Asia-Pacific
Warehouse Highlights

In a rapidly changing landscape, Knight Frank understands the need for our clients to keep informed on key market drivers. Accordingly, we have compiled this summary document from across the Asia Pacific region and will continue to update it as markets and policies evolve. Knight Frank has one of the strongest occupier platforms across Asia Pacific, with 154 offices across 15 territories, so should you require a deep dive into any of the markets or to directly analyse your corporate real estate options, our team stands ready to help.

Tim Armstrong
Head of Occupier Services and Commercial Agency
Asia-Pacific

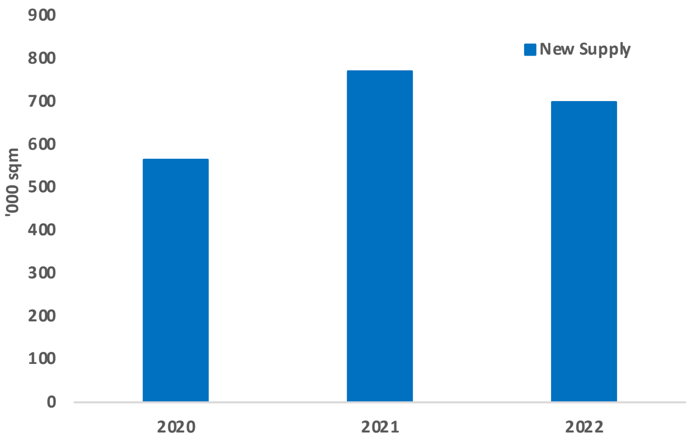
Sydney

Highlights

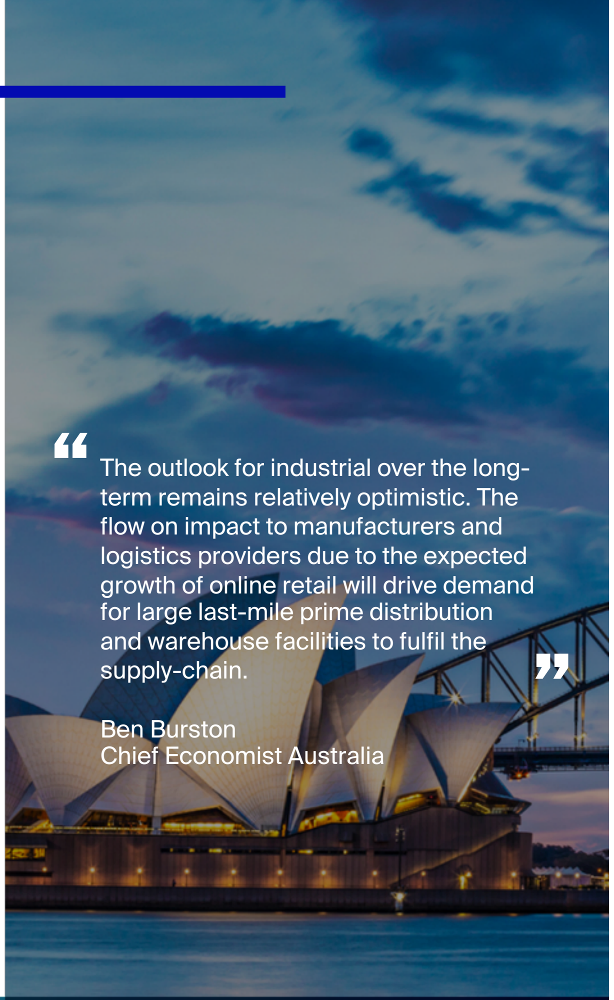
Demand from logistics, in particular the third party logistics and retail sectors, remain the key drivers behind the healthy take up within Sydney's warehouse sector. As a result, rents within the city have largely remained flat over H1 2020 at A$121 psm per annum despite all the turbulence brought on by the pandemic. Furthermore, availability of stock is tight within the Inner West and South precincts of the city, while most existing vacancies and upcoming supply are concentrated in the Outer West and South West precincts.

Outlook

Going forward, demand for warehouses is expected to remain relatively resilient, driven mainly by the ongoing transition of offline to online consumption. Furthermore, changing end-user requirements with regards to warehouse design has driven occupiers towards the quality stock; which will further widen the pricing gap between the prime and secondary assets.



COVID-19 Policies Implemented		
Movement Restrictions	Lockdown	
	International Travel Ban	✓
Economic Stimulus	Fiscal	✓
	Monetary	✓
Real Estate	Residential	✓
	Commercial	✓



"The outlook for industrial over the long-term remains relatively optimistic. The flow on impact to manufacturers and logistics providers due to the expected growth of online retail will drive demand for large last-mile prime distribution and warehouse facilities to fulfil the supply-chain."

Ben Burston
Chief Economist Australia

Economic Indicators	2019	2020F
GDP Growth	1.8%	-4.5%
Unemployment Rate	5.2%	7.7%
Inflation	1.8%	1.8%
PMI Manufacturing (Last two readings)	54 (Jul)	53.6 (Aug)

Real Estate Indicators		
Prime Warehouse	H1 2020	2020/2021
Rent (A$ psm pa)	121	→
Market Balance	Landlord	Tenant

Major COVID-19 Policies

- Partial lockdown: Businesses performing non-essential services must work from home or close, schools open and group gatherings limited.
- Fiscal Stimulus: A$320bn (16% GDP) relief package.
- Tenancy Relief: Temporary moratorium on eviction, landlord and tenant reliefs being planned.

For more information please contact

Darren Benson
Partner
National Head of Industrial Logistics
+61 2 9036 6728
darren.benson@au.knightfrank.com

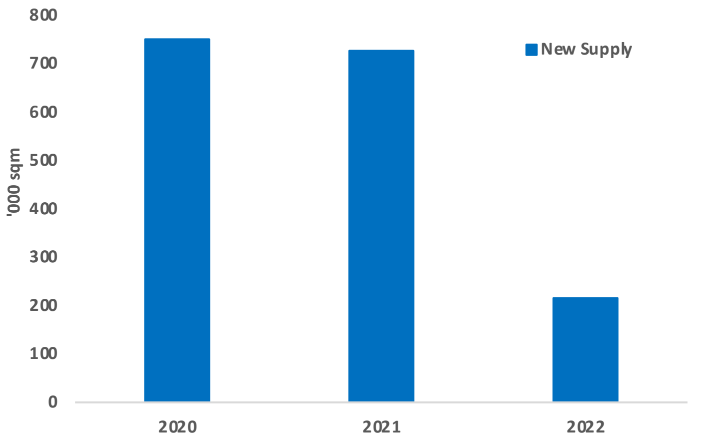
Melbourne

Highlights

Despite the increase in vacancy and the disruption caused by the pandemic, rents have remained stable across Melbourne's industrial regions. The city's average warehouse rent of A$100 psm per annum was flat HoH, while vacant space in the market rose by 100,000 sqm to 835,000sqm as of H1 2020. The flat growth was in part supported by stable land values and the market coming to terms with the double digit rent increases over the past 12 to 24 months. Furthermore, while rents have remained stable, incentives have been on the rise as landlords aggressively compete to attract quality and get deals done.

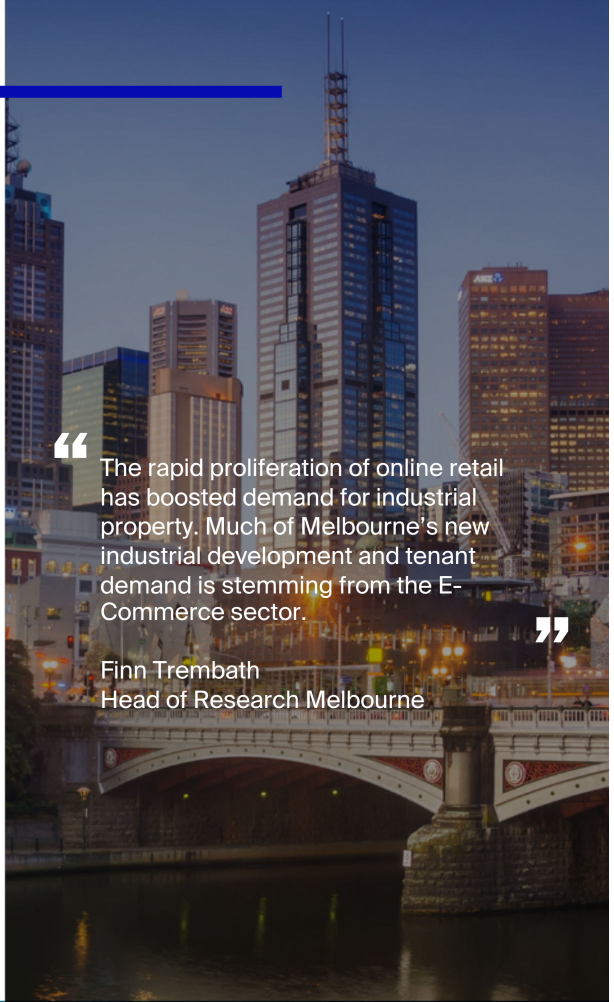
Outlook

While the pandemic has led to some speculative developments in the pipeline being delayed, a substantial amount of new supply is due to come online by the end of 2021; this is in relative terms equal to the amount of supply completed over the past 3 years. Going forward, while take up is expected to be propped up by e-commerce led demand growth, the supply pipeline is expected to keep headline rental growth stable over the near term.



