Operations Review

Singapore

As the COVID-19 pandemic disrupted economies, businesses and lives globally, Singapore's economy recorded a contraction of 5.4% in 2020, marking its worst ever recession since independence in 1965. During the year, Singapore had to grapple with both demand- and supply-related shocks to its economy. These include steep declines in external demand for locally produced goods and services as a result of a slowdown in major economies and global travel restrictions, supply chain disruptions, as well as the implementation of Circuit Breaker safe management measures from April to June 2020.[1]

With remote working and social distancing measures in place, e-commerce businesses and third-party logistics ("3PL") companies continued to thrive in 2020, increasing demand for logistics and warehouse space in Singapore. Renewals and increased activity involving short-term leases for stockpiling medical, food, and consumer products contributed to the near tripling in net space absorption from 1.1 million square feet ("sq ft") in 2019 to 3.1 million sq ft in 2020. As total net space absorption exceeded additions, the average warehouse occupancy rate was lifted from 88.0% in 4Q2019 to 89.9% in 4Q2020, notching a 5-year high for the industry.[2]

To optimise the occupancy and cash flow generation of our portfolio, we continued to focus on active marketing and leasing during the year. Of the 341,557 square metres ("sqm") of leases that expired during FY20/21, 95% were renewed or replaced by the end of the financial year. This translated to a portfolio occupancy rate of 98.1% as at 31 March 2021, which is above the national average occupancy of 89.9%.

During the year, on top of the government mandated rent relief given to all eligible tenants under the Rent Relief Framework, we extended additional rent rebates to tenants in the worst hit sectors like aerospace, retail and F&B sectors. We also offered deferment and instalment plans to tenants facing difficulties during the challenging period.

Advancing our sustainability efforts, we completed two rooftop solar installations at Mapletree Logistics Hub, Toh Guan and 6 Marsiling Lane in FY20/21, with a combined generating capacity of 1.9 MWp. These represent our third and fourth solar installations in Singapore under our renewable energy programme, which seeks to improve energy efficiency and increase the use of renewable energy.

Notwithstanding the uncertain pace of recovery of global economies and efficacy of COVID-19 vaccines, Singapore's economy is expected to recover and expand by 4.0% to 6.0%[3] in 2021. The industry's demand-supply dynamics looks positive over the next four years as new supply averaging 2.0 million sq ft per annum is less than half of the 4.3 million sq ft of new supply delivered annually between 2017 to 2020.[2]

With approximately 332,865 sqm of net lettable area ("NLA") due to expire in FY21/22, we will focus on retaining existing tenants and attracting new tenants with flexible leasing packages to ensure a healthy portfolio occupancy. We will continue to maintain close relationships with our tenants to understand their business needs and render timely support where necessary.

4 Pandan Avenue

	FY19/20	FY20/21
Properties	52	**52**
Book Value	S$2,499.0M[4]	**S$2,480.8M[5]**
Occupancy Rate (%)	97.2	**98.1**
WALE by NLA (years)	6.8	**6.3**
WALE by Revenue (years)	5.1	**4.7**
NLA (sqm)	1,778,761	**1,777,697**

Notes:
1 "Performance of the Singapore Economy in 2020", Ministry of Trade and Industry, 15 February 2021.
2 Independent Market Research Report, Jones Lang LaSalle, March 2021.
3 MTI Maintains 2021 GDP Growth Forecast at "4.0 to 6.0 Per Cent", Ministry of Trade and Industry, 15 February 2021.
4 Excludes right-of-use (ROU) assets of S$119.2 million.
5 Excludes right-of-use (ROU) assets of S$110.1 million.

Operations Review

Hong Kong SAR

Year 2020 was an exceptionally difficult year for Hong Kong SAR as the city recorded a 6.1% contraction for its economy.[1] This decline is the sharpest annual decline on record and follows a contraction of 1.2% in the previous year.[1] The severe contraction was primarily due to the wide-spread impact of COVID-19 pandemic across all sectors of the economy, businesses and lives of residents.

The economy contracted 9.0% in the first half of 2020[2] as the pandemic weighed heavily on local and international economic and trade activity. As governments across the world closed country borders and limited travel restrictions to curb the spread of COVID-19, Hong Kong SAR's inbound tourism was brought to a standstill in February 2020.

