



**EXPANDING STRENGTHS  ENHANCING RESILIENCE**

**ESR-REIT**

**INDEPENDENT MARKET STUDY REPORT 2025**

## 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 2025, 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\$5.9 billion. Its portfolio comprises 70 properties (excluding 48 Pandan Road held through a joint venture) located across the developed markets of Singapore (50 assets), Australia (18 assets) and Japan (2 assets), with a total gross floor area of approximately 2.4 million sqm, as well as investments in three property funds in Australia.

ESR-REIT has been assigned a 'BBB' rating with a 'Stable' outlook by Fitch Ratings, and is a constituent of the FTSE EPRA Nareit Global Real Estate Index, iEdge Singapore Next 50 Index, and iEdge Singapore Next 50 Liquidity Weighted 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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The figures in this report may be subject to rounding differences.



## OVERVIEW OF THE SINGAPORE ECONOMY

### Singapore's Economic Performance in 2025

Despite a challenging global environment, Singapore's GDP grew at its fastest pace since 2021, supported by robust manufacturing performance and sustained external demand. According to advance estimates from the Ministry of Trade and Industry ("MTI"), the economy expanded 4.8% year-on-year ("y-o-y") in 2025, up from 4.4% in 2024. Growth was broad-based, with goods-producing industries rising 6.7% and services-producing industries 4.1%.

Growth in goods-producing industries was primarily driven by the Manufacturing sector, which recorded the strongest growth at 7.6%, largely due to robust output expansions in the biomedical manufacturing and electronics clusters – with pharmaceuticals and sustained demand for AI-related semiconductors, servers and related products boosting overall production. The Construction sector also saw a 4.9%

expansion, supported by increases in both public and private sector construction activity.

Within services-producing industries, the combined sectors of Wholesale & Retail Trade and Transportation & Storage posted the highest growth at 4.5%, followed by the Information & Communications, Finance & Insurance, and Professional Services, which grew by 4.1%.

According to the Monetary Authority of Singapore ("MAS"), core inflation is expected to average about 0.7% in 2025, down from 2.8% in 2024, reflecting easing imported and domestic cost pressures, slower unit labour cost growth and government subsidies for long-term care services. Looking ahead, MAS raised its 2026 core and headline inflation forecasts to 1% to 2% in its January 2026 statement, from 0.5% to 1.5% previously, even as core inflation momentum is expected to remain slightly below trend amid potential upside risks from stronger-than-expected growth or supply shocks.

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

GDP & Sector Growth Rates	2024	2025	
<b>Overall GDP Growth</b>	<b>4.4%</b>	<b>4.8%</b>	▲
<b>Goods Producing Industries</b>	4.2%	6.7%	▲
Manufacturing	4.3%	7.6%	▲
Construction	4.5%	4.9%	▲
<b>Services Producing Industries</b>	4.4%	4.1%	▼
Wholesale & Retail Trade and Transportation & Storage	5.0%	4.5%	▼
Information & Communications, Finance & Insurance and Professional Services	5.2%	4.1%	▼
Accommodation & Food Services, Real Estate, Administrative & Support Services and Other Services	2.1%	3.4%	▲

Source: MTI, Knight Frank Singapore

### Population Trends and Labour Market

As of June 2025, Singapore's total population stood at 6.11 million, a 1.2% increase from June 2024. This was driven largely by growth in the non-resident population, which rose 2.7% to about 1.91 million, reflecting continued demand for foreign workers, especially work permit holders in sectors like construction and services. Meanwhile, resident numbers grew more modestly with citizens at 3.66 million and permanent residents at 0.54 million.

The labour force remained resilient in mid-2025, with the overall unemployment rate at 2.0% as of December 2025 and resident unemployment at 2.9% – levels similar to pre-pandemic lows. Employment growth continued, with

resident jobs expanding in growth sectors such as Health & Social Services and Financial Services, while non-resident employment growth was driven by construction and other work permit categories.

Despite a slight easing in hiring momentum, labour demand remained firm. Job vacancies declined from about 81,100 in March 2025 to 76,900 in June 2025, reflecting a more cautious hiring stance among employers. However, vacancies continued to exceed the number of unemployed persons, with the vacancy-to-unemployed ratio remaining above 1.3. This indicates that overall labour demand still outpaced supply, particularly in sectors such as construction, healthcare and professional services, even as firms became more selective amid a softer global economic outlook.

## Performance of Manufacturing Sector and Fixed Asset Investment

Singapore's manufacturing sector continued its recovery in December 2025, with the Purchasing Manager's Index ("PMI") marking the fifth consecutive month of expansion since July 2025. The rebound was supported by stronger new orders and higher factory output, helping the sector stabilise after earlier disruptions in the second quarter caused by U.S. tariff announcements, which had prompted export-order cancellations and deferrals. Manufacturing growth was largely driven by the electronics cluster, which expanded for the seventh straight month. Accounting for roughly 40% of total manufacturing output, the sector benefited from robust demand for semiconductors and related products, sustaining overall growth momentum.

Singapore attracted approximately S\$14.2 billion in Fixed Asset Investments ("FAI") in 2025, representing a 5.3% increase from the S\$13.5 billion recorded in the previous year. The manufacturing sector accounted for the bulk of these commitments at S\$12.1 billion, while the services sector attracted the remaining S\$2.0 billion.

Within the manufacturing sector, the electronics cluster attracted the largest share of FAI commitments at S\$4.7 billion, followed by the biomedical manufacturing cluster at S\$4.4 billion. Notable investment commitments include Micron Technology's planned S\$30.5 billion expansion of its chip manufacturing operations in Singapore, to be invested over a 10-year period. This expansion encompasses a new advanced wafer fabrication facility within its existing Woodlands campus to support NAND flash and high-bandwidth memory production. In the biomedical space, WuXi Biologics has committed to invest approximately S\$2 billion for the development of a new Contract Research, Development and Manufacturing Organisation (CRDMO) facility at Tuas Biomedical Park, further strengthening Singapore's biologics manufacturing capabilities.

## Economic Outlook for 2026

Economic growth across Singapore's key trading partners is projected to moderate in 2026. China's expansion is expected to plateau as export momentum slows and the temporary uplift from its consumer trade-in programme wanes. In the Eurozone, industrial activity is likely to weaken further, partly due to the continued impact of U.S. tariff measures. As growth in major economies cools, amid the impact of U.S. tariffs dampening exports and industrial activity in China and the Eurozone, export demand across Southeast Asia is expected to ease, although resilient domestic consumption in the region should help cushion the slowdown. In contrast, the U.S. economy is anticipated to remain comparatively resilient, supported by sustained investments into AI, even as household spending moderates alongside softer labour market conditions.

Despite an improvement in global sentiment since the second half of 2025 as markets adjusted to U.S.-imposed tariffs announced on "Liberation Day" on 2 April 2025, downside risks remain elevated. A renewed escalation in trade disputes or geopolitical tensions could undermine confidence, prompting businesses and households to scale back hiring, capital expenditure, and discretionary spending. In addition, escalating geopolitical tensions signal a sharp shift towards risk-averse behaviour that could trigger volatility in global financial markets, potentially spilling over into real economic activity.

Against this backdrop, Singapore's manufacturing and trade-related services sectors are expected to grow at a more measured pace this year compared with 2025. Within manufacturing, the electronics cluster should continue to benefit from strong demand for AI-driven semiconductors, servers, and related components, with positive spillovers to machinery and equipment wholesale trade. Growth in the transport engineering cluster will be supported by robust aerospace Maintenance, Repair and Overhaul ("MRO") activities, alongside healthy order books in the marine and offshore engineering segment. However, near-term headwinds may emerge for semiconductor equipment manufacturers within the precision engineering cluster, as investment decisions could be deferred amid lingering tariff uncertainties. Biomedical manufacturing output is also expected to normalise following the elevated production levels recorded in 2025.

Among the outward-oriented services sectors, information & communications and finance & insurance are projected to register steady growth, underpinned by ongoing enterprise demand and broadly supportive macroeconomic conditions. On the domestic front, construction activity is expected to remain firm, driven by public housing and infrastructure projects, while consumer-facing sectors such as retail trade and food & beverage services are likely to see subdued growth.

Taking these factors into consideration, the MTI projects Singapore's economy to expand by 1.0% to 3.0% in 2026, reflecting a moderation from the previous year amid a more complex and challenging global environment.

## SINGAPORE INDUSTRIAL MARKET

### Overview of Government Policies and Their Impact on the Industrial Landscape

#### Budget 2025

Singapore's Budget 2025 introduced a suite of measures to support businesses amid rising costs and global competition. The Government extended a 50% corporate income tax rebate (capped at S\$40,000) to alleviate cash-flow pressures and encourage reinvestment in productivity and growth. This was complemented by enhancements to co-funding under the Progressive Wage Credit Scheme to help firms manage wage costs. A key focus was on digital and innovation capabilities, with a S\$150 million Enterprise Compute Initiative to expand access to advanced AI tools, computing power and consultancy services, accelerating adoption of digital technologies across industries. Budget 2025 also boosted financing support through a S\$1 billion Private Credit Growth Fund and incentives to attract global founders and investments, strengthening Singapore's position as a competitive business and industrial hub.

#### Enhancements to the Industrial Land Lease Framework by JTC

JTC has introduced four key enhancements to its industrial land lease framework to support business growth: an additional three years of lease tenure on greenfield industrial land to cover building and development time; a Flexible Lease Extension Initiative ("FLEXI") allowing eligible lessees on 20-year leases to extend by up to two 5-year tranches; an earlier lease renewal application window (ten years before expiry); and recognition of innovation, R&D, digitalisation, and IP investments as qualifying plant and machinery for lease renewal. The FLEXI programme and expanded criteria have been implemented since the second half of 2025, increasing tenure certainty and encouraging long-term industrial investments.

#### Manufacturing 2030 ("M2030") Vision

Singapore's M2030 Vision aims to grow the manufacturing sector's value-add by about 50% by 2030 and position the Republic as a leading global hub for advanced manufacturing, innovation and talent. This involves attracting frontier firms with specialised capabilities, deepening Industry 4.0 adoption, and strengthening global value chain participation. Companies such as Illumina have expanded large manufacturing operations in Singapore, producing critical global products and driving upstream R&D alongside production. M2030 supports high-value sectors including semiconductors, precision engineering, biomedical technology and advanced materials, fostering productivity and job quality in the industrial base.

#### Research, Innovation, and Enterprise ("RIE2030") Framework

The RIE2030 framework is Singapore's five-year plan to invest S\$37 billion in research, innovation and enterprise from April 2026 to 2030. It builds on RIE2025 by launching two new national RIE Flagships and two Grand Challenges, and expanding support for strategic domains including

manufacturing, trade and connectivity, AI, data, and semiconductors. The plan aims to deepen research capabilities, strengthen translational platforms, and enhance global competitiveness, enabling industrial firms to innovate and commercialise cutting-edge technologies. It also bolsters talent pipelines and industry-academia linkages, supporting high-value industrial activity and economic resilience.

#### Extension and Expansion of the Land Intensification Allowance

The Land Intensification Allowance ("LIA") scheme has been extended to 31 December 2030 to promote efficient industrial land use and support multi-storey Design for Manufacturing and Assembly ("DfMA") facilities. Effective from 1 January 2026, the expanded LIA will cover a wider range of prefabrication and DfMA activities beyond traditional Integrated Construction and Prefabrication Hubs ("ICPHs"). Companies applying for planning permission for new multi-storey DfMA facilities that meet Gross Plot Ratio thresholds can qualify for tax allowances of up to 100% of qualifying capital expenditure, with reduced ownership shareholding criteria (>50%). This encourages intensification of land use and supports advanced industrial facilities.

#### Foreign Workforce Policy Reforms

Singapore's foreign workforce policy reforms, announced at MTI's Committee of Supply ("COS") Debate 2025, recalibrate workforce standards and industrial labour flexibility. Measures include increased S Pass qualifying salaries and harmonised levies, removal of the maximum employment period for Work Permit holders (enabling indefinite employment as long as eligible), raising the maximum employment age to 63, and expanding Non-Traditional Sources ("NTS") countries and occupations to broaden labour supply. The Manpower for Strategic Economic Priorities ("M-SEP") scheme has been extended to three years to support firms that invest in local workforce development. These reforms aim to balance productivity-led growth, workforce stability, and sectoral labour needs.

#### Dormitory Transition Scheme ("DTS") and New Dormitory Standards ("NDS")

Under the DTS, existing migrant worker dormitories must meet interim standards by 2030 and the stricter NDS by 2040 to improve health resilience and living conditions. Interim DTS standards include a maximum of 12 residents per room, minimum 3.6 square metre ("sqm") living space per resident, en-suite toilets, and enhanced isolation facilities. From 1 March 2026, a government DTS grant will help retrofit around 900 eligible dormitories, with funding tiers tied to completion timelines to minimise bed-supply disruptions. The improvements support industrial firms' labour needs by strengthening workforce well-being and stability.

#### Changes to Industry Trends

Industrial demand in 2025 continued to be driven by technology-led manufacturing and logistics activities. The global semiconductor upcycle regained momentum toward

the second half of 2025, supported by growing demand from artificial intelligence, data centres, electric vehicles, and high-performance computing. Contract prices for DDR5 Dynamic Random-Access Memory (“DRAM”), the fastest and most common RAM used in technology products such as phones and personal computers, rose amid persistent global DRAM supply shortages, and are expected to extend at least through 2026. These market dynamics have led chip manufacturers to increase capital expenditure and seek advanced industrial facilities with cleanroom capabilities, high power capacity, and resilient technical infrastructure.

Singapore has been a key beneficiary of this trend, leveraging its established semiconductor ecosystem and advanced manufacturing capabilities. Notable investments include Micron’s planned US\$24 billion (S\$30.5 billion) advanced wafer fabrication facility, expected to generate approximately 1,600 jobs and add about 700,000 square feet (“sqft”) of cleanroom space upon completion. In addition, Micron’s US\$7 billion (S\$9.5 billion) high-bandwidth memory (HBM) advanced packaging facility, slated to start operations in 2026, highlights the rising demand for power-ready industrial assets and specialised production spaces. Collectively, these projects signal sustained leasing requirements for high-specification facilities that typically command longer tenures and strong tenant retention.

Logistics and supply chain properties have also seen strong demand, particularly from third-party logistics (“3PL”) operators modernising their regional networks with a preference for large-format, automated, and technologically enabled warehouses capable of omni-channel distribution and regional consolidation. Recent examples include DSV’s approximately 1.2 million sqft RedLion2 facility and Maersk’s 1.1 million sqft World Gateway 2 distribution centre. The upcoming

PSA Supply Chain Hub is expected to further enhance Singapore’s role as a regional logistics gateway, maintaining interest in institutional-grade warehouse developments.

The biomedical manufacturing segment, particularly advanced therapeutics, has gained prominence. In 2025, pharmaceutical companies expanded investments in antibody-drug conjugate (ADC) production, reflecting rising adoption of targeted cancer therapies. AstraZeneca’s US\$1.5 billion (S\$2 billion) ADC facility exemplifies the need for specialised, highly regulated manufacturing spaces that typically involve long development timelines and yield stable, long-term occupier demand.

The aerospace industry has seen MRO activities strengthen alongside fleet expansion in the Asia-Pacific region. Rising passenger traffic and fleet renewal programmes have driven demand for additional engine and component servicing capacity. ST Engineering’s new approximately 10,000 sqm aircraft engine MRO facility at Paya Lebar, a major capital investment scheduled for completion later in the decade, highlights the continued demand for purpose-built industrial assets and Singapore’s role as a regional aerospace engineering hub.

### Industrial Government Land Sales (“IGLS”) Programme for 1H2026

The MTI is set to launch approximately 11.1 hectares (“ha”) of industrial land across eight sites under the 1H2026 IGLS programme. This includes six Confirmed List sites and two Reserve List sites, all zoned B2 for heavy industrial use, predominantly in the West (with the exception of one site at Kaki Bukit in the East). The supply is lower than 1H2025, when 14.07 ha across 10 sites were offered. Collectively, the sites in 1H2026 IGLS will add up to 225,140 sqm of new stock to Singapore’s industrial market.

### Confirmed and Reserved IGLS for 1H2026

Location	Planning Region	Site Area (ha)	Zoning	Gross Plot Ratio (“GPR”)	Maximum Gross Floor Area (“GFA”) (sqm)	Tenure (years)	Estimated Available Date
<b>Goods Producing Industries</b>							
Jalan Buroh	West	3.12	B2	2.5	78,000	33	March 2026
Kaki Bukit	East	0.93	B2	2.5	23,250	33	April 2026
6 Tuas Avenue 14	West	0.84	B2	1.4	11,760	23	May 2026
Jalan Besut	West	0.45	B2	2.5	11,250	33	June 2026
Chin Bee Road	West	1.50	B2	2.5	37,500	33	June 2026
5 Tuas Avenue 13	West	1.74	B2	1.4	24,360	33	June 2026
<b>Total</b>		<b>8.58</b>			<b>186,120</b>		
<b>Reserve List of Industrial Sites</b>							
Tuas Road	West	2.18	B2	1.4	30,520	33	January 2026
Penjuru Road	West	0.34	B2	2.5	8,500	33	January 2026
<b>Total</b>	<b>West</b>	<b>2.52</b>			<b>39,020</b>		

Source: MTI, JTC, Knight Frank Singapore

## Overview of Upcoming Key Industrial Districts

### Sungei Kadut Eco-District ("SKED")

The SKED is being progressively transformed into a next-generation industrial precinct anchored by advanced manufacturing, agri-food innovation and circular-economy activities. The redevelopment is intended to reposition the area from a traditional industrial estate into a more integrated and sustainable production ecosystem. Within the district, new multi-storey shared-factory developments, such as TimMac@Kranji which was completed in 2020, are designed to support space-intensive trades such as furniture, timber, metal fabrication, machinery, recycling and waste management.

The district is also attracting large occupiers – local supermarket operator Sheng Siong is relocating its headquarters, warehouse and distribution centre from Mandai Link to Sungei Kadut, taking up about 61,300 sqm of space equipped with temperature-controlled storage and integrated food-processing facilities to serve up to 120 supermarket outlets. In parallel, the neighbouring Lim Chu Kang precinct is being comprehensively master-planned as a high-productivity agri-food cluster, with plans for a future multi-tenant farming facility to enhance domestic food production capacity and strengthen long-term food resilience.

### Woodlands North Coast

Woodlands North Coast is being developed into a modern industrial hub within the Woodlands Regional Centre, offering flexible, next-generation spaces for knowledge-intensive and light industrial activities. JTC's multi-tenanted developments at 1 and 7 North Coast Drive, completed in 2021, feature Business 1/Business 2 facilities with flexible 70%-30% production-to-ancillary R&D and service use, allowing companies to combine light manufacturing with research, innovation, and office functions. These buildings attract firms in semiconductors, biomedical, engineering services, and advanced manufacturing, providing a campus-like environment that encourages collaboration, innovation, and efficient operations.

The precinct benefits from strategic connectivity, with direct access to major arterial roads and the upcoming Johor Bahru-Singapore Rapid Transit System (RTS) Link, slated for completion in 2026, which will provide seamless cross-border access to the Johor-Singapore Special Economic Zone (JS-SEZ), facilitating trade, workforce mobility, and regional industrial collaboration. With flexible industrial zoning and modern infrastructure, Woodlands North Coast fosters a dynamic cluster for high-value industries, supporting innovation, research, and advanced manufacturing, while reinforcing Singapore's long-term industrial competitiveness and its role as a northern gateway facilitating cross-border trade with the JS-SEZ.

### Tuas Port

Tuas Port is steadily taking shape as a key growth engine within Singapore's western industrial corridor, reinforcing the city-state's long-term role as a leading global maritime hub. Designed as a fully automated mega port, it is slated for full completion by the 2040s with an ultimate handling capacity of up to 65 million twenty-foot equivalent units (TEUs).

