

Reimagining Tomorrow



Northern Metropolis as Hong Kong's Game-Changing Frontier

March 2025

The 14th Five-Year Plan supports Hong Kong to develop into an international innovation and technology (I&T) centre. This paper examines some potential opportunities in Northern Metropolis to respond to and capitalise on the national development strategies.

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Introduction

The Northern Metropolis represents a significant opportunity to inaugurate a new chapter for Hong Kong. In October 2021, the Government put forward the Northern Metropolis Development Strategy, proposing to develop the northern part of Hong Kong into a metropolitan area ideally suited for people to live, work, and travel. As a new economic engine for Hong Kong, this ambitious strategy aims to increase land availability for housing, industries, and community facilities while complementing existing development projects, along with enhanced transport infrastructure.

The development is expected to concentrate on value-added industries that stimulate new businesses and create opportunities across 30,000 hectares of newly designated

development land in Hong Kong. The government has already formulated the Northern Metropolis Action Agenda, which outlines a clear blueprint and specific implementation plan for this initiative. An industry driven approach is emphasised and will be adopted in planning and providing land in the Northern Metropolis to promote the growth of different industries.

To successfully develop the Northern Metropolis is to actively respond to and capitalise on the national development strategies. The 14th Five-Year Plan supports Hong Kong to develop into an international innovation and technology (I&T) centre. In this context, this paper examines three key emerging industries and value-added sectors:



Technology, Media, and Telecommunications (TMT)

This sector is critical for driving innovation and economic growth. With advancements in connectivity and digitalisation, it holds the potential to attract global enterprises and foster a vibrant ecosystem of startups and established companies. It is also a key enabler for other fast-growing industries.



Senior Living

As Hong Kong's population ages, the demand for quality senior living solutions is increasing. Developing this sector will not only meet the needs of the elderly population but also create job opportunities and enhance community well-being.



Biotechnology/ Science

This sector is poised to address pressing health and environmental challenges. With access to top-tier universities and research institutions, there is significant potential for groundbreaking research and development.

These three elements have the potential to drive economic growth, enhance quality of life, and position the Northern Metropolis as an International I&T Hub. Last but not least, we explore different implementation mechanisms for the

future development, offering recommendations for private sector's participation to ensure cohesive and effective development strategies.

Macroeconomic Review

Hong Kong Key Industries Breakdown

The economic performance of Hong Kong's sectors highlights the diverse and dynamic nature of its economy, with particularly strong growth in the technology sector, underscoring the importance of computer and information technology services as a key driver of economic progress.

As of Q3 2024 (Table 1), Banking grew by 7.1% YoY, and financing (except banking) grew by 13.4% YoY. The transportation sector also saw significant growth with a 17.3% YoY increase in business receipts.

Other sectors showed mixed results. The warehousing and storage sector experienced a slight decline in business

receipts by 1.0% YoY but maintained a compound annual growth rate (CAGR) of 7.9% over the past decade and 6.3% over the past five years, employing 98,500 people. The insurance sector demonstrated robust performance with an 11.7% YoY growth in business receipts, a 7.2% CAGR over the past decade, and a 2.3% CAGR over the past five years, employing 64,100 people.

The standout performer was the computer and information technology services sector, which saw the highest YoY growth in business receipts at 34.5%. This sector also achieved CAGR of 8.8% from 2014 to 2024 and an impressive 21.7% from 2019 to 2024, employing 53,100 people.

Table 1. Business receipts of Hong Kong key industries, Q3 2024

Sectors	Business Receipts 2024 Q3 YoY Growth	Business Receipts 2014-24 CAGR	Business Receipts 2019-24 CAGR	Total Employment
Computer and information technology services (Service Domain*)	34.5%	8.8%	21.7%	53,100
Warehousing and storage	-1.0%	7.9%	6.3%	98,500
Insurance	11.7%	7.2%	2.3%	64,100
Banking	7.1%	4.8%	4.1%	96,000
Financing (except banking)	13.4%	4.7%	4.5%	107,200
Courier	2.2%	4.0%	5.6%	5,500
Other financial services and asset management	12.2%	3.5%	4.5%	43,400
Information and communications	5.4%	3.1%	2.8%	102,500
Professional, scientific and technical services	3.6%	3.1%	3.1%	196,000
Real estate	0.2%	2.9%	-1.4%	145,000
Telecommunications	4.3%	2.2%	2.0%	22,900
Transportation	17.3%	2.1%	4.5%	124,600
Administrative and support services	8.2%	1.7%	1.1%	21,700
Food services	-1.3%	0.5%	0.3%	201,400
Import/export trade	1.6%	-0.2%	1.1%	310,700
Accommodation Services	-10.2%	-0.8%	2.3%	39,200
Wholesale	-3.1%	-1.6%	-1.3%	30,300
Retail	-9.6%	-2.8%	-1.3%	224,900
Tourism convention and exhibition services	-5.4%	-5.6%	-3.9%	145,600

Source: Census and Statistics Department

* A service domain comprises those economic activities which straddle different industries but are somehow related to a common theme. It may include all activities carried out by all establishments in a service industry that is closely related to the domain. For a service industry that is less closely related, however, only a portion of the establishments in the industry or even only part of the economic activities of the establishments is related to the domain.

