

Industrial Q3 2021

Rents
(\$PSF/MO)12-Mo.
Forecast**\$6.03**

Business Park (City Fringe)

**\$3.54**

Business Park (Outlying Areas)

**\$4.27**

Science Park

SINGAPORE ECONOMIC INDICATORS
Q2 202112-Mo.
Forecast**14.7%**

Real GDP Growth

**2.3%**

Inflation Growth

**2.7%**

Unemployment

Source: Ministry of Trade & Industry (MTI),
Moody's Analytics

A better-than-expected economic performance

Singapore's economy grew by 14.7% yoy in Q2 2021, much faster than the 1.5% growth in the previous quarter. Growth was continuingly led by manufacturing sector that expanded by 17.7% yoy in Q2 2021. Overall unemployment rate has also improved, coming down from 3% for the whole of 2020 to 2.9% in Q1 2021 and 2.7% in Q2 2021. Amidst a strong global economic recovery and accelerated vaccination programmes in key advanced economies, the Ministry of Trade and Industry (MTI) on 11 August 2021 upgraded its GDP growth forecast range for 2021 to 6%-7% from 4%-6% previously forecasted.

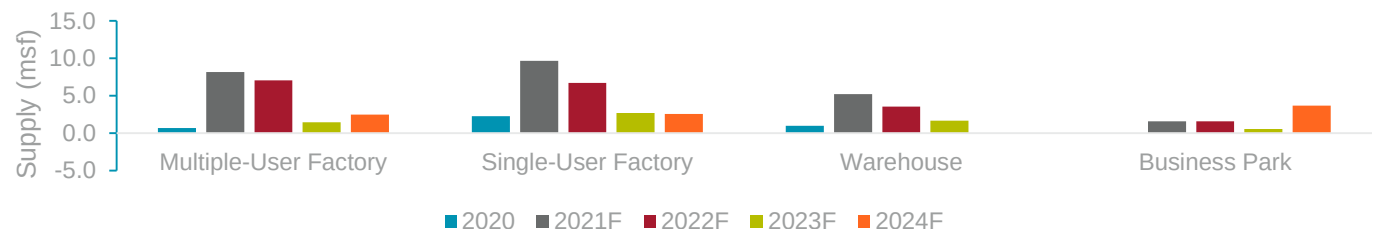
Rents remained stable across most segments

Based on C&W's basket of industrial properties, rents of city fringe business park, prime logistics, warehouse and factory space remained stable in Q3 2021 as vacancy rates stayed tight alongside economic recovery. Science Park rents (\$4.27 psf/mth) registered a rise of 0.5% qoq, extending the growth in the previous quarter. Similarly, high-tech rents continued to increase by 0.3% qoq in Q3 2021. COVID-19 could have accelerated the digital adoption by manufacturers and industrialists. This coupled with the government's push towards advanced manufacturing activities has supported demand for higher specification industrial developments. On the other hand, outlying business park rents (\$3.54 psf/mth) fell by 0.9% qoq, weighed down by lower rents achieved by older developments. Nonetheless, the rates of rental decline have been moderated for the past two quarters of 2021 as compared to that in 2020, indicating that rents of outlying business park are likely to bottom out soon amid relatively limited supply of new business park space.

Recovery is well underway

Rental growth registered across different types of industrial properties in the first nine months of 2021 has reflected the expansion seen in the manufacturing sector – a key pillar of Singapore's economy. The ongoing global chip shortage could lead to semiconductor manufacturers being more confident in committing capital to increase production volumes, increasing demand for factory space. Increased flow of biotechnology investments into Singapore as well as possible expansion from technology and logistics firms, which have been riding well on the exponential growth in e-commerce and business digitalization, could drive up demand for high-tech and prime logistics space. In Q3 2021, healthy demand amid moderate supply of prime logistics space has further tightened their vacancy rates, which are anticipated to remain low in the upcoming quarters. On the other hand, despite expected robust demand, occupancy rates of factory space could come under pressure in the latter part of 2021 and 2022 given the influx of new multi-user factory stock coming onstream after the year-long construction delays. Nevertheless, sustained uptrend in factory rents is expected, albeit tempered, underpinned by strong manufacturing output growth and progressive re-opening of the economy. Similarly, city fringe business park and warehouse rents are projected to continue rising. E-commerce needs together with vaccine and food storage requirements remain as key demand drivers for warehouse and prime logistics space in the near future.

INDUSTRIAL SUPPLY PIPELINE





MARKET STATISTICS

SEGMENT	GROSS EFFECTIVE RENT			12-MONTH OUTLOOK
	S\$/SF/MO	US\$/SF/MO	EUR/SF/MO	
Business Park (City Fringe)	S\$6.03	US\$4.46	€3.81	▲
Business Park (Outlying Areas)	S\$3.54	US\$2.61	€2.23	■
Science Park	S\$4.27	US\$3.15	€2.70	▲
High-Tech	S\$3.14	US\$2.32	€1.98	▲
Factory – Ground Floor	S\$1.78	US\$1.31	€1.12	▲
Factory – Upper Floor	S\$1.60	US\$1.18	€1.01	▲
Warehouse – Ground Floor	S\$1.56	US\$1.15	€0.98	▲
Warehouse – Upper Floor	S\$1.27	US\$0.93	€0.80	▲
Prime Logistics – Ground Floor	S\$1.42	US\$1.05	€0.90	▲
Prime Logistics – Upper Floor	S\$1.27	US\$0.93	€0.80	▲

US\$/S\$ = 1.354; €/S\$ = 1.583, as of 28 September 2021

SIGNIFICANT BUSINESS PARK PROJECTS – PLANNED & UNDER CONSTRUCTION

PROJECT NAME	SUBMARKET	TENANT	SF	EXPECTED COMPLETION YEAR*
CleanTech Three	Jurong West	-	665,000	2021
Surbana Jurong Campus	Jurong West	Surbana Jurong	445,000	2022
Perennial Business City	Jurong East	-	1,100,000	2022
Kajima Campus	Changi	Kajima	140,000	2023
Biopolis Phase 6 – Elementum	one-north	-	378,000	2023
Development at Science Park	Science Park	-	310,000	2024
Development at Science Park	Science Park	-	1,200,000	2024
Punggol Digital District	Punggol	-	2,440,000	2024

* Note: Project timeline might change due to the impact of COVID-19's restrictions on construction progress

KEY SALES TRANSACTIONS Q3 2021

PROPERTY	SUBMARKET	SELLER / BUYER	PRICE (\$ Million)
28 Quality Road	Boon Lay	Pteris Global / LOGOS Property	49.7
LTH Building	Bukit Merah	N.A.	40.1

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