

Hong Kong Industrial Summary

Q1 2024

This summary analyses the performance of Hong Kong's industrial property market

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Highlights



The overall industrial leasing market was tepid in Q1 2024, as economic activity in Hong Kong remained lacklustre. Rent levels of both General Industrial and Modern Logistics dropped to \$12.8 per sq ft and \$17.8 per sq ft, respectively, representing a -1.2% and -0.1% decline QoQ. When compared with the rent levels in the same period of last year, both General Industrial and Modern Logistics recorded an increase by 3.8% and 7.8% YoY. However, these growth rates were mainly due to the low base of 2023.



Given the lack of momentum, there were few large transactions in Q1 2024. The average size of the transactions was approximately 47,000 sq ft, with the logistics sector as the major source of demand. A handful of significant deals during the quarter included a 49,659 sq ft renewal space at Goodman Dynamic Centre in Tsuen Wan with HK \$14.3 per sq ft per month, and a 33,949 sq ft new letting space at ATL logistics Centre in Kwai Chung.



In Q1 2024, vacancy rate of modern logistics facilities showed slight improvement, dropped from 9.5% to 8.5%. General industrial building maintained a low level of vacancy rate at 4.5%. Yet, the abundant new supply of industrial space in the market continues to assert pressure on factory owners. In the face of competition, some factory owners have become more flexible and are willing to offer more incentives such as rental discounts and rent-free period to attract and retain tenants.



On the positive side, the maximum Loan-to-Value (LTV) Ratio for industrial buildings has been adjusted from 60% to 70% in the latest Budget 2024. We believe that the measure could bring positive signals to investors and boost market confidence. We expect the measure will stimulate transaction volumes in the industrial market once the interest rates finally start to come down in 2H 2024. Moreover, the demand for professional art logistics services and fine arts storage persists, as more than 80 mega events especially some large-scale art exhibitions and auctions will be staged in Hong Kong by the 1H 2024.



The global weak economic conditions and geopolitical tensions will continue to weigh on Hong Kong's export performance in short term. Both the value of total exports and imports of goods in Hong Kong recorded YoY decreases in February, at -0.8% and -1.8% respectively. Looking ahead, we expect the easing of global monetary policies later in the year to provide some support to the industrial sector.

Table 1 : Hong Kong Industrial Rents by District or Type (Q1 2024)

District or Type	Rent	Change	
	HK\$ psf / mth	QoQ%	YoY%
General Industrial Building	12.8	-1.2%	3.8%
Kwai Chung, Tsing Yi, Tsuen Wan	13.9	0.9%	9.0%
Kowloon East	13.6	-1.5%	-0.8%
Fanling, Sheung Shui, Sha Tin	13.1	0.0%	1.4%
Tuen Mun, Yuen Long	10.4	-6.4%	-1.1%
Modern Logistics	17.8	-0.1%	7.8%

