



# STRATEGICALLY ADVANCING

Independent  
Market Study  
Report 2024

## ABOUT US

### VISION

To be a leading Real Estate Investment Trust with a portfolio of quality industrial assets.

### MISSION

To deliver stable returns, and long-term capital growth to our Unitholders.

To develop a resilient and balanced portfolio through strategic investment of quality assets, proactive asset management of our properties, and prudent capital and risk management.

To operate with credibility for the benefit of our Unitholders, tenants, employees, partners and other stakeholders within the communities in which we do business.

### ABOUT ESR-REIT

ESR-REIT is a leading New Economy and future-ready Asia Pacific S-REIT. Listed on the Singapore Exchange Securities Trading Limited since 25 July 2006, ESR-REIT invests in quality income-producing industrial properties in key gateway markets.

As at 31 December 2024, ESR-REIT holds interests in a diversified portfolio of logistics properties, high-specifications industrial properties, business parks and general industrial properties with total assets of approximately S\$6.0 billion. Its portfolio comprises 72 properties (excluding 48 Pandan Road held through a joint venture) located across the developed markets of Singapore (52 assets), Australia (18 assets) and Japan (2 assets), with a total gross floor area of approximately 2.5 million sqm, as well as investments in three property funds in Australia. ESR-REIT is also a constituent of the FTSE EPRA Nareit Global Real Estate Index.

ESR-REIT is managed by ESR-REIT Management (S) Limited (the "Manager") and sponsored by ESR Group Limited ("ESR"). The Manager is owned by ESR (99.0%) and Shanghai Summit Pte. Ltd. (1.0%), respectively.

For further information on ESR-REIT, please visit [www.esr-reit.com.sg](http://www.esr-reit.com.sg).

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# SINGAPORE

## OVERVIEW OF THE SINGAPORE ECONOMY

### Singapore's Economic Performance in 2024

Supported by a rebound in the global electronics cycle and continued tourism recovery, Singapore's Gross Domestic Product ("GDP") growth surpassed market expectations in 2024. Based on advance estimates released by the Ministry of Trade and Industry ("MTI"), the Singapore economy expanded 4.0% year-on-year ("y-o-y") for the whole of 2024, a faster pace compared to the 1.1% growth recorded in 2023. Both Goods and Services producing industries expanded 3.6% and 4.1% y-o-y respectively.

The growth in goods-producing industries was primarily driven by the Construction sector, which recorded the strongest growth at 4.8%, largely due to increased public

sector construction output. The Manufacturing sector also saw a 3.5% expansion, with growth across all sub-sectors.

Within services-producing industries, the combined sectors of Information & Communications, Finance & Insurance, and Professional Services posted the highest growth at 4.8%, followed by the Wholesale & Retail Trade and Transportation & Storage sectors, which grew by 4.7%.

According to the Monetary Authority of Singapore, Core Inflation, which excludes private road transport and accommodation costs, averaged 2.7% in 2024, — down from 4.2% in 2023 as price increases across a broad range of goods and services moderated.

### Singapore's Economic Performance (y-o-y % growth)

GDP & Sector Growth Rates	2024	2023	
<b>Overall GDP Growth</b>	<b>4.0%</b>	<b>1.1%</b>	▲
<b>Goods Producing Industries</b>	3.6%	-2.9%	▲
Manufacturing	3.5%	-4.3%	▲
Construction	4.8%	5.2%	▼
<b>Services Producing Industries</b>	4.1%	2.3%	▲
Wholesale & Retail Trade and Transportation & Storage	4.7%	1.4%	▲
Information & Communications, Finance & Insurance and Professional Services	4.8%	2.2%	▲
Accommodation & Food Services, Real Estate, Administrative & Support Services and Other Services	2.0%	4.3%	▼

Source: MTI, Knight Frank Consultancy

### Population Trends and Labour Market

As at June 2024, Singapore's total population reached a record high of 6.04 million, marking a 2.0% increase from the previous year. This growth was mainly driven by a 5.0% rise in the non-resident population, which reached 1.86 million. The growth in the foreign workforce, mostly Work Permit ("WP") holders, is primarily attributed to the need for both public and private companies to make up for projects delayed by the pandemic, particularly in the construction, marine shipyard and process sectors.

Singapore's labour force remained stable in 2024 with low unemployment rates across both Professional, Managerial, Executive, and Technical ("PMET") roles, as well as non-PMET positions. Resident employment grew in export-driven sectors such as Information & Communications, Professional Services, and Financial Services, while non-resident employment also increased largely due to increased hiring of WP holders.

The overall unemployment rate was 2.0% in 2024, in line with pre-pandemic levels from 2015 to 2019. While a tight labour market is expected in the short term, with more job openings than unemployed individuals, the situation is expected to improve as more vacancies are filled.

### Performance of Manufacturing Sector and Fixed Asset Investment

According to the Singapore Institute of Purchasing and Materials Management, the Purchasing Manager's Index reached a six-year high in December 2024, marking the sixteenth consecutive month of expansion since September 2023. This growth in manufacturing activity was driven by stronger increases in new orders, exports, factory output, and employment. The electronics sector, which accounts for 45% of Singapore's total manufacturing output, also saw its fourteenth consecutive month of growth since November 2023.

Singapore attracted S\$13.5 billion in Fixed Asset Investments in 2024, higher than the S\$12.7 billion recorded in the previous year. This increase was largely attributable to the Electronics sector which received the largest amount of investment commitments of more than S\$7.6 billion on the back of an upturn in the global electronics cycle driven by the surge in semiconductor demand for artificial intelligence ("AI") applications. Examples of investment commitments in the Electronics sector include the inauguration of a S\$2.9 billion advanced manufacturing facility by German firm Siltronic and the planned construction of a S\$10.5 billion manufacturing plant by VisionPower Semiconductor Manufacturing Company. Both facilities, located in Tampines, will manufacture silicon wafers that are essential for a variety of applications including automobiles such as electric vehicles, and consumer electronics like mobile phones.

### Economic Outlook for 2025

Following a period of stronger GDP growth in the second half of 2024 fueled by increased order books in the electronics and transport engineering sectors, Singapore's economic growth is expected to carry over into early 2025. The recovery in the electronics sector, along with higher demand for intermediate goods from Singapore and some front-loading of export orders ahead of potential U.S. tariffs under President Trump's administration, is anticipated to continue in the near term until there is greater clarity on the future of US trade policy.

However, risks to manufacturing and overall economic growth in 2025 remain, including the potential for additional protectionist measures such as higher tariffs on U.S. imports. Ongoing geopolitical tensions in the Middle East, the unresolved Ukraine-Russia conflict, and cautious monetary policy adjustments by major central banks could also pose challenges for trade-dependent economies like Singapore.

Nonetheless, Singapore's manufacturing and trade-related services sectors are expected to maintain a cautiously optimistic outlook. Growth in the electronics sector is likely to continue, driven by strong demand for semiconductor chips in markets such as PCs and smartphones, underpinned by the rise of AI-enabled devices. Outward-facing sectors like information and communications, as well as finance and insurance, are set for continuing business demand for digital solutions and services, alongside potentially favourable financial conditions from anticipated rate cuts by central banks in major economies. Given these factors, the MTI forecasts Singapore's GDP growth to range between 1% and 3% in 2025.

### SINGAPORE INDUSTRIAL MARKET Industry Transformation Maps ("ITMs")

To address the systemic shifts arising from the COVID-19 pandemic, the Future Economy Council embarked on ITM 2025 to refresh all 23 ITMs to address the challenges and opportunities for Singapore.

#### Logistics ITM

Singapore aims to be Asia's leading and world class logistics hub, where companies build innovative capabilities to ensure smooth and efficient transportation of goods. The refreshed Logistics ITM will focus on transforming the industry through productivity and innovation, thereby strengthening Singapore's role as a critical node in global supply chains. One of the key strategies involve attracting new investments and transforming warehouse operations, of which Singapore will work closely with companies to attract and anchor automated best-in-class warehouse operations to provide value-added services.

#### Electronics ITM

The electronics ITM 2025 aims to 1) anchor R&D manufacturing capabilities from globally leading companies to enhance Singapore's leadership in key areas, 2) partner companies, Institutes of Higher Learning and the Singapore Semiconductor Industry Association to strengthen the local talent pipeline for growth areas and 3) transform Singapore's electronics manufacturing into a low-carbon footprint sector. The global electronics sector is estimated to grow to US\$3 trillion by 2030, up from US\$2.2 trillion in 2020. The refreshed Electronics ITM seeks to ride on the global growth momentum and cement Singapore's position as a key manufacturing and research & development ("R&D") hub.

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## Changes to Industry Trends

The burgeoning biomedical industry and growing demand for food storage contributed to an increase in demand for specialised temperature-controlled logistics facilities. These facilities are typically built-to-suit to serve a broad range of industries including supermarket chains, pharmaceuticals, and third-party logistics services.

Global logistics providers are also stepping up in their investment in advanced logistics facilities which supports the diversified logistics needs of different sectors. Leaders of the logistics providers such as DB Schenker, DSV and UPS are also investing into sustainability solutions and their suite of advanced warehousing solutions for global businesses across the pharmaceuticals, retail, consumer goods and engineering sectors, to allow them to serve the growing regional demand in South-east Asia. For example, DSV and Logos invested in the development of a built-to-suit warehouse facility, DSV Pearl, slated for completion in 2025. It will be the company's largest facility in Singapore, with high ceilings and advanced automation systems to an increase in efficiencies in the storage, retrieval, and processing of goods.

Similarly injecting more capital and further development of the advanced logistics sector, UPS' healthcare arm opened its purpose-built facility at JTC @ Gul Circle, in close proximity to the Tuas Biomedical Park. This facility serves as UPS healthcare's key logistics hub in supporting Singapore's ambitions of becoming a regional distribution centre for the pharmaceutical industry.

Attributed to the rise in e-commerce and online supermarket sales, cold-storage facilities for the storage of consumables and perishables are also in rising demand. Coupled with the relatively higher cost of development compared to the conventional warehouses, the specialised temperature-controlled cold-storage facilities will continue to receive higher demand and interest from investors.

## Industrial Government Land Sales ("IGLS") Programme for 1H2025

There are ten industrial sites under the 1H2025 IGLS, comprising seven sites on the Confirmed List and three sites on the Reserve List. Majority of the sites are zoned B2 industrial for heavy industrial usage, with the exception of one site (Kaki Bukit Avenue 5) zoned B1 industrial. This potential upcoming stock will add up to a total of 338,440 sqm of new industrial stock located in the West, East and North-east planning regions of Singapore.

### Confirmed and Reserved IGLS for 1H2025

Location	Planning Region	Site Area (ha)	Zoning	Gross Plot Ratio (GPR)	Maximum Gross Floor Area (GFA) (sqm)	Tenure (years)	Estimated Available Date
<b>Confirmed List of Industrial Sites</b>							
Plot 3 Jalan Papan	West	0.72	B2	1.4	10,080	20	February 2025
Penjuru Road	West	2.09	B2	2.5	52,250	30	February 2025
Gul Drive	West	0.49	B2	1.4	6,860	20	March 2025
Tuas Avenue 11	West	2.80	B2	2.5	70,000	30	March 2025
Ubi Avenue 1	East	0.61	B2	2.5	15,250	20	April 2025
Kaki Bukit Avenue 5	East	0.70	B1	2.5	17,500	30	May 2025
Sengkang West	North-East	2.30	B2	2.5	57,500	30	June 2025
<b>Total</b>		<b>9.71</b>			<b>229,440</b>		
<b>Reserve List of Industrial Sites</b>							
Plot B Tukang Innovation Drive	West	1.87	B2	2.5	46,750	30	January 2025
Plot 2 Tampines North Drive 44	East	1.79	B2	2.5	44,750	30	January 2025
Plot D Tukang Innovation Drive	West	0.70	B2	2.5	17,500	30	April 2025
<b>Total</b>		<b>4.36</b>			<b>109,000</b>		

Source: MTI, JTC, Knight Frank Consultancy

## Overview of Key Industrial Districts

### Punggol Digital District (“PDD”)

As a showcase for Singapore’s smart nation initiatives, PDD is a 50-ha business park precinct focusing further development of key growth industries of the digital economies. Reportedly two-thirds of built-up space at PDD has been pre-committed, with incoming tenants mostly from the Information Technology sectors — cyber security, AI and robotics, fintech and smart living. Besides UOB, the current largest commercial tenant of PDD, the space is also occupied by government-linked entities such as the Cyber Security Agency of Singapore and the Government Technology Agency.

OCBC, another lender will also set up an innovation hub in PDD and embark on a “strategic partnership” with the Singapore Institute of Technology. Housing 4,000 employees, the innovation hub is slated for completion in early-2027.

### Jurong Innovation District (“JID”)

Located at the western end of Singapore, JID was conceptualised to bring together the various nodes of advanced manufacturing ecosystem together to create a one-stop campus, fostering collaboration between small and medium-sized enterprises and established larger enterprises. This is an integral component to help Singapore achieve the Manufacturing 2030 ambition to become a global business, innovation and talent hub for advanced manufacturing.

Bulim Square, a 160,000 sqm facility developed by JTC Corporation, is slated for completion in end-2025, and the pre-committed tenants include the Japanese technology giants Fanuc and Konica Minolta.

### Tuas Mega Port Project (“Tuas Port”)

The Tuas Port is envisioned as the nexus of the Tuas ecosystem, unlocking supply chain synergies and generating more efficient trade flows. Targeted for full completion in 2040s, Tuas Port will have handling capacity of 65 million twenty-foot equivalent.

The groundbreaking of the construction of the 236,000 sqm PSA Supply Chain Hub started in 3Q2024, and it seeks to further improve Tuas Port’s Competitiveness by enhancing the processing of higher-value cargo such as pharmaceutical and temperature-sensitive chemicals. Businesses can tap on Tuas Port as a convenient and efficient one-stop shop for more efficient management of their global supply chain flows.

Together with the synergies with Jurong Innovation District and Jurong Lake District, Tuas Port will be the anchor for the future Western Gateway, an integral part to Singapore’s long term maritime competitiveness.

### Changi East Project

As Changi Airport’s largest expansion project to date, the Changi East Development will span over 1,080 hectares. The main component includes Changi Airport’s fifth terminal and Changi East Industrial Zone. The zone will be developed for airfreight, air express and Maintenance, Repair and Operations activities, with handling capabilities expected to increase to 5.4 million tonnes per annum in its end-state. It will also be a smart air cargo hub with a focus on automation to improve productivity and cargo visibility.

## INVESTMENT SALES

A resurgence in investment activity was observed in the latter half of 2024, driven by interest rate cuts by the U.S. Federal Reserve for the first time in four years by half a percentage point (“pp”) in September, followed by another 0.25 pps again in November and December. Total investment sales of industrial properties (excluding IGLS sites) amounted to S\$6.0 billion in 2024, significantly higher than the S\$2.3 billion total sale value recorded in 2023.

The largest transaction was the divestment of two data centres (KDC SGP 7 and KDC SGP 8) along Genting Lane by a joint venture (“JV”) between Keppel and Cuscaden Peak Investments Private Limited to Keppel DC REIT for S\$1.4 billion. There were also two significant industrial portfolio deals — the purchase of seven industrial assets<sup>1</sup> for S\$1.6 billion by Lendlease and US private equity giant Warburg Pincus’ from Soilbuild, and Bain Capital’s S\$750 million acquisition of four purpose-built worker dormitory compounds from Blackstone.

## Outlook

Transactional activity of industrial properties, which began to gain momentum in the latter half of 2024, is expected to persist into 2025 as investors anticipate further interest rate moderation that will improve financing conditions for institutional investors. In particular, high-quality industrial assets such as factories and warehouses, or those with value-add potential, will remain attractive to meet investors’ yield-driven objectives.

<sup>1</sup> The portfolio of seven industrial assets purchased by Lendlease and Warburg Pincus include: West Park BizCentral, Solaris @ Kallang 164, Tuas Connection, Eightrium at Changi Business Park, Solaris @ one-north, 2PS1, and Qualcomm Building.

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## Selected Major Industrial Investment Sales in 2023 and 2024

Name of Development	Location	Sale Price (S\$ mil)	Estimated Net Lettable Area (sqm)	Unit Price (S\$/psm)	Tenure	Quarter Sold
<b>Multiple-User Factory Developments</b>						
Solaris @ one-north	1 Fusionopolis Walk	501.4	41,000	\$12,229	Undisclosed	3Q2024
Admirax	8 Admiralty Street	155.0	44,266	\$3,502	60 years from 09/10/2000	4Q2024
Jardine C&C Regional HQ	239, 241 Alexandra Road	142.0	12,350*	\$11,498	99 years from 19/03/1956	2Q2023
OneTen Paya Lebar	110 Paya Lebar Road	140.0	14,780*	\$9,472*	Freehold	2Q2023
10, 12 Mandai Estate	10, 12 Mandai Estate	100.0	Undisclosed	Undisclosed	Freehold	2Q2023
<b>Single-User Factory Developments</b>						
Qualcomm Building	9 Kallang Sector	142.7	36,308	\$3,930	Undisclosed	3Q2024
Mercedes-Benz Center	301 Alexandra Road	131.0	18,600*	\$7,043*	99 years from 01/07/1948	1Q2023
<b>Warehouse Developments</b>						
West Park BizCentral	20-32 Pioneer Crescent	275.1	115,369	\$2,385	30 years from 01/08/2008	3Q2024
2PS1	2 Pioneer Sector 1	167.9	67,731	\$2,479	60 years from 1/10/1986	3Q2024
Tuas Connection	1-20 Tuas Loop	144.4	60,487	\$2,387	43 years from 01/10/2007	3Q2024
2 Tuas South Link 1	2 Tuas South Link 1	140.3	56,203	\$2,495	Undisclosed	4Q2024
21 Jalan Buroh	21 Jalan Buroh	112.8	39,978	\$2,822	58 years from 01/10/1997	4Q2024
<b>Business Park Developments</b>						
Solaris @ Kallang 164	164 And 164A Kallang Way	167.1	41,000	\$12,229	40 years from 26/08/2011	3Q2024
Elementum	1 North Buona Vista Link	272.0	34,796	\$7,816	60 years from 20/02/2021	3Q2024
The Shugart	26 Ayer Rajah Crescent	218.2	40,880*	\$5,338*	30 years from undisclosed start date	2Q2023
Eighthrium at Changi Business Park	15A Changi Business Park Central 1	201.3	16,485	\$12,213	30 years from 16/02/2006	3Q2024
<b>Other Industrial Developments (i.e. Data Centre, Workers Dormitory)</b>						
Keppel Data Centres (KDC SGP 7 and KDC SGP 8)	Genting Lane	1,400.0	Undisclosed	Undisclosed	60 years from 16/07/1980	4Q2024
Avery Lodge Dormitory Portfolio	2D Jalan Papan, 26 Kian Teck Avenue, 27 Woodlands Link, 2 Tampines Place	750.0	Undisclosed	Undisclosed	Varying lease tenures	4Q2024

Source: Various sources, Knight Frank Consultancy

To be considered as private investment sales under Knight Frank's definition, it must fulfil either one of the following pre-requisite:

- Investment transactions should comprise an entire building or property with a total worth of S\$10 million and above; OR
- Any bulk sales within a development which amounts to S\$10 million or more

\* In Gross Floor Area (GFA) terms as the Net Lettable Area (NLA) is undisclosed.

**FACTORY**

**Stock and Supply**

As at 4Q2024, Singapore’s overall factory stock totaled 39.1 million sqm, a 0.7% y-o-y increase from 38.8 million sqm a year before. Single-user factories that are mostly purpose-built constituted 67.9% (26.5 million sqm), while multiple-user factory spaces made up the remaining 32.1% (12.5 million sqm).

