

Intelligent Investment

# 2026 Hong Kong Real Estate Market Outlook

REPORT

CBRE RESEARCH  
JANUARY 2026

CBRE



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# Executive Summary

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## 2025 – Demand improves in some sectors

Hong Kong's commercial real estate market experienced mixed fortunes in 2025. While commercial real estate investment remained subdued, end-user demand for office buildings strengthened in the second half of the year. The education sector was especially active, with companies and organisations in this sector completing several acquisitions for use as teaching floors and student dormitories. In the occupier market, office leasing was driven by global financial services firms expanding and upgrading their premises in the Central CBD. Elsewhere, the continued revival of inbound tourism boosted demand for retail space in key shopping districts, pushing up rents. Industrial leasing was sluggish due to uncertainty in the global trade market.

## 2026 – Leasing and investment velocity poised to strengthen further

Hong Kong's improving financial market outlook is expected to drive steady demand for office space from financial firms in 2026. Central and the emerging office cluster in Tsim Sha Tsui West are likely to remain focal points. Stronger leasing activity will generate investment interest for office buildings in Central, with corporate end-users, especially those backed by mainland Chinese capital, set to be among those keen to buy. The ongoing demand-supply imbalance will attract opportunistic and institutional investors of hotel and commercial properties that can be converted into student accommodation. As interest rates decline further and leasing demand recovers, investment volume is anticipated to increase y-o-y in 2026.

The influx of non-local students and skilled workers along with a strong event pipeline will boost foot traffic and drive demand for retail and F&B. Retail leasing momentum is anticipated to strengthen, particularly as a significant number of retail units leased in 2023, when Hong Kong began its recovery from COVID-19, are set to expire in 2026. Ongoing trade uncertainty will lead to cost-sensitive demand in the industrial leasing market, ensuring rents decrease further as landlords look to enhance occupancy.





01

# Economy

01

Economy

## 2025: Economic Growth Driven by Financial and Tourism Services

Hong Kong's economic momentum continued to improve in 2025, with real GDP growing by 3.3% in the first three quarters of the year. The government projects full-year GDP growth to reach approximately 3.2% y-o-y, an increase from the previous year's 2.5% y-o-y, indicating a sustained and accelerating recovery.

Private and public sector investments in major MICE, entertainment, and sports events have been successful, leading to 12% y-o-y growth in tourist arrivals, with the total number of visitors for the full year reaching the 50 million mark. This drove non-residents' spending in Hong Kong rose by 9.3% y-o-y, while local residents' spending abroad grew by 3.1%. Total retail sales edged up by 0.4% in the first 11 months of the year, reversing the previous year's 7.3% decline.

Hong Kong's financial market was upbeat, with the Hang Seng Index rising by over 5,000 points. During the year, Hong Kong reclaimed its position as the global leader in IPOs since 2019, raising HKD285.8 billion. This amount marked a 225% y-o-y increase from the previous year's HKD88.0 billion. This growth, along with strong demand for wealth management services, led many financial services firms to expand their commercial real estate footprint.

Capital availability fluctuated throughout the year. The Aggregate Bank Balance reached over HKD 170 billion in mid-2025 before dropping to about HKD 54 billion by year-end. However, this figure is still 18% higher than it was a year earlier. The HIBOR softened by 150 bps, in line with the 75-bps cut in the Federal Funds Rate.

Job security declined, with the unemployment rate rising to 3.8% by the end of November. However, private consumption expenditure increased by 0.9% y-o-y in the first three quarters, aided by the improving wealth effect. Despite geopolitical tension, total merchandise trade grew by 14.1% y-o-y in the first 11 months of 2025.

## 2026: Economy to Remain Resilient Despite Global Uncertainty

The potential for further interest rate cuts, along with the stabilisation of residential property prices and a strong pipeline of upcoming IPOs, is expected to enhance the wealth effect in 2026. This is likely to stimulate growth in private consumption, property investment, and the expansion of corporate real estate portfolios. Deal flow in both the commercial real estate leasing and investment markets is anticipated to increase.

Should the Hong Kong Dollar weaken as a result of interest rate cuts, trade competitiveness and tourist spending could improve. While the shift favouring cross-border e-commerce will benefit the city, ongoing trade tension between major countries may create uncertainty for traders and freight forwarders. Overall, trade growth is expected to slow after the strong double-digit increase in 2025.

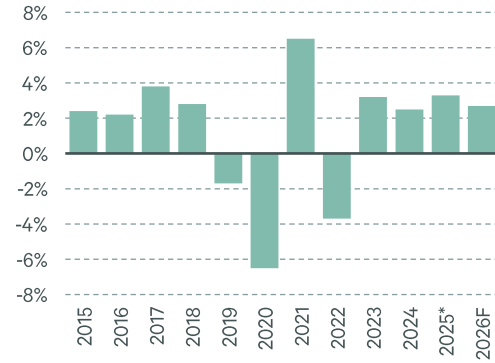
Escalating geopolitical tension is likely to curtail overseas travel by tourists from mainland China, which would benefit Hong Kong's tourism industry. The ongoing influx of non-local students and skilled workers is also expected to contribute to increased foot traffic. As a result, total retail sales and restaurant revenues will likely experience steady growth.

The recent establishment of the government's GoGlobal Task Force and the Professional Services GoGlobal Platform will boost Hong Kong's capacity to assist companies from mainland China to expand internationally. This development is likely to strengthen demand for Hong Kong's professional services, as well as stimulate new real estate requirements from mainland Chinese companies.

Hong Kong's improving economic prospects will be tempered by the ongoing adoption of new technologies, such as AI, which may prevent a rapid decline in Hong Kong's unemployment rate. The most noticeable improvements in the job market are likely to occur in the financial sector as companies respond to increasing demand for investment services.

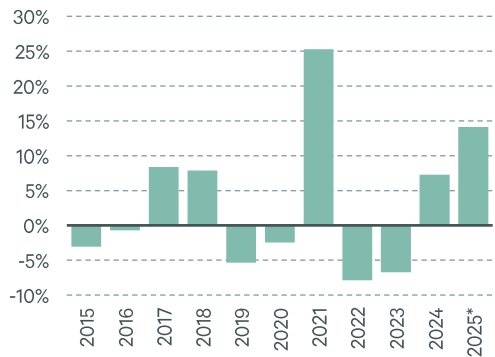
01  
Economy

**Figure 1: Economic Momentum**  
Real GDP Growth  
(by value, annual, y-o-y)



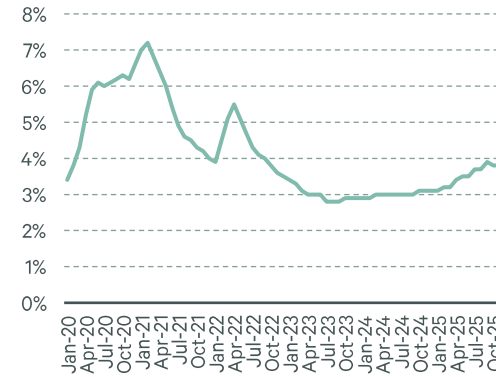
\*First three quarters  
Source: Census and Statistics Department, Oxford Economics, January 2026.

**Figure 5: Trade Flows**  
Aggregate Trade  
(growth by value, y-o-y)



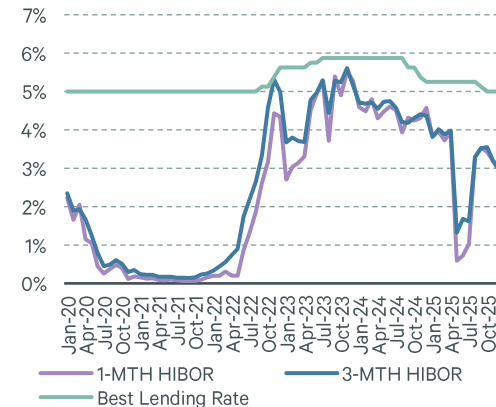
\*First 11 months  
Source: Census and Statistics Department, January 2026.

