OPERATIONS REVIEW
SINGAPORE

Mapletree Pioneer Logistics Hub

	FY21/22	FY22/23
Properties	53	52
Book Value	S$2,499.0M[4]	S$2,456.3M[5]
Occupancy Rate (%)	97.8	98.4
WALE by NLA (years)	6.9	6.2
WALE by Revenue (years)	4.5	3.7
NLA (sqm)	1,788,187	1,765,273

Singapore's economy expanded by 3.6% year-on-year ("y-o-y") in 2022, moderating from 8.9% growth in 2021, as all sectors recorded positive albeit slower growth. The government has forecast Singapore's economic growth to moderate further to 0.5% to 2.5% in 2023[1].

Despite geopolitical tensions and inflationary pressures, Singapore's logistics industry remained robust in 2022. Demand was supported by third-party logistics ("3PLs") players and end-users from a broad base of industries with expansion needs, e-commerce businesses and those seeking temperature-controlled premises. On the back of strong demand, island-wide average logistics/warehouse occupancy rate rose to an eight-year high of 91.7% as of end-2022, from 90.6% as of end-2021[2].

In FY22/23, the Manager successfully renewed or replaced approximately 98% of the leases due for expiry which have an aggregate net lettable area ("NLA") of 352,924 square metres ("sqm"). As a result, MLT's portfolio of 52 properties in Singapore closed the period with a portfolio occupancy rate of 98.4%, up from 97.8% in FY21/22.

In pursuit of its portfolio rejuvenation strategy, the Manager divested 3 Changi South Lane, a small property with little redevelopment potential, and embarked on the redevelopment of 51 Benoi Road to a modern ramp-up facility. At an estimated development cost of S$197 million, the redevelopment project will increase the property's gross floor area ("GFA") by 2.3 times to approximately 82,400 sqm when completed in 1Q 2025.

MLT continued to make substantial progress on its sustainability ambitions over the year. In line with its goal to improve its portfolio's sustainability performance, the Manager undertook an asset enhancement initiative to upgrade Jurong Logistics Hub, a 7-storey ramp-up building located near Jurong Port, with features that meet Singapore's refreshed BCA Green Mark 2021 (GM: 2021) standards. With Jurong Logistics Hub securing the certification[3], the number of Green Mark certified buildings in MLT's Singapore portfolio has increased to four, or approximately 20% of Singapore GFA. The Manager also implemented a green lease initiative in FY22/23 to promote green practices amongst its tenants.

Looking ahead, ongoing geopolitical tensions, inflationary pressures and uncertainties over the global supply chain situation are expected to contribute to elevated levels of inventory warehousing and underpin near-term demand for logistics/warehouse space. On the supply front, annual new supply is projected to average 1.7 million square feet ("sqft") from 2023 to 2026, approximately 18% lower than the average of about 2.0 million sqft in the prior four-year period (2019 to 2022)[2].

With approximately 343,185 sqm of NLA due to expire in FY23/24, the Manager will remain focused on maintaining a healthy portfolio occupancy by retaining existing tenants and attracting new tenants with flexible leasing packages. To optimise portfolio performance, the Manager will continue to seek out asset enhancement opportunities and evaluate selective divestment opportunities for capital recycling.

1 "MTI Maintains 2023 GDP Growth Forecast at 0.5 to 2.5 Per Cent", Ministry of Trade and Industry, February 2023.
2 Independent Market Research Report by Jones Lang Lasalle, March 2023.
3 Jurong Logistics Hub was conferred the BCA Green Mark Gold[PLUS] Award (GM: 2021) on 25 April 2023, making it one of the first logistics properties to be awarded BCA GM: 2021 Full Certification.
4 Excludes right-of-use (ROU) assets of S$101.2 million.
5 Excludes right-of-use (ROU) assets of S$92.5 million.

