Intelligent Investment

2025 Hong Kong Real Estate Market Outlook

REPORT

CBRE RESEARCH
HONG KONG S.A.R

Contents

Executive Summary

2024 – Emerging trends weighs on demand

Hong Kong's commercial real estate market failed to see strong positive momentum in 2024 due to a slow economic recovery in mainland China. Interest rate cuts did not affect the high-based HIBOR, which continued to weigh on investment demand. The strong HKD against major currencies encouraged outbound spending by locals while deterring tourist spending. Despite a pick-up in visitor arrivals, local retail sales remained weak.

Lower rents across the board prompted some companies to relocate for better quality, while a few expanding firms sought to add to their office footprint. Improved leasing activity did not stop office vacancy from rising further.

2025 – Stronger deal flow but falling values

Geopolitical tensions are anticipated to increase in 2025, presenting challenges for corporations and investors. The likelihood of fewer rate cuts in the U.S. will keep Hong Kong’s commercial properties in negative cash flow positions and deter tourist spending in the city due to the strength of the HKD. However, favourable policy initiatives aimed at attracting talent and tourists to Hong Kong are expected to mitigate these impacts and stimulate demand in the housing, office, and retail sectors. As a result, investment and leasing volumes are projected to see mild growth.

Discounted prices and rents will create significant opportunities for investors and corporate occupiers in the coming year. Distressed sale mandates are likely to persist, offering attractive returns for long-term investors. Opportunistic buyers are expected to be less selective about specific sectors, focusing instead on the degree of discounts provided by vendors.

01

Economy

Sustained geopolitical tension and the potential for fewer interest rate cuts point to slower economic growth in 2025. However, government stimulus measures could generate new business activity.

01
Economy

2024: Growth slows as investments and spending take a hit

Hong Kong's real GDP grew by 2.6% q-o-q in the first three quarters of the year. The government projects that full-year GDP growth will reach approximately 2.5%, down from 3.3% y-o-y in 2023. The unemployment rate remained low, rising by just 0.2-ppt y-t-d to 3.1% as of end-November.

The strength of the HKD, combined with residents' sustained desire for travel, led to slow momentum in local consumption of goods and services, which grew by only 1.3% y-o-y in the first three quarters of 2024. In contrast, Hong Kong residents' expenditure abroad increased by 31.1% y-o-y over the same period. Weaker domestic consumption, combined with cautious spending by mainland Chinese visitors, resulted in a 7.1% y-o-y drop in total retail sales over the first 11 months of the year. This decline occurred despite a 31% y-o-y increase in visitor arrivals resulting partly from the addition of more Chinese cities to the Individual Visitor Scheme.

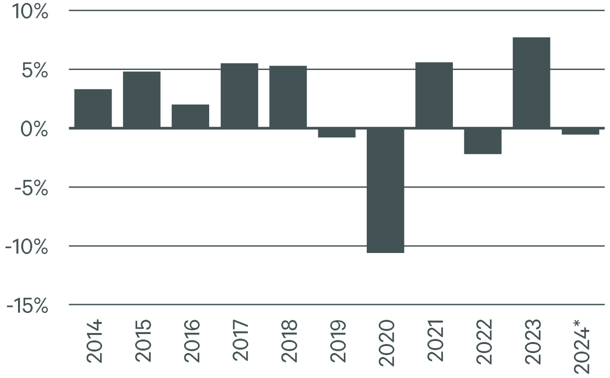
In September 2024, the U.S. Federal Reserve made its first interest rate cut, prompting Hong Kong's banks to lower their best lending rates by 62.5bps, from 5.875% to 5.25%. Despite this reduction, Hong Kong's one-month HIBOR remained at 4.58% as of December 31, 2024. This level indicates that most commercial properties may experience negative carry positions.

To boost investment sentiment, the government removed all property market austerity measures and raised the Loan-to-Value (LTV) ratio for commercial properties. However, high interest rates, negative cashflow and ongoing economic uncertainty continued to constrain investment.

Total merchandise trade rebounded from a low base by 7.9% y-o-y in the first 11 months of 2024.

Figure 1: Private consumption expenditure

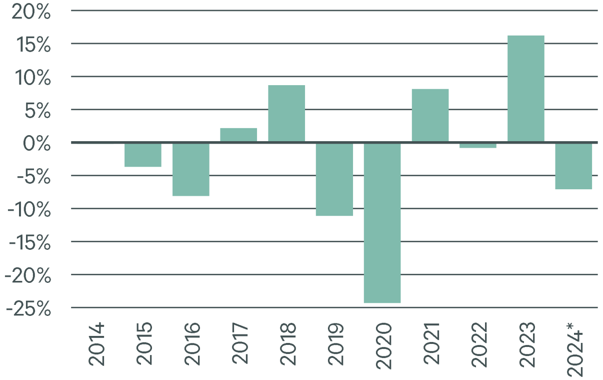
Private consumption expenditure (in real terms, annual, y-o-y)



*First three quarters
Source: Census and Statistics Department, January 2025

Figure 2: Retail market momentum

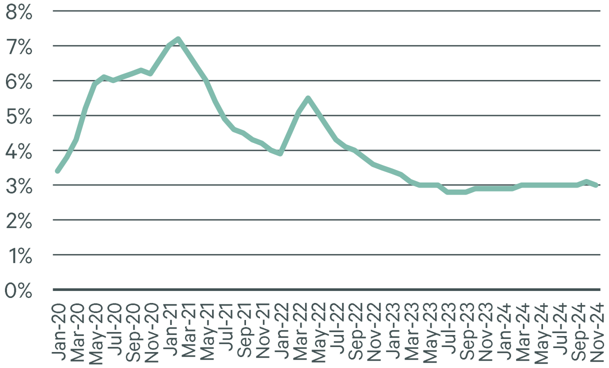
Total retail sales growth (by value, annual, y-o-y)



*First 11 months
Source: Census and Statistics Department, January 2025

Figure 3: Labour market conditions

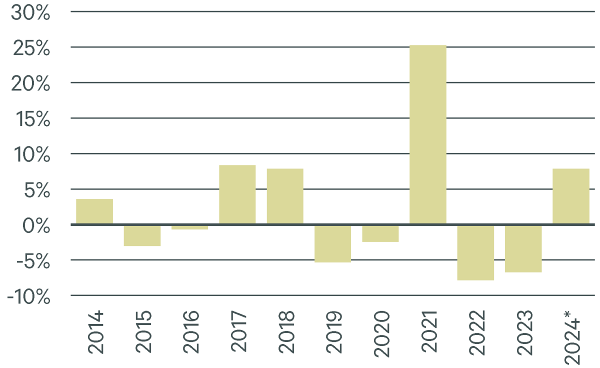
Unemployment rate (monthly, seasonally adjusted)



Source: Census and Statistics Department, January 2025

Figure 4: Trade flows

Aggregate trade growth (by value, annual, y-o-y)



*First 11 months
Source: Census and Statistics Department, January 2025

01

Economy

2025: Challenges persist but outlook is cautiously optimistic

Mainland China's plan to further relax its fiscal and monetary policy is anticipated to boost consumer and investor confidence, which will support domestic consumption and capital-raising activity. The "Big Four" accounting firms have all expressed a positive outlook for Hong Kong's IPO market in 2025.

