

COMPARATIVE ASSESSMENT OF CHARACTERISTICS INFLUENCING THE INDUSTRIAL PROPERTY MARKETS IN SYDNEY AND HONG KONG

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Abstract

Industrial property is commonly located in a designated 'industrial' precinct. An industrial property has a specific design and a number of services to support industrial activities including manufacture, distribution and transportation. Although it has a unique characteristic, certain industrial factor might operate differently in different countries. The aim of this paper is to provide a comparison between the Sydney and Hong Kong industrial property characteristics and to highlight their similarities and differences.

This exploratory research used secondary data to provide background information of government policy and market conditions. Two case studies were used to illustrate similarities, trends, differences and to explore town planning, specific property characteristics including location, design and layout. Then, analyse whether these factors influence the performance and value of an industrial asset.

The location of industrial properties varies between each country and depends heavily on infrastructure. It was noted that the town planning restrictions not only vary between markets and cities but also between property lots. The market conditions of both industrial markets were investigated and the supply and demand and rental levels in both cities were distinctly opposite.

Keywords: industrial property, HongKong, property markets, Sydney.

1. Introduction

The property industry in Sydney and Hong Kong define industrial property as 'property which is zoned and used for industrial use, such as factories, manufacturing, research, development, warehouse space and industrial park (Jones Lang LaSalle, 2006).' A variety of industrial property characteristics, which impact the performance of an industrial asset, are evident in both markets. The effects a characteristic has on a properties performance changes as the property cycle changes therefore this comparison between two markets is just a snapshot in time and represents the market as at the date of comparison.

Hong Kong is located approximately 7,380.45km from Sydney. It is located on the south-eastern coastline of China. It consists of 235 islands which covers a total area of 1,104 square kilometres. Sydney is located along the eastern coastline, its total area is 1,687 square kilometres and it has access to three major sea openings. Hong Kong's population is double Sydney's recording 6.8 million and 3.9 million respectively.

Why was the Sydney and Hong Kong industrial markets chosen for this comparison? The geographical similarity between Hong Kong and Sydney was the prime reason that these cities were selected. The city of Hong Kong and the city of Sydney cover total land areas of 1,104 sq km and 1,687 sq km respectively. This similarity in size suggests that all industrial precincts in both cities are geographically spread over a similar area, making the markets more comparable.

The size of each market and the possible geographical spread of industrial precincts verified that both markets were comparable.

1.1 Sydney Industrial Property

The Sydney industrial property market consists of seven main precincts, as illustrated in Figure 1. This map was provided by Colliers International (2006) and also indicates the major infrastructure roads running throughout Sydney. It is evident from this map that Sydney's major infrastructure is well developed and provides sufficient access to all seven industrial precincts.

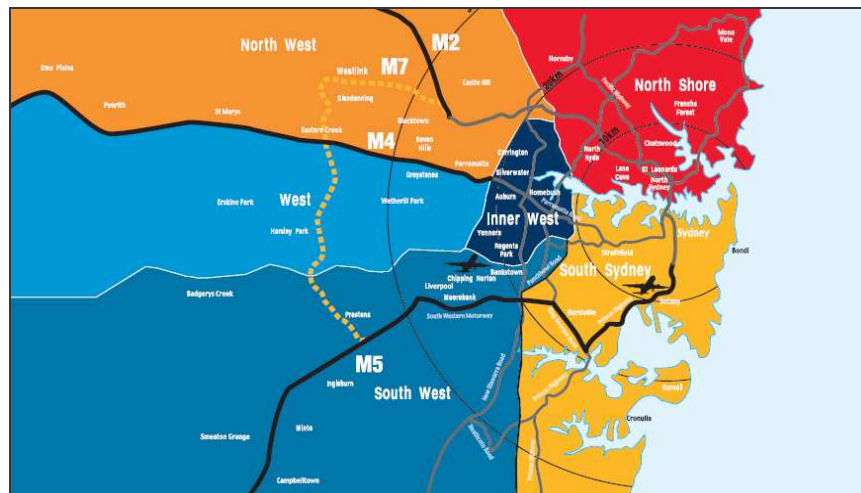


Figure 1: Sydney's Industrial Precincts
Source: Colliers International (2006)