Global Financial Centres' GDP Contribution by Major Sectors

By reviewing the key economic contributors in Hong Kong compared with other leading international financial centres, it is evident that Hong Kong is the most reliant on the finance and insurance sector among the top cities. Hong Kong's GDP is predominantly driven by this sector, while notably, Hong Kong has the lowest percentage of GDP contributed by the information and communication sector. There is still a lot of potential for Hong Kong to find its new engine in this area to further boost its economic growth (Table 2).

Table 2. GDP contribution by major sectors in global financial centres

Sectors	Hong Kong (2023 Nominal)	Singapore (2024 Nominal)	Tokyo (2024 Nominal)	London (2022 GVA Nominal)	New York (2023 Real)
Finance & insurance	24.9%	14.3%	7.7%	19.5%	18.1%
Public administration, social and personal services¹	20.9%	9.6% ²	13.0%	13.4%	19.5%
Import/export, wholesale and retail trades	17.5%	21.5%	21.1%	7.5%	8.2%
Real estate, professional and business services	RE: 3.2% Pro: 5.2%	RE: 7.0% ³ Pro: 5.5%	RE: 13.4% Pro: 12.2%	RE: 12.8% Pro: 13.0%	RE: 14.1% Pro: 14.5%
Transportation, storage, postal and courier services	6.0%	9.1%	2.7%	3.0%	2.2%
Information and communication	3.5%	6.0%	11.6%	11.8%	11.0%
GDP contribution by the 6 sectors to Total GDP	81.2%	73.0%	81.7%	81.0%	87.6%

Source: Census and Statistics Department, Department of Statistics Singapore, Statistics of Tokyo, UK Parliament, Bureau of Economic Analysis

¹ Public administration, education, human health and social care activities

² Public administration, social and personal services and other industries

³ Real Estate (2.9%) & Ownership of Dwellings (4.1%)





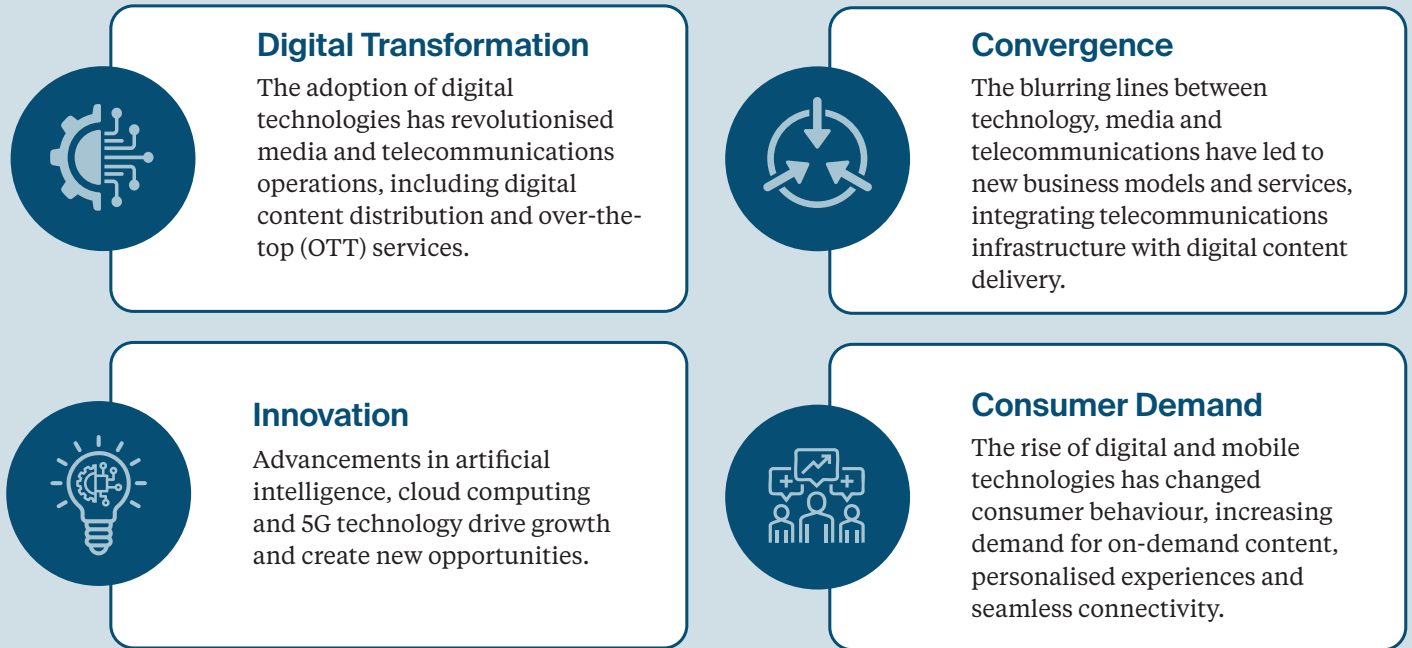
The TMT industry encompasses companies focused on new technologies, including hardware, semiconductors, software, media, and telecommunications. Known for its emphasis on research and development, patents, and intellectual property, the TMT industry thrives on