While the dearth of visitors strained Hong Kong SAR's retail sector, domestic consumption remained largely resilient and rendered some cushion as Hong Kong SAR residents channeled some of their travel budget to the local market. Concurrently, the introduction of new e-commerce technologies and popularity of online sales channels facilitated the adoption of local online shopping, mitigating some of the disruptions arising from the pandemic.

As the COVID-19 situation improved in the second half of 2020, global and local business confidence returned, paving the way for an economic recovery. In the light of this, Hong Kong SAR recorded narrower contractions of 3.6% and 3.0% in 3Q2020 and 4Q2020 respectively.[2]

Over the past two years, Hong Kong SAR's logistics market has experienced weaker demand for logistics space and declining rental growth due to a confluence of several negative developments: weak trading and retail sales, challenges of the China-US trade war, disruptions due to Hong Kong SAR's social unrest in 2019 and the outbreak of COVID-19 pandemic in 2020. Lease renewals in the industry were mostly related to modern warehouses as corporate landlords provided additional incentives, support and relief measures to support tenants and their businesses in the uncertain and difficult operating environment.

Against the challenging landscape, our Hong Kong SAR portfolio delivered a creditable operating performance in FY20/21. With leases for approximately 100,196 sqm due to expire during the year, we leveraged our proactive lease management strategies to renew or replace more than 99% of these leases at an average positive rental reversion of 2.0%. As a result, overall occupancy for our Hong Kong SAR portfolio was maintained at a high level of 99.8% as at 31 March 2021.

Looking ahead, the industry expects the impact from the China-US trade dispute and COVID-19 to gradually abate with improved China-US relations and the roll-out of vaccines. It is expected to drive Hong Kong SAR's export sector in 2021 with a 5% year-on-year growth, albeit from a low base. Supported by various government measures, the economy is forecasted to grow by 4.6% in 2021.[1]

With the brighter outlook and a gradual recovery of the global economy, modern warehouses are expected to benefit from strong demand from e-commence operators and 3PL prospects seeking automation and digitalisation systems. Consequently, we expect to see a rebound in warehouse rents given the scarcity of warehouse space and the absence of new supply in 2021. Testament to the resilient demand for our quality properties, we have proactively renewed and replaced 27% of leases ahead of expiries out of an aggregate NLA of 146,192 sqm due for expiries in FY21/22.

We will focus on delivering stable occupancy and rental rates through proactive asset management. This includes retaining existing tenants with flexible leasing packages, facilitating the business expansion of strategic tenants and advancing negotiations with tenants to understand and adapt to industry trends and their constantly evolving business needs.

Mapletree Logistics Hub Tsing Yi

	FY19/20	FY20/21
Properties	9	**9**
Book Value	HKD14,975M (S$2,671.7M)	**HKD15,385M (S$2,657.2M)**
Occupancy Rate (%)	99.9	**99.8**
WALE by NLA (years)	2.5	**2.7**
WALE by Revenue (years)	2.6	**3.0**
NLA (sqm)	368,361	**368,361**

Notes:

1 Independent Market Research Report, Savills Research & Consultancy, March 2021.

2 Hong Kong Economy, April 2021.

China

China, the world's most populous country and second largest economy, staged an impressive recovery from mid-2020 to record full-year GDP growth of 2.3%.[1] This positive momentum is expected to drive growth in 2021, underpinned by the government's 'dual circulation' strategy and ongoing rebalancing of its economy to reduce reliance on overseas markets and technology in the face of de-globalisation and China-US trade tensions. Furthermore, China's recent ratification of the RCEP agreement with 14 major countries is expected to deconstruct trade barriers and reduce business costs, spurring growth in manufacturing, trading, consumption and logistics.

Despite the pandemic and trade disputes, total imports and exports grew by 1.9% while trade surplus recorded an expansion of 27.1% year-on-year.[1] Foreign interest in China remained strong as foreign direct investments closed 8.6% higher than outbound direct investments.

