CBRE

VIEWPOINT

HONG KONG

Adaptive Spaces

Moving Hong Kong's Logistics Real Estate up the Value Chain

CBRE RESEARCH
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Overview

- Hong Kong is transforming into an international smart logistics hub specialising in high-value goods and high value-added services.
- Modern logistics real estate in Hong Kong is increasingly being equipped with automation technology and sustainability features designed to improve operational and energy efficiency.
- Sustained growth in cross-boundary e-commerce and the trade of high-value goods, such as electronics, commodities, pharmaceuticals and art, will create significant opportunities for Hong Kong's logistics industry.
- Logistics upgrading demand will be driven by occupiers of aged non-warehouse industrial buildings and forced relocations by occupiers of brownfield sites resulting from the development of the Northern Metropolis.
- The current gap in warehouse quality is prompting logistics occupiers to upgrade to modern logistics facilities to secure the latest technologies. Kwai Tsing is the most popular location for upgrading due to its concentration of new supply and strong connectivity with Hong Kong's major transportation nodes and urban core.
- The adoption of automation systems requires occupiers to assess logistics rental costs on a three-dimensional (3D) basis to factor in the crucial element of ceiling height.
- While the Northern Metropolis will provide ample land resources for logistics development over the long term, the government must adopt a flexible approach toward releasing logistics sites. CBRE recommends authorities consider offering differentiated modern logistics facilities in the Northern Metropolis to suit the needs of different types of logistics occupiers.

The rise of modern logistics real estate

Modern logistics real estate emphasises value-added services, automation and sustainability to support sustained growth in cross-boundary e-commerce and the re-export of high-value goods.

Hong Kong's logistics sector is undergoing rapid transformation as the city establishes itself as a sustainable international smart logistics hub specialising in high-value goods and high value-added services. This evolution is spurring growth in the city's modern logistics industry, which is moving beyond traditional warehousing and distribution functions and toward accommodating value-added services including sorting, packaging, labelling, processing, palletisation, inventory management, quality inspection, security screening, customs declaration and reverse logistics.

A key feature of a modern logistics industry is the adoption of automation technology such as automated guided vehicles and automated storage and retrieval systems to improve operational efficiency. With Hong Kong's logistics industry facing a shortage of both low-skilled frontline workers and professionals due to the city's ageing population and general perception of the industry as low-end, automation technology will be a critical means to help reduce reliance on increasingly costly manpower while professionalising the industry by nurturing a growing pool of logistics technology talent.

Hong Kong continues to witness high logistics rental costs along with ageing warehouse stock comprising mostly of buildings of sub-optimal quality and obsolete design. The adoption of advanced logistics technology in modern logistics facilities can optimise warehouse space utilisation through high-density storage solutions, thereby minimising rental and operating expenses.

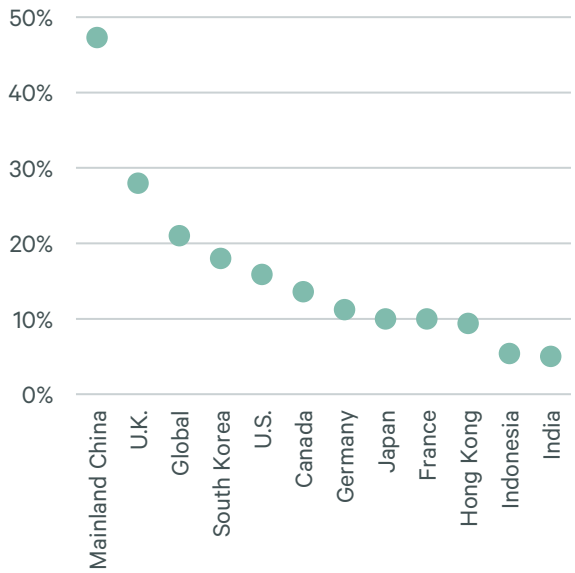
Sustainability is another key characteristic of a modern logistics sector. Logistics occupiers are prioritising energy efficiency and availability of on-site renewable energy in the warehouse selection process to reduce utility expenses and meet international requirements related to Environmental, Social & Governance (ESG) initiatives. Charging networks and supporting facilities for electrical logistics vehicles are also needed to meet growing demand for green logistics services arising from corporate commitment to climate goals.

Cross-boundary e-commerce

Sustained growth in **cross-boundary e-commerce** is a key demand driver of modern logistics facilities. E-commerce companies require more efficient and advanced modern logistics solutions to process and consolidate the high flow of small shipments and provide value-added services, such as real-time tracking and same-day delivery, to their customers. E-commerce platforms, especially those from mainland China, typically use Hong Kong International Airport (HKIA) as their export gateway owing to Hong Kong's proximity to production and manufacturing bases in Guangdong Province, and its dense international route network and high flight frequency for transporting e-commerce goods by air to destinations around the globe.

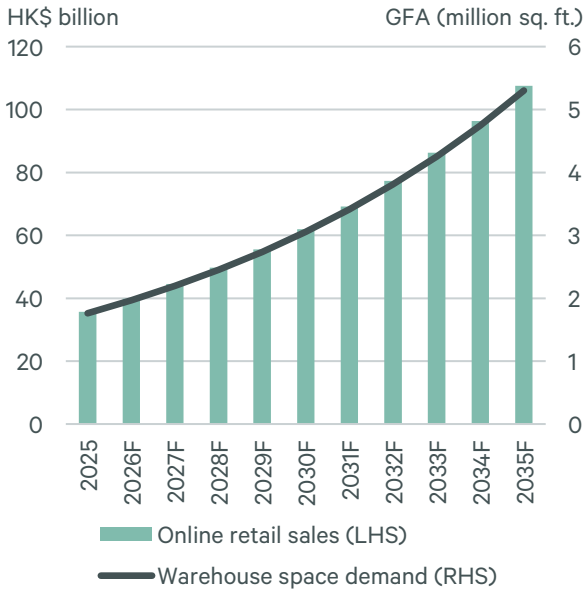
While Hong Kong's e-commerce penetration rate increased from 3.1% in 2016 to 9.4% in 2025, it is still far below the global average of 21% and mainland China's 47.3% (Figure 1), indicating substantial growth potential. E-commerce companies are rapidly expanding their networks in Hong Kong and striving to gain a foothold in urban areas to enhance last-mile delivery operations for time-sensitive and specialised orders. Assuming online retail sales grow at a Compound Annual Growth Rate (CAGR) in line with the historical trend, CBRE's baseline estimate is for warehouse space occupied by e-commerce companies in Hong Kong to triple by 2035 (Figure 2).

