

# Hong Kong Industrial Summary

Q1 2023

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

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## Highlights



Overall speaking, the industrial leasing market was quiet in Q1 2023 amid global economic headwinds. However, given solid market fundamentals and low vacancy rates, rent levels of both general industrial buildings and modern logistics continued to demonstrate healthy growth. General industrial building recorded HK\$12.3 per sq ft per month, up 7.6% YoY and rents of modern logistics stood at \$HK16.5 per sq ft per month, up 2.0% YoY. Both vacancy rates of modern logistics facilities and general industrial buildings kept at a low level of 3.3%.



The logistics sector was relatively more active in terms of leasing activities. Significant deals during the quarter included a 38,370 sq ft Goodman Westlink in Tuen Mun and 59,555 sq ft Mapletree Logistics hub in Tsing Yi.



External trade continued to be in depressions amid the slackened external environment. In February, Imports and total exports values dropped by 4.1% to HK\$331,569 million and 8.8% to HK\$286,204 million, YoY respectively. The slowdown in the economies may to continue to weigh on Hong Kong's export performance in the near term. Nonetheless, the accelerated recovery of the Chinese Mainland economy, coupled with lifting of cross-border restrictions between Hong Kong and Chinese Mainland, should alleviate some of the pressure.



Given the full reopening of borders, investors regained confidence. Some notable industrial sales were recorded. According to market news, iCITY a modern industrial building in Kwai Chung, recorded 11 transactions in March. More owner-occupier and investors favour industrial property assets due to the comparatively higher yields and the low entry threshold. In addition, the properties were not subject to stamp duty like BSD, SSD and DSD. Modern industrial properties with decent qualities and with good supporting facilities remained highly most sought-after.



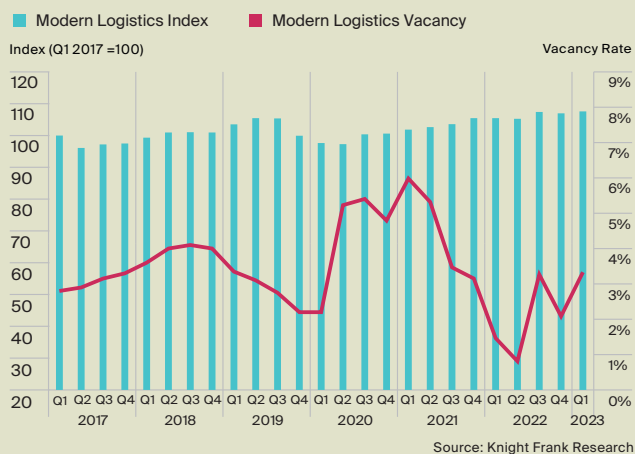
Looking ahead, industrial leasing activity is expected to improve with higher transaction levels in Q2 as the border opening has boosted leasing demand for industrial space. A new facility namely Cainiao Smart Gateway located at Kwo Lo Wan in Hong Kong International Airport's South Cargo Precinct with GFA of approximately 4 million sq ft is expected to commence its operation in Q2 2023. We expect rents of industrial properties to remain flat throughout the course of the year owing to the massive new supply.

