

Southeast Asia's Rising Logistics Market



*Discovering the growing wealth
of ASEAN economies*

EXECUTIVE SUMMARY

The Association of Southeast Asian Nations¹ (ASEAN) is a political union of 10 member states. The rapid growth in these economies and expanding consumer markets will see larger volumes of goods being transported around the region, producing a growing requirement for supply chain solutions and associated real estate. This report examines the rapidly changing patterns in Southeast Asia and will help real estate players to understand the growing prominence of these important markets and the investment opportunities they offer.

Asia's population currently stands at over 4 billion, with 618 million people in Southeast Asia alone. The expanding labour force and a rapidly increasing middle class means we continue to see rapid economic growth in Asia, with GDP growth forecast at 5% per annum over the next decade. Economies within Asia such as China, India and the ASEAN community will be the economies driving future global growth and are expected to see higher than average growth on a globally comparative basis.

Focused investment in infrastructure is opening up new markets and presenting many opportunities for investors. Likewise legislation is becoming easier to navigate and increasing confidence in local markets is resulting in even greater inflows of foreign investment.

Changes are having a positive effect on trade volumes in Southeast Asia, and are presenting a wealth of opportunities for the rapidly expanding logistics sector and associated real estate.





“We plan to double our size in the next two to three years. We’re already off to a strong start - by the end of 2013, we will have opened seven best-in-class multi-user facilities across strategic locations in South East Asia”

*- Oscar de Bok, DHL Supply Chain CEO for South and Southeast Asia -
Source: The Jakarta Globe (May 28th, 2013)*

Figure 1

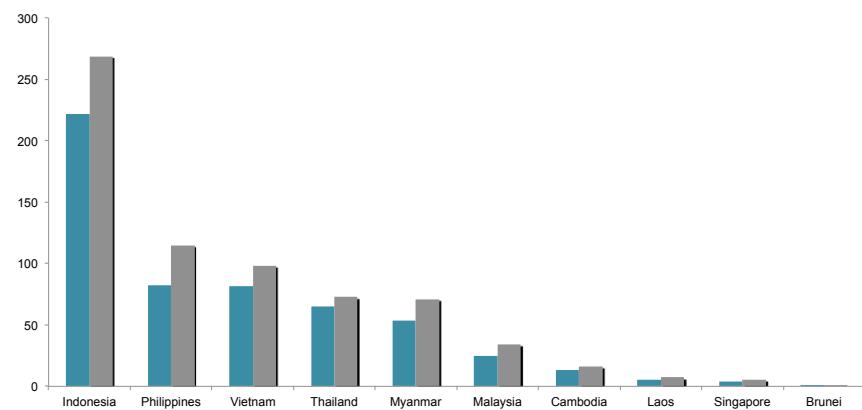


WHY ASEAN?

Southeast Asia has one of the fastest growing consumer markets in the world, and a total population of over 600 million people

ASEAN is becoming increasingly prominent in the Asian context, as its large population, strong economic position and growing middle class is attracting attention on the global stage. Changes in government policies over recent years has opened up ASEAN economies to foreign investors and this is a key factor in helping the region's growth. The rising costs in China, its political tensions with neighbouring countries and the expectation of a relative moderation in growth has resulted in investors looking towards Southeast Asia for opportunities. Labour intensive manufacturing, especially in the automotive and electronic sectors, has moved to Thailand and Indonesia due to lower labour rates. This pattern is likely to continue as China becomes less competitive.

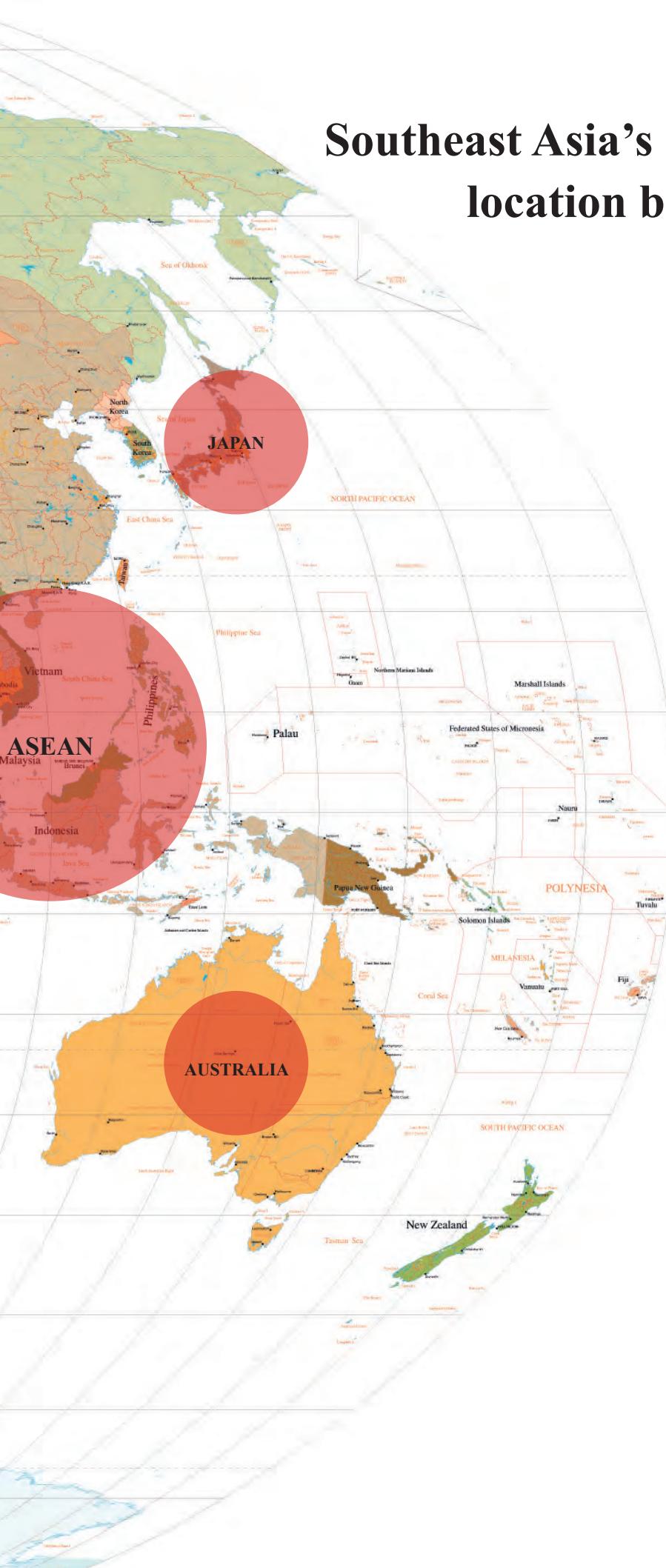
Figure 2: ASEAN Population by Country 2012/2023 (millions)