Figure 1: E-commerce Penetration Rate



Source: SellersCommerce, CBRE Research estimates, March 2026

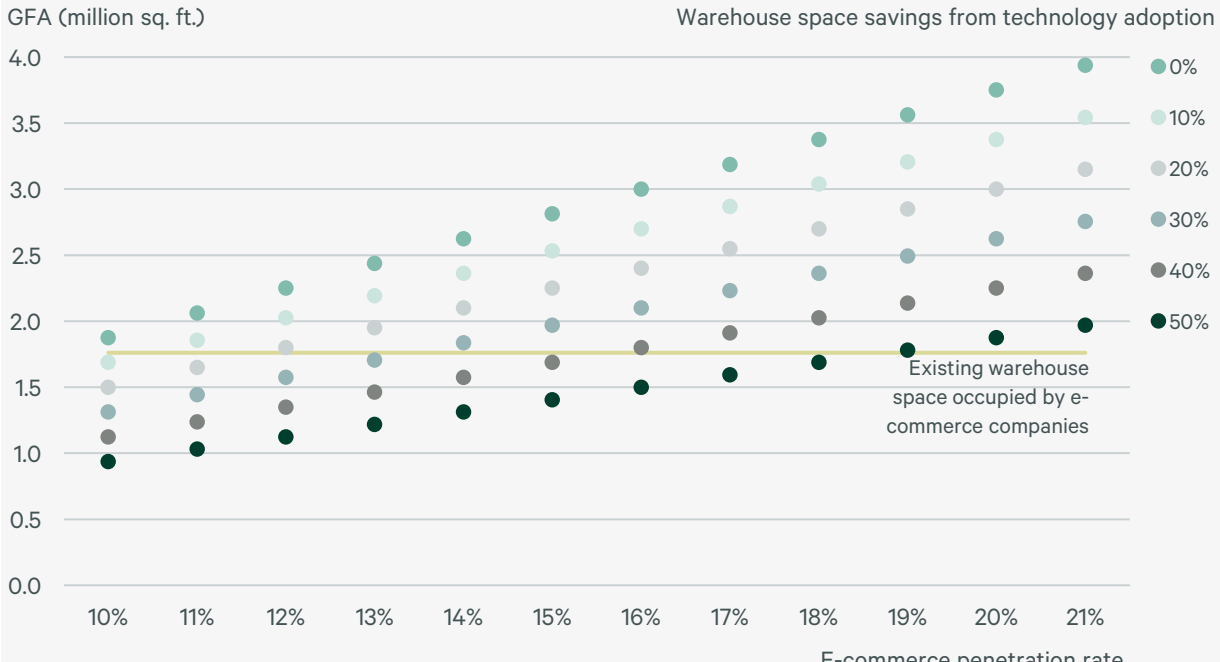
Figure 2: Baseline E-commerce Space Demand



Source: Census and Statistics Department, CBRE Research estimates, March 2026

Warehouse space demand from e-commerce companies can be influenced by both the degree of e-commerce penetration and the evolution in warehouse space utilisation (Figure 3). Hong Kong's e-commerce penetration rate is expected to continue to increase further, eventually reaching a level closer to the global average as online shopping becomes more common. This will generate stronger warehouse space demand from e-commerce companies. At the same time, however, e-commerce companies will seek modern logistics facilities equipped with more sophisticated high-density storage solutions, meaning that in future, less warehouse space will be required to handle the same volume of online retail sales. As a result, warehouse space demand will be capped by technology adoption as e-commerce companies are able to attain the same storage and handling capacity with a smaller footprint.

Figure 3: Sensitivity Analysis of Warehouse Space Demand from E-commerce Companies



Source: CBRE Research estimates, March 2026

High-value goods

Hong Kong has established itself as a high-value good logistics hub as it is a separate customs territory with free port status. This allows trading companies to store and consolidate most types of high-value goods and provide value-added services in the city with no tariff implications.

The **electronics** sector has become a cornerstone of Hong Kong's external merchandise trade. In the first ten months of 2025, electronics exports totalled HK$3.2 trillion, representing growth of 17.3% y-o-y and accounting for about 75% of total exports (Figure 4). Occupiers from the electronics sector leased about 460,000 sq. ft. of new space in 2025, accounting for 15% of total industrial leasing volume for the year. Demand from this sector is expected to continue alongside the ongoing AI boom as more value-added services, such as packaging and labelling, are required to be performed locally.

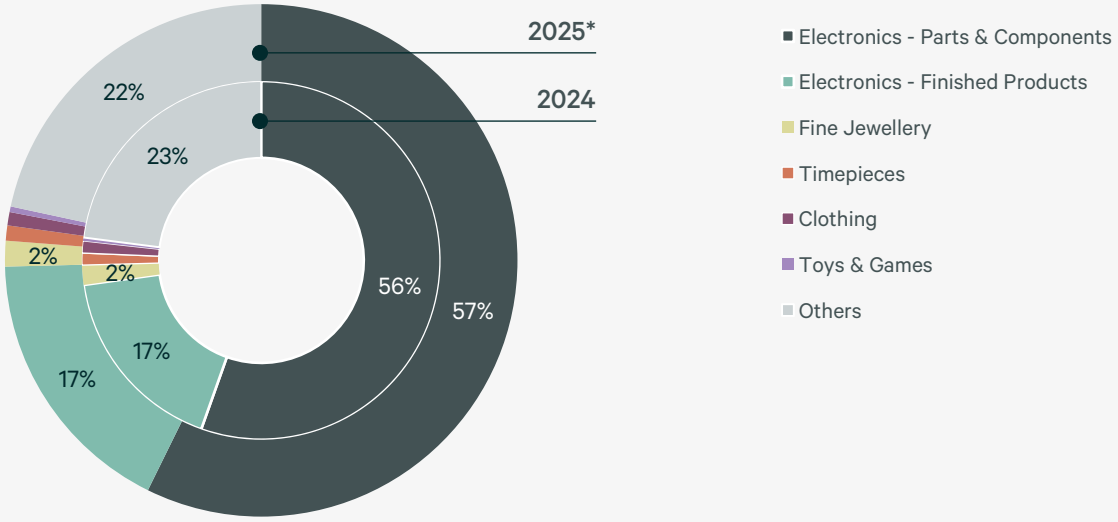
In January 2025, the London Metal Exchange (LME) approved Hong Kong as a warehouse location to store registered metals, marking an important step in creating a **commodities** trading ecosystem in the city. There are currently 15 warehouses in Hong Kong hosting metal storage operations, with more than 20,000 tonnes of metals on warrant to support LME's contract delivery.