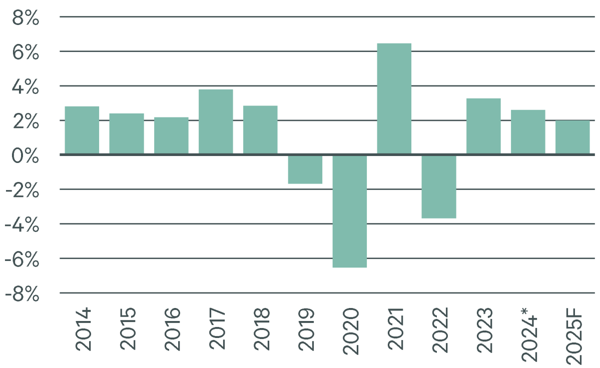
Should mainland China's domestic demand further recover, it will lessen the effects of geopolitical tension on offshore trade. These tensions are expected to persist or even escalate under new U.S. president Donald Trump, which will cloud the global trade outlook. Growth in Hong Kong's goods and logistics flow will be primarily driven by transition imports into mainland China.

Trade protectionism will likely translate into higher inflationary pressure and fewer rate cuts in the U.S. Modest reductions in interest rates will keep Hong Kong's commercial properties in negative cash flow positions. Smaller rate cuts will also maintain the strength of the HKD, which may deter tourist spending in the city and encourage offshore consumption. This could occur despite a potential rise in tourist arrivals following the recent resumption of the multi-endorsement Individual Visitor Scheme and the government's efforts to promote global events in Hong Kong.

The deficit forecast for 2024 indicates that government spending is expected to remain cautious into 2025. The government's strategy to harness market forces and adopt various development methods for large land plots in the Northern Metropolis will involve some public CapEx led by the private sector. CBRE expects high interest rates and external challenges to lead to a slowdown in Hong Kong's GDP growth in 2025.

Figure 5: Economic momentum

Real GDP growth (by value, annual, y-o-y)

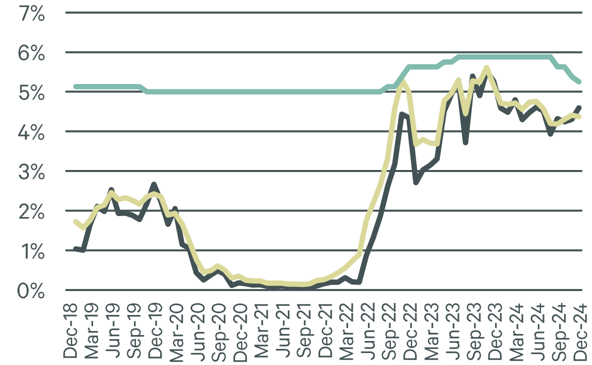


*First three quarters

Source: Census and Statistics Department, Oxford Economics, January 2025

Figure 6: Interest rates

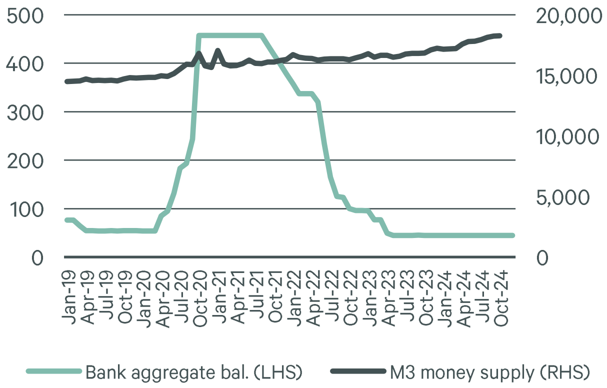
Best lending rate vs. three-month & one-month HIBOR



Source: The Hong Kong Association of Banks, HKMA, January 2025

Figure 7: Capital availability

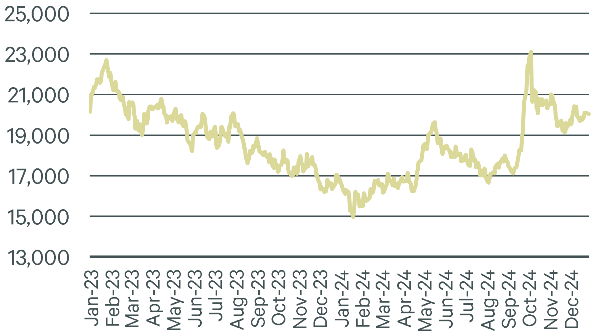
Bank balance vs. M3 money supply (HK$ billion, monthly)



Source: Hong Kong Monetary Authority, January 2025

Figure 8: Stock market performance

Hang Seng Index



Source: Hang Seng Indexes Company Limited, January 2025

02

Investment

Negative carry will continue to limit the chances of a strong uptick in investment activity. However, the rising availability of discounted assets and financially stressed sales suggest a modest increase in full-year investment volume.

02
Investment

2024: Investment momentum stays slow despite rate cuts

After the U.S. Federal Reserve started cutting interest rates in September, banks in Hong Kong lowered their Best Lending Rate by 0.625-ppt to 5.25%-5.5%. The 1-month HIBOR edged down 0.68-ppt throughout the year, falling from 5.26% at end-2023 to 4.58% at the end of December 2024. Despite this decrease, most commercial properties still faced negative cash flow.

Modest rate cuts led to a slight increase in deal flow, resulting in a 3.8% y-o-y rise in investment volume to HK$42.3 billion in 2024, the second-lowest since 2008. Only 99 deals were completed, the lowest since 2005, with just 10 exceeding HK$1 billion.

Financially stressed assets comprised 63% of total investment volume, amounting to HK$26.5 billion across 38 deals. The largest transactions was the sale of the Nexxus Building in Central to a vested-interest creditor for HK$7.0 billion, representing 17% of total investment volume for the year.

