

Rents
(S\$PSF/MO)

12-Mo.
Forecast

\$6.04
Business Park (City Fringe) ▲

\$3.52
Business Park (Outlying Areas) ▲

\$4.36
Science Park ▲

SINGAPORE ECONOMIC INDICATORS
Q1 2022

12-Mo.
Forecast

3.7%
Real GDP Growth ▼

4.6%
Inflation Growth ▼

2.2%
Unemployment ▼

Source: Ministry of Trade & Industry (MTI),
Moody's Analytics

Steady Growth Expected for 2022 Despite Headwinds

Official data released by the Ministry of Trade and Industry (MTI) in May 2022 showed that Singapore's economy expanded by 3.7% y-o-y during the first quarter of 2022, which was faster than the advance estimate of 3.4%. Manufacturing sector which grew by 7.1% y-o-y in Q2 2022, extending the 13.2% full-year growth in 2021 was the top contributor to GDP growth during the quarter. GDP growth for 2022 is expected to slow to about 3% to 5% given global economic uncertainties due to the ongoing Ukraine-Russia conflict, rising interest rates and supply chain disruptions.

Broad-based Rent Growth Continues But Caution Setting in

Industrial market continued to improve across most segments. While rents of business parks in both the city fringe and outlying areas as well as factory remained stable on the back of tight vacancy rates, the other segments witnessed rising rents with prime logistics continuing to outperform. A flight to quality continues to drive the market and high-tech factories continue to see demand with rents inching up slightly in Q2 2022 as occupiers seek newer office-like industrial spaces in close-to-city locations for better corporate image and talent retention.

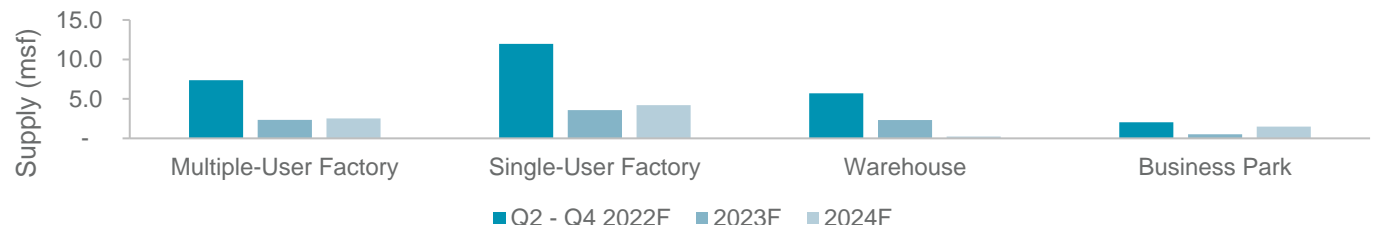
Prime logistics and warehouse rents rose 2.0% and 1.5% q-o-q respectively in Q2 2022, as tight supply continues to support rental growth. A swift re-opening of the economy is diverting consumption from goods to services, as people spend more on travel and leisure activities. With pandemic-fueled demand for goods tapering off coupled with current macro-uncertainties, e-commerce players are adopting a watch-and-wait stance. Consequently, warehouse / prime logistics rental growth may slow in the upcoming quarters amid more cautious market sentiments. However, stockpiling demand for goods and food, continues to persist, to hedge against high freight costs and supply chain disruptions. This would underpin occupancy levels for prime logistics / warehouse space, especially for developments with cold chain facilities.

Steady Long-term Fundamentals to Underpin Industrial Capital Values

The industrial market is still expected to lock in positive rental growth for 2022 despite looming global recession risks as Singapore economy continues to grow, driving demand for industrial space, and new supply remains tight in some segments. A flight to quality will gravitate demand for newer and better spec facilities, leading to increased incentives for redevelopment and asset enhancement, though this will be balanced against higher development costs due to higher financing and construction costs.

The industrial market's fundamentals are underpinned by long-term demand from high-value manufacturing and e-commerce growth. Singapore aims to grow her manufacturing sector by 50% by 2030 and Singapore's e-commerce market is expected to grow at a compound annual growth rate of 16% to reach S\$14.2 billion in 2025 according to forecasts by GlobalData. Also, there is limited available institutional-grade industrial stock for sale. As such, we don't anticipate much repricing in the market especially for longer tenure industrial land, even as interest rates go up as owners are likely to stick to their asking prices.

INDUSTRIAL SUPPLY PIPELINE



MARKET STATISTICS

SEGMENT	GROSS EFFECTIVE RENT			Q-O-Q CHANGE (%)	12-MONTH OUTLOOK
	S\$/SF/MO	US\$/SF/MO	EUR/SF/MO		
Business Park (City Fringe)	S\$6.04	US\$4.34	€4.16	0.0%	▲
Business Park (Outlying Areas)	S\$3.52	US\$2.53	€2.42	0.0%	▲
Science Park	S\$4.36	US\$3.13	€3.00	1.6%	▲
High-Tech	S\$3.21	US\$2.31	€2.21	0.2%	▲
Factory – Ground Floor	S\$1.81	US\$1.30	€1.25	0.0%	▲
Factory – Upper Floor	S\$1.61	US\$1.16	€1.11	0.0%	▲
Warehouse – Ground Floor	S\$1.58	US\$1.14	€1.09	1.5%	▲
Warehouse – Upper Floor	S\$1.28	US\$0.92	€0.88	1.5%	▲
Prime Logistics – Ground Floor	S\$1.49	US\$1.07	€1.03	2.0%	▲
Prime Logistics – Upper Floor	S\$1.33	US\$0.96	€0.91	2.0%	▲

US\$/S\$ = 1.392; €/S\$ = 1.454, as of 30 June 2022

SIGNIFICANT BUSINESS PARK PROJECTS – PLANNED & UNDER CONSTRUCTION

PROJECT NAME	SUBMARKET	TENANT	SF	EXPECTED COMPLETION YEAR*
CleanTech Three	Jurong West	-	665,000	2022
Surbana Jurong Campus	Jurong West	Surbana Jurong	445,000	2022
Perennial Business City	Jurong East	-	1,500,000	2022
Kajima Campus	Changi	Kajima	140,000	2023
Biopolis Phase 6 – Elementum	one-north	-	378,000	2023
Punggol Digital District (Phase 1)	Punggol	-	1,780,000	2024
Development at 3 Science Park Drive	Science Park	-	310,000	2025
Punggol Digital District (Phase 2)	Punggol	-	740,000	2025
Development at 1 Science Park Drive	Science Park	-	1,200,000	2025

* Note: Project timeline might change due to the impact of Covid-19's restrictions on construction progress

KEY SALES TRANSACTIONS Q2 2022

PROPERTY	SUBMARKET	SELLER / BUYER	PRICE (\$ Million)
Food Empire Building	Tai Seng	Empire Instant Food Pte Ltd / Lian Beng Group	49.3
UE Bizhub Central	Ang Mo Kio	United Engineers Ltd / Apple	55
19 Changi South Street 1	Changi	Mapletree Industrial / Esco Micro Pte Ltd	13

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