





















Quarterly | Singapore | August 2022

Industrial Q2 2022: Continued momentum

Insights & recommendations

- In Q2 2022, the JTC All Industrial Property price and rental indices continued their seventh consecutive quarter of growth in Q2 2022. The rental index rose by 1.5% QOQ in Q2 2022, accelerating from its 1.0% growth in the previous quarter. This would make it the fastest quarterly pace of growth since Q3 2013.
- On the other hand, the price index rose by 1.5% QOQ this quarter, easing from the QOQ growth of 3.1% last quarter.
- Overall, the tighter occupancy of +0.2pp has been driven by higher demand for multiple-user factories and warehouses.
- With more supply coming onto the market, Colliers recommends landlords be flexible in rental negotiations. In addition, older industrial assets could be upgraded or redeveloped to meet the demand for higher specification industrial space.

		Q2 2022	Full Year 2022	Historical Avg 2017-21
 Demand	Total net absorption came to 4.30 mil sf in Q2 2022, attributed to the strong demand for warehouses and multiple-user factories.	 4.30 mil sf	 14.61 mil sf	 9.25 mil sf
 Supply	About 3.46 mil sf of industrial space came onstream this quarter, the bulk of which was multiple-user factories.	 3.46 mil sf	 16.85 mil sf	 7.82 mil sf
		QOQ/ End Q1	YOY change/ End 2022	YOY/ End Q1 2022
 Rent*	Prime logistics rents grew by a further 1.6% in Q2 2022. Rents for this segment should continue to outperform on the back of strong demand.	 1.6% SGD1.60	 4.5% SGD1.63	 8.6% SGD1.45
 Vacancy	Islandwide vacancy tightened to 10.0% in Q2 2022 due to higher demand for multiple-user factories and warehouses.	 0.2pp 10.0%	 0.8pp 11.0%	 0.2pp 10.0%
 Capital Values/Yields*	Capital values for prime logistic assets increased by 1.0% QOQ, on the back of strong demand and limited supply.	 1.0% SGD206 psf	 5.5% SGD211 psf	 8.6% SGD1.45 psf

Source Colliers, JTC; Note: 1 sq m = 10.764 sf. "pp" refers to percentage point. *Rents, capital values and yields refer to prime logistics assets.

All Industrial Property

Both the JTC all Industrial price and rental indices continued their seventh consecutive quarter of growth in Q2 2022; the rental index rose by 1.5% QOQ, accelerating from its 1.0% growth in the previous quarter as demand caught up with supply. On the other hand, the price index rose by 1.5% QOQ this quarter, easing from the 3.1% QOQ growth last quarter.

Factory

Rental indices for both multiple-user and single-user factories have increased, with multiple-user factories registering its highest quarterly and annual growth (2.1% QOQ/3.7% YOY) since Q3 2013. This could be attributed to the growing demand for high-specification multiple-user factories, as occupiers look for office grade industrial spaces near the city fringe. Demand for factories has also been supported by continued growth in the food, electronics and precision engineering industries. Backed by strong government support and incentives, more firms are expected to set up their manufacturing hubs in Singapore, with sustained growth in the manufacturing and wholesale trade sectors to underpin demand for factory space.

Warehouse

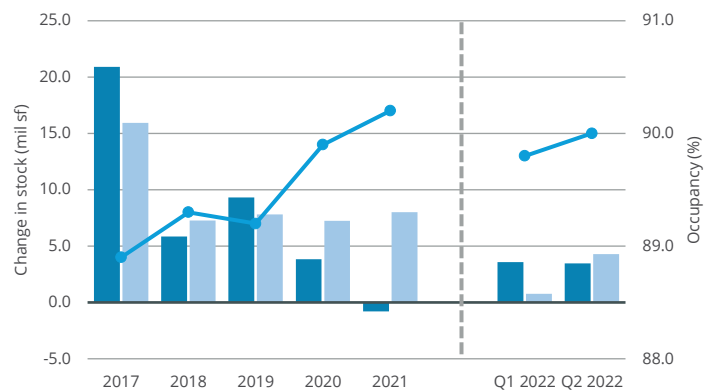
On the back of strong leasing activity, occupancy for private warehouses further tightened to 91.4% from 90.9% in the previous quarter. Although warehouse rents increased by 2.1% QOQ overall, rental performance would vary across different warehouses, depending on their location and specifications. Specifically for prime logistics (investor grade ramp-up warehouses), where vacancy rates remain tight and pre-commitment rates to upcoming supply are high, rental growth has outperformed, and there will continue to be healthy rental growth on the back of strong demand.

