

Asia-Pacific Warehouse Review

H1 2020

HEADLINES

Tokyo

RECORDED THE HIGHEST HALF-ON-HALF RENTAL GROWTH IN H1 2020

12

OF 17 CITIES RECORDED STABLE OR RISING RENTS IN H1 2020

16

OF 17 CITIES MARKET CONDITIONS TO IMPROVE OR REMAIN STABLE OVER NEXT 12 MONTHS

Positive

EXPECTATIONS FOR 2020/2021 OUTLOOK

H1 2020 largely turned out to be a resilient six months for the Asia-Pacific warehouse markets. With most of the region under some form lockdown and with movement restrictions in place, a significant portion of consumption demand was diverted online as people were kept at home. Online consumption within the developed Asia-Pacific markets accounted for close to 20% of all retail consumption in H1 2020, compared to just 15% in the same period last year, with this e-commerce demand helping drive demand for warehousing. For H1 2020, the majority of rents for prime warehouses across the Asia-Pacific remained flat half-on-half, highlighting the relative resilience of the sector compared to others. On the back of firming demand and the resilience in the sector, we remain positive for the regional warehouse sector overall with modest rental growth expectations through the second half of 2020.

Australia's prime warehouse markets have been buoyed over the past several years with healthy take up coming from the logistics, retail trade, e-commerce, and manufacturing sectors, which has led to rents incrementally increasing during that period. With the onset of the pandemic, it was not too surprising to see a pause in the growth momentum in H1 2020 with **Sydney, Melbourne** and **Brisbane** reporting flat rental growth over the period. Rents within these cities

should remain relatively stable in the short-term, with investor confidence to increase capital allocations to the sector demonstrating its long-term value.

Prime warehouse rents in **Singapore** generally remained stable in H1 2020 declining only -0.6% half-on-half to S\$1.80 psf pm despite economic activity grinding to a halt as a result of its April to June circuit breaker and the economy entering a recession during the same period. The resilient performance was supported not only from higher space appetite from the e-commerce sector but also the production and storage of essential commodities such as medical and hygiene related products. Going forward, with only 4% of existing stock slated for completion over 2020/2021 and half already pre-committed, our expectations are for rents to hold steady till the year end.

Warehouse rents across the **Bangkok** metropolitan region were flat in H1 2020. Rather than lower asking rents to counter the drop in demand caused by COVID-19, a number of developers have elected to grant rental deferrals or rebates for existing tenants. Supply growth remains limited as developers focused on maintaining and improving their current stock performance. Although leasing activity did decline, total occupied space grew due to an upsurge in demand from the FMCG, medical supplies and fresh food sectors. Going forward, e-commerce will continue



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"The outlook for industrial markets remains resilient due to robust demand from the e-commerce and essential goods sectors, as well as additional requirements for inventory storage to mitigate supply chain disconnects."

to be the growth driver for warehouse leasing activity in Bangkok due to the region's status as the economic engine of Thailand.

With economic activity having mostly returned to normal in China, prime warehouse rents in **Shanghai** recorded a healthy 3% half-on-half rise to RMB48 psm pm, led in part by a pickup in storage demand from cold chain operators as a large chunk of daily necessities consumption shifted online. With 255,000 sqm of new supply expected to be completed in H2 2020, the current vacancy level of 12% will experience some upside pressure over the near term. However, demand is expected to catch up quickly which will lead to steadily increasing rents for the rest of the year. As for **Beijing**, the market recorded a rental decline of -2.5% half-on-half as the pandemic disrupted leasing activities and delayed decision making, resulting in an impact on leasing of new projects, with landlords lowering rents to secure tenants. However, looking ahead, the rate of decline is expected to slow as economic conditions has picked up at the start of H2 and expectations are for rents to recover their earlier losses by year end.

Tokyo recorded a rise in warehouse rents of 4.2% half-on-half in H1 2020, supported by healthy take up rates and the lack of availability for prime assets within the city. While e-commerce has been a strong driver of growth over the past several years, the pandemic has brought with it new sources of demand via the daily necessities sector most notably food and beverages. Going forward, while the overhang of the pandemic is expected to bring further economic challenges, the warehouse sector is expected to remain resolute in the face of these headwinds given its healthy fundamentals.

The warehouse sector across **Mumbai, NCR and Bengaluru**, which accounts for around two thirds of all the warehouse stock in India, recorded flat rental growth within the first six months of 2020. A main driver behind this has been the increased demand for storage space from the daily necessities, electronics and FMCG sectors given the break in supply chains across the

country at the expense of other sectors that have suffered as a result of the pandemic (i.e. manufacturing sectors). Going forward, warehouse rents across India are expected to remain stable heading into the year end as the warehouse sector undergoes a continued shift of its tenancy mix.

Asia-Pacific Prime Warehouse Rents						
	CITY	PRIME HEADLINE RENT	LOCAL MEASUREMENT	USD/SQ M /MONTH	6-MTH % CHANGE (H2 2019 - H1 2020)	FORECAST NEXT 12 MONTHS
AUSTRALIA	BRISBANE	113	AUD/sq m/annum	6.5	-0.4%	Stable
	MELBOURNE	100	AUD/sq m/annum	5.8	0.0%	Stable
	SYDNEY	121	AUD/sq m/annum	7.0	0.0%	Stable
EAST ASIA	TOKYO	4,582	JPY/tsubo/month	12.8	4.2%	Stable
	BEIJING	59	CNY/sq m/month	8.3	-2.5%	Stable
	GUANGZHOU	38	CNY/sq m/month	5.4	-1.8%	Stable
	SHANGHAI	48	CNY/sq m/month	6.8	3.0%	Increase
INDIA	HONG KONG	19	HKD/sq ft/month	26.2	-3.4%	Decrease
	TAIPEI	1,151	TWD/ping/month	11.8	0.9%	Increase
	BENGALURU	20	INR/sq ft/month	2.8	0.0%	Increase
	MUMBAI	24	INR/sq ft/month	3.4	0.0%	Increase
ASEAN	NCR	24	INR/sq ft/month	3.4	0.0%	Increase
	JAKARTA	774,577	IDR/sq m/annum	4.5	0.0%	Stable
	KUALA LUMPUR	1.9	MYR/sq ft/month	4.8	0.0%	Stable
	SINGAPORE	1.8	SGD/sq ft/month	13.8	-0.6%	Stable
	BANGKOK	159	THB/sq m/month	5.1	0.2%	Stable
	MANILA	235	PHP/sq m/month	4.7	0.0%	Stable

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