COVID-19 Policies Implemented

Movement Restrictions	Lockdown	✓
	International Travel Ban	✓
Economic Stimulus	Fiscal	✓
	Monetary	✓
Real Estate	Residential	✓
	Commercial	✓



"The rapid proliferation of online retail has boosted demand for industrial property. Much of Melbourne's new industrial development and tenant demand is stemming from the E-Commerce sector."

Finn Trembath
Head of Research Melbourne

Economic Indicators

	2019	2020F
GDP Growth	1.8%	-4.5%
Unemployment Rate	5.2%	7.7%
Inflation	1.8%	1.8%
PMI Manufacturing (Last two readings)	54 (Jul)	53.6 (Aug)

Real Estate Indicators

Prime Warehouse	H1 2020	2020/2021
Rent (A$ psm pa)	100	→
Market Balance	Balance	Tenant

Major COVID-19 Policies

- Lockdown: Melbourne Stage 4 and Victoria Stage 3 lockdown – Curfew in Melbourne from 2000-0500HRs with all but essentials closed
- Fiscal Stimulus: A$320bn (16% GDP) relief package.
- Tenancy Relief: Temporary moratorium on eviction, landlord and tenant reliefs being planned.

For more information please contact

Darren Benson
Partner
National Head of Industrial Logistics
+61 2 9036 6728
darren.benson@au.knightfrank.com

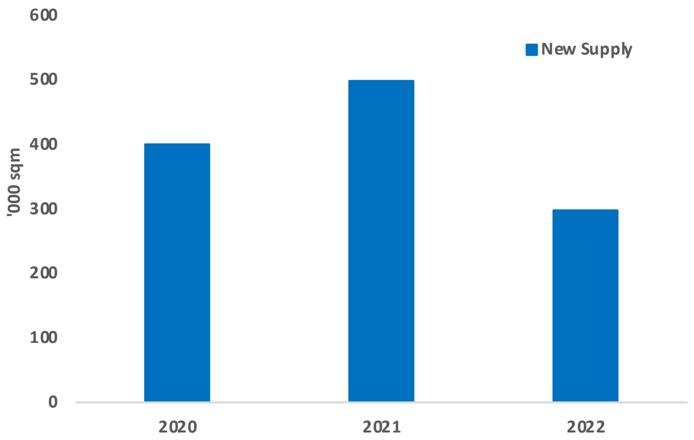
Brisbane

Highlights

Rental growth for the warehouse sector in Brisbane remained relatively stable in H1 2020, declining only -0.4% HoH to A$113 psm per annum. Incentives have increased as an inducement for tenants to act with most requirements on hold at this time. Vacancy increased by 131,733sqm (+30%) in Q2 2020. Of the available space added, 45% comes from speculative development in the South and South West. An additional 25% is backfill space from tenants relocating to new purpose-built facilities with only 30% arising from general tenant moves, none of which are directly attributable to COVID-19.

Outlook

Face rents are expected to remain stable in the near term with potential softness in the secondary space as tenants continue to upgrade their facilities. The continuing expansion and upgrading of logistics and retail tenants to enable more efficient supply chains will see further take-up of new space and trigger further construction. After surging speculative construction during 2020 the focus will shift more towards D&C construction in 2021.



COVID-19 Policies Implemented		
Movement Restrictions	Lockdown	
	International Travel Ban	✓
Economic Stimulus	Fiscal	✓
	Monetary	✓
Real Estate	Residential	✓
	Commercial	✓

“Industrial demand, particularly for food and non-discretionary retail items, has held up well or even increased during COVID-19. However, as the wider economic shut down plays out, an increase in vacancy is expected, with incentives to increase and rental growth to stall.”

Ben Burston
Chief Economist Australia

Economic Indicators

	2019	2020F
GDP Growth	1.8%	-4.5%
Unemployment Rate	5.2%	7.7%
Inflation	1.8%	1.8%
PMI Manufacturing (Last two readings)	54 (Jul)	53.6 (Aug)

Real Estate Indicators

Prime Warehouse	H1 2020	2020/2021
Rent (A$ psm pa)	113	→
Market Balance	Tenant	Tenant

Major COVID-19 Policies

- Partial lockdown: Businesses performing non-essential services must work from home or close, schools open and group gatherings limited.
- Fiscal Stimulus: A$320bn (16% GDP) relief package.
- Tenancy Relief: Temporary moratorium on eviction, landlord and tenant reliefs being planned.

For more information please contact

Darren Benson
Partner
National Head of Industrial Logistics
+61 2 9036 6728
darren.benson@au.knightfrank.com

Source: Knight Frank Research, IMF

updated as of September 21, 2020

Auckland

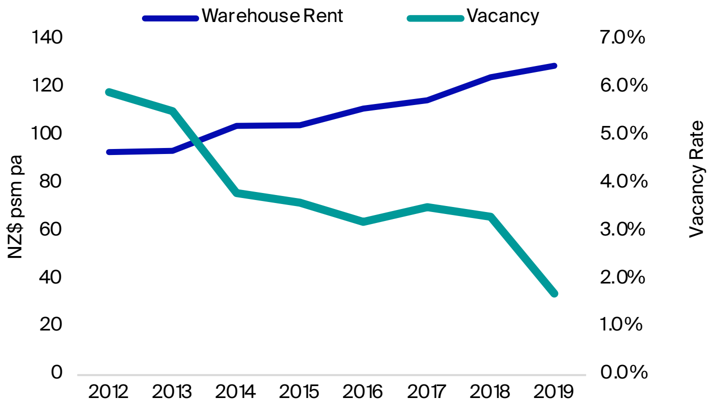
Highlights

Auckland's industrial market has not seen a major economic impact from COVID-19. The growth of last mile delivery and e-commerce over this time has resulted in the continued pressure on vacancy which still sits at sub-1.5% in both prime and secondary stock.

Outlook

Low vacancy is forecast for the rest of 2020 and into 2021 with rents looking to stay flat throughout the second half of the year. In the investment stock, there is an anticipated divergence of prime and secondary quality as tenants look for a flight to quality and tenant covenant.

Speculative development will be hard to find in the second half of the year but should pick up early 2021. Industrial land in Auckland remains in short supply resulting in land value growth in early 2021 as recovery from COVID pandemic begins.



COVID-19 Policies Implemented		
Movement Restrictions	Lockdown	✓
	International Travel Ban	✓
Economic Stimulus	Fiscal	✓
	Monetary	✓
Real Estate	Residential	✓
	Commercial	✓

"Auckland's industrial market was the darling asset class in 2019, recording historic low vacancy rates and strong rental growth in addition to cap rate compression. Built on sound fundamentals, a quick recovery is anticipated for the sector."

Scott Campbell
National Director Industrial

Economic Indicators	2019	2020F
GDP Growth	2.2%	-7.2%
Unemployment Rate	4.1%	9.2%
Inflation	1.6%	1.0%
PMI Manufacturing (Last two readings)	58.8 (Jul)	50.7 (Aug)

Real Estate Indicators		
Prime Warehouse	H1 2020	2020/2021
Rent (NZ$ psm pa)	$135	→
Vacancy	1.5%	↓
Market Balance	Balanced	Balanced

Major COVID-19 Policies

- Lockdown: Auckland in lockdown and rest of country in level 2
- Fiscal Stimulus: NZ$12bn (3% GDP) relief package.
- Property Tax Benefits: Re-introduction of depreciation on building structures

For more information please contact

Scott Campbell
National Director Industrial
+64 21 414 107
scott.campbell@bayleys.co.nz

Source: Bayleys Research, Reserve Bank of New Zealand, Trading Economics, Bank of New Zealand

updated as of September 21, 2020

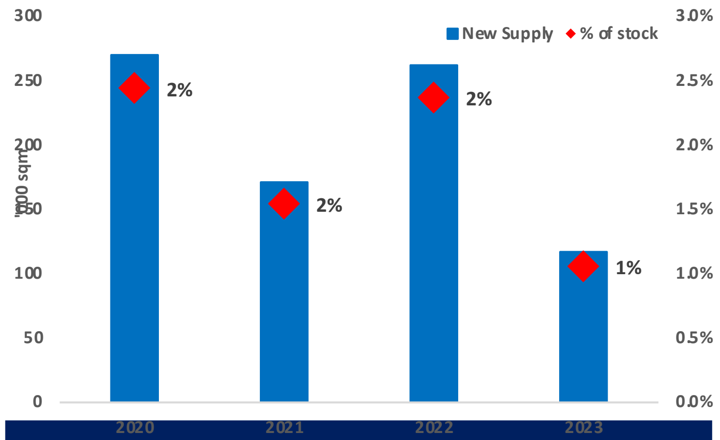
Singapore

Highlights

Despite economic activity in Singapore grinding to a halt as a result of its April to June circuit breaker and the economy entering into a recession, prime warehouse rents in Singapore generally remained stable in H1 2020, declining only -0.6% half-on-half to S$1.79 psf pm. The resilient performance was supported not only from higher take up demand from the e-commerce sector but also from the sectors producing and storing essential commodities such as medical and hygiene products.