Since 2024, Tuas Port has reached key operational milestones, including surpassing 10 million TEUs of cargo handled and the progressive commissioning of additional berths to support rising vessel calls. Construction of the 236,000 sqm PSA Supply Chain Hub commenced since 3Q2024, enhancing capabilities for higher-value, temperature-controlled and specialised cargo. Supported by ongoing infrastructure and connectivity upgrades in Tuas South, the port is expected to strengthen end-to-end supply chain efficiency. Complemented by Jurong Innovation District (JID) and Jurong Lake District (JLD), Tuas Port will anchor Singapore's future Western Gateway and reinforce long-term maritime competitiveness.

### Changi East

The Changi East Development, Changi Airport's largest expansion, covers over 1,080 ha and encompasses the upcoming Terminal 5 and the Changi East Industrial Zone (CEIZ). CEIZ will host airfreight, express logistics, and MRO operations, with end-state handling capacity projected at 5.4 million tonnes annually. Designed as a smart cargo hub, the zone will leverage automation to enhance efficiency and visibility across the supply chain. Complementary developments, including the proposed 40 ha Changi East Urban District, will support rising air travel, expanding aircraft fleets, and increasing demand for maintenance and overhaul services. This growth in regional aerospace activity is evident in APAC, where the fleet is projected to exceed 6,000 aircraft over the next 15 years, driving the establishment of new MRO facilities such as ST Engineering's 10,000 sqm engine maintenance centre in Paya Lebar.

## INVESTMENT SALES

The industrial investment sale market remained active in 2025 with a total transaction value (excluding IGLS sites) of S\$5.8 billion, marginally lower than S\$6.0 billion achieved in 2024. Investment activity was supported by several large portfolio transactions. Notable deals included CapitaLand Ascendas REIT's acquisition of three industrial and logistics properties for S\$565.8 million from Vitas Partners, as well as ESR-REIT's divestment of eight industrial assets to Brookfield Asset Management for S\$338.1 million. Together with other transactions completed over the year, these deals reflect

ongoing portfolio rationalisation and capital recycling by institutional investors, alongside sustained demand from owner-occupiers prioritising operational continuity, affordability and strategic locations.

Industrial assets continued to attract investors in search of stable income yields and relatively higher income-to-price ratios compared with other property sectors. The investment market's robustness was particularly evident in logistics and light industrial assets, which remain integral to business operations and the growth of e-commerce.

### Selected Major Industrial Investment Sales in 2024 and 2025

Name of Development	Location	Sale Price (S\$ mil)	Estimated Net Lettable Area (sqm)	Unit Price (S\$psm)	Tenure	Quarter Sold
<b>Portfolio Investment Sales</b>						
Acquisition of eight industrial assets by Brookfield Asset Management from ESR-REIT	46A Tanjong Penjuru, 24 Jurong Port Road, 21 & 23 Ubi Road 1, 86 & 88 International Road, 120 Pioneer Road, 13 Jalan Terusan, 43 Tuas View Circuit, 60 Tuas South Street 1	338.1	208,592	1,621	Varying lease tenures	4Q2025
Acquisition of three industrial assets by CapitaLand Ascendas REIT from Vitas Partners	2 Pioneer Sector 1, Tuas Connection, 9 Kallang Sector	565.8	164,525	3,439	Varying lease tenures	4Q2025
Acquisition of four industrial assets by Partners Group and EZA Hill from CapitaLand Ascendas REIT	19 & 21 Pandan Avenue, 10 Toh Guan Road, 9 Changi South Street 3, 31 Ubi Road 1	306.0	186,346	1,642	Varying lease tenures	3Q2025
Acquisition of three industrial assets by Brookfield Asset Management from Mapletree Industrial Trust	1 & 2 International Business Park, 33 Marsiling Industrial Estate Road 3	535.3	118,665	4,511	Varying lease tenures	2Q2025
Acquisition of seven industrial assets by Lendlease and Warburg Pincus from Blackstone and a Soilbuild-related entity	1 Fusionopolis Walk, 20-32 Pioneer Crescent, 2 Pioneer Sector 1, 164 and 164A Kallang Way, 1-20 Tuas Loop, 9 Kallang Sector, 15A Changi Business Park Central 1	1,600.0	382,391	4,184	Varying lease tenures	3Q2024
<b>Multiple-User Factory Developments</b>						
Admirax	8 Admiralty Street	155.0	44,266	3,502	60 years from 09/10/2000	4Q2024

Name of Development	Location	Sale Price (S\$ mil)	Estimated Net Lettable Area (sqm)	Unit Price (S\$psm)	Tenure	Quarter Sold
<b>Warehouse Developments</b>						
680 Upper Thomson Road	680 Upper Thomson Road	351.0	21,560*	16,280*	Freehold	4Q2025
2PS1	2 Pioneer Sector 1	167.9	67,731	2,479	60 years from 1/10/1986	3Q2024
<b>Business Park Developments</b>						
5 Science Park Drive	5 Science Park Drive	245.0	22,488	10,895	64 years from 08/05/2017	2Q2025
Elementum	1 North Buona Vista Link	272.0	34,796	7,816	60 years from 20/02/2021	3Q2024
<b>Other Industrial Developments (i.e. Data Centre, Workers Dormitory)</b>						
SG1	51 Serangoon North Avenue 4	354.0	undisclosed	undisclosed	30 years from 24/08/2010	3Q2025
Geo-Tele Centre	9 Tai Seng Drive	455.2	undisclosed	undisclosed	30 years from 01/06/2025	2Q2025
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 Singapore

Notes: 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.

## Outlook

Looking ahead, the industrial investment market is poised to attract renewed interest from institutional investors in 2026, driven by favourable interest rates and continued portfolio optimisation. Strategically located logistics and light industrial assets offering reliable returns are expected to remain sought-after by owner-occupiers prioritising affordability, operational continuity, and location, as well as yield-driven investors attracted by higher income-to-price ratios relative to other asset classes.

## FACTORY

### Stock and Supply

As at 4Q2025, Singapore's overall factory stock totaled 42.3 million sqm, a 0.5% y-o-y increase from 42.1 million sqm a year before. Single-user factories that are mostly purpose-built constituted 67.6% (28.8 million sqm), while multiple-user factory spaces made up the remaining 32.4% (13.7 million sqm).

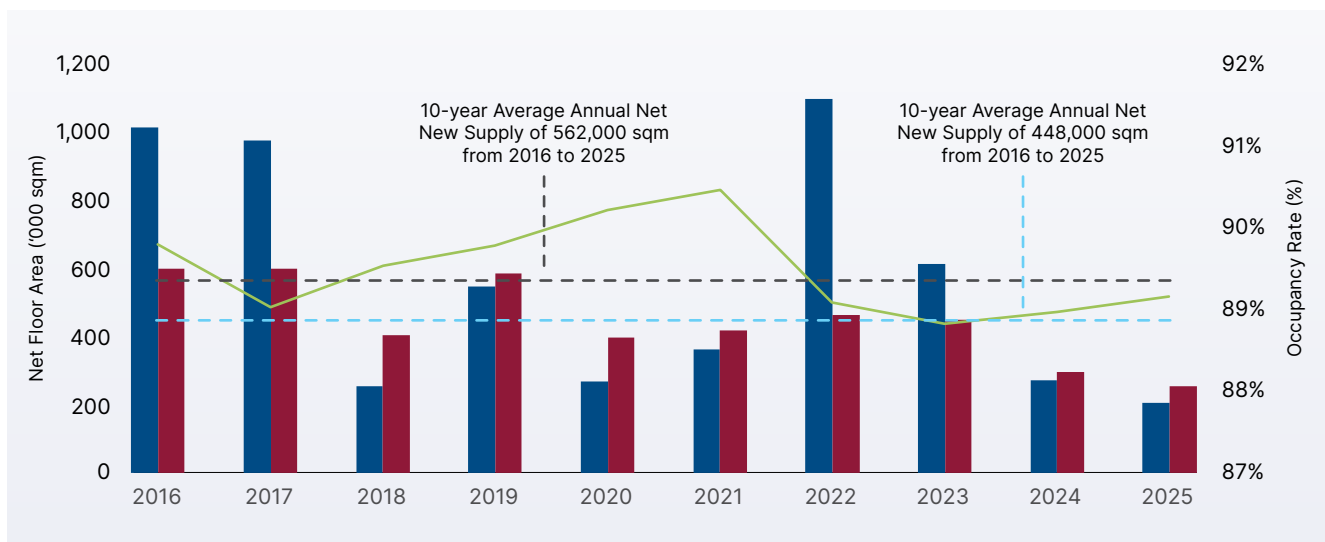
With modest overall demand and a constrained pipeline of new projects, net new supply of factory space remained muted in 2025 at 208,030 sqm – of which the addition of single-user factory spaces was 15,807 sqm while net new multiple-user factory supply was 192,223 sqm. The largest factory development completed in 2025 was JTC's Bulim Square, a 160,000 sqm GFA advanced manufacturing hub designed to support multiple businesses as they transition towards Industry 4.0 and higher-value manufacturing activities.

### Demand and Occupancy

Factory space net new demand of 257,118 sqm exceeded net new supply in 2025, with single-user and multiple-user factory spaces contributing 222,149 sqm and 34,969 sqm respectively. Despite a slowdown in take-up of newly completed factory space in 2025 compared with the previous year, the relatively limited net new supply helped maintain high overall occupancy. As at 4Q2025, factory occupancy stood at 89.2%, up 0.2 percentage point ("pp") from the same period a year earlier.

Amid this stable industrial environment, sectors such as transport engineering, particularly aerospace, continued to expand. Growth has been supported by increasing accessibility of air travel to middle-class populations across Asian cities. The Asia-Pacific aviation market is projected to outpace the global average, with the regional fleet expected to exceed 6,000 aircraft over the next 15 years. This sustained expansion in passenger traffic and fleet size is anticipated to drive rising demand for MRO services, further supporting specialised industrial space requirements.

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



Source: JTC J-Space, Knight Frank Singapore

■ Net New Supply   ■ Net New Demand   — Occupancy Rate (%)  
 - - Average Net New Supply (2016 - 2025)   - - Average Net New Demand (2016 - 2025)

### Potential Supply

As at 4Q2025, approximately 3.2 million sqm GFA of new factory space is expected to be completed progressively between 2026 and 2029, comprising 2.2 million sqm of single-user factory space and 979,000 sqm of multiple-user factory space. Approximately 738,000 sqm of new factory space is

expected to be completed by end-2026, of which the largest upcoming projects include PaxOcean Shipyard @ 5JS (116,000 sqm GFA) – a purpose-built shipyard facility designed to support marine repair, conversion and offshore engineering activities.

**Upcoming Major Factory Developments in 2026**

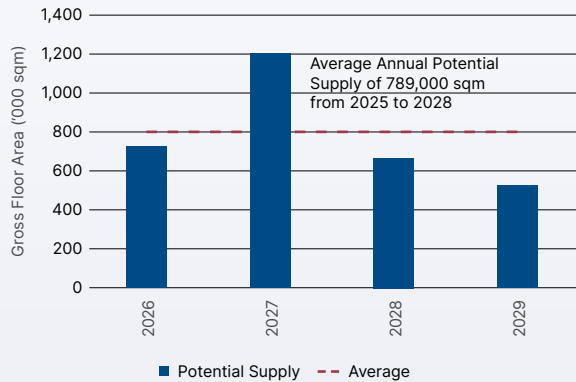
Name of Development	Location	Planning Region	Name of Developer	Approximate GFA (sqm)
<b>Single-User Factory Developments</b>				
PaxOcean Shipyard @ 5JS	Jalan Samulun	West	Paxocean Engineering Pte Ltd	116,820
<b>Multiple-User Factory Developments</b>				
Skye@Tuas	Tuas Link Close	West	Soon Hock Land Pte Ltd	68,900
Stellar@Tampines	Tampines North Drive 4	East	Soon Hock Property Development Pte Ltd	50,760
Former Thye Hong Centre	Leng Kee Road	Central	Wealth Space Pte Ltd (subsidiary of SLB Development)	17,900

Source: JTC J-Space, Knight Frank Singapore

**Upcoming Major Factory Developments from 2027 to 2029**

Name of Development	Factory Type	Location	Planning Region	Name of Developer	Approximate GFA (sqm)
<b>2027</b>					
Additions/alterations to existing factory	Single-User	North Coast Drive	North	Micron Semiconductor Asia Operations Pte Ltd	277,180
VSMC wafer fabrication plant	Single-User	Tampines Industrial Avenue 1	East	VisionPower Semiconductor Manufacturing Company Pte Ltd	232,600
Wuxi Biologics' CRDMO Centre	Single-User	Tuas South Avenue 5	West	STA Pharmaceutical Singapore Pte Ltd	90,090
<b>2028</b>					
Gourmet Xchange	Multiple-User	Kallang Way	Central	CL Savour Property Pte Ltd	111,140
Multiple-User Factory development	Multiple-User	Tukang Innovation Drive	West	Tukang Project Pte Ltd	46,720
DayOne Data Center	Single-User	Jalan Buroh	West	DayOne Data Centers Singapore Pte Ltd	39,860
<b>2028</b>					
Meta Singapore Data Centre	Single-User	Sunview Way	West	Malkoha Pte Ltd	171,180

### Potential Supply of Factory Space

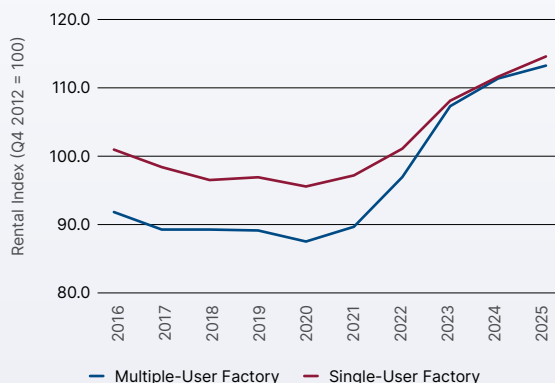


Source: JTC J-Space, Knight Frank Singapore

### Rents

As at 4Q2025, the JTC rental indices for both single-user and multiple-user factory types rose by 2.7% and 1.8% y-o-y respectively. According to JTC 4Q2025 data, rents for single-user factory spaces at the 25th percentile, median, and 75th percentile increased over the year to reach S\$17.79, S\$22.36, and S\$32.54 per square metre (“psm”) per month, respectively. Similarly, rents for multiple-user factory spaces rose to S\$22.19, S\$26.38, and S\$32.16 psm per month respectively for the same corresponding percentile rents.

### JTC Rental Index for Factory Space by Types



Source: JTC J-Space, Knight Frank Singapore  
 Note: JTC rental indices are based on the last quarter of each respective year.

### Outlook

Moderate growth is expected in Singapore’s factory market in 2026 as the industrial property cycle eases following four years of strong price and rental gains since 2021. Leasing demand is expected to remain supported by occupiers in general manufacturing, precision engineering, electronics, logistics, and supporting industrial services, although sentiment may become more selective amid a softer macroeconomic backdrop and a more balanced supply pipeline.

While rental affordability and location will remain key decision factors, demand is expected to stay anchored by occupiers seeking practical and well-located factory premises that support operational continuity, business expansion, and relocation from ageing or less efficient stock. This is likely to benefit multiple-user and general factory assets that offer functional layouts, established industrial locations, and accessibility to key transport and labour catchments. Over the longer term, Singapore’s continued emphasis on industrial transformation, innovation, and manufacturing value-add should continue to support demand across the broader factory segment.

Against this backdrop, Knight Frank projects factory rents to increase by 1% to 3% in 2026. Transactional activity is expected to pick up as financing conditions improve, with factory prices forecast to rise by 3% to 5%, supported by resilient occupier demand, limited availability of quality assets, and sustained investor interest in well-located factory properties with stable leasing fundamentals.

**BUSINESS PARK**

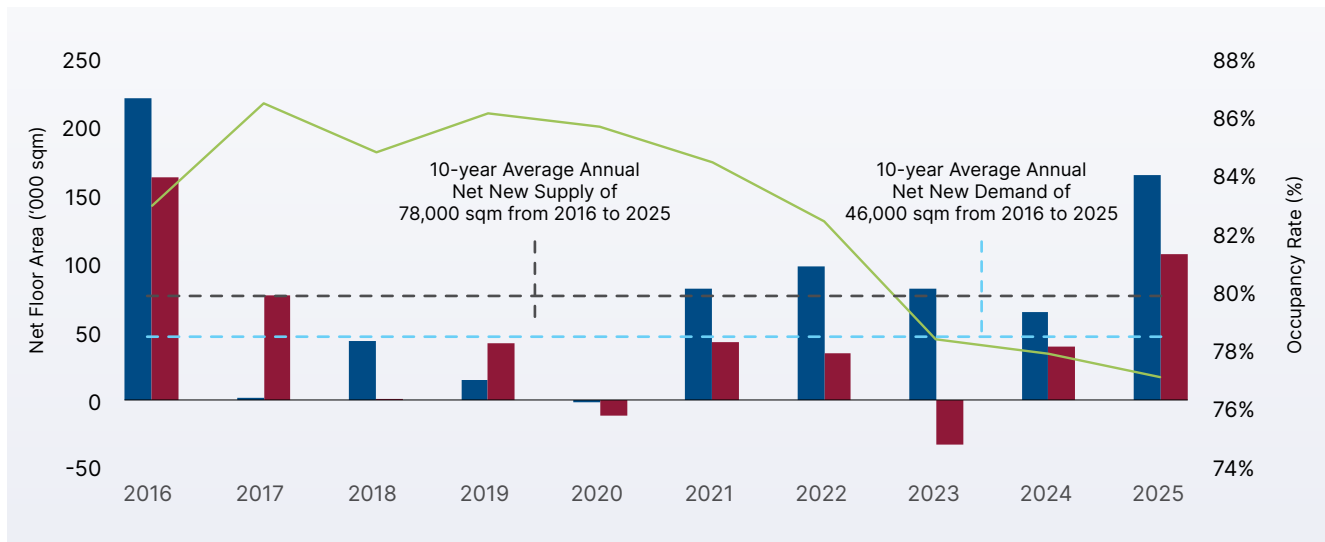
**Stock and Supply**

As at 4Q2025, Singapore’s inventory of business park spaces amounted to 2.7 million sqm, a 6.6% y-o-y increase from the previous year. The net new supply of business park stock amounted to 166,035 sqm, 2.5 times higher than 65,284 sqm in the previous year. The net new supply in 2025 was at its highest since 2016, attributed to the completion of 0.4 million sqm GFA of new business park stock, which comprise the Punggol Digital District (308,580 sqm) and Geneo (115,960 sqm).

**Demand and Occupancy**

With a much higher completion of new business park stock, the overall occupancy dropped 0.8 pp y-o-y to 77.1% in 2025, where demand for older business park stock is also diluted by the new completions. As at 4Q2025, net new demand of business park is registered at 107,600 sqm, 175% higher than the net new demand attained in the previous year, possibly attributed to the injections of tenants in the new business park spaces. The 10-year average demand is registered at 46,000 sqm, 40.1% lower than the 10-year average supply of 78,000 sqm.

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



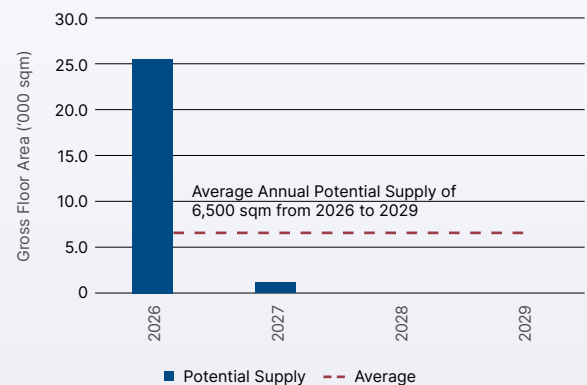
Source: JTC J-Space, Knight Frank Singapore

■ Net New Supply ■ Net New Demand — Occupancy Rate (%)  
 - - Average Net New Supply (2016 - 2025) - - Average Net New Demand (2016 - 2025)

**Potential Supply**

According to JTC, approximately 26,000 sqm GFA of new business park stock is slated for completion in the next two years, contributed mainly by the upcoming completion of 27 IBP (24,650 sqm), by CapitaLand Ascendas REIT. Being the newest business park in the West region, it is expected to come onboard in 2026.

