

Industrial Market

Industrial market Snapshot 2Q17

10th August 2017

Manufacturing sentiment optimistic

Fuelled by a recovery in the global electronics trade, the Singapore Purchasing Manager Index extended its stint in expansionary territory to nine consecutive months, reflecting the manufacturing sector's positive sentiment. Singapore's economy maintained a 2.5% y-o-y level of growth in 2Q17, according to MTI advance estimates.

Although the manufacturing sector has performed beyond expectations in recent months, growth has been uneven, with the electronics and precision engineering clusters expanding due to strong external demand for semiconductors. In contrast, the general manufacturing cluster and construction sector remain plagued by a shortage of private sector activity, which may negatively affect their demand for industrial space.

An IMF statement issued in July affirmed that Singapore's economy is on track to pick up pace, even though global geopolitical risks and rising uncertainty loom large. Additionally, domestic challenges such as uneven recovery, subdued private investment, as well as a soft labour market will likely continue to hamper recovery.

Prices fall for the 9th straight quarter

Prices remained on a downward trajectory, with overall industrial prices shedding 1.6% q-o-q in 2Q17. Multiple-user and single-user factory prices fell by 1.5% and 1.3% q-o-q respectively, and is the first quarter since 3Q15 that single-user factory space proved to be more price resilient than multiple user factory space. Multiple-user and single-user factory types are now 13.2% and 18.8% below their peak levels in 2Q14 and 1Q15 respectively.

Cyclical upswing in transaction volume

Rental and transaction volumes have risen by 35.3% and 32.0% m-o-m respectively, with a record number of rentals since 1Q00. Though volumes have increased significantly, supply still far outstrips demand, resulting in vacancy rates of 9.8%, 13.6% and 11.9% for single user, multiple-user and warehouse space respectively. Notably, the negative change in occupied stock for single user factories has pushed vacancy rates to just a hair's breadth shy of the historical high of 9.9% set in 2Q03.

Supply glut a major drag on rents

The average 5-year annual demand for industrial space (excluding Business Parks) is approximately 1.1 million sqm, whilst the corresponding incoming supply for 2017 is more than twice that amount, at over 2.3 million sqm. Overall industrial rents fell by 0.75% q-o-q in 2Q17, and have fallen by 10.6% since 1Q15. The supply deluge is likely to continue eroding rents, as a laggard demand struggles to keep pace.

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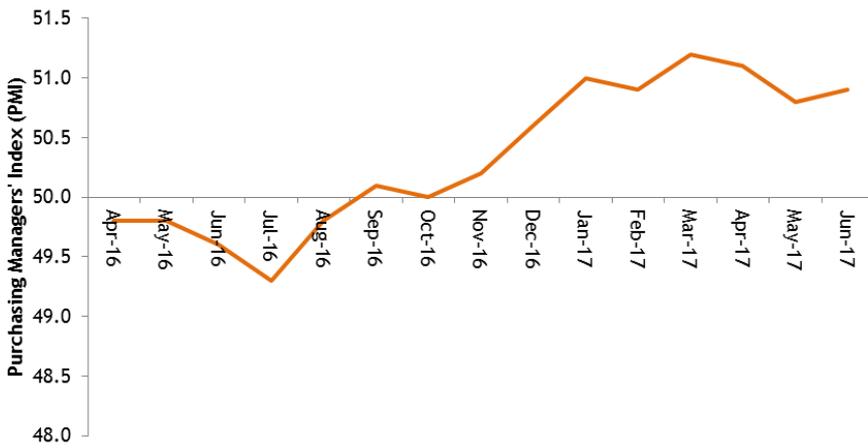
Exhibit 1: Key indicators

Indicators	1Q17	2Q17
Economy (Year on Year change %)		
GDP	2.5	2.5
Manufacturing	8.5	8.0
Property Market Indicators		
Price Index	93.3	91.8
Q-o-q Change (%)	-2.2%	-1.6%
Rental Index	93.0	92.3
Q-o-q Change (%)	-0.9%	-0.8%
3-month SIBOR	0.939%	0.993%
Q-o-q change (%age pts)	0.015%	0.054%

