

INDUSTRIAL MARKET

Real Estate Data Trend & Analytics



Q1 2023



Prices and rents rose for 10 consecutive quarters

Rents and prices of industrial space rose for a tenth straight quarter in Q1 2023 to their highest level since Q2 2016. However, prices rose at a slower pace for a second consecutive quarter. The smaller price growth could be attributed to more completions and supply coming on stream.

Moreover, Singapore’s factory activity has been contracting in recent months, according to the Purchasing Managers’ Index (PMI) which fell to 49.9 in Q1 2023 (Chart 1). External demand weakened amid growing macroeconomic uncertainties. Manufacturing sentiment has similarly been softening across the region, including China, where export growth slowed in April 2023.

Prices

The price index of all industrial properties reached 99.4, rising by 1.5 per cent in Q1 2023 to their highest level in 27 quarters or since Q2 2016 (Chart 2), according to JTC’s quarterly market report. However, prices grew slower compared to the 1.7 per cent increase in Q4 2022 and 2 per cent growth in Q3 2022. Year-on-year, prices increased by 6.9 per cent last quarter.

The slower price growth can be attributed to smaller gains registered for single-user factories which rose by 0.9 per cent last quarter to 87.6, up from the 0.5 per cent growth in Q4 2022. Conversely, prices for multiple-user factories climbed by 2.1 per cent in Q1 2023, compared to 2.5 per cent in Q4 2022 (Chart 3).

Chart 1 PMI shows weakening factory activity



Chart 2 Overall prices rose for a 10th straight quarter



Chart 3 Multiple-user factories (B1) grew at a slower pace





Inflationary pressures have been driving the upswing in prices. Rising costs hampered industrialists with tighter margins, and many held on to their asking prices despite weaker demand.

Sales

Transaction volume dipped by 20 per cent quarter-on-quarter (q-o-q) to 380 units in Q1 2023 (Chart 4). Resales fell by 17.1 per cent for multiple-user factories to 334 units and 23.1 per cent to 20 units for warehouses.

Demand for resale single-user factories held steady last quarter at 22 units. Transactions for new multiple-user factories dipped to a three-year low at 3 units sold last quarter.

Rental

Overall rents rose at a quicker pace of 2.8 per cent in Q1 2023 to 100.4, the fastest growth since Q3 2013 when rents grew by 4.4 per cent (Chart 5). Year-on-year, rents surged by 8.8 per cent in Q1 this year.

Rents rose across the board last quarter, with multiple-user and single-user factories registering the highest increases of 3 per cent to 99.8 and 104.1 respectively, followed by warehouses at 2.9 per cent to 95.5 and business parks at 0.6 per cent to 114.8 q-o-q.

Chart 4 Overall transactions fell by 20% q-o-q

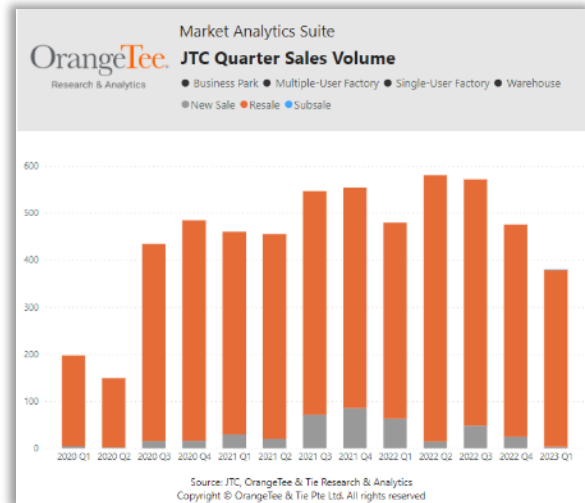
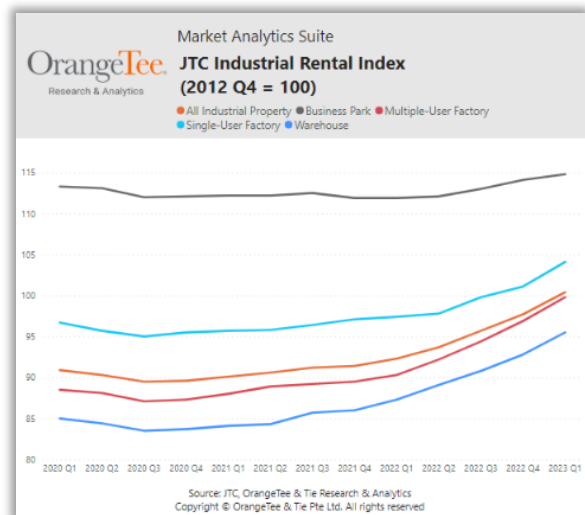


Chart 5 Overall rentals rose at a quicker pace of 2.8%





Rental demand remained robust for multiple-user factories, growing by 1.9 per cent q-o-q to 2,385 units last quarter (Chart 6). Demand surged the most by 98.4 per cent to 123 units for business parks, possibly because of their slower rental growth.

