GLIMPSING THE ROAD AHEAD: RESHAPING THE LOGISTICS MARKET

Panorama of the Asia logistics property market now and in the future
Consumer expectations, technological breakthroughs and rapid development in e-commerce have reshaped the landscape of logistics systems in Asia and are blurring traditional market roles. Furthermore, the continued demand for logistics space and labour is defining how warehouses are being built today. Our key findings and recommendations are listed as follows:

> Features representative of the key changing patterns for warehouse include: hyper-connected facilities, elevated clear heights, new forklifts connected by the IoT, multi-storey buildings, and greater proximity to densely populated areas.

> Institutional investors have been the most active group in logistics property transactions. They demand scale and geographic diversification and are often interested in new markets.

> We recommend investors to search for assets in emerging logistics markets in non-Tier 1 Chinese cities and cities near Seoul, as tradable assets in established markets are very scarce.

> Future trends include: on-demand warehousing, automation as a service and co-working space attached to warehouses in the logistics sector for e-commerce retailers.

Summary & Recommendations

Owing to the flourishing of the e-commerce and data-driven technologies, demand for modern logistics space remains high in Asia. This situation should continue for the next several years. Investor interest in the Asia logistics property sector has been gaining momentum. In particular, mainland China, Japan, Hong Kong, Singapore and South Korea have recorded higher volumes of domestic and cross-border investment.

Delivery times are getting ever shorter, with the number of same-day and one or two hour delivery services rising. The result is a knock-on effect on customer expectations. Both individuals and businesses expect to get goods faster, more flexibly, fitting around their lifestyles, and at low or no delivery cost. Technology is being harnessed to mend the gap, such as AI, cloud solutions, blockchain and automated solutions.

We recommend investors to search for in emerging logistics markets such as non-Tier 1 Chinese cities and cities near Seoul, since tradable logistics assets in established markets are very scarce. In particular, so-called Tier 1.5 and Tier 2 cities in China provide more investment opportunities due to the spillover trend from Tier 1 cities; we highlight Foshan, Tianjin and Chengdu. In the greater Seoul region, the traditional logistics cities, such as Icheon and Yongin, have become saturated with excess supply. Cities west and south-west of Seoul such as Incheon and Gimpo are alternative options for investors and developers, due to the lower quantity of logistics centres, low land costs and growing market demand in those areas.

Future trends include: on-demand warehousing, automation as a service and co-working space attached to warehouses in the logistics sector. Co-working space with warehouses is still a new concept in Australia, designed especially for e-commerce start-ups seeking logistics space. We expect those trends to grow in Asia due to its fast-growing economies and technologically aware population.
ASIA PRIME LOGISTICS MARKET: Q1 2019

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### Notes and definitions:

- **Prime industrial rents** refer to estimated net effective rent for warehouse space. Singapore is on NLA while China and Hong Kong are on NFA.
- **Vacancy rates** represent the percentages of completed stock that is unoccupied at the stated point of time.
- **Supply forecasts** represent the amount of additional stock to be completed at the stated point in time.
- **Singapore’s vacancy rate** and **Beijing’s refer to Q3 2018.**
- **Refers to the emerging logistics market with greater investment potential.**

Source: Colliers International
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REGIONAL LOGISTICS MARKET OVERVIEW

Asia is ripe with opportunities for business in the e-commerce landscape

Amid many factors that have contributed to the e-commerce boom in Asia, the rapid growth in Asians’ total consumer spending and household disposable income stand out. As illustrated in Figure 1, growth rates in these measures have increased gradually since about 2014, tracking at just over 5% YOY over 2016 to 2018. Total consumer spending and household disposable income should continue to rise compound annual growth rate (CAGR) of 4.8% and 4.6% respectively between 2019 and 2022, according to the latest data from Oxford Economics.

Investor interest in the Asia warehouse/logistics property sector (a subsector of the larger industrial property sector) has gained momentum in recent years with a hike in 2018 during the past five years (Figure 2). Mainland China, Japan, Hong Kong, South Korea and Singapore, in particular, have recorded a greater influx of capital both domestic and cross-border.

Property transaction volumes in the Asia warehouse/logistics sector have achieved new records. Full-year volumes rose in 2017 and 2018 by 79.6% and 38.9% YOY respectively, with a CAGR of 22% between 2009 and 2018. The rapid expansion of e-commerce platforms and rising requirements for 3PLs¹ have been fundamental drivers of the increasing demand for logistics space in Asia.

