





















Quarterly | Singapore | November 2022

# Industrial Q3 2022: Rents and prices on firm footing

## Insights & recommendations

- In Q3 2022, despite a drop in overall occupancy from 90.0% in Q2 2022 to 89.7%, both the JTC all Industrial price and rental indices achieved eight positive quarters of growth.
- The rental index rose by 2.1% q-o-q, or 4.9% y-o-y in Q3 2022, accelerating from its 1.5% q-o-q growth and 3.4% y-o-y growth in the previous quarter. Similarly, the price index rose by 2.0% q-o-q, or 7.2% y-o-y, accelerating from the 1.5% q-o-q and 5.2% y-o-y growth last quarter.
- Colliers expects rents to grow by between 6 to 7% for this year. On the other hand, industrial prices could grow at a higher clip between 8 to 9% on the back of growing interest in industrial assets due to their higher yields and limited availability.
- With the higher cost of capital, there will also likely be more sales and leaseback activities as asset owners look to lighten their balance sheets.

		Q3 2022	Full Year 2022	Historical Avg 2017-21
	<b>Demand</b>			
	Total net absorption was -0.06 mil sf in Q3 2022, attributed to supply catching up with demand after construction delays.	 -0.06 mil sf	 9.06 mil sf	 9.25 mil sf
	<b>Supply</b>			
	About 1.83 mil sf of industrial space came onstream this quarter, the bulk of which was multiple-user factories.	 1.83 mil sf	 15.77 mil sf	 7.82 mil sf
		QOQ/ End Q1	YOY change/ End 2022	YOY/ End Q1 2022
	<b>Rent*</b>			
	Prime logistics rents grew by a further 1.3% in Q3 2022. Rents for this segment should continue to outperform on the back of limited supply.	 1.3% SGD1.62	 4.8% SGD1.64	 8.6% SGD1.45
	<b>Vacancy</b>			
	The overall vacancy rate increased to 10.3% in Q3 2022 due to an increase in single-user factory vacancy.	 0.3pp 10.3%	 0.7pp 10.5%	 0.2pp 10.0%
	<b>Capital Values/Yields*</b>			
	Capital values for prime logistic assets remained flat, due to the lack of transactional evidence.	 0% SGD206 psf	 3.0% SGD206 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

The drop in overall occupancy of 0.3% this quarter was driven mainly by a fall in occupancy of single-user factories. There were also slight declines in the occupancy rates of the multi-user factory and warehouse segments, but this can be attributed to more supply coming onstream and catching up with demand after construction delays during Covid.

### Factory

The rental indices for both multiple-user and single-user factories have increased at 2.4% q-o-q and 2.0% q-o-q, picking up pace from last quarter's 2.1% and 0.4% q-o-q growth respectively. The strong growth for multiple-user factory rents could be attributed to the growing demand for high-specification multi-user factories, as occupiers look for office grade industrial spaces near the city fringe.

Demand for factories have also been supported by continued growth in the biomedical, and high value manufacturing industries as more firms are encouraged to set up their manufacturing hubs in Singapore due to its political neutrality, efficient infrastructure, and government support.

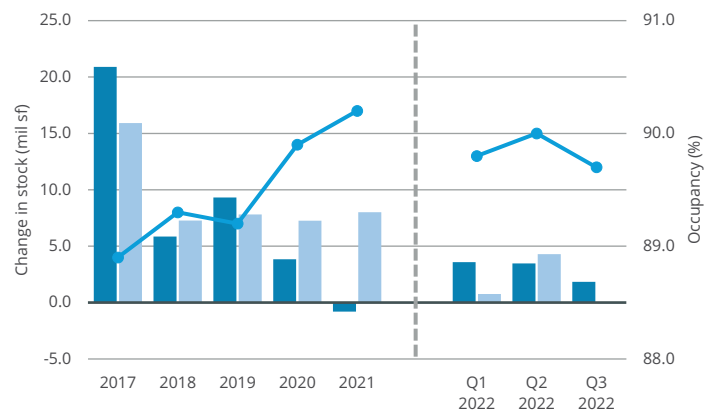
### Warehouse

Although warehouse rents increased by 1.9% q-o-q overall, the rate of rental growth has moderated due to supply catching up with demand. Rental performance would vary across different warehouses, depending on their location and specifications. Specifically, there has been strong demand for investor grade ramp-up warehouses, as the delivery of new supply is not keeping pace with demand. However, leasing demand for warehouse space may taper in the coming quarters with a weaker manufacturing outlook, and as consumer demand shifts to services from goods post-Covid, leading to lower requirements for manufacturers to stockpile.

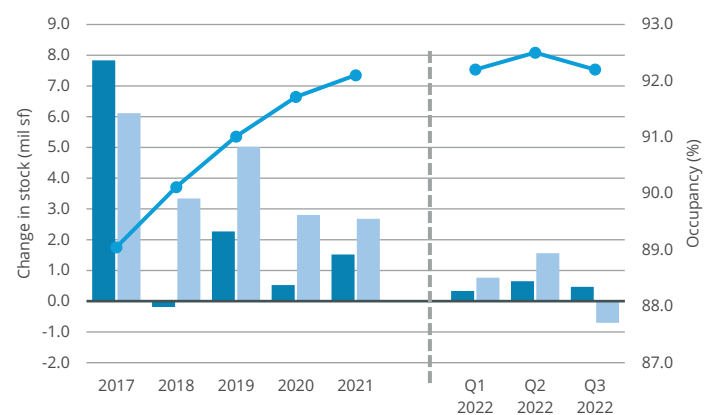
### Business Parks

Business park rents have started to exhibit some sustained growth, on the back of tight supply in the city fringe areas. Most tenants prefer the newer, higher specification developments in the city fringe. On the other hand, leasing activity for space in the rest of island business parks has been slow. In addition, high vacancy rates and a higher supply pipeline could continue to suppress rents.