To develop Hong Kong into a regional **gold** reserve hub, the government will establish a central clearing system to provide efficient and reliable clearing services for gold transactions in compliance with international standards. Hong Kong's gold storage facilities will be expanded with a target storage capacity of over 2,000 tonnes in three years. Gold traders are being encouraged to set up or expand refineries in the city.

Hong Kong's rapidly growing elderly population is creating demand for the sourcing, warehousing, cold storage and distribution of **healthcare, medical and pharmaceutical** products. The development of Hong Kong into an innovation and technology hub will attract more life sciences companies to set up operations in the city for research and development purposes. These types of high-end, time- and temperature-sensitive products require high value-added logistics services, such as cold chain and temperature-controlled logistics.

High value-added temperature and humidity-controlled logistics and storage services for **art, collectables and antiques** are increasingly sought after on the back of Hong Kong's status as one of the top three art trading centres globally alongside London and New York. The city now hosts a high concentration of auction houses, dealers and collectors. As the premier gateway between east and west, Hong Kong is developing a comprehensive art ecosystem, supported by large-scale high-end art storage and related facilities.

Figure 4: Hong Kong Exports by Key Sector



Source: Census and Statistics Department, Hong Kong Trade Development Council, March 2026
Note: *Jan-Oct 2025.

Strong upgrading demand for modern logistics facilities

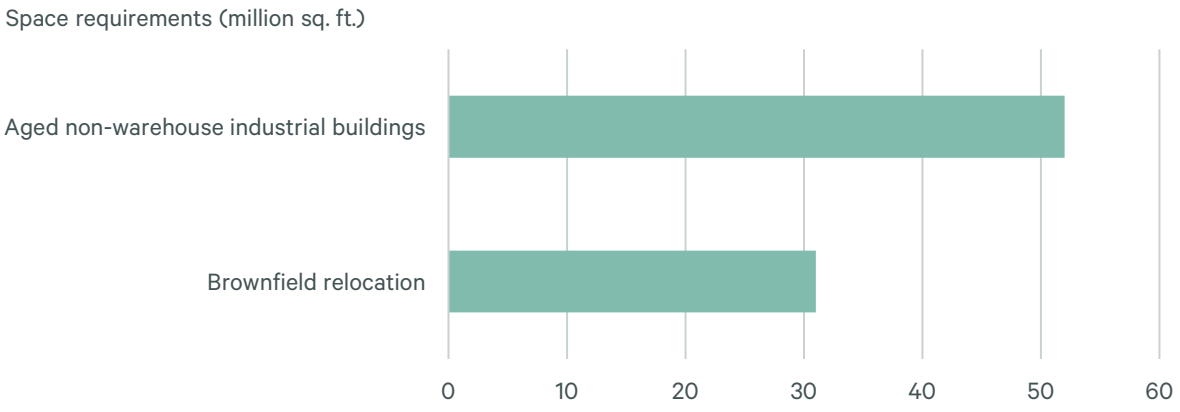
Logistics occupiers are displaying growing demand for modern and institutional grade facilities with better specifications to enhance operational efficiency and utilise new logistics technology.

To conduct modern logistics operations, logistics occupiers in Hong Kong prefer modern logistics facilities featuring vehicular ramps offering direct access to each floor; large floor plates; large warehousing and sorting spaces; centralised loading/unloading areas; wide column spacing; steady and reliable power supply; high floor loading and high ceilings to support automated sorting systems and heavy cargo handling equipment. Flexible compartmentation of warehouse space is also essential as logistics occupiers require connected units of optimal sizes to facilitate automation systems. Modern logistics facilities must also possess supporting amenities, such as parking spaces for large vehicles; fleet management and maintenance centres; charging facilities for electric vehicles; ancillary offices; staff canteens; training facilities; and smart security systems to enhance operational efficiency and provide an optimal working environment. Sustainability features such as energy management systems; environmental protection facilities; green building certification; and green lease clauses are increasingly viewed as essential to promote the development of a smart and green logistics industry.

Many logistics occupiers in Hong Kong are currently operating in aged industrial buildings not specified as storage facilities, including flatted factories and industrial/office buildings. As these premises are not purpose-built warehouses, they are generally inadequate for modern logistics operations. CBRE estimates that potential upgrading demand from logistics occupiers of aged non-warehouse industrial buildings could reach as high as 52 million sq. ft. over the long term (Figure 5).

CBRE estimates that the forced relocation of brownfield occupiers due to the development of the Northern Metropolis will create upgrading demand for 31 million sq. ft. of different types of industrial properties (Figure 5). Brownfield occupiers currently utilise temporary structures such as tin sheds for operations. While these temporary structures normally have high floor efficiency, direct vehicular access and high ceilings to accommodate the warehousing of large and heavy cargo, they only have limited amenities and are less secure, making them prone to accidents and trespassers. CBRE believes the development of the Northern Metropolis will be an ideal opportunity for brownfield occupiers to upgrade operations to modern logistics facilities to secure the latest technology, enhanced amenities, and more stable leases and space for expansion.

