

Japan Logistics

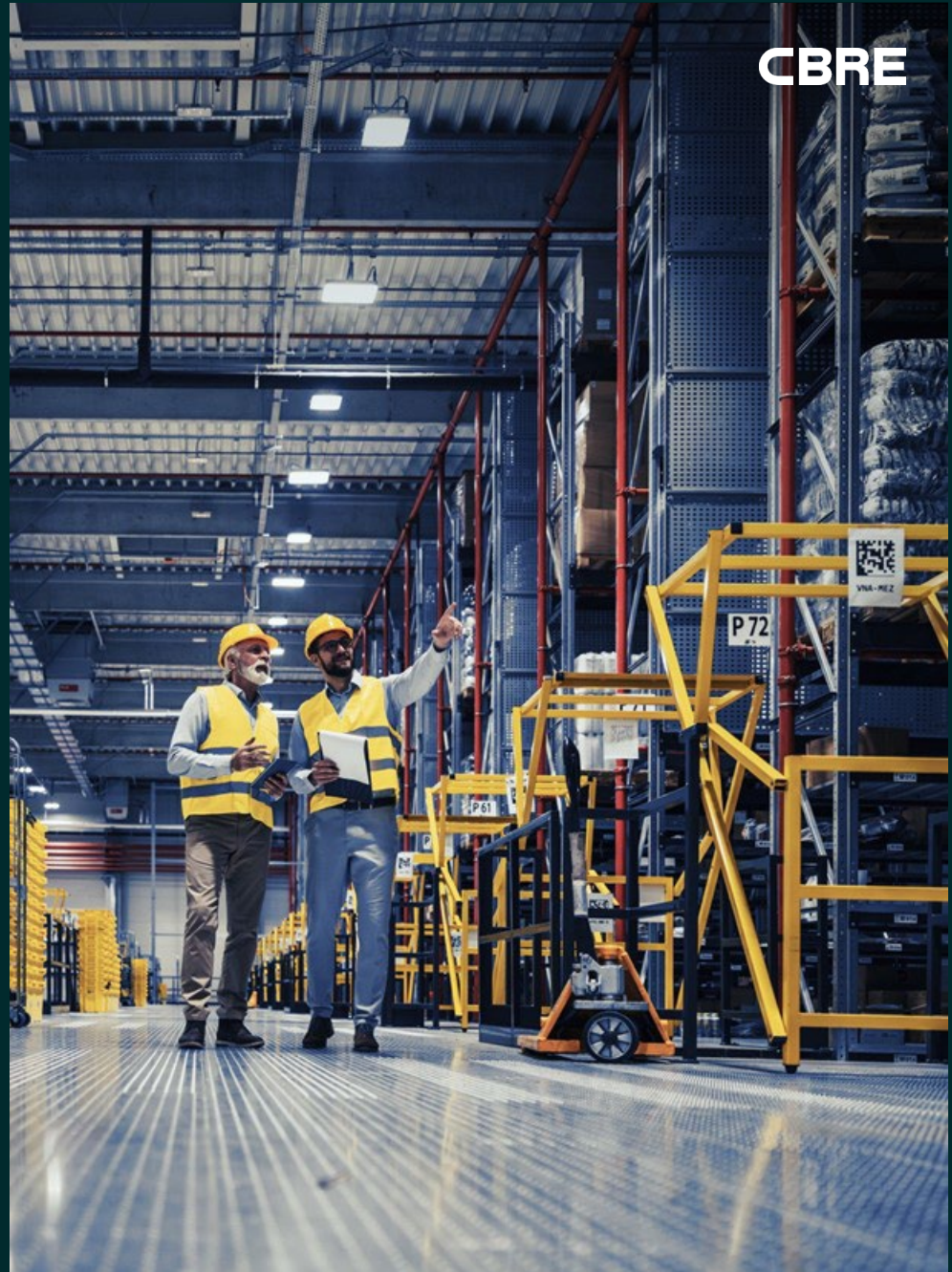
JAPAN 2024 Logistics Occupier Survey

REPORT

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CBRE RESEARCH
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CBRE



Summary

While new overtime rules for truck drivers in Japan, commonly referred to as the “2024 Problem”, will spur the expansion and optimisation of logistics networks, the higher cost burden has yet to be resolved.

- CBRE’s 2024 Japan Logistics Occupier Survey was conducted in March 2024. The survey found that occupiers’ appetite to expand logistics networks, both in terms of total floor area and the number of sites, remains robust. Logistics players are seeking to improve their work environment and achieve business growth, while consignor firms are focusing on optimising their logistics and distribution networks. The 2024 Problem* appears to be a catalyst for both these trends.
- In terms of location, logistics operators are looking to expand both their wide-area and urban distribution networks. In contrast, a high percentage of consignor firms appear to be seeking locations near their factories, possibly due to an increase in the need for storage space in the manufacturing industry.
- Specifications required for logistics facilities in future emphasise employment, safety, and environmental performance. The survey also found that truck berths are attracting renewed attention. Use of facilities with sufficient availability of truck berths is considered effective in reducing drivers’ working hours.
- Various cost items associated with logistics operations are rising due to the inflationary environment, including not only labour and transportation costs, but also energy and construction costs. The number of respondents expecting cost hikes increased compared to last year’s survey across all major cost items.
- Solutions for the 2024 Problem include cooperation with other companies to increase load and co-delivery. Industry players are collaborating beyond boundaries to resolve the issue, with establishing transit locations and increasing storage volume per location among other major initiatives, indicating a further rise in demand for logistics facilities in regional areas.