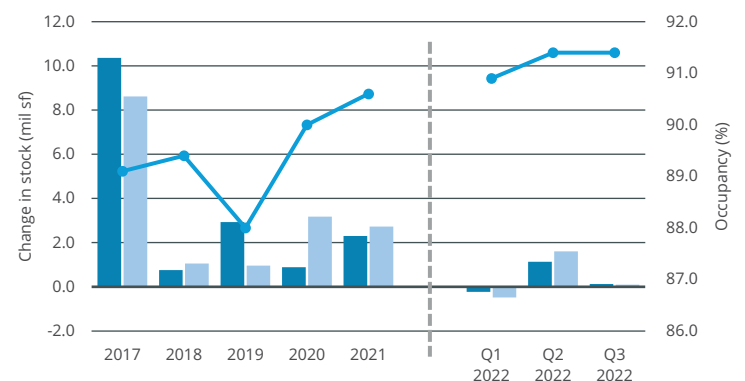
## All industrial demand & supply



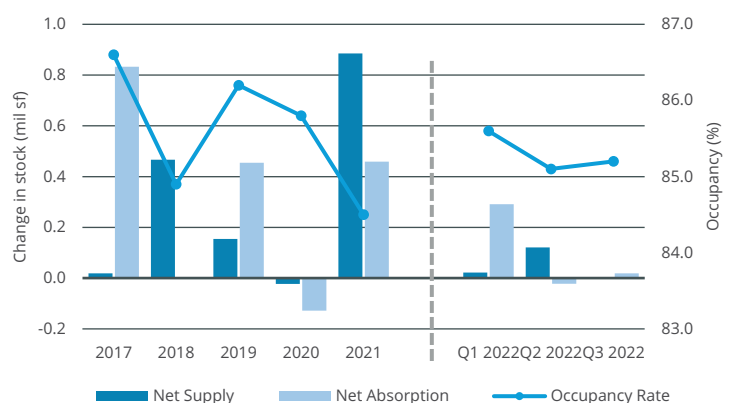
## Private factory demand & supply



## Private warehouse demand & supply



## Business park demand & supply



Source: Colliers, JTC

“In this heightened risk environment, industrial assets still have the ability to offer investors higher spreads to borrowing cost, exposure to defensive sectors, and an inflation hedge if leases are structured carefully.”

**Lynus Pook**

Executive Director and Head  
Industrial Services, Singapore

With an average annual supply of about 1.2 mil sqm from now till 2025 coming onstream (double the average annual supply 0.6 mil sqm over the past three years), supply is likely to outstrip demand and dampen the pace of rental and price growth. The warehouse segment might be an exception to this trend, as there appears to be a dearth of supply post 2024, and the pre-commitment to existing pipeline supply is high.

Going forward, rental increases across all sectors are set to continue with an increase in service charges, as asset owners have to pass on higher operating costs to tenants. This increase in service charges could range from around 5% in warehouse and factories to 10% in business parks.

On a macro level, economic indicators are collectively pointing to a manufacturing slowdown and weaker sentiment. This was largely driven by a slowdown in electronics shipments, with rising inflation and recession concerns weighing on consumer demand.

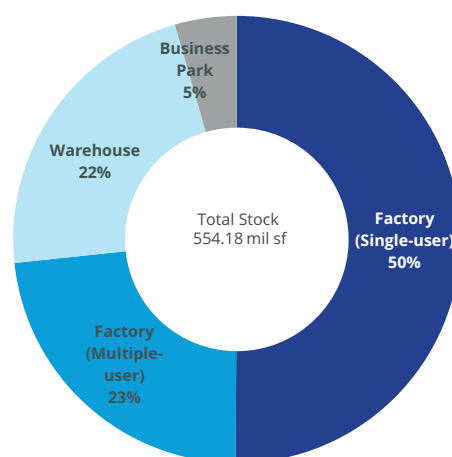
Nevertheless, demand for industrial space, especially high specification warehouses and city fringe business parks, will still be underpinned by growth industries such as the food, logistics, precision engineering and biomedical sectors, which in turn will support rental and price growth, albeit at a more measured pace.

## Colliers average industrial rents

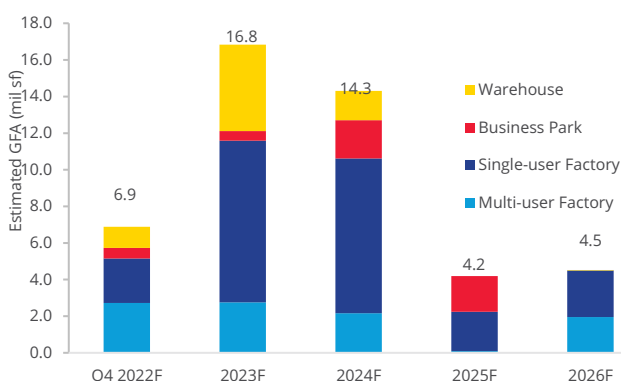
	Q3 2022 (SGD)	% Change QOQ	% Change YOY
High-specs	3.25	0.9%	1.9%
Factory*	1.65	1.1%	1.4%
Warehouse*	1.53	2.3%	3.4%
Prime logistics	1.62	1.3%	5.9%
Business Park	3.68	-	-0.3%
Prime Business Park	6.25	0.3%	1.3%

\*Average of upper and lower floor rents

## Industrial Stock: Q3 2022



## Upcoming supply



## Significant upcoming projects as of Q3 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	2023
5 LOGOS eHub at Pandan Crescent (Phase 2)	LOGOS	0.87	2023

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