

SINGAPORE INDUSTRIAL PROPERTY MARKET OVERVIEW

SINGAPORE MACROECONOMIC OVERVIEW

Singapore's economic performance in 2022

According to the Ministry of Trade and Industry ("MTI"), overall GDP registered growth of 2.1% year-on-year ("y-o-y") in 4Q2022, a deceleration from 4.0% y-o-y growth in the previous quarter. Singapore's economy expanded by 3.6% in 2022, moderating from 2021's 8.9% growth but slightly higher than the MTI's forecast of 3.5%.

Amid the manufacturing slowdown, the manufacturing sector contracted by 2.6% y-o-y in 4Q2022, reversing from the 1.1% growth in the previous quarter, attributed to output declines in the general manufacturing, electronics, chemicals and biomedical manufacturing clusters. Full-year manufacturing output growth for 2022 decelerated sharply to 2.5% from 13.3% in 2021.

With the easing of border restrictions, the construction sector expanded by 10.0% y-o-y in 4Q2022, an acceleration from previous quarter's 8.1% growth. Full-year construction sector's growth registered 6.7%, easing from 20.5% in 2021.

In 4Q2022, the services producing industries grew by 4.0% y-o-y and registered a full-year growth of 4.8%, from 7.6% in 2021. Growth was led by the Accommodation & Food Services, Real Estate, and Other Services sector (9.0% y-o-y in 4Q2022 and 7.4% in 2022), in line with the lifting of community and border measures as well as the steadfast tourism recovery.

Singapore's Economic Performance Y-o-Y Growth (%)

GDP & Sectoral Growth Rates	2022	2021	
GDP Growth	3.6	8.9	▼
Manufacturing	2.5	13.3	▼
Construction	6.7	20.5	▼
Wholesale & Retail Trade, Transportation & Storage	3.6	9.8	▼
InfoComm, Finance & Insurance, Professional Services	4.3	8.4	▼
Accommodation & Food Services, Real Estate, Other Services	7.4	3.4	▲

Source: Singstat

Labour market

In 2022, the labour market recorded significant improvement as compared to the previous year amid sustained economic growth. Based on preliminary estimates, the average overall unemployment rate declined to 2.1% from 2.7% in 2021 and held steady at pre-pandemic level, while total employment rose to an unprecedented level (231,700), largely driven by non-residents as border restrictions were lifted. Resident employment continued to register growth momentum, though at a slower pace compared to 2021.

Manufacturing and exports

As manufacturing sentiment continued to be weighed down by weaker global demand, overall factory activity contracted for the fifth consecutive month in January 2023. The manufacturing PMI reading edged up 0.1 point to 49.8 while the electronics sector PMI inched up by 0.2 point to 49.1, marking the sixth consecutive month of contraction.

On a 3-month moving average y-o-y basis, Non-oil Domestic Exports contracted further by 20.2% in January 2023 from -14.0% in December 2022. In 2022, NODX recorded 3.0% growth, a notable decline from 2021's 12.1% growth. The weakening export performance has implications for the manufacturing sector.

Outlook for 2023

In 2023, the U.S. and Eurozone are expected to experience sharp slowdowns, while the global supply chain disruptions may persist amid the protracted war. China's growth is projected to pick up, which improves the regional economies' growth outlook. A further slowdown in Singapore's economy is expected in 2023, with growth forecasted to be "between 0.5 and 2.5%" by the MTI due to weakening global economic conditions. Due to the projected economic slowdown in 2023, the labour market may face headwinds which may impact its growth momentum and unemployment rates are expected to rise.

RECENT GOVERNMENT POLICIES/INITIATIVES AND ITS IMPACT

Government Support Measures

Most COVID-19-related support measures have ended as Singapore transitioned into the endemic era. Under the fifth phase of the Jobs Growth Incentive ("JGI") scheme, which runs from October 2022 to March 2023, the Government will co-pay 20% of the first S\$6,000 of gross monthly wages for the first six months for qualifying workers. Meanwhile, the Job Support Scheme ("JSS") had ended in March 2022.

