

The Asia-Pacific Warehouse Review aims to provide occupiers, landlords, and investors with a regular analysis of the rental performance of warehouse and logistics markets across the Asia-Pacific.



# Asia-Pacific Warehouse Review

H2 2021

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## HEADLINES

### Sydney

HIGHEST YEAR-ON-YEAR RENTAL GROWTH IN 2021

11

OF 14 CITIES RECORDED STABLE OR INCREASED RENTS YEAR-ON-YEAR IN 2021

17

OF 17 CITY MARKETS TO IMPROVE OR REMAIN STABLE OVER THE NEXT 12 MONTHS

### Increasing

OUTLOOK FOR 2022

Take-up in the region's warehouse markets remained robust in the second half of 2021, lifted by resurgent trade flows from the recovery in global demand. As a result, rents for logistics warehouses across Asia-Pacific rose by a marginal 0.5% year-on-year in the same period. Despite close to 9 million sqm of new supply expected to be delivered in the region in 2022, vacancies are likely to remain tight on strong demand and active pre-commitments. The creation of supply chain redundancies due to commodity and shipping price shocks, alongside logjams in shipping traffic, will continue to shape space requirements. So far, divergent policies and vaccination rates across the region are leading to an uneven recovery. While logistics warehouses have benefitted from powerful e-commerce tailwinds, at some point, further growth will have to be sustained by macroeconomic stability in consumption and investment. As a result, the outlook for the logistics sector in 2022 is bifurcated between the developed and emerging markets.

Australia's prime warehouse rents on its Eastern Seaboard posted the highest increases in the region in the second half of the year, buoyed by healthy tenant demand. Rental growth in **Sydney** picked up pace in the second half of 2021 to grow over 5%. Similar market dynamics were also observed in **Brisbane** and **Melbourne**. Leasing activity remained above pre-pandemic levels as the need for increased warehouse space to mitigate supply chain disruptions as well as sustained strong online retail sales heightened take-up rates. The volume of available vacant supply on the east coast declined for the fourth consecutive quarter to its lowest level in a decade. Demand for space is flowing into future supply plans, with the forecast development pipeline in 2022 set to reach a new historical high with about 2.6 million sqm planned.

Even though warehouse rents in **Singapore** eased 4.9% year-on-year, the logistics market was nonetheless underpinned by healthy tenant demand with occupancy improving marginally to 90% as of H2 2021. Despite disruptions to global supply chains, the number of containers passing through Singapore in 2021 rose to a record high, reinforcing the country's port as the world's busiest container transshipment hub. Over the year, demand will continue to be supported by sustained space appetite from the e-commerce and manufacturing sectors. Rents are likely to remain on a gradual increase, with conditions expected to be conducive for an average 3-5% upside for rents island-wide in the next 12 months.

Total imports and exports in **Hong Kong SAR** rebounded by double-digit figures in 2021, with total merchandise trade value surpassing the high in 2018 by 15.6%. The government's roll-out of consumption coupons to spur spending in the retail sector also bolstered demand for storage spaces. Rents for warehouses in the territory rose marginally in the second half of 2021 as vacancies tightened to below 6%. Similar to the rest of the region, e-commerce continued to be the main demand driver. While Omicron's emergence has led to a cluster of outbreaks, leasing fundamentals in the city's warehouse market are expected to remain firm with rents expected to post an upside of 3% in 2022.

Buoyant demand for warehouse space in the tiered-one cities of Chinese Mainland's northeast remained conducive to rising rents. Those in **Shanghai** rose 2.2% in the second half of 2021 as demand continued to outpace supply. Vacant stock in the city had increased at the end of 2021 with close to a million sqm of new warehouse space delivering in 2021; 90% of which were completed in the latter part of 2021. While rent increases in **Beijing** were more modest, vacancy tightened to just



### Tim Armstrong

GLOBAL HEAD OF OCCUPIER STRATEGY & SOLUTIONS

“The emergence of the Omicron variant late into 2021 created fresh headwinds for the region. While it has put pressure on supply chains in the short term and constrained trade, which has been a vital engine of growth, it is unlikely to detract from the long-term structural fundamentals that logistics markets in the Asia Pacific enjoy. The current momentum indicates that demand from occupiers in the region still has ample room to run. Rents are tipped for further growth in 2022 but will be challenged by occupiers' cost sensitivity in certain sectors. The supply imbalance in the region, however, will continually tilt markets in landlords' favour.”

above 3%. Rents in both cities are expected to remain on a gradual uptrend in 2022.

Rents across emerging Southeast Asia were largely stable in 2021, despite bearing the brunt of a delta-fuelled infection wave. While conditions remain positive in **Jakarta**, landlords are holding off any rate increases as the pandemic continues to inhibit consumption. Strong growth in e-commerce revenues in Malaysia, which rose by over 20% in 2021, sustained demand in **Kuala Lumpur**. Average rental rates of industrial premises in the established submarkets of Shah Alam and Klang are expected to be resilient. Anchored by a predominantly built-to-suit market, conditions were also largely balanced in **Bangkok**. Occupancy rates, particularly the prime areas in and around the city's main airport, have remained high. Meanwhile, micro-fulfilment sites are fast gearing up to be the new competition arena for e-commerce platforms in the kingdom.

Rents for warehouses in **Mumbai** and **Bengaluru** corrected in 2021 while those in the **National Capital Region (NCR)** were observed to have risen in the same period. Take-up in the Indian cities continued to be underpinned by e-commerce and 3PL players as the largest sources of demand. While the outlook remains positive, rents are expected to remain unchanged, capped by elevated vacancies. A surge in Omicron infections, which have prompted fresh curbs, is also weighing on recovery momentum. Still, the impact is likely to be contained as the country is far better positioned to cope with more targeted measures to control spread as well as a successful vaccination drive.

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	118.60	AUD/sq m/annum	7.18	4.4%	Increase
	MELBOURNE	105.00	AUD/sq m/annum	6.36	5.0%	Increase
	SYDNEY	162.00	AUD/sq m/annum	9.81	5.9%	Increase
EAST ASIA	TOKYO	4,572.00	JPY/tsubo/month	12.01	0.8%	Stable
	BEIJING	61.60	CNY/sq m/month	9.69	0.5%	Increase
	SHANGHAI	50.04	CNY/sq m/month	7.87	4.0%	Increase
	HONG KONG	20.03	HKD/sq ft/month	27.64	2.2%	Increase
INDIA	TAIPEI	1,187.00	TWD/ping/month	12.96	3.1%	Increase
	BENGALURU	18.80	INR/sq ft/month	2.72	-4.6%	Stable
	MUMBAI	20.20	INR/sq ft/month	2.93	-7.8%	Stable
	NCR	17.90	INR/sq ft/month	2.59	1.1%	Stable
ASEAN	JAKARTA	833,613	IDR/sq m/annum	4.88	2.8%	Stable
	KUALA LUMPUR	1.90	MYR/sq ft/month	4.91	0.0%	Stable
	SINGAPORE	1.74	SGD/sq ft/month	13.89	-4.9%	Increase
	BANGKOK	158.00	THB/sq m/month	4.76	0.5%	Stable
	MANILA	235.00	PHP/sq m/month	4.80	0.0%	Increase

**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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