

Industrial Market 2024 Mid-year Review & Market Outlook



Artist impression of Food Vision @ Mandai

In the second quarter of 2024, there was a notable rise in industrial prices and rents, which can be attributed to the positive shift in business sentiment within the manufacturing sector. Many new industrial properties are expected to be completed in the latter half of 2024, potentially providing a further boost to market sentiment.



Artist impression of Food Vision @ Mandai

MANUFACTURING PERFORMANCE

Manufacturing sentiment picked up as many companies were anticipating improved business conditions in the latter half of this year. This positive outlook is driven by expectations of heightened demand for semiconductors, increased travel activity, and greater consumer spending.

However, the expansion of overall factory activity was limited by geopolitical tensions. Based on data from the Singapore Institute of Purchasing and Materials Management (SIPMM), the Purchasing Managers' Index (PMI) dipped by 0.2 points month-on-month to 50.4 (Chart 1). A reading below 50 indicates that the manufacturing sector is declining, while a reading above 50 signifies growth.

Chart 1 Slow expansion of PMI in June 2024



SALES TREND

Chart 2 Price index picked up in Q2 2024



Overall prices increased last quarter due to heightened demand for industrial properties. Many are snapping up good deals as they are anticipating an influx of buyers when borrowing costs improve.

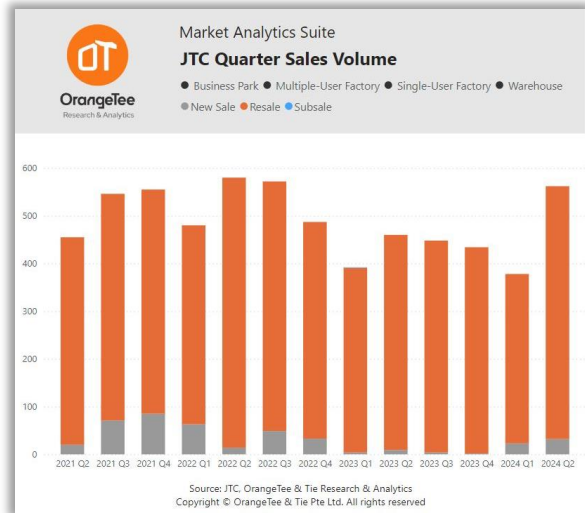
According to JTC's quarterly market report, the overall price index rose 1.2 per cent quarter-on-quarter (q-o-q), reaching 103.9 in Q2 2024 from 102.7 in Q1 2024. This growth was primarily driven by a faster price increase in multiple-user factories by 1.7 per cent q-o-q. Comparatively, there was a modest price uptick of 0.3 per cent q-o-q for single-user factories.

In 1H 2024, the overall industrial prices experienced a modest 1 per cent growth, which pales in comparison to the robust 3.1 per cent increase in 1H 2023 and the substantial 3.6 per cent growth in 1H 2022. The rise in interest rates since 2020 may have prompted investors to adopt a more cautious approach to their expenditures, leading to a slower price growth.

Following a boost in business sentiment, sales rebounded in the last quarter, marking a significant turnaround after three consecutive quarters of decline. Industrial sales surged by 48.7 per cent q-o-q reaching 562 units compared to 378 units in Q1 2024 (Chart 3).

This was led by warehouse resales, which increased by 131.8 per cent q-o-q from 22 units to 51 units. Similarly, single-user factory resales doubled last quarter to 30 units from 15 units in Q1 2024 while multiple-user factory resales rose by 41.2 per cent from 318 units to 449 units over the same period. 32 new units from the upcoming food factory, Food Ascent, were sold.

Chart 3 Overall sales volume rose by 48.7% q-o-q



RENTAL TRENDS

Better business sentiments in the last quarter led to more leasing contracts being signed. Many were encouraged to extend their leases or right-size to higher-quality industrial spaces to enhance productivity and better meet business goals. JTC statistics showed that the overall rental volume increased by 5.9 per cent q-o-q to 3,123 units in Q2 2024 from 2,948 units in Q1 2024.

The increased demand for leasing industrial properties in the last quarter resulted in a rise in overall industrial rents. Data indicated that the overall industrial rental index increased by 1.0 per cent q-o-q in Q2 2024, which is slower than the 1.7 per cent increase in the previous quarter (Chart 5). This slowdown in rents was mainly due to the slower growth in rental rates for single-user factories by 1.3 per cent q-o-q, and warehouses by 0.5 per cent q-o-q, over the same period. On the other hand, rents for multiple-user factories grew faster by 1.5 per cent q-o-q, while rents for business parks decreased by 0.1 per cent last quarter.

In the first half of 2024, rents grew by 2.7 per cent, a slowdown from the 4.9 per cent growth in 1H 2023. While many tenants are actively seeking cheaper options due to the prolonged high borrowing costs, landlords have kept rents affordable in order to retain their tenants and manage high operating costs.

