






Industrial Q1 2024: Mixed Signals

Quarterly and Outlook | Singapore

INSIGHTS & RECOMMENDATIONS

- The JTC All Industrial rental index continued its fourteenth consecutive quarter of growth in Q1 2024, matching its fourteen-quarter run from Q4 2009 to Q1 2013. The rental index rose by 1.7% q-o-q, maintaining the same pace as the previous quarter.
- Rental growth was positive across all segments, despite declining overall occupancy in all segments (apart from the multiple-user factory segment where it was flat) and negative net absorption. Business parks and single-user factory drove overall industrial rental growth at 2.1% q-o-q each; this is also the highest quarterly growth recorded for business parks since 2Q 2017.
- The price index declined by 0.2% q-o-q, its first decline after thirteen quarters of consecutive growth. Rental and price growth are both expected to continue moderating, in view of weaker demand under slower global growth and higher supply.

Key Figures

		Q1 2024	FULL YEAR 2024F	HISTORICAL AVG 2019-2023	
	Demand	Total net absorption declined to -0.21 mil sf during Q1 2024, a slowdown from the 0.93 mil sf registered in Q4 2023.	-0.21 mil sf	17.40 mil sf	7.48 mil sf
	Supply	About 1.36 mil sf of industrial space came on stream this quarter, the bulk of which were warehouses.	1.36 mil sf	22.04 mil sf	8.84 mil sf
		QOQ/ END Q1 2024	YOY CHANGE/ END 2024F	YOY/ END 2022	
	Rent	Prime logistics rents increased by 1.2% during Q1 2024. This growth is likely to taper due to weakening demand.	1.2% SGD1.74	3.5% SGD1.78	4.9% SGD1.64
	Vacancy	Island-wide vacancy increased to 11.3% during Q1 2024, attributed to higher supply coming onstream.	0.3pp 11.3%	1.5pp 12.5%	0.4pp 10.6%
	Capital Values/Yields	Prime logistics capital values increased by 0.9% during Q1 2024, due to healthy rental growth.	0.9% SGD219 psf	4.1% SGD226 psf	4.0% SGD209 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

Rental growth was positive across all segments, despite declining overall occupancy in all segments (apart from the multiple-user factory segment where it was flat) and negative net absorption.

Business parks and single-user factory drove overall industrial rental growth at 2.1% q-o-q each; this is also the highest quarterly growth recorded for business parks since 2Q 2017.

The price index declined by 0.2% q-o-q, its first decline after thirteen quarters of consecutive growth. Growth for both price and rents are expected to continue moderating in light of slowing global growth and higher supply.

Factory

The rental indices for multiple-user/single-user factory have increased by 1.3%/2.1% q-o-q respectively, to come in at 8.9%/6.1% y-o-y. Demand at multiple-user factories, especially higher specification spaces, were driven by biomedical and engineering firms, albeit at a slower pace, with most tenants looking at smaller spaces (<10k sf).

For single-user factories, there is a surge of supply coming on stream in 2024 though these are typically developed by the industrialists for their own use; demand in this segment has been supported by advanced manufacturing players.

However, together with overall softer demand and leasing activity, rental and price growth for both types are likely to slow going forward.

Warehouse

The segment registered a rental increase of 2.0% q-o-q and saw occupancy decline to 91.1% from 91.6% in the previous quarter. Supply continued to be tight this quarter, especially in the prime logistics space where there is no upcoming supply for the rest of the year. 3PLs and consumer products are the main demand drivers for warehouses.

However, more space will be coming to the market as some tenants downsize or relocate in view of elevated rents, coupled with higher supply completing in 2025. Occupiers might also be resistant to the higher rents and more may opt to develop sites themselves, partner with a developer, or relocate to cheaper locations. This is likely to cause occupancy rates and rents to ease further.

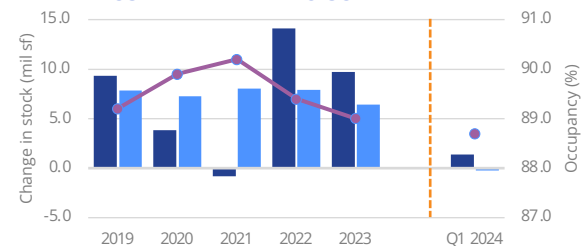
Business Parks

Business Park rents grew by 2.1% q-o-q in Q1 2024, the fastest growth since 2Q 2017. This is likely to be driven by the newer and better located business parks. On the other hand, occupancy has declined by 40 bps to 78.0% this quarter, with vacancies remaining elevated, especially in the outlying and older business parks, which could lead to softening rents. Overall demand for business park spaces remained muted, with more renewals and occupiers right-sizing. Space requirements are also small, at <10k sf.

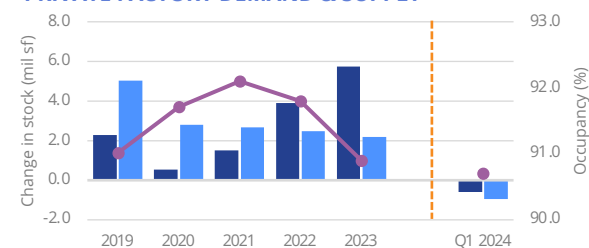
Older buildings or those in decentralized areas have been observed to be more flexible in rental and incentive negotiation to attract or retain tenants. There are also companies looking for corporate offices in these spaces after relocating their manufacturing operations. Nevertheless, leasing activity may pick up with new supply coming on stream in the later part of the year.