1.2 Hong Kong Industrial Property

There are three major industrial precincts in Hong Kong: Kwai Tsing, Tsuen Wan and Sha Tin. Kwai Tsing is largely dominated by Asian distribution and warehouse operations as it is close to the Kwai Chung Container Terminal and the Hong Kong Airport. Tsuen Wan has a mix of residential and industrial developments and also benefits from transport routes leading to the Container Terminal and the Airport. Sha Tin is mainly residential with industrial developments located on the fringe of the district. This area is dominated by local operators, car companies and logistics companies. These three districts are illustrated on Figure 2.

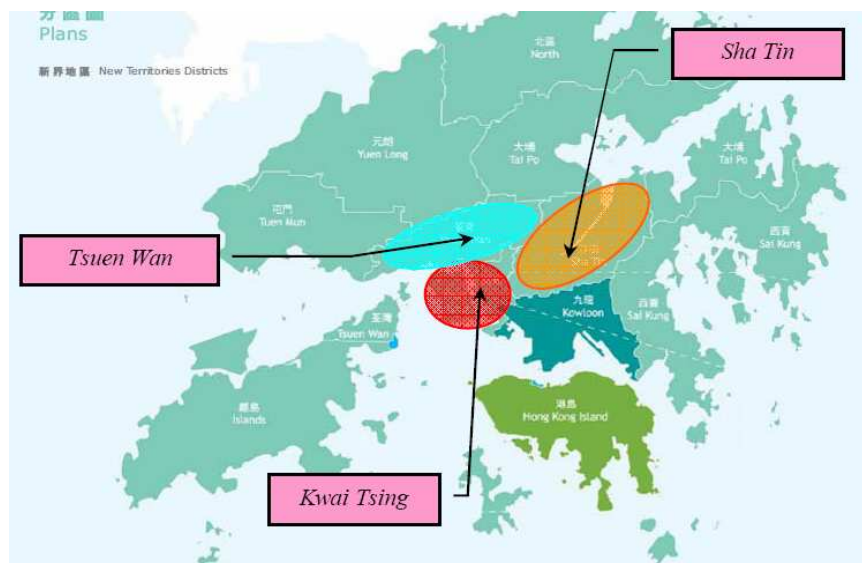


Figure 2: Hong Kong Industrial Precincts

Figure 3 reinforces that Kwai Tsing, Tsuen Wan and Sha Tin are three of the most prominent industrial precincts in Hong Kong. It demonstrates the percentage of warehouse in other precincts in the market, including Hong Kong Island, and graphically portrays the number of industrial precincts in Hong Kong.

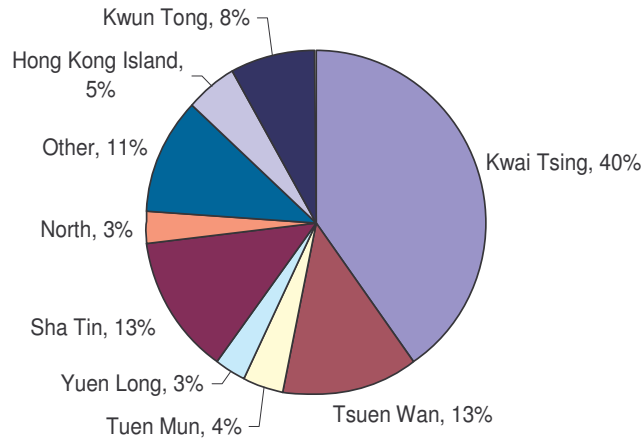


Figure 3: Percentage of Warehouse in Industrial Precincts
Source: R&VD of HKSAR Government (2006)

Ratcliff and Stubbs (1996) determined the characteristics of industrial property as location, town planning, design and layout. Those characteristics have been identified as factors which influence industrial property and are evident in both markets which will be discussed in more detail in the next section.

