

August 2023



Asia-Pacific H1 2023 Logistics Highlights

Knight Frank Asia-Pacific Logistics Markets

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Asia-Pacific Overview – H1 2023

Despite flagging GDP growth in the Chinese Mainland and a less-than-optimistic outlook for the global economy, logistics real estate in Asia-Pacific (APAC) has continued to defy economic headwinds, supported by resilient demand from e-commerce, 3PL players as well as manufacturers.

The delivery of new supply continues to remain short of demand levels, with strong pre-commitments observed in several markets. While e-commerce demand is normalising, optimisation of the sector's logistics footprint has driven demand for modern facilities. Preference for institutional-grade facilities in core areas and last-mile locations continued to fuel leasing activity in the region, while China+1 strategies also saw ongoing expansions by major manufacturers in Southeast Asia.

Powered by the acceleration in rental growth in Manila, overall rents in APAC maintained their upward trajectory to grow by an average of 10.4% year-on-year in H1 2023. Supply-heavy Jakarta is the only market to buck the overall regional trend to report falling rents. However, near-term momentum indicated by half-yearly rental growth in H1 2023 slowed to 4.8%, compared to 5.3% six months ago.

With the huge volume of supply expected in the Chinese Mainland, rents in Beijing and Shanghai are expected to soften in tandem with rising vacancy rates for the rest of 2023. While the persistent shortage of quality spaces is likely to keep rents moving higher in the region in H2 2023, the pace will remain restrained by a cautious occupier base.

10.4%

YoY growth for Asia-Pacific Rental Index in H1 2023

Manila

Recorded the highest semi-annual rental growth

16 of 17

Tracked cities recorded stable or increasing rents in H1 2023

Tempered Optimism

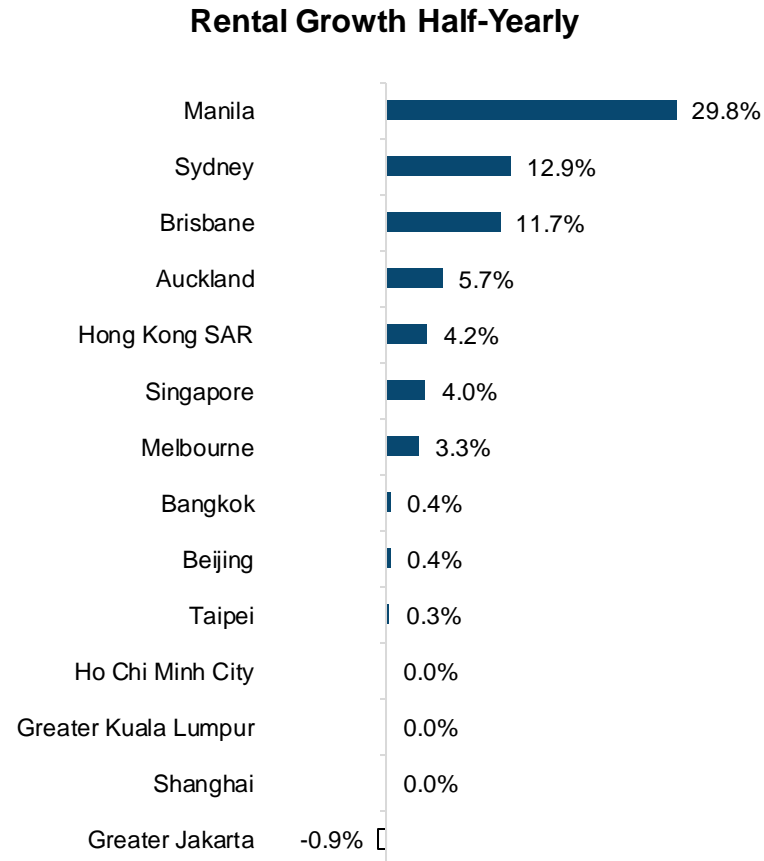
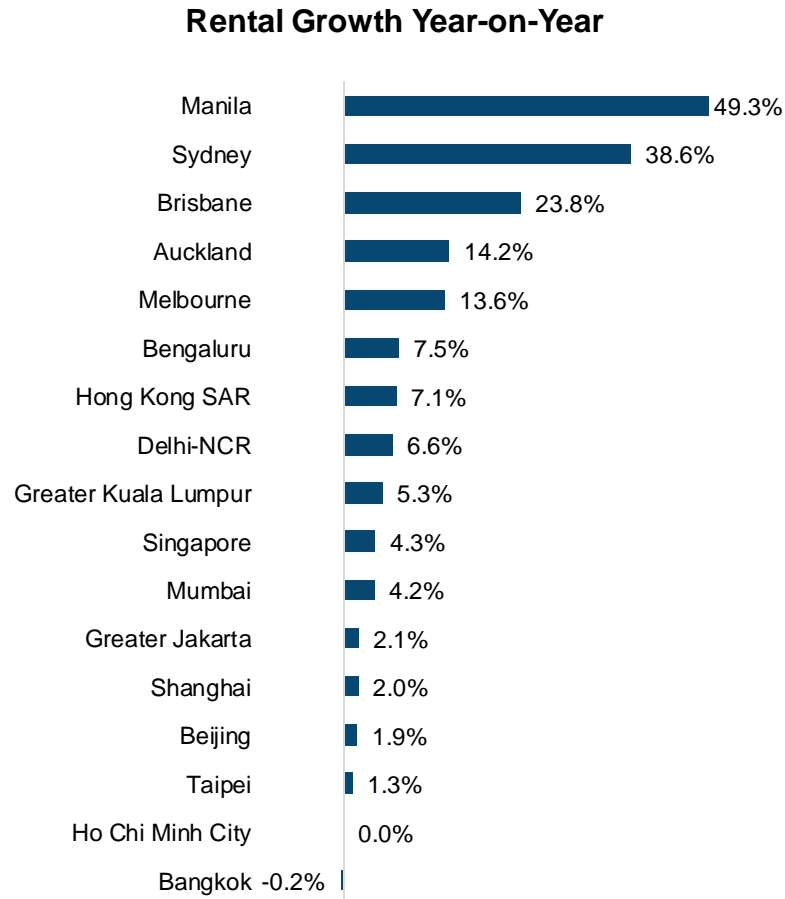
Expectations for H2 2023

"Even as the Asia-Pacific logistics sector continues to be characterised by resilient demand, underpinned by the long-term appeal for quality spaces, we see the pace remaining restrained by a cautious occupier base. In the medium term, rising interest rates and slowing growth remain key concerns for the region, impacting consumer spending and consumption. Consequently, businesses are expected to maintain reduced inventory levels and streamline their supply chains, leading to a moderation in sector demand and creating prospects for sub-leasing-leasing opportunities"

Tim Armstrong
Global Head of Occupier Strategy and Solutions

APAC Logistics Rents

Rental growth in the region strengthens as Manila's rents accelerate



Demand for logistics remain resilient despite economic headwinds



3PLs and manufacturing sectors sustain leasing activity



Rents expected to remain on an uptrend in H223



Specialist / well-located facilities will be beneficiaries of supply chain optimisation / modernisation

*India tracks by Financial Year (April-March period) and is thus excluded from this chart

APAC 2023 Logistics Outlook

12-Month Rental Outlook

Decreasing

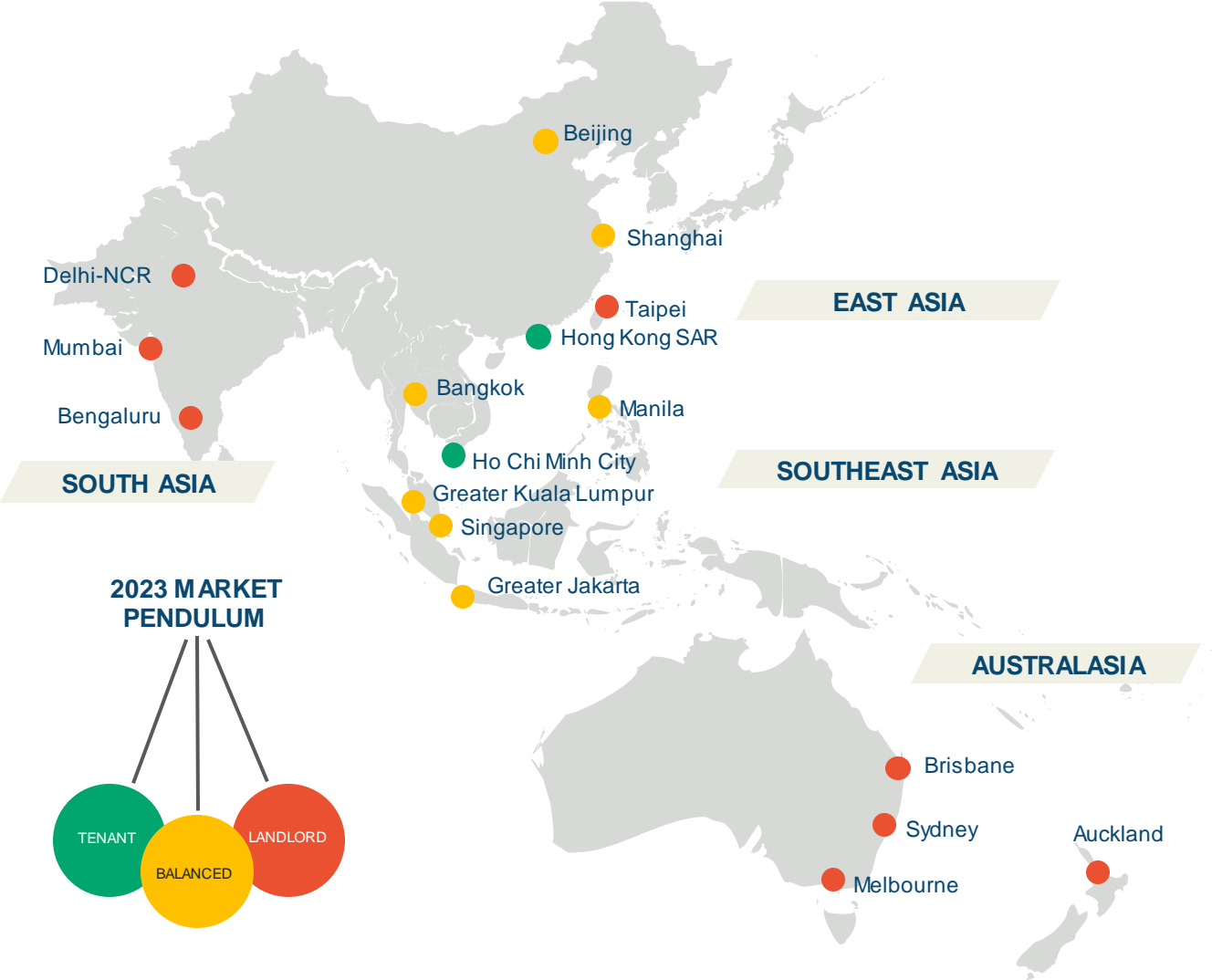
- Beijing
- Shanghai

Unchanged

- Greater Kuala Lumpur
- Ho Chi Minh City
- Greater Jakarta
- Hong Kong SAR
- Bangkok