**Potential Supply of Business Park Space**



Source: JTC J-Space, Knight Frank Singapore

**Upcoming Major Business Park Development in 2026**

Name of Development	Location	Planning Region	Name of Developer	Approximate GFA (sqm)	Estimated Year of Completion
27 IBP	27 International Business Park	West	CapitaLand Ascendas REIT	24,650	2026

Source: JTC J-Space, Knight Frank Singapore

**Rents**

Driven by healthy take-up of modern and good quality business park spaces, the overall rents for business park remained resilient with rents continuing a stable upward trajectory in the last five years. As at 4Q2025, the JTC Rental Index for business park grew 2.6% y-o-y, compared with 1.9% y-o-y in the previous year. The 25th percentile, median, and 75th percentile rents for business park space were S\$43.00, S\$48.70, and S\$52.74 psm per month respectively as at 4Q 2025.

**Outlook**

Singapore's new business park supply will taper off substantially in the next few years, with the only new completion being 27 IBP in 2026. With limited new upcoming supply, the supply and demand situation is expected to gradually meet at the equilibrium, supported by the Singapore government's push for advance manufacturing, technology and innovation, which are sectors that occupy business park space. Demand for strategically located and modern business park spaces is expected to be resilient, while the older stocks could continue to struggle with occupancy, highlighting the importance of asset improvement works to retain and attract tenants. Nonetheless, the older business park assets might still be a preferred choice for companies grappling with operational and occupancy costs, as the rents for older assets are usually lower and more affordable. In view of these market developments, rents for business park spaces are forecasted to show mild growth of 1% to 2% in 2026.

**JTC Rental Index for Business Park Space**



Source: JTC J-Space, Knight Frank Singapore  
 Note: JTC rental indices are based on the last quarter of each respective year.

**WAREHOUSE**  
**Stock and Supply**

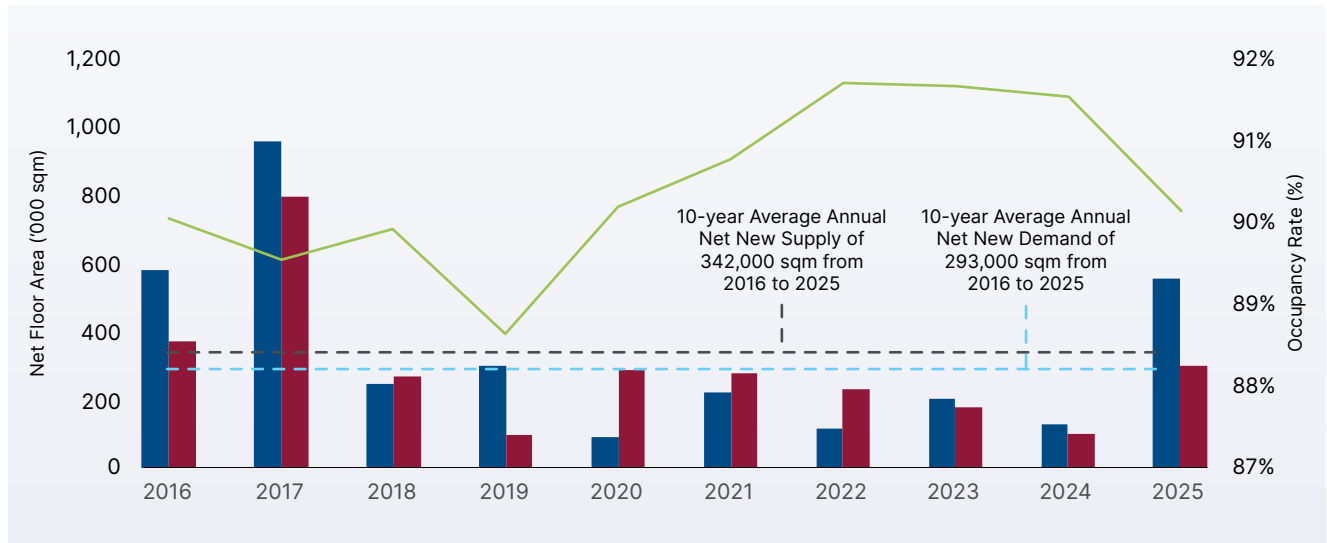
As at 4Q2025, Singapore has over 12.3 million sqm of private and public warehouse stock nationwide, an increment of 4.8% y-o-y from the total stock in the previous year. Approximately 95.3% (11.7 million sqm) of the total warehouse stock comprise private stock, with the remaining 4.7% (0.6 million sqft) owned by the public sector – JTC Corporation. The net new supply for 2025 is registered at almost 0.6 million sqm, more than four times that of 2024.

Almost 0.6 million sqm of new warehouse stock were completed in 2025, comprising both multi-tenanted facilities and single-user warehouses. Prominent new completions include the Mapletree Joo Koon Logistics Hub (82,390 sqm), Daizu Building at Tampines North Drive 5 (12,280 sqm), Wuxi Biologics' CRDMO Centre at Tuas View (120,910 sqm) and Sankyu's Tuas Logistics Hub (37,370 sqm).

**Demand and Occupancy**

The annual net new demand for warehouse spaces in 2025 was registered at 0.3 million sqm, which is triple that of the previous year. Attributed to the influx of new stock and net new supply exceeding net new demand, the occupancy fell 1.7 pp from 91.5% in 4Q2024 to 89.8% in 4Q2025. Notwithstanding the temporary fall in occupancy, the market is envisaged to gradually absorb the new supply on the back of the generally resilient demand for good quality logistics facilities and warehouses. The occupancy rate will likely recover to above 90% in the near term.

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

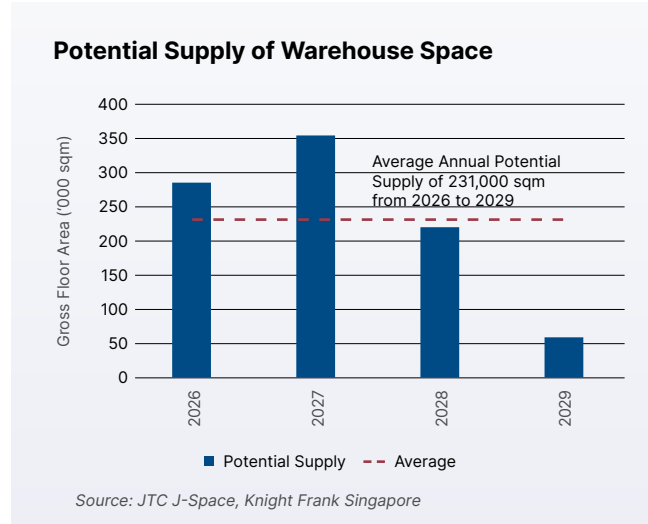


Source: JTC J-Space, Knight Frank Singapore

■ Net New Supply   ■ Net New Demand   — Occupancy Rate (%)  
 - - Average Net New Supply (2016 - 2025)   - - Average Net New Demand (2016 - 2025)

### Potential Supply

Singapore is expecting around 0.9 million sqm GFA of new warehouse stock from 2026 to 2029, which translates to an average of over 0.2 million sqm GFA and around 0.16 million sqm NLA per year moderating from the 10-year annual average supply of over 0.3 million sqm NLA from 2016 to 2025. Majority of the upcoming supply is concentrated in the next three years (2026 to 2028), and they are mostly located in the West Region. This includes Cogent Jurong Island (62,500 sqm), and a modern multi-tenanted warehouse development (11,820 sqm) by Commonwealth Kajima Development (Logistics) Pte. Ltd which are both slated for completion in 2026. The largest scale upcoming logistics facility is the 236,000 sqm PSA Supply Chain Hub @ Tuas, which is expected to start operations in 2027 to support Singapore’s busy transshipment hub operations.



### Upcoming Major Warehouse Developments in 2026

Name of Development	Location	Planning Region	Name of Developer	Approximate GFA (sqm)
Cogent Jurong Island	Tembusu Crescent	West	Cogent Jurong Island Pte Ltd	62,500
Warehouse Development	Bukit Batok Street 22	West	Progressive Builders Pte Ltd	11,140
Warehouse Development	Jalan Besut	West	Commonwealth Kajima Development (Logistics) Pte. Ltd.	11,820

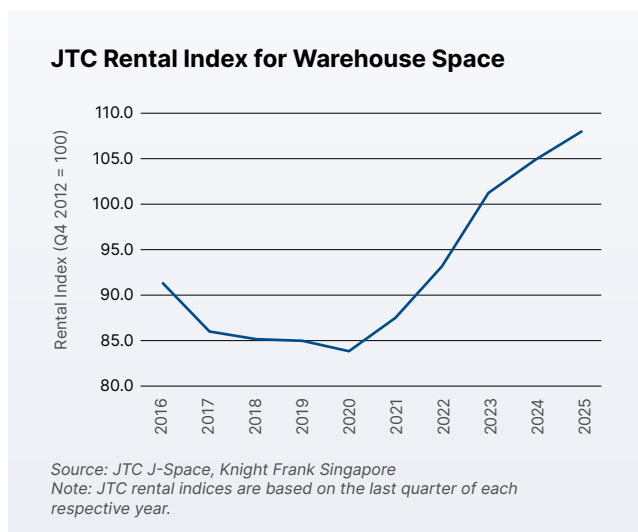
Source: JTC J-Space, Knight Frank Singapore

### Upcoming Major Warehouse Developments from 2027 to 2029

Name of Development	Location	Planning Region	Name of Developer	Approximate GFA (sqm)
<b>2027</b>				
Warehouse development	Tuas South Avenue 5	West	PSA Corporation Limited	236,000
Warehouse development	Pioneer Turn	West	Pioneer Turn Logistics Pte Ltd	55,480
<b>2028</b>				
Sunview Logistics & Container Hub	Sunview Road	West	Allied Sunview Pte Ltd	142,670
<b>2029</b>				
Logis Hub @ Clementi	Clementi Loop	West	CapitalLand Ascendas REIT Management Limited	58,820

## Rents

Despite the drop in occupancy in 4Q2025, the rental performance of warehouse space in Singapore remained resilient and grew 3.0% y-o-y compared with 3.5% y-o-y in the previous year. The 25th percentile, median and 75th percentile rents for the nationwide warehouse rents were \$18.83 psm per month, \$25.09 psm per month and \$32.29 psm per month respectively, which translated to 1.5%, 9.3% and 11.1% y-o-y growth, proving the stable demand for good quality warehouse spaces.



## Outlook

The supply influx of new warehouse stock is expected to ease in the next three years, with little known upcoming stock post-2029. This is expected to result in the gradual absorption of warehouse stock in the near term, hence contributing to occupancy recovery. In view of the Singapore government's proactive initiatives in continuing the development of Singapore as the region's supply chain hub, good quality and strategically located warehouses and logistics facilities are expected to experience continued high demand and resilience in both the rents and occupancy. Prime and freehold industrial assets will continue to attract strong interest from corporates focused on long-term capital preservation, though a growing segment of investors are increasingly receptive to assets with shorter balance lease as these assets typically offer relatively higher rental yield. Knight Frank envisages a moderate 2% to 3% growth for overall warehouse rents in 2026, supported by recovering business confidence and continued strong demand for supply chain management and logistics services.

## 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 4Q2025, Knight Frank estimates that Singapore has circa 6.5 million sqm GFA of high-specifications industrial stock, including data centres. Prominent new completions in 2025 include Bulim Square by JTC Corporation (160,240 sqm) located at the West, and Daizu Building (12,280 sqm) located at the East.

### Demand and Occupancy

While occupiers continue to prioritise rental costs and location, there is strong demand for good-quality industrial facilities, with high-specifications and green features serving as a positive differentiator; newer developments are typically designed with energy-efficient features, while older assets often incorporate such upgrades through asset enhancement initiatives. High-specifications industrial spaces include data centres, which are envisaged to continue its robust growth trajectory, supported by the expanding Artificial Intelligence ("AI") demand on a global scale. The overall occupancy of these high-specifications industrial spaces continued to demonstrate resilience in 2025 and remained above 90% on a nationwide average.

### Potential Supply

Based on publicly announced information, an estimated total 507,740 sqm of high-specifications industrial developments are slated for completion from 2026 to 2029. Approximately one-third (156,320 sqm) of the existing pipeline is expected to come onboard in 2026, including an Equinix data centre (27,880 sqm) and a new Siemens factory (36,230 sqm) in Tuas.

### Upcoming High-specifications Industrial Space

Name of Development	Location	Planning Region	Name of Developer	Approximate GFA (sqm)	Expected Completion
<b>High-specifications Industrial Developments (Non-Data Centres)</b>					
Multiple-user Factory	Tuas Link Close	West	Soon Hock Land Pte Ltd	68,900	2026
WuXi Biologics CRDMO Manufacturing Facility	Tuas South Avenue 3	West	WuXi Biologics Biopharmaceuticals Singapore Private Limited	29,410	2026
AST Building	Jalan Buroh	West	Advanced Substrate Technologies Pte. Ltd.	70,860	2026
Multiple-user Factory	Lorong Ampas	Central	JVA Whampoa Pte Ltd	8,570	2026
Multiple-user Factory	Tukang Innovation Drive	West	Tukang Project Pte Ltd	46,720	2028
Tampines Connection	Tampines North Drive 4	East	SB (TND) Investment Pte Ltd	46,090	2028
<b>Data Centres</b>					
DayOne Data Center	Jalan Buroh	West	DayOne Data Centers Singapore Pte Ltd	39,860	2028
Meta Singapore Data Centre	Sunview Way	West	Malkoha Pte Ltd	171,340	2029

Source: JTC J-Space, Knight Frank Singapore

### Rents

The 75th percentile monthly rents of multiple-user factory were adopted as the proxy for high-specifications industrial spaces. As at 4Q2025, the 75th percentile rent remained broadly stable at S\$31.90 per sqm per month, representing a modest 1.2% y-o-y decline from 4Q2024.

#### Rental Performance of High-Specifications Industrial Space



Source: JTC J-Space, Knight Frank Singapore  
Note: JTC rental indices are based on the last quarter of each respective year.

### Outlook

The growing global AI adoption which comprises both corporate and leisure uses is transforming and accelerating the industry's data centre requirements. The evolving geopolitical situations have benefitted Singapore, attributed to the nation's stable energy provisions and infrastructural quality. Coupled with the Singapore government's prioritisation on high-value output and advance manufacturing as driven by the M2030 strategy, the demand for high-specifications industrial spaces including data centres is envisaged to uphold its demand prospects. In view of the above, the rental market for these multi-tenanted high-specifications industrial spaces is forecasted to experience rental growth of 2% to 3% for the whole of 2026, barring any external black swan events or major geopolitical conflicts.

## ECONOMIC OVERVIEW AND OUTLOOK

The global economy is adjusting to a policy environment defined by rising tariff and non-tariff barriers. Despite these headwinds, growth has held up better than expected, supported by temporary factors that are now fading. As these supports unwind, volatility and uncertainty are becoming more evident, and global risks remain skewed to the downside. Australia has been comparatively insulated – subject only to the baseline 10% U.S. tariff – and in some cases benefiting from trade barriers imposed on competing exporters. The key external risk, a deepening U.S.-China trade conflict that would weigh on Chinese demand, has eased with the announcement of a one-year truce on tariff escalation.

Domestic momentum strengthened through 2025, with GDP expanding 2.6% over the year to 4Q2025. Lower interest rates have fed through to the real economy, supporting a broad uplift in private demand. Household consumption and private investment have become the primary growth engines, while government spending has played a diminishing role.

The labour market has loosened slightly but remains relatively tight despite the sharp interest rate hikes in 2022 and 2023. The unemployment rate sits at 4.1% as of January 2026, still below the 10-year pre-pandemic (2010-2019) average of 5.5%, and employment has grown by 179,900 over the past year.

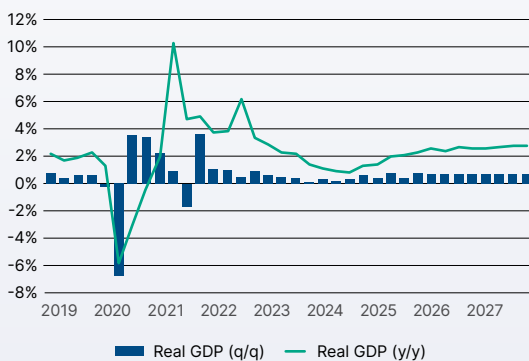
Inflation returned to the Reserve Bank of Australia (“RBA”) target band in early 2025, but recent data points to a re-acceleration in price pressures. Headline inflation remained elevated at 3.8% in December 2025, while trimmed mean inflation<sup>1</sup> was 3.3%, both above the RBA’s 2-3% target band. This reflects the expiry of temporary energy subsidies as well as a more concerning, broad-based uptick across multiple components.

With inflation rising to above the RBA target, and the labour market still relatively tight, the RBA raised interest rates by 25 basis points (“bps”) to 3.85% in February 2026. Current market pricing (as of 3 February 2026) suggests that there will be another cash rate hike in 2026 (25 bps). Inflation outcomes for 1Q2026, scheduled for release in March 2026, will be pivotal in determining the direction of the next move.

Looking ahead, the outlook points to economic conditions remaining relatively stable. Household spending and private investment are expected to steady at their current levels and GDP is forecast to grow by 2.4% in 2026. Interest rates are forecast to rise to 4.1% and bond yields are anticipated to remain stable at 4.85% by the end of 2026.

### Real GDP Growth

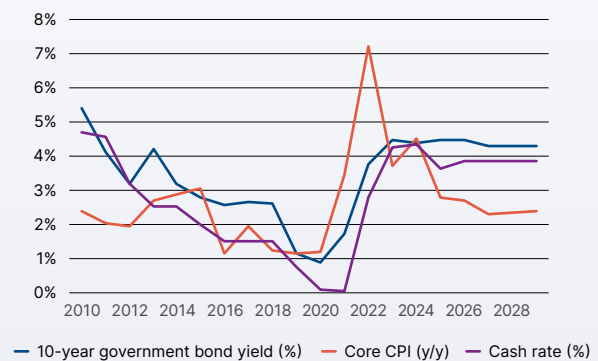
Annual and quarterly growth (%)



Source: Knight Frank Research, Oxford Economics

### Inflation and the RBA Cash Rate

Annual growth in core inflation (y-o-y), bond yields and cash rate (%)



Source: Knight Frank Research, Oxford Economics

1 Trimmed mean inflation is the RBA’s preferred measure of core inflation which excludes large price changes and focusses on the weighted average of the middle 70% of items in the CPI basket.