The function and performance of these factors will provide a comprehensive comparison between the Sydney and Hong Kong industrial property markets. This paper determines which factors relate directly to the physical elements of a property and whether the market value determines the performance of another characteristic.

The aim of this paper is to evaluate the Hong Kong and Sydney industrial property market, provide a comprehensive comparison between the cities and identify the key factors. The purpose of comparing Hong Kong with Sydney is to identify and illustrate similarities, trends and differences between selected characteristics.

2. Literature Review

A number of property characteristics play influential roles in the success of an industrial property site. The correct mix of characteristics will result in a successful asset with a secured cash flow and full occupancy. For the purpose of this discussion, only three industrial characteristics were selected to be investigated (see Table 1). The market condition and land value of industrial property are discussed in brief.

Table 1: Characteristics of Industrial Property

1. Location	Sydney Hong Kong
2. Town Planning	Zoning
3. Design and Layout	Gross Lettable Area Carpark and Lifts

Source: Adopted from Ratcliff and Stubbs (1996)

2.1 Location

'Location Location Location' is a slogan commonly associated with property as this characteristic is one of the most influential factors impacting a properties performance. Although client

requirements are continually changing; Glatte (2004) observes that many industries are driven by the need to be accessible by customers and therefore in a good location. The ideal industrial precinct should have easy access to major transport routes, airports, motorways and intersections as well as have convenient and financially feasible access to domestic and international shipping facilities. Benjamin, Zietz and Sirmans (2003) suggests that recent demands for industrial property have demonstrated a requirement for properties to be located in a position that will save a company labour cost, marketing costs and other resource costs. This can be delivered through industry clustering and transport facilities closer or more accessible to the target market.

Glatte (2004) identifies Hong Kong as a prime industrial district as it is positioned along the coastline leading into China's Pearl River Delta. Hong Kong's infrastructure includes modern airports and impressive highways there is still a shortage of efficient transport nodes. These constraints forced industrial precincts to be located closer to the CBD and coastline. Sydney, on the other hand, does not have such as strong focus on port activity. This allows precincts to be situated further away from the coastline where they have access to sufficient infrastructure.

2.2 Town Planning

Government planning authorities play a major role in the development of industrial property and the location of industrial precincts. Therefore authorities need to understand the market demands and client expectation of industrial property. Australia and Hong Kong have similar planning terminology as both allocate property into 'zones' with each zone illustrating the allocated land use. It is important to remember that planning restrictions vary between properties and between cities and countries.

Seabrook (2004) identifies Hong Kong's Town Planning Board (TPB) and the Building and Town Planning Ordinance as Hong Kong's Planning Authorities whom set development guidelines and approve or reject development proposals. Forlee (2004) identifies the Integrated Planning Act and the City Plan as Sydney's key planning authority and documents.

Seabrooke, Kent and Hong How (2004) also explores the goals of urban planning in Hong Kong and the three levels of development control. It analyses the statutory zoning which states the range of permissible uses and includes the schedule of notes illustrating land type and other approved uses. This system is very similar to the Australian Planning system, Integrated Planning Act however the approval processes are contrasting. Australia applies a semi rigid planning approval system where trends can be identified and feed back is given to applicant so the proposal can be redrafted and resubmitted. Hong Kong however, illustrates a hybrid planning control system that is not rigid nor is it discretionary.

According to Seabrooke, Kent and Hong How (2004) there does not appear to be any trends or formal guidelines as to how or why Hong Kong authorities decide to accept or reject a proposal. This prevents applicants from redrafting a proposal and resubmitting due the lack of understanding of why it was rejected. Benjamin, Zietz and Sirmans (2003) implies that governments occasionally provide tax incentives and infrastructure to encourage business to relocate to form a cluster, developing industrial districts.

This demonstrates that although similar terms are used, each country applies different systems and different authorise in charge of planning.

2.3 Design and Layout

Many of the research papers discussed in this literature review mentioned the three major types of industrial property;

- Manufacturing
- Distribution
- Industrial / Office

While these have been identified as the three main designs, Ratcliff and Stubbs (1996) identified other types of industrial development such as traditional, flatted factory, industrial estate, trading estate, new design, commercial / business parks and research parks. These expressions all have similar meaning however different terms are used in separate markets.