rapid technological advancements and innovation.

Over the years, it has evolved from its roots in telecommunications and media, driven by the convergence of these fields with technology. This convergence has integrated digital technologies into media and

telecommunications, creating new opportunities and challenges. The industry has shifted from traditional services to digital and internet-based services, such as streaming, digital advertising, and data analytics. Key trends include (Figure1):

Figure 1. Key trends of the TMT industry



TMT - Facts and Figures in Hong Kong

Global Ranking	2021	2022	2023	2024
Global Innovation Index	14/132	11/131	17/132	18/133
IMD Digital Competitiveness	2/64	9/63	10/64	-

Sources: Global Innovation Index Reports, AMD World Competitiveness Centre



Global Innovation Index (GII) 2024

Hong Kong ranks 5th in Asia and 18th globally among 133 economies.



Start-up Ecosystem

In 2023, the number of start-ups increased by 7% to 4,257, providing employment for 16,453 people.



R&D Activities

In 2022, 4,017 Hong Kong companies engaged in R&D activities with in-house R&D expenditure totalling HK\$12.4 billion, a 5.7% increase from the previous year.



Major Research Areas

Information and communication technologies (ICT), software as a service (SaaS), the Internet of Things (IoT), data analytics, biotech, AI, robotics, virtual reality (VR) and augmented reality (AR), new materials.



Popular Sectors

Fintech, smart city and smart home, healthcare, big data applications



MD World Digital Competitiveness Ranking

Hong Kong has consistently placed in the top 10 since 2019.



