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RENTAL PRICE GROWTH MODERATES AS DEMAND SLOWS

Industrial Market Trends Q4 2024

Artist impression of Smart Food

Industrial rents increased in Q4 2024, driven by the expanding manufacturing sector. Nevertheless, the rental price growth in 2024 was significantly slower than previous years.

OrangeTee Research & Analytics

Uncovering Trends Through Data Analytics+

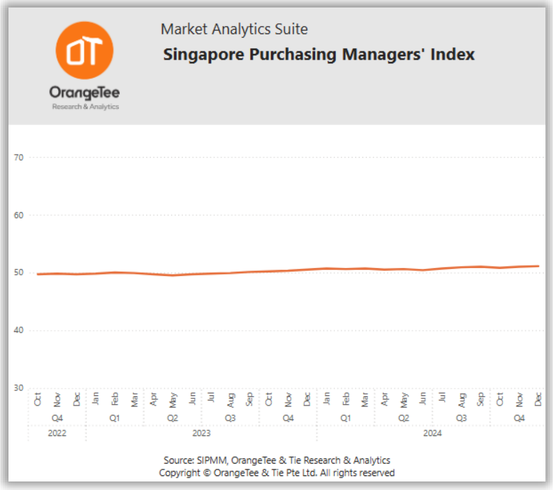
Artist impression of Food Vision @ Mandai

MANUFACTURING PERFORMANCE

The manufacturing sentiment in Singapore remained positive throughout Q4 2024, largely sustained by resilient demand for Singapore's manufactured products.

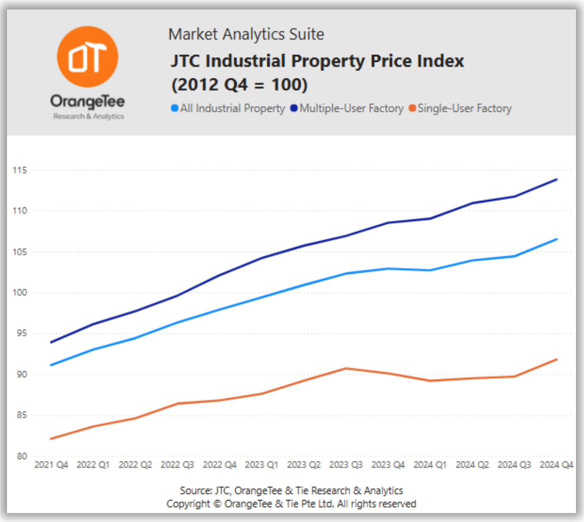
Based on data from the Singapore Institute of Purchasing and Materials Management (SIPMM), the Purchasing Managers' Index (PMI) grew slightly by 0.1 points month-on-month to 51.1 (Chart 1). A reading below 50 indicates that the manufacturing sector is declining, while a reading above 50 signifies growth. The reading of 51.1 is at a six-year high, since December 2018.

Chart 1 Steady expansion of PMI in December 2024



SALES TREND

Chart 2 Industrial prices grew faster in Q4 2024



Overall, industrial prices increased at a faster pace last quarter, driven by the reduced interest rates. The lower borrowing costs improved affordability, thus attracting more investors to compete for industrial properties. As a result, price expectations have risen, with more paying higher prices for the desired properties.

According to JTC's quarterly market report, the overall price index rose by 2.0 per cent quarter-on-quarter (q-o-q) from 104.4 in Q3 2024 to 106.5 in Q4 2024, higher than 0.5 per cent in the preceding quarter. The price growth of multiple-user factories and single-user factories similarly grew faster by 1.9 per cent and 2.3 per cent q-o-q, respectively, up from 0.7 per cent and 0.2 per cent in the preceding quarter (Chart 2).

Nevertheless, overall industrial prices grew at a slower pace of 3.5 per cent in 2024, which was lower than the 5.1 per cent growth in 2023 and the 7.5 per cent in 2022. Persistent high interest rates may have managed sellers' expectations.

Due to rising prices and growing uncertainty in the global macroeconomy, fewer transactions were recorded last quarter. The sales volume of industrial properties fell for a second consecutive quarter, declining by 20.9 per cent from 492 units in Q3 2024 to 389 in Q4 2024. (Chart 3). However, 1,844 units changed hands for the whole year of 2024, which was 6.3 per cent higher than the 1,734 units transacted in 2023.

By percentage, sales of new multiple-user factories declined the most by 68.2 per cent from 22 units in Q3 2024 to 7 units in Q4 2024, followed by resale single-user factories, which decreased by 40 per cent from 30 units to 18 units over the same period. Resale warehouses and multiple-user factories similarly fell by 35.3 per cent and 14.9 per cent q-o-q, respectively.

