

Industrial Market

Industrial market Snapshot 1Q17

12 May 2017

Manufacturing sentiment remains upbeat

The Singapore Purchasing Manager Index remained in expansionary territory for the eighth straight month, indicating that the manufacturing sector remains optimistic amidst stronger global economic growth. According to MTI advance estimates, Singapore's economy grew 2.5% y-o-y in 1Q17, which is at the higher end of the government's full year growth forecast of 1-3% for 2017.

The increasing pace of global economic activity would primarily benefit trade-related segments such as the electronics segment. However, recovery in the rest of the manufacturing sector is expected to remain "patchy" in the near term, according to a MAS report.

Prices continue to fall for the 8th straight quarter

Prices continue their downward march, with overall industrial prices falling by 2.2% q-o-q in 1Q17. By factory type, multiple-user and single-user factory prices fell by 1.8% and 3.0% q-o-q respectively. Multiple-user and single-user factory types are currently 11.8% and 17.7% below their peak levels in 2Q14 and 1Q15 respectively.

Strata volumes reach an 8 year low

The number of strata industrial transactions fell by 21% q-o-q and 17% y-o-y in 1Q17. Based on caveats data, there were a total of 165 industrial strata sales in 1Q17, the lowest number of transactions in a quarter for the past 8 years. There were only 14 new sales transactions in 1Q17, a level not seen since 4Q05. Rising vacancy rates and falling prices and rents continue to evoke a cautious stance among buyers. As such, some developers have decided to lease out their unsold units in a bid to wait out the current period of weak demand.

Healthy supply pipeline continues to pressure rents

The industrial rental market remains under pressure, with overall industrial rents falling by 0.9% q-o-q in 1Q17. Industrial rents are expected to remain under pressure with around 2.4 million sqm of industrial space expected to come online in 2017, which is higher than 2016's supply of 2.1 million sqm.

However, oncoming supply is expected to taper sharply from 2018 onwards, with supply in 2018 and 2019 falling to 1.1 million and 0.6 million sqm respectively. Assuming Singapore's economy continues to improve at this current pace, we could see industrial rents start stabilising towards the end of 2018.

RESEARCH & CONSULTANCYWong Xian Yang
HeadJohn Tay
Research AnalystE-mail: research@orangetee.com
Website: www.orangetee.comFollow us on 

Singapore | Industrial |

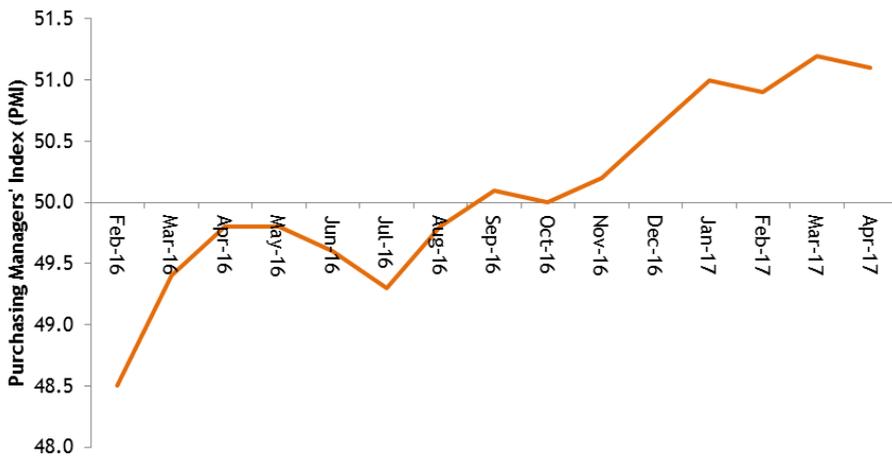
Exhibit 1: Key indicators

Indicators	4Q16	1Q17
Economy (Year on Year change %)		
GDP	2.9	2.5
Manufacturing	11.5	6.6
Property Market Indicators		
Price Index	95.4	93.3
Q-o-q Change (%)	-3.0%	-2.2%
Rental Index	93.8	93.0
Q-o-q Change (%)	-0.5%	-0.9%
3-month SIBOR	0.924%	0.939%
Q-o-q change (%age pts)	0.051%	0.015%

