Leasing momentum remains slow as occupiers adopt cautious stance

▼ 2.0% q-o-q
Warehouse Rents

▼ 1.3% q-o-q
Flatted Factory Rents

▼ 1.1% q-o-q
I/O Rents

13.0% (▲ 1.3 ppts q-o-q)
Warehouse Vacancy Rate

Executive Summary

- Aggregate trade increased by 18.2% y-o-y in October and November combined, bringing the y-t-d total to HK$9.8 trillion, a gain of 14.1% y-o-y. Container throughput declined by 9.5% y-o-y in October-November, but airfreight volume rose by 4.6% during the same period.
- Industrial leasing momentum improved in Q4 2025, with leasing volume amounting to 1.1 million sq. ft., growing 55% q-o-q from a low base and reaching the highest level since Q2 2022. This brought full-year 2025 leasing volume to 2.9 million sq. ft., a decline of 11% y-o-y and marking the lowest level since 2014.
- Deals this quarter included Omni Logistics leasing two floors totalling 275,100 sq. ft. at Goodman Interlink in Tsing Yi; Cainiao Supply Chain taking 170,000 sq. ft. at Cainiao Smart Gateway in Chek Lap Kok; and SJ Logistics leasing the whole 123,600 sq. ft. of G2000 Warehouse Building in Fanling.
- Overall warehouse vacancy increased 1.3 ppts q-o-q to 13.0%, a record high. Overall warehouse rents continued to decline, falling by 2.0% q-o-q. This brought the full-year decline to 8.4% and the total drop in rents from the peak achieved in Q4 2023 to 12.7%.

The Backdrop

- While aggregate trade growth stayed healthy, logistics occupiers remained cautious and continued to implement cost-saving strategies amid ongoing global trade uncertainty.
- Despite overall growth in aggregate trade in October and November, container throughput and airfreight volume diverged. Container throughput declined by 9.5% y-o-y, but airfreight volume grew by 4.6% y-o-y over the same period.
- The S&P Global Hong Kong PMI index registered 51.9 in December 2025, improving from 50.4 in September 2025. This indicated a sustained improvement in business conditions across the private sector for a fifth consecutive month.
- Tenants from the electronics industry continued to expand, accounting for 31% of total leasing volume in Q4 2025 and 16% of full-year leasing volume.
- In October, the government launched an open tender for the disposal of a data facility cluster site in Sandy Ridge in the Northern Metropolis under a two-envelope approach, with a weighting of 70% allocated to the assessment of the non-premium proposal, and 30% to the premium proposal. The maximum GFA that may be attained is about 2.7 million sq. ft., and no less than 70% of the GFA must be dedicated to high-tier data centre use.

Leasing Trends

Industrial leasing momentum improved in Q4 2025, with leasing volume amounting to 1.1 million sq. ft., rising 55% q-o-q from a low base and reaching the highest level since Q2 2022. This brought full-year 2025 leasing volume to 2.9 million sq. ft., a fall of 11% y-o-y and marking the lowest level since 2014. Despite the q-o-q uptick, leasing momentum remained relatively slow compared with the historical norm as occupiers adopted a cautious stance amid ongoing global trade uncertainty.

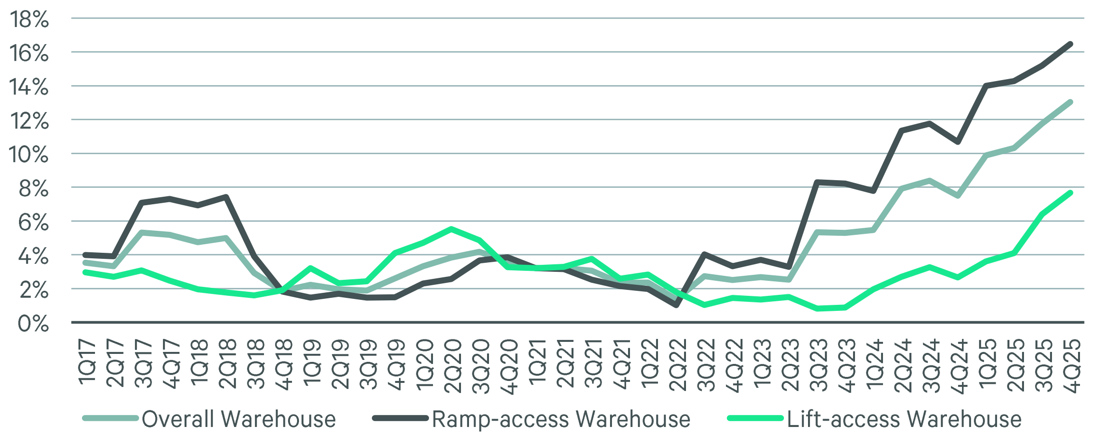
This quarter's growth in leasing volume was underpinned by two of the largest leasing transactions of the year. These were Omni Logistics leasing two floors totalling 275,100 sq. ft. at Goodman Interlink in Tsing Yi, and Cainiao Supply Chain taking 170,000 sq. ft. at Cainiao Smart Gateway in Chek Lap Kok. Other deals included SJ Logistics leasing the whole 123,600 sq. ft. of G2000 Warehouse Building in Fanling to relocate from a tin shed facility.