China's logistics sector is buttressed by healthy supply-demand dynamics. Grade A warehouse stock was approximately 70.2 million sqm in 2020 representing a 5-year compound annual growth rate of 28.9%. Net absorption was approximately 5.3 million sqm, anchoring the industry's occupancy rate of 89.0% and a 1.8% year-on-year increase in the average rent in 2020.[1]

While 11.2 million sqm of new supply will come on stream in 2021[1], the new stock is expected to be absorbed through strong demand induced by structural growth and a cyclical upturn. Fuelled by the COVID-19 pandemic and the rise of the stay-at-home economy, e-commerce businesses and 3PLs continue to thrive, increasing demand for quality and modern warehouses. To minimise disruption risk in the current environment, supply chain players have pivoted to Just-in-Case manufacturing which requires the build-out and storage of large inventory, benefiting China's warehouse markets.

We continue to pursue both organic and inorganic growth strategies to future-proof our portfolio and capitalise on the long-term prospects of China's logistics market. On 1 December 2020, we acquired from the Sponsor, Mapletree Investments Pte Ltd, the remaining 50% interest in 15 joint-venture properties and 100% interest in seven properties at an aggregate agreed property value of RMB6,612 million.[2] The acquisition has elevated China as the largest country in our portfolio at 31% of total NLA, giving us a stronger foothold in a high-growth market with resilient economic fundamentals.

In May 2020, we completed the development of Phase 2 Mapletree Ouluo Logistics Centre. Testament to our asset management experience and strong industry network, Phase 2 achieved 100% committed occupancy within three months after completion, despite the ongoing pandemic.

In FY20/21, our China portfolio occupancy dipped a marginal 1% from 96.3% to 95.3% due to the non-renewal of leases. Nevertheless, this is well above the industry's average 2020 occupancy level of 89.0%.[1] Out of the 325,892 sqm of leases due for renewal in FY20/21, 92.0% was renewed and/or extended, or replaced at an average positive rental reversion of 3.0%.

Cognisant that leases with an aggregate NLA of approximately 769,349 sqm will be due to expire in FY21/22, we continue to employ proactive lease management strategies to renew or replace these leases ahead of expiry. This will ensure stability of occupancy levels and minimal disruption to cash flow generation.

We remain well placed to tap into China's growing demand for modern logistics and warehousing space, boosted by increasing urbanisation and consumption levels brought about by a growing middle class.

Mapletree Logistics Tianjin Xiqing Logistics Park

	FY19/20[3]	FY20/21
Properties	23	**30**
Book Value	RMB3,689M (S$736.3M)	**RMB8,678M (S$1,792.6M)**
Occupancy Rate (%)	96.3	**95.3**
WALE by NLA (years)	2.0	**1.8**
WALE by Revenue (years)	2.1	**1.8**
NLA (sqm)	926,371	**2,006,791**

Notes:
1 Independent Market Research Report, Knight Frank Petty Limited, March 2021.
2 Based on 100% of the agreed property value for the 15 joint-venture properties and 100% of the agreed property value for the seven properties.
3 Inclusive of MLT's 50% interest in 15 joint venture properties in China.

Operations Review

Japan

Japan, the world's third largest economy, contracted 4.0% in 2020, marking its first year of negative growth since 2009.[1] Similar to other economies worldwide, Japan's economy was significantly impacted in first half of 2020 by the government's COVID-19 control measures and social distancing requirements which dampened international trade and travel. Driven by a strong pick-up in domestic consumption and exports in the second half of 2020, Japan rebounded with year-on-year growth of 22.9% and 11.7% in 3Q2020 and 4Q2020 respectively.[1]

Notwithstanding the positive performance in recent quarters, Japan's economy remains relatively weak due to negative growth in private residential investment and private non-residential investment. A recovery to the economic activity and levels attained in 2019 will be subject to Japan's success in containing the COVID-19 pandemic.