Note : 2Q17 GDP figures are advance estimates

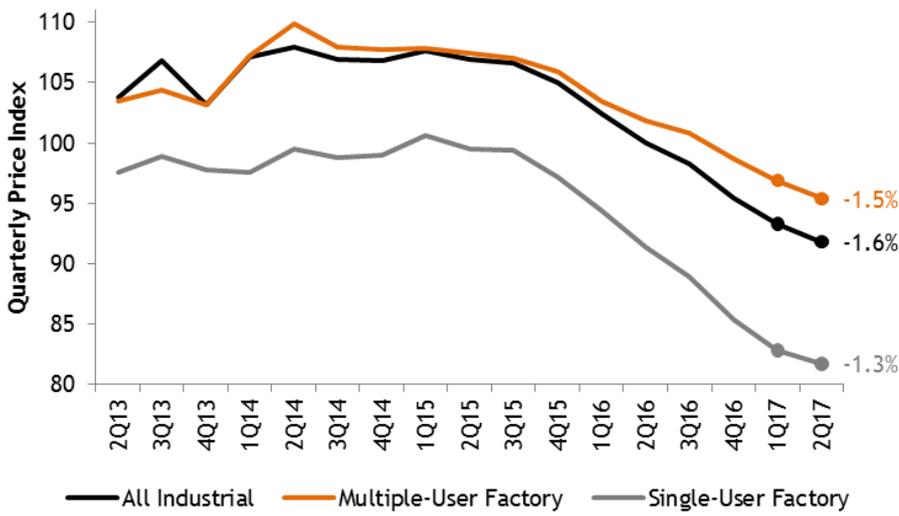
Source: JTC, MTI, DBS, BT, OrangeTee Research

