

RENTS AND PRICES RISE FOR 12th STRAIGHT QUARTER

Industrial Market Trends Q3 2023



Artist impression of Food Vision @ Mandai

Industrial rents and prices rose for the 12th straight quarter on resilient demand and inflationary pressures in Q3 2023. Sales and rental activities, on the other hand, slowed amid higher interest rates and prevailing business uncertainties.



Artist impression of Food Vision @ Mandai

MANUFACTURING PERFORMANCE

Singapore's overall factory activity improved in September despite the ongoing geopolitical tensions and weaker global demand. The improvement came after six consecutive months of contraction, indicating that the manufacturing sector may have bottomed-out.

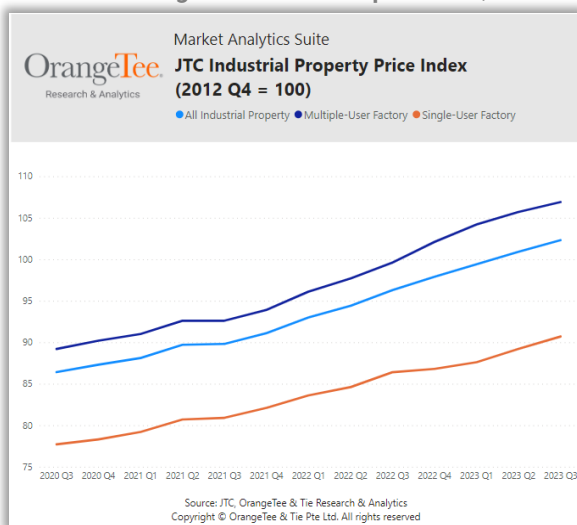
Based on Singapore Institute of Purchasing and Materials Management (SIPMM) data, the Purchasing Managers' Index (PMI) rose marginally by 0.2 points month-on-month to 50.1 (Chart 1). A reading below 50 indicates that the manufacturing sector is declining, while a reading above 50 means growth.

Chart 1 PMI improved slightly and expanded



PRICE TREND

Chart 2 Slower growth for overall prices in Q3 2023



Industrial prices grew slower last quarter as supply of newly completed industrial properties in the quarter (compared to Q2 2023) outpaced demand for strata-titled industrial properties.

Based on JTC's quarterly market report, the industrial price index climbed 1.4 per cent quarter-on-quarter (q-o-q) to 102.3 in Q3 2023 from 100.9 in Q2 2023 (Chart 1).

Price growth was similarly observed for multiple-user factories which increased by 1.1 per cent, and single-user factories which increased by 1.7 per cent from Q2 2023 to Q3 2023.

SALES VOLUME

As borrowing costs remain elevated, buyers and investors were more price sensitive. Most were looking for value-buys of chosen units that matched their financial capabilities or business goals. The buying prudence could have caused the industrial property sales to decline last quarter, dipping by 4.5 per cent q-o-q from 424 units in Q2 2023 to 405 units in Q3 2023 (Chart 3).

Resales, similarly, fell by 16.7 per cent q-o-q from 36 units in Q2 2023 to 30 units in Q3 2023 for single-user factories, followed by 3.7 per cent from 27 units to 26 units for warehouses, and 2.0 per cent from 352 units to 345 units for multiple-user factories over the same period. In addition, four new units for multiple-user factories were sold in Q3 2023.

