Steady demand to support industrial prices and rentals in 2022, despite Q3 bumps: Knight Frank

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Above: Woodlands Industrial Park E. The Knight Frank team believes that the increasing adoption of sustainable business models and steady inflow of investments from international manufacturers will continue to drive demand for properties in the industrial sector. PHOTO: JTC

INDUSTRIAL prices and rentals are expected to stabilise this year, supported by a steady demand for space. This is despite the sector's moderate performance in recent quarters and a rocky global economy, said real estate consultancy Knight Frank in a report on Friday (Oct 7).

Industrial sales, for instance, totalled at S$773.1 million in Q3 of 2022, down 12.2 per cent from the previous quarter, and 5 per cent from 2021. The number of industrial tenancies plunged to 2,237, down 28 per cent from the previous quarter and 36.1 per cent from last year.

Knight Frank also noted an overall slowdown in the rate of manufacturing growth so far this year. It said: "After driving much of the economic growth throughout the pandemic years, prevailing global geopolitical and economic challenges tempered business sentiment in the industrial sector."

Despite observing that sentiment has turned "tentative", the team at Knight Frank predicts that industrial prices and rentals will stabilise and are on track to growing 3 to 5 per cent for the whole of 2022.

It noted that overall prices of industrial properties continued to trend upward this quarter, with an average price of S$444 per square feet (psf), up 2.4 per cent from the previous quarter.

Popular locations for these transactions – the majority of which were for multiple-user factories – include the Geylang Planning Area, with 49 transactions worth S$72.5 million, and Woodlands Planning Area, with 47 transactions worth S$42.5 million.

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The median rent for multiple-user factories remained healthy at S$1.89 psf per month in July and August 2022, in Knight Frank's view, compared with S$1.76 psf per month in the previous year.

"While the overall demand for industrial space declined, the improving construction and transport sectors driving output expansions in certain manufacturing clusters propped up sales activity in Q3," said Knight Frank.

"More businesses integrating and producing sustainable alternatives or products such as plant-based proteins and bags could sustain leasing demand for multiple-user factory space that support these emerging business types."

Knight Frank added that demand for industrial properties will hold steady – especially as foreign companies continue to pick Singapore, with its security and stability, as a choice location for their regional headquarters or for high-value manufacturing.

For example, several international semiconductor companies – such as American semiconductor firm GlobalFoundries, German microchip maker Infineon and French water manufacturer Soitec – have announced substantial investments to expand their operations in Singapore, under plans to ramp up production capacity amid the global chip shortage.

The most recent company to set up in the Republic was Pall Corporation, a filtration, separation and purification technology business that in August broke ground for a US$100 million manufacturing facility.

"The steady stream of investment commitments flowing into Singapore will continue to generate value and create more jobs," said the consultancy.

"Coupled with the nation's standing as a safe business destination, these could potentially serve as a shelter against unforeseen external shocks and the looming economic uncertainty."

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