

RENTAL DEMAND GREW ON IMPROVED MANUFACTURING PERFORMANCE

Industrial Market Trends Q3 2024



Artist impression of Food Vision @ Mandai

Industrial rents continued to grow in Q3 2024 due to the improved performance of the manufacturing sector. Additionally, more purchasing and leasing activity is anticipated at the year-end and into 2025, following the recent interest rate cuts.



Uncovering Trends Through Data Analytics+



Artist impression of Food Vision @ Mandai

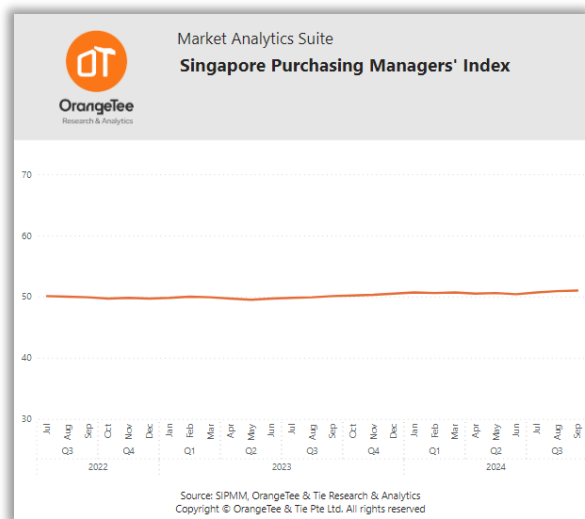
MANUFACTURING PERFORMANCE

The manufacturing sentiment in Singapore continued to improve in Q3 2024, largely driven by the electronics industry which saw a healthy recovery.

Based on data from the Singapore Institute of Purchasing and Materials Management (SIPMM), the Purchasing Managers' Index (PMI) grew slightly by 0.1 points month-on-month to 51 (Chart 1). The reading of 51 marked the 13th month of expansion and is the highest figure since July 2021.

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

Chart 1 Steady expansion of PMI in September 2024



SALES TRENDS

Chart 2 Industrial prices grew slower in Q3 2024



Industrial prices for the overall market grew last quarter, albeit at a slower pace. Many investors refrained from making new industrial investments as they were waiting for more rate cuts or taking more time to assess market conditions before making a purchase.

According to JTC's quarterly market report, the overall price index rose by 0.5 per cent quarter-on-quarter (q-o-q) from 103.9 in Q2 2024 to 104.4 in Q3 2024, down from 1.2 per cent in the preceding quarter. The price growth of multiple-user factories and single-user factories similarly grew slower by 0.7 per cent and 0.2 per cent q-o-q, respectively, down from 1.7 per cent and 0.3 per cent in the preceding quarter (Chart 2).

Year-to-date, overall industrial prices grew by 1.5 per cent, primarily due to a 9 per cent rise in prices for multiple-user factories.

In the third quarter of 2024, some investors held off on investing in new industrial units, awaiting more favourable borrowing costs. Consequently, the number of industrial units sold last quarter declined. Overall sales transactions decreased by 19.4 per cent, from 581 units in the second quarter of 2024 to 468 units last quarter (Chart 3).

Sales of new multiple-user factories declined the most by 33.3 per cent from 33 units in Q2 2024 to 22 units in Q3 2024, followed by resale multiple-user factories, which decreased by 20.9 per cent from 464 units to 367 units over the same period. Resale warehouses and single-user factories similarly fell by 7.5 per cent and 3.2 per cent q-o-q, respectively.