OPERATIONS REVIEW
AUSTRALIA

15 Botero Place, Truganina

	FY21/22	FY22/23
Properties	13	13
Book Value	A$1,099.8M (S$1,096.0M)	A$1,077.4M (S$962.0M)
Occupancy Rate (%)	100	100
WALE by NLA (years)	5.7	4.8
WALE by Revenue (years)	6.9	6.0
NLA (sqm)	352,467	352,467

With Covid-19 transmission rates low and high vaccination rates across its population, Australia removed border restrictions in July 2022 and the last of its pandemic restrictions in October 2022. While exposure to trading partners with strict Covid-19 policies caused some supply chain disruptions during the year, domestic pandemic disruptions have largely been eliminated.

With the transition, Australia's gross domestic product ("GDP") growth rebounded to 2.7% in 2022[1] driven largely by robust household consumption. Inflation rose to 7.8% in the December quarter 2022, its highest level in over three decades, driven by a tight global labour market, rising energy prices and supply chain bottlenecks[2]. In response, the Reserve Bank of Australia ("RBA") progressively increased the cash rate from 0.1% in February 2022 to 3.85% in May 2023[3] to combat inflation. Whilst robust consumer spending contributed to the strength of tenant demand in 2022, the RBA's efforts to curb inflation may dampen tenant demand in 2023.

The Australian industrial and logistics sector continues to benefit from long-term structural tailwinds of increased e-commerce activity, supply chain reconfiguration and inventory buffering against supply chain disruptions along with an increased focus by government on manufacturing self-reliance. Gross take-up is estimated to be 3.17 million sqm in 2022, down from the market's all-time high of 4.32 million sqm in 2021, but still above the 10-year average of 2.74 million sqm per annum[4]. Diminished activity levels were largely the result of extremely tight major markets where vacancy levels sit below 2%, limiting opportunities for tenants to grow or move.

On the supply side, a record-high 2.6 million sqm of space was delivered in 2022. About 29% of this supply was speculative, as developers attempted to capitalise on sustained occupier demand and record low vacancy levels. Strong demand and lagged supply resulted in record levels of rent growth across most established markets, with prime rents increasing by 22.9% on average across the country[4].

As at 31 March 2023, MLT's 13 properties in Australia were fully occupied with a portfolio weighted average lease expiry ("WALE") of 4.8 years. Portfolio valuation declined 2% due to higher capitalisation rates as a result of high inflation and costs of capital, partially offset by the effects of strong rental growth.

In FY22/23, the Manager executed over 8,000 sqm of new leases and renewals for the portfolio, achieving a positive rental reversion of 8.8%. The Manager continues to engage with current and prospective tenants proactively to renew or backfill leases expiring in FY23/24 with total Gross Lettable Area ("GLA") of approximately 24,709 sqm.

Looking ahead, the outlook for the Australian industrial and logistics sector remains positive. However, increasing supply levels and elevated inflation rates may soften demand and curb rent growth in the near term.

The Manager remains cautiously optimistic as MLT's properties continue to demonstrate a high degree of resilience through market cycles, underpinned by their strategic locations and high specifications. The Manager will continue to leverage its asset and investment management expertise to manage MLT's portfolio and grow income streams.

1 Statement by Philip Lowe, Governor: Monetary Policy Decision, RBA, 7 March 2023.
2 Australian Bureau of Statistics, March 2023.
3 Statement by Philip Lowe, Governor: Monetary Policy Decision, RBA, 2 May 2023.
4 Independent Market Research Report by Jones Lang LaSalle Incorporated, April 2023.

OPERATIONS REVIEW
CHINA


Mapletree Yangzhou Industrial Park

	FY21/22	FY22/23
Properties	42	43
Book Value	RMB13,169M (S$2,824.1M)	RMB 13,548M (S$ 2,651.3M)
Occupancy Rate (%)	93.1	93.4
WALE by NLA (years)	1.8	1.8
WALE by Revenue (years)	1.9	1.8
NLA (sqm)	2,820,893	2,869,806

China reported y-o-y GDP growth of 3.0% in 2022, lower than the 5.5% growth target set by the government at the beginning of the year[1]. The deceleration in GDP growth was primarily due to national and regional lockdowns to quell the spread of Covid-19, low consumer confidence and geopolitical tensions.

