HONG KONG

LOGISTICS Q1 2025





MARKET FUNDAMENTALS

YOY Chg

Outlook

HK\$14.2

Prime warehouse Gross Effective Rent (PSF / month)





8.2%Prime warehouse vacancy rate





Outlook

Source: Cushman & Wakefield Research

HONG KONG ECONOMIC INDICATORS Q1 2025

2.4%

GDP Growth (Q4 2024)

HK\$717B



HK\$751B

Total Import (Jan – Feb 2025)

(Jan – Feb 202

PMI (Mar 2025)

Source: Hong Kong Census and Statistics Department, Moody Analytics

A MIXED MACROECONOMIC ENVIRONMENT

Hong Kong's logistics and business sentiment in Q1 2025 was mixed. The city's total imports and exports for January and February climbed by 6% and 7% y-o-y respectively, but the S&P Manufacturing Purchasing Manager's Index (PMI) in March fell under the contraction line to 48.3. Meanwhile, Hong Kong's ports handled 2.1 million TEU shipping containers for the first two months of 2025, representing a drop of 2.3% y-o-y.

VACANCY RATE AT A NEW HIGH FOR POST-COVID ERA

Renewed uncertainties in the global trading market brought on by the United States' new trading policies continued to weigh on leasing demand from third-party logistics operators (3PLs), with leasing activities in Q1 2025 mainly focused on relocation or renewal. The overall prime warehouse vacancy rate rose to 8.2%, up 0.6 percentage points q-o-q, chiefly due to greater vacant stocks in Kwai Chung and Tsing Yi. This marked the highest vacancy level since the COVID-19 pandemic.

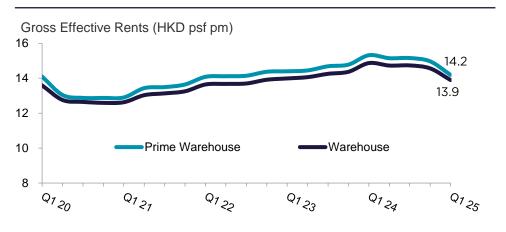
In response to weaker market momentum and intensified competition to attract tenants, landlords were more willing to provide incentives to occupiers, even at prime logistics facilities. In turn, the overall prime warehouse rental level fell by 5.2% q-o-q in Q1, to HK\$14.2 per sf per month, marking the largest quarterly correction since Q2 2020.

PRIME WAREHOUSE RENT FORECAST TO DROP BY 8% IN 2025

In February, Singapore investor Mapletree won a government industrial site tender in Tsing Yi for HK\$3.7 billion (HK\$1,500 psf), adding new supply of 2.5 million sq ft by 2028. Elsewhere in the Northern Metropolis and Kwai Tsing, there will be five more government logistics sites planned for tender in 2025–2027, including two multi-storey buildings for modern industries (MSBs) sites in Yuen Long and Hung Shui Kiu, wherein the tender closing date was extended to Q3 2025.

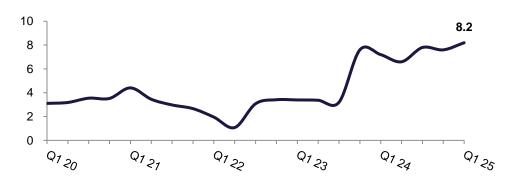
Looking ahead, although there will be no new supply in 2025–2026, three new projects including the abovementioned new development from Mapletree are expected to be completed in 2027–2028. Amid the growing future supply, the recent new trade uncertainties combined with generally cautious business sentiment will force occupiers to be cost-cautious, curtailing leasing appetite. Against this backdrop, we expect to see more landlords to adopt prudent approaches and to provide further incentives to retain tenants. We expect the overall prime warehouse rental level to decline by 8% through 2025.

Overall and Prime Warehouse Rents

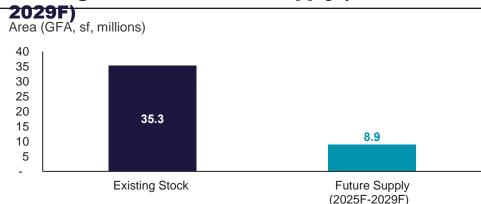


Prime Warehouse Vacancy (%)

Vacancy Rate (by %)



Existing Stock and Future Supply (2025F-



Better never settles © 2025 Cushman & Wakefield



PRIME WAREHOUSE RENTS Q1 2025

	GROSS EFFECTIVE RENT			Q-O-Q	Y-O-Y	12-MONTH
	HK\$/SF/MO	US\$/SF/MO	EUR/SF/MO	CHANGE	CHANGE	OUTLOOK
Hong Kong Island	\$16.5	\$2.1	€2.0	0.0%	0.0%	
Kowloon	\$14.8	\$1.9	€1.8	-6.9%	-8.8%	
New Territories	\$12.7	\$1.6	€1.5	-0.8%	-3.8%	
HONG KONG AVERAGE	\$14.2	\$1.8	€1.7	-5.2%	-7.4%	_

Exchange Rate: 1USD = 0.9220 EUR = 7.7729HKD (as of Mar 14, 2025)

PRIME WAREHOUSE VACANCY RATE Q1 2025

	Q1 2024	Q2 2024	Q3 2024	Q4 2024	Q1 2025
Hong Kong Island	2.0%	2.0%	2.0%	2.0%	2.0%
Kowloon	2.3%	2.0%	3.5%	3.5%	5.1%
New Territories	18.3%	16.9%	17.6%	16.9%	15.2%
HONG KONG AVERAGE	7.2%	6.6%	7.8%	7.6%	8.2%

KEY LEASE TRANSACTIONS Q1 2025

PROPERTY	SUBMARKET	TENANT	SECTOR	SF (GFA)	Туре
China Resources International Logistics Centre	Kwai Chung	Kintetsu World Express	3PL	202,800	New Lease
Goodman Interlink	Tsing Yi	Zuellig Pharma	Pharmaceutical	59,200	New Lease
Goodman Interlink	Tsing Yi	Chanel	Consumer Goods	302,600	Renewal
ATL Logistics Centre Block A	Kwai Chung	Nisko Warehouse	3PL	52,400	Renewal
Goodman Dynamic Centre	Tsuen Wan	Avnet Technology	Electronic	33,900	Renewal

ROSANNA TANG

Executive Director, Head of Research, Hong Kong Tel: +852 2956 7021 rosanna.tang@cushwake.com

THOMAS CHAN

Associate Director, Research, Hong Kong Tel: +852 2956 7043 thomas.chan@cushwake.com

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