

INDUSTRIAL RENTS RISE FURTHER DESPITE LOWER VOLUMES

Industrial Market Trends Q1 2024



Artist impression of Food Vision @ Mandai

Industrial rents rose higher in the first quarter of 2024 despite a drop in rental transactions. The manufacturing sector is expected to continue improving, which may attract investors and buyers to industrial strata-titled units.



Uncovering Trends Through Data Analytics+



Artist impression of Food Vision @ Mandai

MANUFACTURING PERFORMANCE

In the first quarter of 2024, manufacturing sentiment in Singapore improved despite weak external demand and ongoing geopolitical tensions, resulting in further expansion of overall factory activity.

Based on data from the Singapore Institute of Purchasing and Materials Management (SIPMM), the Purchasing Managers' Index (PMI) rose by 0.1 points month-on-month to 50.7 (Chart 1).

A reading below 50 indicates that the manufacturing sector is declining, while a reading above 50 signifies growth.

Chart 1 PMI expanded further in March 2024



PRICE TREND

Chart 2 Dip in price index after 13 quarters of growth



Last quarter, overall industrial prices fell for the first time after 13 consecutive quarters of growth as interest rates remained higher for longer. As borrowing conditions are expected to improve from the second half of this year, many investors may wait until the end of the year to purchase new industrial properties that are of better quality.

According to JTC's quarterly market report, the overall price index fell by 0.2 per cent quarter-on-quarter (q-o-q) to 102.7 in Q1 2024 from 102.9 in Q4 2023 (Chart 2).

By property types, a slower price growth of 0.5 per cent q-o-q was observed for multiple-user factories last quarter, while prices declined for a second consecutive quarter by 1 per cent q-o-q for single-user factories.

SALES VOLUME

High borrowing costs slowed industrial sales last quarter, just like the observed trend for industrial prices. Industrial sales dipped for a third consecutive quarter by 15 per cent q-o-q to 364 units in Q1 2024 from 428 units in Q4 2023 (Chart 3). The sales decline was led by warehouse resales, which dipped by 58 per cent from 50 to 21 units over the same period.

Single-user factory and multiple-user factory resales also fell by 22.2 per cent from 18 units to 14 units and by 8.6 per cent from 360 units to 329 units, respectively. The upcoming food factories in the West region, Food Ascent and Food Vision @ Mandai, sold 23 new units in total last quarter.

Chart 3 Overall sales volume fell by 15% q-o-q

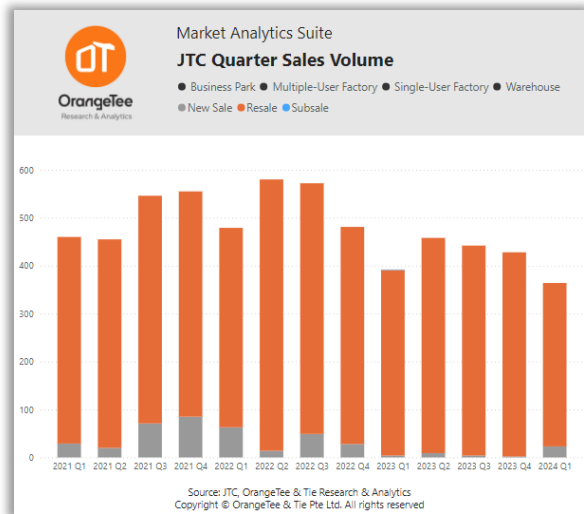


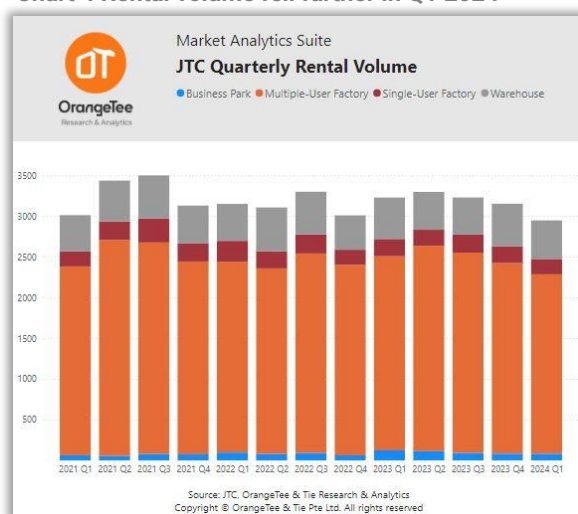
Table 1 Top 5 industrial sales in Q1 2024

