

“With the global chip shortage, semiconductor and electronics-related industries continue to drive industrial demand.”

DANIEL DING, HEAD, CAPITAL MARKETS  
(LAND & BUILDING, INTERNATIONAL REAL ESTATE & INDUSTRIAL)



Singapore Research

# Industrial

## Q2 2021

## MANUFACTURING, LED BY SEMICONDUCTORS, POWERING SINGAPORE'S RECOVERY

### MARKET SNAPSHOT

**2,315 LEASES**  
13.4% ▲ Q-O-Q | 38.4% ▲ Y-O-Y  
NUMBER OF INDUSTRIAL TENANCIES<sup>1</sup>

**S\$809.1 BILLION**  
48.6% ▼ Q-O-Q | 149.1% ▲ Y-O-Y  
TOTAL INDUSTRIAL SALES

**56.1 MILLION SF GFA**  
UPCOMING NEW SUPPLY (Q2 2021 TO 2024)

knightfrank.com.sg/research

### Electronics cluster driving manufacturing sector

- According to the Ministry of Trade and Industry (MTI), Singapore's economy grew 1.3% year-on-year (y-o-y) in Q1 2021, a surprising turnaround from the negative 2.4% y-o-y contraction recorded in the last quarter of 2020. Manufacturing continued to drive Singapore's recovery, with output expansions in electronics, precision engineering and chemical clusters outweighing output declines in the transport engineering, general manufacturing, and biomedical manufacturing clusters.
- In particular, semiconductor manufacturers and sub-contractors supporting electronics firms were observed to be exploring expansion space to ramp up production in Q2 2021, especially so with the global chip shortage and overall increasing reliance on devices in the pandemic era.
- In May 2021, the Singapore Purchasing Manager's Index (PMI) recorded an expansion of 50.7, representing the 11th consecutive month of expansion for the industrial sector. This was a dip of 0.2 from the previous two-year high of 50.9 reported in April 2021, and slight fall from the 50.8 reported at the end of Q1 2021. Nevertheless, the persistent expansion in the PMI serves as a reassuring indicator that the industrial sector will be in a state of continued growth throughout 2021.

As a result, there was a total of 1,801 rental transactions in April and May, representing an increase of 43.7% y-o-y from the 1,253 rental transactions in the same period last year, and an increase of 15.2% from 1,564 transactions in January and February 2021.

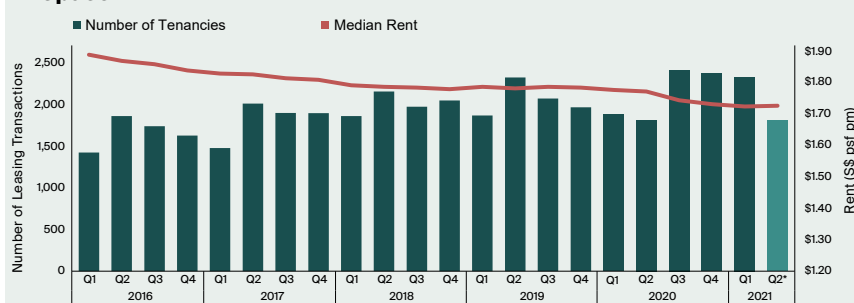
- With an increasing urgency to fulfil orders from all over the world, producers of technological components were active in seeking expansion space in order to grow output.
- The multiple-user factory segment showed some brisk transactional activity totalling some S\$370.0 million, led by the S\$35.3 million sale of Lam Soon Industrial Building in May 2021. Prices generally picked up across tenures, averaging about S\$415 psf as general business sentiments improved on the back of the steady global vaccine rollout (Exhibit 2).

### Vaccine giants set up shop in Singapore

- With the COVID-19 pandemic highlighting the importance domestic vaccine production, Singapore managed to attract two vaccine manufacturers to open vaccine production centres in the country. In May, BioNTech, the German biotechnology company responsible

Continued on next page

**Exhibit 1: Leasing Volume and Median Rent of Multiple-User Factory Space**



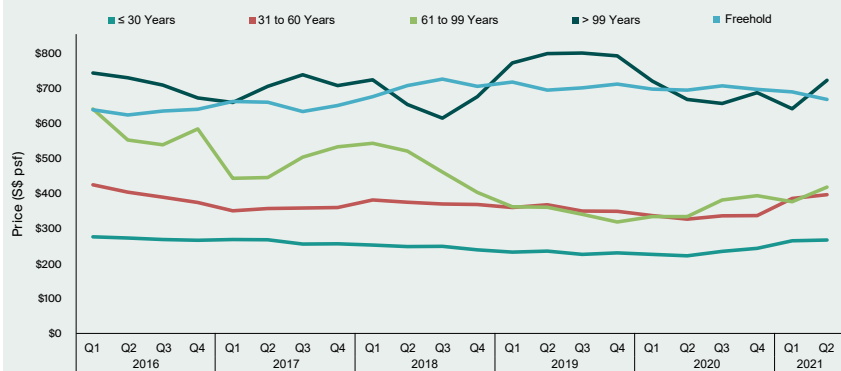
Source: JTC J-Space, Knight Frank Research  
Note: The median rent is based on a four-quarter moving average.  
\*Q2 2021 data based on April and May 2021 data as at end-June.