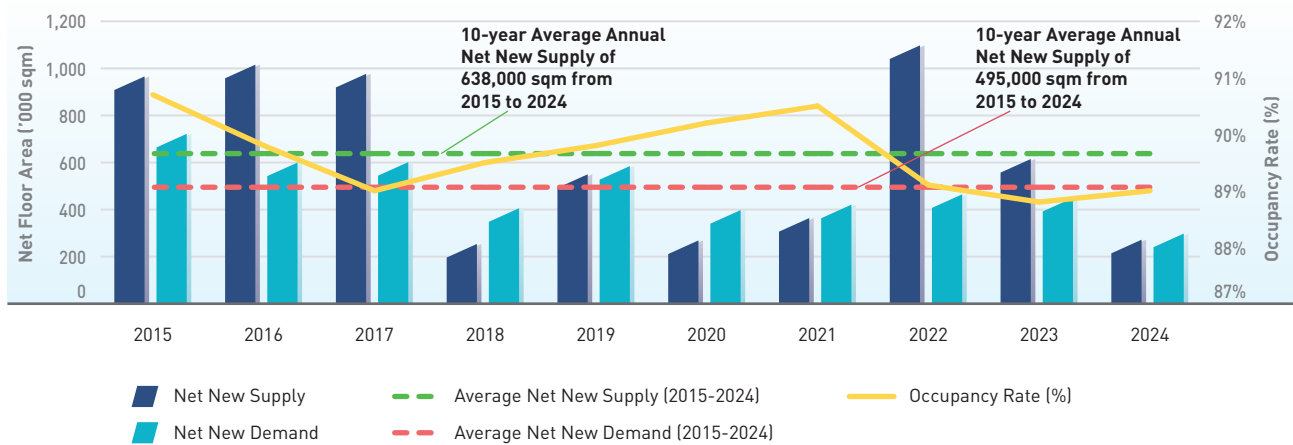
With most of the factory supply overhang that was delayed by the COVID-19 pandemic completed in 2023, net new supply of factory space was relatively muted in 2024 at 272,124 sqm — of which the addition of single-user factory spaces was 231,015 sqm while net new multiple-user factory supply was 41,109 sqm. The largest factory development completed in 2024 was German semi-

conductor material supplier Siltronic’s 148,000 sqm advanced manufacturing facility located at 77 Tampines Industrial Avenue 5.

**Demand and Occupancy**

Subdued demand for factory spaces was observed as business conditions were affected by global economic uncertainties and cost pressures. Net new demand stood at 297,501 sqm as at 4Q2024, of which single-user and multiple-user factory spaces contributed 202,362 sqm and 95,139 sqm respectively. Despite the soft take-up in new factory spaces in 2024 compared to the previous year, low nationwide net new supply kept overall occupancy high at 89.0% as at 4Q2024, growing by 0.1 pp compared to the same period a year before.

**Net New Supply, Net New Demand and Average Occupancy of Factory Space**

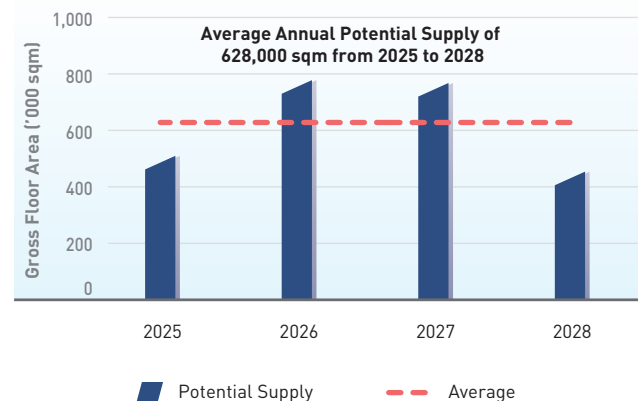


Source: JTC J-Space, Knight Frank Consultancy

**Potential Supply**

As at 4Q2024, 2.5 million sqm GFA of new factory space is expected to be completed progressively between 2025 and 2028, comprising 1.7 million sqm of single-user factory space and 828,000 sqm of multiple-user factory space. Approximately 510,000 sqm of new factory space is expected to be completed by end-2025, of which the largest upcoming projects include two multiple-user factory developments by JTC Corporation — Bulim Square (160,000 sqm GFA) and JTC Space @ AMK (120,000 sqm GFA), both of which were delayed from their original expected completion in 2024.

**Potential Supply of Factory Space**



Source: JTC J-Space, Knight Frank Consultancy

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## Upcoming Major Factory Developments in 2025

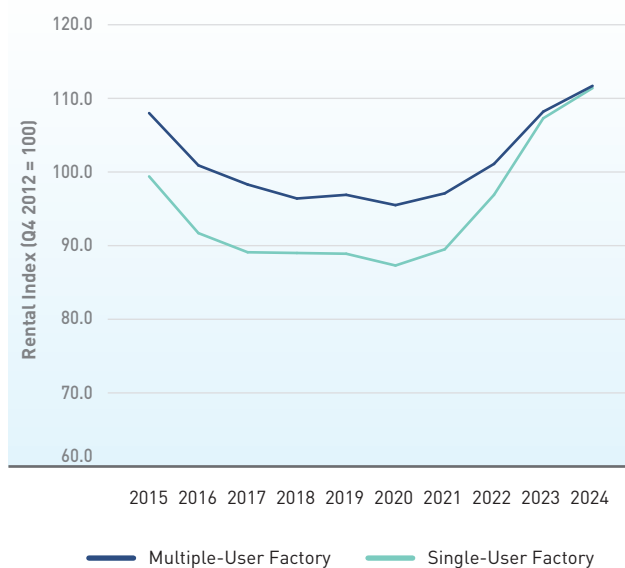
Name of Development	Location	Planning Region	Name of Developer	Approximate GFA (sqm)
<b>Single-User Factory Developments</b>				
Extension of Soitec's wafer fabrication plant	Pasir Ris Industrial Drive 1	East	Soitec Microelectronics Singapore Pte Ltd	43,560
Additions/alterations to existing factory	457 Jalan Ahmad Ibrahim	West	Wilmar Distribution Pte. Ltd.	27,410
Single-user factory	Tuas South Avenue 2	West	ST Engineering Marine Ltd	21,540
<b>Multiple-User Factory Developments</b>				
Bulim Square	Bulim Lane 1/2	West	JTC Corporation	157,590
JTC Space @ AMK	Ang Mo Kio Street 64/65	North-East	JTC Corporation	117,230

Source: JTC J-Space, Knight Frank Consultancy

### Rents

As at 4Q2024, the JTC rental indices for both single-user and multiple-user factory types rose by 3.2% and 3.8% y-o-y respectively. According to JTC 4Q2024 data, rents for single-user factory spaces at the 25th percentile, median, and 75th percentile reached S\$17.22, S\$20.65, and S\$26.91 per square metre (psm) per month, respectively. Likewise, rents for multiple-user factory spaces increased to S\$21.52, S\$25.84, and S\$32.29 psm per month respectively for the same corresponding percentile rents.

### Rental Performance of Factory Space by Types



Source: JTC J-Space, Knight Frank Consultancy

Note: JTC rental indices are based on the last quarter of each respective year.

### Outlook

The robust performance of Singapore's manufacturing and construction sectors especially in the second half of 2024 has led to a 3.8% y-o-y increase in the JTC Multiple-User Factory Rental Index, outpacing the 3.5% rise in the JTC All Industrial Rental Index as of 4Q2024 — a reflection of continued demand for factory space from small- to medium-sized industrial users. Looking ahead, demand for semiconductor chips, driven by the rise of AI, is expected to further boost advanced manufacturing. Yet, external challenges such as likely higher tariffs on U.S. imports under the Trump administration could impact global trade and Singapore's manufacturing export performance. Against this backdrop of market uncertainties, it is predicted that factory rents will see modest annual growth of 1% to 3% by the end of 2025. Additionally, factory investment sales activity is expected to increase as financing conditions improve and investors seek opportunities in new or value-added factory properties. Overall, factory prices are anticipated to grow by 3% to 5% in 2025.

**BUSINESS PARK**

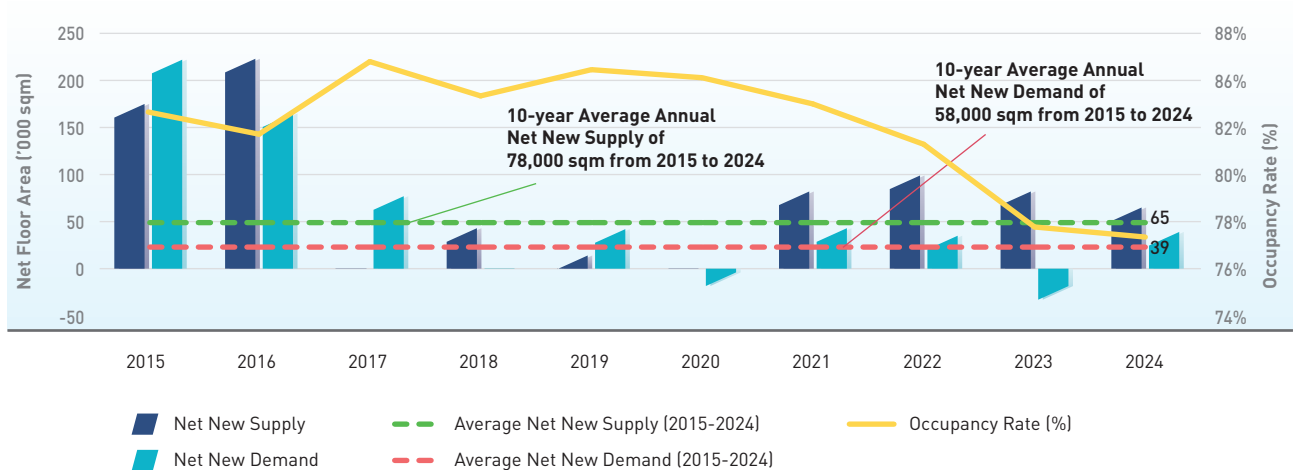
**Stock and Supply**

As at 4Q2024, Singapore’s inventory of business park spaces amounted to 2.5 million sqm, a 2.7% y-o-y increase over the same period the year before. With 55,000 sqm GFA of business park space at PDD being the only new completion during the first three months of 2024, coupled with ongoing AEI to refresh some older developments which are temporarily off the market, net new supply was 65,000 sqm — lower than the 10-year average annual net new supply of 78,000 sqm.

**Demand and Occupancy**

As companies look to right-size business space in efforts to reduce costs and existing occupiers of office spaces choose lease renewals of their existing premises instead of incurring capital expenditure required for relocating, demand for business park spaces have waned, especially older assets located in less accessible locations. As at 4Q2024, the overall occupancy of business park spaces fell to 77.9%, down 0.5 pp y-o-y. While net new demand recovered to positive territory at 39,000 sqm, it remains much lower than the 10-year average of 58,000 sqm — a sign of the pressing need for older business parks to reposition and reinvent their spaces to remain competitive in attracting occupiers.

**Net New Supply, Net New Demand and Average Occupancy of Business Park Space**

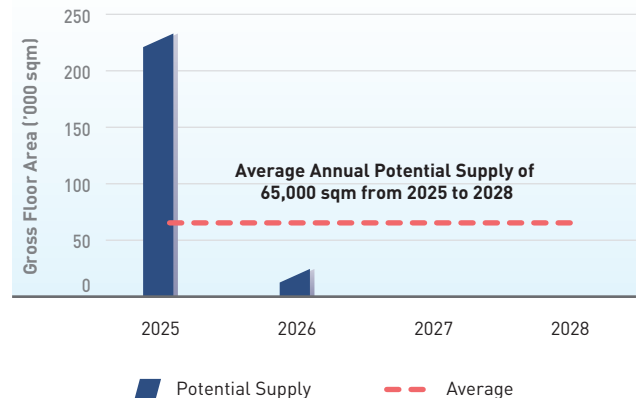


Source: JTC J-Space, Knight Frank Consultancy

**Potential Supply**

According to JTC, only approximately 258,000 sqm of new business park stock is slated for completion in the next two years from 2025 to 2026 with no planned supply expected for 2027 and 2028 yet. In 2025, the remaining 117,980 sqm GFA of business park space at PDD is expected to complete, along with 1 Science Park Drive — an upcoming life sciences and innovation hub at Singapore Science Park I.

**Potential Supply of Business Park Space**



Source: JTC J-Space, Knight Frank Consultancy

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## Upcoming Major Business Park Developments in 2025 and 2026

Name of Development	Location	Planning Region	Name of Developer	Approximate GFA (sqm)	Estimated Year of Completion
Punggol Digital District Phase II	Punggol Way	North-East	JTC Corporation	117,980	2025
Business park development	1 Science Park Drive	Central	CapitaLand Ascendas REIT	112,330	2025
Business park development	27 International Business Park	West	CapitaLand Ascendas REIT	24,650	2026

Source: JTC J-Space, Knight Frank Consultancy

### Rents

Despite the decline in occupancy rates, the business park rental market remained resilient with rents continuing a stable upward trajectory since bottoming out in 2021. As at 4Q2024, the JTC Rental Index for business park grew 1.9% y-o-y. The 25th percentile, median, and 75th percentile rents for business park space were S\$40.95, S\$45.60, and S\$52.74 psm per month respectively as at 4Q2024.

### Rental Performance of Business Park Space



Source: JTC J-Space, Knight Frank Consultancy

Note: JTC rental indices are based on the last quarter of each respective year.

### Outlook

The business park market is facing near-term challenges exacerbated by the rise of hybrid work models and the completion of modern, well-located developments which have shifted occupier demand away from older business parks. As at 4Q2024, centrally located, high-quality business parks remain popular while older, suburban properties are struggling to attract and retain tenants as evident by vacancy rates which are highest in the West (38.4%) followed by the East (29.2%) regions, while the Central region remained stable at 9.7%.

Despite these challenges, ongoing efforts by landlords to revitalise older business park developments and their relatively lower rents compared to office space may entice office tenants to relocate certain backend qualifying functions to business park space to reduce operational costs. Given the limited pipeline supply, occupancy of prime business park spaces in the Central region are expected to remain supported by higher value-add industries that prioritise their workplace connectivity to public transport nodes, proximity to central areas and easy access to amenities to attract and retain talent. With occupiers still focusing on cost and space efficiencies, rents for business park spaces are forecasted to exhibit flat growth or possibly showing marginal uptick by 0.5% to 1% in 2025.

**WAREHOUSE**

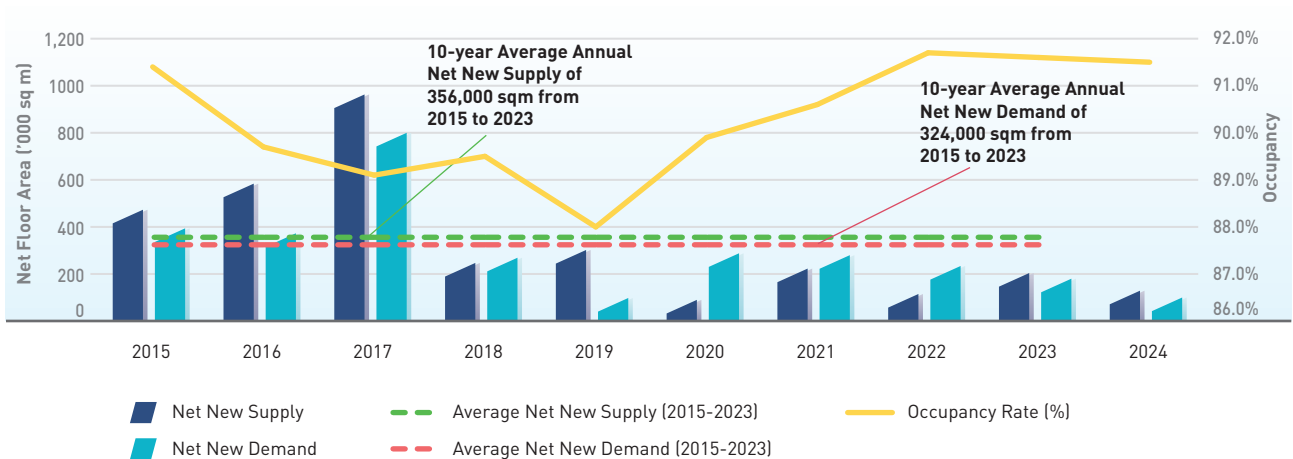
**Stock and Supply**

As at 4Q2024, Singapore has over 11.7 million sqm of warehouse stock, out of which 96.6% (11.3 million sqm) are private stock and the remaining are owned by the public sector. The total available stock represents a 1.1% y-o-y increment from 4Q2023. The net new supply for the whole of 2024 was recorded at 129,000 sqm. New completions in 2024 include LOGOS EHub (119,870 sqm GFA) and 4 Benoi Crescent (64,490 sqm GFA), both of which are located at the western end of Singapore.

**Demand and Occupancy**

The net demand for warehouse spaces as at 4Q2023 was at 100,495 sqm, which represents a 44.2% y-o-y decline from the same period the previous year. This is largely attributed to the surplus space registered in the third quarter, due to consolidation plans by some third-party logistics firms in view of the decline in global demand. Yet, overall warehouse occupancy held strong at 91.5%, as good quality and prime warehouse and logistics assets are still highly sought-after and well-performing in terms of occupancy. Automated and temperature controlled cold-chain warehouses demonstrated continued strong demand, especially since Singapore is the leading biomedical distribution hub in Asia, housing the production plants of multiple large pharmaceutical and biotechnology companies.

**Net New Supply, Net New Demand and Average Occupancy of Warehouse Space**

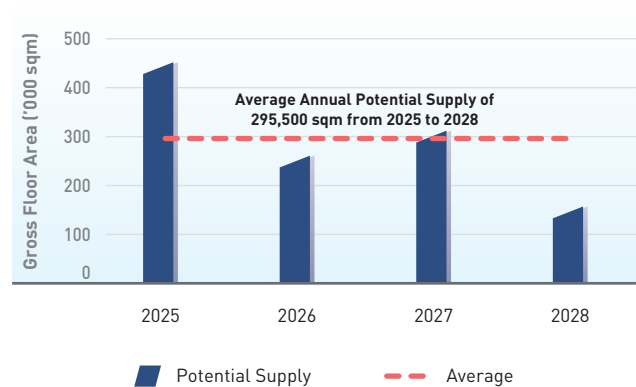


Source: JTC J-Space, Knight Frank Consultancy

**Potential Supply**

An estimated 1.2 million sqm of warehouse is expected to come onboard from 2025 to 2028, which translates to an average of 295,500 sqm per year, moderating from the 10-year average annual net new supply of 356,000 sqm per year. A large proportion of upcoming supply is slated for completion in 2025, comprising mostly projects which experienced construction delays due to the pandemic. This includes World Gateway 2 (105,150 sqm), DSV Pearl (66,990 sqm), a warehouse development by along Benoi Road by Mapletree Logistics Trust (82,380 sqm), and one warehouse along Toh Guan Road East by CapitaLand Ascendas REIT (50,920 sqm).

**Potential Supply of Warehouse Space**



Source: JTC J-Space, Knight Frank Consultancy

# SINGAPORE

## Upcoming Major Warehouse Developments in 2025

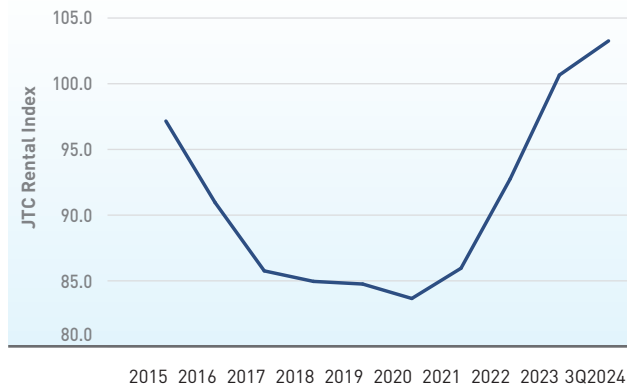
Name of Development	Location	Planning Region	Name of Developer	Approximate GFA (sqm)
Warehouse development	Toh Guan Road East	West	CapitaLand Ascendas REIT	50,920 sqm
Warehouse development	Tuas Road	West	Boustead Trustees Pte Ltd	59,730 sqm
DSV Pearl	Tukang Innovation Drive	West	Logos Pacv SG Propco Pte Ltd	66,990 sqm
Warehouse development	Benoi Road	West	Mapletree Logistics Trust	82,380 sqm
Single-user industrial development	Benoi Sector	West	TL Development (WDG) Pte. Ltd.	105,150 sqm

Source: JTC J-Space. Knight Frank Consultancy

### Rents

In line with the resilient occupancy, the rental index of warehouse space rose 3.5% y-o-y in 4Q2024. The 25th percentile, median and 75th percentile rents for the nationwide warehouse rents were \$18.51 psm per month, \$22.93 psm per month and \$29.06 psm per month respectively, which translated to 7.4%, 1.4%, and 5.9% y-o-y growth.