Outlook

Looking ahead, while the overall environment is expected to remain challenging, the sectors (mentioned earlier) are expected to hold the fort, coupled with the fact that only 4% of existing stock slated for completion over 2020/2021 with half already pre-committed. Our expectations are for rents to hold steady till the year end.



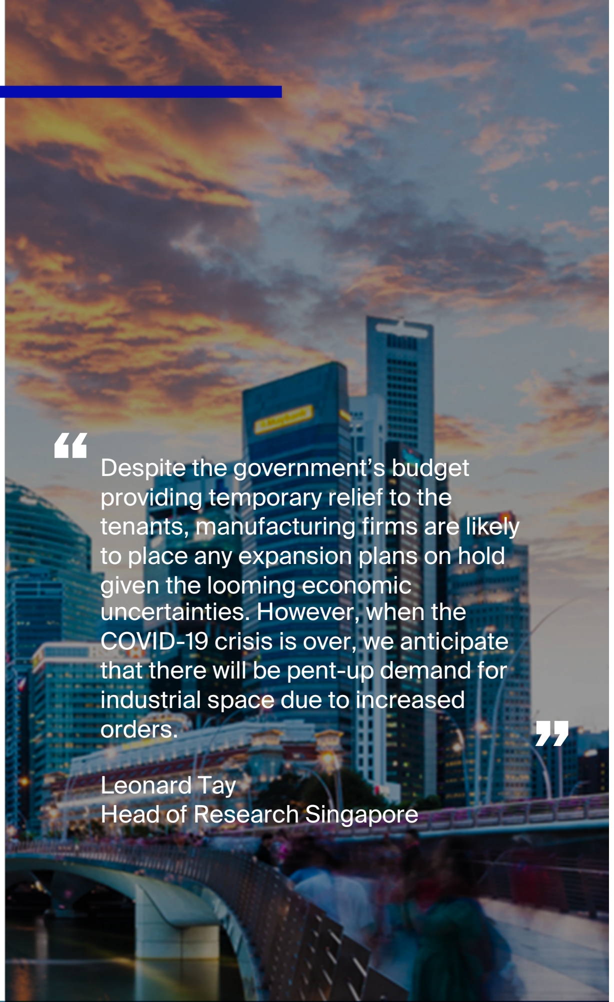
Economic Indicators	2019	2020F
GDP Growth	0.7%	-6.0%
Unemployment Rate	2.3%	2.9%
Inflation	0.76%	-0.44%
PMI Composite (Last two readings)	45.6 (Jul)	43.6 (Aug)

Real Estate Indicators: Prime Warehouse	H1 2020	2020/2021
Rent (S$ psf pm)	1.79	→
Vacancy	11.7%	→
Market Balance	Tenant	Tenant

COVID-19 Policies Implemented		
Movement Restrictions	Circuit Breaker	✓
	International Travel Ban	✓
Economic Stimulus	Fiscal	✓
	Monetary	✓
Real Estate	Residential	
	Commercial	✓

Major COVID-19 Policies

- Circuit breaker phase 2: Most economic activities re-opened.
- Fiscal Stimulus: More than S$100bn (20% GDP) in relief spending.
- Property Tax Rebates: Non-residential will get between 30-100% property tax rebate.



"Despite the government's budget providing temporary relief to the tenants, manufacturing firms are likely to place any expansion plans on hold given the looming economic uncertainties. However, when the COVID-19 crisis is over, we anticipate that there will be pent-up demand for industrial space due to increased orders."

Leonard Tay
Head of Research Singapore

For more information please contact

Tan Boon Leong
Executive Director
Investment & Capital Markets
(Land, Building & Global Real Estate)
+65 6228 6894
boonleong.tan@sg.knightfrank.com

Greater Kuala Lumpur

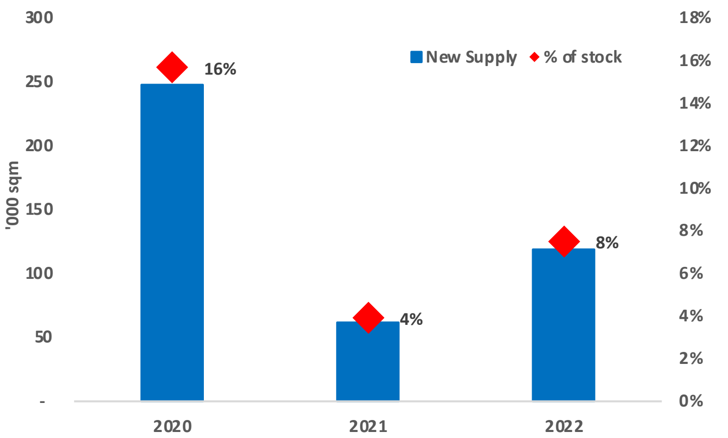
Highlights

The industrial property market in Greater Kuala Lumpur remained fairly stable in H1 2020 with average prime warehouse rents in some sub-markets of Greater Kuala Lumpur hovering circa RM1.9 psf pm. In the interim, rental rates of factories and logistics facilities in prime industrial sub-markets of Greater Kuala Lumpur should remain resilient given that many occupiers have locked in long leases.

Outlook

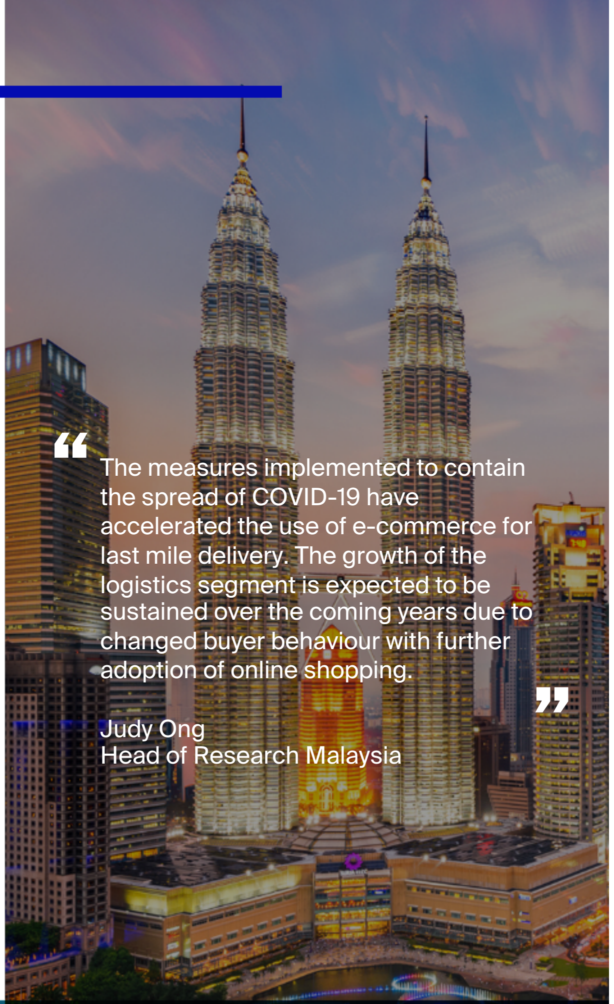
Looking ahead, rental rates and incoming supply for the sector are expected to remain at healthy levels despite the prolonged pandemic and deep economic downturn. The various incentives unveiled under the RM35bn short-term Economic Recovery Plan (PENJANA) will help to cushion the impact of COVID-19 by encouraging more foreign direct investment (FDIs) flows.

There is also a generous tax holiday period of up to 15 years for foreign companies who make new investments in the manufacturing sector with capital investments of RM500mn and above. Coupled with the fast track approval mechanism for manufacturing licences and tax incentives with the establishment of Project Acceleration and Coordination (PACU) in the Malaysian Investment Development Authority (MIDA), this will help to raise the country's attractiveness in the eyes of foreign investors.



COVID-19 Policies Implemented

Movement Restrictions	Lockdown	
	International Travel Ban	✓
Economic Stimulus	Fiscal	✓
	Monetary	✓
Real Estate	Residential	✓
	Commercial	✓



“The measures implemented to contain the spread of COVID-19 have accelerated the use of e-commerce for last mile delivery. The growth of the logistics segment is expected to be sustained over the coming years due to changed buyer behaviour with further adoption of online shopping.”

Judy Ong
Head of Research Malaysia

Economic Indicators

	2019	2020F
GDP Growth	4.3%	-4.5%
Unemployment Rate	3.3%	4.5%
Inflation	1.0%	-0.5%
PMI Manufacturing (Last two readings)	50.0 (Jul)	49.3 (Aug)

Real Estate Indicators

Prime Warehouse	H1 2020	2020/2021
Rent (RM psf pm)	1.9	→
Market Balance	Balance	Balance

Major COVID-19 Policies

- RMCO extended to 31st Dec 2020.
- Fiscal Stimulus: MYR260bn (17% GDP) relief package. Additional MYR35bn short-term National Economic Recovery Plan introduced in June including zero tax rate for foreign companies making investments into manufacturing sector.
- Tenancy Relief: Rental discounts and waivers to SMEs operating within buildings owned by GLCs.