Note : 1Q17 GDP figures are advance estimates

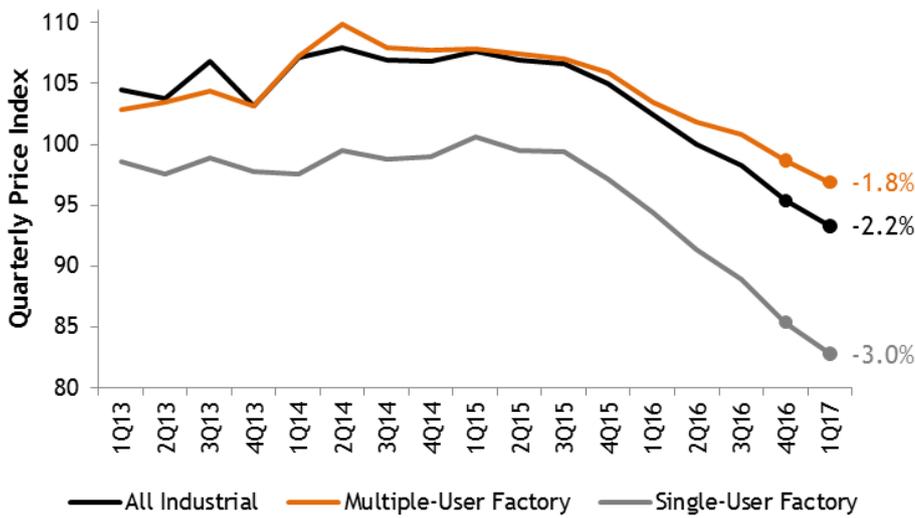
Source: JTC, MTI, DBS, BT, OrangeTee Research