Figure 5: Potential Upgrading Demand for Modern Logistics Facilities

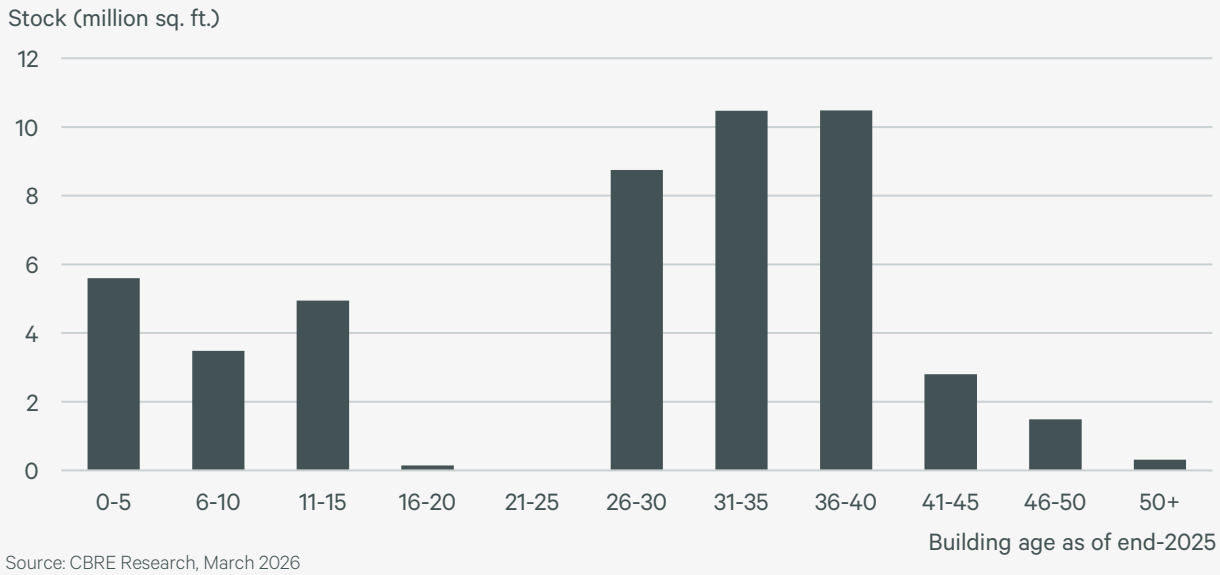


Source: Planning Department, CBRE Research estimates, March 2026
Note: Aged non-warehouse industrial buildings refer to industrial buildings constructed before 1987 and not specified as storage.

Considerable warehouse quality gap

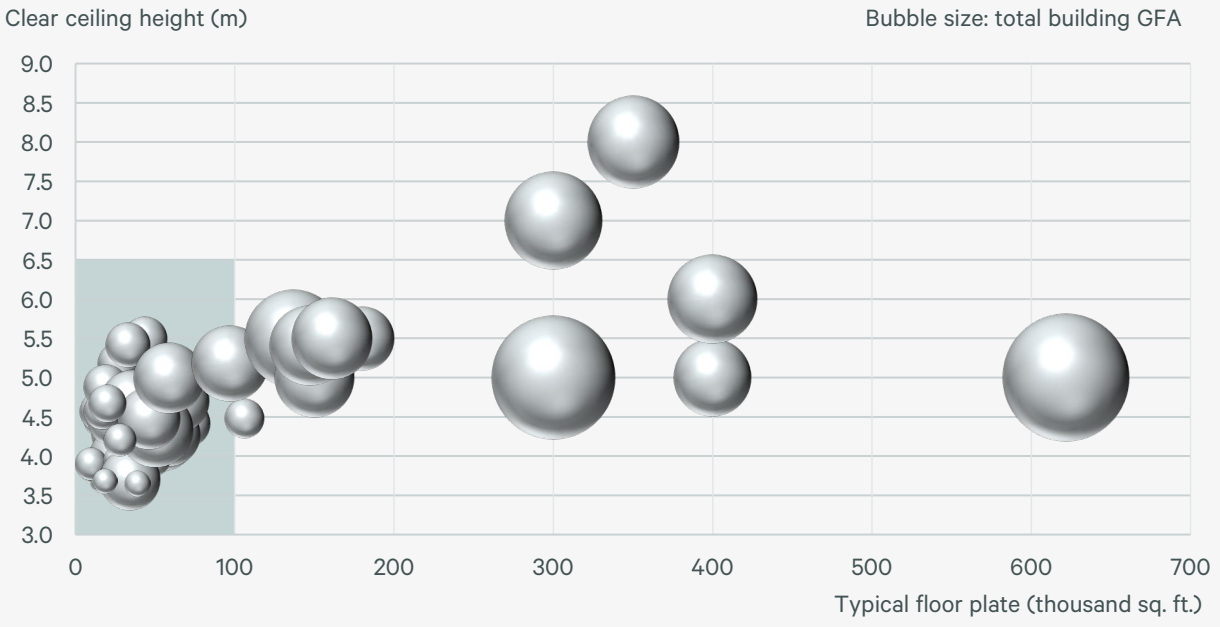
Hong Kong's existing warehouse stock mainly consists of aged buildings with obsolete specifications, making them unsuitable for modern logistics operations. Of the 48.5 million sq. ft. of purpose-built warehouses in Hong Kong, only 29% were completed in the past 15 years (Figure 6). Most existing warehouses possess a typical floor plate of less than 100,000 sq. ft. and a clear ceiling height lower than 6.5 m. (Figure 7). Hong Kong's scarcity of modern logistics facilities is therefore preventing logistics occupiers from upgrading their real estate.

Figure 6: Warehouse Stock by Age



Source: CBRE Research, March 2026

Figure 7: Warehouse Specifications



Source: CBRE Research, March 2026
Note: Warehouses with multiple zones of different specifications are represented by multiple bubbles.

Modern logistics cluster in Kwai Tsing

In Hong Kong's modern logistics landscape, where operational efficiency, precision and technology adoption are essential, logistics occupiers are increasingly upgrading to modern logistics clusters featuring advanced logistics facilities and excellent connectivity with different transportation nodes and urban centres. The agglomeration of logistics operators, trading companies and ancillary service providers in modern logistics clusters can create economies of scale and enhance operational efficiency.