With cities under government-mandated lockdowns in 2022, the per capita consumption expenditure of urban residents decreased by 1.7% y-o-y[2]. As a result, domestic consumption only accounted for 33.3% of China's economic growth in 2022[1]. Despite the weak consumer sentiment, online retail sales rose by 6.2% y-o-y, outpacing the growth rate of retail sales of consumer goods[2]. This demonstrates the importance of e-commerce as a major driver of consumption in the country. Major e-commerce players also reported strong profits in 2022 despite weaker revenue growth, largely due to cost management.

China's logistics markets faced leasing pressure in 2022 primarily due to lower consumer demand and an increase in new supply of warehousing space. Grade A warehouse stock ended 2022 at approximately 104 million sqm, representing a 5-year compound annual growth rate ("CAGR") of 20.8%. With 8.8 million sqm new supply and 5.7 million sqm net absorption in 2022, the overall vacancy rate in China rose to 15.1%, up 1.5 percentage points y-o-y. An average new supply of approximately 17.3 million sqm is expected in 2023[2].

In April 2022, MLT completed the RMB218.2 million acquisition of Mapletree (Yuyao) Logistics Park, which is part of the portfolio acquisition of 13 high-quality, modern logistics properties announced in November 2021. As at 31 March 2023, MLT's China portfolio of 43 properties registered an occupancy rate of 93.4%, compared with 93.1% as at 31 March 2022. MLT's occupancy rate remained above the industry's average occupancy level of 85.0% to 91.0%, due in part to the stabilisation of the 13 properties acquired in FY21/22.

With China discontinuing its "Zero-COVID policy" in December 2022, the industry expects China's economy to remain in flux in 1H2023, before stabilising and gathering pace in 2H2023. The Chinese government's expansionary fiscal and monetary measures should support growth, barring the impact of a potential global economic slowdown.

Leases with an aggregate NLA of approximately 1,087,494 sqm are set to expire in FY23/24. The Manager will continue to employ proactive lease management strategies and tap into its local and regional leasing network to renew or replace these leases ahead of expiry. To ensure the stability of MLT's portfolio and income stream, the Manager will focus on strengthening its relationships with existing tenants, especially key account tenants, and securing new tenants in the high-tech manufacturing, new energy and materials, AI, bio-tech and digital development industries.

Over 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 resilient domestic consumption.

1 "Statistical Communiqué of the People's Republic of China on the 2022 National Economic and Social Development", National Bureau of Statistics of China, 28 February 2023.

2 Independent Market Research Report by Cushman & Wakefield, April 2023.

OPERATIONS REVIEW
HONG KONG SAR

Mapletree Logistics Hub Tsing Yi

	FY21/22	FY22/23
Properties	9	9
Book Value	HKD16,602M (S$2,876.8M)	HKD17,548M (S$3,009.9M)
Occupancy Rate (%)	99.9	99.3
WALE by NLA (years)	3.0	2.4
WALE by Revenue (years)	3.2	2.6
NLA (sqm)	368,361	368,361

The Hong Kong economy contracted by 3.5% in 2022, after recording 6.4% growth in 2021[1]. Economic activity in 2022 was dampened initially by a fifth Covid-19 wave and subsequently by the impacts of an uncertain and volatile geopolitical and macroeconomic environment.

Business and retail sentiment started to soften with the outbreak of Omicron in early 2022 and the situation continued to deteriorate with resurgence of the virus during the year. Consequently, social distancing measures were in place for most of 2022, with strict quarantine controls deterring most international tourists and business travelers. The fallout of the Russia-Ukraine war and the re-emergence of Covid-19 cases in China had further disrupted both global and regional supply chains.

