KEYNOTE INTERVIEW

Asia-Pacific logistics offers resilience and returns

Growing demand for modern warehousing in Asia's developing markets makes a strong case for the sector, says Mapletree Investments' Ng Kiat

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Investing in the Asia-Pacific logistics sector offers resilience and strong risk-adjusted returns, with growing opportunities in rapidly developing emerging Asian locations, says Ng Kiat, regional CEO, logistics development, Asia-Pacific at Mapletree – the Singapore-based global development, investment, capital and property management company with a 312 million-square-foot logistics portfolio spanning 11 markets.

Q What factors are driving demand in the logistics sector across APAC markets?

The APAC region has long been positioned as the engine of global growth, with its network of industrial supply chains, and will continue to shape the global economy. Amid external headwinds, the APAC markets remained resilient with encouraging growth, driven by rising household income, wider internet penetration and increased domestic consumption. Notably, emerging Asia markets contributed significantly to this growth.

The region's positive economic performance bodes well for its logistics real estate sector, although there are differences in maturity and scale across the APAC markets. This presents opportunities for development, which have attracted global and regional players to support further expansion of the sector. For Mapletree, logistics has been a core sector for us for over two decades, well before it became a mainstay of real estate portfolios, thanks to its resilience and defensive characteristics. It remains our largest asset class at 41 percent of our current assets under management, which totals S$77.5 billion ($58.6 billion; €53.6 billion).

Q What makes Asia's emerging markets so attractive?

With increasing geopolitical tensions and the drive towards diversification of manufacturing operations, more companies are adopting a 'China Plus One' strategy. Emerging markets within Asia have and will continue to benefit greatly from this, due to competitive costs and skilled labor. Additionally, emerging markets benefit from increased urbanization and per capita spending, which will further drive online consumption and thus more warehousing to support supply chains.

These markets' share of inward investment into the Asia-Pacific region increased in 2023 and is expected to rise further. In emerging Asian markets, government support such as infrastructure improvements and tax incentives for manufacturing companies has drawn some of the largest multinationals into this region. For example, India and Vietnam have positioned themselves as favorable locations for electronics manufacturers, and technology giants such as Apple and Samsung have shifted manufacturing facilities into these countries. Semiconductor and technology companies such as Intel are also ramping up investments in Malaysia.

The surge in e-commerce is another positive tailwind for the logistics sector in these markets as consumers are expecting faster and more reliable delivery. This prompts retailers and third-party logistics companies to adopt re-shoring, onshoring and near-shoring for more efficient and streamlined distribution processes, which has fueled demand for logistics facilities with higher specifications.

Additionally, emerging Asia is becoming increasingly attractive to global investors looking to diversify their portfolio, as investing in these markets helps improve risk-adjusted returns and reduce overall risk by ensuring a balanced portfolio allocation across asset classes and geographies. Nonetheless, it is important to partner with a trusted, well-established operator in these markets – one that is well-capitalized, familiar with and able to effectively manage the entire suite of real estate operations.

Q Does the logistics sector require specialism, and how is this strategy evolving today?

Real estate is a highly localized industry and requires local teams to navigate political, cultural and economic complexities. Local teams on the ground gain a better understanding of the operating environment and better manage the development process, from sourcing the land to building and maintaining assets.

Mapletree stays close to our tenants, where our global logistics footprint allows us to support them through their expansion plans across markets worldwide, and we endeavor to understand the requirements of different core pools of tenants to offer a variety of solutions that can meet their business needs.

We leverage our balance sheet and development track record to continuously acquire as well as develop modern, Grade A logistics warehouses and grow our assets in private funds, as well as our real estate investment trust, Mapletree Logistics Trust. MLT is among the largest pure-play logistics REITs globally, with a total AUM of S$13.4 billion across nine Asia-Pacific markets. Our latest private fund will focus on development in India, Malaysia and Vietnam, to allow investors to access the region's robust growth.

Q What are the key risks and opportunities in logistics property investment markets throughout the Asia-Pacific region?

Our focus, especially across APAC markets, has been to source land for development of modern logistics facilities, and that has continued to pay off due to the potential to deliver an attractive development margin, even in today's higher-for-longer interest rate environment.

There is a structural undersupply of modern, Grade A warehouses in these emerging markets, and this results in attractive investment opportunities in the logistics real estate space, particularly for developers and landlords that have specialist logistics know-how and a global tenant base. Given most markets are suffering from negative leverage, Mapletree plans to tap into its core competencies as a developer to focus on a higher-returning development strategy in the emerging Asian growth markets, particularly India, Vietnam and Malaysia.

Despite the region's favorable fundamentals, there are risks and challenges to investing in these markets, such as uncertainty in the macroeconomic environment. To mitigate these risks, we have worked to establish good rapport with local stakeholders and governments while gaining a deeper understanding of these markets. In addition, focusing on fostering strong, long-term relationships with tenants allows owners and developers to proactively support occupiers' efforts in diversifying their supply chains or distribution networks around the globe. ■

SOURCE: MAPLETREE

Mapletree Logistics Hub - Shah Alam in Malaysia comprises three blocks of multi-story, ramp-up logistics and warehousing facilities totaling over 200,000 square meters