

“The increasing adoption of sustainable business models as well as the steady inflow of investment from international manufacturers will continue to create demand in the industrial sector.”

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Industrial and Logistics

Q3 2022

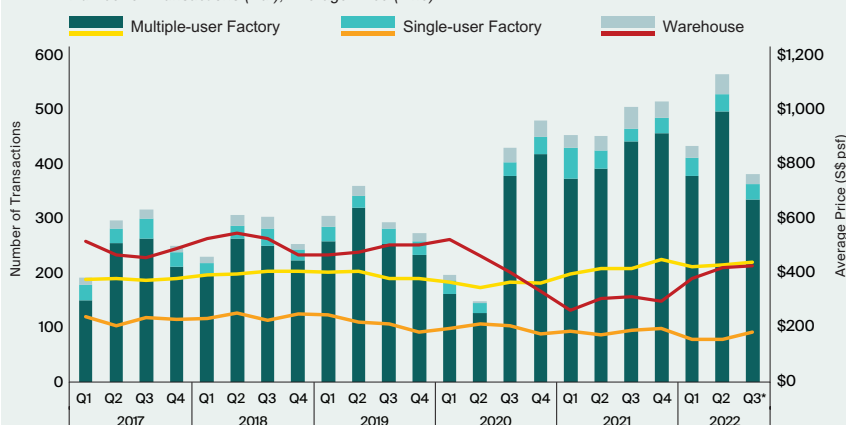
STABLE INVESTMENT COMMITMENTS STRENGTHEN SINGAPORE'S POSITION AS A BUSINESS HUB

Uncertainties slow pace of manufacturing growth

- Amid ongoing economic challenges disrupting supply chains and affecting business sentiments worldwide, Singapore narrowed its Gross Domestic Product (GDP) growth range from “3% to 5%” to “3% to 4%” in 2022 in the recent Ministry of Trade and Industry’s (MTI) Economic Survey of Singapore. The rate of manufacturing growth of 5.7% y-o-y in Q2 was a contraction from the y-o-y increases of above 7% each quarter throughout 2021.
- Despite sentiment turning tentative, manufacturing clusters such as transport engineering, general manufacturing, electronics and precision engineering continued to be the main contributors to growth and output increases in Q2. In addition, the construction industry has ramped up activity after COVID-19 delays, growing by 3.3% y-o-y in Q2 from the 2.4% increase in the previous quarter. This in turn led to knock-on stimulus for manufacturers supporting the construction sector.
- After driving much of the economic growth through the pandemic years, prevailing global geopolitical and economic challenges have tempered business sentiments in the industrial sector. The Business Expectations report published by Singstat reported that a net weighted balance of 8% of manufacturing firms anticipate a less favourable business outlook from July to December 2022 compared to the 2% that expected a favourable business situation for the period April to September 2022.

Exhibit 1: Industrial Sales Performance

Number of Transactions (Bar), Average Price (Line)



Source: URA Realis, Knight Frank Research

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

*Q3 2022 data is based on transactions downloaded as at 30 September 2022.

MARKET SNAPSHOT

2,237 LEASES
▼28.0% Q-O-Q | ▼36.1% Y-O-Y
NUMBER OF INDUSTRIAL TENANCIES¹

S\$773.1 MILLION
▼12.2% Q-O-Q | ▼5.0% Y-O-Y
TOTAL INDUSTRIAL SALES

47.9 MILLION SF GFA
UPCOMING SUPPLY (Q3 2022 TO 2026)

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- Additionally, in the month of September, the overall Singapore Purchasing Managers' Index (PMI) posted a contraction of 49.9, after 26 consecutive months of expansion with a corresponding contraction of 49.4 in the Electronics Sector.

Singapore's appeal as a strategic and trusted node for business

- Nevertheless, despite the moderation in overall industrial performance, Singapore remains a compelling destination for regional headquarters as well as a location for high-value manufacturing activities. Many foreign companies diverted their attention towards the city-state as a location of security amid global uncertainty, leveraging on the competitive edge that the financial hub offers as well as the transparency and stability of its legal and regulatory framework.
- In Q2 2022, fixed asset investment (FAI) commitments in Singapore totalled S\$6.3 billion, the highest on a quarterly basis since Q1 2020 when S\$10.3 billion was secured. Manufacturing accounted for S\$3.6 billion, which included S\$2.9 billion of investments in the electronics sector. Examples of notable foreign businesses setting up base in Singapore recently include SOCOMEC, a leading global specialist in power management solutions, which will be opening its new Asia Pacific headquarters at the Meiban Industrial Building along Ubi Road.

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

In August, Pall Corporation broke ground on a US\$100-million seven-acre state-of-the-art manufacturing facility to meet global demand for semiconductors.

Easing demand for factory space

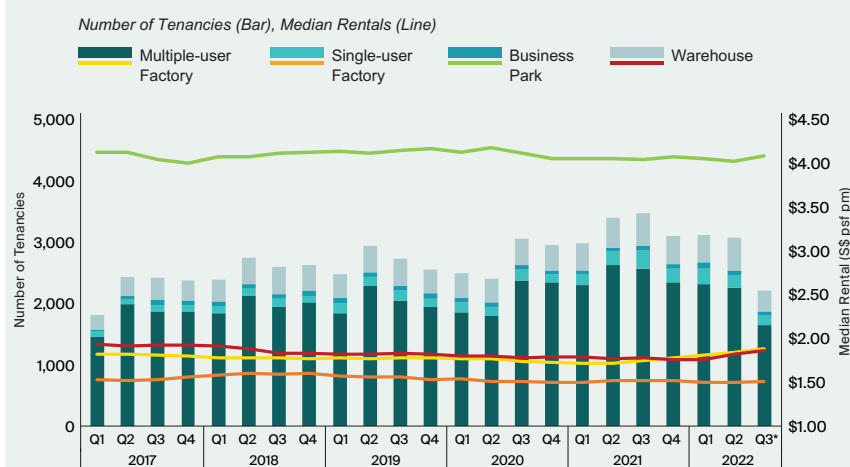
- Industrial sales totalled S\$773.1 million in the third quarter, easing by 12.2% q-o-q and 5.0% y-o-y. Despite this, overall prices continued to trend upwards with an average price of S\$444 psf, an increase of 2.4% compared to the previous quarter, together with increased FAI (Exhibit 1). Based on transactions, the Geylang and Woodlands Planning Areas were sought-after locations with 49 (S\$72.5 million) and 47 (S\$42.5 million) factory units transacted in the quarter, the majority being multiple-user factories. While the overall demand for industrial space declined, the improving construction and transport sectors driving output expansions in certain manufacturing clusters propped up sales activity in Q3.
- As such, the median rent for multiple-user factories was healthy at S\$1.89 psf pm in July and August 2022 with 1,659 tenancies, compared to a median of S\$1.76 psf pm in the same period a year ago (Exhibit 2). More businesses integrating and producing sustainable

alternatives or products such as plant-based protein and bags could sustain leasing demand for multiple-user factory space that support these emerging business types.

Market outlook

- The steady stream of investment commitments flowing into Singapore will continue to generate value and create more jobs as Singapore readjusts towards pre-pandemic normalcy. Coupled with the nation's standing as a safe business destination, these could potentially serve as a shelter against unforeseen external shocks and the looming economic uncertainty. Industrial prices and rentals will remain stable, supported by the steady demand for space, and is enroute to grow 3% to 5% for the whole of 2022.

Exhibit 2: Industrial Leasing Volume and Median Rentals



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