For Immediate Release

Colliers identifies opportunities in Asia Pacific industrial & logistics property

New manufacturing locations across emerging and developed markets, and growth in last mile and cold chain, present new opportunities for occupiers and owners

HONG KONG, 23 April 2021 – Colliers (NASDAQ: CIGI; TSX: CIGI), leading diversified professional services and investment management firm, today released its *Asia Pacific Industrial & Logistics Property* report. This report details the prospects for the APAC industrial & logistics sector and examines *China Plus One* strategies and the opportunities for occupiers and owners in industrial property; the options and opportunities in the last mile and cold chain segments of logistics networks; and investment trends in key markets.

Lynus Pook, Senior Director, Regional Industrial Advisory | Asia, commented: "Industrial occupiers have the opportunity to locate high-technology manufacturing operations in centres such as Singapore, Tokyo and Taipei, as well as China. Vietnam (Ho Chi Minh City) and Indonesia (greater Jakarta) are attractive for other manufacturing operations. Rapid growth in online retail sales is driving demand for the last mile delivery facilities of logistics networks, but the segment is fragmented in many markets. Occupiers have various options, but should work with third-party logistics (3PL) providers to offer services via micro fulfilment or front distribution centres."

Terence Tang, Managing Director, Capital Markets & Investment Services | Asia, commented: "The long-term outlook for the industrials & logistics market in the region is incredibly positive. Investor appetite and demand is expected to remain robust as investors continue to search for yield amidst an economic backdrop of low interest rates and much dry powder to deploy. Singapore, Taipei, Melbourne and Bengaluru present investors with interesting opportunities in manufacturing assets, while the refitting of dry warehouses for cold chain in China and the upgrading of old stock in Japan should reap rewards for logistics assets."

Gavin Bishop, Head of Industrial Capital Markets | Australia, commented: "While not *China Plus One* markets, Australia and New Zealand have strong food and beverage industries. The inner ring of Sydney is set to become Sydney's last mile logistics epicentre given the high population density and access to a large population base. Securing a site in this area maximises an occupier's last mile footprint by positioning the occupier close to the end-user."

New manufacturing locations appearing in developed and emerging markets

China is the world's top manufacturing nation; however, access to new markets, rising costs, risk diversification and tax incentives are leading companies based in China to expand their operations outside that market in so-called *China Plus One* strategies. Based on the Colliers Manufacturing Attractiveness Index – an index devised to determine the attractiveness of 34 cities across APAC for manufacturing occupiers – good locations for manufacturing include most leading Chinese cities, in addition to Singapore, Tokyo and Greater Taipei for high-technology manufacturing in particular. Also among the top 15 in APAC is Melbourne, which has seen rising demand from the food and pharmacutical sectors. Among emerging *China Plus One* markets, Ho Chi Minh City, Jakarta, Bengaluru and Delhi NCR are attractive for other manufacturing activities. Manufacturing contributes from 15-26% of real GDP in these markets and should grow at over 6.0% p.a. until 2025.

Varied approaches necessary to participate in fast-growing last mile and cold chain

Over 2019-2024, online grocery sales in APAC should grow 30% p.a., driving demand for the last mile delivery facilities of logistics networks. Colliers advises investors to focus on logistics warehouses on city fringes, while occupiers can leverage the expertise of 3PLs to enter the sector. Demand for cold chain facilities is surging. Occupiers can work with 3PLs to find the right solution to fit their needs, while investors can refit existing assets or build dedicated warehouses as a long-run option. Yields on logistics assets are likely to fall further in China, Australia, Japan, Korea and Taiwan. Japan is notably underserved by quality logistics stock, while in Korea foreign investors can compete with domestic investors by focusing on logistics.

Firm outlook for demand growth should drive yields down further in most markets

Colliers anticipates leasing activity in logistics to grow further in 2021, supported by demand from e-commerce and 3PLs. Supply in most cities is limited, so demand is expected to outstrip supply in the short term, notably in the Grade A class. This market situation favours landlords. Rents should also rise across most markets in APAC in 2021. In China, rents in the big cities should pick up as economic growth and new, more efficient warehouse designs fuel demand. Notably, in Shanghai, rents are expected to rise by 3.0% in 2021. Sydney and Melbourne had previously favoured tenants; however, looking ahead prospects for demand seem bright and Colliers expects growth in effective rents of 1.0-2.5% in 2021 after falls of 3.0-5.0% in 2020. Given rising rents and the positive demand-supply balance, investor interest should stay very firm, pushing yields down further over the next few years, notably in China.

Download the *Asia Pacific Industrial & Logistics Property* report.

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