



HONG KONG STRATA INDUSTRIAL SALES CRASH 66% IN Q4 AS SUPPLY CHAIN WOES CONTINUE

2023/01/10 BY GREG ISAACSON — LEAVE A COMMENT



The ATL Logistics Centre in Kwai Chung saw some big leasing deals in Q4

Modern warehouse rents in Hong Kong declined 1.5 percent in the fourth quarter of last year as a slumping logistics market weighed on local third-party logistics (3PL) operators...

The brokerage predicted further declines in 2023, with overall warehouse rents expected to drop by roughly 5 to 10 percent, but the lifting of most restrictions on the China-Hong Kong border could bring relief...

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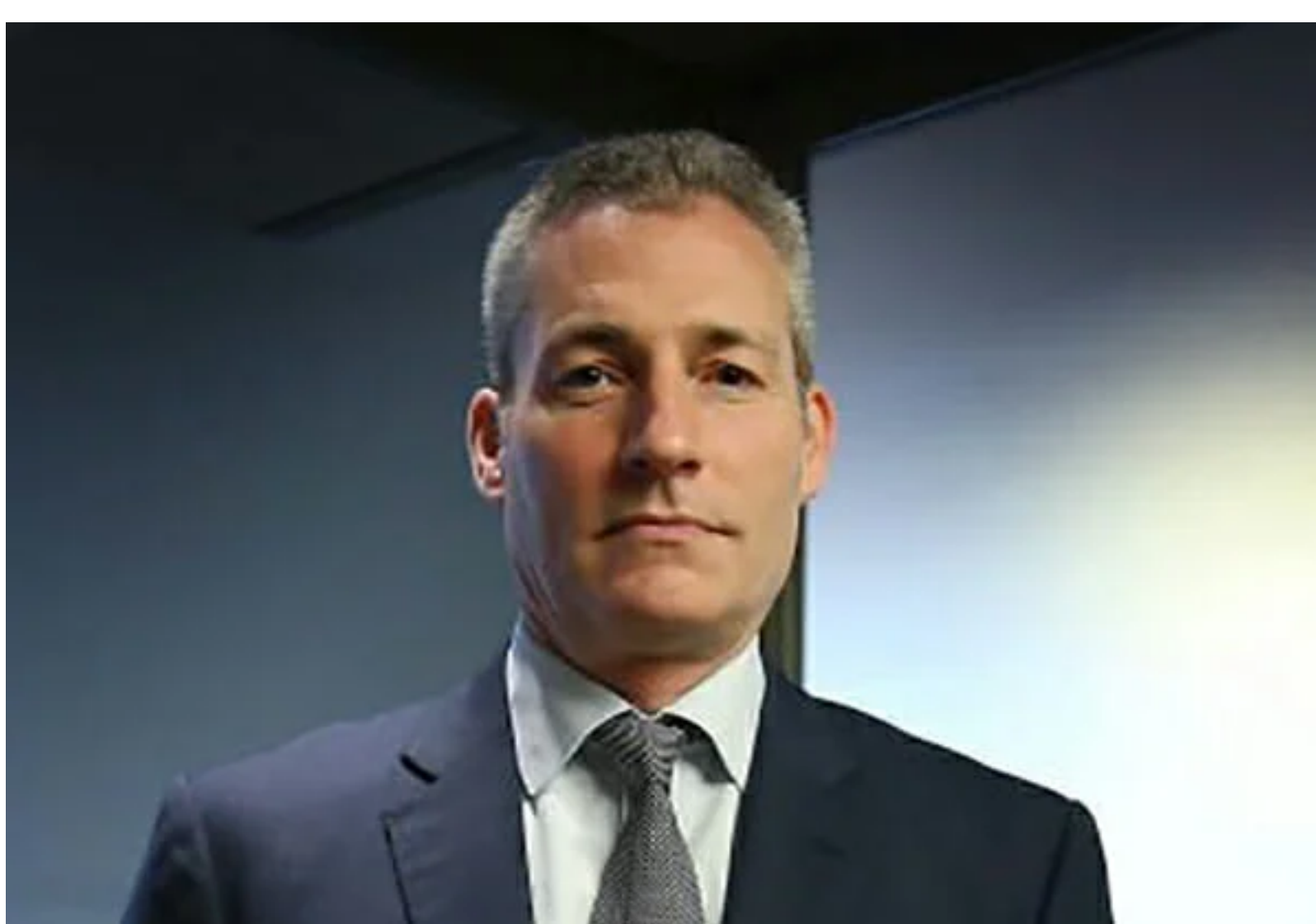
Hong Kong saw local air freight and container throughputs fall by 15.4 percent and 6.9 percent, respectively, during the first 11 months of 2022, Savills noted.

While international third-party logistics providers (3PLs) were less affected by challenges in Hong Kong because they were able to re-route their shipments through other ports and airports in the region...

The struggles of Hong Kong's 3PL sector prompted landlords to be more flexible in rent negotiations, leading to a 1 percent quarterly decline in overall warehouse rents in the Q4 after rising just 0.8 percent in the previous quarter.

Deals Amid Doldrums

Overall and modern vacancy rates were largely stable at 1.9 percent and 1.3 percent during the quarter, according to Savills. The biggest leasing transaction of the quarter occurred at ATL Logistics Centre...



Simon Smith, regional head of research & consultancy for Asia Pacific

The facility in the Kwai Chung area of the New Territories also saw major leases from Japan Home Center and Carlsberg Brewery in November. DHL Express and Logitlink Warehouse Logistics signed large leases at China Merchants Logistics Centre and Goodman Westlink in October.

In the investment market, savvy investors and end users continued to make selective acquisitions, but overall demand softened amid continued rate hikes, Savills observed.

A joint venture of Blackstone and self-storage operator Storefriendly chalked up the biggest industrial deal of the quarter when it bought the en-bloc Novel Industrial Building in the Cheung Sha Wan area of Kowloon for HK\$850 million (\$108.2 million) in October.

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Singaporean self-storage operator StorHub, which is backed by US private equity firm Warburg Pincus, was also active in the market last quarter, snapping up three floors in Kowloon's Precious Industrial Centre...

Australian industrial giant Goodman Group added to the quarter's deal volume by purchasing a basement floor in the Sunshine Kowloon Bay Cargo Centre for HK\$111 million, Savills reported.

Cross-Border Hopes

In an optimistic sign for the logistics sector, mainland China and Hong Kong began to reopen their shared border on Sunday, kicking off what is expected to be a slow recovery of cross-border travel after the nearly three-year closure of land and sea checkpoints...

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"Looking ahead, the timing and nature of the border reopening and the speed of supply chain recovery will be key to a logistics demand revival, while a supply overhang could blunt a 2023 recovery," noted Simon Smith...

The brokerage added that end users are likely to emerge as the key buyers of industrial assets in 2023, while developers are expected to be less active given that redevelopment values of industrial sites...

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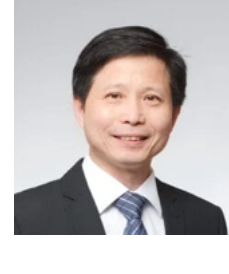
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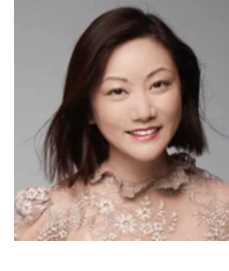
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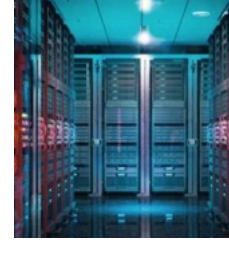


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