**Figure 2: Labour Market Conditions**  
Unemployment Rate  
(monthly, seasonally adjusted)



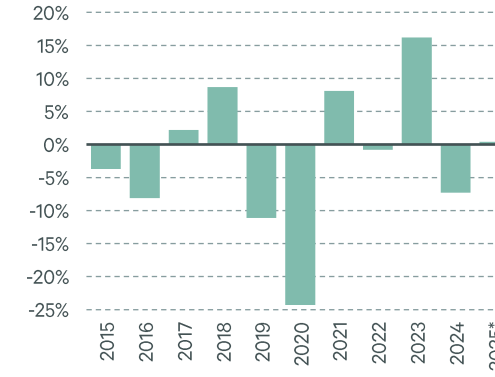
Source: Census and Statistics Department, January 2026.

**Figure 6: Borrowing Costs**  
Best Lending Rate  
vs. 3-month & 1-month HIBOR



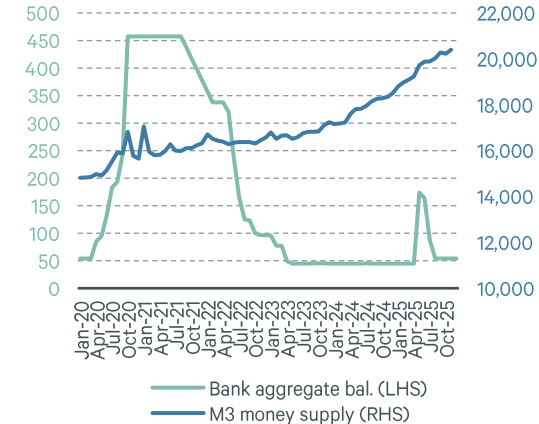
Source: The Hong Kong Association of Banks, Hong Kong Monetary Authority, January 2026.

**Figure 3: Retail Market Momentum**  
Total Retail Sales  
(growth by value, y-o-y)



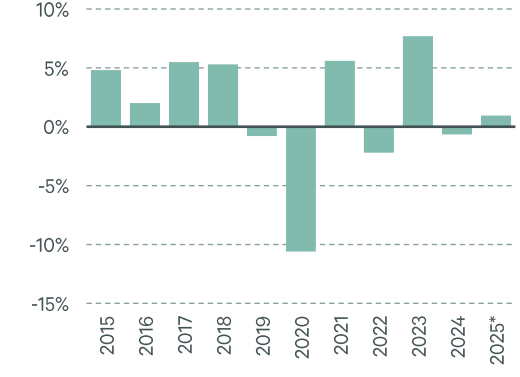
\*First 11 months  
Source: Census and Statistics Department, January 2026.

**Figure 7: Capital Availability**  
Bank Aggregate Balance  
vs. M3 money supply (HK\$ bil., monthly)



Source: Hong Kong Monetary Authority, January 2026.

**Figure 4: Domestic Spending Levels**  
Private Consumption Expenditure  
(real growth, y-o-y)



\*First three quarters  
Source: Census and Statistics Department, January 2026.

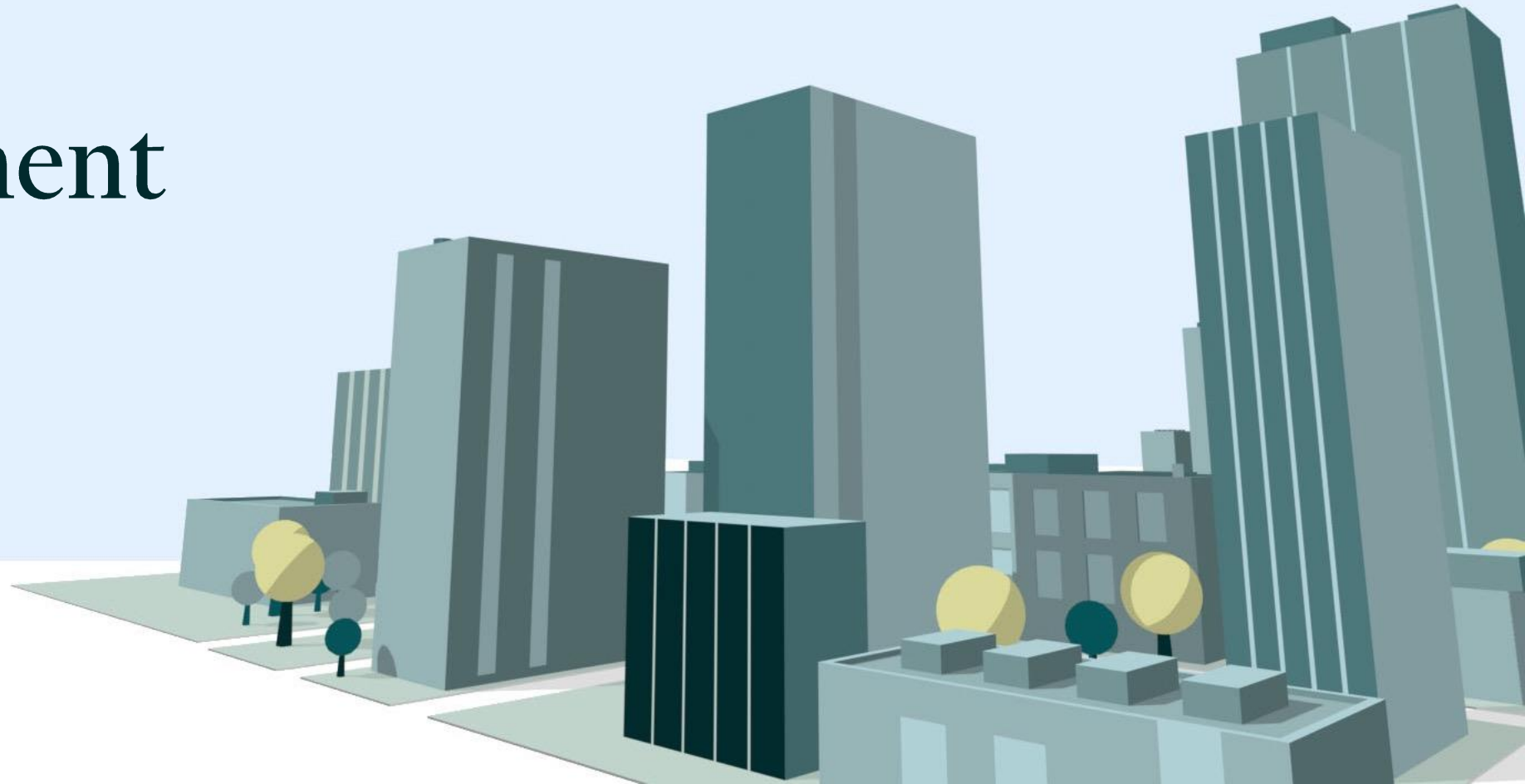
**Figure 8: Stock Market Performance**  
Hang Seng Index (points)



Source: HSI Company Limited, January 2026.

02

# Investment



# 2025: End-Users Boost Investment Volume Despite Subdued Investor Sentiment

In 2025, the U.S. Federal Reserve reduced the federal funds rate by 75bps, prompting banks in Hong Kong to lower their best lending rates by 25bps to a range of 5% to 5.25%. The one-month HIBOR decreased from 4.58% at the end of 2024 to 3.08% by end-2025.

Despite the rate cut and some improved indicators in selected leasing markets, investment activity remained slow during the year, showing little change from 2024. While investment volume rose by 3.1% y-o-y to HK\$44.5 billion, only 106 transactions were recorded, the second-lowest number on record since 2005. Half of these transactions involved assets under financial distress, which totalled a combined HK\$19.8 billion.

With investment carry remaining negative, end-users continued to dominate the market, comprising 65% of total investment volume. This buyer cohort collectively spent HK\$25.3 billion on office properties, with the most significant transactions involving buyers from the financial, education and technology sectors. Regulators and professional bodies also acquired office floors for their own use.

Almost half of end-user acquisitions involved purchasers from mainland China. In total, mainland Chinese buyers spent HK\$18.2 billion on Hong Kong commercial properties in 2025, accounting for 41% of annual investment volume, the highest share on record.

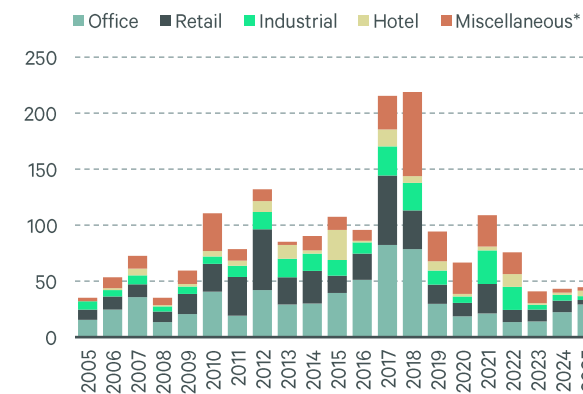
Supported by end-user demand, offices were the most traded asset class, accounting for 65% of total investment volume. Hotel acquisitions, though popular for conversion into student and staff accommodation, represented only 11%. The retail and industrial sectors recorded the lowest volumes on record, at HK\$4.2 billion and HK\$3.2 billion, respectively.

