

ESR, AXA IM – Real Assets and a leading sovereign wealth fund acquire circa US\$1 billion portfolio in new Japanese logistics joint venture



Fujiidera Distribution Centre, Osaka



Namamugi Distribution Centre, Tokyo

TOKYO/SINGAPORE/HONG KONG, 8 January 2019 – ESR, a leading Asia-Pacific logistics real estate platform, announces that it has formed a new core joint venture (the “Core JV”) with AXA Investment Managers - Real Assets (“AXA IM - Real Assets”), a global leader in real asset investments, acting on behalf of clients, and a major sovereign wealth fund for acquisitions of core stabilised logistics assets in Japan, beginning with the acquisition of six newly completed prime assets for circa US\$1 billion. The Core JV has significant growth potential and will seek further investment opportunities diversified across Japan’s gateway cities utilising commitments from the existing investors while over time considering raising additional capital from new investors.

The initial portfolio comprises newly-built modern logistics assets by ESR – all with an average age of three years or less and located in prime locations within Tokyo and Osaka. The Core JV will have access to ESR’s strong in-house pipeline of self-developed properties in Japan and will also consider acquisitions of select third-party stabilised assets that align with its investment objectives. On the yield spectrum, it will focus on delivering stable core returns.

Stuart Gibson, Co-Founder and Co-CEO of ESR, and Charles de Portes, Co-Founder and President of ESR, made a joint statement, “We are excited to partner with AXA IM - Real Assets for this core investment vehicle. We view this as a unique international private investment partnership, offering long-term exposure to a highly-scalable, diversified portfolio of logistics and e-commerce assets located throughout Japan’s primary distribution markets tied most closely with domestic and global trade. This new investment platform is a testimony to the global institutional investment demand for stable logistics assets and income streams in Japan. It further affords a great opportunity for ESR to unlock the investment potential of our newly-built, modern logistics assets while delivering solid returns to our investors over the long term.”

In Japan, the logistics sector has been expanding at an 8%¹ annual growth rate. This drives the strong, sustained demand for modern logistics facilities, which currently only account for under 10% of the total logistics space in Japan² and are severely under-supplied.

Laurent Jacquemin, Head of Asia Pacific at AXA IM - Real Assets, commented, “This transaction represents a rare opportunity for us to not only invest in a large and well-established logistics portfolio in high demand locations that serve Japan’s two largest cities, but also establish a new joint venture

¹ Source: Japan Logistics Field Institute, Inc.

² Source: JLL

with two like-minded investors. Internet retailing continues to grow in Japan but the level of penetration is low compared to many other global markets, underpinning our confidence that building a portfolio of well-located modern logistics assets will allow us to deliver secure income returns over the long term for our clients.”

Josh Daitch, Senior Managing Director, Investment and Capital of ESR and Pierre-Alexandre Humblot, ESR Head of Private Capital, observed, “Scale in tenant relationships and debt management is key to achieving superior core returns in logistics. The perpetual investment vehicle has the potential to grow several-fold in the coming years, with a strong pipeline of stabilised assets while offering a higher-yielding alternative to J-REITs. In a logistics real estate market still characterised by a limited number of private institutional offerings, the vehicle’s seed portfolio comprises new, state-of-the-art facilities strategically located in prime logistics locations of the major metropolitan areas of Japan, making it extremely attractive.”

About ESR

ESR is a leading Asia-Pacific focused logistics real estate platform. Co-founded by senior management and Warburg Pincus, ESR is backed by some of the world’s preeminent investors including APG, SK Holdings, JD.com, CITIC CLSA, Goldman Sachs, CPPIB, PGGM, Ping An and Allianz. The ESR platform represents one of the largest in the Asia-Pacific region, spanning across the People’s Republic of China, Japan, Singapore, South Korea, Australia and India. As at 30 September 2018, the company’s assets under management (AUM) exceeded US\$14 billion, and the gross floor area (GFA) of projects owned and under development stood at approximately 11 million square metres.

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