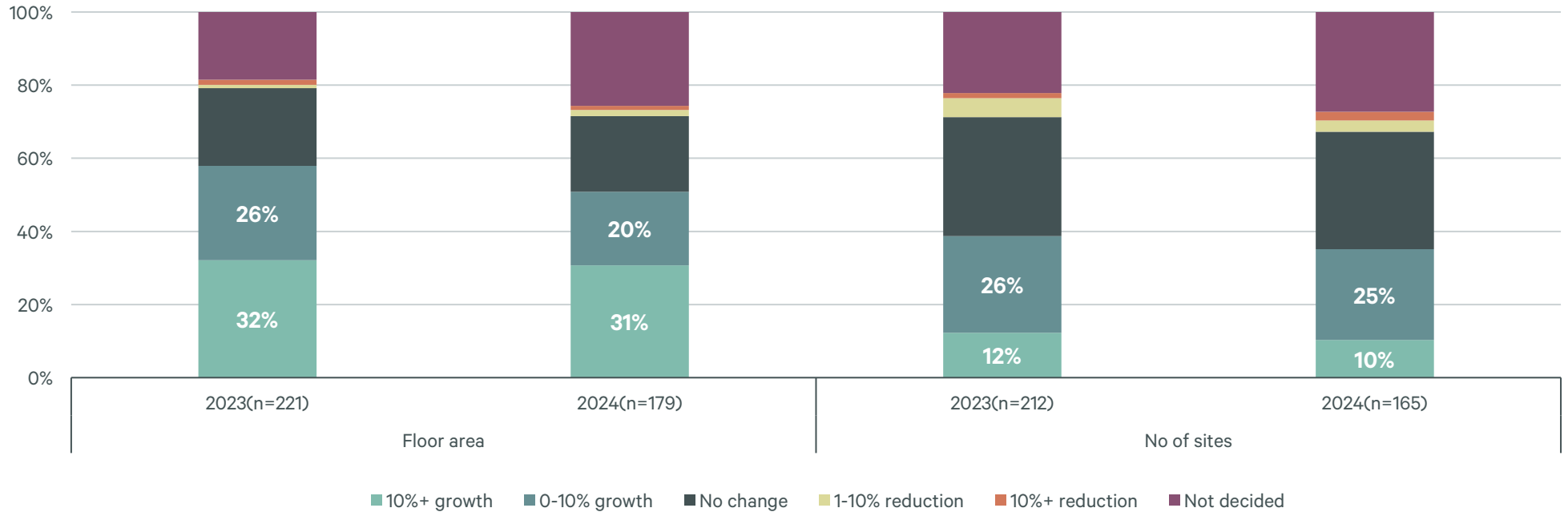
* The 2024 Problem refers to the concern that the restriction of truck driver overtime to 960 hours per annum from April 2024 will lead to the stagnation of logistics networks and place a strain on the economy.

01

Logistics network initiatives

Logistics network expansion:
 Appetite remains robust, with 51% of occupiers planning to expand floor area and 35% intending to expand the number of sites. Occupiers looking to reduce space and sites remain a minority but those that are undecided have increased.

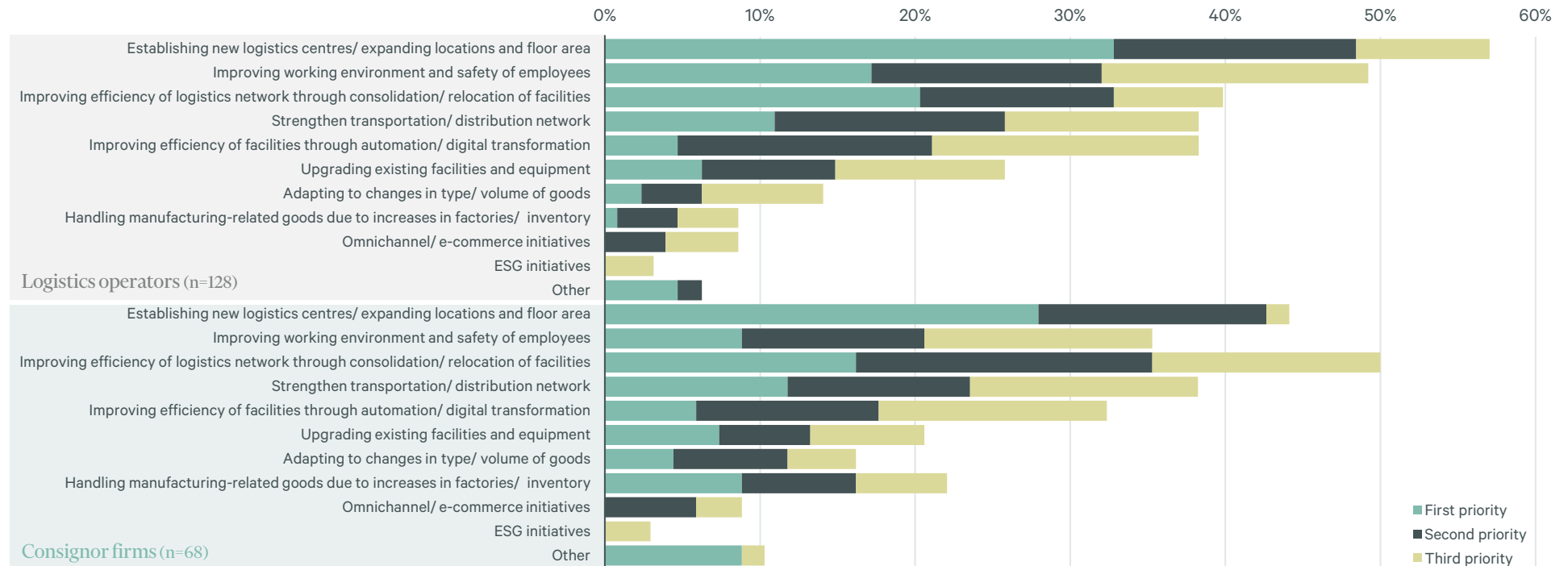
Figure 1: Logistics network plans for the next three years



