

RENTS AND PRICES RISE FOR 13th STRAIGHT QUARTER

Industrial Market Trends Q4 2023



Artist impression of Food Vision @ Mandai

In Q4 2023, industrial rents and prices experienced growth for the 13th consecutive quarter due to strong demand and inflationary pressures. On the other hand, sales and rental transactions slowed further amid high borrowing costs and prevailing business uncertainties.



Artist impression of Food Vision @ Mandai

MANUFACTURING PERFORMANCE

The overall factory activity in Singapore improved and expanded in December, despite weak external demand and ongoing geopolitical tensions. The expansion continued for the past four consecutive months, likely driven by the improved manufacturing sentiment in Q4 2023.

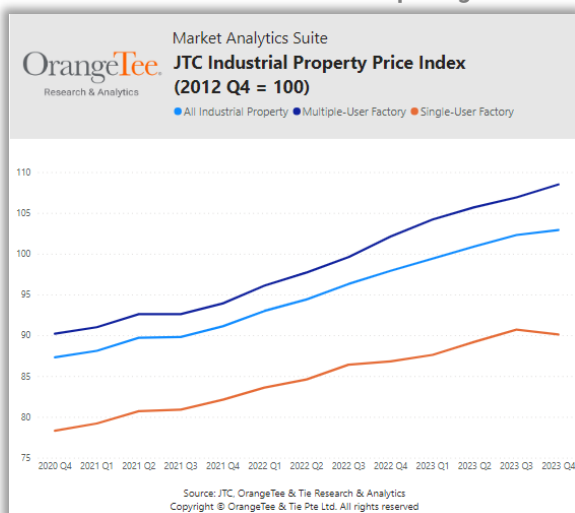
Based on Singapore Institute of Purchasing and Materials Management (SIPMM) data, the Purchasing Managers' Index (PMI) rose by 0.2 points month-on-month to 50.5 (Chart 1). A reading below 50 indicates that the manufacturing sector is declining, while a reading above 50 means growth.

Chart 1 PMI expanded further in December 2023



PRICE TREND

Chart 2 Further slowdown in overall price growth



In Q4 2023, overall industrial prices experienced a slower growth rate compared to the preceding quarter, the slowest increase since Q3 2021. Buyers and investors may be reserving their funds for the new supply of industrial properties in 2024.

According to JTC's quarterly market report, the industrial price index rose by 0.6 per cent quarter-on-quarter (q-o-q) to 102.9 in Q4 2023 from 102.3 in Q3 2023 (Chart 2).

By property types, a faster price growth of 1.5 per cent q-o-q was observed for multiple-user factories last quarter, while prices declined by 0.7 per cent q-o-q for single-user factories after twelve consecutive quarters of growth.

SALES VOLUME

Buyers and investors remained cost-conscious amid the consistently high borrowing costs. More opted for smaller strata-titled industrial units that align with their financial capabilities and fulfil their business objectives. This cautious approach to purchasing industrial properties could have caused a decline in industrial sales by 12.4 per cent last quarter to 387 units from 442 units in Q3 2023 (Chart 3).

The dip in industrial sales from Q3 2023 to Q4 2023 was led by a decline in multiple-user factories and single-user factories resale transactions by 14.3 per cent from 378 units to 324 units, and by 50 per cent from 32 units to 16 units respectively. Conversely, warehouse resales climbed 64.3 per cent from 28 units to 46 units over the same period. Additionally, only one new multiple-user factory unit was sold last quarter.