### Rental Performance of Warehouse Space



Source: JTC J-Space, Knight Frank Consultancy

Note: JTC rental indices are based on the last quarter of each respective year.

### Outlook

Global supply chain pressures have eased in the interim since late 2024, providing relief for logistics players and sustaining demand for warehousing space. This trend could continue from the second half of 2025 as uncertainty on global trade shifts possibly reduces with greater clarity on U.S. trade policy, barring unexpected change in the geopolitical situation and any unforeseen circumstances coming from the U.S. and other major economies.

While the warehouse market has still been relatively resilient, expansionary demand has moderated last year as occupiers prioritised to optimise their existing spaces amid elevated rents, high energy and labour costs and trade policy uncertainty. To enhance the competitiveness of warehouse assets, landlords are actively exploring asset enhancement initiatives or redevelopment opportunities to convert general warehouse facilities into modern prime logistics assets, as the leasing demand for such assets remains high and resilient.

While the warehouse supply pipeline is estimated to be the highest this year, prime logistics supply is projected to peak from late-2025, presenting an opportune time for occupiers to secure prime logistics space with less competitive market conditions this year compared to 2023. It is forecasted that overall warehouse rents will trend on a relatively flatline trajectory with up to 1% growth by end-2025.

### HIGH-SPECIFICATIONS INDUSTRIAL

High-Specifications Industrial spaces comprise both multi-tenanted industrial assets and purpose-built industrial spaces targeting specific needs of occupiers. They generally have better specifications than typical multiple-user factory space, with higher floor loading and building quality, and they are usually located in strategic areas.

#### Stock and Supply

As at 4Q2024, it is estimated that Singapore has approximately 6.3 million sqm GFA of High-Specifications Industrial stock, including data centres. Prominent new completions in 2024 include Polaris @ Woodlands (52,344 sqm), Google's Data Centre (120,070 sqm) along Lok Yang Way and One KA @ Macpherson (18,370 sqm).

#### Demand and Occupancy

The demand for High-Specifications Industrial assets, especially those located with good transport connectivity and accessibility remained attractive among corporations who wish to co-locate their manufacturing activities with their headquarters and operational functions. Flight-to-quality trend continue to be observed amongst tenants, where businesses are opting for high-quality and prime real estate spaces for their expansion plans. Occupancy of these High-Specifications Industrial spaces were relatively stable and resilient, hovering at the 90% range in 2024.

#### Potential Supply

Based on publicly announced information, an estimated total 473,000 sqm of High-Specifications Industrial developments are slated for completion from 2025 to 2028, where the majority are expected to be completed in 2025. Prominent upcoming developments include Bulim Square (157,550 sqm) and JTC Space @ AMK (117,230 sqm), both developed by JTC Corporation.

Name of Development	Location	Planning Region	Name of Developer	Approximate GFA (sqm)
<b>High-Specifications Industrial Developments (Non-Data Centres)</b>				
Bulim Square	Bulim Lane 1/2	West	JTC Corporation	157,550
JTC Space @ AMK	Ang Mo Kio Street 64/65	North-East	JTC Corporation	117,230
Ispring	New Industrial Road	North-East	SB (29NIR) Investment Pte Ltd	9,719
Multiple-user Factory	Lorong Ampas	Central	JVA Whampoa Pte Ltd	8,570
<b>Data Centres</b>				
Amazon Asia-Pacific Resource	Loyang Drive	East	Amazon Asia-Pacific Resource Pte Ltd	8,880
Meta Data Centre	Sunview Way	West	Malkoha Pte Ltd	171,340

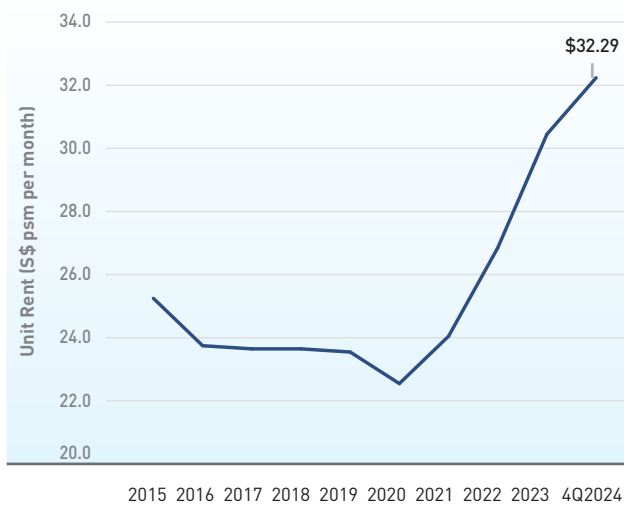
Source: JTC J-Space, Knight Frank Consultancy

# SINGAPORE

## Rents

The 75th percentile monthly rents of multiple-user factory were adopted as the proxy for High-Specifications Industrial spaces. As at 4Q2024, the 75th percentile rent demonstrated continued growth — it stood at S\$32.29 per sqm per month, which translated to 6.0% y-o-y growth from 4Q2023.

### Rental Performance of High-Specifications Industrial Space



Source: JTC J-Space, Knight Frank Consultancy

Note: JTC rental indices are based on the last quarter of each respective year.

## Outlook

Underpinned by Singapore's Manufacturing 2030 vision and the nation's emphasis on advanced manufacturing, the demand for High-Specifications Industrial space is expected to uphold its resilience over the near to medium term, as businesses continue expanding their innovation and production capabilities. High-Specifications Industrial space typically house high-value manufacturers such as technology companies, data centres, precision engineering companies, biomedical firms and other high-value industrialists. With Singapore being at the forefront in these fields and as the advanced manufacturing hub of Southeast Asia, High-Specifications Industrial spaces equipped with build-to-suit specifications and modern facilities will continue to be sought after. With these conditions, the rents for High-Specifications Industrial space are expected to grow 2% to 3% in 2025.

# AUSTRALIA

## ECONOMIC OVERVIEW & OUTLOOK

The global economy is at an inflection point, whereby monetary policy has begun to unwind in several countries, reflecting weaker economic growth and moderating inflation. However, rate cuts for Australia will be delayed since core inflation remains sticky due to elevated services inflation.

Economic growth in Australia remained subdued in the September 2024 quarter, increasing by 0.3%, taking the annual growth rate to just 0.8%. The catalyst behind the subdued levels of economic growth stems from consumer consumption, as higher interest rates and broader cost of living pressures impact consumers' ability to spend. This also reflects the continuing weakness in real household incomes over recent years.

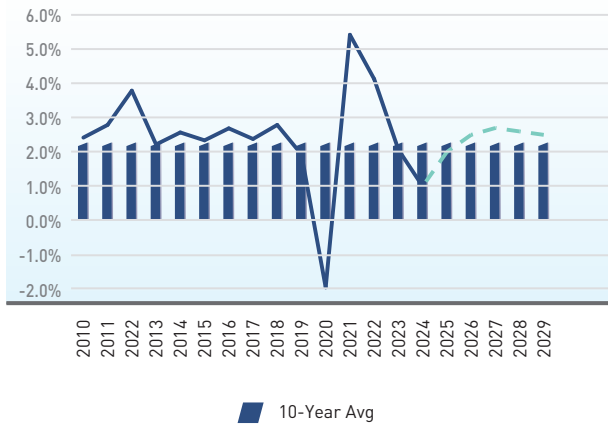
Population growth and the labour market are the two bright spots within the economy. Population growth remains well above historical averages, driven by a surge in net overseas migration. In the year to June 2024

(latest available data), Australia's population grew by over 550,000 persons. Similarly, Australia's unemployment rate remains very low by historical standards relative to its developed economy peers at just 3.9%.

Encouragingly, headline inflation has fallen sharply throughout 2024, currently sitting at 2.8% y-o-y (to September 2024), aided more recently by declines in fuel and electricity prices. In tandem with the expectation that interest rates will be cut in 2025, this will support consumer spending patterns.

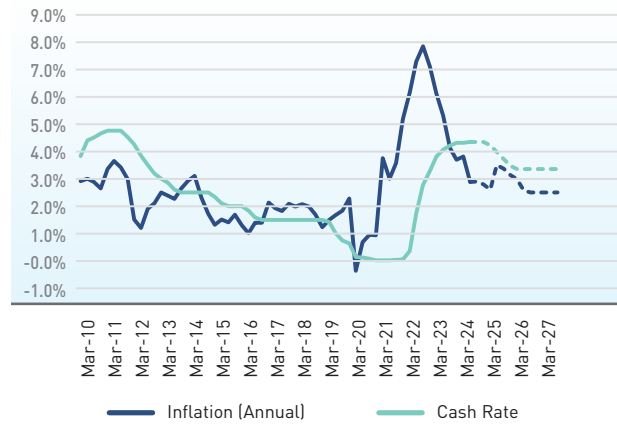
Going forward, economic conditions are expected to improve in 2025, with growth of 2.0% forecast for the year. The improvement will be driven by higher consumption, given real household income growth has turned positive, while Stage 3 tax cuts will continue to flow through to retail spending. Consumer spending/consumption remains integral to the economy, accounting for approximately 50% of economic growth.

Australian Annual Economic Growth



Source: ABS, IMF, Cushman & Wakefield L&I Research

Australian Economic Growth by Country, 2021-2027



Source: ABS, IMF, Cushman & Wakefield L&I Research

# AUSTRALIA

Key trends within the Australian economy are noted as follows:

Gross Domestic Product	The Australian economy recorded subdued levels of growth in 2024, increasing by 0.8% in the year to September 2024 (latest available data), weighed down by weak consumer consumption. GDP growth is forecast to pick up to 2.0% in 2025 and 2.6% in 2026.
Interest Rates & Bond Yields	Following a 425 bps rise in the cash rate since early 2022, the RBA held rates steady in 2024 at 4.35%, representing the third longest duration of the cash rate at its cycle peak. In line with many other global markets, the RBA is expected to pivot to rate cuts in H1 2025 and is forecast to sit at 3.35% by mid-2026. 10-year Government bond yields currently average ~4.30% (December 2024) and are forecast to trend moderately lower to 4.0% by the end of 2025.
Inflation (Consumer Price Index)	Headline inflation has fallen sharply in recent months due to declines in fuel and electricity prices. Headline inflation was 2.8% over the year to September 2024, down from 3.8% over the year to the June quarter. Alternatively, underlying inflation (trimmed mean) remains higher at 3.5% which has been the primary catalyst behind the Reserve Bank of Australia ("RBA") holding rates steady in 2024. The trimmed mean annual inflation rate is forecast to sit at 3.0% by mid-2025 before reaching 2.8% by the end of the year.
Jobs growth	The labour market continues to demonstrate resilience, with the unemployment rate at 3.9% in November 2024, well below the 10-year average of 4.7% and the pre-pandemic 10-year average (2009-2019) of 5.2%. Jobs growth in the 12 months to November 2024 amounted to almost 50,000. The labour market is forecast to remain strong in 2025, albeit modest upward pressure is expected on the unemployment rate, which is forecasted to stand at 4.5% by the end of the year.
Population Growth	Population growth has been a significant bright spot in the Australian economy in recent years as a surge in net overseas migration led to record levels of population growth. In the 12 months to June 2024 (latest available data), population growth totalled 552,000 persons (2.1%), with net overseas migration accounting for just over 80% of this growth. Going forward, population growth is forecast to moderate, given the Federal Government's strategy to pivot away from overseas students and more to workers (overseas students have represented over 50% of net overseas migration since 2022).
Retail Sales	Australian retail sales rose 3.8% year-on-year in October 2024, with a clear upward trend recorded in the second half of 2024. A pick-up in spending has occurred across all categories, even household goods, which is a positive for warehouse demand heading into 2025. Retail spending is expected to increase by 4.2% in 2025.
Wages Growth	Wages growth increased by 3.5% in the year to September 2024 compared to the 10-year annual average of 2.5%. Growth of 4.1% is forecast in 2025 with moderating inflation improving consumer purchasing power.
Consumer Confidence	Following an extended period of weak consumer confidence, a gradual recovery is occurring. The index currently stands at 94.6 (100 is the neutral level), representing a 14.4% rise from the lows recorded in mid-2024.

## Australian Economic Forecasts

	2024	2025	2026	2027	2028
<b>GDP (annual)</b>	<b>0.8%</b>	2.0%	2.6%	2.7%	2.6%
<b>CPI (annual)</b>	<b>2.8%</b>	3.3%	2.5%	2.5%	2.5%
<b>Population Growth (annual)</b>	<b>2.1%</b>	1.3%	1.2%	1.2%	1.3%
<b>Interest Rates</b>	<b>4.35%</b>	3.85%	3.35%	3.35%	3.35%
<b>Unemployment Rate</b>	<b>3.9%</b>	4.5%	4.4%	4.4%	4.4%

Source: Oxford Economics, Westpac, Cushman & Wakefield Research      Forecast dates represent Q4 for each period

## NATIONAL MARKET OVERVIEW

The Australian logistics and industrial (“L&I”) sector recorded significant growth over the past five years, supported by several sector tailwinds that have underpinned demand levels. Notably, this included the rapid uptake of e-commerce brought about by the pandemic (an additional A\$29.0 billion is currently spent online since January 2020), a rebalance of supply chains as occupiers hold more stock locally and the greater take-up of manufacturing demand. As a result, eight years worth of warehouse take-up has been recorded in a four-year period, driving vacancy rates to record lows and rental growth to unprecedented highs.

More recently, a slowing economic environment in 2024 has impacted warehouse demand, particularly from consumer-led sectors such as retail trade and transport and logistics. Ultimately, this has led to the normalisation of warehouse demand as occupiers assess inventory management levels in light of weaker revenue growth, albeit take-up has reset at levels much higher than pre-pandemic. Warehouse availability also remains low and is expected to remain so as supply remains challenged by elevated construction costs and capital constraints from developers.

### Key Sector Drivers

The Australian L&I sector continues to experience several structural tailwinds that are driving the sector’s performance.

#### E-commerce

E-commerce remains a key driver of warehouse demand, and growth continues to be recorded, currently accounting for 13.7% of total retail spending. Despite further growth, Australia remains an under-penetrated e-commerce market with significant upside to growth.

Going forward, the e-commerce penetration rate is forecasted to grow to 16.5% by 2027, resulting in a further approximately A\$17.0 billion in online retail spend.

#### Infrastructure

A significant investment in transport infrastructure is underway or planned across the country, which has and will continue to act as a catalyst for warehouse demand.

Nationally, the transport infrastructure pipeline stands at over A\$300.0 billion, dominated by rail and road infrastructure projects. The East Coast states account for approximately 85% of the national investment.

Beyond improvements in connectivity and supply chain efficiencies, infrastructure projects will boost warehouse demand as the materials and equipment needed to build these projects will flow through a warehouse at some stage.

#### Population Growth

Population growth has increased sharply in response to a surge in net overseas migration. Every new resident creates demand for warehousing through consumption (goods and services), while the materials and infrastructure associated with new housing to support population growth flows through a warehouse at some stage. Our analysis shows that each person generates 4.0 sqm of warehouse demand.

Australia’s population is forecasted to increase by approximately 4.0 million people by 2033, generating additional demand for 16.0 million sqm of logistics space.

#### Supply Chain Volatility

Over the past four years, disruptions in global supply chains have resulted in warehouse occupiers increasing their inventory levels, leading to a sharp uptick in warehouse requirements, particularly from retailers and transport and logistics operators.

Inventory models during the pandemic shifted from “just-in-time” to “just-in-case” as occupiers were forced to hold buffer stock throughout the supply chain. It is estimated that occupiers continue to hold 5-20% more stock than pre-COVID.

While some of this excess stock began to unwind in 2023, disruptions in global supply chains in 2024 forced some occupiers to take a cautious approach to their inventory needs, and inventory holdings have only reduced moderately have yet to be reduced.

Since November 2023, global shipping costs have spiked by over 300% by July 2024, and there have been delays in getting goods into the country as ships are being diverted to other global routes. The catalyst behind higher shipping costs includes the current Red Sea events and Panama Canal drought conditions. More recently, shipping costs have eased from recent highs, yet they remain almost double the pre-pandemic average.

# AUSTRALIA

## Key Market Trends

### Current Occupier Insights

From our regular conversations with national and global occupiers, the following points highlight the four key themes from these discussions.

<b>A. Inventory management rationalisation at an inflection point</b>	<p>For many occupiers, the number one concern throughout 2024 was inventory management. A slowing retail trade environment and continued supply chain volatility underpinned this uncertainty. However, encouragingly, most of the pull-back in inventory needs has run its course, with some occupiers starting to increase stock levels. Similarly, sublease availability has stabilised.</p>
<b>B. Occupancy costs are having impacts</b>	<p>The pace of growth and current level of rents are a concern for some occupiers; however, it varies by sector and city. Given that most leases currently in place were struck three or more years ago, with capped market reviews at options, there has been a significant lag in rental growth for existing facilities. Many occupiers are unaware of the unprecedented growth recorded over the past three years.</p> <p>The impacts of higher rents are most pronounced for lower throughput occupiers who tend to have lower inbound and outbound logistics costs. However, rents, in most cases, still represent less than 10% of total supply chain costs.</p>
<b>C. Locational shift</b>	<p>Partly a reflection of cost, occupiers that can service Sydney from interstate or regional locations are actively looking to do so due to the lack of availability and uncertainty in delivery timeframes for new builds.</p> <p>Markets that are benefiting from this are Melbourne's North and Brisbane. The business case for Melbourne's North stems from the ability to service the Sydney market via a single truck driver shift. Alternatively, Brisbane is seeing examples of tenant migration from Sydney, given the reduction in backload costs on the southern return leg.</p>
<b>D. Labour remains a key issue</b>	<p>Across all sectors, obtaining and retaining staff represents a major challenge for most occupiers, which can and will impact expansion plans and meeting customer needs. Many businesses believe that migration caps could worsen this issue.</p>

### Automation Adoption

While the shift to automation has occurred in various forms over the past two decades, the rate of take-up in recent years has accelerated and reflects a combination of a drive for efficiencies and declining investment costs, which have driven faster returns on investment.

As the cost to implement reduces further, automation adoption will become even more pronounced, particularly in sub-10,000 sqm facilities where, historically, the return on investment has been too low to make the investment feasible. Greenfield markets and those with pre-commitment availability will be the beneficiaries of further investment in automation. Adopting automation in existing facilities is more challenging, given the age profile of stock and limitations in the current design. As a result, the options to implement automation in these locations are largely geared towards mobile or semi-mobile solutions.

Automation adoption is currently being led by the e-commerce/retail trade and food and beverage sectors. Examples include Woolworths at the Moorebank Intermodal Precinct and within the Light Horse Logistics Hub at Eastern Creek, where they are implementing fully automated fulfilment centres, which include high bay automated storage and retrieval systems ("AS/RS"), robotic palletisers and goods to-person order fulfilment. For the retail sector, Amazon remains the market leader where their new fulfilment centre at Kemps Creek includes robotic picker and retrieval systems as well as advanced AI systems.

The high volume of small orders increases the need for fast delivery and efficient management of returns while maintaining product integrity, managing perishable goods, and ensuring compliance with regulatory standards, which is driving take-up for food and beverage occupiers. Automation systems being adopted include AS/RS, conveyor systems, robotics (pick and place robots), automated guided vehicles, and warehouse management systems.