There is an emerging trend which illustrates the growing requirement for an office like atmosphere rather than a factory workshop (Ratcliff and Stubbs, 1996). This shift in demand from straight industrial to industrial / office provides a combination that meets the pre-requisite for more warehouse and distribution requirements (Benjamin, Zietz and Sirmans, 2003). Ratcliff and Stubbs (1996) suggests that investors and clients are beginning to look for key industrial locations which provide research, design, manufacturing, distribution, storage, and marketing and consumer services under one roof.

Capacity and structure are two characteristics that influence industrial property. Benjamin, Zietz and Sirmans (2003) explores the range of industrial improvements and identifies key industrial improvement factors including lease term, floor to space ratio, flexibility for technology and capacity expansion, as prime aspects influencing the property. On the other hand Ratcliff and Stubbs (1996) explores influential design principles such as floor slab, ceiling heights, eaves height, column space, cladding material, roof, building services, office content, fire services, loading bay, amenity, energy conservation and others. This illustrates that a large number of factors and sub factors can influence industrial property and clients have different design requirements to ensure the warehouse is used to its full potential.

This literature review has identified that although building design and layout can vary, it is really dependant on the client's building requirements to ensure their business can operate in the space rather than trends or patterns. However a few factors such as roof height, roller doors and fire services are commonly required.

2.4 Market Condition

Benjamin, Zietz and Sirmans (2003) states that industrial rents are measured on average cost per square metre of property leased. The past trends demonstrated that prices consistently decline as building size increases.

A significant factor in measuring the profitability of industrial property is property characteristics. It is suggested that variables already mentioned such as ceiling height, office space, size of building, loading door height, distance to airport and type of tenant (single or multiple) local market, physical factors and location all contribute to the performance industrial property (Benjamin, Zietz and Sirmans, 2003; Jackson and White, 2005). This, combined with the market value of the property, will determine the value and therefore the rental rates per square metre.

Supply and demand of industrial property is a major indicator of market conditions in all property markets. A number of data sources discussed the supply and demand curve theory often used in economic theory however this paper will focus on the supply and demand relationship with land values.

2.5 Land Value

"The price of land, like the prices of other goods, is determined by the interaction of supply and demand in the market." (Harvey1987). Harvey (1987) and Evans (2004) both suggest that land values and land uses have a close relationship and can be determined simultaneously.

Harvey (1987) investigates the relationship between the cost of transport, the location of property and the rent earning capacity compared to the land use and the land value. Evans (2004) suggests that the higher the land value, the increase in intensity of the land use while Harvey's (1987) proposes that as the 'distance from the centre of the city or transport routes increases, the prices decrease.' Both theories have proved successful however it can still be argued that these theories can not be applied to all situations in each market.

It is evident in a number of literature sources that there is a positive relationship between the land use and land value. However Harvey's (1987) strongly suggests that although land use can determine the price of land, this method does not work in reverse. The research collected and analysed in this paper aims to provide further opinion into this theory and determine whether the six key characteristics influence the market value of a property or whether market conditions are the major influence.

3. Methodology

The aim of this paper is to provide a comparative assessment of influential industrial property characteristics active in Sydney and Hong Kong. Relevant secondary data was collected through exploratory research, using a mix of qualitative and quantitative research. The qualitative analysis was used to evaluate qualitative data and same method was employed to evaluate quantitative data.

The method of collecting data to support the research topic needed to be strongly controlled due to the difficulty of comparing two property markets in different countries. A physical characteristic is discussed through case studies chosen to identify the similarities and differences identified. Property factors such as the exchange rate, differences in business environments and the different stages of the property life cycle are continually changing features. All these factors can significantly influence the research results and are difficult to measure.