Innovation-led Activities

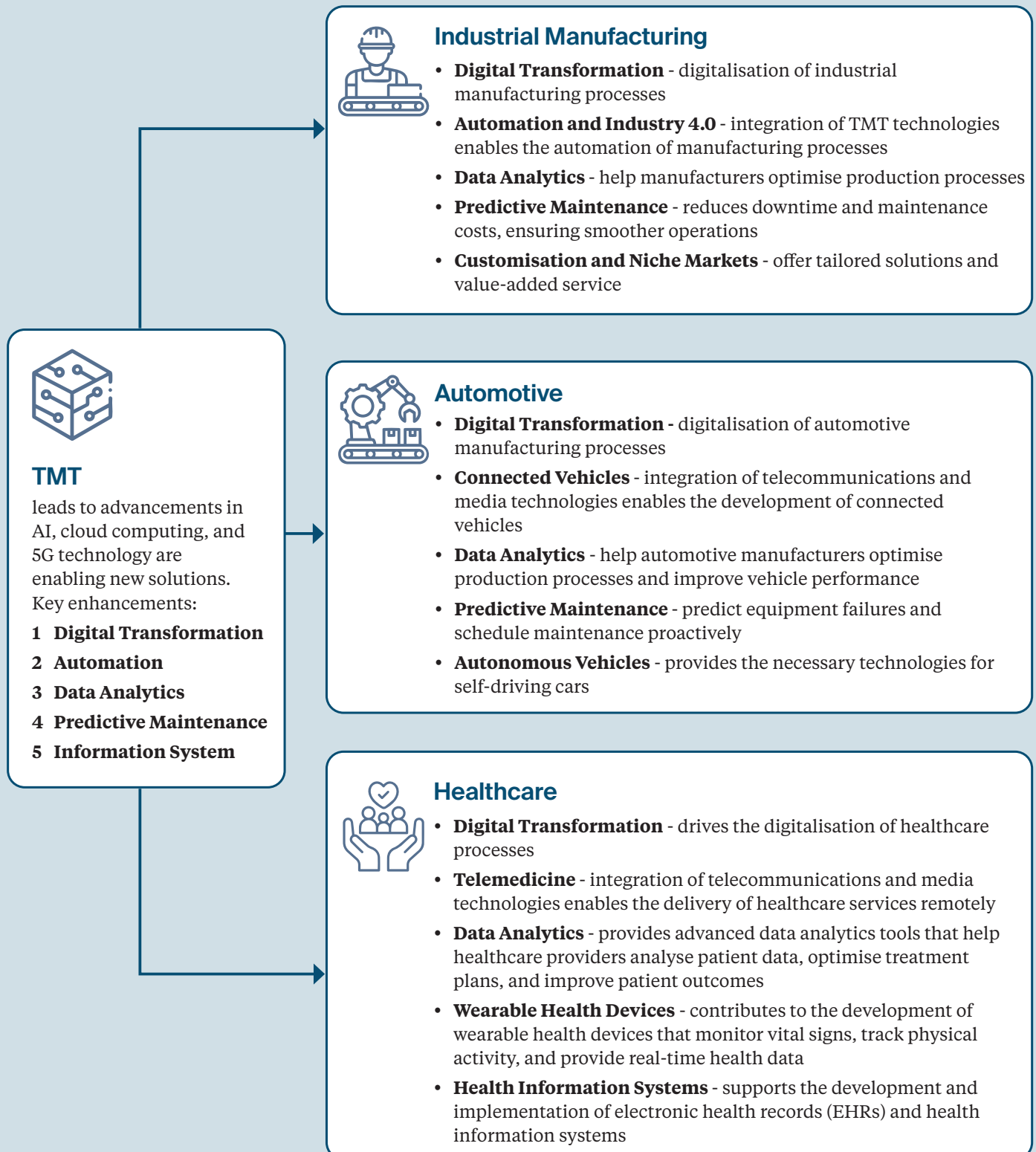
7,186 companies involved in innovation-led activities in 2022, with total innovation-related expenditure reaching HK\$29.9 billion, a 4.4% YoY increase.

TMT Application & Affiliation

The TMT industry plays a crucial role in driving growth in other industries, such as industrial manufacturing, healthcare, and automotive (Figure 2). It provides the necessary infrastructure and technologies for their

digital transformation. For instance, telecommunications investments support the digitalisation of various industries, while media's adoption of AI enhances content creation and personalisation. Key enhancements include:

Figure 2. TMT's crucial role to enhance other industries



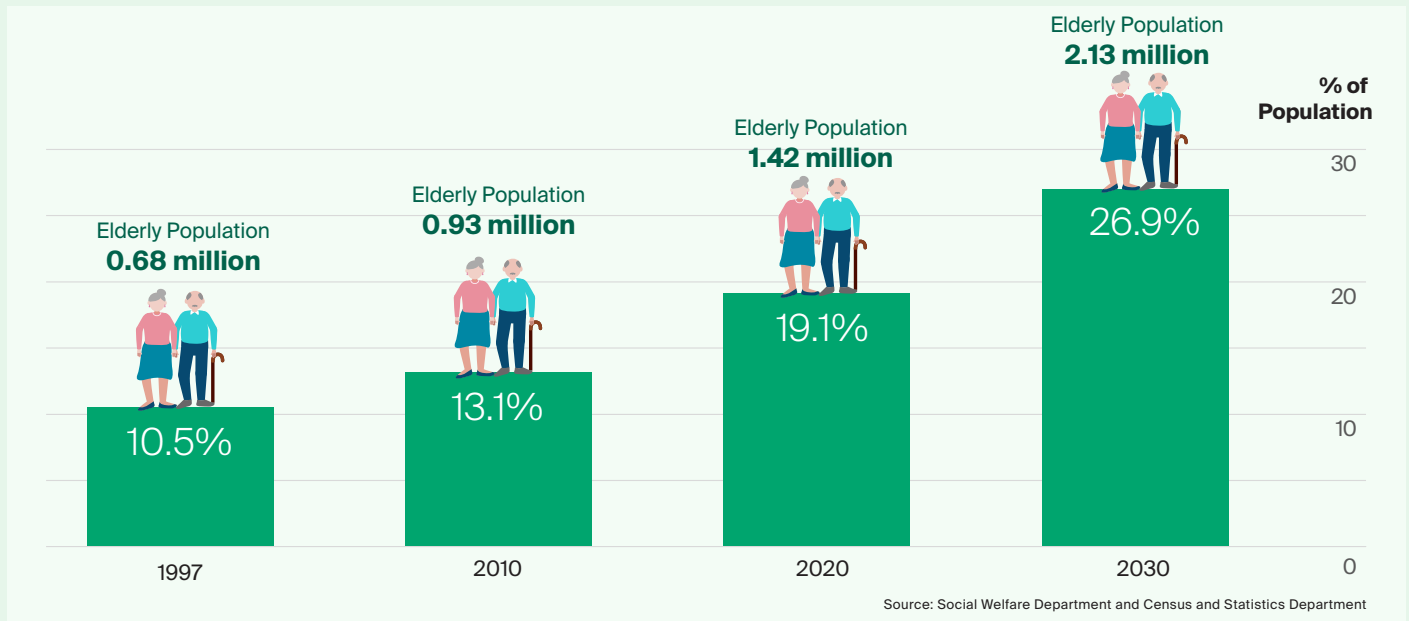
The development of industrial manufacturing and automotive sectors in Hong Kong, however, would face challenges due to relatively high labour and operating costs, limited local market scale for testing, and the realignment

