



For Immediate Release

Hong Kong's I&T Future and its property implications

Colliers' new report offers recommendations to meet ambitious targets set out in the Hong Kong I&T Development Blueprint and overcome significant challenges in the race to catch up with Asian peers

Hong Kong, 14 March 2023 - Leading diversified professional services and investment management company Colliers (NASDAQ and TSX: CIGI) released a report that looks at opportunities and challenges with Hong Kong's innovation and technology (I&T) development roadmap.

Released in December 2022, the Hong Kong I&T Development Blueprint that maps out the overall direction and key strategies for the city's I&T development over the next 5 to 10 years came at a time when Hong Kong is lagging behind its Asian peers. According to the World Intellectual Property Organization's 2022 Global Innovation Index, Hong Kong earned an overall ranking of 14, compared to 6 for South Korea, 7 for Singapore, 11 for China and 13 for Japan. While the strategic document recognises the importance of I&T as a key driver of economic growth, there is much more to be done to catch up on this highly competitive space.

"Hong Kong's inadequate property supply to meet research and development (R&D) demand and lack of private companies investing in R&D are among the major factors hindering Hong Kong's I&T development. To realise the development targets set out in the blueprint, we believe that the government should consider measures such as streamlining procedures for the transformation of primitive land into I&T facilities," said **Kathy Lee, Head of Research at Colliers Hong Kong**.

Challenges to I&T development: Limited land supply and regional competition

The Blueprint will undoubtedly bring valuable opportunities to the I&T sector and the city's future development, including the transformation and commercialisation of foundational upstream research R&D outputs, strengthening Hong Kong's role as bridge to connect the



Mainland and the world, and greater property investment opportunities. Digitalisation and the adoption of new technologies will also transform Hong Kong's traditional four pillar industries.

Nevertheless, local I&T development is still faced with challenges such as limited land supply for I&T purposes and fierce regional competition. There is approximately 8.5 million sq. ft. GFA of such space available currently. In order to meet the targets set out in the blueprint, the supply of I&T-related infrastructures may need to increase by twofold over the next few years. At the same time, Hong Kong faces substantial competition from Shenzhen and Singapore, which has a similar legal and financial system to Hong Kong, in attracting global I&T talent and enterprises. Without anchor I&T institutions and firms, Hong Kong will continue to struggle to draw talent and start-ups away from these and other international I&T hubs.

"Several developments are already underway to alleviate the shortage of land allocated to I&T, including the San Tin Technopole and Hong Kong-Shenzhen I&T Park in the Northern Metropolis, which will provide 16.5 times more GFA than the current Science Park in terms of I&T land use, and expansion works in Science Park and Cyberport that will provide an additional GFA of 912,000 sq. ft. upon completion. While these and other measures could provide a much-needed breakthrough, the lack of a concrete timetable and the potential for delays could hinder the I&T sector in the short term. Also, as the Hong Kong-Shenzhen I&T Park is co-developed, the concept of "One Zone, Two Parks" may slow down I&T development in Hong Kong due to competition with Shenzhen," said **Hannah Jeong, Head of Valuation & Advisory Services at Colliers Hong Kong.**

Colliers' recommendations: How to grow Hong Kong's I&T industry from here

The Hong Kong I&T Development Blueprint sets out short- (5 years) to medium-term (10 years) development targets for the I&T industry to grow by 50% and onefold respectively. The following are actions Colliers believes need to be considered in order to achieve such targets.

1) *Streamlined procedures for the transformation of primitive land into I&T facilities*

Also in the medium term, Colliers suggests streamlining relevant procedures to shorten processing times for the transformation of primitive land into an I&T facility, especially that in the



Northern Metropolis. "Streamlining development-related statutory procedures such as land exchange, town planning and land resumption will expedite the supply pipeline, including projects that are currently under the planning/consultation stage for the remaining batches of the Hong Kong-Shenzhen I&T Park and the San Tin Technopole," said **Dorothy Chow, Executive Director, Valuation & Advisory Services, Asia at Colliers Hong Kong.**

2) More proactive approach on land supply for I&T uses and related developments

According to a simple linear growth equation, Hong Kong needs to increase the supply of I&T property by twofold over the next few years in order to realise the development targets set out in the blueprint. "However, only about 3.3 million sq. ft. GFA of new I&T property is expected to come on stream in the next three to five years, which results in a shortage of over 5 million sq. ft. A more proactive approach on land supply for I&T uses and related developments, including housing for additional international I&T practitioners and other ancillary facilities, is needed to enhance Hong Kong's competitive position," said **Dominic Chung, Executive Director, Asia, Capital Markets & Investment Services.**

3) Industry-protective measures, including a concessionary land price policy

In the medium term, Colliers recommends the government refer to the terms and conditions for the sale and rental of I&T-allocated property in Singapore and Shenzhen as operational overhead is one of the key factors for I&T firms when deciding on a location. "On the other hand, to balance the public interest in land resources and the effectiveness of supporting I&T development, we suggest the government consider a concessionary land price policy with a shorter lease term and other industry-protective measures such as tenant admission criteria and rental policies," said **Bill Chan, Head of Industrial Services at Colliers Hong Kong.**

4) Greater incentive in attracting I&T talent and firms

While the Hong Kong government has taken steps to enhance local R&D activities, such as initiating the "patent box" tax incentive scheme in the 2023-24 Budget, Colliers believes greater flexibility and incentives are needed from the government if it is to catch up with I&T development in other Asian countries.



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