Exhibit 2: Purchasing Managers' Index



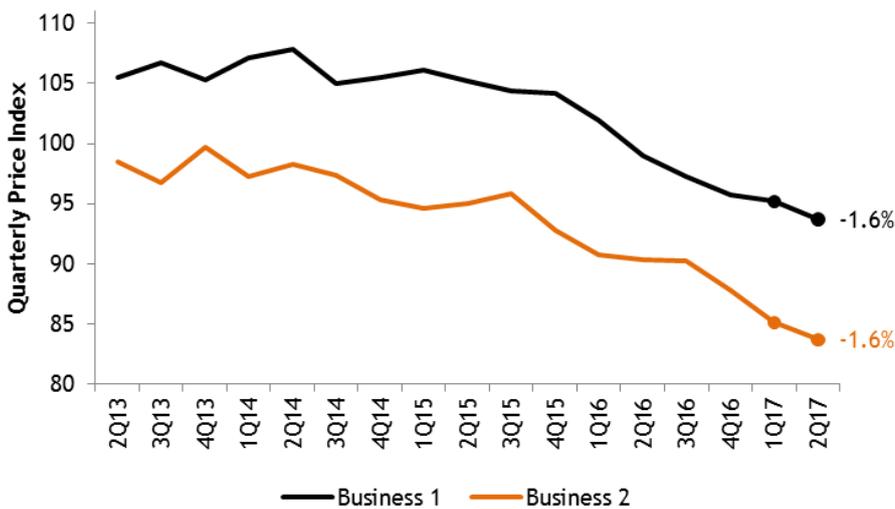
Source: SIPMM, Orangetee Research

Exhibit 3: Quarterly Industrial Price Index



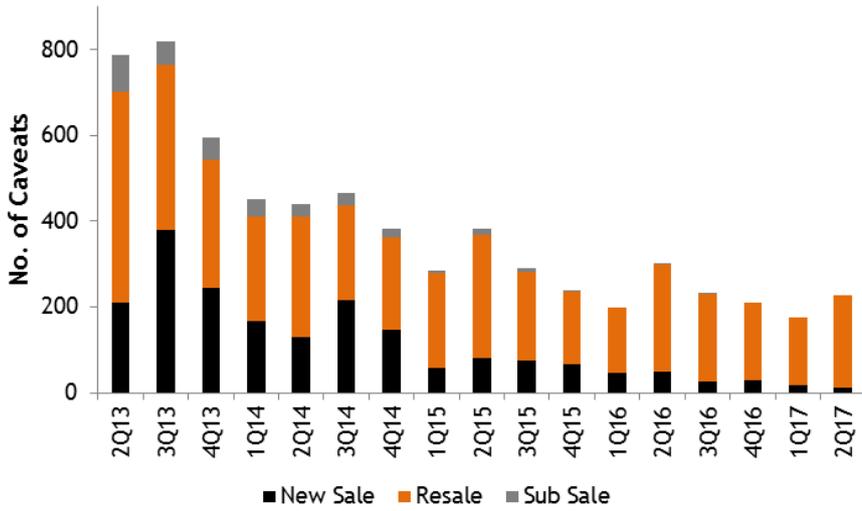
Source: JTC, OrangeTee Research

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



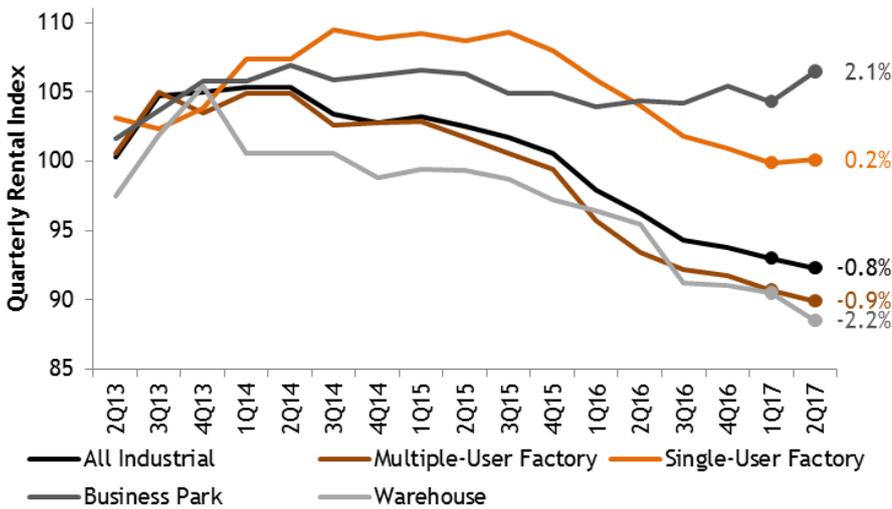
