

Hong Kong Industrial Summary

Q3 2022

HIGHLIGHTS



The industrial leasing market continued to improve in Q3 2022, as leasing demand remained strong from the logistics sector amid limited supply. Rent levels of both general industrial building and modern logistics continued to demonstrate a fair growth in Q3. General industrial buildings recorded HK\$11.6 per sq ft per month, up 3.8% YoY and rents of modern logistics stood at HK\$16.5 per sq ft per month, rose 3.7% YoY.



Leasing activity in Q3 was mainly supported by sizeable transactions from the logistics sector. Significant deals included a 48,178 sq ft space at Ever Gain Centre in Shatin, and a 28,226 sq ft space at Lung Fung Group Centre in Fanling. During the quarter, vacancy rate of modern logistics facilities and general industrial buildings kept at a low level of 3.3% and 2.4%, respectively.



The newly delivered Goodman Westlink logistics warehouse in Tuen Mun in September which added 1,500,000 sq ft of space to the market could exert short-term pressure on rents. Yet, relocation demand of brownfield sites operators raised from land resumptions in locations like Tin Shui Wai, Yuen Long and Tuen Mun may provide some support in the short-term.



Looking ahead, the Policy Address 2022 has proposed to accelerate “re-industrialization”, specifically, exploring the construction of a second Advanced Manufacturing Centre at the Tai Po Inno Park, pushing for the completion of Hong Kong-Shenzhen Innovation and Technology Park as well as expediting the development of San Tin Technopole. We believe the development of these innovation parks will lead to the redevelopment of the tradition industrial zones and promote the redevelopment of old industrial buildings into advanced manufacturing sites.

Hong Kong Industrial Rents by District or Type (Q3 2022)

District or Type	Rent	Change	
	HK\$ psf / mth	QoQ %	YoY %
General Industrial Building	11.6	0.5%	3.8%
Kwai Chung, Tsing Yi, Tsuen Wan	12.1	0.9%	5.3%
Kowloon East	12.5	0.3%	3.6%
Fanling, Sheung Shui, Sha Tin	12.2	0.3%	3.2%
Tuen Mun, Yuen Long	10.0	0.0%	1.7%
Modern Logistics	16.5	2.1%	3.7%

Source: Knight Frank Research

Chart 1 : Modern Logistics Rental Index and Vacancy Rate

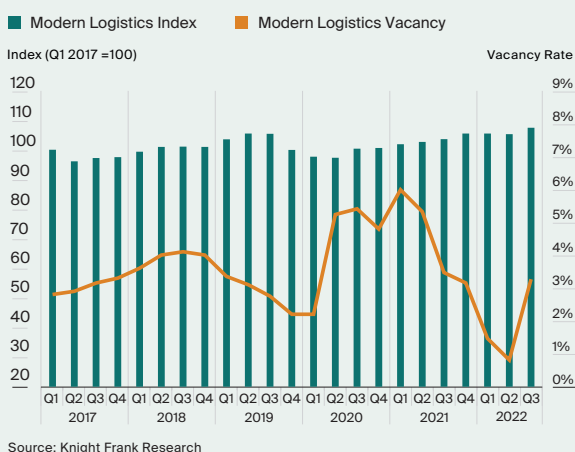


Chart 2 : General Industrial Rental Index and Vacancy Rate

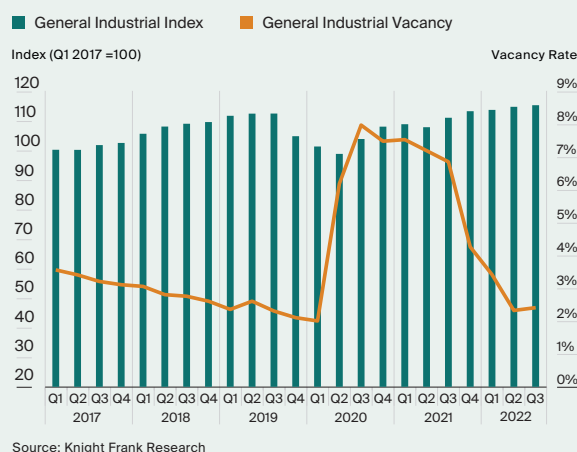


Table 1 : Major Industrial Leasing Transactions (Q3 2022)

District	Building	Type	Area (approx sq ft)	Indicative Rent (HK\$ / sq ft / month)	Type of Tenant
Shatin	Ever Gain Centre	Modern Logistics	48,178	\$16.0	Drinks Distributor
Yuen Long	Zung Fu	En-block	33,907	\$17.7	Car Repairing
Fanling	Lung Fung Group Centre	General Industrial Building	28,226	\$10.5	Logistics
Kwai Chung	12-14 Yip Shing Street	General Industrial Building	21,250	\$14.0	Generator Repairing
Kwai Chung	Citic Telecom Tower	General Industrial Building	19,215	\$14.0	Logistics
Kwai Chung	ATL Logistics Centre	Modern Logistics	16,253	\$18.5	Logistics
Fo Tan	Yan Hing Centre	General Industrial Building	14,120	\$14.7	Lab
Kowloon Bay	Sunshine Kowloon Bay Cargo Centre	Modern Logistics	12,000	\$21.0	Recycling

Source: Knight Frank Research








Table 2 : Hong Kong Industrial Land Sale (Q3 2022)

Sale Award Date	Type	Lot Number	Location	User	Site Area (sq ft)	Premium (HK\$ mil)	Max GFA (sq ft)	Accommodation Value (HK\$ per sq ft)
20 July 2022	Tender	Kwai Chung Town Lot No. 531 (KCTL 531)	Junction of Mei Ching Road & Container Port Road South	Logistics Services & Public Vehicle Park	594,652	5,257	1,485,418	3,539

Source: Knight Frank Research, Lands Department, HKSAR.

- ▶ In 2022 Q3, there was only one logistics land sale transaction – i.e. KCTL 531. Located in Kwai Chung with a site area of 594,652 sq ft, KCTL 531 was sold to Sunrise Victory Limited (ESR Group Limited) via government tender for HK\$5,257 million, or an accommodation value of \$3,539 per sq ft.
- ▶ There were some major special conditions stipulated on the lease of KCTL 531, which include: such building or buildings to be completed and made fit for occupation on or before 30 June 2028, total useable floor area of ancillary office shall not exceed 30%; to construct a public vehicle park with 760 spaces.
- ▶ The tender attracted 3 bids. The remaining two unsuccessful bidders were Singapore-based Mapletree Investments Pte Ltd and Australia-based Goodman Group. The market response to this industrial land was encouraging, reflecting the strong demand for logistics land.

Table 3 : Major Industrial Landlords Vacancy Rate (Q3 2022)

Landlords	Vacancy Rate
	0.13%
 ATL Logistics Centre Hong Kong	0.01%
	0%
	3.05%
	4.55%
	0.21%
	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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