Chart 4 Rental volume picked up in Q2 2024

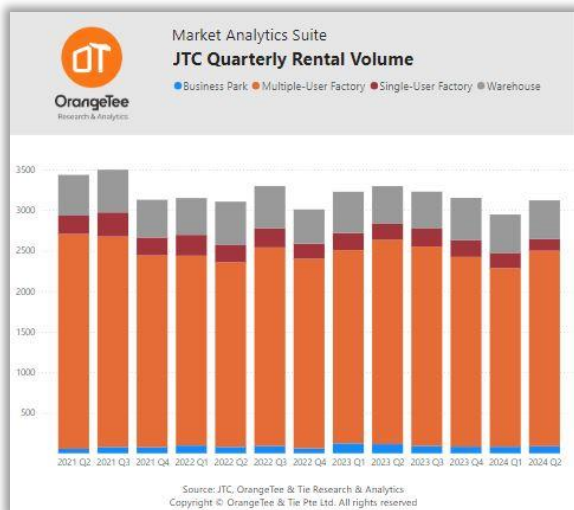
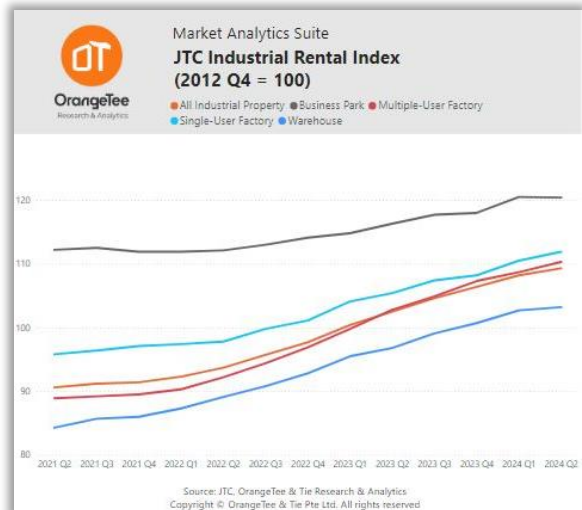


Chart 5 Overall rents grew by 1 per cent in Q2 2024



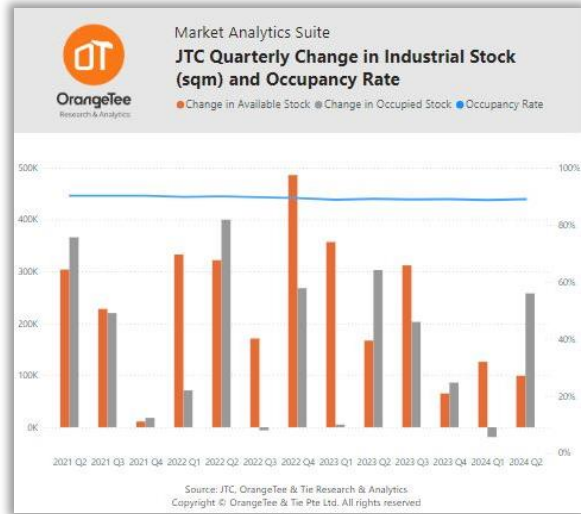
STOCK AND OCCUPANCY

In the second quarter of 2024, the number of new industrial properties completed was fewer compared to the first quarter of 2024. A little over 98,000 square meters of available space were added to the market. During the same period, there was a significant uptake of industrial spaces, with nearly 260,000 square meters of space being occupied.