Source: IHS Global Insight



Southeast Asia's central location between Asian economies



The ASEAN community has made good progress in recent years towards facilitating a better flow of trade between member states. The ASEAN Economic Community (AEC) is currently working towards a 2015 deadline when all systems and duty exemptions should be in place to achieve an integrated trade community. Creating a more integrated and effective trading landscape will be a major contributor to increasing trade across the AEC.

The free flow of goods by 2015 will include:

- Elimination of Tariffs
- Elimination of Non-tariff Barriers
- Rules of Origin
- Trade Facilitation
- Customs Integration
- ASEAN Single Window
- Standards and Technical Barriers to Trade

Significant progress has been made over recent year in achieving the objectives of the AEC, currently 77% of targets have been met. The area is gaining momentum and trade is increasing.

Table 1: Jones Lang LaSalle's Transparency Index

ASEAN Ranking	Global Ranking	Market	Composite Score	Change on 2010
1	13	Singapore	1.85	1.73
2	23	Malaysia	2.32	2.30
3	35	The Philippines	2.86	3.15
4	38	Indonesia	2.92	3.46
5	39	Thailand	2.94	3.02
6	68	Vietnam	3.76	4.25

Source: Jones Lang LaSalle

Jones Lang LaSalle's 2012 Global Transparency Index (Table 1) revealed that transparency in real estate markets is also improving as investors and corporate occupiers extend deeper into these geographies. In Emerging Asia, increasing corporate occupier activity is encouraging the pace of transparency improvements in Indonesia, the Philippines, Vietnam and Thailand.



LOOKING AT ASIAN TRENDS

Asia's growing tiger economies

As Asian economies continue to grow, China, India and Southeast Asia are poised to see above average growth in the following decade. Average Asian GDP growth levels of 5% per annum are expected over the next 10 years, with China averaging 7.5%, India 7.2% and ASEAN 5.5%. Figure 3 shows a cross section of global economies and identifies the opportunities in Asia compared to other emerging BRIC economies like Brazil and Russia. Growth in the region is expected to come primarily from increased domestic demand, a growing middle class and Asia's healthy stock of natural resources.

The ASEAN community is one of the most prominent growth regions in Asia and therefore an attractive location for investment. Indonesia is ASEAN's largest economy and is set to grow significantly, with Thailand, Malaysia, Singapore, Philippines and Vietnam also forecasting strong growth. This will be driven by manufacturing, infrastructure development, natural resources & commodities growth and high levels of direct investment (both foreign & domestic). This will drive income growth and hence consumption growth.

In 2012 ASEAN GDP growth rates for the most part were strong, while Singapore and Brunei continued to see modest growth, Singapore is expected to see stronger growth looking forward along with Cambodia, Myanmar and Vietnam. While other ASEAN nations are expected to see average 10 year growth forecast fall marginally from 2012 levels, growth will continue to be strong. (Figure 4)

“We believe Indonesia’s economy could potentially become one of the world’s five largest by 2030”

Source: Standard Chartered: Global Research Report 2012

Figure 3: Average GDP Growth 2012-2023, by Selected Country/Region

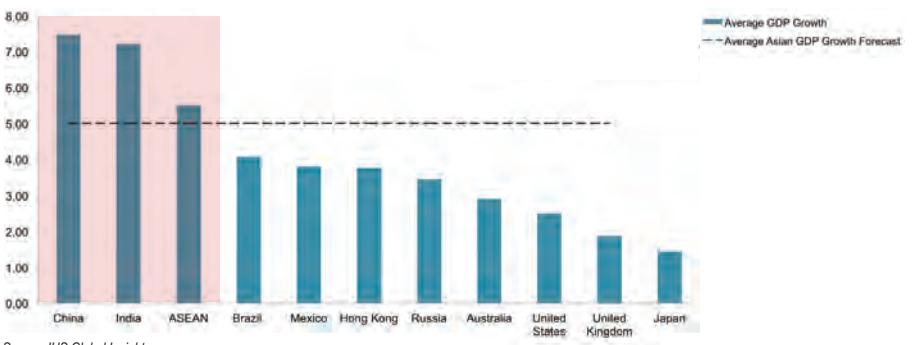


Figure 4: 2012 GDP Growth Compared to Average 2012-2023 GDP Growth, by ASEAN Country

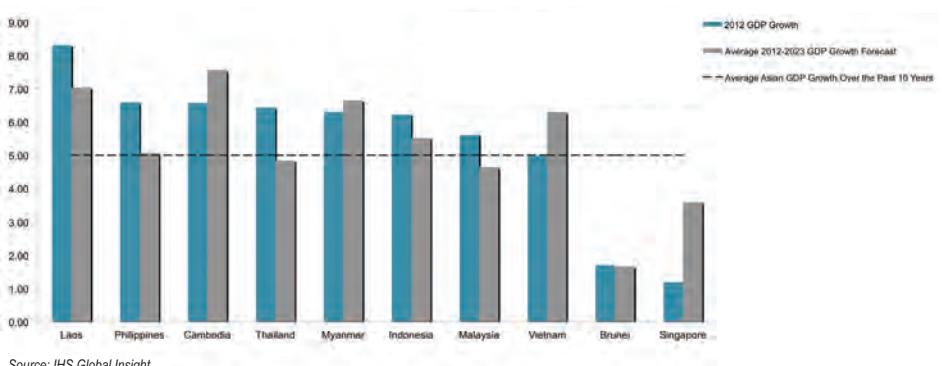
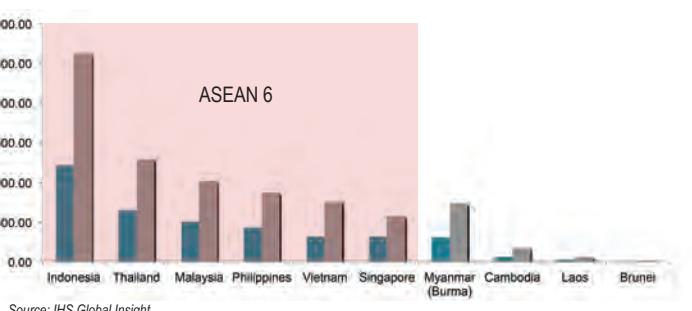