Chart 3 Overall sales volume dipped by 20.9% q-o-q

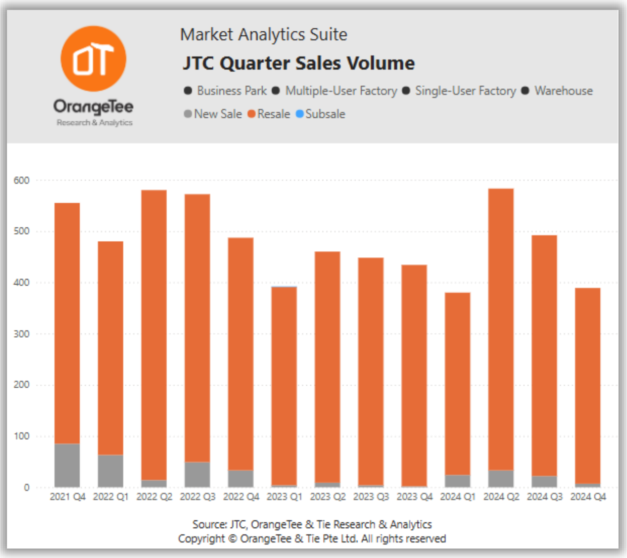


Table 1 Top five industrial sales in Q4 2024

S/N	Project Name/Address	Area (SQFT)	Transacted Price (S$)	Property Type	Tenure
1	2 TUAS SOUTH LINK 1	358,442	$140,250,000	Warehouse	Leasehold
2	21 JALAN BUROH	308,170	$112,800,000	Warehouse	Leasehold
3	71 TUAS SOUTH AVENUE 1	236,891	$58,000,000	Warehouse	Leasehold
4	218 PANDAN LOOP	96,690	$42,000,000	Single-user Factory	Leasehold
5	GLEASON	14,630	$34,500,000	Single-user Factory	Freehold

Source: JTC, OrangeTee & Tie Research & Analytics

In Q4 2024, total industrial transaction value rose by 13.7 per cent q-o-q, rising from S$854 million to S$970.7 million in Q4 2024. The top contributor was the acquisition of a six-storey ramp-up logistics facility in Tuas by Frasers Logistics & Commercial Trust for S$140.3 million in October 2024.

RENTAL TRENDS

The continued expansion of the manufacturing sector continued to prop up rents last quarter. According to JTC statistics, the industrial rental index for all industrial property grew by 0.5 per cent from 109.6 in Q3 2024 to 110.1 in Q4 2024. In 2024, overall rents rose by 3.5 per cent, a significant slowdown compared to the 8.9 per cent increase in 2023. The persistently high interest rates and rising operating costs since 2020 have made tenants hesitant to sign new industrial leases, resulting in slower rental growth.

JTC data showed that rents grew for different industrial property types, with warehouses and multiple-user factories seeing the largest growth at 0.9 per cent and 0.4 per cent quarter-on-quarter (q-o-q) respectively. Rental growth for business parks and single-user factories was modest, at 0.2 per cent and 0.1 per cent over the same time frame (Chart 4). Rental demand dipped slightly last quarter by 8.6 per cent from 3,304 units in Q3 2024 to 3,020 units in Q4 2024 (Chart 5).

With a more optimistic manufacturing outlook in 2025, particularly for advanced industries like semiconductor and electronics producers, some companies may capitalize on the declining rents and the upcoming supply of industrial space to expand. However, other firms may remain cautious and focus on maintaining their current operations amidst ongoing global economic uncertainty.

Chart 4 Rents grew for all property types in Q4 2024

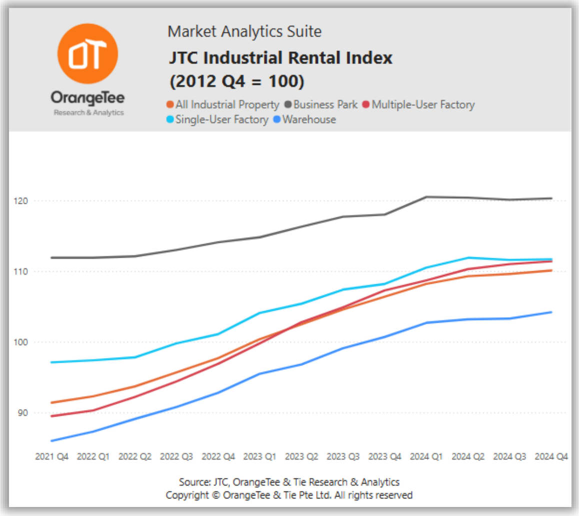
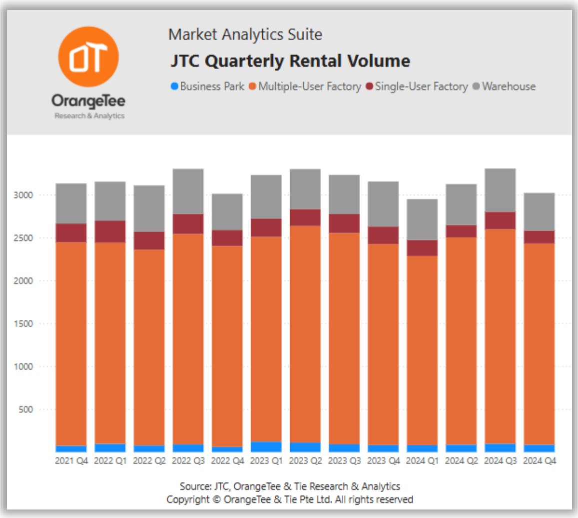


Chart 5 Rental volume dipped last quarter



STOCK AND OCCUPANCY

In the last quarter of 2024, a total of 137,254 sqm of available industrial space was added into the stock. Over the same period, slightly over 140,000 sqm of industrial space was taken up (Chart 6).