Exhibit 2: Purchasing Managers' Index



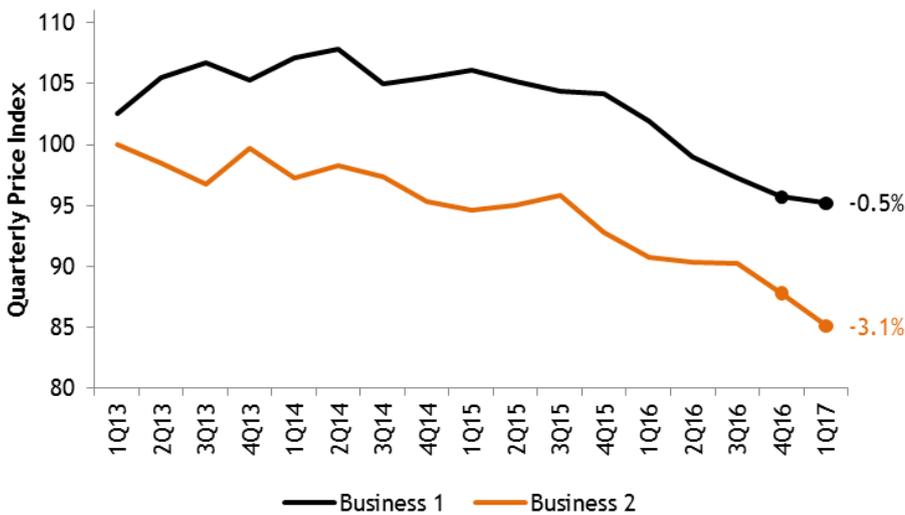
Source: SIPMM, Orangetee Research

Exhibit 3: Quarterly Industrial Price Index



Source: JTC, OrangeTee Research

Exhibit 4: Price Index of Multiple-User Factory, by land use zoning



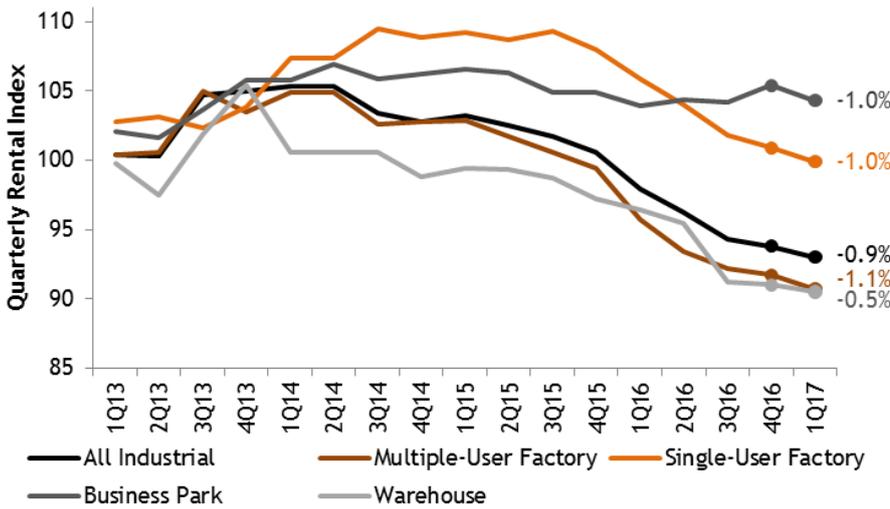
Source: JTC, OrangeTee Research

Exhibit 5: Transaction Volume based on Caveats Lodged



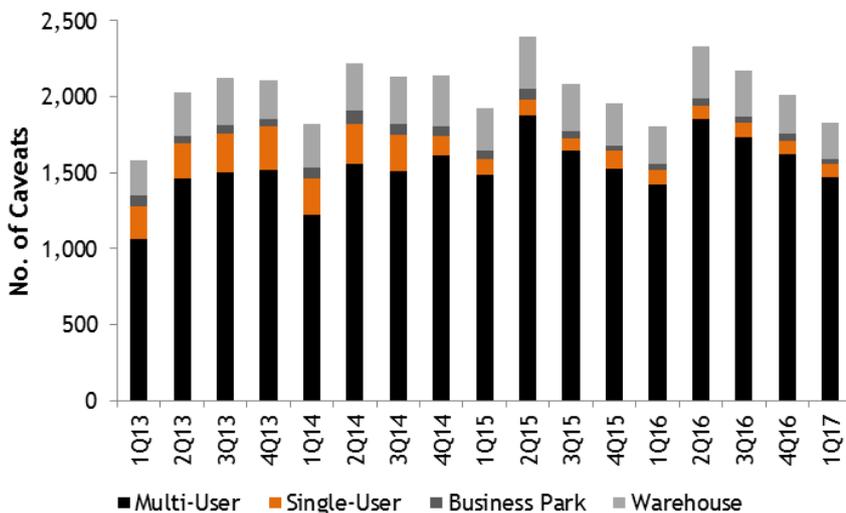
Source: URA, OrangeTee Research

Exhibit 6: Quarterly Rental Index



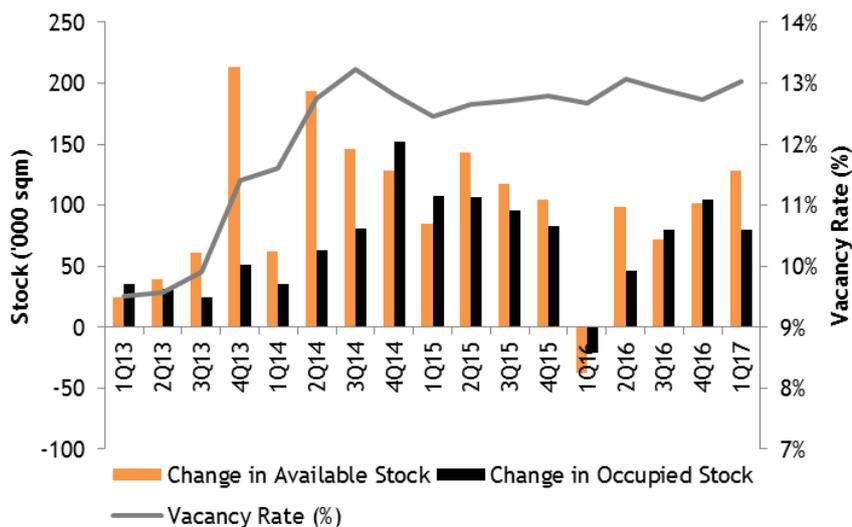
Source: JTC, OrangeTee Research

Exhibit 7: Rental Transactions (by factory types)



