The ongoing trade tensions will likely trigger some consolidation and downsizing from 3PLs and trading companies in 2020.

Amid strong data centre demand, investors should explore redevelopment opportunities of repositioning industrial buildings for data centre use.

Warehousing demand from 3PLs remained subdued with leasing activities largely centered on relocation.

Warehouse rents started to drop, edging down 0.5% QOQ in Q4, after 12 consecutive quarters of growth.

Capital values have also witnessed a correction amid a quiet investment market.

Outlook/recommendations

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- Amid strong data centre demand, investors should explore redevelopment opportunities of repositioning industrial buildings for data centre use.

Q4 2019 highlights

- Warehousing demand from 3PLs remained subdued with leasing activities largely centered on relocation.
- Warehouse rents started to drop, edging down 0.5% QOQ in Q4, after 12 consecutive quarters of growth.
- Capital values have also witnessed a correction amid a quiet investment market.

Source: Colliers International *October-November 2019. Note: 1 sq metre = 10.76 sq feet. All information in this report refers to Hong Kong’s warehouse market unless stated otherwise. This report covers the Hong Kong Special Administrative Region of the People’s Republic of China.
LEASING MOMENTUM TO REMAIN SLOW

While trade tensions between the US and China will likely continue to weigh on the trade performance, we expect to see the logistics demand from 3PLs and trading companies to remain relatively slow in 2020, pushing rents down.

The vast growth of technology has supported the fundamental demand for data centers. This, coupled with the Revitalisation Scheme 2.0 should help boost investment demand for industrial properties with redevelopment potential.

LEASING MARKET CENTERED ON RELOCATION ACTIVITIES

A number of relocation activities were seen over the quarter. Yusen Logistics relocated from Goodman Interlink in Kwai Chung while DB Schenker downsized one of their occupied floors at China Merchants Logistics Centre in Tsing Yi. Meanwhile, there are a few cases of tenants surrendering their space during the quarter, totaling about 100,000 sq ft.

The investment market remains quiet with only one notable en-bloc transaction recorded. GDS, a mainland Chinese data centre developer and operator, reportedly purchased Milo’s Industrial Building in Kwai Chung. Given the building age of 47 years, we expect redevelopment into a data centre.
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