

Northern Metropolis

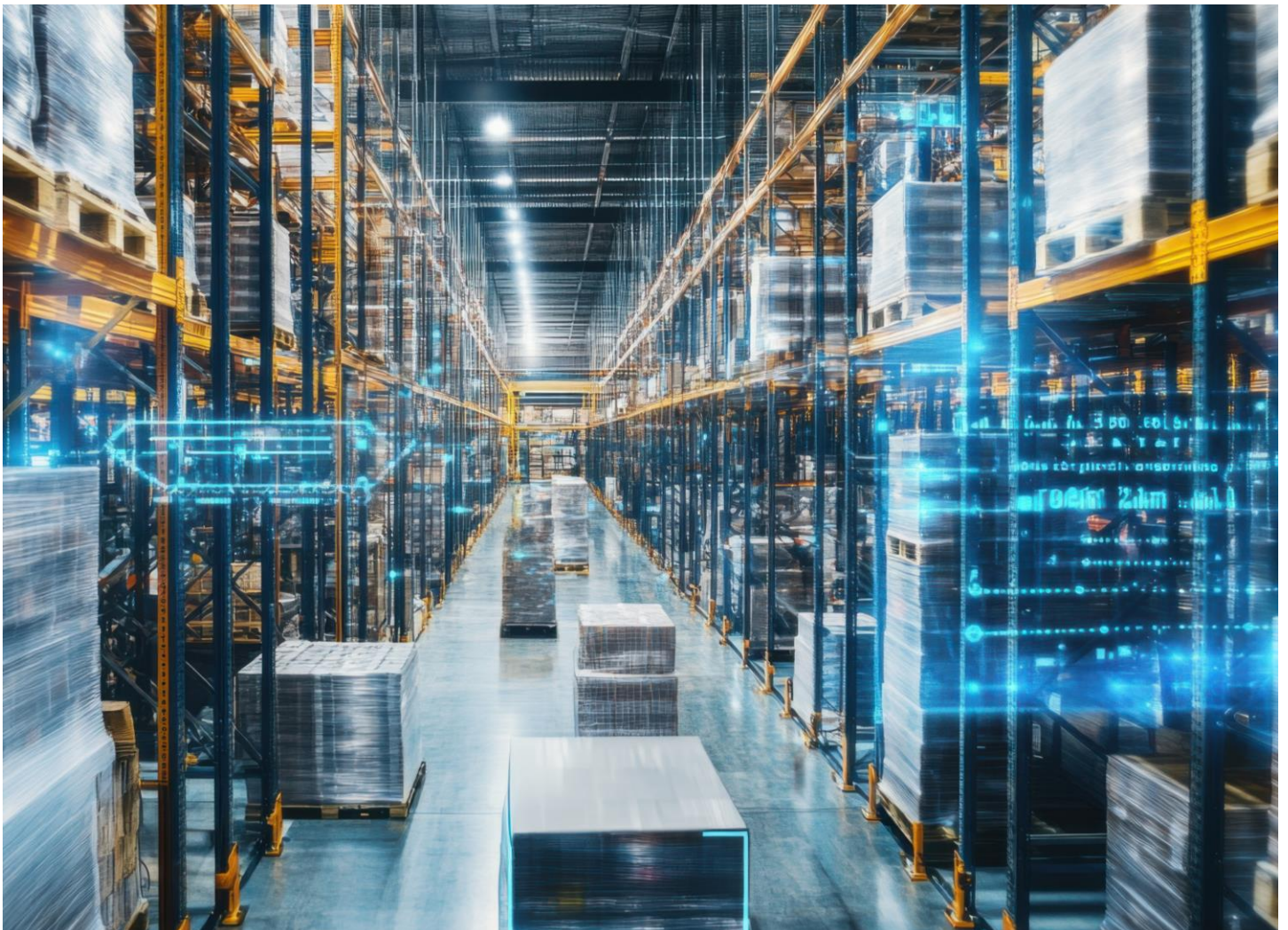
Business Insights | Establishment of Hung Shui Kiu Industry Park Company and Modern Logistics Cluster Study

VIEWPOINT

Analysis: Establishment of the Hung Shui Kiu Industry Park Company Limited, and Hung Shui Kiu / Ha Tsuen New Development Area (HSK/HT NDA) Modern Logistics Cluster Study Report

CBRE BUSINESS INSIGHTS
JANUARY 2026

VALUATION & ADVISORY SERVICES
HONG KONG



Foreword

The 2025 Policy Address reinforced the Government’s commitment to positioning the Northern Metropolis (NM) as a strategic engine for logistics, advanced manufacturing and innovation led growth. Building on this direction, the Development Bureau and the Transport and Logistics Bureau announced a series of long awaited initiatives and studies between December 2025 and January 2026 that materially shape the next phase of industrial and logistics development in Hung Shui Kiu / Ha Tsuen New Development Area (HSK/HT NDA).