## Key trends in the Australian economy

Trends in key macroeconomic variables:

<b>Gross Domestic Product ("GDP")</b>	Australian economic growth has steadily improved throughout 2025, rising by 2.6% over the year to 4Q2025. This increase has been driven by a pickup in both consumer spending and private investment. GDP growth is forecast to rise to 2.4% in 2026.
<b>Inflation (Consumer Price Index ("CPI"))</b>	Headline inflation fell over 1H2025, but rose in 2H2025 to an annual rate of 3.8% in December 2025. The annual trimmed mean measure (core inflation) has also risen to 3.3% in December 2025 to be above the RBA's 2-3% target band. Rising inflation in recent months reflects a combination of government energy subsidies ending, rising housing and energy costs, and an uptick in services inflation. Annual trimmed mean inflation is forecast at 3.6% in 2Q2026 before falling to 3.2% by 4Q2026.
<b>Employment</b>	The Australian labour market remains relatively resilient with the unemployment rate at 4.1% in January 2026, substantially lower than the 10-year pre-pandemic (2010-2019) average of 5.5%. Employment has also stayed robust, growing by 179,900 jobs over the year to January 2025 (up by 1.2%). The labour market is forecast to remain relatively stable with the unemployment rate rising slightly to 4.5% by the end of 2026.
<b>Interest Rates and Bond Yields</b>	<p>The RBA commenced a rate cutting cycle in early 2025, with three interest rate cuts lowering the RBA's cash rate from 4.35% to 3.6%. However, inflation has risen to be above RBA target band, and the RBA is characterising the labour market as remaining "a little tight". In response, the RBA decided to raise the cash rate by 25 bps to 3.85% at their February meeting. Markets are pricing in a further rate rise in May, but that will be dependent on the 1Q2026 inflation data. Oxford Economics forecasts that the RBA will raise the cash rate to 4.1% in May and remain at this level in 4Q2026.</p> <p>Yields on 10-year government bonds have traded relatively steady at 4.3% to 4.5% throughout most of 2025 as rising risk premiums offset the decline in the RBA cash rate. However, bond yields spiked in late 2025 to a peak of 4.8% as interest rate hikes became more likely. 10-year government bond yields are forecast to remain elevated at 4.85% by the end of 2026.</p>
<b>Population Growth</b>	Population growth has slowed considerably reflecting a reduction in net overseas migration. Australia's population grew by 1.5% y-o-y as of 2Q2025. This is broadly in line with the average rate of population growth over the past 20 years (1.6% annual growth). Australia's annual population growth is expected to continue to slow throughout 2026 to 1.2%, reflecting both reduced net overseas migration and lower natural increase in population.
<b>Consumer Confidence</b>	Consumer confidence has steadily improved throughout 2025 as falling interest rates and improving economic conditions reduced the cost-of-living pressures that weighed on consumer confidence. The Consumer Confidence Index rose from 92.1 at the start of 2025, peaked at 103.8 in November (values above 100 signal optimism). However, the shift to higher interest rates has weighed on consumer confidence which has since fallen to 90.5 in February 2026.
<b>Wages Growth</b>	Wages growth has lifted slightly, rising by 3.4% over the year to 3Q2025, remaining above the average over the past decade. Wages have grown faster than inflation in recent years, meaning real wages have returned to growth. However, the recent resurgence of inflation has seen real wage growth slow markedly. In 2026, annual wage growth is expected to soften to 3.2% by the end of the year.
<b>Household Spending</b>	Household spending rose by 4.6% over the year to January 2026 reflecting a combination of improved consumer confidence and a higher real income growth. Households have increased their spending on both discretionary and non-discretionary items. This is expected to support stronger imports and demand for warehouse space moving into 2026.

## Australian Economic Forecasts

	2023	2024	2025	2026F	2027F	2028F	2029F
<b>GDP growth (%)</b>	1.4	1.3	2.6*	2.4	2.8	2.6	2.6
<b>Core Inflation (%)</b>	3.7	4.5	2.8	3.2	2.5	2.5	2.5
<b>Population Growth (%)</b>	2.3	1.8	1.4*	1.2	1.2	1.2	1.2
<b>RBA Cash Rate (%)</b>	4.35	4.35	3.6	4.1	4.1	3.6	3.35
<b>Aus 10-year Bond Yield (%)</b>	4.5	4.4	4.5	4.9	4.8	4.4	4.3
<b>Unemployment Rate (%)</b>	3.9	4.0	4.2	4.5	4.5	4.4	4.4
<b>Wage Growth (%)</b>	4.3	3.2	3.4*	3.2	3.2	3.2	3.2
<b>Exchange Rate (AUD/USD)</b>	0.65	0.65	0.66	0.71	0.72	0.73	0.74

Source: Knight Frank Australia, Oxford Economics

Note: \*estimate. Forecast dates refer to 4Q for each year. Forecast data is Oxford Economics February 2026 forecasts.

## NATIONAL MARKET OVERVIEW

Over the past five years, the Australian industrial sector has moved through an exceptional cycle of rapid expansion followed by a period of moderation. The pandemic years drove an unprecedented surge in occupier demand as e-commerce accelerated, supply chains were reconfigured, and businesses increased inventory holdings. This pushed vacancy rates to historic lows, triggered record rental growth and drew significant institutional capital, making industrial sector the strongest-performing commercial asset class during that period.

However, the past two years have marked a noticeable slowdown as both the economy and the industrial market have adjusted. Rapid interest rate increases from 2022 onwards slowed economic activity, softened consumer spending and tempered supply-chain expansion. Many occupiers became more cautious in committing to large space, and leasing decisions lengthened. At the same time, a substantial development pipeline—initiated during the boom—delivered multiple schemes across major markets, which elevated vacancy from the historic lows.

This has resulted in a more balanced market dynamic. Rental growth, while still positive in core and infill locations, has eased from the double-digit rates seen in previous years. Capital values have undergone a period of repricing as higher funding costs and softer sentiment flowed through to yields. Development activity has also moderated, with speculative projects becoming less feasible under current economic conditions.

Despite this slowdown, the sector remains underpinned by strong long-term fundamentals. Demand continues to be supported by e-commerce penetration, infrastructure investment, supply-chain modernisation and the growth of categories such as cold chain storage and freight logistics and data infrastructure. As a result, even with more moderate

economic conditions, industrial property continues to be viewed as a resilient and strong asset class.

## Key Sector Drivers

### Population Growth and Urban Expansion

Strong population growth particularly across Australia – averaging 1.6% over the past 20 years and concentrated in cities on the east coast – is one of the most significant long-term drivers of industrial demand. As Australia's population expands, so too does the need for freight, distribution, food logistics, parcel delivery, construction materials, and manufacturing inputs. Urban infill areas are experiencing heightened demand for last-mile facilities, with limited land availability reinforcing rental growth and creating structural tightness in key precincts.

### E-commerce Penetration

Over the past five years, Australia's e-commerce penetration has risen sharply, climbing from around 6% of total retail sales in 2019 to approximately 14% in 2025, well above pre-pandemic levels. Although growth has moderated from the rapid acceleration seen during COVID-19 pandemic, the online share of retail is expected to continue rising, with most forecasts pointing toward penetration of 17–20% by the end of the decade. Australia still lags more mature markets such as the UK, where online retail accounts for nearly 30% of spending, indicating further room for structural growth. This ongoing expansion in e-commerce underpins sustained demand for modern logistics, fulfilment and last-mile industrial facilities nationwide.

### Logistics Modernisation

Retailers and 3PLs are investing heavily in supply-chain technology, robotics, and larger format warehouses, driving sustained occupier requirements across major industrial markets. Even as consumer spending cycles ease, the long-term shift toward online retail remains a powerful structural force.

### Supply-Chain Resilience and Higher Inventory Holdings

Australian occupiers have permanently altered inventory strategies following global supply disruptions. Many businesses now favour “just-in-case” rather than “just-in-time” inventory management, requiring greater warehouse capacity. This has supported ongoing take-up from retailers, wholesalers, food and beverage operators, cold-storage occupiers and manufacturers seeking diversified, resilient supply chains.

### Infrastructure Investment

Federal and state governments continue to invest heavily in transport and logistics infrastructure including port upgrades, inland rail projects, motorway expansions, intermodal terminals and airport precinct developments. This investment improves freight efficiency, enhances the competitiveness of industrial precincts, and supports new development corridors. Projects such as the Western Sydney Airport (and its surrounding Aerotropolis), North-East Link in Melbourne, and upgrades around Brisbane’s TradeCoast are directly catalysing industrial development and occupier demand.

### Growth in Advanced Manufacturing and Energy Transition

Government initiatives are also playing a growing role in shaping industrial demand. The National Reconstruction Fund is supporting expansion in advanced manufacturing, clean-energy technologies, food processing and defence industries, driving new requirements for modern industrial facilities. At the same time, the Rewiring the Nation program is upgrading Australia’s electricity transmission network, enabling greater access to high-capacity, reliable power and unlocking new industrial precincts linked to renewable-energy zones. Together, these initiatives are helping stimulate investment, encourage reshoring, and support long-term demand for high-specifications industrial space.

### Data Centres and AI

Rapid growth in cloud computing, AI, and digital services has fuelled a national data centre build-out. These facilities rely on industrial-zoned land with strong power access, creating new demand for highly serviced and strategically located parcels. This trend is reshaping parts of Sydney’s west, Melbourne’s north and several key logistics corridors.

### Key Market and Occupier Trends

Occupier demand across the national industrial market has moderated from the peak levels seen in 2021 to 2023. While demand remains healthy, activity has become more selective across cities and asset types. Premium, high-clearance, last-mile and automation-ready assets continue to attract the strongest interest, whereas older secondary stock faces longer vacancy periods and rising incentives. Sub-10,000 sqm warehouses are showing greater resilience, particularly within urban infill markets where accessibility and proximity to customers are key. Logistics operators and major retailers

remain active to source for suitable space, although their site selection processes have become far more selective and focused on operational efficiency.

### Shifting Occupier Behaviour

Occupiers are increasingly cautious in their decision-making, with longer evaluation cycles before committing to new leases or expansions. At the same time, there has been a pronounced flight to quality. Tenants are prioritising new or upgraded facilities that offer higher clearances, stronger sustainability credentials, readiness and the flexibility to accommodate automation technology. ESG performance and operational efficiency are also key to decision-making processes.

### Diverging Demand Patterns

Smaller format warehouses and urban infill assets have maintained solid demand as trade-based businesses and specialist distributors continue to value convenience and accessibility. In contrast, large-format occupiers such as 3PL providers and e-commerce operators are expanding more selectively, favouring markets with strong transport linkages and supply-chain connectivity. Where suitable land is available, some occupiers are shifting towards ownership rather than leasing, securing long-term control over their facilities and mitigating future rental exposure.

### More Favourable Occupier Market

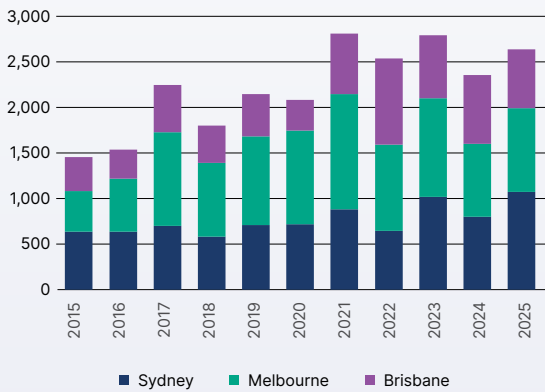
National vacancy has risen modestly as the market absorbs a significant volume of speculative supply. This has given occupiers greater negotiating power, with incentives widening in several precincts. Prime assets, however, continue to lease relatively well, while secondary stock requires more competitive terms or refurbishment to attract tenants. The elevated speculative pipeline has amplified this divide, creating a market where occupiers can secure quality space on more favourable conditions, while landlords of older assets face growing pressure to invest in upgrades.

### National Occupier Market Overview

The last two years have marked a period of adjustment for Australia’s logistics and industrial sector, shaped by changes in consumer habits, advances in technology and shifting market conditions. While sector fundamentals remain strong, the market has rebalanced, with increased vacancy coinciding with a moderation in occupier demand.

Leasing activity across the East Coast reached 2.9 million sqm in 2025, which surpasses the levels achieved in 2024. Melbourne and Sydney accounted for 75% of national leasing activity, driven by areas like Melbourne West and Sydney Outer West. The transport and logistics sector made up nearly 35% of total lease deal volumes, with retail trade at 20% and manufacturing at 15%. Pre-commitment activity represented 25% of total take up in 2025.

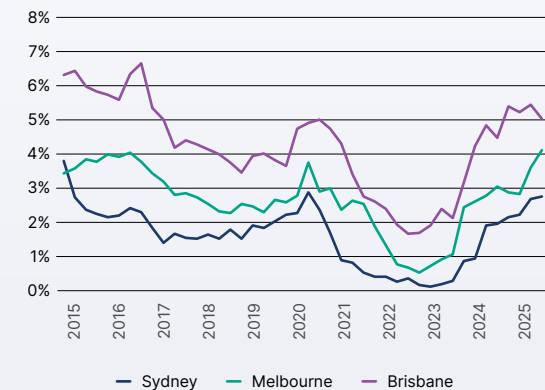
**Eastern Seaboard Industrial Take-up**  
'000sqm



Source: Knight Frank Research

East Coast industrial vacancy has been rising since 2024, reaching 2.8 million sqm by the end of 2025, with the East Coast vacancy rate at 3.8%. In Sydney the vacancy rate sits at 2.8%, Melbourne at 3.6%, and Brisbane at 5.0%. Speculative developments made up 31% of vacancies. Infill areas had lesser vacancy due to limited land and development options. Despite the rise in vacancy, Australia remains one of the world's tightest industrial markets compared to the U.S. and Europe.

**Eastern Seaboard Industrial Vacancy**  
%



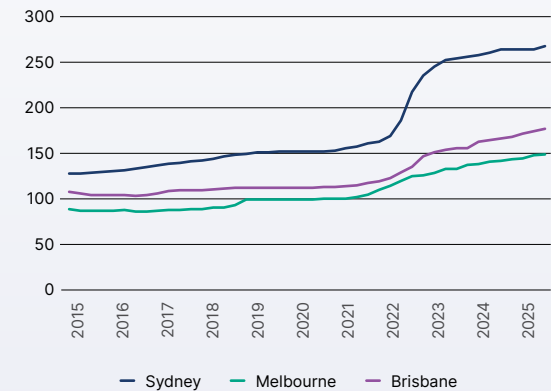
Source: Knight Frank Research

After several years of rapid escalation, industrial rental growth has moderated as new supply and higher vacancy bring balance to the market. Rental growth levels have varied across capital cities with the strongest annual growth recorded in Brisbane with 6.4%, followed by Melbourne at 4.4% whilst in Sydney rental growth was constrained to 1.5%. The variation

across markets reflects differing levels of vacancy and new supply — land-constrained precincts continue to see upward pressure, while areas with higher vacancy are levelling out.

Incentives have risen over the past 18 months as competition for occupiers has intensified. Initially concentrated in new Sydney developments to preserve face rents, incentives have now increased across all major markets. Current ranges sit around 11%–22% in Sydney, 17%–25% in Melbourne (outside the City Fringe), with some completed speculative assets reportedly offering higher deals.

**Australian Prime Industrial Net Face Rents**  
\$ psm



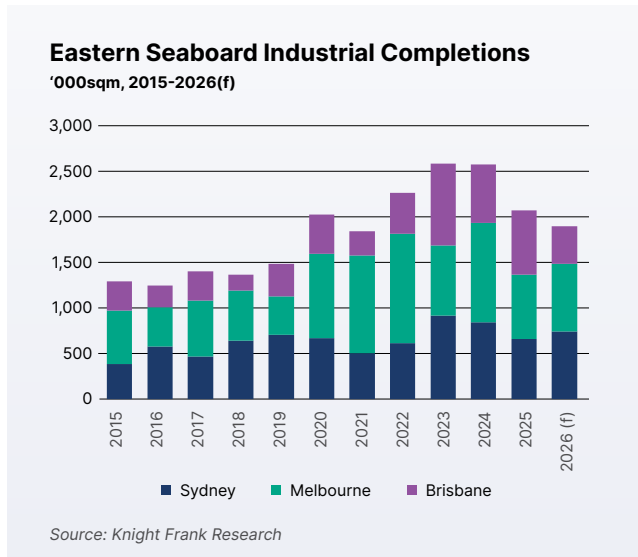
Source: Knight Frank Research

The industrial sector's relatively short build timeframes allow it to adapt quickly to changing market conditions. Developers are easing back the pace of new supply, with completions across the East Coast falling in 2025 to circa 2.1 million sqm, down 19% on 2024 levels. New supply in Melbourne eclipsed 700,000 sqm in 2025, down from 1.1 million sqm in 2024. In Brisbane and Sydney, new supply totalled 700,000 sqm and 657,000 sqm respectively.

Despite this moderation, speculative completions were elevated in 2025, making up around 50% of new supply. This is largely the result of projects that commenced in late 2024 and reached completion in 2025. However, new speculative starts will become more limited moving forward, as tighter feasibility conditions temper developer appetite in the near term. Looking ahead, 2026 is forecast to deliver 1.9 million sqm of new supply with 60% of this already under construction.

Elevated construction costs and land values will impact the longer-term pipeline in 2027–28, with some projects progressing more slowly through the development pipeline. A significant share of proposed supply remains in the early stages of approval, while a small proportion is currently assessed as unlikely to proceed. In addition, several projects will require pre-commitments prior to construction

commencing. Furthermore, many landlords are adopting a more cautious approach to speculative development, prioritising the leasing of existing assets before advancing new projects, which is expected to further moderate the delivery of new supply.



### National Capital Market Overview

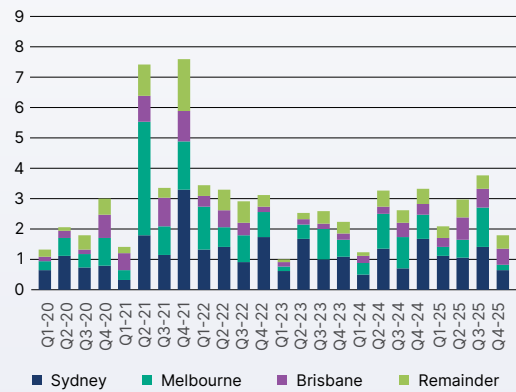
Australia’s industrial and logistics capital markets recorded positive signs throughout 2025, building on the improvements seen through 2024. Investor confidence has strengthened as interest rate expectations became clearer and pricing reset through the previous cycle. Liquidity improved materially in the first half of the year, with a broader set of buyers re-entering the market. This has resulted in a more active investment environment, particularly in established East Coast precincts where fundamentals remain solid.

Investment activity totalled \$10.9 billion for 2025, representing a slight increase on 2024 and 13% above the 10-year average. Sydney was the most active market with over \$4.3 billion transacting, followed by Melbourne with \$3 billion and Brisbane with \$2.6 billion. Notable transactions include Centuria and investment manager BGO completing their joint acquisition of three Western Sydney warehouses worth \$201 million, providing c.45,000 sqm of prime industrial space. In Brisbane, China’s JD Property acquired Wacol Logistics Hub, comprising four warehouses for \$240 million on a sub-6% yield.

Offshore capital has been active, particularly from Japan and North America, attracted by the relative pricing and income stability of Australian industrial assets. Private investors remain competitive in smaller and mid-market transactions, often targeting value-add opportunities, near-term rental reversion or redevelopment potential.

### Australian Industrial Investment Volumes

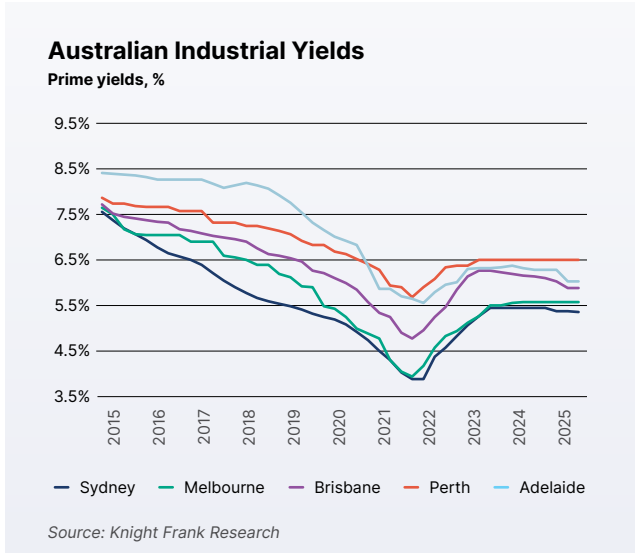
A\$ billion, transactions \$10m+



Pricing has begun to shift after broadly holding stable in 2024, prime yields are showing early signs of compression in select markets, reflecting improved sentiment. Bid-ask spreads have narrowed for higher-quality assets, especially those with long WALEs, strong tenant covenants and limited capex exposure. Secondary assets remain more sensitive to vacancy and incentives, with yields continuing to trade at a discount to core locations and institutional-grade product.

