Foreign investors targeting logistics real estate

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Foreign investors are increasingly looking at logistic properties as a good place to secure their return in the Chinese market.

Global Logistic Properties (GLP), the Singapore-based modern logistic facilities and service provider, entered into a strategic partnership with the China Materials Storage and Transportation Development Company (CMSTD) to explore business in the warehouse sector in August.

GLP will form a joint venture with CMSTD to develop logistics facilities in China with the former sharing a 49 percent stake in the venture. GLP has the option to increase its ownership to 50 percent, said Jeffrey Schwartz, co-founder of GLP and chairman of the executive committee.

As the largest Chinese state-owned warehouse logistics provider, CMSTD has an extensive portfolio of logistics assets and land holdings in premium locations across China.

According to the agreement, the joint venture will invest over 3.6 billion yuan ($585 million) to develop an initial pipeline of up to 1.3 million square meters of buildable area across China on 2.7 million square meters of land area, which CMSTD currently holds.

In addition, GLP will invest 2 billion yuan to acquire a 15.3 percent stake in CMSTD through a private placement and become the second largest shareholder in CMSTD.

"We are excited by the accelerating growth momentum in our China business. With the support and facilitation of the Chinese investor consortium, we are pleased to establish this strategic partnership with CMSTD, which will greatly strengthen our market-leadership position and boost our development pace across China," said Schwartz.

GLP is not the only foreign investor to increase stakes in China's logistic property sector.

On May 29, the Dutch pension fund APG Asset Management announced it would pay up to $650 million to acquire 20 percent shares from the Chinese warehouse service operator Shanghai e-Shang Warehousing Services Co Ltd and set up a joint venture for deep penetration in China.

E-Shang, which was founded by Warburg Pincus and two local entrepreneurs, currently owns over 1.5 million square meters of completed and ongoing projects in China. It has a presence in Shanghai, Beijing, Guangzhou of Guangdong province as well as a number of second-tier cities with a focus on providing premium warehouse services and logistic services.

"We are delighted to partner with e-Shang and Warburg Pincus on this exciting venture. We have watched this sector closely over the last few years and this investment is consistent with our strategy to gain the right exposure to the Chinese logistics real estate market," said Sachin Doshi, head of non-listed real estate for Asia-Pacific at APG.

"With the continued growth of third party logistics, e-commerce and the evolution of domestic consumption patterns combined with a severe shortage in the supply of modern logistics facilities, we strongly believe that the logistics real estate sector in China will be a long term beneficiary of these trends," said Doshi.

Apart from Property GLP and APG, RRJ Captial and SeaTown, a unit of Singapore state investor Temasek Holdings TEM, UL, agreed to invest $250 million in the Chinese logistics company Shanghai Yupe Group in April.

Australia logistics giant Goodman has also announced it will increase investment in the logistics sector in the next few years,.

Experts said compared to the other types of properties such as residential properties, logistics properties generate higher returns for investors, which make investors willing to put money into the sector.

"The logistics sector has attracted increasing investors' attention, given its attractive yields and solid industry fundamentals. This is particularly true when compared with the already competitive and congested office and retail markets and the highly-regulated residential market with abundant supply," said Frank Chen, head of CBRE China Research.

Global Logistic Properties' logistics park at Changshu, Jiangsu province as a regional distribution center. PHOTO PROVIDED TO CHINA DAILY

Customs benefit provincial logistics

By ZHUAN TI

The Customs in the provinces along the Yangtze River handled 210 million tons of cargo in the first half of this year, accounting for 94 percent of the total imports and exports passing through the Shanghai port.

"This should be owed to the measures the Shanghai Customs have taken to promote the smooth flow of bonded logistics," said an official with the Shanghai Customs.

The measures ensure the seamless connection of coastal cargo with highways and railways so that enterprises can import parts and export products in a timely fashion, said the official.

Take the Molex Connector (Chengdu) Co Ltd as an example, which produces electronic components for the global market with raw materials imported through the Shanghai Waigaoqiao Bonded Area. It finds that costs will be high if it transports raw materials to Chengdu by highway, so it has resort to the Shanghai Customs for railway transport.

After a discussion with the railways authorities, the Customs solved the problem and gave a green light to Molex to transport its imported raw materials by railway.

By using the new transport model, the company succeeded in transporting its first batch of goods from Shanghai to its warehouses in the Chengdu Comprehensive Bonded Area.

"We can save more than 4 million yuan a year by using the new model," said a company manager.

"The new model now operates smoothly," the Customs official said, adding that with the new transport model, enterprises along the Yangtze River can get bonded goods from the Shanghai Waigaoqiao Bonded Area to wherever highways and railways go.

China is now carrying out a strategy to relocate its industries along coastal areas to the central and western regions. If enterprises use this model, they can save annual transport costs of more than 100 million yuan or even several billions, the official said.

Measures the Shanghai Customs have taken ensure the seamless connection of coastal cargo with highways and railways. Trucks carrying containers are driving out of a port of the Shanghai Free Trade Zone. PHOTO BY REUTERS

The Shanghai Customs has established a regional Customs cooperation mechanism with its provincial counterparts, handling imported and exported goods valued at $18.2 billion between January and June of this year, up 39.5 percent over the same period last year, of which cities along the Yangtze River shared $11.6 billion.