Logistics has been identified as one of the Government’s priority sectors within the NM. During 2025, there were multiple attempts to attract new investment into the area through different land and delivery structures. Several of these initiatives were adjusted, paused or recalibrated, reflecting both market feedback and changing policy considerations. Against this background, the recent announcements provide much needed clarity and signal a more defined long term direction for industrial and logistics land delivery in Hung Shui Kiu.

While important questions remain from a private sector perspective, particularly around demand, delivery mechanisms and institutional interfaces, the Government’s latest announcements represent the most substantive and coherent policy outputs to date. They offer greater visibility on intent, structure and implementation timelines, and mark a turning point in how industrial and logistics development in the NM may be taken forward.

In this report, CBRE Valuation and Advisory Services team analyses two key announcements:

- 1. The establishment of the Hung Shui Kiu Industry Park Company Limited** (the Park Company); and
- 2. Hung Shui Kiu / Ha Tsuen New Development Area Modern Logistics Cluster Study Report** (the Study).

Our objective is to assess how these initiatives interact, identify potential issues and propose better solutions for the Government, such that they can collectively support sustainable, market-aligned growth for logistics and industrial uses in one of Hong Kong’s most strategically important development areas.



Northern Metropolis

CBRE Responses on the Establishment of the Hung Shui Kiu Industry Park Company to accelerate development of industries in Northern Metropolis.

DEVB announced on 29 December 2025 that it has set up a non statutory, government owned Park Company to plan, develop and operate a ~23 hectare industry park at HSK/HT NDA; target mid 2026 operation start, with nil premium land grant (50 year) at the park level, initial capital injection, and a PPP friendly mandate (can develop, tender land, or form JVs). 8 ha is “spade ready” now; ~15 ha expected to be formed by end 2027. It is a clear signal that Hong Kong wants a more investor-facing, execution-oriented vehicle to land industries in the Northern Metropolis.

The move follows the Government’s shift towards industry driven development in the Northern Metropolis and its experience with paused/cancelled tenders for Multi-storey Buildings for Modern Industries (MSBs) sites (one in HSK/HT and another in Yuen Long) during 2025/2026.

The Park Company’s role may overlap with existing Hong Kong Science and Technology Parks Corporation (HKSTP) functions (planning, building, leasing, and ecosystem building) who is managing InnoParks, risking governance duplication and stakeholder confusion unless roles are clearly delineated.

“

Creating a more investor friendly vehicle is positive; the next step is to avoid overlap with other park managers and offer a single, coherent front door for investors.

”

Hannah Jeong
Executive Director,
Head of Valuation & Advisory
Services, CBRE



Tseung Kwan O InnoPark by HKSTP

What Development Bureau (DEVB) has actually set up

Entity & governance

- Hung Shui Kiu Industry Park Company Limited is wholly owned by the Financial Secretary Incorporated, non statutory, with a Board of ~15; ~10 non officials; chair from non officials). CEO to be hired; annual reporting to LegCo indicated in DEVB deck.

Assets & timeline

- ~23 ha to be granted at nil premium for 50 years; 8 ha ready, ~15 ha formed by end 2027; mid 2026 target for company operations after registration, land grant, and capital injection.

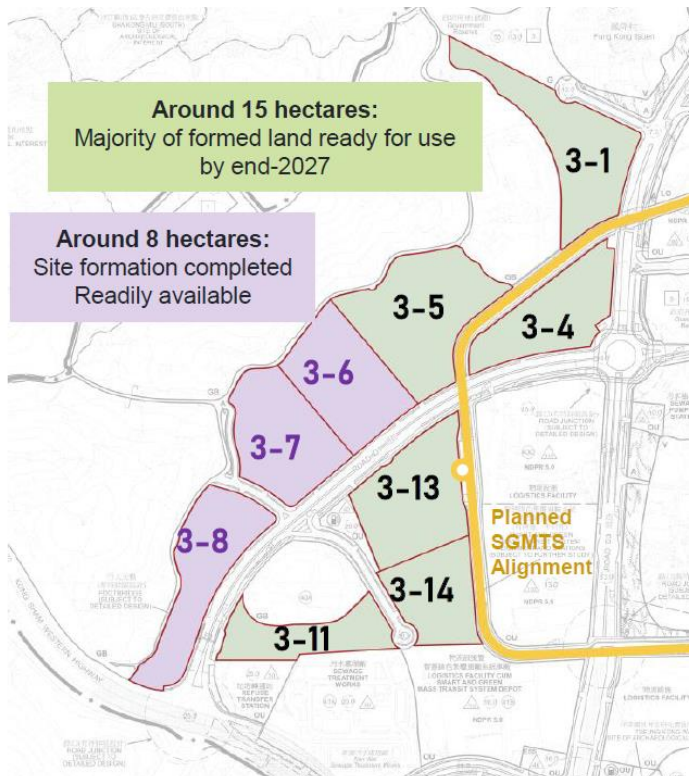
Mandate

- (1) to drive the development of target industries
- (2) to support brownfield operations
- (3) to attract investments and enterprises and
- (4) to provide value-added services to enterprises.

