

Asia-Pacific Warehouse Review

H2 2020

HEADLINES

0.4%

AVERAGE YEAR-ON-YEAR RENT GROWTH IN 2020

13

OF 17 CITIES RECORDED STABLE OR INCREASED RENTS IN H2 2020

17

OF 17 MARKETS EXPECT STABLE OR IMPROVING CONDITIONS OVER NEXT 12 MONTHS

Positive

EXPECTATIONS FOR 2021 OUTLOOK

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The Asia-Pacific warehouse markets turned in a strong performance in H2 2020, fuelled again mainly by continued growth in e-commerce consumption and improving manufacturing sentiment as many economies across the region begin their road to recovery. As at the end of H2, the average PMIs across the region stood at 52.1, where above 50 signifies expansion, a marked improvement when compared to the average 47.2 PMI reading at the end of H1. Furthermore, China's economy beat estimates with a 6.5% year-on-year growth in Q4 2020, bringing its full year growth to 2.3% year-on-year, making it the only economy globally to record positive GDP growth in 2020; note that this was mainly driven by domestic consumption and expectations on growth to accelerate further once exports start to ramp up.

In H2 2020, the rents for prime warehouses across Asia-Pacific on average rose 0.4% year-on-year, with 13 out of 17 the markets we tracked recording either stable or improved rents over the past half. Based on estimates, e-commerce retail sales grew 14% year-on-year in 2020 across most of the Asia-Pacific markets; expectations are for this momentum to continue building in 2021. As such, we are optimistic on the outlook for the region's warehouse sector and project average rental growth to range between 3% to 5% by the end of 2021.

Despite facing ongoing challenges in its efforts to battle new waves of COVID-19 infections, warehouse rents in Malaysia's main economic hub, Klang Valley, have remained resilient, flat quarter-on-quarter due to existing committed tenancies and growing demand from logistics occupiers – both domestic and international. Furthermore, the government has also recently introduced various initiatives to improve the country's main port, Port Klang, to unlock its full potential and adapt to the dynamics of global trade and supply chain, supported by positive sentiments in the manufacturing and logistics sectors.

Prime warehouse rents in Singapore kept steady in H2 2020, with rents rising 1.7% year-on-year for the full year on the back of demand created from expansions in outputs from the electronic and biomedical manufacturing sectors. Going forward, with Singapore widely seen as a key warehousing and storage hub for Southeast Asia given its strategic location and well-developed infrastructure networks, the outlook for its warehouse sector is sanguine. As such, we expect rents to rise between 1% to 3% in 2021.

The Chinese Mainland's warehouse markets expectedly did well in H2 2020 with commercial activity mostly having returned to normal, putting its economic growth back on track. As a result, rents in Shanghai rose 3.2% year-on-year in



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“Along with the strong e-commerce growth resulting from the pandemic, the economic recovery we are now witnessing in Asia-Pacific has started to normalise manufacturing activity back to pre-COVID levels, both of which have driven healthy occupier demand for warehouses across the region.”

H2 2020 on continued healthy storage demand seen especially from the biomedical and fresh food e-commerce sectors towards the end-of-year peak season. In Beijing, rents in the city rose 1.8% year-on-year in the same period on the back of healthy demand fundamentals which saw more of the city's excess supply being absorbed. Vacancy rate for the warehouse sector recorded a 0.7% decline over the past six months to end 2020 at 4.10% - nearing the 3.90% level recorded at a pre-COVID level at the end of 2019. Going forward, conditions are expected to remain stable in Beijing as absorption rates continue to improve.

Asia-Pacific Prime Warehouse Rents						
	CITY	PRIME NET HEADLINE RENT	LOCAL MEASUREMENT	USD/SQ M /MONTH	Y-o-Y CHANGE	FORECAST NEXT 12 MONTHS
AUSTRALIA	BRISBANE	113.6	AUD/sq m/annum	7.3	0.4%	→
	MELBOURNE	100	AUD/sq m/annum	6.4	-0.4%	↑
	SYDNEY	121	AUD/sq m/annum	7.8	0.0%	→
EAST ASIA	TOKYO	4,536	JPY/tsubo/month	13.3	-1.0%	↑
	BEIJING	61.30	CNY/sq m/month	9.4	1.8%	↑
	GUANGZHOU	36.80	CNY/sq m/month	5.6	-5.9%	↑
	SHANGHAI	48.13	CNY/sq m/month	7.4	3.2%	↑
	HONG KONG SAR	19.6	HKD/sq ft/month	27.2	0.0%	→
INDIA	TAIPEI	1,151	TWD/ping/month	12.4	0.9%	↑
	BENGALURU	20	INR/sq ft/month	2.9	0.0%	→
	MUMBAI	24	INR/sq ft/month	3.5	0.0%	→
	NCR	24	INR/sq ft/month	3.5	0.0%	→
ASEAN	JAKARTA	818,295	IDR/sq m/annum	4.9	5.6%*	→
	KUALA LUMPUR	1.90	MYR/sq ft/month	5.1	0.0%	→
	SINGAPORE	1.83	SGD/sq ft/month	14.9	1.7%	↑
	BANGKOK	157	THB/sq m/month	5.2	-0.2%	→
	MANILA	235	PHP/sq m/month	4.9	0.0%	↑

Source: Knight Frank Research, XE Currency
*6 month change

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

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