Despite these headwinds, the local logistics market remained resilient, supported by robust e-commerce sales while the retail sector regained momentum as the Covid-19 outbreak was gradually contained. While leasing sentiment softened in 2H 2022, overall warehouse vacancy fell to 1.9% while modern warehouse vacancy eased to 1.3% towards the end of 2022, compared to 3.1% and 2.6% a year ago respectively. At the end of Q4 2022, average overall warehouse rents stood at HK$11.9 per sqft gross, 2.0% higher than Q4 2021 levels while average modern warehouse rents stood at HK$14.3 per sqft gross, 1.5% higher than Q4 2021 levels[2].

MLT's Hong Kong portfolio continued to deliver a stable operating performance in FY22/23. With leases for approximately 88,347 sqm due to expire during the year, the Manager successfully renewed or replaced 97% of these leases. As a result, overall occupancy was maintained at a high level of 99.3% as at 31 March 2023.

Looking ahead, the speed of the supply chain recovery will dictate the pace of logistics demand revival, while the supply overhang could weigh on any market rebound in 2023. The reopening of the border with mainland China will drive cross-border trade demand and benefit Hong Kong's trade and logistics sectors in 2023. Combined with an increase in air traffic, this will alleviate supply chain disruption and improve global trade flow. While imports and exports are likely to rise, growth is expected to be gradual and modest as high interest rates and inflation dampen global consumption demand. As such, a slower leasing demand growth in 1H 2023 is expected but economic momentum and demand could accelerate in 2H 2023.

On the supply side, the market expects 6.88 million sqft (GFA) of new warehouse supply to come online between 2023 and 2027, adding 12.5% to the current market stock. Warehouse rents are expected to remain broadly stable in 2023, with the rental market likely to bottom out from 2024 onwards when new warehouse completions are gradually taken up. In the medium to long term, the key demand drivers of modern warehouses include value-added trans-shipment, fast-moving local distribution, emerging e-commerce distribution (both local and regional) as well as cold storage needs[2].

In FY23/24, leases for approximately 61,311 sqm of NLA in MLT's Hong Kong portfolio will be expiring. The Manager will proactively engage tenants to secure lease renewals or replacements ahead of expiries. The Manager will also engage tenants to implement green leases and sustainable initiatives as part of its sustainability drive. In addition, the Manager will evaluate selective divestment opportunities that are aligned with its portfolio rejuvenation strategy.

1 Census and Statistics Department, February 2023.
2 Independent Market Research Report by Savills Research & Consultancy, April 2023.

OPERATIONS REVIEW
INDIA


Mapletree Logistics Park Talegaon

	FY21/22	FY22/23
Properties	2	2
Book Value	INR4,759M (S$84.9M)	INR5,002M (S$81.6M)
Occupancy Rate (%)	100	100
WALE by NLA (years)	1.8	2.7
WALE by Revenue (years)	1.8	2.7
NLA (sqm)	87,586	87,289

India experienced a revival in FY22/23[1] driven primarily by private consumption and investment[2] as Covid-19 cases declined. Despite global headwinds and India's CPI headline inflation rising from 5.7% in December 2022 to 6.4% in February 2023, economic activity remained resilient over the period[3]. The Reserve Bank of India expects India's economy to grow 7.0% in FY22/23 and has projected growth of 6.5% in FY23/24[4].

India's total exports and imports have exceeded pre-pandemic levels, underpinned by pent-up internal and external demand with the easing of Covid-19 restrictions. Foreign direct investment ("FDI") has remained strong with a noticeable rise in investor interest in India as a key geography for supply chain diversification strategies. FY22/23 recorded the highest-ever annual gross FDI inflow of US$84.8 billion. Initiatives such as PM Gati Shakti and the National Logistics Policy are expected to further improve India's cost and export competitiveness in the coming years[5].

India's logistics and warehousing sector demonstrated resilience during the pandemic and performed relatively well during the year. India's total warehousing space stood at 335 million sqft at the end of 1Q 2023, compared to 297 million sqft in the previous corresponding period. Of this, in-demand Grade A warehousing space accounted for 165 million sqft, reflecting a 5-year CAGR of 28.6%[5].