Due to a lower base of comparison and improved leasing sentiment, office capital values declined at a slower rate of 7.8% y-o-y over the full year. The industrial sector experienced the largest price drop, decreasing by 13.2% y-o-y in 2025.

Figure 9: Top 10 Commercial Property Investment Transactions, 2025

| Date     | Asset                              | Sector | Price (HK\$ mil) | Purchaser                        |
|----------|------------------------------------|--------|------------------|----------------------------------|
| Oct 2025 | 21/F-35/F, One Causeway Bay        | Office | 7,209            | Alibaba Group and Ant Group      |
| Apr 2025 | 42/F-50/F, One Exchange Square     | Office | 6,300            | Hong Kong Exchanges and Clearing |
| Dec 2025 | CCB Tower (50%)                    | Office | 3,498            | JD.com                           |
| Dec 2025 | Office Portion, Festival Walk      | Office | 1,960            | City University of Hong Kong     |
| Jan 2025 | En-bloc, Hotel COZi · Harbour View | Hotel  | 1,870            | Nanyang Commercial Bank          |
| Nov 2025 | En-bloc, China Huarong Tower       | Office | 1,160            | OCBC Bank                        |
| Aug 2025 | En-bloc, Virtus Medical Tower      | Office | 1,000            | Soochow Securities               |
| Nov 2025 | En-bloc, 1 Humphreys Avenue        | Office | 790              | A private investor               |
| Feb 2025 | En-bloc, Winland 800 Hotel         | Hotel  | 765              | Airport Authority Hong Kong      |
| Jun 2025 | Site, 20-28 Cannon Street          | Site   | 750              | A private investor               |

Figure 10: Investment Momentum  
Investment volume<sup>1</sup> (HK\$ bil.)

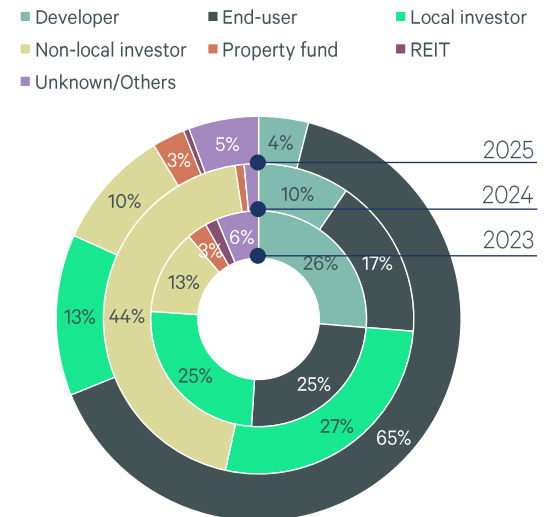


<sup>1</sup>Commercial properties over US\$10 million (HK\$77 million), excluding government land sales, equity deals and internal transactions.

\*Miscellaneous – car park, mixed, school campus, bare site, property for redevelopment, etc.

Source: CBRE Research, January 2026.

Figure 11: Investor Type



# 2026: Broadening Investor Profile to Underpin Further Rise in Investment Volume

While widely expected interest rate cuts may boost sentiment, investment will remain informed by market fundamentals and the outlook for specific property sectors. With rate cuts in 2026 anticipated to be modest, they will likely have only a limited impact on local interest rates, some trophy assets will likely remain in negative carry conditions.

Other tailwinds will include improving residential sales, which should strengthen investor confidence and indirectly improve the demand for commercial real estate. Corporate end-users are expected to remain most active, while institutional investors may return to the market in search of financially stressed office buildings as well as living sector properties.

Several recent major office acquisitions by mainland Chinese corporations may inspire their peers to capitalise on discounted prices to purchase offices to hedge against long-term overheads. Mainland Chinese capital is expected to stay active in 2026, especially for offices with naming and signage rights.

Demand from universities may decline after institutions' recent spending spree. The requirement to return some funding to the government and a planned 2% cut in annual university grants over the next three years to address the government budget deficit will likely result in more cautious spending by this buyer cohort.

Demand for converting properties into student hostels will remain robust due to a shortage of purpose-built student accommodation. These conversions typically involve smaller hotels and commercial buildings and require only modest investment.

Commercial real estate investment volume is forecast to rise by 5% in 2026. While office and warehouse capital values are projected to remain under pressure, office assets in the Central CBD may outperform. Retail capital values are anticipated to rise, supported by rental growth.

Figure 12: Investment Objectives

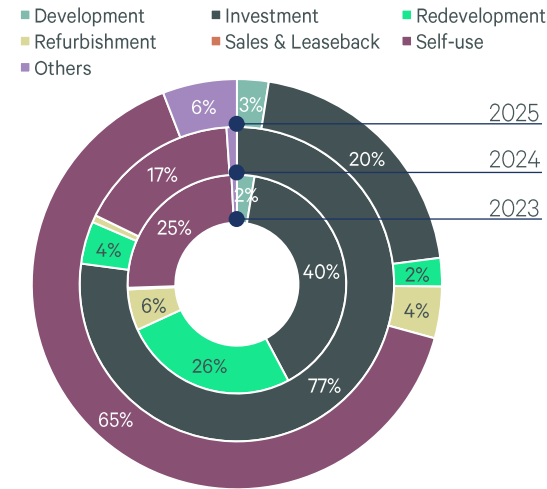
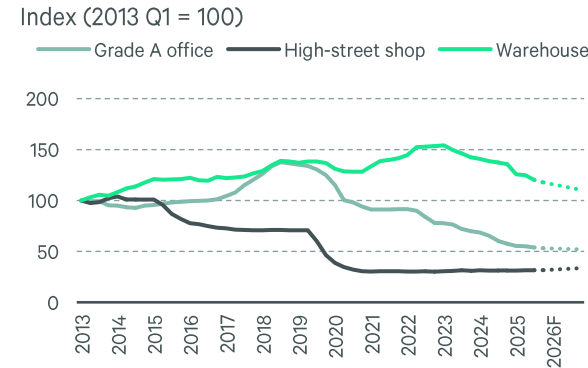


Figure 14: Capital Values



| Property Type    | 2025   | 2026F  |
|------------------|--------|--------|
| Grade A office   | -7.8%  | -1%-3% |
| High-street shop | +1.0%  | +5%-7% |
| Warehouse        | -13.2% | -5%-7% |

Source: CBRE Research, January 2026.

Figure 13: Borrowing Costs and Investment Carry

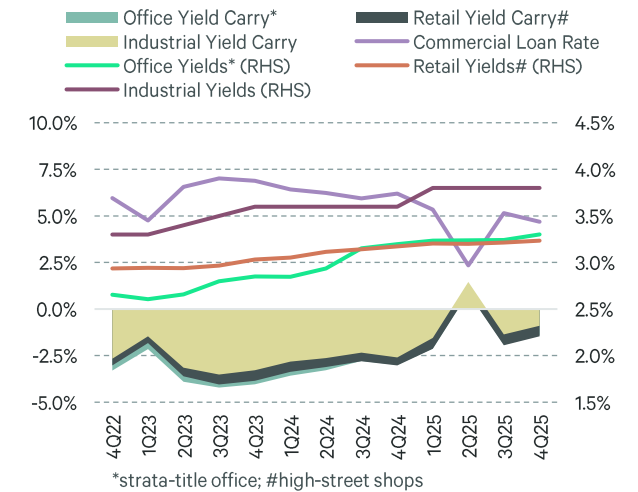
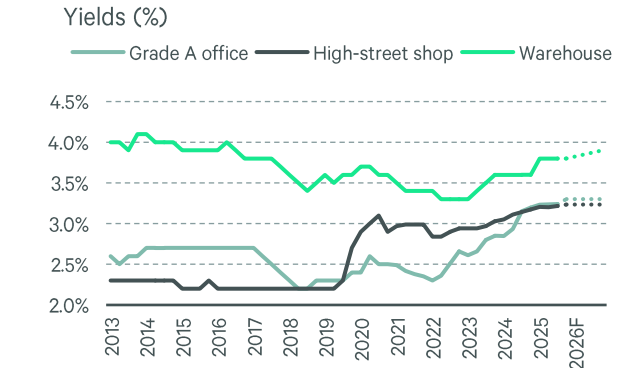