Stock and Occupancy

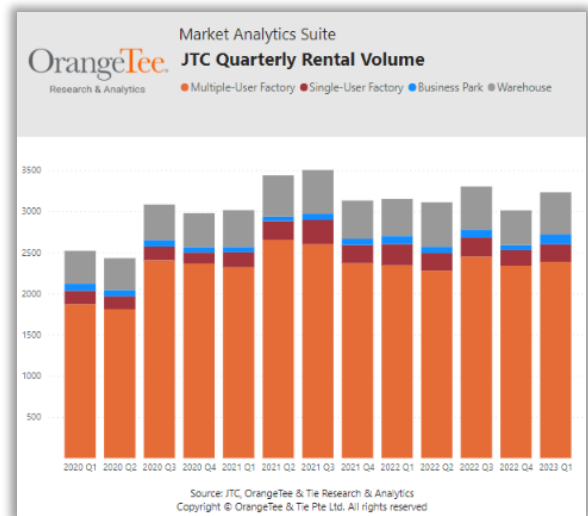
Overall occupancy rates fell 0.6 percentage points to 88.8 per cent, the lowest level since Q2 2018 (Chart 7). The lower occupancy rates may be due to weaker demand, more available stock, and a higher supply of industrial space as new completions remain strong in Q1.

In Q1 2023, the total occupied stock rose marginally by 5,000 sqm to 46.4 million sqm. Conversely, the total available stock of industrial space spiked by 357,000 sqm to 52.3 million sqm q-o-q.

Vacancy rates climbed to 11.2 per cent and rose across all segments. Vacancies of business park spaces were highest at 18.7 per cent, followed by single-user factory space (11.3 per cent), multiple-user factory space (11.1 per cent) and warehouse space (9.7 per cent).

The trend indicates that more industrialists have shifted away from business park spaces. Bigger tenants have downsized, and some moved to office spaces since the rental gaps have narrowed.

Chart 6 More rental transactions took place last quarter



Mountbatten Square and Wave 9

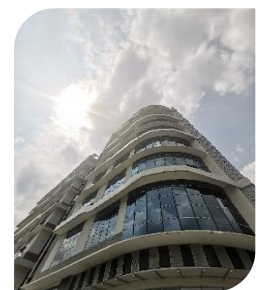


Chart 7 Occupancy rates dipped to lowest level since Q2 2018

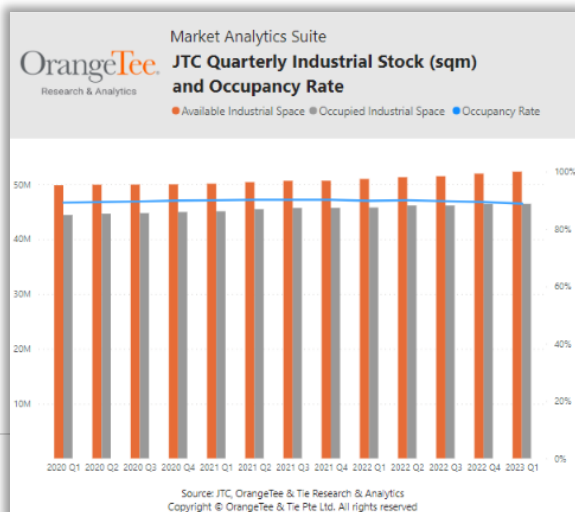
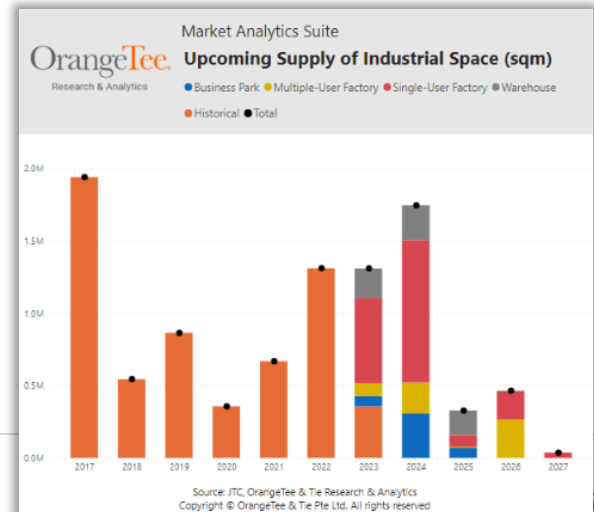