Source: JTC, OrangeTee Research

Exhibit 5: Transaction Volume based on Caveats lodged



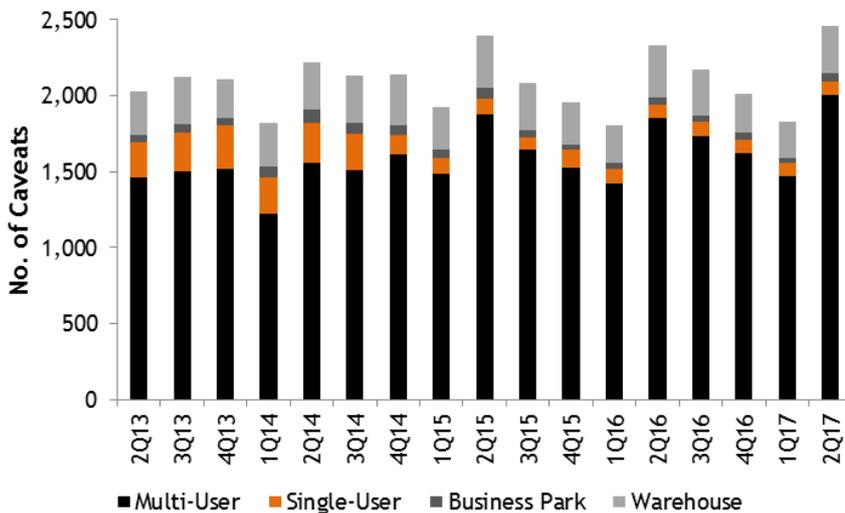
Source: URA, OrangeTee Research

Exhibit 6: Quarterly Rental Index



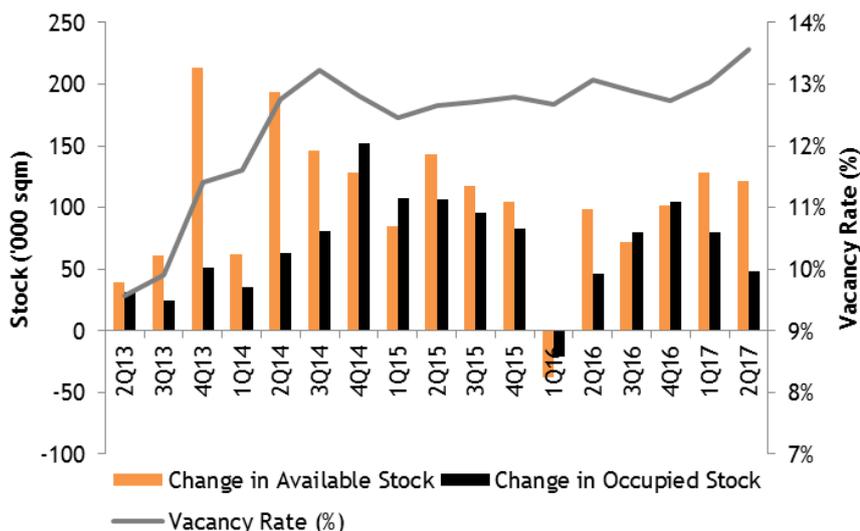
Source: JTC, OrangeTee Research

Exhibit 7: Rental Transactions (by factory types)