Growth in the number of overseas students boosted interest in investing in education-related properties. Four hotels and two office blocks were sold to be repurposed for student housing and school campuses over the course of the year. Despite high vacancy, half of the capital invested in 2024 was in office properties.

Developers were cautious in bidding for development sites due to the supply overhang and low market liquidity. Authorities managed to successfully tender just two residential sites in Shatin, while no commercial sites were put up for sale during the year.

Despite interest rate cuts, higher vacancy risk and financially stressed sales necessitated expanded yields for office and retail assets, which increased by 35bps and 14bps, respectively, in 2024. Warehouse yields remained largely unchanged.

Figure 9: Top 10 investment transactions

Date	Asset	Sector	Price (HK$ mil)	Purchaser
Feb 2024	En-Bloc, Nexxus Building	Office	7,000	Mutual Capital Limited
Mar 2024	Retail podium in D. Park	Retail	4,020	Chinachem Group
Nov 2024	En-bloc, Cheung Kei Center	Office	2,650	Hong Kong Metropolitan University
Sep 2024	En-Bloc, Li Fung Centre	Industrial	1,800	JD Property
Apr 2024	AIA Central (10%)	Office	1,422	Grand Design Development
Aug 2024	En-bloc, One Vista Supreme, and 193 units in One Vista Summit	Office	1,400	Singaporean consortium
Dec 2024	En-bloc, Bonham Majoris	Office	1,298	Chiyu Banking Corporation
Dec 2024	En-bloc, 152 Queen's Road Central	Office	1,080	a non-local investor
Dec 2024	5 shopping centres from Housing Society	Retail	1,035	CR Longdation
Jun 2024	En-bloc, Urbanwood Hotel in Hung Hom	Hotel	1,000	Hong Kong Metropolitan University

Figure 10: Investment momentum

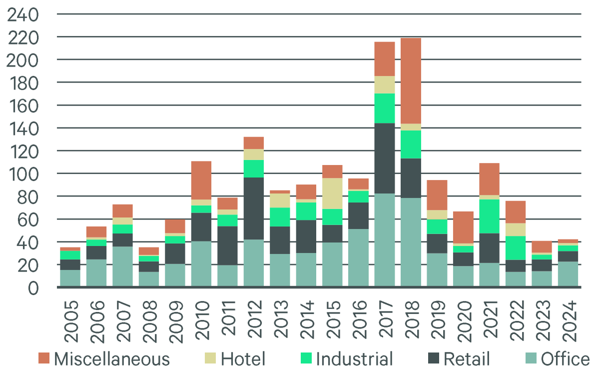
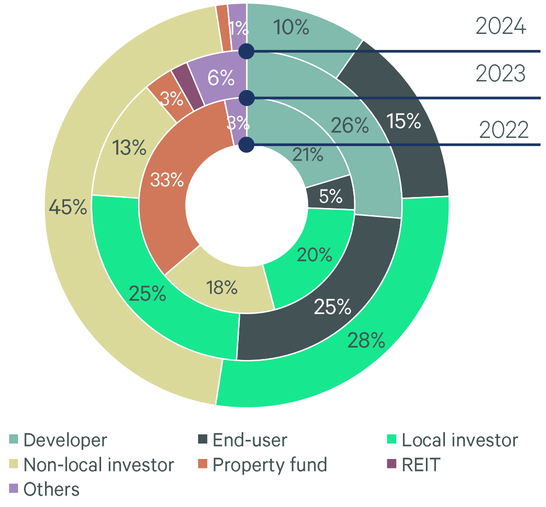


Figure 11: Investor type



Miscellaneous – car park, mixed, school campus, bare site, property opt for redevelopment, etc.
[1] Commercial properties >US$10 million (HK$78 million), excluding government land sales and related transactions.
Source: CBRE Research, January 2025

02
Investment

2025: Rising availability of discounted assets set to boost investment volume

While financing costs are anticipated to continue declining in 2025, potential trade protectionism under the new U.S. president is likely to result in a more modest decrease in the Fed Funds Rate. Hong Kong's Best Lending Rates are therefore expected to remain relatively high for an extended period, while the improving IPO market outlook will likely prevent the HIBOR from falling significantly. With many vendors expected to continue to struggle, the number of financially stressed assets will remain high.

Financially stressed assets typically offer higher yields. When these higher yields are paired with declining borrowing rates, long-term investors are likely to show increased interest. Deep discounts will also create attractive opportunities for corporate occupiers to purchase commercial properties for self-use. However, prospects for opportunistic purchases will remain limited, as the chances of a short-term recovery in rents and capital values are low. CBRE anticipates a 5% y-o-y increase in investment volume in 2025.

Investors are anticipated to turn less selective towards specific sectors, concentrating instead on the extent of the discounts provided by vendors. However, education-related assets are expected to remain keenly sought after. Universities and other educational institutions will continue to be significant buyers of assets that can be transformed into lecture halls and student accommodation. The government's plan to streamline the processing of applications to encourage the private sector to convert commercial properties into student hostels will boost demand for assets of this type.

With negative carry set to persist, vendors must offer attractive yields to draw rational investors and narrow the return gap. CBRE forecasts a slight rise in yields across most commercial sectors despite a decline in nominal interest rates. The ongoing recovery in tourist traffic is expected to boost retail rents and capital values, stabilising yields. However, the office and industrial sectors may experience capital value pressure due to weak demand and increased space availability.

Figure 12: Investment objectives

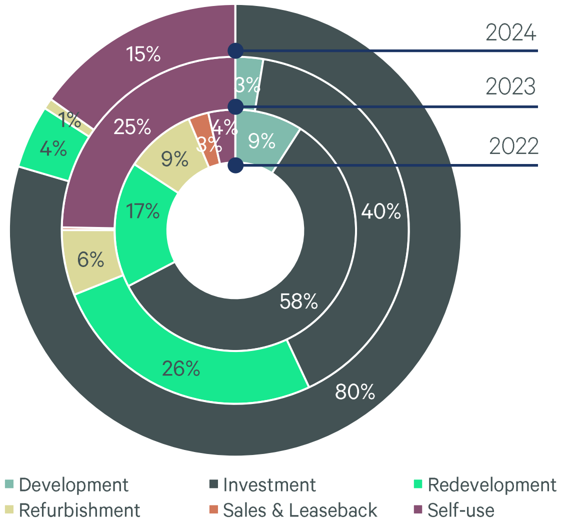


Figure 13: Interest rates and carry

(%)