At a market level, Sydney recorded modest yield compression of 11 bps, with prime yields averaging 5.3%, and further tightening anticipated through 2026. Melbourne prime yields remained broadly stable over the year and currently sit at 5.6%. Brisbane experienced the most pronounced repricing, with prime yields compressing by 35 bps over 2025 to 5.9%, reflecting stronger investor demand and improving market sentiment.

2026 is expected to present a more supportive environment for investment activity. With asset values having largely adjusted and an increasing pool of capital seeking deployment, investor confidence is gradually improving, positioning the market for a potential period of yield tightening. Global logistics markets have already begun to experience yield compression, and Australia is expected to follow as conditions stabilise. This is likely to create opportunities across a range of investment profiles, from core, income-secure assets to selective value-add strategies in well-located, land-constrained precincts.



### Recent Industrial Transactions in Sydney, Melbourne and Brisbane

Property	State	Precinct	Price (A\$m)	Size (sqm)	Unit Price (\$psm)	Purchaser	Vendor	Yield (%)	WALE	Sale date
63 Jedda Rd, Prestons	NSW	South West	108.0	22,492	4,802	Aliro Group	Blackstone	5.13	9.7	4Q2025
32 Sargents Rd, Minchinbury	NSW	Outer West	77.5	20,059	3,864	Busways	Dexus	5.13	1.1	4Q2025
149 Orchard Rd, Chester Hill	NSW	Inner West	121.3	24,050	5,042	Dexus	Link REIT	4.74	VP	3Q2025
29-35 Taras Ave, Altona North	VIC	West	22.1	8,700	2,540	U/D	Salta Brothers	5.45	4.7	4Q2025
11 Kingston Park Court, Knoxfield	VIC	East	12.3	7,450	4,150	Arrow Capital	Mirabella Family	5.75	3.5	4Q2025
32-54 Toll Dr, Altona North	VIC	West	40.0	18,703	2,139	Cadence	Stockland	5.97	U/D	4Q2025
405 Newman Rd, Geebung	QLD	North	72.5	22,388	3,238	Gateway Capital	QIC	6.00	U/D	4Q2025
140 Wecker Rd, Mansfield	QLD	South	53.0	13,164	4,026	Pittwater Industrial	EG Funds	5.92	3.6	4Q2025
95 Gilmore Rd, Berrinba	QLD	South	101.8	41,318	2,464	Candence Property	CapitaLand	5.00-5.25	U/D	4Q2025

WALE – Weighted Average Lease Expiry  
 Source: Knight Frank Australia

### SYDNEY INDUSTRIAL MARKET

The Sydney industrial market is one of the most dynamic markets in the country and remains one of the most sought after locations in Australia. The Sydney logistics and industrial market is approximately 28 million sqm of warehouse space (buildings above 5,000 sqm), making it the second largest market in the country. The state's record infrastructure program as well as private investment has contributed to significant growth and expansion within the industrial and logistics sector throughout the last decade.

Western Sydney accounts for 84% of this supply, with the Outer West and South West precincts representing the majority. These precincts remain the principal destination for large-scale operations, benefiting from available land and

direct access to major motorways and railway. As a result, the area predominantly attracts occupiers in transport and logistics, retail, and manufacturing. Ongoing infrastructure developments have further enhanced connectivity across Western Sydney and adjoining precincts.

South Sydney, located adjacent to Sydney Airport and Port Botany, is distinguished by a concentration of logistics, retail, and port-related tenants. Over the last two decades, the South submarket has undergone notable stock withdrawals for alternative land uses, driving up rents and land values on the remaining sites.

A summary table of key industrial precincts across each submarket is provided below.

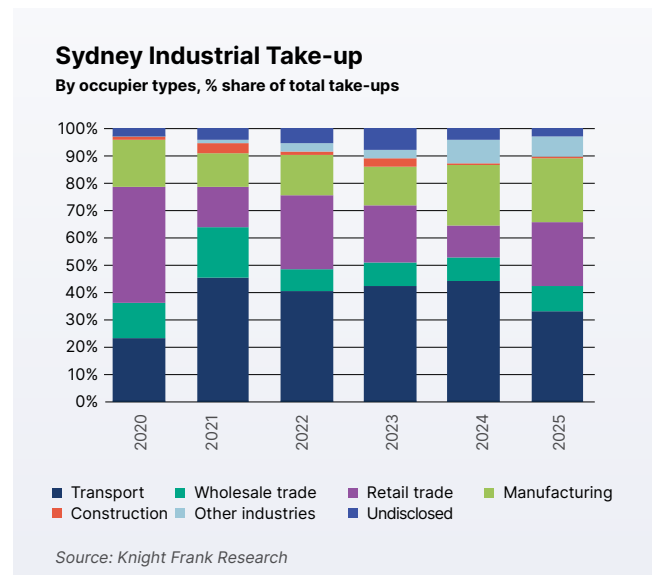
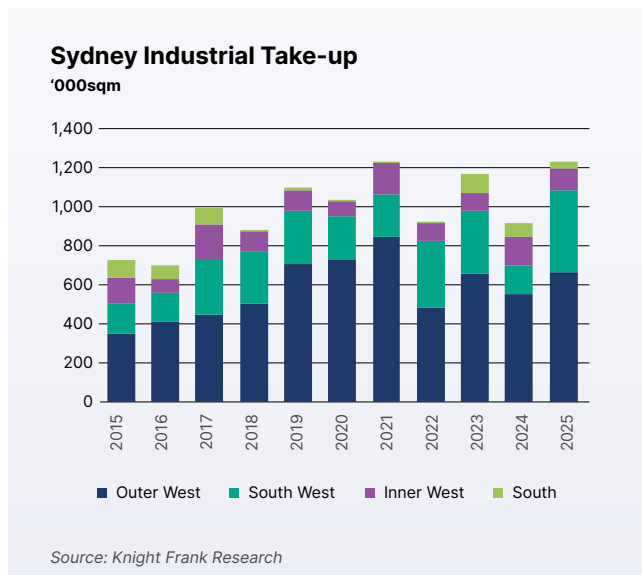
Precinct	Typical Suburbs
Outer West	Eastern Creek, Erskine Park, Arndell Park/Huntingwood, Wetherill Park/Smithfield, Yennora, Greystanes, Blacktown/Seven Hills/Kings Park/Marayong, Horsley Park, Kemps Creek, Glendenning, Marsden Park
South West	Liverpool/Moorebank, Prestons, Bankstown/Milperra/ Ingleburn, Minto/Smeaton Grange, Chipping Norton, Casula, Leppington
Inner West	Silverwater, Rydalmere, Lidcombe, Chullora, Rosehill. Camilia. Regents Park, Auburn, South Granville, Villawood
South Sydney	Alexandria, Botany, Banksmeadow, Mascot, Rosebery, Matraville, Hillsdale

Source: Knight Frank Australia

### Occupier Market

Leasing volumes totalled 1.3 million sqm in 2025, representing a 34% increase on the 2024 take-up level and sitting 11% above the three-year average. Among precincts, South West and Outer West contributed 88% of the total take-ups in 2025. This is supported by the significant pre-commitments, especially from retailers including Kmart securing 105,000 sqm in Moorebank and Aldi committing 87,000 sqm in Bradfield.

By occupier type, transport, postal and warehousing operators were the most active in 2025, accounting for 33% of total leasing volumes, followed by retailers (24%) and manufacturers (23%). Notably, manufacturers have been capturing an increasing share of leasing activity after the pandemic. Major deals over the year include Kimberly Clark pre-leasing 43,000 sqm in Horsley Park and IVE Group pre-committing 42,000 sqm in Kemps Creek.



**Vacancy**

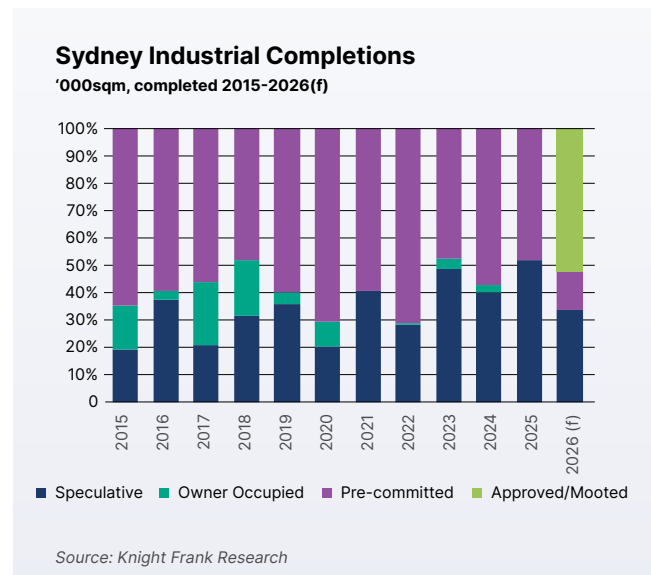
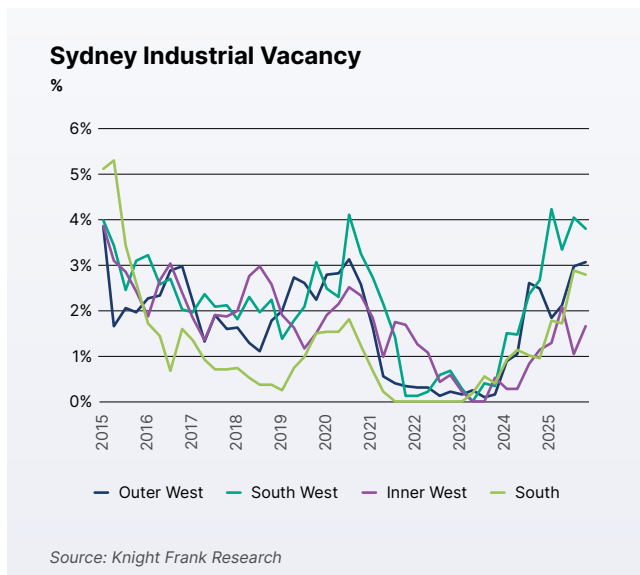
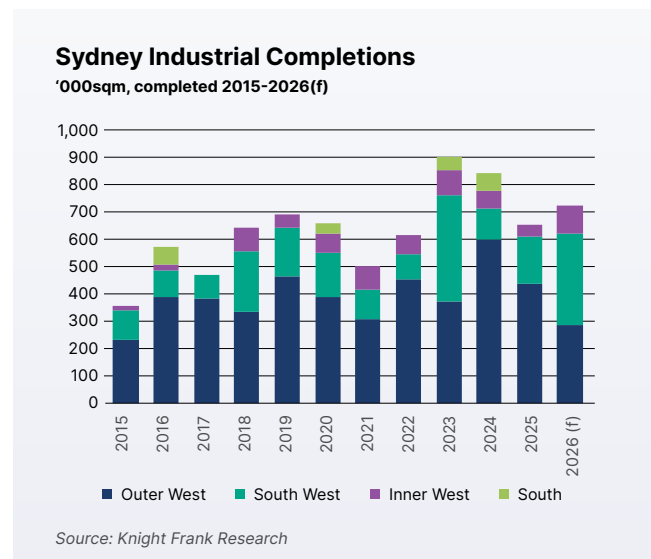
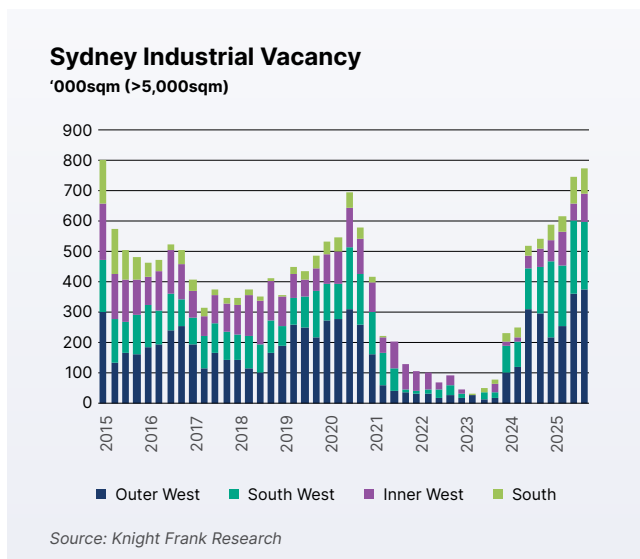
The uplift in take-up provided limited relief against the substantial wave of new supply delivered in 2023 to 2024. As a result, the overall vacancy in Western Sydney rose to 2.9% in 4Q2025, well above the five-year average of 1.2%. With occupiers upgrading to modern facilities and contracting space, the existing vacancies accounted for 77% of the total vacancy, reflecting a growing pool of backfill space returning to the market.

By precinct, South West recorded the highest vacancy rate in 4Q2025 at 3.8%, followed by Outer West at 3.1% and Inner West at 1.7%.

**Supply**

By the end of 2025, a total of 657,834 sqm of new industrial space was added to the market, with speculative development accounting for 52% of the new stock, and pre-commitments accounting for 48%. Given the ongoing land constraints, new developments were heavily concentrated in Outer West and South West, which together delivered 93% of the total supply in 2025. Major completions in 2025 included Amazon's pre-commitment in Oakdale East Industrial, Horsely Park (82,255 sqm GFA), Vertex Industrial Estate, Marsden Park (43,341 sqm GFA), and two speculative facilities at Aspect Industrial Estate, Kemps Creek (66,925 sqm GFA).

The development pipeline is expected to increase slightly to circa 740,000 sqm in 2026, of which 48% is currently under construction; of the stock that is under construction 30% is pre-committed.



### Rent and Incentives

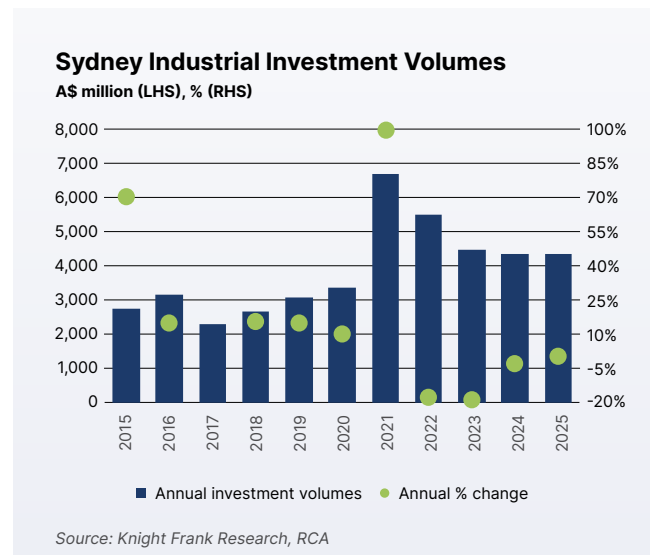
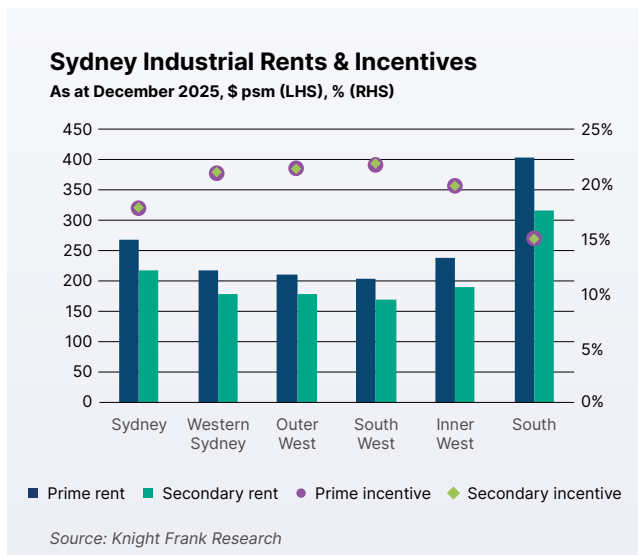
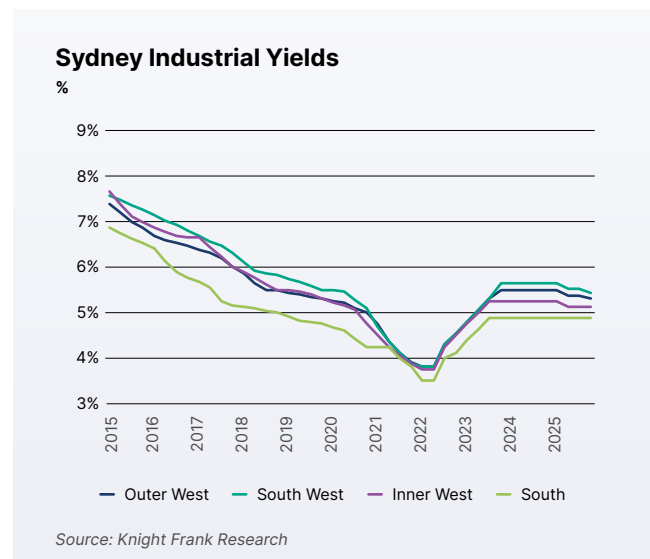
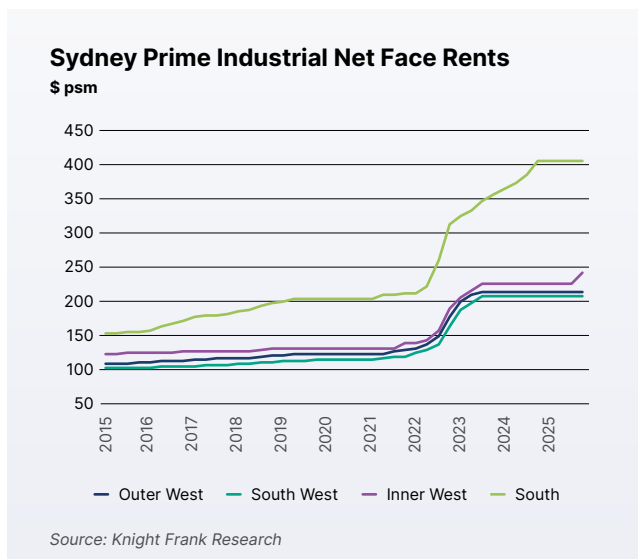
After holding flat since 2H2023, prime industrial rents in Western precincts increased slightly in 4Q2024 averaging \$220 psm per annum for prime facilities and \$181 psm per annum for secondary space. Meanwhile, the rental momentum in South Sydney peaked in 2025, with the net face rents averaging \$405 psm per annum for prime and \$305 psm per annum for secondary. The current prime rental discount between Western Sydney precincts and South Sydney stands at historical highs of 46%.

The increasing vacancy pushed incentives higher over 2025, with Western precincts reaching a record high of 21% and South Sydney at 15%. With more newly-built speculative facilities available on the market, owners are offering more appealing incentives to secure tenants.

### Investment

Prime yields across Western Sydney precincts compressed by 18 bps in 2025, finishing the year at an average yield of 5.3%. In contrast, the average yield in South Sydney has been holding firm since early 2022 at 4.9%.

Investment volumes closed the year at approximately \$4.3 billion, broadly in line with the 2024 level and 12% above the ten-year average. Cross-border investors were particularly active, contributing 52% of total transaction volumes. Notable transactions included Centuria and BGO's joint acquisition of three Outer West warehouses for \$201 million, transacting on yields ranging between 5.0% and 5.3%, and Goodman's acquisition of the Minto Intermodal Facility for \$200 million at a 5.3% yield.



## Outlook

Leasing conditions in 2026 are expected to remain steady but competitive, underpinned by ongoing demand from 3PLs and manufacturers. Tenants will continue to prioritise modern facilities that offer higher clearances and improved operational efficiency. Vacancy is likely to stabilise in the 3%-4% range as the market progressively absorbs the significant supply delivered in prior years.