Chart 3 Overall sales transactions fell by 4.5% q-o-q

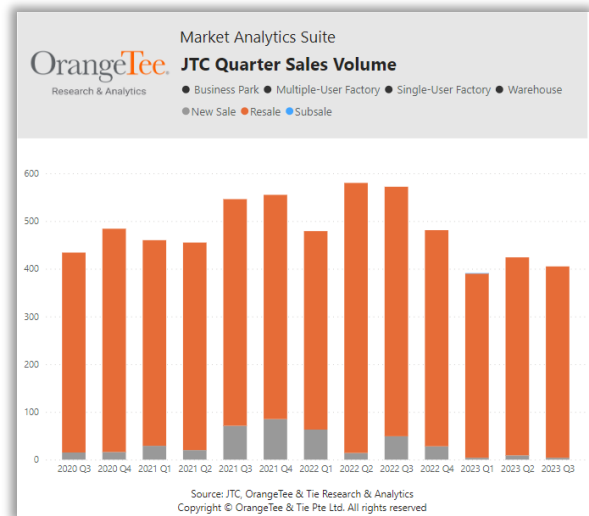


Table 1 Top 10 industrial sales in Q3 2023

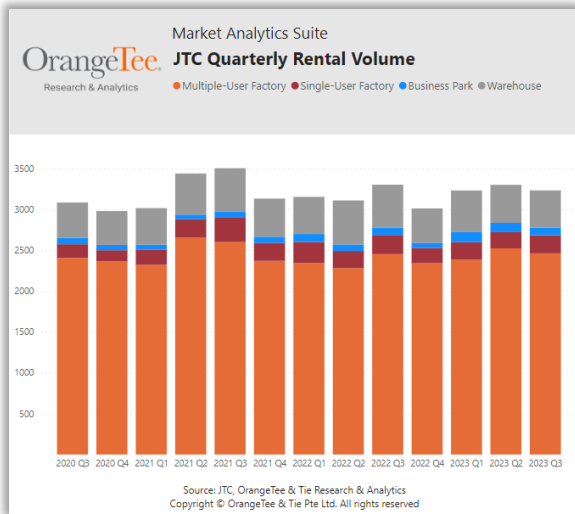
S/N	Project Name/Address	Area (SQFT)	Transacted Price (\$)	Property Type	Tenure	Planning Region
1	Sime Darby Business Centre	83,102	\$68,000,000	Multiple-user Factory	Leasehold	Central Region
2	Kimly Building #01-XX ETC	75,100	\$61,000,000	Multiple-user Factory	Freehold	North-East Region
3	Tuas Vista	133,745	\$53,000,000	Single-user Factory	Leasehold	West Region
4	Cheng Meng Building	24,699	\$39,990,000	Multiple-user Factory	Freehold	Central Region
5	Reebonz Building	86,112	\$39,000,000	Single-user Factory	Leasehold	East Region
6	TVS SCS Logistics Centre	123,115	\$30,115,000	Warehouse	Leasehold	East Region
7	8 Loyang Crescent	85,258	\$27,813,838	Single-user Factory	Leasehold	East Region
8	56,58,60,62 Senang Crescent	21,031	\$26,000,000	Single-user Factory	Freehold	East Region
9	Diethelm Keller Building	138,952	\$20,520,000	Single-user Factory	Leasehold	East Region
10	245 Jalan Ahmad Ibrahim	230,176	\$18,000,000	Single-user Factory	Leasehold	West Region

Source: URA, JTC, OrangeTee & Tie Research & Analytics

Total sales value in the last quarter fell by 11.4 per cent q-o-q to \$949.6 million from \$1.07 billion in Q2 2023. The biggest contributions came from single-user factories where were sold for \$10.4 million to \$53 million. Other major transactions in the quarter were multiple-user factories such as the Sime Darby Business Centre transacted for \$68 million, and Kimly Building, a strata-titled unit, sold for \$61 million (Table 1).

RENTAL TRENDS

Chart 4 Fewer rental transactions recorded in Q3

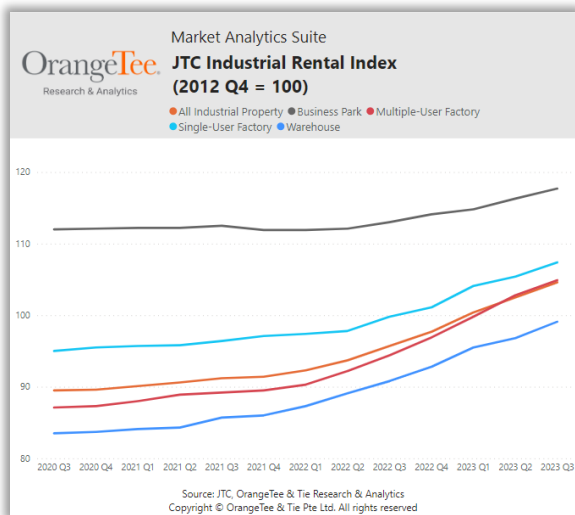


Many occupiers, especially smaller firms, refrained from expanding their businesses amid higher borrowing costs and prevailing business uncertainties. Instead, they may have held on to their existing assets or focused on space optimisation. Others could have right-sized their properties or opted for properties that offer shorter leases.

