Singapore

OPERATIONS REVIEW

Mapletree Pioneer Logistics Hub

	FY20/21	FY21/22
Properties	52	**53**
Book Value	S$2,480.8M[4]	**S$2,499.0M[5]**
Occupancy Rate (%)	98.1	**97.8**
WALE by NLA (years)	6.3	**6.9**
WALE by Revenue (years)	4.7	**4.5**
NLA (sqm)	1,777,697	**1,788,187**

Singapore's economy rebounded strongly in 2021 to record year-on-year ("y-o-y") growth of 7.6%, following a 4.1% contraction in 2020. Overall economic growth was led by the goods-producing industries where the manufacturing sector grew 13.2% y-o-y and the construction sector recovered with a 20.1% expansion, while the services-producing industries gained 5.6%[1].

Notwithstanding global uncertainties and headwinds, Singapore's warehousing and logistics sector remained relatively resilient.

As business sentiment continued to improve, the quality of leasing demand has improved. Demand transitioned from short-term leases which arose in response to a surge in tenants' stockpiling requirements in 2020 to longer leases in 2021.

The sector saw a net supply of 3.1 million square feet ("sqft") in 2021 while overall occupancy rate for warehouse space rose slightly to 90.6% in the fourth quarter of 2021, from 89.9% in the year-ago period[2]. Looking ahead, new supply is projected to average 1.8 million sqft for the next four years (2022 to 2025), approximately 33.3% lower than the four-year average historical completion of 2.7 million sqft (2018 to 2021)[3].

The Manager maintained focus on active marketing and leasing as leases with an aggregate net lettable area ("NLA") of 332,865 square metres ("sqm") expired during FY21/22. Approximately 97% were renewed or replaced by the end of the financial year, translating to an occupancy rate of 97.8% as at 31 March 2022.

Advancing MLT's sustainability efforts, two solar energy systems with a combined generating capacity of 0.6MWp, were installed on the rooftops of 25 Pandan Crescent and 190A Pandan Loop in FY21/22. These represent MLT's fifth and sixth solar installations in Singapore under the Manager's renewable energy programme, which seeks to improve energy efficiency and increase the use of renewable energy.

Singapore's Ministry of Trade and Industry has forecast the economy to expand by 3.0% to 5.0% in 2022, despite the overhang of global headwinds. These include the potential emergence of more virulent virus strains and protracted supply chain disruptions, alongside rising energy prices due to geopolitical tensions, as well as faster than expected tightening of monetary policy in the advanced economies which could threaten financial stability.

Looking into FY22/23, approximately 352,924 sqm of NLA is due to expire. The Manager will continue to focus on tenant retention and maintaining a healthy portfolio occupancy. The team will proactively engage tenants ahead of their lease expiries to understand their business needs and facilitate the expansion of strategic tenants, as well as attract new tenants with flexible leasing packages.

Notes:
1 MTI Maintains 2022 GDP Growth Forecast at "3.0 to 5.0 Per Cent", Ministry of Trade and Industry, February 2022.
2 Industrial Property Statistics, JTC Corporation.
3 Independent Market Research Report by Savills Research and Consultancy, March 2022.
4 Excludes right-of-use (ROU) assets of S$110.1 million.
5 Excludes right-of-use (ROU) assets of S$101.2 million.

Australia

Performance

OPERATIONS REVIEW


15 Botero Place, Truganina

	FY20/21	FY21/22
Properties	12	**13**
Book Value as at 31 Mar	AUD$833.2M (S$867.7M)	**AUD$1,099.8M (S$1,087.6M)**
Occupancy Rate (%)	100	**100**
WALE by NLA (years)	5.6	**5.7**
WALE by Revenue (years)	7.1	**6.9**
NLA (sqm)	337,720	**352,467**

Notwithstanding multiple COVID-19 restrictions and border closures, the Australian economy rebounded strongly in 2021, expanding by 4.2% in the 12 months ended December 2021[1]. With a relatively well-educated and skillful population of 25.8 million, and strong fundamentals, Australia is forecast to grow 4.2% in 2022 and 2.0% in 2023[1].