Source: 2024 Japan Logistics Occupier Survey, CBRE Research, March 2024.

Priority initiatives:
 Logistics operators are pursuing initiatives to achieve business growth and improve working conditions. Consignor firms are actively seeking ways to improve the efficiency of their logistics and distribution networks.

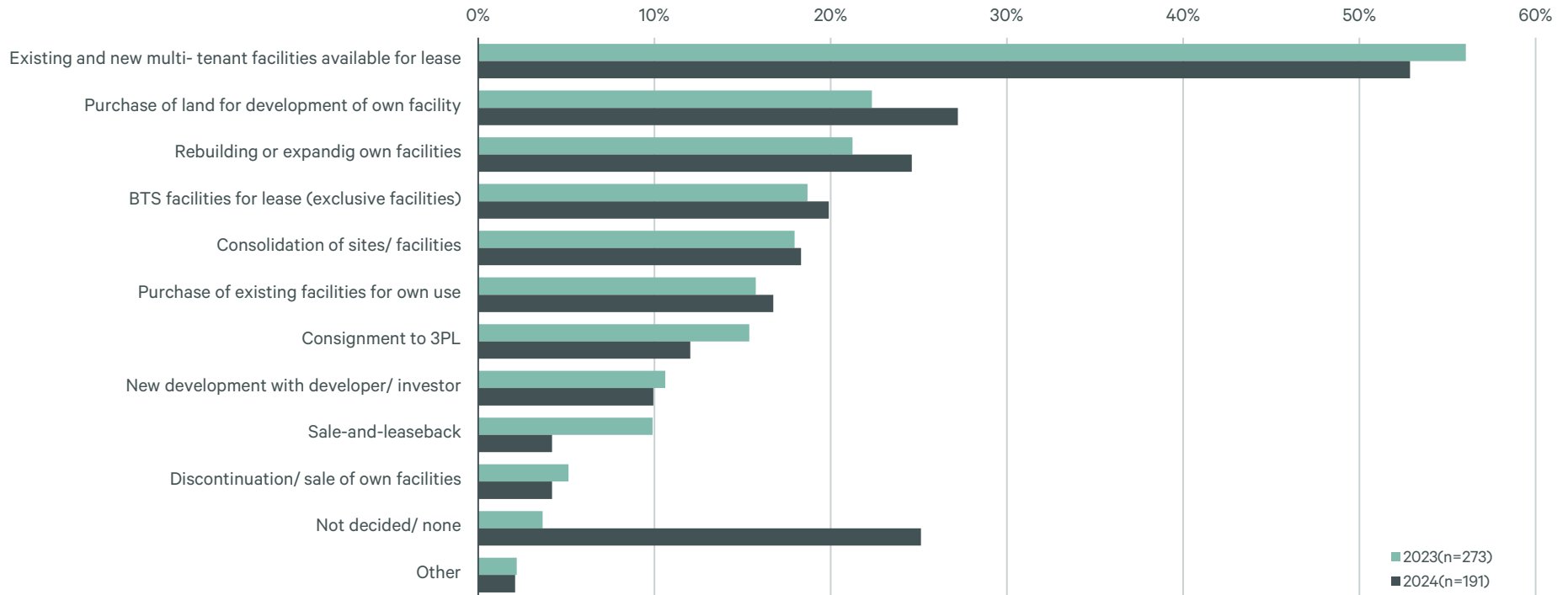
Figure 2: Priority initiatives for the next three years



Source: 2024 Japan Logistics Occupier Survey, CBRE Research, March 2024.

Measures to execute network plans:
 Use of multi-tenant facilities remains most popular, while purchase of land has also risen in popularity, implying that occupiers have stronger preference for specific locations such as near their production sites.

