

# Leasing momentum improves in Korea and Vietnam but remains sluggish in Hong Kong SAR



## Key Trends

- Although leasing activity in **Korea** has yet to fully recover amid ongoing economic and political instability, demand improved in March after a slow February. Landlords of several prime grade assets started to cut incentives packages amid solid demand from 3PL firms and e-commerce platforms, as well as the tightening supply pipeline.
- Market conditions in the **Vietnam** logistics & warehousing market have improved in recent quarters. There has been a strong increase in enquiries for modern warehouse facilities, particularly from manufacturers, e-commerce platforms and 3PL providers. International occupiers are displaying stronger interest for large logistics spaces of over 100,000 sq. m.
- **Hong Kong SAR** has shifted toward a tenant's market, with a gradual increase in space availability. However, occupiers are cautious, particularly those in the F&B and retail segments, due to sluggish consumption demand. New leases signed in Q1 2025 involved tenants across the e-commerce, 3PL and consumer products sectors. Other activity included expansion by mainland Chinese supermarkets and furniture chain stores.

“ Regional leasing activity has slightly improved in the past months, driven by increased demand from the 3PL and e-commerce sectors. However, some occupiers are withholding leasing decisions as they navigate through recent global trade policy uncertainty.

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## Korea

Solid demand from 3PLs and e-commerce coupled with new supply slowdown drive steady recovery

### STATE OF THE MARKET

- Sentiment has picked up over the past six months as the tightening supply pipeline boosts hopes of a recovery.
- 3PL firms and e-commerce platforms remained the key drivers of leasing demand in Q1 2025. Although leasing activity has yet to fully recover amid ongoing economic and political instability, activity improved in March after a slow February.
- Landlords of selected prime assets have started to cut incentives packages. Local asset management companies are more willing to provide longer rent-free periods due to vacancy pressure.

### TRANSACTION ACTIVITY

- Recent major transactions include a Mainland Chinese products-focused logistics supply chain company signing a lease in Gimpo for the handling of e-commerce products, as well as several cold storage transactions in Yongin. Other highlights included a master lease deal signed by a 3PL in Incheon.
- Occupiers in the fashion and beauty sectors were active, while a major global sports brand leased space for relocation and expansion.

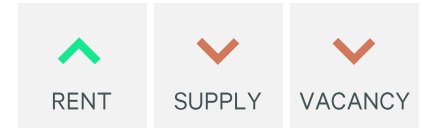
### EMERGING TRENDS

- Logistics investment picked up over the course of 2024, led by nonperforming loans, pre-purchase deals and acquisitions by foreign investors.
- Mainland Chinese EV manufacturers are aggressively expanding their retail presence, further supporting logistics demand.

### OUTLOOK

- With new supply tightening, tenants are advised to sign lease contracts promptly to avoid more aggressive landlord conditions such as reduced incentives and limited rent-free periods for prime-grade assets, which are likely to emerge by year's end.
- Investment activity is forecasted to pick up in H2 2025, particularly for prime-grade assets, as interest rates come down.
- Rent free periods and other tenant incentives are expected to stabilise as new supply slows. This will help support effective rental growth, particularly for dry warehouses.

### SIX-MONTH OUTLOOK



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## Vietnam

### Occupancy improves amid active leasing market in northern region

#### STATE OF THE MARKET

- Market conditions have improved in recent quarters. Occupancy has gradually increased from 2023's lows, supported by factors such as the stronger economy; a rebound in e-commerce activity; and expansion by mainland Chinese e-commerce brands.
- The period saw a strong increase in enquiries for modern warehouse facilities, particularly from manufacturers, e-commerce platforms and 3PL providers.

#### TRANSACTION ACTIVITY

- Large M&A deals and other investment transactions were completed in both northern and southern regions in 2024, where the bulk of foreign investor interest is concentrated.
- International occupiers, particularly mainland Chinese e-commerce platforms, are displaying stronger interest for large logistics spaces of over 100,000 sq. m..
- In contrast, local occupiers continue to face challenges and are reluctant to make larger commitments.

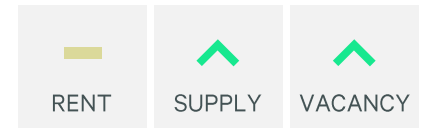
#### EMERGING TRENDS

- Due to the significant warehouse pipeline and solid demand for production facilities, some investors are converting upcoming projects into hybrid warehouses and factories to meet intertwined demand for production and warehousing.
- Factory space continues to be keenly sought-after, with net absorption reaching historic highs in 2024, supported by an upturn in production.
- Some industrial occupiers are holding off from finalising leasing decisions due to the potential impact of global trade policy uncertainty.

#### OUTLOOK

- Occupiers are advised to carefully evaluate all potential space options and engage with landlords to assess potential support and incentives. Given the cost of relocation, renewals may be more attractive.
- Landlords should consider delaying new development completions to mitigate the impact of substantial new supply scheduled to enter the market this year.

#### SIX-MONTH OUTLOOK



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## Hong Kong SAR

Market shifts toward tenants as vacancies rise; renewal rents stay unchanged but rents for new leases drop further

### STATE OF THE MARKET

- The current landscape is shifting toward a tenant's market as a gradual increase in space availability pushes up citywide vacancy rates.
- Occupiers particularly those in the F&B and retail segments, are cautious. Many tenants are considering consolidation and downsizing due to sluggish retail consumption demand.

### TRANSACTION ACTIVITY

- Most new leases signed in Q1 2025 were by domestic occupiers across the e-commerce, 3PL and consumer products segments. Other activity involved expansion by mainland Chinese supermarkets and furniture chain stores.
- Notable transactions included relocations by logistics operators to warehouses at the city fringes and/or non-graded storage space for cost saving purposes.

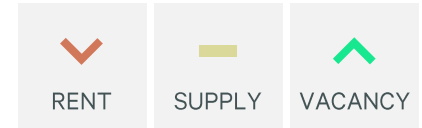
### EMERGING TRENDS

- Some major logistics landlords have seen portfolio occupancy decline significantly due to tenants' downsizing. Most landlords have nevertheless held renewal rents firm because of high relocation costs. However, they are willing to lower rents and provide subsidies for new leases.
- Occupier decision-making has slowed overall. Electronics and some consumer products occupiers have tended to be more cautious due to global trade policy uncertainty, but selected segments such as luxury retail have largely been stable.

### OUTLOOK

- Occupiers are advised to weigh the cost-benefit of relocation, which entails high CapEx but offers greater rental discounts on new leases, against the relatively firm renewal rents available.
- Landlords should remain open to participating in rental negotiations and flexible lease terms, both for new leases and renewals to attract or retain tenants.

### SIX-MONTH OUTLOOK



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