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Delivering Recovery

Capturing Opportunities in the Next Logistics Warehouse Cycle

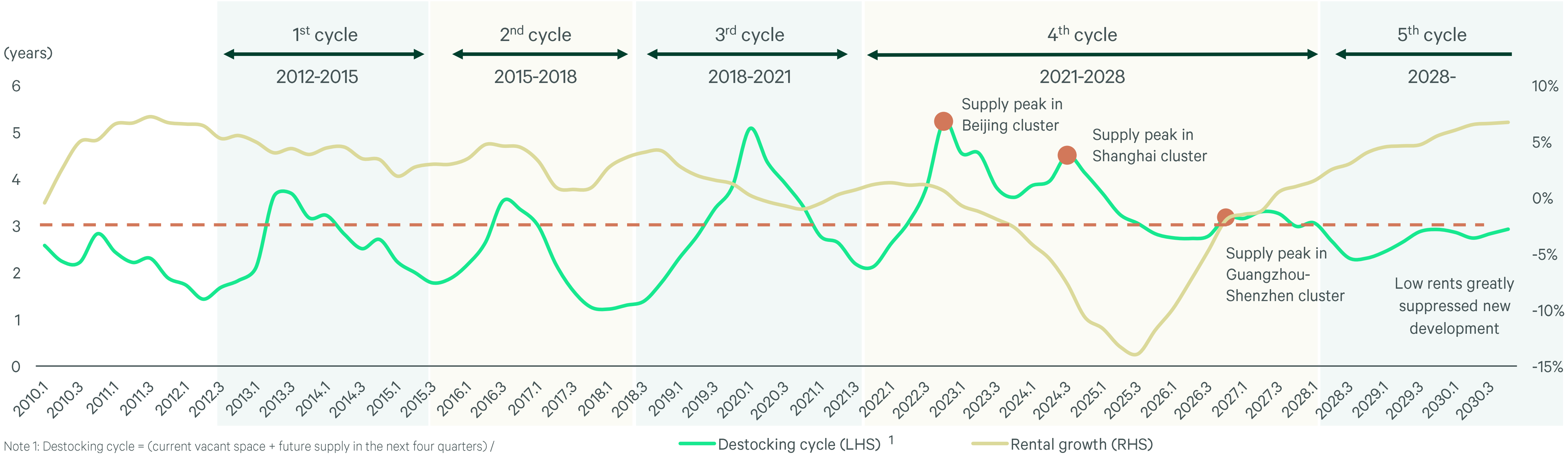
REPORT

CBRE CHINA RESEARCH
August 2026

China's logistics warehouse cycle reaches a turning point

China's warehouse logistics supply peaked during the 14th Five-Year Plan from 2021 to 2025. During this period, new logistics warehouse supply in major cities tracked by CBRE reached 50 million sq. m., a figure equivalent to total pre-existing nationwide stock. More than 75% of new supply was concentrated in tier I cities and surrounding areas. The significant influx of new supply resulted in a substantial decline in occupancy and rents while also dampening development and investment appetite. The story during the 15th Five-Year Plan, which commenced earlier this year and will run until 2030, will be markedly different, however, with new logistics warehouse supply expected to decline sharply during this period. CBRE data for planned and under-construction projects show that new supply in East China and North China will fall substantially compared to that completed during the 14th Five-Year Plan, with only few new projects underway in West and Central China.

Figure 1: China Warehouse Logistics Cycle (2010-2030)



Note 1: Destocking cycle = (current vacant space + future supply in the next four quarters) / previous net absorption in the past four quarters.
Source: CBRE Research, August 2026.

Contents

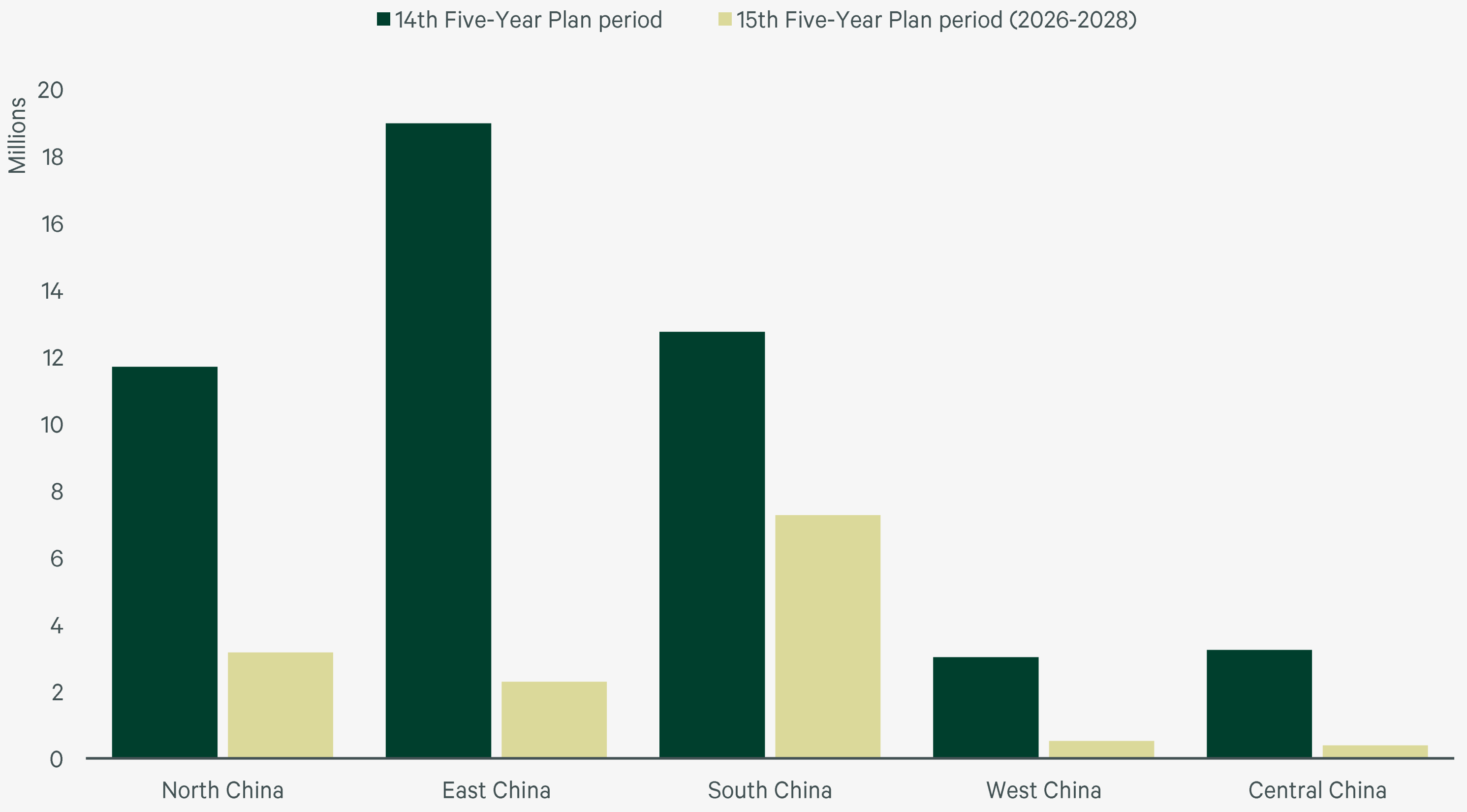
01 Supply

Ebbing

The supply-demand balance will improve in the next three years

- After peaking during the 14th Five-Year Plan (2021-2026), new logistics warehouse supply is expected to decline sharply during the 15th Five-Year Plan (2026-2030).
- New supply in East China and North China is forecasted to decline by 88% and 73%, respectively. West and Central China will see the addition of only a few new schemes.