Figure 3: Measures to execute logistics network plans in the next three years (multiple answers allowed)

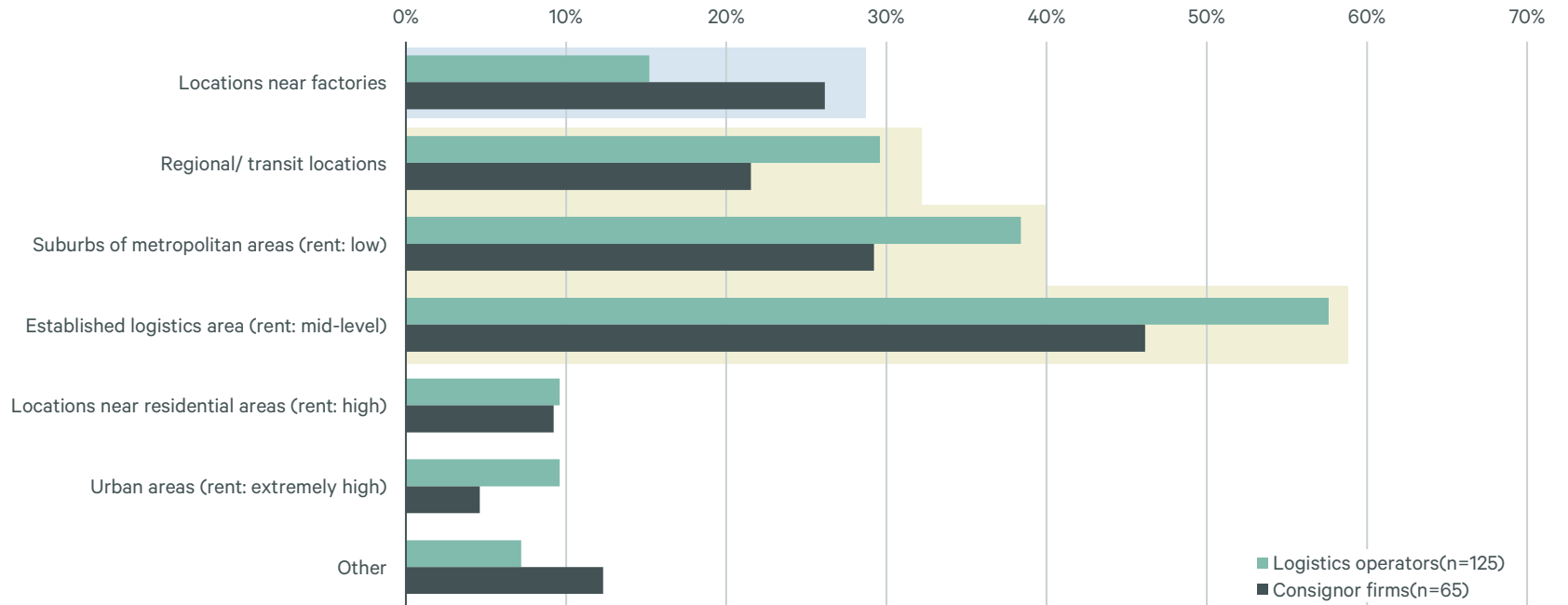


Source: 2024 Japan Logistics Occupier Survey, CBRE Research, March 2024.

Location:

Logistics operators are seeking locations to expand both their urban and wide-area distribution networks. Consignor firms are displaying interest in locations near factories.

Figure 4: Location of logistics facilities being considered (multiple answers allowed)



Source: 2024 Japan Logistics Occupier Survey, CBRE Research, March 2024.

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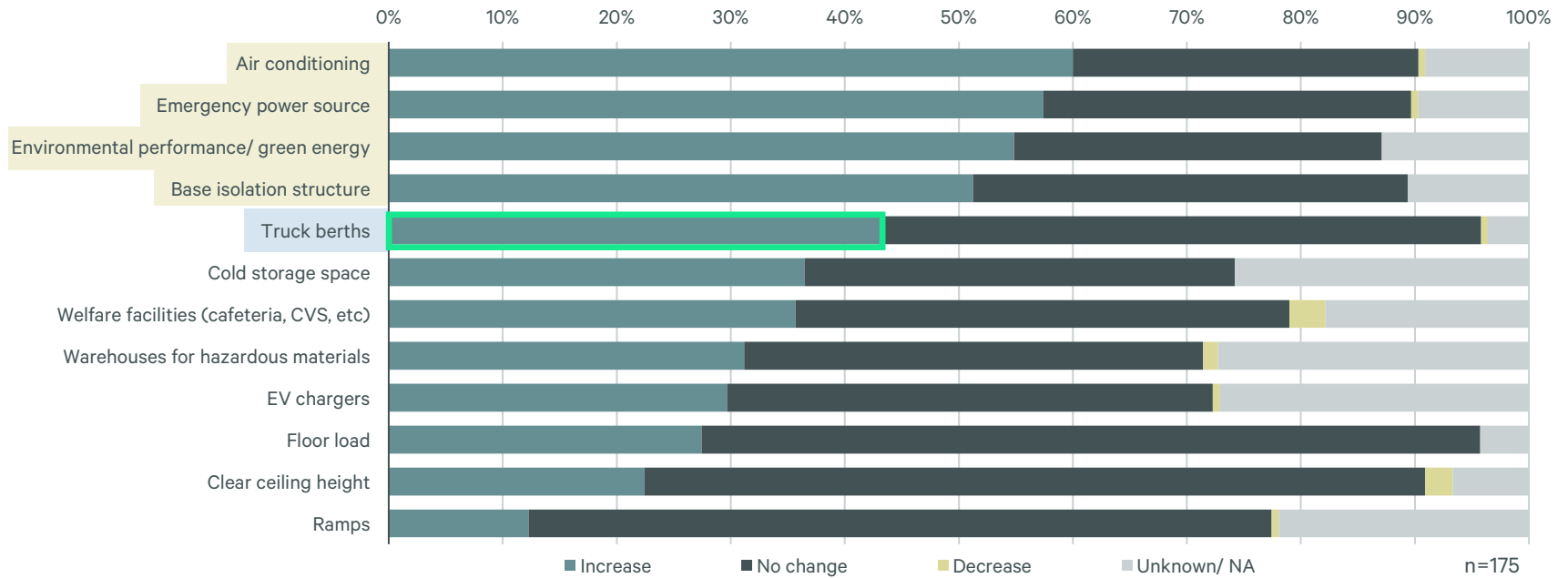
Specifications and cost outlook

Specifications:

Top four priority specifications sought by occupiers are unchanged from the previous year's survey and focused on employment, safety and environmental performance.

