

PRICES AND RENTS ROSE FOR 11 QUARTERS

Industrial Market Trends Q2 2023



Industrial rents and prices rose for the 11th straight quarter on higher demand and inflationary pressures. Some investors switched to buying industrial properties after the Additional Buyer's Stamp Duty (ABSD) was raised for residential property purchases.

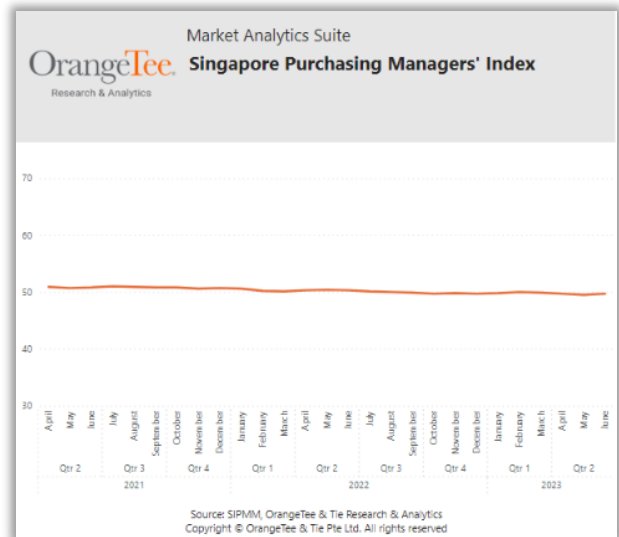


MANUFACTURING PERFORMANCE

Singapore's overall factory activity improved slightly in June but remained in contraction for a third straight month. Global demand remains weak and continues to hit manufacturing sentiment in the region.

Based on Singapore Institute of Purchasing and Materials Management (SIPMM) data, the Purchasing Managers' Index (PMI) inched up marginally by 0.2 points to 49.7 (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 but remains in contraction



PRICE TREND

Chart 2 Overall prices rose for a 11th straight quarter



The price index of all industrial properties reached 100.9, rising further by 1.5 per cent in Q2 2023 after increasing 1.5 per cent in the preceding quarter, to their highest level since Q1 2016, according to JTC's quarterly market report (Chart 2). Year-on-year, prices increased by 6.9 per cent last quarter.

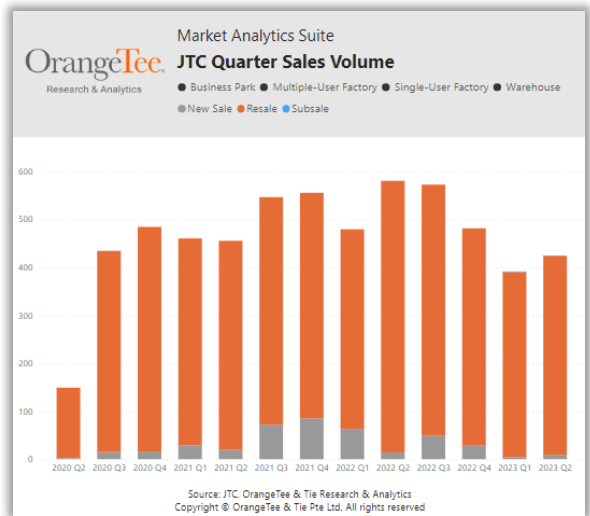
The price growth of single-user factories gathered pace, climbing by 1.8 per cent to 89.2 in the second quarter of this year. In Q1 2023, prices rose by 0.9 per cent to 87.6. Price gains for multiple-user factories were smaller at 1.4 per cent in Q2 (105.7), compared to 2.1 per cent in Q1 2023 (104.2) (Chart 2).

SALES VOLUME

Transaction volume rose by 8.4 per cent quarter-on-quarter (q-o-q) to 424 units in Q2 2023 (Chart 3). Resales increased by 3.5 per cent for multiple-user factories to 352 units and 28.6 per cent to 27 units for warehouses. Demand for resale single-user factories has similarly jumped from 25 transactions in Q1 2023 to 36 transactions last quarter. Nine units of new multiple-user factories were transacted last quarter.