Figure 2: Comparison of Nationwide New Supply by Region During the 14th and 15th Five-Year Plans (the first three years)

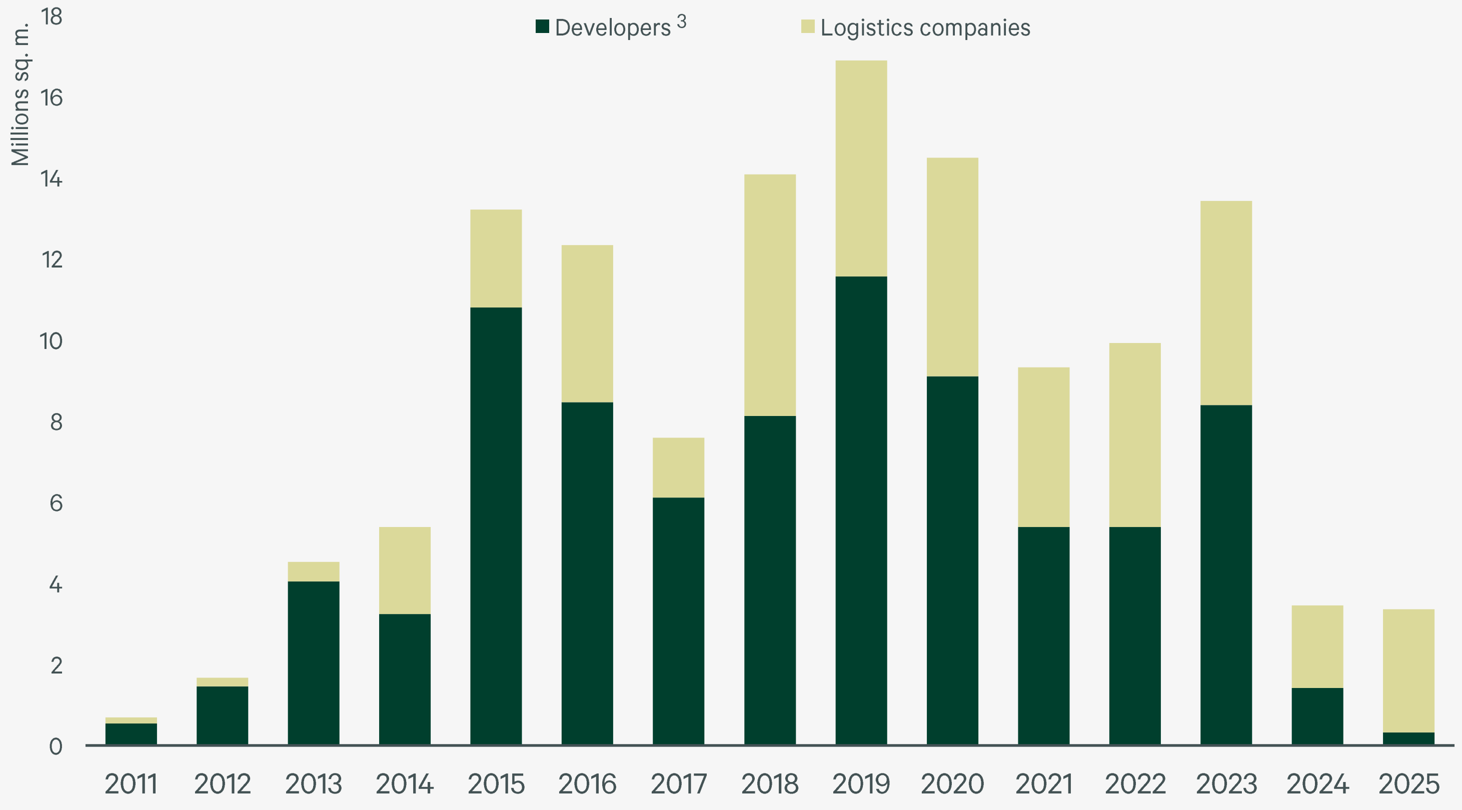


Note 2: tier I cities include: Beijing, Shanghai ,Guangzhou and Shenzhen.
Source: CBRE Research, August 2026.

Developers' land acquisitions fell sharply in 2024-2025, with very few logistics land deals reported in East China, West China and Central China

- The annual average planned building area of logistics land in China acquired by developers and logistics companies declined by 73% in 2024-2025 compared to the previous five-year average, with developers' land acquisition in some cities falling by as much as 90%.
- Over the past two years, developers' logistics land acquisitions have been concentrated in South and North China, with very few purchases reported in East China, West China and Central China.

Figure 3: Annual Firsthand Warehouse Land Transactions, Planned Building Area



Note 3: Developers include national logistics warehouse developers such as GLP, JD Property, DNE, and ESR.
Source: CBRE Research, August 2026.

Low market rents will inhibit developers' willingness to proceed with new greenfield development during the 15th Five-Year Plan

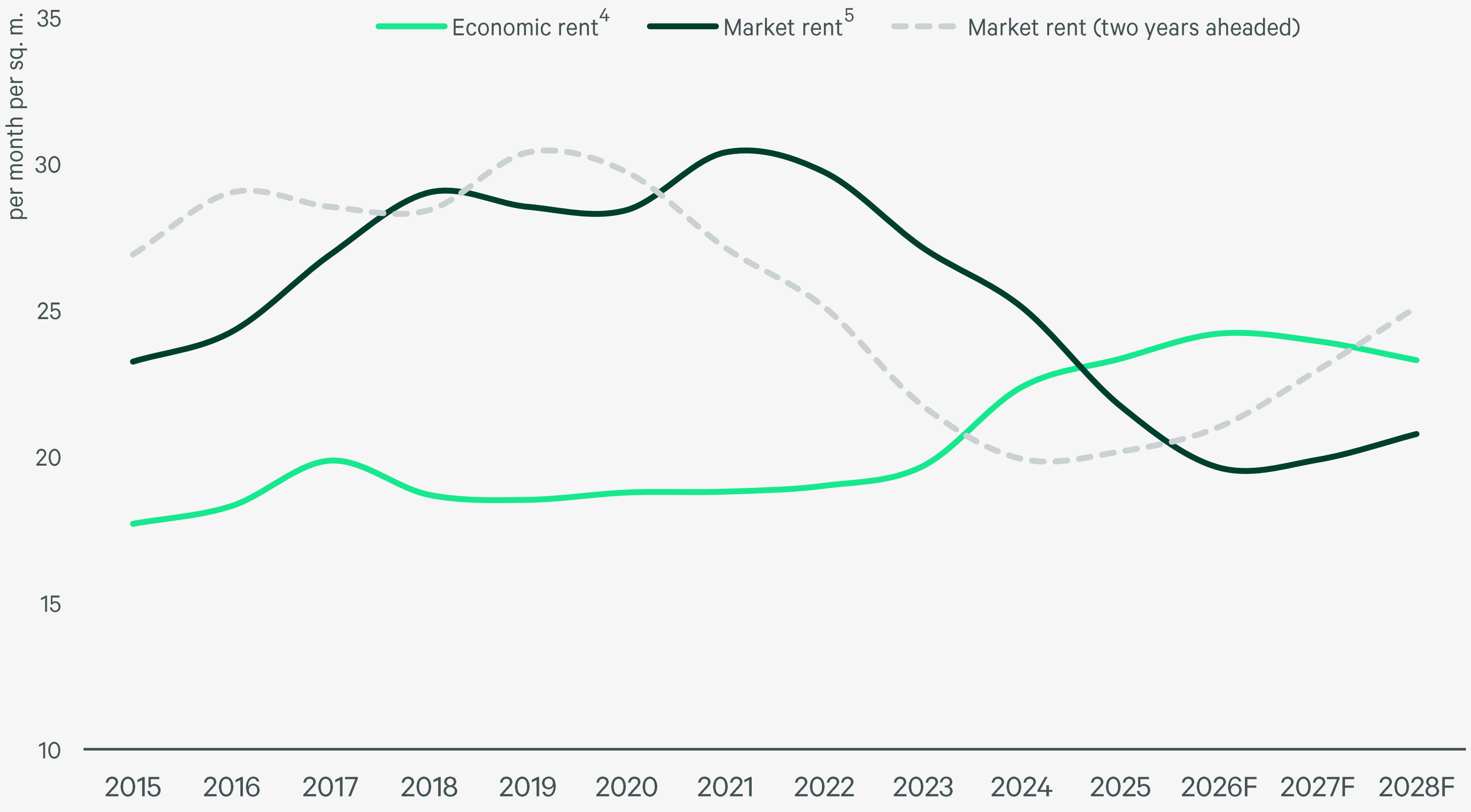
- Starting in 2022, China's nationwide logistics warehouse rents embarked upon a prolonged decline due to oversupply, while economic rents increased, mainly driven by higher risk premium requirements.

- CBRE's comparison of market rents and economic rents reveals that during 2024-2025, market rents fell below economic rents, indicating the market can no longer support the investment case for greenfield development. This trend is validated by the sharp decline in developers' land acquisitions over the past two years.

- Based on CBRE's forecasts for market rents, cap rates, land and construction costs, the period where market rents (lagged for two years to account for construction periods, shown as the grey dashed line in Figure 4) remain below economic rents will persist until end-2028.

- Using a more conservative comparison of current market and economic rents, this situation will extend to 2029-2030. CBRE therefore expects new supply will remain generally limited before 2030.

Figure 4: National Economic Rent vs. Market Rent



Note 4: Economic rent = (land cost + construction cost) * (1+12% development margin) * gross yield;
Note 5: market rent = national average asking rent * occupancy rate.
Source: CBRE Research, August 2026.

