

Identifying opportunities and headwinds

Performance

MACRO TRENDS



Opportunities



Asia's Resilient Economies



Acceleration of E-commerce



Supply Chain Resiliency



Focus on Sustainability



Asia's Resilient Economies

Asia's economy rebounded by 6.5% in 2021, driven by a recovery in domestic consumption. Despite the impact of the ongoing pandemic and the Russia-Ukraine conflict, Asia is expected to remain the world's most dynamic region and expand by 4.9% in 2022 and 5.1% in 2023¹.

What it means for MLT

MLT operates in nine markets across Asia: Singapore, Australia, China, Hong Kong SAR, India, Japan, Malaysia, South Korea and Vietnam. Collectively, these markets have an aggregate population of over 3.1 billion people² and a fast growing middle class, which continue to drive demand for consumer goods. In turn, this is fuelling demand for modern, well-located warehousing space. MLT's portfolio of 183 logistics facilities located close to large population catchment areas and transportation infrastructure is well-poised to benefit from the burgeoning demand.



Supply Chain Resiliency

COVID-19 has further underscored the importance of building supply chain diversification and resiliency. As forward-thinking businesses continue to adopt sourcing and manufacturing network diversification strategies such as "China Plus One" and "Just-in-Case" manufacturing for greater supply chain resiliency, this will create higher demand for well-located, efficient and modern logistics facilities.

What it means for MLT

MLT is well-positioned to meet the growing needs of global and regional supply chain players seeking modern, high quality warehousing space across its nine markets of operation. Its portfolio of 183 properties are equipped with attractive and efficient logistics real estate attributes such as large floor plates, high ceilings and strong floor loads.



Acceleration of E-Commerce

The COVID-19 pandemic has accelerated digital transformation and the adoption of e-commerce globally. In Southeast Asia, it was estimated that more than 70 million people became digital consumers within the first year of the pandemic. The momentum of this sweeping adoption is expected to propel online retail sales in Asia Pacific to US\$2.8 trillion by 2025, up from US\$1.7 trillion in 2020³.

What it means for MLT

The rapid rise of e-commerce has provided further impetus to the growth in demand for logistics space, particularly modern logistics properties in prime locations. MLT's extensive network of strategically located assets across Asia Pacific and its focus to build a future-ready portfolio through active asset management positions it well to meet the requirements of e-commerce tenants.



Focus on Sustainability

Sustainability is becoming increasingly important for global real estate as regulators and investors seek greater commitment from corporates on their environmental, social and governance ("ESG") performance. The global movement is also gaining traction with logistics occupiers who are increasingly keen on green buildings with sustainable features such as onsite solar and resource-efficient fittings to reduce their overall carbon footprint.

What it means for MLT

MLT is fully committed to integrating sustainable practices and considerations into its business strategy and operations. Working together with the Sponsor, the Manager is doubling down on its efforts to fine-tune its ESG strategy, particularly on improving the environmental performance of MLT's assets and accelerating the adoption of renewable energy to deliver value to its customers and other stakeholders.

Notes:

¹ "Asia Growth Slows On Commodities, Covid And Rising Interest Rates", IMF, 25 April 2022.

² Total Population Database by the World Bank and US Census Bureau, April 2022.

³ "Online Retail In Asia Pacific Will Add US\$1 Trillion By 2025", Forrester Research, 2 September 2021.

staying ahead of the curve



Headwinds



COVID-19



Geopolitical Uncertainty



Rising Interest Rates



High Energy Prices



COVID-19

New waves of infections which emerged in late 2021 have delayed global economic recovery. Whilst most countries with high vaccination rates have begun to live with the virus, China continues to adopt a “zero-COVID” policy and implemented extensive lockdowns across key cities, exacerbating ongoing supply chain challenges. The potential for future new outbreaks and the ensuing stringent containment measures could endanger regional growth and supply chains.

What it means for MLT

While vaccination disparities remain across Asia Pacific, the region has caught up with vaccination rollouts in advanced economies. As of 9 March 2022, 66.6% of the region's population was fully vaccinated⁴. The logistics industry in Asia Pacific continues to remain resilient, supported by demand driven by structural trends that have been accelerated and reinforced by the pandemic.



Rising Interest Rates

In a bid to curb inflation, the US Federal Reserve tightened its monetary policy and announced its intention to raise interest rates further at each of its six remaining meetings this year. As the federal funds rate influences global interest rates, financing costs are expected to increase in tandem, dampening consumer sentiment and increasing business costs.

What it means for MLT

The Manager adopts a proactive approach to capital management and interest rate risk management to protect MLT's cash flows against volatilities in interest rates. At the end of FY21/22, 79% of MLT's total debt has been hedged or drawn at fixed interest rates, with its interest cover at 5.0 times. The Manager will continue to prudently manage MLT's capital structure to achieve optimal financial flexibility.



Geopolitical Uncertainty

Russia's invasion of Ukraine in February 2022 has heightened geopolitical uncertainty, disrupted supply chains and raised global inflation for energy, food and commodities. The World Bank lowered its global growth forecast for the year from 4.1% to 3.2%, citing the pressure that the war has inflicted on the global economy. The enormous supply shock further underscored the importance of building supply chain resiliency, driving a push to shorten supply chains and potentially a rise in regionalisation.

What it means for MLT

With assets located in nine key markets in Asia Pacific, MLT has no direct exposure to Europe. However, supply chain disruptions resulting from the conflict may lead to potential knock-on impacts on regional investment, consumption and near term economic growth. Nonetheless, with reshoring initiatives on the rise and businesses looking to increase buffer stock and bring production closer to home, demand for warehouse space in strategic locations is expected to increase.



High Energy Prices

Against a backdrop of global inflationary pressures in 2022, the Russia-Ukraine war has exacerbated the situation, driving oil and gas prices to their highest levels in nearly a decade. Consumers and businesses around the world are feeling the pinch of higher energy prices and surge in utility costs. High energy prices are hurting the profit margins of businesses, especially for users in energy intensive sectors.

What it means for MLT

Under the terms of MLT's leases, a large part of its utility costs from operations are recoverable from tenants. In addition, over 70% of MLT's revenue base have built-in rental escalations that will help mitigate rising costs. Increased utility costs for common areas are expected to have a minimal impact on MLT. Nevertheless, the Manager will continue to focus on reducing the energy intensity of its operations through the installation of energy efficient fittings and increasing the use of renewable energy. These efforts will not only buffer against cost pressure but also help to reduce MLT's carbon footprint.

Note:

⁴ “Asian Development Outlook 2022: Mobilizing Taxes For Development”, Asian Development Bank, April 2022.