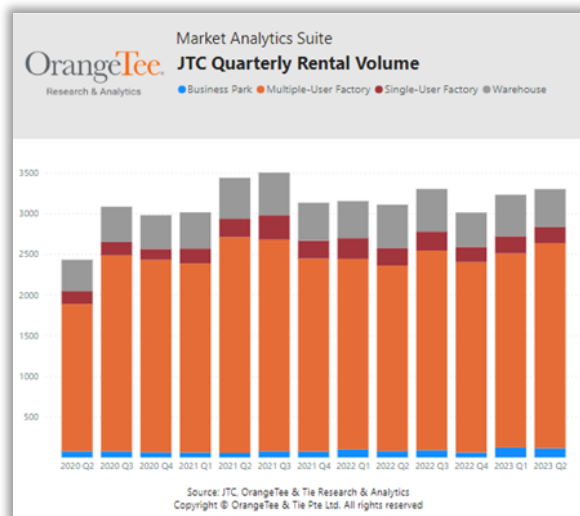
Demand may be driven by small business owners purchasing units for their enterprises to ensure business sustainability. Others could be investors buying units with short leases for mid-term returns.

Chart 3 Overall transactions rose by 8.4% q-o-q



RENTAL TRENDS

Chart 4 More rental transactions took place in Q2

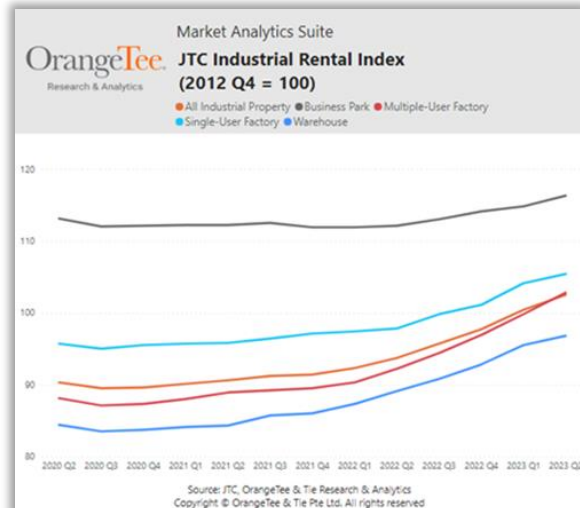


Rental demand grew by 2.1 per cent from 3,229 units in Q1 2023 to 3,298 units in Q2 2023 (Chart 4). Demand was mainly driven by multiple-user factories, which saw a 5.7 per cent upswing in rental volume from 2,385 units in the first quarter to 2,522 units in the second quarter this year.

However, demand fell for the other segments, such as single-user factories (-6.6 per cent), business parks (-8.1 per cent) and warehouses (-8.6 per cent).

Industrial rents rose on higher demand by 2.1 per cent from April through June. Year-on-year, rents surged by 9.4 per cent in Q2 2023. In the first six months of 2023, rents grew by 4.9 per cent, surpassing 2.5 per cent in 1H2022 and 1.1 per cent in 1H2021 (Chart 5).

Chart 5 Rents rose across all segments



Rents rose across all segments, with the highest increase of 3 per cent for multiple-user factories, followed by warehouses (1.4 per cent), business parks (1.3 per cent) and single-user factories (1.2 per cent).

An increase in the high specs of industrial spaces has pushed up average rents. A limited supply of multi-user factories has also helped sustain rents.

STOCK AND OCCUPANCY

Overall occupancy rates rebounded slightly by 0.3 percentage points to 89.1 per cent (Chart 6).

The higher occupancy was driven by higher demand for multiple-user factory and warehouse segments. However, on a year-on-year basis, occupancy slipped 0.9 percentage points.

Vacancy rates of all industrial space dipped to 10.9 per cent. Vacancies of business park spaces were highest at 19.4 per cent, followed by single-user factory space (11.4 per cent), multiple-user factory space (10.1 per cent) and warehouse space (9.0 per cent).

Supply of new industrial space has been rising over the past few quarters and total available stock rose by 1.2 million sqm compared to the same period last year, surpassing the 0.6 million sqm increase in total occupied stock.

As more industrialists downsize to smaller units, we may continue to see increased vacancies in business park spaces.

