

FIGURES | HONG KONG INDUSTRIAL | Q1 2026

Warehouse occupancy edges up as landlords turn more flexible in adjusting rents

▼ 1.2% q-o-q
Warehouse Rents

▼ 1.0% q-o-q
Flatted Factory Rents

▼ 0.8% q-o-q
I/O Rents

12.8% (▼ 0.3 ppts q-o-q)
Warehouse Vacancy Rate

Executive Summary

- Aggregate trade increased by 31.9% y-o-y in January-February 2026, adding to a 15.5% increase in 2025. Container throughput declined by 5.4% y-o-y in January-February but air cargo throughput rose by 8.1% y-o-y over the same period.
- Industrial leasing momentum remained slow in Q1 2026, with leasing volume totalling 682,800 sq. ft., a rise of 17% y-o-y from a low base but a decline of 35% q-o-q. This quarter's leasing volume was slightly lower than the quarterly average of 790,600 sq. ft. recorded in 2025, indicating the moderation of occupier demand.
- Major leasing deals included a Japanese retail group committing to 95,200 sq. ft. at Hutchison Logistics Centre in Kwai Chung, and a building materials supplier taking 68,700 sq. ft. at Jing Hin Godown in Yuen Long.
- Overall warehouse vacancy shrank by 0.3-ppt q-o-q to 12.8%, indicating positive net absorption of 135,800 sq. ft. and marking an end to four consecutive quarters of net withdrawal. Despite lower vacancy, overall warehouse rents fell by a further 1.2% q-o-q as landlords turned more willing to cut rental rates to improve occupancy. This marked the ninth consecutive quarterly rental decline.

The Backdrop

- Aggregate trade continued to show strong performance, mainly driven by increases in the trade of electrical machinery, apparatus and appliances, and electrical parts.
- Air cargo throughput continued to rise, supported by strong growth in e-commerce and online retail sales. Container throughput fell despite increasing aggregate trade.
- E-commerce continues to outperform brick-and-mortar sales. Total retail sales experienced y-o-y growth of 11.8% in January and February 2026 combined, while online retail sales registered an increase of 27.5% y-o-y during the same period.
- The S&P Global Hong Kong PMI index registered 49.3 in March 2026, dropping from 51.9 in December 2025 and dipping into contractionary territory for the first time since July 2025. The downturn was largely attributed to geopolitical tension.
- In March 2026, Range Intelligent Computing Technology Group, a mainland Chinese data centre company, won a tender for a data facility cluster site in Sandy Ridge through a two-envelope approach. The 1.2 million sq. ft. site will generate a GFA of 2.4 million sq. ft. dedicated to high-tier data centre use. The developer estimates that the site will commence operations in 42 months.

Leasing Trends

Citywide warehouse occupancy improved in Q1 2026 despite slower leasing volume compared to Q4 2025. This quarter registered 682,800 sq. ft. of new leasing activity, marking a decline of 35% q-o-q but a rise of 17% y-o-y from Q1 2025's low base. This quarter's leasing volume was slightly lower than the quarterly average of 790,600 sq. ft. recorded in 2025, indicating moderating occupier demand. With international geopolitical turmoil continuing to disrupt global trade, industrial occupiers adopted a wait-and-see approach to real estate planning.

Overall warehouse vacancy shrank by 0.3-ppt q-o-q to 12.8%, indicating positive net absorption of 135,800 sq. ft. and marking an end to four consecutive quarters of net withdrawal. Excluding the considerable amount of vacant space at Cainiao Smart Gateway on the outskirts of Hong Kong, the vacancy rate for the rest of the market stood at 8.1%.