The properties used for the research were selected through convenience and judgement sampling. Convenience sampling benefits the researcher as it provides a similar result of a random study without the cost and time issues. The other non-probability method that was applied is judgement sampling. This method selects the properties on judgement and applies the same theory of selecting a sample group of properties to 'represent' the entire countries industrial property market. These sampling methods have been adopted from Walonick (2006).

Cross-national comparative research methodology was used in the data analysis phase of this paper. This category of research methods was the most applicable to the research objective as its aim is to 'compare two or more things with a view to discovering something about one or all of the things being compared (Hantrais, 2005).' A cross national comparison is defined by Hantrais (2005) as examining a 'particular issue in two or more countries with the express intention of comparing their manifestation of different socio-cultural settings, using the same research instruments either to carry out secondary analysis of national data or to conduct new empirical work.'

The structure of conducting a cross national comparison varies for each circumstance depending on countries, availability of data and the sample size. Due to the time and cost related with collecting primary data, this comparison collected secondary data during the research phase. The information available for the comparison was a mix of quantitative and qualitative. A larger amount of qualitative data was collected, however quantitative data was preferred as it provided figures which reinforced theories discussed in the qualitative analysis.

4. Data Analysis

This section discusses and analyses the results obtained during the data collection process. It focuses on three key industrial property characteristics-location, town planning, design and layout-and comments on the current position of the Sydney and Hong Kong market separately then compares the findings. The location of the subject properties in both cities was identified and analysed and the importance of town planning policies were highlighted. The subject properties provide examples of building designs and layouts commonly used for industrial property. It also compares the site area to the lettable area, the floor plans and town planning constraints used to determine the market value of the property. This section concludes by comparing and commenting on the findings from both markets.

4.1 Subject Properties overview

To help support theories discussed, valuation reports from two industrial properties located in prominent industrial precincts in Hong Kong and Sydney were chosen to represent the subject cities and to be used as examples to illustrate the differences in each industrial market. This section discusses the selected properties in brief, as to foster an in-depth analysis into the comparable factors between the two properties.

Property A is described as a “substantial industrial estate comprising of four purpose built industrial facilities currently leased to five tenants. The property is located at Greystanes, one of Sydney’s premier industrial locations with good access... to a number of dominant highways and motorways.”

Property B is a 31 storey warehouse development including a basement. The main building entrance lobby and passenger lift lobby are provided on the upper ground floor, the loading / unloading areas and parking spaces are provided on the 2nd Floor to 5th Floor (2/F and 5/F) and warehouse from the 6/F to 30/F property is constructed of reinforced concrete construction with spayed textured external elevations. Vertical transportation of containers and goods mainly rely on the 8 lower zone and 6 upper zone cargo lifts.

While both descriptions provide various particulars about the properties, the noticeable difference is that the Sydney address is a three storey industrial estate with four main buildings whereas the Hong Kong property is a single 31 storey warehouse.

As size played an important role in selecting the two properties, size was the first to be investigated. As previously mentioned Sydney and Hong Kong were chosen due to the geographical size of each city and therefore similar geographical spread of industrial precincts. It was determined that the lettable area provides appropriate criteria to choose the comparable properties

Table 2 compares the site area and the lettable area of both properties. Interestingly, although the lettable areas are comparable, there is a major variance in the site areas of the two properties.

Table 2: Site Area and Lettable Area of Each Property

Property	Site Area	Lettable Area
Property B (Hong Kong)	4,590.30 m ²	69, 764.4 m ²
Property A (Sydney)	136,300 m ²	69, 430.90 m ²
Difference	135,840.70 m²	333.5 m²

Source: Adopted from valuation reports in Morahan (2007)

The findings from Table 2 illustrate that while there is only a 333.5 m² difference in lettable area and a 135,840.70 m² difference between the site areas. From the research conducted during this study, it is evident that a major contributing factor to the smaller site area in Hong Kong is the requirement that the site be close to the port. Therefore less land around these sites will be available, and lot sizes are smaller to accommodate for as many buildings as possible. In comparison, the industrial precincts in Sydney can be located further from the port as this is not the main form of transport for the city.