Truck berths have risen in priority due to the need to reduce drivers' work hours.

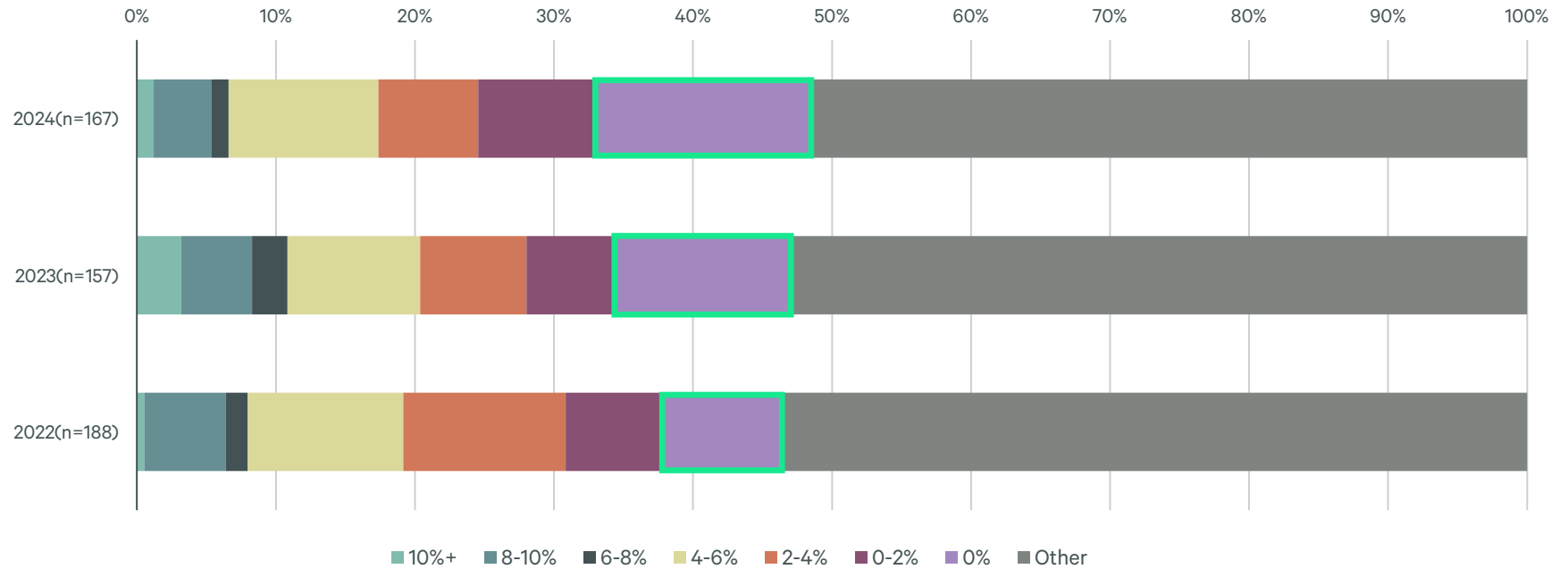
Figure 5: Expected changes in demand for logistics facility specifications



Source: 2024 Japan Logistics Occupier Survey, CBRE Research, March 2024.

Environmental performance:
 Occupiers' willingness to pay additional cost for environmental performance is weakening, with the percentage of respondents willing to pay 0% increasing over the last two years. Rises in other cost items may be the cause.

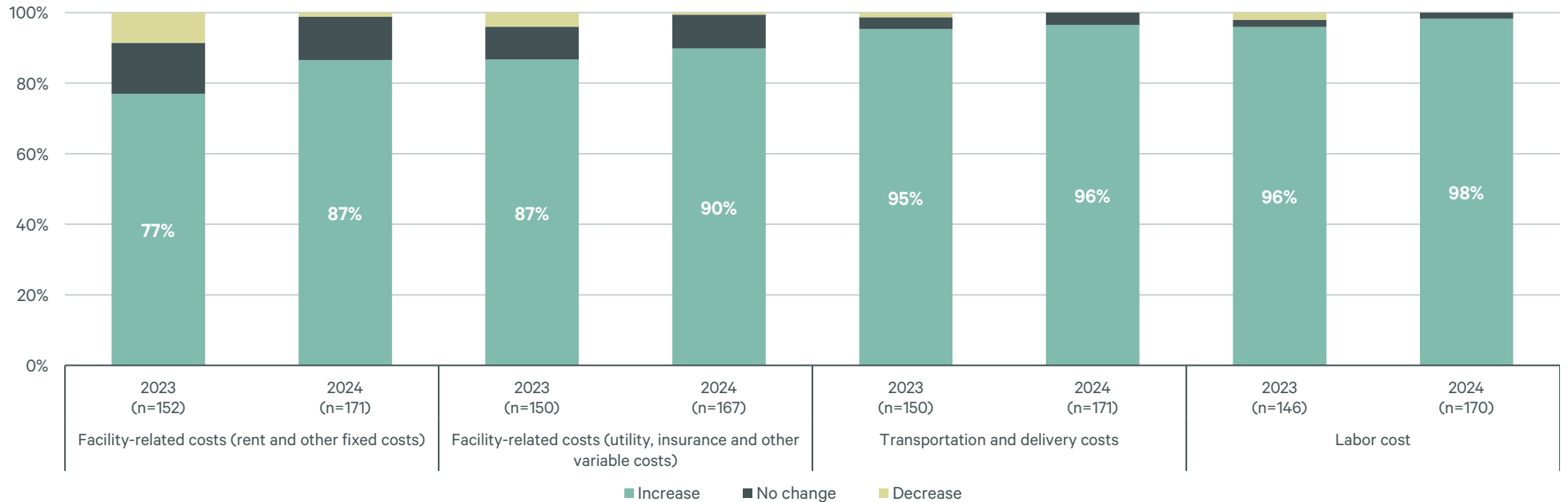
Figure 6: Acceptance of higher rents for facilities with high environmental performance



