Asia Pacific Logistics Market Overview

Prepared by
Colliers International China

Prepared for
NAIOP
Tammy Tang
Managing Director | China

Expertise
Tammy Tang is the managing director of Collier International China. She has more than 22 years' experience in real estate industry and her footprint is all over China. She has a deep understanding of development strategy, leasing and sales management, investment, intermediary, consulting, government relations, industry regulations and asset management. She is a highly respected leader, dedicated to promoting the development of the industry and training the new people.

Professional Accomplishments
Tammy Tang has operated many comprehensive projects in more than 20 cities in China, including more than 70 consulting services for different type of real estate. She is the most experienced real estate development strategy expert in China. At the same time, with her keen market insight, she has long been involved in industrial real estate, pension real estate, data center and other emerging real estate industries, and has in-depth understanding and rich experience.
## ASIA PACIFIC LOGISTICS PROPERTY MARKET OVERVIEW

### DISTRIBUTION OF MAJOR DEVELOPERS

<table>
<thead>
<tr>
<th>Country</th>
<th>Developers' Footprints (Existing &amp; Future)</th>
</tr>
</thead>
<tbody>
<tr>
<td>China</td>
<td>More than 40 developers</td>
</tr>
<tr>
<td>Hong Kong</td>
<td>Goodman, Mapletree, SF, Cainiao</td>
</tr>
<tr>
<td>Japan</td>
<td>GLP, Goodman, ESR, ProLogis, UI, Mapletree</td>
</tr>
<tr>
<td>Korea</td>
<td>ESR, Mapletree</td>
</tr>
<tr>
<td>Singapore</td>
<td>Mapletree, Prologis, ESR, LOGOS</td>
</tr>
<tr>
<td>India</td>
<td>Indospace-GLP(JV), ESR, Mapletree, LOGOS</td>
</tr>
<tr>
<td>Thailand</td>
<td>WHA, Ticon</td>
</tr>
<tr>
<td>Malaysia</td>
<td>Goodman, Mapletree, Cainiao</td>
</tr>
<tr>
<td>Vietnam</td>
<td>Mapletree</td>
</tr>
<tr>
<td>Indonesia</td>
<td>Samudera Indonesia, LOGOS</td>
</tr>
<tr>
<td>Philippines</td>
<td>Storagemart; Secure Storage Services, Safehouse Storage, Loc and Store, Kahon PH, Aspen Storage</td>
</tr>
<tr>
<td>Myanmar</td>
<td>BPHL</td>
</tr>
<tr>
<td>Australia</td>
<td>ESR, Goodman, LOGOS</td>
</tr>
<tr>
<td>New Zealand</td>
<td>Goodman, LOGOS</td>
</tr>
</tbody>
</table>
ASIA PACIFIC LOGISTICS PROPERTY MARKET OVERVIEW

IMPROVING INFRASTRUCTURE

The World's Top 50 Ports in terms of Container Throughput (2018)

AP ports account for 58% in world’s top 50 ports

Source: World Bank
Logistics Performance Index 2018 Global Rankings

Source: World Bank

Indicators
- Customs
- Infrastructure
- International shipments
- Logistics quality and competence
- Tracking and tracing
- Timeliness

High income → Rank higher than 2012
Upper Middle income ↓ Rank lower than 2012
Lower Middle income

ASIA PACIFIC LOGISTICS PROPERTY MARKET OVERVIEW
LOGISTICS PERFORMANCE
ASIA PACIFIC LOGISTICS PROPERTY MARKET OVERVIEW
TRANSFORMATION AND TREND

Transformation in logistics property sector

- Hyper-connected facilities
- Elevated clear heights
- Automation
- Sustainability
- Super-flat to sloped floors and engineered concrete floors
- More storeys
- Cold chain storage warehouses
- Location is key

Future Trend

- On-demand warehousing
- Automation-as-a-Service
- Co-working space in logistics sector
- Utilizing technology to modernize customs systems and processes
CHINA LOGISTICS PROPERTY MARKET OVERVIEW

HISTORICAL DATA

**Total Stock of Hotspot Cities**
- 2017 H1: 34,029,000 sq.m
- 2017 H2: 40,647,000 sq.m
- 2018 H1: 49,933,000 sq.m
- 2018 H2: 57,207,000 sq.m

**Occupancy of Hotspot Cities**
- 2017 H1: 84%
- 2017 H2: 91%
- 2018 H1: 93%
- 2018 H2: 91%
- 2019 H1: 88%
- 2019 H2: 86%

**Average Rental of Hotspot Cities**
- 2017 H1: 1.01 RMB/sq.m/day
- 2017 H2: 1.03 RMB/sq.m/day
- 2018 H1: 1.07 RMB/sq.m/day
- 2018 H2: 1.09 RMB/sq.m/day
- 2019 H1: 1.08 RMB/sq.m/day
- 2019 H2: 1.07 RMB/sq.m/day

- **Total Stock**: 57 million
- **Growth of Total Stock 2H2018-2H2019**: 15%
- **Occupancy Rate**: 86%
- **Growth of Occupancy Rate 2H2018-2H2019**: -5%
- **Effective Rental**: RMB 1.07/sq.m/day
- **Growth of Effective Rental 2H2018-2H2019**: -1.6%

*Based on 33 hotspot cities on rental map as of 2H2019*
The outbreak of coronavirus has strained most manufacturing and service industries in China. The broader economic effect on China is still hard to gauge, making bold predictions difficult. To appreciate how the market is reacting to the coronavirus, Colliers has carried out a telephone survey of over 700 landlords, tenants and investors, providing more clarity on how market participants expect to position themselves in 2020.

