

Hong Kong Industrial Summary

Q2 2023

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

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Highlights



In Q2 2023, the external economic environment remained weak. However, backed by sizeable transactions from logistics sector, rent levels of both General Industrial and Modern Logistics continued to demonstrate impressive growth. General industrial building recorded HK\$12.7 per sq ft per month, up 9.8% YoY and rents of modern logistics stood at HK\$16.9 per sq ft per month, rose 4.7%.



Major deals included an 83,422 sq ft space at Goodman Westlink, and a 40,590 sq ft space at China Resources East Asia Industrial building in Tuen Mun. During the quarter, vacancy rate of modern logistics facilities and general industrial buildings kept at a low level of 2.8% and 4.0%, respectively.



Owing to the weak external environment, the value of Hong Kong's total exports of goods decreased by 11.4% YoY to \$337.4 billion. The value of imports of goods also decreased by 12.3% YoY to \$393.9 billion in June 2023. Some companies struggled to maintain their businesses and preferred lease renewal. They also do not foresee expansion in the coming 12 months. Looking ahead, the weakness in the advanced economies will persist to pose challenges to Hong Kong's exports, yet we believe the faster growth of the Chinese mainland economy should provide some offset.



We believe automated cold chain logistics centre will gain steam in the future. Recently, KaiLong and Reitar Logtech Group mark the official commencement of the construction of a large-scale automated cold chain project in May. The project will convert a 40-years old industrial building at 26 Wing Kei Road, Kwai Chung into an automated cold chain logistics centre. The project is expected to be completed by the end of 2024, with a total GFA of over 200,000 sq ft. Upon completion, it will be the largest automated cold chain logistics centre in Hong Kong.



Looking forward, the market will see abundant new supply of industrial space. The 4-million-sq-ft Cainiao Smart Gateway in Hong Kong International Airport, Chek Lap Kok is expected to commence operation in September. In addition, in a continuing weak environment, a local logistics company may potentially further release GFA of few hundreds thousands sq ft of leasing space for rent. Amid the massive supply, we expect the market to be tenant-favourable, with industrial rents to remain stable.

Table 1 : Hong Kong Industrial Rents by District or Type (Q2 2023)

District or Type	Rent	Change	
	HK\$ psf / mth	QoQ%	YoY%
General Industrial Building	12.7	3.0	9.8
Kwai Chung, Tsing Yi, Tsuen Wan	13.2	3.7	9.9
Kowloon East	13.9	1.6	11.7
Fanling, Sheung Shui, Sha Tin	13.1	1.5	8.0
Tuen Mun, Yuen Long	10.9	4.0	9.3
Modern Logistics	16.9	2.4	4.7