Momentum remained strong with net demand for warehousing space at 6.2 million sqft as at March 2023. Over 75% of net demand was for Grade A spaces, reflecting the shift in occupiers' preferences towards high-quality facilities. As a result, Grade A vacancy rate reduced from 8.4% in the quarter ending March 2022 to 6.2% in the quarter ending March 2023. Overall demand is expected to remain robust with net absorption projected to surpass the 50 million sqft mark by 2026[5].

MLT's India portfolio comprises two properties located in Pune with a net lettable area of 87,289 sqm. As part of the Manager's proactive approach to asset and lease management, the assets remained fully occupied as at 31 March 2023 and the portfolio's WALE was increased from 1.8 years at the end of FY21/22 to 2.7 years at the end of FY22/23.

Looking ahead, India's warehousing industry is set to witness robust growth driven by factors such as increasing consumer demand, the continued rise of 3PL companies and greater traction in manufacturing sectors[5].

In FY23/24, leases for about 4,617 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. The Manager will also focus on introducing sustainability features to the properties to attract and retain tenants. 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 and enhance the resilience of MLT's portfolio.

1 India's fiscal year covers 1 April to 31 March.
2 Monetary Policy Statement, Reserve Bank of India, 8 February 2023.
3 Monetary Policy Statement, Reserve Bank of India, 3-6 April 2023.
4 Governor's Statement by Shaktikanta Das, Reserve Bank of India, 25 April 2023.
5 Independent Market Research Report by Jones Lang Lasalle India, May 2023.

OPERATIONS REVIEW
JAPAN

Mapletree Kobe Logistics Centre

	FY21/22	FY22/23
Properties	19	19
Book Value	JPY137.2B (S$1,585.6M)	JPY148.9B (S$1,495.1M)
Occupancy Rate (%)	98.4%	100%
WALE by NLA (years)	3.8 years	3.3 years
WALE by Revenue (years)	3.7 years	3.2 years
NLA (sqm)	580,339	580,339

In 2022, Japan's economy grew 1.1% following the normalisation of the economy after Covid-19. Private demand rose 2.4% from 2021 as household consumption grew 2.2% in tandem with the easing of pandemic-related restrictions. Corporate capital investment expanded 1.8%, lifting the top-line growth rate. However, GDP was affected by elevated energy costs arising from Russia's invasion of Ukraine and the depreciation of Japanese Yen[1].

The Japan economy is expected to stage a moderate recovery in 2023 underpinned by domestic consumption. While private consumption will be determined by the purchasing power of households, wages are expected to increase due to a shortage of manpower. Investments will remain healthy with companies driving digitalisation and decarbonisation, while imports are expected to gradually recover with the reopening of the Chinese economy.

The supply of logistics spaces has been on an uptrend for the past few years: approximately 5 million sqm and 6.2 million sqm of warehousing space came onstream in 2021 and 2022. This is forecast to increase further with 7.6 million sqm expected in 2023. Although tenant demand remained strong in 2022, supply continued to outpace demand, hence leading to rising vacancy levels in Greater Tokyo and Greater Nagoya while the vacancy rates in Osaka remain low. Consequently, rentals remained relatively flat in Greater Tokyo and Osaka, while Greater Nagoya saw rentals soften[2].

As at 31 March 2023, MLT's Japan portfolio comprised 19 quality properties which comply with seismic safety standards and have a Probable Maximum Loss value of less than 15%[3], indicative of low exposure to earthquake risks. The Manager has secured the in-demand Comprehensive Assessment System for Built Environment Efficiency ("CASBEE") certification for six properties, demonstrating the green attributes of these well-located assets. With strong tenant demand, MLT's Japan portfolio was fully occupied as at 31 March 2023.

