

“Despite increasing global uncertainty, the manufacturing sector remains poised as a stable engine for economic growth for the remainder of 2022, translating to a resilient industrial real estate market.”

DANIEL DING, HEAD, CAPITAL MARKETS
(LAND & BUILDING, INTERNATIONAL REAL ESTATE & INDUSTRIAL)



Singapore Research

Industrial

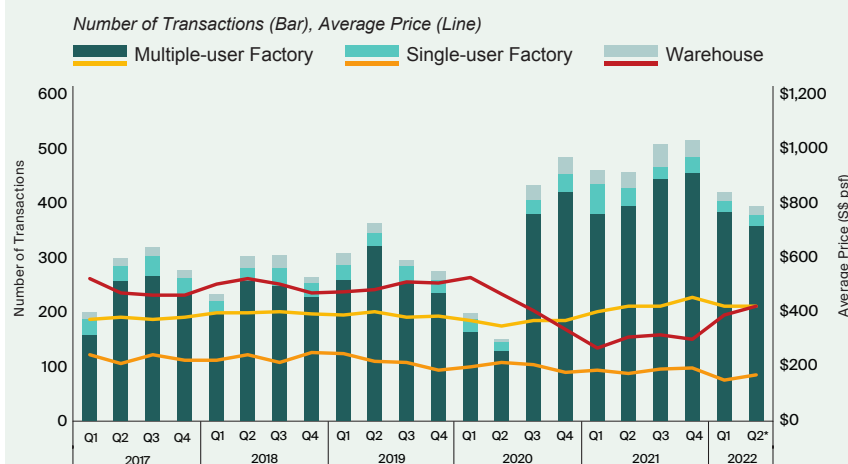
Q2 2022

STOCKPILING, ELECTRONIC EXPORTS AND INCREASED TRAVEL TO SUPPORT THE INDUSTRIAL MARKET IN 2022

Manufacturing steadies the Singapore economy despite looming uncertainties

- Singapore's Gross Domestic Product (GDP) is expected to expand between 3.0% to 5.0% in 2022, with the Ministry of Trade and Industry (MTI) projecting growth to fall within the lower half of the forecast range. GDP increased by 3.7% y-o-y thus far in the first three months of 2022, supported by the 7.1% y-o-y growth of the manufacturing sector. This was primarily led by strong output expansions within the electronics and precision engineering clusters in Q1 as global demand for semiconductors and semiconductor equipment remained robust.
- Nonetheless, business sentiments have moderated. According to Singstat's Business Expectations report for the manufacturing sector, overall, a net weighted balance of +2% of manufacturing firms foresee a favourable business outlook for the period April to September 2022, lower than the preceding net weighted balance of +8% recorded in the previous quarter.
- As such, despite dampened business sentiments due to prolonged global uncertainties, the electronics industry continues to grow, boosting performance in the overall manufacturing sector as the Singapore Purchasing Managers' Index (PMI) posted an expansion of 50.3 in June 2022.