Increasing

- Auckland
- Brisbane
- Sydney
- Melbourne
- Bengaluru
- Mumbai
- Delhi-NCR
- Singapore
- Taipei
- Manila



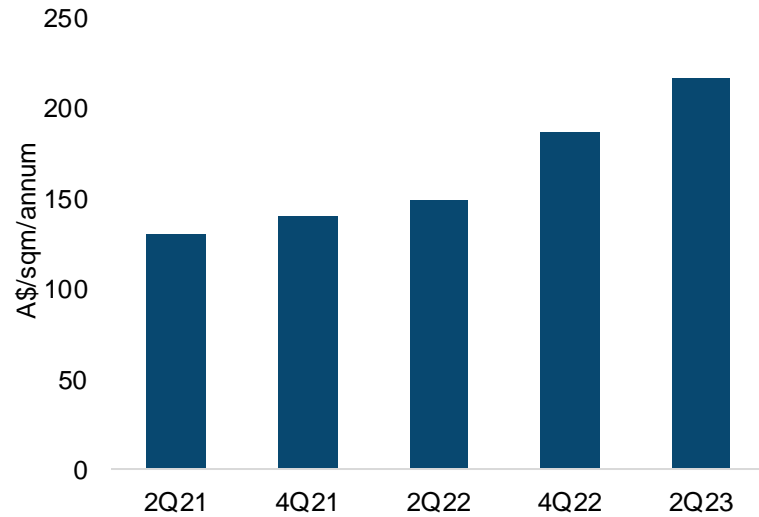
Market Dashboards

Australasia

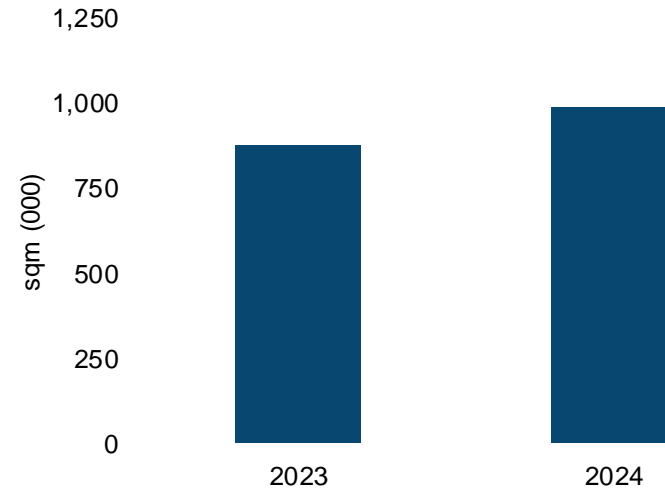
Limited availability is driving broad-based rental growth as vacancy rates across the Eastern Seaboard continue to sit at record-low levels. Incentives continued to decline in 2023 and currently average at 10% which stimulated strong rises in effective rents. Despite a peak in the development cycle in 2023, with each of the three major markets expecting 8-900,000 sqm of new supply, over 50% of the pipeline is already pre-committed. This limits the amount of speculative space entering the market, which is unlikely to significantly alleviate the current undersupply situation. These conditions were also mirrored in Auckland where continued rental growth remains driven by tight vacancy rates at just 1.0%, which has been intensified by the short supply of land.

Sydney

Net Effective Rents



Supply Pipeline

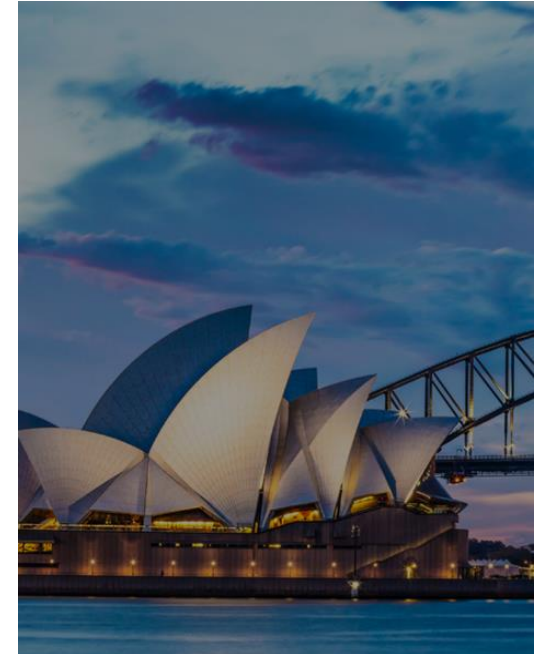


Economic Indicators

	2023F	2024F
GDP Growth	1.5%	1.6%
Unemployment Rate	3.8%	4.3%
Inflation	5.4%	3.4%

Real Estate Indicators

	H1 2023	12 mth Forecast
Prime Rent (A\$ psm pa)	237	↑
Market Balance	Landlord	Landlord

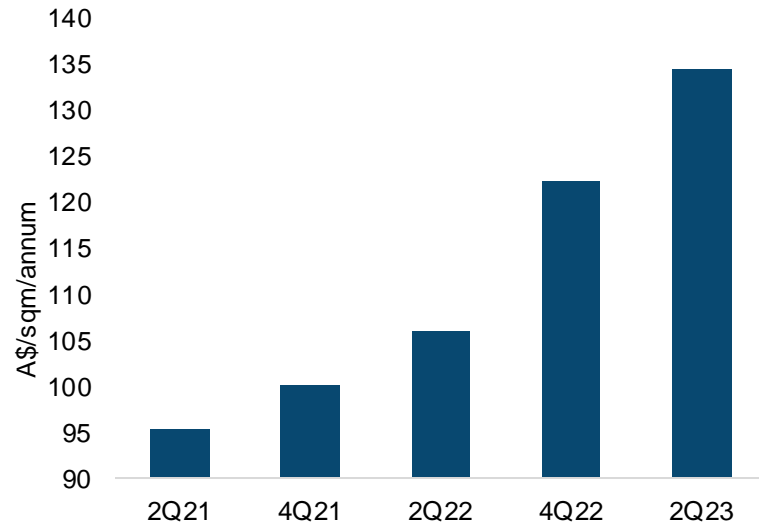


For more information, please contact:

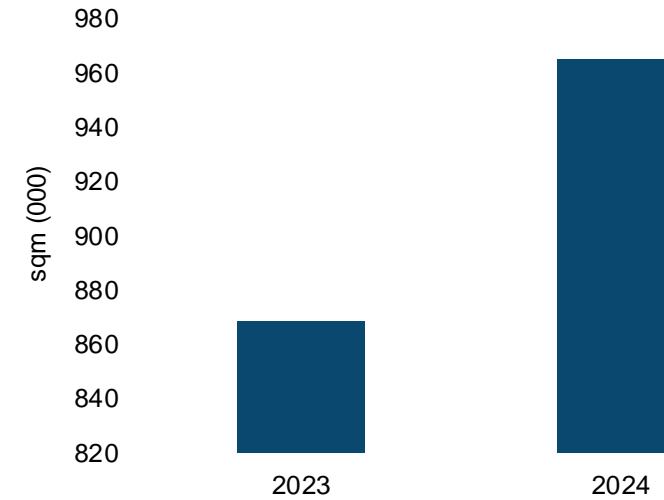
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Brisbane

Net Effective Rents



Supply Pipeline

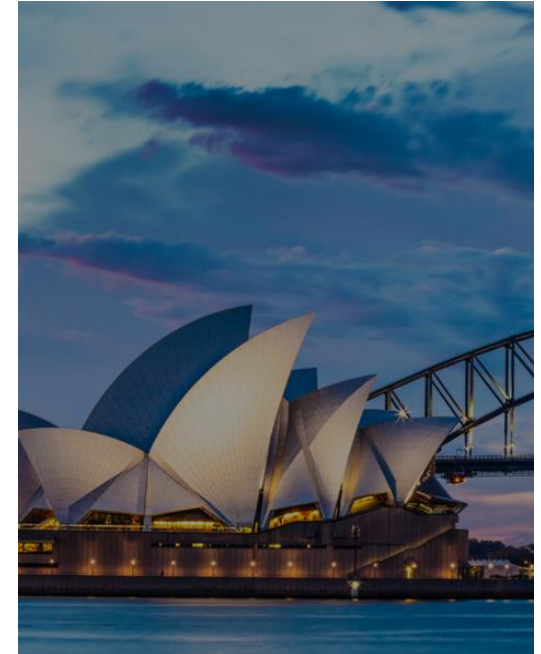


Economic Indicators

	2023F	2024F
GDP Growth	1.5%	1.6%
Unemployment Rate	3.8%	4.3%
Inflation	5.4%	3.4%

Real Estate Indicators

	H1 2023	12 mth Forecast
Prime Rent (A\$ psm pa)	153	↑
Market Balance	Landlord	Landlord

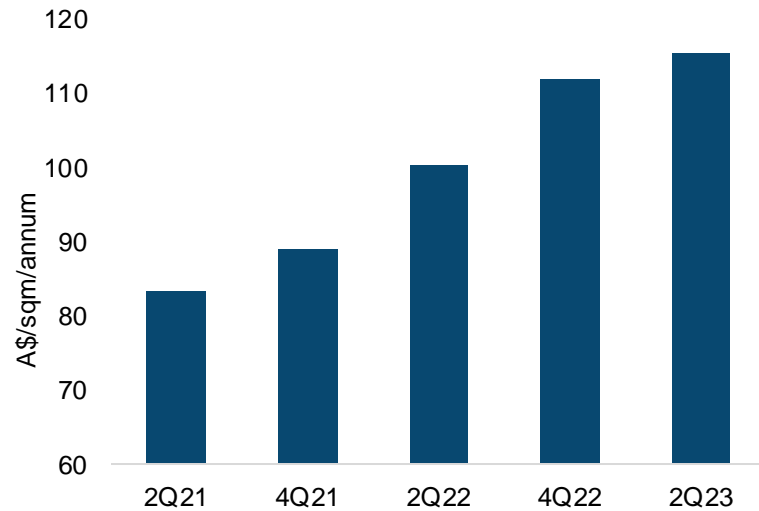


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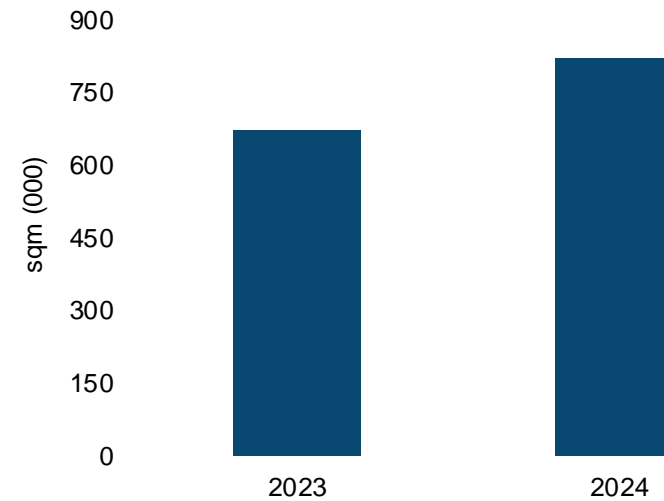
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Melbourne