While the logistics market in Japan was negatively affected by the onset of COVID-19, the impact was mitigated by a strong pick-up in demand from e-commerce and 3PL companies. Historically, e-commerce related businesses have absorbed approximately 10% of warehouse supply. This percentage has increased to approximately 30% during the pandemic.[1]

For this reason, many developers brought on new warehousing space of approximately 3.9 million sqm in 2020, bringing the cumulative total large-scale rental logistics facilities to approximately 32.8 million sqm as at 31 December 2020. Approximately 5.0 million sqm of new supply is expected to be introduced to the market over the next two years. With demand for modern warehouse space continuing to outpace annual supply, vacancy rates hit a historical low of below 2% across the country in 2020.[1]

In line with our proactive asset management approach to portfolio rejuvenation, we acquired a modern warehouse facility in FY20/21 – Higashi Hiroshima Centre, a newly completed 28,969 sqm warehouse along Sanyo Expressway. This brings the Japan portfolio to a total of 18 properties spanning a combined gross floor area of 447,618 sqm.

Our 18 properties in Japan comply with seismic safety standards and have a Probable Maximum Loss[2] 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 the face of COVID-19 and a stagnant economy, our Japan portfolio demonstrated relative resilience in FY20/21. Over 60% of our Japan tenants have businesses related to the supply of consumer products and services, limiting the negative impact of containment measures on our portfolio. We successfully renewed all leases expiring in FY20/21 totalling 82,602 sqm of NLA, achieving an average positive rental reversion of 3.1% and a portfolio occupancy of 95.9%.

In keeping with our focus on sustainability we commenced the installation of solar panels at Mapletree Kobe Logistics Centre. This green project is expected to complete by end-2021.

To counter the challenging and uncertain market, we will continue to take proactive steps to mitigate leasing risks and minimise downtime by engaging tenants in active negotiations 12 to 18 months prior to the expiry of leases. Testament to this, we have renewed or secured commitments to renew three leases expiring in FY21/22 with positive rental reversions and/or built-in escalation. We have also commenced discussions with tenants whose leases are due to expire in FY22/23 to understand and offer a product that meets their business needs.

Higashi Hiroshima Centre

	FY19/20	FY20/21
Properties	17	**18**
Book Value	JPY86.6B (S$1,169.7M)	**JPY98.4B (S$1,215.1M)**
Occupancy Rate (%)	99.9	**95.9**
WALE by NLA (years)	5.3	**5.2**
WALE by Revenue (years)	5.2	**5.1**
NLA (sqm)	418,689	**445,522**

Notes:

1 Independent Market Research Report, Japan Logistics Field Institute, Inc., March 2021.

2 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.

South Korea

As the world's tenth largest economy, South Korea recorded year-on-year contraction of 1% in 2020[1], marking its worst economic performance since 1998. In spite of the global pandemic, South Korea continued to rank amongst the top performing major economies in the world as its exports benefitted from rising global demand for semiconductors and automobiles, and the government's expansionary fiscal measures to support households and businesses buffered the economy.

Against this backdrop, demand for modern logistics facilities remained relatively strong driven by the robust growth of e-commerce, a sector that has benefitted from the pandemic. COVID-19 induced social distancing measures have modelled new market trends which have been rapidly adopted by global communities. Notably, contactless deliveries of fresh foods and services saw a 53% year-on-year growth[1] during the pandemic. This mode of delivery demands faster response time, giving rise to higher turnover and utilisation rates at logistics facilities. Based on these requirements, mega-scale modern facilities with automation processes, cold chain facilities and fulfilment centres in strategic locations are best placed to benefit from the heightened leasing demand from online retail.

In recent years, the supply of large-scale and high-quality logistics facilities has been rising, with developers and investors responding to the growing demand from logistics service providers and retailers. According to Colliers, logistics stock in the Seoul Metropolitan Area ("SMA") increased by 1.7 million sqm during the year to 21.3 million sqm as at end of 2020. Despite the increase in supply, average vacancy rate for logistics assets in SMA was 4.3% as at Q3 2020, remaining tight and below 5.0% over the last five years.[1]

To capture the market's growing demand for quality logistics space in prime locations, we acquired five modern logistics properties during the year: Iljuk 2, Majang 2, Baekam 3, Hobeob 3, and Daewol 1 for KRW280 billion (approximately $331.5 million). The modern properties, located in the prime Yongin-Icheon logistics cluster, have increased our footprint in South Korea by 40% or 149,897 sqm of GFA and significantly enhanced our competitive position.