Of Hong Kong's existing logistics districts, Kwai Tsing is considered as the leading modern logistics cluster because of its large volume of quality warehouse stock and central location. Between 2010-2025, 8.4 million sq. ft. of prime warehouse space was completed in Kwai Tsing, accounting for 60% of citywide warehouse supply during the same period (Figure 8). The addition of these new buildings, representing 34% of total warehouse stock by GFA in Kwai Tsing (Figure 9), has revitalised the district.

Compared with other major logistics districts, only Tuen Mun has seen the addition of new warehouse supply during the same period, while Shatin and Tsuen Wan continue to feature ageing stock. New warehouses in Kwai Tsing are mainly high-specification purpose-built modern logistics facilities suitable for handling high-value goods and providing high value-added services, solidifying the district's status as the pre-eminent location for logistics occupiers seeking to upgrade.

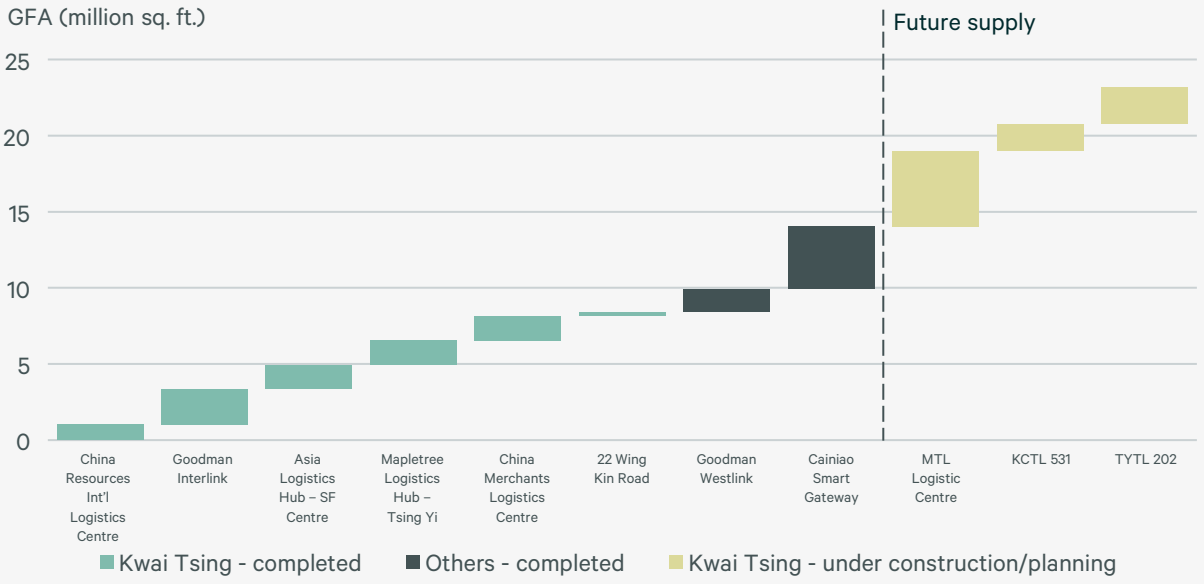
Hong Kong's new warehouse supply will remain in Kwai Tsing in the short term. Modern Terminals and an ESR/Chinachem consortium are currently planning and developing two large-scale logistics projects with a combined GFA of 6.7 million sq. ft., both scheduled for completion in 2028 (Figure 10). The Modern Terminals project will be a high-specification general-purpose modern logistics facility on a scale unmatched by any new developments in the last 30 years.

There is another development project involving Mapletree, which recently won the tender for a logistics site in Tsing Yi to develop a modern logistics facility with a GFA of 2.5 million sq. ft. and slated for completion in 2029 (Figure 10). This will be the first development situated on a group of four quality logistics sites near the Kwai Tsing Container Terminals earmarked to address the logistics industry's need for modern, high-end, multi-storey logistics facilities to conduct value-added logistics operations and capture synergy with the port. The remaining three logistics sites, estimated to yield about 5.3 million sq. ft. of prime warehouse space, will be released by the government subject to market conditions.

Kwai Tsing's geographical location gives it a commanding advantage in terms of access to sea, land, and air multimodal transport. The Kwai Tsing Container Terminals are Hong Kong's main port facilities and require only a 25-minute drive to HKIA and a 30-minute drive to the Shenzhen Bay cross-boundary control point (Figure 11). Kwai Tsing's proximity to the Container Terminals makes it the ideal location for sea transport back-up operations, while its connectivity with other major transportation nodes enables it to efficiently handle cross-boundary land cargo and air freight. Located near the urban core of Hong Kong and supported by a comprehensive land transport network, Kwai Tsing is a natural distribution hub for the city, especially for express operators and e-commerce companies serving large numbers of customers with last-mile delivery services.