Australia started year 2022 with a record number of Omicron COVID-19 cases, weighing on its economic momentum. With over 95% of its population fully vaccinated, the government pivoted to a phase of "living with COVID" in March 2022, allowing for state and territory borders to open for business. Pressure on the labour market is expected to ease over the coming months, stabilising and positioning the economy on a path of continued recovery.

Driven by strong and lasting structural tailwinds, the industrial and logistics sector remained the most resilient of Australia's core commercial markets in FY21/22. Tenant demand was robust, backed by tailwinds such as the continued proliferation of e-commerce and businesses' focus on supply chain security and resiliency. This resulted in a record high gross take-up of 4.4 million sqm in 2021, which is more than 50% above the previous record of 2.9 million sqm[1].

Strong occupier fundamentals continued to drive the market in 2021. Demand for logistics space outweighed supply due to minimal land supply and limited development of new product. During the year, 1.45 million sqm of new supply was brought to market, marginally below the 10-year annual average of approximately 1.5 million sqm[1]. The supply was more than offset by strong demand as players in the e-commerce space accounted for approximately 2.3 million sqm of gross take-up in 2021, significantly above the 10-year annual average of 1.4 million sqm. The continued growth of e-commerce is expected to elevate demand for well-located quality spaces and consequently rent growth, increasing opportunities for positive rental reversion across MLT's properties.

MLT acquired a logistics cold store asset in Laverton North, Melbourne for AUD42.8 million (S$42.3 million) during FY21/22, bringing its portfolio to thirteen properties located in established logistics hubs in Sydney (five properties), Melbourne (five properties), Wodonga (one property) and Brisbane (two properties).

MLT's Australian portfolio remained resilient and continued to provide stable income streams with a long weighted average lease to expiry ("WALE"). During FY21/22, leases covering over 99,675 sqm were successfully renewed or replaced. With a proactive approach to lease management to maintain high occupancy levels across the Australia portfolio, the Manager continues to engage current and prospective tenants to renew or backfill leases in FY22/23, including upcoming expiries at Derrimut and Truganina.

Looking ahead, the Manager expects occupier demand to remain healthy over the next few years. MLT remains poised to benefit from the favourable demand-supply balance which is expected to support rental growth in MLT's existing markets covering Sydney, Melbourne and Brisbane. Portfolio resilience has been enhanced with close to 80% of MLT's Australia revenue generated by tenants operating in the robust food and beverage sector, as well as the e-commerce sector. MLT will continue to leverage on its asset management and investment management expertise to grow its portfolio and income streams.

Note:
1 Independent Market Research Report by Jones Lang LaSalle Incorporated, March 2022.

China

Mapletree Yangzhou Industrial Park

	FY20/21	FY21/22
Properties	30	**42**
Book Value as at 31 Mar	RMB8,678M (S$1,792.6M)	**RMB13,169M (S$2,824.1M)**
Occupancy Rate (%)	95.3	**93.1**
WALE by NLA (years)	1.8	**1.8**
WALE by Revenue (years)	1.8	**1.9**
NLA (sqm)	2,006,791	**2,820,893**

In 2021, China reported year-on-year ("y-o-y") GDP growth of 8.1% despite a soft second half which saw economic growth slow to 4.9% in third quarter and 4.0% in fourth quarter[1]. The deceleration in GDP growth was primarily due to supply chain disruptions, energy controls and national and regional lockdowns to quell the spread of COVID-19, as well as a downturn in China's real estate sector arising from the government's cooling measures. In addition, intensive government interventions against big tech and e-commerce players such as Alibaba, Didi and Meituan continued to weigh on the economy.

With China's economic rebalancing policies in place, the country has shifted from an export-led to a domestic-driven economy. As a result, domestic consumption accounted for 65.4% of China's economic growth in 2021. With cities under lockdowns during the year, online retail sales rose by 14.1% y-o-y, outpacing a 12.5% increase in overall retail sales over the same period[2].

The trade sector showed resilience with total imports and exports recording 21.4% y-o-y growth in 2021[2]. This was attributable to China's vital role in the global supply chain and its fast and effective response to COVID-related impacts.