Chart 3 Overall sales volume dipped by 19.4% q-o-q

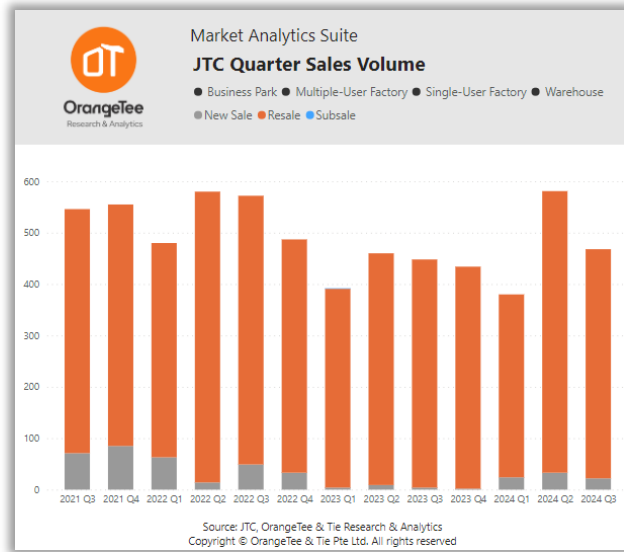


Table 1 Top five industrial sales in Q3 2024

| S/N | Project Name/Address | Area (SQFT) | Transacted Price (S\$) | Property Type | Tenure |
|-----|-------------------------|-------------|------------------------|---------------------|-----------|
| 1 | 301 Jalan Ahmad Ibrahim | 403,401 | \$46,200,000 | Warehouse | Leasehold |
| 2 | Mauser Singapore | 107,640 | \$35,000,000 | Single-User Factory | Leasehold |
| 3 | Innovate 360 | 35,214 | \$23,000,000 | Single-User Factory | Leasehold |
| 4 | 15 Tuas View Square | 15,507 | \$21,680,000 | Single-User Factory | Leasehold |
| 5 | 30 Pandan Road | 98,990 | \$18,888,888 | Warehouse | Leasehold |

In Q3 2024, total industrial sales fell by 20.6 per cent q-o-q, dropping to S\$825.8 million from S\$1.04 billion in Q2 2024. The top contributor was from the sale of Mercedes-Benz’s Regional Logistics Centre to JTC Corporation, which amounted to S\$46.2 million.

RENTAL TRENDS

Rental demand grew last quarter, driven by the stronger manufacturing sector performance. According to JTC statistics, total rental volume rose by 5.8 per cent from 3,123 units in Q2 2024 to 3,304 units in Q3 2024 (Chart 4). Overall industrial rents continued to rise in Q3 2024, albeit at a slower pace. This may be attributed to the increased supply of newly completed industrial properties last quarter, which placed some downward pressure on rental prices.

Data showed that the overall industrial rental index marginally rose by 0.3 per cent q-o-q from 109.3 in Q2 2024 to 109.6 in Q3 2024 (Chart 5). The rents for multiple-user factories and warehouses similarly grew by 0.6 per cent and 0.1 per cent q-o-q respectively. Rents for single-user factories and business parks dipped.

The recent interest rate cuts in mid-September 2024 are expected to stimulate greater activity in the rental markets during the last quarter of 2024 and into 2025, as bank loans become more affordable. Some companies may take advantage of these lower costs to pursue expansion plans that were previously delayed, especially given the large supply of newly completed industrial properties anticipated in the market next year. However, other firms may choose to remain cautious and focus on maintaining their current operations due to ongoing global economic uncertainty.

Chart 4 Rental volume continued growing in Q3 2024

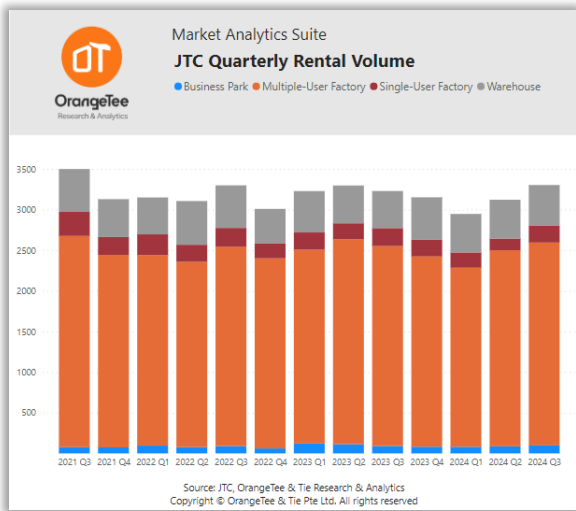
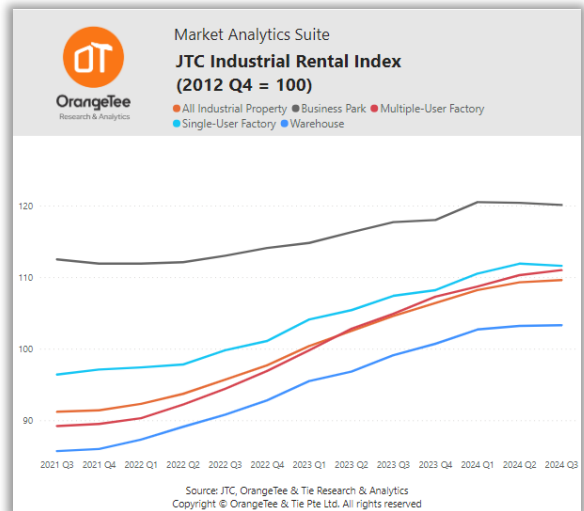


Chart 5 Overall rents inched up by 0.3 per cent in Q3



STOCK AND OCCUPANCY

In the third quarter of 2024, more newly completed industrial properties entered the market as about 105,000 square meters of available space were added. During the same period, there was a healthy uptake of industrial spaces, with nearly 47,000 square meters of space being occupied. This is a reversal from Q2 2024 where there were more vacant units.