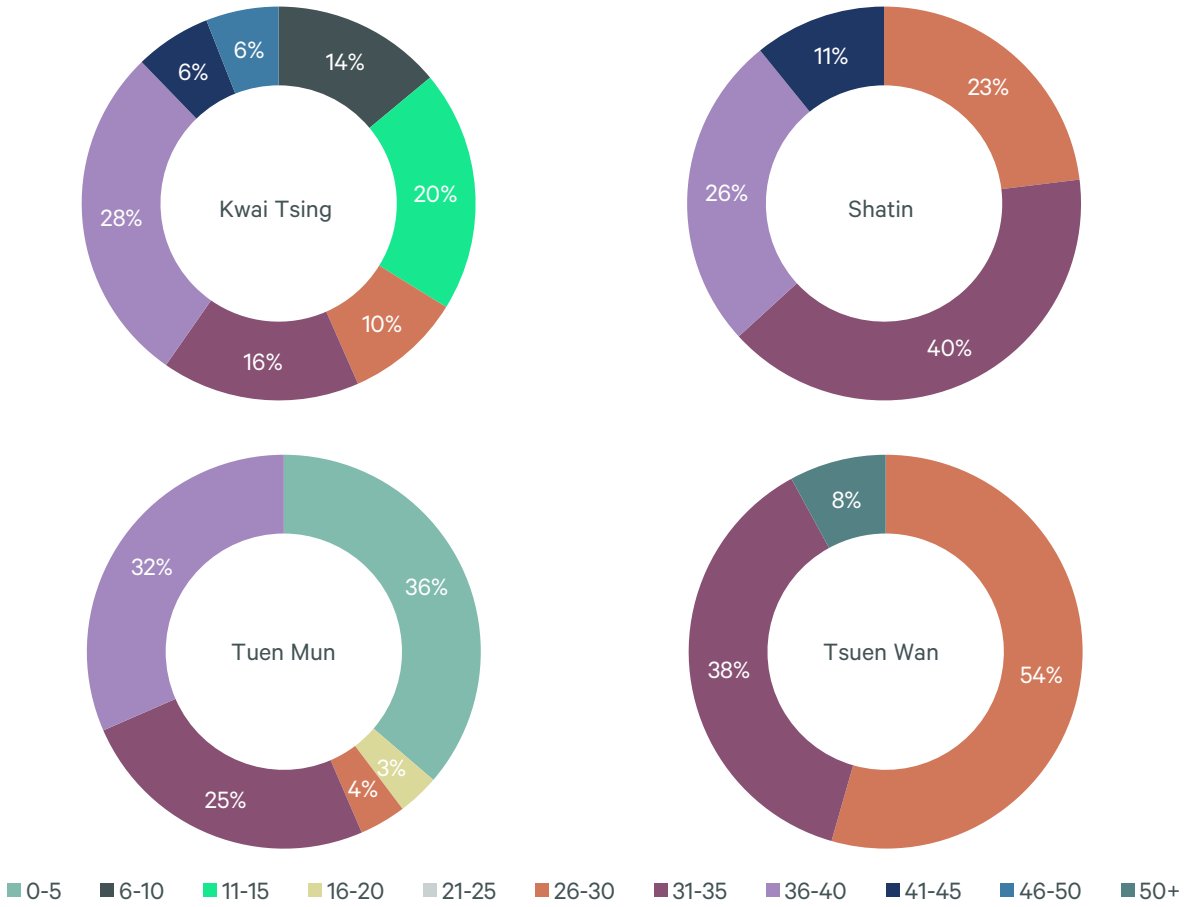
Kwai Tsing's multimodal transport capabilities are attracting high-value good logistics operators, e-commerce companies and freight forwarders seeking to establish a presence in the area. In 2023-2025, occupiers from the electronics sector leased about 415,700 sq. ft. in Kwai Tsing, accounting for 69% of citywide leasing volume by the sector. E-commerce companies took up around 347,800 sq. ft., representing 40% of overall leasing volume contributed by the sector during the period. The upcoming supply of modern logistics facilities in Kwai Tsing is expected to stimulate more leasing activity in the district, making it likely that numerous major pre-commitment deals will be announced in 2026.