02 Demand

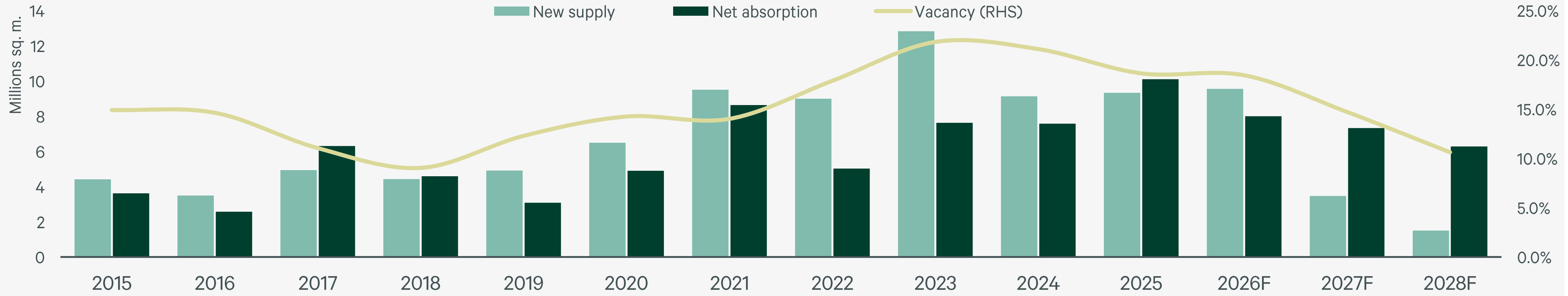
Expanding

Vacancy is expected to contract sharply amid limited new supply

- The shift to online consumption during the COVID-19 pandemic; the expansion of cross-border e-commerce; and introduction of the consumer goods trade-ins policy ensured China's logistics warehouse market experienced structural demand growth alongside the supply peak witnessed during the 14th Five-Year Plan, with net absorption reaching a record 10 million sq. m. in 2025.

- Despite the gradual withdrawal of government stimulus and slowing cross-border e-commerce expansion, net absorption reached 4 million sq. m. in H1 2026. For the 2026-2028 period, CBRE expects China's manufacturing upgrading and rising 3PL outsourcing penetration to provide sustained growth momentum for logistics warehouse demand, with average annual net absorption expected to reach levels comparable to the 2023-2024 period. This should ensure vacancy contracts sharply to 11% by the end of 2028.

Figure 4: National Logistics Supply and Demand Forecast, 2026-2028



Period	**2014-2019**	**2020-2022**	**2023-2024**	**2025**	**2026-2028E**
Avg. Annual Net Absorption (million sq. m.)	3.8	6.2	7.6	10	7.2
Demand Drivers	Surge in online sales	Pandemic accelerates online sales	Cross-border e-commerce	Consumer goods trade-ins	Manufacturing upgrading Rising 3PL penetration

Source: CBRE Research, August 2026.

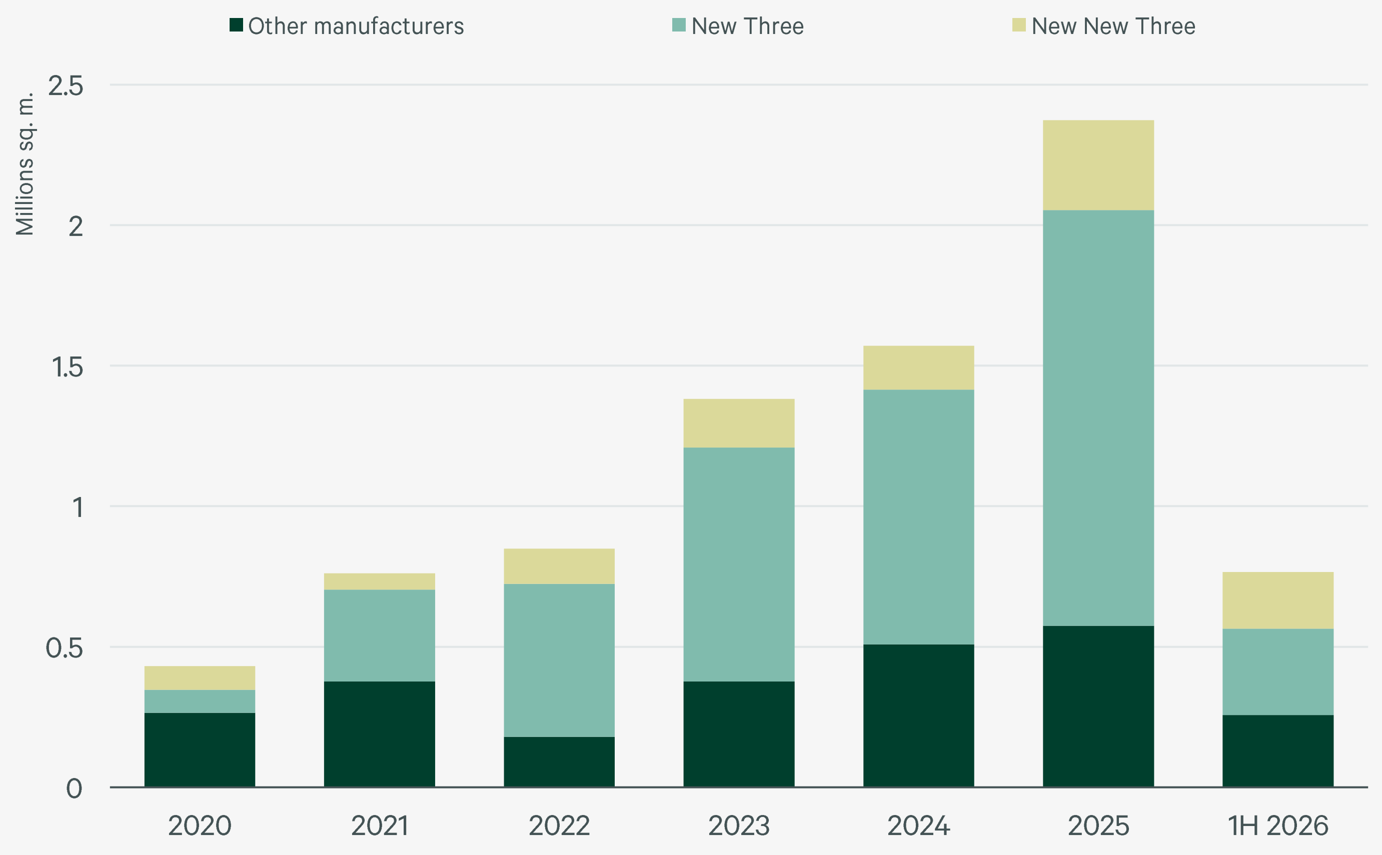
Manufacturing upgrading will be a structural driver of logistics warehouse demand during the 15th Five-Year Plan

- CBRE data show that new leasing area by "New Three" industries — NEVs, photovoltaics, and equipment manufacturing — reached approximately 1.5 million sq. m. in 2025, 4.5x that in 2021. NEVs accounted for over 80% of the total, with demand spanning supply chain supporting facilities, auto parts, vehicle storage, aftermarket fulfillment, export operations, and delivery centres across the entire value chain.
- Since 2025, robotics, AI, and first-in-class drugs— the "New New Three" have spearheaded China's manufacturing upgrading, driving rapid growth in warehouse demand. From 2025 to H1 2026, new leasing area by companies operating in the "New New Three" industries reached 520,000 sq. m., exceeding the total of the previous four years combined.

H1 2026 y-o-y export growth:

- EVs: 69%
- Lithium batteries: 38%
- Specialised equipment: 24%

Figure 7: New Leasing Area by Manufacturer by Sub-Industry



Source: CBRE Research, August 2026.

Industrial chain clustering advantages help East China record the strongest new leasing demand from advanced manufacturing

- East China or the Yangtze River Delta (YRD) is at the focal point of China's manufacturing upgrading. Of the 80 advanced manufacturing clusters designated by the Ministry of Industry and Information Technology (MIIT), the YRD is home to 29 — ranking first among all regions — with strengths in the New Energy Vehicles (NEVs), semiconductors, high-end equipment, and biomedicine segments. CBRE data show that during 2023-H1 2026, East China accounted for 46% of new leasing area by the manufacturing sector.

- Driven by the expansion of NEVs and related supply chains, manufacturing warehouse demand in Beijing-Tianjin-Hebei and Chongqing has continued to grow.

- Manufacturing's share of new leasing area in South China or the Pearl River Delta (PRD) has been relatively low, partly due to expansion by cross-border e-commerce tenants, which has absorbed most available space over the past three years. Manufacturing new leasing area in the PRD reached 150,000 sq. m. in H1 2026, a five-year high, primarily driven by the robotics, 3D printing, and other advanced manufacturing sectors.