Net Effective Rents



Supply Pipeline

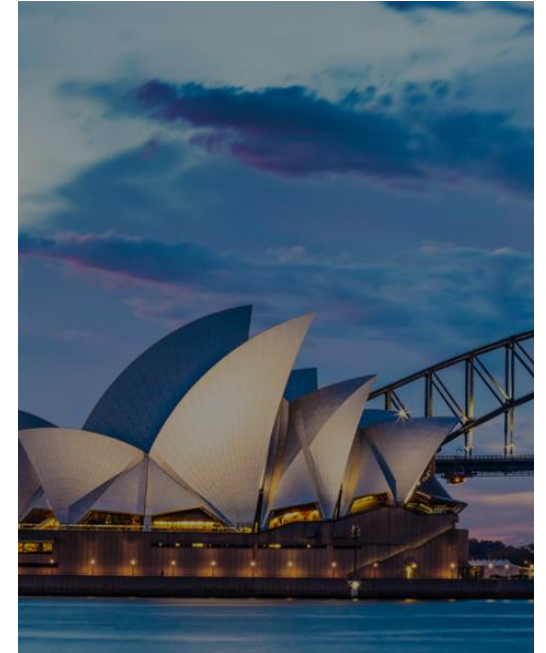


Economic Indicators

	2023F	2024F
GDP Growth	1.5%	1.6%
Unemployment Rate	3.8%	4.3%
Inflation	5.4%	3.4%

Real Estate Indicators

	H1 2023	12 mth Forecast
Prime Rent (A\$ psm pa)	131	↑
Market Balance	Landlord	Landlord

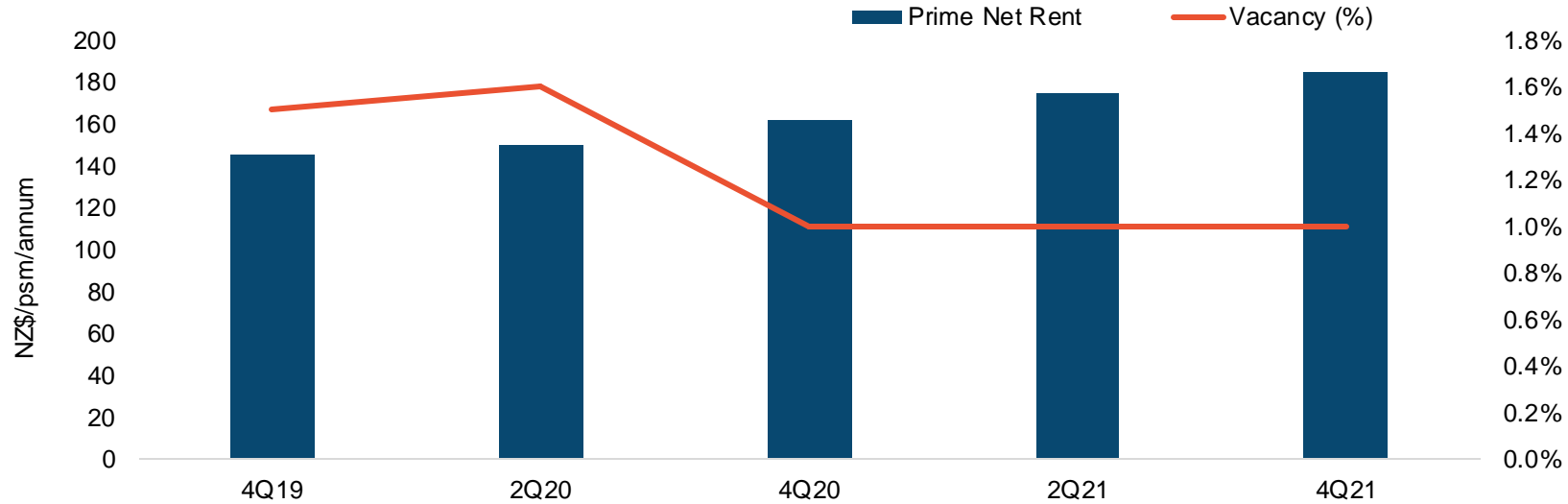


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Auckland

Prime Net Rent

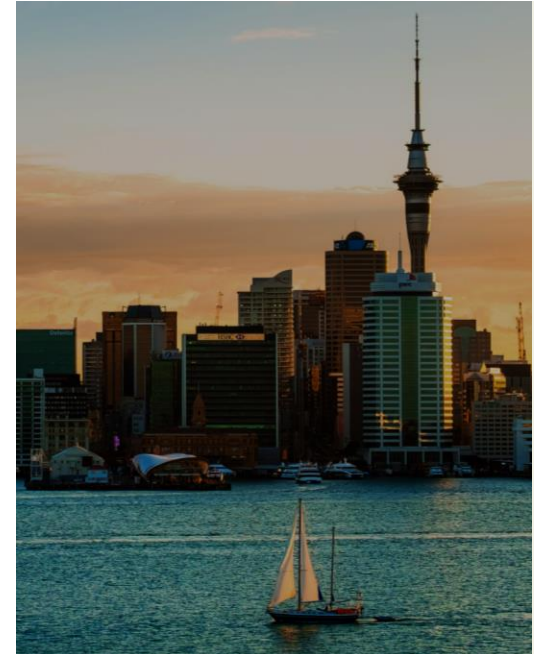


Economic Indicators

	2023F	2024F
GDP Growth	1.1%	0.9%
Unemployment Rate	4.3%	5.3%
Inflation	5.5%	2.6%

Real Estate Indicators

	H1 2023	12 mth Forecast
Prime Rent (NZ\$ psm pa)	185	↑
Vacancy	1.0%	→
Market Balance	Landlord	Landlord



For more information, please contact:

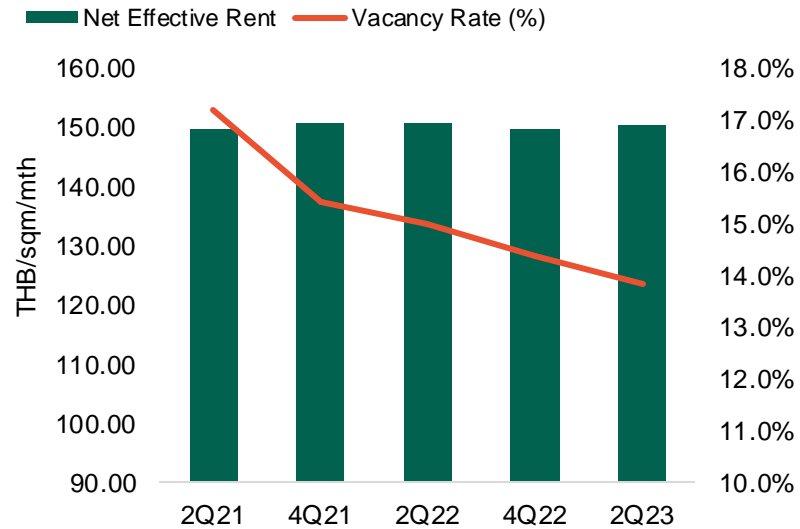
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Southeast Asia

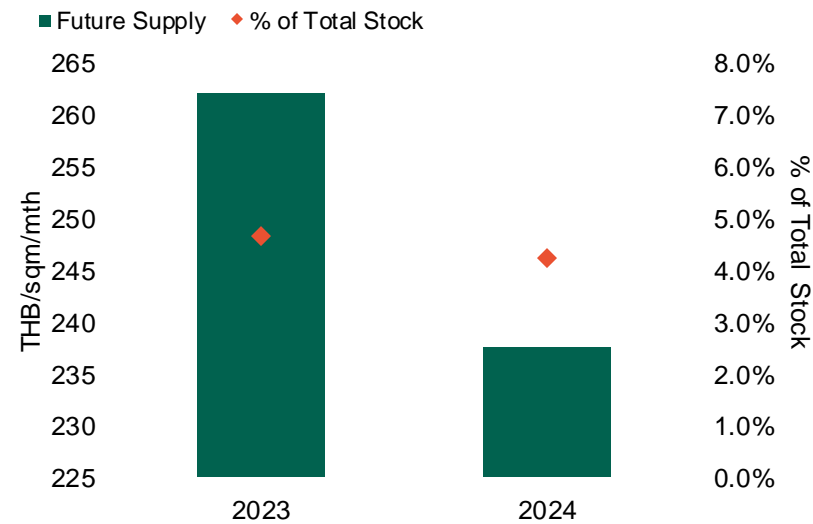
Most SEA cities tracked recorded stable or improved rents, with Manila exhibiting the highest rental growth year-on-year in the Asia-Pacific, fueled by sustained demand from the e-commerce and FMCG industries. Philippine economic authorities estimate that the number of online sellers has surged from 1,700 in March 2020 to over 90,000 since. Despite a slowing manufacturing sector, median rents in Singapore also rose due to the limited quality supply amid persistent high demand as a result of global supply chain disruptions. Rental levels in Kuala Lumpur were also stable against a backdrop of robust demand for modern spaces, which offset the delivery of over a million sqft of new warehouse space. With the substantial delivery of new supply in the city's eastern corridor, Jakarta is the only market in the region to observe a marginal softening in rents.