In June last year, the new Energy Efficiency Grant was introduced to help eligible firms to improve their energy efficiency and alleviate rising business costs due to increased energy prices. During Budget 2023, Deputy Prime Minister and Finance Minister Lawrence Wong announced that it will be extended for one year until 31 March 2024, providing continued support for businesses in the Food Services and Food Manufacturing sectors amid higher electricity prices.

The newly introduced Enterprise Innovation Scheme aims to encourage businesses to engage in research and development ("R&D"), innovation as well as capability development activities. Under the scheme, existing tax measures will be enhanced, and a new tax measure will be introduced.

It was also announced during Budget 2023 that the CPF monthly salary ceiling will be raised in phases from S\$6,000 to S\$8,000 by 2026. In addition, the senior worker CPF contribution rates will be increased on 1 January 2024. In view of the rising business costs due to this increase, employers will be provided with a one-year CPF Transition Offset.

The following table summarises the key government support measures relevant to the industrial property sector.

Key Government Support Measures for the Industrial Property Market

Support Measure	Details
Jobs Growth Incentive (JGI)	<ul style="list-style-type: none"> The JGI scheme was introduced to provide support to employers to expand local hiring from September 2020 to March 2023 (inclusive), so as to create good and long-term jobs for locals. The JGI provides up to 12 months of salary support for each non-mature local hire and 18 months of salary support for each mature hire, person with disability or ex-offender hired by employers that managed to increase their local workforce within the qualifying window: <ol style="list-style-type: none"> Phase 1 of JGI: September 2020 to February 2021 Phase 2 of JGI: March 2021 to September 2021 Phase 3 of JGI: October 2021 to March 2022 Phase 4 of JGI: April 2022 to September 2022 Phase 5 of JGI: October 2022 to March 2023 Under JGI's fifth phase from October 2022 to March 2023, the Government will co-pay 20 per cent of the first \$6,000 of gross monthly wages for the first six months for qualifying workers.
Job Support Scheme (JSS)	<ul style="list-style-type: none"> Introduced during the Unity Budget in February 2020, over S\$28bn has been disbursed under the JSS support. The scheme ended in March 2022. The JSS provides wage support to employers to help them retain their local employees (Singapore Citizens and Permanent Residents) during this period of economic uncertainty. JSS payouts are intended to offset local employees' wages and help protect their jobs.

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Support Measure	Details
Energy Efficiency Grant	<ul style="list-style-type: none"> • First introduced in June 2022, the Energy Efficiency Grant provides support to small and medium-sized enterprises (SMEs) in the food services, food manufacturing and retail sectors to improve their energy efficiency and alleviate increasing business costs due to increased energy prices. • Up to 70 per cent funding support will be provided for eligible firms to adopt energy-efficient equipment in categories that have been pre-approved. • Capped at \$30,000 per company, the grant will cover energy-efficient equipment in categories such as LED lighting and air-conditioners. • Announced during Budget 2023 that it will be extended for one year until 31 March 2024.
Enterprise Innovation Scheme	<ul style="list-style-type: none"> • Introduced during Budget 2023, the Enterprise Innovation Scheme encourages businesses to engage in R&D, innovation and capability development activities. • Tax deductions will be enhanced for five key activities in the innovation value chain: <ol style="list-style-type: none"> a. Qualifying R&D undertaken in Singapore; b. Registration of intellectual property; c. Acquisition and licensing of IP rights; d. Training; and e. Innovation projects carried out with polytechnics, the Institute of Technical Education or other qualified partners. • Tax deductions will be raised to 400 per cent from 250 per cent of qualifying expenditure incurred for every activity annually from Year of Assessment 2024 to 2028, capped at S\$400,000 for each activity (innovation with polytechnics and ITE will be capped at S\$50,000).
CPF Transition Offset	<ul style="list-style-type: none"> • Introduced during Budget 2023, the one-year CPF Transition Offset is provided to employers to mitigate rising business costs due to the increase in senior worker CPF contribution rates (wef 1 January 2024). • It is equivalent to half of the 2024 increase in employer CPF contribution rates for every Singaporean and Permanent Resident worker they employ aged above 55 to 70 • To be provided to employers automatically and they do not need to apply for the offset.

