

# Hong Kong Industrial Summary

Q4 2023

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

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## Highlights



In Q4 2023, the external environment was still characterized by uncertainty, evidenced by stock market volatility and plummeting real estate transaction volumes. The logistics real estate market is expected to remain challenging for some time. Nonetheless, supported by significant leasing deals from the logistics sector, rent levels of both General Industrial and Modern Logistics continue saw moderate growth. General industrial building recorded HK\$12.9 per sq ft per month, up 6.6% YoY and Modern Logistics HK\$17.8 per sq ft per month, rose 8.5% YoY.



Significant deals during the quarter included a 78,344 sq ft space at Goodman Interlink in Tsing Yi with HK\$17.0 per sq ft per month and a 23,500 sq ft space at China Resources Logistics in Fanling with HK\$18.0 per sq ft per month. In Q4 2023, vacancy rate of modern logistics facilities increased to 9.5% and general industrial buildings kept at a low level of 4.6%.



The high vacancy rate of 9.5% in modern logistics was largely due to the abundant new supply (4 million sq ft) from the Cainiao Smart Gateway in Hong Kong International airport, which started operation in Q3 2023. At present, only 30% of the space were leased or occupied by the landlord. We believe that it will take some time for tenants to fill up the empty spaces in Cainiao Smart Gateway, as there is a growing trend of shifting air freight demand for logistics space from Hong Kong to Chinese mainland, particularly to Zhuhai and Dongguan.



An industrial site of Yuen Long Town Lot 545 (YLTL 545) would go up for tender in Q1 2024. As the only site to be tendered by the government in Q1 2024, it is located at Fuk Wang Street and Wang Lee Street with a site area of 349,765 sq ft. The winning bidder must transfer at least 30% of the floor space to the government for leasing to brownfield operators affected by the government development projects.

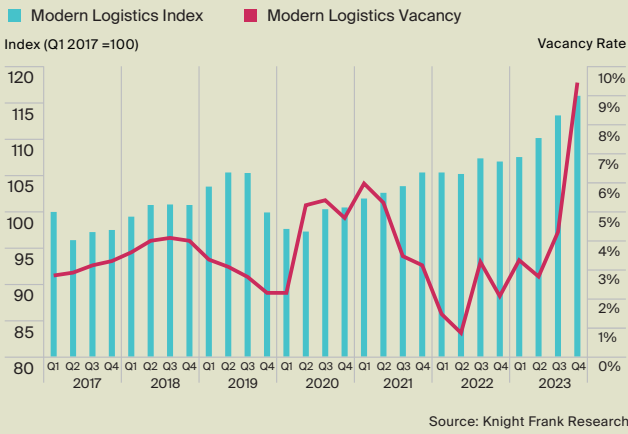


Looking ahead, we expect Hong Kong's merchandise exports will continue to be soft in 2024 due to a confluence of factors - weak external demand for goods, global core inflation is still high and likely to decline only slowly, escalating geopolitical tensions - these will continue to impede Hong Kong's export performance in the near future. As a result, we expect industrial rents to come under pressure in 2024, leading to an increase in vacancy rates.

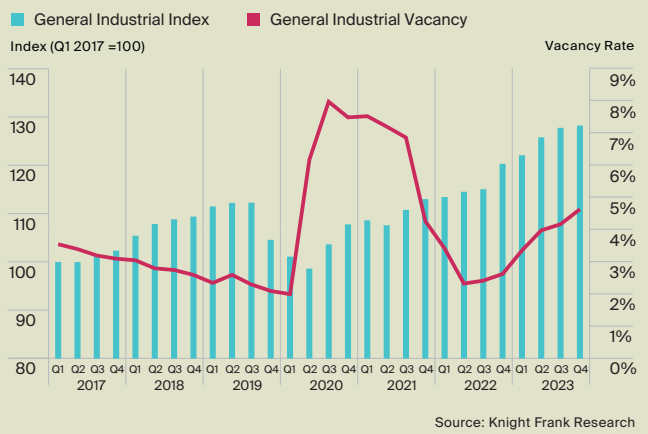
Table 1 : Hong Kong Industrial Rents by District or Type (Q4 2023)

District or Type	Rent		Change	
	HK\$ psf / mth	QoQ%	YoY%	
<b>General Industrial Building</b>	<b>12.9</b>	<b>0.4%</b>	<b>6.6%</b>	
Kwai Chung, Tsing Yi, Tsuen Wan	13.7	0.2%	9.6%	
Kowloon East	13.8	1.3%	0.9%	
Fanling, Sheung Shui, Sha Tin	13.1	0.2%	2.7%	
Tuen Mun, Yuen Long	11.1	0.0%	8.5%	
<b>Modern Logistics</b>	<b>17.8</b>	<b>2.4%</b>	<b>8.5%</b>	