Operating model options

- May self develop buildings to lease (similar to a park operator), tender out plots, or form JVs (equity/land for equity structures). Aim for long term financial self sufficiency from rents/fees; initial capital via Capital Investment Fund subject to LegCo approval.

Figure 1: Indicative map showing the land assets of the Park Company

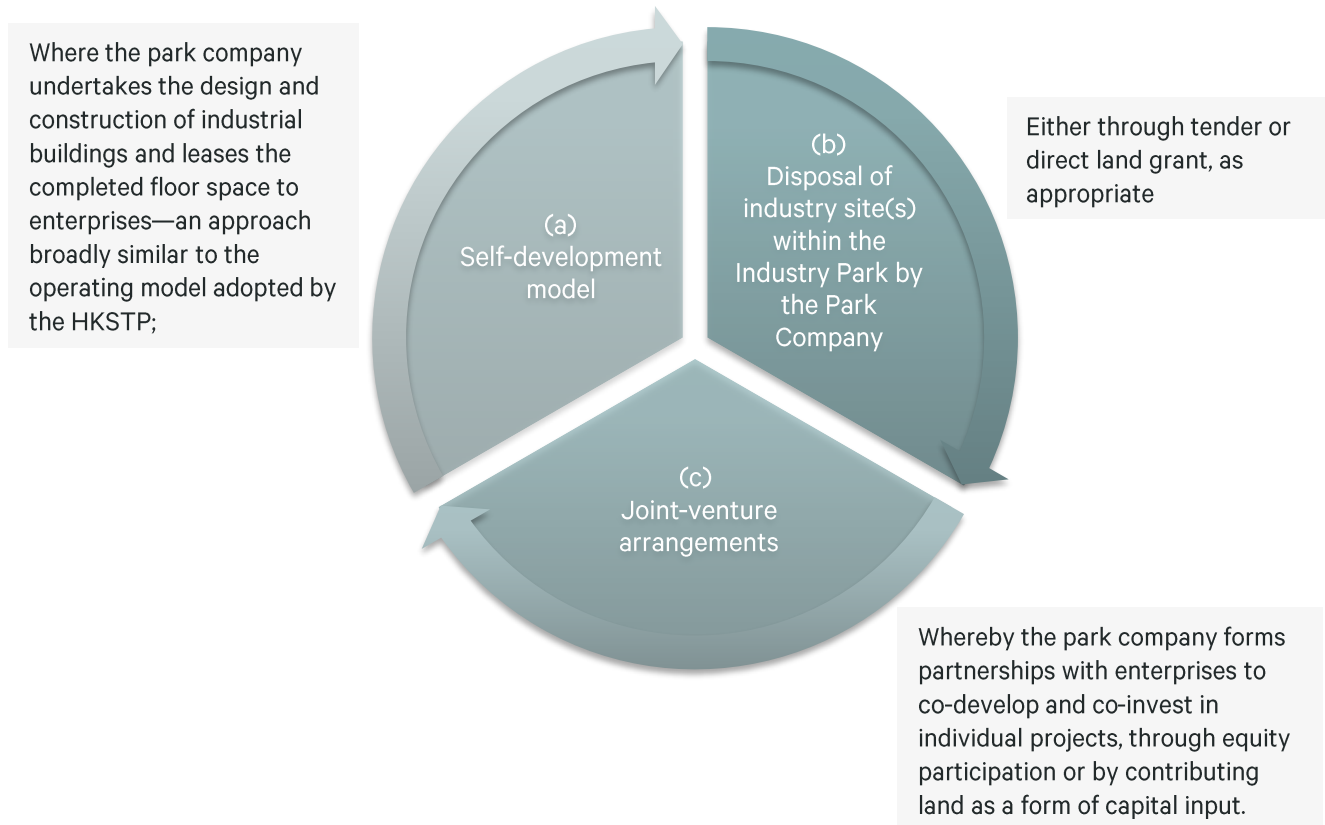


Source: DEVB's official ppt for announcement in Dec 2025

How this intersects with the HSK Logistics Cluster Study

Under the PPP framework proposed for the Park Company, the Government has outlined three distinct development strategies within the Industry Park:

Figure 2: Development strategies for the Industry Park



The introduction of these multiple delivery routes, while offering flexibility, raises important interface issues with the adjacent 36-hectare HSK/HT Modern Logistics Cluster studied under the Transport and Logistics Bureau.