In line with our proven approach to asset management, we proactively engaged our tenants with approximately 138,359 sqm of leases due to expire in FY20/21. As at 31 March 2021, 96.0% of these leases have been renewed or replaced at an average rental reversion of 1.8%, translating to a portfolio occupancy of 97.2%. In the same vein, our leasing teams are focused on leasing approximately 191,293 sqm of space expiring in FY21/22.

South Korea's economy is projected to rebound with a growth rate of 3.3% in 2021 and 3.1% in 2022.[1] The recovery of the country's domestic economy is expected to be led by exports and investment, underpinned by an anticipated improvement in global economy and business confidence. However, the pace of recovery will be gradual as the improvement of private consumption is delayed.[2]

We will continue to focus on maintaining stable portfolio occupancy and rental rates, while seeking acquisition opportunities for quality assets in core logistics locations to strengthen the portfolio.

Mapletree Logistics Centre - Iljuk 2

	FY19/20	FY20/21
Properties	13	**18**
Book Value	KRW425.8B (S$490.0M)	**KRW765.5B (S$906.3M)**
Occupancy Rate (%)	96.0	**97.2**
WALE by NLA (years)	1.9	**1.6**
WALE by Revenue (years)	1.9	**1.6**
NLA (sqm)	388,628	**538,657**

Notes:
1 Independent Market Research Report, Colliers, March 2021.
2 Bank of Korea Economic Outlook, February 2021.

Operations Review

Australia

In this period of disruption and uncertainty, Australia's historic run of 28 consecutive years of positive economic growth came to an abrupt end in 2020. The COVID-19 pandemic weighed heavily on cross border trade and demand as Australia implemented border closures and social distancing measures.

As the COVID-19 situation improved in the second half of 2020, social distancing measures eased and trade gradually resumed, supporting an uplift in consumer and business confidence. With an invigorated market, Australia's economy rebounded 3.4% in 3Q 2020 and 3.1% in 4Q 2020 to partially offset steep declines in the first half of the year and closed 2020 with a 1.1% contraction.[1]

This is a vast improvement from the 6.7% contraction projected by the IMF in early 2020, demonstrating the resilience of Australia's economy and the effectiveness of the country's strong public health response. Australia's Central Bank has forecast the economy to grow 8% by June 2021 and expects GDP and population growth to return to pre-pandemic levels over the course of 2021, approximately 2-4 quarters earlier than previously expected.[2] Over the next decade, Australia's GDP and population are expected to grow an average of 2.8% and 1.3% per annum respectively.[3]

The industrial and logistics sector entered the pandemic with strong property fundamentals: low vacancy, strong occupier demand and growing capital appetite. In 2020, these fundamentals, combined with the acceleration of e-commerce, brought the logistics sector to the forefront.

To capitalise on the strength of the sector, we acquired two modern industrial assets with a combined value of A$132.4 million. We added a Grade A facility in Truganina via a forward purchase and a purpose-built distribution centre in Brisbane. They have a lettable area of 15,154 sqm and 55,009 sqm respectively. As a result, we closed the year with twelve quality properties located in well-established logistics hubs in Sydney (five properties), Melbourne (four properties), Wodonga (one property) and Brisbane (two properties). These properties generated stable income streams and delivered organic growth in FY20/21.

Underpinned by a proactive leasing strategy, our portfolio remained fully occupied. Of the 5,834 sqm of leases due for expiry in FY20/21, all were successfully renewed or replaced by year-end. These new and renewed leases have a WALE by revenue of 7.1 years as at 31 March 2021.

In FY21/22, leases for around 99,700 sqm of space are expiring, of which approximately two-thirds have been extended with existing tenants. We will work on securing replacement/renewal leases for the balance one-third. Impelled by the acceleration of e-commerce and strong occupier demand, the industry saw an average net rental growth of 2.2% across Sydney, Melbourne and Brisbane in 2020[1]. Together with a favourable demand-supply imbalance in the industrial sector, the leasing market is expected to remain healthy in 2021.

