Knight
Frank

Asia-Pacific Logistics Highlights H2 2022

Asia-Pacific Overview

H2 2022

16 of 17
cities recorded stable or increasing rents in H2 2022

Sydney
Highest semi-annual rental growth

2.5%
YoY growth for Asia-Pacific Rental Index in Q4 2022

Tempered Optimism
expected for 2023

After substantial pandemic-induced rental growth over the past two years, things are gradually returning to normal as the outbreak wanes. Demand for logistics space from e-commerce companies, which is one of the largest demand drivers, abated as structural headwinds brew globally, impacting the Asia-Pacific (APAC) logistics market as well. Despite this, strong fundamentals continue to support rental growth for prime logistics rents across APAC. Rental growth slowed from 3.0% to 2.5% annually, and from 1.9% to 0.6% semi-annually.

Supply of institutional-grade assets in APAC is still playing catch-up with demand. The availability of land in prime city locations has led to a rise in land prices, resulting in increased costs for tenants. In a bid to alleviate demand and rent pressures, many governments are setting up logistic precincts in neighbouring cities/provinces. Nonetheless, this will take a few more years for the scale and quality to be on par with those in prime areas, rendering the pressure in rents to prevail.

With high hopes pinned on the reopening of Chinese Mainland, and the global ocean freight market returning to pre-pandemic levels, we anticipate less disruption to supply chain in general. However, with high interest rates and inflation, a more cost-conscious business environment is expected. This may prompt occupiers to review their portfolio and reduce the amount of space they require, leading to a normalisation of demand for logistics space and a moderation in rental growth rates. Nevertheless, structural factors will still bode well for the sector in the long run.
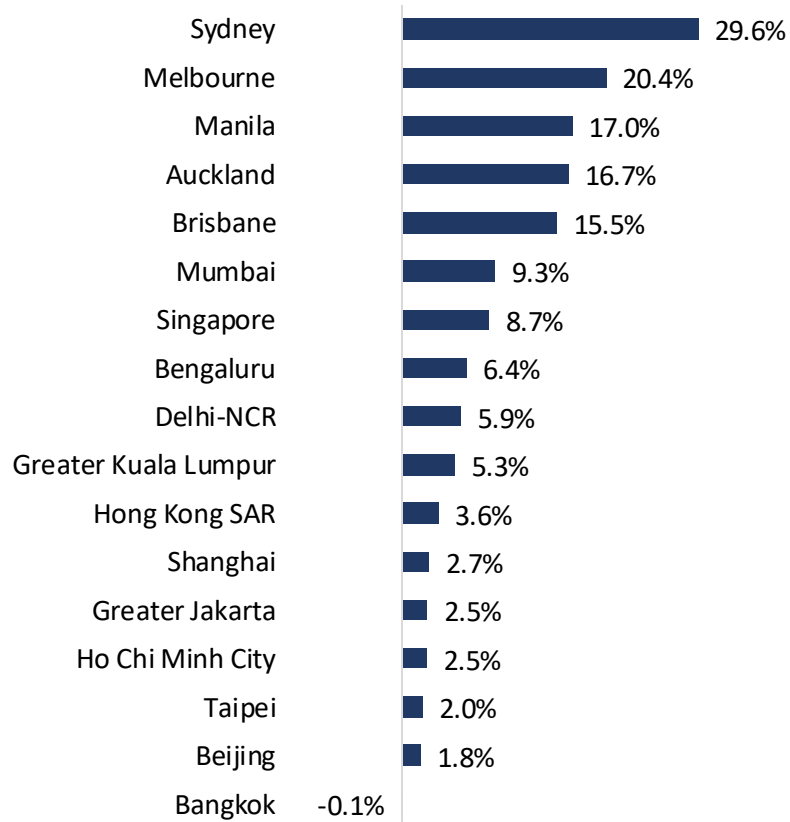
"In 2022, the logistics sector registered exponential growth. This has since started to slow in some markets as private consumption tapers off, and businesses become more cautious in response to an economic slowdown. Despite this, the outlook for the logistics market in the Asia-Pacific region remains positive, thanks to offshoring and nearshoring strategies, the relaxation of China's COVID-19 restrictions, and the easing of global supply chain challenges."

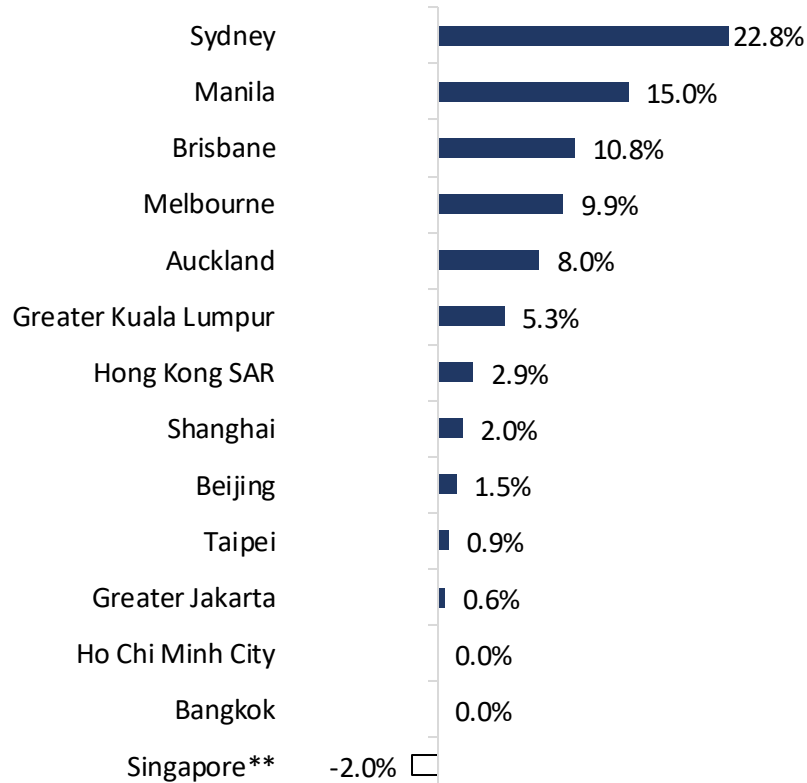**Tim Armstrong**
Global Head of Occupier Strategy and Solutions

Asia-Pacific Logistics Rents

Global headwinds were gradually felt by the sector in the second half of 2022

Rental Growth Year-on-Year

City	Growth
Sydney	29.6%
Melbourne	20.4%
Manila	17.0%
Auckland	16.7%
Brisbane	15.5%
Mumbai	9.3%
Singapore	8.7%
Bengaluru	6.4%
Delhi-NCR	5.9%
Greater Kuala Lumpur	5.3%
Hong Kong SAR	3.6%
Shanghai	2.7%
Greater Jakarta	2.5%
Ho Chi Minh City	2.5%
Taipei	2.0%
Beijing	1.8%
Bangkok	-0.1%

Rental Growth Half-Yearly

City	Growth
Sydney	22.8%
Manila	15.0%
Brisbane	10.8%
Melbourne	9.9%
Auckland	8.0%
Greater Kuala Lumpur	5.3%
Hong Kong SAR	2.9%
Shanghai	2.0%
Beijing	1.5%
Taipei	0.9%
Greater Jakarta	0.6%
Ho Chi Minh City	0.0%
Bangkok	0.0%
Singapore**	-2.0%

- Reviewing 'just-in-case' approach to consolidate inventory
- Normalisation of demand for logistics space
- Moderate incoming supply expected in 2023
- Demand rising for cold chain facilities

*India tracks by Financial Year (April-March period) and is thus excluded from this chart
** Based on prevailing leasing transactions during H2 2022
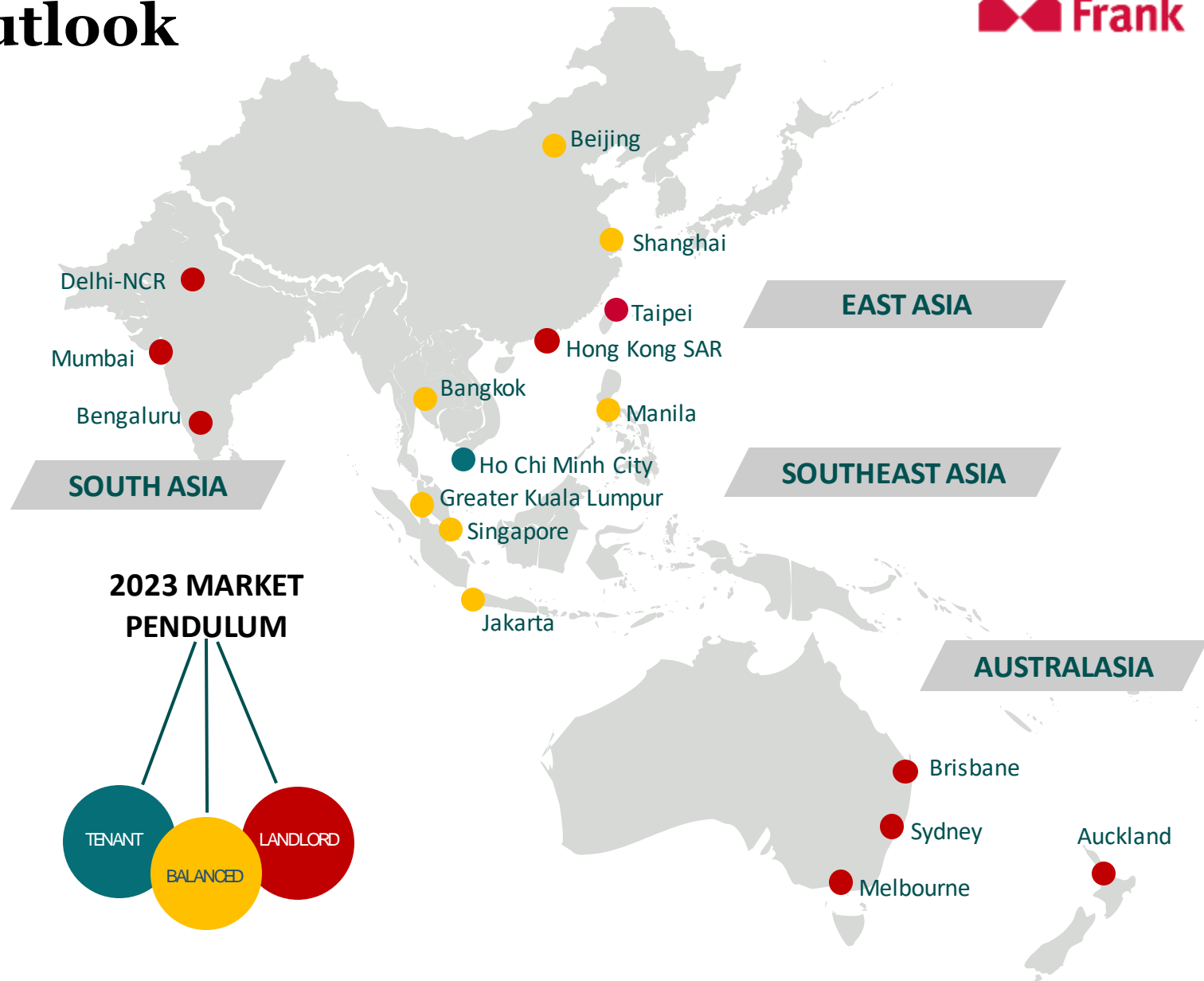
APAC 2023 Logistics Outlook

12-Month Rental Outlook

Unchanged

- Greater Kuala Lumpur
- Greater Jakarta
- Bangkok

Increasing

- Auckland
- Brisbane
- Sydney
- Melbourne
- Beijing
- Shanghai
- Hong Kong SAR

- Bengaluru
- Mumbai
- Delhi-NCR
- Singapore
- Taipei
- Ho Chi Minh City
- Manila