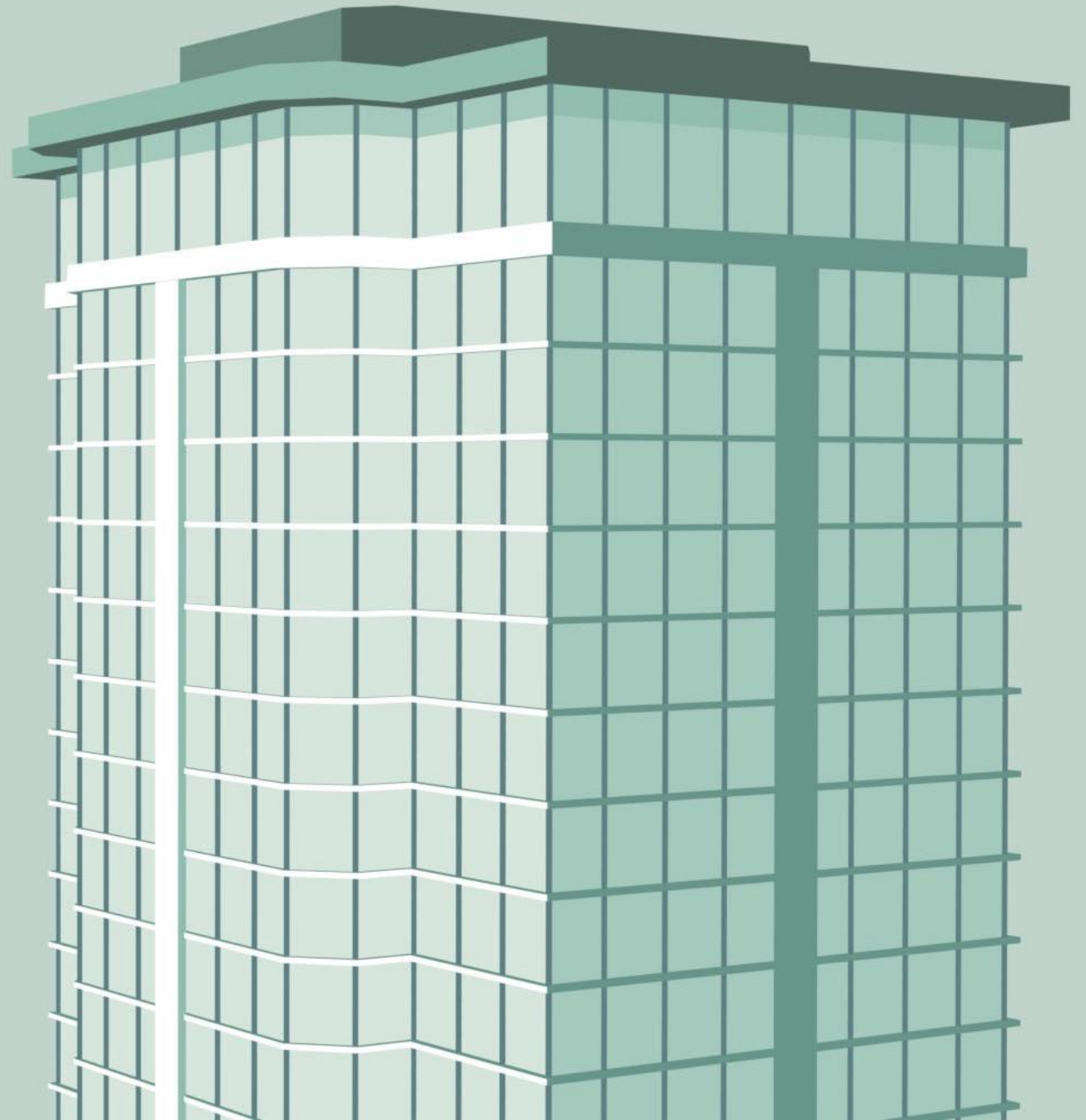
Figure 15: Yields



| Property Type    | 2025 | 2026F  |
|------------------|------|--------|
| Grade A office   | 3.3% | Flat   |
| High-street shop | 3.2% | Flat   |
| Warehouse        | 3.8% | +10bps |

03

# Office



# 2025: Leasing Surges in Central Amid Mixed Overall Demand and Rising Vacancy

New leasing activity varied across submarkets in 2025, with only three of the ten monitored by CBRE registering growth. Central led with 1.2 million sq. ft. of new leases, a remarkable 106% y-o-y increase, followed by Wong Chuk Hang and Hong Kong East, in terms of growth. While citywide new leasing volume fell 1.8% y-o-y to just over 4.2 million sq. ft., net absorption reached 2.1 million sq. ft., the highest since 2018, indicating growth in total occupied space.

Brisk leasing activity in Central was driven by significant expansion by non-bank financial firms, which leased a record 1.1 million sq. ft. in 2025, with some upgrading to high-specification new buildings. Insurance firms contributed 259,100 sq. ft. of new leases, a 6.0% decrease from 2024. Other traditional sectors showed no major expansion demand.

Educational institutions added to their presence in Grade A office buildings over the course of 2025. Although only 149,600 sq. ft. of new space was leased, institutions in the sector purchased 221,000 sq. ft. of office space for immediate and future self-use purposes.

Mainland Chinese companies leased 364,600 sq. ft. of Grade A office space in 2025, a decline of 33% y-o-y, accounting for only 9% of total new leasing volume. These figures represent their lowest levels since 2012.

The 2.9 million sq. ft. of new supply boosted citywide vacancy to 17.3%, amounting to 15.9 million sq. ft. of vacant space. Robust demand pulled down Central vacancy from 13.6% to 11.1%. Vacancy in Tsim Sha Tsui rose to 20.2% following the completion of the International Gateway Centre. No significant changes were noted in other submarkets.

Improving occupancy helped rents stabilise in some core submarkets, with rents in Central slightly declining by 0.1% and those in Tsim Sha Tsui increasing by 2.9%. With decentralised submarkets facing higher vacancy pressure, rents in Hong Kong East dropped by 10.5% and those in Kowloon East declined by 7.9%.

Figure 16: Top 10 Grade A Office Leasing Transactions, 2025

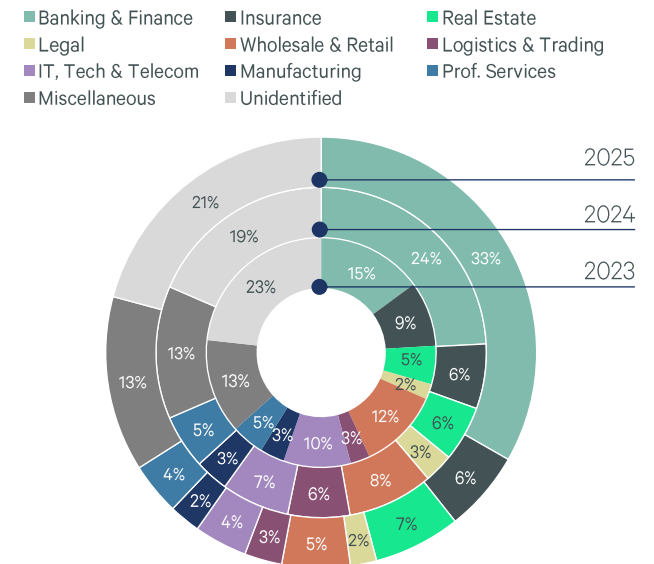
| Time     | Tenant                           | Sector                     | Location                         | Size (sq. ft. NFA) |
|----------|----------------------------------|----------------------------|----------------------------------|--------------------|
| Jun 2025 | Jane Street Capital              | Banking & Finance          | Central Yards                    | 200,700            |
| Dec 2025 | Qube Research & Technologies     | Banking & Finance          | Two International Finance Centre | 134,400            |
| Jul 2025 | FWD Life Insurance               | Insurance                  | FWD Tower                        | 96,700             |
| Aug 2025 | AECOM                            | Real Estate & Construction | 83 King Lam Street               | 84,000             |
| Dec 2025 | Point72                          | Banking & Finance          | The Henderson                    | 79,500             |
| Aug 2025 | Nord Anglia International School | Education                  | Harbourfront Landmark            | 61,600             |
| Sep 2024 | Shanghai Commercial Bank         | Banking & Finance          | AIRSIDE                          | 53,200             |
| Feb 2025 | Polo Ralph Lauren                | Retail & Wholesale         | 83 King Lam Street               | 49,500             |
| Dec 2025 | A securities firm                | Banking & Finance          | Two Pacific Place                | 38,100             |
| Jun 2025 | Cathay United Bank               | Banking & Finance          | One Causeway Bay                 | 35,200             |

Figure 17: New Leasing Volume Grade A Office (mil. sq. ft., NFA)



Source: CBRE Research, January 2026.