Figure 8: New Leasing Area by Manufacturer by Region, 2023-H1 2026

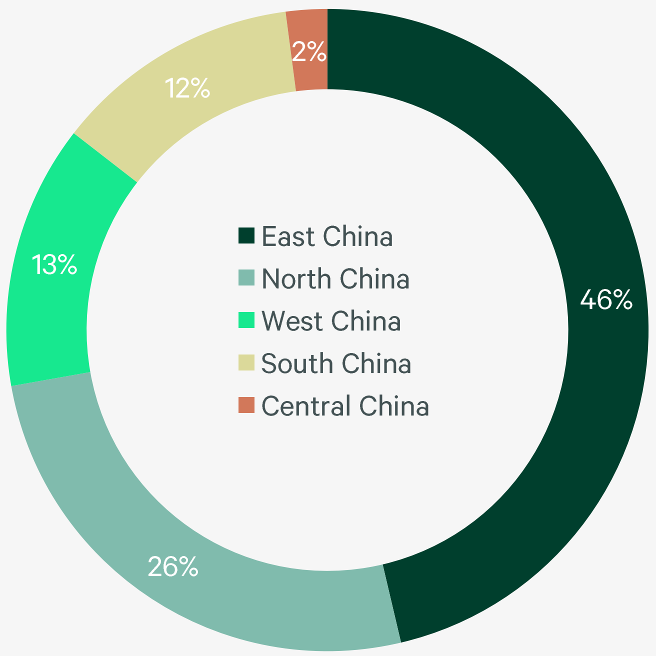
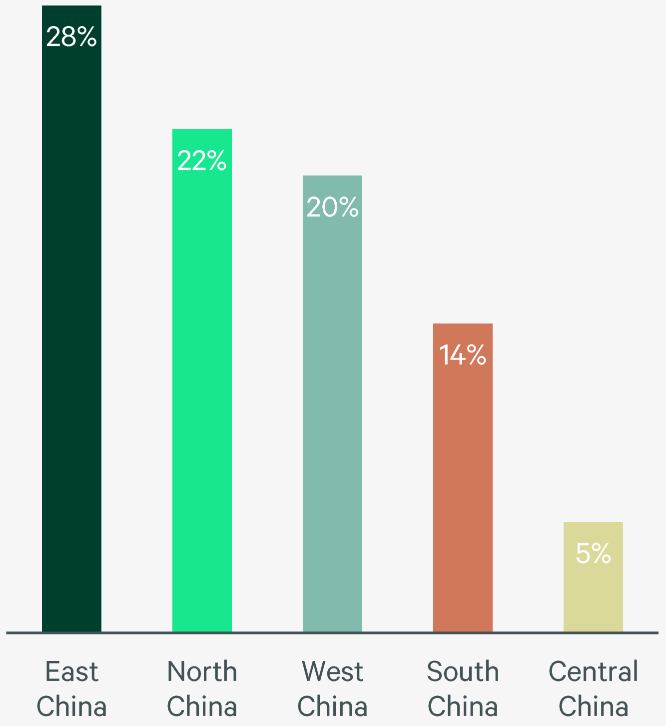


Figure 8: Manufacturing's Share of New Leasing Area by Region, 2023-H1 2026



Source: CBRE Research, August 2026.

Supply chain logistics outsourcing still has significant room for growth

- The specialised outsourcing of supply chain logistics is another important component of the positive impact manufacturing upgrading has had on China logistics warehouse demand. CBRE data show that during 2021-2025, average annual new leasing area by supply chain logistics and comprehensive logistics service providers grew by 180% compared to the previous five years (2016-2020), far outpacing new leasing area by the express delivery and LTL (less-than-truckload) sectors. Supply chain logistics and comprehensive logistics services accounted for 76% of total 3PL new leasing area in H1 2026.

- CBRE's comparison of 3PL penetration rates between China and the U.S. indicates that supply chain management outsourcing will continue to drive logistics warehouse demand during the 15th Five-Year Plan. In 2024, the total revenue of China's top 20 3PLs accounted for 5% of total social logistics costs, up 1 percentage point from 2020. In the same year in the U.S., the top 20 3PLs revenue accounted for 9.7% of total social logistics costs.

Figure 10: New Leasing Area by 3PLs by Sub-Industry

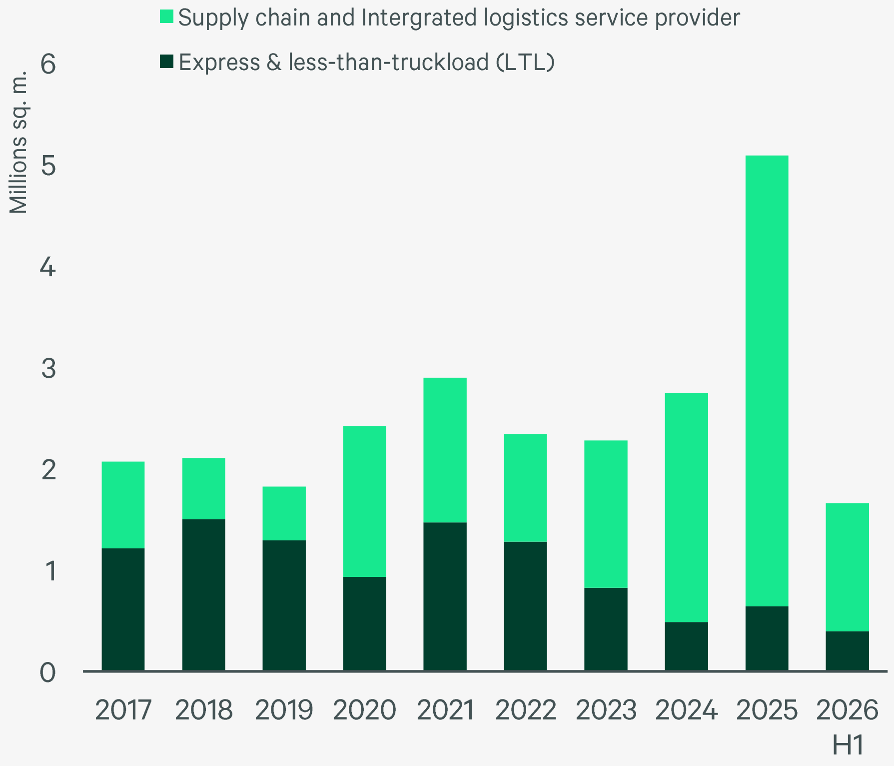
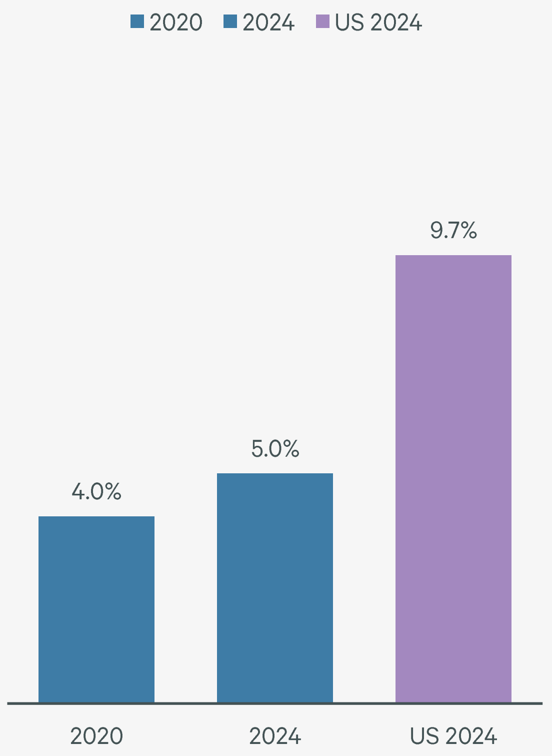