In particular, the coexistence of the Park Company immediately across from the logistics cluster could create confusion for potential bidders and occupiers if positioning, incentives, land disposal mechanisms, and tenure models are not clearly distinguished.

This risk is most pronounced under development strategy (b) abovementioned. If the Park Company is permitted to dispose of land directly or via tender, prospective investors and users may need to navigate two parallel government channels; the Park Company on one side and the logistics cluster tender framework on the other, simply to determine land availability, terms, and eligibility.

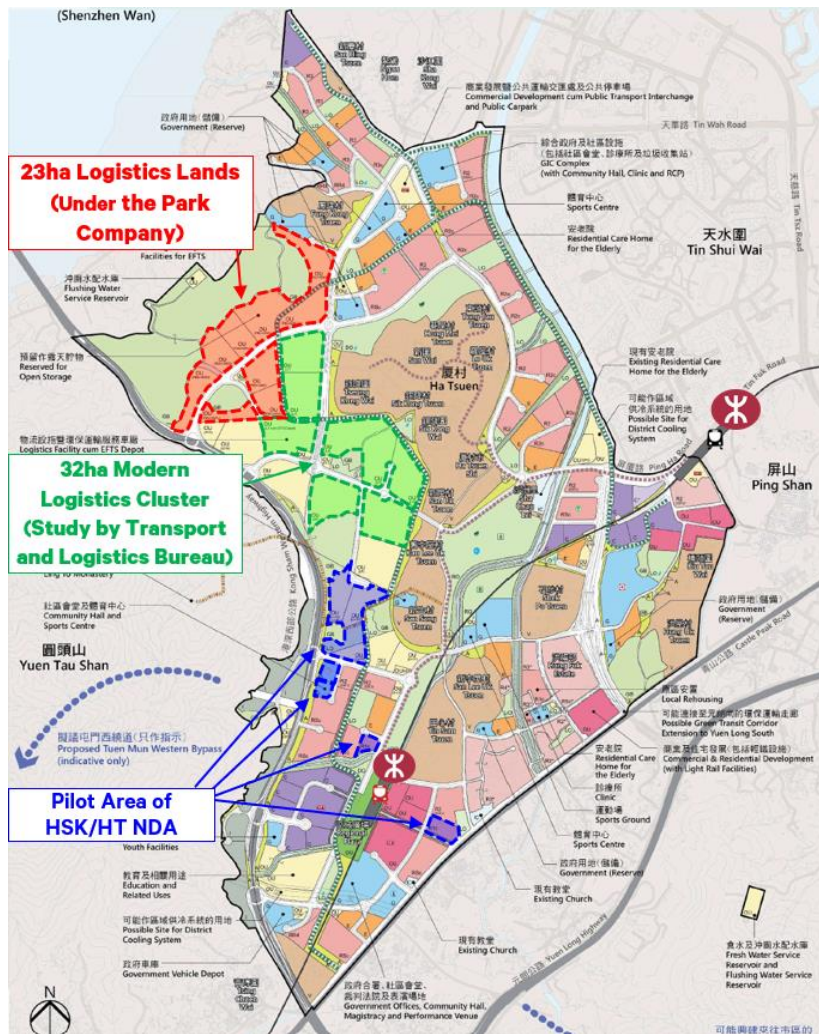


Figure 3: Location of land assets for Park Company, Modern Logistics Cluster and Pilot Area in HSK/HT indicated on the zoning plan

Source: DEVB, TLB, LandsD, CBRE

Without clear guidance, this could unintentionally result in:

- Fragmented investor enquiry flows
- Duplicated due-diligence efforts
- Delayed investment decisions
- Perceived competition between government-led entities for the same pool of capital and occupiers

To avoid creating unnecessary internal competition within government organisations, **there is a strong need for transparent, coordinated and holistic communication across policy bureaux and delivery bodies.** This should include clear articulation of:

- The distinct roles and target users of the Industry Park versus the Logistics Cluster
- How land disposal, direct grant and PPP mechanisms are differentiated between the two areas

With clearer positioning and aligned messaging, the Park Company and the logistics cluster can become complementary components of the Northern Metropolis, rather than competing platforms. Getting this coordination right will be critical to maintaining market confidence and ensuring that investor interest is channelled efficiently and predictably across the HSK/HT NDA.

Can PPP / BOT expectations on Sub-Lease be financially feasible?