Chart 3 Overall sales volume fell by 12.4% q-o-q

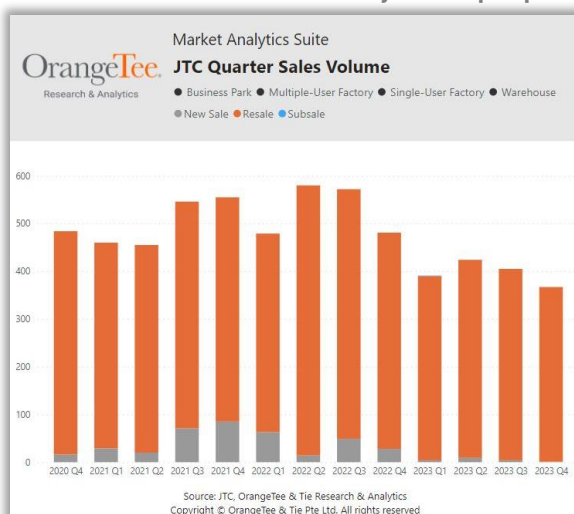


Table 1 Top 10 industrial sales in Q4 2023

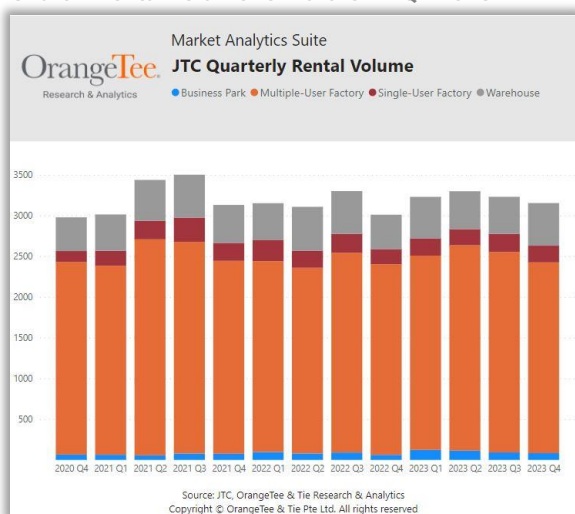
S/N	Project Name/Address	Area (SQFT)	Transacted Price (\$)	Property Type	Tenure
1	9 Pioneer View	157,459	\$58,500,000	Warehouse	Leasehold
2	Ravago Asia Building	20,599	\$21,500,000	Single-User Factory	Leasehold
3	3 Kaki Bukit Crescent	17,714	\$17,000,000	Multiple-User Factory	Leasehold
4	29 Tuas Avenue 11	123,913	\$11,000,000	Warehouse	Leasehold
5	48 Gul Avenue	92,123	\$9,600,000	Single-User Factory	Leasehold
6	Loyang Industrial Estate	69,394	\$9,500,000	Single-User Factory	Leasehold
7	5 Ubi Link	30,713	\$9,000,000	Single-User Factory	Leasehold
8	6 Chin Bee Crescent	26,585	\$8,500,000	Single-User Factory	Leasehold
9	1 Benoi Road	518,642	\$7,700,000	Single-User Factory	Leasehold
10	Sindo Industrial Estate	5,424	\$7,460,000	Single-User Factory	Freehold

Source: URA, OrangeTee & Tie Research & Analytics

Estimated total sales value dipped 38.4% q-o-q from about \$1 billion in Q3 2023 to \$617.8 million in Q4 2023. The biggest contributions came from a warehouse in the west region, a single-user factory, Ravago Asia Building in the east region, a multiple-user factory at Kaki Bukit Crescent, as well as another warehouse at Tuas Avenue 11. These industrial properties were transacted at \$58.5 million, \$21.5 million, \$17 million and \$11 million respectively. Other major sales last quarter were single-user factories that sold between \$7.5 million and \$9.6 million.

RENTAL TRENDS

Chart 4 Rental volume fell further in Q4 2023



Owing to the high borrowing costs and prevailing business uncertainties, industrial space occupiers chose not to move to better-located industrial properties or pursue business expansion plans. Instead, many were optimising their existing assets, while some were right-sizing to smaller units to lower overhead costs. Additionally, most were anticipating better options from the supply of new industrial properties in 2024 before committing to a fresh lease.

As a result, the number of rental transactions dipped by 2.4 per cent q-o-q to 3,153 units in Q4 2023 from 3,230 units in Q3 2023.