### Multi-level Development

Multi-level warehouses are becoming increasingly prominent in the Sydney market, driven by factors such as limited industrial land, high land values, and the growing demand from e-commerce businesses. These warehouses are designed to maximise space efficiency and cater to the needs of modern logistics and distribution.

Sydney is a land-constrained market and provides challenges for the continued growth of the industrial sector and the ability of the sector to service Australia's most populated city. Land within the M7 ring is becoming known as "infill" as it is under pressure from gentrification and largely developed out. These precincts provide more efficient outbound logistics cost savings for occupiers within their supply chain models and will continue to be sought after by the major logistics occupiers.

Beyond South Sydney, the focus is on precincts along the M5 Motorway, including Milperra and Padstow; however, more recently, the likes of Goodman have proposed plans for multi-level developments in Artarmon, Frenches Forest and Macquarie Park. Further afield, projects are also planned at Rosehill, Lidcombe, Prestons and Huntingwood.

Across Sydney, there is approximately 1.2 million sqm of multi-level warehouse space in the pipeline, approximately 110,000 sqm of which is either complete or under construction. For Melbourne and Brisbane, there are investors exploring the feasibility of multi-level developments; however, at this stage, there is limited supply in the pipeline.

Net face rents for multi-level space averages A\$400-\$450/sqm in South Sydney and A\$310-\$350/sqm in projects along the M5 Motorway. For the projects recently completed in Sydney, construction costs were in the order of A\$3,300-A\$3,500/sqm; however, more recently, construction costs have been closer to A\$2,800-A\$3,000/sqm.

### National Occupier Market Overview

After an unprecedented period of demand, gross warehouse take-up has slowed in 2024, with almost 3.2 million sqm leased for the year. The slowdown in take-up has stemmed from two factors:

- Low vacancy levels limiting the expansion plans of some occupiers.
- The current economic environment as occupiers take a more cautious approach to their long-term real estate strategy.

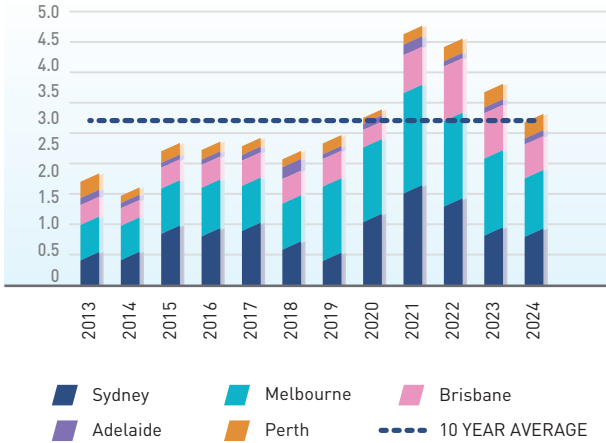
While take-up in 2024 was below the levels recorded between 2021 and 2023, it remains 37% above the pre-pandemic average, highlighting that demand has been reset at higher levels given more pronounced drivers of demand, such as e-commerce.

Melbourne and Sydney have been the most active cities, collectively leasing 67% of the national total in 2024, led by submarkets such as Melbourne West and Sydney Outer West due to speculative supply additions. The demand for warehouse space is being underpinned by the transport and logistics sector which has represented almost 40% of lease deals by GLA in 2024, followed by retail trade (20%) and manufacturing sectors (11%).

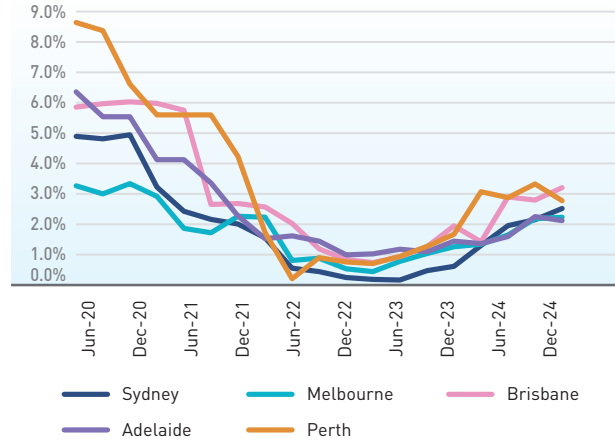
A combination of speculative stock additions and increased sublease availability, the national vacancy rate has edged higher in 2024, finishing the year at 2.5%. Notably, while this is above where it stood in 4Q2023 (1.2%), Australia remains one of the tightest markets globally, with many major markets across the US and Europe recording vacancy rates closer to 7.0%. Similarly, the market equilibrium for the vacancy is estimated at 5.0%, whereby rental growth reverts to long-term averages (approximately 3.0% per annum).

# AUSTRALIA

National Gross Take-Up (sqm — millions)



National Vacancy Rate



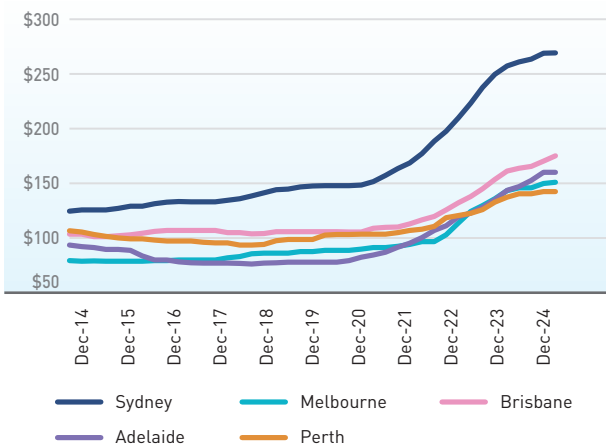
Source: Cushman & Wakefield L&I Research Warehouses above 3,000 sqm GLA

A shortage of stock relative to demand has led to an unprecedented period of rental growth across all markets. Since mid-2021, prime rents have increased by almost 70% nationally, led by the Sydney and Melbourne markets, which both grew in excess of this.

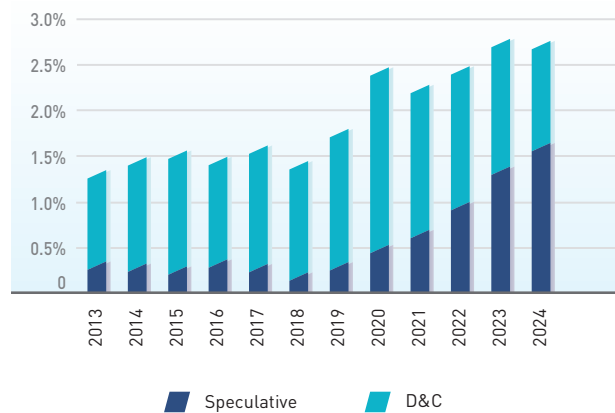
Rental growth in 2024 has eased but continued to outpace historical benchmarks. Instead of all cities following a similar growth trajectory, local market dynamics, especially the supply-demand profile for different types and sizes are exerting more influence. Consequently, the outlook for rental growth varies greatly at a submarket level. For 2024, prime rents grew by 6.4% on average, with Brisbane outperforming and recording growth of 8.7% over the same period.

From a supply perspective, the Australian market saw almost 2.8 million sqm delivered in 2024, 1.7 million sqm of which stemmed from speculative projects, representing a record year of speculative delivery. Supply was driven by the Sydney and Melbourne markets, where both cities saw over 900,000 sqm of new additions for the year. Supply for 2025 is forecast to weaken to 2.5 million sqm, noting that around 1.0 million sqm is speculative. Supply was earmarked to be higher; however, a large number of projects have been paused due to a more cautious approach being taken from capital, while the feasibility of projects continues to be tested by high construction and financing costs.

Prime Net Face Rents by City



National Warehouse Supply by Type (sqm — millions)



Source: Cushman & Wakefield L&I Research Warehouses above 3,000 sqm GLA

**National Capital Markets Overview**

Australia’s L&I Capital Markets recorded substantial improvements in 2024, evident by a large pick-up in investment volumes and buyer appetite. The stabilisation of debt costs since late 2023 was the lynchpin behind this improvement, providing greater clarity on where pricing sits as well as greater liquidity. Capital that sat on the sidelines in 2023 has become much more active, while there were several new market entrants into the sector in 2024, led by capital out of Japan.

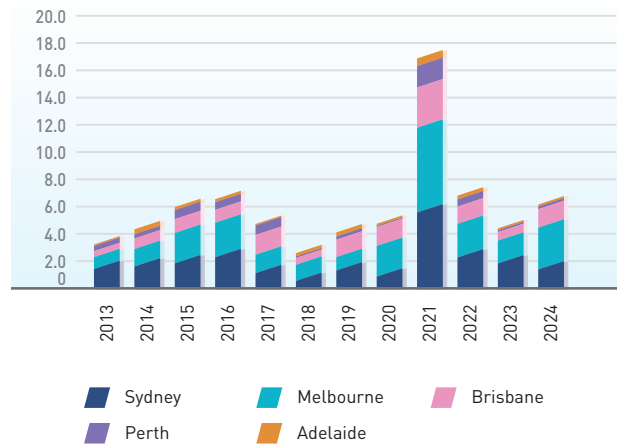
For the year, almost A\$6.9 billion was traded nationally (deals above A\$10 million), representing a 34% increase from 2023. By city, Melbourne was the most active city with A\$3.0 billion trading; however, this was headlined by a handful of significant transactions, including the Austrak Business Park (A\$600.0 million) and the Goodman Portfolio, which was 80% weighted to Melbourne (A\$777.7 billion total portfolio size). Sydney was next with almost A\$2.1 billion trading, followed by Brisbane at A\$1.3 billion.

The buyer profile for the year was underpinned by institutional groups (including super funds), who accounted for 74% of total volumes. Private investors also become much more active, with a key trend being that these investors are now participating in price brackets that institutional groups have historically dominated. The dominant buyers in 2024 were Rest Super, Aware Super, Goodman and KWAP & Hankyu Hanshin Holdings, who collectively acquired 42% of transactions by value.

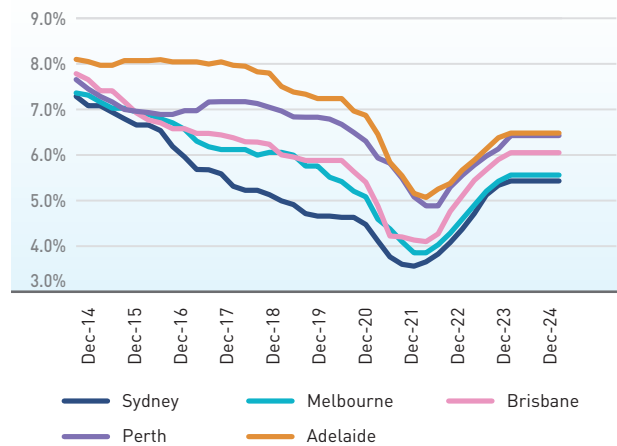
Based on transactions, the average initial yield for the year was 4.82%; however, considering market rents, the core market yield was closer to 5.75%. As per market analysis, prime yields currently average 5.88% nationally, with Sydney remaining the tightest at 5.00% to 5.75%. Following approximately 180 bps of expansion since early 2022, both prime and secondary yields held steady in 2024 and reflects the stabilisation of the cash rate.

Looking to 2025, a more dynamic landscape is anticipated against a backdrop of potential rate cuts. Asset values have been reset, and capital now recognises that there is a window of opportunity in the first six months of the year before a potential yield compression cycle begins. Globally, yields for logistics assets are already compressing in select markets, and Australia is expected to follow suit in mid to late 2025, giving rise to a wide range of risk and return opportunities.

**National L&I Investment Volumes (A\$b)**



**Prime Yields by City**



Source: Cushman & Wakefield L&I Research Deals above A\$10 million

# AUSTRALIA

## SYDNEY

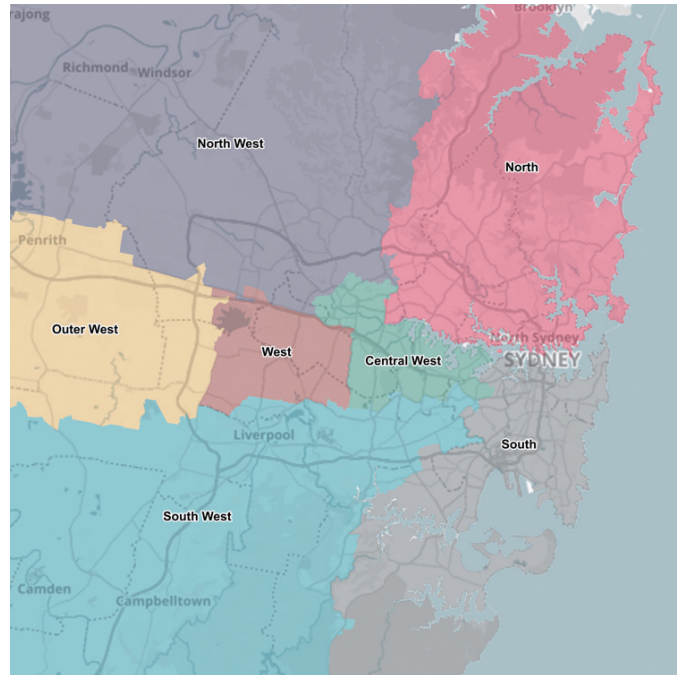
The Sydney logistics and industrial market covers 31.8 million sqm of warehouse space (buildings above 3,000 sqm), making it the second largest market in the country.

Western Sydney represents 84% of the city's stock base, underpinned by the Outer West and Central West submarkets. Western Sydney is the primary location for big box facilities, given land availability and access to key motorways, and as a result, the occupier mix is skewed to transport and logistics, retail trade and manufacturing-based occupiers. More recently, the area has and will continue to benefit from several significant infrastructure projects which has enhanced the area's connectivity to other precincts.

Immediately south of the Sydney CBD exists the South submarket, which sits adjacent to the Sydney Airport and Port Botany and is dominated by logistics, retail and port-related tenants. The area has recorded substantial stock withdrawals for alternative uses in recent decades, which has placed pressure on remaining stock and driven significant upward pressure on rents and land values.

The North submarket is underpinned by the Artarmon, Lane Cove, and Brookvale precincts, which largely comprise smaller facilities to service the surrounding population. The tenant mix includes IT, Pharmaceutical, and High-tech industries, while precincts such as Artarmon are skewed towards the automotive industry.

The following table provides a summary of the key industrial precincts in each submarket.



Outer West	North West	South West	Central West	West	South	North
Eastern Creek	Marsden Park	Moorebank	Chullora	Greystanes	Alexandria	St Leonards
Erskine Park	Huntingwood	Prestons	Rydalmere	Smithfield	Botany	Artarmon
Kemps Creek	Arndell Park	Bankstown	Strathfield	Wetherill Park	Banksmeadow	Lane Cove
	Seven Hills	Ingleburn	Rosehill		Matraville	Brookvale
		Minto				

**Occupier Market**

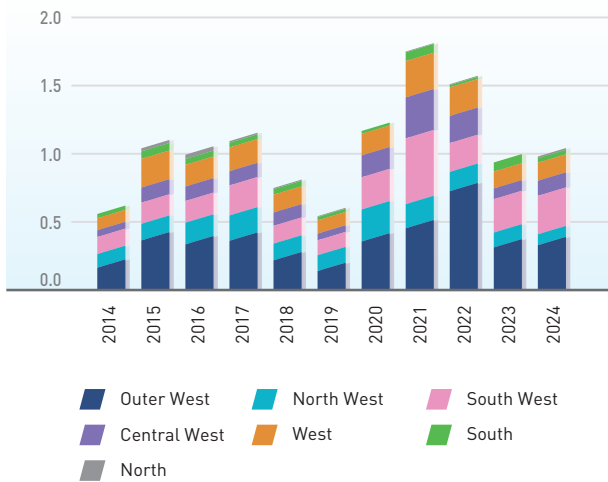
**Leasing Activity**

Sydney remained a buoyant market in 2024; however, some normality returned after three years of unprecedented growth as occupiers grappled with softer economic conditions. Notwithstanding this, take-up levels for 2024 exceeded one million sqm, with almost 240,000 sqm being leased in 4Q2024.

While this level of take-up is below the 2020-2023 annual average of 1.4 million sqm, it remains 31% above the pre-pandemic average as demand has been reset higher, given structural tailwinds.

The average deal size in 2024 was 9,335 sqm, with 72% of deals by number falling within the 3,000-10,000 sqm bracket, which remains the most liquid part of the leasing market. The Outer West and South West submarkets remain the most active markets, collectively accounting for 65% of total space leased during the year. This result was skewed by larger transactions, including Linfox leasing 31,220 sqm at the Oakdale West estate at Kemps Creek and Amazon pre-leasing 60,000 sqm at the Oakdale East estate at Kemps Creek.

**Gross Take-Up (sqm — millions)**



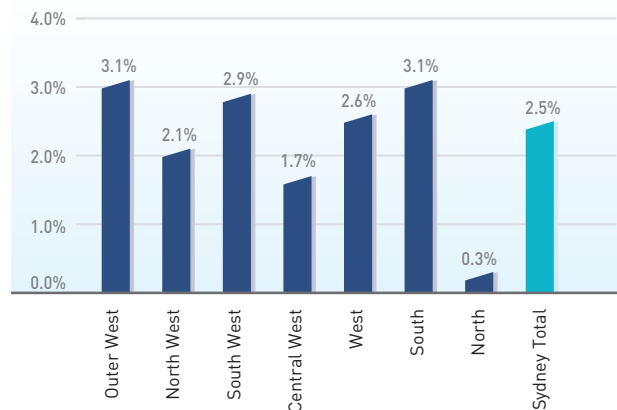
Source: Cushman & Wakefield L&I Research

**Vacancy Rates**

Sydney’s vacancy rate increased to 2.5% in 4Q2024, up from 2.1% in the prior quarter and stems from a combination of speculative supply additions and several backfill leasing opportunities becoming available. Sublease availability has continued to reduce, falling by 7.0% over the quarter; however, it still represents almost 25% of Sydney’s total vacant floor space and includes options in the Outer West, North West and South West.

By size, vacancy rates have become more balanced across size brackets, and following the leasing of some larger options, the 20,000 sqm + bracket is now the tightest at 1.4%.

**4Q2024 Vacancy Rates by Submarket**



Source: Cushman & Wakefield L&I Research

	4Q2023	4Q2024
Outer West	0.4%	<b>3.1%</b>
North West	0.5%	<b>2.1%</b>
South West	1.3%	<b>2.9%</b>
Central West	0.3%	<b>1.7%</b>
West	0.5%	<b>2.6%</b>
South	0.3%	<b>3.1%</b>
North	0.0%	<b>0.3%</b>

Source: Cushman & Wakefield L&I Research

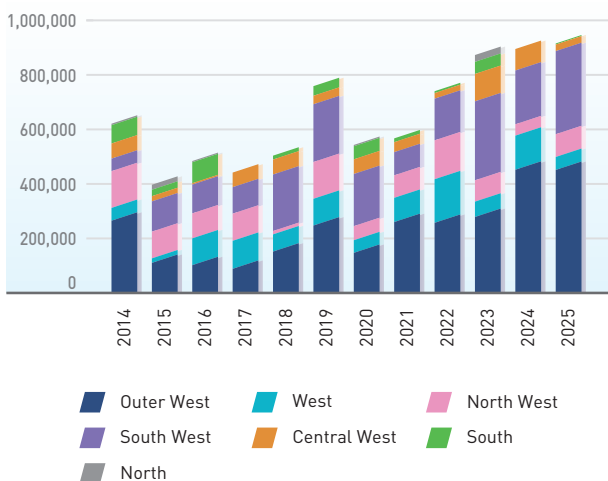
# AUSTRALIA

## Supply

New additions to the market picked up pace in 4Q2024 with approximately 325,000 sqm delivered in the quarter, taking the annual total to just over 920,000 sqm. Major additions in 4Q2024 included DHL's new facility within the Momentum Industrial Estate at Horsley Park (31,720 sqm) and Bevchain's new distribution centre at the Oakdale West estate at Kemps Creek.