4.2 Location

The ideal location for industrial property varies depending on the users requirements. Industrial users need to prioritise a number of base factors to determine the right location for an industrial property. Forlee (2004) suggests that labour, material, power, transport, local government policy and local operational costs are factors which need to be investigated before determining the right

location. Ratcliff, Stubbs and Shepherd (2004) suggests that recent industrial trends have been moving more towards communication, access to clients, the market, suppliers and labour are becoming more of a focus for industrial tenants. This encourages motorway linkage and a higher car park ratio for industrial property.

Property B is located within the Tsuen Wan District, New Territories. The Tsuen Wan District is situated near the old town centre, the West Rail Tsuen Wan West Station, ferry and bus terminus and a number of newly developed residential towers. While heavy traffic flow has been identified as a weakness of the property, it is still easily accessible to a number of major trunk roads. The property is linked with a number of roads leading to the northern parts of New Territories which links to the highway, container terminals in Kwai Chung and the Chek Lap Kok Airport. The location of Tsuen Wan is illustrated in the map in Figure 4.



Figure 4: Property B Location Map
 Source: <http://www.hong-kong-hotels.ws/maps/hongkongmap.htm>

Property A is located approximately 29 kilometres from the Sydney CBD (see Figure 5). Surrounding developments include modern distribution and manufacturing facilities all benefiting from the location of Greystanes. The property has sound access to a number of major transport routes.



Figure 5. Property A location map
 Source: www.australand.com.au

As previously suggested, the site area's of industrial property in Hong Kong are significantly smaller than the site areas in Sydney due to the location of the industrial precinct. This section reinforces this observation with an analysis of the location verse the site area. Property B is

located closer to the port on the coastline in a busy city environment. This enables businesses to benefit from the surrounding transport options. On the contrary, Property A is located 29 kilometres from the CBD and is a further distance from the port. This location is advantageous and beneficial for relevant businesses due to easily accessible transport routes.

Due to the development of both industrial precincts, Property A is located on the outer city where there is more land to develop whereas Property B is competing for space close to the port with the majority of other industrial investors.

4.3 Town Planning

Planning policies play a significant role in the development and location of property. Planning policies can not only dictate the location of an industrial precinct but also determine the business use of the facility. It is important to investigate town planning restrictions on an individual property bases as policies vary between properties, precincts and cities. It is important not to generalise the zoning of a number of properties in a market.

There were two significant differences noted when comparing town planning policies for Property B and Property A. The first was the title description and lot registration method. Illustrated below are the real property details for both properties and the survey plan of the lot. Note that Sydney properties are recorded as a lot number then a plan number while the Hong Kong property is recorded with the suburb code and number, a lot number and the size of the lot.

Property A is part of a Boral Quarry subdivision and is registered as Lot 901 in Deposited plan 1078814.

Property B is situated over two registered lots, TWTL 99 (2,978.1 m²) and DD 443 Lot 454 (1,672.2) which forms an irregular shape as displayed on the site map below.

The second difference in town planning policies is the 'zoning' of the properties. Property B is zoned under Tsuen Wan Outline Zoning Plan No. S/TW/22 and is zoned '*Industrial*' under this plan. Property A is zoned '*Employment*' under the State Environmental Planning Policy No. 59. Each scheme has different restrictions and guidelines that relate to the individual properties. For example, under '*industrial*' zoning, Property B is restricted to a maximum plot ratio of 15; meaning the gross floor area of the building can not be 15 times more than the site area. Under the '*employment*' zone which Sydney's Property A is situated the guidelines indicate that maximum site coverage of 60% including awnings is enforced and the height limit is 12m.

It is also interesting to note the surrounding land use of both properties. Property A is located in an industrial estate subdivision in an industrial precinct while Property B is surrounded by a number of residential towers.

This comparison was conducted to provide just one example of how planning restriction varies between properties, zones, precincts and cities. The difference is not only between Hong Kong and Sydney but also between each separate lot. It is important to investigate the zoning of every particular lot as the land use of a property may significantly impact the land value. This topic requires in-depth investigation on an individual property basis and will not be discussed or investigated further in this paper.