of the global supply chain. On the contrary, there is a strong demand for healthcare driven by the ageing population. Hong Kong is projected to have the second-highest ratio of elderly people in the world (27%), second only to Japan by 2030.



Senior Living

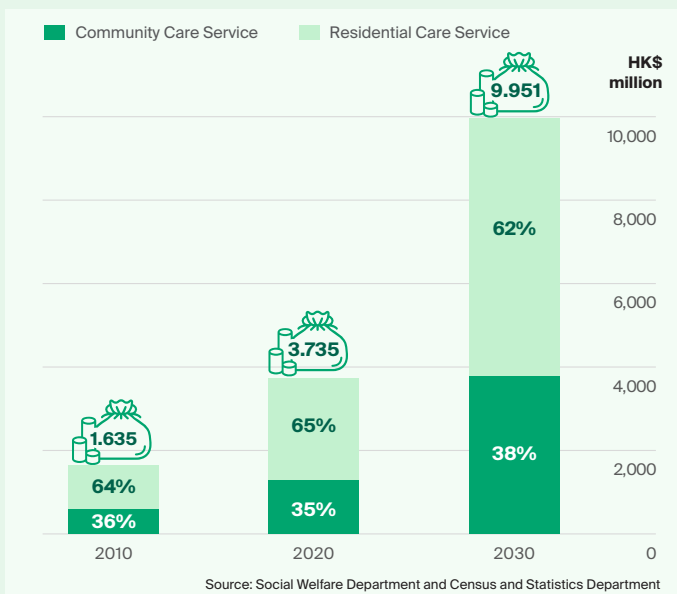
Figure 3. Elderly population and projection by 2030



Demand in CCS

The growth in community care services (CCS) has been significant from 2010 to 2020, with subsidised CCS places increasing by 118% and annual expenditure surged to almost HK\$10 billion from below HK\$4 billion per year (Figure 4). Despite this expansion, the supply of CCS still falls short of demand, resulting in average waiting times of 7 to 11 months. With the elderly population projected to rise by 50% to 2.13 million by 2030 (Figure 3), the demand for CCS is expected to surge dramatically.

Figure 4. Public expenditure for elderly



Inadequate support for carers remains a significant issue.

During 2020-2021, the average monthly unit cost of community care services (CCS) for a frail elderly person in a day care centre was HK\$10,900. This cost was considerably lower compared to the corresponding costs of HK\$16,000-HK\$25,700 for residential care services (RCS) and HK\$180,600 for general hospitalisation.

Low birth rates

To address low birth rates, it is essential to develop a robust elderly care industry. This approach can help reduce the dependency ratio and alleviate the burden on the working-age population. Achieving this goal involves leveraging advanced medical technology, offering comprehensive health management, and providing various care options for the elderly.

Urban Development

Relocating elderly residents from densely populated areas to specialised elderly care communities can free up space for urban redevelopment. This can result in the creation of more modern and efficient living environments for the general population. Moreover, specialised elderly care communities can offer a more suitable and supportive environment for the elderly, potentially enhancing their quality of life.



Biotechnology

The Nature Index showed leading 200 science cities ranked by article share in 2023 with Hong Kong ranking the 19th. Biotechnology is at the forefront of addressing pressing health and environmental challenges. Investing in biotechnology and science will drive economic growth by attracting investments, fostering startup ecosystems, and creating high-skilled jobs. The sector's focus on research and development will lead to groundbreaking discoveries and innovations with global implications.

