






Quarterly and Outlook | Singapore | February 2024

Q4 2023 Industrial: Marching to a different beat

Insights & recommendations

- The JTC All Industrial rental index continued its thirteenth consecutive quarter of growth in Q4 2023, rising by 1.7%, slowing down slightly from the 2.0% q-o-q growth in the previous quarter. This means an overall growth of 8.9% in 2023, accelerating from the 6.9% registered in 2022 and the highest annual growth recorded since 2012.
- The price index rose by 0.6% q-o-q, also a slight slowdown from the 1.4% q-o-q growth in Q3 2023 to come in at 5.1% for 2023. This marks a moderation from the 8.5% registered in 2022. Rental and price growth are both expected to moderate in light of slowing global growth and weakness in exports.
- In view of the limited supply of modern industrial facilities, Colliers recommends that occupiers start their search early to secure their ideal space; while landlords may have to be more open to rental negotiations and be more flexible to smaller requirements.

		Q3 2023	Full Year 2024F	Historical Avg 2019 – 2023
 Demand	Total net absorption grew by 0.93 mil sf during Q4 2023, a slowdown from the 2.18 mil sf in Q3 2023.	0.93 mil sf	17.40 mil sf	7.48 mil sf
 Supply	About 0.7 mil sf of industrial space came on stream this quarter, the bulk of which were business park space.	0.70 mil sf	22.04 mil sf	8.84 mil sf
		QOQ/ End Q4	YOY change/ End 2024F	YOY/ End 2022
 Rent*	Prime logistics rents increased by 1.2% during Q4 2023. This growth is likely to continue due to strong demand and limited supply.	1.2% SGD1.72	3.5% SGD1.78	4.9% SGD1.64
 Vacancy	Island-wide vacancy dipped to 11.0% during Q4 2023, attributed to lower supply coming onstream.	0.1pp 11.0%	1.5pp 12.5%	0.4pp 10.6%
 Capital Values/Yields*	Prime logistics capital values increased by 1.9% during Q4 2023, due to healthy rental growth.	1.9% SGD217 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 occupancy in the single-user factory and business park segments. Multi-user factory rents was the outperformer at 2.3% q-o-q, while Business Park rents experienced marginal growth at 0.3% q-o-q. For 2023, rents for multiple-user factory spaces saw the highest growth amongst all segments at 10.7%, the highest annual growth recorded since 2011.

Factory

The rental indices for multiple-user/single-user factory have increased by 2.3%/1.6% q-o-q respectively, to come in at 10.7%/7.0% y-o-y. Multiple-user factory rents have been the outperformer amongst the other segments, with rents likely driven by new projects. Demand at multi-user factories stems from biomedical and electronic firms, albeit at a slower pace, with most tenants looking at smaller spaces (<10k sf).

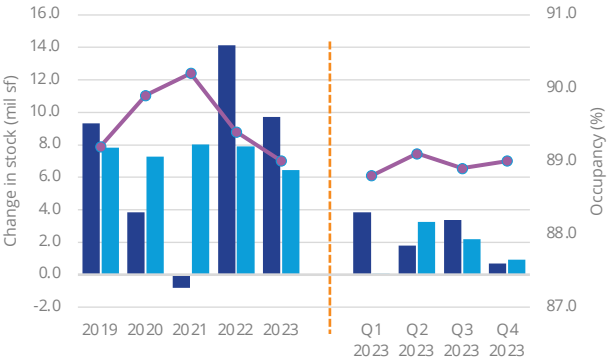
Warehouse

On the back of resilient demand, warehouses registered a rental increase of 1.6% q-o-q and saw occupancy further tightening to 91.6% from 91.3% in the previous quarter. Supply continued to be tight this quarter (with more stock withdrawn from the market) and outweighed by demand. Demand from third party logistics and biomedical players remained firm, with prime logistics facilities almost fully occupied. Further, with the disruptions arising from geopolitical tensions, there is a necessity for increased distribution capacity and inventory. Nevertheless, warehouse rental growth is likely to moderate in 2024, given that more tenants will be resistant to the higher rents and more may opt to develop sites themselves, partner with a developer, or take on longer term leases.

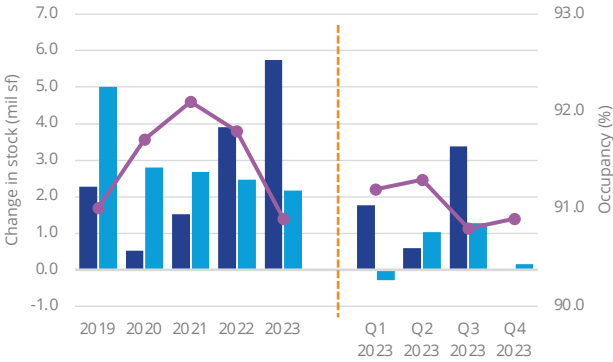
Business Parks

Business Park rents have grown marginally 0.3% q-o-q in Q4 2023, registering a 3.4% growth for 2023 and the fastest annual growth since 2017. The growth in rents could be attributed to higher rents commanded at new projects with healthy take-up such as at the recently completed Elementum. However, vacancies remain elevated, especially in the outlying and older business parks, which could drive rental decline. Further, leasing activity is expected to be restrained by weaker macroeconomic conditions with more renewals than expansions. In addition, the deluge of upcoming supply in the next two years could put further pressure on rents and vacancy.