4.4 Design and layout

The design of industrial building varies depending on a number of features which need to be considered before commencing with the development of an industrial facility. Forlee (2004) recommends investigating the current market trends, car parking, vehicular circulation, security, roof height, natural lighting, size of roller doors, and town planning regulations, when analysing an industrial building.

It is important for an industrial facility to be flexible to ensure the layout can alter slightly to ensure each tenant occupying the space utilizes the area to its full potential. Recent trends have indicated that the physical image of the building is becoming more important to potential tenants and the demand for an office like work environment is increasing. This is encouraging new industrial developments to be stylish with a modern design and be positioned in a semi rural location as close to the city as possible (Ratcliff and Stubbs, 1996).

As previously mentioned the comparison between Property B and Property A has been conducted to provide an example and highlight the differences between Hong Kong and Sydney's industrial property characteristics. This section describes the design and layout of both subject properties and highlights the differences between the gross lettable area and car park allocation.

Property B is a 31 storey warehouse building with car park and ancillary accommodation constructed in 1991. The exterior of this 15 year old property is a reinforced concrete building still in good condition. The building is split into five sections: (1) Lower and upper ground level; (2) Car parking space; (3) Loading /unloading platforms; (4) Container Hoist System; and (5) Warehouse Floors.

There are eight typical floor layouts each level has an automatic sprinkler system with all services such as water, electricity, telephone, sewerage and drainage all connected. Bathrooms are located on floors 6 -29.

The vehicle and pedestrian entrance is located on the lower and upper ground level. The pedestrians enter through the ground floor lobby while vehicle access is via a ramp at street level. This runs from ground level to the 5/F (5th Floor). Table 3 identifies the gross lettable area of each warehouse component of each floor. It illustrates the size of the potential lettable space. It was noted that floors two (2/F) to six (6/F) are not included in the total gross lettable area as car parks are not included in the gross lettable calculation (see Table 4).

Table 3. Property B Gross Lettable Area of Units (square metres)

Floor	Warehouse A (square metres)	Warehouse B (square metres)	Total (square metres)
6th Floor - 16th Floor	1,568	1,476	30,449
17th Floor - 17th Floor	1,509	1,436	2,946
18th Floor - 28th Floor	1,622	1,530	34,677
29th Floor - 30th Floor	1,692	-	1,692
Total Building Area	6,391	4,442	69,764

Source: Adopted from Valuation Report

Property B has a total of 66 car parks located between floors two (2/F) and five (5/F) and provides parking for private vehicles, trucks and containers. All parking has a monthly charge with the exception of 25 parks which are licensed as part of the tenancy agreements. The other 35 car parks are known as 'floating' car parks. Table 4 identifies the parking spaces allocated between floors two and five.

It can be identified in the above figure that the loading / unloading platforms are provided between level two (2/F) and level five (5/F). Table 5 illustrates that the building consists of 13 passenger lifts, located only between floors six (6/F) and thirty (30/F). A total of 38 cargo lifts operate throughout the building from floor two (2/F) to floor thirty (30/F).

There are two container hoist systems in the building and are additional to the cargo lifts. Situated on the third floor these container hoists transport containers between floor three (3/F) and floor twenty nine (29/F).

The remaining 25 floors between floors six (6/F) and thirty (30/F) contain warehouses and additional office space. Vertical movement from floor to floor is through staircases, various passenger lifts and cargo lifts. Each floor has ceiling height of 16 ft and a floor loading capacity of 205 lb/ft².

Table 4. Property B Car Park and Lift Ratio

Floor	Type of Parking	Number of Parking Spaces	Number of Cargo Lift	Number of Passenger Lifts
2 nd Floor	Private Vehicle and Lorry	14	4	Nil
3 rd Floor	Private Vehicle and Lorry and Container	9	6	Nil
4 th Floor	Private Vehicle and Lorry	17	5	Nil
5 th Floor	Private Vehicle and Lorry	20	6	Nil
6th - 17th Floor	Nil	Nil	8	5
18th - 29th Floor	Nil	Nil	6	5
30th Floor	Nil	Nil	3	3
Total	Private Vehicle and Lorry and Container	60	38	13

Source: Valuation reports in Morahan (2007)

Property A comprises of four purpose built office / warehouse facilities constructed only three years ago. The construction is reinforced concrete, as is Property B however; this is one of only a few significant similarities between the two properties. Each unit has additional hardstand and truck access facilities with a security gate securing the premises.