As a result, fewer rental transactions were recorded in Q3 2023. Total rental volume fell by 2.1 per cent q-o-q to 3,230 units in Q3 2023 from 3,298 units in Q2 2023.

The downtrend was also observed for business parks, multiple-user factories and warehouses as rental volume fell q-o-q by 18.6 per cent, 2.4 per cent and 1.9 per cent respectively in Q3 2023, respectively. In contrast, more rental contracts were signed for single-user factories as rental volume increased by 11.6 per cent q-o-q from 198 units to 221 units over the same period.

Chart 5 Slower growth for overall rents in Q3



On the other hand, overall industrial rents continued to grow last quarter, albeit at a slightly slower rate compared to the preceding quarter. This could be attributed to the increased supply of newly completed industrial properties in the market compared to Q2 2023.

Statistics show that the overall industrial rental index increased by 2.0 per cent q-o-q from 102.5 in Q2 2023 to 104.6 in Q3 2023 (Chart 5). Rents rose by 2.0 per cent from 102.8 to 104.9 for multiple-user factories and by 1.2 per cent for business parks from 116.3 to 117.7.

Conversely, the rental index for single-user factories saw a faster growth of 1.9 per cent in Q3 2023, up from 1.2 per cent in the preceding quarter. The rental increase may be driven by more demand for such factories, as seen by the rise in transactions last quarter.

Warehouse rents increased at a faster pace of 2.4 per cent in Q3 2023, from 1.4 per cent in the previous quarter. This could be due to a higher demand for logistics and production facilities, as well as limited supply of warehouses in the market.

Table 2 Median rentals of each industrial property type

Quarter	Multiple-User Factory		Single-User Factory		Business Park		Warehouse	
	Median Rental (\$PSM PM)	Q-o-Q % Change	Median Rental (\$PSM PM)	Q-o-Q % Change	Median Rental (\$PSM PM)	Q-o-Q % Change	Median Rental (\$PSM PM)	Q-o-Q % Change
Q3 2022	\$21.05	2.6%	\$16.55	-0.8%	\$45.21	2.4%	\$21.07	-0.5%
Q4 2022	\$21.91	4.1%	\$17.22	4.0%	\$45.95	1.6%	\$21.35	1.3%
Q1 2023	\$23.18	5.8%	\$18.82	9.3%	\$47.40	3.2%	\$20.44	-4.3%
Q2 2023	\$23.87	3.0%	\$19.25	2.3%	\$46.05	-2.8%	\$21.53	5.3%
Q3 2023	\$24.48	2.6%	\$19.36	0.6%	\$46.15	0.2%	\$22.60	5.0%

The median rentals for all industrial properties increased across the board last quarter, with the largest increase observed for warehouses by 5.0 per cent to \$22.60 psm, followed by multiple-user factories by 2.6 per cent to \$24.48 psm, single-user factories by 0.6 per cent to \$19.36 psm, and business parks by 0.2 per cent to \$46.15 psm (Table 2).

STOCK AND OCCUPANCY

Supply of new industrial properties continues to outweigh demand for industrial properties in 2023. Based on JTC statistics, the total available stock rose by 1.3 million sqm over the past year, compared to the same period last year. This outpaces the 0.8 million sqm increase in the total occupied stock.

Owing to the increase in new supply last quarter, the overall occupancy rate fell by 0.2 percentage points from 89.1 per cent in Q2 2023 to 88.9 per cent in Q3 2023.

Similarly, occupancy rates dipped by 0.2 per cent for multiple-user factories, 0.4 per cent for single-user factories, and 0.1 per cent for business parks over the same period.

On the other hand, fewer new warehouses were completed as there was a drop in available space by 9,014 sqm. However, demand for warehouses remains strong, driven largely by the transport engineering sector and the service industries.

As a result, the occupancy rate for warehouses rose from 91.0 per cent in Q2 2023 to 91.3 per cent in the last quarter.