A similar trend was observed for multiple-user factories, single-user factories and business parks last quarter as rental volume fell q-o-q by 4.8 per cent, 7.2 per cent and 9.8 per cent respectively. Conversely, the rental volume for warehouses rose by 14.7 per cent q-o-q from 456 units to 523 units over the same period.

Overall industrial rents, however, continued to grow last quarter, albeit at a slightly slower rate than in Q3 2023. Occupiers may be anticipating the large supply of new and higher-quality industrial properties in 2024, and would be willing to pay higher rents for these spaces.

Based on JTC statistics, the overall industrial rental index rose by 1.7 per cent q-o-q from 104.6 in Q3 2023 to 106.4 in Q4 2023 (Chart 5). A slower rental growth was also observed for single-user factories, business parks and warehouses by 0.7 per cent, 0.3 per cent and 1.6 per cent respectively.

On the other hand, multiple-user factories rents saw a faster growth of 2.3 per cent q-o-q, up from 2.0 per cent in Q3 2023. This may be driven by the high interest in recently completed factories with higher specifications that could better support logistics and production uses.

Chart 5 Slower growth for overall rents in Q4 2023

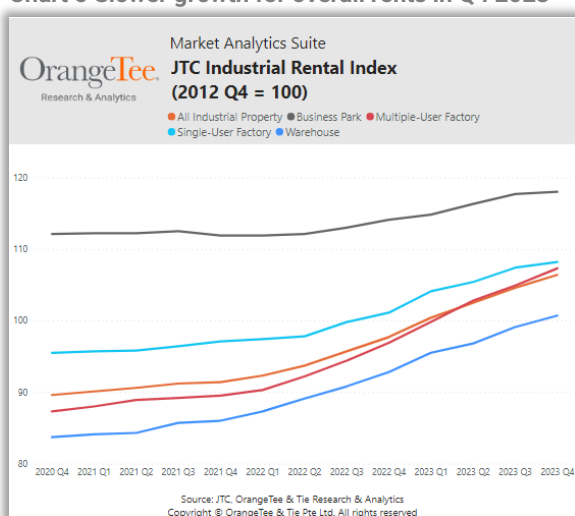


Table 2 Median rentals of each industrial property type (Q4 2022 – Q4 2023)

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
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%
Q4 2023	\$25.00	2.1%	\$18.83	-2.7%	\$46.60	1.0%	\$22.60	0%

In the last quarter, median rentals increased for multiple-user factories and business parks q-o-q by 2.1 per cent and 1 per cent respectively. Conversely, median warehouse rentals remained constant at \$22.60 psm pm, while median rentals for single-user factories fell by 2.7 per cent q-o-q to \$18.83 psm pm from \$19.36 psm pm in Q3 2023 (Table 2).

STOCK AND OCCUPANCY

New industrial property completions remained robust in 2023, with total available stock increasing by 0.9 million sqm based on JTC statistics. While this is lower than the 1.3 million sqm added in 2022, the added supply in 2023 outpaced the 0.6 million sqm increase in the total occupied stock.

Despite the rise in new industrial supply in Q4 2023, the overall occupancy rate saw a slight increase of 0.1 percentage points to 89.0 per cent from 88.9 per cent in Q3 2023.

This was likely driven by higher occupancy rates of multiple-user factories (by 0.8 percentage points) and warehouses (by 0.3 percentage points) respectively. The strong take-up of these properties was largely driven by the need for logistics and production spaces.

Despite a strong interest for multiple-user factories and warehouses, fewer of these properties were completed last quarter, as seen by the drop in available space by 326 sqm and 13,800 sqm respectively. This could be a result of the removal of older industrial properties for redevelopment plans.

On the other hand, the occupancy rates for single-user factories and business parks fell from 88.2 per cent to 88 per cent and from 80.5 per cent to 78.4 per cent over the same period.