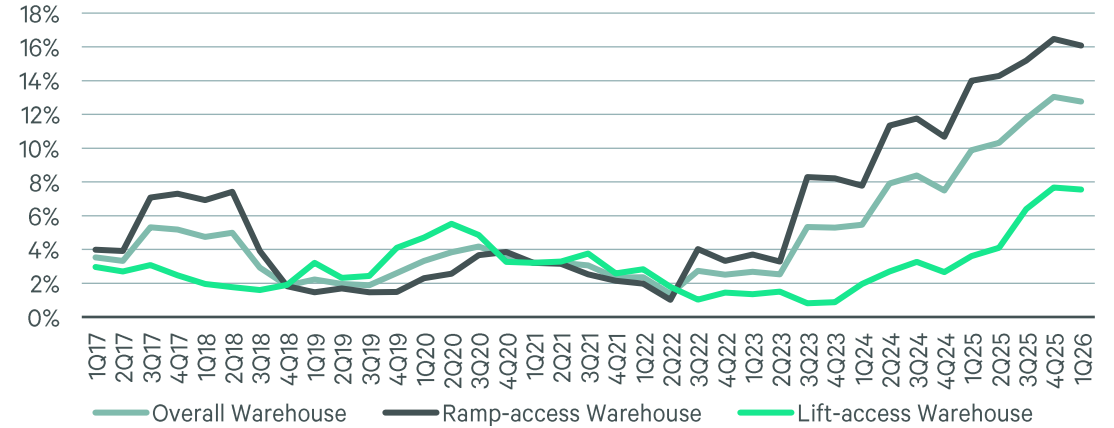
Logistics companies, driven by demand from the electronics sector, accounted for the single largest proportion of leasing volume, at 31%. Major transactions included Wellside International Limited leasing 49,400 sq. ft. at YKK Building Phase 2 & 3 in Tuen Mun, and YHG International Logistics taking 37,300 sq. ft. at Hutchison Logistics Centre in Kwai Chung for expansion.

Sustained business growth continued to spur e-commerce companies to expand their footprint across the city. HKTVmall leased 29,000 sq. ft. at Goodman Interlink in Tsing Yi, while another ecommerce company took 17,100 sq. ft. at ATL Logistics Centre in Kwai Chung.

Other deals this quarter included some sizeable relocations. A Japanese retail group committed to 95,200 sq. ft. at Hutchison Logistics Centre in Kwai Chung, while Italian building materials supplier a building materials supplier leased 68,700 sq. ft. at Jing Hin Godown in Yuen Long.

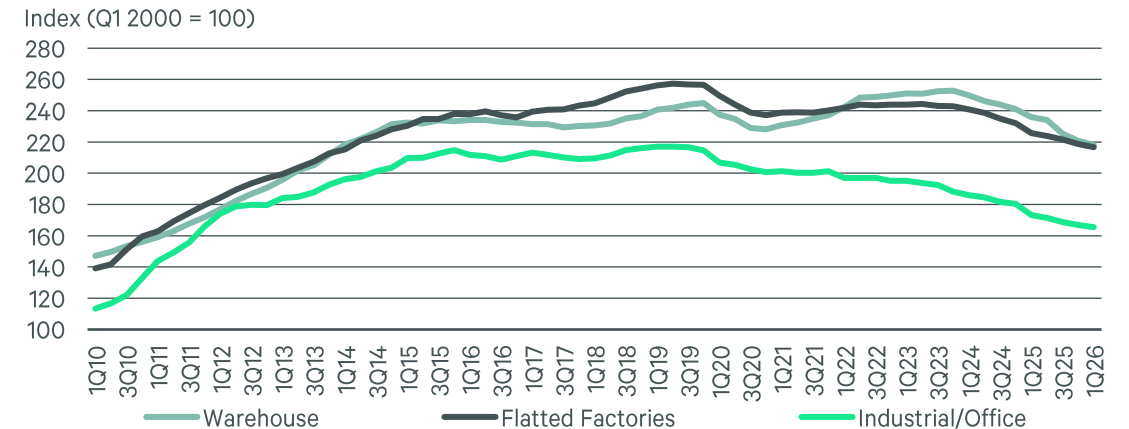
The drop in vacancy recorded in Q1 2026 was partly driven by landlords' flexibility in adjusting rents. This quarter, warehouse rents experienced a further decline of 1.2% q-o-q, highlighting a moderating trend from the 3.7% and 2.0% q-o-q decline in Q3 2025 and Q4 2025, respectively, while bringing the total decrease from the peak reached in Q4 2023 to 13.7%. Rents for ramp-access warehouses declined by 1.4% q-o-q, while those for lift-access facilities fell by 0.9% q-o-q. Flatted factory and I/O building rents continued to experience downward pressure owing to the narrowing rental gap with offices, dropping by 1.0% and 0.8% q-o-q, respectively.