For more information please contact

Allan Sim
Executive Director, Capital Markets
+603 228 99 606
allan.sim@my.knightfrank.com

Source: Knight Frank Research, Trading Economics, Fitch, IMF, NAPIC

updated as of September 21, 2020

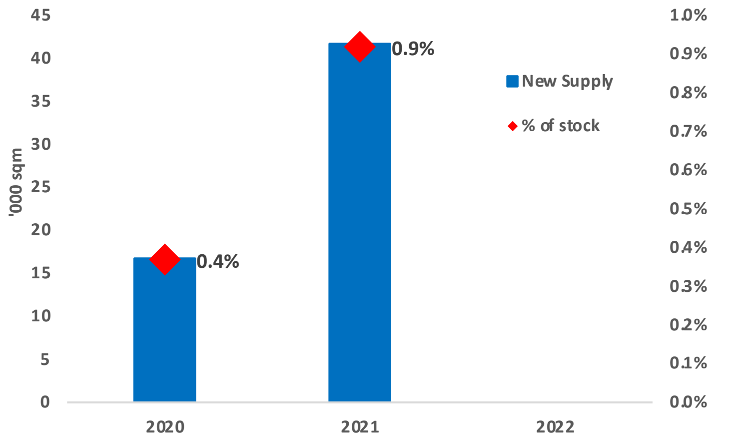
Bangkok

Highlights

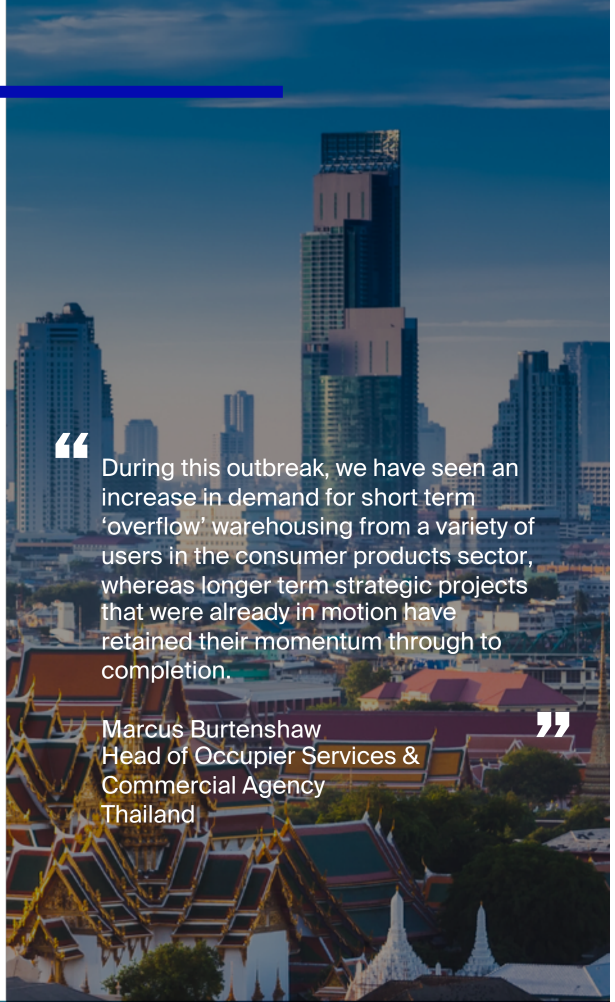
Prime warehouse rents across the Bangkok metropolitan region remained flat HoH in H1 2020 at THB159 psm pm. This was mainly due to developers and landlords holding headline rents steady and instead granting rental deferments and rebates for their existing tenants given the drop in demand caused by the pandemic. Currently, although leasing demand is on the decline, there is take up coming from the fast-moving consumer goods (FMCG), medical supplies and fresh food sectors.

Outlook

Going forward, Bangkok's warehouse supply pipeline remains limited as developers have been focused on maintaining and improving their current stock performance. We continue to expect the e-commerce linked sectors to continue being the main growth drivers for prime warehouse leasing activity due to the region's status as the economic engine for Thailand.



COVID-19 Policies Implemented		
Movement Restrictions	Lockdown	
	International Travel Ban	✓
Economic Stimulus	Fiscal	✓
	Monetary	✓
Real Estate	Residential	
	Commercial	



"During this outbreak, we have seen an increase in demand for short term 'overflow' warehousing from a variety of users in the consumer products sector, whereas longer term strategic projects that were already in motion have retained their momentum through to completion."

Marcus Burtenshaw
Head of Occupier Services & Commercial Agency
Thailand

Economic Indicators	2019	2020F
GDP Growth	2.4%	-7.7%
Unemployment Rate	0.7%	1.1%
Inflation	0.9%	1.1%
PMI Manufacturing (Last two readings)	45.9 (Jul)	49.7 (Aug)

Real Estate Indicators		
Prime Warehouse	H1 2020	2020/2021
Rent (THB psf pm)	159	→
Vacancy	16.7%	→
Market Balance	Balance	Balanced

Major COVID-19 Policies

- Partial Lockdown: lockdown eased in mid-May with more economic activities allowed.
- Fiscal Stimulus: Thb1.9trn (9% GDP) relief package.
- Tenancy Relief: No government relief for commercial sector at the moment

For more information please contact

Marcus Burtenshaw
Head of Occupier Services & Commercial Agency, Thailand
+66 (0)2643 8223
marcus.burtenshaw@th.knightfrank.com

Greater Jakarta

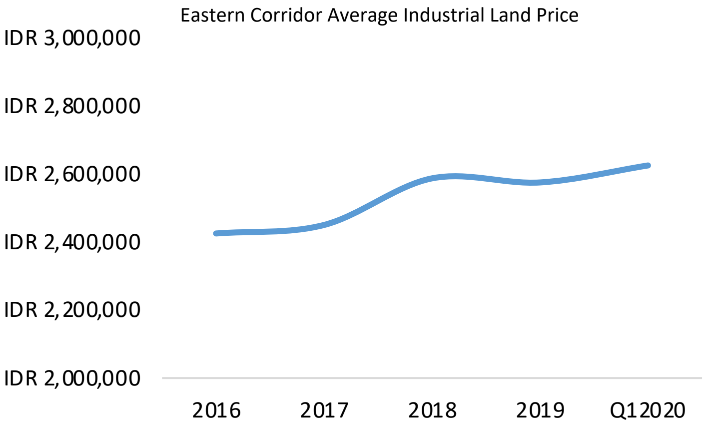
Highlights

Market conditions in H1 2020 for prime warehouse and industrial land remained stagnant with warehouse rents on average roughly around IDR775,000 psm per annum and land price on average at IDR2,625,000 psm, along with stock levels and transaction activity in Greater Jakarta Eastern Corridor (Bekasi-Cikarang-Karawang). The Indonesian government is currently preparing several areas to accommodate the relocation of global industries looking to shift operations to Indonesia, which includes Brebes and Batang.

Outlook

Going forward, logistics warehousing, e-commerce, the automotive, FMCG and potentially data centre sectors are expected to remain key pillars of support for industrial asset prices in Jakarta, which should bode well for prime warehouse rents in general; expect rents to remain stable through to the year end.

Infrastructure has also become a key driver of value and competitive advantage for the warehouse sector within Jakarta's eastern corridor as the existing rail, toll and elevated toll roads will soon be complimented with light, high-speed and mass rapid transit rail networks, ports and new airports.



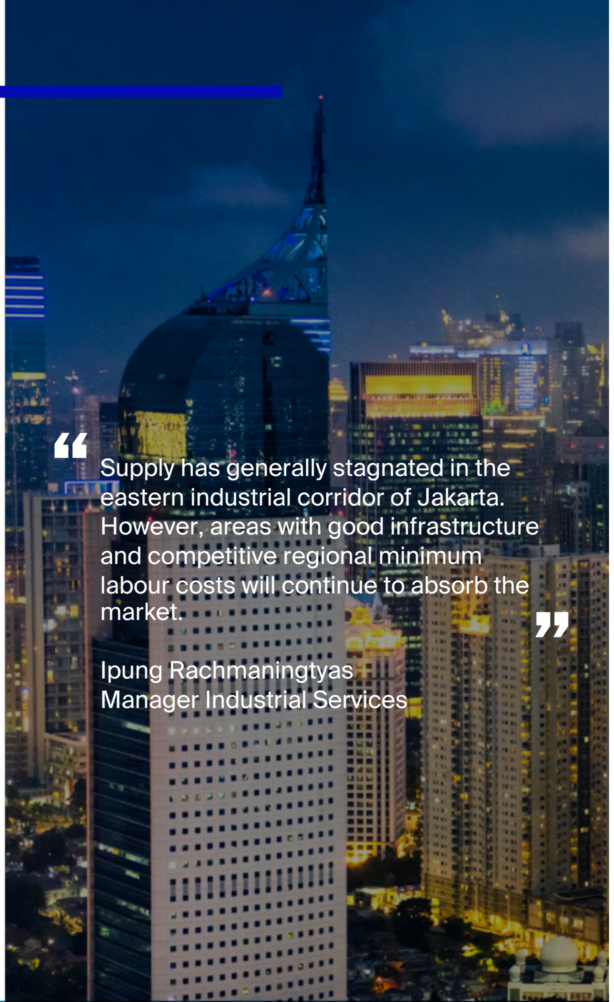
Economic Indicators	2019	2020F
GDP Growth	5.0%	-5.32%
Unemployment Rate	5.3%	6.1%
Inflation	2.6%	1.96%
PMI Manufacturing (Last two readings)	46.9 (Jul)	50.8 (Aug)

Real Estate Indicators		
Prime Warehouse & Industrial Land	H1 2020	2020/2021
Rent (IDR psm pa)	774,577	→
Land price (IDR psm)	2,625,000	→
Market Balance	Balance	Balance

COVID-19 Policies Implemented		
Movement Restrictions	Lockdown	✓
	International Travel Ban	✓
Economic Stimulus	Fiscal	✓
	Monetary	✓
Real Estate	Residential	✓
	Commercial	

Major COVID-19 Policies

- Partial lockdown: Non-essentials and schools closed, group gatherings limited to 5. Tentative no end date.
- Fiscal Stimulus: IDR436trn (2.5% GDP) relief package.
- Tenancy Relief: No government relief for commercial sector at the moment.