Figure 5: ASEAN GDP Comparison 2012-2023 (Billion, Purchasing Power Parity, PPP\$)

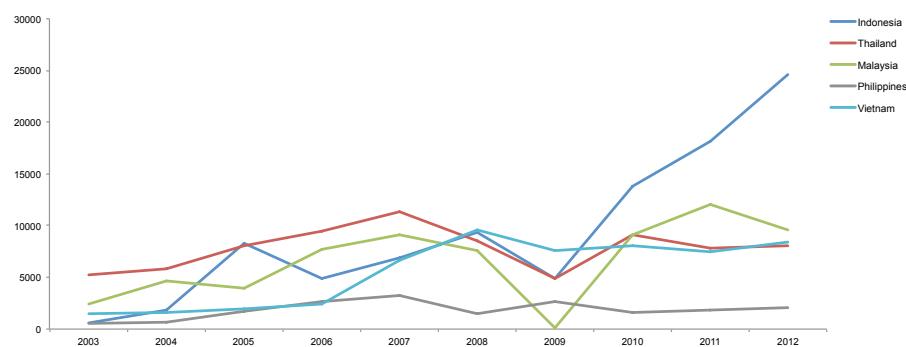




Following the 2009 global financial crisis, ASEAN economies have stabilised back to strong growth rates and this trend is set to continue with new cross-border infrastructure plans worth over USD400 billion. The construction of new ports, airports and road transport networks will boost connectivity and be a major contributor of increased trade within South East Asia.

Indonesia will lead the way in the short term because of high domestic consumption and investment in construction; however it is expected that growth in Vietnam will overtake Indonesia in the medium term when it begins to implement its economic development strategy.

Figure 6: Foreign Direct Investment USD (net inflows, current US millions)



Source: United Nations UNCTAD & Government Sources (also X axis doesn't have years it should range from 2003-2012)

Foreign Direct investment (FDI) into ASEAN countries remains high, with the majority of FDI inflows moving into the larger economies. Indonesia is forecast to perform well with Malaysia, Thailand and Vietnam also expected to see sustained investments.

Investment into Indonesia has escalated due to growing domestic demand and large stocks of natural resources.



LOOKING AT ASIAN TRENDS

A bulging middle class

China, India and the ASEAN community represent 45.5% of the global population at 3.23 billion people. Asia's favourable demographic profile of high working age population between 15-64 will provide a large pool of productive workforce to draw upon over the short-medium term and stimulate domestic consumption and hence growth.

Due to a decline in the young working population, the demographic profile in north Asia is set to deteriorate during the next 10 years. This will be an increasing problem for north Asia with Japan witnessing the greatest decline in its labour force.

On the other hand, ASEAN nations are looking increasingly positive and with increased growth in the working population and a growing middle class, it is predicted that ASEAN will gain an extra 55 million people into the labour force over the next decade (Figure 8).

The population of Asia consists of a large working and young population, compared to the relatively small older population (Figure 9). The older age bracket represents 5.8% of the ASEAN population while the working population represents 67.6% of the total population, showing one of the strongest demographic profiles in Asia.

“AEON has designated a shift to Asian markets, targeting substantial growth in the ASEAN region and China”

Source: Aeon's 2012 Announcement Report, (translated Vol)

Figure 7: Population by Selected Country/Region 2012 (million)

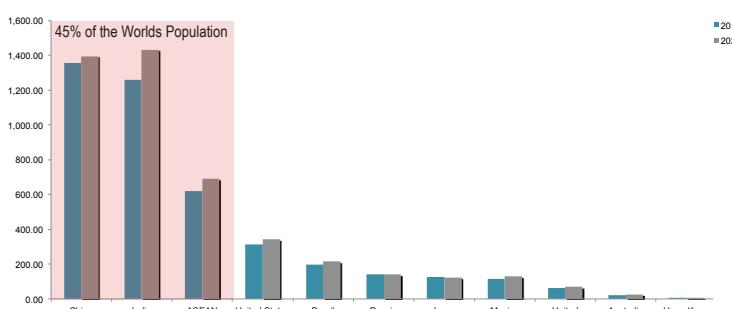
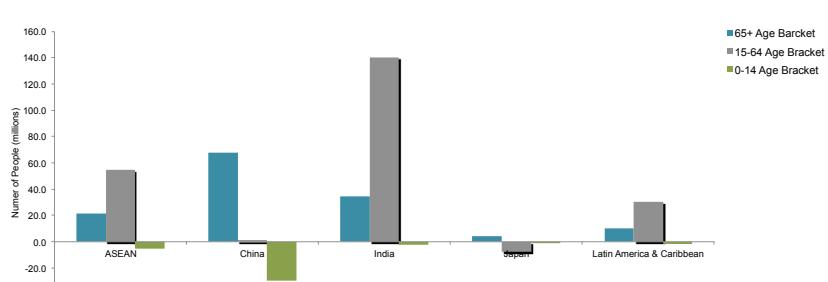
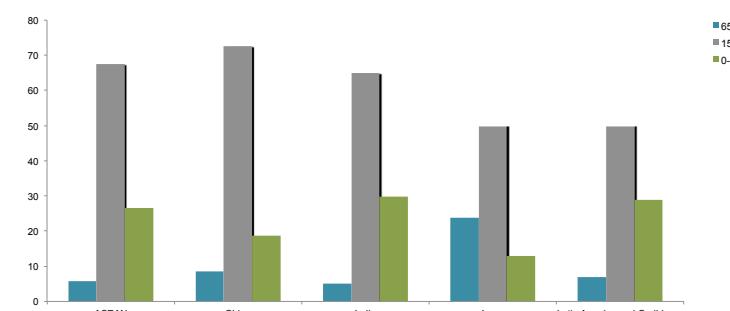