Figure 18: Sources of Demand



# 2026: Financial Sector Demand to Elevate Core Submarket Performance

Hong Kong's robust IPO pipeline and growing status as a global wealth management hub will continue to support the demand for prime office space in 2026, particularly in the Central CBD. Elsewhere, the emerging cluster in Tsim Sha Tsui West, near the High-Speed Rail West Kowloon Station, will attract financial firms catering to mainland Chinese clients. New leasing volume is projected to rise by about 10% y-o-y in 2026.

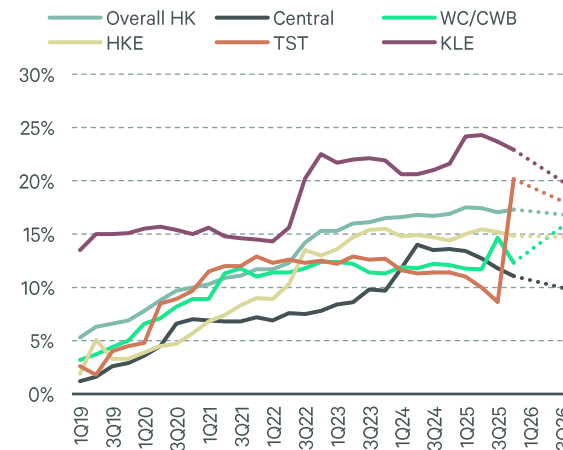
The coming year may see some multi-floor tenants adopt a flight-to-quality strategy in new developments. After surging in 2025, new stock is projected to contract by half in 2026, with supply projected to total 1.5 million sq. ft. As of the end of 2025, there had been no pre-commitments in the five new buildings due to come on stream in 2026. This could potentially hold citywide vacancy at nearly 17% by year's end.

Demand from mainland Chinese companies will increase as they look to expand overseas, although their individual space needs are relatively modest. Their primary focus is expected to be on Central and Tsim Sha Tsui. Established mainland Chinese enterprises in Hong Kong will continue to look to buy office space and shift away from being tenants. This might involve some consolidation and upgrading activity from non-Grade A office buildings.

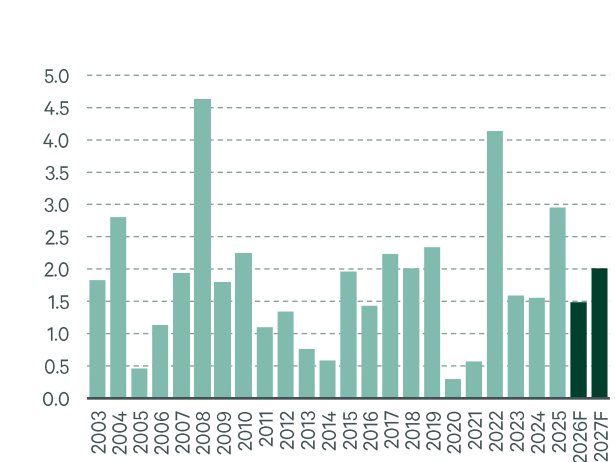
While Central and Tsim Sha Tsui are poised to benefit from the growth of the financial sector, landlords in decentralised areas will continue to face intense competition due to high vacancy. Buildings with net effective rents of HK\$30 or lower comprise 50% of the city's total vacancies. This will ensure tenants maintain the upper hand in these areas.

Rental performance is expected to vary, with average rents in Central and Tsim Sha Tsui set to increase by a few percentage points in 2026. However, this trend may not be consistent within these districts. Landlords of buildings with high vacancy rates and upcoming lease expirations will need to remain flexible towards rents. High space availability is likely to lead to a fall in rents in decentralised areas, with a full-year decline projected at about 5%.

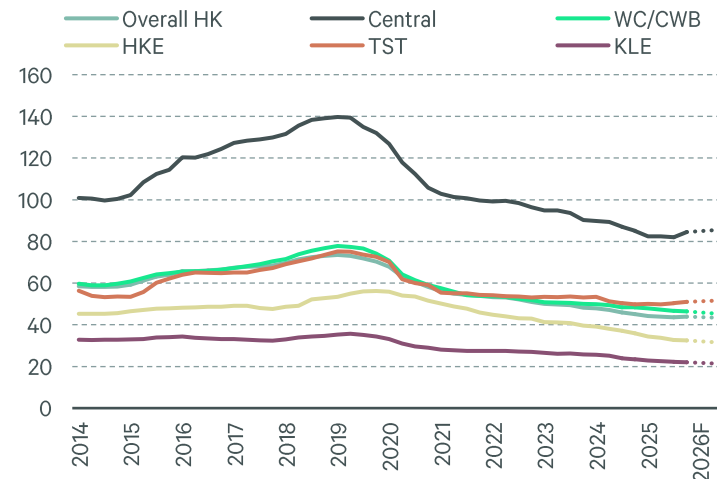
**Figure 19: Office Vacancy**  
Grade A Office Vacancy Rate (%)