Exhibit 1: Industrial Sales Performance



MARKET SNAPSHOT

2,077 LEASES
▼34.1% Q-O-Q | ▼39.6% Y-O-Y
NUMBER OF INDUSTRIAL TENANCIES¹

\$S\$661.5 MILLION
▼4.9% Q-O-Q | ▼30.2% Y-O-Y
TOTAL INDUSTRIAL SALES

48.1 MILLION SF GFA
UPCOMING SUPPLY (Q2 2022 TO 2026)

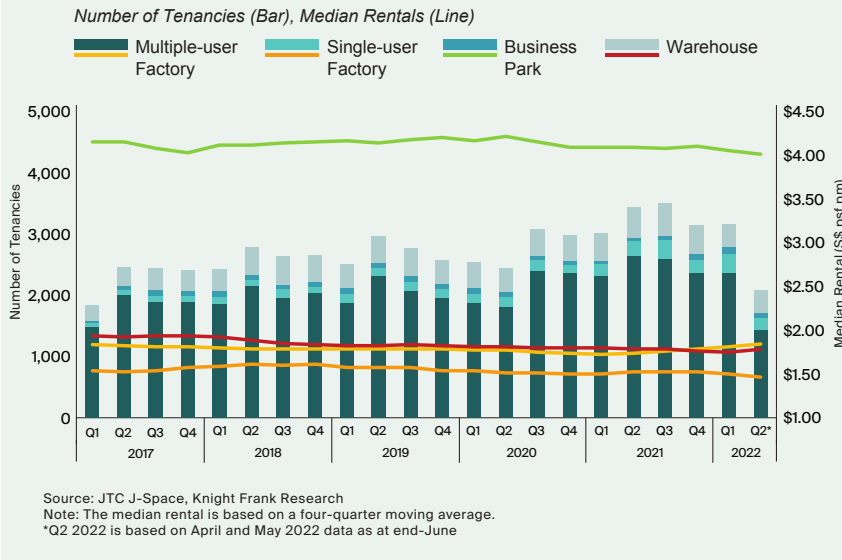
Pockets of demand for certain industrial clusters

- Overall, the pace of industrial sales has slowed down. In Q2 2022, total transactions amounted to \$S\$661.5 million, representing declines of 4.9% and 30.2% on a q-o-q and y-o-y basis respectively. Multiple-user factory spaces, posing as one of the more affordable industrial assets, continued to register healthy levels of sales, bringing the average price to \$S\$439 psf (Exhibit 1). One of the main contributors to the demand for industrial space is the food industry, where occupiers are actively on the lookout for food factories and central kitchens in Singapore.
- With rising global concerns on food security, as well as access to raw materials and necessities, stockpiling activity has increased. The strengthening Singapore dollar provided support for stockpiling, mitigating escalation in costs as inflation becomes significant. The need for space to support the increase in firms' inventories expanded demand for warehouse space, evident from the 212 rental transactions recorded for such space in just April 2022 alone (Exhibit 2). Historically, this leasing volume stands as the highest number of tenancies on a monthly basis since data became available, bringing the cumulative median rental for warehouse to \$S\$1.85 psf pm in April and May.

Continued on next page

¹ The percentage changes for the total number of tenancies of all industrial space in April and May 2022 are based on a two-month comparison; q-o-q (against January and February 2022) and y-o-y (against April and May 2021).

Exhibit 2: Industrial Leasing Volume and Median Rentals



Making Singapore sustainable

- In line with Singapore's progression towards its Green Plan 2030, aspiring to achieve net zero emissions in the long-term, there has been an increase in sustainable initiatives. In April 2022, the redevelopment of Pokka's regional headquarters commenced. To be completed by Q1 2024, the new state-of-the-art building will house an innovation and incubation hub with sustainable features and facilities.
- More recently in May 2022, Singapore's first eco-friendly manufacturing hub, Green Lab, spanning some 200,000 sf officially opened. Envisioned to be a one-stop production plant, the facility will manufacture some of Singapore's first fully compostable plant-based bags that could potentially replace existing plastic ones. Fraser and Neave (F&N), who owns a 60% stake in Green Lab through its publishing arm, Times Publishing, will be switching the packaging of its in-house brands and products to the sustainable alternatives produced.

- In tandem with these initiatives, JTC has also introduced solar deployment models, helping industries to transition towards sustainable and renewable energy sources through the installation of solar photovoltaic (PV) panels. To facilitate solar energy adoption, solar deployment will be mandatory for certain sites that meet the requirements set by the government agency.

Market outlook

- Despite existing global and regional uncertainties, bright spots continue to highlight the industrial market. The persisting chip shortage globally will continue to generate demand for electronics, and the transport engineering cluster will benefit from the increased demand for air travel as travel accelerates in many parts of the world. Thus, prices and rentals for industrial space remain on track to grow 3% to 5% for the whole of 2022.

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For further information, please contact:



Daniel Ding
 Head
 Capital Markets (Land & Building,
 International Real Estate & Industrial)
 +65 6228 6833
daniel.ding@sg.knightfrank.com



Alvin Teng
 Director
 Capital Markets (Industrial)
 +65 6228 6893
alvin.teng@sg.knightfrank.com



Leonard Tay
 Head
 Research
 +65 6228 6854
leonard.tay@sg.knightfrank.com



Nor Adila Rahim
 Senior Analyst
 Research
 +65 6228 6856
nor.adila@sg.knightfrank.com

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