

Hong Kong Industrial Summary

Q2 2024

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

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Highlights



In Q2 2024, industrial leasing market continued the downbeat momentum amid weak global trade demand. Rent levels of both General Industrial and Modern Logistics dropped slightly in Q2 2024, down 0.2% and 0.7% QoQ to \$12.8 per sq ft and \$17.7 per sq ft, respectively. When compared with the rent levels in the same period of last year, both General Industrial and Modern Logistics recorded an increase by 0.6% and 4.4% YoY. Yet, the significant growth rates were mainly because of major landlords' refusal of rent reductions. In this quarter, the vacancy rate of modern logistics facilities climbed further, increased to 9.1% from 8.5%. The vacancy rate of general industrial buildings also rose to 5.3% from 4.5%.



Most tenants remained cautious, with a cost-savings trend involving downsizing in the logistics sector. Despite the soft market sentiment, some expansion cases were recorded, driven mainly by e-commerce sector. For example, YesAsia, a Hong Kong-based online retailer, occupied 140,000 sq ft of space at Maple tree Logistics Hub in Tsing Yi; YesAsia also renewed two units at Tsing Yi Industrial centre, for spaces 28,676 sq ft and 12,566 sq ft respectively; Buy and Ship, an online platform for shopping and shipping, occupied 90,000 sq ft at Big Orange in Tai Wai.



The government posted notices of land resumption and acquisition for second phase development of the Hung Shui Kiu/ Ha Tsuen New Development area during the quarter. We believed the relocation demand of brownfield sites operators raised from land resumptions will continue to expand. BANDAI, the Japanese toys & collectibles company will relocate and upgrade from a tin-sheeted storage facility to Hutchison Logistics Centre (HLC), reflecting that some larger companies with a better rental affordability will choose to upgrade to the modern logistics facilities.



Meanwhile, like other sectors of the commercial sales market, transactions of industrial assets were tepid during the quarter. A significant example of big-ticket industrial sales during the month was the transaction of a 36,255-sq-ft-factory unit on 11/F of Hong Kong (Chai Wan) Industrial Building which was sold for HK\$100 million or HK\$2,758 per sq ft. The buyer is mainly engaged in logistics and related services.



Looking ahead, given the weak economic activity, the slow absorption of industrial space and huge supply, we expect the overall vacancy rate to increase in 2H 2024. Meanwhile, the market will continue to be tenant-favourable, with industrial rents to fall by 1 to 2%.

Table 1 : Hong Kong Industrial Rents by District or Type (Q2 2024)

District or Type	Rent		Change	
	HK\$ psf / mth	QoQ%	YoY%	
General Industrial Building	12.8	-0.2%	0.6%	
Kwai Chung, Tsing Yi, Tsuen Wan	13.6	-1.7%	3.2%	
Kowloon East	13.7	1.0%	-1.3%	
Fanling, Sheung Shui, Sha Tin	13.1	0.0%	-0.1%	
Tuen Mun, Yuen Long	10.6	2.1%	-2.9%	
Modern Logistics	17.7	-0.7%	4.4%	