"Supply has generally stagnated in the eastern industrial corridor of Jakarta. However, areas with good infrastructure and competitive regional minimum labour costs will continue to absorb the market."

Ipung Rachmaningtyas
Manager Industrial Services

For more information please contact

Hasan Pamudji
Director
hasan.pamudji@id.knightfrank.com

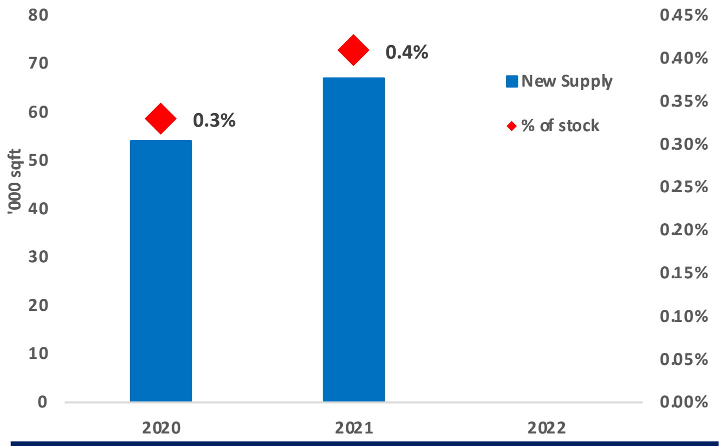
Hong Kong

Highlights

Leasing activity in Hong Kong remained weak in H1 2020 mainly led by the deteriorating economic environment. Lower transactional activity has resulted in many ongoing leasing discussions (entered in prior to the pandemic) either being delayed or suspended. There have been higher abandonments which has resulted in the sector's overall vacancy rate trending higher.

Outlook

As most occupiers continue to wait on the side lines, leasing activity going forward is expected to remain sluggish for the rest of the year, with rents forecast to contract between -10 to -5% by the year-end and vacancies to rise.



COVID-19 Policies Implemented

Movement Restrictions	Lockdown	
	International Travel Ban	✓
Economic Stimulus	Fiscal	✓
	Monetary	✓
Real Estate	Residential	
	Commercial	✓

Economic Indicators

	2019	2020F
GDP Growth	-1.2%	-7%
Unemployment Rate	3.0%	6%
Inflation	3.0%	0.8%
PMI Manufacturing (Last two readings)	44.5 (Jul)	44 (Aug)

Real Estate Indicators

Prime Warehouse	H1 2020	2020/2021
Rent (HK$ psf pm)	18.9	↓
Vacancy	5.9%	↑
Market Balance	Balance	Tenant

Major COVID-19 Policies

- Social distancing: No lockdown but gatherings limited to 4.
- Fiscal Stimulus: HK$300bn (11% GDP) relief package.
- Government Rate Relief: Rate concessions for all non-domestic tenements up to HK$5,000 per quarter for Q3 and Q4 in 2020 and up to HK$1,500 per quarter for Q1 and Q2 in 2021

"We have seen the ripple effect on the supply chain's shutdown in the region. Many businesses, in particular the manufacturing and trading sectors, except the mask-production related businesses, have been severely affected resulting in downsizing or even termination of their logistics requirements."

Martin Wong
Associate Director of Research & Consultancy
Greater China

For more information please contact

Nathan Chan
Senior Manager
Industrial Services
+852 2846 4859
nathanmt.chan@hk.knightfrank.com

Source: *Knight Frank Research, Trading Economics, Fitch, IMF, NAPIC*

updated as of September 21, 2020

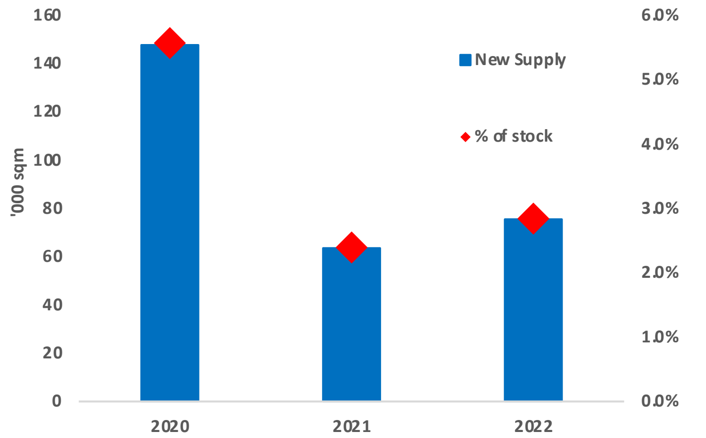
Taipei

Highlights

Taipei, and Taiwan in general, continues to see benefits from the pandemic and US-China trade dispute which has driven strong demand for consumer technology products and hence its manufacturing capacity and storage. This can be seen from industrial transaction volumes within the country which has risen c.62% YoY to US$3.23 billion year-to-date (Jan-Aug), as the healthy demand and positive outlook for rents continues to attract both domestic and cross-border investor interest in the sector. Warehouse rents were up 1% HoH to NT$1151 pp pm in H1 2020.

Outlook

Taiwan continues to manage its COVID-19 situation well and the economy has been largely shielded from its negative side-effects compared to the rest of the world. This can be further proven with its latest PMI reading of 52.2 in August which improved upon July's 50.6 result. With demand for consumer technology expected to grow further and Taiwan's large exposure to the semiconductor manufacturing sector (via TSMC), the outlook for its warehouse sector remains healthy.



Economic Indicators		
	2019	2020F
GDP Growth	2.7%	-4.0%
Unemployment Rate	3.8%	4.4%
Inflation	0.5%	0.5%
PMI Manufacturing (Last two readings)	50.6 (Jul)	52.2 (Aug)

Real Estate Indicators		
Prime Warehouse	H1 2020	2020/2021
Rent (NT$ pp pm)	1151	↑
Vacancy	6.9%	↑
Market Balance	Balance	Balance

COVID-19 Policies Implemented		
Movement Restrictions	Lockdown	
	International Travel Ban	✓
Economic Stimulus	Fiscal	✓
	Monetary	✓
Real Estate	Residential	
	Commercial	✓

Major COVID-19 Policies

- Crowd Control: Domestic tourist attractions and malls have enacted crowd control measures.
- Fiscal Stimulus: NT$1.05trn (5% GDP) relief package.
- Rent/Tax Reduction: 20% reduction in rents for state-owned and non-public use land. Non-residential housing tax rate was reduced to 2%.

"As a result of the government's "Invest in Taiwan" major policies and the impact of COVID-19, investment demand for Taiwan's industrial real estate remains healthy as the outbreak accelerates the transformation of the sector. This we expect will be accelerated by the onset of smart manufacturing, smart warehousing and cold-chain logistics which will become major future trends."

Andy Huang
Head of Research and Consultancy Taiwan

For more information please contact

Cliff So
Executive Director
Agency and Professional Advisory Services
+886 2 8729 8770
cliff.so@repro.knightfrank.com

Source: Knight Frank Research, Trading Economics, Fitch, IMF, NAPIC

updated as of September 21, 2020

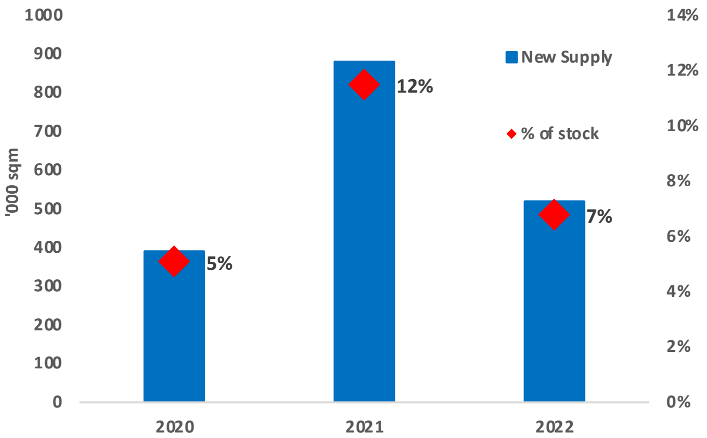
Shanghai

Highlights

As economic activity returns to normal in China, prime warehouse rents in Shanghai reported a respectable 3% HoH rise to RMB48 psm pm, led mainly by a pickup in storage demand from cold chain operators as a large portion of daily necessity consumption has shifted online. Furthermore, with 255,000 sqm of new supply expected to be completed in H2 2020, the current vacancy level of 12% is expected to experience upside pressure over the near term.