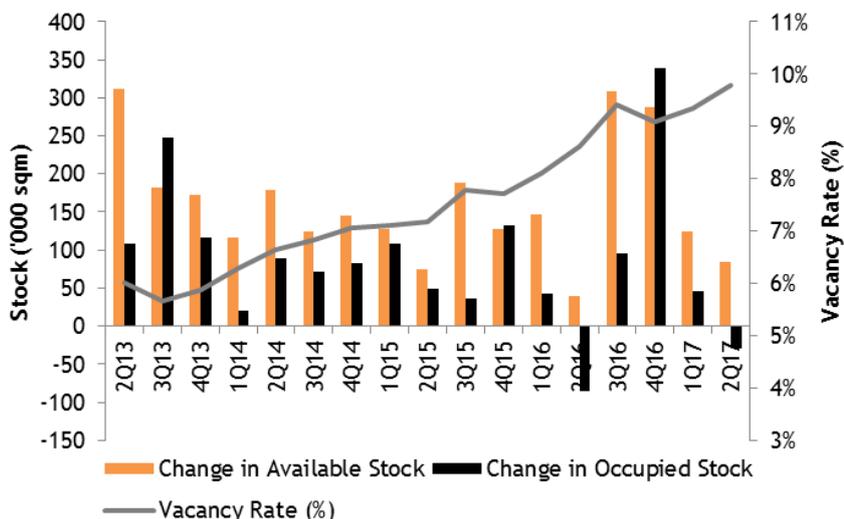
Source: URA, OrangeTee Research

Exhibit 8: Net absorption of Multiple-User Factory Space



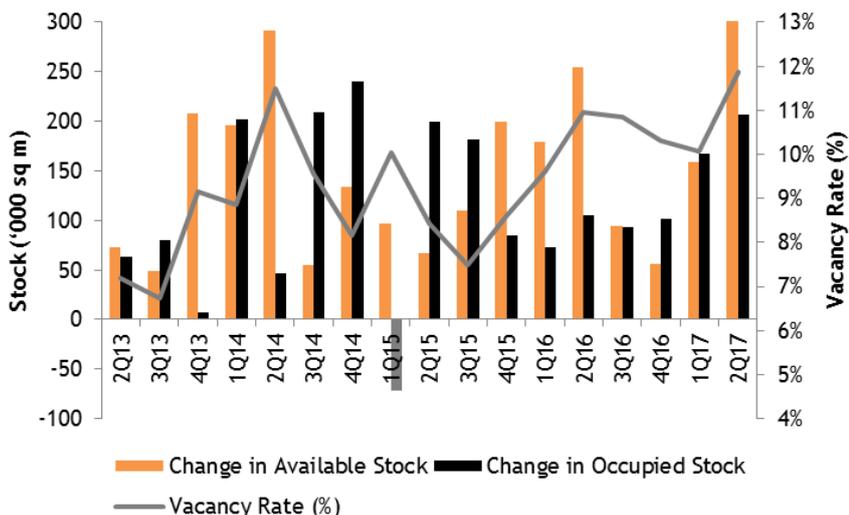
Source: JTC, OrangeTee Research

Exhibit 9: Net absorption of Single-User Factory Space



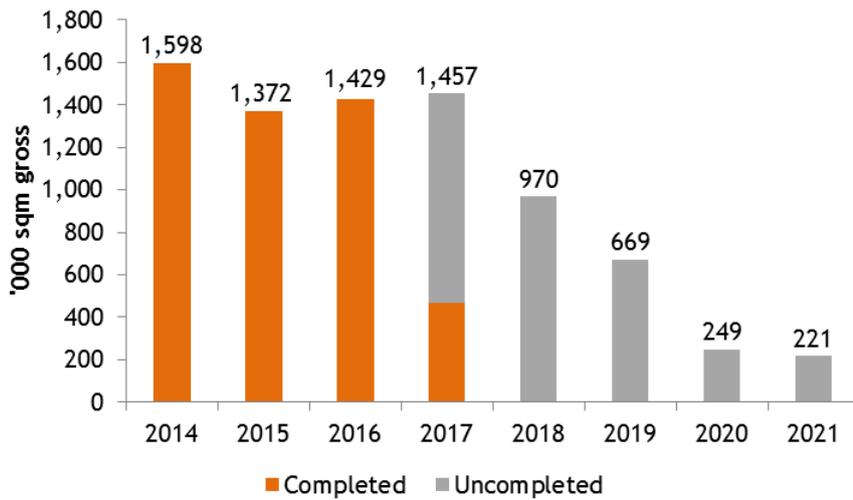
Source: JTC, OrangeTee Research

Exhibit 10: Net absorption of Warehouse Space



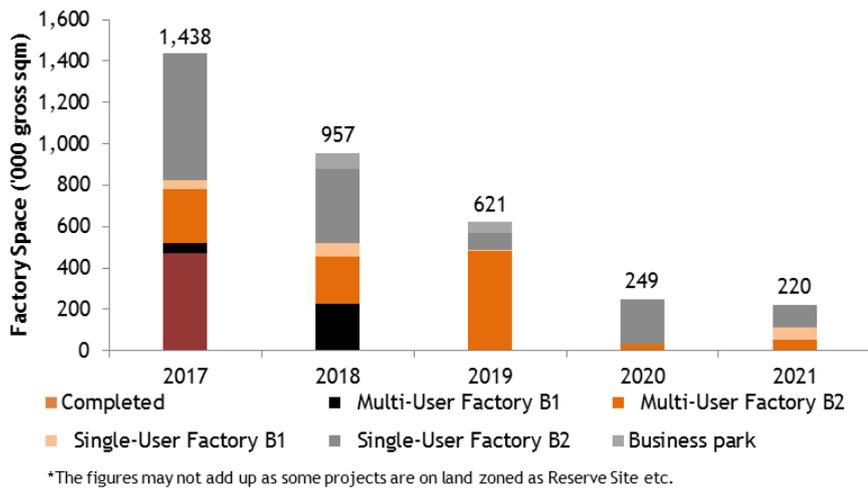
Source: JTC, OrangeTee Research

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



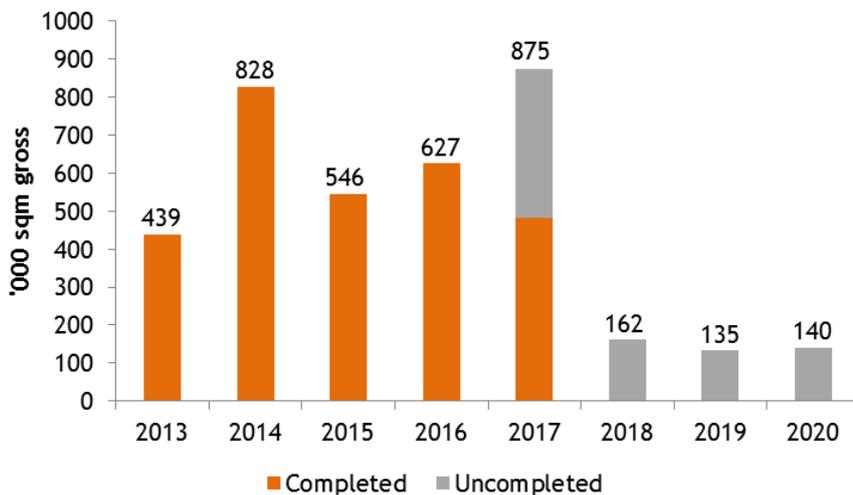
Source: URA, OrangeTee Research

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

LINK@AMK



Location: 3 Ang Mo Kio Street 62
Tenure: 60 years from 28 June 2011
Available Units for Sale: 3-storey Terrace Factories
Unit Size: from 7,728 sq ft
Availability: Immediate

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