The government indicates diverse PPP models (self develop & lease, tender out, JV/equity) with the Park Company retaining strategic control of the land portfolio granted to it. In practical terms, this points to a structure that is highly likely leasehold-based, with enterprises or investors operating under time-bound

- Such an approach closely resembles BOT-type arrangements, whereby assets revert to the Park Company upon expiry of the sub-lease or concession period. While this model provides the Park Company with long-term control and flexibility, it also has material implications for investor appetite and project bankability.
- From a market perspective, this structure is not fundamentally different from the existing InnoParks model operated by HKSTP. However, experience suggests that private sector interest in the Northern Metropolis extends beyond operational flexibility alone. Many industrial and logistics investors are explicitly seeking private land ownership, ownership equivalent interests, particularly where developments involve substantial upfront capital expenditure, specialised building specifications, and long payback periods.
- Based on our financial testing of comparable schemes, pure BOT structures without land appreciation upside or a clearly defined buy back or exit pricing mechanism from the government struggle to meet private sector return thresholds. Where the investor bears construction, financing and operational risk but has no participation in long term land value uplift, project internal rates of return (IRRs) are often insufficient to justify capital deployment, especially in a higher interest rate environment.



In this context, placing projects under a sub leasehold arrangement beneath the Park Company may limit attractiveness to private investors, unless supplemented by additional economic levers. These could include:

- Longer concession periods or renewability mechanisms
- Transparent and formula based buy back or residual value arrangements at expiry
- Revenue sharing structures linked to project performance
- Preferential financing, tax, or capital support that materially enhances risk adjusted returns

Without such mechanisms, there is a risk that the Park Company's PPP framework—despite its flexibility in form—may ultimately attract a narrower pool of participants, focused more on short term occupancy or government supported uses than on long term, large scale private investment.

Given the scale and strategic importance of Hung Shui Kiu within the Northern Metropolis, it will be important for the Park Company to strike a balance between policy control and commercial viability. Providing greater clarity on tenure, exit options, and return mechanics will be critical to ensuring that the PPP / BOT model does not inadvertently constrain private sector participation at a time when substantial capital mobilisation is needed.

Why the Park Company likely exists

Among four positionings, from our perspective, the immediate pressing needs should be to support brownfield operations. Those earlier MSBs tenders had included 10 year Government Accommodation (GA) to be leased at nominal rent and sub let to brownfield operators—a complex obligation that dampened market appetite (operation/commercial terms; land price uncertainty) led to cancellation of the land tender. The Park Company now provides a central manager that can directly provision space and curate a relocation/upgrade pathway for brownfield uses.

Risk of institutional duplication with HKSTP (or even with HSITP)

- DEVB has already transferred the Yuen Long’s MSB site to HKSTP to build a micro electronics ecosystem at Yuen Long InnoPark, explicitly acknowledging HKSTP’s fit for purpose role.
- Yet, the Park Company will plan, build, lease, attract enterprises, and provide value added services, functions that HKSTP already performs across InnoParks and its managed estates. Without formal role delineation, we risk overlapping mandates, duplicated overheads, and mixed market signals (e.g. who offers what incentives; who curates which industries).

Conclusion

The establishment of the Hung Shui Kiu Industry Park Company marks a meaningful shift toward a more investor facing, execution oriented approach to delivering industrial land in the Northern Metropolis. The structure offers welcome flexibility through diversified PPP models and provides a practical mechanism to address brownfield relocation and industrial upgrading following the lessons learned from the halted MSB tenders.

However, the effectiveness of the Park Company will hinge on clear role delineation and coordination. Without a well defined interface with HKSTP and the adjacent Modern Logistics Cluster, there is a real risk of institutional duplication, fragmented investor engagement, and diluted market confidence. In parallel, the proposed leasehold and BOT style PPP framework will require greater clarity on tenure, exit and return mechanisms to attract long term private capital.

If governance boundaries, positioning and commercial terms are articulated early and coherently, the Park Company can become a complementary and credible delivery vehicle—helping translate Northern Metropolis policy ambition into investable, bankable outcomes rather than adding another layer of complexity to an already crowded institutional landscape.

“

The Park Company’s intent—being more market oriented and investor friendly—is positive. But unless its scope is carved distinctly from HKSTP’s proven InnoParks model, the market may see duplication, not acceleration.

”

Hannah Jeong
Executive Director,
Head of Valuation & Advisory
Services, CBRE

CBRE Reponses on “Hung Shui Kiu / Ha Tsuen New Development Area Modern Logistics Cluster Study Report” published by Transport and Logistics Bureau

“Balancing Long-Term Ambition with Near-Term Market Reality”

Transport and Logistics Bureau published a study report on the Hung Shui Kiu / Ha Tsuen New Development Area (HSK/HT NDA or the Area) Modern Logistics Cluster on 16 January 2026 (the Study).