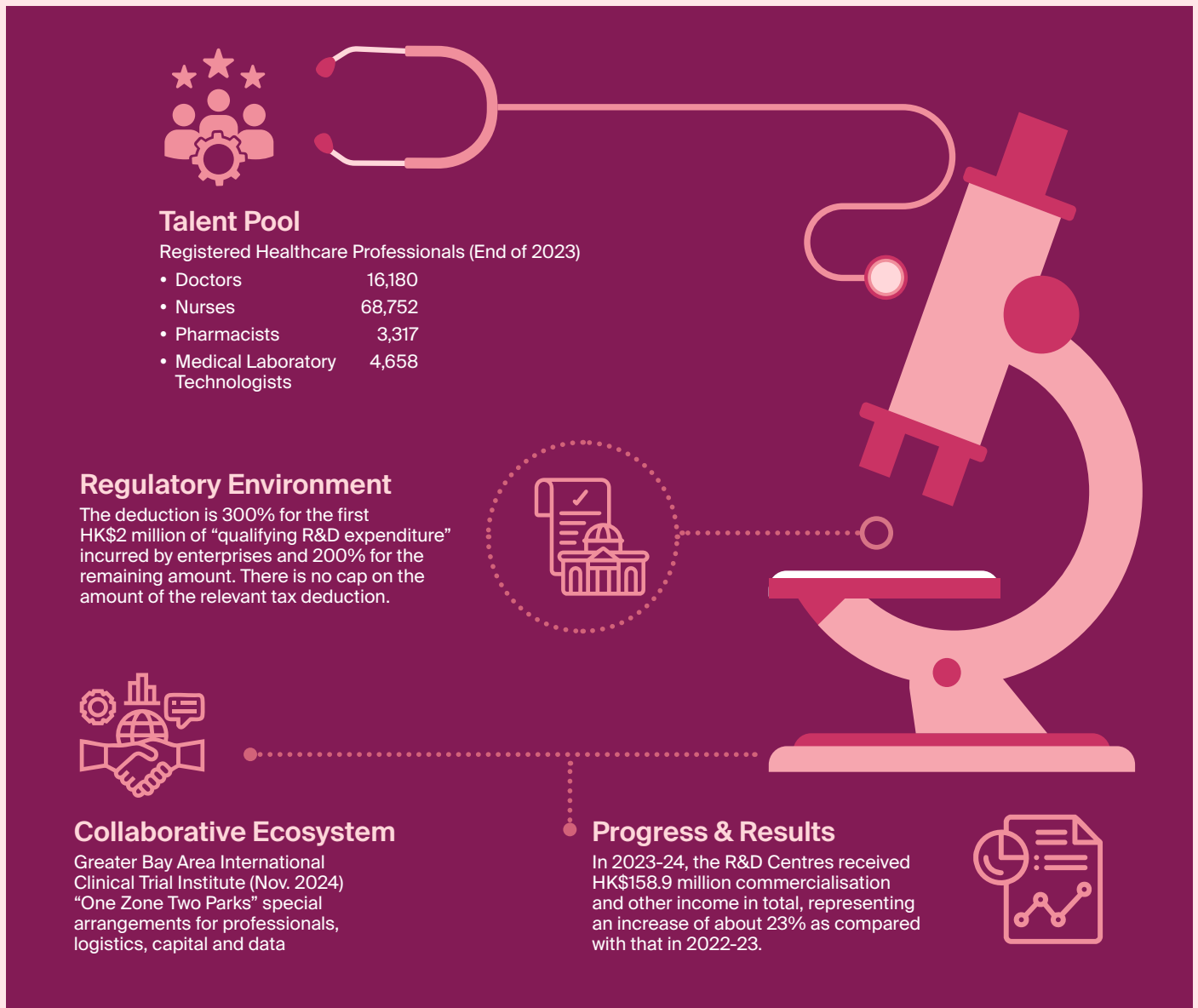
The Hong Kong government has introduced various initiatives to support the biotech sector, such as:

- The establishment of the InnoLife Healthtech Hub in the Hong Kong-Shenzhen Innovation and Technology Park (HSITP).

- A HK\$10 billion New Industrialisation Acceleration Scheme to promote life and health technologies.
- Policies to streamline drug registration and approval processes, enhancing the city's competitiveness in the biotech industry.

With an ageing population, there is a growing demand for advanced healthcare solutions. This demographic trend drives innovation in areas like medical devices, diagnostics, and personalised medicine (Figure 5).

