

Industrial segment in bright spot

Growth in volume and value likely to sustain on rise in eCommerce

By EUGENE MAHALINGAM
eugenicz@thestar.com.my

THE industrial property sector, which saw double-digit year-on-year growth last year in terms of both volume and value, is expected to maintain this trend in 2022.

RHB Research property analyst Loong Kok Wen says opportunities abound in the industrial segment.

"This segment has been the bright spot for the property sector due to the fast expansion of eCommerce industries as the pandemic has resulted in strong demand for warehousing and logistical assets.

"We believe there is still plenty of room to grow for the segment," she says in a report.

She points out that companies such as Sunway Real Estate Investment Trust and Capitaland Malaysia Trust have expressed their desire to expand into this segment in the near future to capitalise on its growth.

"We like Axis-REIT as it is a key player in the booming industrial segment, benefiting from the rise in eCommerce.

"We also like IGB-REIT for its prime assets, domestic shopper profile and a relatively high turnover rent portion, which will benefit from an increase in sales," Loong says.

She adds that the industrial sub-sector is likely to have the highest rental growth in the coming years, driven by the rapid growth in eCommerce.

"Infrastructure investments are key to underpin the segment's growth and Malaysia ranks third behind Singapore and Vietnam as the logistics hub of choice in South-East Asia.

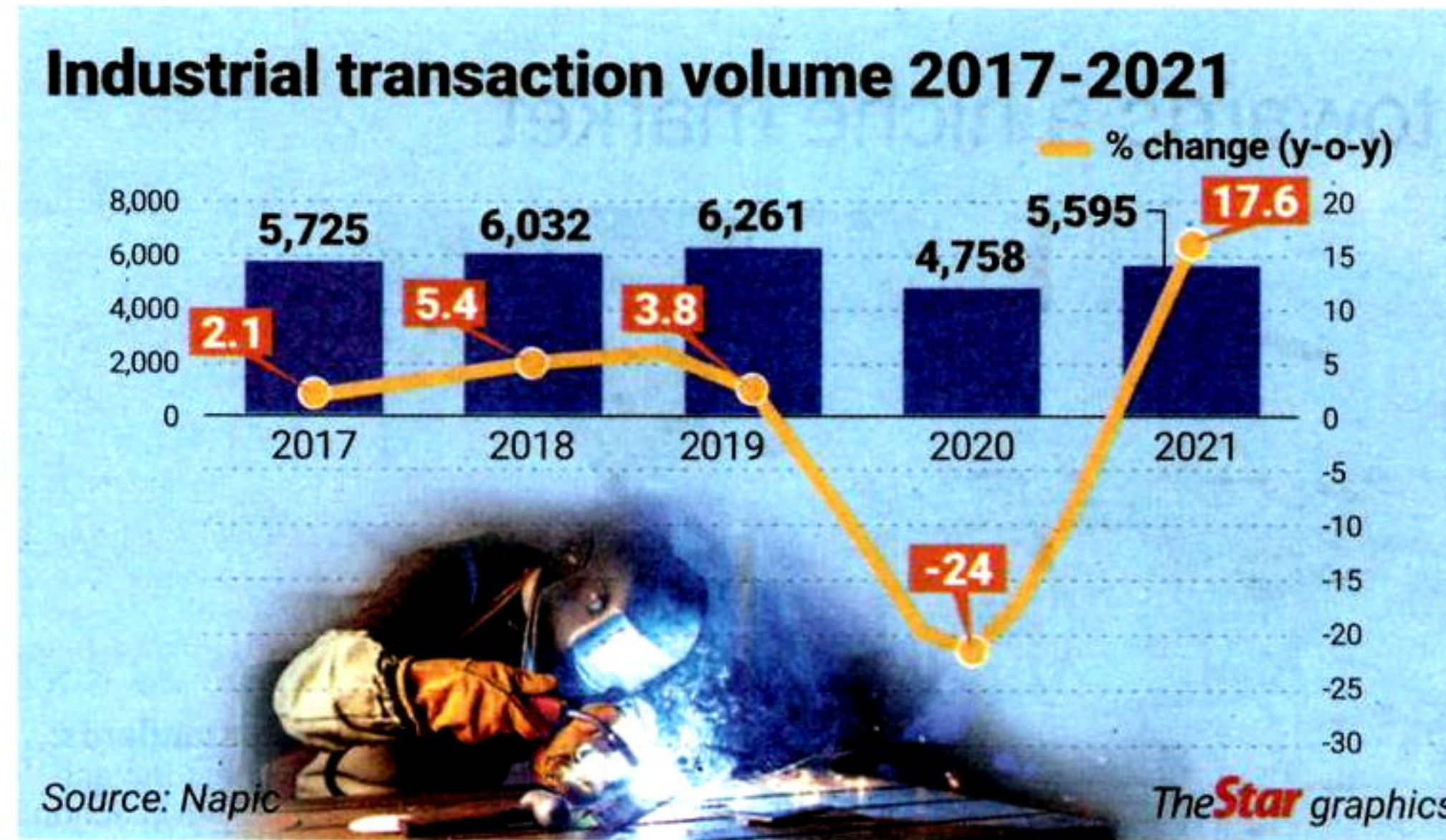
"A few notable multinational corporations have chosen Malaysia to be their regional distribution centres including Ikea, Lazada, Nestle and BMW."