Source: Knight Frank Research

Chart 1 : Modern Logistics Rental Index and Vacancy Rate

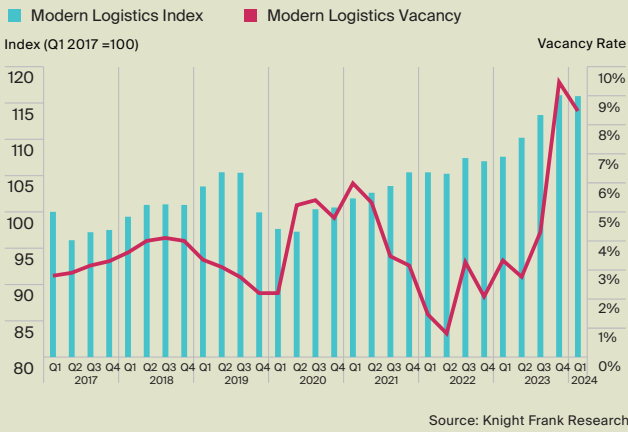


Chart 2 : General Industrial Rental Index and Vacancy Rate

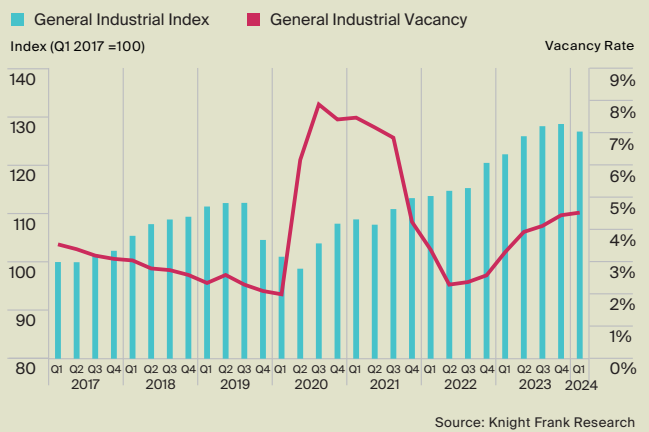


Chart 3 : Import and Total Export

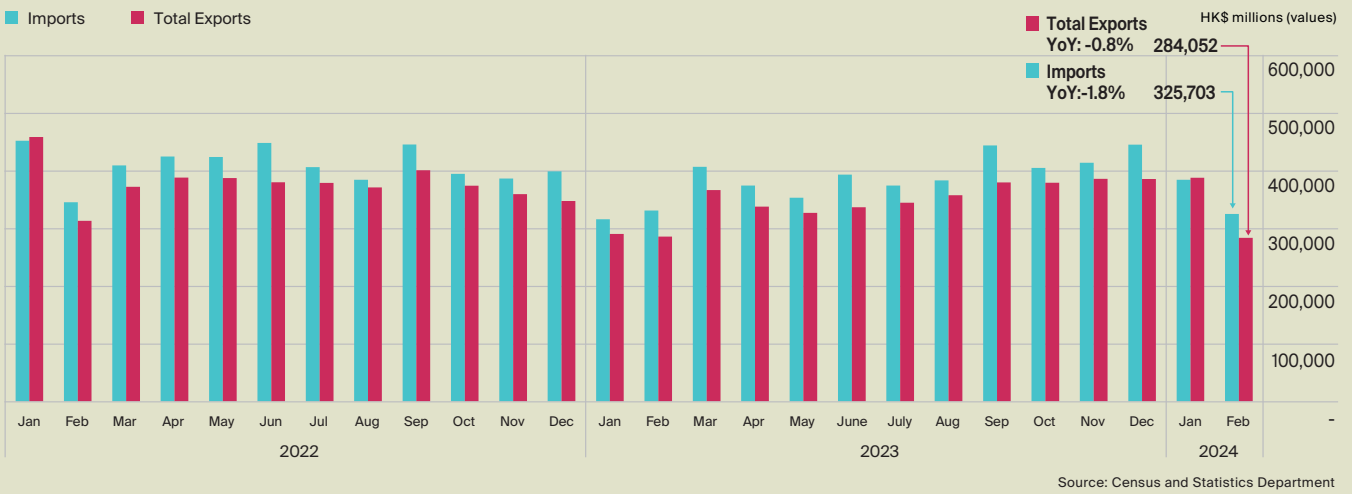


Table 2 : Major Industrial Leasing Transactions (Q1 2024)

District	Building	Type	Area (approx sq ft)	Indicative Rent (HK\$ / sq ft / month)	Type of Tenant
Tsuen Wan	Goodman Dynamic Centre	Industrial	49,659	HK\$14.3	Logistics
Kwai Chung	ATL Logistics Centre	Modern Logistics	33,949	HK\$21.0	Logistics
Tsing Yi	Goodman Interlink	Modern Logistics	30,000	HK\$17.7	Logistics
Tsuen Wan	Goodman Tsuen Wan	Industrial	23,221	HK\$14.2	Logistics
Tsuen Wan	Goodman Tsuen Wan	Industrial	22,502	HK\$14.3	Logistics
Tsuen Wan	Goodman Tsuen Wan	Industrial	16,111	HK\$14.3	Logistics
Tsuen Wan	Goodman Tsuen Wan	Industrial	12,792	HK\$14.3	Logistics
Tsuen Wan	Goodman Global Gateway	Industrial	6,521	HK\$14.5	Logistics
Tsuen Wan	Goodman Tsuen Wan	Industrial	4,664	HK\$14.3	Logistics
Kwai Chung	Chuan Kei Industrial Building	Industrial	4,419	HK\$10.5	Logistics

Source: Knight Frank Research

Table 3 : Major Industrial Landlords Vacancy Rate (Q1 2024)

Landlords	Vacancy Rate
 Goodman	2.6%
 ATL Logistics Centre Hong Kong	1.3%
 HUTCHISON PORTS HUTCHISON LOGISTICS	1.8%
 KERRY LOGISTICS	0.9%
 華潤物流 CR Logistics	2.5%
 maple tree	4.3%
 Modern Terminals	7.7%

We like questions. If you've got one about our research, or would like some property advice, we'd love to hear from you.

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