Figure 8: Change in the Number of People per Age Bracket 2012-2023 (million)



Source: IHS Global Insight

Figure 9: Breakdown of Population by Age Bracket 2012 (%)



Source: IHS Global Insight



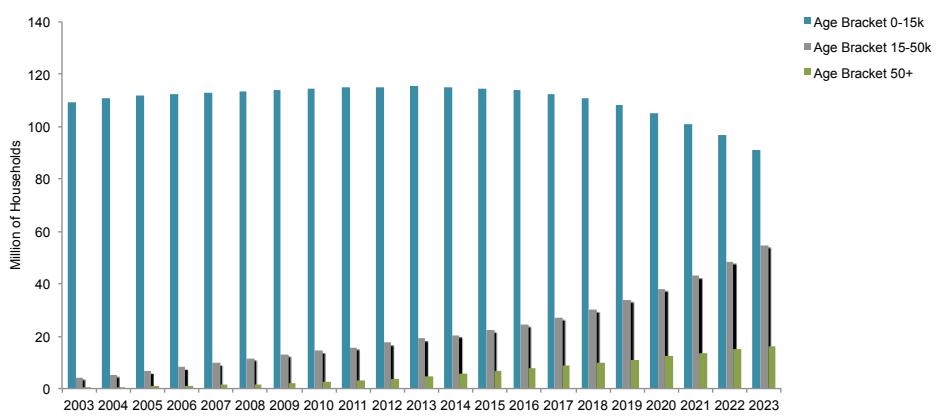
Growing income level

The growing wealth and population of Southeast Asia will continue to be a prominent trend.

Household incomes are expected to increase significantly within the ASEAN – 6. Currently 84.4% of households are in the USD 0-15,000 p.a. income bracket, by 2023 a high proportion of these people will have moved up into the USD 15-50,000 p.a. income bracket.

As a consequence of the rising middle class, ASEAN's middle income bracket is set to grow at an average rate of 10.9% p.a. in the next 10 years. Due to the small amount of households currently in the high income bracket, this income level will see an average of 15.3% p.a. growth. The growth in working population will result in rising household incomes which will drive consumption.

Figure 10: Number of Households per Income Bracket (ASEAN - 6)



“By 2020 Unilever expects developing markets to account for 70% of total sales”

- *The Economist* -

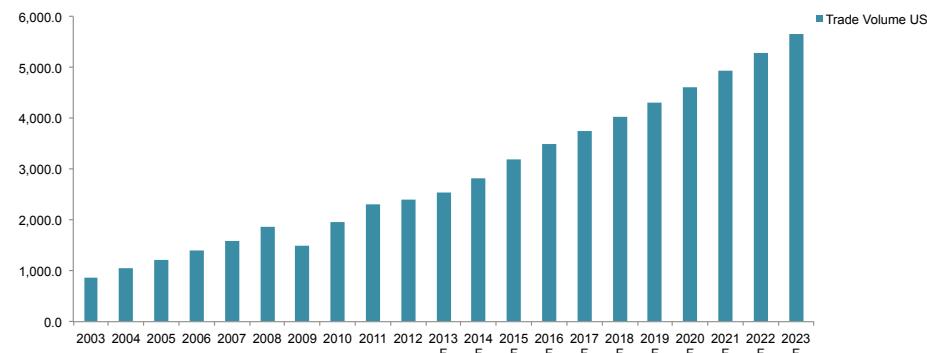
Source: *The Economist, Fighting for the next billion shoppers* (June 30th 2012)



RISING TRADE VOLUMES

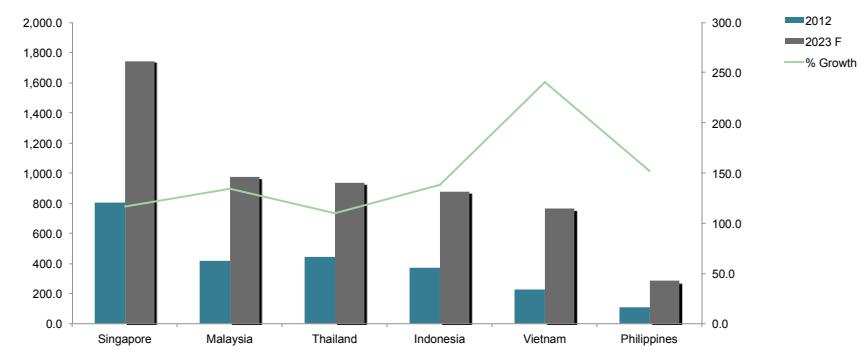
Recovering international trade volumes

Figure 11: Total ASEAN Trade, Excluding Brunei and Myanmar 2012 (USD billions)



Source: IHS Global Insight

Figure 12: Trade Volume Forecast 2012-2023 (US\$ billions)



Source: IHS Global Insight

Trade through ASEAN countries has increased significantly over the past decade, and the subsequent decade is predicted to see even greater growth in trade, with volumes expected to increase by 130% in 2023 to USD 5,653 billion. This will have a significant impact on the logistics industry throughout the ASEAN community.

Trade volumes will increase due to:

- India and China's increased demand for goods, due to the rising middle class
- Increased spending on infrastructure, which will allow greater volumes of goods to pass through the region.
- A growing domestic consumer market, which will increase the need for goods and attract increased cargo to the region.
- Government policy, which will open up trade routes through the region and facilitate more effective clearance systems.

Figure 12 shows that all ASEAN economies will see a projected increase in trade volumes over the next 10 years and Vietnam will witness the highest growth.

The growing wealth and population of Southeast Asia will continue to be a prominent trend.



Figure 13: Major Trade Partners Between ASEAN Members



Increasing regional trade

Current scheduled investment in new port infrastructure in ASEAN will total USD 34 billion over the next 10 years. Of this USD 24 billion will be spent in Indonesia and Vietnam alone and this is set to increase as new projects come online.

