

Hong Kong Industrial Summary

Q3 2023

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

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Highlights



In this quarter, the rental performance of the industrial market remains resilient. With the support from sizable deals from the logistics and car repairing sectors, rent levels of both general industrial buildings and modern logistics continued to exhibit growth. Average monthly rents of general industrial buildings in Q3 2023 increased by 11% YoY to HK\$12.9 per sq ft; average monthly rents of modern logistics stood at HK\$17.4 per sq ft, increased 5.5% YoY.



Notable deals during the quarter included a 36,000 sq ft space at Kwai Shun Industrial Centre in Kwai Chung and a 32,101 sq ft space at Goodman Tuen Mun Distribution Centre Block 1 in Tuen Mun. Similar to the previous quarter, vacancy rate of modern logistics facilities and general industrial buildings kept at a down level of 4.3% and 4.0%, respectively.



Due to the rising demand for art among affluent collectors, museums, and galleries, the logistics and facilities for the art market are expanding steadily in Hong Kong. Starting from 2023, demand for professional art logistics services and fine arts storage have increased significantly. These tenants typically go for modern logistics buildings, with large floor plate, ramp access and higher security level.



In addition, leasing demand raised from electric vehicles continue to expand, particularly the ground floor workshop is in great demand in locations such as Kwai Chung, Tsuen Wan and Sha Tin for car repairing purpose. According to market sources, Sunshine Kowloon Bay Cargo Centre recorded two leasing deals on 7th floor and basement. The units which are 65,096 sq ft and 27,867 sq ft were taken up by JC motor, the sole agent of Chinese automaker BYD with a monthly rent of \$12 per sq ft.



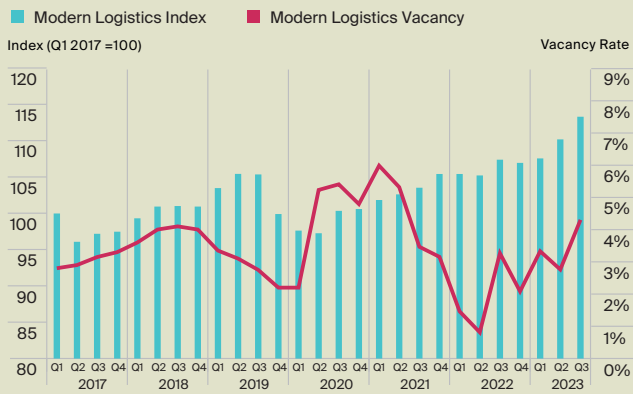
Hong Kong's merchandise exports stayed weak in Q3 due to the continuing US-China trade war. We expect weak external demand for goods will continue to weigh on Hong Kong's export performance in the near term. Furthermore, the market will see massive new supply of industrial space in Q3. To add fuel to the fire, some businesses consider to relocate their storage facilities in bonded area of Chinese mainland, particularly in Yantian and Qianhai for cheaper rents and availability of labour. Overall, we expect the industrial rents to remain flat and vacancy to increase.

Table 1 : Hong Kong Industrial Rents by District or Type (Q3 2023)

District or Type	Rent	Change	
	HK\$ psf / mth	QoQ%	YoY%
General Industrial Building	12.9	1.6%	11.0%
Kwai Chung, Tsing Yi, Tsuen Wan	13.7	3.8%	13.2%
Kowloon East	13.6	-2.1%	9.2%
Fanling, Sheung Shui, Sha Tin	13.0	-0.4%	7.3%
Tuen Mun, Yuen Long	11.1	1.6%	11.1%
Modern Logistics	17.4	2.8%	5.5%