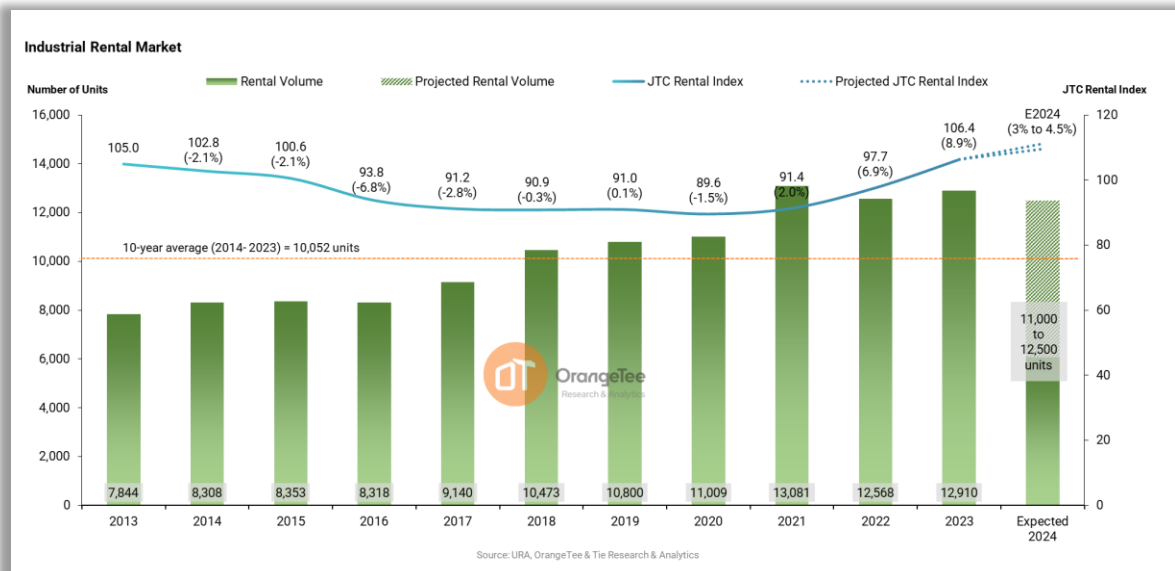
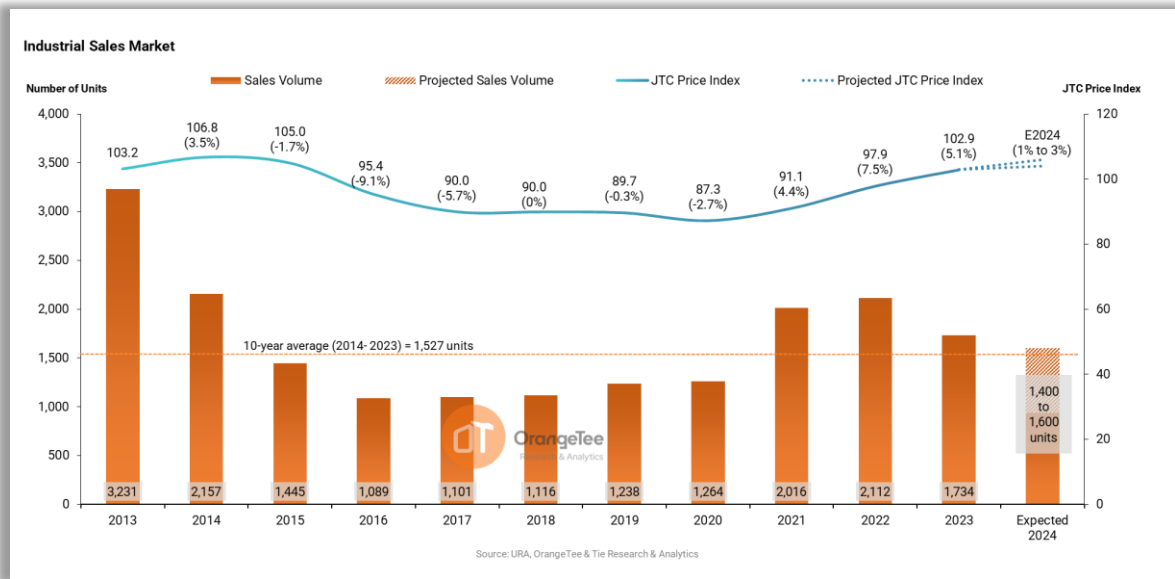
As a result, the overall occupancy rate increased by 0.3 percentage points from 88.7 per cent in Q1 2024 to 89 per cent in Q2 2024.

In 1H 2024, the total change in occupied industrial space was approximately 238,000 sqm, exceeding the change in available industrial space of about 225,000 sqm. This was likely due to the increased interest in industrial spaces last quarter.

Chart 6 Occupancy rate rose slightly to 89 per cent



MARKET PROJECTION



Industrial Market Summary

Indicators	2021	2022	2023	Q2 2024	1H 2024	Projection for 2024
Industrial Price Index (% Change)						
Overall	4.4%	7.5%	5.1%	1.2%	1.0%	1% to 3%
Multiple-User Factory	4.1%	8.7%	6.3%	1.7%	2.2%	NA
Single-User Factory	4.9%	5.7%	3.8%	0.3%	-0.7%	NA
Industrial Rental Index (% Change)						
Overall	2.0%	6.9%	8.9%	1.0%	2.7%	3% to 4.5%
Multiple-User Factory	2.5%	8.3%	10.7%	1.5%	2.8%	NA
Single-User Factory	1.7%	4.1%	7.0%	1.3%	3.4%	NA
Business Park	-0.2%	2.0%	3.4%	-0.1%	2.0%	NA
Warehouse	2.7%	7.9%	8.5%	0.5%	2.5%	NA
Transactions (units)						
Total sales volume	2,016	2,112	1,734	562	940	1,400 to 1,600
Total leasing volume	13,081	12,568	12,910	3,123	6,071	11,000 to 12,500

Source: JTC, OrangeTee & Tie Research & Analytics

Outlook

Global demand is expected to increase in the second half of this year, which could lead to improved performance in the manufacturing sector. Rate cuts are anticipated in the upcoming months, potentially boosting business confidence among industrial space occupiers. This may result in higher demand for industrial properties and an increase in industrial prices and rents.

We expect a release of approximately 0.8 million square meters of new industrial space entering the market in 2H 2024. This supply surge is likely to exert a dampening effect on the upward momentum of industrial prices and rents by the year's end. We anticipate a projected growth in industrial prices and rents by 1-3 per cent and 3-4.5 per cent in 2024, respectively.

The Confirmed List of the Industrial Government Land Sales (IGLS) Programme for 2H 2024 includes five industrial sites. One of these sites, Plot 5 Jalan Papan, is currently open for tender until 24 September 2024, while the other four sites are scheduled for release in August, October, November and December 2024, respectively.

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