The growth in ASEAN's consumer markets and its rising demographic profile are likely to remain key factors to increasing trade in the region. Singapore and Malaysia currently benefit from good ports allowing them to handle large cargo which benefits the region in terms of trade growth.

24% of ASEAN's total trade is currently intra-regional and this is set to increase significantly in the next 10 years. Indonesia and Vietnam are likely to see the largest trade growth due to their plans to build new ports and upgrade existing ones.

ASEAN's Position

- Strong economic growth
- Centrally located between India and China
- A combined population of 618 million
- Located close to major trade networks
- Strong growth in consumer demand
- Growing e-commerce



FACTORS CONTRIBUTING TO RISING REGIONAL TRADE

The ASEAN economic community

The ASEAN Economic Community (AEC) is a regional initiative, established in 2007. Implementing the AEC is currently on-going and the community is working towards a 2015 deadline before all systems and duty exemptions should be established. The goal is to achieve:

- Single market and production base
- Competitive economic region
- Region of equitable economic development
- Fully integrated region into the global economy

This initiative has already integrated the member states substantially and allowed more open movements of goods. Good progress has been made over recent years with 77% of the scheme already implemented.

Current infrastructure position

Investment in infrastructure has already positioned many ASEAN countries at the heart of the global trade network and continued investment will add to the growing array of trade hubs in the region. Free trade agreements and the continued integration through government policies will also be driving factors in trade growth. Current investment plans will be implemented at both a national and international level to ensure an effective cross-border supply chain.

Logistics and supply chain solutions will be one of the most prominent industries to benefit from a more integrated ASEAN community both through policy and infrastructure development.

Infrastructure investment will further:

- Improve the supply chain to the surrounding economies of China and India
- Support Malaysia and Singapore's position as global trade hubs
- Provide a more accessible trade network for all ASEAN states.
- Promote new trade routes



Investment in infrastructure

The 150 largest infrastructure projects in the ASEAN community have a combined value of USD 433 billion and are all at varying stages of planning and construction. This investment is set to increase as new infrastructure plans enter the pipeline. These projects will change the transport landscape of many markets and will have a significant impact on real estate markets in the future.

As an example we have highlighted some of the major SE Asia infrastructure projects: (Table 2).

Table 2: Major Infrastructure Projects

Country	Project Name	Sector	Value (US\$ Millions)	Capacity/ Length	Companies	Time frame	Status
Indonesia	Trans-Sumatra toll road, from north to south	Roads & Bridges	36,150	2,700km	PT Jasa Marga, Hutama Karya	2013 - 2025	Construction tender awarded; Construction to begin in 2013
Vietnam	North-South Highway	Roads & Bridges	22,800	1,811km	Cengiz Insaat	2010 - 2020	Certain sections under construction
Indonesia	Sunda Strait Bridge, connecting south Sumatra with north Java	Roads & Bridges	13,900	31km	Graha Lampung Banten Sejahtera, Bangungraha Sejahtera Mulia, Central government	2014 - 2025	Seeking 100% private financing, Feasibility study at preparation stage
Thailand	Bangkok-Phitsanulok-Chiang Mai high-speed railway line, part of railway master plan	Rail	10,000	745km	Chinese, Japanese companies	2013 - 2015	Tender to start in early-2013
Vietnam	Thu Thiem/Hoa Hung stations (Ho Chi Minh City) and Cai Rang station railway line	Rail	9,630	191km	Southern Transport Design and Consulting JSC	2015 -	At planning stage, detailed plan to be completed by 2013, financing unresolved
Cambodia	Railway project from Preah Vihear province - Koh Kong province	Rail	9,600	404km	Cambodia Iron & Steel Mining Industry Group, China Railway Group	2013 - 2016	At planning stage
Vietnam	Railway development plan (includes construction of Hanoi - HCM City railway line, Lao Cai - Hanoi - Hai Phong line, Hanoi - Dong Dang line)	Rail	9,300	NA	Vietnam Railway Corporation	2012 - 2015	Received government approval, preparations being finalised

Source: BMI

“Asia is a key strategic region leading the company’s international volume growth”

- Christopher Perkins, Business Development of UPS Asia Pacific -

Source: UPS Press Release, (April 20, 2012)



CURRENT INFRASTRUCTURE OUTLOOK

The lack of adequate modern infrastructure is the main restricting factor in maximising trade volumes through the region today. Cross border plans currently being implemented will better integrate the regions supply chain and allow for more effective movements of goods. This will positively impact the emerging logistics industry and uncover many opportunities in the coming years.

Road network

Land transport plays a crucial role in connecting ASEAN members. However, due to the quantity of island states, land transport has its limitations and alternative transport also needs to be strengthened.

Investment has been made to integrate the regions road network. The main priority is to reduce bottlenecks and upgrade current roads to class III standards¹. All ASEAN countries are part of the Asia Highway Master Plan, which is designed to integrate the region by establishing an effective trunk road network, current road improvements are working towards this master plan.

Table 3: Road Network Projects Breakdown

Country	Number of projects
Brunei	0
Cambodia	1
Indonesia	17
Laos	0
Malaysia	3
Myanmar	1
Philippines	1
Singapore	2
Thailand	2
Vietnam	25
Total	52
Total Value (US\$)	100 billion

Source: BMI

Table 4: Road Network Country Rating

Indonesia	Malaysia	Philippines	Singapore	Thailand	Vietnam
Bad	Good	Fair	Good	Good	Fair

Source: Jones Lang LaSalle

¹ Class III road standards constitute a two lane road with double bituminous surface treatment.



Rail network

The rail network throughout the region is currently underdeveloped and investing in a more efficient rail network will present significant advantages. The ASEAN community has targeted rail as a major investment sector and plans have been approved to invest in creating a more integrated network. Priority investment will be given to the sections of the railway which connect ASEAN with China (indicated in the rail diagram - Figure 12). Although rail network investment will benefit the peninsular economies most, it will also have a positive impact on the wider ASEAN region (Indonesia and Philippines).

The current scheduled investment in ASEAN rail networks currently totals USD 200 billion.