Institutional investors have been the most active group in the logistics property transactions since 2016. In particular, the net acquisition volume of warehouse properties in Asia by institutional investors in 2018 was 8.9x the level of 2017, according to RCA. Institutional investors demand scale and geographic diversification within their industrial exposure and are often interested in new markets for them to undertake acquisitions.

¹ 3PL is an abbreviation of the third-party logistics in logistics and supply chain management. It is an organization’s use of third-party businesses to outsource elements of its distribution, warehousing, and fulfillment services.
Mapping key logistics players

Blurring the traditional market roles in the e-commerce and logistics sectors

The logistics business is largely driven and shaped by e-commerce which involves various categories of providers and services. Traditionally, these include e-fulfilment providers, consolidators, last-mile delivery operators, and cross-border delivery agents.

However, the market roles have become blurred in recent years. New business models from the key logistics players simplify operations and eliminate significant labour costs associated with the traditional logistics industry. New business model examples from the key logistics players are illustrated as follows:

> **Amazon**: provides logistics services to other retailers in addition to operating its traditional online shopping platform, allowing small companies to store their projects in Amazon warehouses in various locations across regions. Amazon then takes care of the whole order process and distribution. This change enables Amazon to become not only a competitor but also a major customer to 3PLs. Currently Amazon operates fulfilment centres mainly across North America, Europe and Asia particularly in Japan, China and India.

> **Zalando**: another online retailer focusing on fashion retail, which has assumed responsibility for the entire customer-facing logistics chain through Zalando Partner Program.

> **JD.com (JD)**: relies on its own logistics unit to handle the delivery from the warehouse to the end-consumers, allowing it to have control and flexibility over its delivery services without compromising on quality.

> **Cainiao**: a logistics arm of Alibaba which has adopted an asset-light platform model, aggregating logistics resources and optimising the delivery network through third-party couriers to deliver goods nationwide.

> **UPS and FedEx**: the incumbent logistics service providers, which have also started to provide e-fulfilment services to small-size companies.

> **Start-ups (e.g. Delhivery and ShipBob)**: these companies exploit new technologies, collaborating with incumbents and complementing their service offers.


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Shifting patterns in logistics sector

Changing customer expectations

The logistics sector is under acute and growing pressure to deliver a better quality service at an ever lower cost. Both individuals and businesses expect to get goods faster, more flexibly, fitting around their lifestyles, and at low or no delivery cost.

Technology is being harnessed to mend the gap. From data analytics to automation, using technology promises:

- significant labour cost reduction;
- superior levels of productivity;
- high efficiency and transparency;
- minimal risk of processing errors; and
- increased supply chain speed.

Technological breakthroughs

According to the Logistics, Supply Chain and Transportation 2023 global report by Forbes Insights, around two-thirds of logistics executives say they expect technology to deliver significant productivity gains, with 53% of respondents expecting technology to enhance the customer experience through technology solutions such as artificial intelligence (AI) and machine learning.

Many examples of how AI is improving logistics business are already in place. For instance, in October 2017, JD built the world’s first whole-process unmanned sorting centre in Kunshan, Jiangsu province in China, automating the entire process from product entry, storage, packing and sorting. The facility is capable of processing 9,000 parcels every hour, achieving the equivalent work of 180 human sorters.

In addition, automated solutions in the warehouse are already being implemented with an increasing level of sophistication.

For example, Hong Kong opened its first fully automated warehouse (named RobEx) at Hong Kong Science Park in August 2018, offering express courier and self-service storage to customers by using robot technology, facial recognition and big-data analysis.

In October 2018, Alibaba’s logistics affiliate Cainiao Network opened what is said to be China’s biggest robotic smart warehouse in Wuxi, Jiangsu province, with 700 automated vehicles, for handling the rush of the upcoming Singles Day.

Cloud solutions, supply chain financing and blockchain have also been utilised in the logistics sector, enabling platform-based cloud computing services and facilitating use of new business models, such as “virtual freight forwarding”.

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Transformation in logistics property sector

Consumer expectations and technology breakthroughs have reshaped the landscape of logistics systems. The continued demand for space and labour helps define how warehouses are being built today. Features representative of the key changing patterns for warehouse are listed below:

**Hyper-connected facilities**: Warehouses today are equipped with electronic devices and technologies such as barcoding, IoT, RFID scanning, GPS and load optimisation. Additional technology innovations are likely to emerge.