Bangkok

Net Effective Rents



Projected Supply

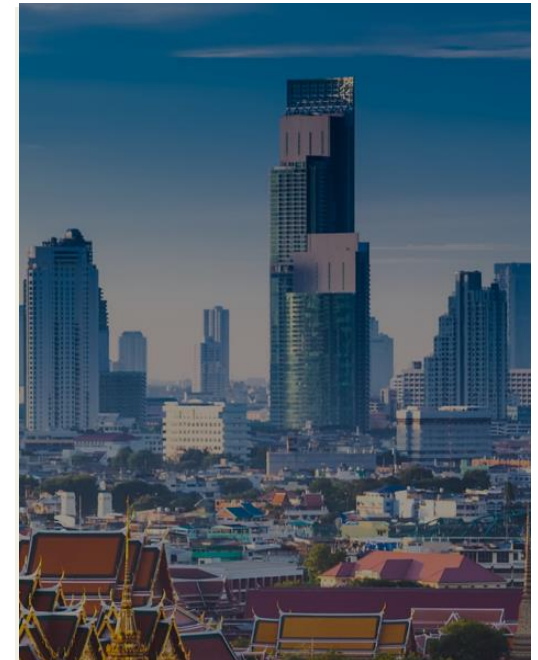


Economic Indicators

	2023F	2024F
GDP Growth	3.4%	3.6%
Unemployment Rate	N/A	N/A
Inflation	2.8%	2.0%

Real Estate Indicators

	H1 2023	12 mth Forecast
Prime Rent (THB psm pm)	158	→
Vacancy	13.8%	→
Market Balance	Balanced	Balanced

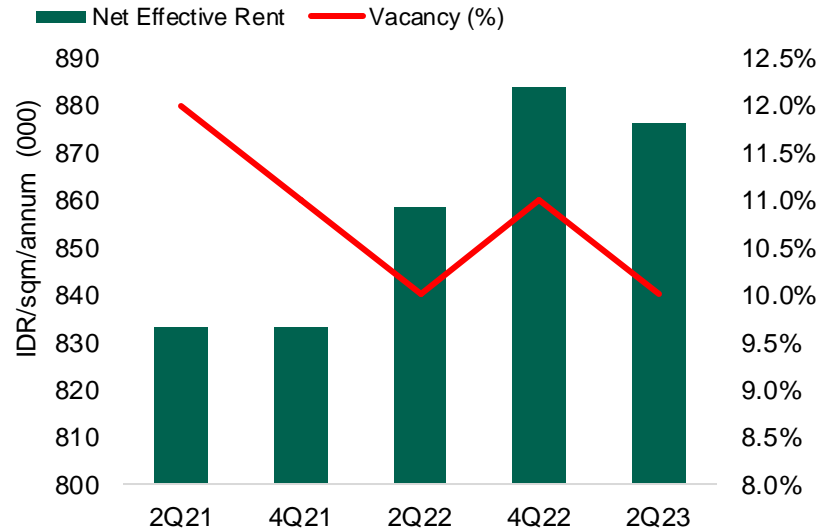


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Greater Jakarta

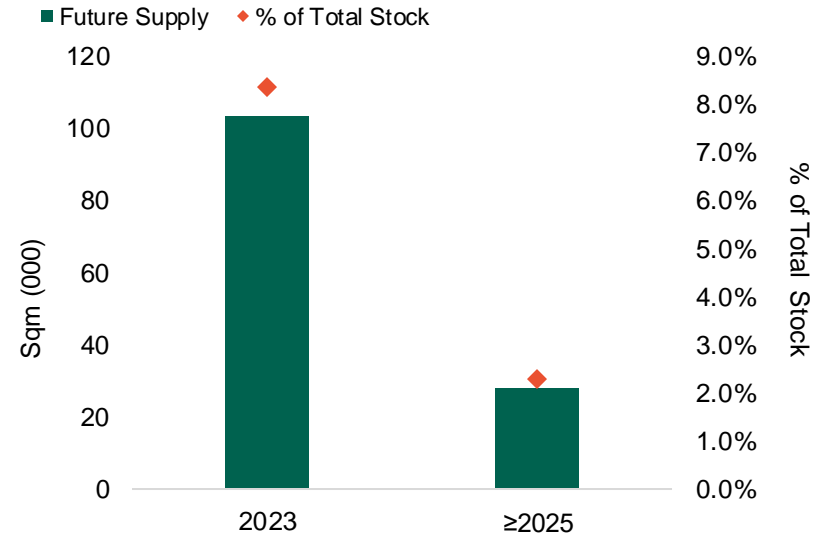
Net Effective Rents



Economic Indicators

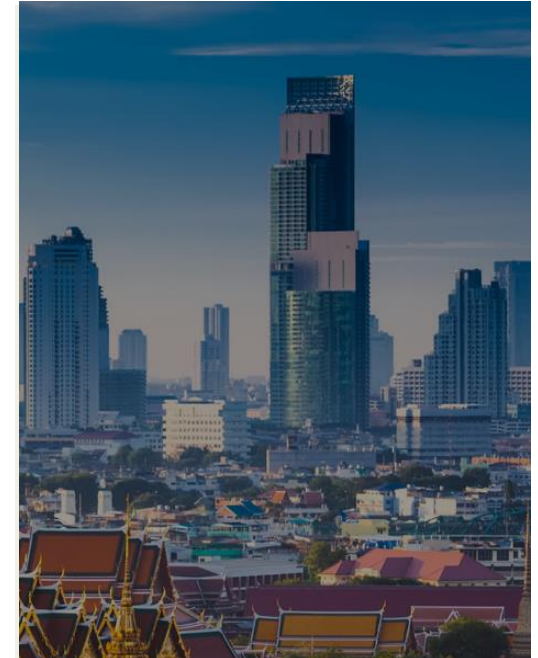
	2023F	2024F
GDP Growth	5.0%	5.1%
Unemployment Rate	5.3%	5.2%
Inflation	4.4%	3.0%

Supply Pipeline



Real Estate Indicators

	H1 2023	12 mth Forecast
Gross Rent (IDR psm pa)	899,460	→
Vacancy	10%	→
Market Balance	Balanced	Balanced

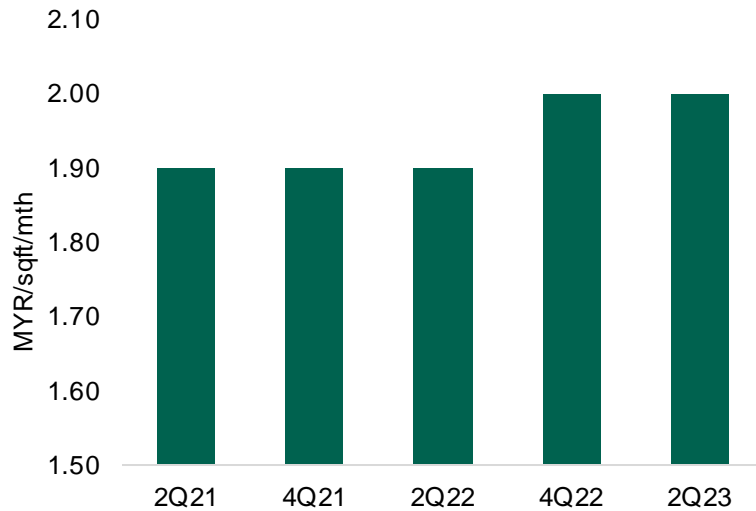


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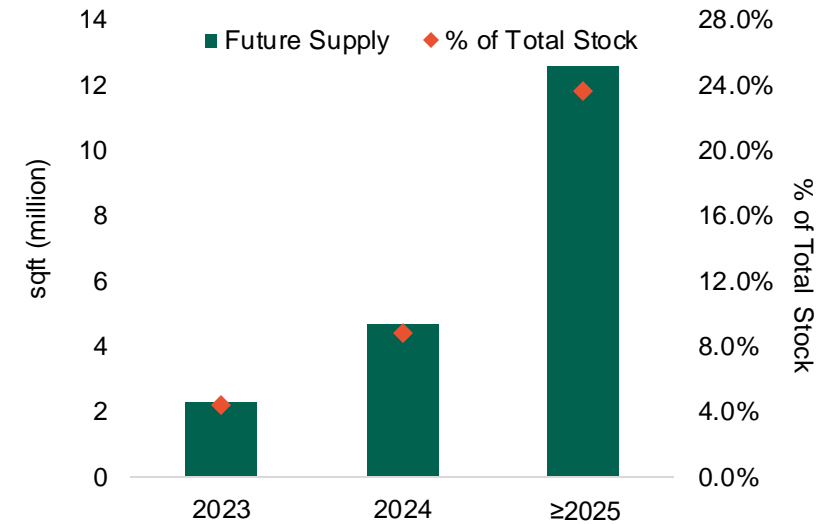
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Greater Kuala Lumpur

Net Effective Rents



Supply Pipeline



Economic Indicators

	2023F	2024F
GDP Growth	4.0% – 5.0%	4.9%
Unemployment Rate	3.5%	3.3%
Inflation	2.8% – 3.8%	2.8%

Real Estate Indicators

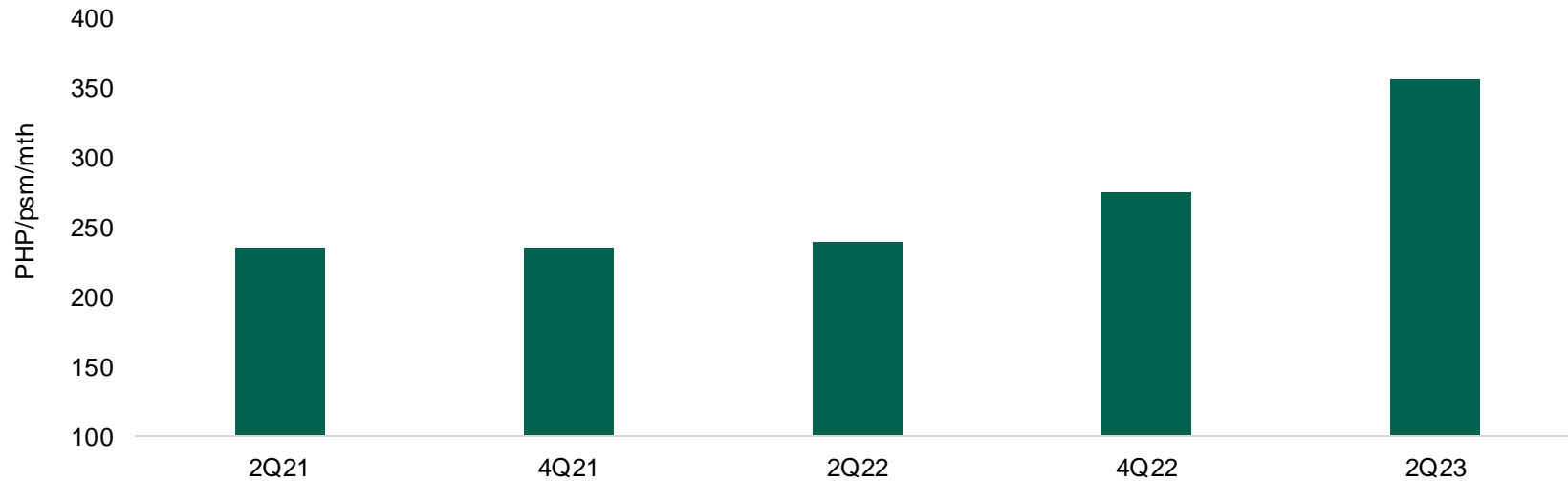
	H1 2023	12 mth Forecast
Prime Rent (MYR psf pm)	2.00	→
Market Balance	Balanced	Balanced



