

# Hong Kong Industrial Summary

Q3 2024

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

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## Highlights



In Q3 2024, the industrial market continued to face challenges, with an overall vacancy hit a record high of 8.2%. The vacancy rate of Modern Logistics facilities and general industrial buildings climbed further to 9.4% (from 9.1%) and 6.6% (from 5.3%), respectively. This was largely due to the scaling back of operations of Third-Party Logistics (3PLs) amid economic uncertainty, which has undermined the leasing demand.



On the other hand, rent levels of both Modern Logistics and General Industrial dropped slightly in Q3 2024, down 0.4% and 0.2% QoQ to \$17.6 per sq ft and \$12.8 per sq ft, respectively.



Despite these challenges, demand from e-commerce sector is on the rise. One notable expansion case recorded during this quarter was the expansion of YesAsia an e-commerce operator who leased 147,168 sq ft at Mapletree Logistics Hub in Tsing Yi. Besides, Cainiao also secured several warehouse as hubs for expansion purposes. These hubs which span across Hong Kong Island, Kowloon and New territories will be served as distribution centres.



On the contrary, the demand for cold storage facilities has been shrinking, with a handful of surrender cases of cold storage recently. A 10,000-sq ft-unit with a fully furnished temperature-controlled facilities at Goodman Shatin Logistics Centre went vacant; a newly renovated cold storage unit in Kwai Chung also failed to find any suitable tenant. We believe that this is partly due to the expensive costs associated with maintaining these facilities and the growth in grocery shopping in mainland has severely impacted the demand for cold storage.



As the price of industrial buildings has come down, some occupiers grasp the opportunity to buy properties for self-use. There is a significant sales transaction completed during the quarter. An e-commerce company, JD.com announced its successful acquisition of an en-bloc building of Li Fung Centre (487,000 sq ft) in Sha Tin from M&G Investment for expansion. The transaction price was HK\$1.8 billion, with an accommodation value of HK\$3,696 per sq ft. It is expected to be the largest industrial building transaction in 2024.

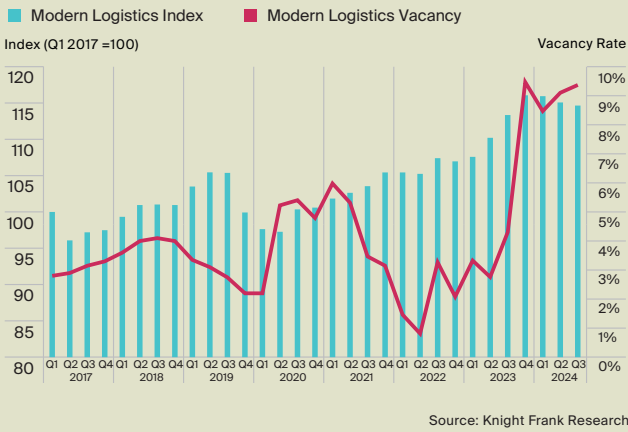


Looking forward, we expect industrial rents in Hong Kong to remain soft in Q4 2024. The overall demand for industrial space has not been strong enough to drive significant rental growth. On a positive note, with the US Fed announcing a 0.5% interest rate cut in September, and the supportive measures to ease mortgage loan requirements for non-residential properties announced in the Policy Address, we expect an improvement in the overall investment market momentum and a rebound in transaction activity in the near term.

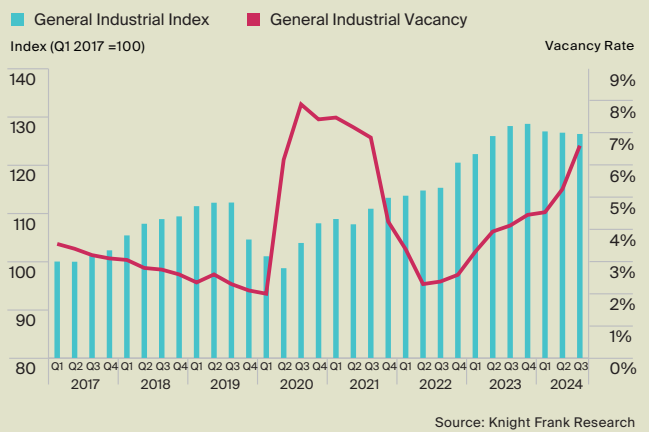
**Table 1 : Hong Kong Industrial Rents by District or Type (Q3 2024)**

| District or Type                   | Rent           |              | Change       |  |
|------------------------------------|----------------|--------------|--------------|--|
|                                    | HK\$ psf / mth | QoQ %        | YoY %        |  |
| <b>General Industrial Building</b> | <b>12.8</b>    | <b>-0.2%</b> | <b>-1.3%</b> |  |
| Kwai Chung, Tsing Yi, Tsuen Wan    | 13.6           | -0.3%        | -0.8%        |  |
| Kowloon East                       | 13.8           | 0.4%         | 1.1%         |  |
| Fanling, Sheung Shui, Sha Tin      | 13.0           | -1.0%        | -0.8%        |  |
| Tuen Mun, Yuen Long                | 10.6           | 0.0%         | -4.5%        |  |
| <b>Modern Logistics</b>            | <b>17.6</b>    | <b>-0.4%</b> | <b>1.2%</b>  |  |

