

*“With sustainable solutions and digital platforms becoming increasingly important and critical for businesses to adopt, demand for industrial spaces that cater to such uses is projected to expand in the short to medium term.”*

TAN BOON LEONG, EXECUTIVE DIRECTOR, INDUSTRIAL, CAPITAL MARKETS



Singapore Research

# Industrial

## Q3 2020

### INDUSTRIAL GROWTH IN THE THIRD QUARTER LED BY SPIKE IN ELECTRONICS

#### MARKET SNAPSHOT

**2,016** TRANSACTIONS  
17.0% ▼ Q-O-Q | 27.0% ▼ Y-O-Y  
NUMBER OF TENANCIES

**S\$531.8** MILLION  
67.0% ▲ Q-O-Q | 23.5% ▼ Y-O-Y  
TOTAL SALES VOLUME

**53.7** MILLION SQ FT GFA  
UPCOMING NEW SUPPLY (Q3 2020 TO 2024)

#### Visible growth seen in the industrial sector in Q3

- According to the Ministry of Trade and Industry's (MTI) Economic Survey of Singapore, the economy shrunk by 13.2% year-on-year (y-o-y) in Q2 2020, a clear deepening of the recession from the 0.3% decline in the previous quarter. The contraction came as a result of the continued effects of the pandemic reverberating across all industries, as nations temporarily shut their economies and borders, resulting in weak external demand for goods.
- However in Q3, the industrial sector returned to growth led by the electronics cluster. The Singapore Purchasing Managers' Index (PMI) reported expansions since July, with September the most recent at 50.3. Optimism was lifted by the growth in the electronics non-oil domestic exports (NODX) in Q3, and as such the Electronics Sector PMI in September registered an expansion of 50.9. The recent expansions in Electronics PMI in August and September follow six months of contraction from February to July. The spike in demand for digital products and semiconductors largely attributed to this growth. The anticipated growing requirements of the 5G network are expected to continue to support the demand for chips worldwide.

#### Median rents declined slightly in Q3 2020

- The median rent of multiple-user factory spaces island-wide decreased slightly by 1.4% quarter-on-quarter (q-o-q) and 2.2% on a y-o-y basis to S\$1.75 per-square-foot per month (psf pm) in the third quarter (Exhibit 1). Leasing volume for such industrial space totalled 1,577 transactions in July and August, amounting to S\$5.7 million, representing a decline of 34.4% y-o-y as the strong challenges faced during the circuit breaker and economic uncertainties continued to subdue substantial movements in the leasing market. Additionally, the greater availability of space options in the multiple-user factory space segment is characterised by competition among landlords for tenants where rents tend to be more volatile during times of recession.
- The average price of multiple-user factory space remained largely stable across most tenure categories in Q3 2020. Prices of units within developments with less than 99 years left in the lease remained relatively flat as manufacturers were hesitant to relocate or expand into newer factories at higher prices (Exhibit 2).

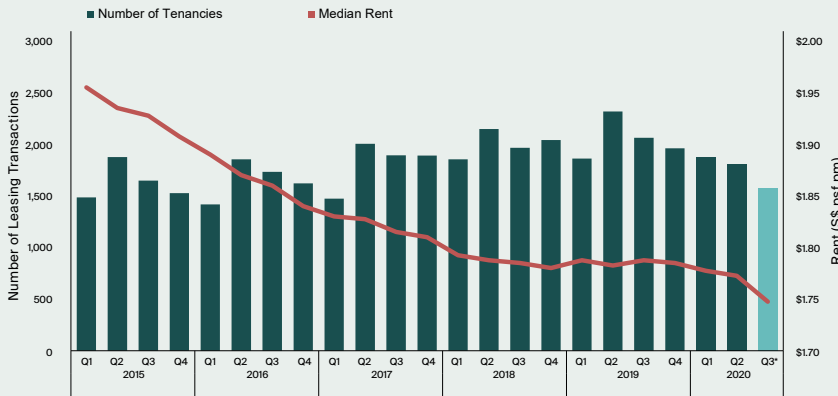
#### Singapore remains an attractive destination for investors

- Despite the looming uncertainties, foreign companies are still looking to expand their operations in Singapore. The third quarter saw the entry of several global firms, with Zoom Video Communications opening a new data centre in August and Hyundai Motors announcing plans to occupy the industrial space previously left vacant by Dyson at Bulim Avenue.

#### Market Outlook

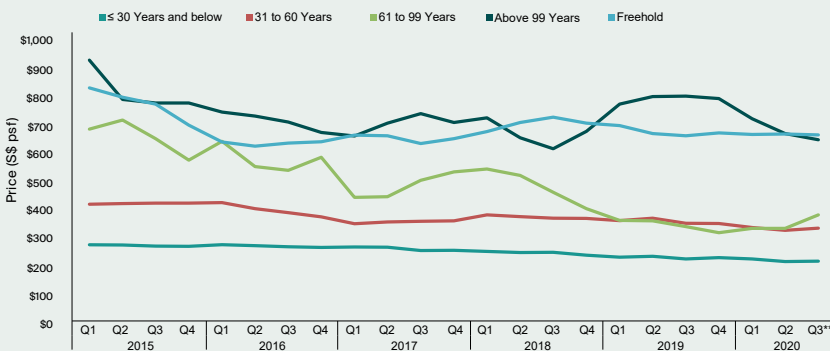
- Given the nation's stability and resilience in the face of external headwinds, Singapore will continue to be a favourable destination as a hub for companies worldwide. With sustainable solutions and digital platforms becoming increasingly important and critical for businesses to adopt, demand for industrial spaces that cater to such uses is projected to expand in the short to medium term.
- Additionally, as more office users re-strategise their space requirements with the rising trend of working from home, business parks stand as one of the alternative options for cost-conscious qualifying occupiers.

### 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.  
 \*Q3 2020 data based on July and August 2020 data as at end-September.

### 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.  
 \*The balance tenure is based on the number of remaining years at the point of transaction.  
 \*\*Q3 2020 data based on transactions downloaded as at 22 Sep 2020.

- As at end-June 2020, some 53.7 million sq ft gross floor area (GFA) of industrial space is slated to come on stream from Q3 2020 to 2024. Of these, about 26.7% of the upcoming developments are projected to be completed in the remaining half of 2020, with the majority comprising factory space.
- While certain segments of the industrial sector have shown signs of recovery in the third quarter, there is still much prevailing uncertainty that continues to threaten segments such as the transport engineering cluster. However, this will be mitigated by the manufacturing segments such as the electronics cluster as well as companies that produce hygiene or health-related products, which have proven resilient in propping the industrial sector. Overall, industrial rents and prices are not expected to moderate downwards by more than 5% for the whole of 2020 despite the current recessionary environment.

### Recent Publications



INDUSTRIAL Q2 2020



SINGAPORE VIEW  
22<sup>ND</sup> EDITION

We like questions, if you've got one about our research, or would like some property advice, we would love to hear from you.



**Tan Boon Leong**  
 Executive Director  
 Industrial  
 Capital Markets  
 +65 6228 6894  
 boonleong.tan@sg.knightfrank.com



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



**Nor Adila Rahim**  
 Analyst  
 Research  
 +65 6228 7376  
 nor.adila@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 19,000 people operating from 512 offices across 60 markets. 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 2020

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.