Against this backdrop, China's logistics market remained resilient in 2021. Grade A warehouse stock ended the year at approximately 82.8 million sqm, representing a 5-year compound annual growth rate ("CAGR") of 21.7%. Net absorption of Grade A warehouses was approximately 12.0 million sqm, driving up overall occupancy rate to 90.0% and raising average rents by 2.7% y-o-y. An average new supply of approximately 19.5 million sqm per year is expected from 2022 to 2025, reflecting a CAGR of 17.0% over the period.

In line with its strategic focus to deepen its network presence and capture growth opportunities, MLT announced the acquisitions of 13 properties[3] located in China for an aggregate property value of RMB4.1 billion in FY21/22. With these acquisitions, MLT's portfolio in China has expanded to 43 properties across 29 cities, significantly enhancing the Trust's ability to offer tenants a multi-city network of warehouse facilities.

As at 31 March 2022, MLT's China portfolio registered an occupancy rate of 93.1%, compared with 95.3% a year ago, and the industry's average occupancy level of 90.0%. The decline was partly due to the inclusion of 12 new assets, which had an average occupancy of 91.1%.

Looking ahead, the recent outbreak of the Omicron variant and strict lockdowns in various cities had impacted production and consumption, and aggravated global supply chain disruptions. With the knock-on effects arising from China's "zero-COVID" policy affecting the pace of economic growth, this may impact leasing demand for warehouse space in the near term.

In FY22/23, leases with an aggregate net lettable area of approximately 1,043,189 sqm will be expiring. The Manager will continue to employ proactive lease management strategies to renew or replace these leases ahead of expiry, while pursuing leasing pipelines from both regional and local players. In view of the uncertain economic environment, the Manager will look to strengthen its relationships with existing tenants and secure new tenants to ensure the stability of MLT's portfolio and income stream.

In the long term, MLT remains well-placed to tap into China's growing demand for modern logistics and warehousing space, underpinned by rising urbanisation, a growing middle class and consumption growth.

Notes:
1. "Statistical Communiqué of the People's Republic of China on the 2021 National Economic and Social Development", National Bureau of Statistics of China, 28 February 2022.
2. Independent Market Research Report by Knight Frank Petty Limited, March 2022.
3. The acquisitions of 12 of the 13 properties were completed on 20 January 2022. The acquisition of the remaining property was completed after FY21/22 on 1 April 2022.

Hong Kong SAR

OPERATIONS REVIEW

Mapletree Logistics Hub Tsing Yi

	FY20/21	FY21/22
Properties	9	**9**
Book Value as at 31 Mar	HKD15,385M (S$2,657.2M)	**HKD16,602M (S$2,893.2M)**
Occupancy Rate (%)	99.8	**99.9**
WALE by NLA (years)	2.7	**3.0**
WALE by Revenue (years)	3.0	**3.2**
NLA (sqm)	368,361	**368,361**

Hong Kong SAR recorded robust GDP growth of 6.4% in 2021[1], reflecting a strong 7.8% year-on-year ("y-o-y") growth in the first half which was attributable to a sharp rebound in global demand. This was followed by growth of 5.5% and 4.8% respectively in the third and fourth quarters as the COVID-19 epidemic remained relatively well-contained during the period.

Hong Kong's gradual containment of COVID-19 in 2021, resulting from increased vaccination rates and effective social distancing measures, has allowed it to make a steady recovery. Total exports of goods grew in 2021 underpinned by growing demand from major economies and the resumption of regional trade and production activity.

Domestic demand remained healthy as private consumption expenditure increased in an improving local epidemic situation and improving labour conditions. Strong local spending power supported a swift rebound in retail sales of 8.3% over the first eleven-months of 2021. Social distancing measures, as well as the adoption of work-from-home, continued to drive e-commerce demand during the year. As a result, e-commerce retail sales increased 45.5% in the first eight months of 2021 compared to the year-ago period. This growth was significantly higher than the 32% growth recorded for full year 2020, supporting demand for logistics space and highlighting the outperformance of the logistics sector in 2021[2].