2023 MARKET PENDULUM

TENANT — BALANCED — LANDLORD

EAST ASIA

Beijing
Shanghai
Taipei
Hong Kong SAR

SOUTH ASIA

Delhi-NCR
Mumbai
Bengaluru

SOUTHEAST ASIA

Bangkok
Manila
Ho Chi Minh City
Greater Kuala Lumpur
Singapore
Jakarta

AUSTRALASIA

Brisbane
Sydney
Auckland
Melbourne

Market Dashboards

Australasia

Logistics real estate in Australasia continued to outperform Asia-Pacific markets at an average growth rate of 20.5% annually and 12.9% semi-annually, as 2022 came to a close. Despite facing macroeconomic headwinds, demand for logistics space in Australia remained robust. Record low vacancy rates were also seen in all major markets, even though a large amount of new space was delivered. This led to increased competition for space and a rise in rents. While a substantial pipeline is anticipated in 2023, construction delays caused by wet weather and shortages of materials and labour are expected to impact development feasibility and profitability. Neighbouring Auckland also recorded compressed vacancy rates and solid rental growth due to a shortage in supply. Occupier demand is expected to remain strong into 2023, due to the ongoing challenge of limited new supply.
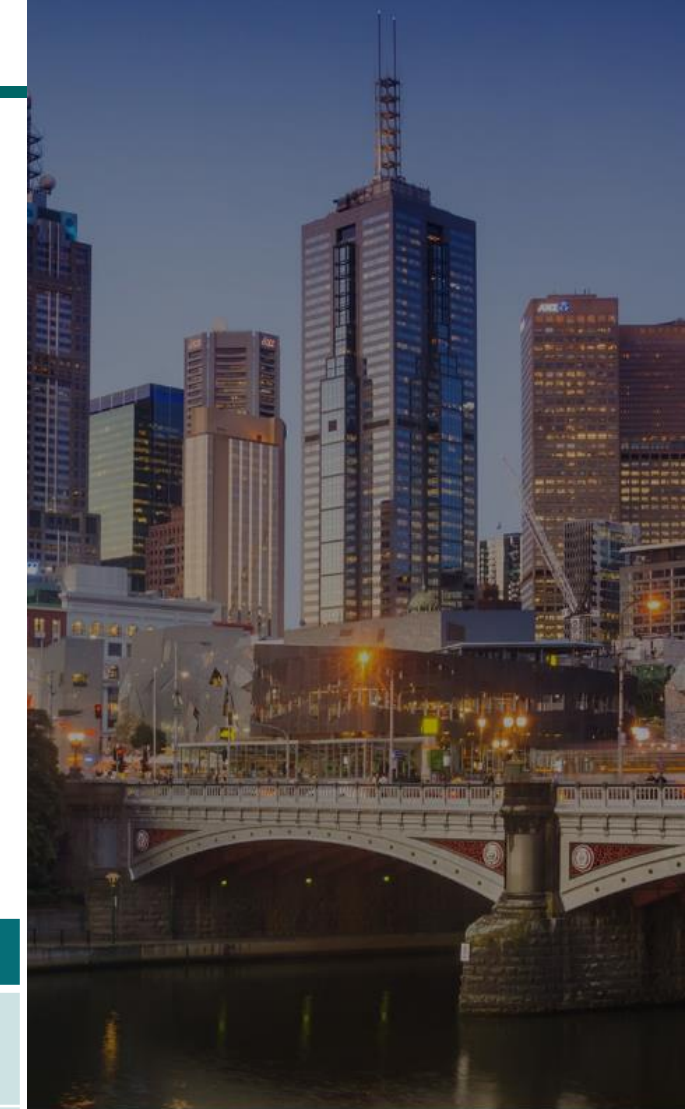
Brisbane

Net Effective Rents
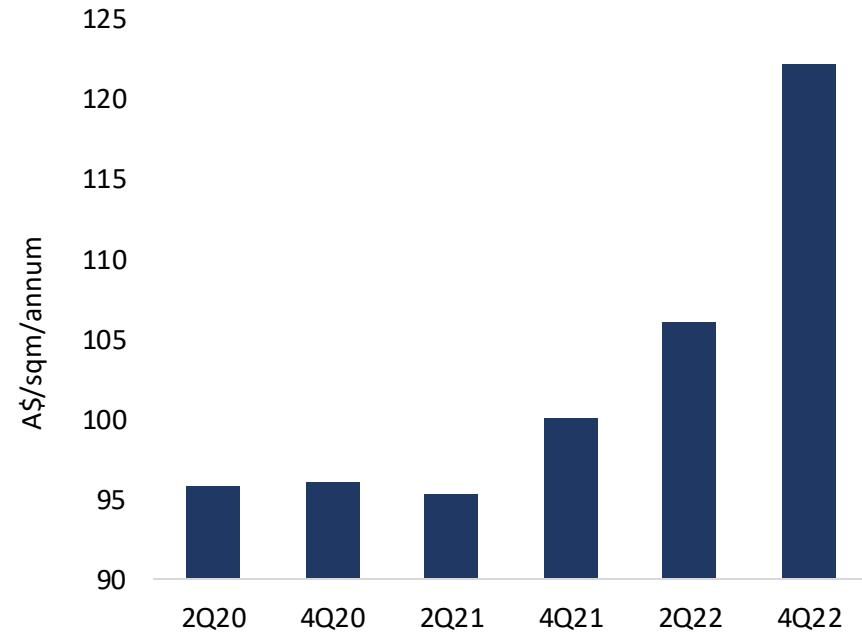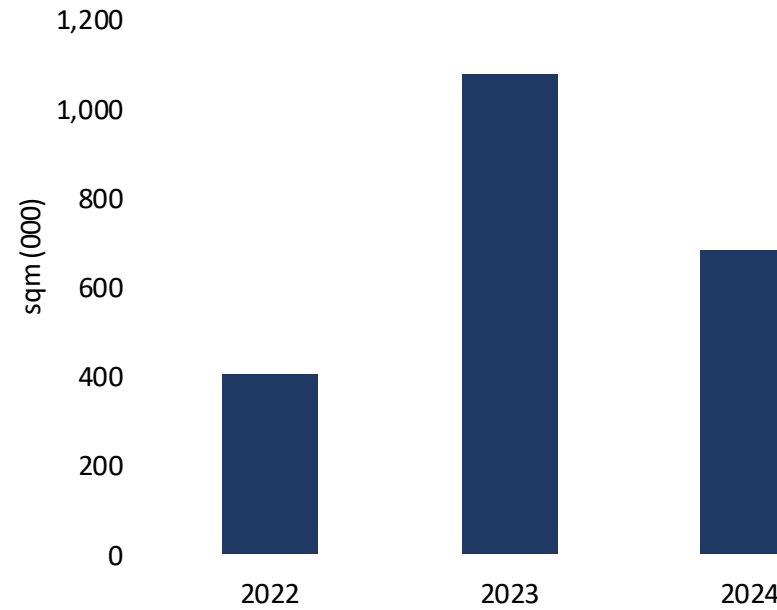
Supply Pipeline

Economic Indicators (National)		
	2022F	**2023F**
GDP Growth	3.8%	1.9%
Unemployment Rate	3.3%	3.8%
Inflation	6.0%	3.0%

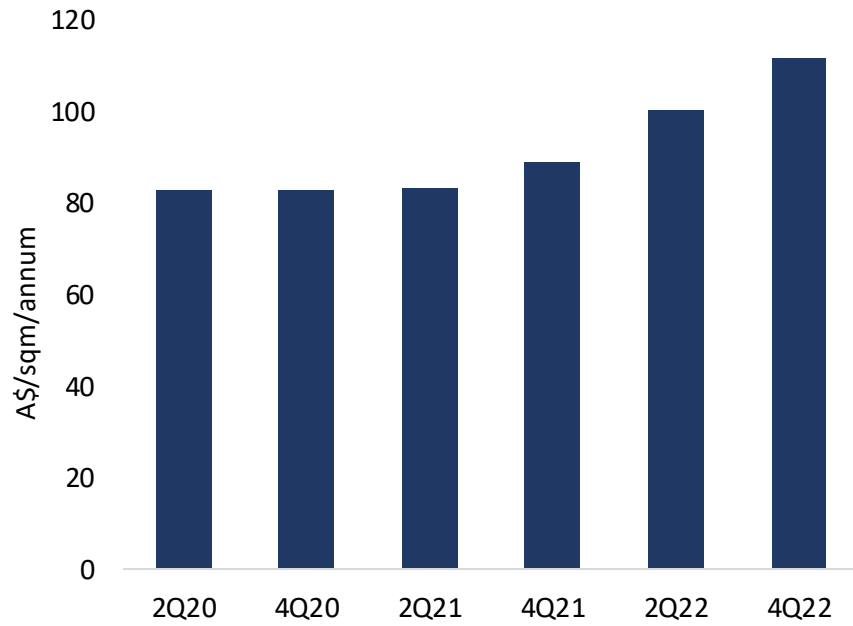| Prime Warehouse Indicators		
	H2 2022	**2023F**
Net Effective Rent (A$ psm pa)	137	↑
Market Pendulum	Landlord	Landlord

For more information please contact

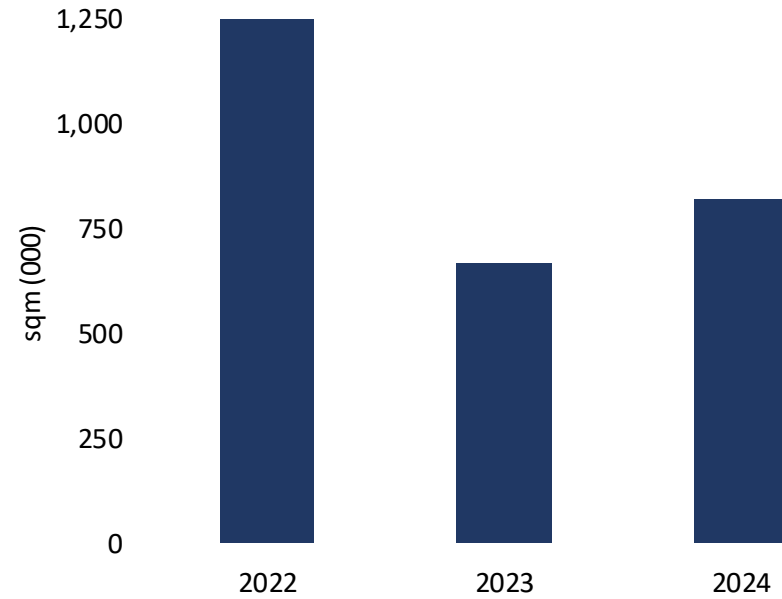James Templeton
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National Head of Industrial Logistics
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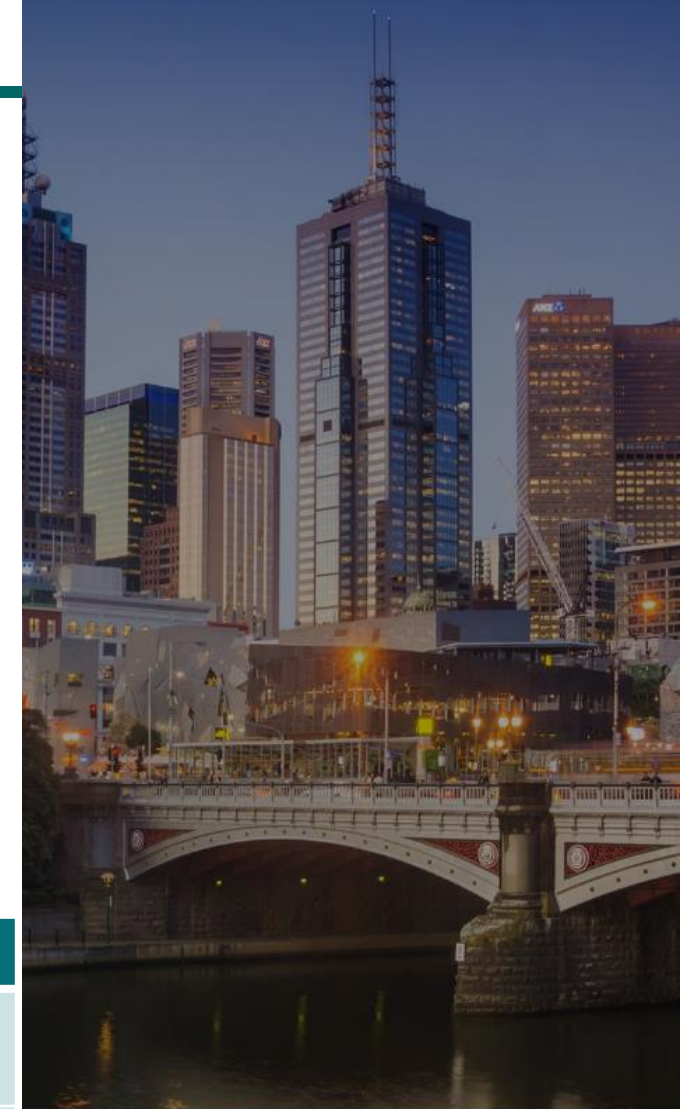james.templeton@au.knightfrank.com

Source: Knight Frank Research, Macrobond

Updated as at 8 February 2023

Melbourne

Net Effective Rents

Supply Pipeline

Economic Indicators (National)		
	2022F	**2023F**
GDP Growth	3.8%	1.9%
Unemployment Rate	3.3%	3.8%
Inflation	6.0%	3.0%