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Prime Net Rent

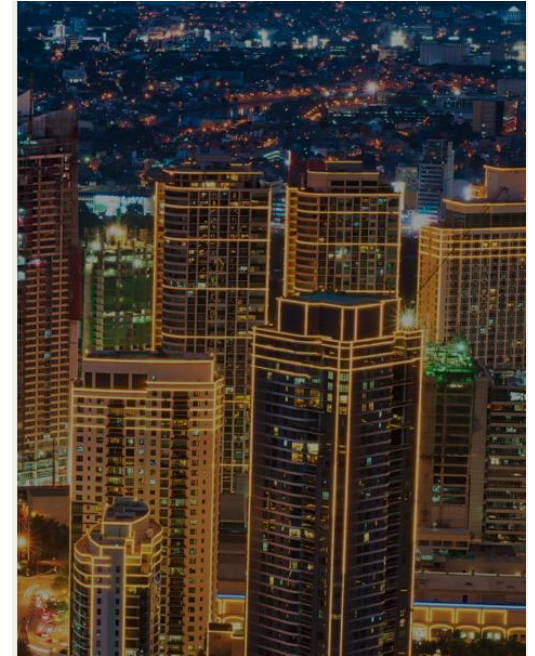


Economic Indicators

	2023F	2024F
GDP Growth	6.0%	6.2%
Unemployment Rate	5.1%	5.1%
Inflation	6.2%	4.0%

Real Estate Indicators

	H1 2023	12 mth Forecast
Prime Rent (PHP psm pm)	357	↑
Market Balance	Balanced	Balanced

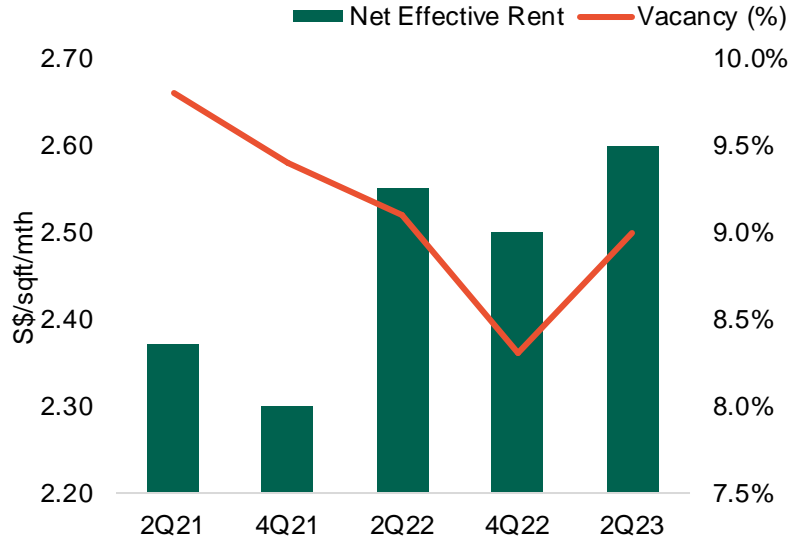


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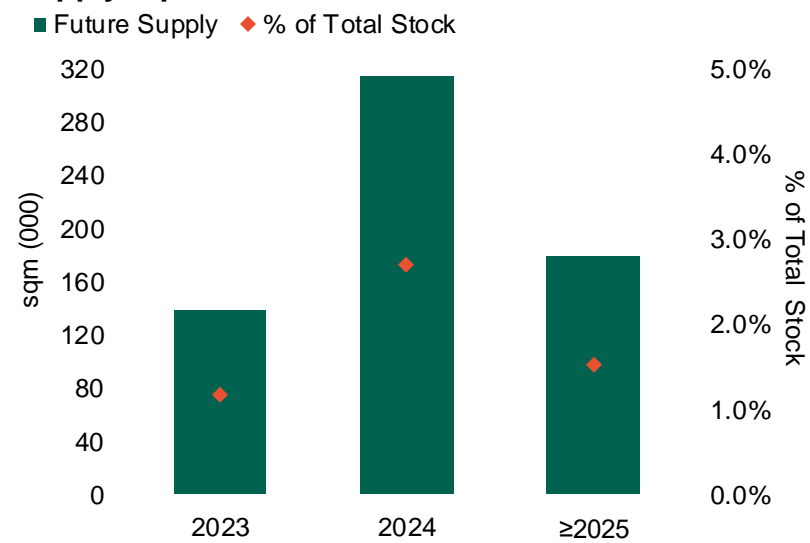
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Singapore

Net Effective Rents



Supply Pipeline

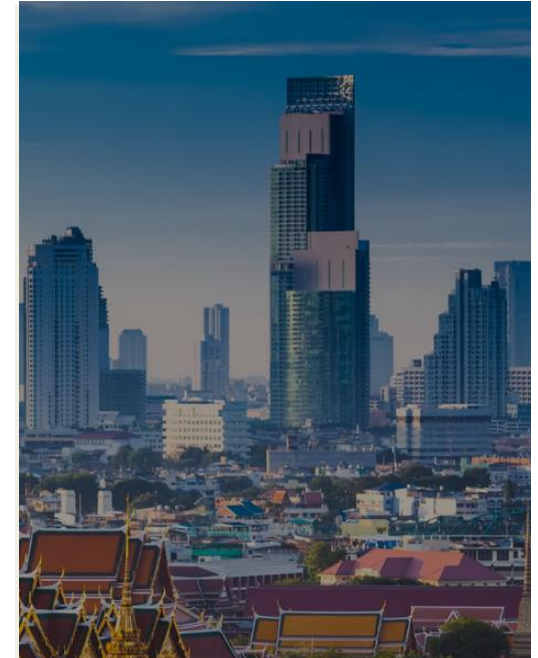


Economic Indicators

	2023F	2024F
GDP Growth	1.5%	2.1%
Unemployment Rate	2.1%	2.1%
Inflation	5.8%	3.5%

Real Estate Indicators

	H1 2023	12 mth Forecast
Prime Rent (S\$ psf pm)	2.60	↑
Vacancy	9.0%	↑
Market Balance	Balanced	Balanced

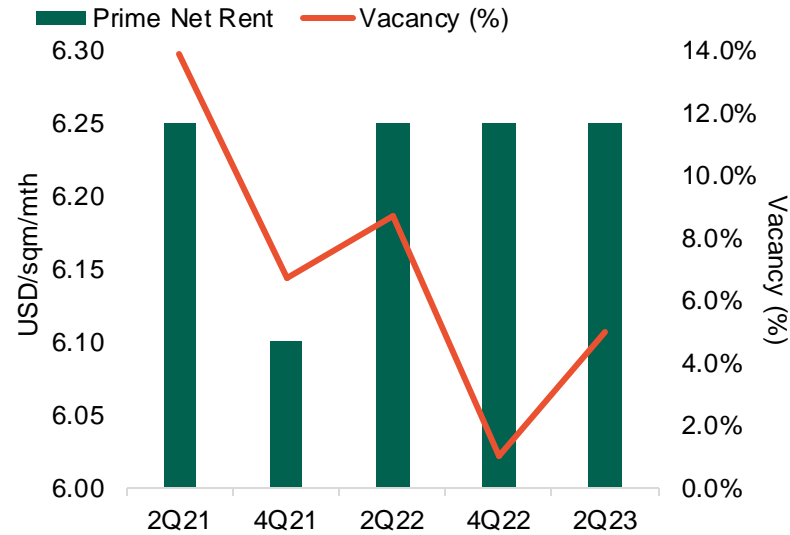


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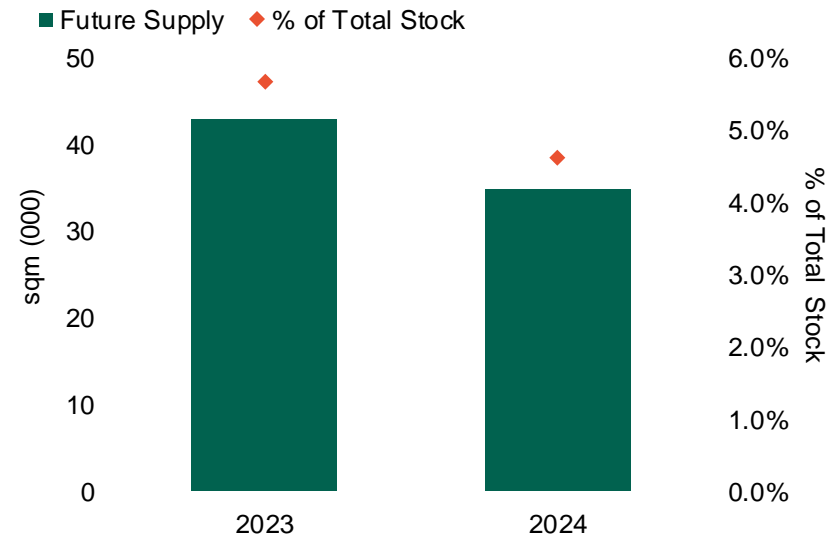
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Ho Chi Minh City

Net Effective Rent



Supply Pipeline



Economic Indicators

	2023F	2024F
GDP Growth	6.5%	6.8%
Unemployment Rate	2.4%	2.4%
Inflation	4.5%	4.2%

Real Estate Indicators

	H1 2023	12 mth Forecast
Prime Rent (US\$ psm pm)	6.25	→
Vacancy	5.0%	→
Market Balance	Tenant	Tenant



For more information, please contact:

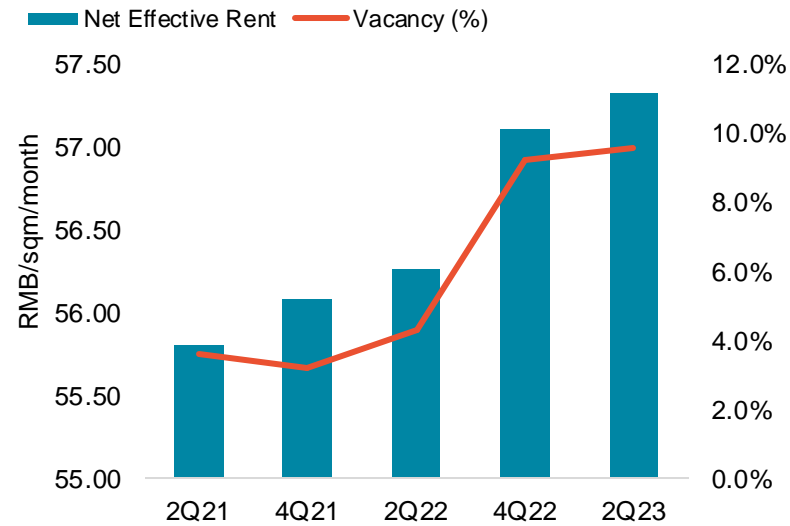
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East Asia

Despite flagging economic growth in the Chinese Mainland, logistics demand remained healthy, led by 3PL players and its manufacturers. Leading companies in the chemical and apparel industries, emphasising supply chain configuration, also sealed large leases in Shanghai's core warehousing areas. However, rental growth slowed with the ramp up in new supply. Record new supply amounting to 776,000 sqm from five new projects were delivered in Shanghai in H1 2023, while an estimated 200,000 sqm will complete in Beijing in H2 2023. While Hong Kong's market remains supported by tight vacancies and sizeable transactions from logistics end-users, the expected delivery of over 4 million sqft of new supply at Cainiao Smart Gateway in Q3 2023 will render conditions more favourable to tenants. Meanwhile, demand for logistics space in Taipei has benefitted from the reshaping of global supply chains.

