leases, September 2025–August 2026

Tenant / premises	Area sq ft	Monthly rent	Date
Kellett / The Bay Hub	45,272	HK$800,000	Sep 2025
Nord Anglia / Harbourfront Landmark	73,820	HK$1.55M	Jan 2026
Christian Alliance / 83 King Lam St	20,000	HK$400,000	Feb 2026
YK Pao School / MAYA	33,000	HK$1.2M	Feb 2026
Tianli / One HarbourGate retail	36,400	HK$1.0M	Aug 2026
Total	208,492		

Source Savills Research & Consultancy

A NEW OCCUPIER BASE

International schools favour fringe office podiums and suburban retail premises close to their existing campuses for expansion. These spaces accommodate additional teaching and ancillary facilities near the original campus.

DSS EXPANSION COULD BROADEN DEMAND

Participation by 48 of 78 DSS schools in the expansion programme could create demand for teaching and ancillary space beyond existing campuses. Participation does not mean that every school needs additional premises.

Building configuration, access and permitted use determine suitability. Accommodation for minors also requires appropriate hostel standards and supervision. Completed lettings to credible operators could improve income and investment appeal.

RETAIL SALES SHOW SELECTIVE BUYER INTEREST

Three Q3 retail deals offered gross yields of around 6.5%: a 50% stake in MPM Plaza, Mong Kok, at HK$650m (6.50%), Cheuk Ming Building's retail premises in Tsuen Wan at HK$120m (6.54%), and McDonald's premises on On Chee Road, Tai Po, at HK$126m (6.57%).

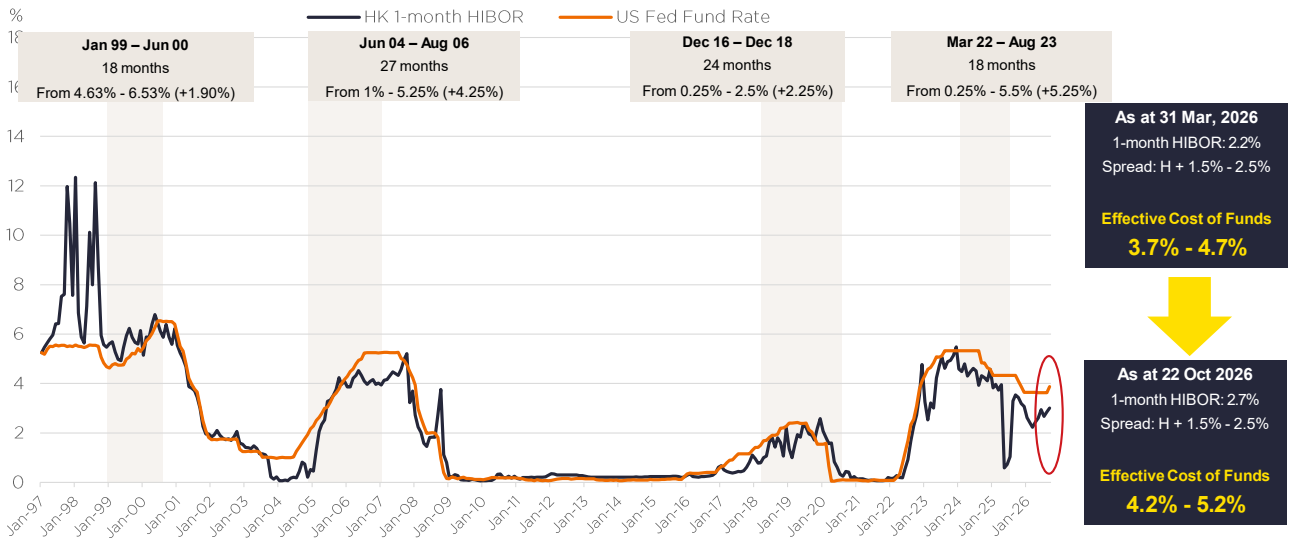
Investor interest remains concentrated among yield-driven buyers. Growing leasing demand from education institutions for suburban retail podiums could attract these investors, with long leases offering the prospect of stable income. The appeal rests on sustainable net yields above funding costs, after allowing for operating expenses and fit-out costs.