**Figure 20: Office New Supply**  
Grade A Office Annual Completions (mil. sq. ft., NFA)



**Figure 21: Office Rental Trends**  
Grade A Office Net Effective Rents (HK\$/sq. ft./month)

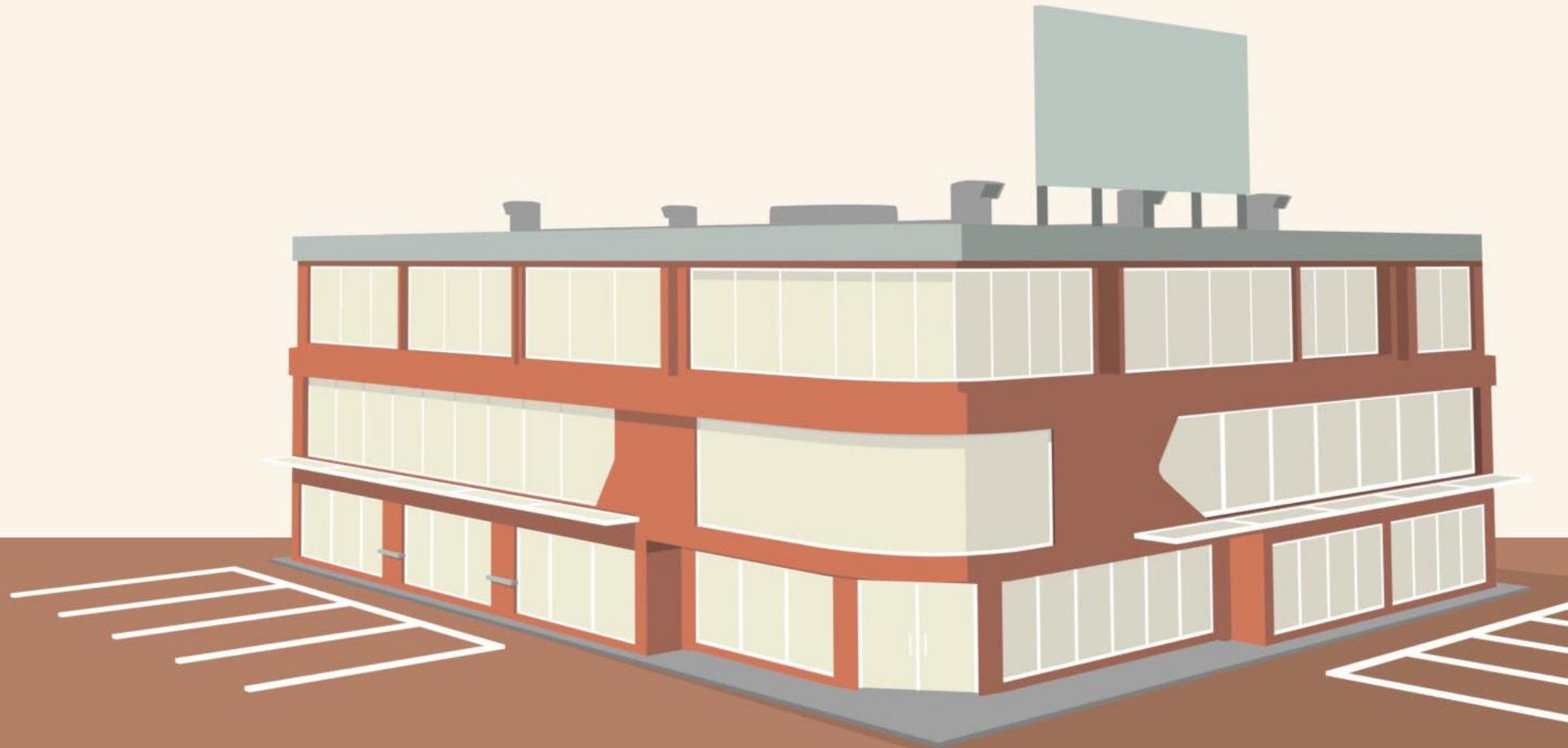


| Submarkets | 2025   | 2026F  |
|------------|--------|--------|
| Overall    | -2.9%  | -1%-3% |
| Central    | -0.1%  | 1%-3%  |
| WC/CWB     | -4.5%  | -3%-5% |
| HK East    | -10.5% | -4%-6% |
| TST        | +2.9%  | 1%-3%  |
| KLN East   | -7.9%  | -5%-7% |

Source: CBRE Research, January 2026.

04

# Retail



# 2025: Retail Market Benefits from Inbound Tourism Recovery

The increasing popularity of online shopping and offshore consumption continued to weigh on Hong Kong's brick-and-mortar retail sales in 2025. Despite a strong wealth effect stemming from a stock market rally and a recovery in home prices during H2 2025, total retail sales were largely flat y-o-y in the first 11 months of the year. However, growth momentum began to accelerate in the middle of the year.

Despite challenges from alternative consumption channels and a trend for consumption downgrading, retailer sentiment among tourist-oriented businesses generally improved throughout the year. Tourist footfall increased by 12.4% to 45.2 million in the first 11 months of 2025, surpassing the total of 44.5 million visitors recorded for the entire year of 2024.

Demand for retail space in core shopping districts was robust, leading to a 2.2-ppt decline in the high-street shop vacancy rates, bringing the average down to 5.8%. In Central, nearly all shops on tier I streets were fully occupied as of year's end. In contrast, demand in neighbourhood areas was relatively subdued.

New leasing volume for high street shops reached 1.1 million sq. ft. in 2025 as vacancy reduced, up 5.5% y-o-y, but still marking the second-highest annual volume recorded since 2010. Leasing demand expanded beyond traditional categories, with some deals involving banks and securities firms looking to enhance their high street presence. While luxury brands remained quiet, F&B accounted for 40% of total leasing activity.

More mainland Chinese brands debuted or expanded in Hong Kong in 2025, including F&B, fashion, and accessories retailers. There were about 30 new mainland Chinese new retail entrants in 2025, a rise of 36% y-o-y and representing 41% of all new retail entrants.

High street shop rents in core districts rose a further 2.9% in 2025, marking a 19% recovery since reaching the bottom in mid-2022.

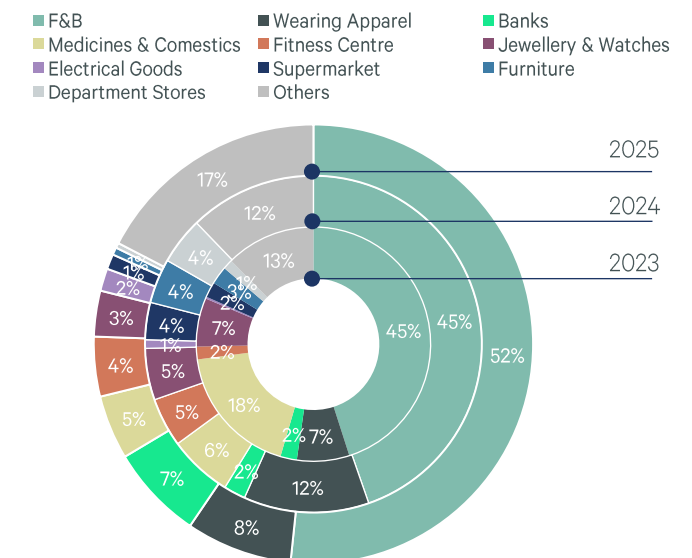
Figure 22: Top 10 Leasing Transactions

| Time     | Tenant                | Sector           | Location  | Size (sq. ft. GFA) |
|----------|-----------------------|------------------|---|--------------------|
| Dec 2025 | A retail bank         | Banking          | G/F-4/F, Capitol Centre, Causeway Bay                 | 44,500             |
| Sep 2025 | OCBC Wing Hang Bank   | Banking          | G/F-3/F, 5/F, Kingston Centre, Central                | 12,400             |
| Jun 2025 | Ngan Lung Restaurant  | F&B              | G/F, B/M, Kaiseng Commercial Centre, Tsim Sha Tsui    | 12,300             |
| Oct 2025 | Chow Tai Fook         | Luxury           | G/F, Silvercord, Tsim Sha Tsui                        | 9,800              |
| Jul 2025 | Brandy Melville       | Fashion          | G/F-3/F, Oliv, Causeway Bay                           | 9,500              |
| Jul 2025 | UNIQLO                | Fashion          | G/F, B/M, Mira Place 1, Tsim Sha Tsui                 | 9,200              |
| Apr 2025 | Futu Securities       | Finance          | G/F, 1/F, Soundwill Plaza, Causeway Bay               | 8,600              |
| Jan 2025 | Longbridge Securities | Finance          | B/M, G/F, 1/F, 26 Nathan Road, Tsim Sha Tsui          | 8,500              |
| Jul 2025 | G2000                 | Fashion          | G/F, 1/F, Parklane Shopper's Boulevard, Tsim Sha Tsui | 8,500              |
| May 2025 | Elecboy               | Electrical Goods | G/F, 1/F, Parklane Shopper's Boulevard, Tsim Sha Tsui | 8,300              |

Figure 23: New Leasing Volume High-street Leasing Volume (mil. sq. ft., GFA)



Figure 24: Sources of Demand



Source: CBRE Research, January 2026.

# 2026: Retail Demand to Strengthen As Foot Traffic Improves

Hong Kong's economic outlook and the wealth generated from its investment markets are expected to improve further in 2026. While consumers are likely to have stronger affordability, this may be tempered by rising unemployment. The ongoing influx of non-local students and skilled workers will contribute to increased spending alongside the momentum provided by inbound tourism.

Increasing geopolitical tension may dissuade mainland Chinese tourists from traveling outside the country. This could benefit Hong Kong and contribute to further improvements in the city's overall retail sales and restaurant revenues. The preliminary event schedule for 2026 suggests a promising influx of tourists. Additionally, the 2026 FIFA World Cup in the U.S., Canada, and Mexico, is expected to support business growth for sports apparel retailers and some bars and restaurants towards the middle of the year.

Leasing activity is expected to remain strong, particularly as many leases signed during 2023, following Hong Kong's recovery from COVID-19, are due for renewal in 2026. While F&B is likely to remain a significant source of demand, improving economic conditions are expected to encourage luxury brands to add to their retail footprint.

High street shops in tourist areas and near event venues will remain in demand due to their ability to attract high foot traffic. Shopping centre landlords will focus on maintaining occupancy by diversifying with more F&B, entertainment and wellness options. Retail demand in neighbourhoods, which depends on local consumption, will face challenges from cross-border e-commerce, though retail outlets at key transit points of mass railway may help counter this trend.

Lower vacancy and improving leasing velocity will support rents for high street shops in core shopping districts to increase by 5% to 7% in 2026. Neighbourhood shops that prioritise occupancy will continue to experience downward pressure on rents.