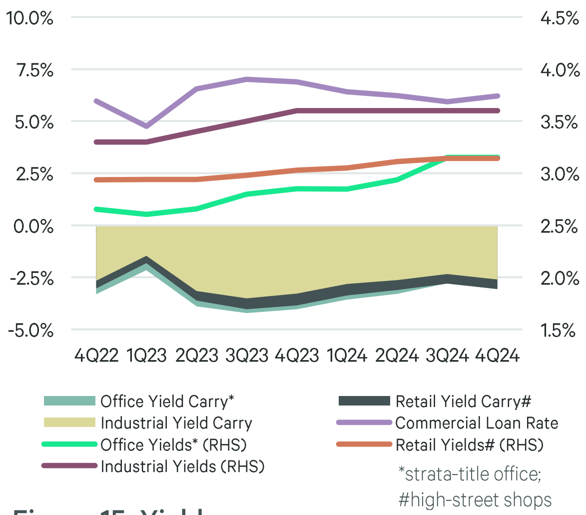
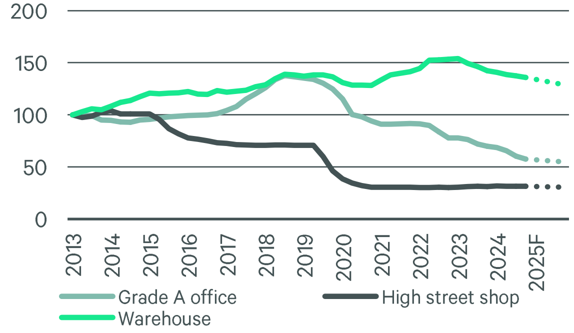


Figure 14: Capital values

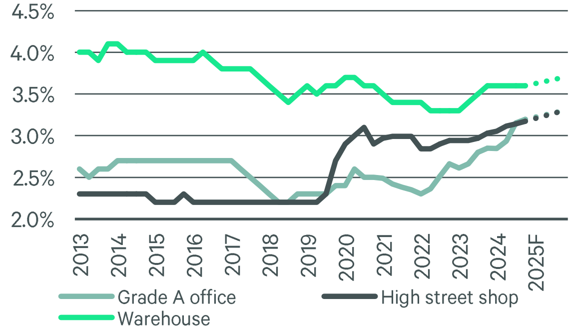
Index (2012 Q1 = 100)



Property Type	2024	2025F
Grade A office	-17.6%	-3%-7%
High street shop	+1.0%	-1%-5%
Warehouse	-4.6%	-3%-7%

Figure 15: Yields

Yields (%)



Property Type	2024	2025F
Grade A office	3.2%	+10bps
High street shop	3.2%	+13bps
Warehouse	3.6%	+10bps

Source: CBRE Research, January 2025

03

Office

Leasing momentum is expected to improve slightly thanks to mainland China's widely anticipated stimulus policies targeted at steering consumption and investment demand. High supply will drive up vacancy to another record high in 2025.

03
Office

2024: Leasing velocity improves vacancy escalates further

Despite companies remaining cost cautious, Grade A office leasing volume saw a slight improvement in 2024. New deal flow for the year reached 4.3 million sq. ft., a 6.2% increase from 2023's 4.0 million sq. ft.. New developments continued to drive flight-to-quality, resulting in full-year net absorption of 956,000 sq. ft.. While this was the highest annual total since 2018, some tenants may return space when current leases expire.

Banks and financial firms turned more active in 2024, securing a total of 1.1 million sq. ft. of space. This allowed the sector to reclaim its position as the largest demand driver, accounting for 25% of new leasing volume, compared to just 16% in 2023. Alongside demand for upgrades and consolidation, growth in the private wealth management sector prompted financial institutions to seek additional space, primarily in core submarkets.

Retail companies were the second most active sector in 2024, accounting for 366,100 sq. ft. or 9% of new leasing volume. However, this represented a 18% decline from 2023. Sour retail market sentiment in both Hong Kong and mainland China led many retail firms to seek downsizing or more cost-effective options. Insurance firms also leased less space in 2024.

Mainland Chinese firms leased 535,700 sq. ft. in 2024, up from 411,800 sq. ft. in 2023. However, nearly 23% of this demand was driven by a single relocation transaction. Overall new and expansionary requirements from these companies remained limited.

Citywide vacancy rose to 17.0% or 15.2 million sq. ft. by year-end, despite positive net absorption. Central reported the largest increase in vacancy, at 13.6%, primarily due to the completion of Cheung Kong Center II and The Henderson. In contrast, vacancy in most of Kowloon's submarkets fell over the course of the year.

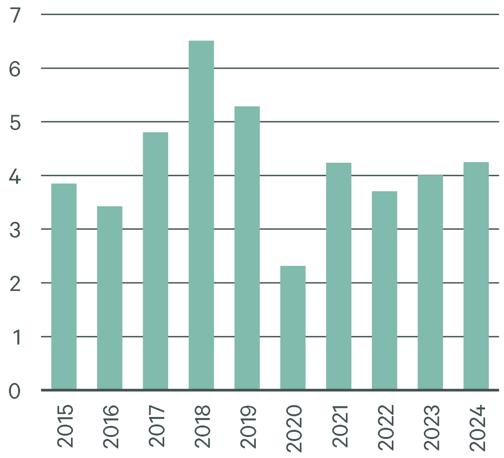
As vacancy rates continued to rise, landlords became more flexible. Alongside direct rental reductions, additional incentives such as fit-out subsidies and reinstatement waivers became increasingly popular. Overall rents fell by 6.3% y-o-y, a slight acceleration from 2023.

Figure 16: Top 10 leasing transactions

Time	Tenant	Sector	Location	Size (sq. ft. NFA)
Mar 2024	UBS	Banking & Finance	International Gateway Centre	157,500
Aug 2024	ICBC	Banking & Finance	One Harbourfront	123,400
Jun 2024	AIA	Insurance	Airside	111,300
Mar 2024	MTR Corporation	Trading & Logistics	One North	102,700
Mar 2024	Hong Kong Monetary Authority	Banking & Finance	International Commerce Centre	85,800
Mar 2024	Lidl HK	Retail & Wholesale	Airside	59,500
Mar 2024	OCBC	Banking & Finance	Airside	56,300
Jan 2024	Asia Infrastructure Solutions	Real Estate	Two Harbour Square	44,600
Jan 2024	LVMH	Retail & Wholesale	Two Taikoo Place	42,500
Jan 2024	Prudential	Insurance	Airside	39,700