S/N	Project Name/Address	Area (SQFT)	Transacted Price (S\$)	Property Type	Tenure
1	OneTen Paya Lebar	58,987	\$140,000,000	Multiple-User Factory	Freehold
2	15 Senoko Loop	263,334	\$53,200,000	Single-User Factory	Leasehold
3	Tanglin Halt Industrial Estate	99,766	\$50,600,000	Multiple-User Factory	Leasehold
4	Toh Tuck Logispark	92,878	\$25,000,000	Warehouse	Leasehold
5	73 Tuas South Avenue 1	86,132	\$16,800,000	Warehouse	Leasehold

In Q1 2024, the total industrial sales marginally improved by 5.6 per cent q-o-q to \$741.7 million from \$702.7 million in Q4 2023. The top contributor came from the sale of the former data-centre in the central region, OneTen Paya Lebar, for \$140 million. A total of three sales were above \$50 million last quarter.

RENTAL TRENDS

Chart 4 Rental volume fell further in Q1 2024



Due to high-interest rates, many investors are optimizing their living spaces or moving to smaller units. They are waiting for better borrowing conditions and improved quality of new developments before committing to longer leases.

Consequently, fewer rental transactions were recorded. Rental volume dipped 6.5 per cent to 2,948 units in Q1 2024 from 3,153 units in the previous quarter.

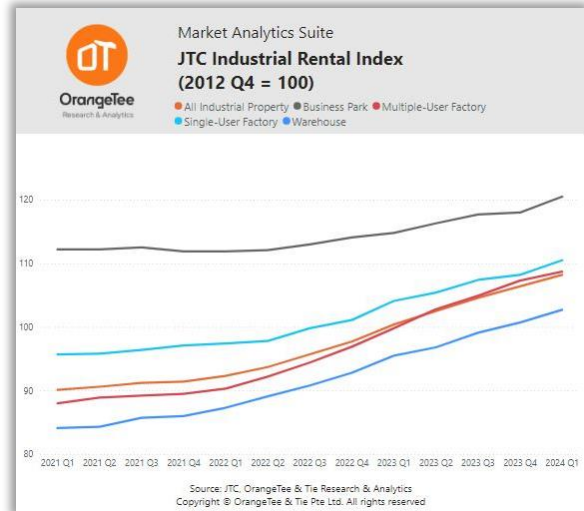
The rental volume for multiple-user factories, single-user factories, business parks and warehouses fell by 5.9 per cent, 8.3 per cent, 1.2 per cent and 9.4 per cent, respectively.

With the development of new industrial properties and renovation of existing industrial spaces, landlords face higher operating costs which has led to an increase in rent prices.

JTC statistics show that the overall industrial rental index rose by 1.7 per cent q-o-q from 106.4 in Q4 2023 to 108.2 in Q1 2024 (Chart 5).

Rents picked up pace at 2.1 per cent, 2.1 per cent and 2 per cent for single-user factories, business parks and warehouses respectively. Conversely, multiple-user factory rents experienced a slower growth of 1.3 per cent q-o-q, down from 2.3 per cent in Q4 2023.

Chart 5 Overall rents grew by 1.7 per cent in Q1 2024



STOCK AND OCCUPANCY

In the first quarter of 2024, there was a significant increase in the number of new industrial property completions, with slightly over 126,000 sqm of available space added to the market. This figure is nearly double the additions in the preceding quarter.

Over the same period, despite the increase in industrial supply, there was a decrease in the uptake of industrial spaces by more than 19,000 sqm.

As a result, the overall occupancy rate experienced a marginal decline of 0.3 percentage points, dropping to 88.7 per cent in Q1 2024 from 89 per cent in Q4 2023.

Over the same period, the occupancy rates for single-user factories, business parks and warehouses similarly fell from 88 per cent to 87.8 per cent, 78.4 per cent to 78 per cent, and 91.6 per cent to 91.1 per cent, respectively.

The occupancy rate for multiple-user factories, however, remained steady at 90.5 per cent.