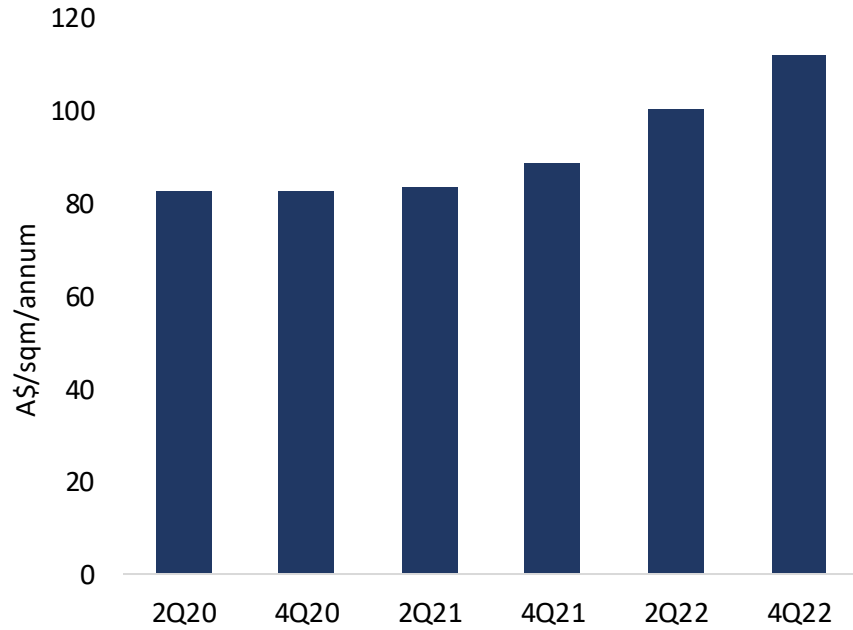| Prime Warehouse Indicators		
	H2 2022	**2023F**
Net Effective Rent (A$ psm pa)	126	↑
Market Pendulum	Landlord	Landlord

For more information please contact
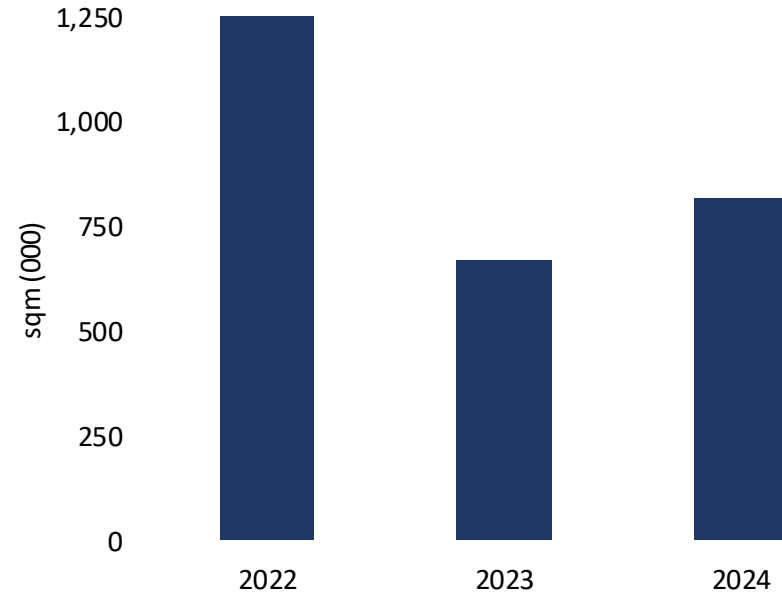
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Source: Knight Frank Research, Macrobond

Updated as at 8 February 2023

Sydney

Net Effective Rents

A$/sqm/annum

Supply Pipeline

sqm (000)

Economic Indicators (National)		
	2022F	**2023F**
GDP Growth	3.8%	1.9%
Unemployment Rate	3.3%	3.8%
Inflation	6.0%	3.0%

Prime Warehouse Indicators		
	H2 2022	**2023F**
Net Effective Rent (A$ psm pa)	210	↑
Market Pendulum	Landlord	Landlord

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Auckland

Net Effective Rent

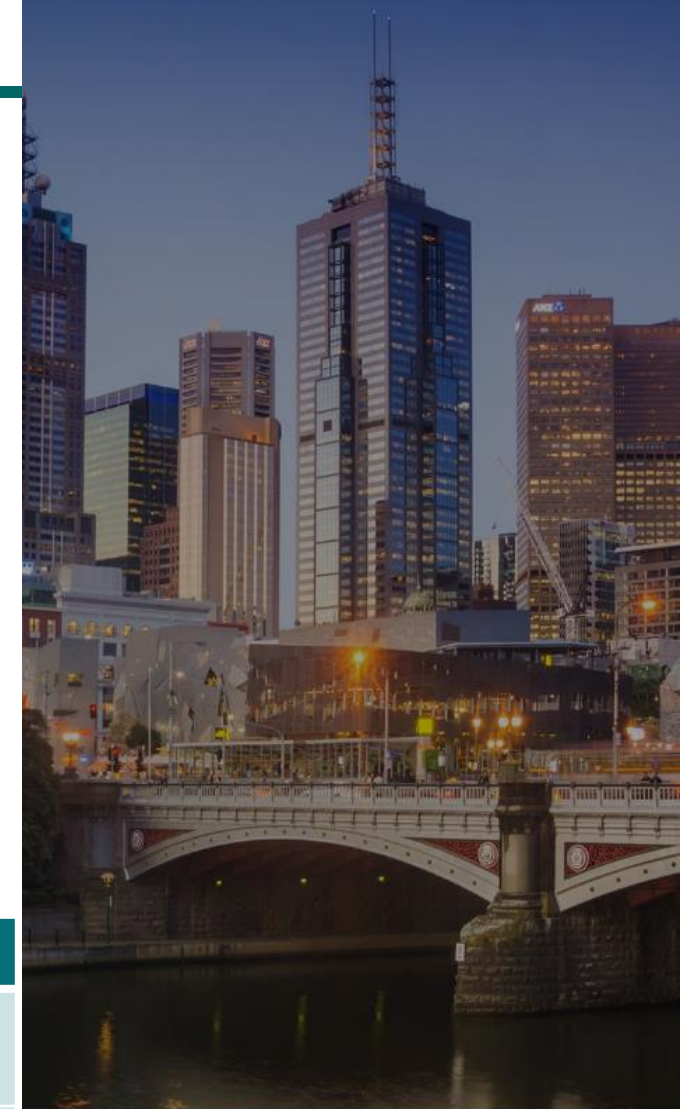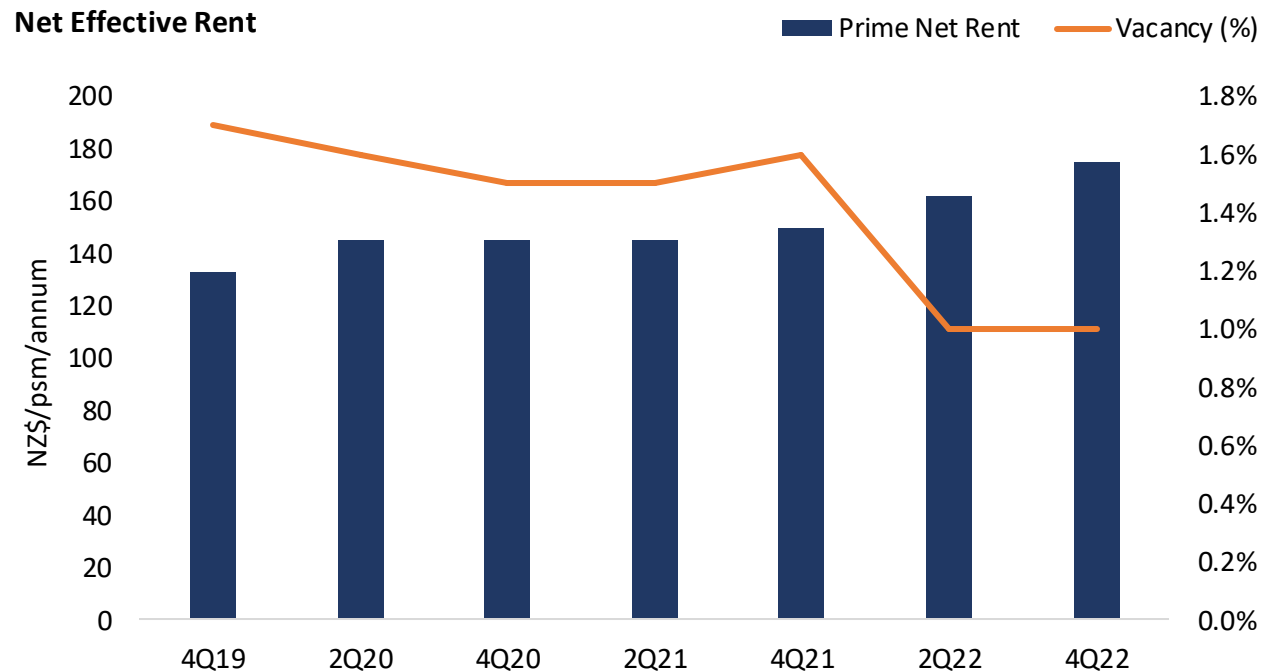Legend: ■ Prime Net Rent — Vacancy (%)

Chart: Net Effective Rent (NZ$/psm/annum) and Vacancy (%), 4Q19 to 4Q22

Economic Indicators (National)		
	2022F	2023F
GDP Growth	2.3%	1.9%
Unemployment Rate	3.9%	3.9%
Inflation	3.5%	2.4%

Prime Warehouse Indicators		
	H2 2022	2023F
Net Effective Rent (NZ$ psm pa)	175	↑
Vacancy	1.0%	→
Market Pendulum	Landlord	Landlord

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Source : Knight Frank Research, Macrobond

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Southeast Asia

A myriad of benefits has allowed the logistics market in Southeast Asian (SEA) cities to continue to record positive rental gains in H2 2022, with overall occupancy maintaining at around 89%. All SEA cities tracked recorded stable or improvements in rents, except Singapore where rent contracted by 2.0% after four consecutive half-yearly growths. This was due to global headwinds and a troubled technology sector. On the other hand, Manila led both semi-annual and annual growth at 15% and 17% respectively. Vacancies have been tight due to a demand-supply imbalance, driven by 3PL and cold storage tenants. The expansion of cold storage facilities reflects the continuously evolving consumer preferences for contemporary retail channels. Another market that performed well for 2022 was Greater KL where rents grew substantially at 5.3% semi-yearly and yearly. Klang Valley has emerged to be a potential destination for businesses that adopt near-shoring strategies, striking a right balance between cost-efficiency and quality.

Bangkok

Net Effective Rents

Legend: ■ Net Effective Rent — Vacancy Rate (%)

Projected Supply

Legend: ■ Future Supply ◆ % of Total Stock
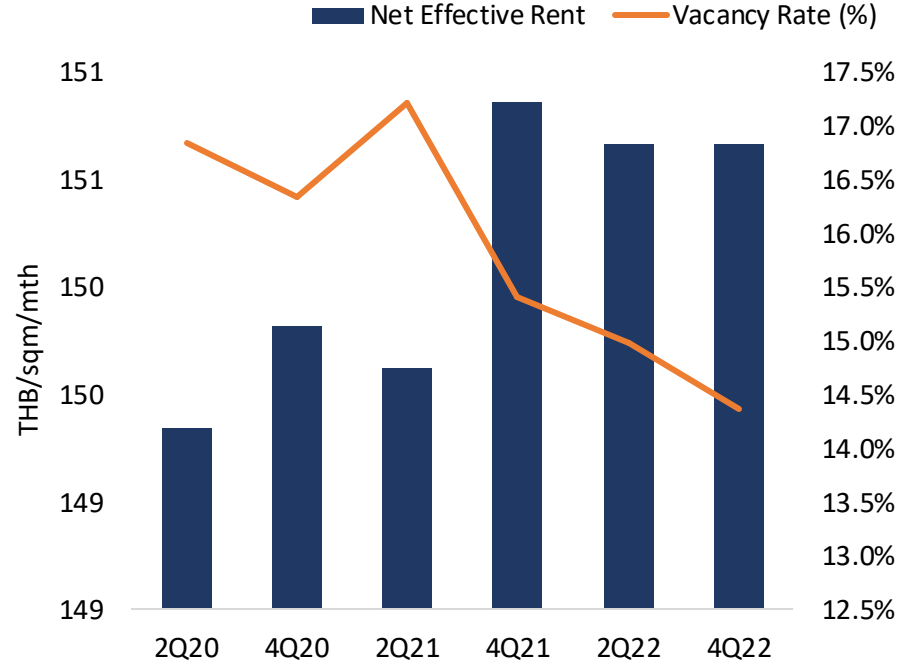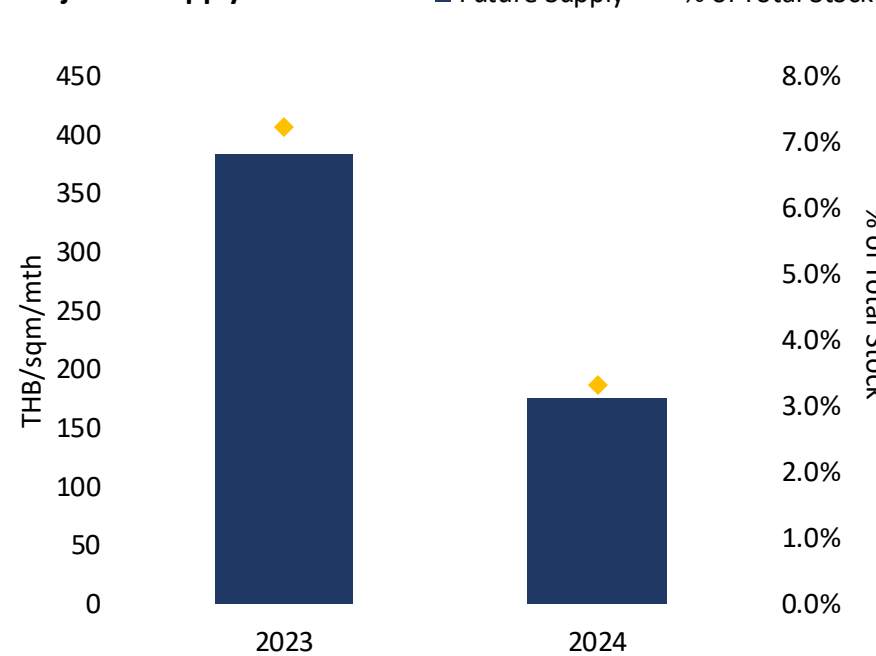
Economic Indicators (National)

