

ESR wins Kwai Chung land bid to develop its first state-of-the-art cold storage and logistics project in Hong Kong

- Prime site located in the centre of Hong Kong, which is well-connected to Kowloon and Hong Kong Central Business Districts, Hong Kong International Airport and the border to Mainland China
- Enhances the Group's strategic position in a key global gateway logistics market
- ESR will form a fund with leading global capital partners to develop the asset



Artist Impression of the logistics site located in Kwai Chung

SINGAPORE/HONG KONG, 21 July – ESR Group Limited (“ESR” or the “Company”, together with its subsidiaries the “Group”; SEHK Stock Code: 1821), APAC’s largest real asset manager powered by the New Economy, today announced its maiden entry into the logistics market in Hong Kong by winning the Hong Kong government Kwai Chung LOT KCT531 land bid to develop a modern logistics site, further expanding its strategic network of institutional-grade New Economy real estate. In line with the company’s asset light strategy, ESR, through its wholly-owned subsidiary Sunrise Victory Limited, is committed to form a fund with its capital partners to develop and hold the asset.

The 55,245 square-metre site has a maximum Gross Floor Area (GFA) of 138,000 square metres, and a new 50-year lease expiring in 2072. The site is located at the junction of Mei Ching Road and Container Port Road South, Kwai Chung in the New Territories, commanding a strategic geographic location which is easily accessible by established road networks to Hong Kong’s central business districts, international airport, and the Mainland China border. Kwai Chung is widely considered to be

a prime location for modern logistics with all comparable warehouses in the area. Taking the Hong Kong government's land lease terms into consideration and to maximise the allowable GFA, ESR is looking to develop a seven-storey modern logistics facility, consisting of both cold and dry logistics.

Jeffrey Shen and Stuart Gibson, Co-founders and Co-CEOs of ESR, said: "We are delighted to win such a prime land site and it will be our inaugural project to bring ESR's leading expertise in modern logistics and sustainability to Hong Kong. This new development will fulfil the growing demand for large-scale, cutting-edge logistics space while enabling Hong Kong to reinforce its leading position as a leading logistics hub to the world and to China. We see tremendous potential value-add in the opportunity to tap our innovative design and planning expertise to create an exceptional development. Given ESR's deep experience in cold storage logistics and the fact that the average age of existing licensed cold storage assets is 32 years old¹, this property will provide a state-of-the-art facilities for the growing demand for cold storage in Hong Kong. The strategic location of this site also helps to unleash the full potential value of Kwai Chung vicinity and sustain the long-term development of the area by promoting job opportunities and thereby generate economic growth."

Rui Hua Chang, Group Head of Capital Markets and Investor Relations of ESR, said: "With vacancy rates for Hong Kong's logistics at just 1.4% as at 2Q 2022 which is the lowest since 4Q2014², ESR is confident that our product in the Hong Kong market will be capturing the high demand of cold storage logistics space. For the next four years, there is virtually no new supply of cold logistics coming to the market, while approximately 1 million square feet of cold storage space is being taken out of the market and being converted into data centres. Furthermore, with limited supply of new modern logistics to cater to growing e-commerce demand in Hong Kong and to serve cross-border requirements to China, rents in Hong Kong continue to be well-supported with a 5% to 10% expected growth for 2022."

The winning of this land bid is the Group's second New Economy asset in Hong Kong, following the Hong Kong government's approval obtained last Friday to convert an existing cold storage site into ESR's first data centre project in the market - Kwai Chung Data Centre. The conversion is expected to start in 2Q 2023 and first phase of power provided by CLP, will be coming in 2024. CLP, who is ESR's strategic partner in Hong Kong, will be working closely with ESR on the ESR Kwai Chung Data Centre as well as this new logistics facility to promote the use of renewable energy which will tie in together with ESR's 5-year ESG Plan.

About ESR

ESR is APAC's largest real asset manager powered by the New Economy and the third largest listed real estate investment manager globally. With US\$140.2 billion in total assets under management (AUM), our fully integrated development and investment management platform extends across key APAC markets, including China, Japan, South Korea, Australia, Singapore, India, New Zealand and Southeast Asia, representing over 95% of GDP in APAC, and also includes an expanding presence in Europe and the U.S. We provide a diverse range of real asset investment solutions and New Economy real estate development opportunities across our private funds business, which allow capital partners and customers to capitalise on the most significant secular trends in APAC. ESR is the largest sponsor and manager of REITs in APAC with a total AUM of US\$45 billion. Our purpose – *Space and Investment Solutions for a Sustainable Future* – drives us to manage sustainably and impactfully and we consider the environment and the communities in which we operate as key stakeholders of our business. Listed on the Main Board of The Stock Exchange of Hong Kong, ESR is a constituent of the FTSE Global Equity Index Series (Large Cap), Hang Seng Composite Index and MSCI Hong Kong Index. More information is available at www.esr.com.

¹ Colliers – Cold Storage Demand Increasing, 20th May 2021

² CBRE Commercial Property Market H2 2022 Outlook Media Briefing, 5th July 2022

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