Table 5: Railway Network Country Ranking

Indonesia	Malaysia	Philippines	Singapore	Thailand	Vietnam
Bad	Good	Bad	Good	Good	Fair

Source: Jones Lang LaSalle

Table 6: Rail Network Projects Breakdown

Country	Number of projects	
	Total	Total Value (US\$)
Brunei	0	
Cambodia	2	
Indonesia	16	
Laos	3	
Malaysia	6	
Myanmar	1	
Philippines	4	
Singapore	4	
Thailand	13	
Vietnam	10	
Total	59	200 billion

Source: BMI

Figure 12: ASEAN Railway Network





CURRENT INFRASTRUCTURE OUTLOOK

Maritime

The geographical profile of Southeast Asia means that shipping lanes are key to achieving an effective supply chain network. There is great potential for ASEAN to leverage and capitalise on the shipping industry, due to its strategic location on major global shipping routes. Southeast Asia remains an important hub for cargo flows, given its prominent location and advanced port infrastructure.

The shipping lane diagram (Figure 13) shows the major shipping routes through the region and exemplifies the ASEAN nations prominent position within the global trade network, explaining their large trading volumes. The Straits of Malacca carries over $\frac{1}{4}$ of the world's trade. It is one of the most important shipping lanes in the world and is the main shipping channel between the Indian Ocean and the Pacific.

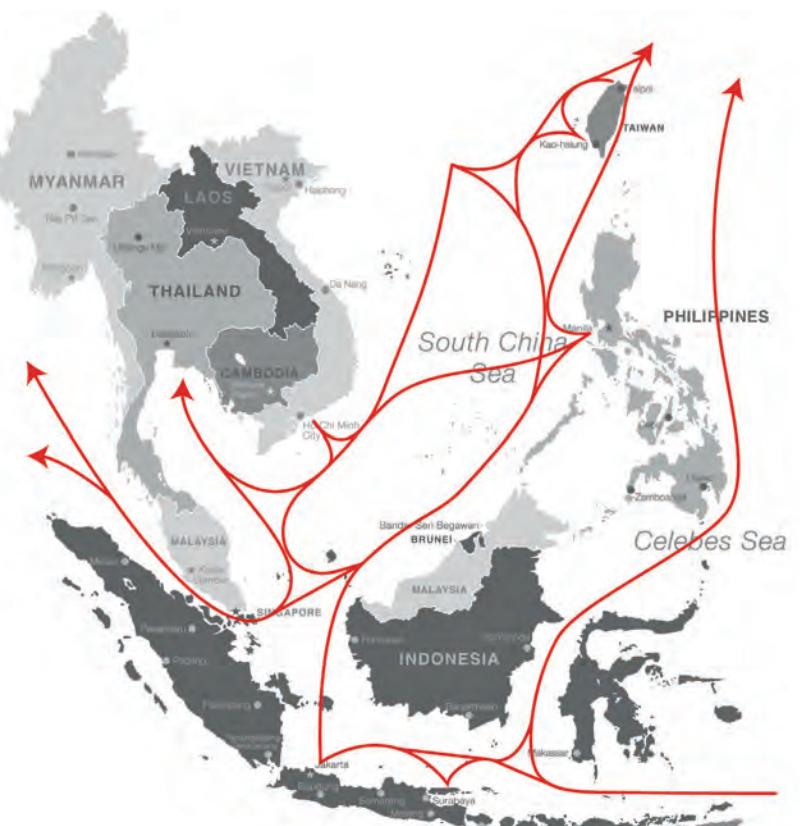
A changing global shipping strategy is demanding larger ports with increased cargo handling capacity

New ships entering the market are requiring larger ports to handle greater loads. Southeast Asia currently has two ports in Singapore and Malaysia which can handle these new vessels, which puts the region in a strong position looking forward.

The ASEAN Single Shipping Market lays out a strategy to create an efficient shipping network to facilitate the movements of goods throughout the ASEAN community and around the world. The Single Shipping Market will aim to achieve the following:

- Harmonise regulatory requirements and commercial practices.
- Improve the capacity and technologies required to manage shipping and port operations.
- Develop guiding principles for the pricing of port services.
- Intensify infrastructure development to support the effective and efficient operation of intra-ASEAN shipping services.
- Carry out liberalisation of services that support the maritime trade, including maritime cargo handling services, storage and warehouse services, and freight transport agency services.

Figure 13: ASEAN Shipping Lanes





Quality of Port Infrastructure

Table 8 represents the quality of the port infrastructure of each of the ASEAN-6. Port infrastructure varies from level 1, which is extremely underdeveloped, to 7, which is well developed and efficient by international standards.

Port quality is excellent in Singapore handling the largest volumes of goods out of its ASEAN peers. Port quality in Malaysia and Thailand are also good, while the port quality in Indonesia, Philippines and Vietnam falls behind considerably.

Table 7: Port Quality Country Rating

Indonesia	Malaysia	Philippines	Singapore	Thailand	Vietnam
Fair	Good	Bad	Good	Good	Bad

Source: Jones Lang LaSalle

Table 8: Quality of Port Infrastructure

Rank	Country	2007	2008	2009	2010	2011	2012
1	Singapore	6.8	6.8	6.8	6.8	6.8	6.8
2	Malaysia	5.7	5.7	5.5	5.6	5.7	5.5
3	Thailand	4.7	4.4	4.6	5.0	4.7	4.6
4	Indonesia	2.7	3.0	3.4	3.6	3.6	3.6
5	Vietnam	2.8	2.8	3.3	3.6	3.4	3.4
6	Philippines	2.8	3.2	3.0	2.8	3	3.3

Source: World Bank

Linear Connectivity Index

The linear connectivity index represents a country's position amongst global shipping lanes and is a good indicator as to a country's relevance to the global trade network.

The linear connectivity index shows a ports location to major global shipping lanes, the index is strongly influenced by the ports significance and therefore Singapore ranks 3rd in global rankings. Malaysia is ranked 5th in the world as it ports like Singapore are located along the Straits of Malacca, making Malaysia a particularly strong country for future growth. While all other ASEAN ports currently rank above 21st in terms of their prominence along shipping lanes, this is expected to improve as economies such as Indonesia draw greater volumes of trade to its ports.