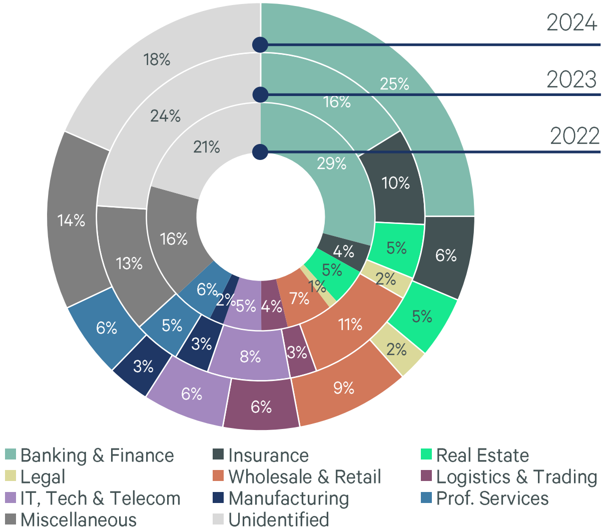
Figure 17: New leasing volume

Office Leasing Volume (mil. sq. ft., NFA)



Source: CBRE Research, January 2025

Figure 18: Sources of demand



03
Office

2025: Demand to improve slightly but vacancy set to increase further

Fractious mainland China-U.S. relations will ensure global office occupiers remain cautious in 2025. While significant corporate expansion is unlikely, demand for cost-effective, high-quality relocations will persist. Overall leasing activity is projected to experience modest y-o-y growth.

Any new or expanded demand is expected to be limited, primarily arising from sectors that have a more favourable business outlook. Larger transactions are likely to be driven by relocations as users occupying multiple floors seek higher-quality options. Some mild downsizing may occur as big tenants consolidate their footprint from multiple locations.

The central governments' widely anticipated stimulus and easing policy measures could foster the recovery of the real economy. This will likely boost corporate capital-raising and improve market sentiment in both mainland China and Hong Kong. Increased office leasing demand is anticipated from financial and professional services firms. Additionally, a policy-driven influx of highly skilled talent is expected to drive demand for wealth management services in Hong Kong. This sector is therefore poised to remain a key contributor to office leasing activity in 2025.

The 3.2 million sq. ft. of new office stock set for completion in 2025 will be the second-highest annual total since 2009. About 90% of this space will be in core submarkets, with 60% coming from the International Gateway Centre at the High-Speed Rail Terminus. Central will contribute only 115,000 sq. ft. to this figure. With an average pre-commitment rate of 12% as at December 2024, the citywide vacancy rate is expected to hit another record high, prolonging the tenant-favoured market.

A further increase in vacancy rates will likely result in a continued decline in rents, which are expected to drop by 5% to 10% in 2025. As of December 2024, 70% of vacant space is in buildings with net effective rents of HKD 40 per sq. ft. or lower, indicating that the drop will primarily be led by decentralised submarkets, while Central may see a decrease of up to 5%.

Figure 19: Office vacancy

Vacancy rate (%)

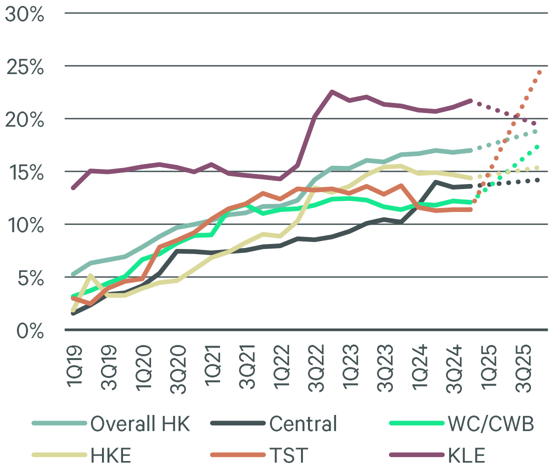


Figure 20: Office supply

Annual completions (mil. sq. ft., NFA)

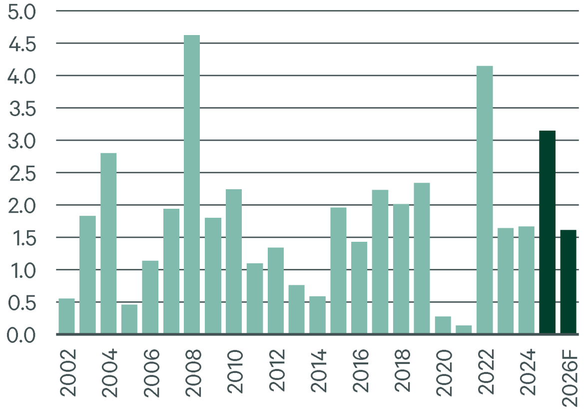
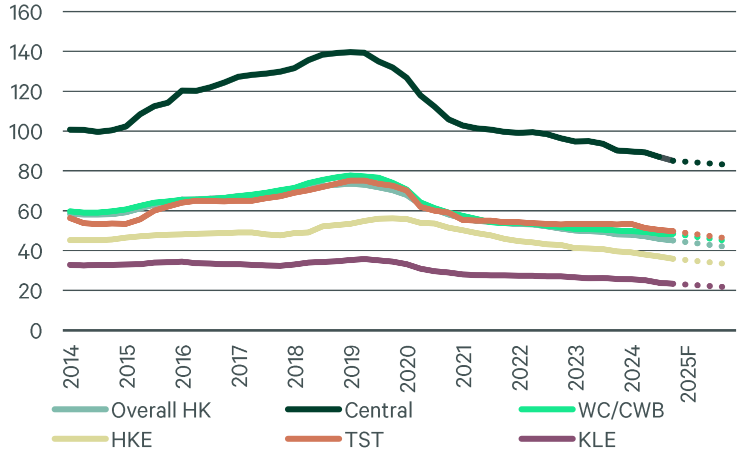


Figure 21: Office rental trends

Net effective rents (HK$/sq. ft./month)



Submarkets	2024	2025F
Overall	-6.3%	-5%-10%
Central	-5.8%	-0%-5%
WC/CWB	-3.4%	-5%-10%
HK East	-9.4%	-5%-10%
TST	-6.4%	-5%-10%
KLN East	-9.2%	-5%-10%

Source: CBRE Research, January 2025

04

Retail

Leasing demand is expected to remain healthy on the back of attractive rents resulting in higher profit margins for retailers. However, the slow recovery of retail sales will provide limited room for rental growth.

04
Retail

2024: Low rents ensure active leasing market despite ongoing fall in retail sales

Retail sales in 2024 declined despite a 31% y-o-y rise in tourist arrivals. Residents spent more money abroad, while incoming tourists were careful with their spending. While the Hang Seng Index showed some recovery, home prices continued to fall, which affected local households' wealth and reduced demand for discretionary items. Total retail sales from January to November 2024 were 7.1% lower compared to the same period of the previous year. Restaurant sales also fell slightly, dropping 0.3% y-o-y.