Figure 25: High-street Shop Vacancy  
Vacancy rate (%)

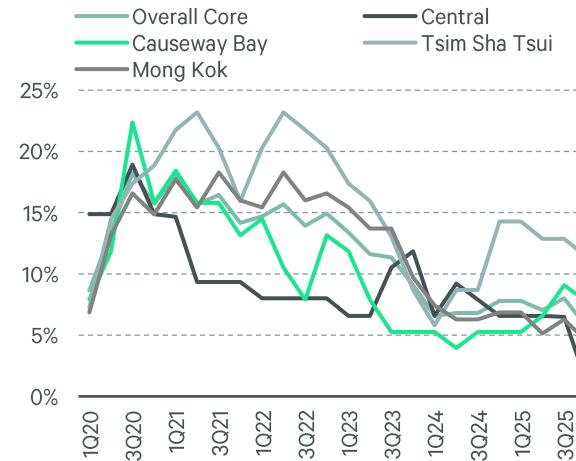


Figure 26: Shopping Mall New Supply  
Annual completions (mil. sq. ft., GFA)

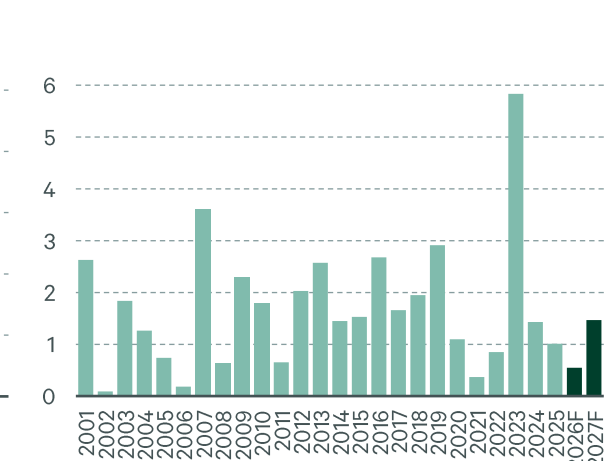
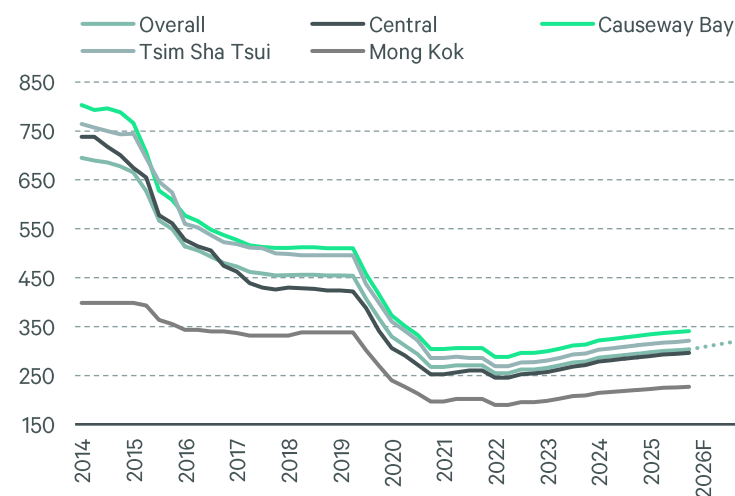


Figure 27: High-street Shop Rental Trends  
HK\$/sq. ft./month

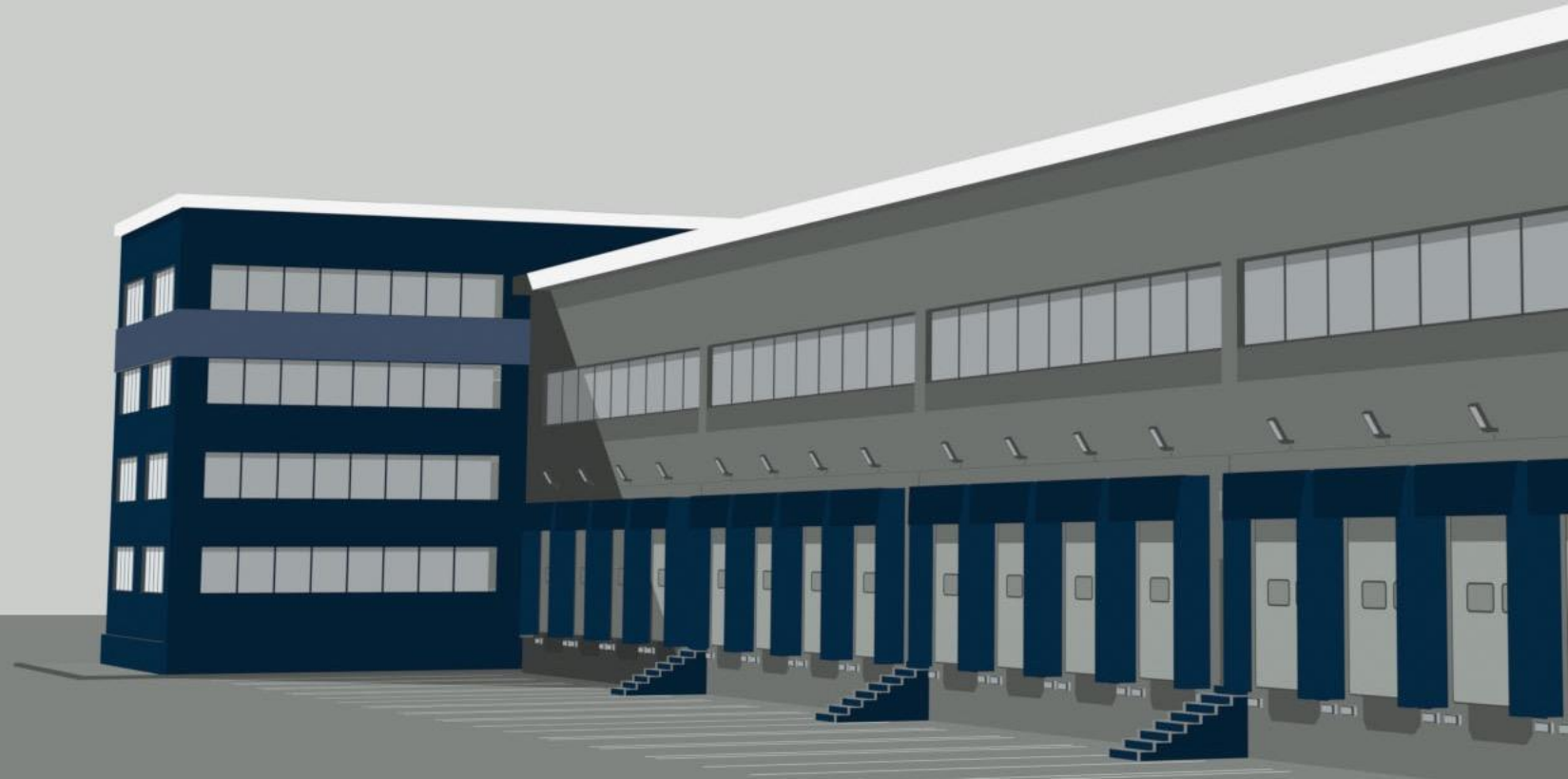


| Submarkets | 2025  | 2026F  |
|------------|-------|--------|
| Overall    | +2.9% | +5%-7% |
| Central    | +3.1% | -      |
| CWB        | +2.9% | -      |
| TST        | +2.9% | -      |
| MK         | +2.9% | -      |

Source: CBRE Research, January 2026.

05

# Industrial & Logistics



05  
Industrial &  
Logistics

# 2025: Leasing Demand Weakens as Occupiers Adopt Cautious Stance

Hong Kong's trade market showed resilience amid ongoing global trade conflict in 2025, with aggregate trade rising by 14.1% y-o-y in the first 11 months of the year. High-value trade saw 2.6% y-o-y marginal growth in air cargo throughput during the period, while container throughput decreased by 5.8% y-o-y, reflecting weaker logistics demand.

Leasing momentum remained subdued as tenants stayed cautious due to uncertainty surrounding global trade. Leasing demand was mainly driven by cost-saving initiatives, leading some occupiers to downgrade or downsize to reduce rental expenses. New leasing volume fell by 11% y-o-y to 2.9 million sq. ft., the lowest level since 2014. Nevertheless, there were signs of improvement in Q4, with leasing volume reaching 1.1 million sq. ft., the highest quarterly level since Q2 2022.