	2022F	2023F
GDP Growth	3.2%	3.8%
Unemployment Rate	N/A	N/A
Inflation	4.9%	2.5%

Prime Warehouse Indicators

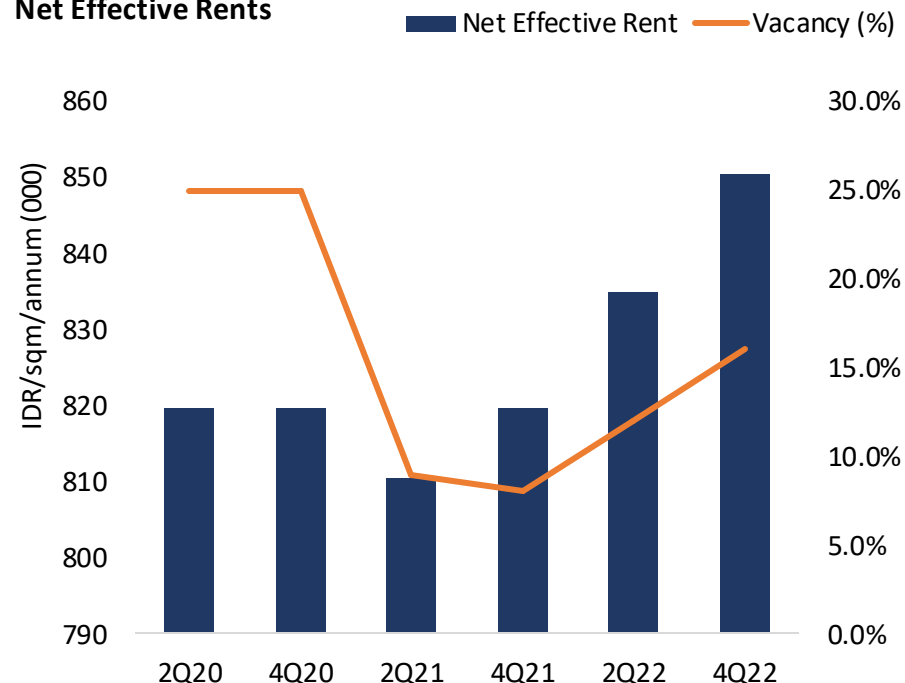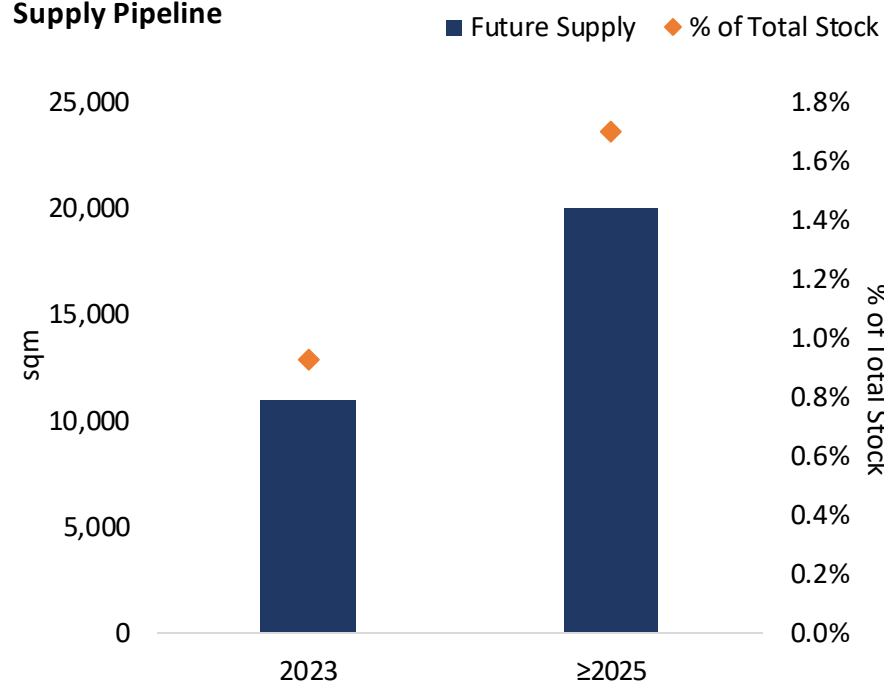|	H2 2022	2023F
Net Effective Rent (THB psm pm)	150.7	→
Vacancy	14.4%	→
Market Pendulum	Balanced	Balanced

For more information please contact

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Source: Knight Frank Research, Macrobond

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Jakarta

Net Effective Rents

Net Effective Rent ■ — Vacancy (%)

Supply Pipeline

Future Supply ◆ % of Total Stock

Economic Indicators (National)		
	2022F	**2023F**
GDP Growth	5.3%	4.8%
Unemployment Rate	5.6%	5.4%
Inflation	3.6%	3.0%

Prime Warehouse Indicators		
	H2 2022	**2023F**
Net Effective Rent (IDR psm pa)	850,376	→
Vacancy	16%	→
Market Pendulum	Balanced	Balanced

For more information please contact

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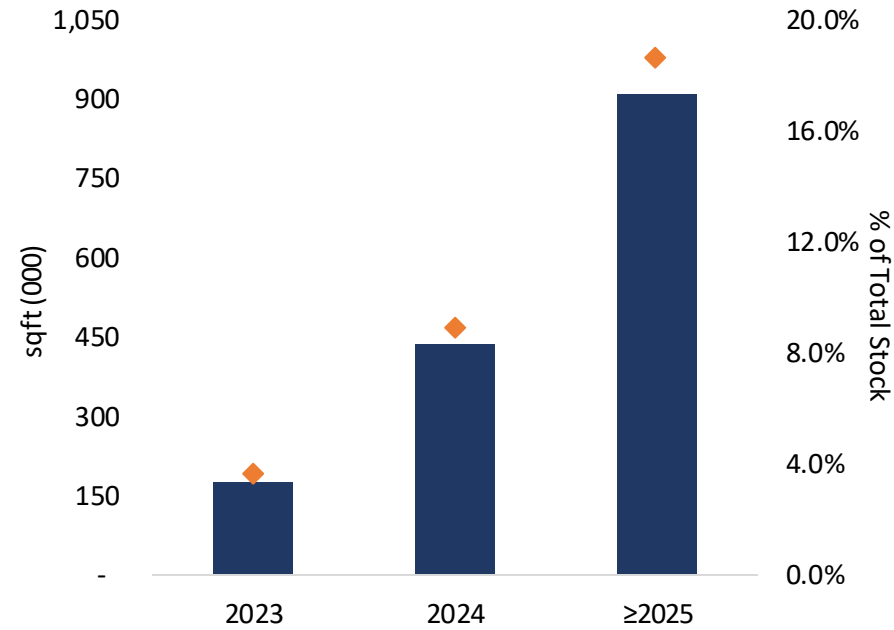Senior Research Advisor
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Source: Knight Frank Research, Macrobond

Updated as at 8 February 2023

Greater Kuala Lumpur

Net Effective Rents
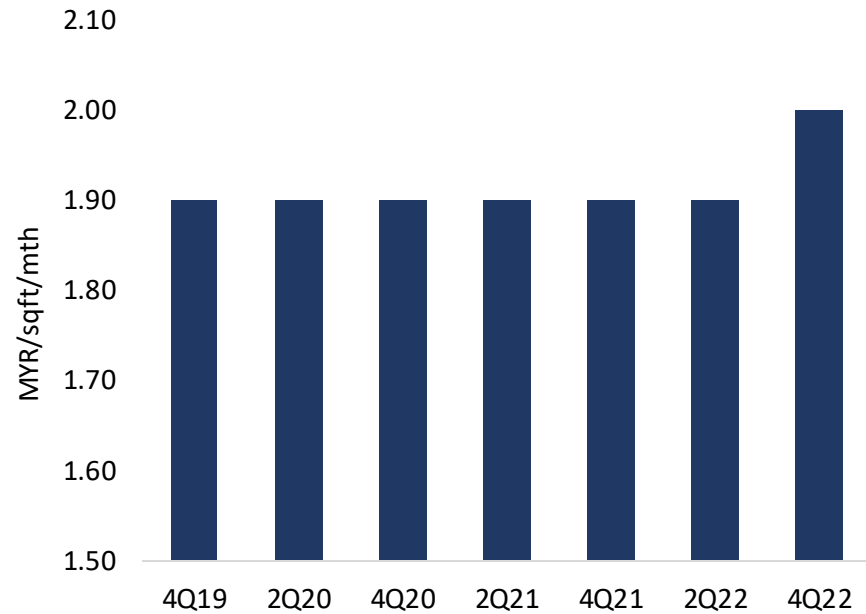
Supply Pipeline

Economic Indicators (National)		
	2022F	**2023F**
GDP Growth	6.8%	4.2%
Unemployment Rate	3.9%	4.15%
Inflation	3.3%	2.2%

Prime Warehouse Indicators		
	H2 2022	**2023F**
Net Effective Rent (MYR psf pm)	2.00	→
Market Pendulum	Balanced	Balanced

For more information please contact

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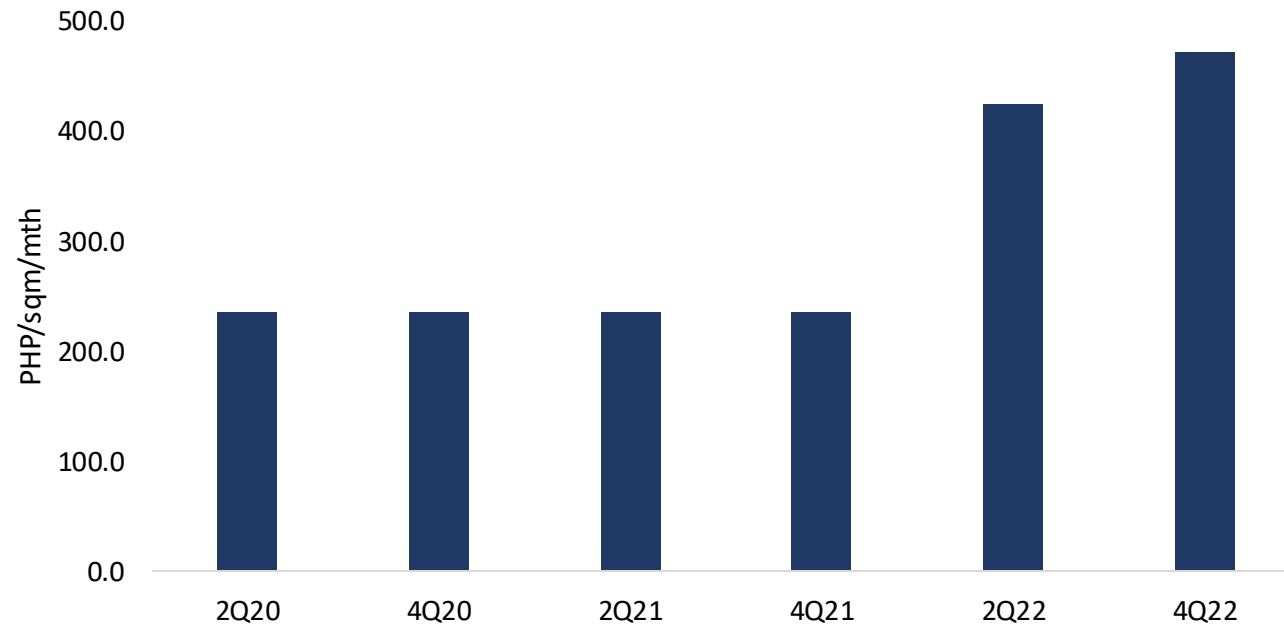
Source: Knight Frank Research, Macrobond, Bank Negara Malaysia,
Department of Statistics Malaysia