Sources: MOF, IRAS, EDMUND TIE Research

Related Government Initiatives and Policies

First launched between 2016 and 2018, the Industry Transformation Maps ("ITMs") aim to drive industry transformation, support the growth of enterprises, and help Singaporeans take up quality jobs. The refreshed ITMs for five sectors — Electronics, Precision Engineering, Energy & Chemicals, Aerospace and Logistics — outlined strategies to grow Singapore's manufacturing value-added

("VA") by 50% from 2020 to 2030. It involves support for research and development, deep tech innovation, extensive digitalisation and environmental sustainability, as well as foster partnerships between companies and Institutes of Higher Learning.

Industry Transformation Maps (ITMs) cover 23 industries across six clusters

Cluster	Industries
Manufacturing	<ul style="list-style-type: none"> Precision Engineering Energy & Chemicals Marine & Offshore Aerospace Electronics
Built Environment	<ul style="list-style-type: none"> Construction Real Estate Security Environmental Services
Trade & Connectivity	<ul style="list-style-type: none"> Air Transport Logistics Land Transport Sea Transport Wholesale Trade
Essential Domestic Services	<ul style="list-style-type: none"> Healthcare Education
Modern Services	<ul style="list-style-type: none"> Professional Services Financial Services ICT & Media
Lifestyle	<ul style="list-style-type: none"> Food Manufacturing Food Services Hotel Retail

Source: Ministry of Trade and Industry

As announced by Prime Minister Lee Hsien Loong during his 2022 National Day Rally speech, construction works on Changi Airport's Terminal 5 will resume after a two-year pause due to the pandemic. As part of the transformations to the Changi Region, other key projects in the area include the Changi Aviation Park (for aviation-related sectors), Changi East Industrial Zone and Changi East Urban District (new business and lifestyle destination).

Expected to be fully completed in the 2040s, the next-generation Tuas Mega Port Project will be fully automated and digitalised, with the capacity to handle 65 million twenty-foot equivalent units ("TEUs"), or 1.5 times our current capacity. Till date, five berths have commenced operations under Phase 1 (out of four phases) of the project, with its global reach and connectivity benefitting factories in Tuas and Jurong with quicker production-to-market turnarounds.

Under the Urban Redevelopment Authority's ("URA") latest long-term plan, a "vertical zoning" concept in industrial estates is being explored for the integration of complementary uses within a single development. The Kolam Ayer and Yishun industrial estates, one-north, Tai Seng, Jurong Lake District and Changi Business Park have been identified as potential business-white¹ zones to accommodate non-industrial uses, such as co-working spaces, so as to add vibrancy to industrial developments. Following the relocation of the Paya Lebar Air Base in the 2030s, the existing site is anticipated to be transformed into a new generation town with residential and employment options.

As part of Singapore's green transition plans, the Carbon Pricing (Amendment) Bill was passed in Parliament in November 2022. The carbon tax will be raised to S\$25 per tonne for greenhouse gas emissions in 2024 and 2025, and S\$45 per tonne for greenhouse gas emissions in 2026 and beyond. By 2030, it should reach between S\$50 and S\$80 per tonne, and is on track to reach net-zero greenhouse gas emission by 2050.

With the aim to decarbonise the energy sector, Singapore's first hydrogen-ready power plant is expected to be ready by the first half of 2026. The Keppel Sakra Cogen Plant, which is able to operate entirely on clean-burning hydrogen in the future, will be built on Jurong Island with the capacity to produce up to 600MW of electricity. In addition, a new S\$25 million research institute, known as the NUS Centre for Hydrogen Innovations, was launched in July last year with the aim of making green hydrogen a viable green energy source.

Enacted on August 1 2022, the Land Betterment Charge ("LBC") Act provides for the consolidation of charges for the enhancement of land value under the Singapore Land Authority. With the new LBC regime, the previous Development Charge ("DC"), Temporary Development Levy, and Differential Premium regimes will be replaced. Accordingly, the DC Table of Rates will be replaced with the LBC Table of Rates, which will continue to be revised twice a year.

