






Quarterly | Singapore | 13 May 2022

Industrial Q1 2022: In the right direction

Insights & recommendations

- In Q1 2022, industrial rents continued their sixth consecutive quarter of growth, rising by 1.0% QOQ, the strongest quarterly growth since Q3 2013. Correspondingly, industrial prices followed the same upward trajectory, rising by 3.1% QOQ, the strongest quarterly growth since Q1 2014.
- However, overall vacancy rose 0.4 pp due to new completions picking up significantly, leading to the increase in supply exceeding new demand.
- With the robust supply pipeline, occupiers not in urgent need of space could wait for more options to come to market.
- Colliers recommends landlords to be more flexible in rental negotiations, while investors or developers could upgrade or redevelop older assets to meet the demand for higher specification industrial space.

		Q1 2022	Full Year 2022	Historical Avg 2017-21
 Demand	Total net absorption grew by 0.76 mil sf in Q1 2022, attributed to the strong take-up of business park space.	0.76 mil sf	16.39 mil sf	9.25 mil sf
 Supply	About 3.59 mil sf of industrial space came onstream this quarter, the bulk of which was single-user factories.	3.59 mil sf	25.90 mil sf	7.82 mil sf
		QOQ/ End Q1	YOY change/ End 2022	YOY/ End Q1 2022
 Rent*	Prime logistics rents increased further by 1.0% in Q1 2022. The growth in rents is likely to taper with more supply coming onstream.	1.0% SGD1.58	3.5% SGD1.62	8.6% SGD1.45
 Vacancy	Islandwide vacancy increased to 10.2% in Q1 2022 due to a pickup in new supply.	0.4pp 10.2%	0.8pp 11.0%	0.2pp 10.0%
 Capital Values/Yields*	Capital values increased by 2.0% QOQ, on the back of strong demand for prime logistics assets.	2.0% SGD204 psf	5.5% SGD211 psf	8.6% SGD1.45 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 sixth consecutive quarter of growth in Q1 2022, reaching their highest levels since the beginning of 2017. Trade indicators have exhibited a similar trend, with expansion recorded in manufacturing output, NODX and PMI, albeit with growth moderating.

Factory

Rents for multiple-user and single-user factories have also increased, although at a slower pace than warehouses. Backed by strong government support, Colliers expects more firms to set up their manufacturing hubs in Singapore, with sustained growth in the manufacturing and wholesale trade sectors to underpin demand for factory space in 2022. However, geopolitical tensions have resulted in rising energy costs and supply chain disruptions, causing inflationary pressures and clouding the outlook of the manufacturing sector. As such, manufacturers might also become more cautious in their expansion plans.

Warehouse

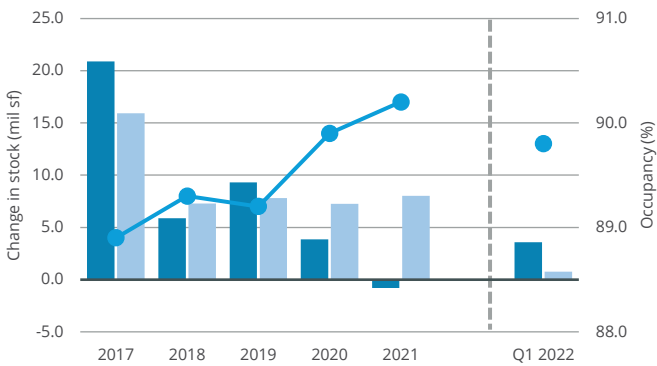
Warehouses registered the highest rental increase of 1.5% QOQ among all the segments. Colliers has observed that demand for prime logistics space and high specification warehouses has been extremely high; third party logistics players and end users have been actively looking for additional storage space to meet stronger consumption post-Covid, especially amidst supply chain disruptions and a global shortage of semi-conductor chips. As such, older warehouses may be taken off the market to be upgraded or redeveloped to meet the demand for these assets.

Business Parks

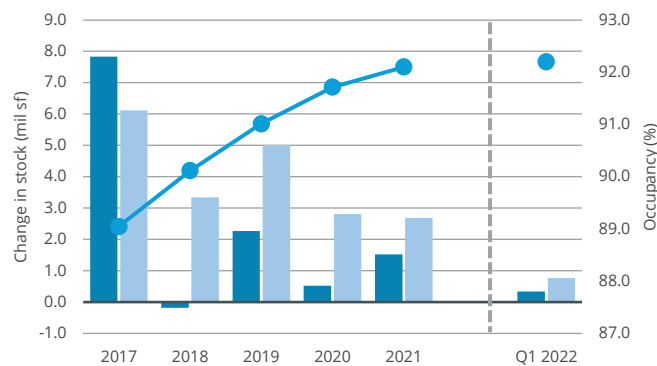
Business parks rents have remained flat, improving from last quarter's 0.5% decline. Strong net absorption has led to occupancy increasing by 110 pp this quarter, led by take-up at city fringe business parks. With the limited supply of quality offices and higher office rents, more demand from the tech and services industries could continue to spillover to city fringe business parks.