Source: Knight Frank Research

Chart 1 : Modern Logistics Rental Index and Vacancy Rate

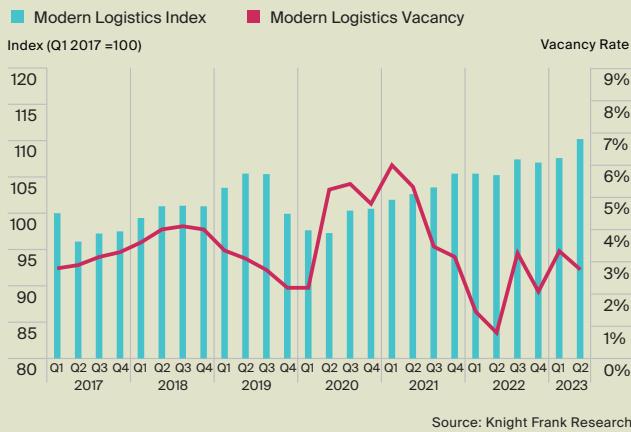


Chart 2 : General Industrial Rental Index and Vacancy Rate

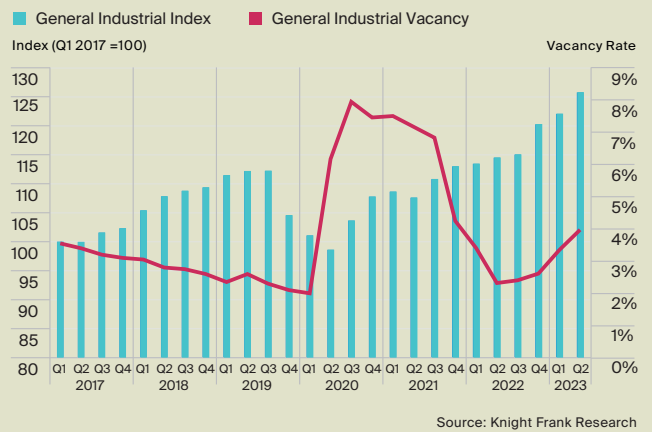


Chart 3 : Import and Total Export

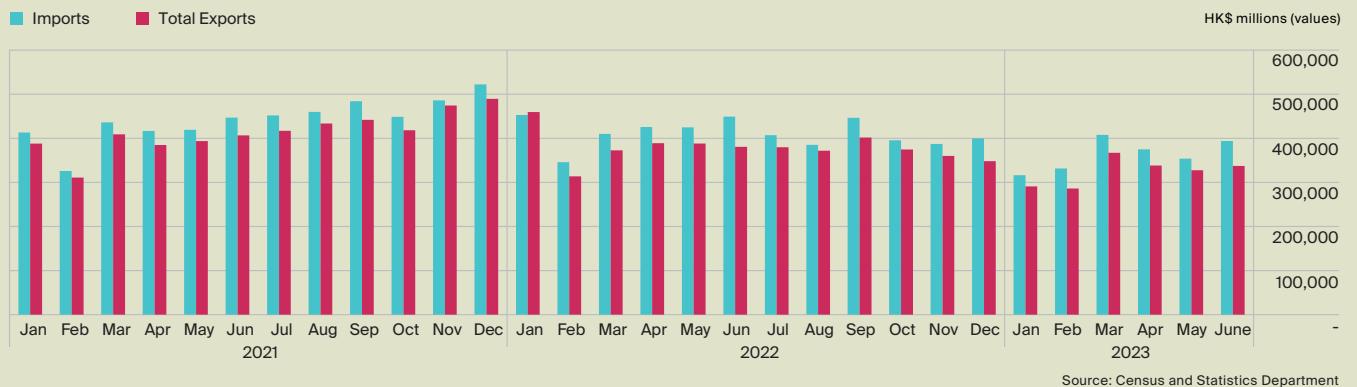


Table 2 : Major Industrial Leasing Transactions (Q2 2023)

District	Building	Type	Area (approx sq ft)	Indicative Rent (HK\$ / sq ft / month)	Type of Tenant
Tuen Mun	Goodman Westlink	Modern Logistics	83,422	16.5	Logistics
Tuen Mun	China Resources East Asia Industrial Building	General Industrial Building	40,590	12.5	Logistics
Tsuen Wan	Goodman Dynamic Centre	General Industrial Building	32,776	14	Logistics
Kwai Chung	China Resources Shatin Warehouse Building	General Industrial Building	28,851	13.5	Logistics
Kowloon Bay	Sunshine Kowloon Bay Cargo Centre	Modern Logistics	27,867	13	Car Storage
Tsuen Wan	Kong Nam Industrial Building	General Industrial Building	26,410	11.09	Hospital Authority
Tsuen Wan	Goodman Tsuen Wan Centre	General Industrial Building	21,284	14	Logistics
Tsuen Wan	Goodman Global Gateway	Modern Logistics	20,849	17.8	Logistics
Tsuen Wan	Goodman Global Gateway	Modern Logistics	16,660	17.7	Logistics
Kowloon Bay	Sunshine Kowloon Bay Cargo Centre	Modern Logistics	12,812	13	Car Storage
Tuen Mun	Co-Teck Industrial Building	General Industrial Building	9,564	13.59	Food Storage

Source: Knight Frank Research

Table 3 : Major Industrial Landlords Vacancy Rate (Q2 2023)

Landlords	Vacancy Rate
 Goodman	5.6%
 ATL Logistics Centre Hong Kong	0.6%
 HUTCHISON PORTS HUTCHISON LOGISTICS	0.5%
 KERRY LOGISTICS	2.5%
 華潤物流 CR Logistics	3.2%
 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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