POTENTIAL RATE RISE AND IMPACT

The Fed raised rates by 25bps to 3.75–4.00% in September. CNBC reported that Fed projections pointed to another hike this year. HKMA lifted its Base Rate to 4.25%, while HIBOR also depends on local liquidity.

Further rises could lift HIBOR-linked funding costs, squeeze property returns and deter leveraged buyers. Higher debt servicing and refinancing costs could suppress investment interest and put further pressure on bids.

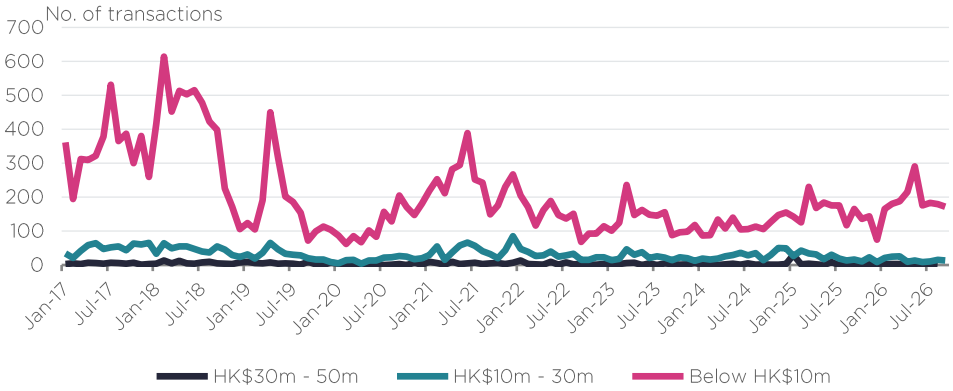
HK 1-month HIBOR vs US Fed Fund Rate, Jan 1997- Sep 2026



Sources: HKMA, US Federal Reserve, Savills Research & Consultancy

SELECTIVE DEMAND AND DISCIPLINED PRICING IN THE INDUSTRIAL MARKET

Industrial transaction volume by price range, Jan 2017 – Sep 2026



2026 YTD
1,922 (+8.0%)

2025 FY
2,186 (+20.6%)

2024 FY
1,813 (-7.7%)

2023 FY
1,965

Source Rating and Valuation Department, Savills Research & Consultancy, EPRC

En-bloc Transaction: Pricerite Centre Building, Sai Kung

Pricerite Centre Building	Owner-occupation
Location	Sai Kung
Purchaser	HKUST
Consideration	HK$141 million
Floor area	76,979 sq ft
Unit price	Approximately HK$1,832 psf
Transaction context	Receivership disposal

Source Savills Research & Consultancy

Industrial transactions fell from 721 in Q2 to 583 in Q3, down 19.1%. Warehouse values declined 5.0% QoQ. Investment consideration reached HK$1.68bn to 16 October, reflecting selective demand.

HKUST acquired Pricerite Centre Building in Sai Kung for HK$141m. The 76,979 sq ft property equates to approximately HK$1,832 per sq ft. The receivership disposal illustrates how owner-occupation can support liquidity after values adjust.

Operational use can justify a purchase even when conventional investment demand remains cautious.

MAINLAND LUXURY BUYER PARTICIPATION FALLS AMID TAX CONCERNS

Mainland-linked buyers accounted for only 34% of deals over HK$100m in Q3, versus 51% in 1H 2026, a 17-percentage-point fall in participation. This signals a less supportive Mainland buyer base for luxury residential sales.

Tax pressures may be curbing appetite: a 20% tax applies to in-scope taxable offshore trust gains and income, which can arise even without distributions.

The transitional declaration and payment deadline of 22 October 2026 has now passed; affected HNWIs may still hold cash for tax and review structures before committing to overseas property.

State Council Order 837, effective 1 July 2026, strengthens outbound-investment oversight, including applicable filings and cross-border funds registration.

Order 837 covers resident individuals as well as entities, without imposing a blanket ban on overseas purchases.

Wider enforcement of worldwide-income obligations, supported by CRS information exchange, raises disclosure and compliance pressure. These measures could delay purchases, and Mainland buyers may stay on the sidelines near term while they seek clarity on their tax obligations. This is a market observation of the latest tax rules.