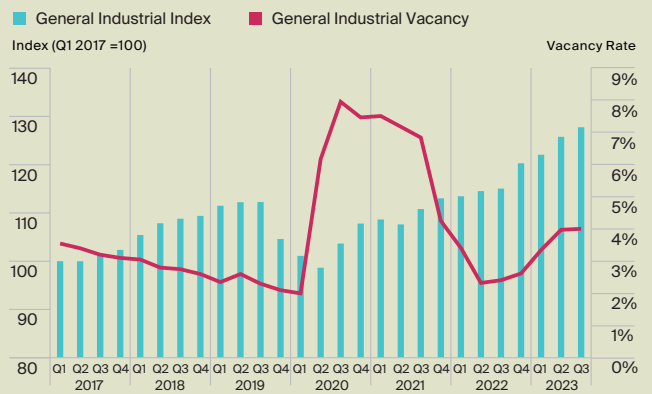
Source: Knight Frank Research

Chart 1 : Modern Logistics Rental Index and Vacancy Rate



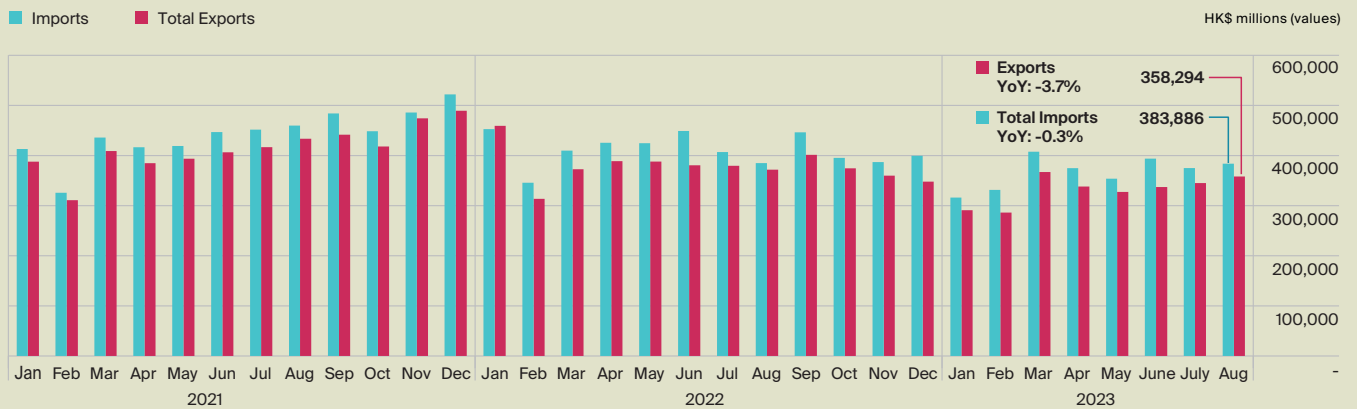
Source: Knight Frank Research

Chart 2 : General Industrial Rental Index and Vacancy Rate



Source: Knight Frank Research

Chart 3 : Import and Total Export



Source: Census and Statistics Department

Table 2 : Major Industrial Leasing Transactions (Q3 2023)

District	Building	Type	Area (approx sq ft)	Indicative Rent (HK\$ / sq ft / month)	Type of Tenant
Kwai Chung	Kwai Shun Industrial Centre	Industrial	36,000	HK\$9.0	Logistics
Tuen Mun	Goodman Tuen Mun Distribution Centre Block 1 Centre Block 1	Industrial	32,101	HK\$11.5	Logistics
Tsuen Wan	Goodman Global Gateway	Industrial	25,165	HK\$15.5	Logistics
Tsuen Wan	Goodman Global Gateway	Modern Logistics	20,884	HK\$17.7	Car Repairing
Tsing Yi	Tsing Yi Industrial Centre	Industrial	17,225	HK\$7.6	Logistics
Tsuen Wan	Goodman Dynamic Centre	Industrial	16,883	HK\$14.5	Storage
Kwai Chung	Goodman Kwai Chung Logistics Centre	Industrial	16,402	HK\$10.5	Medic
Kwai Chung	ATL Logistics Centre	Modern Logistics	16,244	HK\$18.0	Logistics

Source: Knight Frank Research

Table 3 : Major Industrial Landlords Vacancy Rate (Q3 2023)

Landlords	Vacancy Rate
 Goodman	3.2%
 ATL Logistics Centre Hong Kong	0.6%
 HUTCHISON PORTS HUTCHISON LOGISTICS	0.5%
 KERRY LOGISTICS	1.2%
 華潤物流 CR Logistics	5.2%
 maple tree	4.2%
 Modern Terminals	0.8%

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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