During the pandemic, the Manager acquired three modern, multi-tenanted properties in Kobe, Higashi Hiroshima and Kuwana to rejuvenate MLT's Japan portfolio. While the Kobe property was 100% occupied, the Higashi Hiroshima and Kuwana properties were 33% and 80% occupied at the time of acquisition. Testament to the Japan team's leasing expertise and strong network, the Higashi Hiroshima and Kuwana properties are now fully leased. In FY22/23, the Manager successfully renewed six leases and restructured one lease in Kobe and Kuwana totalling 93,500 sqm with positive reversions ranging from 1.2% to 5.8% and built-in escalation of around 1%.

To mitigate leasing risk in a highly competitive market with a significant supply pipeline, the Manager continues to maintain close contact with tenants to better understand their business needs and growth aspirations. The Manager has already commenced discussions for leases pertaining to five single-user assets which are expiring during FY24/25 to FY27/28.

1 "Japan's GDP slows to 1.1% in 2022 on weaker export growth", Nikkei, 26 February 2023.
2 Independent Market Research Report, Japan Logistics Field Institute, Inc., March 2023.
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.

OPERATIONS REVIEW
MALAYSIA

Mapletree Logistics Hub - Shah Alam

	FY21/22	FY22/23
Properties	16	17
Book Value	MYR2,033.2M (S$656.8M)	MYR2,116.3M (S$635.5M)
Occupancy Rate (%)	99.1	99.7
WALE by NLA (years)	2.2	2.0
WALE by Revenue (years)	2.1	2.0
NLA (sqm)	657,471	657,471

Malaysia recorded economic growth of 8.7% in 2022, exceeding the government's initial growth projection of 6.5%-7.0% and 2021's growth of 3.1%. The strong performance was supported by robust economic performance in 4Q 2022, the continued recovery of private spending and investment, and higher employment levels[1].

In March 2023, Malaysia's central bank widened its 2023 GDP growth forecast to 4%-5%, primarily due to a challenging and uncertain global economic environment[2]. Growth will be supported by domestic consumption, government projects and improved external demand, particularly from the reopening of the China market. This will be partially offset by the knock-on effects of high energy costs, rising inflation and high interest rates.

Malaysia's logistics warehousing sector remained relatively robust in 2022. At the end of the period, the estimated warehousing space in Klang Valley stood at 52.4 million sqft, a y-o-y increase of 2.5%. Of this, 14.3% or 7.5 million is Grade A warehousing space. Warehousing space in Johor remained stable at 15.4 million sqft, with 46.8% or 7.2 million sqft classified as Grade A warehousing space. Many of these properties have high occupancies, fuelled by factors such as enhanced logistics infrastructure, growing freight volume, sustained growth in domestic consumption, and favourable government policies[3].

Demand for Grade A warehouse leasing space is expected to increase in the near- to mid-term, particularly in the established logistics locations of Shah Alam, Subang and Johor Bahru, in which MLT has a strong presence.

At the end of FY22/23, MLT's Malaysia portfolio of 17 properties recorded a portfolio occupancy level of 99.7%, compared to 99.1% at the end of FY21/22. The Manager proactively renewed or replaced leases with an aggregate 237,730 sqm of net lettable area ahead of their respective expiries, which achieved an average positive rental reversion of about 3.5%.

In January 2023, MLT announced the proposed divestments of two properties, Subang 1 and Chee Wah, for a total price of MYR50.2 million. Both properties are single-storey warehouses that are at least 16 years old and have limited redevelopment potential. Their proposed divestments are in line with the Manager's proactive asset management strategy to rejuvenate MLT's portfolio. Capital released from the divestments will provide MLT with greater financial flexibility to pursue investment opportunities in modern assets that cater to the requirements of today's logistics users.

MLT's proposed redevelopment project in Subang Jaya will further add value and future-proof its portfolio. The potential amalgamation of two land parcels with MLT's existing adjacent assets, Subang 3 and 4, will increase their plot ratio by five-fold to 65,000 sqm, and increase the property's GFA to approximately 133,000 sqm upon completion in 1Q 2027. The new facility is poised to be the first mega modern ramp-up warehouse in Subang Jaya.

