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E-commerce driving Goodman

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Despite culling $11 billion of assets over the past five years, logistics property giant Goodman Group is on track to grow its global portfolio to at least $50bn in the next five years, according to chief executive Greg Goodman.

A large chunk of its current $35bn portfolio can be redeveloped into multi-storey warehouses.

“Just by redeveloping some of our existing assets, plus our $10bn pipeline, we will build up our assets to more than $50bn over the next five years,” Mr Goodman told The Australian.

“Locations and intensity of use will add more value to assets, but the major point is that we have got customers that want those buildings. There is more demand than supply.” Goodman co-owns with DP World the ATL Logistics Centre, Hong Kong’s largest multi-storey warehouse, offering 600,000sq m.

The group was also planning to build multi-storey warehouses in Sydney, Mr Goodman said.

Australia will remain Goodman Group’s core market, but it expects strong growth from the US and Asia, especially from China.

The past eight years have been transformative for the industrial property landlord.

It will become the second-largest A-REIT on the ASX if the $30bn Unibail-Rodamco takeover of Westfield goes ahead next month.

It will also become the Australian property group with most offshore exposure. And it is now Australia’s largest wholesale fund manager after edging in front of Lendlease and AMP Capital.

Much of its growth comes through being an early beneficiary of the e-commerce revolution, a phenomenon that has presented painful headwinds for some of its peers.

For Goodman, e-commerce has become the tailwind for earnings growth. E-commerce was forecast to double to 25-30 per cent of global retailing — up from $US2.3 trillion ($3 trillion) to $US4.6 trillion — in the next five years, Mr Goodman noted.

“What this actually means for industrial is rising demand for space,” he said. “Most of the big e-commerce operators are trying to get goods delivered within a day, and, to do that, they have to be close to their consumers.

“So land around urban major conurbations such as Shanghai, Beijing, Sydney, London, Paris, New York and Los Angeles is in great demand.

“Over the past five or six years, we have been very focused on land because we can see the demand for supply of warehouses that will come from e-servicing companies — e-commerce and parcel delivery operators — over the next five to 10 years.

“We have spent years making sure that we have land in those locations — and spending time with customers to understand their requirements.” Mr Goodman said that as land became more expensive, the intensity of its use would increase. So there will be a shift to multi-storey warehouses in the heart of cities. Such developments are not uncommon in Asia, and are starting to be built in New York and London.

More than 60 per cent of Goodman tenants are e-commerce groups. Amazon was its fourth-largest tenant five years ago. Today it is the largest.

Goodman's top 20 customers also feature a number of new names, including the German e-commerce group, Zalando.

Mr Goodman said the group had reshaped its portfolios to support changing customer needs — hence the sale of some $11bn in non-core assets.

But the asset recycling had ended following the recent sale of Goodman's European assets — including a tranche to Blackstone — and around $300 million worth in China.

As it sells, Goodman says the group replenishes with well-located sites in gateway cities where land is becoming harder to source and planning issues are "demonstratively difficult".

"Around the world we are working three to five years ahead of when our customers will require the space," Mr Goodman said. "We have $10bn in our land bank, which we will work through over the next three to five years." He picked Hong Kong, Japan and particularly China as the key growth drivers for the group over the next five years.

Asia and Europe each account for 20 per cent of Goodman group's global earnings. Australia remains the key market, with 40 per cent.

"Australia is still growing strongly," Mr Goodman said. "We have large tracts of land for big development opportunities." He added that the US was rising very rapidly. "Our investment in the US is high dollar value," he said. The group has been buying land in the infill areas of Los Angeles and New Jersey. The locations of the group's inventory carry an intrinsic value that has been shown to be an invaluable bonus when the land is rezoned for higher-end use, such as residential in Australia.

So far, Goodman group has raised $2.5bn rezoning land to residential use. "We have another $3bn worth of sites in the planning process to be rezoned for residential," he said. "Over the next decade we see $7bn worth of such rezoning in suburbs like Smithfield and Silverwater, in Sydney's inner west, and in Port Melbourne or the southeast of Melbourne." Such opportunities were not unique to Australia.There were similar opportunities with its land-bank in other large cities, Mr Goodman said.

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