Updated as at 8 February 2023

Manila

Net Effective Rent

Economic Indicators (National)

	2022F	2023F
GDP Growth	7.6%	6.5%
Unemployment Rate	5.4%	5.1%
Inflation	4.3%	3.9%

Prime Warehouse Indicators

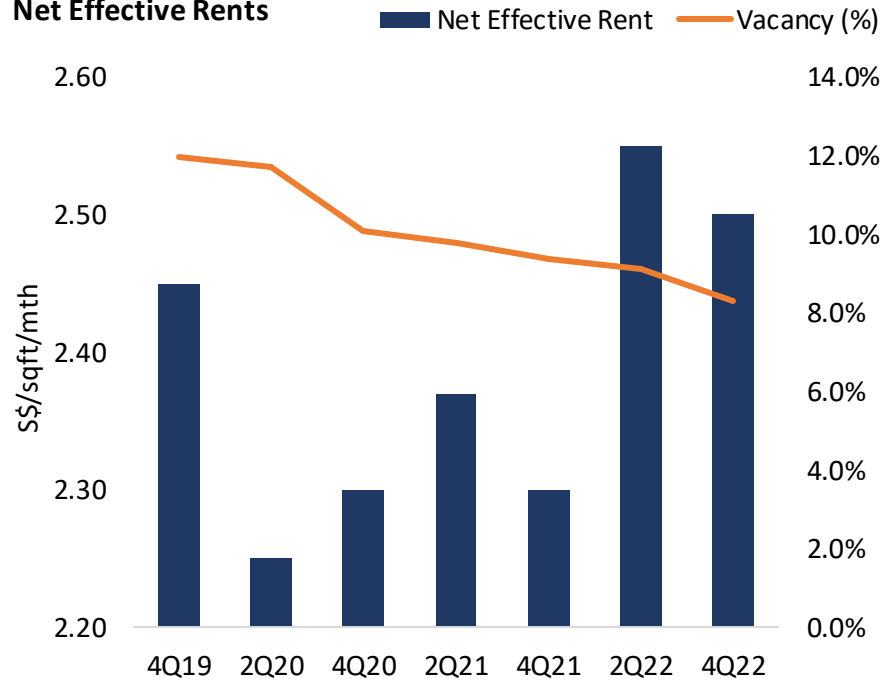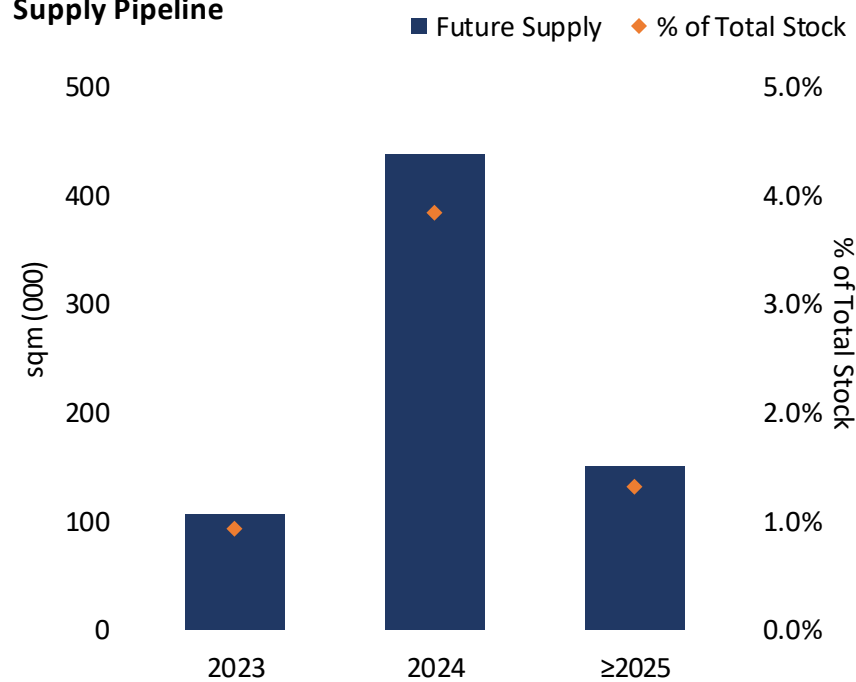|	H2 2022	2023F
Net Effective Rent (PHP psm pm)	471	↑
Market Pendulum	Balanced	Balanced
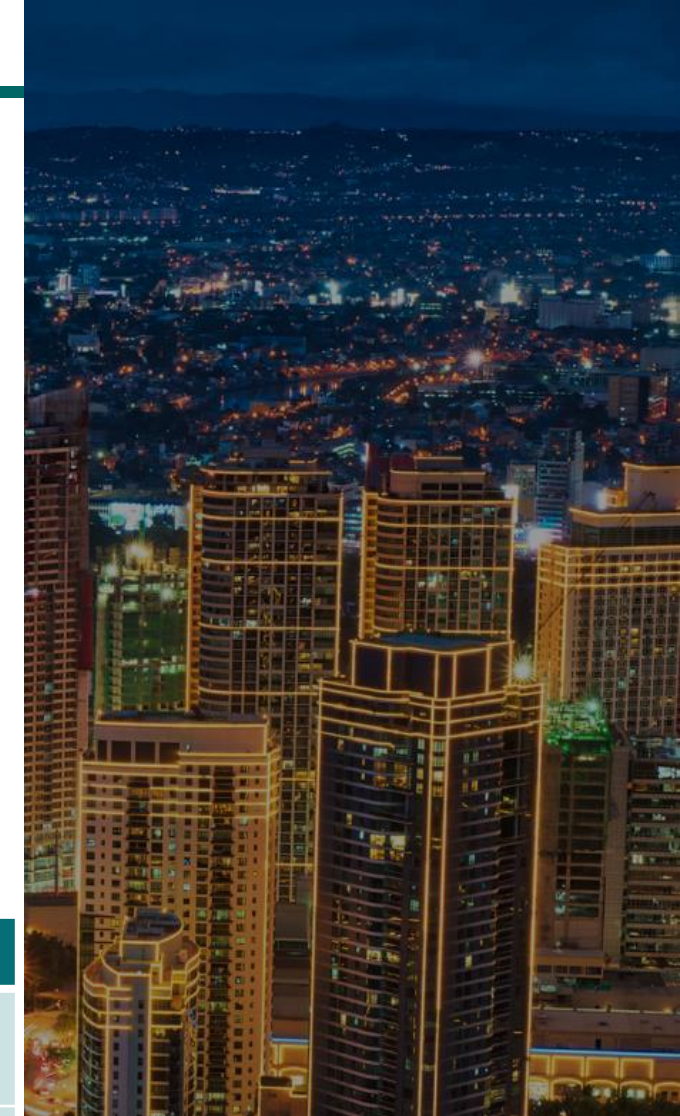
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Source: Knight Frank Research, Macrobond

Updated as at 8 February 2023

Singapore

Net Effective Rents

Legend: ■ Net Effective Rent — Vacancy (%)

Y-axis left: S$/sqft/mth — 2.20, 2.30, 2.40, 2.50, 2.60
Y-axis right: 0.0%, 2.0%, 4.0%, 6.0%, 8.0%, 10.0%, 12.0%, 14.0%
X-axis: 4Q19, 2Q20, 4Q20, 2Q21, 4Q21, 2Q22, 4Q22

Supply Pipeline

Legend: ■ Future Supply ◆ % of Total Stock

Y-axis left: sqm (000) — 0, 100, 200, 300, 400, 500
Y-axis right: % of Total Stock — 0.0%, 1.0%, 2.0%, 3.0%, 4.0%, 5.0%
X-axis: 2023, 2024, ≥2025

Economic Indicators (National)	2022F	2023F
GDP Growth	3.6%	2.5%
Unemployment Rate	2.4%	2.4%
Inflation	5.0%	2.8%

Prime Warehouse Indicators	H2 2022	2023F
Net Effective Rent (SGD psf pm)	2.50	↑
Vacancy	8.3%	→
Market Pendulum	Balanced	Balanced

Source: Knight Frank Research, Macrobond

Updated as at 8 February 2023

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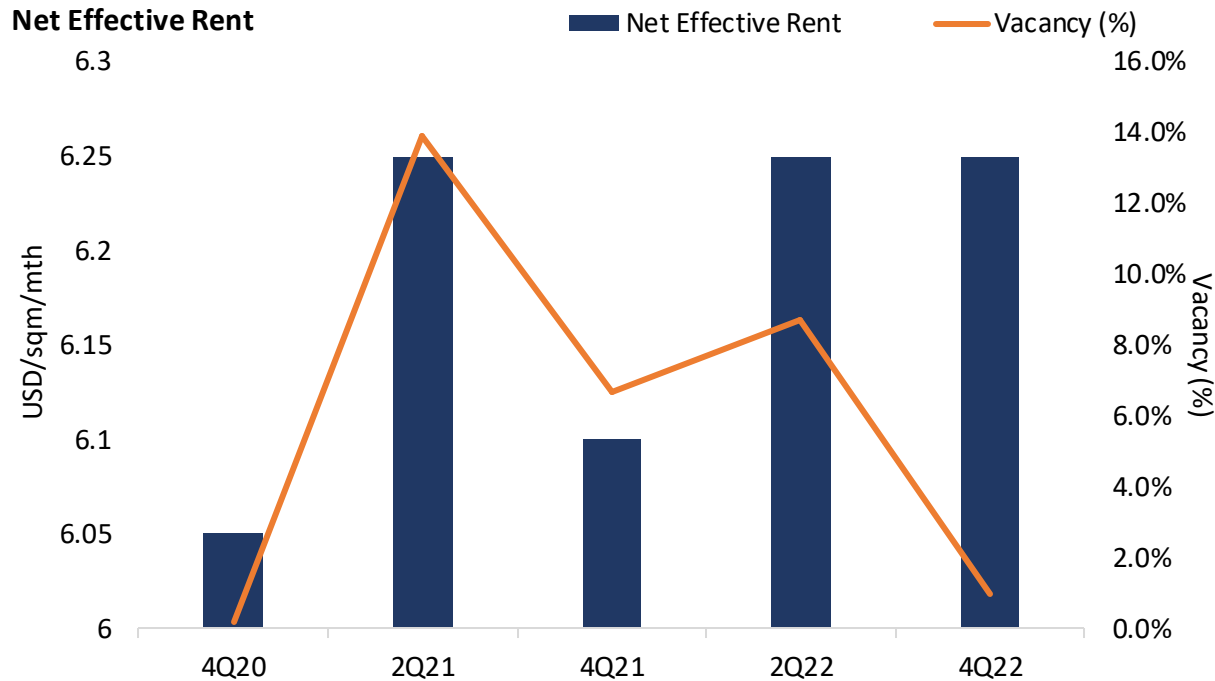
Net Effective Rent

Legend: ■ Net Effective Rent — Vacancy (%)

Economic Indicators (National)		
	2022F	**2023F**
GDP Growth	8.0%	6.7%
Unemployment Rate	2.4%	2.3%
Inflation	3.7%	5.0%

Prime Warehouse Indicators		
	H2 2022	**2023F**
Net Effective Rent (USD psm pm)	6.25	↑
Vacancy	1.0%	→
Market Pendulum	Tenant	Tenant

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Source: Knight Frank Research, Macrobond

Updated as at 8 February 2023

Greater China

Before COVID-19 restrictions were relaxed in the Chinese Mainland towards the end of 2022, infections soared across the country, forcing cities to implement voluntary lockdowns. This spurred the leasing market to remain active in both Beijing and Shanghai, with pharmaceutical, fresh produce and retail e-commerce driving demand. Although several new projects were completed in Q4, solid demand offset the increase in supply, keeping rental growth steady. Semi-annual rental growth hastened from 0.3% to 1.5% and 0.7% to 2.0% for Beijing and Shanghai respectively, supporting the previous claim. Over in Hong Kong SAR, optimism for the sector was also observed with an annual growth rate of 3.6%. As the market welcomed new supply, vacancy rate expanded slightly from 1.5% to 2.3% semi-annually, which might be likely cushioned by land resumptions in locations like Tin Shui Wai, Yuen Long and Tuen Mun. Likewise in Taipei, demand remained strong, and rents increased by 2.0% YoY.