Chart 6 Occupancy rates fell slightly to 88.9 per cent

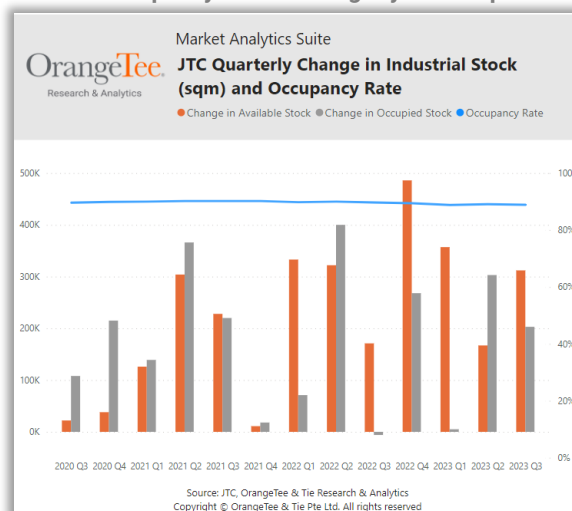
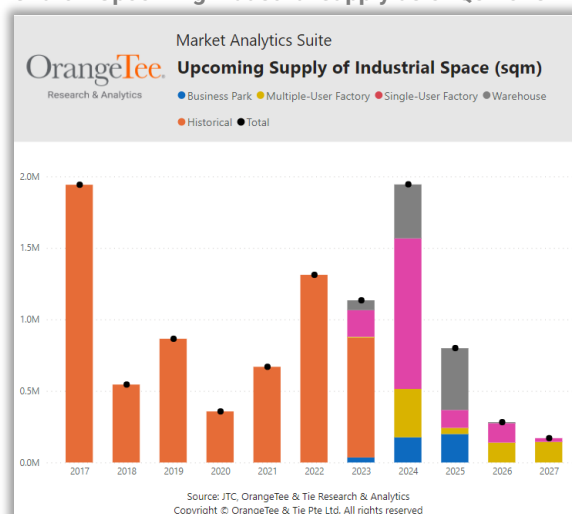


Chart 7 Upcoming industrial supply as of Q3 2023



Industrial Market Summary

Indicators	2020 y-o-y	2021 y-o-y	2022 y-o-y	Q2 2023 q-o-q	Q3 2023 q-o-q
Industrial Price Index (% Change)					
Overall	-2.7%	4.4%	7.5%	1.5%	1.4%
Multiple-User Factory	-3.2%	4.1%	8.7%	1.4%	1.1%
Single-User Factory	-1.9%	4.9%	5.7%	1.8%	1.7%
Industrial Rental Index (% Change)					
Overall	-1.5%	2.0%	6.9%	2.1%	2.0%
Multiple-User Factory	-1.8%	2.5%	8.3%	3.0%	2.0%
Single-User Factory	-1.4%	1.7%	4.1%	1.2%	1.9%
Business Park	-1.1%	-0.2%	2.0%	1.3%	1.2%
Warehouse	-1.3%	2.7%	7.9%	1.4%	2.4%
Transactions (units for the period)					
Total sales volume	1,264	2,016	2,112	424	405
Total leasing volume	11,009	13,081	12,568	3,298	3,230

Source: JTC, OrangeTee & Tie Research & Analytics

Outlook

Industrial strata-titled units may continue to appeal to investors due to the recent hike in ABSD rates for residential properties. However, elevated interest rates, coupled with the sluggish external demand and downturn in the electronics industry, may keep occupiers cautious in their business expansion plans.

Industrial prices and rents may continue to moderate as more supply comes onstream. Around 0.3 million sqm of new industrial space is expected to be completed by the end of 2023. Single-user factory space will make up about 63 per cent of this new supply, followed by warehouse space at 23 per cent and multi-user factory and business park space at 14 per cent.

In 2H 2023, four sites under the second half Confirmed List of the Industrial Government Land Sales programme have been launched, while another site is scheduled for release in November 2023. Three more sites under the Reserve List are currently open for application until 29th December 2023. These sites are expected to contribute to the future supply of industrial space.

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