Chart 6 Occupancy rate rose slightly to 89 per cent

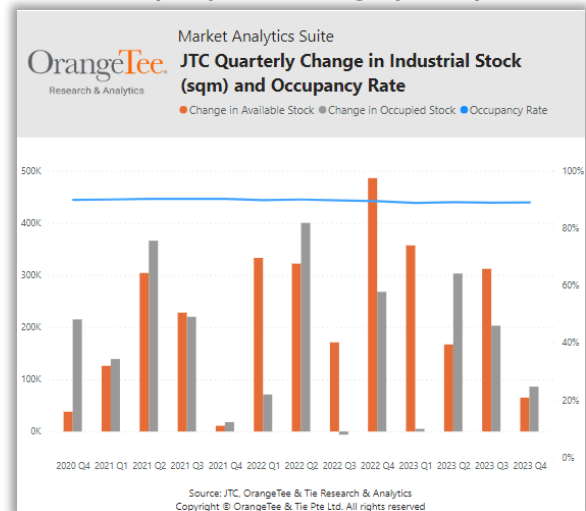
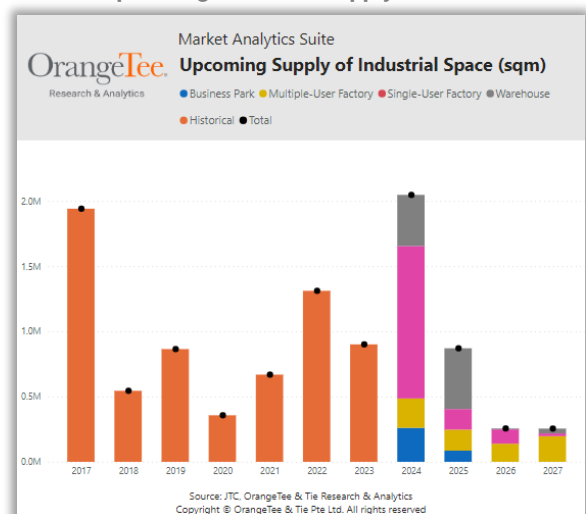


Chart 7 Upcoming industrial supply as of Q4 2023



Industrial Market Summary

Indicators	2021 y-o-y	2022 y-o-y	2023 y-o-y	Q3 2023 q-o-q	Q4 2023 q-o-q
Industrial Price Index (% Change)					
Overall	4.4%	7.5%	5.1%	1.4%	0.6%
Multiple-User Factory	4.1%	8.7%	6.3%	1.1%	1.5%
Single-User Factory	4.9%	5.7%	3.8%	1.7%	-0.7%
Industrial Rental Index (% Change)					
Overall	2.0%	6.9%	8.9%	2.0%	1.7%
Multiple-User Factory	2.5%	8.3%	10.7%	2.0%	2.3%
Single-User Factory	1.7%	4.1%	7.0%	1.9%	0.7%
Business Park	-0.2%	2.0%	3.4%	1.2%	0.3%
Warehouse	2.7%	7.9%	8.5%	2.4%	1.6%
Transactions (units for the period)					
Total sales volume	2,016	2,112	1,679	442	387
Total leasing volume	13,081	12,568	12,910	3,230	3,153

Source: JTC, OrangeTee & Tie Research & Analytics

Outlook

The improving manufacturing sector and electronics industry may continue to keep investors' interest in industrial strata-titled units. However, high interest rates, uncertain economic conditions and perpetual geopolitical tensions are likely to still pose risks to industrial space occupiers who are looking to expand their businesses.

Industrial prices and rents are likely to grow in 2024 as many look forward to the large supply of better-quality industrial options this year. Around 2.0 million sqm of newly completed industrial space is expected in the market in 2024, with 57 per cent being single-user factories, 19 per cent being warehouses, 11 per cent being multiple-user factories, and the remaining 13 per cent being business parks.

In the Confirmed List of the Industrial Government Land Sales programme for 1H2024, only one site has been launched, while four other sites are scheduled for release in February, April, May and June 2024 respectively. Two sites under the Reserve List are currently open for application until 28th June 2024, while two other sites are to be released in March and June 2024 respectively. These sites are expected to contribute to the future supply of industrial space.

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