Beijing

Net Effective Rents
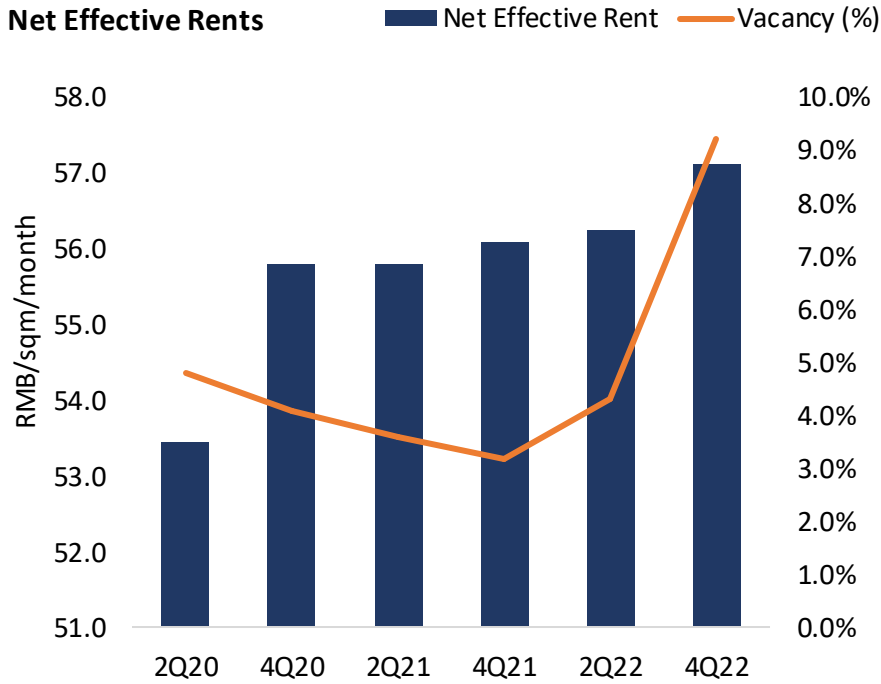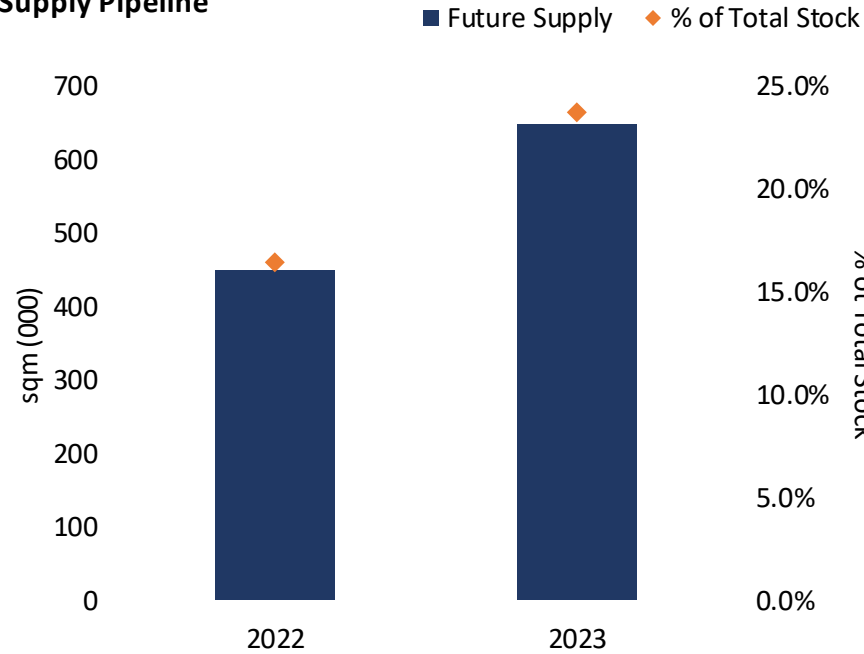
Legend: ■ Net Effective Rent — Vacancy (%)

Supply Pipeline

Legend: ■ Future Supply ◆ % of Total Stock

Economic Indicators (National)		
	2022F	**2023F**
GDP Growth	3.0%	4.4%
Unemployment Rate	3.6%	3.6%
Inflation	2.3%	2.4%

Prime Warehouse Indicators		
	H2 2022	**2023F**
Net Effective Rent (RMB psm pm)	58.87	↑
Vacancy	9.2%	→
Market Pendulum	Balanced	Balanced

Source: Knight Frank Research, Macrobond

Updated as at 8 February 2023

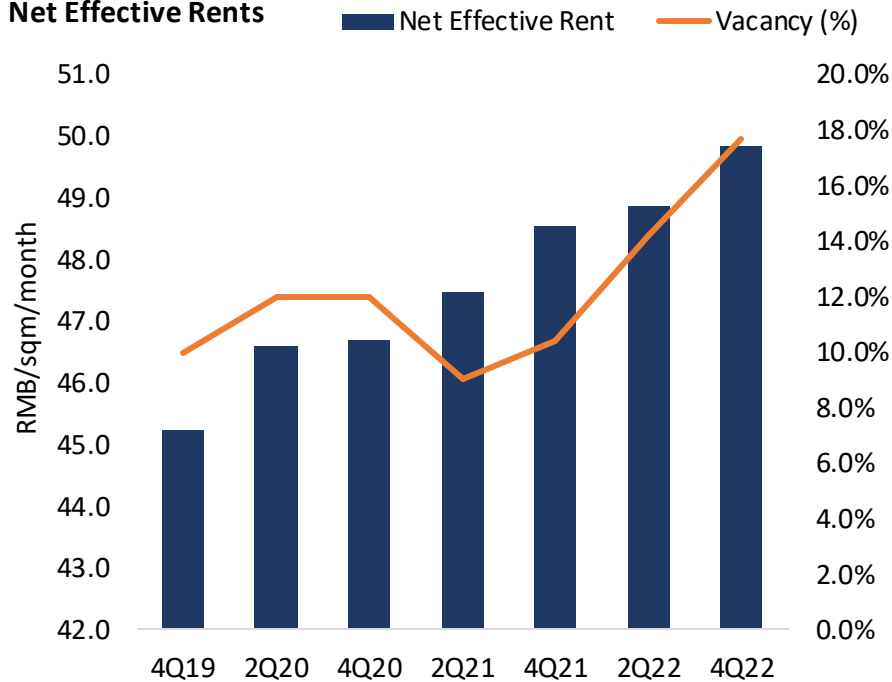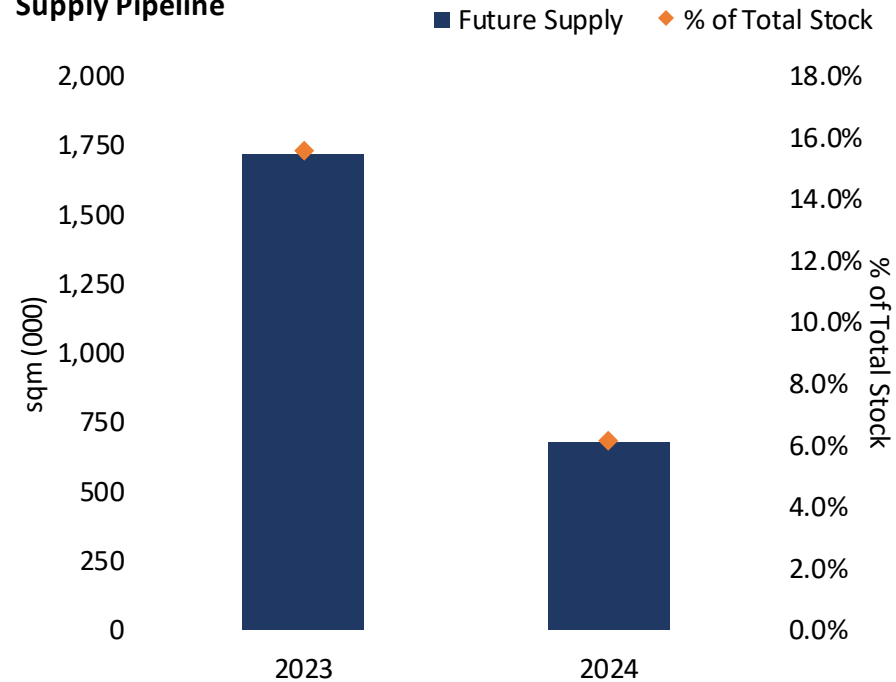For more information please contact

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Shanghai

Net Effective Rents

Supply Pipeline

Economic Indicators (National)

	2022F	2023F
GDP Growth	3.0%	4.4%
Unemployment Rate	3.6%	3.6%
Inflation	2.3%	2.4%

Prime Warehouse Indicators

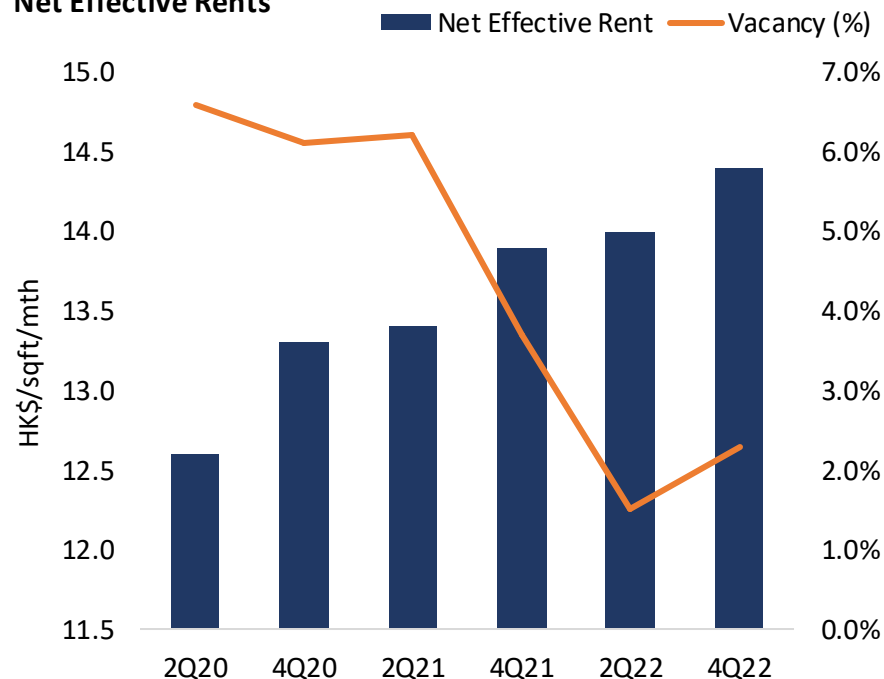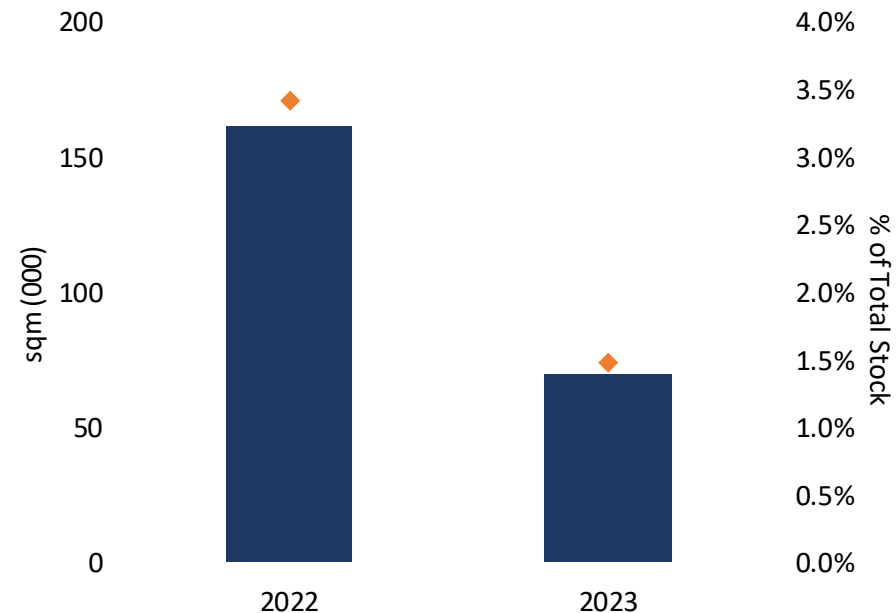|	H2 2022	2023F
Net Effective Rent (RMB psm pm)	49.8	↑
Vacancy	17.7%	→
Market Pendulum	Tenant	Balanced

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Source: Knight Frank Research, Macrobond

Updated as at 8 February 2023

Hong Kong SAR

Net Effective Rents

Net Effective Rent ▬ Vacancy (%)

Supply Pipeline

Economic Indicators (National)		
	2022F	2023F
GDP Growth	-3.5%	3.3%
Unemployment Rate	3.9%	3.9%
Inflation	1.8%	2.2%