Logistics companies remained the most active segment, accounting for 53% of leasing volume in 2025. Demand from emerging sectors was robust, with new lettings recorded by firms in the electronics, life sciences, cold storage, metals and arts sectors as the industrial tenant base continued to diversify. Occupiers from mainland China contributed 21% of leasing volume, with substantial leases signed by companies in the logistics, manufacturing, trading and IT-related industries.

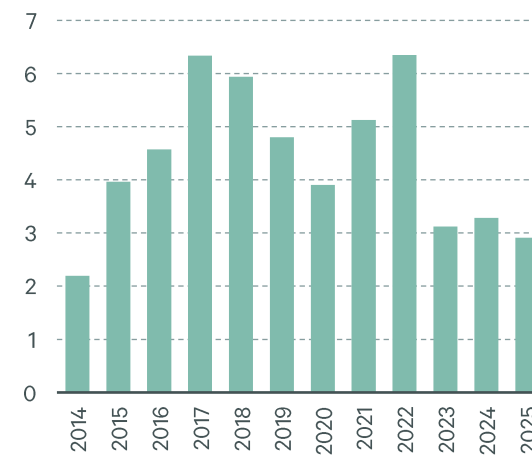
While no new warehouses were completed in 2025, the overall warehouse vacancy rate increased by 5.5 pts, marking the largest rise since 2002 and reaching a record high of 13.0% at year-end. This implied a contraction of 3.2 million sq. ft. in occupied space, the largest reduction on record, surpassing the 1.1 million sq. ft. decrease in 2024.

Weaker occupier demand and elevated vacancy pressure led warehouse rents to decline in 2025. Overall warehouse rents dropped by 8.4% y-o-y following a 4.6% y-o-y fall in the previous year. This brought the rental decline from the peak achieved in Q4 2023 to 12.7%.

Figure 28: Top 10 Industrial Leasing Transactions, 2025

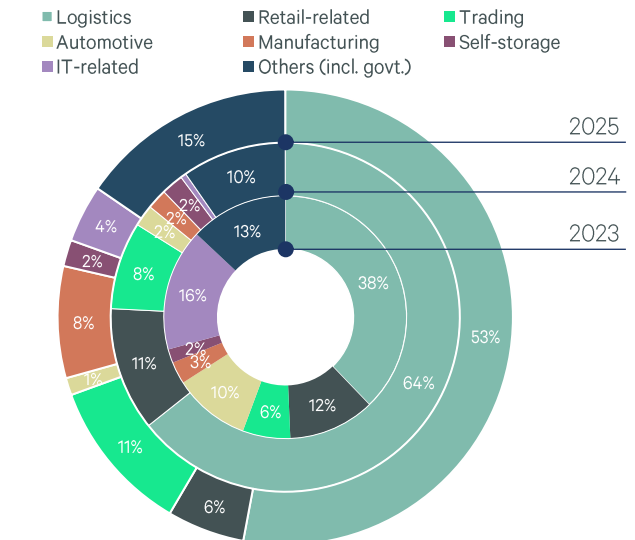
| Time     | Tenant                    | Sector        | Location                          | Size (sq. ft. GFA) |
|----------|---------------------------|---------------|-----------------------------------|--------------------|
| Dec 2025 | Omni Logistics            | Logistics     | Goodman Interlink                 | 275,100            |
| Dec 2025 | Cainiao Supply Chain      | Logistics     | Cainiao Smart Gateway             | 170,000            |
| Jul 2025 | DSV                       | Logistics     | ATL Logistics Centre              | 163,700            |
| Dec 2025 | SJ Logistics              | Logistics     | G2000 Warehouse Building          | 123,600            |
| Sep 2025 | A Chinese biotech company | Manufacturing | Tsuen Wan Industrial Centre       | 108,900            |
| Jun 2025 | SF Supply Chain           | Logistics     | Cainiao Smart Gateway             | 100,000            |
| Jun 2025 | A metal trading company   | Trading       | China Merchants Logistics Centre  | 92,000             |
| Feb 2025 | Solidus Cold Chain        | Logistics     | Wing Shing Industrial Building    | 71,100             |
| Feb 2025 | NeuSemi                   | IT-related    | China Resources Sha Tin Warehouse | 67,400             |
| Sep 2025 | Momentum Logistics        | Logistics     | Goodman Westlink                  | 65,400             |

Figure 29: New Leasing Volume  
Industrial leasing volume (mil. sq. ft., GFA)



Source: CBRE Research, January 2026.

Figure 30: Sources of Demand



# 2026: Cost-Sensitive Demand to Fuel Stronger Leasing Momentum

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 spaces 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 31: Warehouse Vacancy

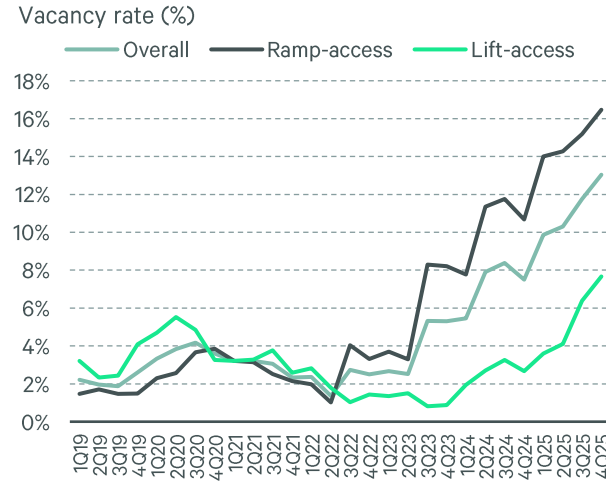


Figure 32: Warehouse New Supply

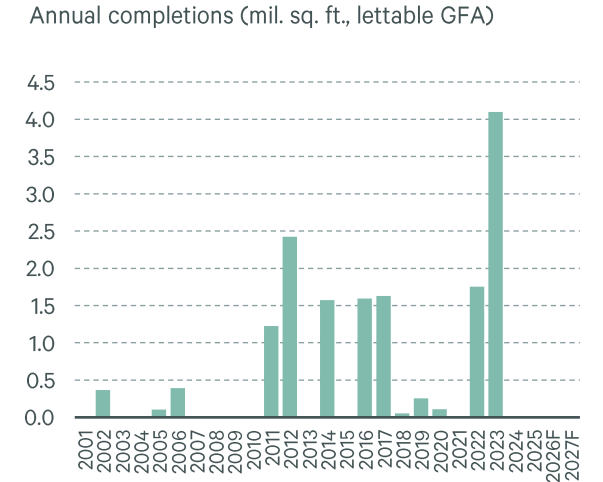
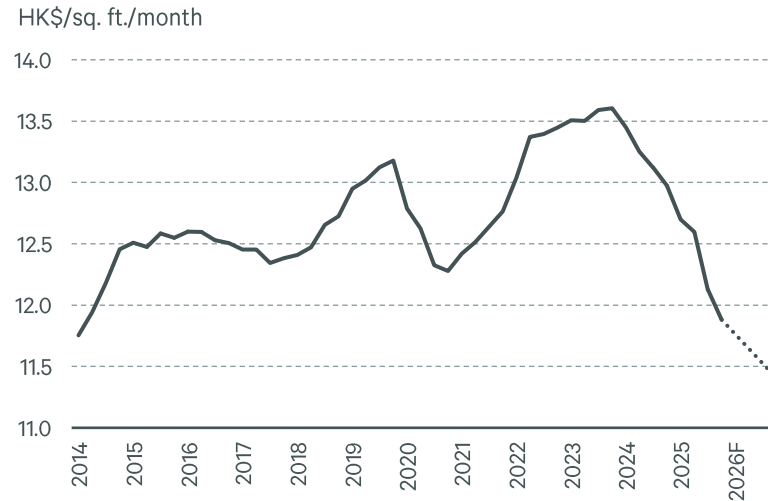


Figure 33: Warehouse Rental Trends



| Submarkets          | 2025   | 2026F  |
|---------------------|--------|--------|
| Overall             | -8.4%  | -3%-5% |
| Kwai Chung          | -11.7% | -      |
| Tsuen Wan           | -5.2%  | -      |
| Tsing Yi            | -10.8% | -      |
| Shatin              | -5.2%  | -      |
| Fanling/Sheung Shui | -0.9%  | -      |
| Tuen Mun/Yuen Long  | -0.8%  | -      |

Source: CBRE Research, January 2026.

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