FIGURE 1: Warehouse Vacancy



Source: CBRE Research, Q1 2026.

FIGURE 2: Rental Index



Source: CBRE Research, Q1 2026.

Outlook

The ongoing conflict in the Middle East is driving up cross-border logistics costs and contributing to increased uncertainty in global trade flows. Merchandisers and freight forwarders are expected to exercise caution regarding their business scale and real estate requirements in the near future. New leasing volume in 2026 is anticipated to be similar to that seen in 2025, and will primarily be driven by relocations.

Some new leasing demand is expected to arise from relocation requirements among existing brownfield operators affected by land resumption in the Northern Metropolis. The narrowing rental gap between tin sheds and traditional warehouses will make these relocations more feasible. Although this demand may not be significant, it should slightly push up occupancy rates in purpose-built warehouses.

The upbeat outlook for e-commerce is likely to drive investment in warehouse automation, despite short-term market volatility stemming from the uncertain global trade outlook. Industrial properties that meet specific requirements for e-commerce operations and offer competitive rental pricing will remain in high demand. Ideally, facilities should have excellent road accessibility and be located near major transportation hubs. Such attributes are becoming increasingly important, especially as rising oil prices are making shorter travel distances and lower fuel usage a business imperative.

Other sectors that are likely to contribute to the growth of logistics in Hong Kong include AI-related electronic products, arts and exhibitions, commodities trading, and pharmaceuticals. Many of these businesses require specialised industrial facilities equipped with high floor loading capabilities, temperature control, and enhanced security.

With no new warehouses slated for completion in 2026, the overall warehouse vacancy rate is forecast to decrease as some of the vacant space will be filled by the previously mentioned demand drivers. However, as occupiers remain cost-sensitive, landlords will need to provide attractive packages to attract new tenants. Overall warehouse rents are therefore projected to contract by 3%-5% in 2026.

FIGURE 3: Selected Leasing Transactions

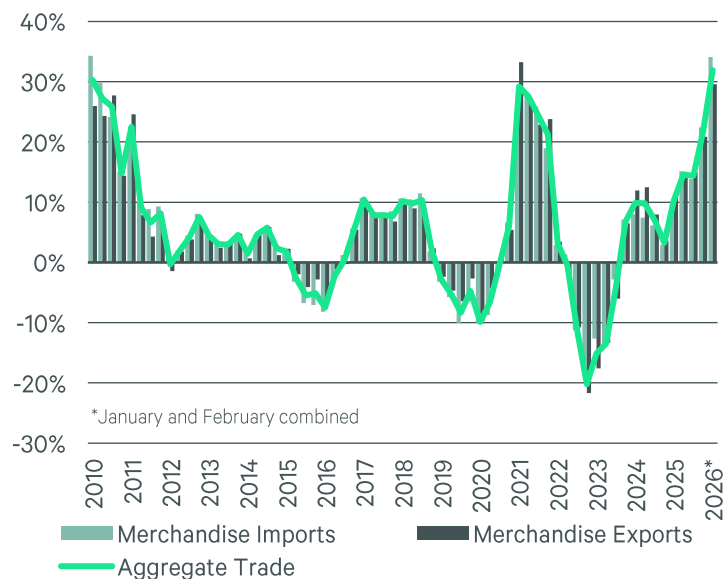
Premises	Location	Size (GFA sq. ft.)	Tenant
Cainiao Smart Gateway	Chek Lap Kok	97,500	Azure Blue HK Limited
Hutchison Logistics Centre	Kwai Chung	95,200	A Japanese retail group
Jing Hin Godown	Yuen Long	68,700	A building materials supplier
YKK Building Phase 2 & 3	Tuen Mun	49,400	Wellside International Limited
Pak Sik Godown No. 2	Shatin	39,800	Dawn Stationery
Hutchison Logistics Centre	Kwai Chung	37,300	YHG International Logistics
Hutchison Logistics Centre	Kwai Chung	36,400	Joy Region Logistics

Source: CBRE Research, Q1 2026.