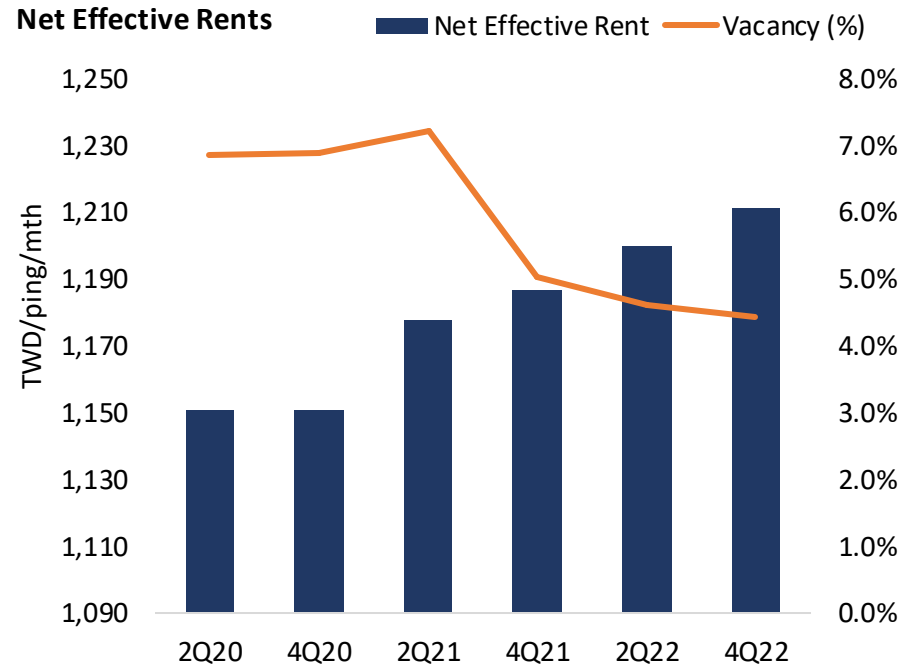| Prime Warehouse Indicators		
	H2 2022	2023F
Net Effective Rent (HKD psf pm)	14.4	↑
Vacancy	2.3%	↓
Market Pendulum	Landlord	Landlord

For more information please contact

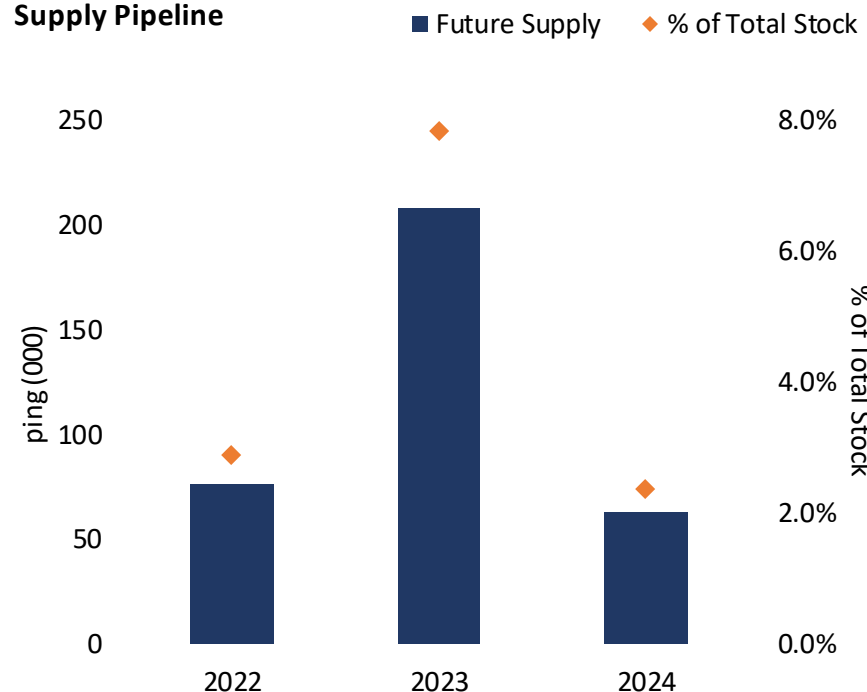Nathan Chan
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Taipei

Net Effective Rents

Legend: Net Effective Rent | Vacancy (%)

Supply Pipeline

Legend: Future Supply | % of Total Stock

Economic Indicators (National)	2022F	2023F
GDP Growth	2.4%	2.2%
Unemployment Rate	3.6%	3.6%
Inflation	2.7%	1.5%

| Prime Warehouse Indicators	H2 2022	2023F
Net Effective Rent (TWD per ping pm)	1,211	↑
Vacancy	4.4%	→
Market Pendulum	Landlord	Landlord

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South Asia

Fueled by robust demand growth, rental rates in the three Indian warehouse markets saw substantial growth throughout 2022. Supply networks rebounded as the economy emerged from the pandemic's shadow, which enabled development activities to stay on pace with demand. The two industries that had the biggest increase throughout the year were manufacturing and 3PL, both of which should continue to grow in 2023. The market is anticipated to respond to the improved base level expectations from occupiers as well as a robust demand forecast in 2023, maintaining the healthy rent rise observed in 2022 across all markets after years of stagnation.

Bengaluru

Net Effective Rents
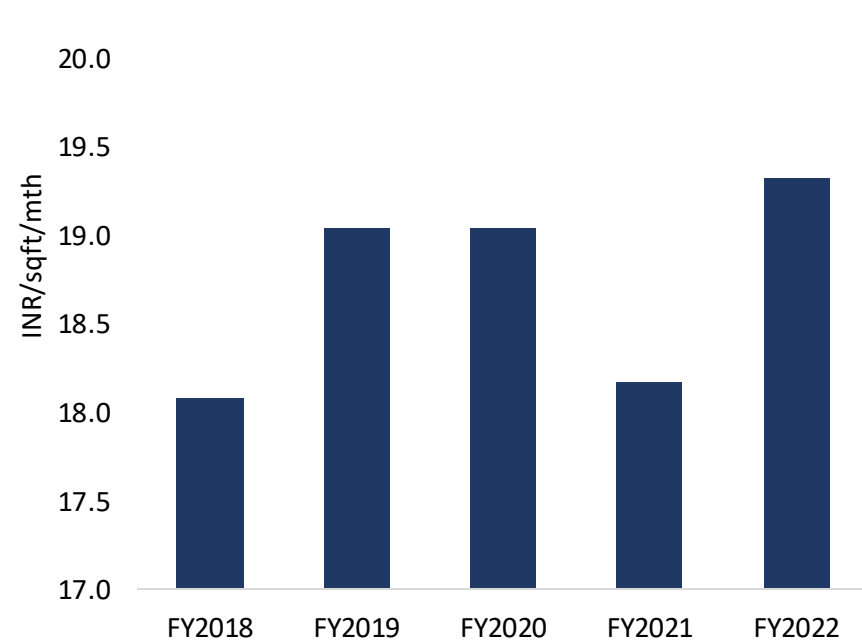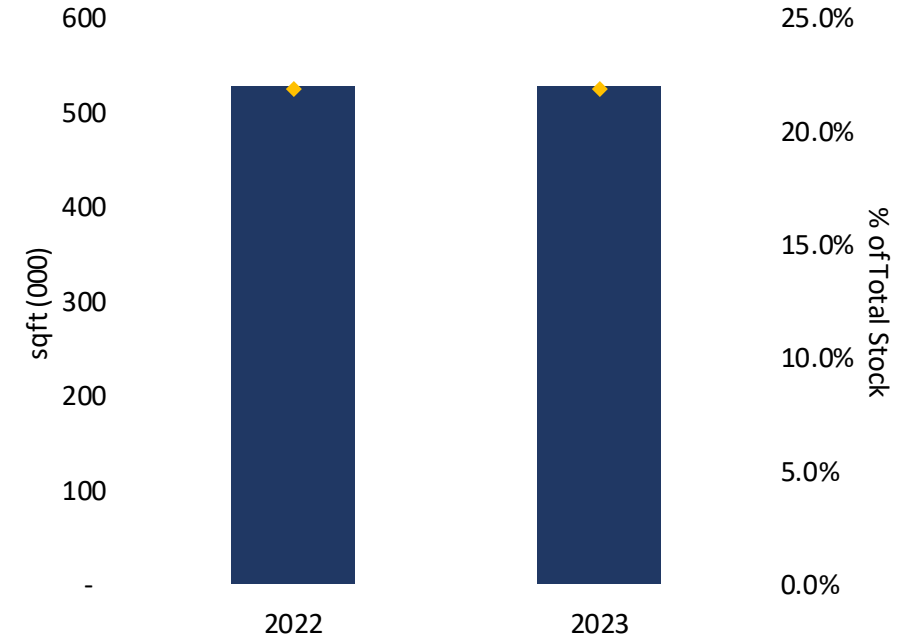
Supply Pipeline ■ Future Supply ◆ % of Total Stock

Economic Indicators (National)

	2022F	2023F
GDP Growth	5.8%	6.0%
Unemployment Rate	NA	NA
Inflation	6.1%	4.8%

Economic Indicators (National)

	FY2022	2023F
Net Effective Rent (IDR psf pm)	19.33	↑
Vacancy	26.3%	→
Market Pendulum	Landlord	Landlord
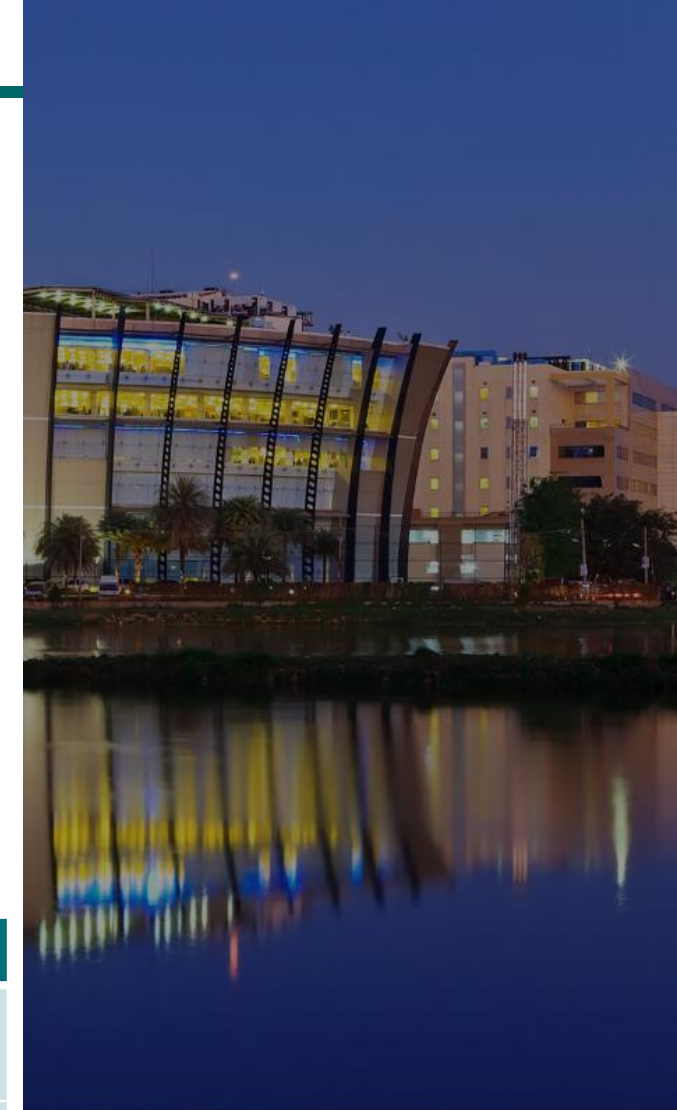
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Delhi - National Capital Region

Net Effective Rents

Supply Pipeline

■ Future Supply ◆ % of Total Stock

Economic Indicators (National)		
	2022F	**2023F**
GDP Growth	5.8%	6.0%
Unemployment Rate	NA	NA
Inflation	6.1%	4.8%