Table 9: Linear Connectivity Index (maximum value in 2004 = 100) in 2012 Singapore Ranked 3rd in the world

Rank	Country	2007	2008	2009	2010	2011	2012
1	Singapore	87	94	99	103	105	113
2	Malaysia	81	77	81	88	90	99
3	Vietnam	17	18	26	31	49	48
4	Thailand	35	36	36	43	36	37
5	Indonesia	26	24	25	25	25	26
6	Philippines	18	30	15	15	18	17

Source: World Bank



CURRENT INFRASTRUCTURE OUTLOOK

Maritime

Figure 14: Port Throughput 2011/12



Source: Port Authorities 2011/2012

Table 10: Port Throughput 2011/12

Rank	Name of Port	Throughput (million TEU's)
1	Port of Singapore (SGP)	29.9
2	Port of Klang (MYS)	9.5
3	Port of Tanjung Pelepas (MYS)	7.5
4	Port of Tanjung Priok (IDN)	5.7
5	Laem Chabang (THA)	5.7
6	Port of Manila (PHL)	3.5
7	Saigon New Port (VNM)	3.0
8	Penang Port (MYS)	1.2
9	Hai Phong Port (VNM)	1.2

Source: ASEAN Statistics / Port Authorities

Table 11: Port Projects Breakdown

Country	Number of projects
Brunei	0
Cambodia	0
Indonesia	9
Laos	NA
Malaysia	2
Myanmar	1
Philippines	0
Singapore	1
Thailand	1
Vietnam	7
Total	21
Total Value (US\$)	35 billion

Source: BMI



Air transport

The ASEAN aviation industry provides a crucial role in connecting the community and has a current combined investment schedule value of USD 34 billion. The proposed development value for air transport total USD 34 billion and are at varying stages of construction, with some already nearing completion and others at the planning stage and not due to be completed until 2020.

Table 12 shows the breakdown of the aviation projects by country.

Table 12: Airport Projects Breakdown

Country	Number of projects
Brunei	0
Cambodia	1
Indonesia	4
Laos	0
Malaysia	1
Myanmar	0
Philippines	1
Singapore	1
Thailand	3
Vietnam	7
Total	18
Total Value (US\$)	34 billion

Source: BMI

Vietnam is clearly the most proactive country in terms of investment in air transport, investing close to USD 12 billion into 7 projects.

Table 13: Port Quality Country Rating

Indonesia	Malaysia	Philippines	Singapore	Thailand	Vietnam
Fair	Good	Bad	Good	Good	Bad

Source: Jones Lang LaSalle



MAJOR TRADE ROUTES

Figure 30 shows the most important trading channels within the ASEAN community

South North Route

The South-North trade route is the most important trade route of the member states, with goods flowing through Thailand, Malaysia and Singapore. Further extensions of the route include Indonesia, which is accessible by sea or air.

ASEAN China Route

China is currently ASEAN's largest and most important trade partner, therefore this route is likely to grow in prominence.

East West Route

This route is currently only accessible by road or air transport. However, rail lines are being constructed to connect Singapore to China via Vietnam, Laos and Myanmar. These new rail lines will boost the flow of goods between the member states and China, ASEAN's largest trading partner. Increasing connectivity between these two regions will be a key facilitator of sustained growth in the future (See Figure 12 on page 15).

ASEAN India Route

India has a strong trade relationship with ASEAN members, and trade volumes between the ASEAN community and India reached USD 79.3 billion in 2011-2012, surpassing the target of USD 70 billion. By 2015, trade volumes between ASEAN and India are expected to reach USD 100 billion, an increase of 26% from 2012.



Figure 15: ASEAN Trade Routes



Key economic growth drivers

The Logistics Performance Index ranks over 155 nations globally. The index is a reflection of a country's import export system, its trade infrastructure and cost, and is a good barometer in determining a country's capability in aiding trade movements.

Table 14 - Logistics Performance Index: Overall (1=low to 5=high)

Country	Global 2012 Rank	ASEAN Rank	2007	2010	2012
Singapore	2	1	4.2	4.1	4.1
Malaysia	29	2	3.5	3.4	3.5
Thailand	35	3	3.3	3.3	3.2
Philippines	44	4	2.7	3.1	3.0
Vietnam	53	5	2.9	3.0	3.0
Indonesia	75	6	3.0	2.8	2.9
World	NA	7	2.7	2.9	2.9

Source: World Bank Data Catalogue



POTENTIAL WINNERS OF ASEAN

INDONESIA

Key economic growth drivers

Growth in the economy has been stable over recent years, showing a strong resilience to global economic conditions, due to high domestic consumption and low dependency on exports. A strong end of year saw final 2012 GDP growth of 6.2%, and forecasts predict high growth in the future. Foreign Direct Investment also reported strong growth in 2012 and Q1 2013 saw a 27% increase from 2012 painting a good picture for 2013 as a whole.

Infrastructure/policy

Significant infrastructure investment is likely to be the most beneficial development in the country as it will facilitate future trade. Increased investment in proactive infrastructure projects are already benefiting the economy.

Challenges/key issues

Indonesia's main challenge is a lack of adequate infrastructure which is restricting economic growth, trade and foreign investment. An unskilled labour force also negatively affects investment into the country due to added complications of starting up business operations.

Population of: 240 million	GDP Growth: 6.2%	Number of infrastructure projects out of the top 150 in ASEAN: FORTY-SIX	Jones Lang LaSalle's Transparency index Rank out of the ASEAN-6: 4TH
Total Trade Value: 386 (bil US\$)	FDI inflows: 24.6 (bil US\$)		

MALAYSIA

Key economic growth drivers

Malaysia is set to see economic expansion, with growing consumption and foreign investment expected to be prominent growth drivers. Malaysia's recent elections saw no change in government; this is expected to have positive consequences on economic growth for the final half of 2013.

Infrastructure/policy

Investment in infrastructure and government policy will continue to attract foreign investment into the country. Enterprise zones and tax exemptions for certain companies will also increase investment.

Challenges/key issues

Malaysia faces challenges with government corruption which is a barrier for many international companies.