MLT's Hong Kong SAR portfolio continued to deliver a creditable operating performance in FY21/22. Buoyed by e-commerce and cold-store demand during the period, the Manager successfully renewed and secured new leases for approximately 146,200 sqm of leases which expired during the year. With the Manager's proactive lease management strategies, MLT's Hong Kong SAR portfolio reported an occupancy rate of 99.9% as at 31 March 2022.

The latest outbreak of Omicron in early 2022 may delay any potential border reopening with the Mainland and cause further supply chain disruptions, in particular for ocean freight. These may contribute to short-term uncertainties in the local logistics market.

Nevertheless, the balance of Hong Kong SAR's demand-supply equilibrium remains favourable. On the supply side, Hong Kong's warehouse stock has grown at a relatively low compound annual growth rate of 0.5% per annum over the past 20 years and there was no new supply completion from 2019 to 2021. Consequently, vacancy rate for modern warehouse space declined to 1.5% in 1Q 2022, while the overall warehouse market remained tight with a vacancy rate of 2.5%[2].

Over the next five years from 2022, new warehouse supply of approximately 7.84 million sqft, equivalent to 14.5% of Hong Kong's existing warehouse stock, is expected to be delivered to the market. Demonstrating the strong market demand, a modern warehouse project in Tuen Mun due for completion in 2022 has seen strong pre-commitment for 1 million sqft of space, thus removing a major market overhang[2].

Demand continues to be robust driven by traditional logistics demand from bulk import and export segments, as well as the retail and e-commerce sectors. In the medium-to-long term, modern warehouses are expected to benefit most as their building specifications are attractive to e-commerce operators, multinational third-party logistics ("3PLs") as well as cold-storage businesses.

Looking ahead to FY22/23, the Manager expects the logistics market to remain resilient with low vacancy rates and stable rental rates. Leases for approximately 88,347 sqm of NLA in MLT's Hong Kong SAR portfolio will be expiring in the new financial year. The Manager is confident of securing replacement or renewal leases at attractive rentals.

Notes:

1 Hong Kong Economy, 23 February 2022.

2 Independent Market Research Report by Savills Research & Consultancy, April 2022.

India


Mapletree Logistics Park Talegaon

	FY20/21	FY21/22
Properties	2	**2**
Book Value as at 31 Mar	INR4,727M (S$87.2M)	**INR4,759M (S$84.9M)**
Occupancy Rate (%)	98.2	**100**
WALE by NLA (years)	2.2	**1.8**
WALE by Revenue (years)	2.1	**1.8**
NLA (sqm)	87,256	**87,586**

India experienced significant challenges in the first half of fiscal year 2021-22 as the government imposed nationwide lockdowns and travel restrictions in an effort to contain the spread of COVID-19. As COVID-19 cases declined and vaccination rates improved in the second half of 2021-22, India's economy staged a "V" shape recovery to pre-pandemic levels, with a projected 8.9% real GDP growth in 2021-22[1].

From a demand perspective, India's total exports and imports have surpassed pre-pandemic levels and are projected to grow 16.5% and 29.4% respectively in 2021-22[2]. The strong recovery in imports was largely attributed to domestic demand and increases in global crude and metal prices. Following last year's 8.4% contraction, the services sector is expected to rebound with a growth of approximately 8.2% in 2021-22.

India's logistics and warehousing sector demonstrated resilience in the face of the pandemic in 2020 and staged a robust recovery in 2021. The country's overall warehousing stock stood at 287 million sqft in 2021 as new supply of 49.6 million sqft was introduced to the market during the year. Net demand stood at 39.1 million sqft in 2021 and industry vacancy levels for Grade A spaces improved from 10.5% in 2020 to 8.8% in 2021[2]. Overall demand is expected to further grow and remain robust in the short- to medium-term, balancing the increasing supply of Grade A stock that is currently in the pipeline.

India's warehousing market is going through a transformation phase as occupier demand shifts to Grade A space and larger multi-tenanted facilities. Decisions on warehouse location and specifications are now based on supply chain efficiency instead of tax-saving benefits. The e-commerce sector, along with the 3PL sector, are the main drivers of demand for warehouse space.