Figure 5. Key facts about the biotechnology sector in Hong Kong



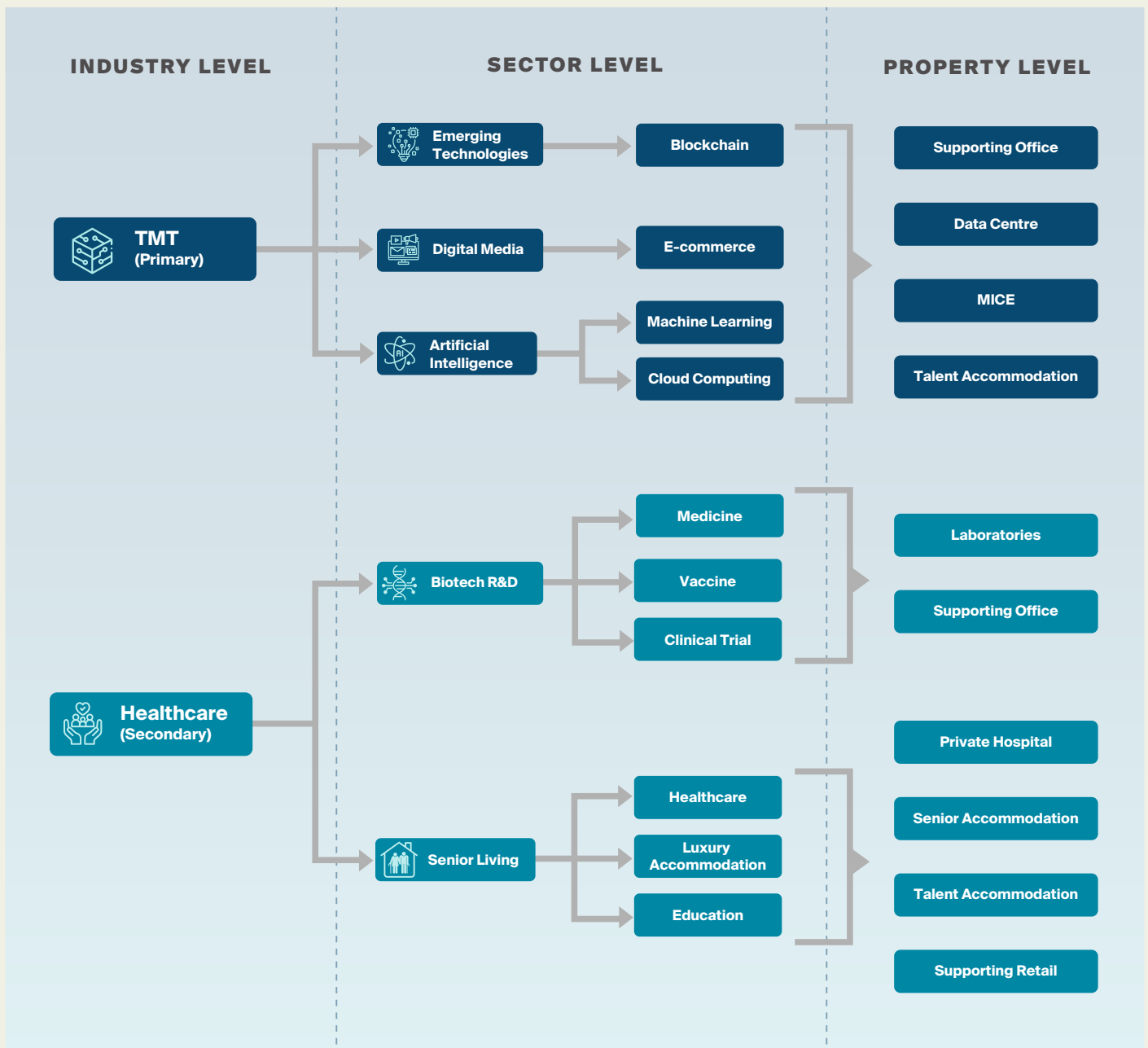
Industry Chain in Northern Metropolis as a New Economic Engine

The Northern Metropolis is poised to become a new economic engine, driven primarily by the Technology, Media, and Telecommunications (TMT) industry, with Healthcare as a secondary focus.

At the industry level (Figure 6), key sectors include Biotech R&D, Senior Living, Artificial Intelligence, Digital Media, Machine Learning, Cloud Computing, Emerging Technologies, Blockchain, and E-commerce.

At the property level, the development will encompass a variety of facilities such as Supporting Office, Data Centre, MICE (Meetings, Incentives, Conferences, and Exhibitions), Laboratories, Private Hospital, and Talent Accommodation. This comprehensive approach aims to create a vibrant ecosystem that supports innovation, enhances quality of life, and attracts top talent.