For 2025, approximately 300,000 sqm of supply has been pushed or delayed into 2026 as several projects have been put on hold, with the pipeline now at almost 950,000 sqm. Supply is forecast to be most pronounced within the Outer West and South West submarkets, collectively accounting for 83% of new additions for the year. Pre-commitment levels currently average 52%, while they are lower in the South West at approximately 20%.

### Supply by Submarket (sqm)



Source: Cushman & Wakefield L&I Research

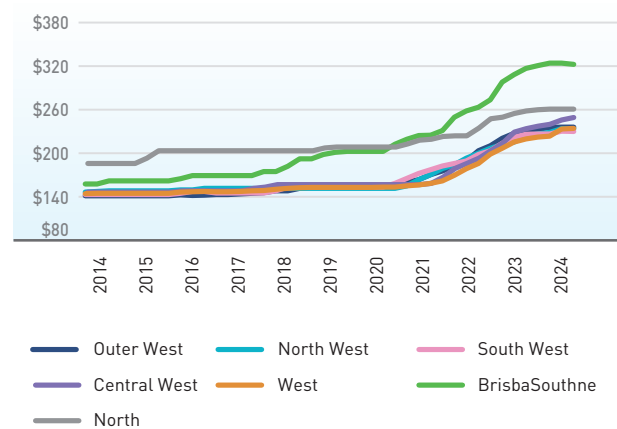
## Rents & Incentives

Rental growth has continued to diverge across precincts as local dynamics around supply play a greater role in influencing rental growth. On average, prime rents remained largely unchanged in 4Q2024 across Sydney, reducing the annual growth rate to around 5.0%.

However, land-constrained markets such as the Central West and West recorded annual growth rates in excess of 9.0%, whereas growth in the Outer West and South West, where supply is primarily concentrated, have recorded growth rates closer to 3.0% for the year.

Institutional landlords continue to be aggressive in their efforts to mitigate vacancies, and an uptick in incentives was recorded in 2024. However, the level of incentive on offer can vary widely depending on the landlord and submarket. Broadly, incentives range between 10.0% and 15.0%, while select pre-commitment incentives have been closer to 20.0%.

### Prime Net Face Rents by Submarket (A\$/sqm)



Source: Cushman & Wakefield L&I Research

### Rents Rates by Submarket — 4Q2024

	A\$/sqm p.a.	12-month change	Average Incentive
Outer West	\$248	3.1%	15.0%
North West	\$244	6.2%	12.5%
South West	\$239	2.6%	12.5%
Central West	\$267	9.0%	13.5%
West	\$245	9.5%	11.0%
South	\$373	2.2%	11.5%
North	\$284	1.3%	5.0%

Source: Cushman & Wakefield L&I Research

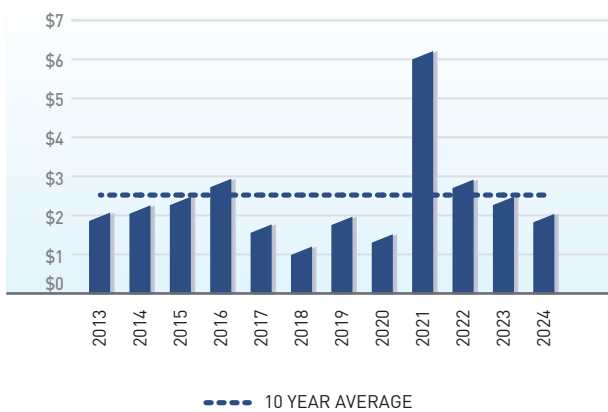
**Investment Market**

**Volumes**

Investment volumes in Sydney totalled just over A\$2.0 billion in 2024, representing an 18% reduction from the levels recorded in 2023. The reduction in volumes reflects stock remaining tightly held and Sydney continues to be the hardest market to buy into, made more difficult by foreign owner land tax changes in Melbourne.

The largest transaction stemmed from assets within the ADIA Portfolio recapitalisation, which included the Prestons Logistics Estate and the Marsden Park Logistics Estate. The largest single trades included Goodman acquiring the Sir Joseph Banks Business Park at Botany from Dexus (A\$166.3 million) and Gateway Capital purchasing 2-34 Davidson Street, Chullora from Fife Capital for A\$115.0 million.

**Investment Volumes (A\$B)**

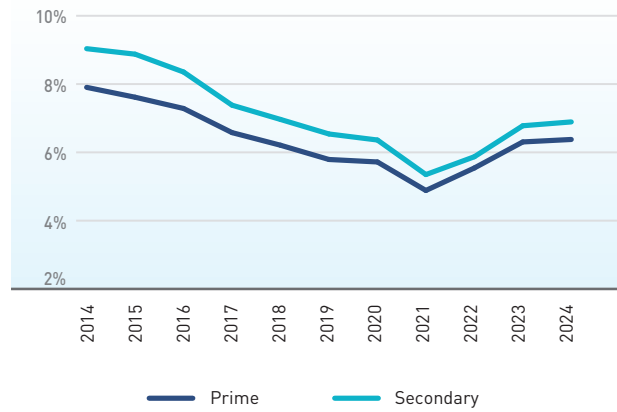


Source: Cushman & Wakefield L&I Research

**Yields**

Recent deal evidence has continued to support the stabilisation of yields, holding firm throughout 2024. Initial yields for the assets that traded in 4Q2024 averaged sub 5.00%, while core market yields were closer to 5.50% – 6.00%. As per market analysis, prime core market yields range between 5.15% and 5.90%, while secondary core market yields range between 5.75% and 6.50%.

**Yields by Grade**



Source: Cushman & Wakefield L&I Research

**Outlook**

Leasing demand is expected to remain patchy in the first half of 2025 as weaker consumer spending impacts the expansion plans of some occupiers. However, there are green shoots emerging in the economy that will support an improvement in demand in 2025.

The vacancy rate is expected to rise over the next six months, averaging between 3.0%-3.5% by mid-2025.

Rental growth in the order of 4.3% is expected over the next 12 months; however, select markets are forecast to record growth in excess of 5.0% and reflects more subdued levels of supply.

Supply beyond 2024 remains challenged by elevated construction costs and developer capital constraints. This is expected to result in projects instead proceeding as pre-lease options rather than speculative.

Sydney remains a highly land-constrained market, which will maintain pressure on land values over the medium to long term. This has been highlighted over the past two years, with values holding steady despite softening yields.

Over the short term, potential rate cuts and moderating bond yields highlight the value upside for capital markets. Forecasts suggest that the RBA may begin its rate easing cycle in 1H2025, which, alongside declining government bond yields (projected at approximately 3.50% for the 10-year yield by 4Q2025) and increased market participation, is expected to drive yield compression from mid to late 2025.

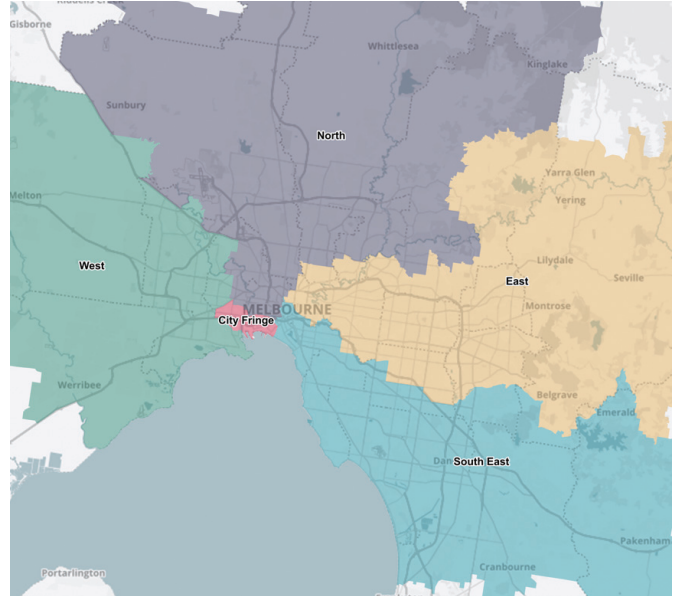
# AUSTRALIA

## MELBOURNE

Melbourne is Australia's largest industrial market, providing 39.1 million sqm of warehouse stock (buildings above 3,000 sqm). Melbourne has been the most active market nationally for both supply and take-up, reflecting higher levels of land availability and more affordable rents compared to the Sydney market, which has encouraged larger retailers to establish their national distribution centre(s) in the city.

Melbourne's West is the largest market in the city (14.3 million sqm) and has captured a large share of the city's big box demand in recent years, which, as a consequence, has rapidly reduced the submarket's land stocks. The occupier mix in the submarket is heavily weighted towards transport and logistics and retail trade occupiers, given its proximity to the Port of Melbourne. The North submarket has recorded spillover demand from the West while it has benefited more recently from Sydney-based occupiers relocating to Melbourne.

The South East was traditionally the key industrial sub in Melbourne, led by a large manufacturing presence in precincts such as Dandenong South. The area is highly sought after, given access to a large residential catchment, providing benefits from a distribution to customer perspective and access to labour. The challenge in this precinct is land availability, with less than 200 hectares remaining across the core South East market. This has more recently directed pre-commitment demand in more periphery precincts such as Cranbourne West and Pakenham.



The following table provides a summary of the key industrial locations in each submarket.

Outer West	North West	South West	Central West	West	South	North
Eastern Creek	Marsden Park	Moorebank	Chullora	Greystanes	Alexandria	St Leonards
Erskine Park	Huntingwood	Prestons	Rydalmere	Smithfield	Botany	Artarmon
Kemps Creek	Arndell Park	Bankstown	Strathfield	Wetherill Park	Banksmeadow	Lane Cove
	Seven Hills	Ingleburn	Rosehill		Matraville	Brookvale
		Minto				

**Occupier Market**

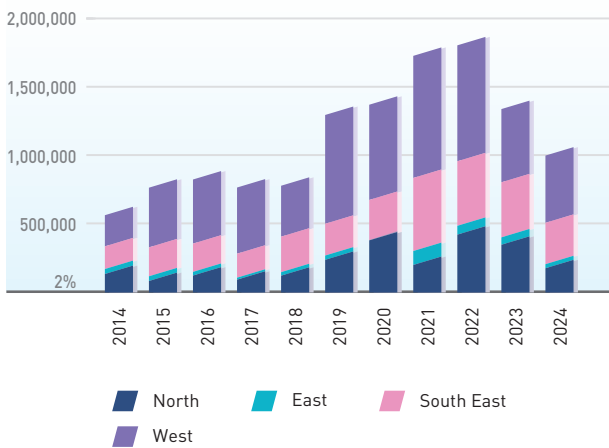
**Leasing Activity**

Following a subdued first half of the year, deal activity within the leasing market improved in the second half of 2024, particularly in 4Q2024, where approximately 320,000 sqm was leased. This represented the highest quarterly total since 3Q2023 and takes the 2024 annual total to almost 1.1 million sqm. Despite the recent improvement, annual take-up volumes in Melbourne for 2024 were the weakest since 2018 and reflects economic headwinds as weak consumer consumption impacted occupier expansion plans.

Deal activity in the West submarket underpinned take-up levels in 2024 (490,307 sqm), while the South East submarket saw healthy take-up levels of approximately 300,000 sqm. Pre-lease activity was subdued by recent standards, accounting for just 10% of total leasing volumes for the year. However, rising incentives in select markets, led by the West, are expected to support pre-lease activity in 2025 as tenants take advantage of more favourable leasing metrics.

The larger end of the leasing market saw the most significant pullback in demand, with just 35% of lease deals (by number) occurring in facilities above 10,000 sqm, compared to the 2020-2023 average of 49%. Despite patchier demand, the transport and logistics sector still dominated take-up levels in 2024 at 45% of deals by GLA, followed by wholesale trade (23%) and retail trade (13%).

**Gross Take-Up (sqm)**



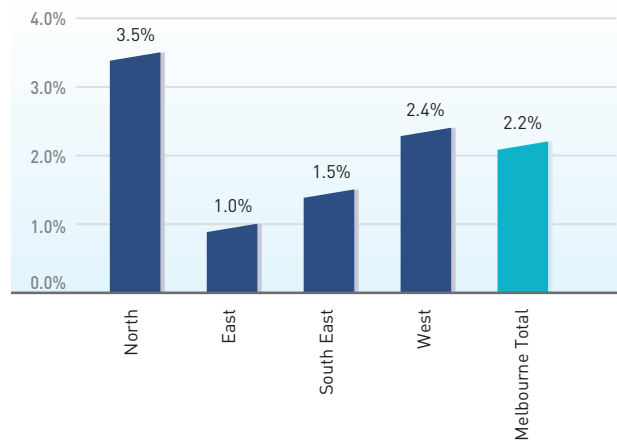
Source: Cushman & Wakefield L&I Research

**Vacancy Rates**

Melbourne’s vacancy rate remained moderately unchanged in 4Q2024, sitting at 2.2%, compared to 2.1% in the quarter prior. The vacancy rate was forecast to move higher in 4Q2024; however, the delivery of a handful of speculative projects have been pushed into 2025.

The North submarket recorded the largest uptick in vacancy in the last quarter, increasing from 2.4% in 3Q2024 to its current 3.5% and was underpinned by speculative completions, which now represent almost 40% of available floorspace in the submarket. Alternatively, the West vacancy rate was reduced given the leasing of several existing facilities. The South East and East markets remain the tightest, aided by subdued levels of supply.

**4Q2024 Vacancy Rates by Submarket**



Source: Cushman & Wakefield L&I Research

	4Q2023	4Q2024
North	0.8%	<b>3.5%</b>
East	0.7%	<b>1.0%</b>
South East	1.2%	<b>1.5%</b>
West	1.6%	<b>2.4%</b>
Melbourne Average	1.2%	<b>2.2%</b>

Source: Cushman & Wakefield L&I Research

# AUSTRALIA

## Supply

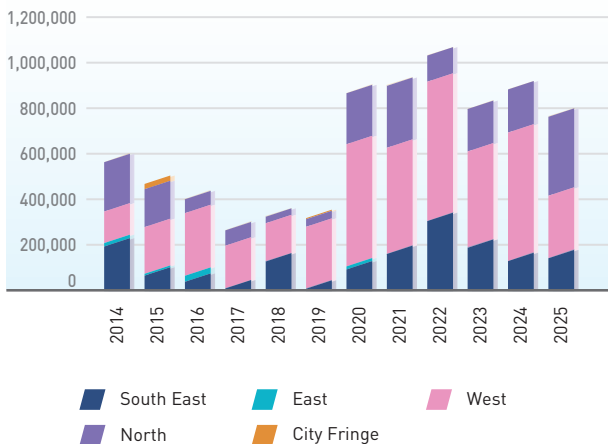
Supply additions amounted to just over 430,000 sqm across Melbourne in 4Q2024, taking the annual supply total to 920,000 sqm. Speculative supply accounted for approximately 65% of new supply, well above the 2020 – 2023 annual average of 41%.

For the year, Melbourne’s West saw approximately 560,000 sqm enter the market, led more recently by the completion of Super Retail Group’s 65,000 sqm facility within Goodman’s RBR Hub and ESR’s Cherry Lane estate (26,289 sqm). Supply in the South East was at its lowest level since 2020 with just over 165,000 being delivered, while the North recorded the balance at almost 190,000 sqm.

Looking ahead to 2025, supply is forecast to be more subdued with approximately 800,000 sqm to be delivered, noting that 209,000 sqm of this stems from Amazon’s fulfillment centre at Craigieburn. This level of supply is the lowest annual total since 2019.

Melbourne’s West will see the largest fall from recent averages and will be underpinned by ESR’s Troups Road Logistics Estate (82,445 sqm) and Aliro’s 427-451 Sommerville Road, Tottenham facilities (Stage 2 and 3 – 71,490 sqm). Supply in the South East includes facilities within ESR’s Greenlink and Enterprise Industry Park estates, while the North submarket will be driven by Cabot’s North Melbourne Logistics Hub at Campbellfield (55,913 sqm).

## Supply by Submarket (sqm)



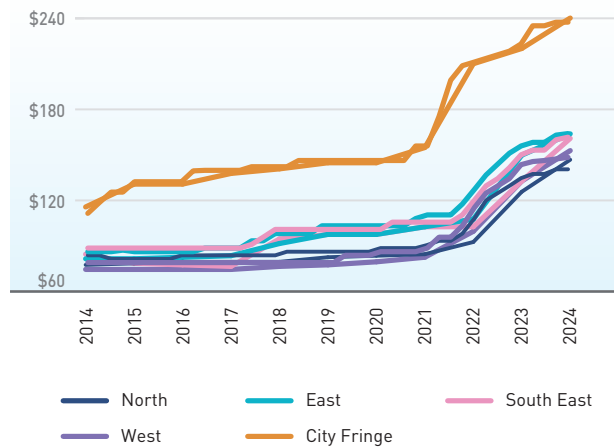
Source: Cushman & Wakefield L&I Research

## Rents & Incentives

Modest rental growth was recorded in Melbourne during 4Q2024; however, it was largely concentrated in select precincts. Prime rents grew by 0.7% for the quarter, taking the 2024 growth rate to 5.4%. Rental growth for the year was substantially higher in the South East at 8.1% and reflects more limited leasing options.

Incentives continue to play a greater role in rental negotiations as owners compete aggressively to fill vacant space. This trend is most pronounced in the West submarket where deals have been done with incentives in the mid to high 20.0% range. More broadly, incentives average 18.0% across both prime and secondary grades.

## Prime Net Face Rents by Submarket (A\$/sqm)



Source: Cushman & Wakefield L&I Research

## Rents Rates by Submarket — 4Q2024

	A\$/sqm p.a.	12-month change	Average Incentive
North	\$139	0.0%	17.5%
East	\$164	5.5%	17.5%
South East	\$161	8.1%	17.5%
West	\$147	3.6%	20.4%

Source: Cushman & Wakefield L&I Research

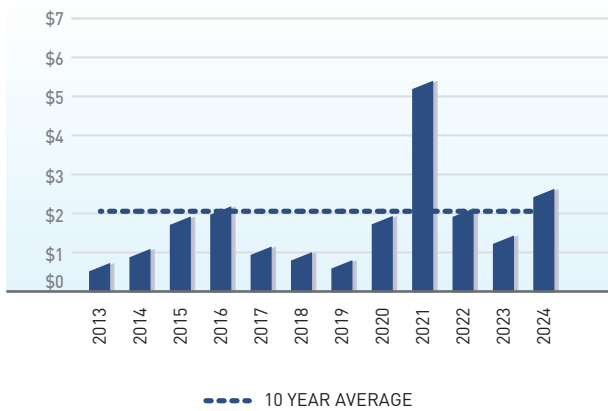
**Investment Market**

**Volumes**

Despite the impacts of the doubling of the foreign owners’ land tax surcharge in Victoria, the city remained the most active state in 2024 with over A\$3.0 billion in trading, well eclipsing the A\$1.7 billion that traded in 2023. However, transaction volumes were underpinned by several significant acquisitions, including portfolio trades and recapitalisations that skewed the numbers, most of which were acquired by domestic capital. Alternatively, appetite from offshore capital has waned given the above mentioned tax changes.

Major trades for the year include Aware Super acquiring the Austrak Business Park at Somerton for A\$600.0 million from GPT and a private. The estate included stabilised assets, an under construction intermodal terminal and 33.5 hectares of undeveloped land. Other major trades include assets as part of the Goodman Portfolio (A\$777.7 million total portfolio value), which was 80% skewed to Melbourne (by value).

**Investment Volumes (A\$B)**

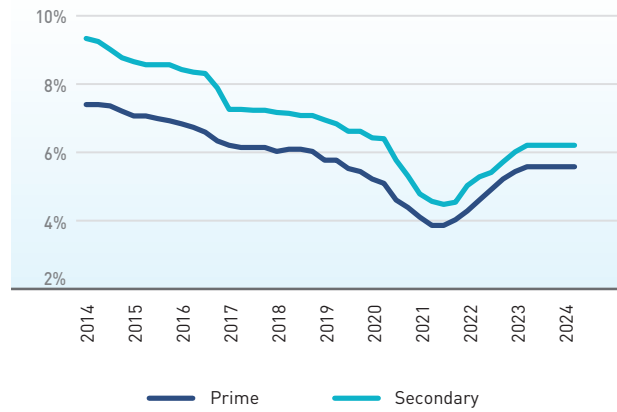


Source: Cushman & Wakefield L&I Research

**Yields**

Given recent sales evidence, yields across both prime and secondary grades held steady for the fourth consecutive quarter. As per market analysis, prime yields on a core market yield basis range between 5.25% and 6.00%, while secondary yields range between 6.00% and 6.50%.