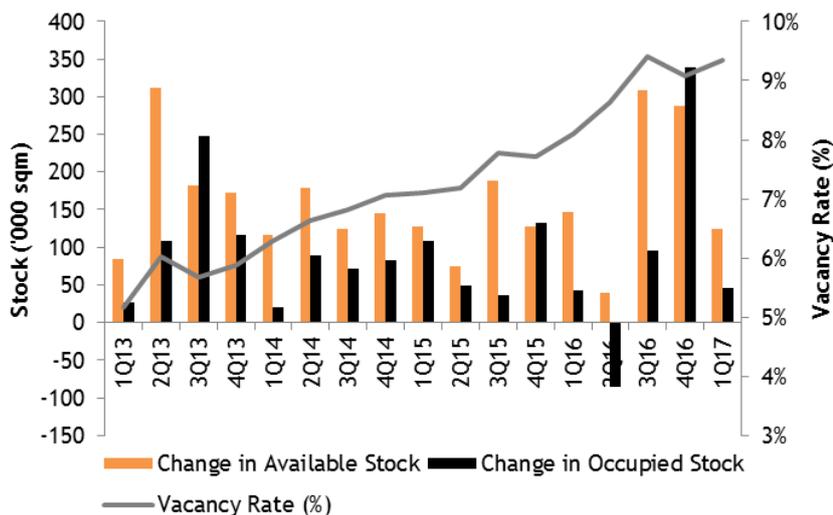
Source: URA, OrangeTee Research

Exhibit 8: Net absorption of Multiple-User Factory Space



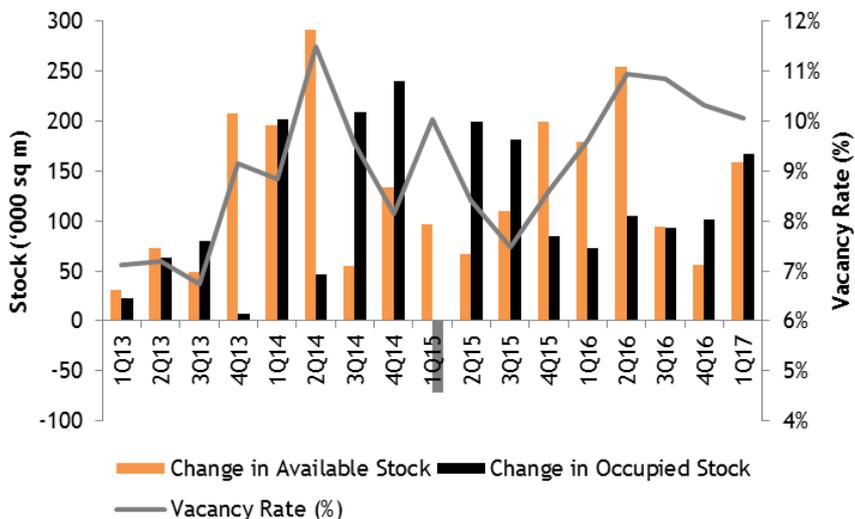
Source: JTC, OrangeTee Research

Exhibit 9: Net absorption of Single-User Factory Space



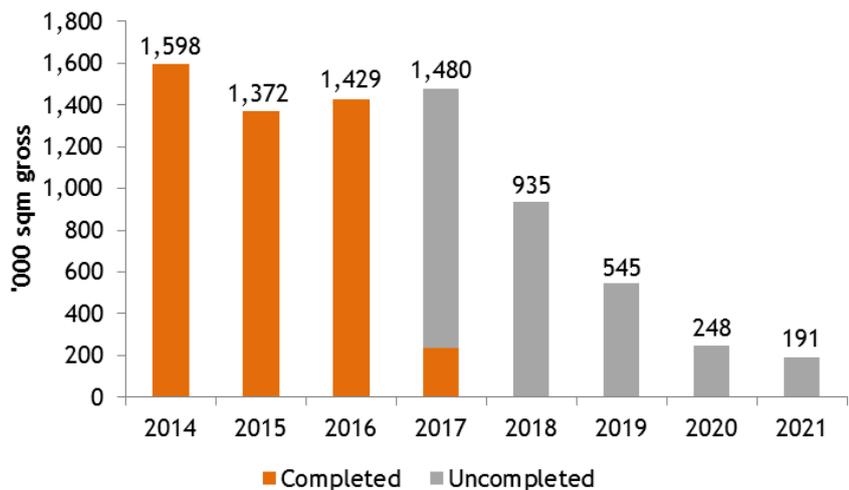
Source: JTC, OrangeTee Research

Exhibit 10: Net absorption of Warehouse Space



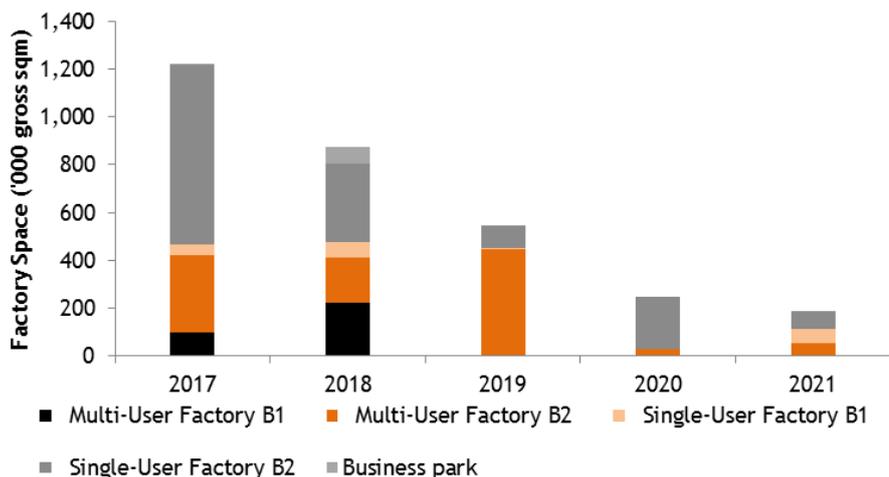
Source: JTC, OrangeTee Research

Exhibit 11: Supply in the pipeline (Factory Space including Business Parks)