Demand for multiple-user factories may rise further as occupancy levels remain strong from certain segments like the transport engineering cluster.

Chart 6 Occupancy rates rebounded slightly to 89.1 per cent

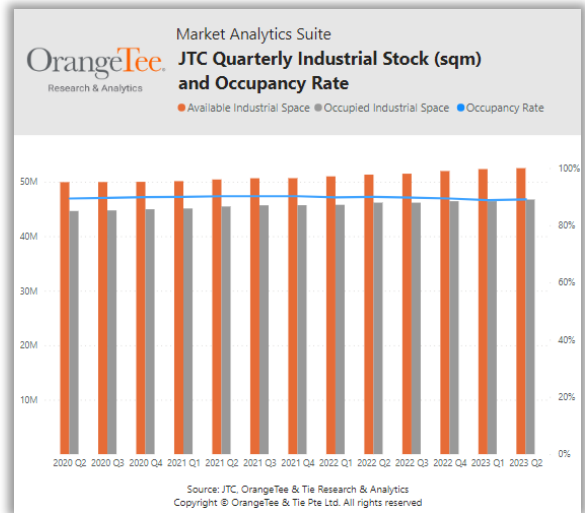
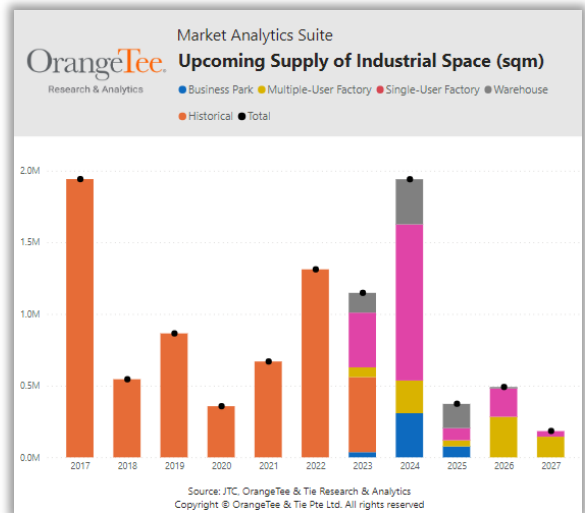


Chart 7 Upcoming industrial supply



Industrial Market Summary

Indicators	2020 y-o-y	2021 y-o-y	2022 y-o-y	Q1 2023 q-o-q	Q2 2023 q-o-q
Industrial Price Index (% Change)					
Overall	-2.7%	4.4%	7.5%	1.5%	1.5%
Multiple-User Factory	-3.2%	4.1%	8.7%	2.1%	1.4%
Single-User Factory	-1.9%	4.9%	5.7%	0.9%	1.8%
Industrial Rental Index (% Change)					
Overall	-1.5%	2.0%	6.9%	2.8%	2.1%
Multiple-User Factory	-1.8%	2.5%	8.3%	3.0%	3.0%
Single-User Factory	-1.4%	1.7%	4.1%	3.0%	1.2%
Business Park	-1.1%	-0.2%	2.0%	0.6%	1.3%
Warehouse	-1.3%	2.7%	7.9%	2.9%	1.4%
Transactions (units for the period)					
Total sales volume	1,264	2,016	2,112	391	424
Total leasing volume	11,009	13,081	12,568	3,229	3,298

Source: JTC, OrangeTee & Tie Research & Analytics

Outlook

Investors may continue to favour industrial properties as yield remains strong amid continual rental growth. More investors may also switch from buying residential properties to industrial strata units since the cost outlay has increased substantially with the recent ABSD hike for residential property purchases.

However, the industry may continue to face headwinds from weak external demand and a persistent downcycle for the electronics industry. Prices and rents may also moderate as more supply comes onstream. Around another 0.6 million sqm of new industrial space is expected to be completed by the end of 2023, of which single-user factory space makes up about 61 per cent, warehouse space at 22 per cent and, multi-user factory and business park space at 17 per cent each.

Five sites will also be launched under the Confirmed List of the Industrial Government Land Sales programme for the second half of 2023, and 3 sites will be made available under the Reserve List, adding to the future supply of industrial space.

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