Despite declines in both retail sales and restaurant receipts, discounted rents continued to stimulate leasing demand. New leasing volume registered 1.1 million sq. ft. for the full year. While this marked a 31% y-o-y decline, it was the third highest annual volume on record.

Attractive rents, enhanced efficiency from storefront technology, and an expanded catchment area from online ordering platforms boosted margins for many restaurant chains. While some restaurants closed, they were offset by numerous new openings. The F&B sector accounted for 45% of leasing volume in 2024.

Lower rents and a steady increase in inbound tourism created new interest from international brands that had been inactive since the start of the COVID-19 pandemic. Many overseas fashion brands opened new stores in Hong Kong in 2024. Clothing accounted for 12% of total leasing volume for the year, up from 7% in 2023.

Changes in tourist spending habits continued to weigh on the expansion of watch and jewellery retailers. However, a growing emphasis on wellness led to fitness centres completing a few new lettings of 5,000-10,000 sq. ft. apiece in core districts.

High leasing volume ensured high street shop vacancy dropped in 2024. Average vacancy for the four core shopping districts fell 1.3-ppt to 7.8%. Improved occupancy saw street shop rents climb by 5.7% y-o-y during the year.

Figure 22: Top 10 leasing transactions

Time	Tenant	Sector	Location	Size (sq. ft. GFA)
Oct 2024	Taobao	Furniture	2/F, China Hong Kong City, Tsim Sha Tsui	36,100
Sep 2024	Muji	Department Stores	B/M, Mira Place, Tsim Sha Tsui	24,000
Nov 2024	INCUBASE Arena	Others	B1/M, B2/M, Chong Hing Square, Mong Kok	22,600
Aug 2024	Mango	Fashion	G/F, 1/F, Asia Standard Tower, Central	19,100
Dec 2024	Seas Of Flavour	Supermarkets	G/F, 1/F, 9 Kingston Street, Causeway Bay	19,100
Aug 2024	SETIROM	Fashion	B/M, G/F, 1/F, 26 Nathan Road, Tsim Sha Tsui	16,700
Nov 2024	UNIBUY	Others	B/M-3/F, China Hong Kong Centre, Tsim Sha Tsui	14,200
Sep 2024	Emperor Watch	Luxury	G/F, 1/F, 10-12 Queen's Road Central, Central	13,500
Nov 2024	Luk Fook	Luxury	G/F-3/F, Rex House, Mong Kok	12,700
Apr 2024	Louis Vuitton	Luxury	1/F, Times Square, Causeway Bay	12,000

Figure 23: New leasing volume

Retail leasing volume (mil. sq. ft., GFA)

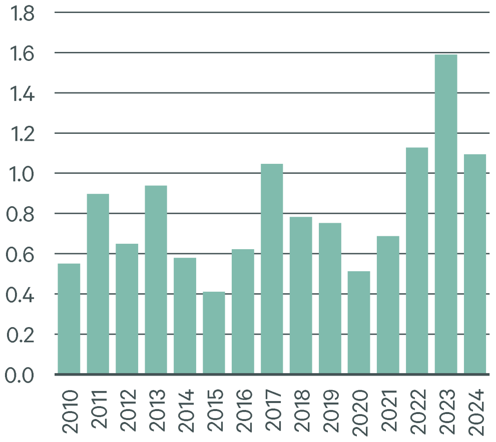
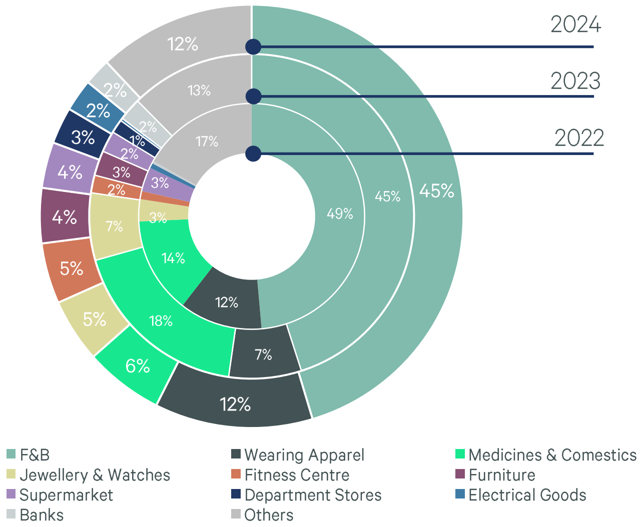


Figure 24: Sources of demand



Source: CBRE Research, January 2025

04
Retail

2025: Leasing momentum forecasted to be solid, supported by emerging retail and food concepts

Widely-expected further interest rate cuts will continue to improve households' burden and support local spending in 2025. Demand for non-essential items, however, will rest on local residents' wealth levels which are largely dependent on financial and property market performance. Domestic consumption is expected to hold steady.

Residents' current preference to spend abroad will persist as long as the HKD remains strong against the currencies of popular travel destinations, such as the JPY and the RMB. This may discourage spending by tourists in Hong Kong. Tourism income is anticipated to remain soft, even though there may be an increase in arrivals due to the expansion of the Individual Visit Scheme.

As more talented students and professionals, along with high-net-worth migrants, arrive in Hong Kong, new F&B establishments will open to cater to these new residents. Additionally, government and private sector initiatives to host international commercial and entertainment events will drive demand for specialised F&B offerings. Eating and drinking venues are likely to continue comprising a significant source of retail leasing demand.

Leasing momentum is anticipated to remain healthy in 2025. Struggling retail businesses will be edged out by emerging retail and food concepts, with affordable rents a significant motivator. New openings will primarily feature low-to-mid-range restaurants, emerging fashion brands, and wellness-related retailers. Luxury brands are expected to remain on the sidelines until there are clear signs of recovery in the economies of Hong Kong and mainland China.

Foot traffic will be especially high in emerging districts such as Kai Tak and the West Kowloon Cultural District, where new shopping malls and event venues are concentrated. Around 1.1 million sq. ft. of new shopping centre space is scheduled for completion in 2025.

High street shop vacancy rates are forecasted to remain relatively low, supporting rental growth of up to 5% in 2025.