Figure 11: China's 3PL Penetration Rate[6] vs. US



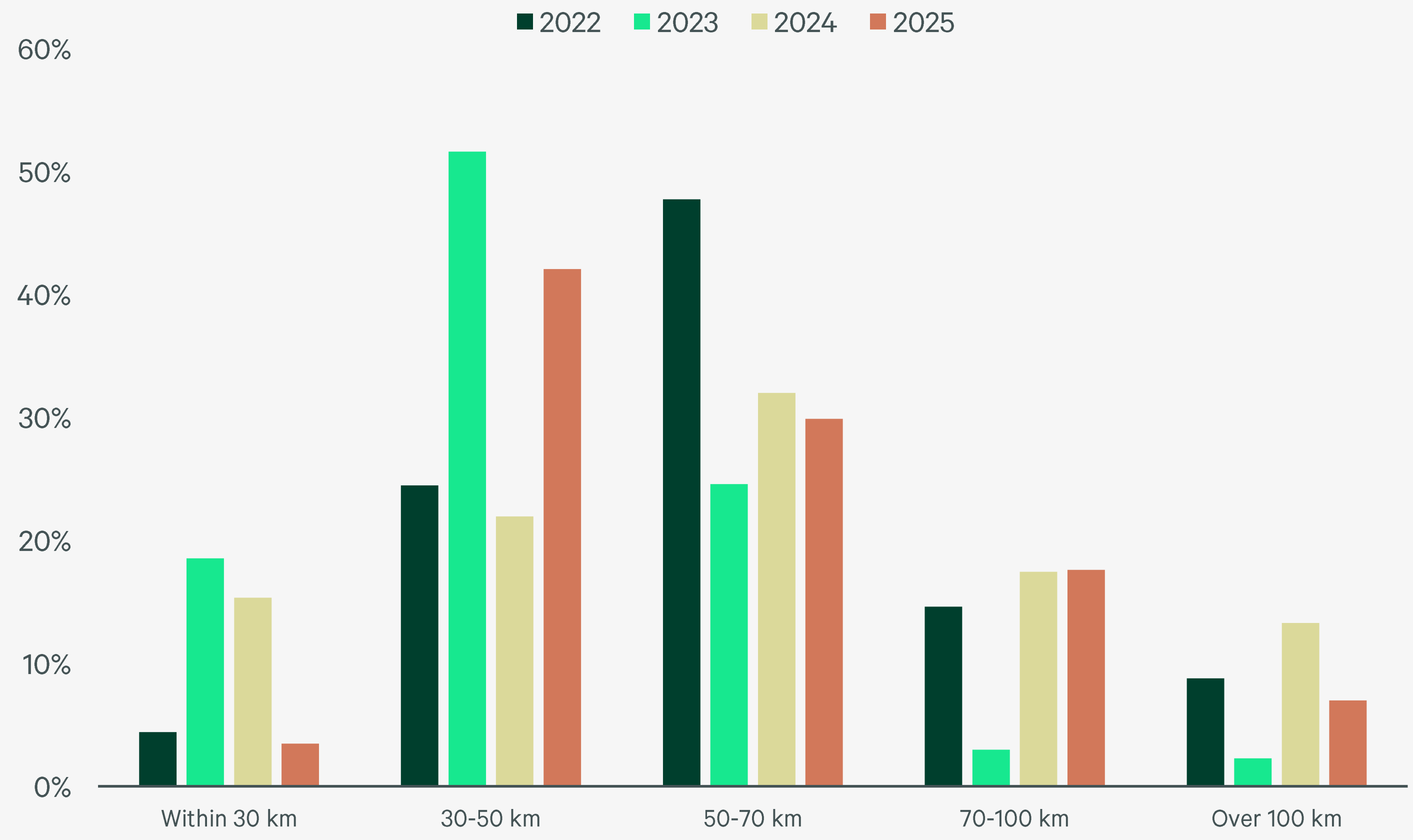
Note 6: 3PL penetration rate = Total revenue of major third-party logistics enterprises / Total social logistics costs for the year. China's third-party logistics enterprises comprise 20 large-scale listed logistics companies, including SF Holding, JD Logistics, JoinTown, Sinopharm, YTO Express, CMST Development, Yunda Express, STO Express, ZTO Express, Deppon Logistics, CCS Supply Chain Management , Transfar Zhilian, Milkyway, J&T Express, Bondex, Changan Minsheng, Jiayou International, Feiliks, Changjiu Logistics, and Guanghui Logistics. The list of U.S. third-party logistics enterprises is compiled based on the A&A Top 20 U.S. Third-Party Logistics Companies Ranking.

Sources: National Bureau of Statistics, company financial reports and public information, CBRE Research, August 2026.

3PLs are seeking an optimal combination of distance and cost, ensuring warehouse demand is focused on tier I cities and surrounding satellite cities

- CBRE's analysis of leasing transactions in the Beijing and Shanghai clusters shows that 3PLs prefer warehouses located 30-70 km. from the city centre, with over 70% of such warehouses situated in satellite cities located around tier I cities.
- This 30-70 km. bracket is seen as optimal as it provides express delivery and freight companies with distribution warehouse locations that balance efficiency and cost for high-frequency delivery within metropolitan areas. These parameters also align with the locations of most industrial parks, enabling supply chain logistics companies to serve manufacturing clients in close proximity.

Figure 12: 3PL New Leasing Area Breakdown Using Beijing and Shanghai Cluster as Samples (by Distance from City Centre)[7]



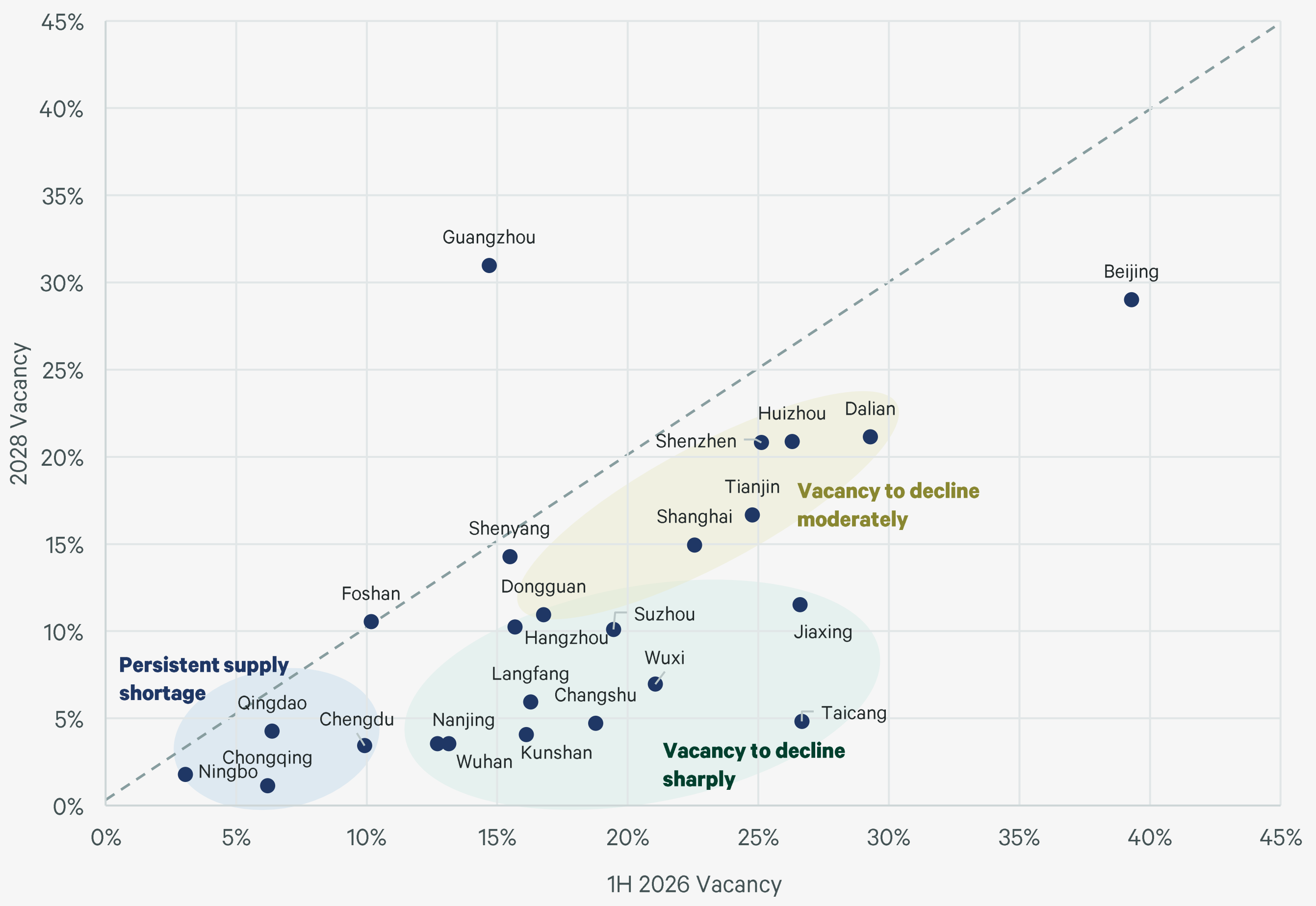
Note 7: Distance from city centre refers to the straight-line distance to Beijing's Tiananmen Square and Shanghai's People's Square.

Sources: CBRE Research, August 2026.

Vacancy rates in East China, West China and Central China are forecasted to decline significantly over the next three years

- CBRE expects China's logistics warehouse supply-demand balance to fall substantially in most markets by the end of 2028, with vacancy rates in half of the markets falling to or below 10%.
- East China will see the sharpest decline in the vacancy rate, with a projected fall of 10.5 percentage points. West and Central China will continue to experience persistent supply shortages for most of the next three years, while most cities in South and North China will still face relatively higher destocking pressure.

Figure 13: Changes in Vacancy Rates by City from 2026 to 2028



Source: CBRE Research, August 2026.