Chart 1 : Modern Logistics Rental Index and Vacancy Rate

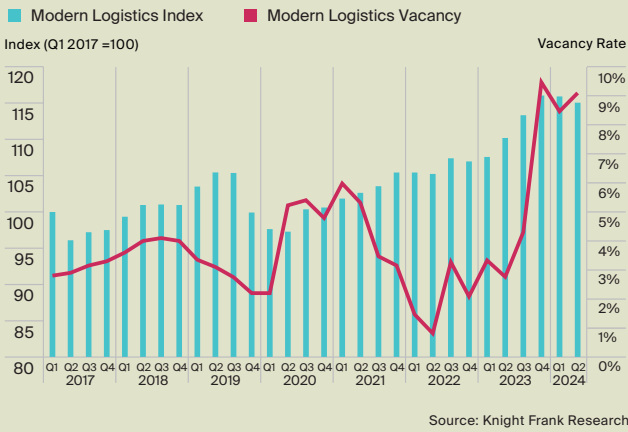


Chart 2 : General Industrial Rental Index and Vacancy Rate

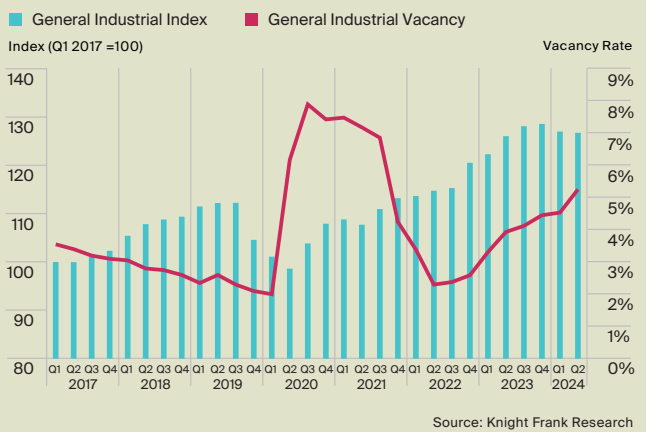


Chart 3 : Import and Total Export

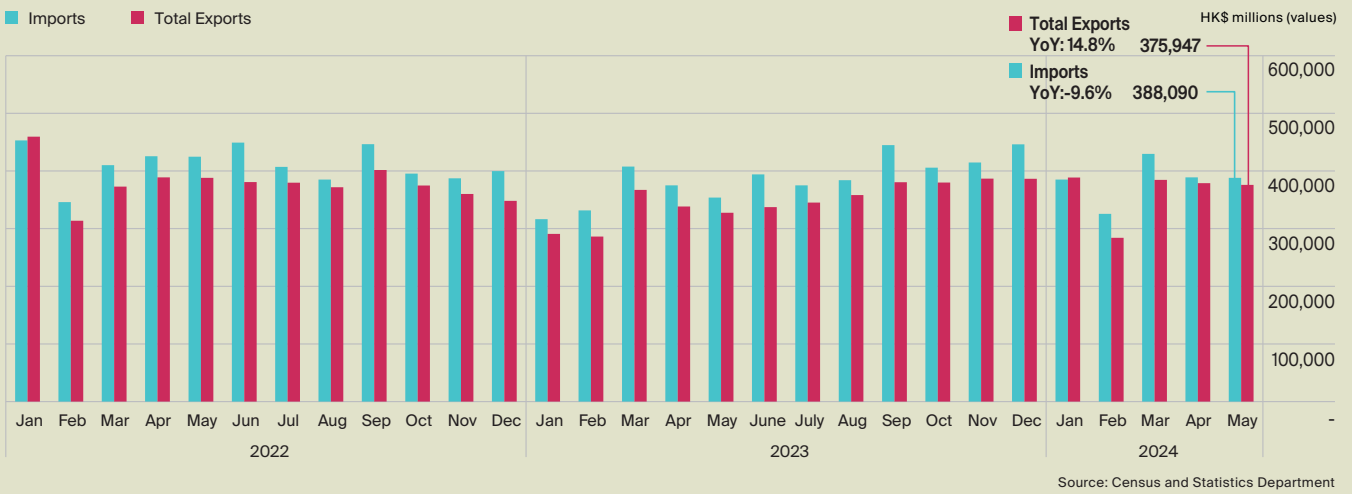









Table 2 : Major Industrial Leasing Transactions (Q2 2024)

District	Building	Type	Area (approx sq ft)	Indicative Rent (HK\$ / sq ft / month)	Type of Tenant
Fanling	Fook Wo Group building	Industrial / Warehouse	47,030	HKD 9.4	Pharmacy
Tsing Yi	Goodman Interlink	Modern Logistics	39,100	HKD 17.5	Logistics
Tuen Mun	Goodman Westlink	Modern Logistics	38,370	HKD 16.5	Logistics
Tsing yi	Tsing Yi Industrial Centre	Industrial / Warehouse	28,676	HKD 7.3	e-commerce
Kwai Chung	Riley House	Industrial / Warehouse	24,234	HKD 12.1	Supermarket
Kwai Chung	Goodman Tsuen Wan Centre	Industrial / Warehouse	21,284	HKD 15.5	Logistics
Tsuen Wan	Goodman Dynamic Centre	Industrial / Warehouse	17,462	HKD 14.6	Logistics
Kwai Chung	Goodman Dynamic Centre	Industrial / Warehouse	17,462	HKD 13.5	Logistics
Kwun Tong	International industrial Building	Industrial / Warehouse	15,140	HKD 8.3	Industrial
Kwun Tong	International industrial Building	Industrial / Warehouse	15,140	HKD 9.1	Logistics
Tsing yi	Tsing Yi Industrial Centre	Industrial / Warehouse	12,566	HKD 6.8	e-commerce
Kwun Tong	Seapower Industrial Centre	Industrial / Warehouse	11,693	HKD 15.9	Industrial
Shatin	Goodman Shatin Logistics Centre Phase 2	Industrial / Warehouse	7,394	HKD 13.9	Logistics

Source: Knight Frank Research

Table 3 : Major Industrial Landlords Vacancy Rate (Q2 2024)

Landlords	Vacancy Rate
	3.0%
 ATL Logistics Centre Hong Kong	1.9%
	3.8%
	2.2%
	4.3%
	4.3%
	7.7%

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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