Outlook

Looking ahead, despite the potential for higher vacancies in the near term, demand is expected to catch up quickly soon after along with improving economic conditions; which should lead to steadily increasing rents for the rest of the year.



Economic Indicators		
	2019	2020F
GDP Growth	6.1%	1.0%
Unemployment Rate	3.6%	4.3%
Inflation	4.5%	1.0%
PMI Manufacturing (Last two readings)	52.8 (Jul)	53.1 (Aug)

Real Estate Indicators		
Prime Warehouse	H1 2020	2020/2021
Rent (RMB psm pm)	48	↑
Vacancy	12%	→
Market Balance	Tenant	Tenant

COVID-19 Policies Implemented		
Movement Restrictions	Lockdown	
	International Travel Ban	✓
Economic Stimulus	Fiscal	✓
	Monetary	✓
Real Estate	Residential	
	Commercial	✓

Major COVID-19 Policies

- Social distancing: Most lockdowns are being removed but social distancing enforced with most shops open.
- Fiscal Stimulus: No official stimulus package announced – rumoured to be 6% of GDP.
- Tenancy Relief: SOE landlords to give 2 months rent free to qualified SMEs.

“During the COVID-19 outbreak, an increasing number of consumers shopped online for fresh food, resulting in surging demand for cold chain logistics; which also brought new challenges to cold chain logistics companies. Going forward, we believe the logistics sector will be amongst the least impacted of the real estate asset classes.”

Regina Yang
Director, Research and Consulting

For more information please contact

Ying Shin Lee
Managing Director, Shanghai
+86 21 60321719
ying.lee@cn.knightfrank.com

Source: Knight Frank Research, IMF

updated as of September 21, 2020

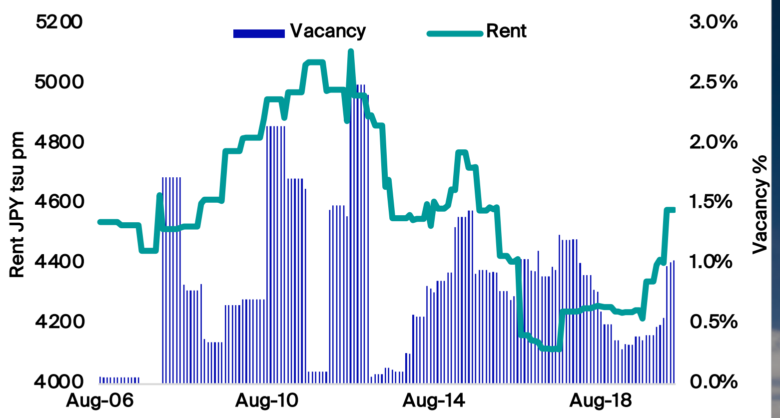
Tokyo

Highlights

Tokyo's warehouse sector continues to do well in 2020 with H1 rents rising 4.2% HoH to JPY4,582 tsu pm, supported in part by healthy absorption rates and the lack of available prime spaces within the city – most projects under development are pre-committed. Furthermore, 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.

Outlook

Going forward, while the pandemic will bring about further economic challenges to the market, the healthy fundamentals witnessed so far should keep the warehouse sector relatively insulated from the headwinds. Rents are expected to continue growing over the coming 12 months but at a more moderate pace compared to pre-COVID levels.



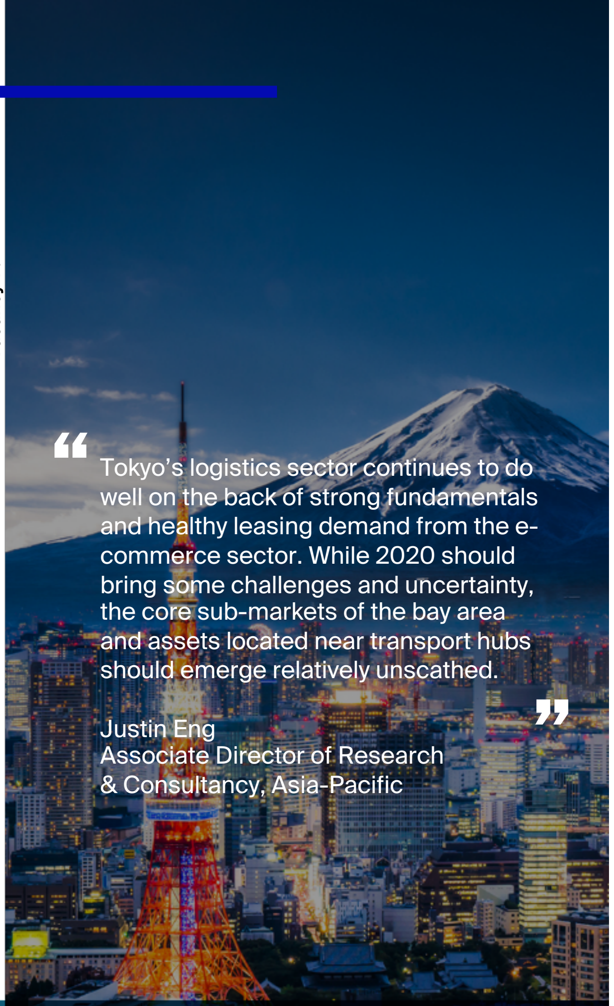
Economic Indicators		
	2019	2020F
GDP Growth	0.7%	-5.8%
Unemployment Rate	2.4%	3.0%
Inflation	0.0%	-
PMI Manufacturing (Last two readings)	45.2 (Jul)	47.2 (Aug)

Real Estate Indicators		
Prime Warehouse	H1 2020	2020/2021
Rent (JPY tsu pm)	4582	→
Vacancy	1.0%	→
Market Balance	Balance	Balance

COVID-19 Policies Implemented		
Movement Restrictions	Lockdown	
	International Travel Ban	✓
Economic Stimulus	Fiscal	✓
	Monetary	✓
Real Estate	Residential	
	Commercial	✓

Major COVID-19 Policies

- Lockdown lite: Most social non-essentials are shut, while other non-essentials close earlier. People are encouraged to stay home after work.
- Fiscal Stimulus: JPY108trn (18% GDP) relief package.
- Tenancy Relief: No government relief for commercial sector at the moment.



"Tokyo's logistics sector continues to do well on the back of strong fundamentals and healthy leasing demand from the e-commerce sector. While 2020 should bring some challenges and uncertainty, the core sub-markets of the bay area and assets located near transport hubs should emerge relatively unscathed."

Justin Eng
Associate Director of Research & Consultancy, Asia-Pacific

For more information please contact

Tim Armstrong
Head of Occupier Services & Commercial Agency, Asia-Pacific
+65 6429 3531
tim.armstrong@asia.knightfrank.com

Source: Knight Frank Research, IMF

updated as of September 21, 2020

Delhi - National Capital Region

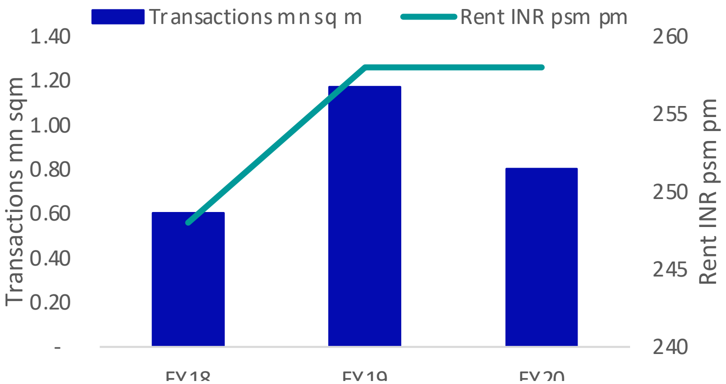
Highlights

The demand for warehousing in NCR was on an upward swing in FY 2019. However, in FY 2020, a 32% decline over FY 2019 was noted due to lack of quality supply for expansion through good pre-commitments were noted. A surge in enquiries from e-commerce and logistics players was noted before the coronavirus pandemic wreaked havoc with market forces.

Outlook

Because of disruptions in movement of trucks across state borders, warehousing demand will undergo a change as occupiers reassess their logistics strategy. To mitigate the uncertainty in terms of local sourcing, transit time and availability of transport to far-off consumption centres, many occupiers, especially from the e-commerce sectors will start evaluating in-city warehousing opportunities, especially in the NCT of Delhi which will give a fillip to enquiries in locations such as Mohan Co-operative, Mahipalpur, Mathura Road, Samalka, Okhla as well as in Noida (Uttar Pradesh).