Face rents are forecast to record modest growth of 0.5%-1.5% in 2026, while effective rents may remain flat to mildly soft due to rising incentives. Secondary assets are likely to face pricing pressure as availability increases.

Investment activity is expected to strengthen gradually in 2026, supported by improving financing conditions and resilient sector fundamentals. Investors will remain highly selective, favouring well-located, modern logistics assets over older stock requiring repositioning. Offshore capital is expected to remain a major contributor to activity, continuing its strong presence from 2025.

### MELBOURNE INDUSTRIAL MARKET

Melbourne is Australia's second largest city with a population of 5.4 million people. With a growth rate faster than Sydney's, it is forecast to become the largest city in Australia before 2030. It was heavily impacted by the pandemic but bounced back strongly. Melbourne, like much of Australia slowed markedly in 2024 and had a weaker 2025 than other cities. However, it is expected to continue to recover going forward, outperforming

Australia as a whole, with GVA averaging 3.0% between 2026-30 compared to 2.6% for Australia overall. Melbourne is expected to benefit from an increase in international workers and students, as well as being an attractive location for developing datacentres.

A summary table of key industrial precincts across each submarket is provided below.

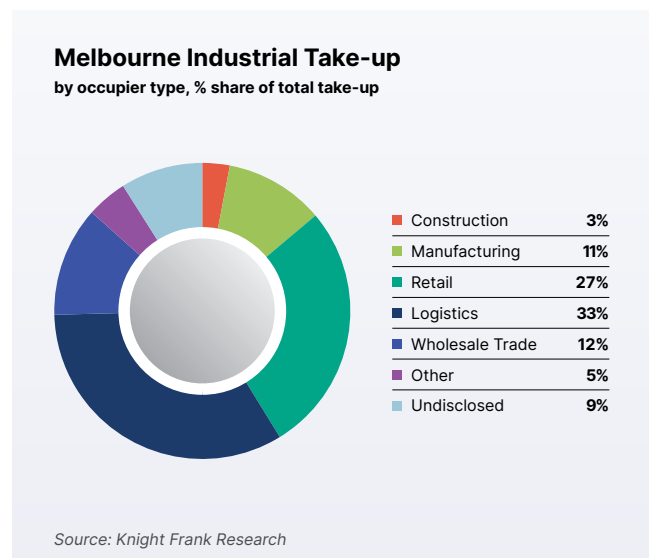
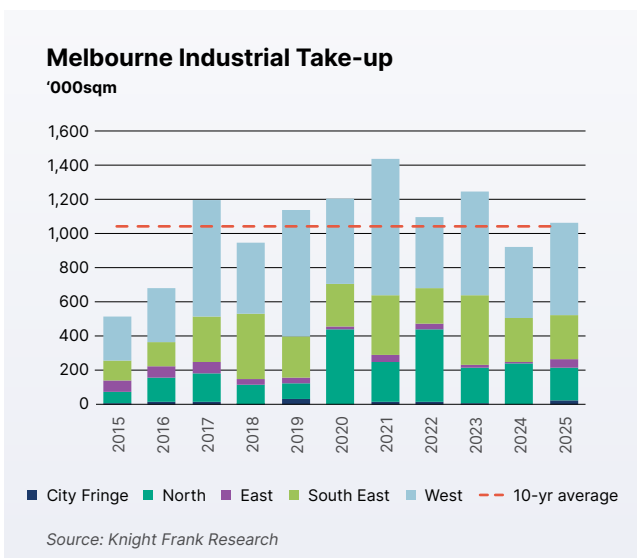
Precinct	Typical Suburbs
City Fringe	Port Melbourne, Richmond, Fitzroy, Kensington, South Melbourne, Fisherman's Bend
North	Melbourne Airport, Coburg, Reservoir, Epping, Broadmeadows, Tullamarine, Lalor, Coolaroo, Fairfield, Keilor, Somerton, Preston, Campbellfield, Craigieburn
East	Blackburn, Bayswater, Box Hill, Glen Waverly, Wantirna, Vermont, Mulgrave, Ringwood, Croydon
South East	Mentone, Noble Park, Notting Hill, Pakenham, Oakleigh, Cheltenham, Cranbourne, Dandenong, Moorabbin, Narre Warren, Bentleigh, Frankston
West	Altona, Deer Park, Footscray, Laverton, Maidstone, Sunshine, St Albans, Hoppers Crossing, Werribee, Melton, Derrimut, Truganina, Brooklyn, Tottenham, Tarneit

### Occupier Market

Leasing volumes totalled 1 million sqm in 2025, representing a 15.2% increase on the 2024 take-up level, and just above (2.6%) its 10-year average. The West remains the dominant area of growth with 51% of 2025 take-up. This marks both continued expansion in traditional areas and the growth of data centre provision across its large tracks of contiguous land. The Southeast regained second slot with 24% of take-up helped by expansion in the Outer Southeast, whilst the other

major growth area in the North came third with 18%, pulled back by the delayed completion of a 200,000 sqm unit for Amazon when the developer collapsed.

By occupier type, transport and retail operators continued to dominate with 60% of leasing requirements. This has been helped by Troups Road Logistics Estate, Truganina (West) and Broadmeadows Logistics Estate, Broadmeadows (North) leasing out on speculative deals.



**Vacancy**

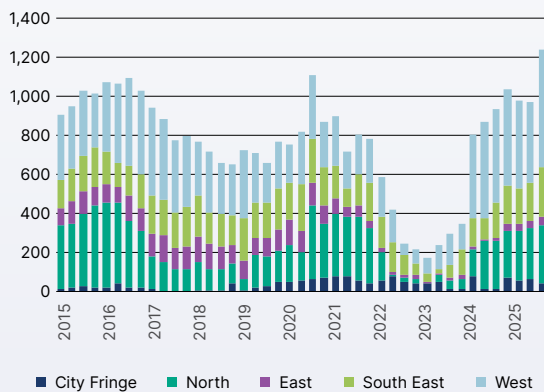
With take-up relatively stable but below its peak, and with a continued strong level of new supply, vacancy rates have risen across Melbourne. From a low of 0.5% overall in April 2023 (equating to only 170,500 sqm of space) vacancy has risen to 4.1% or over 1.4 million sqm. Unsurprisingly, the West has seen the largest growth in vacant space, up just over 500,000 sqm since 2023, though it has fallen back in 4Q2025. The most dramatic change percentage wise has been in the North which has seen vacancy rates rise from 0.0% in 2023 to 5.9% now. In contrast, the East and the City Fringe (the port), which are both built out and with sites held tightly, have seen vacancy rates remain much lower.

**Supply**

Supply has fallen back markedly with the economic slowdown and the rise in vacant space. As a result, we are forecasting 2026 to see only half the supply we saw in 2022 (just over 580,000 sqm compared to just under 1.2 million sqm). This includes the 200,000 sqm delayed Amazon centre in the North mentioned earlier, meaning other new supply is below 400,000 sqm. Going forward this supply is expected to remain muted.

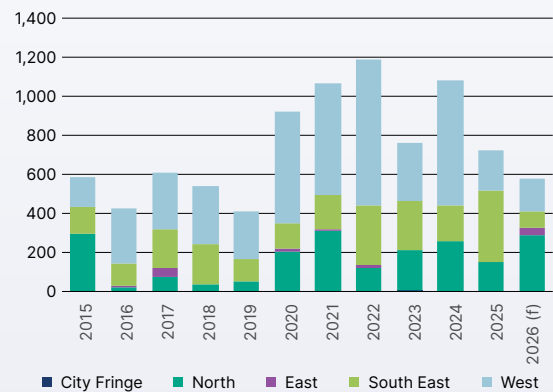
Within the supply pipeline, the amount of speculative space has collapsed, with just 86,000 sqm being delivered in 2026, from a high of 538,000 sqm in 2022. Given the present economic environment, developers are very reluctant to start new space without a tenant already lined up. With growth expected to return to the economy going forward, we expect vacancies to fall back quite rapidly due to this limited speculative development. The development pipeline for 2026 is over 80% pre-committed with the largest pre-commitment being 209,000 sqm to Amazon at the Craieburn logistics estate.

**Melbourne Industrial Vacancy**  
'000sqm (>5,000sqm)



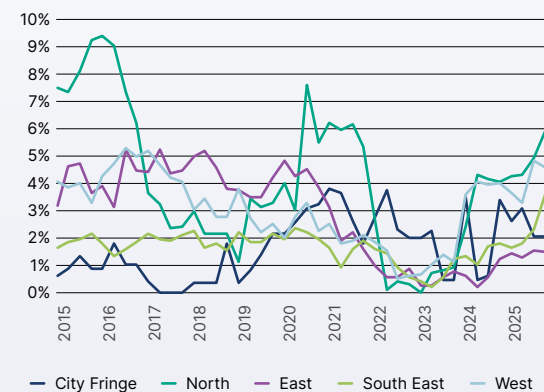
Source: Knight Frank Research

**Melbourne Industrial Completions**  
'000sqm, 2015-2026(f)



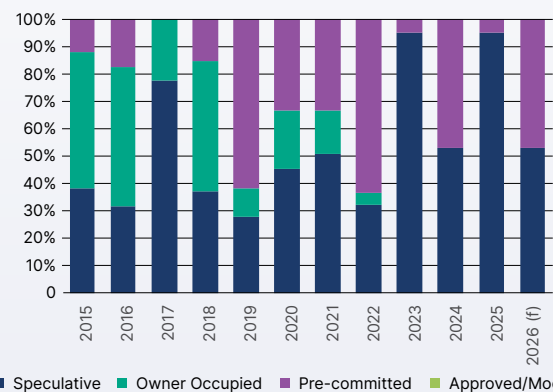
Source: Knight Frank Research

**Melbourne Industrial Vacancy**  
%



Source: Knight Frank Research

**Melbourne Industrial Completions**  
'000sqm, 2017-2026(f)



Source: Knight Frank Research

### Rent and Incentives

Face rents continue to remain in a fairly tight band ending the year at between \$138-145 psm (outside the City Fringe which sits at \$190 psm). The East which is the historic industrial area within Melbourne used to have the highest rents, but now has the joint lowest, as limited new developments reduce overall stock quality. The Southeast, closely followed by the North now have the highest rents with new developments able to command premiums.

With increased vacancy rates and developments, incentives have risen markedly outside the Fringe. Where they used to be sub-15% they are now averaging 20.0%. In the West incentives are sitting at 26.7%. The high level of developments is not the only cause for its particularly high incentives. Many of the developments in the West are held by institutional investors; they are prepared to offer higher incentives to gain quality tenants and longer WALEs.

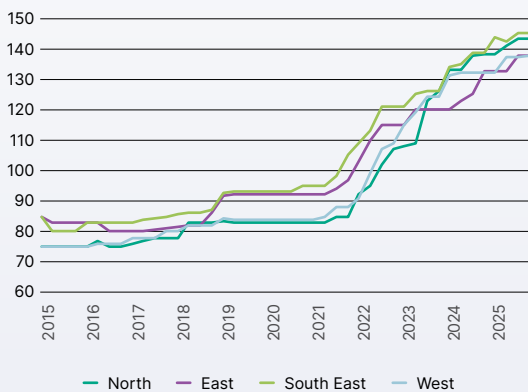
### Investment

Prime yields across the whole of Melbourne have remained flat for nearly two years now. Whilst there has been a relatively strong showing in terms of performance, the Absentee Owner Surcharge (“AOS”) has made the area less attractive to international buyers at the present time. Being charged on landholdings, it has hit industrial investments particularly hard, driving away much foreign investment. Consequently, yields have not compressed in Melbourne in the same way they have in Sydney.

Investment volumes closed the year at just over \$3 billion, down 22.5% on 2024, with 173 properties sold. The impact of the AOS means that it is private Australian investors and Australian institutions that are now more active in the market. With limited international interest, it is unlikely to rise dramatically in the next 12 months.

#### Melbourne Industrial Rents

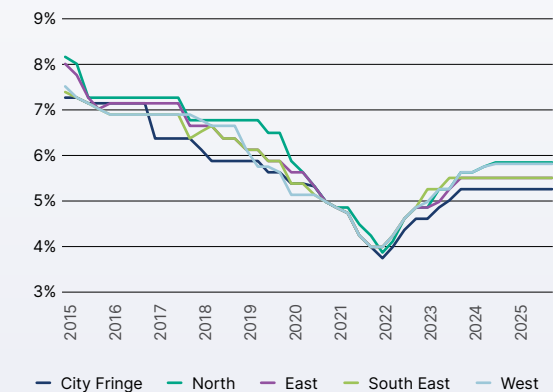
By precinct, net face rent \$ psm



Source: Knight Frank Research

#### Melbourne Industrial Yields

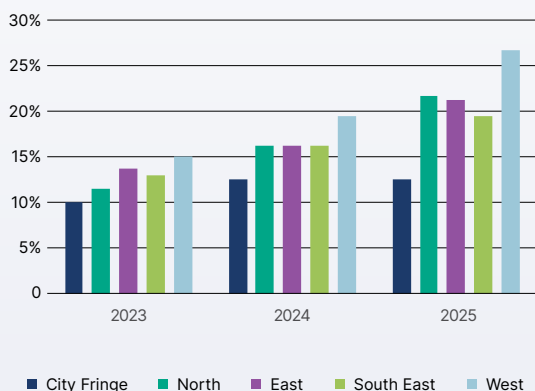
%



Source: Knight Frank Research

#### Melbourne Industrial Incentives

Prime incentives, by precinct, %



Source: Knight Frank Research

#### Melbourne Investment Volumes

in AUD \$M (LHS), and number of transactions (RHS)



Source: Knight Frank Research, RCA

## Outlook

Leasing conditions in 2026 are expected to remain steady but competitive, underpinned by continued traditional ongoing demand based on economic growth, combined with data centre demand. There may well be some churn, as tenants forced to take less desirable space in the early 2020's when supply was tight, can now move to preferred locations and site quality. Tenants will continue to prioritise modern facilities that offer higher clearances and improved operational efficiency.

Vacancy is likely to come in slightly and rates will fall nearer to their long-term averages, across Melbourne this is 2.6%, compared to currently around 4.1%.

Face rents are forecast to record modest growth of 1.0%-2.0% in 2026, but incentives are at or near their peak so effective rents will be stable or show very modest growth. Secondary assets, which benefited greatly from the very tight supply, are likely to face pricing pressure as greater supply means tenants have more choice.

Investment activity is expected to remain quieter than in Sydney and dominated by domestic investors. Offshore capital is expected to be very selective in investing whilst the AOS remains in its current form.

### BRISBANE INDUSTRIAL MARKET

Brisbane, Australia’s gateway city to Asia, and the capital of Queensland with the fastest population growth has increased its appeal to institutional investors seeking a significant presence in the Brisbane market. Brisbane has been awarded to host the Olympics in 2032, which has triggered and brought forward significant infrastructure upgrades throughout Queensland’s Southeast. Exposure to Queensland’s population base of 5.67 million (growing at 1.8% in the year to June 2025 compared to Australia at 1.5%) and directly

servicing the Greater Brisbane area of 2.8 million, Brisbane’s industrial users cover a wide range of 3PL, retail, wholesale, manufacturing and mining/gas services and equipment. Brisbane industrial is more cost effective than the Sydney market and has grown significantly by 30% in the past seven years to 15.4 million sqm.

A summary table of key industrial precincts across each submarket is provided below.

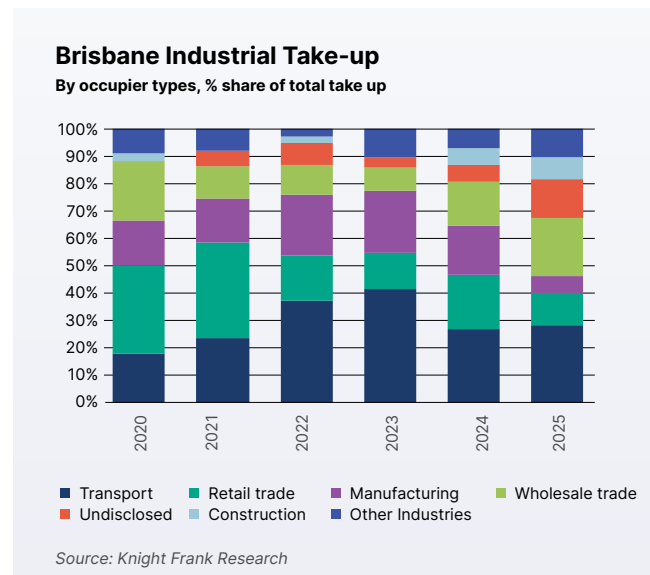
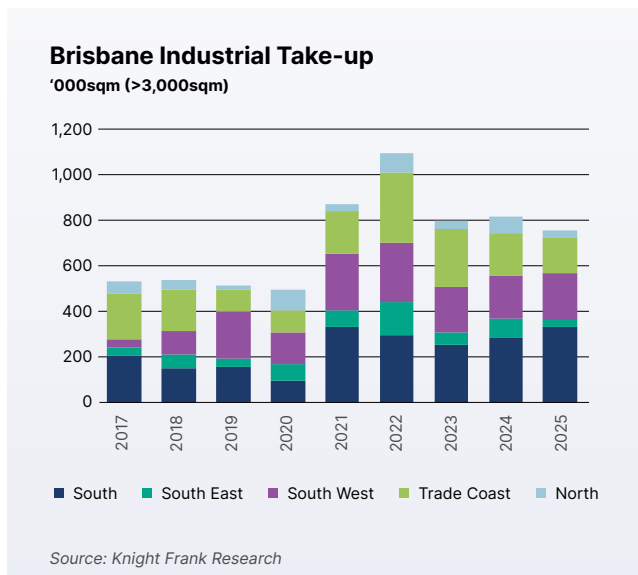
Precinct	Typical Suburbs
South	Acacia Ridge, Salisbury, Rocklea, Coopers Plains, Heathwood, Larapinta, Willawong, Browns Plains, Crestmead, Parkinson, Berrinba, Moorooka, Archerfield
South West	Richlands, Darra, Wacol, Carole Park, Goodna, Swanbank, Sumner, Seventeen Mile Rocks, Oxley, Redbank, Bremer, Swanbank
South East	Underwood, Slacks Creek, Logan Central, Loganholme, Kingston, Loganlea, Meadowbrook, Yatala, Ormeau, Stapylton, Rochedale, Springwood, Mount Cotton, Capalaba
Trade Coast	Hamilton, Eagle Farm, Pinkenba, Murarrie, Cannon Hill, Tingalpa, Hemmant, Lytton, Wynnum, Port of Brisbane, Morningside,
North and Greater North	Banyo, Northgate, Nundah, Geebung, Stafford, Zillmere, Boondall, Brendale, Lawnton, Burpengary, North lakes, Narangba

### Occupier Market

Annual take-up remained solid in 2025, although activity has eased from the elevated levels recorded during the post-pandemic surge. Since peaking at 1.1 million sqm in 2022, leasing activity has gradually moderated, reflecting both a normalisation in tenant demand and an increase in new supply, which has reduced the urgency for occupiers to secure space quickly.

Total take-up for 2025 reached 760,209 sqm, 6.9% lower o-o-y and 7.3% below the three-year average. Despite this

moderation, take-up remains comfortably above pre-COVID levels, signalling that underlying demand within the Brisbane industrial market remains strong. Leasing activity in 2025 was concentrated in existing stock, which accounted for 59% of total take-up, followed by speculatively developed space (23%) and pre-commitments (18%). Pre-commitment activity has notably retreated from previous highs, when constrained supply conditions compelled occupiers to secure space well ahead of delivery. The decline in pre-commitments aligns with improving availability and a shift toward more balanced leasing conditions.