The pandemic has accelerated e-commerce adoption rates, leading to an increase in demand for online delivery of essential and non-essential items. As a result, e-commerce players and 3PLs are now seeking well-located Grade A spaces which offer good access as well as enhanced quality storage space in large floorplates. This is complemented by robust demand for smaller in-city warehouses for last-mile delivery. The share of e-commerce for warehousing demand has increased from 15% in 2017 to 26% in 2021, while 3PLs account for the largest share of over 30%[2].

MLT's two properties located in Pune, which were acquired in March 2021, continued to perform well during the year. The Manager increased the portfolio occupancy from 98.2% at the time of acquisition to 100% as at 31 March 2022.

Looking ahead, India's medium- to long-term economic outlook remains positive, with the Reserve Bank of India forecasting GDP growth of 7.2% in 2022-23. The logistics and e-commerce sectors are expected to benefit from the continued growth of the economy, which is supported by strong domestic consumption and a growing middle class.

In FY22/23, leases for about 32,659 sqm of space are due to expire. The Manager will proactively engage tenants to secure lease renewals or replacements ahead of expiries, with the objective to achieve positive rental reversions and minimal leasing downtime. To attract and retain tenants, the Manager will also focus on introducing sustainability features to the properties to enhance their attractiveness. As part of its investment strategy, the Manager will explore opportunities to acquire well-located quality assets to capitalise on the strong demand for logistics space.

Notes:
1 "Governor's Statement: April 8, 2022", Reserve Bank of India, April 2022.
2 Independent Market Research Report by Jones Lang Lasalle India, April 2022.

Japan

Performance

OPERATIONS REVIEW


Mapletree Kobe Logistics Centre

	FY20/21	FY21/22
Properties	18	**19**
Book Value as at 31 Mar	JPY98.4B (S$1,215.1M)	**JPY137.2B (S$1,585.6M)**
Occupancy Rate (%)	95.9	**98.4**
WALE by NLA (years)	5.2	**3.8**
WALE by Revenue (years)	5.1	**3.7**
NLA (sqm)	445,522	**580,339**

Following a 4.5% contraction in fiscal 2020, Japan's real GDP is projected to recover with a 2.8% expansion in fiscal 2021[1]. This is achieved on the back of a gradual normalisation of economic activities with the easing of COVID-19 measures, and supported by a recovery in external demand, accommodative financial conditions and the government's economic measures.

In 2021, the COVID-19 pandemic continued to drive favourable structural trends benefitting the warehouse market, such as e-commerce and supply chain diversification. Demand for quality logistics spaces reached a record high of approximately 4.3 million sqm, taking up 86% of new supply of approximately 5.0 million sqm. Correspondingly, the industry average vacancy rate increased to 3.0% at the end of 2021, from 1.7% in the year-ago period[2].

In line with the Manager's portfolio rejuvenation strategy, MLT acquired Kuwana Centre, a 5-storey modern facility located in the industrial zone of Kuwana, Mie Prefecture in December 2021. With approximately 158,000 sqm of gross floor area, Kuwana Centre is the largest asset in MLT's Japan portfolio. The acquisition has diversified MLT's Japan tenant base, increasing the number of quality tenants by 32%.

All properties in MLT's Japan portfolio comply with seismic safety standards and have a Probable Maximum Loss[3] value of less than 15%, indicative of low exposure to earthquake risks. In line with the general market practice in Japan, they do not have specific earthquake insurance coverage.

In line with our focus on sustainability, the Manager has installed solar panels with a capacity of 2,614 kWp at Mapletree Kobe Logistics Centre. The Manager will explore more green projects, such as LED lightings and upgrading of heating, ventilation and air-conditioning systems, to reduce carbon dioxide emissions.

Stepping into 2022, new supply of logistics space is expected to reach a record high of approximately 6.0 million sqm[2]. 2021 saw developers aggressively bidding for sites to develop new warehouse spaces around Greater Tokyo and Osaka in response to robust demand. In light of this, industry watchers expect the supply-demand tightness to ease and rents to stabilise or soften in some districts.