Figure 8: Warehouse Supply in Hong Kong since 2010



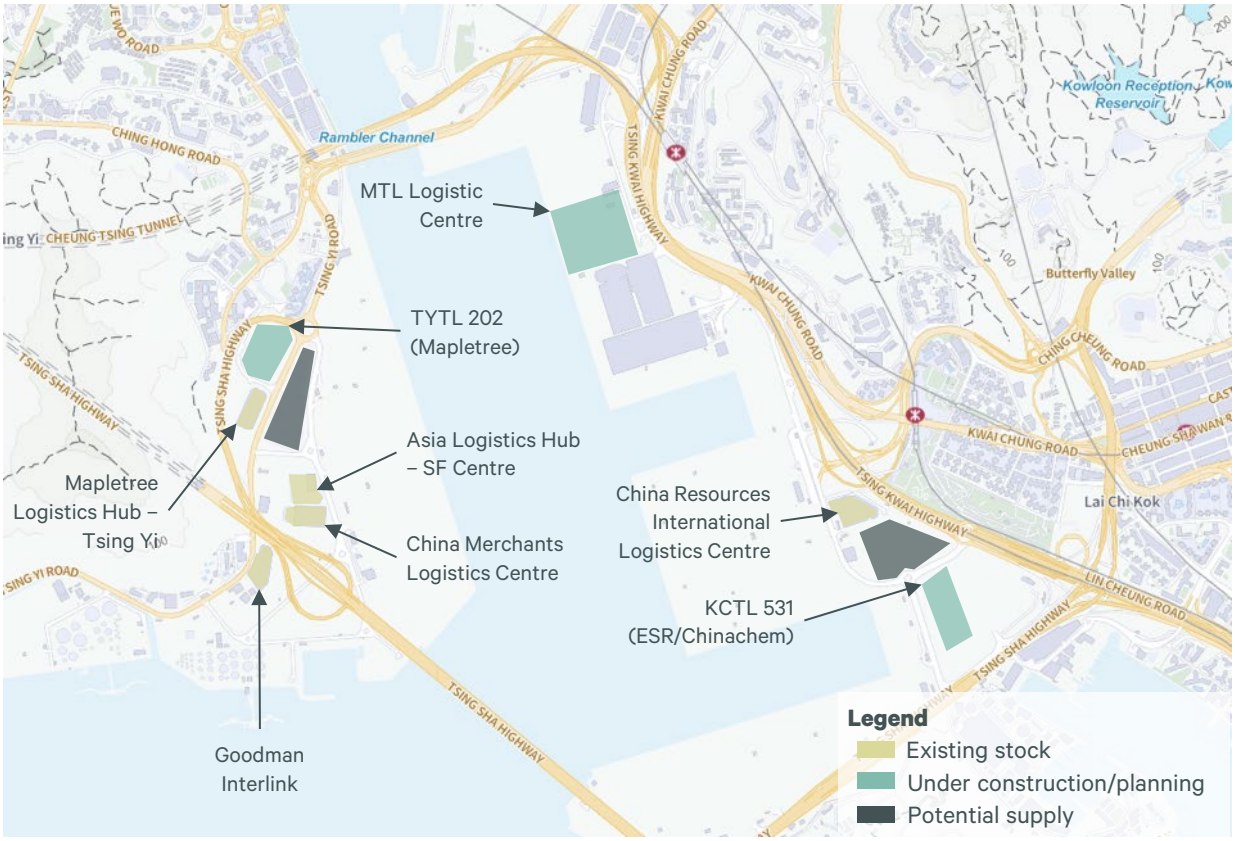
Source: CBRE Research, March 2026

Figure 9: Warehouse Stock by Age in Major Logistics Districts



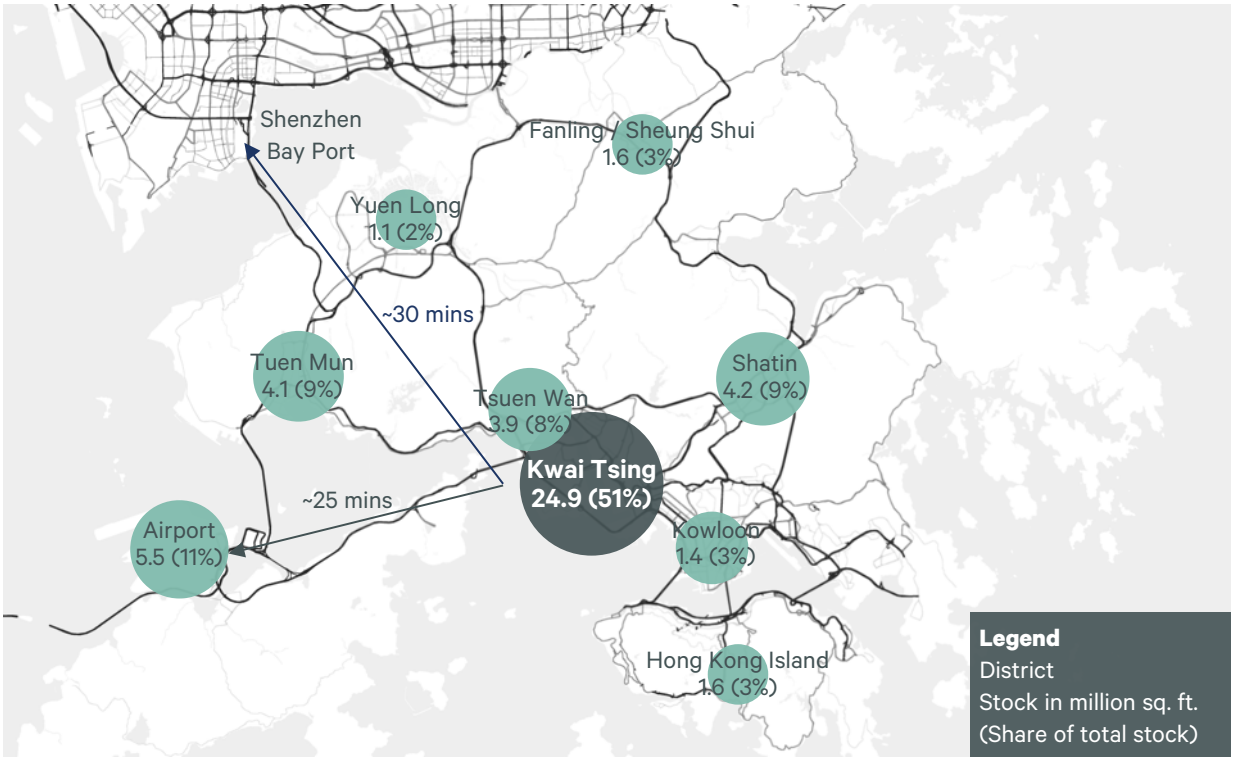
Source: CBRE Research, March 2026
Note: Building age as of end-2025.

Figure 10: Warehouse Supply in Kwai Tsing Since 2010



Source: CBRE Research, March 2026

Figure 11: Warehouse Stock by District



Source: CBRE Research, March 2026
Note: Stock figures as of end-2025.

Recalculating logistics real estate costs

The adoption of automation systems in modern logistics facilities requires occupiers to assess rental costs on a per Cubic Metre (CBM) basis to account for the critical element of ceiling height.

The higher perceived rental cost of ramp-access modern logistics facilities compared with lift-access traditional warehouses often deters logistics occupiers from upgrading. To resolve this dilemma, CBRE believes that there should be alignment between logistics rental cost and cargo volume to better ascertain the quality-price ratio for modern logistics facilities.

Warehouse rents in Hong Kong are now quoted on a per sq. ft. basis for comparison. While this two-dimensional (2D) approach accounts for warehouse floor area and efficiency ratio, it neglects ceiling height, which is a key element required to facilitate automation system adoption. Automated storage and retrieval systems with specialised equipment, such as cranes and shuttles, require ample vertical clearance to operate effectively. Higher ceilings can accommodate more storage slots and maximise the utilisation of cubic space within warehouses, enabling greater storage capacity within the same footprint. While automation systems can also be installed in facilities with lower ceilings, their application and cost-effectiveness are sub-optimal.

As the 2D rental approach no longer reflects the actual unit rental cost, modern logistics rents should be assessed on a per CBM basis to factor in ceiling height. For example, when a logistics occupier in a traditional warehouse with cargo lift access evaluates the option of upgrading to a ramp-access modern logistics facility based on the prevailing market rent, the 2D net unit rent can be significantly higher owing to the lower efficiency ratio. However, when calculating the net unit rent on a 3D basis, the cost of occupying a modern logistics facility can be more economical owing to the more optimal ceiling height (Figure 12).

Rents per CBM for warehouses aligned with global prime standards, mainly single-storey facilities with a larger floor plate size and direct vehicular access, can be even lower due to their better efficiency ratio and higher ceiling height. However, given the scarcity of suitable logistics land in urban areas, existing modern logistics facilities in Hong Kong generally only occupy smaller sites and are ramp-access Multi-Storey Buildings (MSBs) with lower floor efficiency. The constraints on logistics site area and lower efficiency ratio can be offset by allowing modern logistics facilities to have a higher clear ceiling height comparable to global standards to facilitate the improved application of logistics technology.

CBRE expects adoption of the 3D approach to accelerate as logistics operators strive to provide high value-added services through technology implementation. Modern logistics facilities' more advanced specifications enable logistics occupiers to serve a wider clientele with higher-value goods. The potential to secure lower operational and 3D net unit rental costs will provide modern logistics facilities with a competitive edge over traditional warehouses (Figure 13). CBRE anticipates the coming years to see the emergence of a flight to quality trend within the logistics sector, leading to the bifurcation of performance between traditional warehouses and modern logistics facilities as Hong Kong embraces modern logistics.