Looking ahead, we believe our portfolio will remain resilient and well-placed to capture growth opportunities. All of our tenants serve domestic consumption and are concentrated around key thriving logistics nodes in Sydney, Melbourne and Brisbane. In addition, close to 69% of our Australia revenue is generated by tenants operating in the robust food and beverage sector, including supermarket giants Coles and Woolworths. We will continue to leverage our asset management and investment management expertise to grow our portfolio and income streams.

15 Botero Place, Truganina

	FY19/20	FY20/21
Properties	10	**12**
Book Value	A$661.8M (S$618.5M)	**A$833.2M (S$867.7M)**
Occupancy Rate (%)	100	**100**
WALE by NLA (years)	6.6	**5.6**
WALE by Revenue (years)	8.2	**7.1**
NLA (sqm)	268,065	**337,720**

Notes:

1 Independent Market Research Report, JLL Research, March 2021.

2 "Statement on Monetary Policy – February 2021", Reserve Bank of Australia, February 2021.

3 "Australia Industrial Property Market Review", JLL Incorporated, 2021. Refers to the period 2020 to 2030.

Malaysia

The impact of the COVID-19 outbreak on Malaysia and its economy in 2020 was significant. After recording growth of 4.3% in 2019, the economy contracted 5.6%[1] in 2020 as restrictions on mobility, especially on inter-district and inter-state travel, and commodity supply disruptions due to labour shortages and facility closures, weighed on economic activity. Consequently, except for manufacturing, all economic sectors recorded negative growth.

From 18 March 2020 to 4 March 2021, the Government of Malaysia imposed various degrees of nation-wide lockdowns to limit social and economic activity in an attempt to contain the spread of COVID-19. To cushion the socioeconomic impact of the nation-wide lockdowns, the government extended several stimulus packages totalling MYR320 billion to preserve public welfare, support businesses, and strengthen the economy.

With warehouses allowed to operate during lockdowns under strict guidelines, the logistics industry continued to be one of the least affected sectors during the pandemic. In addition, demand for logistics services and warehouse space continued to thrive as the government implemented policy measures such as Penjana, KITA Prihatin, PERMAI and Budget 2021 to support households and stimulate domestic consumption.

Against this backdrop, our portfolio of properties maintained a steady performance in FY20/21. The majority of our properties are located in well-established and sought after industrial parks in Shah Alam and Subang. Well-served by transportation networks, our warehouses are ideal for local distribution and continue to enjoy strong leasing interest. Testament to the effectiveness of our asset management approach, leases for 183,189 sqm of NLA due for expiry during the year were renewed or replaced ahead of expiry at an average positive rental reversion of about 2.4%. Portfolio occupancy was maintained at 100% at the close of the financial year.

To rejuvenate our portfolio, we announced the proposed acquisition of the 131,986 sqm Mapletree Logistics Hub – Tanjung Pelepas[2] from our Sponsor for MYR402.5 million (S$131.4 million), significantly improving the scale and quality of our Malaysia portfolio. Strategically located in the free trade zone of the Port of Tanjung Pelepas ("PTP"), the Grade A logistics facility enjoys excellent multi-modal linkages that provide air, sea and road connectivity. PTP is a location of choice for 3PL companies and end-users, serving as a transshipment hub for the region as well as a distribution hub to support Malaysia and Singapore.

Malaysia's Central Bank has projected a 6.7% growth for the economy in 2021, supported mainly by an expected rebound in global growth and the return of domestic economic activity to pre-COVID levels. The outlook for the logistics sector remains promising, underpinned by the continued growth of e-commerce and increased digitalisation. With an increasing number of businesses expanding onto online platforms, there is growing demand for strategically located logistics centres that are close to land, sea and air transportation. Occupancy levels of good grade industrial and warehousing facilities are expected to remain high given the positive demand-supply dynamics, ensuring that rental rates continue on an uptrend.

We will continue to employ asset management and investment strategies to modernise and grow the contribution of our Malaysia portfolio. We are in final negotiations for the renewal of 18% of 117,550 sqm of NLA due to expire in FY21/22, and remain confident of renewing or securing replacement leases for the remaining 82%.