Demand from emerging sectors continued to drive leasing activity as the industrial tenant base diversified. Cold storage operator Well Strong Holdings Limited leased the whole 65,100 sq. ft. of 47-51 Kwai Fung Crescent in Kwai Chung, while electronic component distributor Zenitron took 49,900 sq. ft. at Ever Gain Centre in Shatin. Health supplement manufacturer Easy Health leased two floors totalling 40,000 sq. ft. at KTA Centre in Fanling.

Despite stronger leasing volume and the absence of new warehouse supply, overall warehouse vacancy increased 1.3 ppts q-o-q to 13.0%, a record high. This brought the full-year increase in vacancy to 5.5 ppts, the sharpest annual rise since 2002. This implied a contraction of 621,700 sq. ft. in occupied space in Q4 2025, and 3.2 million sq. ft. over full-year 2025, the largest annual reduction on record and surpassing the 1.1 million sq. ft. decrease in 2024.

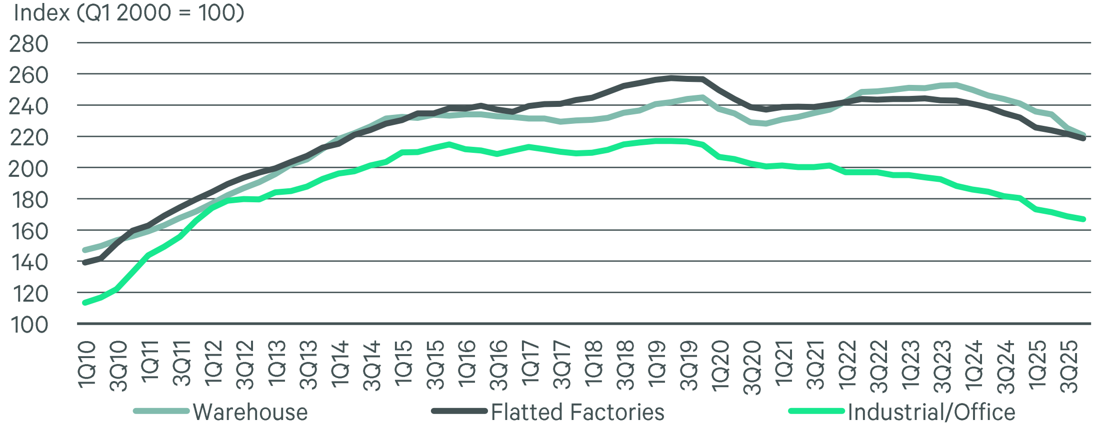
Elevated vacancy pressure prompted landlords to lower rents to stay competitive. Overall warehouse rents continued to decline, falling by 2.0% q-o-q, marking the eighth consecutive quarterly rental decline. This brought the full-year decline to 8.4% and the drop from the peak achieved in Q4 2023 to 12.7%. Rents for ramp-access warehouses declined by 2.3% q-o-q and 10.7% y-o-y, while those for lift-access facilities fell by 1.6% q-o-q and 4.3% y-o-y. Flatted factory rents continued to face downward pressure, dropping by 1.3% q-o-q and 5.7% y-o-y. I/O building rents fell by 1.1% q-o-q and 7.5% y-o-y due to the narrowing rental gap with offices.

FIGURE 1: Warehouse Vacancy



Source: CBRE Research, Q4 2025.

FIGURE 2: Rental Index



Source: CBRE Research, Q4 2025.