The outlook for the Malaysian logistics sector remains promising, although risks remain. The Manager will continue to focus on its proactive lease management strategy and is currently in final negotiations for the renewal of 127,244 sqm of net lettable area, representing 36% of leases expiring in FY23/24. The Manager remains confident of renewing or securing replacement leases for the remaining 64% ahead of their respective lease expiries.

1 Ministry of Finance, Malaysia, 11 February 2023.
2 Bank Negara Malaysia, 29 March 2023.
3 Independent Market Report by Knight Frank, March 2023.

OPERATIONS REVIEW
SOUTH KOREA

Mapletree Logistics Centre - Iljuk 2

	FY21/22	FY22/23
Properties	19	20
Book Value	KRW937.8B (S$1,030.2M)	KRW1,023.5B (S$1,051.7M)
Occupancy Rate (%)	98.2	98.1
WALE by NLA (years)	1.5	1.8
WALE by Revenue (years)	1.5	1.8
NLA (sqm)	604,838	645,986

The Korean economy contracted by 0.4% in the final quarter of 2022, bringing annual GDP growth to 2.6% y-o-y from the previous year[1]. The economic contraction in 4Q 2022 was the first quarterly fall in GDP since 2Q 2020 when the country was severely hit by the global recession at the outbreak of the pandemic[2].

Global inflation due to the Ukraine conflict and rising energy prices continued to weigh on consumer and business sentiment. To address high inflationary pressures, the Bank of Korea raised its base rate 10 consecutive times from an all-time low of 0.5% during the pandemic to 3.5% as of March 2023[3]. The central bank forecasts the economy to grow 1.6% in 2023 and 2.4% in 2024 given the current global economic sluggishness and interest rate hikes[1].

Despite the gloomy macroeconomic outlook, 3PL and e-commerce markets in South Korea continued to outperform. The country's e-commerce market is expected to grow to USD101.8 billion in 2023, placing it ahead of France as the sixth largest e-commerce market in the world[4]. With e-commerce solidifying its place in the lives of the community during the pandemic, the sector's continued robust growth is expected to be driven by positive factors including growth in smartphone usage, increased penetration of internet users and the adoption of advanced technologies such as artificial intelligence.

In 2022, 30 new Grade A logistics facilities providing just over 2.3 million sqm of GFA were added to the Seoul Metropolitan Area ("SMA")[5], lower than initially expected primarily due to construction delays. As a result, net absorption in SMA was 1,572,982 sqm, owing to buoyant demand from local 3PL and e-commerce players. Although a substantial supply of over 4.6 million sqm is anticipated to come on stream in 2023, demand for logistics space is expected to be healthy on the back of continued growth of 3PL and e-commerce, albeit at a slower pace.

The overall SMA vacancy rate in 1Q 2023 was 12.6%, up from 8.2% in 4Q 2022 as a result of new completions, with vacancies largely in the cold storage space. With the expected new supply in 2023, the SMA vacancy rate is likely to trend higher as it will take time for new centres to stabilise. Despite the increase in vacancy, average Grade A logistics rents in SMA reached KRW10,162 per sqm per month, staying flat quarter-on-quarter ("q-o-q") but up 5.1% y-o-y[5].

During the year, MLT completed the KRW88.5 billion acquisition of Baeksa Logistics Centre, a newly-built, modern logistics facility located in the prime Yongin-Icheon logistics hub serving the SMA. This brought MLT's South Korea portfolio to a total of 20 well-located modern properties with net lettable area of 645,986 sqm as at 31 March 2023. During FY22/23, the Manager successfully renewed or replaced leases covering over 251,000 sqm of space at an average rental reversion of 4.2%, translating to a portfolio occupancy of 98.1%.

With leases covering approximately 123,327 sqm of net lettable area due to expire in FY23/24, the Manager will continue to leverage its proactive lease management strategies to engage new and existing tenants ahead of lease expiries. The Manager will also continue to seek acquisitions of quality and well-located properties with modern specifications as well as asset enhancement opportunities to augment the resilience of MLT's portfolio.