### Median rents showed tenuous recovery Q2 2021

- In Q2 2021, the island-wide median rent of multiple-user factory space remained unchanged from the previous quarter at S\$1.73 per square foot per month (psf pm) (Exhibit 1). Despite that, the monthly data suggested an improvement in both rents and rental activity, mirroring the trends seen in the manufacturing sector at large.

<sup>1</sup>The percentage changes for the total number of tenancies of all industrial space in April and May 2021 are based on a two-month comparison; q-o-q (against January and February 2021) and y-o-y (against April and May 2020).

## Exhibit 2: Average Price of Multiple-User Factory Space by Balance Tenure\*



Source: JTC J-Space, Knight Frank Research

Note: The average unit price is based on a four-quarter moving average of strata transactions.

\*The balance tenure is based on the number of remaining years at the point of transaction.

\*\*Q2 2021 data based on transactions downloaded as at 30 June 2021.

## Market outlook

- While the resurgence in COVID-19 cases at home and abroad has put a dampener on the recovery in the transport engineering cluster, the manufacturing sector continued to lead the recovery in 2021 as expected. According to the Economic Development Board (EDB), recent business sentiments in the manufacturing sector were positive, with manufacturing firms anticipating a favourable business situation for the second and third quarters of 2021. And as new reports indicate that the global chip shortage may be more protracted than previously anticipated, semiconductor manufacturers may be more sanguine in committing capital to expand production volumes, driving demand for industrial space.
- However, the considerable supply of new industrial space in the pipeline would likely keep industrial rent growth in check. About 56.1 million sf gross floor area (GFA) of new industrial space is expected to come online between Q2 2021 to end 2024, with 45.7% of the new supply projected to be completed in the rest of 2021. Although a significant proportion of the new supply consists of factory space, construction delays due to COVID-19 induced labour shortages and healthy pre-commitment levels for upcoming factory space may alleviate the impact on factory rentals, allowing rents to increase moderately between 1% and 3% for the whole of 2021.

for the Pfizer vaccine, announced its intention to open its South-east Asian headquarters in Singapore this year, with further plans for the development of a mRNA-based vaccine production facility set to be operational from 2023.

- Pharmaceutical giant Sanofi Pasteur announced in April plans to expand its footprint in Singapore with the development of a S\$638 million vaccine production centre. Construction is expected to begin in the third quarter of 2021, with full operations beginning in 2026. The new facilities are in line with the government's plan to position Singapore as a regional hub for the healthcare and biotechnology industries.

## Recent Publications



INDUSTRIAL Q1 2021



SINGAPORE VIEW  
23<sup>rd</sup> EDITION

Contact us for insights, research and real estate opportunities.



**Daniel Ding**  
Head  
Capital Markets  
(Land & Building, International Real Estate & Industrial)  
+65 6228 6833  
daniel.ding@sg.knightfrank.com



**Leonard Tay**  
Head  
Research  
+65 6228 6854  
leonard.tay@sg.knightfrank.com



**Benedict Yeo**  
Executive  
Research  
+65 6228 6837  
benedict.yeo@sg.knightfrank.com

**Knight Frank Research Reports are available at**  
[knightfrank.com.sg/research](https://knightfrank.com.sg/research)

### About Knight Frank Singapore

Knight Frank LLP is the leading independent global property consultancy. Headquartered in London, Knight Frank has more than 20,000 people operating from 488 offices across 57 territories. The Group advises clients ranging from individual owners and buyers to major developers, investors and corporate tenants. Knight Frank has a strong presence in Singapore with a head office and two subsidiaries: Knight Frank Property Asset Management and KF Property Network. For further information about the Company, please visit [www.knightfrank.com.sg](https://www.knightfrank.com.sg).

### © Knight Frank 2021

This report is published for general information only. Although high standards have been used in the preparation of the information, analysis, views and projections presented in this report, no legal responsibility can be accepted by Knight Frank Research or Knight Frank for any loss or damage resultant from the contents of this document. As a general report, this material does not necessarily represent the view of Knight Frank in relation to particular properties or projects. Reproduction of this report in whole or in part is allowed with proper reference to Knight Frank Research.