Figure 6. The TMT industry chain

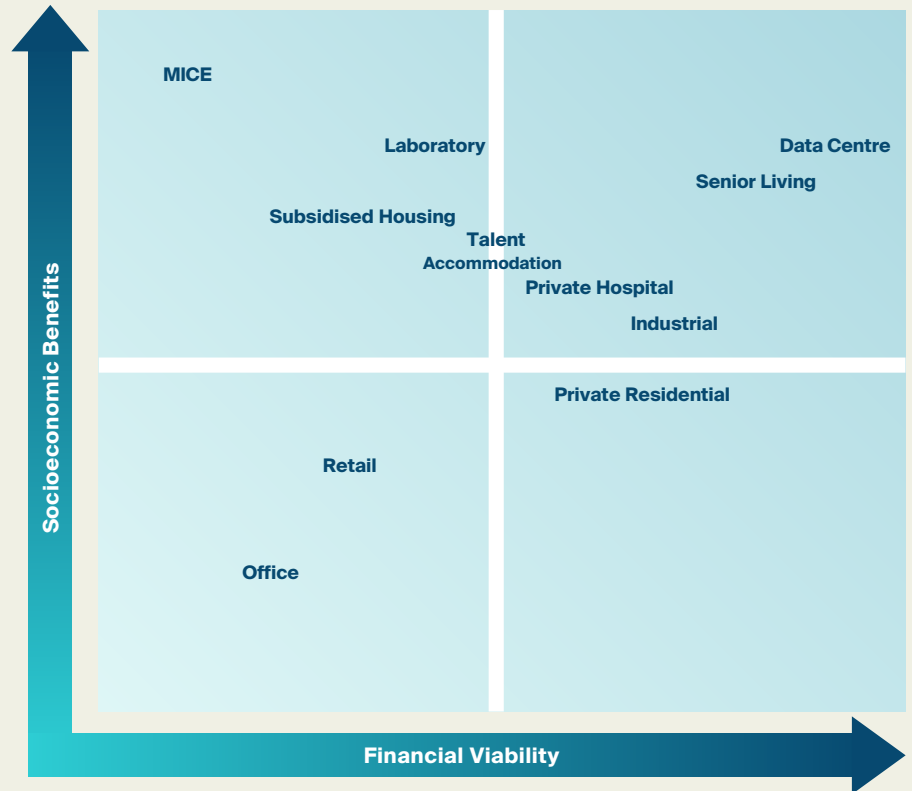


Implementation Mechanism in Northern Metropolis

By considering various factors including market demand, expected financial return, development experience, implementation mechanism, community benefits and employment impacts, our four-quadrant analysis takes into account the financial viability and socioeconomic benefits of different real estate assets derived from the development of TMT and healthcare industries in Northern Metropolis (Figure 7):

Data centre, senior living, private hospital and industrial premises would have significant socioeconomic benefits. The high financial prospects would attract strong incentives from developers and investors. It is expected these premises would be developed best under a full private delivery model (e.g. land sale, land exchange, private equity etc.) or public-private partnership (PPP) model with heavy private financing elements (build-operate-transfer (BOT), build-lease-operate-transfer (BLOT), operation licence etc.)

Figure 7. Financial Viability vs Socioeconomic Benefits



MICE, laboratory, subsidised housing would also generate high socioeconomic benefits. However, the financial prospects would be on the low side and there is limited interest from developers and investors. Also considering the development experience, these premises would be developed best under a PPP model with light private financing elements (design-build-operate (DBO), operation

and maintenance (O&M) etc.).

Retail and office spaces, serving more of a supporting function within Northern Metropolis, may face challenges when tendered individually under private delivery models. However, these uses would be optimally delivered as part of a packaged approach, combined with other uses that demonstrate stronger financial viability.



Challenges and Opportunities

OPPORTUNITIES

CHALLENGES

Development Scale and Timeframe

The entire Northern Metropolis spans across 30,000 hectares. With land parcels currently under different status and involving different land matters, it would take at least 10-15 years to mature.

Emerging Industries

As both TMT and Healthcare are emerging industries in Hong Kong, some development projects in Northern Metropolis would face the challenge of securing anchor tenants.

Talent Shortage

Currently the entire Hong Kong only has some 53,000 labour force participating in the high value-added segment from the TMT industry.

Innovative Implementation

It opens more opportunities for different types of market players to participate in different types of contractual arrangements. Players would be able to focus on the segment that they have the most expertise on.

Ride on the Success of Greater Bay Area

The provision of development space and facilities as well as capital could capture the demand for both TMT and healthcare services from the rest of the GBA.

Deriving the Demand of Healthcare-associated Businesses

The development of healthcare would derive the demand for ancillary businesses including reverse mortgage, medical-tourism and insurance it would take at least 10-15 years to mature.

We like questions. If you've got one about our research, or would like some property advice, we'd love to hear from you.

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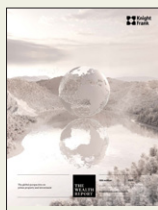
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