03 Investment

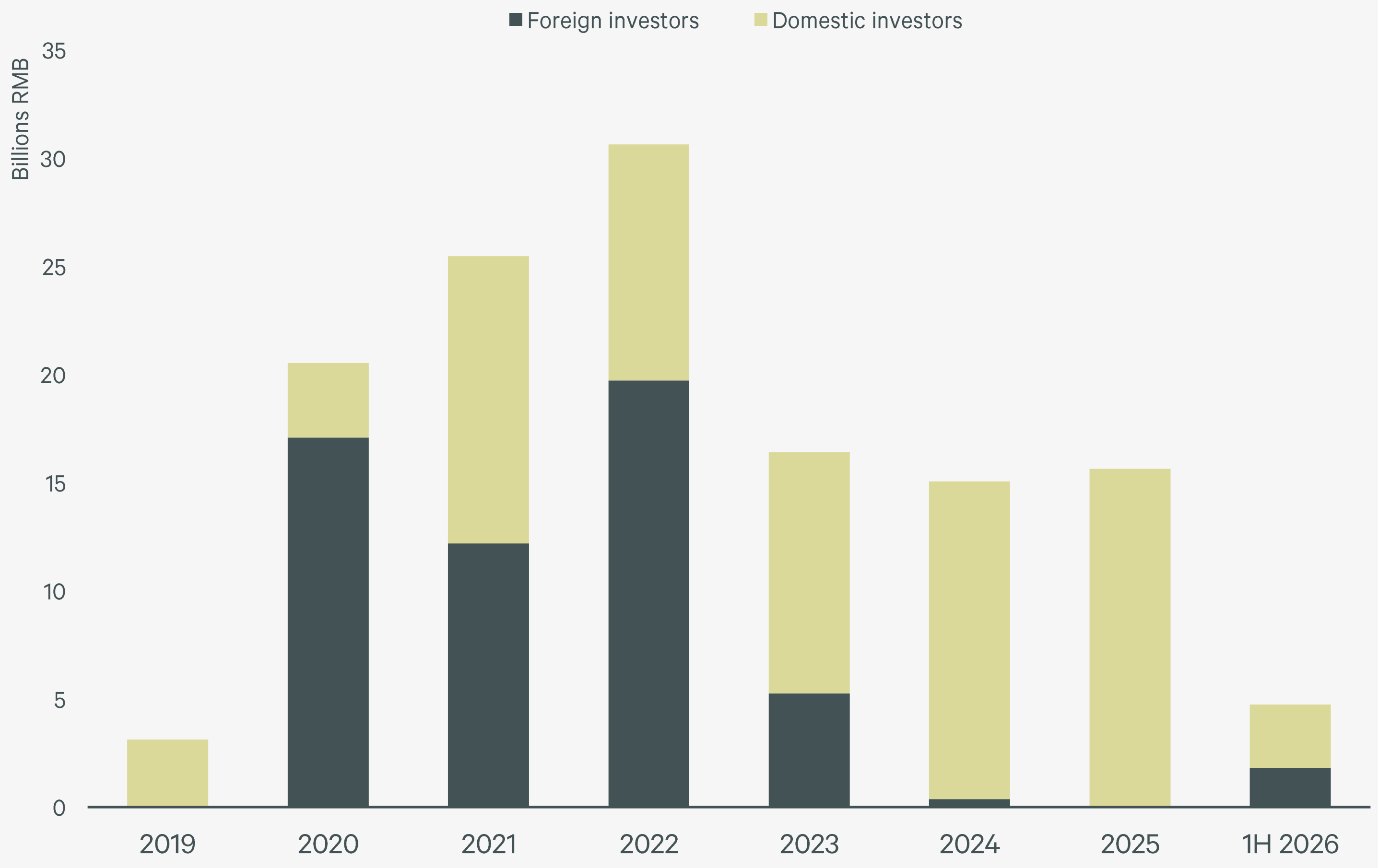
Bottoming Out

Logistics warehouse investment volume will continue to decline from 2022's record high due to market cycle adjustment and geopolitical factors

- Average annual institutional investment transaction volume for investment-grade warehouses in China totalled approximately RMB 15 billion in 2023-2025, half of the 2022 peak. Investment volume continued to contract in H1 2026, falling to less than RMB 5 billion.

- Over the past two years, geopolitical volatility has led to a significant drop in cross-border demand, leading to domestic investors, particularly insurance capital, emerging as the dominant institutional purchasers of modern warehouses.

Figure 14: China Logistics Warehouse Investment Volume[8] by Investor Type



Note 8: En-bloc and portfolio transaction exceeding USD 10 million or RMB 60 million. Fundraising by public and private REITs is not included.
Source: CBRE Research, August 2026.

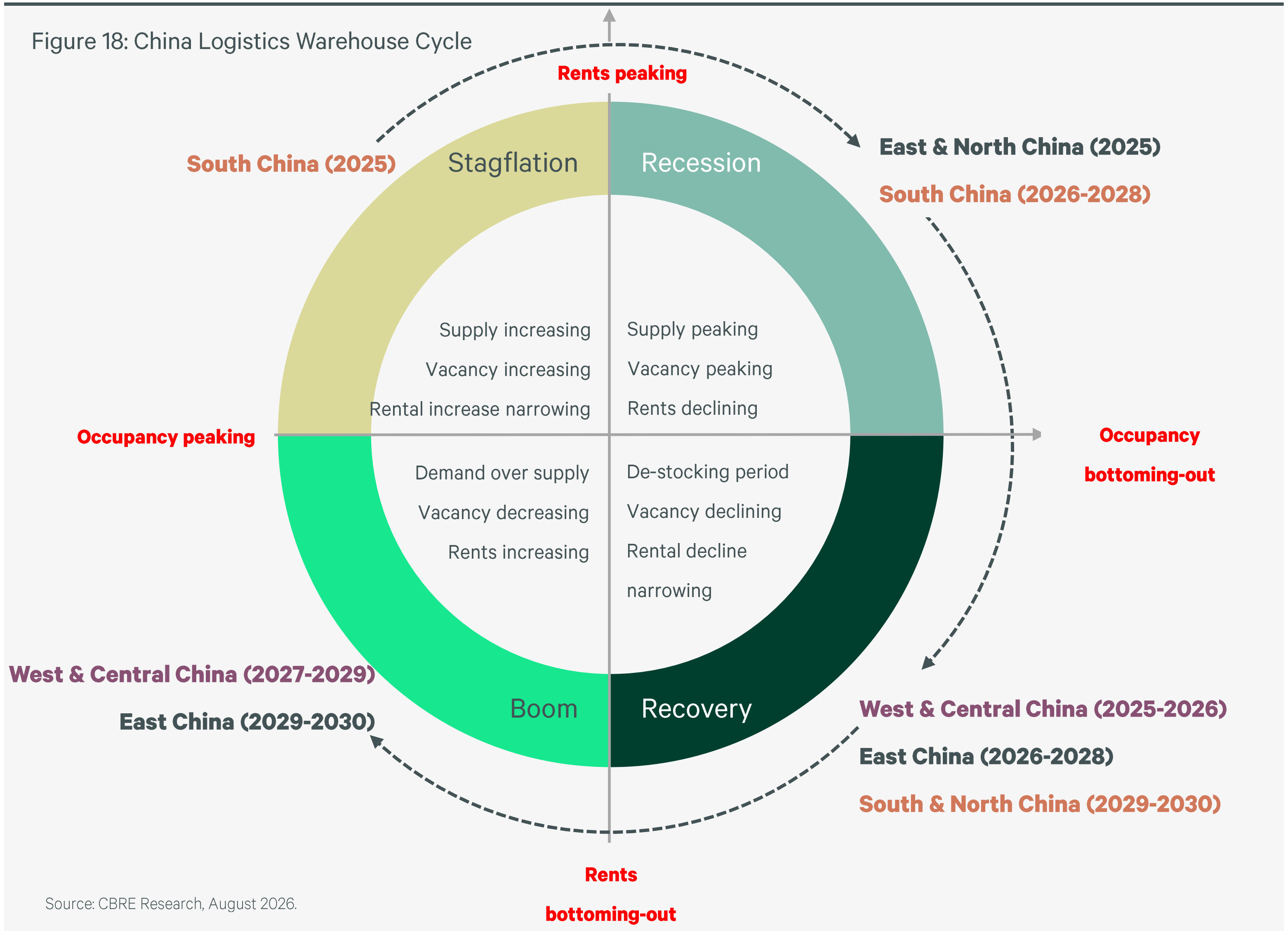
Each region is at a different stage of the cycle, with an investment window set to open in East China and West China in the next two years

- Although CBRE's China Logistics Warehouse Rental Index declined by 4.4% in H1 2026, the decline moderated both in both q-o-q and y-o-y terms.

- Each region is at a different stage of the market cycle. Rents in West and Central China are already showing signs of bottoming out, while rents in most East China markets will enter the recovery phase during 2026-2028, establishing these cities as optimal locations for near-term investment.

- Relatively less attractive markets include the Beijing-Tianjin-Langfang area in North China, where vacancy remains at 30%. South China is currently experiencing a supply peak requiring a longer destocking period, with a recovery not expected until around 2029-2030.