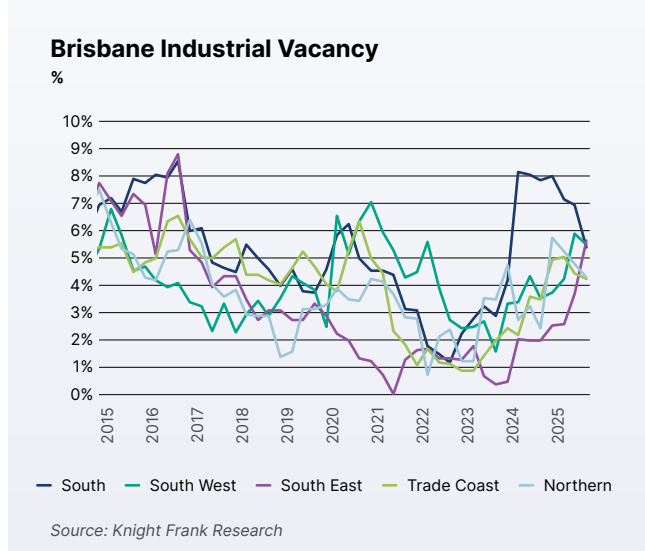
By occupier type, take-up continued to be led by the logistics sector, with transport, postal and warehousing users accounting for 216,515 sqm, or 28% of total activity over the year. Wholesale and retail trade occupiers also remained active, contributing 21% and 12%, respectively. Manufacturing and construction users recorded steady but less dominant levels of take-up, consistent with their established and longer-term presence within the Brisbane industrial market.

**Vacancy**

Vacancy increased across the Brisbane Industrial Market during 2025, reaching a peak in 3Q2025 as elevated levels of new supply entered the market alongside a moderation in take-up, particularly in the first half of 2025. As at 4Q2025, total vacancy had fallen back to 5.0%, but remaining above the levels of a year ago, with the increase largely attributable to newly delivered speculative developments<sup>2</sup>.

Prime-grade space accounts for the majority of current vacancy, accounting for 57%, reflecting the concentration of recent speculative supply. While vacancy increased y-o-y, it edged lower quarter-on-quarter (“q-o-q”), indicating improving absorption of newly completed stock toward the end of the year.

The South East precinct currently records the highest vacancy rate at 5.7%, however this overstates relative availability given the precinct’s smaller size. In absolute terms, the South precinct holds the largest volume of vacant space at 251,692 sqm, despite a lower vacancy rate of 5.4%, compared with 97,480 sqm in the South East.

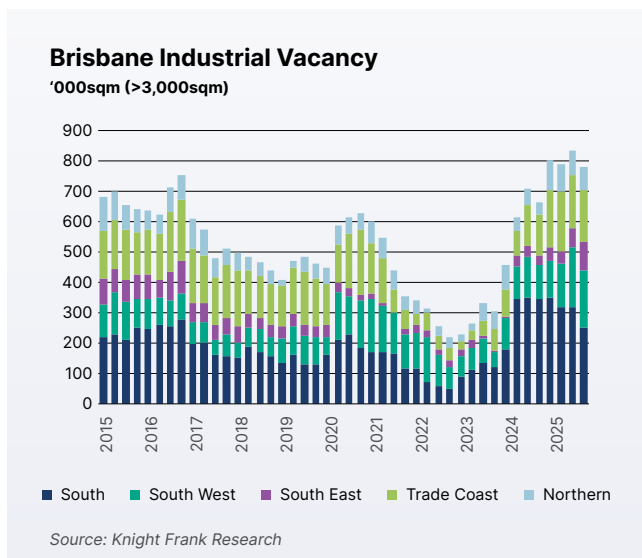


**Supply**

In 2025, a total of 700,006 sqm of new industrial space was delivered to the Brisbane market. Speculative development accounted for 50% of new supply, with pre-commitments contributing 45%, owner-occupied developments were less dominant than previous years in 2025, representing only 5% of new development.

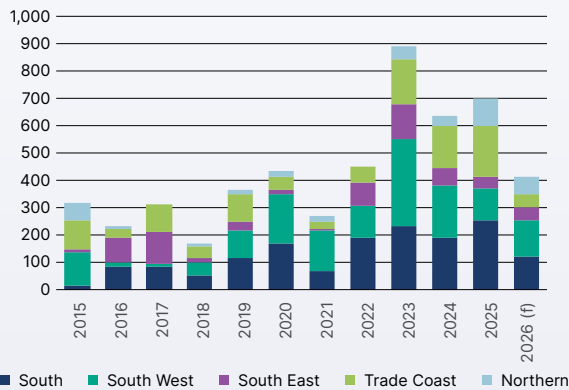
New supply in 2025 was largely concentrated within the South precinct, followed by the Trade Coast, which together accounted for 63% of total completions, reflecting high levels of demand for quality space in these precincts. Major completions during the year included Stage 4 of Stockland’s 221 Gooderham Road estate in Willawong, which delivered two prime warehouses totalling 45,662 sqm, the 45,259 sqm Charter Hall warehouse pre-committed to Powerlink at 57 Culya Street, Pinkenba, and two speculative buildings at 55 Barracks Road, Wacol, totalling 50,609 sqm, one of which remains available.

Looking ahead, the development pipeline is expected to moderate, with forecast completions of approximately 414,294 sqm in 2026. 80% of this 2026 supply is currently under construction, signalling a shift toward more balanced supply conditions with a more conservative speculative development environment. The pipeline for 2026 is already 44% pre-committed and expected to return towards higher pre-commitment activity for those tenants seeking an upgrade in efficiency and technology.



2 Speculative developments refer to projects commenced without a pre-commitment or pre-lease in place, with leasing undertaken during or following construction.

**Brisbane Industrial Completions**  
'000sqm, 2015-2026(f)



Source: Knight Frank Research

**Brisbane Industrial Completions**  
'000sqm, 2017-2026(f)



Source: Knight Frank Research

**Rent and Incentives**

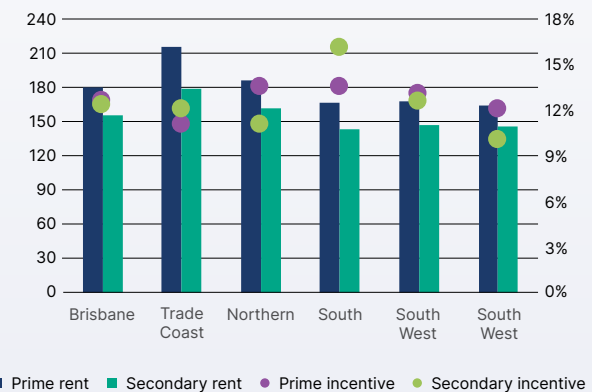
Rental growth has moderated following several years of exceptionally strong growth; however, market conditions remain firm across the Brisbane industrial sector. Prime rents accelerated rapidly during the post-pandemic period as occupier demand intensified amid historically constrained supply, though growth has since stabilised.

Prime rents currently average \$179 psm per annum, reflecting 6.3% annual growth, while secondary rents average \$155 psm per annum, up 3.3% y-o-y. While this represents a clear moderation from the peak annual growth rate of 24.2% recorded in the year to April 2023, rental growth remains above the 10-year average of 5.1%. By precinct, the Trade

Coast continues to record the strongest uplift in prime rents, increasing 7.4% y-o-y to \$215 psm per annum, supported by sustained demand and limited availability.

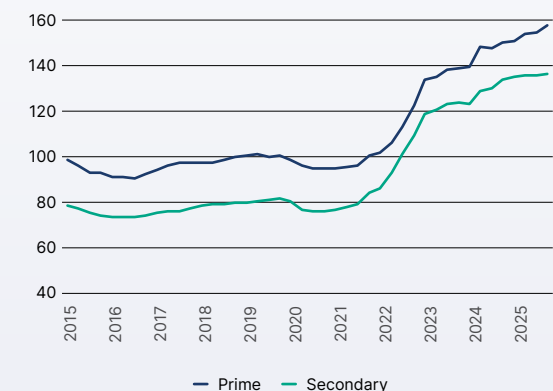
Incentives have begun to trend modestly higher as additional supply entered the market and landlords sought to maintain competitiveness while preserving headline rental levels. Prime incentives currently average 12.6%, up 90 bps y-o-y, though tightened by an average of 30 bps in the fourth quarter as is consistent with the tightening vacancy of the final quarter of 2025. Secondary incentives average approximately 13.3%, having increased 124 bps over the year. While incentives remain low by historical standards, there were higher incentives in individual assets, particularly speculative, which may have remained un-leased after construction completion.

**Brisbane Industrial Rents & Incentives**  
As at December 2025, \$ psm (LHS), % (RHS)



Source: Knight Frank Research

**Brisbane Industrial Rents**  
\$ psm average net effective

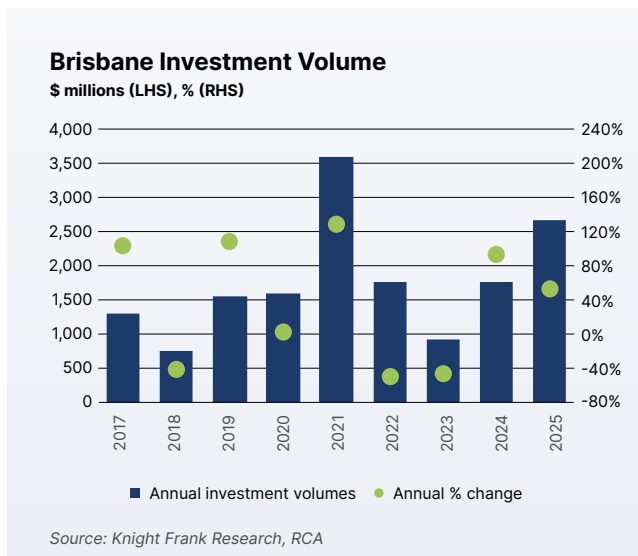


Source: Knight Frank Research

**Investment**

Prime yields in Brisbane were stable on a q-o-q basis in 4Q2025, holding at 3Q2025 levels. On an annual basis, yields recorded some compression, tightening 25 bps to an average of 5.89%. Reflecting its position as Brisbane’s premier industrial precinct, the Trade Coast continued to record the sharpest yields across the market, ending 2025 at 5.64%, 25 bps lower y-o-y, supported by its superior rental levels and land values. Yields on secondary assets also saw mild compression in 2025, stable in Q4 but down 46 bps y-o-y to 6.35%.

Investment volumes in 2025 totalled approximately \$2.66 billion, representing a 51.4% increase y-o-y. Private investors were the most active buyer group, accounting for 36.6% of total investment, followed by cross-border investors, who, despite stepping back from their 53.1% share in 2024, remained a significant source of capital, comprising 31.2% of total investment activity. Notable transactions include ESR’s sale of its Wacol Logistics Hub for circa \$253 million at a core market yield of 5.60%, reflecting strong offshore interest. Goodman also acquired the Gibson Island site at 282 Paringa Road, Murarrie for nearly \$198 million, demonstrating ongoing demand for both infill and brownfield development sites.



**Outlook**

Heightened tenant activity towards the end of 2025 bodes well for 2026 with the prime market having the potential to tighten quickly if new construction pulls back sharply, as expected. Vacancy is expected to fall back below 5% as new speculative completions slow. Supply will increasingly be driven by pre-commitment activity with a number of major occupiers set to trigger significant developments in the ongoing search for cost effective and efficient delivery to meet client expectations.

Net rental growth is expected to remain in line with 2025, although sharp increases to outgoings may see tenants pay greater attention to their total occupancy cost. Incentives are expected to be stable to tightening at the upper levels of the market, although they may remain in force for older secondary space with diminished utility.

With the Brisbane market now a clear second pick to Sydney and benefitting from the diminished offshore investor appetite for Melbourne the level of transactions is expected to accelerate into 2026. Super-prime and prime yields remain on a stable to slightly tightening trend, but overall market movement will be impacted by the wider monetary market. Greater weight will be given to individual asset characteristics with modern, well-leased assets expected to be subject to significant buyer competition.

## MACRO ECONOMIC CONDITIONS IN JAPAN

### Japan Economic Overview

Japan's economy experienced a moderate recovery in 2025 with real GDP estimated to grow between 0.5% and 1.0%, although performance varied across sectors. The automobile industry continued to be affected by U.S. trade policies, household electrical appliance exports lagged, while semiconductor equipment exports remained robust. Industrial production was largely flat due to supply constraints, including semiconductor shortages, whereas corporate earnings outside the automotive sector grew modestly, marking the third consecutive quarter of profit expansion. Business sentiment stayed broadly steady for manufacturers, while non-manufacturers signalled a slight decline, reflecting mixed confidence across industries.

Domestic demand gradually strengthened alongside an improving labour market. The unemployment rate held at 2.6% in September 2025, with the ratio of job postings to job seekers at 1.20, indicating ongoing labour tightness. Retail sales at department stores and supermarkets in December 2025 fell 0.9% y-o-y, marking the first decline in four months. While the impact of rising prices varied, factors included sluggish clothing sales due to the mild winter, lower gasoline prices following the suspension of the provisional tax rate, and the effect of Chinese tourists refraining from visiting Japan. The Consumer Attitude Index dipped to 37.2 in December 2025, marking its first decline in five months. However, the assessment of the underlying trend remained unchanged at "recovering."

Corporate investment and public-sector activity provided additional support to economic momentum. Machinery orders in the private sector rose 4.2% month-on-month in September 2025, while public works orders increased 8.7% y-o-y, reflecting continued infrastructure investment. Housing starts, however, declined 7.3% y-o-y, and corporate bankruptcies rose 8.2%, highlighting structural pressures in certain industries. These trends underscore a cautious yet persistent economic recovery.

Japan's steady recovery is expected to continue, buoyed by improving consumer and business confidence, sustained capital investment, and government initiatives to advance digitalisation and manufacturing efficiency. Nonetheless, uncertainties surrounding global trade conditions and persistent sector-specific weaknesses remain key downside risks.

### GDP and CPI

Based on preliminary estimates, Japan's real GDP declined 0.4% q-o-q in 3Q2025, marking the first contraction after six quarters of growth. The slowdown was driven by weaker housing construction and exports, even as consumer spending and corporate capital investment recorded moderate gains. Quarterly all-industry aggregate corporate profits (excluding banks and insurance companies) rose

19.7% y-o-y in 3Q2025, the fourth consecutive quarter of growth, signaling cautious optimism among firms. According to the Bank of Japan's ("BOJ") 3Q2025 Tankan survey, business sentiment remained broadly stable for manufacturers, while non-manufacturers anticipated a slight deterioration. Looking ahead, moderate GDP growth is expected in 2026, underpinned by strengthening consumer demand, ongoing capital investment, and targeted policy measures, though risks from U.S. trade policy, supply constraints, and housing-sector weakness may temper expansion.

Consumer prices continued to rise steadily throughout the year. The overall Consumer Price Index ("CPI") increased 2.9% y-o-y in September 2025, marking the 49th consecutive month of growth, while the core CPI (excluding fresh food and energy) rose 3.0%. Inflation has been driven by higher import costs linked to yen depreciation, rising service prices, and the gradual phasing out of government support measures. Despite persistent price pressures, household consumption showed signs of recovery, with real expenditure among two-or-more person households rising 1.8% y-o-y in September 2025. The BOJ has gradually raised the uncollateralized overnight call rate following rate hikes since 2024, generally increasing it from 0.10% → 0.25% → 0.50% → 0.75%. As of January 2026, it is maintaining the rate around 0.75%. The BOJ reiterated that, given the extremely low level of real interest rates, it will continue to raise the policy interest rate in line with improvements in economic and price conditions, provided that the outlook for the economy and prices materializes.

### Manufacturing Industry

Japan's manufacturing sector, covering mainly automotive industries and electronics, remains a cornerstone of the national economy, contributing approximately 20% of GDP. While the automotive sector received a positive boost following the reduction in U.S. tariff rates on Japanese auto imports, with duties lowered from 27.5% to 15% in September 2025, semiconductor supply constraints continue to challenge production, resulting in a 'stop-and-go' irregular pattern in industrial output. Despite these headwinds, the Japan Center for Economic Research's ("JCER") Economy, Society and Policy ("ESP") Forecast Survey projects industrial production to grow 1.1% y-o-y in 2026, reflecting cautious optimism amid structural and supply-side pressures. While household electrical appliance exports remain subdued, the automotive, automotive parts, and semiconductor manufacturing equipment sectors continue to demonstrate strong export performance.

**LOGISTICS MARKET ENVIRONMENT IN JAPAN**  
**Modern Logistics Facilities**

Japan’s logistics real estate market has undergone a profound transformation over the past two decades, evolving from aging, small-scale, multi-storey warehouses into modern, large-format logistics facilities tailored to a far more complex and demanding distribution environment. Earlier-generation warehouses were typically constrained by low ceiling heights, limited floor loading capacity, insufficient truck berths and inefficient circulation layouts – shortcomings that increasingly impeded operational efficiency as supply chains expanded and diversified. In contrast, contemporary logistics facilities are purpose-built with advanced specifications, including robust seismic design, wider column spacing, higher clear heights, ramp-up access, automation-ready layouts and enhanced temperature control. These attributes align closely with the operational requirements of 3PL operators, e-commerce players and manufacturers.

Supply has expanded, particularly within the Tokyo Metropolitan Area, where new development reached approximately 2.24 million sqm in 2025 and is forecast to exceed 2.0 million sqm in 2026. In the Chukyo (Nagoya) area, annual new supply totalled around 600,000 sqm in 2025, following 800,000 sqm in 2023. Together with Osaka and Fukuoka, these markets continue to function as core logistics hubs, supported by strong infrastructure connectivity and established tenant clusters.

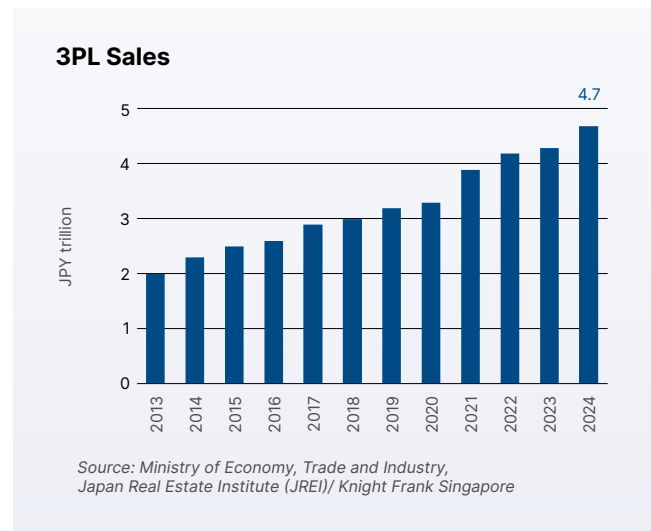
Despite elevated supply, demand conditions remain fundamentally resilient. Continued growth in the 3PL and e-commerce sectors drives real estate space absorption particularly for well-located, high-specification assets. While older facilities increasingly face prolonged vacancies, modern logistics assets consistently outperform due to their ability to support automation, operational efficiency and consolidated distribution strategies. As occupiers place greater emphasis on efficiency, sustainability and scalability, modern logistics facilities are expected to remain the preferred choice within Japan’s evolving logistics landscape.