Meanwhile, the overall occupancy rate for industrial spaces remained stable at 89 per cent from the previous quarter as project completions matched with new demand. However, occupancy changes varied by property type. Single-user factories and warehouses experienced increases in occupancy, while multiple-user factories and business parks faced declines.

In the coming years, we can expect a significant increase in completed industrial space. The year 2025 is projected to have the largest addition, with approximately 1,195,000 square meters of new industrial space being completed. Meanwhile, 2026 and 2027 will see slightly lower amounts of space added to the existing stock (see Chart 7).

Chart 6 Occupancy rate maintained at 89 per cent

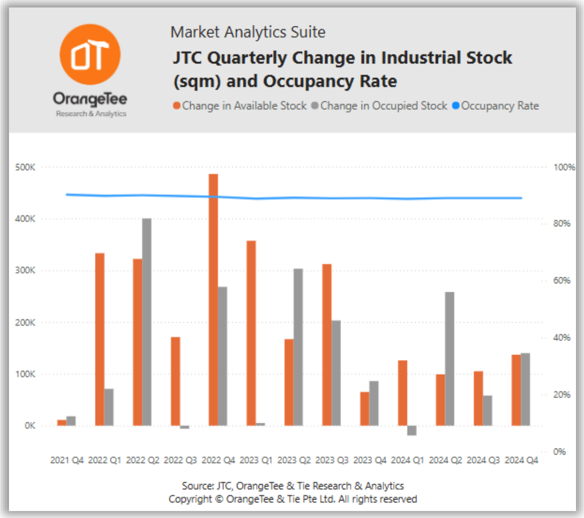
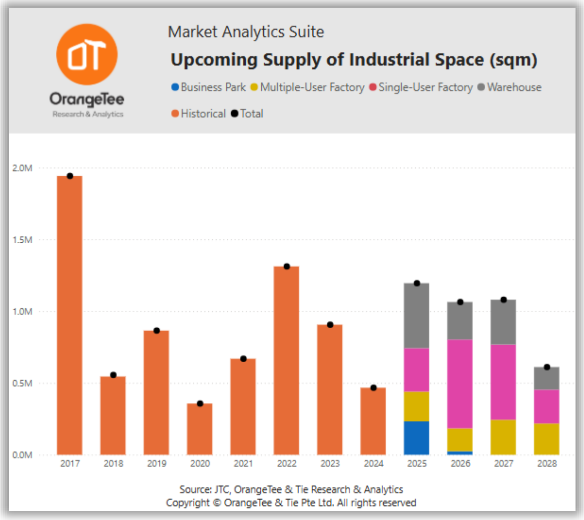


Chart 7 Surge of industrial completions in 2025



Industrial Market Summary

Indicators	2022	2023	Q3 2024	Q4 2024	2024	Projection for 2025
Industrial Price Index (% Change)						
Overall	7.5%	5.1%	0.5%	2.0%	3.5%	1% to 3%
Multiple-User Factory	8.7%	6.3%	0.7%	1.9%	4.9%	NA
Single-User Factory	5.7%	3.8%	0.2%	2.3%	1.9%	NA
Industrial Rental Index (% Change)						
Overall	6.9%	8.9%	0.3%	0.5%	3.5%	1% to 3%
Multiple-User Factory	8.3%	10.7%	0.6%	0.4%	3.8%	NA
Single-User Factory	4.1%	7.0%	-0.3%	0.1%	3.2%	NA
Business Park	2.0%	3.4%	-0.2%	0.2%	1.9%	NA
Warehouse	7.9%	8.5%	0.1%	0.9%	3.5%	NA
Transactions (units for the period)						
Total sales volume	2,112	1,734	492	389	1,844	1,800 to 2,000
Total leasing volume	12,568	12,910	3,304	3,020	12,395	13,000 to 15,000

Source: JTC, OrangeTee & Tie Research & Analytics

Outlook

Singapore's manufacturing sector is anticipated to grow in 2025, although at a slower pace compared to 2024. This growth in manufacturing activities is likely to be driven by stronger demand for semiconductor chips within the precision engineering sector. The expected increase in manufacturing output could strengthen the industrial property market, as enhanced business confidence will help support the price and rental growth.

However, trade uncertainty surrounding the implementation of US tariffs and the influx of newly completed industrial properties may moderate prices and rents. When the global trade situation becomes clearer, opportunities for business expansion may arise with the availability of improved industrial facilities. The net effect may see prices and rents growing modestly by 1 to 3 per cent in 2025.

The 1H2025 Industrial Government Land Sales (IGLS) program will be offering seven sites from its Confirmed List and three sites from its Reserve List. The seven sites on the 1H2025 IGLS will add approximately 9.71 hectares of industrial land, which represents a 68.3 per cent increase compared to the 5.77 hectares of industrial land from the 2H2024 IGLS program.

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