MLT's Japan portfolio demonstrated strong resilience in FY21/22, closing the period with a portfolio occupancy of 98.4%. MLT's tenant base in Japan continued to be anchored by customers engaged in consumer-related sectors such as food & beverage and apparel, which have proven to be resilient amidst the pandemic. The Manager believes that they will remain resilient even if the economic recovery slows.

The Manager will continue to engage tenants through regular meetings to understand their business needs and commence early negotiations at least 12 to 18 months prior to the expiry of leases. With this proactive approach, three leases expiring in FY22/23 have been successfully renewed ahead of expiry, achieving positive rental reversions of 1.2% to 3.7% with built-in annual escalations of around 1%.

Notes:

1. "Japan's Economy and Monetary Policy", The Bank of Japan, 3 February 2022.
2. Independent Market Research Report by Japan Logistics Field Institute, Inc., April 2022.
3. Probable Maximum Loss ("PML") is a gauge commonly used to assess a property's seismic resistance. A PML of 15% is deemed to be sufficiently safe from earthquakes.

Malaysia

Mapletree Logistics Hub - Shah Alam

	FY20/21	FY21/22
Properties	15	**16**
Book Value as at 31 Mar	MYR1,566.5M (S$511.2M)	**MYR2,033.2M (S$659.5M)**
Occupancy Rate (%)	100	**99.1**
WALE by NLA (years)	2.0	**2.2**
WALE by Revenue (years)	1.9	**2.1**
NLA (sqm)	525,485	**657,471**

Malaysia's GDP grew at a modest 3.1% year-on-year ("y-o-y")[1] in 2021 following a contraction of 5.6% in 2020. This was supported by the easing of restrictions on inter-district and inter-state travel on the back of high vaccination rates, allowing for the resumption of business and social activities.

Malaysia's logistics industry remained one of the most resilient sectors during the pandemic as warehouses across the country were allowed to operate during government implemented lockdowns and movement control orders ("MCO"). To revitalise the economy, the government rolled out economic stimulus packages such as Penjana, KITA Prihatin and National Economic Recovery Plans. These strategic support measures increased household spending and domestic consumption, fuelling demand for logistics services and warehouse space.

Against this backdrop, MLT's Malaysia portfolio delivered a creditable performance in FY21/22. The majority of MLT's 16 properties in Malaysia are located in prime industrial areas in Shah Alam and Subang and are well-connected by highway networks. Given their proximity to the Kuala Lumpur city centre, these warehouses are sought after by logistics and e-commerce companies for domestic distribution. During FY21/22, leases covering over 117,500 sqm of net lettable area were renewed or replaced ahead of their respective expiries at an average positive rental reversion of about 1.9%. As a result of the Manager's proactive approach to lease management, MLT's Malaysia portfolio recorded an occupancy rate of 99.1% at the close of the financial year.

MLT completed the acquisition of Mapletree Logistics Hub – Tanjung Pelepas on 14 February 2022 for MYR404.8 million (S$129.9 million), adding 131,986 sqm of net lettable area to its portfolio. Strategically located in the free trade zone of the Port of Tanjung Pelepas ("PTP"), the Grade A logistics facility enjoys excellent multimodal linkages that provide air, sea and road connectivity. For this reason, 3PL companies view PTP as a strategic transshipment hub for the region, as well as a major distribution hub for Malaysia and Singapore.

In the same month, MLT announced the proposed acquisition of two parcels of leasehold industrial properties located in Subang Jaya, Selangor for a total consideration of MYR65.6 million (S$21.2 million)[2]. The Manager intends to amalgamate the properties with MLT's existing adjacent properties – Subang 3 and 4, paving the way for the development of the first mega modern ramp-up warehouse in Subang Jaya. This is in line with the Manager's strategy to optimise MLT's portfolio and future-proof its assets through asset rejuvenation.

In March 2022, Malaysia's Central Bank revised its GDP growth forecast to between 5.3% to 6.3% for 2022. The outlook for the logistics sector remains promising, underpinned by the continued growth of domestic consumption and e-commerce. Occupancy levels of Grade A logistics facilities are expected to remain high given the positive demand-supply dynamics, ensuring that rental rates continue on an uptrend.