Beijing

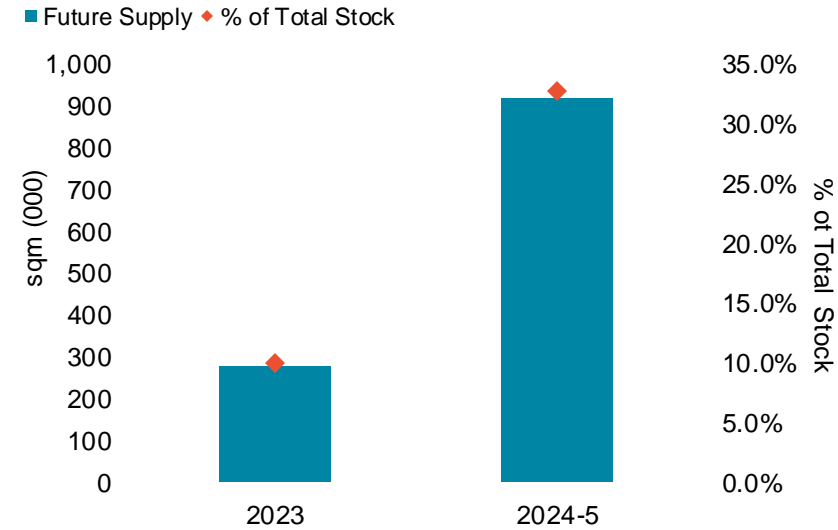
Net Effective Rents



Economic Indicators

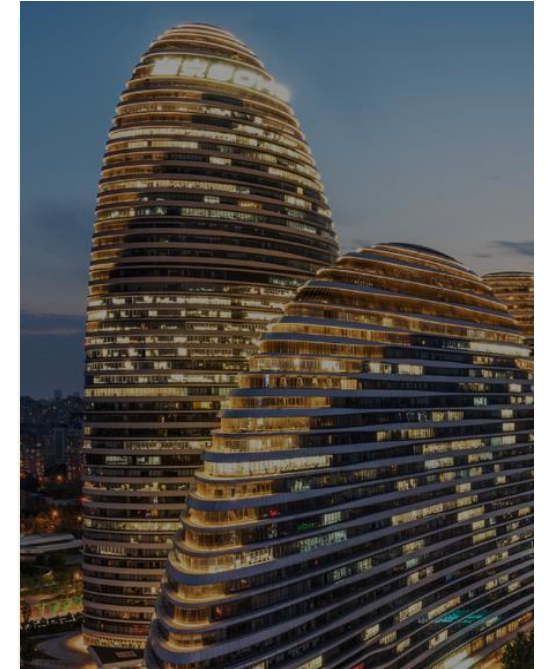
	2023F	2024F
GDP Growth	5.2%	4.5%
Unemployment Rate	4.1%	3.9%
Inflation	2.0%	2.2%

Supply Pipeline



Real Estate Indicators

	H1 2023	12 mth Forecast
Prime Rent (CNY psm pm)	59.10	↓
Vacancy	9.6%	↑
Market Balance	Balanced	Balanced

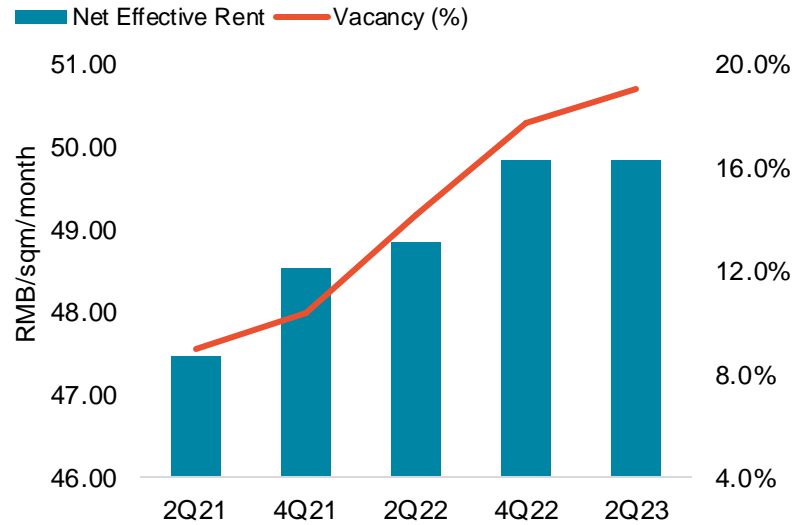


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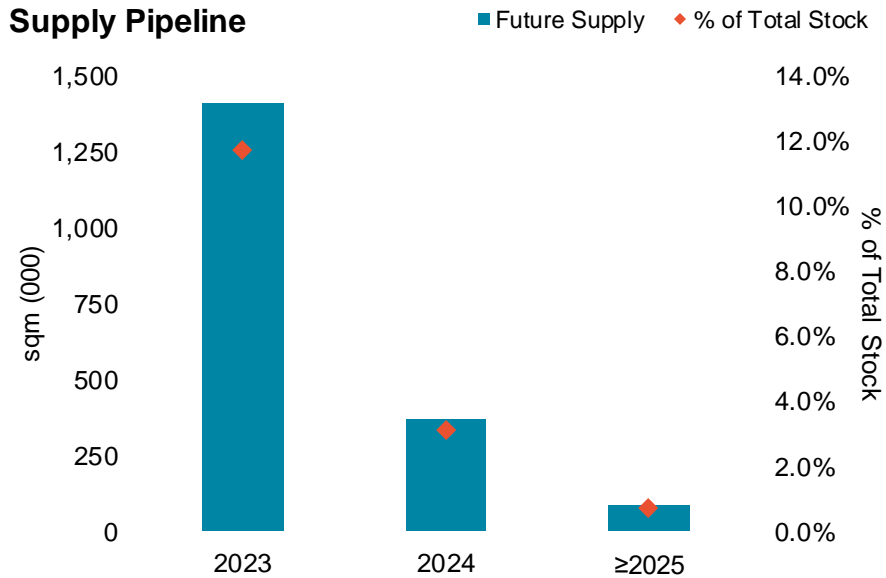
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Shanghai

Net Effective Rents



Supply Pipeline

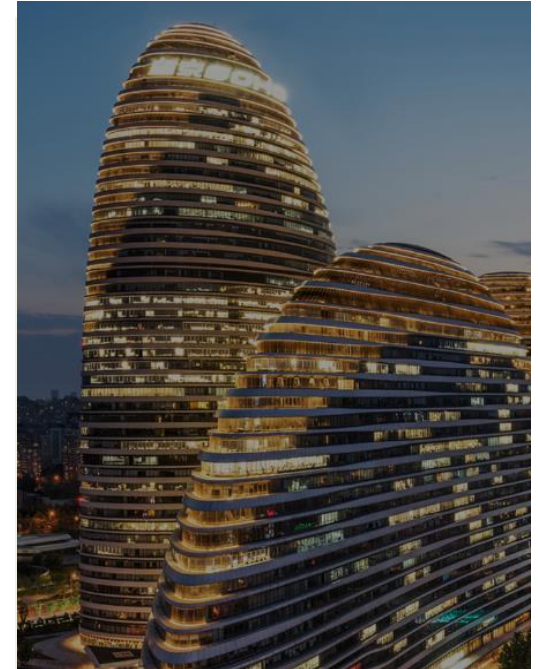


Economic Indicators

	2023F	2024F
GDP Growth	5.2%	4.5%
Unemployment Rate	4.1%	3.9%
Inflation	2.0%	2.2%

Real Estate Indicators

	H1 2023	12 mth Forecast
Prime Rent (CNY psm pm)	51.38	↓
Vacancy	19.0%	↑
Market Balance	Tenant	Balanced

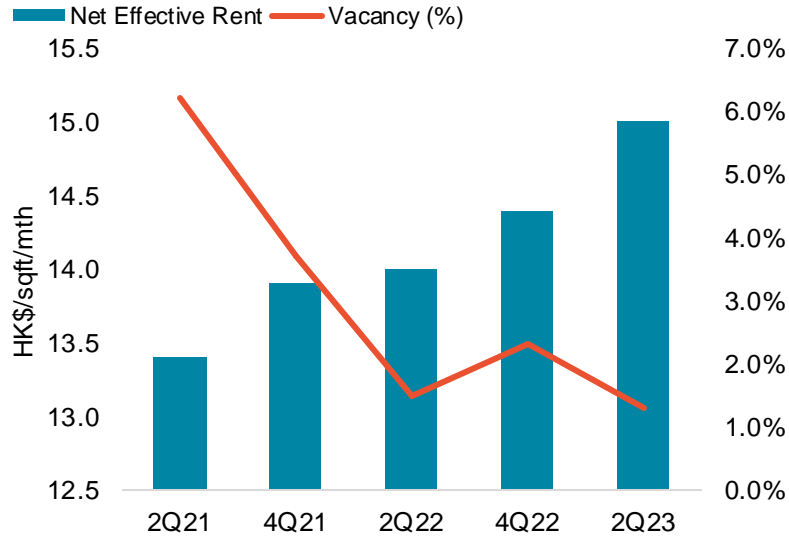


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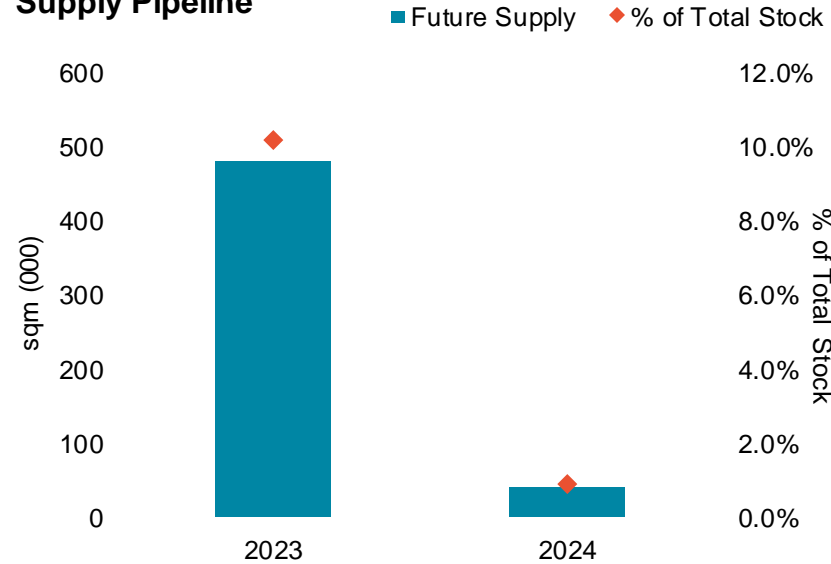
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Hong Kong SAR