Source: Colliers, JTC

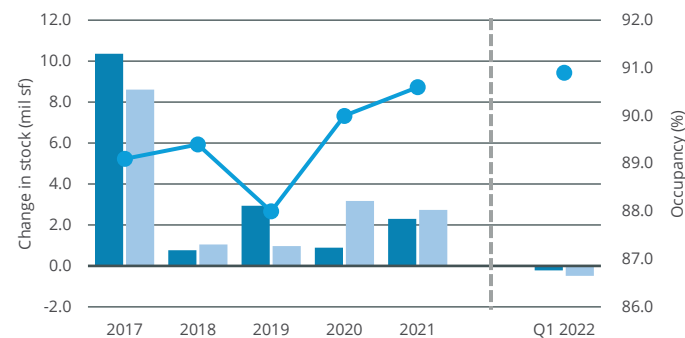
All industrial demand & supply



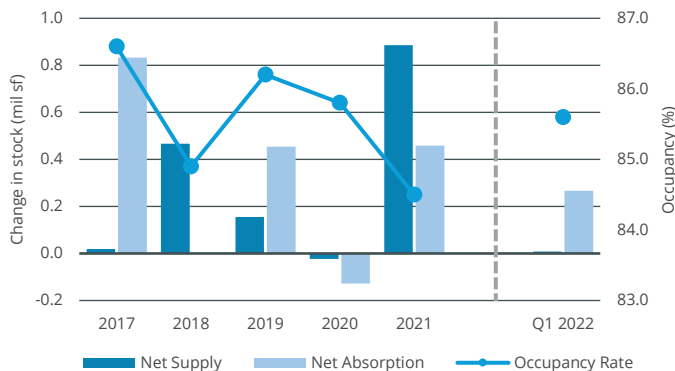
Private factory demand & supply



Private warehouse demand & supply



Business park demand & supply



Net Supply Net Absorption Occupancy Rate

“With the re-opening of Singapore’s borders, industrialists may look to diversify their supply chains and tap on alternative options for cheaper storage; they will also not need to stock up on as many goods as before to tide them through supply chain disruptions.”

Lynus Pook
Executive Director, Industrial Services

Due to past construction delays, most of the industrial supply pipeline is coming onstream this year, with the majority factories. In addition to 25.90 mil sf more industrial space scheduled to complete this year, the average annual pipeline supply from present to 2025 at 12.92 mil sf, is almost double the 6.46 mil sf over the past three years. This anticipated surge in supply could slow price and rental growth, while providing more options for industrialists at the same time.

With most Singapore residents vaccinated, there will likely be less storage space required for medical products. Older warehouses are also seeing resistance to rental increases from small and medium enterprises. All these factors might cause warehouse rental growth to taper in the coming quarters.

Nevertheless, demand for industrial assets, especially high specification warehouses and business parks, should still be underpinned by growth industries such as the food, media, logistics, technology and biomedical sectors. Further, the drive for more robust supply chains, the switch to a just-in-case strategy, as well as the increasing digitalisation of industries and the economy should continue to support industrial rent and price growth, albeit at a more measured pace.

Significant upcoming projects as of Q1 2022

Project Name	Developer	GFA ('mil sf)	Expected TOP*
1 Solaris @ Tai Seng	Soilbuild Group	1.13	2022
2 Perennial Business City	Perennial	1.10	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

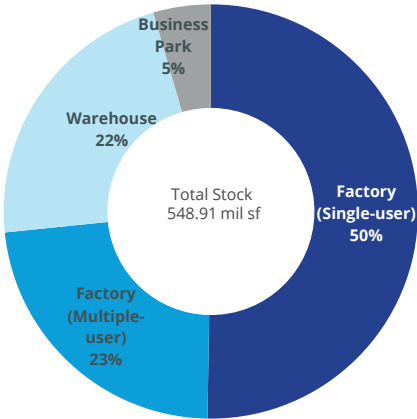
Source: Colliers, JTC. *TOP = temporary occupation permit

Colliers industrial rents

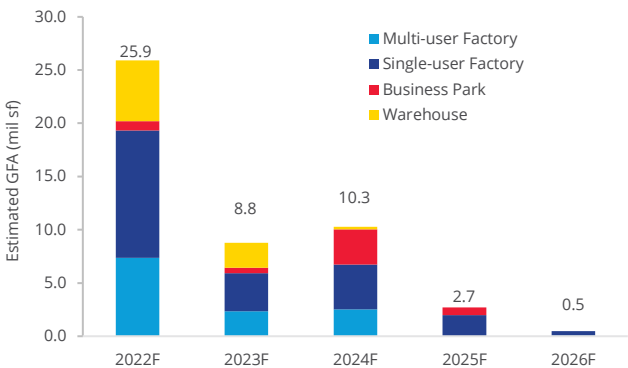
	Q1 2022 (SGD)	% Change QOQ	% Change YOY
High-specs	3.20	0.3%	1.0%
Factory*	1.63	-	0.3%
Warehouse*	1.49	-	0.9%
Prime logistics	1.58	1.0%	8.6%
Business Park	3.68	-	-0.5%
Prime Business Park	6.22	0.7%	0.4%

*Average of upper and lower floor rents

Industrial Stock: Q1 2022



Upcoming supply



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