Outlook

Despite recent progress on a trade deal between the U.S. and China, the global trade situation is expected to remain volatile due to ongoing geopolitical tension. This environment means Hong Kong's logistics operators and traders are likely to take a conservative attitude towards leasing. However, goods flow and leasing demand should gradually improve if China's overall demand strengthens. New leasing volume for logistics space is expected to see modest improvement in 2026.

Market uncertainty is unlikely to deter strategic enterprises in Hong Kong with long-term plans from upgrading and consolidating their warehouse operations. While no new warehouses are scheduled to be completed in 2026, ongoing projects in the Kwai Chung/Tsing Yi area may attract interest, possibly resulting in pre-commitment deals in 2026.

Cross-border e-commerce operators are expected to expand their networks in Hong Kong to manage the rising volume of small shipments. Supportive government policies are likely to boost demand for metal storage and arts logistics, although these account for a relatively minor proportion of leasing activity. Downstream businesses supporting innovation and technology sectors will also drive demand for industrial space.

As the Northern Metropolis takes shape, there will be an increase in forced relocations of brownfield operators due to land resumption deadlines. With fewer options for tin shed premises, demand for traditional warehouses is expected to grow, particularly from affordable brownfield operators focused on business continuity.

Potential demand for relocation and upgrading will help fill some of the space vacated in 2025, especially since no new supply is expected in 2026. However, any such demand will be highly cost-sensitive, meaning landlords will need to remain flexible to attract tenants. Overall warehouse rents are projected to decrease by about 3%-5% in 2026.

FIGURE 3: Selected Leasing Transactions

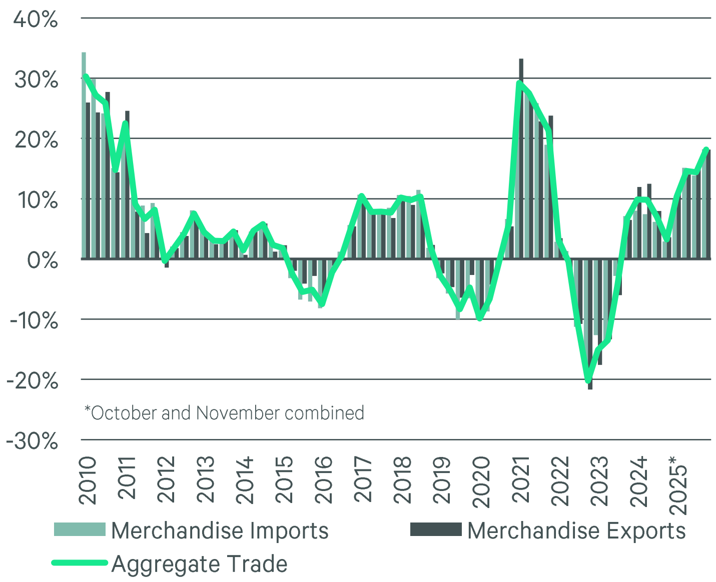
Premises	Location	Size (GFA sq. ft.)	Tenant
Goodman Interlink	Tsing Yi	275,100	Omni Logistics
Cainiao Smart Gateway	Chek Lap Kok	170,000	Cainiao Supply Chain
G2000 Warehouse Building	Fanling	123,600	SJ Logistics
47-51 Kwai Fung Crescent	Kwai Chung	65,100	Well Strong Holdings Limited
Ever Gain Centre	Shatin	49,900	Zenitron
KTA Centre	Fanling	40,000	Easy Health
Pak Sik Godown No. 2	Shatin	27,000	GreenPrice

Source: CBRE Research, Q4 2025.