**Yields by Grade**



Source: Cushman & Wakefield L&I Research

**Outlook**

A further improvement in take-up is expected over the next six months, supported by further speculative developments that will come online in 1H2025. Given higher competition for tenants, higher incentives are likely, which will encourage activity from tenants. More broadly, Melbourne continues to record enquiry from Sydney based occupiers given the large rental disparity; however, this will remain a case-by-case theme.

Over the next six months, the vacancy rate is forecast to move higher as a result of speculative supply in the pipeline. At this stage, vacancy rate is estimated to reach 2.8% — 3.2% by the end of 2Q2025.

Rental growth is expected to diverge further by precinct. Historically, rents in South East Melbourne were at a 15% premium to Melbourne’s West; however, this has since narrowed to 9.0%. We expect this gap to widen over the next 12 months as rental growth outperforms in the South East.

The base case scenario projects that the RBA will begin the rate easing cycle in 1H2025, which, in tandem with falling government bond yields (approximately 3.50% 10-year yield by 4Q2025) and greater market participation, is forecast to drive yield compression from mid to late 2025.

Market participation will likely remain challenged from offshore capital given the impacts of the foreign owner surcharge. However, this is expected to be somewhat offset by domestic capital sources including superannuation funds and private investors.

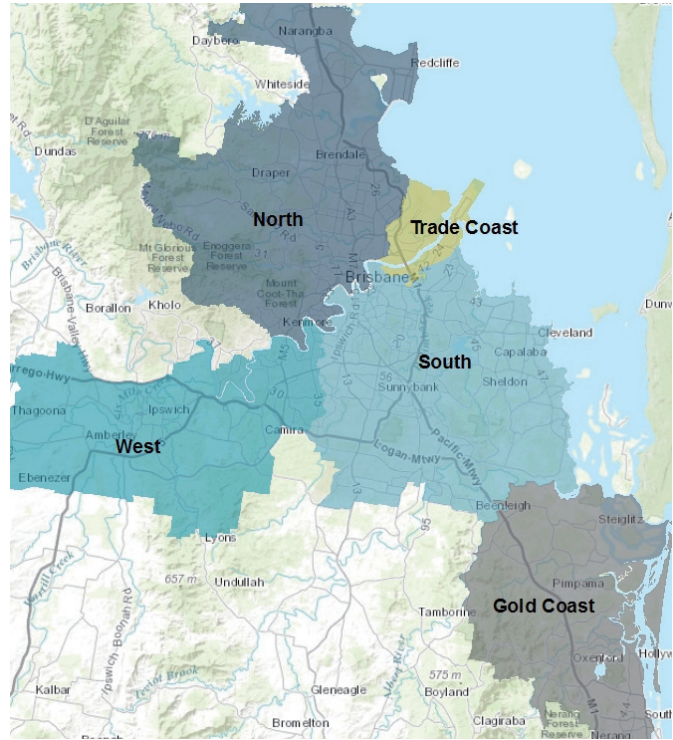
# AUSTRALIA

## BRISBANE

The Brisbane industrial market currently provides 16.1 million sqm of warehouse space (facilities above 3,000 sqm), while being a smaller city when compared to Sydney and Melbourne, there is a large amount of stock that is sized below this range.

The Trade Coast provides direct access to Brisbane Airport and the Port of Brisbane and, in conjunction with its proximity to the Brisbane CBD, is the most valued industrial precinct in the city. This connectivity has supported strong demand from transport and logistics providers. Land supply is extremely tight in the precinct, most of which stems from Brisbane Airport or the Port of Brisbane. The North submarket benefits from the proximity to the Trade Coast and captures spillover demand, while the tenancy mix is led by population-driven occupiers looking to service the North Brisbane market.

The South submarket is the largest in the city (5.4 million sqm) and has benefited substantially in recent years from improved connectivity through transport infrastructure completions. The area has attracted big box users given land supply and benefits from its ability to service both the Brisbane and Gold Coast markets. This theme also rings true for the M1 Corridor/Gold Coast submarket. The West submarket sits the furthest away from the CBD and represents a large share of Brisbane's vacant land stocks, led by precincts such as Bundamba and Swanbank.



The following table provides a summary of the key industrial locations in each submarket.

Trade Coast	North	South	West	M1 Corridor/Gold Coast
Eagle Farm	Brendale	Acacia Ridge	Darra	Yatala
Pinkenba	Geebung	Berrinba	Wacol	Stapylton
Lytton	Zillmere	Parkinson	Bundamba	Ormeau
Murarie		Crestmead	Redbank	

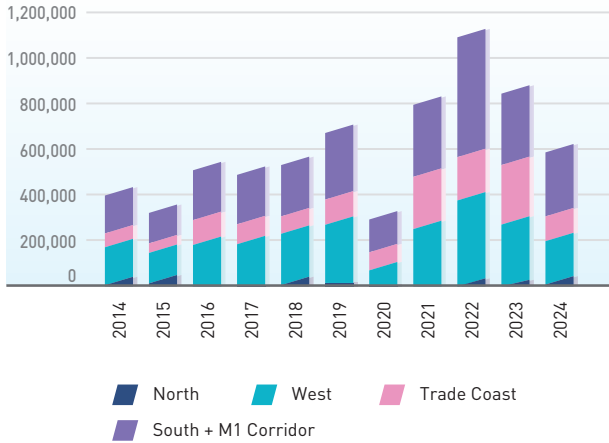
**Occupier Market**

**Leasing Activity**

Leasing demand remained buoyant across Brisbane in 4Q2024 with almost 170,000 sqm of gross take-up recorded. On an annual basis, this takes 2024 take-up to approximately 620,000 sqm, and while this is below the levels recorded in recent years, it remains well above the pre-pandemic average of 430,000 sqm per annum. Deal activity was led by the 3,000 – 10,000 sqm size bracket with 77% of deals by number being in this range, while pre-lease activity fell sharply during the year (9% of deals by number).

Demand continues to be skewed towards the transport and logistics sector, while demand from the construction and manufacturing sectors has increased given the pipeline of private and public sector works. More broadly, enquiry out of the Sydney market remains a thematic. The Trade Coast and South submarkets were the most active in 2024, collectively accounting for 70% of floorspace leased during the period.

**Gross Take-Up (sqm)**

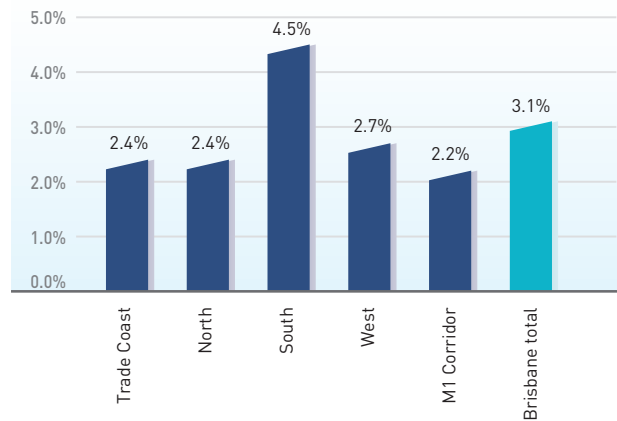


Source: Cushman & Wakefield L&I Research

**Vacancy Rates**

The Brisbane L&I vacancy rate recorded a modest uptick in 4Q2024, averaging 3.1% across the city, up from 2.7% in the prior quarter. Despite having the highest take-up levels in the quarter, the South submarket continues to record the highest vacancy, accounting for almost half of current availability, albeit it remains skewed by a handful of larger facilities above 15,000 sqm. The Trade Coast remains tight at 2.4%; however, vacancy levels rose off the back of some sublease additions, while the North vacancy rate remains on par, which is underpinning their rental outperformance.

**4Q2024 Vacancy Rates by Submarket**



Source: Cushman & Wakefield L&I Research

	4Q2023	4Q2024
Trade Coast	0.5%	<b>2.4%</b>
North	0.2%	<b>2.4%</b>
South	4.4%	<b>4.5%</b>
West	1.3%	<b>2.7%</b>
M1 Corridor	0.3%	<b>2.2%</b>
Brisbane Average	1.9%	<b>3.1%</b>

Source: Cushman & Wakefield L&I Research

# AUSTRALIA

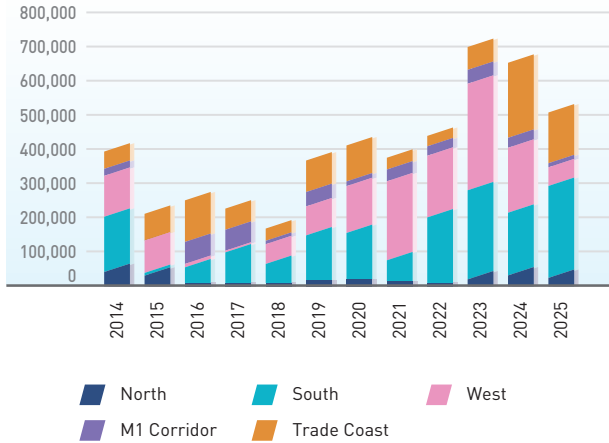
## Supply

Warehouse completions this quarter have totalled just over 272,000 sqm, taking the 2024 pipeline to approximately 675,000 sqm. Speculative supply represented 39% of the 2024 supply pipeline, led by additions within the South and Trade Coast submarkets.

Supply for the year was strongest in the Trade Coast at almost 220,000 sqm, underpinned by several major pre-leased facilities, including Visy, Aramex and Electrolux distribution centres. Supply was evenly spread between the South and West submarkets (approximately 185,000 sqm respectively).

Following a two-year upswing in supply, the pipeline is forecast to weaken in 2025 with approximately 530,000 sqm due for delivery. Major projects include Australia Post's new facility at Brisbane Airport and Bridgestone at the Port West Industrial Estate, while speculative supply will be underpinned by warehouse 5 at ESR's Acacia Ridge Business Park.

### Supply by Submarket (sqm)



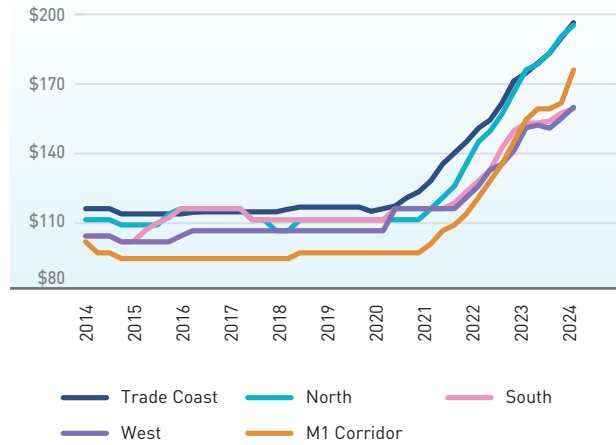
Source: Cushman & Wakefield L&I Research

## Rents & Incentives

The pace of rental growth in the Brisbane market continues to exceed national benchmarks with prime rents growing by 3.9% in 4Q2024, taking average prime rents to A\$179/sqm net face. Over the year, 9.9% prime rental growth has been recorded in Brisbane, and a number of submarkets, including the Trade Coast, North and the M1 Corridor, have recorded growth in excess of 11.0%. By comparison, the national prime average for 2024 was 6.4%.

Incentives recorded a modest uptick over the quarter and broadly range between 5.0% and 15.0%.

### Prime Net Face Rents by Submarket (A\$/sqm)



Source: Cushman & Wakefield L&I Research

### Rents Rates by Submarket — 4Q2024

	A\$/sqm p.a.	12-month change	Average Incentive
Trade Coast	\$199	12.9%	8.6%
North	\$198	11.3%	9.9%
South	\$160	4.2%	11.0%
West	\$161	6.0%	11.9%
M1 Corridor	\$168	8.1%	10.0%

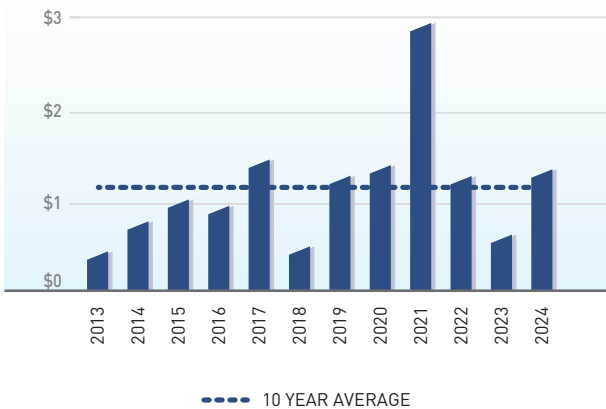
Source: Cushman & Wakefield L&I Research

**Investment Market**

**Volumes**

Following a subdued 2023, investment volumes in Brisbane jumped to over A\$1.3 billion in 2024, which is above the 10-year annual average of A\$1.1 billion. The increased level of activity was headlined by three trades above A\$100 million, collectively totalling A\$476.3 million and includes a private acquiring the Gold Coast Logistics Hub for A\$200.0 million. Other acquisitions include Hale acquiring a cold storage fund-through asset on the Trade Coast for A\$105.3 million from Fife Capital, while Irongate acquired two assets in the North from ISPT for a collective total of A\$140.8 million.

**Investment Volumes (A\$B)**

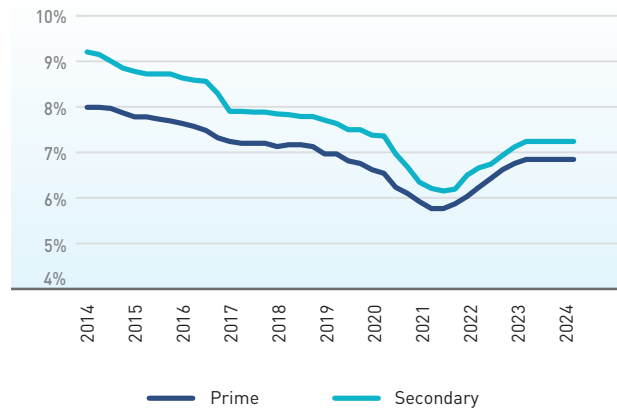


Source: Cushman & Wakefield L&I Research

**Yields**

Following approximately 200 bps of yield expansion since early 2022, L&I yields in Brisbane have continued to hold firm in 2024. Based on transactions in 4Q2024, the average initial yield was approximately 5.50%, while the core market yield was closer to 6.00%, which is broadly where our prime core market yield range sits (5.75% to 6.50%). The secondary yield range is higher at 6.25% to 7.00%.

**Yields by Grade**



Source: Cushman & Wakefield L&I Research

**Outlook**

While leasing demand has softened from the record highs of the past two years, it has reset at levels higher than pre-pandemic averages. Consumer headwinds, given cost of living pressures, have resulted in more modest levels of enquiry from the e-commerce and transport and logistics sectors; however, this is being partly offset by solid manufacturing and construction-related demand.

Vacancy rates are expected to head towards 3.5% by mid-2025 off the back of backfill options becoming available. Notably, this includes Mapletree’s 44 Stradbroke Street, Healthwood (55,773 sqm), which will become available in 2Q2025.

Supply for 2025 remains challenged by elevated construction costs and developer capital constraints. As a result, a considerable number of projects that were earmarked for 2025 have instead been paused, with the largest impacts being recorded for speculative developments.

Rental growth is forecast to ease in 2024, averaging 4.1% across Brisbane. However, much like 2024, select submarkets and precincts are expected to see growth in excess of 5.0% for the year.

The base case scenario is for the RBA to begin the rate easing cycle in 1H2025, which, in tandem with falling government bond yields (approximately 3.50% 10-year yield by 4Q2025) and greater market participation, is forecast to drive yield compression from mid to late 2025.

# JAPAN

## MACRO ECONOMY IN JAPAN

### Japan Economic Overview

Japan's economy continues to recover moderately, although some weaknesses remain. Overseas economies have grown moderately overall. Exports and industrial production have been relatively flat. However, corporate profits are on an improving trend, and business sentiment remains favourable. As a result, business fixed investment is on a moderate upward trend.

The employment and income situation has improved moderately. Firms plan to continue increasing wages. On the price front, the y-o-y rate of increase in the consumer price index ("CPI") has been around 3% recently. This is due to higher import prices linked to the Japanese yen's depreciation and moderate increases in service prices. These increases reflect factors such as wage hikes and the scaling back of government measures to reduce household energy costs. However, the increase in consumer prices has largely been driven by the previous rise in import prices.

Real income and consumption remain weak due to persistent inflation. The Bank of Japan ("BOJ") anticipates inflation stabilising at 2%, but this expectation could be disrupted by ongoing Japanese yen weakness or an insufficient pass-through of wage increases to prices. Maintaining a balance between wage growth, inflation, and currency values is crucial for Japan's economy.

The BOJ raised its policy rate by 0.25 percentage points to 0.5% at its meeting on 24 January 2025. This decision was based on the BOJ's expectation of strong wage settlements this year, comparable to those in 2024, and its belief that medium- to long-term inflation expectations will rise as the virtuous cycle between wages and prices continues to intensify. According to the report released by Oxford Economics ("OE") following this meeting, OE expects that the BOJ will hike the rate again to 0.75% in July 2025, after the outcome of the Spring Wage Negotiation is confirmed, especially for small firms. OE also expects the BOJ to end rate hikes upon reaching 1% sometime in the spring or summer of 2026.

### GDP and CPI

The Japanese economy is gradually recovering, mainly driven by strong domestic demand. This recovery is supported by robust corporate investment, growing inbound demand, and a rebound in semiconductor demand. However, rising labour and logistics costs may lead to inflation, which could potentially restrain consumer spending. Risks include overseas economic

slowdowns, supply constraints from labour shortages, U.S.-China trade tensions, and geopolitical risks. By 2025, it's expected that the domestically driven recovery will continue, but worsening overseas conditions could impact the domestic economy. A key factor for the future outlook is how wage increases from spring labour negotiations will influence personal consumption. According to OE, the annual growth rate of real GDP in 2024 is projected to be -0.16%; however, it is expected to rebound in 2025 with an increase of 1.2%.

According to the BOJ, firms have indicated they will continue to raise wages steadily, following solid increases last year. As wages continue to rise, underlying CPI inflation is gradually approaching 2%. For fiscal 2025, CPI inflation is expected to be around 2.5% due to higher import prices from Japanese yen depreciation. However, real income and consumption are expected to remain sluggish as inflation persists at about 3% due to supply-side factors, including Japanese yen depreciation effects. While the BOJ anticipates inflation will stabilise at 2%, a weaker Japanese yen could impede this process. If the pass-through of wage increases to prices fails to gain momentum, inflation might stabilise below 2%. This situation presents a complex economic landscape where wage growth, inflation, and currency fluctuations are interacting to shape Japan's economic outlook.

### Manufacturing Industry

Japan's manufacturing industry, particularly the automotive sector, accounts for about 20% of the country's GDP and serves as a key economic driver. However, from late 2023 into early 2024, production slowed due to irregularities in the automotive sector, leading to a stagnant industrial production index. Despite this, the IT cycle and electronic components inventory are showing signs of recovery. Exports and production in the corporate sector are expected to improve, driven by increased global demand for IT-related goods as international economies experience moderate growth.

To mitigate supply chain risks, the Japanese government is providing subsidies to promote domestic investments in sectors like semiconductors and electric vehicles and to enhance local production capabilities. OE predicts a -2.6% industrial production index for 2024 compared to the previous year but anticipates a gradual upward trend starting in 2025. The growth of the manufacturing sector is expected to boost the logistics market, increasing the transportation of raw materials and semi-products as well as the demand for storage.