**Elevated clear heights**: To optimise warehouse utilisation, the common 24-26 feet (7.3-7.9 metres) ceiling height has risen to the 36-40 feet (11-12 metres) range today to provide more volume for the warehouse. The HVAC (heating, ventilation and air condition systems) also needs to be updated as the automated technology creates more heat.

**New forklift**: IoT technologies can connect a warehouse operator’s forklifts with its enterprise resource planning system and workers across the warehouse, saving the operating time.

**Sustainability**: When warehouse operators bring more automation into the warehouse, innovations are leading warehouse into a new age, such as solar panels, LED lighting, cool-roof systems, thermal glass, clerestory windows, and other new green materials.

**Super-flat to sloped floors and engineered concrete floors**: Sloped floors are appearing to accommodate technologies for moving inbound and outbound shipments. Furthermore, modern warehouses are being made with engineered concrete floors, which are denser than standard concrete, containing fewer joints and saw cuts.

**More storeys**: As land in major urban centres is increasingly scarce and expensive along with high plot ratio requirements, developers and operators in the industrial property sector over China main cities are setting their sights higher by adding floors to their logistics properties.

**Cold chain storage warehouses**: Especially for “new fresh retailers” (e.g. FreshHeMa, 7Fresh, Super Species and Su Fresh in China) which combine supermarket, convenience store, catering and traditional fresh food market operations.

**Location is key**: Increasingly, warehouses and distribution centres are being located closer to areas of high population density, in order to meet the growing demand of faster deliveries and, in the case of fresh and frozen food, ensure the freshest items reach the consumer.

**Delivery diagram: from 3 days to 1 hour**

Source: Public information, Colliers International
As a top class logistics hub, Singapore is ranked seventh globally and second in Asia in the World Bank’s 2018 Logistics Performance Index, and twelfth in 2018 in the world’s busiest airports by cargo traffic, ahead of some well-known international cities such as Los Angeles, Beijing, London and Chicago.

Singapore’s e-commerce market is growing fast. The market in Singapore is set for unprecedented growth as it is tipped to expand by 48% to USD7.4 billion by 2022 at a CAGR of 7%, according to a study by the payments technology company WorldPay. The rapid growth in e-commerce demand for business to consumer deliveries of retail purchases represents an opportunity for the logistics services market to grow further in Singapore.

Demand for warehouse space was firm in Q1 2019 with net absorption of 506,000 sq feet (47,000 sq metres) and a vacancy rate of 10.8% from 11.1% in Q1 2018 (Figure 4). The average gross rents for this sector remained unchanged YOY at SGD13.5 (USD9.9) per sq metre per month in Q1 2019.

With the warehouse vacancy rate remaining high after the increase QOQ to 10.8% in Q1, we expect logistics rents to remain soft for the rest of 2019. The limited buying opportunities should lead to modest yield compression for logistics and warehouse assets.

Hong Kong

Hong Kong is ranked twelfth among 160 cities and countries globally and third in Asia in the World Bank’s 2018 Logistics Performance Index for its quality infrastructure and superiority in the international shipments. The Hong Kong-Zhuhai-Macao Bridge, the world’s longest sea crossing, further facilitates the freight transport between Hong Kong, Mainland China and Macau.

However, amid the influence of the US-China trade tensions and slowdown in the global economy, total exports in Hong Kong showed a decrease of 2.4% YOY in Q1 2019. Airfreight cargo and container throughput also decreased by 5.4% and 10.1% YOY respectively, according to the latest information from Census and Statistics Department.

Despite the uncertainties around trade and other economic factors, warehouse leasing demand remained firm in Hong Kong in Q1 2019 with tight supply across the market, driving the already tight vacancy rates for ramp-access warehouses down further to 0.9%. Rents for warehouses in Q1 2019 stayed largely stable, increasing by 3.4% YOY (Figure 3).

Looking ahead, the relaunch of the Hong Kong government’s industrial revitalisation scheme should attract investors’ attention towards industrial assets with high redevelopment or conversion potential. As such, we predict that price growth in the logistics property sector will reach 8.4% in 2019, notwithstanding the negative impact from trade tensions in the short term.

RECOMMENDED TOP LOGISTICS MARKETS IN ASIA

Hong Kong

Figure 3: Hong Kong warehouse rent growth YOY (2010 – 2019)

Source: Source: Census and Statistics Department, Colliers International.
Note: data is a three month moving average.