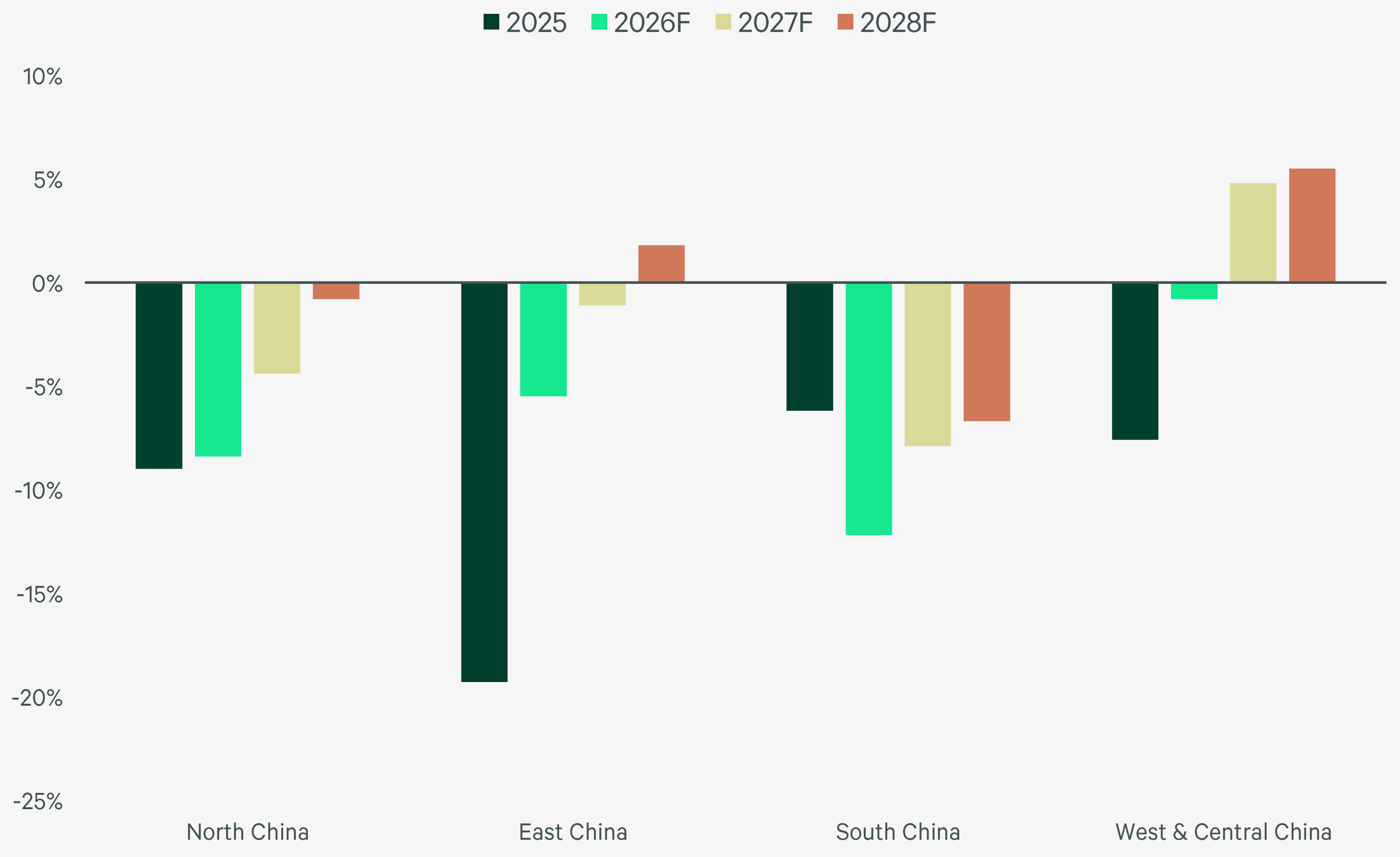
Figure 18: China Logistics Warehouse Cycle



Source: CBRE Research, August 2026.

Rental forecast varies for each region

Figure 15: Rental Forecast for the Next Three Tears in Each Region

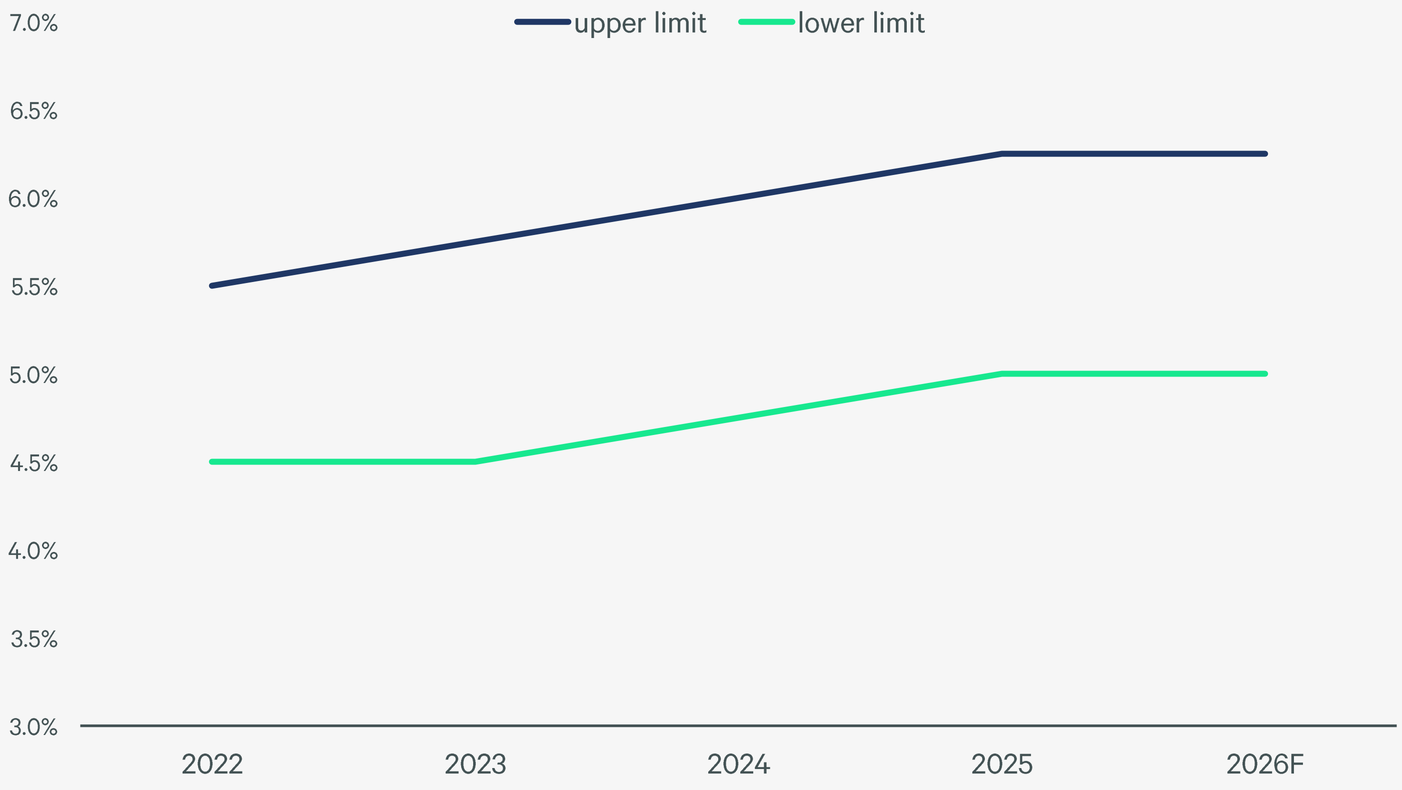


Source: CBRE Research, August 2026.

Tier I city logistics warehouse cap rates have peaked

- According to CBRE Asia Pacific Cap Rate Survey, logistics cap rates of China Tier 1 markets range between 5.00-6.25%. With leasing and liquidity risk gradually priced in, and considering the improvement in overall supply-demand dynamics set to take place over the next three years, CBRE believes domestic logistics warehouse cap rates have now peaked and shanghai is likely to see cap rate decline moderately in 2027-2028.