**LOGISTICS MARKET ENVIRONMENT IN JAPAN**

**Modern Logistics Facilities**

Prior to the introduction of modern logistics facilities in early 2000s, traditional warehouses were the only choice of venue for storage and distribution in Japan. They were mostly owner-occupied and leasing opportunities were scarce, especially in suburban regions. However, tenants are increasingly attracted to modern logistics facilities over conventional facilities, as modern logistics facilities offer a variety of advantages, including: (i) leasing opportunities, (ii) multi-purpose uses of facilities with high specifications, (iii) adequate seismic standards in construction for business continuity plans, and (iv) inclusion of amenities and good working environments.

As at 4Q2024, the total supply of modern logistics facilities in Japan is 41.6 million sqm, with the majority concentrated in the Greater Tokyo, Greater Osaka, Greater Nagoya, and Greater Fukuoka regions. These four areas account for approximately 58% of the total modern logistics facilities supply, distributed as follows: 64% in Greater Tokyo, 19% in Greater Osaka, 8% in Greater Nagoya, and 4% in Greater Fukuoka. Currently, only 18% of the total logistics facilities supply in Japan consists of modern logistics facilities, indicating potential for future expansion. It is expected that the demand for logistics facilities has been continuously expanding, supported by the buoyant E-commerce (“EC”) market and third-party logistics (“3PL”) sector.

Older logistics facilities often struggle to meet the needs of tenants who require high-frequency deliveries and advanced distribution processing. As a result, there is a growing demand for modern logistics facilities that feature larger single-floor areas, sufficient power supply, and the ability to accommodate automation and robotics. High-Specifications logistics spaces, such as those with ramps,

expansive floor areas, and ample electrical capacity, are in high demand. In contrast, facilities offering lift access, mezzanines with multiple uses, or those lacking amenities are less desirable. Consequently, this trend is driving increased demand for updated and modern logistics facilities.

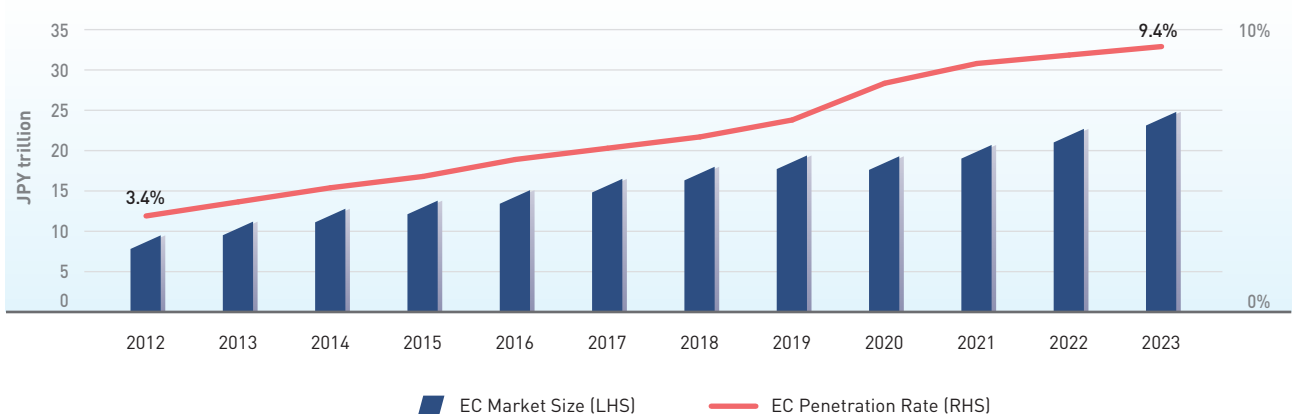
**Key Drivers of Demand**

**E-commerce (“EC”)**

The EC market has been expanding, with an increasing number of people shopping online and many retailers adapting to the changing demands and strengthening their EC strategies. This trend is expected to increase EC penetration rate in the market going forward. In general, EC firms require large-scale logistics facilities to store and manage the large amounts of inventory in order to respond to online orders from across Japan. The sales of the Business to Consumers (“B2C”) EC industry have grown significantly from 2012 to 2023, with a Compound Annual Growth Rate of 9.1%, reaching a value of approximately JPY24.8 trillion. EC has been continuously boosting the demand for modern logistics facilities, mainly driven by the expansion of product and services sale. As a result, the sales of B2C EC in 2023 have increased by 9.2% y-o-y.

Although the EC market share in Japan has been expanding, the EC rate in Japan, 9.1%, is still lower than that of other countries such as the U.S., UK, and China, with an EC penetration rate of 15%-30%, which indicates high growth potential for the EC market in Japan. The continuous expansion of EC has been driving the demand for modern logistics facilities, particularly large-scale facilities. Therefore, the growth of the EC market is expected to lead to increased demand for modern logistics facilities.

**B2C E-Commerce Market**



Source: Ministry of Economy, Trade and Industry.

# JAPAN

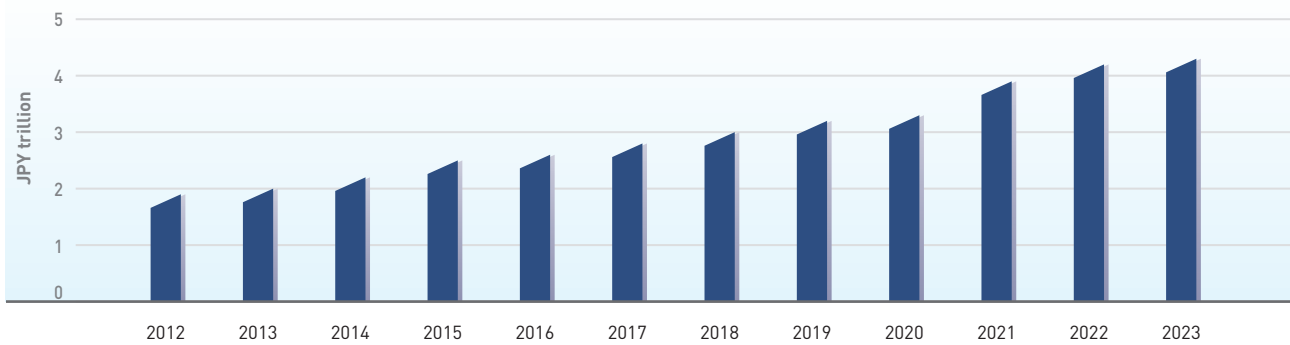
## Third-Party Logistics (“3PL”)

As retailers and manufacturing firms are under pressure to reduce costs and invest more capital into their core businesses, the outsourcing of logistical operations to 3PL companies has been growing in popularity. They also tend to have higher building specification requirements, such as heavier floor loads and taller ceiling heights, which are compatible with various inventory types. In addition, due to rising logistics costs such as truck freight, labour costs, and fuel costs, 3PL companies’ sales have grown with an increase of 4.2% y-o-y in 2023, 2.3 times as much as the one compared from 2012.

The logistics real estate market has experienced increased demand due to the expansion of the EC market and is

expected to continue to grow. However, the rise in logistics operating costs has become a concern for many firms. To address this, companies are increasingly adopting more efficient operational strategies, including the use of automation and labour-saving equipment. Investment in material handling equipment has been growing alongside the expansion of EC and 3PL markets. This will enable the logistics industry to operate in a more efficient and innovative manner. Outdated logistics facilities often face challenges in fully utilising material handling equipment due to limitations such as a shortage of electric power sources, insufficient ceiling height, and floor load capacity. Thus, there is further demand for modern logistics facilities that can accommodate advanced material handling equipment.

## 3PL Sales



Source: Ministry of Economy, Trade and Industry

## Rising Operational Costs in the Logistics Sector

The structural shifts in the retail industry, driven by the popularity of convenience and drugstores and the expansion of EC, have resulted in an increase in deliveries and higher costs, particularly labour costs. This is due in part to an aging workforce, frequent delivery schedules, and a reduced ability to attract truck drivers from other sectors. The EC boom has intensified demand for truck drivers, creating a shortage and raising truck freight rates. As labour costs are expected to rise, logistics companies are reevaluating facility locations and adopting efficient strategies, such as consolidating facilities and relocating to support high-frequency deliveries.

Companies are increasingly installing automated systems, which require modern, large-floor facilities that older centres lack. New regulations in Japan aim to improve truck driver conditions by capping overtime and enforcing rest periods, potentially affecting truck transport supply. Companies are dispersing logistics inventories regionally, situating facilities within three hours of delivery points.

They are investing in technology like automation and reservation systems to enhance efficiency and improve driver conditions. Collaborative deliveries are emerging, though many companies are slow to adopt such measures.

Currently, many manufacturing companies, many of which have their own logistic facilities, are outsourcing their logistics operations to 3PL providers, and addressing rising costs has become a challenge. The future logistics real estate market is expected to be significantly influenced by the cost management strategies and logistics strategy revisions of manufacturing companies. Having relied on 3PL for many years, it remains uncertain whether each company will be able to make appropriate decisions. However, if the trend toward leasing logistics facilities increases, the demand for modern logistics facilities in regional areas may also grow.

**GREATER TOKYO**

The Greater Tokyo area has a population of approximately 39 million people, which is about 32% of Japan’s national population, and serves as the economic centre of Japan.

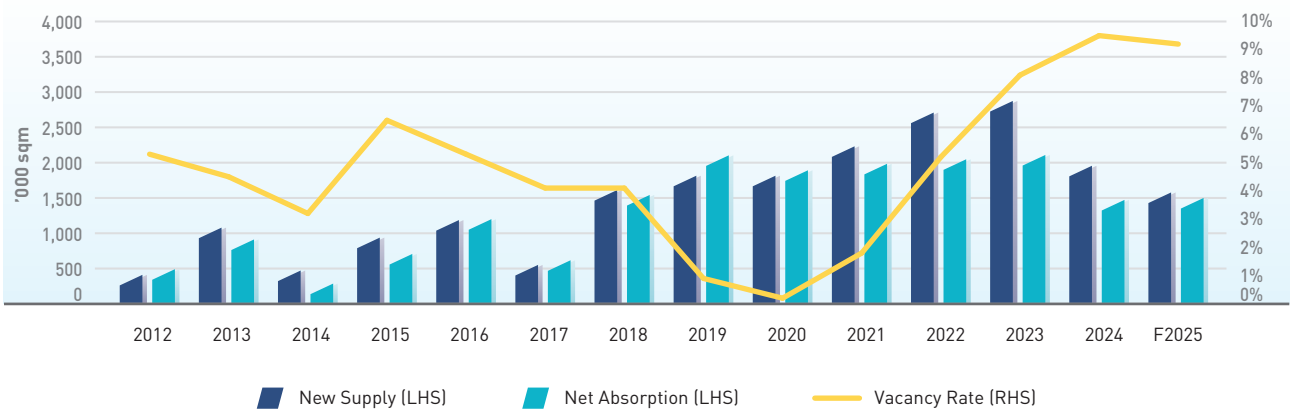
In 2024, the supply of new modern logistics facilities was approximately 1.6 million sqm, which was less than the past 10-year average of 1.7 million sqm. Among these, the National Route 16 area had the highest supply. Due to longer lease-up periods across the entire Greater Tokyo area, the vacancy rate reached 9.5%. In 2025, a significant supply increase is expected in the Kanagawa Bay Area, totalling 0.5 million sqm, which is about 3.4 times the past 10-year average of 0.14 million sqm for that area. Consequently, the vacancy rate in the Kanagawa Bay Area is expected to rise.

Tenant demand in Greater Tokyo remains strong, particularly from EC and 3PL companies. Previously,

new properties would be almost fully occupied within a year of completion, but now in areas like Kuki, Kazo, and Tsukuba along the Ken-O Expressway, parts of Ibaraki Prefecture, it can take up to two years for some properties to reach full occupancy. From a comprehensive logistics cost perspective, considering factors like transportation efficiency and cost, demand has decreased outside the Ken-O Expressway, with higher demand for properties closer to consumer hubs. The increase in transportation costs is driving higher demand for logistics facilities near the city centre, while logistics facilities located in more peripheral areas, with longer transportation distances, are experiencing extended vacancy periods.

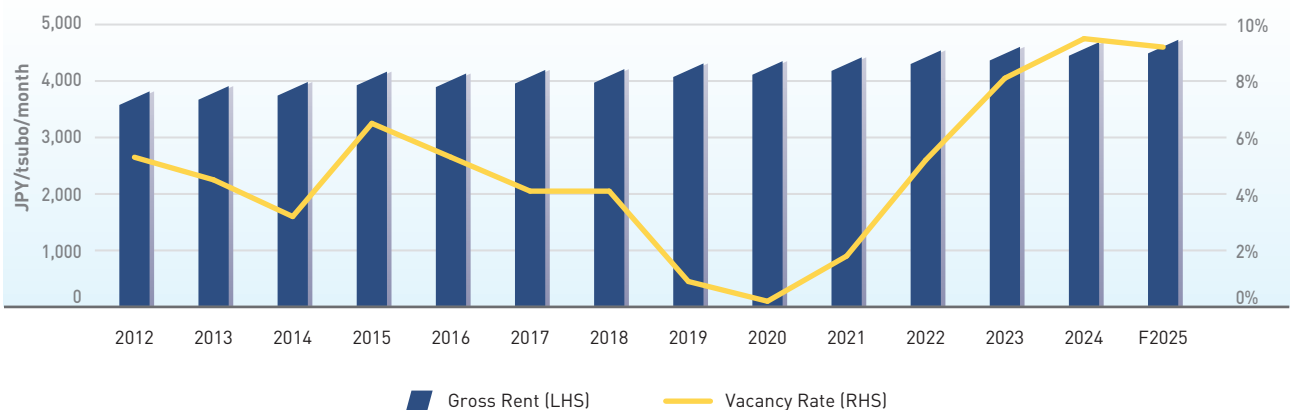
With continued robust demand growth and rising construction costs, a gradual increase in rental rates is expected. However, due to persistently high vacancy rates, there is a possibility of rental declines in some inland areas along the Ken-O Expressway.

**Greater Tokyo — New Supply, Net Absorption and Vacancy Rate**



Source: JLL

**Greater Tokyo — Rent and Vacancy Rate**



Source: JLL

# JAPAN

## GREATER OSAKA

The Greater Osaka area is the second-largest metropolitan area in Japan and has a population of approximately 19 million people, which is about 16% of Japan’s national population.

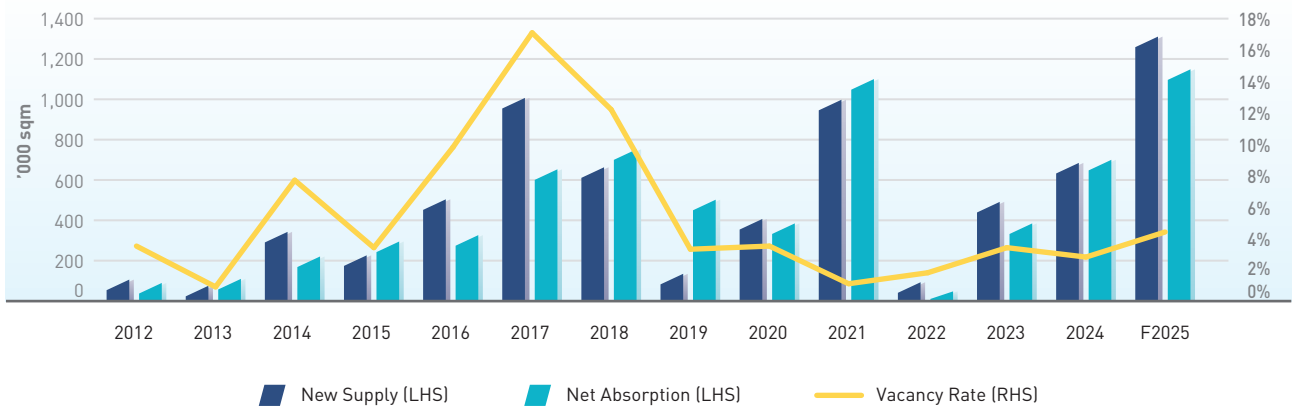
In 2024, the supply of new modern logistics facilities was about 0.7 million sqm, which was more than the past 10 years’ average of 0.5 million sqm. In Inland Osaka area, large logistics facilities such as GLPALFALINK Ibaraki 1 have been supplied, and in the Osaka Bay area, facilities like DPL Osaka Maishima have been supplied. As a result, the overall vacancy rate in Greater Osaka has increased. However, supported by strong demand, the vacancy rate at the end of 2024 stood at 2.8%. The trend of new supply being more abundant in Osaka’s inland area is expected to continue through 2025.

For tenant demands, Greater Osaka is seeing not only demand from EC companies like Amazon but also considerable demand from manufacturers and logistics companies. The trend of rising rental levels continues,

as high rents for newly constructed properties push up overall rent levels, while rents for existing properties also gradually increase, following the trend of newly constructed properties. Reflecting the increase in rental rates, the price per unit of logistics facilities in Greater Osaka is also experiencing upward trends. Infrastructure development, such as highways, is progressing in the Osaka area, stimulating demand as large properties with good accessibility are being completed.

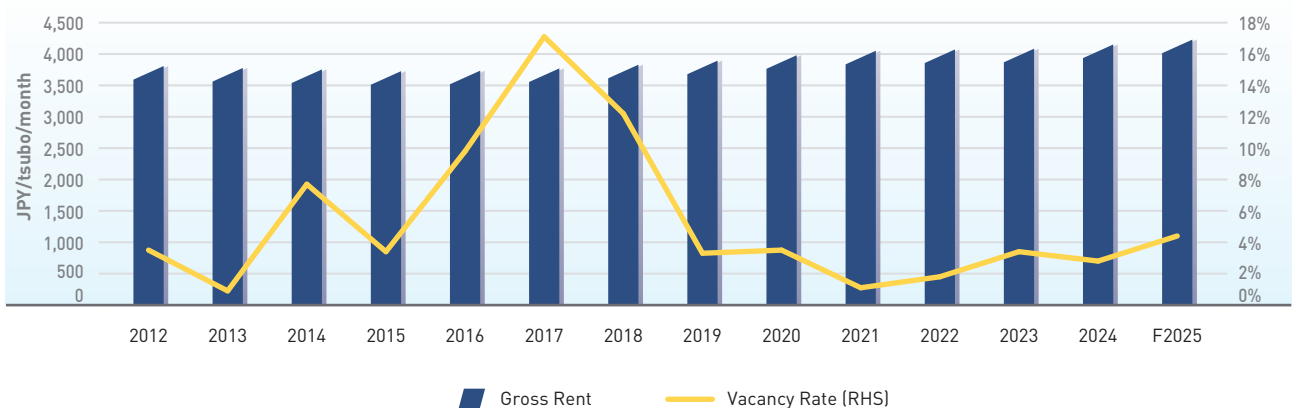
In 2025, the vacancy rate in Greater Osaka is projected to rise to around 4.4% due to an increase in new supply, particularly in the Inland Osaka area. However, properties with competitive advantages in location, building specifications, and rent are seeing strong leasing activity even before completion and are expected to achieve high occupancy rates once completed. Similar to Greater Tokyo, it is expected that the rising construction costs will lead to continued rent increases for new logistics facilities, and rents for existing properties are anticipated to rise as well, driven by the new constructions.

### Greater Osaka — New Supply, Net Absorption and Vacancy Rate



Source: JLL

### Greater Osaka — Rent and Vacancy Rate



Source: JLL

**GREATER NAGOYA**

The Greater Nagoya area has a population of approximately 11 million people, which is about 9% of Japan’s national population. It is located in the central part of Japan and serves as a key hub for the movement of both people and goods, connecting Greater Tokyo, Greater Osaka, and Hokuriku to the north of Greater Nagoya. It is known for its manufacturing industry, particularly the automotive industry centered around Toyota Motor Corporation.