**Key Drivers of Demand**

**Expansion of 3PL and B2C e-commerce**

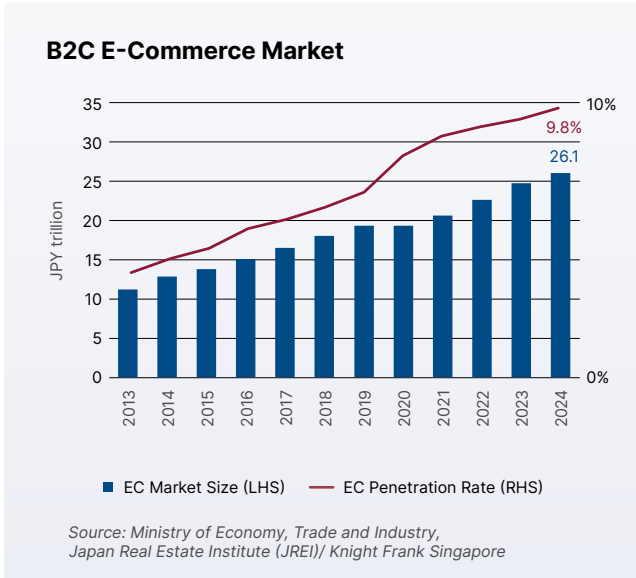
The continued expansion of 3PL services and B2C e-commerce represents one of the most structural demand drivers for logistics facilities in Japan, even as overall domestic cargo volumes remain on a declining trajectory due to labour shortages in the logistics industry (particularly truck drivers), stricter working hour regulations stemming from the 2024 issue, and soaring fuel prices. As shippers face rising costs, labour shortages and increasing complexity in distribution, outsourcing logistics functions to specialist 3PL providers has become an increasingly attractive solution. Reflecting this shift, Japan’s 3PL market has expanded steadily over the past decade, growing from JPY1.5 trillion in 2010 to approximately

JPY4.7 trillion in 2024, underpinned by the need for operational efficiency, scalability and professionalised logistics management.



In parallel, the growth of e-commerce has fundamentally reshaped distribution patterns by establishing direct-to-consumer delivery channels that rely heavily on modern logistics infrastructure. Japan’s B2C e-commerce (EC) market reached approximately JPY26.1 trillion in 2024, representing y-o-y growth of 5.1%. Despite this sustained expansion, the e-commerce adoption rate remains relatively low at around 9.8% of total commercial transactions, highlighting considerable headroom for further growth compared with mature markets such as the United States. This under-penetration supports a favourable long-term outlook for logistics demand.

The expansion of 3PL and e-commerce has continued to generate leasing demand for newly built, large-scale logistics facilities, even as domestic freight transport volumes are forecast to contract due to the worsening labor shortage and the permanent reduction in transport capacity caused by overtime work restrictions. Demand is increasingly focused on facilities capable of supporting high-throughput operations, automation, and efficient last-mile delivery, reinforcing logistics real estate as a resilient asset class within Japan’s evolving distribution landscape.



### Supply Chain Reinforcement and Manufacturing Transformation

Supply chain reinforcement driven by structural changes within Japan’s manufacturing sector is another key source of demand for logistics facilities. Manufacturing remains a core pillar of the Japanese economy with automotive, automotive parts and semiconductor manufacturing equipment continuing to demonstrate strong export performance. Against a backdrop of U.S. trade policy uncertainty, semiconductor supply constraints and rising costs, manufacturers are increasingly prioritising supply chain resilience, visibility and efficiency rather than pure cost minimisation.

Both the public and private sectors are actively promoting digital transformation within manufacturing, focusing on automation, data integration and standardisation across enterprises. Government-led initiatives, including the development of digitalisation guidelines and evaluation frameworks through collaboration among industry, academia and government, are expected to further accelerate this transition. These efforts are reshaping logistics requirements, increasing demand for facilities that can support consolidated inventory management, advanced material handling systems and seamless integration with production processes.

In practice, this trend is evident in regions such as the Chukyo (Nagoya) Metropolitan Area, where logistics demand is closely tied to automobile manufacturing supply chains. Despite an overall easing in supply-demand conditions, tenant demand in this market has remained firm, particularly among manufacturers seeking to strengthen and stabilise their logistics networks. Even as industrial production is expected to follow a largely inconsistent pattern in the near term, supply chain reinforcement initiatives continue to support steady leasing demand for modern logistics facilities aligned with manufacturing transformation.

### Preference for Well-Located, High-Specifications Assets

A clear preference for well-located, high-specifications logistics facilities has emerged as a defining feature of demand in Japan’s logistics market, resulting in increasing market bifurcation. While domestic cargo volumes have been declining and supply-demand conditions have eased in some areas, tenant demand remains resilient for assets offering superior accessibility, operational efficiency and building specifications. This trend is particularly evident in the Tokyo Metropolitan Area, where large-scale supply in recent years has led to prolonged vacancies in locations with weaker locational competitiveness, such as parts of the outer Ken’o Expressway corridor.

Conversely, logistics facilities with strong transport connectivity – close to expressways, urban consumption centres and major industrial clusters – continue to attract sustained tenant interest. High-specification features such as large floor plates, high load-bearing capacity, advanced automation readiness and flexible layouts have become increasingly critical selection criteria for 3PL operators, e-commerce players and manufacturers alike. As a result, rental levels have remained polarised, with well-located, high-quality assets achieving stable or rising rents, while lower quality properties face downward rental pressure and longer leasing periods.

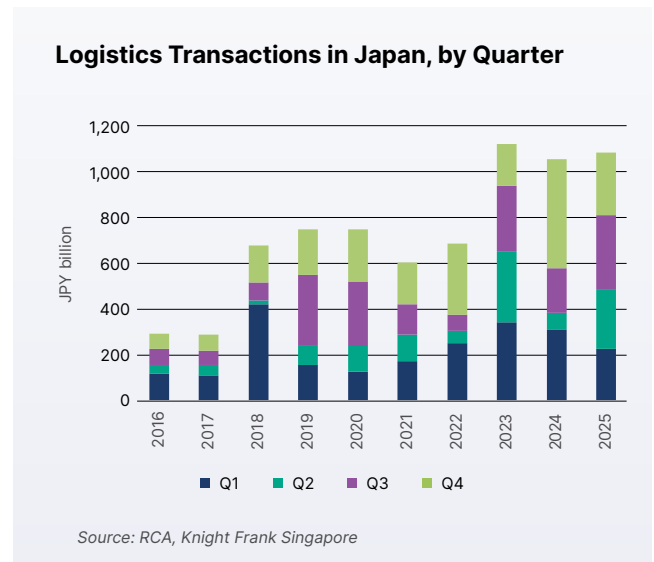
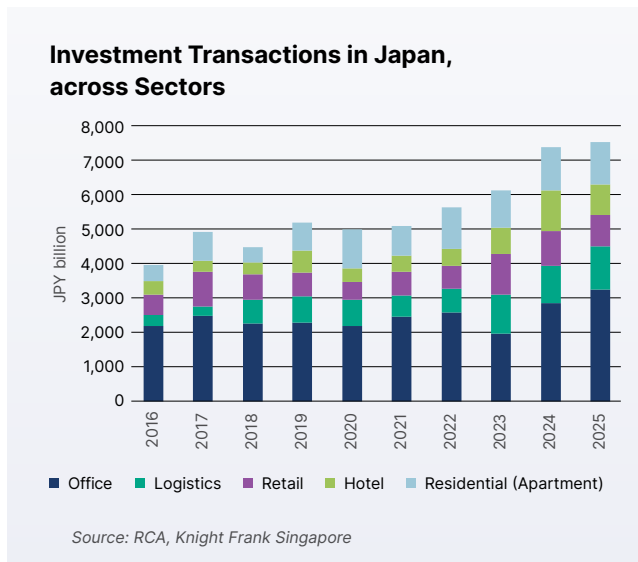
This preference for quality is also reflected in industrial land value trends, with nationwide industrial land values rising 1.5% y-o-y, driven by strong demand for logistics-related sites with excellent transportation access. As new supply tapers and occupier requirements become increasingly selective, demand is expected to remain focused on prime, high-specification assets, reinforcing their long-term leasing strength and investment resilience.

**LOGISTICS INVESTMENT MARKET**

**Sales Transaction**

Transaction volume across the logistics, office, retail, hotel and residential sectors exceeded JPY7.5 trillion in 2025, which translated to 2.2% y-o-y growth from JPY7.4 trillion attained in the previous year. Office assets led the market with transaction volume of around JPY3.3 trillion, supported by declining vacancy rates and the emergence of rental growth, which have shifted central Tokyo into a landlord-favourable environment. Hotels also performed strongly on the back of continued growth in the lodging market, while logistics facilities benefited from sustained expansion in the 3PL and e-commerce sectors.

For the logistics sector, transaction volume in 2025 totalled approximately JPY1.2 trillion, ranking behind the office and residential (apartment) sector. Comparing with 2024, the transaction volume of logistics sector grew a substantial 16.1% y-o-y. Although acquisitions through public equity offerings have moderated due to sluggish investment unit prices and high real estate prices, demand from private funds remains resilient and investor appetite continues to be strong. Looking ahead, logistics transaction volumes in 2026 are expected to remain broadly comparable to current levels.



**Top Transactions by Value in the Tokyo Metropolitan Area**

No.	Property Name	Location	Total Floor Area (sqm)	Date Sold	Seller	Buyer	Transaction Price (JPY thousands)
1	Prologis Park Ichikawa 2	1-2 Takahamacho, Ichikawa City, Chiba	76,842	Feb 2025	Japan Logistics Fund, Inc.; Ichikawa 2 TMK	Nippon Prologis REIT, Inc.	12,624,000
2	IIF Funabashi Logistics Center II	13-2 Shiomicho, Funabashi City, Chiba	30,422	Dec 2025	SMFL Mirai Partners Co., Ltd.	Industrial & Infrastructure Fund Investment Corporation	9,123,000
3	KDX Logistics Akishima I	1-3927-7 Daikanyama, Akishima City, Tokyo	20,238	Dec 2025	SMFL Mirai Partners Co., Ltd.	KDX Real Estate Investment Corporation	6,137,000

**Top Transactions by Value in the Chukyo (Nagoya) Metropolitan Area**

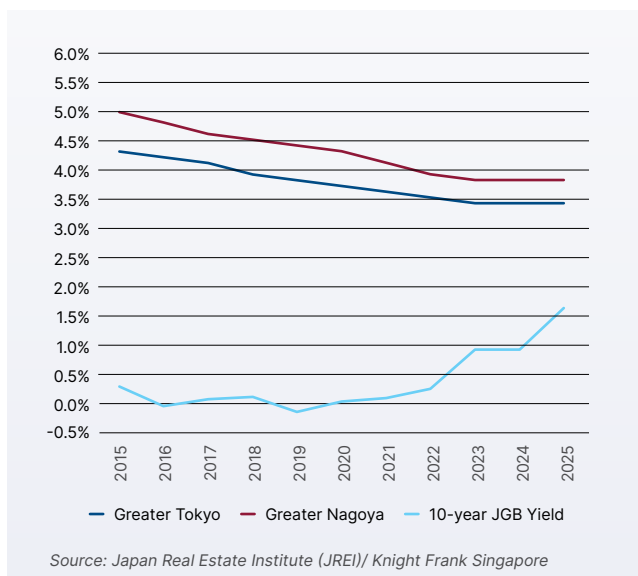
No.	Property Name	Location	Total Floor Area (sqm)	Date Sold	Seller	Buyer	Transaction Price (JPY thousands)
1	KDX Logistics Ondabara	5-1 Ondabara, Suruga Ward, Shizuoka City, Shizuoka	46,620	Jan 2025	Ondabara Property GK	KDX Real Estate Investment Corporation	12,400,000
2	Kita Nagoya Logistics Center	34-1 Okimuragongen, Kita Nagoya City, Aichi	43,655	Aug 2025	Nippon Prologis REIT, Inc.	Japan Logistics Fund, Inc.	10,600,000

Source: Japan Real Estate Institute (JREI)/ Knight Frank Singapore

**Capitalisation Rate**

Driven by strong growth in the investment market, capitalisation rates for logistics facilities had been steadily declining in recent years. This reflected high investor demand for stable, income-generating assets and the efficiency of logistics properties, which offer substantial value and assurance of long-term leases. Since 2023, however, rising interest rates and tighter monetary policy have put upward pressure on borrowing costs, narrowing yield spreads and tapering of cap rates.

Despite tighter cap rates, logistics facilities remain a reliable and resilient investment class. Consistent rental income, limited risk of obsolescence for high-quality assets, and continued demand from e-commerce and supply chain expansion have maintained investor confidence. As a result, capital continues to flow from both domestic and overseas investors. Looking ahead, investment demand for logistics properties is expected to remain strong and cap rates are likely to hold at current levels, reflecting a balance between yield stability and ongoing interest in this sector.



**Outlook**

In the near term, Japan's economic growth may face headwinds from factors such as strained Japan–China relations, higher U.S. tariffs, and rising domestic interest rates. Nonetheless, gains in household incomes from wage increases, supportive government measures, continued accommodative monetary policy, and a high level of household savings are expected to provide a stabilising influence and, in some cases, additional momentum for the economy.

In the real estate investment market, periods of weaker demand have emerged due to a rise in long-term interest rates pre-2025. However, overall investor sentiment remains positive, underpinned by ongoing accommodative financing conditions with active investment activity expected to continue this year.

Within the Tokyo metropolitan logistics sector, supply and demand remain mixed. The 3PL and e-commerce sectors are slated to continue their expansion momentum, while B2B warehouse consolidation drives stable demand. Some existing facilities have achieved rent increases in line with rising new-build rents, though vacancies remain higher in older logistics assets, reflecting ongoing market polarisation.

For logistics property investment, acquisitions via public offerings have declined, while private fund activity remains strong, sustaining overall acquisition appetite. Weakness in J-REIT unit prices may keep sponsor-to-sponsor transactions subdued, and with a limited supply of advanced, investment-grade facilities, third-party transactions are expected to continue in a seller-favourable market.

### GREATER TOKYO

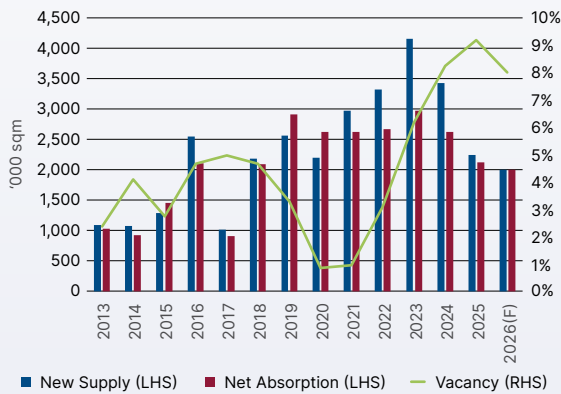
Greater Tokyo, home to approximately 38.1 million residents, or nearly 31% of Japan's population, anchors the country's logistics ecosystem as both the largest consumption hub and a primary distribution centre. Its population density, economic activity, and extensive transport network make it Japan's dominant demand centre for logistics real estate.

Following a large-scale supply wave in 2023, the pace of new modern logistics developments in the Tokyo Metropolitan Area has gradually slowed. Easing supply-demand conditions and rising construction costs have curtailed new launches, with newly completed floor area declining to approximately 2.24 million sqm in 2025. The 2025 supply of 2.24 million sqm, while lower than the 2023 peak, remains above historical averages, though the projected moderation of approximately 2.0 million sqm in 2026 signals a continued deceleration in development activity. Vacancy rates have remained above 5% since 2023, a reversal from the sub-3% levels seen between 2020 to 2021. This reflects the lagged impact of the 2023 supply wave and slower leasing in less competitive locations, while well-located, high-specification facilities continue to attract strong tenant interest.

Leasing momentum is being driven by the ongoing growth of the 3PL and e-commerce sectors, along with rising B2B consolidation, which is boosting demand for large-format, high-specification buildings that support automation, operational efficiency, and scalable distribution strategies. Rental performance has become increasingly bifurcated: well-located, high-specifications assets, as well as properties in submarkets with limited available space, have continued to see rental growth, while areas with weaker locational competitiveness – such as parts of the Ken-o Expressway corridor – have experienced prolonged vacancies and sustained downward pressure on rents.

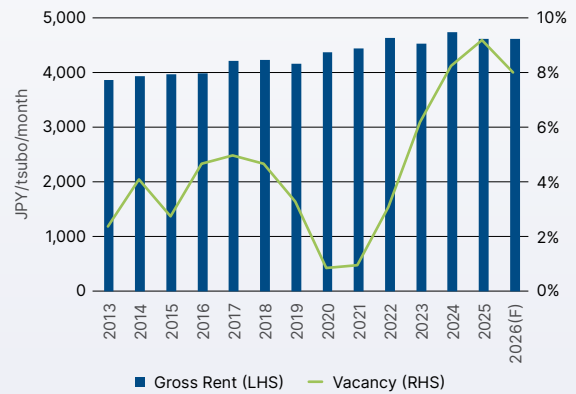
Looking ahead, rental levels are expected to remain polarized in the near term. Despite the significant vacancies created by the large supply influx in 2023, tenant demand for prime, high-specification assets remains robust. With new supply projected to decline, vacancy rates are likely to remain broadly stable or gradually ease.

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



Source: Japan Real Estate Institute (JREI)/ Knight Frank Singapore

**Greater Tokyo – Rent and Vacancy Rate**



Source: Japan Real Estate Institute (JREI)/ Knight Frank Singapore  
 Note: For reference, 1 tsubo is equivalent to 3.306 square metres

**GREATER NAGOYA**

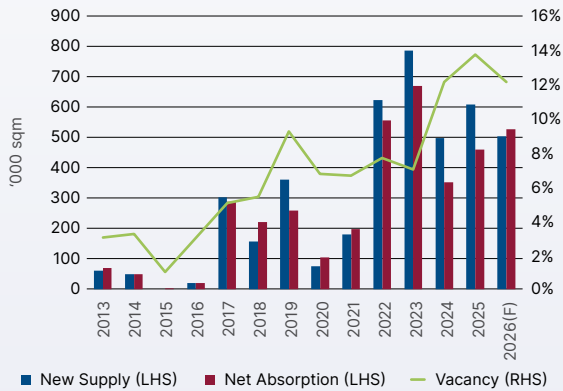
Until the first half of the 2010s, modern logistics facilities for lease were primarily developed in the northern areas, such as around Komaki City in Aichi Prefecture. In recent years, new logistics developments have increasingly emerged in the metropolitan area. The opening of the Shin-Tomei and Shin-Meishin Expressways improved accessibility to the southern region, prompting developers to expand along these corridors. As a result, logistics supply began to rise around 2017, and vacancy rates remained relatively stable, ranging between approximately 5% and 9% from 2018 to 2023.

Following the concentrated development of properties around Yatomi after 2022, which required time to absorb vacancies, the overall vacancy rate increased to around 12 to 14% by 2024, reflecting a continued phase of supply-demand adjustment. With projected supply in 2026 expected to be

lower than in 2025, absorption is likely to gradually reduce vacancy levels. In 2025, 0.6 million sqm of new modern logistics facilities were completed, slightly above the five-year average of 0.5 million sqm from 2021 to 2025. The total number of logistics facilities in the metropolitan area remains limited, making vacancy rates highly sensitive to the addition of new supply. Nevertheless, demand has remained largely resilient, driven predominantly by automobile manufacturers.

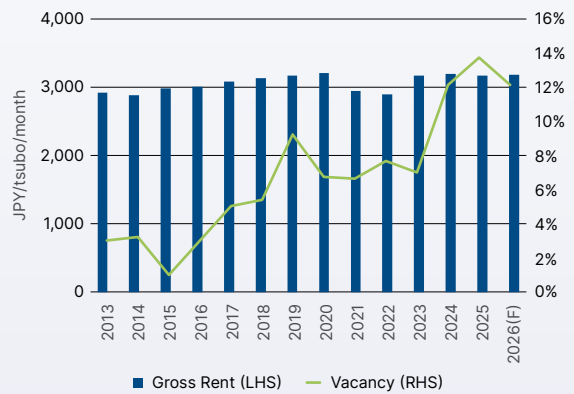
The rental market has remained generally stable, with average gross rents hovering above JPY 3,000 per tsubo per month for the third consecutive year since 2023. Looking ahead, demand is expected to remain robust, particularly from manufacturers aiming to strengthen their supply chains. Leasing activity is likely to vary by location, with continued concentration of supply in areas such as Inchinomiya City and Komaki City in Aichi Prefecture.

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



Source: Japan Real Estate Institute (JREI)/ Knight Frank Singapore

**Greater Nagoya – Rent and Vacancy Rate**



Source: Japan Real Estate Institute (JREI)/ Knight Frank Singapore  
 Note: For reference, 1 tsubo is equivalent to 3.306 square metres



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

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