Appendix

FIGURE 4: Merchandise Trade

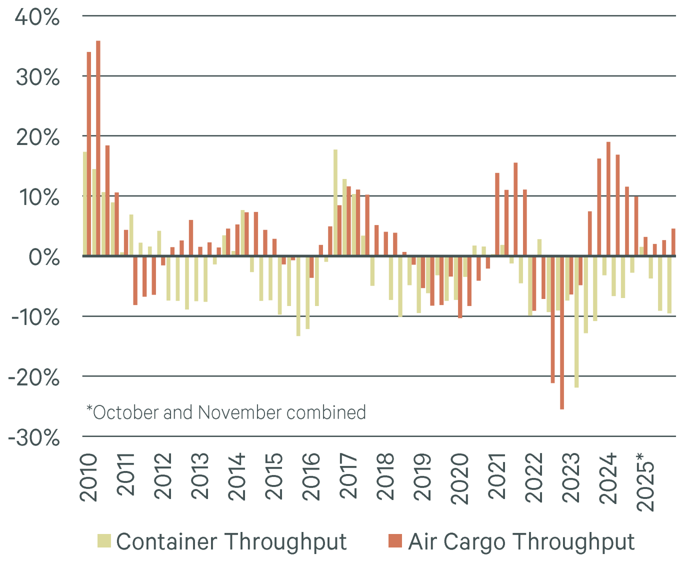
Y-o-Y change (quarterly)



Source: Census and Statistics Department, Q4 2025.

FIGURE 5: Cargo Movement

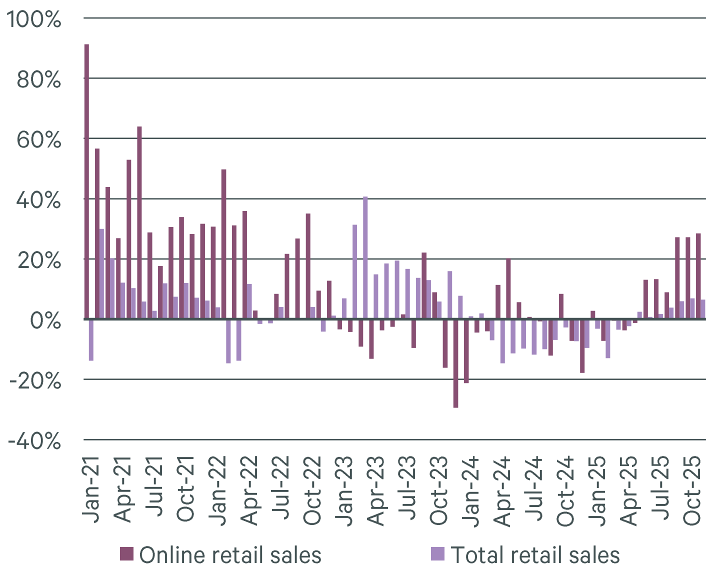
Y-o-Y change (quarterly)



Source: Marine Department, Civil Aviation Department, Q4 2025.

FIGURE 6: Online Retail Sales

Y-o-Y change (monthly)



Source: Census and Statistics Department, Q4 2025.

% Change	October-November 2025 (y-o-y)	Q3 2025 (y-o-y)	2025 YTD	3 years	5 years
Merchandise Imports	+18.2%	+13.8%	+14.0%	+30.2%	+29.6%
Merchandise Exports	+18.1%	+15.0%	+14.3%	+26.7%	+28.5%
Aggregate Trade Values	+18.2%	+14.4%	+14.1%	+28.5%	+29.1%
Container Throughput	-9.5%	-9.1%	-5.8%	-20.3%	-30.6%
Air Cargo Throughput	+4.6%	+2.7%	+2.6%	+33.7%	+12.4%
Total / Online Retail Sales	+6.7% / +27.7%	+3.9% / +17.4%	+0.4% / +11.4%	+12.1% / +23.8%	+22.8% / +94.5%

Market Area Overview

Definitions

Warehouse: This category comprises premises designed or adapted for use as godowns or cold stores and includes ancillary offices. Premises located within the container terminals are also included. About 87% of the stock is located in the New Territories, with Kwai Tsing/Tsuen Wan alone accounting for circa 59%.

Factory: This category comprises flatted factories and ancillary office accommodations. It includes flatted factory space that has received planning permission for industrial/office use but has not yet completed the government lease modification. Also included in this category is strata-title floor space with temporary planning permission for industrial/office use and short-term waivers of government lease restrictions. The majority of the stock is found in four districts of Hong Kong, namely Kwun Tong, Tsuen Wan, Kwai Tsing and Tuen Mun, which account for 60% of the total supply.

Industrial/Office (I/O): This category comprises floor space in developments with planning permission and lease modification for industrial/office use and certified for occupation as such. The stock is distributed in 11 districts throughout the territory, with Kwun Tong, Sham Shui Po and Kwai Tsing, accounting for about 74% of the total floor space.

All monetary values are presented in Hong Kong dollars unless otherwise specified.

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