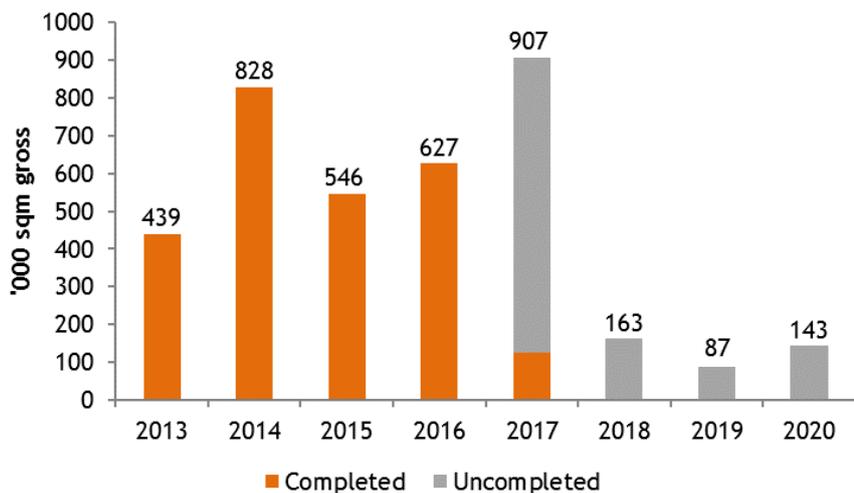
Source: URA, OrangeTee Research

Exhibit 12: Supply in the pipeline (Factory Space) by type and zoning



Source: URA, OrangeTee Research

Exhibit 13: Supply in the pipeline (Warehouse)



Source: URA, OrangeTee Research

OrangeTee's Featured Projects

WAVE 9



Location: Woodlands Industrial Park E9

Tenure: 30 years from 20 June 2014

Development Type: Light and General Industrial

Units mix:

- 100 factory units
- 1 staff canteen