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With the warehouse vacancy rate remaining high after the increase QOQ to 10.8% in Q1, we expect logistics rents to remain soft for the rest of 2019. The limited buying opportunities should lead to modest yield compression for logistics and warehouse assets.

Figure 4: Singapore warehouse new supply, net absorption and vacancy rate (2014 – 2019)

Source: Colliers International, JTC

Tokyo
Japan is ranked fifth globally and first in Asia on the World Bank’s most recent Logistics Performance Index 2018 for its high grades in customs, infrastructure and logistics competence. Its large warehouse stock has been broadly classified by size, usage and location with more self-managed warehouses being converted into 3PLs.

3PLs, online retailers and manufacturers remain the strongest sources of demand for logistics spaces in greater Tokyo, with net absorption reaching 648,000 sq metres (7.0 million sq feet) in Q1 2019, an increase of 10% QOQ and 51% YOY. A significant increase in net absorption and a reduction in new supply pushed the vacancy rate down to 3.3% in Q1 2019 from 5.3% in Q4 2018.

Key completions in Q1 2019 included ESR Ichikawa Distribution Centre in the Bay area and Logifront Koshigaya in the Inland area, adding GFA 225,000 sq metres (2.4 million sq feet) and 67,000 sq metres (721,182 sq feet) respectively to total stock. However, with more completions due to be launched during 2019, we expect the vacancy rate almost to double to just above 10%. We expect the rising supply pipeline, with annual new supply hitting a new record for four consecutive years since 2015, to result in a temporary dip in rent, especially in less strategic locations such as the outer Kenoh-do area.

Figure 5: Tokyo warehouse property transaction volumes (2009 – 2018)

A combination of increasing cost pressures, labour shortage, and more efficient inventory management has reduced the space required for warehousing nationwide at an annual growth rate of 1.3% to 284 million sq metres (3,057 million sq feet) over the past five years.

However, we remain optimistic that urban consumer demand will stay strong with total occupied logistics space in greater Tokyo (defined here as large-sized facilities with an NFA in excess of 15,000 sq metres) increasing at an annual growth rate of 10.2% over five years to 120 million sq metres (1.29 billion sq feet). Looking ahead, vacancy should start declining within three years, resulting in rent growth on a five-year view. More precisely, we expect the average vacancy rate to fall to around 6% by end-2020, with the asking rent starting to rise by end-2021 and to increase at a rate of about 1% annually.

Within large-sized urban facilities, the impacts from uneven supply have become more location-specific as more companies are emphasising a modal shift to enable overall cost reduction across all locations. Demand for outer locations is softer as automation is likely to reduce the demand for large space, and facilitate consolidation of locations. Conversely, demand for urban locations is stronger with more retailers seeking smaller space to increase the number of small warehouses close to consumers. We thus advise investors to be careful about their rental assumptions, since the range of capital values is likely to diverge according to the strategic importance of each location.

Source: Colliers International, RCA
Note: Each of the transactions prices is greater than USD10 million.

5 Greater Tokyo area consists of Ibaraki, Saitama, Chiba, Tokyo and Kanagawa.
Strong technological and mobile adoption in South Korea has propelled this country into one of the biggest e-commerce markets worldwide. According to one study, retail e-commerce volume in South Korea will grow to USD32.6 billion by 2021, up from USD19.1 billion in 2016.\(^7\)

The quantity of lease contracts and acquisitions of logistics centres in the Seoul metropolitan area is increasing, due to the increasing number of e-commerce companies, such as Coupang and Market Kurly, providing same-day and next-day delivery services. E-commerce companies are competing against each other by securing distribution centres across the country.

Over the next five years, we believe logistics property rents will rise firmly, supporting yields of 6-7% which are higher in Korea than in other major economies. The promising outlook for the Korean logistics sector has resulted in increased demand from both domestic and overseas investors. However, the traditional logistics cities, such as Icheon and Yongin, have become saturated with excess supply. We recommend cities south-west of Seoul as the alternative options for investors and developers, such as Ansan and Pyeongtaek, due to the lower quantity of logistics centres and low land costs in those areas. In addition, Incheon and Gimpo are increasingly drawing institutional investors’ attention due to the lack of supply and growing market demand.\(^8\)