Selected Residential Transactions, July–September 2026

Date	Property	Consideration (HK$m)	Floor Area (sq ft)	Average Price (HK$/sq ft)
Jul 2026	Jade Beach Villa, 3–7 Horizon Drive	1,168	55,914	20,889
Jul 2026	73 Mount Kellett Road	600	7,108*	84,412*
Aug 2026	Mont Verra, Tower 6, Flat A, 6–7/F	580	7,403	78,347
Aug 2026	Mount Nicholson, House 18	470	8,050	58,385
Aug 2026	25 La Salle Road	420	20,194	20,798

Source: EPRC, Savills Research & Consultancy
*73 Mount Kellett Road: existing GFA and price per sq ft of GFA. Other areas follow the source's saleable-area column.

INVESTMENT OUTLOOK

Education should remain the clearest source of new demand. Investors may favour conversion-ready student housing and suburban retail with credible, long-term school tenants, where approvals and fit-out costs leave room for sustainable returns.

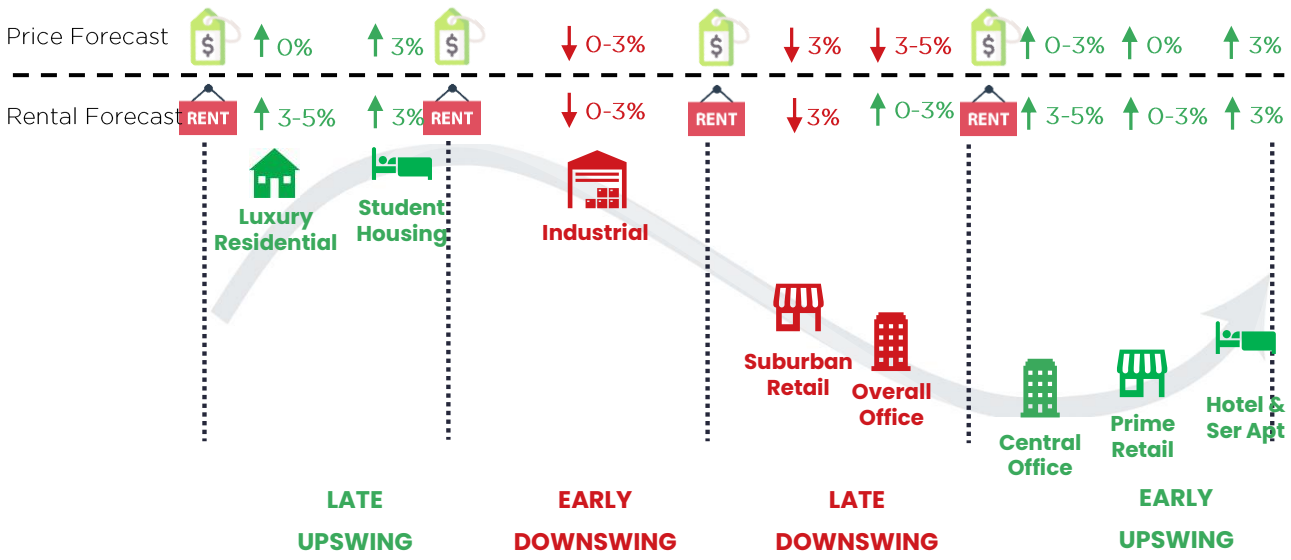
Office and industrial liquidity may improve before values recover, led by self-users and cash-rich buyers. Refinancing pressure could bring further discounted stock to market, while weak rental growth limits how much leveraged investors can pay.

Luxury residential may face slower sales as Mainland buyers reassess tax exposure and overseas commitments. Sellers could need greater price flexibility. A sustained recovery will depend on renewed buyer confidence rather than isolated high-value transactions.

How selective education demand can coexist with weaker sector forecasts

The forecasts below are sector-wide averages across all stock. Education-linked opportunities are selective and follow a different driver: student housing is structurally undersupplied and schools seek long-term space in suburban podiums. Where a building secures a credible education tenant on a long lease, its income can stay stable and above funding costs even while the wider sector remains in a downswing.

Hong Kong Property Market Forecasts, Q4/2026



Source Savills Research & Consultancy

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