Population of: 29.3 million	GDP Growth: 5.6%	Number of infrastructure projects out of the top 150 in ASEAN: TWELVE	Jones Lang LaSalle's Transparency index Rank out of the ASEAN-6: 2ND
Total Trade Value: 416 (bil US\$)	FDI inflows: 9.6 (bil US\$)		



THAILAND

Key economic growth drivers

Thailand has rebounded well after the devastating floods and political unrest of 2011. 2012 growth figures showed a nation back on track, with end-of-year GDP growth of 6.4%. Stable growth is expected to continue, averaging out at 4.8% leading up to 2017. Growth was attributed to high foreign investment and a return to a productive economy after a slow 2011. Thailand also saw government rebates on car sales and subsidised rice which assisted in driving strong growth in 2012.

Infrastructure/policy

Thailand has good infrastructure and this has made it an attractive option for foreign investors. Government policy has also been proactive in facilitating foreign investment by investing in systems and infrastructure over recent years. Government policy around ownership rights however, are detrimental to achieving full potential in terms of investment.

Challenges/key issues

The key challenges in Thailand are its potentially volatile political climate. Overloaded ports are reducing Thailand's ability to compete with neighbouring countries.

Population of: 69.8 million	GDP Growth: 6.4%	Number of infrastructure projects out of the top 150 in ASEAN: NINETEEN	Jones Lang LaSalle's Transparency index Rank out of the ASEAN-6: 5TH
Total Trade Value: 446 (bil US\$)	FDI inflows: 8.1 (bil US\$)		

PHILIPPINES

Key economic growth drivers

Philippines saw strong growth in 2012, with end-of-year figures showing a 6.6% increase in GDP from the previous year, the largest growth rate of any ASEAN economy. Philippines economy saw strong growth in 2012 due to strong investment activity, a resilient consumer market and a surging construction market.

Infrastructure/policy

Infrastructure is an issue in the Philippines with port and air terminals at capacity and an overloaded road network. The government is investing in infrastructure and is starting to establish public/private partnerships to boost the construction of infrastructure.

Challenges/key issues

There are some corruption problems in the Philippines and some territorial disputes which raise concerns. There are also restrictions for foreign ownership and this restricts the country from maximising foreign investment.

Population of: 96.4 million	GDP Growth: 6.6%	Number of infrastructure projects out of the top 150 in ASEAN: SIX	Jones Lang LaSalle's Transparency index Rank out of the ASEAN-6: 3RD
Total Trade Value: 112 (bil US\$)	FDI inflows: 2.1 (bil US\$)		



POTENTIAL WINNERS OF ASEAN

VIETNAM

Key economic growth drivers

Despite the recent lack of global demand, Vietnam has seen strong economic growth and a strong export sector in recent years. A growing domestic market is also helping attract further inward investment and is boosting economic growth and trade.

End-of-year GDP growth was 5% in 2012.

Infrastructure/policy

Vietnam has been steadily investing in infrastructure over recent years. The need for significant investment has led to many infrastructure projects being jointly financed through Public Private Partnerships, as a way to increase the pace of development.

Challenges/key issues

Restrictions on foreign ownership are a barrier for many international investors and tensions over territories with China are also a source of some volatility. Lack of effective transport infrastructure also holds back the effective movement of goods through the country.

Population of: 89.7 million	GDP Growth: 5%	Number of infrastructure projects out of the top 150 in ASEAN: FORTY-NINE	Jones Lang LaSalle's Transparency index Rank out of the ASEAN-6: 6TH
Total Trade Value: 224 (bil US\$)	FDI inflows: 8.4 (bil US\$)		



TRADE VOLUMES AND REAL ESTATE DEMANDS ARE CLOSELY LINKED

Trade agreements and increasing consumption in southeast asia will drive the industrial real estate markets of the future

Southeast Asia is at a turning point, with modernisation and economic factors driving the need for sophisticated and efficient real estate facilities to aid an increasingly complex supply chain. Industrial inventories in many emerging markets are old and don't meet current investment grade standards, creating significant opportunities for developers.

Yields in the industrial markets of South East Asia remain strong and the increasingly stable economic and political climate of these countries continues to position them further down the risk curve. As countries continue to witness greater consumption and a strong rise in e-commerce, the current trend for modernisation and development of industrial inventories is set to accelerate. Real estate facilities which cater to all forms of supply chain activities, from transhipment to domestic distribution facilities, will have a key role to play in the industrial landscape of the future.

The European Example

When the European Union was established, less developed nations in Europe witnessed rapid modernisation of industrial stock, and this continues as new member states enter the EU. Nations which previously could not trade competitively with other member states became hubs for investment due to their low cost base, leading to significant opportunities to develop and modernise supply chain real estate.

This European example provides insights into the changing patterns which will be experienced when trade barriers between member ASEAN states are eliminated in 2015.

Opportunities

Increasing wealth and consumption coupled with improved infrastructure will present new opportunities in the ASEAN real estate markets. The demand for logistics facilities is growing and the industrial sector continues to see large changes, while this presents challenges there are significant opportunities for early market entrants.

Foreign investors are targeting Southeast Asia as a prominent growth region due to stable economic conditions, a strong demographic profile and rising regional trade volumes in the face of slow global demand, leading to increased confidence in the region and strong investment activity. As the region becomes more affluent and the economies continue to mature and modernise there will be an increasing need for modern supply chain solutions.

The logistics and distribution sector is being further boosted by proactive infrastructure investment which will modernise the transport network in the following decade. Investment in infrastructure has been extensive over recent years and this is expected to accelerate looking forward.

It is Jones Lang LaSalle's view that modern supply chain facilities will be in increasing demand in the future and this will lead to significant opportunities for logistics developers and operators who choose to strategically invest in the ASEAN markets.

“Vietnam and Indonesia needs modern new warehouses with sophisticated systems to handle large volumes of goods efficiently”

- Deyell, Linfox Solutions Principal -
Source: Linfox, Asia Pacific Solution Report 2012



Jones Lang LaSalle has over 50 years of experience in Asia Pacific, regionally we comprise 25,100 people in 78 offices across 14 countries. We are in a unique position to provide our clients in depth market knowledge of the emerging markets of Southeast Asia. A proven track record in meeting the high standards of our corporate clients makes Jones Lang LaSalle one of the most trusted real estate consultants in the market.

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28 Jones Lang LaSalle • ASEAN LOGISTICS

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