Business Parks

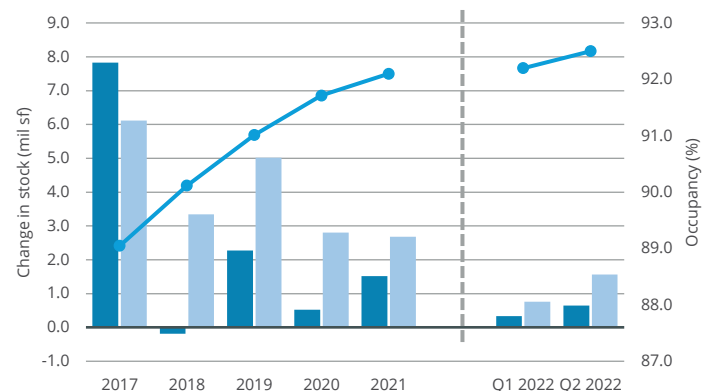
With the increase in business park stock, occupancy has dropped by 50 pp this quarter. Business parks rents have started to exhibit some growth (0.2% QOQ), on the back of higher demand from knowledge and high-value sectors such as technology and biomedical firms. Rental growth is likely to be skewed towards newer, higher specification developments in the city fringe as these are preferred by tenants.

Source: Colliers, JTC

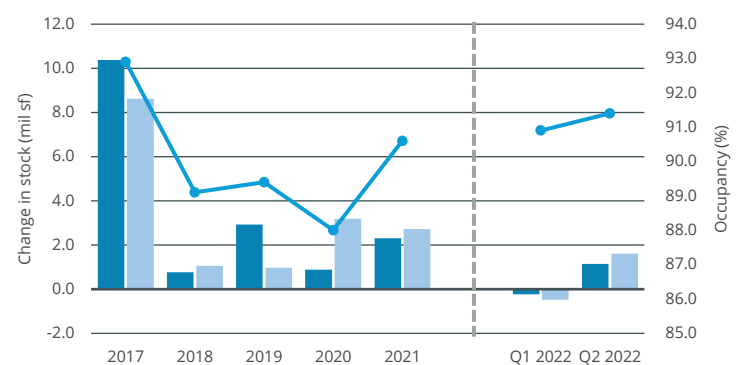
All industrial demand & supply



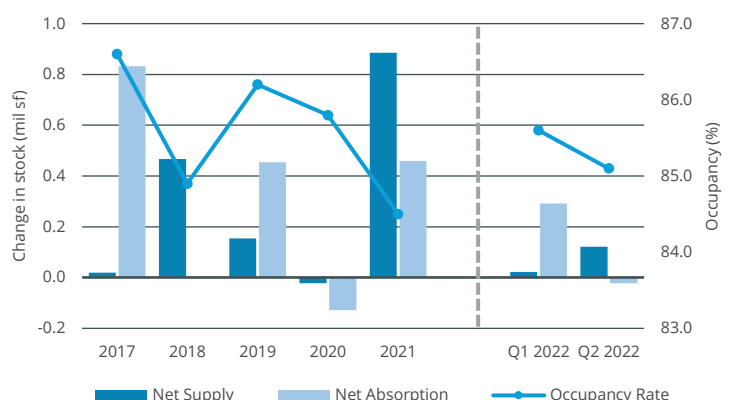
Private factory demand & supply



Private warehouse demand & supply



Business park demand & supply



“Strong demand and favorable prices could lead to more sale and leaseback activity for industrial assets. The industrial sector, especially high specification warehouses, are also more defensive and resilient, serving as a good hedge against macroeconomic uncertainties.”