Net Effective Rents



Supply Pipeline

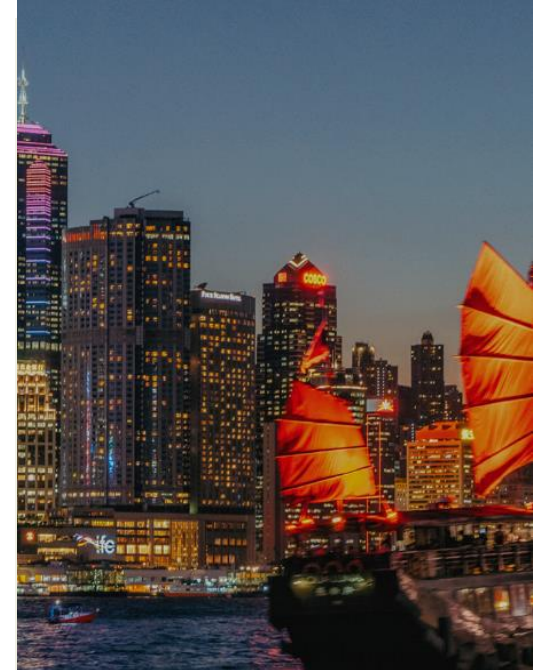


Economic Indicators

	2023F	2024F
GDP Growth	3.6%	3.7%
Unemployment Rate	3.4%	3.3%
Inflation	2.3%	2.1%

Real Estate Indicators

	H1 2023	12 mth Forecast
Prime Rent (HK\$ psf pm)	15.00	→
Vacancy	1.3%	→
Market Balance	Tenant	Tenant

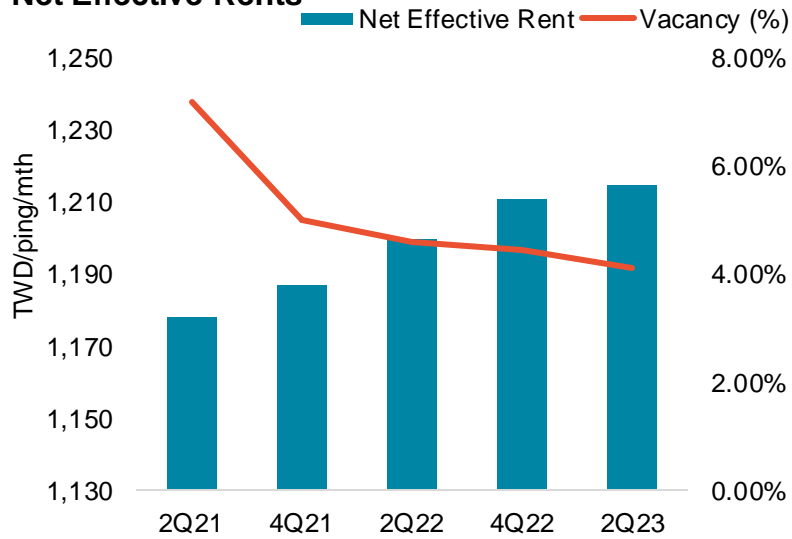


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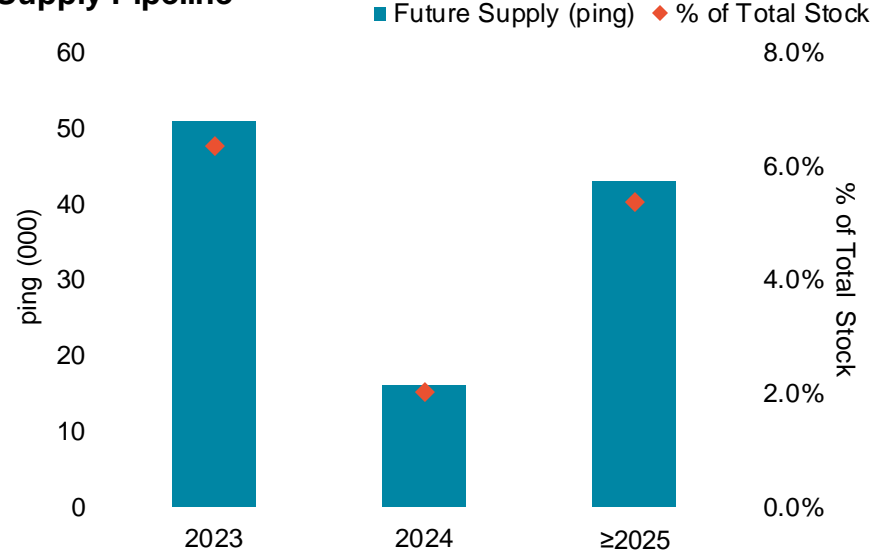
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Taipei

Net Effective Rents



Supply Pipeline



Economic Indicators

	2023F	2024F
GDP Growth	2.0%	2.6%
Unemployment Rate	3.6%	3.6%
Inflation	2.0%	2.0%

Real Estate Indicators

	H1 2023	12 mth Forecast
Prime Rent (TW\$/ping/mth)	1,215	↑
Vacancy	4.1%	→
Market Balance	Landlord	Landlord



For more information, please contact:

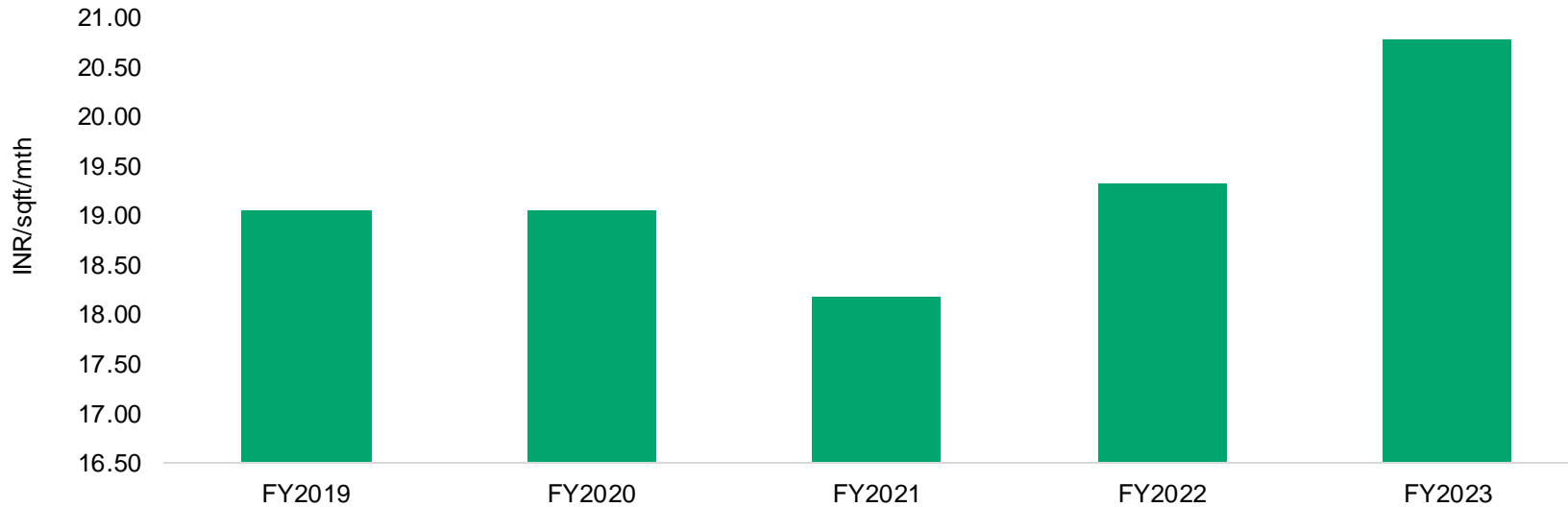
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South Asia

Demand in the three main Indian warehousing markets continues to be sustained at near-record levels. Mumbai and Bengaluru experienced healthy growth in leasing transaction volumes as vacancies tightened rapidly through the last six months. Activity in Delhi-NCR slowed marginally albeit from the high base set in the previous period. Rents continued to rise in the first half of 2023 due to sustained demand and an increase in input costs. Although e-commerce demand was observed to have decreased, manufacturing and 3PL players have plugged the gap. However, as consumer demand continues to remain strong, the e-commerce sector is expected to stage a recovery once excess capacities built up during the pandemic are absorbed.

Bengaluru

Net Effective Rents

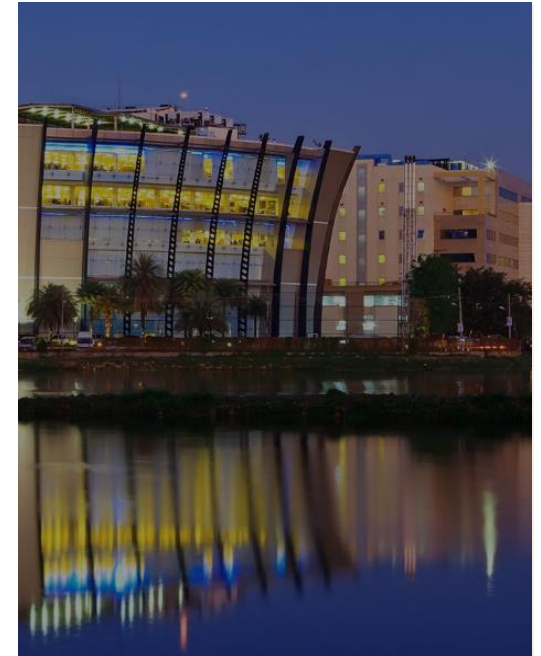


Economic Indicators

	2023F	2024F
GDP Growth	6.4%	6.7
Unemployment Rate	NA	NA
Inflation	5.0%	4.5%

Real Estate Indicators

	FY2023	12 mth Forecast
Prime Rent (INR psf pa)	21.50	↑
Vacancy	15.8%	↓
Market Balance	Landlord	Landlord

