

“Despite the uncertainties to manufacturing supply chains due to global headwinds, the industrial market in Singapore can look forward to sustainable gains throughout 2022.”

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Singapore Research

Industrial

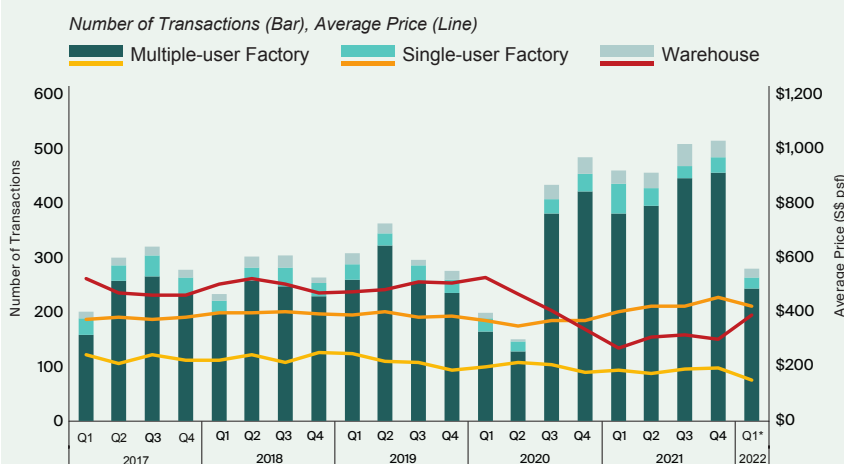
Q1 2022

PROLONGED CHIP SHORTAGE MAY SLOW DOWN INDUSTRIAL ACTIVITY IN 2022

External headwinds may alter industrial momentum

- Singapore's economy grew 7.6% in 2021, as the Ministry of Trade and Industry (MTI) reported that this was partially attributed to the growth in the manufacturing sector of about 13.2% y-o-y for the whole year, led by output expansions in all clusters.
- Despite a net weighted balance of 8% of manufacturers foreseeing a favourable business outlook in H1 2022, supported by the encouraging pace of growth in 2021, the escalation of the Russia-Ukraine war since February this year might further aggravate already-constrained global supply chains. The disrupted supply of rare metals and neon from the warring nations that many semiconductor manufacturers rely on to produce chips are rapidly being exhausted in existing inventories. The ripple effect of the conflict could draw out the global chip shortage longer than expected, affecting growth.
- In addition, COVID-19 lockdowns in China as well as rising inflation have been some of the other critical factors dampening manufacturers' sentiments. In March 2022, the Singapore Purchasing Managers' Index (PMI) registered a slower rate of expansion at 50.1, representing declines of 0.7 points y-o-y and 0.1 point m-o-m.

Exhibit 1: Industrial Sales Performance



Source: JTC J-Space, Knight Frank Research
Note: The average unit price is based on a four-quarter moving average of strata transactions.
*Q1 2022 data is based on transactions downloaded as at 31 March 2022.

MARKET SNAPSHOT

2,140 LEASES
▼1.4% Q-O-Q | ▲4.9% Y-O-Y
NUMBER OF INDUSTRIAL TENANCIES¹

\$S\$431.2 MILLION
▼61.8% Q-O-Q | ▼71.9% Y-O-Y
TOTAL INDUSTRIAL SALES

50.8 MILLION SF GFA
UPCOMING NEW SUPPLY (2022 TO 2026)

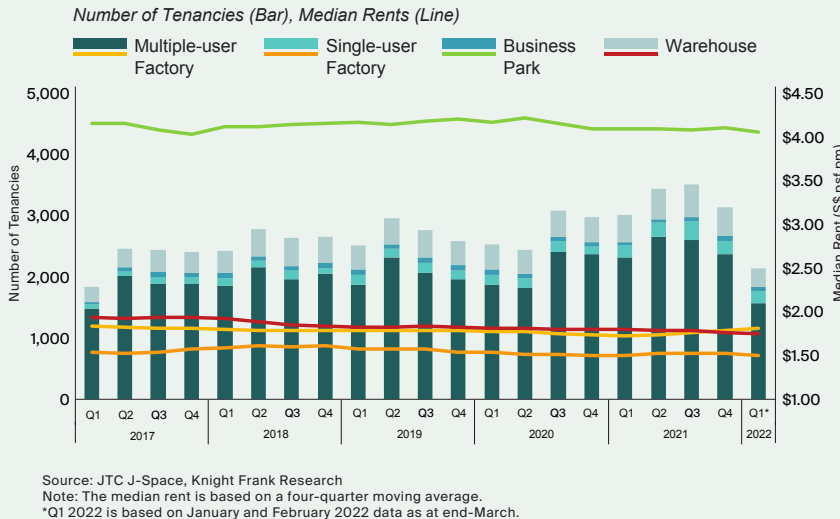
Stable sales and leasing activity in Q1

- Land in excess of 100,000 sf remains high in demand, stemming from end-users in need of larger parcels and buildings for expansion. Notwithstanding this, the current supply of good quality industrial buildings is limited, resulting in the tapering of total sales to \$S\$431.2 million in the first three months of the year (Exhibit 1).
- In January and February 2022, leasing activity in the industrial market generally picked up 4.9% on a y-o-y basis. Strata industrial space remained particularly popular among businesses due to the more palatable floor areas and price quantum.
- While demand for such space remains healthy, the pace of leasing movements slowed. The multiple-user factory segment registered 1,557 tenancies in the first two months of the year, representing a marginal decline of 0.4% y-o-y, although the reduction was in part due to the high-base last year when the total number of leases hit new heights of 1,564 (January and February 2021), not seen since 2012 (Exhibit 2).

Continued on next page

¹ The percentage changes for the total number of tenancies of all industrial space in January and February 2022 are based on a two-month comparison; q-o-q (against October and November 2021) and y-o-y (against January and February 2021).

Exhibit 2: Industrial Leasing Volume and Median Rents



Unlocking opportunities through twinned bases

- Leveraging on Singapore's reputation as a global business and innovation hub, the launch of synergistic manufacturing bases will allow businesses to access and utilise land that is optimal for expansion and output production, while also diversifying their supply chains.
- Earlier in October 2021, twinned bases – Batamindo Industrial Park (BIP) and Bintan Industrial Estate (BIE) – were established between Singapore and Indonesia. And more recently in February 2022, another initiative was introduced in Singapore and Vietnam known as the Sembcorp Development's Vietnam Singapore Industrial Parks (VSIPs). These will help manufacturers who are looking to grow their businesses and adapt strategies that could potentially increase their output production more efficiently and effectively.

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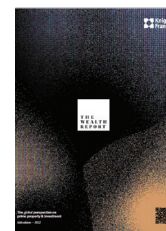


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Market outlook

- With external forces exacerbating the global semiconductor supply crunch, manufacturers may turn cautious when considering expansion activities. However, as e-commerce has proven sustainable, especially in this day and age where economies are steadily progressing towards being digital, the demand for logistics and warehouse space is expected to remain stable.
- Between 2022 and 2026, some 50.8 million sq ft of new industrial GFA will be coming on stream to the sector. Of the 29.9 million sq ft set to be completed sometime this year, single-user factory is projected to account for the lion's share of the upcoming supply, with approximately 13.1 million sq ft of new space (43.8%).
- Notwithstanding the upcoming supply in 2022, healthy demand and measured expansion in the industrial market continue to be underpinned by encouraging levels of direct investment from the biomedical, biotechnology and electronics sectors. As such, industrial price and rents are on track to improve in a moderate manner by 3% to 5% for the whole of 2022.

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