Lynus Pook

Executive Director and Head of Industrial Services
Singapore

In 2Q 2022, demand had caught up with supply. However, with an average annual supply of about 12.9 mil sf till 2025 coming onstream (compared to 7.5 mil sf over the past three years), and with 16.8 mil sf to be completed this year, the higher supply is likely to temper the pace of rental and price growth. On one hand, macroeconomic uncertainties are prompting industrialists to fortify their supply chains by diversifying locations and stockpiling; on the other, it has also led them to be more cautious about their expansion plans. Other risks which could dampen business sentiments in the industrial sector include rising commodity prices, disruptions to global supply chains, slowing growth and higher cost of capital due to rising interest rates in developed economies, as well as the resurgence of renewed pandemic outbreaks which may reintroduce restrictions and further disrupt supply chains and labour supply.

In the long term, demand for industrial space will still be driven by tailwinds such as Singapore's increasing focus on higher-value manufacturing and biomedical sectors. Therefore, Colliers expects rents to grow by between 2 and 4% this year. Industrial prices could grow at a higher clip of between 5 and 7% on the back of growing interest in industrial assets due to their higher yields and limited availability.

Significant upcoming projects as of Q2 2022

Project Name	Developer	GFA ('mil sf)	Expected TOP*
1 Solaris @ Tai Seng	Soilbuild Group	1.13	2022
2 Perennial Business City	Perennial	1.52	2022
3 Surbana Jurong	Surbana	0.45	2022
4 2PS1	Soilbuild REIT	0.76	2022
5 Logos eHub at Pandan Crescent	Logos	0.87	2022

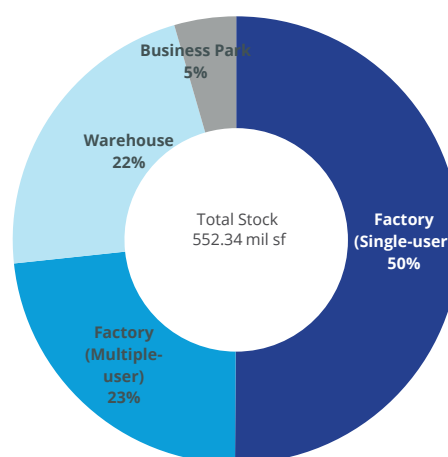
Source: Colliers, JTC *TOP = temporary occupation permit

Colliers industrial rents

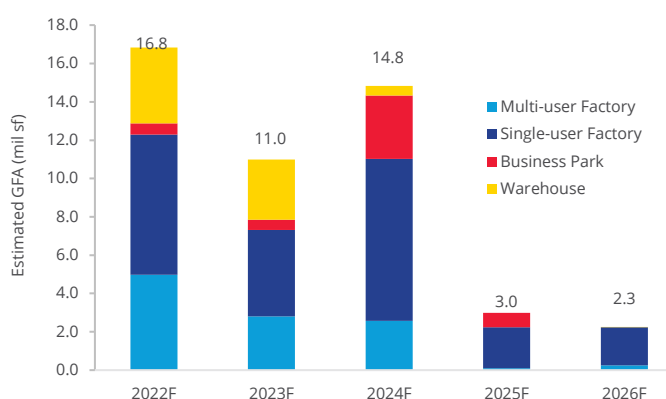
	Q2 2022 (SGD)	% Change QOQ	% Change YOY
High-specs	3.22	0.5%	1.3%
Factory*	1.63	-	0.5%
Warehouse*	1.50	0.7%	1.3%
Prime logistics	1.60	1.6%	7.4%
Business Park	3.68	-	-0.8%
Prime Business Park	6.23	0.2%	1.3%

*Average of upper and lower floor rents

Industrial Stock: Q2 2022



Upcoming supply



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