

Key Indicators



Under Construction (2H20-2024)
4.21M sf



Total Stock (End-2Q20)
7.92M sf



Transaction Volume (2020 YTD)
HKD 5.96B

Hong Kong Data Center Market Remains Hot Despite Geopolitical Uncertainties

Despite the ongoing geopolitical uncertainties and COVID-19 outbreak, activity in the Hong Kong data center market has remained red hot. In one of the largest leasing transactions this year, US-based data center REIT Digital Realty announced in early July that it agreed to lease a newly completed purpose-built data center at 11 Kin Chueng Street in Kwai Chung as the operator's second facility in the city.

Investors also remained on the lookout for suitable opportunities against renewed demand from operators for data center spaces being supported by growing cloud computing amid remote working trends amidst the pandemic. Grand Ming Group, a local developer, acquired two greenfield sites in Fanling for a combined HKD 356.0 million to further complement their existing data center footprint in Tsuen Wan and Kwai Chung. The investor is required to pay a land premium to modify the leases of the two sites from agricultural to data center usage. The land premium negotiations with the government could take more than 18-24 months against a new benchmark of fee assessment set by a recent record high price of a government land sale.

China Mobile secured an industrial site in Shatin for HKD 5.6 billion. The accommodation value of HKD 5,967 psf was the highest on record for an industrial site and around 49% higher than the upper-end of market expectations. The Chinese mobile phone operator intends to build a high-tier data center on the site.

COVID-19 Driving Growing Demand for Data

The third wave of the virus outbreak in Hong Kong saw MNCs suspending their back-to-office plans and requesting their staff to work from home. It is anticipated that even in the aftermath of the pandemic that many companies will continue to allow some level of remote working, which will in turn accelerate the pace of digital transformation of businesses in all aspects and lead to a surge in demand for cloud usage. Hong Kong's impending introduction of 5G will also drive more usage of data, which in turn, will translate into increased demand for rack spaces in the city. Reflective of this, a handful of PRC and international operators remain on the active lookout for suitable leasing or investment opportunities in the city.

Ecosystem Developments

- **Digital Realty** announced the development of their second data center in Hong Kong after signing a lease with Hon Kwok Land Investment to lease 11 Kin Chueng Street. Scheduled to commence operations in mid-2021, the new 228,000 sq ft building will deliver up to 24MW and could potentially yield a total of 2,300 racks
- **GDS** has secured approval from the government to increase the total development GFA of its first self-developed data center in Hong Kong. Expected to be completed in 2H22, the new data center in Kwai Chung will yield a total GFA of 246,800 sq ft including an IT area of 76,000 sq ft.
- **Equinix** has completed the third phase expansion of HK4 at Ever Gain Building (No.3) in Shatin. With an additional 1,000 racks added to the data center facility, HK4 now has a total capacity of 1,500 racks. The operator intends to add additional 3,000 racks to the facility in the future.

Hong Kong Market Map



Ecosystem Developments (cont.)

- **SUNeVision** announced a new Microsoft Azure ExpressRoute site within its MEGA-i data center in Chai Wan. The enhancement will allow customers to directly connect to Microsoft Azure, bypassing the public internet, in a move aimed at improving security and network performance.
- **G-Core Labs** opened its first point of presence (PoP) in Hong Kong, to be located in a Tier III class data center. The PoP targets demand in China as well as foreign companies seeking to tap regional markets.
- **Equinix** announced that it will provide access to Alibaba Cloud across 17 global cities. Along with Hong Kong, other cities in APAC covered by the partnership include Singapore, Tokyo, Sydney, and Jakarta.
- **Alibaba Cloud** added three hyperscale data centers to its China portfolio, bringing their total number to five. The Chinese cloud operator has at least 10 more data centers planned and will invest 200 billion yuan (USD 28 billion) in the next three years to build the cloud infrastructure to support global clients.
- The **PCCW** ConsoleConnect platform now offers direct on-ramps to IBM Cloud, with Hong Kong an initial market for this connectivity. The partnership enables access to the entire IBM portfolio including compute and storage infrastructure options.

Construction Update

OPERATOR	LOCATION	PROJECT	STAGE / EST. DELIVERY
Airtrunk	Tsuen Wan	HKG1	Under Construction / Q4 2020
Digital Realty	Kwai Chung	Digital Kin Chuen (HKG11)	Under Construction / Q2 2021
CITIC	Kwai Chung	CTT (Phase III B)	Under Construction / Q2 2021
Equinix	Tsuen Wan	HK1 (Phase 13A)	Under Construction / Q3 2021
GDS	Kwai Chung	HK1	Under Construction / Q3 2022
SUNeVision	Tsuen Wan	TWTL 428	Under Construction / Q4 2022
	Tseung Kwan O	TKOTL	Under Construction / Q4 2022

Recent Hong Kong Land Sales

PROPERTY	SALE DATE	LOCATION	PRICE (HKD MILLION)	UNIT PRICE (HKD PSF)	PURCHASER
7 On Fuk Street	Jun 2020	Fanling	188.0	1,968	Grand Ming Group
3 On Kui Street	Jun 2020	Fanling	168.0	1,877	Grand Ming Group
STTL 613	Jul 2020	Shatin	5,600.0	5,967	China Mobile

MORE INFORMATION

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