Source: 2024 Japan Logistics Occupier Survey, CBRE Research, March 2024.

Operational costs: More occupiers expect costs to increase across all cost items; inflation is affecting various costs associated with logistics operations.

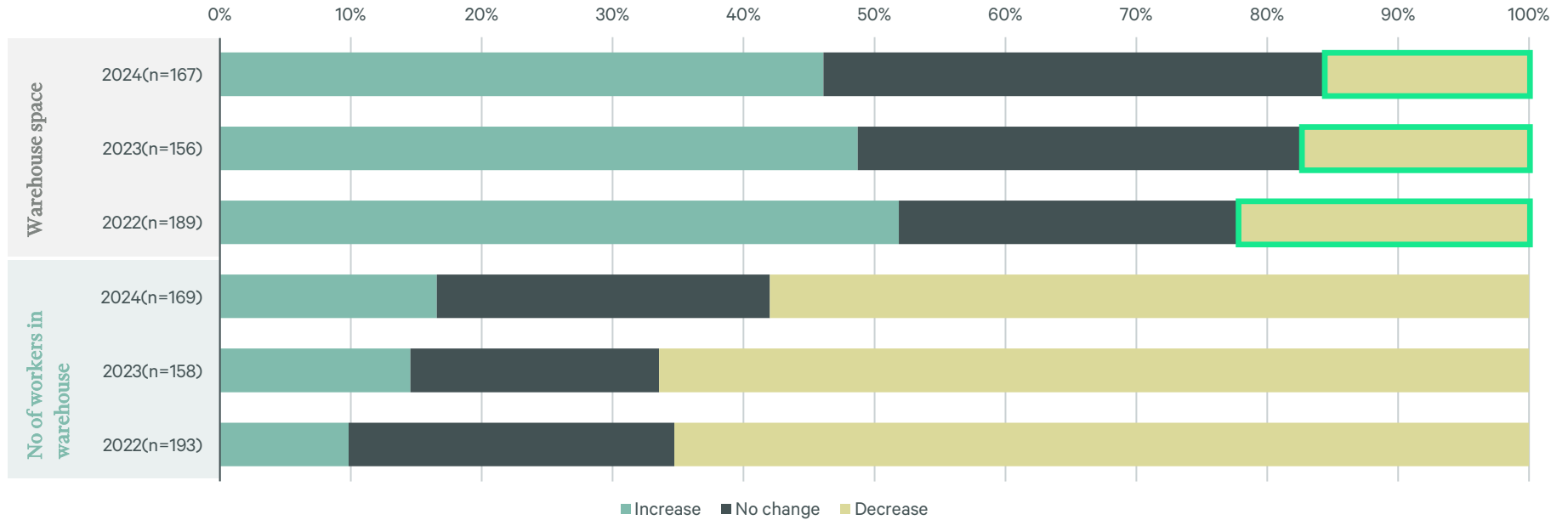
Figure 7: Outlook for operational costs for the next three years



Source: 2024 Japan Logistics Occupier Survey, CBRE Research, March 2024.

Expected changes in warehouse space and staff: Most occupiers believe that the adoption of technology will require more floor space but fewer employees.

Figure 8: Projected staff and floor space changes due to the adoption of technology