1 "Economic Outlook (February 2023)", Bank of Korea, 23 February 2023.
2 "Real Gross Domestic Product: Fourth Quarter and Annual 2022 (Advance Estimate)", Bank of Korea, 26 January 2023.
3 Bank of Korea, March 2023.
4 "eCommerce market in South Korea", Statista Market Insights, ecommerceDB, March 2023.
5 Independent Market Research Report by JLL Research, April 2023.

OPERATIONS REVIEW
VIETNAM

Mapletree Logistics Park Bac Ninh Phase 3

	FY21/22	FY22/23
Properties	10	10
Book Value	VND5,619.8B (S$331.6M)	VND5,770.1B (S$328.9M)
Occupancy Rate (%)	100	100
WALE by NLA (years)	2.9	2.3
WALE by Revenue (years)	3.0	2.4
NLA (sqm)	562,603	562,603

In the face of geopolitical and macroeconomic headwinds, Vietnam's economy grew 5.92% in 4Q 2022 to close the year with y-o-y GDP growth of 8.02%, the highest annual growth rate in 25 years[1].

This was achieved through the government's successful pandemic engagement strategies which limited the spread of Covid-19. This in turn drove robust domestic consumption, international trade and FDI, positioning Vietnam as the best performing economy in Asia in 2022. Retail sales rose 19.8% due to strong domestic consumption from a fast growing middle-class. FDI into Vietnam increased 13.5% to US$22.4 billion while export turnover was 10.6% higher at US$372 billion[1].

Following the lifting of Covid-19 safe distancing measures and reopening of borders, ready-built warehouse ("RBW") developers restarted existing and kicked off new projects. More than 1.2 million sqm of new space was brought on stream in 2022, bringing the total supply to 5.7 million sqm at the end of the year[2]. Demand for warehousing space gradually recovered in early 2022 due to the expansion of 3PLs and e-commerce companies, as well as the entry of new retailers and manufacturers into Vietnam. With this, RBW occupancy levels in the Northern and Southern areas both stood at 87% at the end of the period[2].

MLT's Vietnam portfolio continued to deliver a strong set of performance in FY22/23. The Manager successfully renewed or replaced expiring leases with approximately 78,300 sqm of NLA due to expire in FY22/23 at an average positive rental reversion of 4.2%. As at 31 March 2023, MLT's Vietnam portfolio of 10 modern and well located properties was 100% occupied.

Looking ahead, Vietnam's economy is expected to moderate to 6.3% in 2023, reflecting domestic and external headwinds[3]. Whilst Vietnam's employment rate recovered to pre-Covid-19 levels in 2022, weaker global demand and higher inflation levels in 2023 are expected to weigh on business and consumer sentiment. Economic growth is expected to improve to 6.5% in 2024 as the economies of Vietnam's main export markets gain strength.

Vietnam's logistics market continues to be an attractive investment proposition for investors and developers, underpinned by heathy demand for logistics warehouses from 3PLs, e-commerce players as well as notable international brands such as Nike, Adidas, Uniqlo, Samsung, LG, and Foxconn amongst others. Capitalisation rates continue to compress due to increased competition for quality assets across thriving markets such as Bac Ninh in the North, and Binh Duong, Bien Hoa in the South. New markets such as Hung Yen, Bac Giang in the North, Long An, Long Thanh in the South continue to attract local and international developers.

In FY23/24, leases with approximately 165,300 sqm of net lettable area are due to expire. The Manager will proactively engage tenants and prospects to secure lease renewals or replacements 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 the Vietnam logistics market.

1 "Vietnam 2022 GDP growth quickens to 8.02%, fastest since 1997", Reuters, December 2022.
2 Independent Market Research Report by Jones Lang LaSalle, May 2023.
3 "Vietnam Economic Update, March 2023", The World Bank, 13 March 2023.