Demand from the e-commerce segment is expected to rise, albeit for mid-sized facilities along the entire NH-48 belt to capitalize on essential services demand from Delhi, Gurgaon, Noida, Greater Noida and other peripheral consumption centers. Also, given the uncertainty around near term need for warehouse space, labor and transportation consideration, we expect increased preference for 3PL services.



COVID-19 Policies Implemented		
Movement Restrictions	Lockdown	
	International Travel Ban	✓
Economic Stimulus	Fiscal	✓
	Monetary	✓
Real Estate	Residential	✓
	Commercial	✓

“Demand for essential goods will give an exponential boost to e-commerce led warehousing requirements in the mid to long-term, and we may see an emerging trend for mid-sized warehouses near consumption centres in NCR as well as warehouses with very sophisticated levels of automation.”

Rajani Sinha
Chief Economist & National Director Research

Economic Indicators

	2019	2020F
GDP Growth*	4.2%	-10.5%
Unemployment Rate	5.4%	NA
Inflation	4.5%	2.7%
PMI Manufacturing (Last two readings)	46 (Jul)	52 (Aug)

*Financial Year

Real Estate Indicators

Prime Warehouse	FY20	FY21
Rent (INR psm pm)	258	↑
Vacancy	14%	→
Market Balance	Landlord	Landlord

Major COVID-19 Policies

- Lockdown: India entered Unlock 4.0 from 1st September 2020
- Economic Stimulus: Government of India has announced stimulus package of 1.9% of GDP.
- Real Estate Relief: Central Bank of India has allowed one time restructuring of developer and personal loans.

For more information please contact

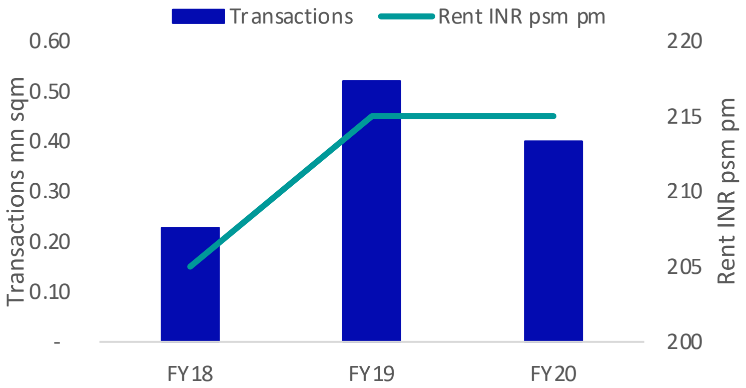
Balbirsingh Khalsa
National Director - Industrial & Logistics
+91 91671 12052
balbirsingh.khalsa@in.knightfrank.com

Bengaluru

Highlights

In FY 2020, Bengaluru's warehousing market witnessed 4.30 mn sq ft (0.40 mn sq m) leasing, a 28% year-on-year (yoy) degrowth over FY 2019 as many marquee deals were closed in FY 2019. With the warehousing market getting consolidated at large, developers have been venturing into Bengaluru's prominent clusters with land acquisitions for greenfield developments.

While regional developers continue to scout for large land parcels to build industrial parks, many new trends have come to the fore after the Covid-19 outbreak and these will redefine warehouse space usage and uptake across sectors over the next 12-18 months.

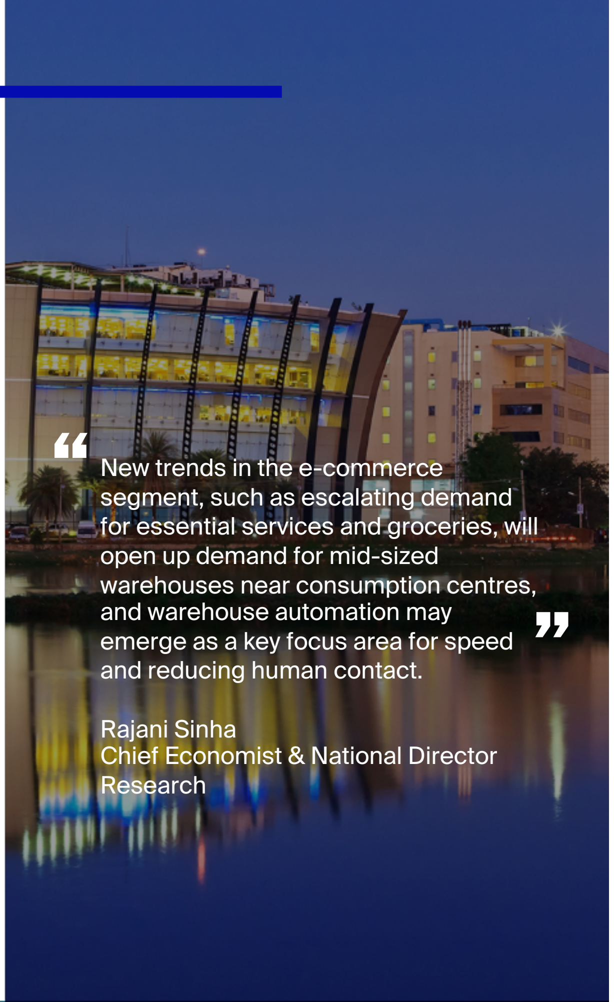


Outlook

Escalating demand for grocery and essential services items may propel e-commerce players to commit to mid-sized and multi-storey warehouses nearer to consumption centres than envisaged earlier. Additional warehouse requirements are also expected to come up on both the Nelamangala-Dabaspete and Hoskote-Narsapura clusters from Japanese, European and Korean companies, as many will be shifting base outside China and will explore Bengaluru's peripheral locations on established warehouse clusters.

In the next 12-18 months, warehouse space demand will be impacted by the type of goods sold in the current environment. Along with e-commerce, occupiers in FMCG, electronics and 3PLs will be prime sectors dictating leasing going forward.

COVID-19 Policies Implemented		
Movement Restrictions	Lockdown	
	International Travel Ban	✓
Economic Stimulus	Fiscal	✓
	Monetary	✓
Real Estate	Residential	✓
	Commercial	✓



“New trends in the e-commerce segment, such as escalating demand for essential services and groceries, will open up demand for mid-sized warehouses near consumption centres, and warehouse automation may emerge as a key focus area for speed and reducing human contact.”

Rajani Sinha
Chief Economist & National Director Research

Economic Indicators	2019	2020F
GDP Growth*	4.2%	-10.5%
Unemployment Rate	5.4%	NA
Inflation	4.5%	2.7%
PMI Manufacturing (Last two readings)	46 (Jul)	52 (Aug)

Real Estate Indicators		
Prime Warehouse	FY20	FY21
Rent (INR psm pm)	215	↑
Vacancy	30%	→
Market Balance	Landlord	Landlord

*Financial Year

Major COVID-19 Policies

- Lockdown: India entered Unlock 4.0 from 1st September 2020
- Economic Stimulus: Government of India has announced stimulus package of 1.9% of GDP.
- Real Estate Relief: Central Bank of India has allowed one time restructuring of developer and personal loans.

For more information please contact

Balbirsingh Khalsa
National Director - Industrial & Logistics
+91 91671 12052
balbirsingh.khalsa@in.knightfrank.com

Mumbai

Highlights

The demand for warehousing space in Mumbai is largely driven by consumption-led demand, followed by export-import demand.

The warehousing industry in India has entered into a different paradigm since the introduction of the GST and is also propelled by the growth of the e-commerce industry. Occupiers have shifted focus on consolidating their warehouses into a single location rather than having multiple warehouses. On the back of all these changes, the transaction volumes in Mumbai has grown from 0.51 mn sqm in FY18 to 0.69 mn sqm in FY20.

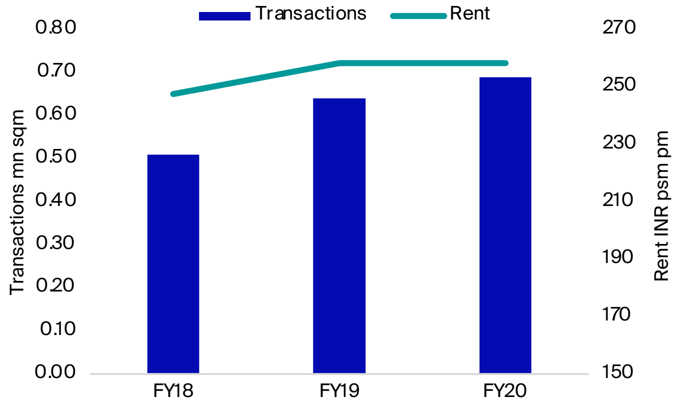
Outlook

In the recent years the warehousing segment has witnessed growth in demand on the back of demand from e-commerce. This has got further invigorated due to the lockdown experience. The growing acceptance of online consumption in light of the COVID-19 situation has made large organised retailers strengthen their online presence and home delivery infrastructure, which was not a main focus previously. We anticipate a further shift in consumption behaviour from offline to online which will drive more demand for warehousing in Mumbai.