Loong adds that logistics facilities with smart systems such as automated storage and retrieval systems will also be able to command a higher rental rate.

According to the National Property Information Centre (Napic), the industrial sub-sector recorded 5,595 transactions worth RM16.96bil in 2021.

Compared with 2020, market activity within this sub-sector increased by 17.6% in volume and 32.9% in value.

"Selangor continued to dominate the market with 34.9% of the nation's volume, followed by Johor and Perak, each with 14.5%



and 9% market share," Napic says in its 2021 annual report.

It goes on to say that the industrial overhang remained manageable in 2021.

"The overhang volume decreased to 1,130 units worth RM1.58bil, down by 18.1% in volume and 27.5% in value against 2020.

"Likewise, the unsold units under construction and not constructed decreased to 654 units and 22 units, down by 7.8% and 69.4%, respectively."

Napic says Johor held most of the overhang with a 31.2% share, followed by Sarawak (28.3%) and Penang (8.9%).

"Terraced and semi-detached units formed the bulk of the overhang, each with 49.7% and 36% share. Most of the overhang was above RM1mil, forming 51.7% of the national total," it says.

Low tone

On the construction front, Napic says the industrial sub-sector remained on a low tone.

"Completion and starts were down by 39.7% and 13% to 296 units and 475 units, respectively. Meanwhile, new planned supply increased by 47.6% to 685 units."

Selangor contributed the highest number of completions, accounting for 69.3% of the national total, followed by Negri Sembilan

(9.5%) and Sabah (8.4%).

"As at end-2021, there were slightly more than 119,000 existing industrial units, slightly more than 4,000 units in the incoming supply and nearly 7,000 units in the planned supply," Napic says.

Additionally, it says prices of industrial properties showed a more stable trend across most states.

"In Selangor, single-storey terraced units in Subang International Light Industrial Park 1 and Taman Taming Jaya declined by 7.7% and 5.9% to -RM600,000 and RM800,000, respectively.

"Meanwhile, vacant industrial plots in Kawasan Perusahaan Ringan PKNS Batu 17 in Gombak and Kawasan Perindustrian Sungai Rambai in Kuala Langat were transacted at RM883 per sq m and RM431 per sq m, increasing by 9.8% and 3.7%, respectively."

Napic says the increase could probably be attributed to growing demand for warehouses due to expansion of eCommerce. The growing demand for logistics and industrial space has also been observed on the regional front.

According to CBRE Research's 2022 Asia-Pacific Market Outlook, changing consumption patterns, driven by the rise in remote-working and growth of omnichannel are increasing the need for warehouse space in residential neighbourhoods, especially in

widely dispersed cities.

At the same time, CBRE Research says logistics demand in second-tier cities in South-East Asia is rising on the back of growing populations and increasing urbanisation.

"While supply chain disruption is expected to ease in the second half of 2022, pandemic-related risk could persist for some time, ensuring demand related to occupiers' just-in-case inventory strategies continues.

"This year will see occupiers focus on regionalising their supply chains and near-shoring their supplier base within the region, leading to further growth in demand for industrial and logistics space in emerging South-East Asia and India, along with established mega industrial zones in North Asia."

Modern features

With occupiers raising their investment in and adoption of smart warehouse technology to enhance operational efficiency and storage capacity, CBRE Research says interest is growing in newer logistics facilities with modern features.

This, it says, includes buildings with high ceilings to accommodate automated stacking systems, sufficient loading and unloading zones as well as back-up power equipment for warehouse tech and cold storage.

"The solid regional economy and improving global trade will provide a strong foundation for the sector in 2022.

"Major regional markets are projecting strong trade growth, with most countries' exports to grow more than 4% year-on-year over the course of the year."

With the Regional Comprehensive Economic Partnership taking effect from January 2022, CBRE Research says further growth in space demand will be witnessed across Asia-Pacific from trading-related occupiers.

"Logistics space demand will continue to be driven by growth in eCommerce and omnichannel distribution. Large eCommerce platforms, third-party logistics firms and traditional retailers continue to expand and improve their distribution networks, while cross-border eCommerce is another emerging source of demand.

"Robust growth in the grocery, food manufacturing and delivery sectors will continue to fuel competition for cold storage space," it says.