Figure 25: High-street shop vacancy

Vacancy rate (%)

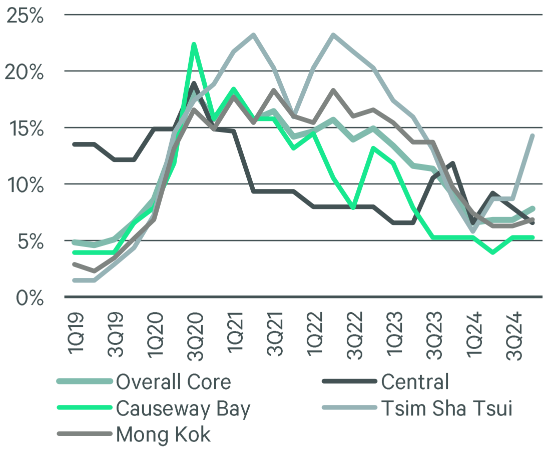


Figure 26: Retail supply

Annual completions (mil. sq. ft., GFA)

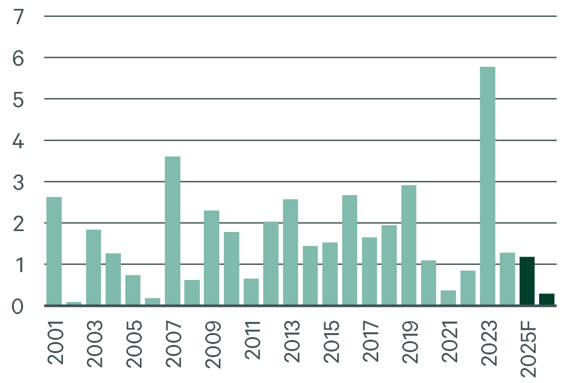
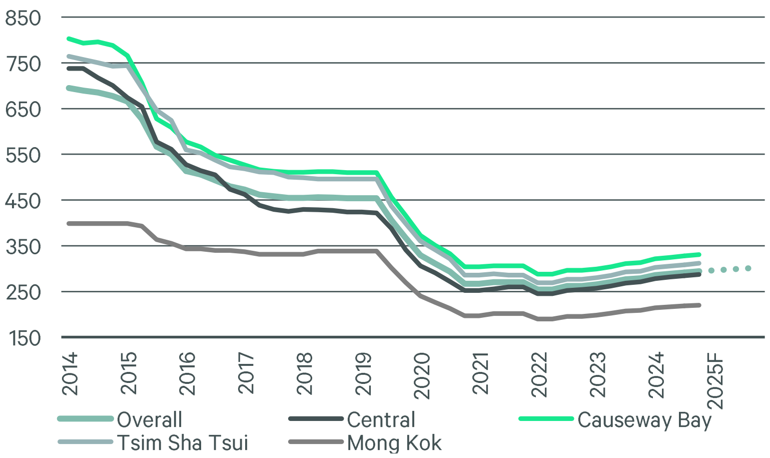


Figure 27: High-street shop rental trends

HK$/sq. ft./month



Submarkets	2024	2025F
Overall	+5.7%	+0%-5%
Central	+5.8%	-
CWB	+5.6%	-
TST	+5.8%	-
MK	+5.5%	-

Source: CBRE Research, January 2025

05

Industrial & Logistics

While geopolitical tension will ensure leasing momentum remains slow, forced relocations from brownfield land resumptions could generate new demand. E-commerce is expected to dominate leasing activity.

05
Industrial & Logistics

2024: Leasing momentum weakens against low-base aggregate trade growth

Over the course of 2024, Hong Kong's logistics sector faced a multitude of challenges including mainland China's slow economic recovery, trade tension between major economies, and weak local spending. Overall trade increased by 7.9% y-o-y in the first 11 months of the year, although this was mainly due to a low base of comparison. On a positive note, the reopening of more aviation routes led to a significant rise in airfreight volume, which grew by 14.9% y-o-y during the same period. In contrast, container throughput fell by 5.0% y-o-y.

Warehouse occupiers continued to be cost-conscious, and as landlords were willing to provide incentives for tenants to stay, relocation demand declined. However, upgrading demand remained robust. Several relatively new schemes, such as Goodman Westlink and Cainiao Smart Gateway, reported higher occupancy during the year. Full-year new leasing volume contracted 0.5% y-o-y to 3.1 million sq. ft., the lowest since 2014.

Emerging consumption trends have driven rapid growth among e-commerce operators, which leased a total of 783,400 sq. ft. of space in 2024, representing 26% of annual total leasing volume. E-commerce companies from mainland China were active, with two major operators contributing to 58% (452,000 sq. ft.) of the sector's leased space. After several years' solid activity, electric vehicle dealers slowed their pace of leasing as most groups had already established their footprint in the city.

Although no new logistics completions were recorded in 2024, the release of some floors in Cainiao Smart Gateway, which were previously reserved for self-use, pushed up market vacancy by 2.2-ppt to 7.5%. Should the vacancy rate for this airport-zone building be excluded, vacancies in other areas rose by just 0.4-ppt, reaching 2.1%.

Higher vacancy and thin leasing demand ensured overall warehouse rents fell by 4.6% y-o-y in 2024, in contrast to growth of 1.2% in 2023.

Figure 28: Top 10 leasing transactions

Time	Tenant	Sector	Location	Size (sq. ft. GFA)
Oct 2024	PDD Holdings	Logistics	Cainiao Smart Gateway	200,000
Jan 2024	Rhenus Logistics	Logistics	Goodman Westlink	178,354
Dec 2024	A Japanese logistics company	Logistics	China Resources International Logistics Centre	176,445
Jan 2024	Silk Full Management	Trading	Cainiao Smart Gateway	175,000
Jan 2024	DSV	Logistics	Mineron Centre	152,761
May 2024	YA Logistics	Logistics	Mapletree Logistics Hub Tsing Yi	147,468
Sep 2024	SF Express	Logistics	Mapletree Fanling Warehouse (Fanling)	137,382
Mar 2024	JPS Freight Solution	Logistics	Cainiao Smart Gateway	98,109
Jul 2024	SF Supply Chain	Logistics	Smile Centre	97,751
Jun 2024	Buy and Ship Today	Retail-related	Big Orange - Tai Wai	88,941

Figure 29: New leasing volume

Industrial leasing volume (mil. sq. ft., GFA)