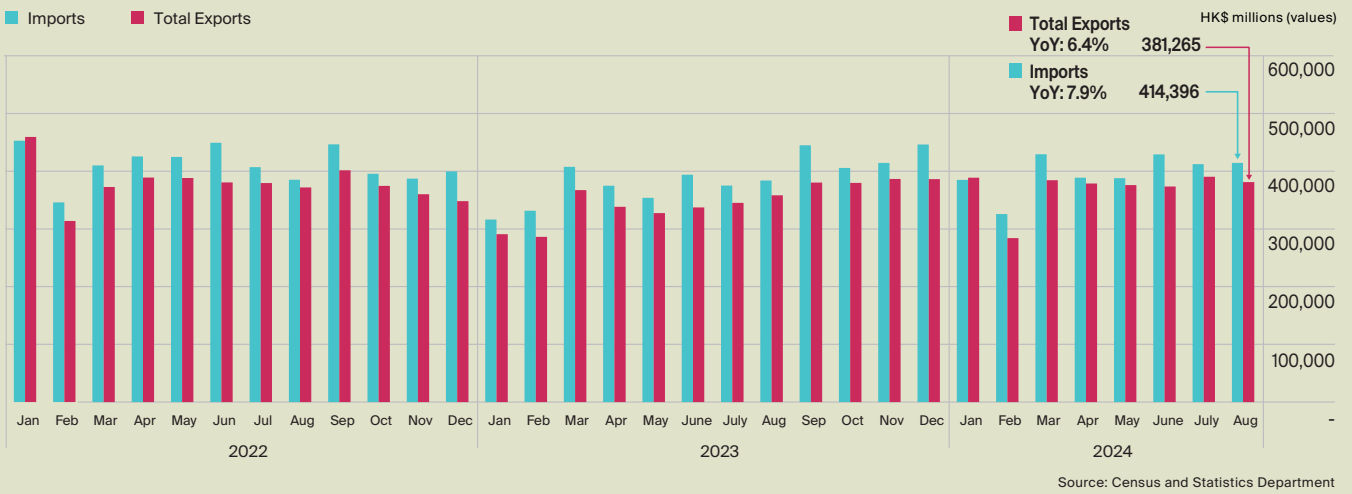
**Chart 1 : Modern Logistics Rental Index and Vacancy Rate**



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



**Chart 3 : Import and Total Export**










**Table 2 : Major Industrial Leasing Transactions (Q3 2024)**

| District    | Building                                | Type                   | Area (approx sq ft) | Indicative Rent (HK\$ / sq ft / month) | Type of Tenant    | Nature of Tenancy |
|-------------|---|------------------------|---------------------|--|-------------------|-------------------|
| Tsuen Wan   | Goodman Tsuen Wan Centre                | Industrial / Warehouse | 11,066              | 16.00                                  | 3PL               | Renewal           |
| Shatin      | Goodman Shatin Logistics Centre Phase 2 | Industrial / Warehouse | 26,428              | 15.00                                  | Warehouse         | Renewal           |
| Tsing Yi    | Tsing Yi Industrial Centre PH 2         | Ground Floor           | 12,660              | 16.59                                  | 3PL               | Expansion         |
| Tsing Yi    | Mapletree Logistics Hub                 | Modern Logistics       | 147,168             | 16.50                                  | E-commerce        | Expansion         |
| Kowloon Bay | Sunshine Kowloon Bay Cargo Centre       | Modern Logistics       | 61,310              | 11.20                                  | 3PL               | Renewal           |
| Kwai Chung  | ATL Logistic Centre                     | Modern Logistics       | 25,258              | 21.00                                  | Cold Storage      | Renewal           |
| Chai Wan    | Honour Industrial Centre                | Industrial / Warehouse | 8,397               | 11.31                                  | Warehouse         | Renewal           |
| Tsing Yi    | Goodman Interlink                       | Modern Logistics       | 68,905              | 17.50                                  | Art Moving        | New setup         |
| North Point | Sea View Estate Blk C                   | Industrial / Warehouse | 12,815              | 18.34                                  | Warehouse/ office | Renewal           |
| Tsuen Wan   | Goodman Global Gateway                  | Modern Logistics       | 16,600              | 17.80                                  | Art Moving        | Renewal           |

Source: Knight Frank Research

**Table 3 : Major Industrial Landlords Vacancy Rate (Q3 2024)**

| Landlords   | Vacancy Rate |
|---|--------------|
|                                    | 3.0%         |
|  ATL Logistics Centre<br>Hong Kong | 3.3%         |
|                                    | 5.2%         |
|                                    | 2.2%         |
|                                    | 6.2%         |
|                                    | 2.0%         |
|                                   | 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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