The Study presents a clear and forward-looking vision for reinforcing Hong Kong’s role as a regional logistics and supply-chain hub. It sets out a strategic blueprint to develop HSK/HT NDA as Hong Kong’s pilot modern logistics cluster, supporting the city’s long-term positioning as a regional and international logistics and supply-chain hub. It identifies the need to address Hong Kong’s structural shortage of logistics land, rising operational costs, ageing facilities, and increasing competition from regional peers, while aligning logistics development with the Northern Metropolis strategy and national policy objectives.

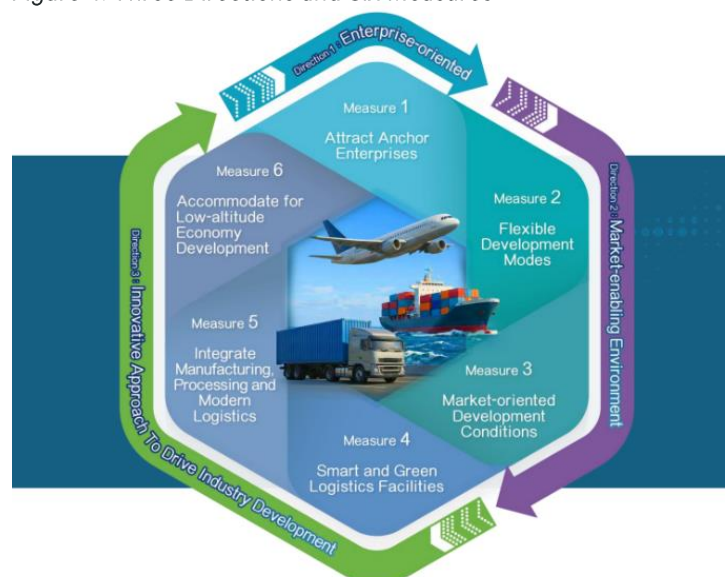
Key themes include the emphasis on an enterprise-oriented and market-enabling development model, the introduction of smart, automated and green logistics facilities, and the ambition to attract high-value goods, e-commerce, freight forwarding and emerging logistics activities to a total 36-hectare logistics cluster developed in phases. The Study also highlights the importance of flexible development modes, differentiated functional zoning, and innovative land-use approaches, alongside closer integration with Hong Kong’s multimodal transport network and the Greater Bay Area logistics ecosystem.

We welcome the Study’s strategic intent, particularly its recognition of evolving logistics trends, the importance of technology, automation and green logistics, and the need to address structural constraints that have long challenged the sector.

Importantly, the Study reflects a broad spectrum of industry feedback, capturing concerns raised by operators, developers, occupiers and investors on land supply, infrastructure readiness, cost pressures and operational efficiency. This consultative approach is a positive step and underscores the Government’s commitment to evidence-based planning.

Figure 4: Three Directions and Six Measures

However, as Hong Kong moves from vision to execution, **careful calibration between supply planning and actual market demand will be critical** to ensuring the long-term success of the proposed logistics clusters. The findings underscore the importance of a more flexible and market-responsive approach, and **we encourage the Government to translate these insights into policies that better align with market realities and future development needs** of the area.



Source: <https://www.lc-hskht.hk/en/index.html>

Supply Scale Remains the Central Market Risk

One of the most pressing issues highlighted, both in the Study and by the market, is the quantum and pacing of future logistics supply.

The Northern Metropolis alone is planned to deliver approximately 74 million sq.ft. of logistics gross floor area (GFA) over the next two to three decades, representing roughly 1.5 times the size of Hong Kong's existing industrial/logistics stock. While the replacement of ageing facilities and consolidation into more efficient premises is clearly necessary, the ability of the market to absorb such a scale of new supply remains uncertain.

At present, logistics demand growth in Hong Kong has been structural rather than exponential. E-commerce, cold chain, and cross-border trade continue to underpin demand, but occupier expansion has been selective and cost-sensitive. Without a commensurate acceleration in trade volumes or new demand drivers, there is a risk that supply could outpace absorption, putting pressure on rents, land values and investment appetite.

This underscores the need for the Government to phase development more cautiously, aligning land disposal and plot ratios with confirmed market take-up rather than long-term projections alone.

“

“The Study sets out a clear long term vision, but delivery will hinge on whether land supply and development intensity are calibrated to actual market absorption.

”

Eddie Tsui

Senior Director,
Valuation & Advisory Services,
CBRE

Demand Creation and Anchor Tenants: A Missing Link

While the Study articulates strong policy goals, it provides limited clarity on how demand will be actively cultivated, particularly in relation to:

- Attracting multinational logistics enterprises
- Securing anchor for large-scale developments
- Encouraging relocation from existing urban and port-side clusters

Automation, smart warehousing and green logistics are rightly identified as future priorities. However, market feedback suggests that current enquiry levels for highly automated or net-zero logistics facilities remain limited, largely due to high upfront capital costs and uncertain returns.

