

Leasing activity broadly positive but energy prices emerge as major concern



Key Trends

- Recent oil price volatility has emerged as a key risk in the Asia Pacific industrial & logistics market, with higher transport costs and supply chain disruption weighing on occupier demand. Although traditional 3PL operators underpinned leasing activity in Q1 2026, prolonged fuel cost increases could undermine this momentum.
- In Australia, traditional 3PL operators are consolidating from older second-generation facilities into new super prime facilities, while uncertainty remains around logistics operational costs should fuel costs remain elevated. Renewals continue to drive the bulk of leasing activity due to tight availability and elevated fit-out costs.
- Market sentiment in Japan remains resilient, with Greater Tokyo continuing to recover from previous supply spikes and overall vacancy trending downward. Leasing activity in Greater Osaka has been robust, supported by domestic consumption.
- Leasing activity in Vietnam is being supported by demand from e-commerce, manufacturing and FMCG occupiers. However, ample availability resulting from earlier supply hikes has kept net effective rents broadly stable.

“ Asia Pacific industrial & logistics leasing demand remains resilient despite ongoing geopolitical uncertainty. Occupiers in Australia are opting for renewals amid rising fit-out costs and limited prime space availability. In Japan, demand remains upbeat on the back of solid domestic consumption. Vietnam is reporting healthy absorption after earlier supply hikes. ”

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Australia

Renewal rates remain high amid tight availability of super prime space

STATE OF THE MARKET

- Although leasing demand has improved in recent quarters, renewals continue to dominate leasing activity due to high relocation and fit-out costs.
- Incentives are stabilising amid tight availability in the super prime segment. Vacancy is low and pre-commitments are strong, with close to half of the new supply due to come on stream this year already pre-leased.

TRANSACTION ACTIVITY

- Traditional 3PL operators are consolidating from older second-generation facilities into new super prime facilities, indicating a continuation of the flight to quality trend among this occupier cohort.
- Demand is picking up from offshore e-commerce firms from mainland China. These occupiers, which previously maintained a relatively small footprint, are now seeking larger spaces. In addition, small to mid-sized players in this sector are exploring market entry.

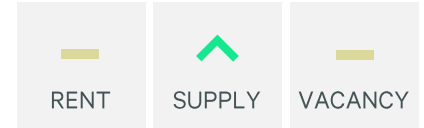
EMERGING TRENDS

- Automation adoption is rising, particularly among large occupiers. Medium sized firms are also looking to implement automation as payback periods and installation times shorten and super prime facilities more suited to accommodating such upgrades come on stream.
- While the Middle East conflict and subsequent rise in fuel prices has added to uncertainty around logistics operational costs. It has not yet forced occupiers to adjust leasing strategies.

OUTLOOK

- Given the lack of availability in the super prime segment, occupiers are advised to plan relocation or expansion decisions 12-18 months in advance. The first 12 months should be used to initiate decisions and inspections, while the remaining six months should be allocated to fit-out and moving in.
- Landlords should focus on asset enhancement to stay competitive, with initiatives such as solar installations, major refurbishments, and upgrades to industrial office components seen as key to meeting tenants' rising expectations.

SIX-MONTH OUTLOOK



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Japan

Solid domestic consumption and flight to quality drive expansionary demand

STATE OF THE MARKET

- Market sentiment remains positive, with Greater Tokyo continuing to recover from previous supply spikes and overall vacancy trending downward. Despite this year’s strong pipeline, ongoing flight-to-quality demand is supporting occupancy and rental growth in new developments and existing facilities in inner-city submarkets such as Tokyo Bay and Gaikandō.
- Despite recent fuel price volatility triggered by the Middle East conflict, the market has yet to see significant shifts in occupier strategy. However, prolonged elevated energy prices may place pressure on operating margins and weigh on demand.

TRANSACTION ACTIVITY

- Leasing demand remains expansionary, driven by 3PLs, retailers and food wholesalers. Leasing activity in Greater Osaka has been especially strong, supported by solid domestic consumption.
- Fashion retailers continue to expand in Greater Tokyo, boosting leasing activity among e-commerce operators and 3PLs that support these end-users.
- Leasing activity in Nagoya continues to be driven by the manufacturing and automotive sectors, underpinning steady demand despite elevated vacancy.

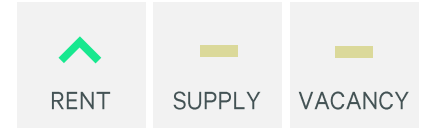
EMERGING TRENDS

- Occupiers continue to show a strong preference for newer, high-specification facilities. Beyond operational efficiency, employee comfort and working environment are increasingly cited as key decision factors.
- The government’s push for logistics efficiency among operators is expected to further reinforce demand for modern facilities and encourage greater adoption of automation over the medium term.

OUTLOOK

- Prime logistics space in well-located submarkets remains scarce. Occupiers will need to adopt differentiated strategies according to asset type and location to optimise their footprint.
- Property owners with legacy assets or properties in secondary locations will need to adopt more flexible strategies to attract and retain tenants. Landlords may also need to review CapEx plans and invest in building upgrades to attract and retain tenants in Japan’s increasingly bifurcated market.

SIX-MONTH OUTLOOK



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Vietnam

Expansionary demand ensures occupancy remains high despite elevated supply

STATE OF THE MARKET

- Occupier sentiment remains positive, supported by solid expansionary demand from e-commerce, manufacturing and FMCG occupiers. Occupancy across both northern and southern Vietnam has now stabilised at healthier levels. Despite solid demand, ample availability resulting from earlier supply hikes has left net effective rents broadly stable.
- In response to recent oil price swings, the Vietnamese government has suspended related taxes to help stabilise domestic prices. While prices have now stabilised, a sustained rise in cost could constrain occupier growth.

TRANSACTION ACTIVITY

- Chinese e-commerce operators continue to expand, with some recent transactions reaching as high as 200,000 sq m.. Some established occupiers are also considering expanding to secondary cities surrounding Hanoi and Ho Chi Minh City.
- Foreign investors remain keen on entering Vietnam through land acquisition. Most foreign demand is from mainland China alongside growing enquiries from Southeast Asia and Europe.

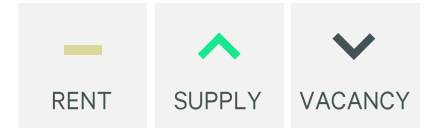
EMERGING TRENDS

- Demand in Haiphong continues to strengthen, supported by infrastructure upgrades and a strong influx of new supply. Mainland Chinese manufacturers are driving take-up due to the city's proximity to their home market. Some new projects in the area are being developed as hybrid warehouse-factories, catering to the intertwined needs of production and storage.
- This year's opening of the new international airport in eastern Ho Chi Minh City is expected to boost cargo throughput and underpin logistics demand in surrounding submarkets.

OUTLOOK

- With Vietnam's logistics market set to remain tenant-favourable in the near term, occupiers are advised to take their time when evaluating available options.
- Landlords are encouraged to stay flexible in lease negotiations while planning land banking strategies strategically amid rising land prices.

SIX-MONTH OUTLOOK



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