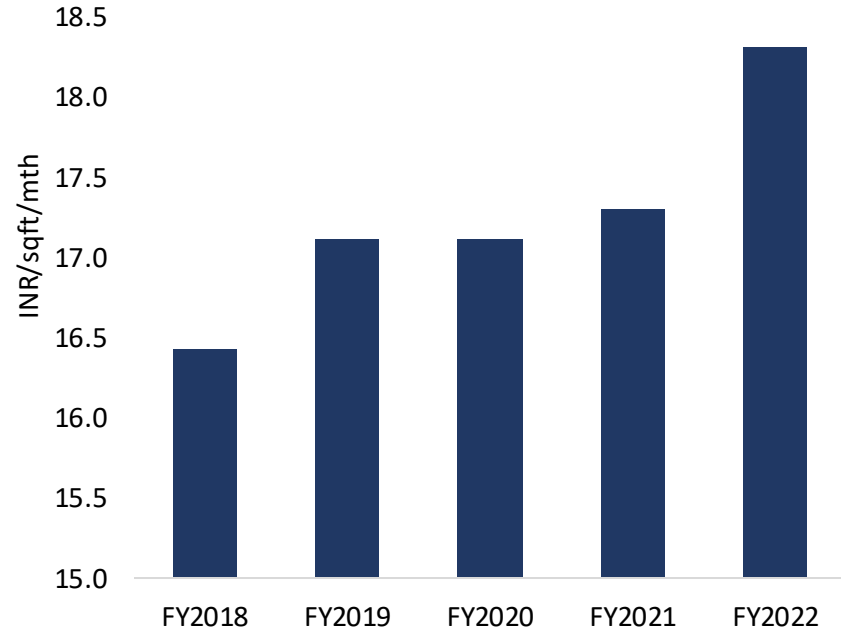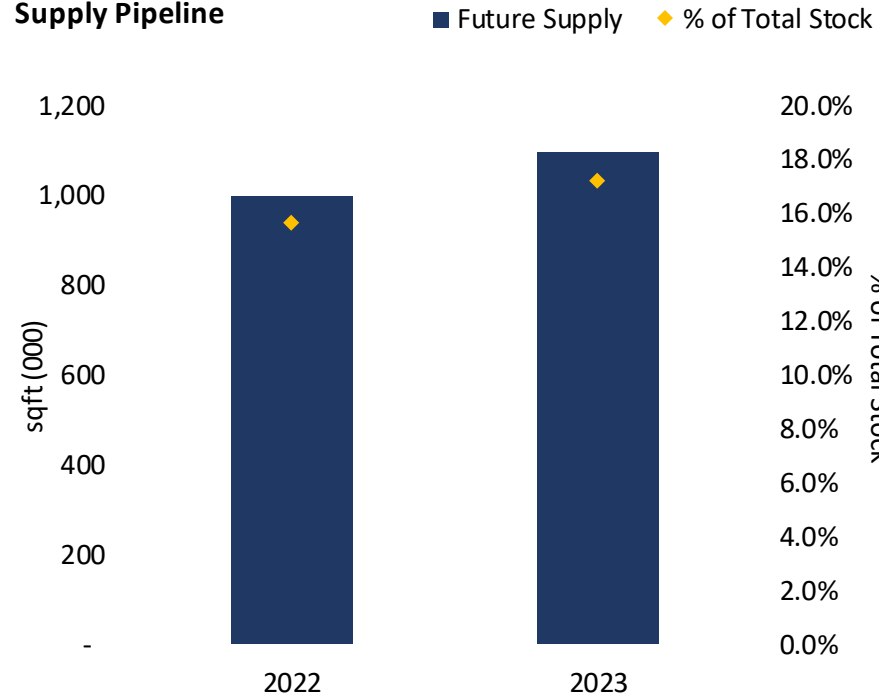| Economic Indicators (National)		
	FY2022	**2023F**
Net Effective Rent (IDR psf pm)	18.32	↑
Vacancy	11.4%	→
Market Pendulum	Landlord	Landlord

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Mumbai

Net Effective Rents

Supply Pipeline

■ Future Supply ◆ % of Total Stock

Economic Indicators (National)		
	2022F	**2023F**
GDP Growth	5.8%	6.0%
Unemployment Rate	NA	NA
Inflation	6.1%	4.8%

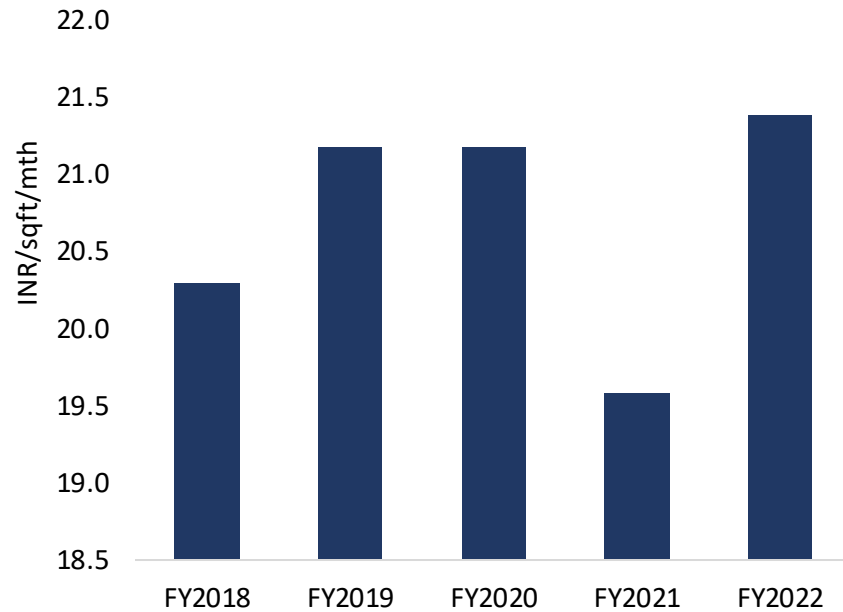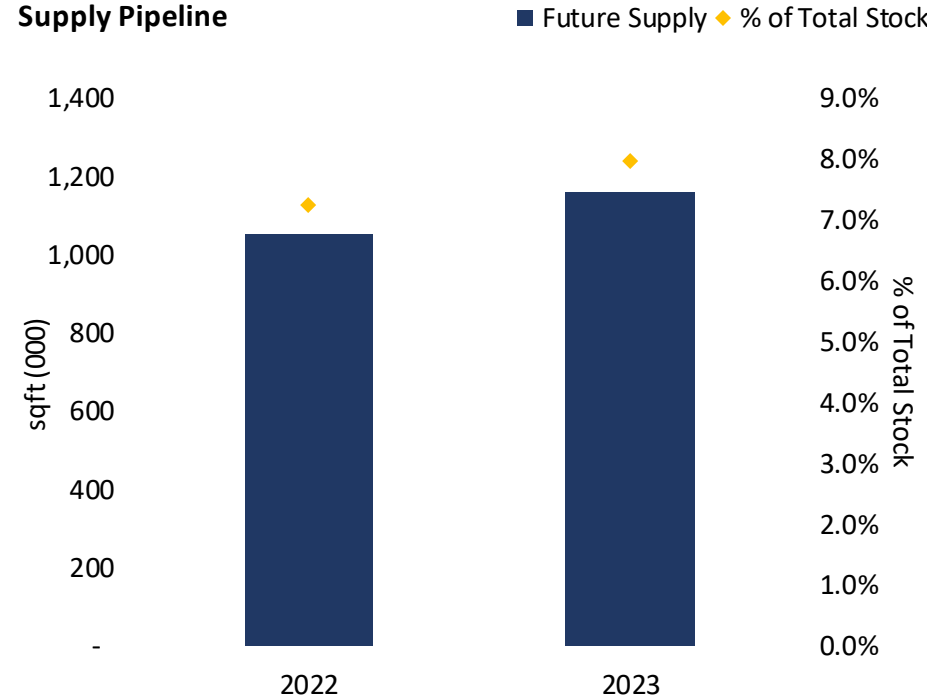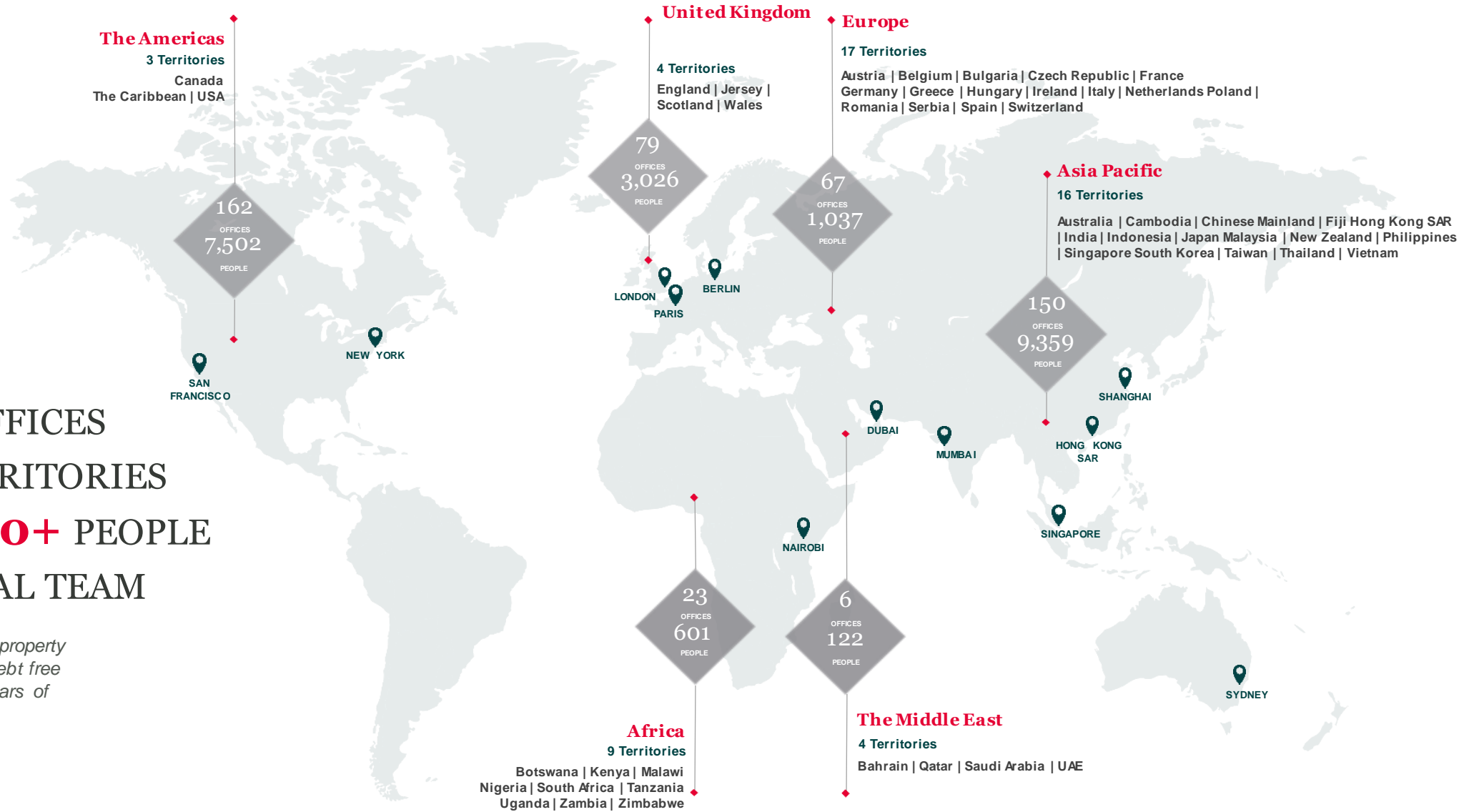| Economic Indicators (National)		
	FY2022	**2023F**
Net Effective Rent (IDR psf pm)	21.39	↑
Vacancy	18.1%	→
Market Pendulum	Landlord	Landlord

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Updated as at 8 February 2023

Our Global Presence

The Americas

3 Territories

Canada
The Caribbean | USA

162
OFFICES
7,502
PEOPLE

United Kingdom

4 Territories

England | Jersey |
Scotland | Wales

79
OFFICES
3,026
PEOPLE

Europe

17 Territories

Austria | Belgium | Bulgaria | Czech Republic | France
Germany | Greece | Hungary | Ireland | Italy | Netherlands Poland |
Romania | Serbia | Spain | Switzerland

67
OFFICES
1,037
PEOPLE

Asia Pacific

16 Territories

Australia | Cambodia | Chinese Mainland | Fiji Hong Kong SAR
| India | Indonesia | Japan Malaysia | New Zealand | Philippines
| Singapore South Korea | Taiwan | Thailand | Vietnam

150
OFFICES
9,359
PEOPLE

LONDON

PARIS

BERLIN

NEW YORK

SAN
FRANCISCO

SHANGHAI

DUBAI

MUMBAI

HONG KONG
SAR

NAIROBI

SINGAPORE

SYDNEY

487 OFFICES

53 TERRITORIES

20,000+ PEOPLE

1 GLOBAL TEAM

*Your partners in property
Independent & debt free
With over 125 years of
experience*

📍 GATEWAY
CITIES

23
OFFICES
601
PEOPLE

6
OFFICES
122
PEOPLE

Africa

9 Territories

Botswana | Kenya | Malawi
Nigeria | South Africa | Tanzania
Uganda | Zambia | Zimbabwe

The Middle East

4 Territories

Bahrain | Qatar | Saudi Arabia | UAE

Knight Frank

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

The Asia Pacific Occupier Strategy and Solutions team facilitates this for our 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 hubs across Asia-Pacific, from Singapore, Australia, Hong Kong and India, where we devise strategies to empower clients to attain their desired goals.

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