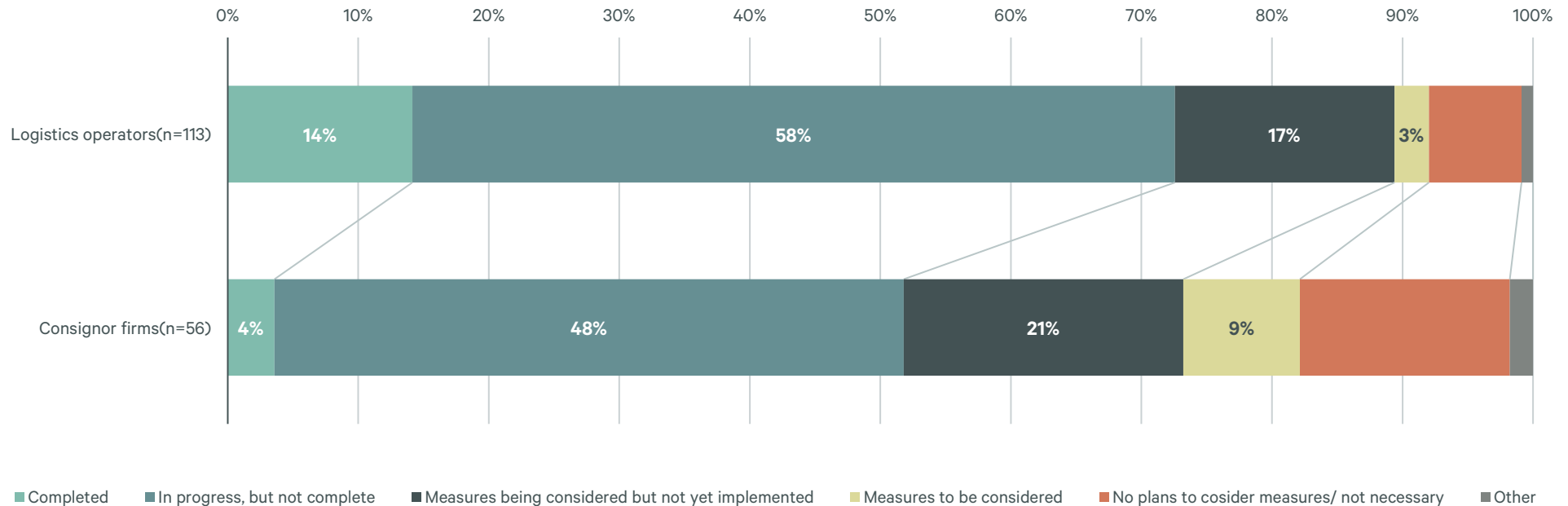
Source: 2024 Japan Logistics Occupier Survey, CBRE Research, March 2024.

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The 2024 Problem

Implementation of 2024 Problem countermeasures: 78% of both logistic operators and consigner firms say that countermeasures are in progress but not complete; being considered but not yet implemented; and being considered.

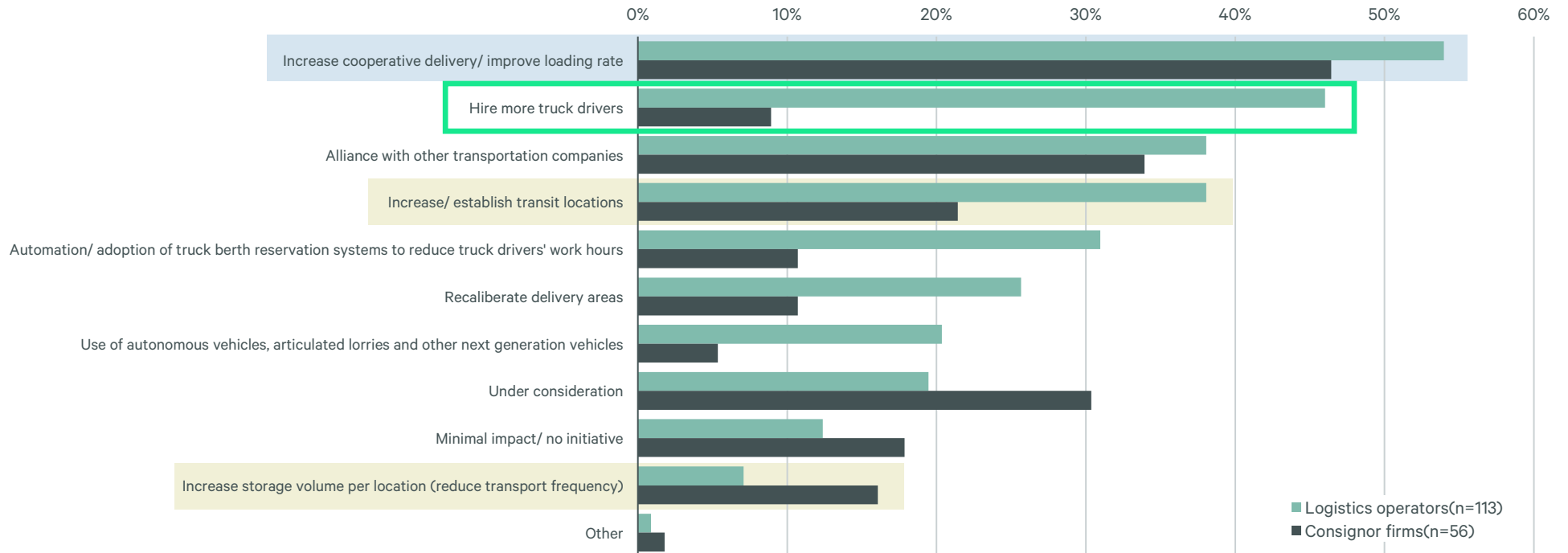
Figure 9: Implementation status of 2024 Problem countermeasures



Source: 2024 Japan Logistics Occupier Survey, CBRE Research, March 2024.

Initiatives to address the 2024 Problem:
 Increasing co-delivery is the top initiative; establishing transit locations and increasing storage volume is likely to lead to more demand for modern logistic facilities. Nearly half of logistics operators plan to hire more truck drivers, implying a potential rise in M&A activity.