The logistics survey includes 70 logistics and E-commerce professionals to reflect the outbreak’s impact on China’s logistics property market, of which 45% are developers, 34% are from E-commerce businesses, 6% work in 3PL companies, and the remaining 15% are other stakeholders from the industry.
Respondents’ View on Short-term Impact on E-commerce

Nearly half of the respondents believe E-commerce is benefitting from the recent coronavirus outbreak, whereas 38% do not agree with it. The other 15% think it is a tough question to answer.

Do you agree that staying at home boosts online shopping?

- **Yes**: 47%
- **No**: 38%
- **Not sure**: 15%

**Short-term Positive factors**
- Demand for medical products and online fresh food is soaring

**Short-term Negative factors**

**Supply Side:**
- Communication cost for E-commerce business increases during the Chinese New Year holiday and Covid-19 outbreak
- Manufacturing is delayed due to the outbreak, and thus have an impact on supply chain
- Some suppliers are hesitant to stop at ports in China, which can cause delivery delays
- Chinese New Year causes labor shortage for couriers
- Traffic control slows shipments
- Warehouse operation pause and delivery delays result in order cancellations
- Increase of cost of labor and logistics costs

**Demand Side:**
- Staying at home limits shopping demand and urge
- Concerns about virus transmission via product delivery
- Large size products that need on-site assembly

Feb, 2020
But the Majority Believe E-commerce Revenue Will Grow in 2020

Considering the negative impact of the epidemic in the short term, 35% of the respondents have a negative attitude towards the e-commerce sales forecast in 2020. However, 65% of respondents believe that e-commerce sales will be flat or grow, and 31% of them are more optimistic about the number, as they expect it to grow more than 15% YOY. Although some industries suffered short-term damage from the epidemic, others are looking to be boosted, including medical and fresh food products.

- **Industries under short-term negative impact**
  - Luxuries, durable goods, clothing, cosmetics, electronic products, home appliance, etc.

- **Industries positively impacted**
  - Medical and pharmaceutical related items
  - Fresh and frozen food

Feb, 2020
Respondents Have Different Expectations of Rents and Vacancy

40% of respondents expect rent to rise, 43% expect it to fall, and the rest 17% think it will flatten in 2020. The main reasons for a rent decline include:

- slowed logistics operations;
- declining consumption (other than medical and food products);
- delayed manufacturing; and
- potential rent-free period or discounts given out to tenants.

41% of the respondents expect a vacancy rate decline, 32% expect it to rise, while the remaining 23% expect it to be flat YOY in 2020. The reasons for a vacancy rate rise mainly include:

- traveling restriction;
- controlled traffic and road blocks; and
- high labor costs, which might be extended well after the epidemic is over, as the recovery may be gradual.

Feb, 2020
E-commerce Might Take a Hit in the Short-run, But Should Be Boosted in the Long-run

In the short term, the e-commerce industry might be impacted by various negative factors, which is reflected by the respondents' forecast of e-commerce sales and warehouse rents. But in the long run, the user base of E-commerce is cultivated during this period, with the following reasons:

- **Changes in consumption habits**
  - Senior citizens are embracing online consumption, while other consumers develop the habit of buying fresh food online.

- **Demand for warehouse and cold chain should rise**

- **E-commerce increases stock**
  - Fresh food and pharmaceutical industries may plan to increase stocks in the long-run.
With Improvement of Epidemic, the Leasing Market is about to Pick up Again

**Government Policies**
Government action is very effective. Firms and consumers has already seen benefits and get more confidence.

- **Rental**
  More rent-free period

- **Tax**
  Tax reduction and deferment

- **Financial**
  Reduce Financing Cost

- **Subsidies & Rebates**
  Support industry & reduces labor costs

- **Human Resource**
  Eg. Implement flexible employment policies

- **Government Services**
  Eg. Anti epidemic government services

- **Spending Coupon**
  30+ cities issued a total of USD 790m in spending vouchers

**Logistics Property Market**
We witnessed gradual recovery of leasing market in the last 3 weeks, and fully recovery of signing leasing contract is expected to be by the end of Q2.

- **Inquiries ↑**
- **Inspections ↑**
- **Occupancy ↑**

Apr, 2020
THANK YOU

Tammy Tang
Managing Director | China
Logistics Group Lead – Asia
+86 159 0077 3610
Tammy.tang@colliers.com