Figure 12: Illustrative Example of 2D vs 3D Rental Calculations

Feature	Traditional Warehouse (lift-access)	Modern Logistics Facility (ramp-access)
Gross Floor Area (sq. ft.)	100,000	100,000
Efficiency Ratio	70%	60%
Net Floor Area (sq. ft.)	70,000	60,000
Monthly Market Rent (HK$)	1,100,000	1,250,000
2D Gross Unit Rent (HK$/sq. ft.)	11.0	12.5
2D Net Unit Rent (HK$/sq. ft.)	15.7	20.8
Clear Ceiling Height (m)	3.8	6.5
Net Volume (CBM)	24,712	36,232
3D Net Unit Rent (HK$/CBM)	**44.5**	**34.5**

Source: CBRE Research, March 2026

Figure 13: Sensitivity Analysis of 3D Net Unit Rent of Modern Logistics Facilities

2D Gross Unit Rent (HK$/sf) \ Efficiency Ratio	40%	45%	50%	55%	60%	65%	70%
11.0	45.5	40.5	36.4	33.1	30.4	28.0	26.0
11.5	47.6	42.3	38.1	34.6	31.7	29.3	27.2
12.0	49.7	44.2	39.7	36.1	33.1	30.6	28.4
12.5	51.7	46.0	41.4	37.6	**34.5**	31.8	29.6
13.0	53.8	47.8	43.1	39.1	35.9	33.1	30.8
13.5	55.9	49.7	44.7	40.6	37.3	34.4	31.9
14.0	58.0	51.5	46.4	42.2	38.6	35.7	33.1
14.5	60.0	53.4	48.0	43.7	40.0	36.9	34.3
15.0	62.1	55.2	49.7	45.2	41.4	38.2	35.5
15.5	64.2	57.0	51.3	46.7	42.8	39.5	36.7
16.0	66.2	58.9	53.0	48.2	44.2	40.8	37.9

Source: CBRE Research, March 2026
Note: Considers a logistics occupier relocating from a lift-access traditional warehouse to a ramp-access modern logistics facility. Yellow/green cells indicate higher/lower 3D net unit rent after relocation (see Figure 12 for detailed calculations).

Transforming logistics real estate

To expedite upgrading, the Hong Kong government should encourage the development of a broad range of modern logistics facilities to suit the needs of different types of logistics occupiers.

To further promote logistics development and consolidate brownfield operations in modern logistics facilities, CBRE believes the government must be cognisant of market conditions and release logistics sites in a timely and flexible manner. Currently, ramp-access facilities have a lower efficiency ratio as ramp areas are included in GFA, while warehouse space featuring high ceilings are double-counted in GFA. CBRE recommends the government exclude ramp areas in MSBs from land cost calculations and relax the double-counting rule for premises with high ceilings to encourage the development of modern logistics facilities and accelerate the adoption of the latest logistics technology.

In addition to MSBs, the government may also consider low-density logistics development in line with global standards for prime logistics facilities. Such facilities are suitable for occupiers less likely to relocate to MSBs, such as companies operating in the heavy metal storage and recyclable waste industries. Commodities storage requires higher floor loading capacity due to the need for metals to be stacked multiple times to be deemed financially viable in Hong Kong's expensive operating environment, meaning that single-storey facilities are more suitable than MSBs.

Northern Metropolis

The planned development of logistics clusters in the Northern Metropolis will provide ample land resources for logistics development. The government's current development blueprint envisions an industrial and logistics GFA of about 74 million sq. ft., primarily located within the High-end Professional Services and Logistics Hub and the Boundary Commerce and Industry Zone situated in the southwest and northeast sections, respectively, of the planning area (Figure 14). While the previously limited availability of logistics land has led to the prevalence of MSBs in Hong Kong, the Northern Metropolis presents an opportunity for the government to offer a broader range of modern logistics facilities to suit different types of logistics occupiers.

The government has proposed to develop a pilot modern logistics cluster in Hung Shui Kiu within the Northern Metropolis and plans to invite the industry to submit expressions of interest for the first logistics cluster site in 2026. As a new development area, Hung Shui Kiu is not an established logistics cluster and lacks the robust occupier demand found in Kwai Tsing. CBRE believes the potential large-scale development of MSBs in Hung Shui Kiu could involve significant development and operating costs and involve a long take-up period. To attract investment and avoid disrupting Hong Kong's warehouse leasing market, CBRE suggests that the government implement a phased development approach in the Hung Shui Kiu logistics cluster. By planning and developing low-density modern logistics facilities in Hung Shui Kiu, preferably single-storey properties with high ceilings, the government can establish a new logistics ecosystem and accommodate brownfield occupiers forced to relocate due to government land resumption.

In the long term, new logistics development in the Northern Metropolis will complement Kwai Tsing in the city's urban core by offering differentiated modern logistics real estate solutions and value-added services to Hong Kong's diversifying logistics tenant base.

Figure 14: Northern Metropolis

Source: Development Bureau, CBRE Research, March 2026

Conclusion

To fulfil Hong Kong's goal of becoming a sustainable international smart logistics hub specialising in high-value goods and high value-added services, logistics occupiers must utilise automation technology to improve operational efficiency. With sustained growth in cross-boundary e-commerce and high-value goods creating more demand for modern logistics operations, logistics occupiers must upgrade their real estate to remain competitive.

Investors are recommended to target modern logistics facilities with better specifications and amenities to capture upgrading demand from traditional warehouses. Landlords of modern logistics facilities are advised to calculate and quote rents on a 3D basis to reflect accurate unit costs by total storage capacity.

While Kwai Tsing remains the preferred location for logistics occupiers due to its availability of quality warehouse stock and good connectivity, planned logistics clusters in the Northern Metropolis will dominate long-term future supply. The government is recommended to release logistics land according to market conditions and adopt a flexible approach toward development control measures. This will encourage the construction of diversified modern logistics facilities in line with global prime warehouse standards and support the creation of a modern logistics sector in Hong Kong.

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