





















Quarterly | Singapore | August 2023

## Q2 2023 Industrial: Defying gravity

## Insights &amp; recommendations

- During Q2 2023, the industrial rental and price indices continued their eleventh consecutive quarter of growth, despite softness in trade indicators. The rental index rose by 2.1% QOQ, deaccelerating from 2.8% QOQ during the previous quarter; while the price index rose by 1.5% QOQ, similar to the pace of growth registered last quarter.
- Overall vacancy decreased by 0.3%, rebounding from a 0.6% increase during the previous quarter, due to strong demand and tight supply in the warehouse and multi-user factory segments. Conversely, this was tempered by slower demand and a surplus of supply in the single-user factory and business park segments.
- In view of the limited supply of modern industrial facilities, Colliers recommends that occupiers conduct sufficient forward space planning prior to their lease expiries, while landlords or investors could enhance older assets to meet the demand for higher-quality and ESG-compliant facilities, taking advantage of the flight to quality trend.

		Q2 2023	Full Year 2023	Historical Avg 2018 – 2022
 Demand	Total net absorption grew by 3.27 mil sf during Q2 2023, the highest demand recorded since Q2 2022.	 3.27 mil sf	 6.16 mil sf	 7.65 mil sf
 Supply	About 1.79 mil sf of industrial space came on stream this quarter, the bulk of which comprised of end-user warehouses and single-user factories.	 1.79 mil sf	 12.36 mil sf	 8.07 mil sf
		QOQ/ End Q2	YOY change/ End 2023	YOY/ End Q1 2023
 Rent*	Prime logistics rents increased by 1.8% during Q2 2023. This growth in rents is likely to continue due to strong demand and limited supply.	 1.8% SGD1.68	 4.3% SGD1.71	 8.6% SGD1.64
 Vacancy	Island-wide vacancy decreased to 10.9% during Q2 2023 attributed to strong demand from the warehouse and multi-user factory segments.	 0.3pp 10.9%	 0.9pp 11.5%	 0.8pp 10.6%
 Capital Values/Yields*	Capital values were flat during Q2 2023, due to the lack of transactions	 0.0% SGD209 psf	 2.9% SGD215 psf	 4.5% SGD209 psf

## All Industrial

The JTC All Industrial price and rental indices continued their eleventh consecutive quarter of growth during Q2 2023, reaching their highest levels since Q1 2016 and Q1 2015 respectively. This was despite the fact that trade indicators remain soft, with continuous contractions recorded in manufacturing output, NODX and PMI.

## Factory

Rental indices for multiple-user and single-user factories have increased by 3.0% and 1.2% respectively. Rents were supported by flight to quality moves in high specification multi-user factories and continued demand from the biomedical and advanced manufacturing industries. These facilities are also able to cater to tenants with smaller space requirements.

Nonetheless, the healthy supply for factories may outpace new demand, with 61% of upcoming supply during H2 2023 consisting of single-user factories. With continued uncertainty and higher costs, occupiers may become more cautious in their expansion plans, thereby impacting demand.

## Warehouse

Warehouses registered a rental increase of 1.4% QOQ, down from the 2.8% growth during the previous quarter as more supply came on stream. Colliers has observed that demand for newer and high-specification warehouses remained strong; while older warehouses were also sought after by occupiers with less demanding requirements.

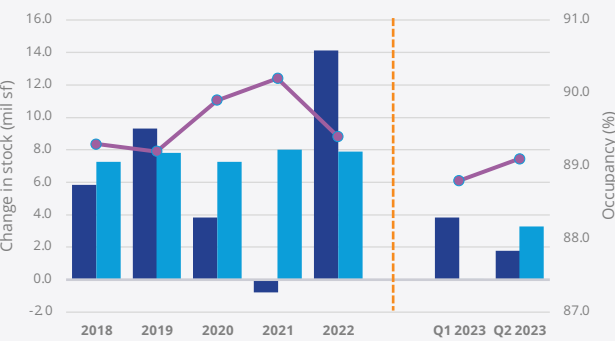
With warehouses making up only 22% of the future supply for H2 2023, overall warehouse rental growth may moderate further in the coming quarters as a weaker economy translates to less stockpiling, and as occupiers focus more on operational efficiency than expansion.

## Business Parks

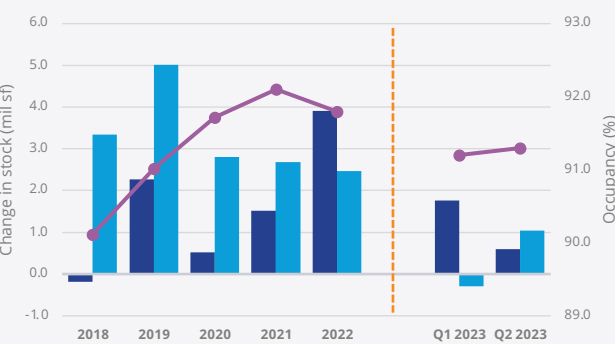
Business Park rents have risen by 1.3%, accelerating from last quarter's 0.6% increase, supported by flight to quality moves and driven by assets in the One-North precinct. However, despite tight vacancies at the city fringe assets, island-wide occupancies continued to decline as supply outpaced demand, falling by 0.7 pp.

Rental growth and occupancies may ease as more supply comes on stream, coupled with slowing enquiries and economic growth.