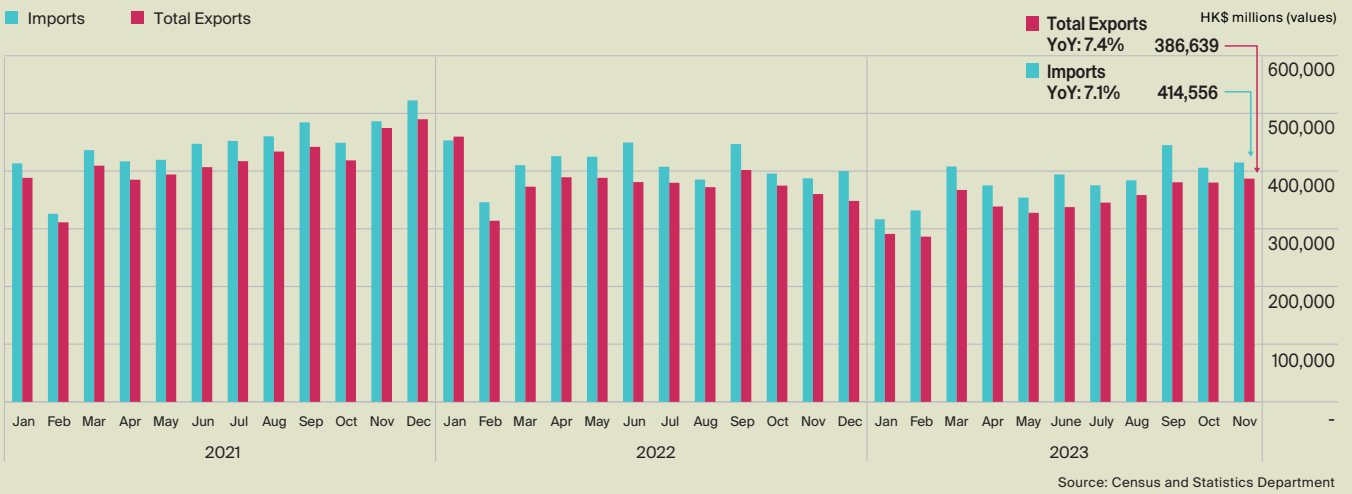
**Chart 1 : Modern Logistics Rental Index and Vacancy Rate**



**Chart 2 : General Industrial Rental Index and Vacancy Rate**



**Chart 3 : Import and Total Export**



**Table 2 : Major Industrial Leasing Transactions (Q4 2023)**

District	Building	Type	Area (approx sq ft)	Indicative Rent (HK\$ / sq ft / month)	Type of Tenant
Tsing Yi	Goodman Interlink	Modern Logistics	78,344	HK\$17.0	Logistics
Tuen Mun	Tuen Mun Distribution Centre	Industrial	28,520	HK\$11.7	Logistics
Tuen Mun	Tai Hing Industrial Building	Industrial	26,086	HK\$10.9	Logistics
Kwai Chung	Goodman Kwai Chung Logistics Centre	Industrial	26,050	HK\$13.2	Logistics
Fanling	China Resources Logistics Yuen Sing Centre	En-bloc	23,500	HK\$18.0	Logistics
Tsuen Wan	Goodman Global Gateway	Modern Logistics	21,025	HK\$18.1	Logistics
Tsuen Wan	Goodman Global Gateway	Modern Logistics	16,660	HK\$17.8	Logistics
Kwai Chung	ATL Logistics Centre	Modern Logistics	16,109	HK\$19.0	Logistics
Tsuen Wan	Goodman Dynamic Centre	Industrial	15,893	HK\$15.1	Logistics
Kwai Chung	Edwick Industrial Centre	Industrial	14,020	HK\$10.6	Logistics
Kwai Chung	ATL Logistics Centre	Modern Logistics	13,854	HK\$28.2	Logistics
Tsuen Wan	Goodman Global Gateway	Industrial	13,025	HK\$16.0	Food Factory
Tsuen Wan	Goodman Global Gateway	Industrial	12,140	HK\$16.0	Food Factory
Tsuen Wan	Goodman Tsuen Wan Centre	Industrial	4,001	HK\$14.6	Logistics

Source: Knight Frank Research

**Table 3 : Major Industrial Landlords Vacancy Rate (Q4 2023)**

Landlords	Vacancy Rate
 Goodman	1.3%
 ATL Logistics Centre Hong Kong	0.8%
 HUTCHISON PORTS HUTCHISON LOGISTICS	0.2%
 KERRY LOGISTICS	0.2%
 華潤物流 CR Logistics	3.8%
 maple tree	4.3%
 Modern Terminals	0%

**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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