Mapletree Logistics Hub - Shah Alam

	FY19/20	FY20/21
Properties	15	**15**
Book Value	MYR1,522.7M (S$501.3M)	**MYR1,566.5M (S$511.2M)**
Occupancy Rate (%)	100	**100**
WALE by NLA (years)	1.7	**2.0**
WALE by Revenue (years)	1.8	**1.9**
NLA (sqm)	525,485	**525,485**

Notes:

1 Bank Negara Press Release, 11 February 2021.

2 As at 31 March 2021, the acquisition of Mapletree Logistics Hub – Tanjung Pelepas is pending completion. It is expected to complete by mid-FY21/22.

Operations Review

Vietnam

The Vietnamese government's effective COVID-19 safe management controls and travel restrictions facilitated the economy's accelerated recovery in the second half of 2020. This enabled Vietnam to end the year as the only country in ASEAN to register positive growth. GDP grew 2.9% on the back of higher public investment and robust domestic consumption driven by an expanding middle-class population.[1]

Critical to Vietnam's ability to deliver consistent economic growth is its strong and relatively resilient export sector. In the face of severe COVID-19 related disruptions to the global supply chain, Vietnam's exports expanded 5.3% year-on-year to US$254 billion in 2020.[2] This equates to a record trade surplus of over US$20 billion compared to US$11 billion in 2019, underpinned by significant trade surplus with US and EU.

In addition, foreign direct investment ("FDI") remained healthy as multinational corporations and foreign investors continued to be attracted to the country's competitive cost structure and developed infrastructure. A significant percentage of 2020's US$28.5 billion in FDI[3] is attributed to international manufacturing firms such as Samsung, Foxconn, Microsoft, and Google establishing major business presence in Vietnam as part of their China Plus strategy.

Our properties returned another set of strong operating results in FY20/21. Leases expiring during the year, representing 78,906 sqm of NLA, were successfully renewed or replaced without downtime and with an average positive rental reversion of 4.1%. As a result, portfolio occupancy was maintained at 100% as at 31 March 2021.

During the year, we acquired Mapletree Logistics Park Bac Ninh Phase 3, increasing our portfolio to seven assets in major cities and strategic locations across Vietnam. Sited in established manufacturing hubs with good accessibility, our properties have a strong tenant base comprising 3PLs and manufacturing companies.

Looking ahead, Vietnam's strong economic fundamentals, robust domestic consumption and growth in e-commerce and manufacturing will continue to buttress the logistics industry. We continue to see strong demand for warehouses in traditional logistics hubs such as Ho Chi Minh City and Binh Duong in the south, Hanoi and Bac Ninh in the north, and popular logistics hubs such as Long An, Bien Hoa, Long Thanh in the south as well as Hung Yen, Bac Giang, Hai Phong in the north.

To meet market demand for warehouse assets, local and international competitors as well as 3PLs have announced plans to develop new warehouses. Despite the new supply pipeline, market outlook remains positive with low vacancy and high rentals expected to prevail over the next two years.

Vietnam's medium- to long-term economic outlook remains positive. Given its strong fundamentals and effective containment of the pandemic through aggressive and innovative safe management measures, the economy is projected to grow 6.8% in 2021 and about 6.5% thereafter.[4] This projection assumes that the pandemic will be gradually controlled through the introduction of an effective COVID-19 vaccine.

In FY21/22, leases for about 91,511 sqm of space are due to expire. We 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. This will allow us to maintain healthy occupancy levels and ensure stability of cashflows. To rejuvenate and modernise our portfolio, we will continue to seek opportunities to acquire quality and well-located facilities to capitalise on the strong demand for logistics space.

Mapletree Logistics Park Bac Ninh Phase 3

	FY19/20	FY20/21
Properties	6	**7**
Book Value	VND2,672.2B (S$159.5M)	**VND3,247.8B (S$188.7M)**
Occupancy Rate (%)	100	**100**
WALE by NLA (years)	3.1	**2.8**
WALE by Revenue (years)	3.3	**2.9**
NLA (sqm)	326,411	**374,093**

Notes:
1 Independent Market Research Report, Cushman & Wakefield Vietnam Co., Ltd., March 2021.
2 General Statistics Office Vietnam.
3 Ministry of Planning and Investment of Vietnam, 2021.
4 The World Bank, December 2020.