Appendix

FIGURE 4: Merchandise Trade

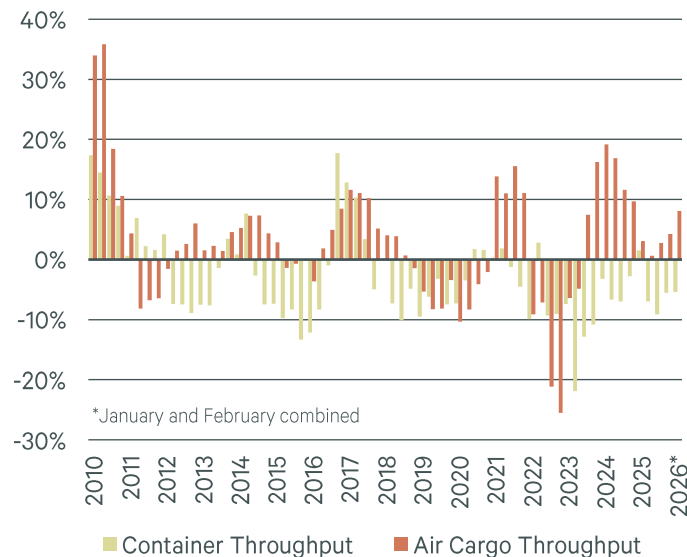
Y-o-Y change (quarterly)



Source: Census and Statistics Department, Q1 2026.

FIGURE 5: Cargo Movement

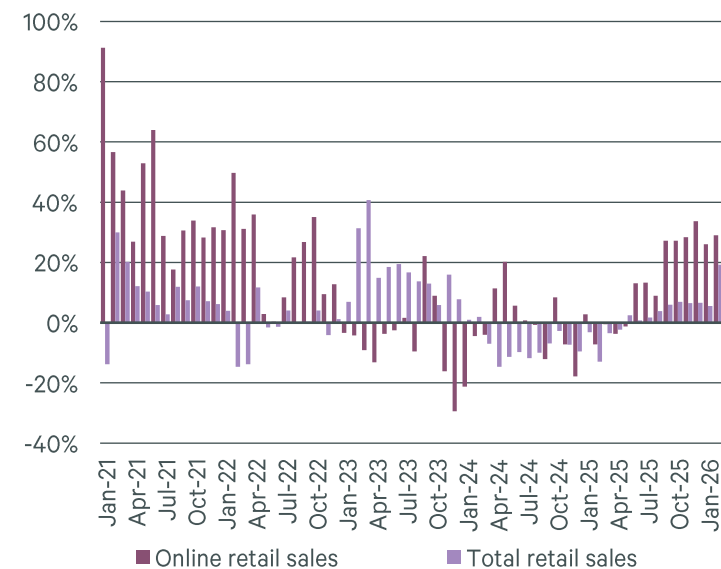
Y-o-Y change (quarterly)



Source: Marine Department, Civil Aviation Department, Q1 2026.

FIGURE 6: Online Retail Sales

Y-o-Y change (monthly)



Source: Census and Statistics Department, Q1 2026.

% Change	January-February 2026 (y-o-y)	Q4 2025 (y-o-y)	2025	3 years	5 years
Merchandise Imports	+34.1%	+22.4%	+15.5%	+55.5%	+36.4%
Merchandise Exports	+29.6%	+20.9%	+15.4%	+61.0%	+32.9%
Aggregate Trade Values	+31.9%	+21.7%	+15.5%	+58.1%	+34.7%
Container Throughput	-5.4%	-5.6%	-5.1%	-3.3%	-19.7%
Air Cargo Throughput	+8.1%	+4.2%	+2.7%	+34.3%	+7.8%
Total / Online Retail Sales	+11.8% / +27.5%	+6.6% / +29.2%	+1.0% / +13.0%	+4.5% / +7.9%	+16.6% / +44.2%

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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