Figure 16: Cap Rate Range of Tier-I Cities in Private Market

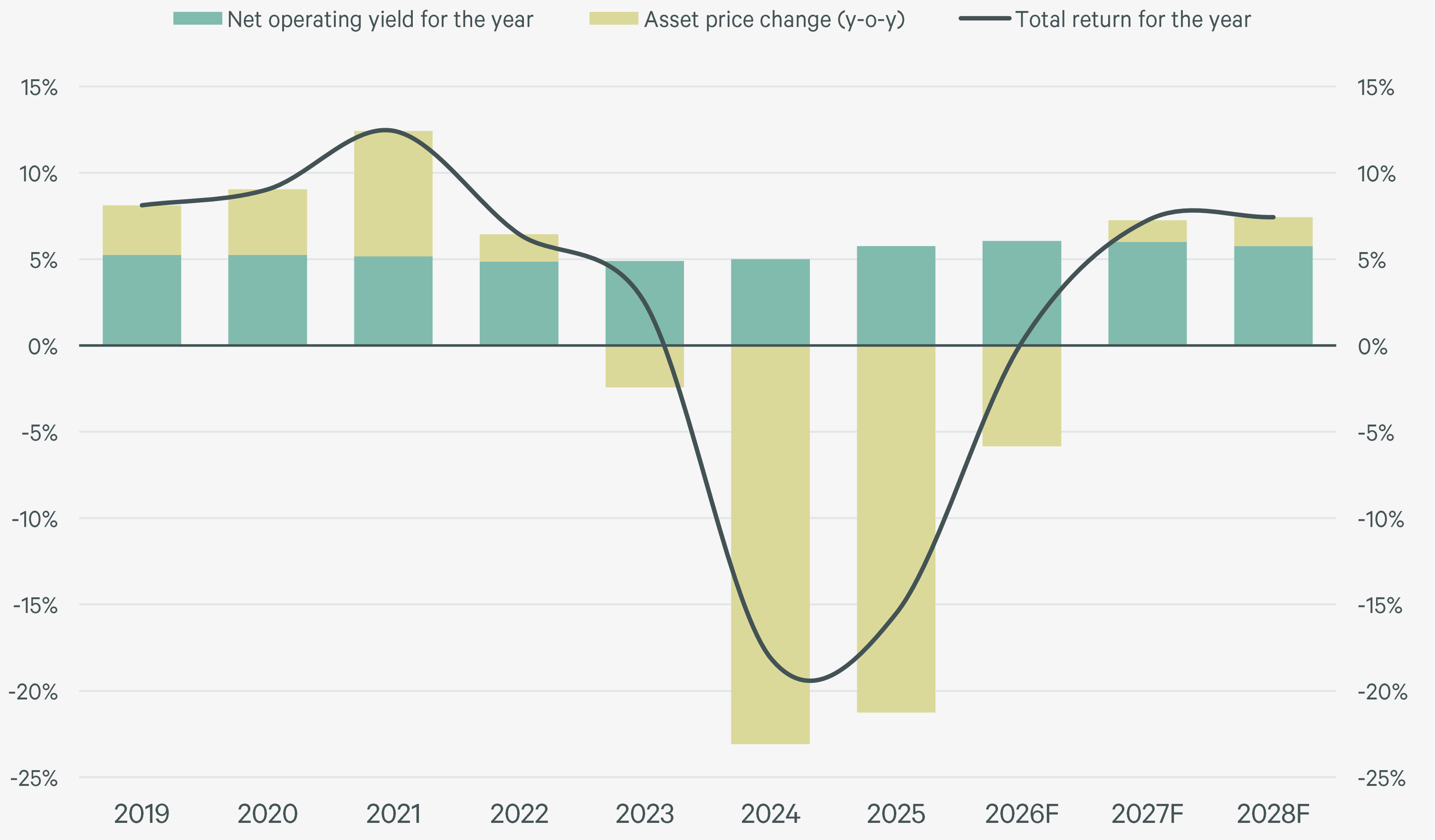


Source: CBRE Research, August 2026.

Total investment returns are expected to turn positive by 2027

- Combining CBRE's outlook on the leasing market and cap rates, and using Shanghai as an example: total returns are expected to turn positive in 2027.

Figure 17: Shanghai Warehouse Annual Total Investment Returns[9]

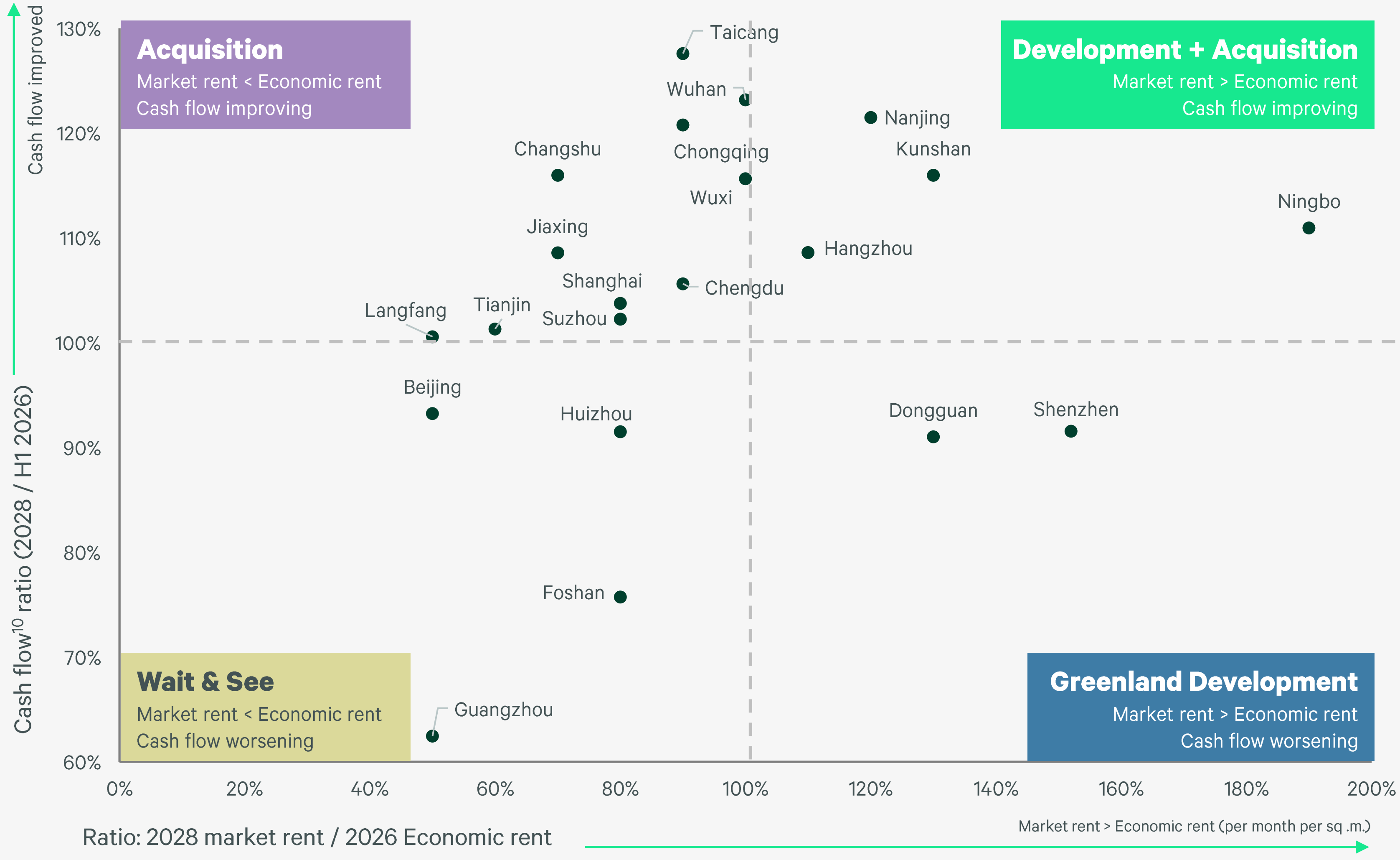


Note 9: Annual total investment return is calculated under the assumption that an asset is purchased at the beginning of the year and sold at the end of the year; this calculates the return on holding for that year. Sources: CBRE Research, August 2026.

Investment opportunities will vary across cities

- Given the significant divergence in cycle stages across regions and cities, CBRE has combined its forecasts for logistics warehouse market rents, occupancy rates, and economic rents for the period from mid-2026 to end-2028 to provide the following specific investment recommendations:
- **West & Central China and Shanghai cluster**: Focus on acquiring existing assets.
- **Ningbo, Hangzhou, Nanjing and other East China cities**: Target both acquisition and greenfield development .
- **Guangzhou-Shenzhen and Beijing cluster:** Remain cautious in the short term; selectively target projects in core locations with sufficient price safety margins; consider greenfield development opportunities in the Shenzhen-Dongguan area.

Figure 18: China Logistics Warehouse Investment Opportunities



Note 10: cash flow = asking rent * occupancy; Sources: CBRE Research, August 2026.

04

Conclusion

Conclusion & Outlook

Following the sharp correction witnessed over the past two years, CBRE expects supply-demand dynamics in China's logistics warehouse market to improve significantly during the 15th Five-Year Plan, with an inflection point in the market cycle likely to occur around 2028.

Manufacturing upgrading and supply chain logistics outsourcing will provide strong structural momentum for sustained logistics warehouse demand growth. Subdued market rents will constrain new supply.

Given the difference in timing of the cycle inflection point across different regions, CBRE recommends investors prioritise West & Central China and East China, where a supply-demand recovery is most certain over the next 12-24 months.

With asset prices in over half of cities now standing below replacement costs, a strategic window has opened for long-term institutional capital and owner-occupiers to acquire prime existing assets in core locations. Greenfield development opportunities in selected East China cities such as Ningbo, Kunshan, Nanjing and Hangzhou also warrant investors' attention.

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