With a firm focus on proactive lease management, the Manager is currently in final negotiations for the renewal of 39% of leases expiring in FY22/23 with a net lettable area of around 260,003 sqm. The Manager remains confident of renewing or securing replacement leases for the remaining 61% ahead of their lease expiries.

Notes:

1 Independent Market Research Report by Knight Frank Research, March 2022.

2 The acquisition is pending completion as at 31 March 2022.

South Korea

OPERATIONS REVIEW

Mapletree Logistics Centre - Iljuk 2

	FY20/21	FY21/22
Properties	18	**19**
Book Value as at 31 Mar	KRW765.5B (S$906.3M)	**KRW937.8B (S$1,030.2M)**
Occupancy Rate (%)	97.2	**98.2**
WALE by NLA (years)	1.6	**1.5**
WALE by Revenue (years)	1.6	**1.5**
NLA (sqm)	538,657	**604,839**

South Korea's economy rebounded from a pandemic-induced contraction of 0.9% in 2020 to record year-on-year ("y-o-y") growth of 4.0% in 2021. This is the country's highest economic growth since 2010[1]. The recovery was driven largely by improvements in domestic private consumption and trade, supported by the government's "living with COVID-19" strategy which was rolled out across the country in late 2021.

The Bank of Korea reported in its February 2022 Economic Outlook[2] that it expects the economy to grow 3.0% y-o-y in 2022 as the recovery of private consumption is set to pick up while robust global demand continues to drive the country's exports growth.

The country's e-commerce industry saw another year of strong and consistent growth in 2021, with sustained demand for Grade A logistics properties from e-commerce players, fresh foods and meal kit businesses, and 3PL companies. South Korea's e-commerce market volume grew 16.5% y-o-y to KRW175 trillion in 2021, accounting for approximately 38% of the country's total retail sales volume, while the volume of mobile transactions increased 22.9% y-o-y to reach KRW12.5 trillion in 2021[3].

As at the end of 2021, the Seoul Metropolitan Area ("SMA") had stock of approximately 24.2 million sqm of logistics space, with the traditional logistics hub of the Southeast submarket accounting for approximately 39.7% of the total. Despite the recent surge in supply, the average vacancy rate for logistics assets in the SMA remained tight at 3.3% as of Q4 2021[3].

The SMA recorded a 2.7% y-o-y increase in average rents in 2021 to around KRW9,156 per sqm. This was spurred by leases in newly completed prime Grade A logistics centres. Moving beyond 2022, rents are expected to see a growth of approximately 2% to 3% for prime Grade A logistic centres and approximately 1% to 3% for other centres[3].

To capture the market's growing demand for quality logistics space in prime locations, MLT announced the acquisitions of two young, modern logistics facilities serving the SMA in FY21/22 – a 3-storey ramp-up logistics facility located in Northern Yeoju, a newly established logistics hub, for KRW135 billion (S$155.3 million)[4]; and a 4-storey ramp-up facility located in the established Yongin-Icheon logistics hub for KRW88.5 billion (S$98.8 million)[5]. Both properties are 100% leased with a weighted average lease expiry of 3.1 years and 5.1 years respectively.

As at 31 March 2022, MLT's South Korea portfolio is comprised of 19 well-located modern properties with net lettable area of approximately 604,839 sqm. During FY21/22, the Manager successfully renewed or replaced leases covering over 187,297 sqm of space at an average rental reversion of 3.1%, translating to a portfolio occupancy of 98.2%.

With leases covering approximately 284,600 sqm of net lettable area due to expire in FY22/23, the Manager will continue to leverage its proactive lease management strategies to engage new and existing tenants ahead of lease expiries. This will ensure that MLT maintains stable and healthy occupancy and rental rates in FY22/23. The Manager will also continue to seek acquisitions of quality and well-located properties with modern specifications to augment its portfolio.