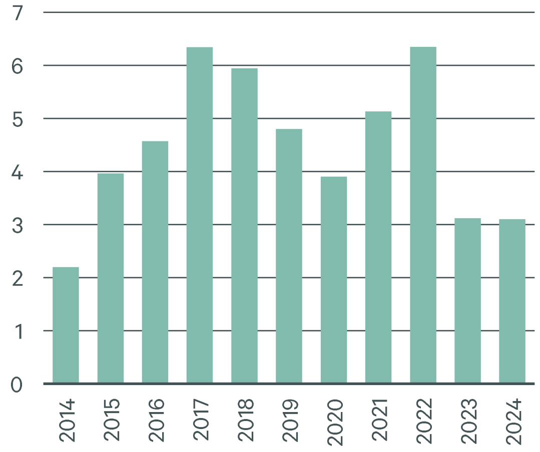
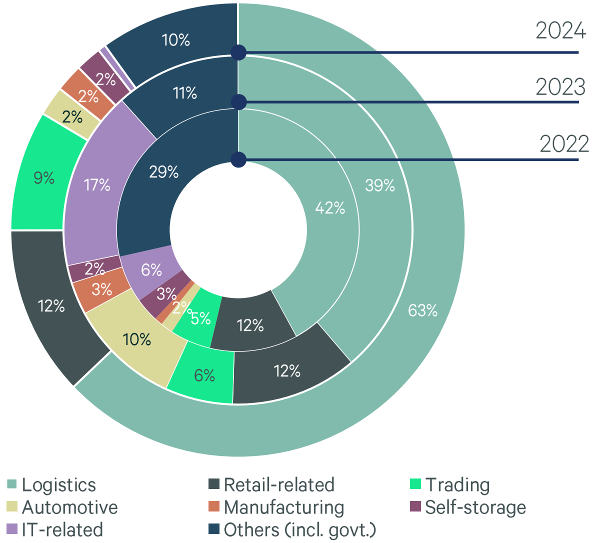


Figure 30: Sources of demand



Source: CBRE Research, January 2025

05
Industrial & Logistics

2025: Trade tension escalation to weigh on leasing demand and rental performance

While trade tension between mainland China and the U.S. expected to intensify under the new U.S. president, Hong Kong's trade sector is likely to encounter challenges in 2025, leading exporters and logistics operators to be more cautious about expanding their businesses.

For this reason, leasing momentum is anticipated to remain soft in the coming year, with prudent spending an overriding trend. Warehouse landlords are advised to prioritise maintaining occupancy rather than targeting higher rental income.

With brick-and-mortar retail unlikely to see significant growth, there will be stronger demand for space from cross-border e-commerce operators. Due to factors such as logistics efficiency and well-established flight routes, Hong Kong is expected to remain one of the region's preferred ports for fulfilling demand from this sector. Local retailers are anticipated to continue investing in e-commerce platforms, which will further support demand for domestic logistics services.

In addition to requirements from online retailers and e-commerce related Third-Party Logistics companies (3PLs), geopolitical tension may compel local and mainland Chinese enterprises to keep their data domestically to enhance security. This trend could lead to the expansion of local and Chinese data centre operators in Hong Kong, which offers one of the world's most stable climates and reliable power supplies. Overall data centre demand will remain healthy.

The government plans to close the tender for three multi-storey industrial buildings in Yuen Long in Q1 2025, which could result in the creation of 8.3 million sq. ft. of new industrial and logistics space by 2029. Before these buildings are completed, many current brownfield operators will need to search for suitable space if their existing land is resumed for the development of the Northern Metropolis. This situation is expected to increase demand for industrial space relocations.

The combination of weak demand and a higher number of lease expiries will likely push up vacancy in H1 2025. However, this may be partially offset by the lack of new supply in 2025. Warehouse rents are expected to decline by up to 5% in 2025.

Figure 31: Warehouse vacancy

Vacancy rate (%)

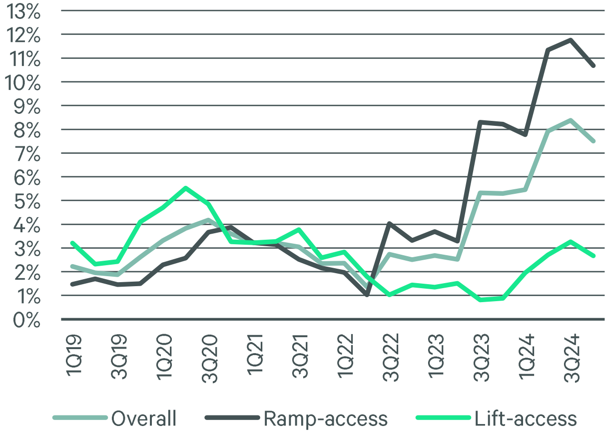


Figure 32: Warehouse supply

Annual completions (mil. sq. ft., lettable GFA)

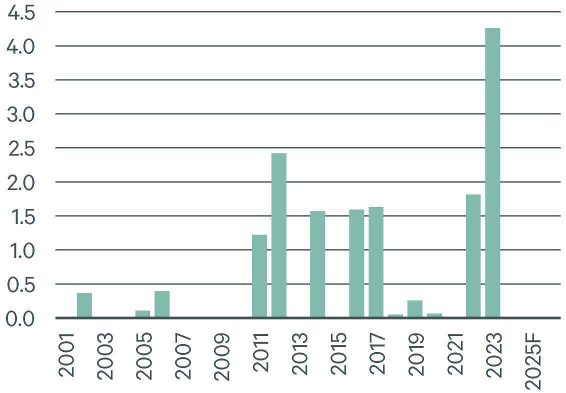
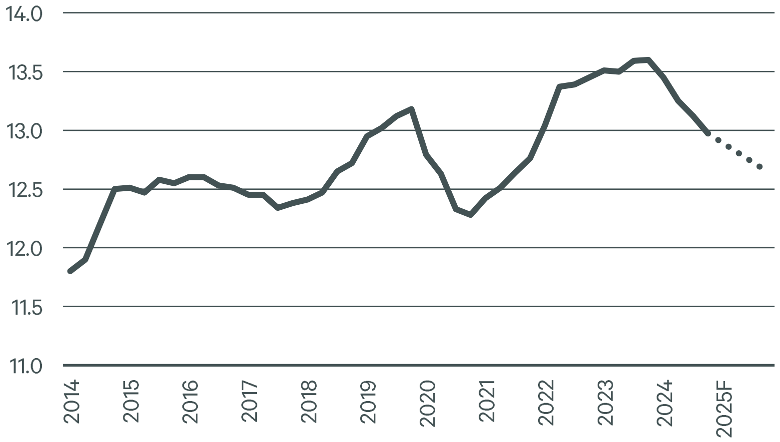


Figure 33: Warehouse rental trends

HK$/sq. ft./month



Submarkets	2024	2025F
Overall	-4.6%	-0%-5%
Kwai Chung	-2.2%	-
Tsuen Wan	-2.8%	-
Tsing Yi	-3.8%	-
Shatin	-3.3%	-
Fanling/ Sheung Shui	-5.7%	-
Tuen Mun/ Yuen Long	-2.1%	-

Source: CBRE Research, January 2025

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