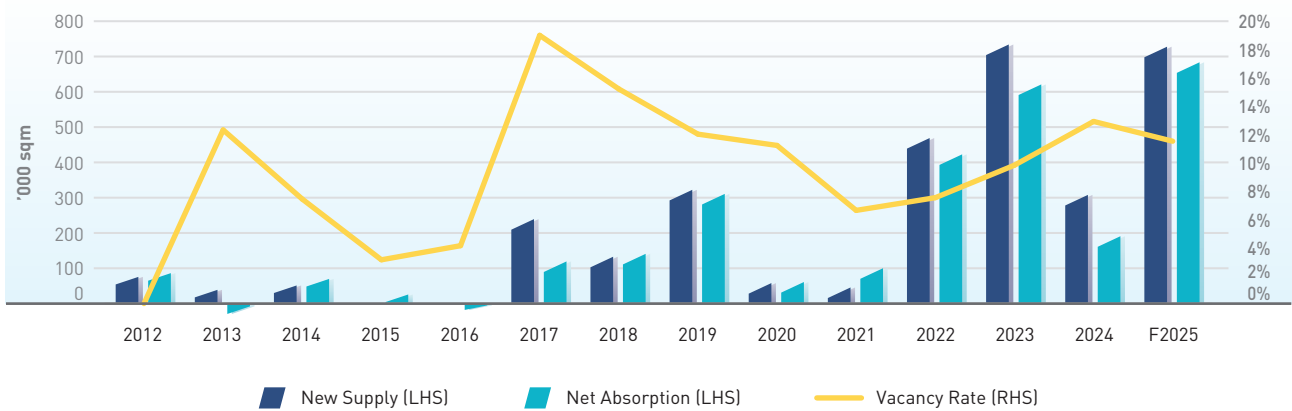
The Greater Nagoya logistics market is small and sensitive to new supply. Improved accessibility from expressway openings, Ise-Wangan Expressway and Shin-Meishin Expressway, has increased demand for logistics facilities, expanding from the Inland Area to the Bay Area.

In 2024, the supply of new modern logistics facilities is set to be 0.3 million sqm, slightly above the past 10 years’ average of 0.2 million sqm. This is expected to increase the

vacancy rate, reaching 12.9% by the end of 2024. In 2025, new supply is projected to be 0.7 million sqm, more than three times the past 10 years’ average and the highest on record, with the vacancy rate predicted to be 11.5% by year-end 2025. Rental levels for new properties are higher than existing properties due to increasing land prices and construction costs, contributing to an overall increase in rents in Greater Nagoya.

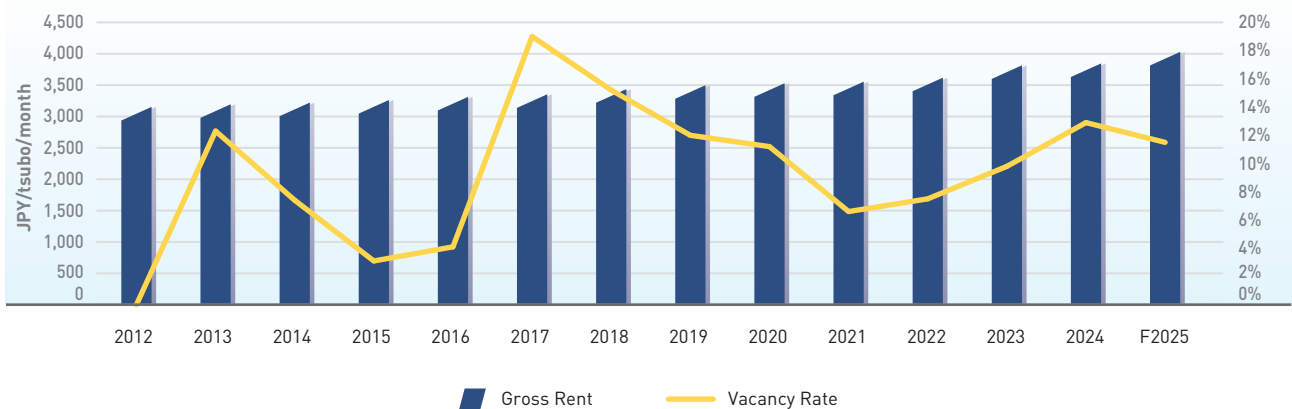
In Aichi, there is a steady demand related to the automotive industry. While manufacturers mostly rely on their own warehouses, the future of the logistics real estate market is expected to be significantly influenced by the cost management strategies and logistics strategy revisions of manufacturing companies. Since these companies have long depended on 3PL services, it is uncertain whether they can make appropriate decisions. However, if the trend towards leasing logistics facilities continues, the demand for such facilities in regional areas may also increase.

**Greater Nagoya — New Supply, Net Absorption and Vacancy Rate**



Source: JLL

**Greater Osaka — Rent and Vacancy Rate**



Source: JLL

# JAPAN

## GREATER FUKUOKA

The Greater Fukuoka area has a population of approximately 6 million people, which is about 5% of Japan’s national population. Fukuoka is the fourth-largest city in Japan and plays a vital role as a transportation hub in Kyushu. The Greater Fukuoka area, including northern Kyushu, is strategically important, with logistics facilities concentrated mainly in the Tosu Area, which spans both Fukuoka and Saga Prefectures. Key transport routes include Hakata Port, Fukuoka Airport, and the Kyushu Expressway, which connects to the Chugoku region in western Japan.

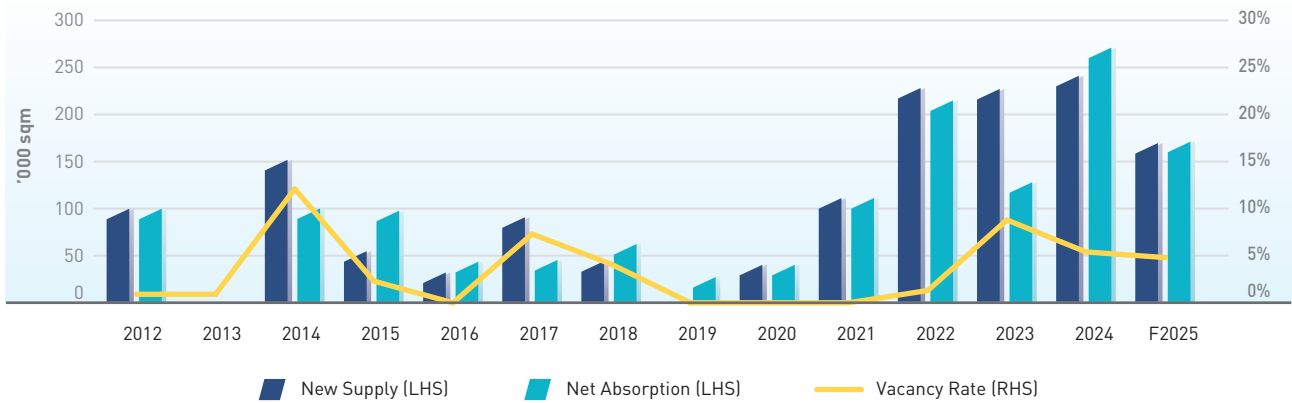
In 2024, despite the supply of 0.24 million sqm of new modern logistics facilities, which is more than double the past 10 years’ average of 0.1 million sqm, demand remained robust, resulting in an overall vacancy rate of 5.4% in Greater Fukuoka by the end of the year. In 2025, new supply is expected to be 0.17 million sqm, with a significant portion in the Inland Fukuoka area and Tosu area. However, demand is anticipated to remain strong, and the vacancy rate in Greater Fukuoka is projected to be 4.8% by the end of 2025.

Greater Fukuoka’s tenant demand highlights a strong presence of semiconductor industries in Kyushu. The supply-demand balance is stable, but the logistics facilities in Greater Fukuoka often have larger minimum rental spaces than needed, which may pose challenges for smaller companies and potentially extend lease-up times in the future.

There are few vacant properties in Greater Fukuoka, with vacancies limited to some recently constructed logistics facilities, while many existing properties continue to operate at high occupancy rates. Logistics facilities under construction are also progressing with tenant commitments, and it is expected that the supply-demand pressure will persist. Similar to other areas, rising construction costs are pushing rents higher, and existing properties are expected to follow this trend with gradual rent increases.

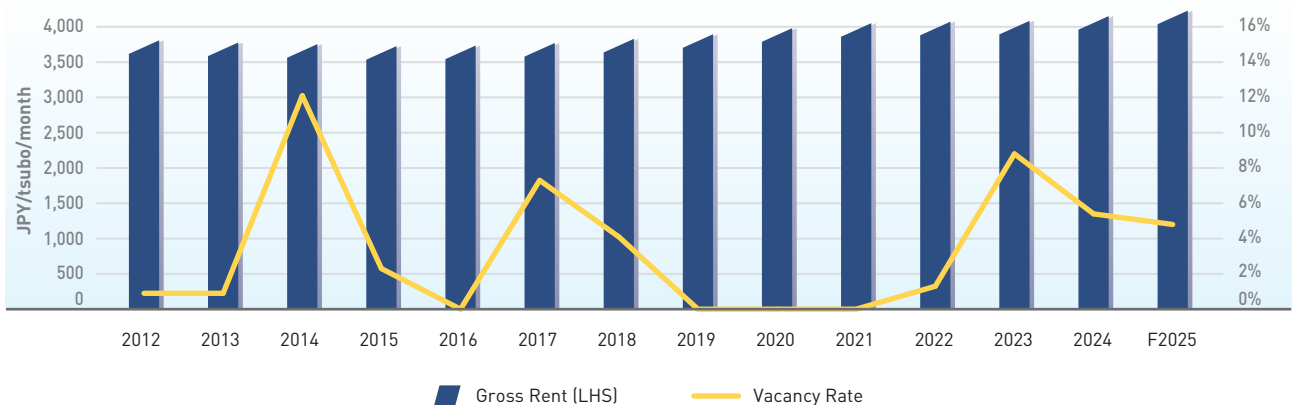
The attention garnered by Kumamoto due to semiconductor plant advancements also affects Fukuoka, leading to heightened investor interest in logistics facilities. As a result of strong investment demand and rising rents, it is predicted that property prices will continue to increase. Strong investment demand and rising rents are expected to continue driving up property prices.

Greater Fukuoka — New Supply, Net Absorption and Vacancy Rate



Source: JLL

Greater Fukuoka — Rent and Vacancy Rate



Source: JLL

**LOGISTICS INVESTMENT MARKET**

**Sales Transaction**

Investor interest in Japanese real estate remains high as interest rates remain low as compared to the other countries. Modern logistics facilities in Japan are typically not sold to external groups, limiting investment opportunities for those without development pipelines. However, the liquidity of the logistics facility investment market has been increasing, allowing developers and development funds without exit strategies to venture into new developments.

In 2024, the annual overall investment in Japanese real estate increased by 64% y-o-y, exceeding a total of JPY5 trillion. This marks the first time the figure has surpassed JPY5 trillion since 2013-2014, when transaction volumes increased following the global financial crisis. The overall investment amount was boosted by active property sales by J-REITs and multiple large transactions. Leading the market was the hotel sector. With robust demand driven by an expanding inbound tourism market, hotels have attracted significant interest from both domestic and international investors. The investment amount increased by 127% y-o-y, reaching a record high. Office investments saw a 77% increase compared to the previous year, while the logistics sector also experienced a substantial growth of 51% year-on-year.

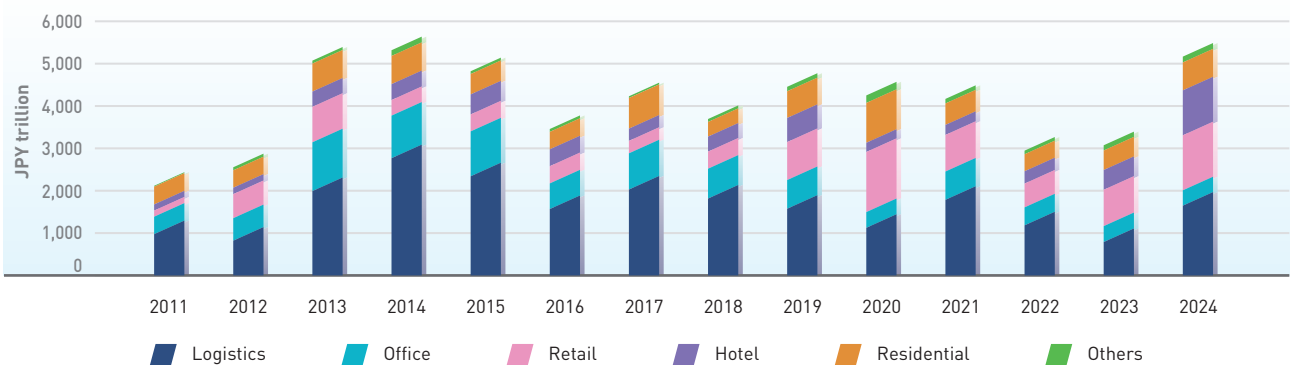
Looking at large transactions, in the hotel sector, the sale of Grand Nikko Tokyo Daiba is estimated at approximately

JPY107 billion. In the office sector, despite the ownership transfer being scheduled for February 2025, Seibu Holdings announced the sale of Tokyo Garden Terrace Kioicho to Blackstone for an estimated JPY400 billion. In the logistics sector, Logiport Nagoya was acquired by LaSalle LOGIPORT REIT and Tokyu Land Corporation for an estimated total of JPY130 billion.

For investments in the logistics sector in 2024, logistics investments accounted for 24% of the total investment, marking the second-highest transaction amount since 2020. The investment distribution included 35% in Greater Tokyo, 33% in Greater Nagoya, 24% in Greater Osaka, and 4% in Greater Fukuoka. Notably, Greater Nagoya experienced a significant y-o-y increase of 578%. In Nagoya, major transactions included the Logicport Nagoya, developed by Tokyu Land Corporation, LaSalle Investment Management, and NIPPO, with a gross floor area of 355,109 sqm and an estimated value of JPY130 billion. Additionally, ESR-REIT acquired the ESR Yatomi Kisosaki Distribution Centre for JPY38.6 billion.

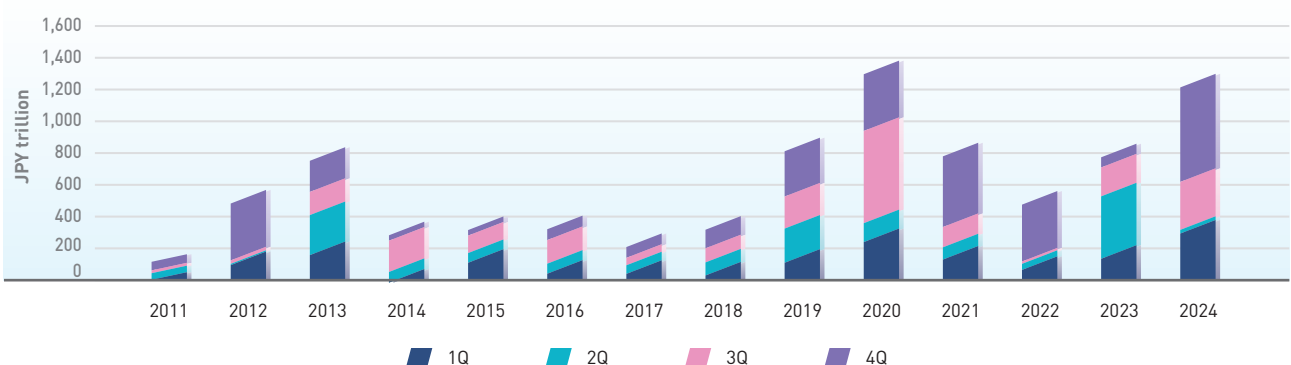
Looking ahead to 2025, if the interest rate environment continues to gradually increase, it is anticipated that domestic investors and lenders will maintain their active stance. Transactions in sectors with strong fundamentals, such as offices, hotels and logistics sectors, are expected to remain robust. Although long-term interest rates are forecasted to rise moderately, property prices and rents are also expected to increase gradually.

**All Sector Transaction in Japan**



Source: JLL

**Logistics Transaction in Japan**



Source: JLL

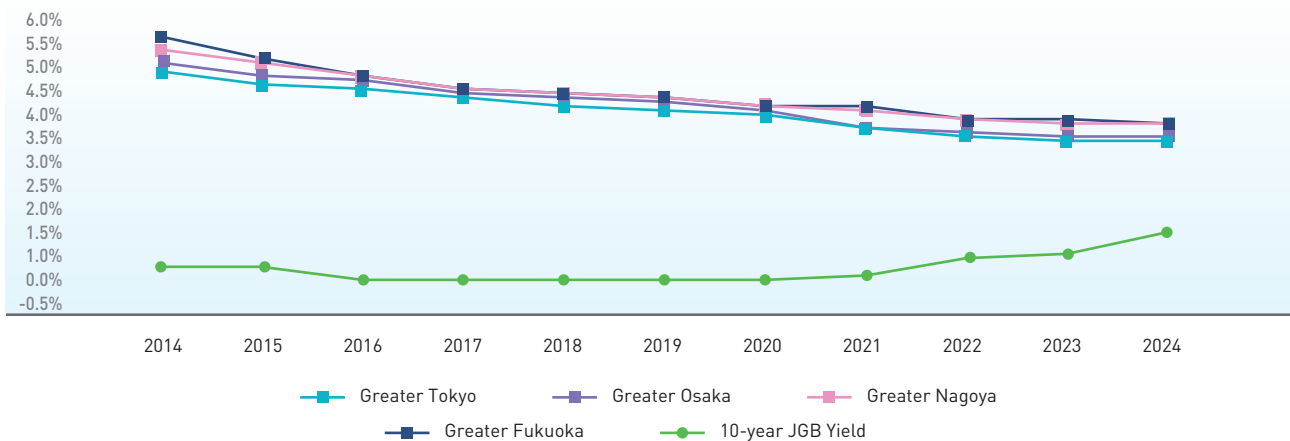
# JAPAN

## Capitalisation Rate ("Cap Rate")

Amidst the continued low interest rates, cap rates for commercial real estate have also been compressing. The chart shows the cap rate trend of logistics sector across Japan. The cap rates have continuously compressed over the years in all areas. The attention to logistics facilities from domestic and foreign investors has further increased, as the logistics sector is considered as a stable investment target due to its stable income and supported by the buoyant EC market. Reflecting such strong investor demand, cap rates of logistics facilities in Greater Tokyo and Greater Osaka have been largely compressing, at lower 3%, and its trend is continuing. As a result, the cap rates of logistics facilities across Japan are compressing.

In particular, investors are focusing on opportunities in the Greater Tokyo. However, the investment opportunities are limited in the Greater Tokyo, investor interest is diversifying into the Greater Osaka, Greater Nagoya and Greater Fukuoka. Reflecting such strong investor demand, cap rates of logistics facilities in all regions have been largely compressing over the years.

## Cap Rates



Source: JLL, Oxford Economics

## OUTLOOK

Japan's economy is experiencing a moderate recovery; however, there are downward risks stemming from the global economy. While the BOJ is considering further interest rate hikes, Japan's funding environment is favourable compared to other countries, and strong investment demand in real estate is expected to continue. The demand for logistics facilities remains robust, supported by the growth of the EC and 3PL sectors.

The logistics market in Japan is witnessing significant expansion with nationwide facility development. Rental rates for newly constructed logistics facilities are higher than those of existing properties due to rising land and construction costs, contributing to an overall increase in rents. This trend is expected to persist across all regions. However, in an optimistic scenario, such rising costs might make currently high-rent properties relatively more

affordable, thereby attracting tenants. There is an ongoing trend of longer lease-up periods in all regions, with tenants increasingly choosing modern logistics facilities that offer higher efficiency and convenient proximity to end consumers.

Although the EC market continues to expand, there are limited suitable logistic facilities that ensure adequate electrical capacity and high transportation efficiency. The polarisation of logistics facilities is likely to advance, making it increasingly crucial for developers to accurately capture market needs. Going forward, in addition to flexible, high-quality rental spaces near end consumers, air conditioning and environmental considerations will likely be more highly valued. Amidst rising costs and leasing risks, achieving success might be difficult without specific advantages, such as securing land at a low cost or having the capability to lease to an affiliated company.



(Constituted in the Republic of Singapore pursuant to a trust deed dated 31 March 2006 (as amended))

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