Chart 6 Occupancy rate fell slightly to 88.7 per cent

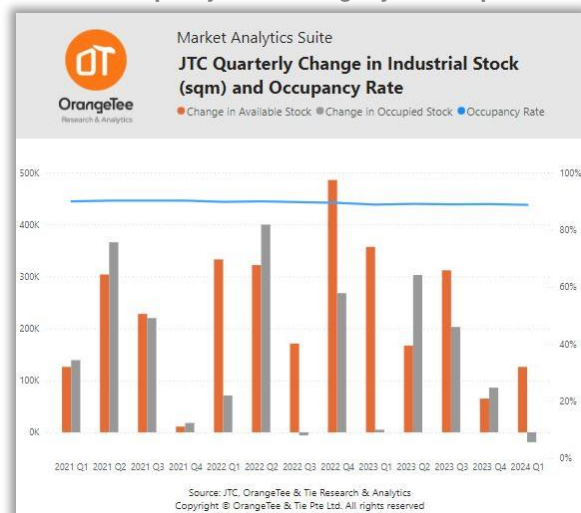
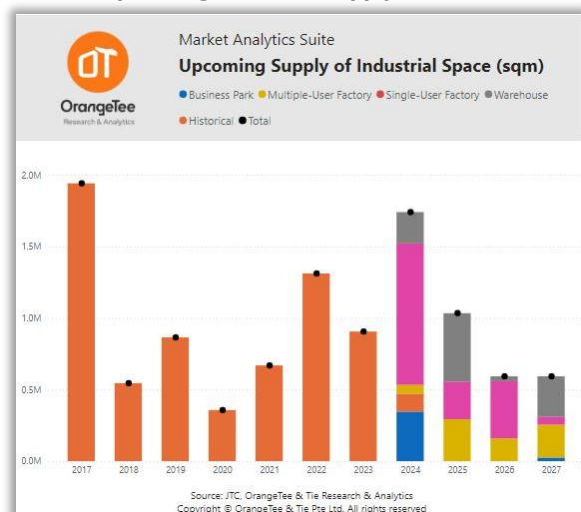


Chart 7 Upcoming industrial supply as of Q1 2024



Industrial Market Summary

Indicators	2021 y-o-y	2022 y-o-y	2023 y-o-y	Q4 2023 q-o-q	Q1 2024 q-o-q
Industrial Price Index (% Change)					
Overall	4.4%	7.5%	5.1%	0.6%	-0.2%
Multiple-User Factory	4.1%	8.7%	6.3%	1.5%	0.5%
Single-User Factory	4.9%	5.7%	3.8%	-0.7%	-1%
Industrial Rental Index (% Change)					
Overall	2.0%	6.9%	8.9%	1.7%	1.7%
Multiple-User Factory	2.5%	8.3%	10.7%	2.3%	1.3%
Single-User Factory	1.7%	4.1%	7.0%	0.7%	2.1%
Business Park	-0.2%	2.0%	3.4%	0.3%	2.1%
Warehouse	2.7%	7.9%	8.5%	1.6%	2%
Transactions (units for the period)					
Total sales volume	2,016	2,112	1,679	387	351
Total leasing volume	13,081	12,568	12,910	3,153	2,948

Source: JTC, OrangeTee & Tie Research & Analytics

Outlook

The manufacturing sector is expected to continue improving, which may attract investors and buyers to industrial strata-titled units. If borrowing costs become favourable in the second half of 2024, buying sentiment may grow further. This would lead to an increase in industrial prices and rents as many businesses may start expanding.

This year, we anticipate an increase in better-quality industrial properties. It is expected that around 1.6 million square meters of newly built industrial space will hit the market in the next three quarters of 2024. Of this, 61 per cent will be single-user factories, 21 per cent will be business parks, 14 per cent will be warehouses, and the remaining 4 per cent will be multiple-user factories.

In the Confirmed List of the Industrial Government Land Sales Programme for 1H2024, one site is open for tender until 25th June 2024, while two other sites are scheduled for release in May and June 2024, respectively. Under the Reserve List, three sites are open for application until 28 June 2024. Only one other reserve site will be released in June 2024.

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For sales enquiries, please contact your preferred OrangeTee agents.



Christine Sun
Chief Researcher & Strategist
christine.sun@orangetee.com



Timothy Eng
Assistant Manager
timothy.eng@orangetee.com



Yuvana Mahendran
Research Analyst
yuvanalakshmi.m@orangetee.com