



Industrial Q3 2022

Rents
(S\$PSF/MO)12-Mo.
Forecast

\$6.06

Business Park (City Fringe)



\$3.53

Business Park (Outlying Areas)



\$4.41

Science Park

SINGAPORE ECONOMIC INDICATORS
Q2 202212-Mo.
Forecast

4.4%

Real GDP Growth



5.9%

Inflation Growth



2.1%

Unemployment

Source: Ministry of Trade & Industry (MTI),
Moody's Analytics

Growth Forecast Narrowed

Singapore's economy grew by 4.4% y-o-y during Q2 2022, taking the first-half growth to 4.1%. The overall manufacturing sector has recorded 26 consecutive months of expansion as of August with its purchasing managers' index (PMI) being at 50 and above. However, PMI dipped 0.1 point from July to 50.0 in August, indicating relatively weaker manufacturing sentiments. On the back of weakened global economic environment weighed down by more aggressive tightening monetary policy to tackle inflationary pressure and taking into consideration Singapore's economic performance during H1 2022, the Ministry of Trade and Industry has narrowed its economic growth forecast range this year to 3%-4%, from an earlier projection of 3%-5%.

Continued Rental Growth Across Most Segments

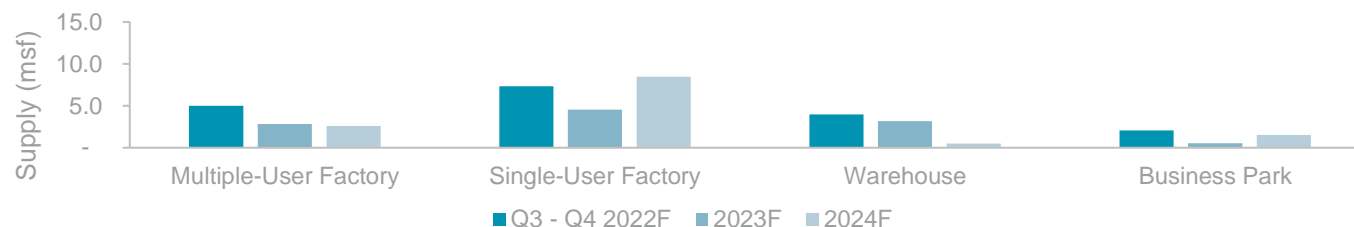
Rental increases were observed for all industrial asset classes during Q3 2022 as vacancy rates remained relatively tight. Notably, vacancy rates vary across different segments. Vacancy rate of prime logistics went down to below 3.0% and city-fringe business park vacancy rate was tightened further to 3.1% while vacancy rate of outlying business parks stayed elevated at almost 25.0%. Nonetheless, rents of business parks in outlying areas inched up marginally during the quarter, increasing by 0.1% q-o-q, as some landlords have raised their asking rents to keep pace with rising inflation, especially for buildings that has recently undergone Asset Enhancement Initiative. City-fringe business park and Science Park rents also increased in tandem with broader market trend, growing by 0.2% and 1.1% q-o-q, respectively.

Warehouses and prime logistics rents continued to rise in Q3 2022 given further tightening of vacancy rates. The rates of rental growth in warehouse and prime logistics segments have moderated as more new supply comes onstream amid a temporary slowdown in demand and expansion due to rising macro-economic challenges. Nonetheless, stockpiling demand for food and raw materials would continue to support occupancy levels for prime logistics / warehouse spaces. Despite substantial completed supply, factory space continued to witness rental growth of 0.7% q-o-q in Q3 2022 on the back of healthy manufacturing performance, especially for the precision engineering (+4.9% y-o-y in Q2 2022) and the general manufacturing (+11.0% y-o-y in Q2 2022) clusters. Similarly, high-tech rents also inched up by 0.7% q-o-q as leasing demand was underpinned by high-value manufacturing and tech sectors as well as spillover demand from CBD office market where rents continued to experience robust growth.

Healthy Investment Interests Despite Headwinds

The industrial investment market saw some activities as investors look for assets with a comfortable yield spread amid a rising interest rate environment. Industrial assets typically offer higher yields as compared to other asset classes due to their shorter leases and lower investors' familiarity coupled with JTC's regulations. Notably, Ascendas REIT was reported to acquire Philips Asean Pacific (APAC) Centre for S\$104.8 million and 1 Buroh Lane for S\$191.9 million at estimated yields of 7.2% and 7.0%, respectively during Q3 2022.

INDUSTRIAL SUPPLY PIPELINE



MARKET STATISTICS

SEGMENT	GROSS EFFECTIVE RENT			Q-O-Q CHANGE (%)	12-MONTH OUTLOOK
	S\$/SF/MO	US\$/SF/MO	EUR/SF/MO		
Business Park (City Fringe)	S\$6.06	US\$4.23	€4.31	0.2%	▲
Business Park (Outlying Areas)	S\$3.53	US\$2.47	€2.51	0.1%	▲
Science Park	S\$4.41	US\$3.08	€3.14	1.1%	▲
High-Tech	S\$3.24	US\$2.26	€2.30	0.7%	▲
Factory – Ground Floor	S\$1.83	US\$1.28	€1.30	0.7%	▲
Factory – Upper Floor	S\$1.62	US\$1.13	€1.15	0.6%	▲
Warehouse – Ground Floor	S\$1.59	US\$1.11	€1.13	0.8%	▲
Warehouse – Upper Floor	S\$1.29	US\$0.90	€0.92	0.8%	▲
Prime Logistics – Ground Floor	S\$1.63	US\$1.14	€1.16	0.8%	▲
Prime Logistics – Upper Floor	S\$1.50	US\$1.05	€1.06	0.8%	▲

US\$/S\$ = 1.431; €/S\$ = 1.406, as of 30 September 2022

SIGNIFICANT BUSINESS PARK PROJECTS – PLANNED & UNDER CONSTRUCTION

PROJECT NAME	SUBMARKET	TENANT	SF	EXPECTED COMPLETION YEAR*
Surbana Jurong Campus	Jurong West	Surbana Jurong	445,000	2022
Perennial Business City	Jurong East	-	1,500,000	2022
Kajima Campus	Changi	Kajima	140,000	2023
Biopolis Phase 6 – Elementum	one-north	-	378,000	2023
Punggol Digital District (Phase 1)	Punggol	-	1,780,000	2024
Development at 3 Science Park Drive	Science Park	-	310,000	2024
Punggol Digital District (Phase 2)	Punggol	-	740,000	2025
Development at 1 Science Park Drive	Science Park	-	1,200,000	2025

* Note: Project timeline might change due to the impact of Covid-19's restrictions on construction progress

KEY SALES TRANSACTIONS Q3 2022

PROPERTY	SUBMARKET	SELLER / BUYER	PRICE (\$ Million)
1 Buroh Lane	Jurong	PGIM / Ascendas REIT	191.9
Philips Asean Pacific Centre	Toa Payoh	Philips Electronics Singapore / Ascendas REIT	104.8
Pandan Logistics Hub	Jurong	ESR-LOGOS REIT / Toll Group	43.5

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