Figure 10: Initiatives to address the 2024 Problem (multiple answers allowed)

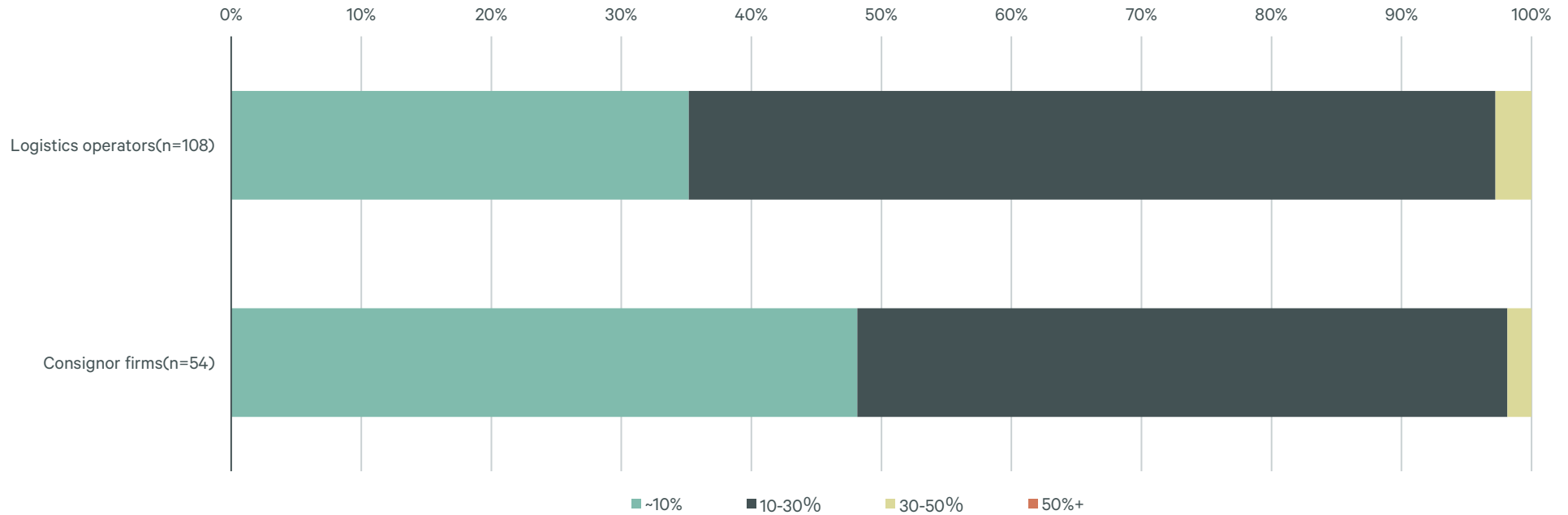


Source: 2024 Japan Logistics Occupier Survey, CBRE Research, March 2024.

Cost pass-through:

Most occupiers expect costs to rise by 10-30% this year from 2023 levels, indicating that consignors firms are willing to accept cost increases. However, there appears to be a gap between what logistics operators and consignor firms are willing to accept.

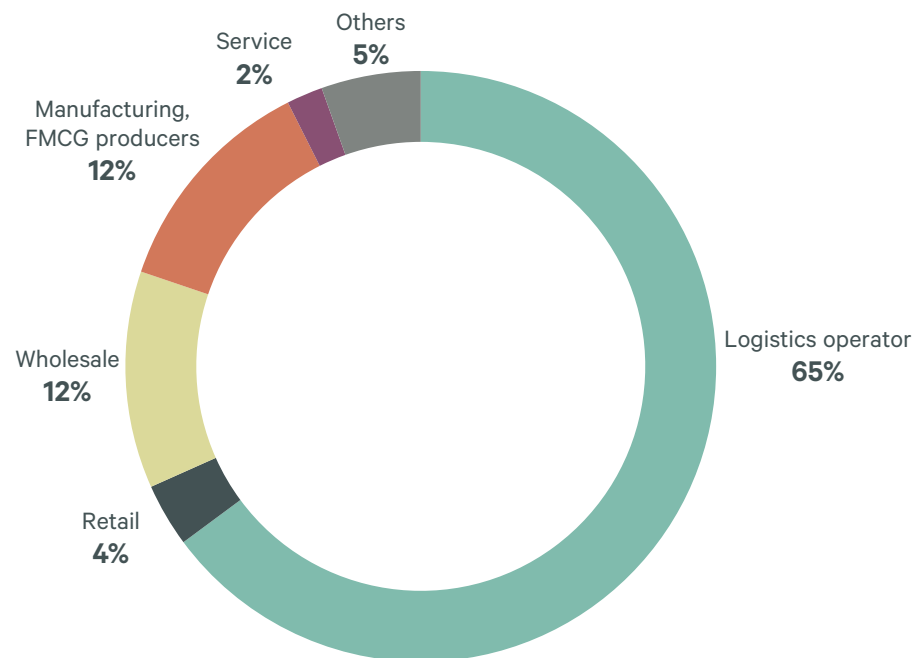
Figure 11: Expected rise in logistics costs beyond April 2024 as compared to 2023



Source: 2024 Japan Logistics Occupier Survey, CBRE Research, March 2024.

Survey overview

- Survey Profile: Corporations using logistics facilities in Japan, whether owned or leased
- Survey period: February 27 – March 12, 2024
- Valid responses: 202
 - Logistics operators: 131
 - Consignor firms: 71



Source: 2024 Japan Logistics Occupier Survey, CBRE Research, March 2024.

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