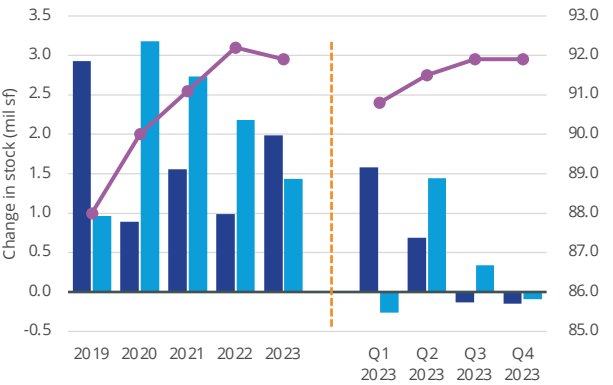
All industrial demand & supply



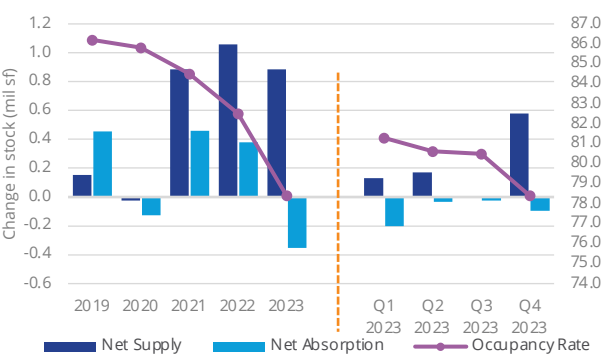
Private factory demand & supply



Private warehouse demand & supply



Business park demand & supply



“The higher cost environment has increased the need for operational efficiency and cost management, and this is likely to increase the preference for high quality, modern industrial assets.”

Lynus Pook

Head of Industrial Services | Singapore

There will continue to be a ramp-up of supply in the next few years: between 2024 to 2026, there is an average annual supply of 1.1 mil sqm coming onstream, far exceeding the average annual demand of 0.7 mil sqm per year over the past three years.

On the investment front, there is likely to be more sale and leaseback transactions or portfolio sales to free up balance sheets and in the search for higher returns. There are also likely to be more redevelopments and refurbishments of older assets in light of the preference for high quality modern industrial facilities.

Industrial performance would be fragmented in 2024, as the higher supply could lead to higher vacancies and stagnating rents. On the other hand, shipping disruptions due to escalating geopolitical issues could bring tailwinds for warehouse space demand. In addition, there has been continuous investment from MNCs into Singapore as a regional logistics and advanced manufacturing hub, helping to support the overall industrial sector.

However, with 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 2 to 4%. Rental growth will likely be led by the warehouse segment at 4 to 6%. Business parks and factories are expected to see muted rental growth at 0 to 2% due to the increase in supply and weakening demand.

Significant upcoming projects as of Q4 2023

Project Name		Developer	GFA ('mil sf)	Expected TOP*
1	Logos eHub	Logos	0.87	2024
2	JTC Space @ AMK	JTC Corporation	1.26	2024
3	Business Park @ Punggol Way	JTC Corporation	2.54	2024/2025
4	Bulim Square	JTC Corporation	1.70	2024
5	Pokka Logistics Hub	ESR	0.69	2024

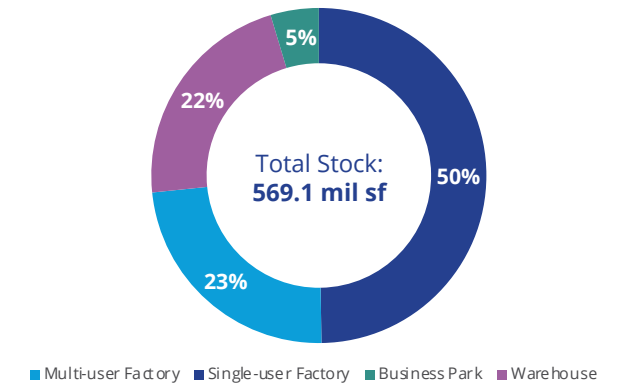
Source: Colliers, JTC. *TOP = Temporary Occupation Permit

Industrial Rents

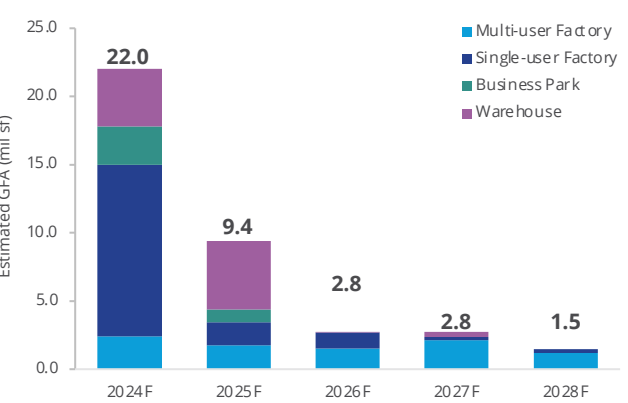
	Q4 2023 (SGD)	% Change QOQ	% Change YOY
High-specs	3.36	0.3%	2.8%
Factory*	1.68	0.6%	1.2%
Warehouse*	1.62	1.3%	4.5%
Prime logistics	1.72	1.2%	4.9%
Business Park	3.67	-0.5%	-1.3%
Prime Business Park	6.27	-	-

*Average of upper and lower floor rents

Industrial Stock: Q4 2023



Upcoming supply



For further information, please contact:

Catherine He

Head of Research

Singapore

+65 6531 8563

catherine.he@colliers.com

Lynus Pook

Executive Director

Industrial Services

Singapore

+65 6531 8654

lynus.pook@colliers.com

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