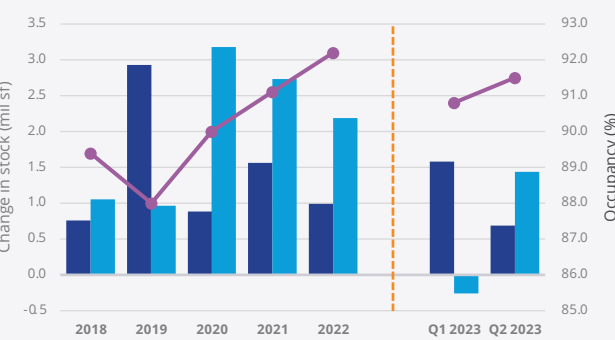
## All industrial demand & supply



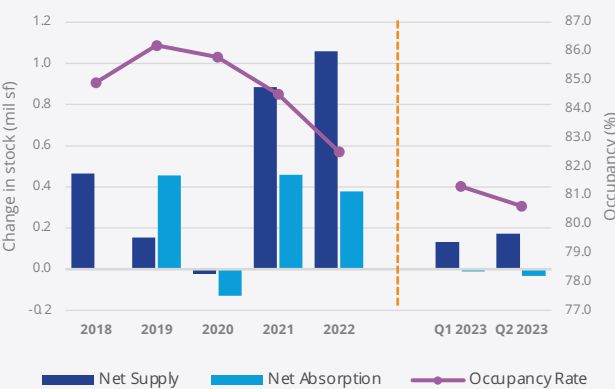
## Private factory demand & supply



## Private warehouse demand & supply



## Business park demand & supply



“Despite prolonged uncertainty in the macroeconomic environment, demand for industrial assets by corporations in the logistics, biomedical, and semiconductor segments remains resilient. This trend is expected to continue, given Singapore’s attractive location and status as a regional hub.”

**Lynus Pook**

Head of Industrial Services | Singapore

As backlogged supply continues to come on stream this year, the bulk of which is due in H2 2023, new supply was observed to outpace new demand and lower occupancy levels during H1 2023. With a remaining supply of 6.7 mil sf during 2023, and an average of 10.5 mil sf from present till 2025, higher supply will continue to moderate rental and price growth; compared with the average net absorption of 7.7 mil sf from 2021 till present. Supply is expected to stay ahead of demand, which could also provide more options for occupiers.

Industrial indicators such as manufacturing output and NODX have exhibited their eighth consecutive month of contraction during Q2 2023, and PMI its fourth consecutive month of contraction, largely driven by an extended slowdown in the semiconductor cycle, coupled with macroeconomic uncertainties and prolonged elevation of interest rates. As such, the external environment is set to remain a key source of weakness for some time with further export softness ahead. All these factors may serve to slow both rental and price growth during the coming quarters.

Nevertheless, demand for higher specification industrial assets will continue to support the industrial market, underpinned by demand from industries such as advanced manufacturing, logistics, biomedical, and food sectors; with several corporations expanding their facilities or looking to establish a presence in Singapore, which will help to prop up industrial demand.

### Significant upcoming projects as of Q2 2023

Project Name	Developer	GFA ('mil sf)	Expected TOP*
1 JTC Logistics Hub @ Gul	JTC Corporation	0.59	2023
2 Elementum	HB Universal	0.38	2023
3 Ascent @ Gambas	SB (Gambas) Investment	0.32	2023
4 JTC Space @ AMK	JTC Corporation	1.26	2024
5 Business Park @ Punggol Way	JTC Corporation	2.54	2024/2025

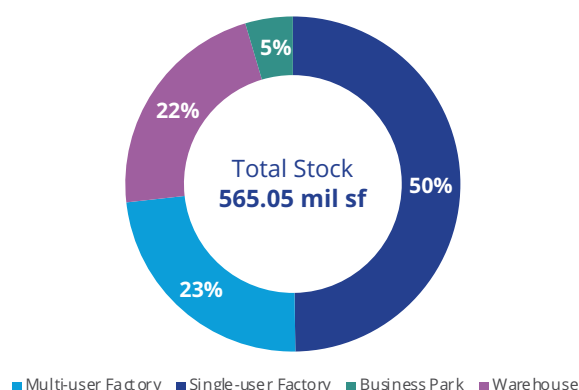
Source: Colliers, JTC. \*TOP = temporary occupation permit

### Colliers industrial rents

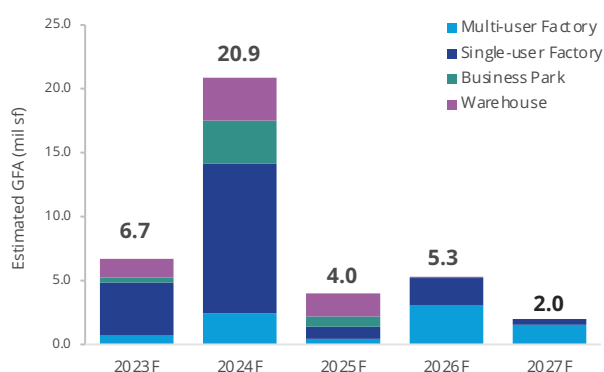
	Q2 2023 (SGD)	% Change QOQ	% Change YOY
High-specs	3.34	-	3.7%
Factory*	1.67	0.6%	2.4%
Warehouse*	1.58	1.3%	5.7%
Prime logistics	1.68	1.8%	-
Business Park	3.69	-0.8%	0.2%
Prime Business Park	6.27	-	0.6%

\*Average of upper and lower floor rents

### Industrial Stock: Q2 2023



### Upcoming Industrial Supply



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