


Quarterly | Singapore | November 2023

## Q3 2023 Industrial: Slow but steady

## Insights &amp; recommendations

- Despite tepid industrial indicators, the JTC All Industrial rental index continued its twelfth consecutive quarter of growth in Q3 2023, rising by 2.0%, slowing down slightly from the 2.1% q-o-q growth in the previous quarter. Rental growth was positive across all segments, despite declining occupancy across the board apart from warehouses.
- The price index rose by 1.4% q-o-q, also a slight slowdown from the 1.5% q-o-q growth in Q2 2023. Rental and price growth are expected to continue to moderate in light of slowing global growth and weakness in the manufacturing sector.
- In view of the limited supply of modern industrial facilities, Colliers recommends that occupiers start their search early to secure their ideal space; while landlords or investors should refurbish or redevelop older assets to ride on the flight to quality trend.

		Q3 2023	Full Year 2023F	Historical Avg 2018 – 2022
	<b>Demand</b>			
	Total net absorption grew by 2.18 mil sf during Q3 2023, a slowdown from the 3.27 mil sf in Q2 2023.	2.18 mil sf	6.02 mil sf	7.65 mil sf
	<b>Supply</b>			
	About 3.37 mil sf of industrial space came on stream this quarter, the bulk of which were factories.	3.37 mil sf	12.21 mil sf	8.07 mil sf
		QOQ/ End Q3	YOY change/ End 2023	YOY/ End Q1 2023
	<b>Rent*</b>			
	Prime logistics rents increased by 1.2% during Q3 2023. This growth is likely to continue due to strong demand and limited supply.	1.2% SGD1.70	4.9% SGD1.72	8.6% SGD1.64
	<b>Vacancy</b>			
	Island-wide vacancy increased to 11.1% during Q3 2023, attributed to the higher supply coming onstream.	0.2pp 11.1%	0.9pp 11.5%	0.8pp 10.6%
	<b>Capital Values/Yields*</b>			
	Prime logistics capital values increased by 1.0% during Q3 2023, due to healthy rental growth.	1.0% SGD213 psf	4.0% SGD217 psf	4.5% SGD209 psf

Source Colliers. Note: 1 sq m = 10,764 sf. "pp" refers to percentage point. \*Rents, capital values and yields refer to prime logistics assets.

## All Industrial

The JTC All Industrial price and rental indices continued their twelfth consecutive quarter of growth during Q3 2023, reaching their highest levels since Q1 2016 and Q2 2014 respectively. This was despite the fact that industrial indicators remained weak, though NODX and manufacturing contracted at slower rates, with the PMI moving out of contractionary territory.

### Factory

The rental indices for multiple-user/single-user factory have increased by 2.0%/1.9% q-o-q respectively. There is still take-up at multi-user factories from biomedical and tech-related firms, albeit at a slower pace, with most tenants looking at smaller spaces (<10k sf). With a surge of single-user factory space coming on stream, and overall softer demand on the back of a tempered manufacturing outlook, leasing activity and rental growth for both asset types are likely to slow going forward.

### Warehouse

Given the resilient demand, warehouses registered a rental increase of 2.4% q-o-q and saw occupancy further tightening to 91.3% from 91.0% from the previous quarter. This also means warehouses registered the highest rental growth q-o-q across all segments and was the only segment seeing an increase in occupancy.

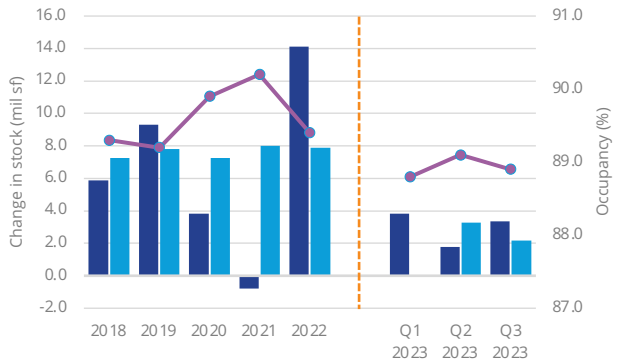
Supply continued to be tight this quarter (with some stock withdrawn from the market) and outweighed by demand. Further, warehouses represent only 25.7% of upcoming industrial space. Demand from international logistics players remained firm with AP Moller Maersk, DB Schenker and DSV(with Logos) breaking ground on their built-to-suit warehouses, while prime logistics facilities are almost fully occupied.

Nevertheless, with a tentative manufacturing recovery under weaker global growth and economic uncertainty, this rental growth is expected to moderate.

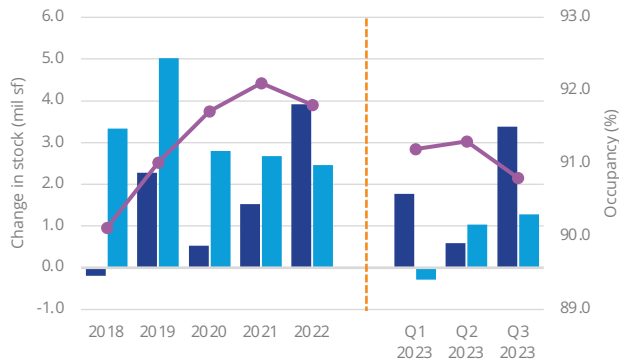
### Business Parks

Business Park rents have grown 1.2% q-o-q in Q3 2023, despite occupancy easing by 10 percentage points. In addition to higher upcoming supply, net demand has been negative for the past three quarters. Further, vacancies remain elevated, especially in the outlying business parks. With occupiers spoilt for choice, it is likely to become a tenants' market where rents might have to soften.