**Table 1 : Hong Kong Industrial Rents by District or Type (Q1 2023)**

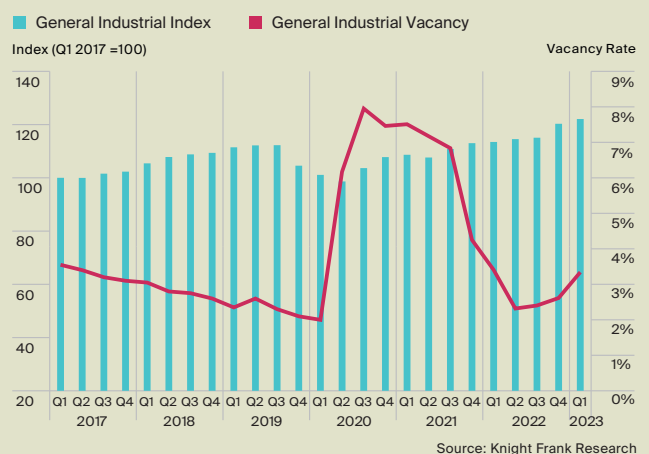
District or Type	Rent	Change	
	HK\$ psf / mth	QoQ %	YoY %
<b>General Industrial Building</b>	<b>12.3</b>	<b>1.5%</b>	<b>7.6%</b>
Kwai Chung, Tsing Yi, Tsuen Wan	12.7	1.5%	7.2%
Kowloon East	13.7	0.1%	11.8%
Fanling, Sheung Shui, Sha Tin	12.9	1.3%	7.4%
Tuen Mun, Yuen Long	10.5	2.7%	5.1%
<b>Modern Logistics</b>	<b>16.5</b>	<b>0.6%</b>	<b>2.0%</b>

Source: Knight Frank Research

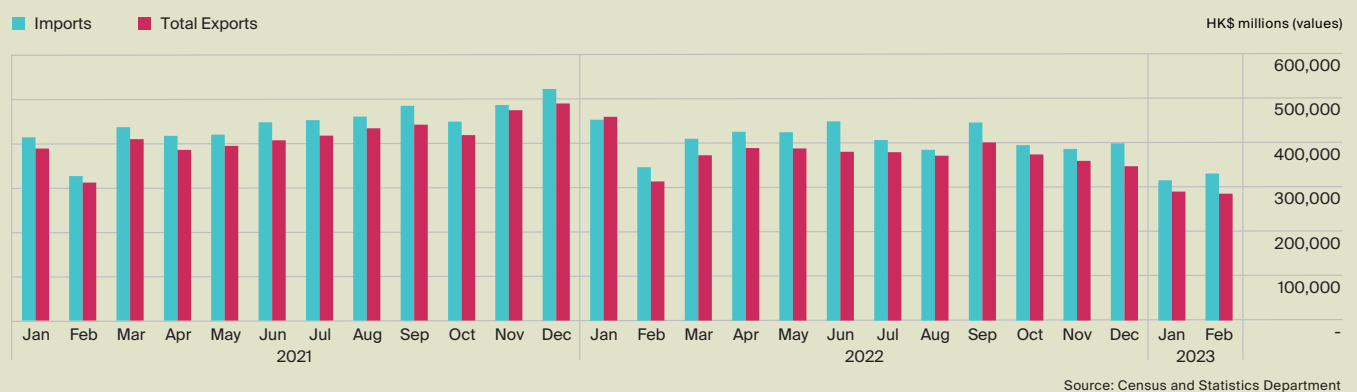
**Chart 1 : Modern Logistics Rental Index and Vacancy Rate**



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



**Chart 3 : Import and Total Export**



**Table 2 : Major Industrial Leasing Transactions (Q1 2023)**

District	Building	Type	Area (approx sq ft)	Indicative Rent (HK\$ / sq ft / month)	Type of Tenant
Tsing Yi	Mapletree Logistics Hub	Modern Logistics	59,555	16.5	Logistics
Fo Tan	Goodman Shatin Logistics Centre	General Industrial Building	13,214	13	Cold Storage
Fo Tan	Goodman Shatin Logistics Centre	General Industrial Building	13,214	14	Logistics
Kwai Chung	Chuan Kei Industrial Building	General Industrial Building	10,579	11.5	Logistics
Kwai Chung	Chuan Kei Industrial Building	General Industrial Building	16,000	10.25	Logistics
Tuen Mun	Goodman Westlink	Modern Logistics	38,370	16.5	Logistics

Source: Knight Frank Research

**Table 3 : Major Industrial Landlords Vacancy Rate (Q1 2023)**

Landlords	Vacancy Rate
 Goodman	7%
 ATL Logistics Centre Hong Kong	0.3%
 HUTCHISON PORTS HUTCHISON LOGISTICS	0%
 KERRY LOGISTICS	3.3%
 華潤物流 CR Logistics	7.1%
 maple tree	0.9%
 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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