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China

Strong consumption power pushing the demand further

The logistics industry in China is transforming its landscape with the flourishing online-to-offline (O2O) retailing and data-driven technologies boosted by the strong consumption demand. Chinese online retailing leaders, such as Alibaba, JD and Suning, are expanding their business by turning offline. By the end of 2018, warehouses built by JD, one of the foremost e-commerce enterprises in China increased to 550 nationwide, almost 4.5x the level of 2014.9

The key emerging trend in the Chinese logistics sector is the increase in the number of front distribution centres (FDCs) and mini-FDCs. Intended to meet demand for rapid delivery and to improve consumers’ brand loyalty, these are located between regional distribution centres (RDCs) and consumers to accelerate delivery speed. In particular, the mini-FDCs represent a network of micro warehouses located as close as three kilometres to their target consumers with less stock and more daily-use items and sundries. The delivery time from the mini-FDCs is greatly shortened, to one hour or less.

Spillover trend from Tier 1 cities

Due to the scarcity of available warehouses and land supply for the logistics sector in Tier 1 cities, the very strong demand for logistics space is spilling over into adjoining or surrounding cities and markets. These areas include Langfang and Tianjin adjoining Beijing, Jiangsu and Zhejiang provinces surrounding Shanghai, Foshan near Guangzhou, and Dongguan and Huizhou near Shenzhen.

Opportunities lie in so-called Tier 1.5 and Tier 2 cities

For further expansion and improvement on the quality of the logistics services, logistics groups increasingly get land by building their own warehouses. Furthermore, the government’s intention to improve the efficiency of land usage in urban areas of top-tiered cities has led several cities to tighten local policies on industrial land use rights, which may further lower future industrial land supply.

This situation is likely to accelerate the spillover trend from Tier 1 cities to lower-tier cities where new supply is available with more opportunities for land development.
Lower-tier cities will heat up the logistics property sector in China

**South China - Foshan**

H1 2019 new supply 34,000 sq m (366,000 sq ft), occupancy 95%, rent growth 2.0% YOY

Located on the west bank of the Pearl River, Foshan is part of the Guangzhou-Foshan metropolitan circle with permanent population of 7.9 million at the end of 2018, making it the third largest city in Guangdong province.

Foshan is best known as a centre of appliance manufacturing, hosting operational facilities for such large enterprises as Guangdong Macro (gas heaters and ovens) and Midea (household appliances).

Foshan has a total warehouse stock of 1.6 million sq metres (17.2 million sq feet). Its logistics and transportation network is tightly integrated with Guangzhou’s, and will be further strengthened by the Development Plan for the Guangdong-Hong Kong-Macao Greater Bay Area.

**North China - Tianjin**

H1 2019 new supply 276,000 sq m (3.0 million sq ft), occupancy 94%, rent growth 11.2% YOY.

Tianjin is one of China’s four autonomous municipalities along with Beijing, Shanghai and Chongqing, and is an integral part of the Bohai Bay Economic Zone.

Long serving as a key seaport for China, Tianjin has been moving up the rankings as a modern logistics hub in recent years with a total warehouse stock of 3.5 million sq metres (37.7 million sq feet), about 60% more than that in Beijing.

Demand in the Tianjin logistics market in Q1 2019 remained strong. E-commerce retailers and 3PL providers still generated the bulk of the demand. Given the lack of warehouse space available for leasing in Beijing and its surrounding areas, we expect logistics assets in Tianjin to see rapid net take-up in 2019.

**West China - Chengdu**

H1 2019 new supply 489,000 sq m (5.3 million sq ft), occupancy 78%, rent growth 6.3% YOY.

Chengdu is the economic and financial hub of Southwest China and one of the key gateways to the country’s interior. The city is circled by four ring roads, with highways connecting to Chongqing. Chengdu’s Shuangliu International Airport is China’s fourth busiest airport.

Logistics properties are mainly situated near key transportation junctions in Chengdu with a total warehouse stock of 3.5 million sq metres (37.7 million sq feet).

In the next one to two years, the completion of e-commerce leaders’ self-built warehouses in Chengdu should create a window of opportunity for other retailers to lease superior warehousing space in prime locations, especially the Qingbaijiang and Shuangliu areas.
LOGISTICS MARKETS IN THE FUTURE

Amid the impact of the US-China trade tensions and slowdown in the global economy, market trends continue to favour an active logistics market in Asia. With the flourishing of the e-commerce together with data-driven technologies, demand for modern logistics space remains high. This is likely to result in further expansion in the coming years.