Without a clear incentive framework, such as tax measures, rental support, pilot schemes or public-private partnerships, it may be challenging to attract the critical mass of users required to establish these clusters as viable ecosystems rather than standalone developments.

A Transitional, Market-Responsive Development Model

To bridge the gap between long-term ambition and near-term demand, the Government could consider interim and transitional development solutions that respond more closely to current market realities.

One potential approach is the disposal of logistics land on a “pay-what-you-build” basis, allowing for greater flexibility in plot ratio at the initial stage. Under this framework, tender documents could permit bidders to propose their preferred plot ratio, with land premium assessed according to the scale and intensity of development put forward. This would facilitate the early development of single-storey or low-rise logistics facilities with high ceiling heights and large, efficient floor plates, where market demand is currently strongest.

The Study itself references multiple overseas case studies where low plot-ratio logistics developments are common, particularly in markets prioritising operational efficiency and high-throughput logistics functions, underscoring the commercial viability of this development typology.

This format is especially well suited to fast-moving consumer goods, last-mile distribution and time-sensitive logistics, which continue to represent the most immediate sources of occupier demand in Hong Kong. That said, given the city’s acute land scarcity, the Planning Department still impose higher plot ratios of 5 for the Area, supporting the eventual development of multi-storey, ramp-access logistics centres similar to those found in established urban logistics locations.

Crucially, such sites could be structured with future GFA uplift potential, allowing for intensification or vertical redevelopment after 15 to 20 years, when demand dynamics are clearer and more mature. This phased development model would help mitigate near-term market risk especially first comers, while preserving long-term flexibility and development optionality for the Government.

“

A ‘pay what you build’ approach could reduce near term risk by allowing the market to decide development intensity, while preserving room for future densification.

”

Eddie Tsui

Senior Director,
Valuation & Advisory Services,
CBRE

Location Sensitivity for High-Value and Automotive Logistics

The Study identifies high-value goods and automotive logistics as target growth segments. While strategically sound, market evidence suggests that location remains a decisive factor for these users.

To date, the majority of enquiries in these segments have been concentrated around:

- Hong Kong International Airport
- Kwai Chung port and adjacent logistics areas

These locations offer immediate access to air and sea freight infrastructure, established customs handling, and existing industry ecosystems. By contrast, the suitability of HSK/HT for such specialised logistics functions remains an open question, particularly in the absence of anchor occupiers or proven operational advantages.

This suggests that a differentiated locational strategy, rather than a one-size-fits-all cluster model, may be more effective in capturing diverse logistics demand.

“ High value goods logistics are highly location sensitive, and current enquiry patterns still favour airport and port centric locations. HSK/HT location may be for a long term stage. ”

Eddie Tsui
Senior Director,
Valuation & Advisory Services,
CBRE

Figure 5: Conceptual Plan of HSK Logistics Cluster



Source: <https://www.lc-hskht.hk/en/index.html>

Tender Design Matters as Much as Land Supply

The Study also signals an important shift in thinking around land tender arrangements, notably by moving away from a purely 'highest bidder wins' approach towards a framework that assesses technical and pricing proposals in combination. This is a constructive and much-needed move, as land allocation for strategic logistics clusters should prioritise the right occupiers and development outcomes, rather than short-term land revenue maximisation alone.

A stronger emphasis on the technical proposal can help ensure that developments are aligned with the Government's longer-term objectives, including the adoption of automation, smart logistics infrastructure and more future-proof facility design. More importantly, it provides a mechanism to capture long-term economic and operational benefits that may not be fully reflected in land prices at the initial tender stage.

That said, the ongoing reliance on an Expression of Interest (EOI) process prior to tendering warrants closer scrutiny. While the EOI approach has been used more frequently by the Government over the past two years, there has been limited transparency on how EOI feedback has materially influenced final land conditions or tender frameworks. From a market perspective, EOIs can be perceived as time-consuming, resource-intensive and ultimately inefficient, particularly when outcomes and adjustments resulting from the process are not clearly communicated.

As an alternative, the Government could consider deploying a more targeted, digital-based consultation mechanism, such as an online, firm-by-firm survey, to gather structured feedback on key land conditions and critical tender clauses. This approach could achieve the same policy objectives as EOIs—while being faster, more transparent and less resource-heavy for both the public and private sectors.

Looking ahead, the tender process itself could also be made more market-responsive and innovative. Instead of adopting a single, fixed bid submission deadline, the Government could consider allowing tenders to be submitted on a rolling basis over a defined period of 9 to 12 months. Enterprises and developers with genuine interest would be willing to commit resources to prepare robust proposals earlier, while others may require more time to assess project viability.

Under this approach, proposals could be assessed against absolute and pre-defined criteria, rather than through direct price-based comparison. This would not only reward early and well-considered bids, but also reduce unnecessary market speculation over whether tenders have “failed,” which can undermine confidence and dampen overall market sentiment.