Economic Indicators	2019	2020F
GDP Growth*	4.2%	-10.5%
Unemployment Rate	5.4%	NA
Inflation	4.5%	2.7%
PMI Manufacturing (Last two readings)	46 (Jul)	52 (Aug)

Real Estate Indicators		
Prime Warehouse	FY20	FY21
Rent (INR psm pm)	258	↑
Vacancy	10.7%	↓
Market Balance	Landlord	Landlord

*Financial Year



COVID-19 Policies Implemented		
Movement Restrictions	Lockdown	✓
	International Travel Ban	✓
Economic Stimulus	Fiscal	✓
	Monetary	✓
Real Estate	Residential	✓
	Commercial	✓

Major COVID-19 Policies

- Lockdown: India entered Unlock 4.0 from 1st September 2020
- Economic Stimulus: Government of India has announced stimulus package of 1.9% of GDP.
- Real Estate Relief: Central Bank of India has allowed one time restructuring of developer and personal loans.

“The growth of warehousing in India is likely to slow down due to the COVID-19 induced lockdown in FY21. While most occupier segments have been adversely impacted, a silver lining has emerged in increased requirements from the e-commerce segment.”

Rajani Sinha
Chief Economist & National Director Research

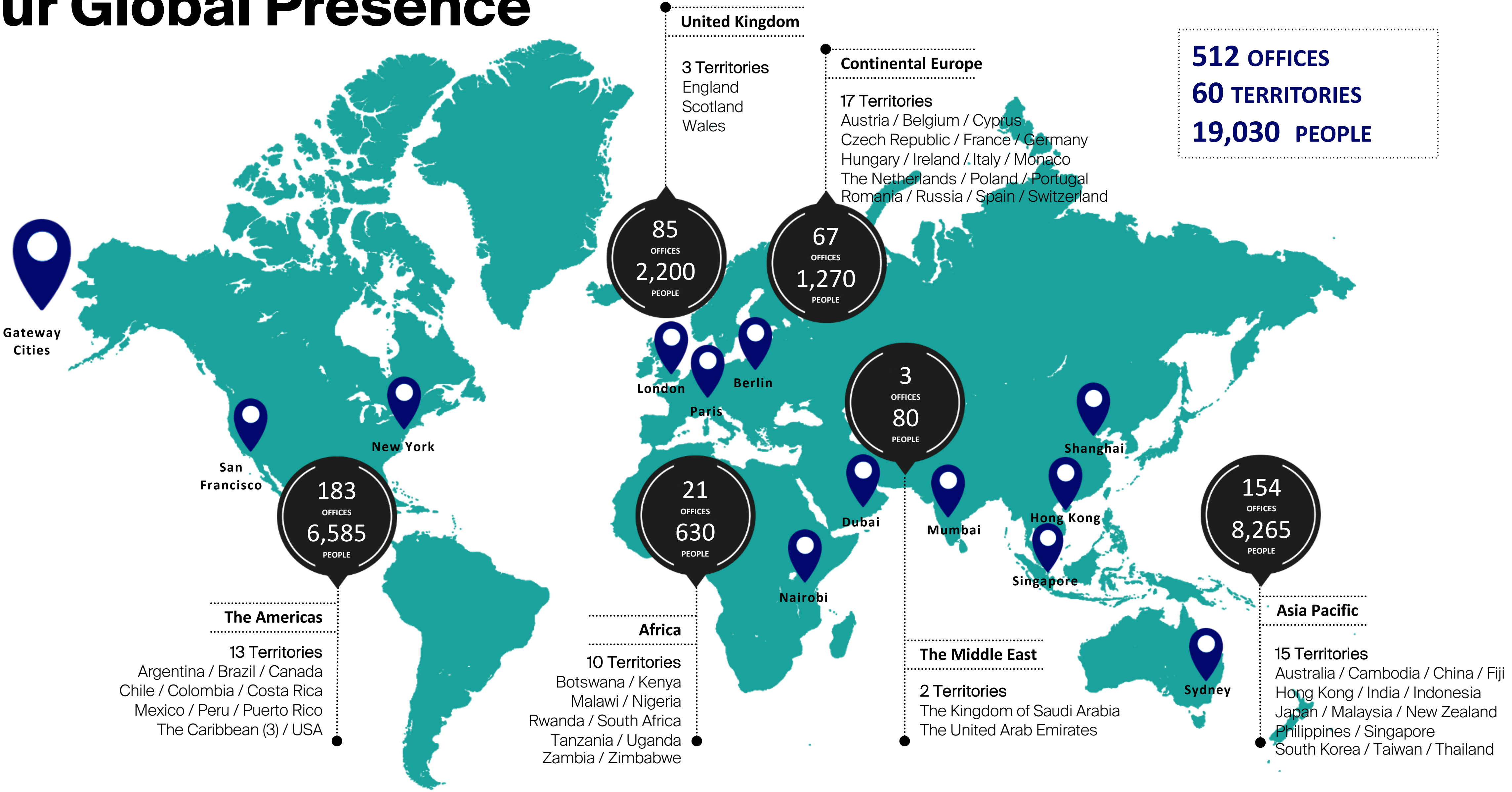
For more information please contact

Balbirsingh Khalsa
National Director - Industrial & Logistics
+91 91671 12052
balbirsingh.khalsa@in.knightfrank.com

Source: Knight Frank Research, Trading Economics, Fitch, IMF, NAPIC

updated as of September 21, 2020

Our Global Presence



Knight Frank Occupier Services & Commercial Agency

We're here for you

We know that businesses of all sizes and from all industry sectors are under enormous pressure both operationally and financially during the COVID-19 pandemic.

Despite the uncertainty, occupiers can continue to strategise to take advantage of tenant favourable rental prices, flexible lease terms, and options for sale and leaseback deals.

Over the longer term, we expect businesses to reconsider their global portfolios, together with deeper consideration of the future quantum and qualities of office space they require.

As COVID-19 develops, our APAC Occupier Services & Commercial Agency team will still be working, albeit remotely, to deliver tailored solutions for your evolving needs.

Being independently owned allows us to put our clients first. We focus on giving them the best advice and put long-term relationships before short-term wins.

Don't hesitate to get in touch with Knight Frank for a confidential chat about your property needs.

How We Can Help

Our teams are on the ground across all major APAC markets, providing impartial advice and tailoring bespoke solutions for occupiers of offices, industrial and retail property across Asia-Pacific.

Our independence allows flexibility to go the long run with our clients.

We offer a seamless service across all our business sectors to fulfill all your business goals and targets.

Our Approach

- **Client-driven & tailored approach** with clients' needs in mind
- **Broader long-term** view rather than 'transaction-driven'
- **Centralised governance & proactive management** across all transactions in the portfolio
- **Collaborative, transparent & highly communicative** we work together with all disciplines to provide a seamless one-stop service for our clients

Our Services

The Asia Pacific **Occupier Services & Commercial Agency** team offers an end-to-end suite of consulting and transactional services that deliver domestic and multi-market occupiers with the information and advice they require.

Our core services include:

- ✓ Lease Advisory
- ✓ Space search and analysis
- ✓ Site feasibility
- ✓ Portfolio Analysis and planning
- ✓ Lease terms and price negotiation
- ✓ Financial analysis and modeling
- ✓ Built to Suit
- ✓ Acquisitions and Disposals
- ✓ Structuring of Sale and Leasebacks
- ✓ Project Management
- ✓ Cost Consultancy
- ✓ Workplace Consultancy

Corporate Services

Occupier Services **& Commercial Agency**

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Commercial Sectors and Services

Sectors

- Automotive
- Energy
- Healthcare
- Hotels
- Industrial & Logistics
- Leisure
- Office
- Retail
- Retail Warehouses
- Student

Services

- Asset Management
- Building Consultancy
- Business Rates
- Capital Allowances
- Capital Markets
- Debt Advisory
- Development Consultancy
- Energy and Sustainability
- Consultancy
- Investment Management
- Facilities Management
- Leasing and Lease Advisory
- Planning
- Project Management
- Property Management
- Research
- Restructuring and Recovery
- Sales
- Tenant Representation
- Valuations
- Workplace Consultancy

Our mission at Knight Frank is to ‘Connect People & Property, Perfectly’.

The Asia Pacific Occupier Services & Commercial Agency team facilitates this for our business clients, offering a broad suite of consulting and transactional services that deliver domestic and multi-market occupiers with the information and advice they require. The integration of these services enables us to understand the critical success factors for your business.

Whether you are looking for or currently occupy industrial space, office space or retail space, Knight Frank has experienced teams that are dedicated to advising you, the occupier. Our bespoke commercial agency leasing team ensures we have the optimum expertise for each project. Our relationship with occupiers also ensures we speak to the decision makers who determine occupational strategy.

We are locally expert, and yet globally connected. Our multi-market clients are managed centrally from our Asia Pacific headquarters in Singapore as we work in hand with our local markets, where we devise strategies to empower clients to attain their desired goals: creating value, addressing trends and beating the competition.

Tim Armstrong

Head of Occupier Services & Commercial Agency, Asia Pacific

tim.armstrong@asia.knightfrank.com
+65 9737 9991

Adeline Liew

Director
Occupier Services, Asia Pacific

adeline.liew@asia.knightfrank.com
+65 9780 9783

Nicholas Holt

Head of Research, Asia Pacific

nicholas.holt@asia.knightfrank.com
+86 10 6113 8030