Chart 8 New industrial supply



Major Industrial Projects Completed In Q1 2023 By Property Types

Property Type	Project Name	Name of Developer	Project GFA (sqm)	GFA granted TOP in the quarter (sqm)
Multiple-User Factory Project	Tai Seng Exchange at 1,3,5,7 Tai Seng Avenue	SB (Ipark) Investment Pte. Ltd.	105,250	105,250
Multiple-User Factory Project	Multiple-user factory at 161,163,165 Kallang Way	Mapletree Industrial Trust	80,420	60,550 (80,420)
Single-User Factory Project	HMGICS at 2 Bulim Link	Hyundai Motor Singapore Pte Ltd	86,970	74,020 (74,020)
Single-User Factory Project	Single-user factory at 82 Genting Lane	Memphis 1 Pte Ltd	44,190	18,110 (18,110)
Business Park Project	The Gear at 19 Changi Business Park Crescent	Kajima Development Pte Ltd	13,060	13,060
Business Park Project	Additions/alterations to business park development at 1 Venture Avenue	PRE 15 Pte. Ltd.	10,350	3,080 (10,280)
Warehouse Project	2PS1 at 2 Pioneer Sector 1	Soilbuild Business Park REIT	70,330	70,330
Warehouse Project	Fairprice Group Fresh Food Distribution Centre at 7 Sunview Road	NTUC Fairprice Co-operative Ltd	69,930	1,460 (10,250)

Source: JTC, OrangeTee & Tie Research & Analytics
 Figures in parentheses refer to the total GFA granted TOP for the development to date

Key Industrial Projects In The Pipeline As At End Q1 2023

Property Type	Project Name	Name of Developer	Project GFA (sqm)	Expected Year of Final TOP
Multiple-User Factory Project	Food Vision @ Mandai at Mandai Estate	Chip Tiong Investment Pte Ltd	18,390	na
Multiple-User Factory Project	Polaris @ Woodlands at Woodlands Avenue 12	Soon Hock Investment Group Pte Ltd	52,340	na
Multiple-User Factory Project	Ascent @ Gambas at Gambas Way	SB (Gambas) Investment Pte Ltd	29,880	2023
Single-User Factory Project	Additions/alterations to existing factory at Pasir Ris Industrial Drive 1	United Microelectronics Corporation	233,710	na
Single-User Factory Project	Single user factory at Sunview Way	Malkoha Pte Ltd	171,340	na
Business Park Project	Business park development at Science Park Drive	SPRINT Plot 1 TM Pte Ltd	112,530	na
Business Park Project	Elementum at North Buona Vista Drive	HB Universal Pte Ltd	35,180	na
Warehouse Project	Warehouse development at Sunview Road	Allied Sunview Pte Ltd	116,810	na
Warehouse Project	Warehouse development at Benoi Road	Mapletree Industrial Trust	82,390	na

Source: JTC, OrangeTee & Tie Research & Analytics
 Projects in bold are marketed by OrangeTee

Industrial Market Summary

Indicators	2020 y-o-y	2021 y-o-y	2022 y-o-y	Q4 2022 q-o-q	Q1 2023 q-o-q
Industrial Price Index (% Change)					
Overall	-2.7%	4.4%	7.5%	1.7%	1.5%
Multiple-User Factory B1	-3.3%	4.7%	9.0%	2.5%	1.9%
Multiple-User Factory B2	-3.1%	2.9%	8.0%	2.5%	2.2%
Single-User Factory	-1.9%	4.9%	5.7%	0.5%	0.9%
Industrial Rental Index (% Change)					
Overall	-1.5%	2.0%	6.9%	2.1%	2.8%
Multiple-User Factory	-1.8%	2.5%	8.3%	2.6%	3.0%
Single-User Factory	-1.4%	1.7%	4.1%	1.3%	3.0%
Business Park	-1.1%	-0.2%	2.0%	1.0%	0.6%
Warehouse	-1.3%	2.7%	7.9%	2.2%	2.9%
Transactions (units for the period)					
Total sales volume	1,264	2,015	2,105	475	380
Total leasing volume	11,009	13,081	12,568	3,010	3,229

Source: JTC, OrangeTee & Tie Research & Analytics

Outlook

According to the Monetary Authority of Singapore, weaker external demand, and the electronics downcycle may persist. However, certain manufacturers and sectors may continue to prop up domestic demand, such as advanced manufacturing, medical diagnostic supplies, biomedical equipment, and food manufacturers, which may drive demand for related industrial spaces.

Nevertheless, overall prices and rents may moderate as more supply comes onstream. Around 1.0 million sqm of new industrial space is expected to be completed by 2023, of which single-user factory space makes up about 62 per cent, warehouse space at 21 per cent and, multi-user factory and business park space at 17 per cent. The tender for one JTC site under the 1H 2023 Industrial Government Land Sales Programme at Woodlands Avenue 8 will close on 20 June 2023, adding to the future supply of industrial space as well.

Please contact us for research inquiries.

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