

# Hong Kong Industrial Summary

Q4 2022

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## HIGHLIGHTS



The industrial leasing market was stable in Q4 2022. Rent levels of both general industrial building and modern logistics continued to demonstrate a moderate growth. General industrial buildings recorded HK\$12.1 per sq ft per month, up 6.4% YoY and rents of modern logistics stood at HK\$16.4 per sq ft per month, increased 1.4% YoY.



Leasing activity in Q4 was limited as tenants generally adopted a wait-and-see attitude towards border reopening. Major activities were backed by sizeable transactions from the logistics and supermarket sectors in Kwai Chung. Significant deals included a 96,217 sq ft space at Kerry Cargo Centre and an 83,194 sq ft space at ATL Logistics Centre. During the quarter, vacancy rate of modern logistics facilities and general industrial buildings kept at a low level of 2.1% and 2.6%, respectively.



Relocation demand of brownfield sites operators raised from land resumptions continue to expand. Some operators relocated to Goodman Westlink logistics warehouse and occupied the ground floor portion. The 1,500,000 sq ft-warehouse was newly opened in Q3 2022. Meanwhile, some other operators, especially from the labour-intensive logistics industry have relocated to Chinese mainland, i.e. Qianhai and Zhongshan as they have greater supply of spaces, lower rents and the availability of labour.



Technology-powered automation was among the latest trends in logistics facility solutions. Notably, PARKnSHOP (PNS) online shopping platform will invest over HK\$200 million to build a 300,000 sq ft online shopping logistics center at the Hutchison logistics centre in Kwai Chung. PNS will introduce automation and artificial intelligence technology to manage the stock volume to increase efficiency and bring one-stop offline and online shopping experience to customer.

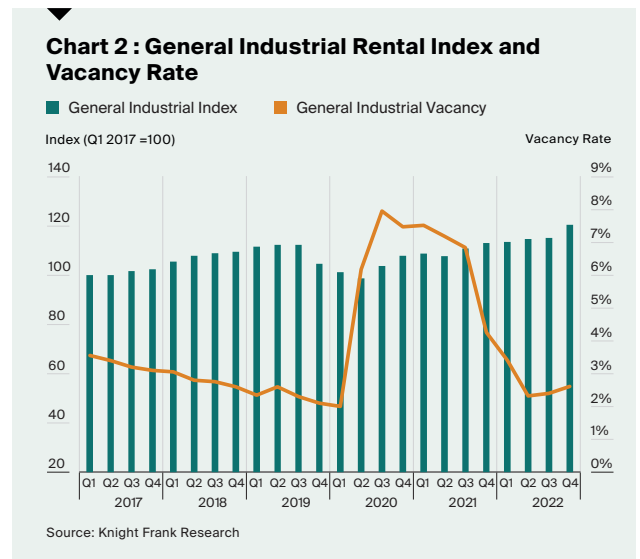
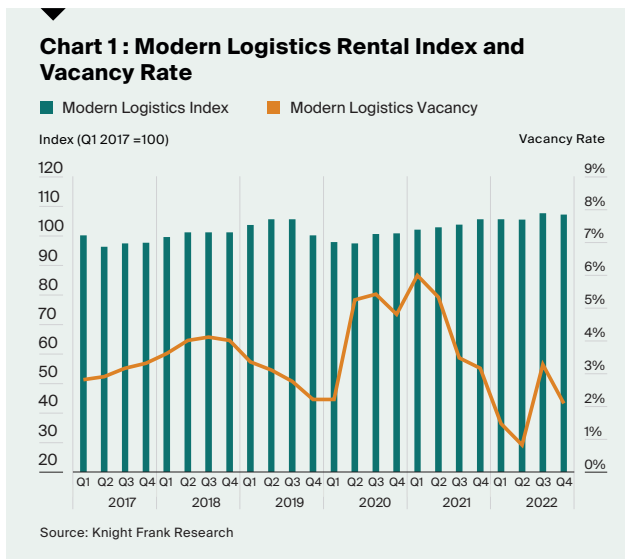


Looking ahead, with strong leasing demand from the logistics sector amid limited supply of space, we expect industrial rents to continue an upward trend in Q1 2023. However, we foresee the rents to remain flat or drop slightly in Q2 - Q4, owing to the massive new supply. According to Rating and Valuation Department, 70,000 sqm of new supply will be provided in 2023. Moreover, given the pandemic situation is stabilised, the government will release some warehouse spaces which it used to store pandemic-related and medical products.

## Hong Kong Industrial Rents by District or Type (Q4 2022)

District or Type	Rent	Change	
	HK\$ psf / mth	QoQ %	YoY %
<b>General Industrial Building</b>	<b>12.1</b>	<b>4.6%</b>	<b>6.4%</b>
Kwai Chung, Tsing Yi, Tsuen Wan	12.5	3.5%	6.0%
Kowloon East	13.7	9.6%	12.3%
Fanling, Sheung Shui, Sha Tin	12.7	4.7%	6.8%
Tuen Mun, Yuen Long	10.2	2.3%	2.3%
<b>Modern Logistics</b>	<b>16.4</b>	<b>-0.4%</b>	<b>1.4%</b>

Source: Knight Frank Research










**Table 1: Major Industrial Leasing Transactions (Q4 2022)**

District	Building	Type	Area (approx sq ft)	Indicative Rent (HK\$ / sq ft / month)	Type of Tenant
Kwai Chung	Kerry Cargo Centre	Modern Logistics	96,217	16.5	Logistics
Kwai Chung	ATL Logistics Centre	Modern Logistics	83,194	19.2	Supermarket
Sheung Shui	Jumbo Plaza	Modern Logistics	58,188	11.5	Logistics
Tsuen Wan	Goodman Tsuen Wan Centre	General Industrial Building	42,528	14	Electronic components
Tsuen Wan	Goodman Tsuen Wan Centre	General Industrial Building	21,264	13.8	End-User
Tai Wai	Sunking Factory Building	General Industrial Building	16,663	14	Central Kitchen

Source: Knight Frank Research

**Table 3 : Major Industrial Landlords Vacancy Rate (Q4 2022)**

Landlords	Vacancy Rate
 Goodman	6.3%
 ATL Logistics Centre Hong Kong	0.3%
 HUTCHISON PORTS HUTCHISON LOGISTICS	0%
 KERRY LOGISTICS	1.4%
 華潤物流 CR Logistics	5.7%
 mapletree	0.4%
 Modern Terminals	0%

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

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