Notes:

1 "Real Gross Domestic Product: Fourth Quarter and Annual 2021", Bank of Korea, 25 January 2022.
2 Bank of Korea Economic Outlook, 24 February 2022.
3 Independent Market Research Report by Colliers International (Korea) Limited, April 2022.
4 The acquisition was completed on 19 November 2021.
5 The acquisition was completed on 8 April 2022.

Vietnam

Mapletree Logistics Park Bac Ninh Phase 3

	FY20/21	FY21/22
Properties	7	**10**
Book Value as at 31 Mar	VND3,247.8B (S$188.7M)	**VND5,619.8B (S$334.9M)**
Occupancy Rate (%)	100	**100**
WALE by NLA (years)	2.8	**2.9**
WALE by Revenue (years)	2.9	**3.0**
NLA (sqm)	374,093 sqm	**562,603 sqm**

In a challenging year weighed-down by the knock-on effects of new COVID-19 variants, Vietnam finished strongly to report GDP year-on-year ("y-o-y") growth of 5.2% in the fourth quarter of 2021. The strong performance was aided by a robust recovery across all industry sectors of the economy. As a result, the Vietnamese economy grew 2.58% y-o-y for the year, an encouraging result in the light of the significant impact of the pandemic[1].

As the nation's vaccination campaign gained traction, 93.4% of the country's adult population received the full regiment of two doses at the end of 2021, allowing the government to roll out its "living with COVID-19" strategy in October 2021. The easing of restrictions enabled the resumption of business and social activities, as well as the opening of borders for international trade and travel.

In 2021, the major 3PL players were conservative in their expansion plans due to concerns about the adverse impacts of COVID-19. Despite the subdued environment, MLT's Vietnam properties delivered a strong set of results in FY21/22. Leases with approximately 91,511 sqm of net lettable area due to expire in FY21/22 were successfully renewed or replaced by the Manager with an average positive rental reversion of 4.1%. MLT's Vietnam portfolio maintained an occupancy rate of 100% as at 31 March 2022.

During the year, MLT acquired Mapletree Logistics Park Bac Ninh Phase 4 and Phase 5 in Bac Ninh, and Mapletree Logistics Park Phase 5 in Binh Duong. This brings the Vietnam portfolio to a total of 10 assets, comprising five assets in northern Vietnam and five assets in southern Vietnam. Given their strategic locations in the established manufacturing hubs of Bac Ninh in the north and Binh Duong in the south, and close proximity to Hanoi and Ho Chih Minh City respectively, they have attracted a strong tenant base comprising 3PLs, manufacturers and e-commerce logistics service providers.

Looking ahead, Vietnam's economy is expected to rebound to 6.5% in 2022 and further expand to 6.7% in 2023, on the back of high vaccination rates which will allow the government to implement more flexible virus control measures, as well as trade expansion, and continued accommodative monetary and fiscal policies[2].

The outlook for Vietnam's logistics sector remains promising backed by strong growth of e-commerce and business stockpiling. In response to global supply chain disruptions posed by the pandemic and geo-political tensions, businesses are increasing stockpile of materials and parts for production as well as finished products for local distribution and export.

As result, logistics real estate market sentiment remains optimistic with strong demand for warehouses not only in the traditional locations such as Bac Ninh and Binh Duong, but also upcoming logistic hubs such as Hung Yen and Bac Giang in the north; and Long An and Long Thanh in the south. To meet market demand for logistics warehouses, local and international competitors as well as 3PLs are keen to acquire high-quality assets and logistics development sites. This has compressed capitalisation rates across various locations and increased competition for quality assets.

In FY22/23, leases with approximately 78,300 sqm of space are due to expire. The Manager will proactively engage tenants to secure lease renewals or replacements in order to achieve positive rental reversions and minimise leasing downtime. To rejuvenate and modernise MLT's portfolio, the Manager will continue seeking opportunities to acquire quality and well-located facilities to capitalise on the strong long-term growth potential of Vietnam's logistics market.

Notes:

1 Independent Market Research Report by Cushman & Wakefield, March 2022.

2 "Vietnam's economy set for strong rebound amid global economic uncertainty", Asian Development Bank, 6 April 2022.