Key market trends in the near future are illustrated below:

> **On-demand warehousing**: emerges from the need for greater warehouse flexibility to accommodate temporary demand for additional capacity. This trend enables companies which have built their warehouse to handle peak season demands and to make a return on unused space during quieter time of the year.

> **Co-working space in logistics sector**: a new concept by the CLIK Collective in Melbourne, Australia. It is designed especially for e-commerce start-ups with open-plan desks, tailored warehousing space, loading bays, photography studios and showrooms. Though still a new concept, this should grow in the Asia logistics sector in coming years, given that the co-working scene is increasingly popular in Asia property markets.

> **Automation as a service**: is a fast growing business model where customers can deploy automation on an as needed basis. It provides facilities with the ability to scale up rapidly and down as demand dictates and allows buyers to expand or experiment with technologies.

> **Utilising technology to modernise customs systems and processes**: this will be the most important factor in driving growth in the emerging logistics markets over the next five years, according to the survey respondents in the latest Agility Emerging Markets Logistics Index 2019 (Figure 8). This is due to the impact of trade facilitation on competitiveness and the increasing importance of attracting foreign direct investment in this sector.

**Figure 8: Which technological developments will be most important in facilitating emerging logistics markets growth over 2019 & 2024**

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<th>Technological Development</th>
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</tr>
<tr>
<td>Artificial intelligence</td>
<td></td>
<td>13.8%</td>
</tr>
<tr>
<td>Modernisation of logistics provider systems</td>
<td></td>
<td>15.7%</td>
</tr>
<tr>
<td>Increased adoption and modernisation of online payment systems</td>
<td></td>
<td>17.5%</td>
</tr>
<tr>
<td>Increased internet penetration</td>
<td></td>
<td>21.6%</td>
</tr>
<tr>
<td>Modernisation of customs systems and processes</td>
<td></td>
<td></td>
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</tbody>
</table>

Source: Agility Emerging Markets Logistics Index 2019, Colliers International
INVESTMENT SENTIMENT IN ASIA LOGISTICS MARKET REMAINS FIRM

Asia logistics property transaction volumes achieved USD15.5 in 2018, a record high for the past 10 years. In particular, the transaction volume in Q1 2018 was a hike for the whole year, almost twice of the volume QoQ and 1.8x the volume YOY (Figure 9).

Asia logistics property investment remains attractive. The yield of the Asia logistics sector ranged between 4.3% and 6.1% in Q1 2019, and averaged 5.6% over the three years to Q1 2019 (Figure 10). We expect the logistics sector to continue to perform well in 2019, with rents and capital values rising further. However, tradable logistics assets in mature markets are very scarce and investors may have to search for assets in the emerging markets, for example, non-Tier 1 Chinese cities and cities near Seoul.

> **Hong Kong**: We expect prices for Hong Kong logistics properties to grow by 8.4% in 2019 and continue to rise in the following years to 2022, reflecting the lack of new supply and the government’s revitalisation scheme. In addition to the logistics property, investment sentiment is raising in Hong Kong industrial property sector with stronger demand for old industrial buildings which are capable for conversion.

> **Singapore**: Logistics rents should remain soft from 2019 onwards and begin to improve in 2022. The limited buying opportunities could lead to a marginal yield compression for logistics and warehouse assets.

> **Tokyo**: Vacancy should start declining within three years, resulting in rent growth on a five-year view. We expect the average vacancy rate to fall to around 6% by end-2020, with the asking rent starting to rise by end-2021 and to increase at a rate of about 1% annually.

> **Greater Seoul**: Over the next five years, we believe logistics property rents will rise firmly with yields at around 6-7%. As the next targets for investors and developers, we recommend cities in the west and south-west of greater Seoul, such as Ansan and Pyeongtaek, as well as Incheon and Gimpo, due to the lower quantity of logistics centres, low land costs and growing market demand in these areas.

> **China**: The market should witness more development and transactions, leading to increased market liquidity for the logistics asset class. Capital values in Tier 1 and Tier 2 cities should keep rising in the following five years, whereas yields should see continued compression despite rising rents. However, tradable logistics assets in Tier 1 cities are very scarce, so investors may have to search for assets in non-Tier I cities, in particular Foshan, Tianjin and Chengdu.

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**Figure 9: Asia logistics property transaction volumes (2014 – 2019)**

Source: Colliers International, RCA

Note: Each of the transactions prices is greater than USD10 million.

**Figure 10: Asia warehouse property yields (2014 - 2019)**

Source: Colliers International, RCA
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