Ultimately, a more flexible, transparent and outcome-driven tender framework would better align public-sector objectives with private-sector decision-making, helping to attract committed operators and developers who are willing to invest in the long-term success of the logistics cluster.



Conclusion: Vision Supported, Execution Must Be Market-Led

The Hung Shui Kiu / Ha Tsuen Modern Logistics Cluster Study sets out a clear strategic vision to reinforce Hong Kong's long term competitiveness as a regional logistics hub.

The Study is directionally sound and reflects a commendable effort to incorporate industry feedback. However, as Hong Kong moves from policy intent to delivery, the emphasis must shift from vision to implementation that is firmly grounded in market reality.

To ensure successful execution, several **key adjustments** merit serious consideration:

First, logistics land supply must be **phased and demand led**. With the Northern Metropolis planning for logistics GFA equivalent to around 1.5 times existing stock, careful pacing is essential to avoid supply outstripping absorption. Aligning land release, plot ratios and development intensity with proven take up—rather than long term projections alone—will be critical to maintaining market stability.

Second, demand creation requires **clearer articulation and stronger incentives**. While automation, smart logistics and green facilities are valid long term goals, current occupier demand remains selective. Targeted measures to attract anchor tenants, such as fiscal incentives, partnership models or pilot schemes, will be necessary to translate strategic aspirations into committed occupancy.

Third, a **transitional development model** should be adopted. A **“pay what you build” land disposal approach**, offering initial flexibility in plot ratios and allowing lower rise, high efficiency facilities upfront, would better match near term demand while preserving the ability to intensify through future GFA uplift once market conditions are more certain.

Fourth, location strategy should be **differentiated by logistics segment**. Evidence to date suggests that high-value and automotive logistics continue to gravitate toward established airport and port centric locations. Expecting all segments to perform equally well in HSK/HT may introduce unnecessary risk without anchor occupiers or clear operational advantages.

Finally, tender design must evolve alongside land policy. Moving away from a “highest bidder wins” model toward a combined technical and pricing assessment is a positive step. This should be complemented by more efficient pre-tender engagement, reduced reliance on EOIs, and **the introduction of rolling tenders** assessed on absolute criteria to improve transparency, reduce speculation and sustain market confidence.

In parallel, the Government has announced the establishment of the Hung Shui Kiu Industry Park Company Limited, which will develop and operate a separate 23-hectare industry park within HSK/HT NDA, located directly opposite the 36-hectare logistics cluster (the Area). While the Industry Park is primarily positioned for public-private partnership (PPP) arrangements, it also allows for land disposal or direct grant mechanisms. The coexistence of two adjacent clusters with different development and tendering approaches underscores the importance of clear positioning, functional differentiation and policy clarity, to avoid confusion among potential developers and occupiers.

In summary, the Study provides a strong strategic foundation, but its success will depend on **flexibility, phased implementation and market driven execution**. By refining land supply mechanisms, demand side incentives and tender frameworks, the Government can better align public sector objectives with private sector realities—ensuring the logistics cluster develops at the right scale, in the right locations, and at the right pace to deliver durable economic value for Hong Kong.

Contacts

Hannah Jeong *FRICS FHKIS*

Head of Valuation & Advisory Services, Hong Kong

CBRE | Valuation & Advisory Services

D +852 2820 2818 | F +852 2827 8118

Hannah.Jeong@cbre.com**Eddie Tsui** *MRICS*

Senior Director, Valuation & Advisory Services, Hong Kong

CBRE | Valuation & Advisory Services

D +852 2820 2845 | F +852 2827 8118

Eddie.Tsui@cbre.com

© Copyright 2026. All rights reserved. This report has been prepared in good faith, based on CBRE's current anecdotal and evidence based views of the commercial real estate market. Although CBRE believes its views reflect market conditions on the date of this presentation, they are subject to significant uncertainties and contingencies, many of which are beyond CBRE's control. In addition, many of CBRE's views are opinion and/or projections based on CBRE's subjective analyses of current market circumstances. Other firms may have different opinions, projections and analyses, and actual market conditions in the future may cause CBRE's current views to later be incorrect. CBRE has no obligation to update its views herein if its opinions, projections, analyses or market circumstances later change.

Nothing in this report should be construed as an indicator of the future performance of CBRE's securities or of the performance of any other company's securities. You should not purchase or sell securities—of CBRE or any other company—based on the views herein. CBRE disclaims all liability for securities purchased or sold based on information herein, and by viewing this report, you waive all claims against CBRE as well as against CBRE's affiliates, officers, directors, employees, agents, advisers and representatives arising out of the accuracy, completeness, adequacy or your use of the information herein.