As a result, the overall occupancy rate remained at 89 per cent last quarter. The continued strength of the manufacturing sector may help sustain or even improve occupancy rates for industrial properties for the rest of 2024 and into 2025.

Chart 6 Occupancy rate maintained at 89 per cent

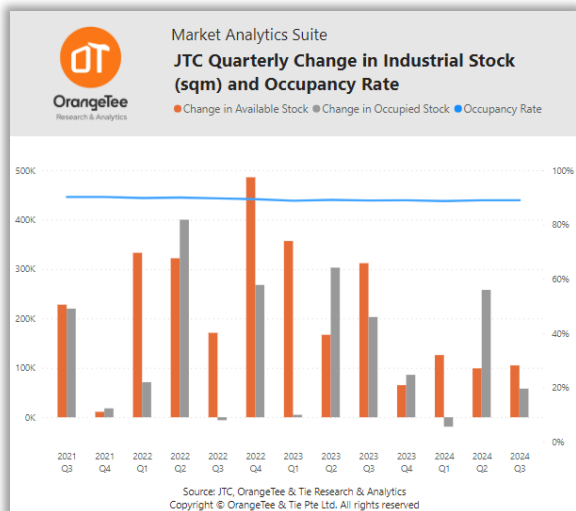
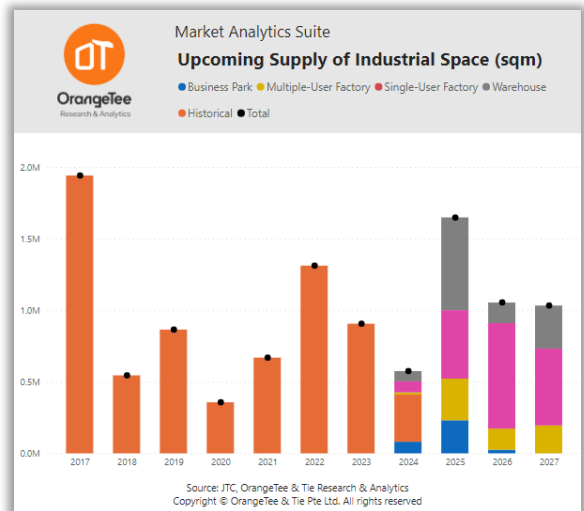


Chart 7 More industrial completions in 2025



Industrial Market Summary

| Indicators | 2021 | 2022 | 2023 | 1H 2024 | Q3 2024 | Projection for 2024 |
|--------------------------------------------|--------|--------|--------|---------|---------|---------------------|
| Industrial Price Index (% Change) | | | | | | |
| Overall | 4.4% | 7.5% | 5.1% | 1.0% | 0.5% | 1% to 3% |
| Multiple-User Factory | 4.1% | 8.7% | 6.3% | 2.2% | 0.7% | NA |
| Single-User Factory | 4.9% | 5.7% | 3.8% | -0.7% | 0.2% | NA |
| Industrial Rental Index (% Change) | | | | | | |
| Overall | 2.0% | 6.9% | 8.9% | 2.7% | 0.3% | 3% to 4.5% |
| Multiple-User Factory | 2.5% | 8.3% | 10.7% | 2.8% | 0.6% | NA |
| Single-User Factory | 1.7% | 4.1% | 7.0% | 3.4% | -0.3% | NA |
| Business Park | -0.2% | 2.0% | 3.4% | 2.0% | -0.2% | NA |
| Warehouse | 2.7% | 7.9% | 8.5% | 2.5% | 0.1% | NA |
| Transactions (units for the period) | | | | | | |
| Total sales volume | 2,016 | 2,112 | 1,679 | 961 | 468 | 1,700 to 1,900 |
| Total leasing volume | 13,081 | 12,568 | 12,910 | 6,071 | 3,304 | 12,000 to 13,500 |

Source: JTC, OrangeTee & Tie Research & Analytics

Outlook

The robust manufacturing sector performance, together with Singapore's positive economic growth, is expected to positively impact the industrial market.

The Federal Reserve has started lowering interest rates, which will enhance business confidence among companies occupying industrial space. As a result, we may see an increase in demand for industrial properties, leading to a rise in both prices and rents. However, the expected increase in new industrial properties on the market may slow the growth of prices and rents.

For future land supply, one Industrial Government Land Sales (IGLS) site has been awarded at Plot 5 Jalan Papan. This site is designated for a single user. Two more sites under the 2H IGLS program are scheduled to launch in the fourth quarter of 2024. One site, located at Kaki Bukit, is set to launch in November, while the other site at Tukang Innovation Drive will launch in December.

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