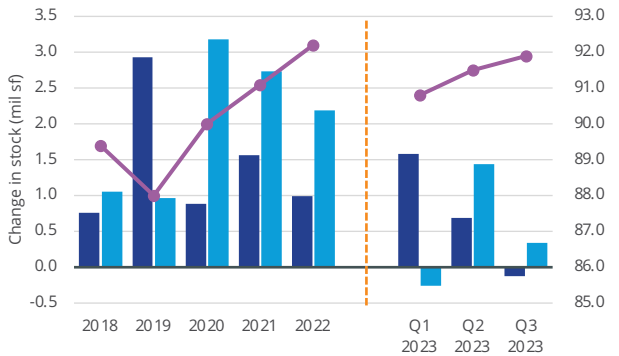
## All industrial demand & supply



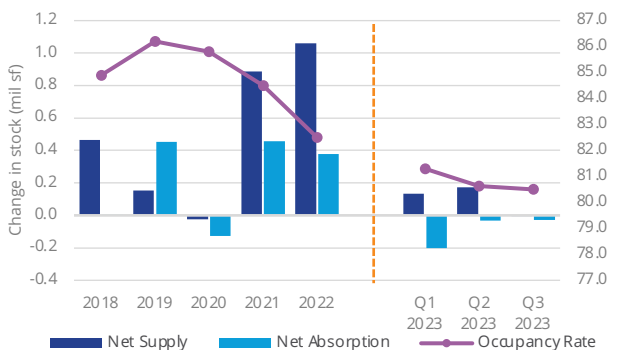
## Private factory demand & supply



## Private warehouse demand & supply



## Business park demand & supply



“With weaker demand relative to new supply, there is likely to be lower leasing interest and activity. As such, landlords may have to give in to lower rents or offer incentives to retain or attract new tenants, especially for the older projects.”

**Lynus Pook**  
Head of Industrial Services | Singapore

Overall occupancy declined by 0.2% q-o-q, (vs an increase of 0.3% q-o-q in 2Q 2023), as new completions came onto the market. There will continue to be a ramp-up of supply in the next few years; between 2024 to 2026, there is an average annual supply of 1.0 mil sqm coming onstream, exceeding the average annual demand of 0.7 mil sqm per year over the past three years. As such, supply is expected to stay ahead of demand, which could put more pressure on rents and occupancy.

Nonetheless, NODX and manufacturing output point to an improvement in September 2023, contracting at slower rates, while PMI improved for the fourth straight month to 50.1 in September, moving out of contractionary territory. Further, the 3Q 2023 Business Expectations Survey showed that the general outlook and output forecast for the manufacturing sector remains positive for the second half of 2023.

The warehouse segment is expected to continue being the bright spot of the sector, with strong demand from last-mile logistics and cold storage. In addition, there continues to be investments into new facilities in Singapore, which will help support the overall industrial sector. New builds are expected to lead rental growth as they are more likely to be able to meet the business requirements of high-tech industries such as biomedical and advanced manufacturing. With the improvement in industrial indicators and business sentiments, industrial demand could turn a corner early next year.

Significant upcoming projects as of Q3 2023

	Project Name	Developer	GFA ('mil sf)	Expected TOP*
1	JTC Logistics Hub @ Gul	JTC Corporation	0.59	2023
2	Elementum	HB Universal	0.38	2023
3	Logos eHub	Logos	0.87	2024
4	JTC Space @ AMK	JTC Corporation	1.26	2024
5	Business Park @ Punggol Way	JTC Corporation	2.54	2024/2025

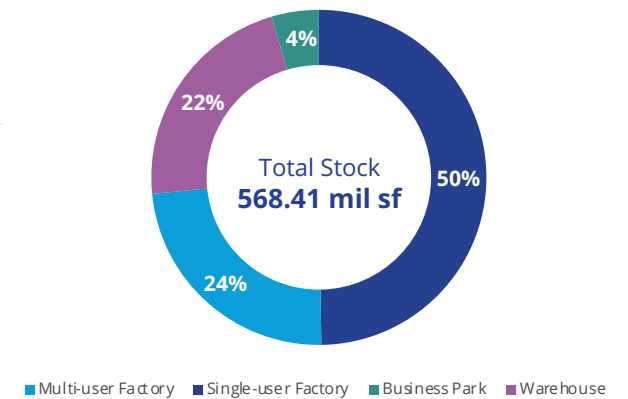
Source: Colliers, JTC. \*TOP = Temporary Occupation Permit

Industrial Rents

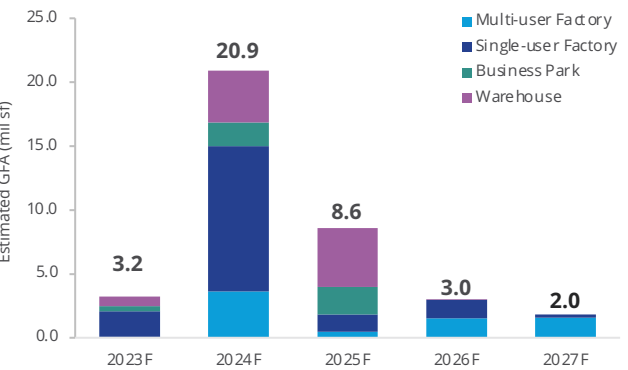
	Q3 2023 (SGD)	% Change QOQ	% Change YOY
High-specs	3.35	0.3%	3.1%
Factory*	1.67	-	1.2%
Warehouse*	1.60	1.3%	4.6%
Prime logistics	1.70	1.2%	4.9%
Business Park	3.69	-	0.3%
Prime Business Park	6.27	-	0.3%

\*Average of upper and lower floor rents

Industrial Stock: Q3 2023



Upcoming supply



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