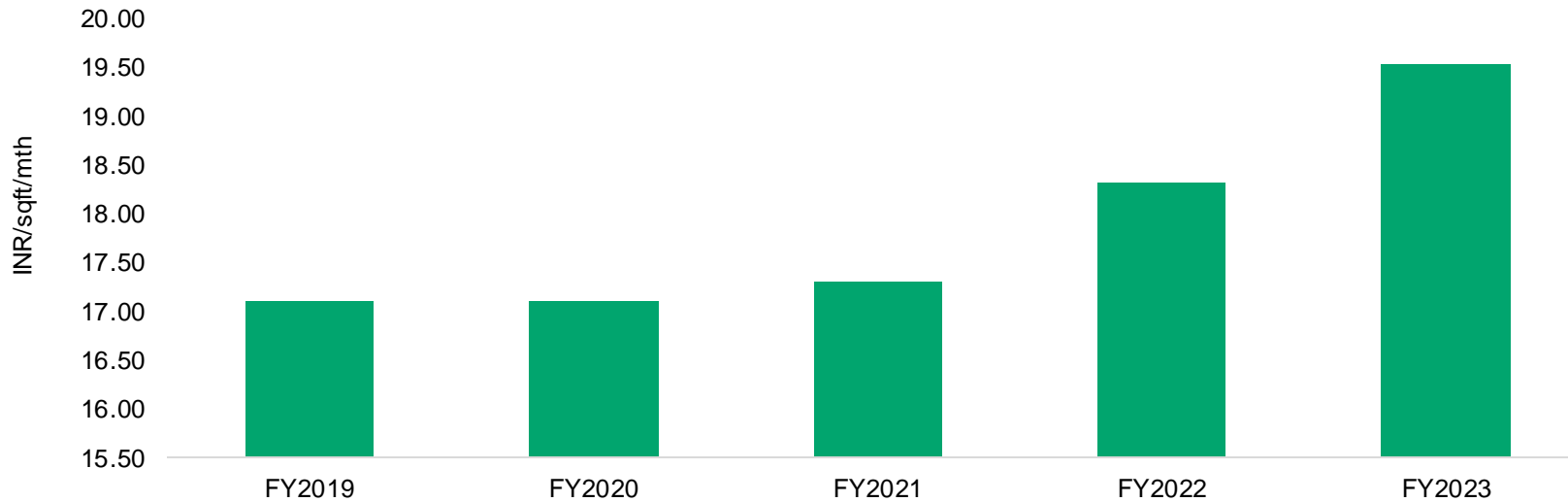


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Delhi-NCR

Net Effective Rents

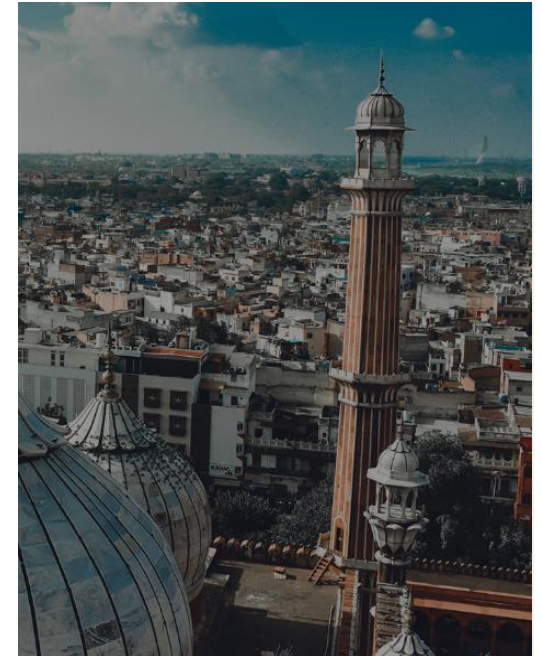


Economic Indicators

	2023F	2024F
GDP Growth	6.4%	6.7
Unemployment Rate	NA	NA
Inflation	5.0%	4.5%

Real Estate Indicators

	FY2023	12 mth Forecast
Gross Rent (INR psf pa)	20.20	↑
Vacancy	9.7%	↓
Market Balance	Landlord	Landlord

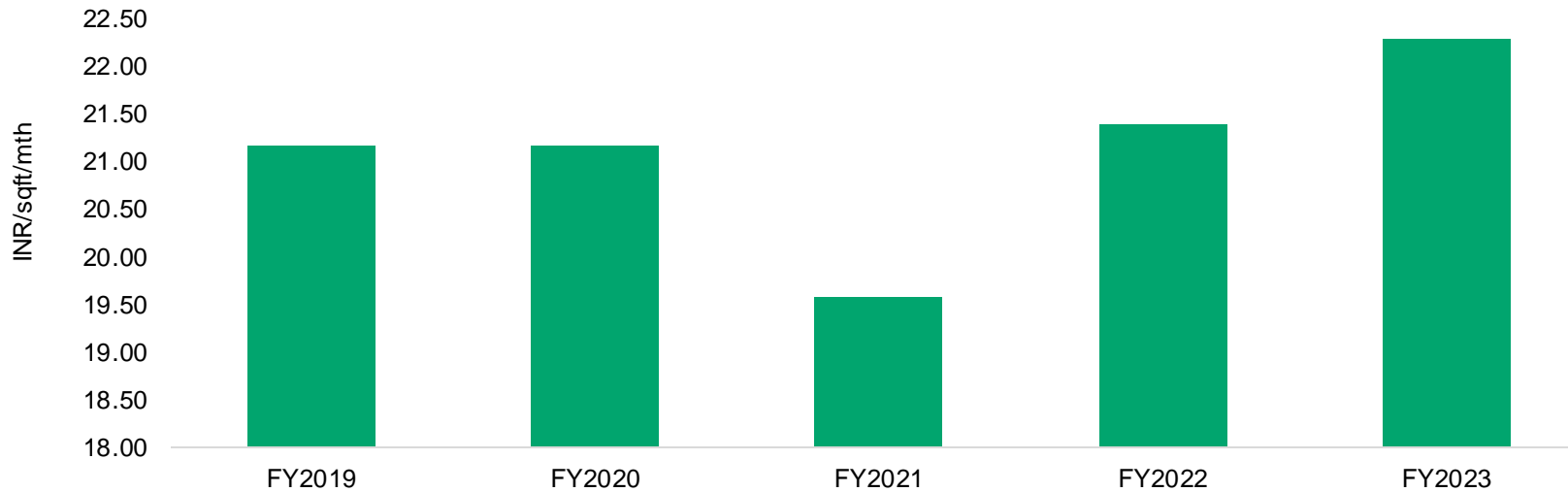


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Mumbai

Net Effective Rents

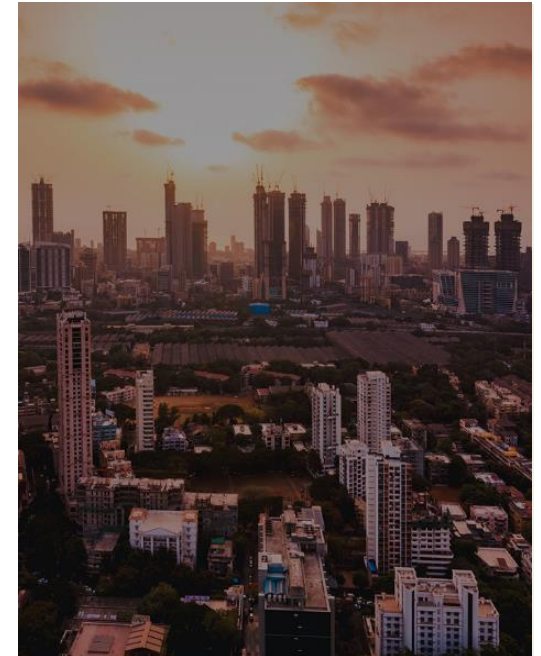


Economic Indicators

	2023F	2024F
GDP Growth	6.4%	6.7
Unemployment Rate	NA	NA
Inflation	5.0%	4.5%

Real Estate Indicators

	FY2023	12 mth Forecast
Prime Rent (INR psf pa)	23.06	↑
Vacancy	10.3%	↓
Market Balance	Landlord	Landlord



For more information,
please contact:

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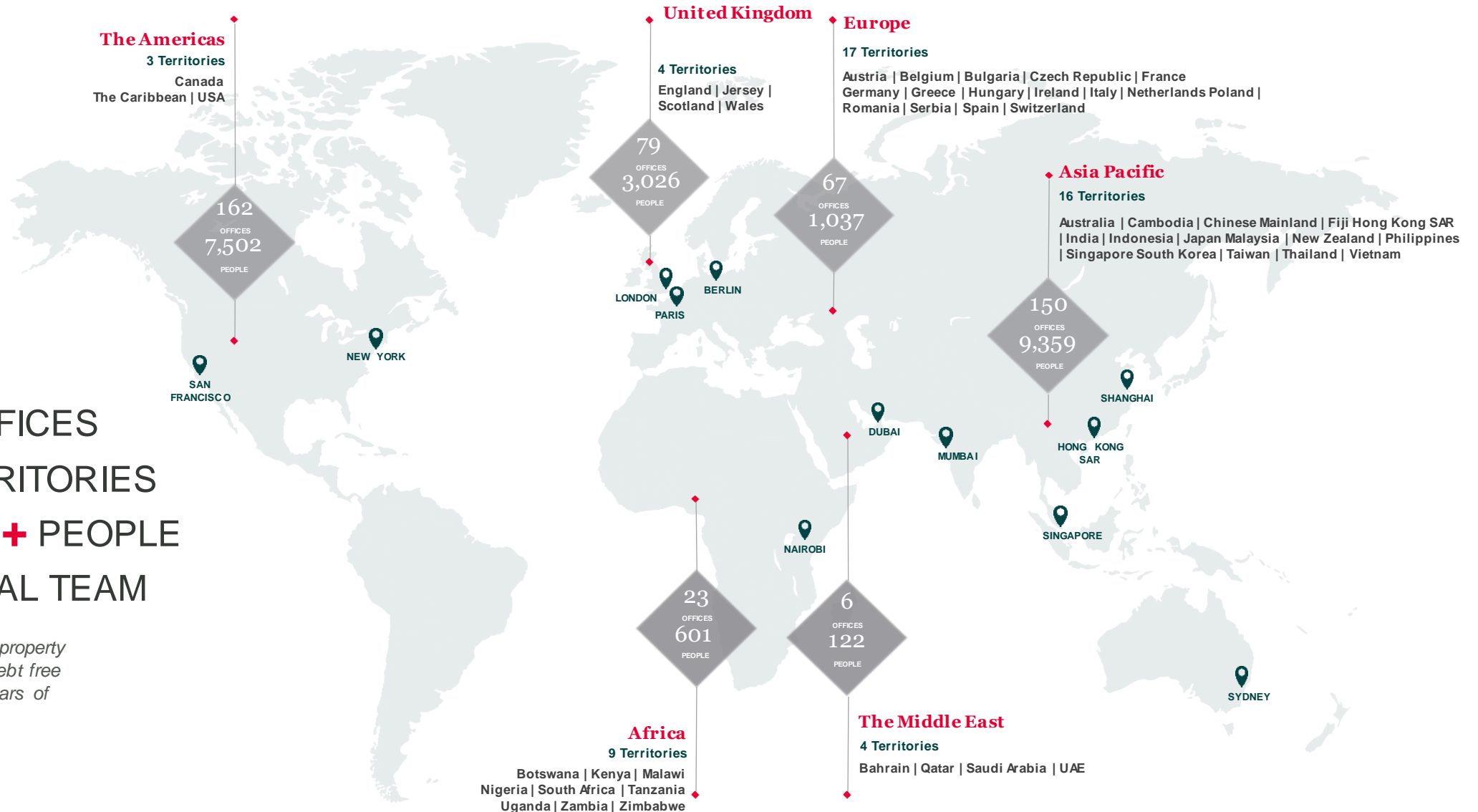
Our Global Presence



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



Our mission at Knight Frank is to ‘Connect People and 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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