Table 5 illustrates the gross lettable area split between the office, warehouse and carpark components between each tenant. It is noted that the office component is significantly smaller than the warehouse component. As these facilities were constructed only three years ago, this difference suggests that there is a larger demand in the Sydney market for low office to warehouse ratio.

Property A has a total of 395 car parks, no cargo lifts and no passenger lifts. All car parking is on grade, street or basement car parking under each facility. Table 5 represents the car park allocation of for each tenant. The number of car parks allocated to each tenant can be linked to the size of each tenancy; however this link is not always applicable.

Table 5. Property A Gross Lettable Area of Units (square metres) and Car Park Ratio

Tenant	Office area	Warehouse area	Total	Carpark
Tenant 1	2,091.90	25,592.80	27,684.70	200
Tenant 2	666.80	4,080.00	4,746.80	27
Tenant 3	-	4,355.00	4,355.00	20
Tenant 4	851.00	11,261.00	12,112.00	84
Tenant 5	2,327.90	18,204.50	20,532.40	64
Total Lettable Area			69,430.90	395

Source: Adopted form Valuation Report in Morahan (2007)

Between Hong Kong and Sydney it is evident that although the gross lettable areas are similar the building layout, design and construction of industrial property are significantly different. The obvious difference is the height of each facility. Property A has a maximum facility of three levels while Property B is 30 levels high. The warehouse component of each facility varies dramatically with warehouse space in Property A ranging between 4,000 sqm and 25,000 sqm. Property B on the other hand ranges between 1,400 sqm and 1,600 sqm per level. This indicates that Hong Kong industrial area is significantly less than Sydney but the range between each warehouse is also dramatically smaller.

It is evident from tables 4 and 5 that there is a noteworthy difference between the number of car parks, cargo lifts and passenger lifts present and allocated to each tenant. The day to day operation of Property B depends heavily on the cargo lifts, passenger lift and the car parking between floors two (2/F) and five (5/F). This is due to the height of the Centre and the location of the facility. Due to the smaller site area and the position close to the port in a business district, limited room is available for car parks. On the contrary, Property A is located 29 kilometres from the Central Business District and has ample room for car parking. As all facilities do not exceed three level, Cargo lifts and passenger lifts are not required and not an ample fixture for industrial property.

5. Conclusion

This paper aims to provide comparison between the Hong Kong and Sydney industrial markets. It also determines if one market is more effective or successful than another but to highlight the differences and similarities. Appropriate properties and reports from Sydney and Hong Kong were used as examples to identify the comparable and relevant factors concerning various industrial property markets.

Location of industrial property is that both desired locations require easy access to major transport routes. The majority of Sydney industrial property precincts are located inland on the outskirts of the Central Business District along major transport routes including highways and railways. Hong Kong's major transport route is via the port and as a result the desired location for industrial property in the city is close to the coastline.

The differences in government town planning restrictions in each city varies significantly, the other difference identified during this comparison was that the property details are recorded differently. It was concluded that this section was not as much a comparison between planning policies but an example of how each individual property is subject to different planning restrictions whether located in the same zone, precinct, market or city. Although both properties were categorised as industrial, significant differences between policies were applicable.

The design and layout comparison identified the majority of physical differences between both markets. The properties were chosen because of the similar gross lettable area but that was the only similarity identified during the comparison. The construction, layout, design, car park allocation and number of lifts were all drastically different. This discussion requires little analysis as the differences are very clear. The ideal location for industrial property is the principal reason behind the dramatic structural differences between the buildings.

The results from this paper highlights although the geographical size of the city or the size of an industrial facility are similar the location, town planning, design and layout of an industrial property are very different.

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