Source: Colliers, JTC

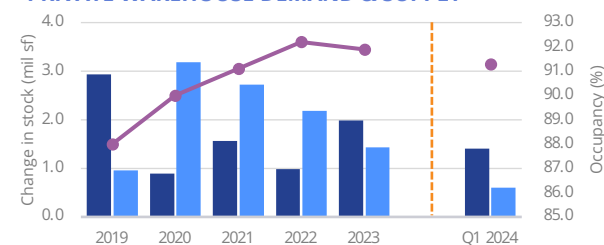
ALL INDUSTRIAL DEMAND & SUPPLY



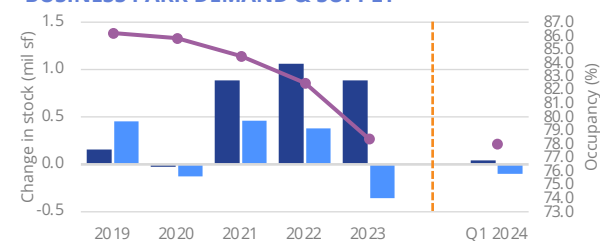
PRIVATE FACTORY DEMAND & SUPPLY



PRIVATE WAREHOUSE DEMAND & SUPPLY



BUSINESS PARK DEMAND & SUPPLY



■ Net Supply ■ Net Absorption —●— Occupancy Rate



Lynus Pook

Executive Director
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“The global demand for artificial intelligence chips is expected to have spillover effects and provide tailwinds for the industrial sector, while international firms continue to set up or expand their manufacturing operations in Singapore.”

There will continue to be a ramp-up of supply in the next few years; from 2024 to 2026, there is an average annual supply of 1.1 mil sqm coming onstream, exceeding the average annual supply and demand of 1.0 mil sqm and 0.6 mil sqm respectively over the past three years.

Leasing demand is expected to pick up in tandem with an improving manufacturing sector and a pickup in sentiments.

However, rental growth is expected to moderate in light of the higher cost of capital, tenant resistance to higher rents, and the higher upcoming supply. There has also been more renewals and consolidations than relocations or expansions, highlighting the financial constraints occupiers are facing.

On the investment front, there is likely to be more sale and leaseback transactions or portfolio sales to monetize assets. There are also likely to be more redevelopments and refurbishments of older assets in view of the preference for high quality modern industrial facilities. In anticipation of an economic recovery, REITs with sufficient debt headroom may also be on the lookout for suitable assets to acquire.

In light of slower global growth under elevated capital costs, Colliers is projecting the overall industrial rent growth for 2024 to moderate to between 3 to 5% and price growth to between 1 to 3%. Rental growth will likely be led by the warehouse segment at 4 to 6%.

SIGNIFICANT UPCOMING PROJECTS AS OF Q1 2024

Project Name	Developer	GFA ('mil sf)	Expected TOP*
1 Warehouse at Sunview Rd	Allied Sunview	1.26	2025
2 Warehouse at Benoi Rd	Mapletree Logistics Trust	0.89	2025
3 Business Park @ Punggol Way	JTC Corporation	2.54	2024/2025
4 Bulim Square	JTC Corporation	1.70	2024
5 Business Park @ Science Park Drive	CapitaLand	1.21	2025

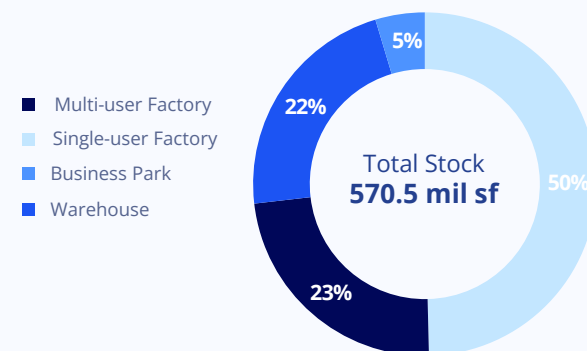
Source: Colliers, JTC. *TOP = Temporary Occupation Permit

COLLIERS INDUSTRIAL RENTS

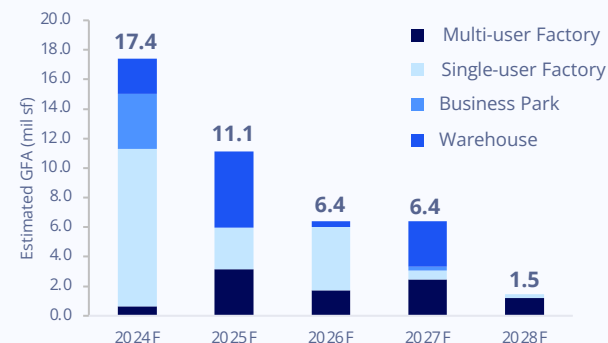
	Q1 2024 (SGD)	% Change QOQ	% Change YOY
High-specs	3.45	2.7%	3.3%
Factory*	1.68	0.0%	1.2%
Warehouse*	1.62	0.0%	3.9%
Prime logistics	1.74	1.2%	5.5%
Business Park	3.64	-0.8%	-2.2%
Prime Business Park	6.27	0.0%	0.0%

*Average of upper and lower floor rents

INDUSTRIAL STOCK: Q1 2024



UPCOMING SUPPLY



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