For Immediate Release

# Industrial REITs well-positioned for long-term growth; Asia REIT market resilient

*Industrial REITs have outperformed hotel, retail and office REITs over the last 10 years. Their growth is set to continue, according to Cushman & Wakefield.*

**SINGAPORE, June 8, 2022 –** Strong long-term drivers underpin a positive outlook for the Industrial sector in Asia despite uncertainty in the near-term macroeconomic climate.

Real Estate Investment Trusts (REITs) in Asia demonstrated relative resilience through the peak COVID-19 period, backed by robust capital structures, sufficient financial liquidity, and supportive regulatory policies. A Cushman & Wakefield report[1] revealed that all classes gained overall momentum to recover strongly during 2021, when the annualized total return rate[2] of REITs of each property type turned from negative to positive.

Industrial/logistics REITs, which recorded positive returns throughout, recorded annualized total returns of 24.7 percent in 2021, compared to hotels and retail—investment classes most closely associated with social distancing—which recorded 9.4 percent and 9.8 percent respectively. Buoyed by the unprecedented growth in e-commerce during the past three years, industrial/logistics REITs recorded the highest 10-year annualized total returns of any asset class, at 16.4 percent (see table).

Annualized Total Return of REITs by Property type in the Asia-Pacific Market

| | Mixed Use | Retail | Office | Hotel | Industrial/ Logistics | Apartment | Healthcare |
|---|---|---|---|---|---|---|---|
| 1 year | 13.9% | 9.8% | 16.1% | 9.4% | 24.7% | 19.1%% | 22.3% |
| 3 years | 7.8% | 1.1% | 5.8% | -1.2% | 25.9% | 13.6% | 9.8% |
| 5 years | 7.1% | 3.7% | 6.6% | 1.8% | 17.2% | 9.3% | 8.5% |
| 10 years | 12.4% | 10.0% | 12.7% | - | 16.4% | 15.3% | 14.1% |

Source: APREA (based on a selected number of REITS in each market) and compiled in Cushman & Wakefield's *2021-2022 Asia REIT Market Insight* report.

[1] Cushman & Wakefield's 2021-2022 Asia REIT Market Insight report, p.17.

[2] For an explanation of annualized total return rate, see report p.17 Section 3.3.

**Catherine Chen, Director, APAC Research** said industrial/logistics REITs have seen a wave of capitalization as investors turn to the new economy. “Changes in economic activity have undeniably brought unprecedented challenges to traditional real estate sectors, such as office properties and shopping malls. On the other hand, the surge of activity in the new economy has brought alternative property types such as logistics parks and data centres to the centre of investors’ attention.”

Solid long-term drivers mean new economy REITs are likely to remain resilient even as the pandemic subsides. Asia’s growing middle class, the largest online retail market in the world and increasing intra-regional trade all point to increased industrial activity. Even near-term uncertainties in the macroeconomic environment could potentially increase demand for logistics assets in the region, as operators accumulate reserves of warehouse space to hedge against supply chain disruption.

But growth is not a given, as changes in manufacturing and technology mean greater demand for higher-spec assets. The best performing REITs will be those that continually improve their properties, said **Dennis Yeo, Head of Investor Services and Logistics & Industrial, APAC:** “Industrial facilities now need to be different from facilities 10 years ago. If logistics operators are using drones and autonomous vehicles for deliveries, facilities need homing devices and charging points. REITs must continue to regenerate their portfolios, either through investing in technology or through disposal and acquisition.”

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