¹ Business-white sites are industrial sites that allow a greater flexibility of use

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IGLS Programme

The Industrial Government Land Sales ("IGLS") programme for the first half of 2023 ("1H2023") comprises four sites in the Confirmed List and three sites in the Reserve List totalling around 1.2 million sqft of NLA. Under the latest IGLS programme, all the industrial sites are zoned Business 2 ("B2") and are mostly small land plots smaller than 1.0 ha. In terms of land tenure, one plot in the Confirmed List and two plots in the Reserve List have 20-year leasehold tenure, while the other plots are offered with 30-year leasehold tenure.

The combined estimated NLA that could be generated from the confirmed list sites under the 1H2023 programme has been raised to 786,000 sqft, compared to around 403,000 sqft from the 2H2022 list. However, the total supply of estimated NLA from the reserve list sites under the 1H 2023 has been scaled down to 398,000 sqft from 706,000 sqft in the previous launch.

Details of the sites placed under the 1H2023 and 2H2022 IGLS Programme are shown in the tables below.

Projected supply of private industrial space from IGLS Programme 1H2023

Location	Site ha	Zoning	Tenure years	NLA '000 sq ft	Status
Confirmed List					
Plot 7 Tampines North Drive 4	2.03	B2	30	448	Launched, closing 28 March 2023
Plot 8 Jalan Papan	0.86	B2	20	106	Launch in February 2023
Plot 10 Tampines North Drive 5	0.50	B2	30	110	Launch in March 2023
Woodlands Avenue 8	0.55	B2	30	121	Launch in April 2023
	3.94			786	
Reserve List					
Plot 3 Jalan Papan	0.72	B2	20	89	Available
11 Tuas Avenue 18	0.40	B2	20	49	Available in May 2023
Tuas Road	2.10	B2	30	259	Available in June 2023
	3.22			398	
Total	7.16			1,184	

Source: JTC

Note: NLA estimated based on 82% efficiency factor applied to the total industrial GFA

Supply of private industrial space from IGLS Programme 2H2022

Location	Site ha	Zoning	Tenure years	NLA '000 sq ft	Status
Confirmed List					
Plot 2 Jalan Papan	1.24	B2	20	153	Awarded on 9 December 2022
Plot 11a Tampines North Drive 5	0.54	B2	30	119	Not awarded
Plot 5 Jalan Papan	0.56	B2	20	69	Not awarded
25 Gul Drive	0.50	B2	20	62	Tender closed on 25 Jan 2023. Results yet to be announced
	2.84			403	
Reserve List					
Woodlands Industrial Park E7/E8	0.77	B2	30	169	Awarded on 16 December 2022
Plot 3 Jalan Papan	0.72	B2	20	89	Shifted to Reserve List 1H 2023
Plot 7 Tampines North Drive	2.03	B2	30	448	Shifted to Confirmed List 1H 2023
	3.52			706	
Total	6.36			1,109	

Source: JTC

Note: NLA estimated based on 82% efficiency factor applied to the total industrial GFA

MAJOR INDUSTRIAL INVESTMENT SALES

In 2022, total major industrial investment sales (S\$10 million and above) amounted to at least S\$1.2 billion. The largest transaction was the sale of 1 Buroh Lane, a five-storey ramp-up multi-temperature-controlled food storage and distribution centre, for S\$191.9 million. The second largest transaction was the acquisition

of Enterprise Logistics Centre, a ramp-up logistics warehouse building in Tuas, for S\$120.6 million by a Singapore unit of Hong Kong-based Intex Development Company. Another major transaction was the sale of Philips APAC Center at Toa Payoh for S\$104.8 million to Ascendas REIT. In addition, Cycle & Carriage Singapore divested four of its properties for an undisclosed sum in October last year.

Key details of top 3 industrial investment sales in 2022

Quarter sold	Development	Property Type	Gross Floor Area/Land Area (sq ft)	Remaining tenure, yrs	Purchase price		Purchaser	Seller
					S\$ million	S\$ psf		
3Q 2022	Philips APAC Center	Single-User Factory	163,557	7 + 13	104.8	641	Ascendas REIT	Philips Electronics Singapore Pte Ltd
3Q 2022	1 Buroh Lane	Warehouse	645,500	21	191.9	297	Ascendas REIT	A3 Lux Alpha S.a.r.l
4Q 2022	Enterprise Logistics Centre	Warehouse	319,620	33	120.6	368	Intex Development Company	Far East Organization

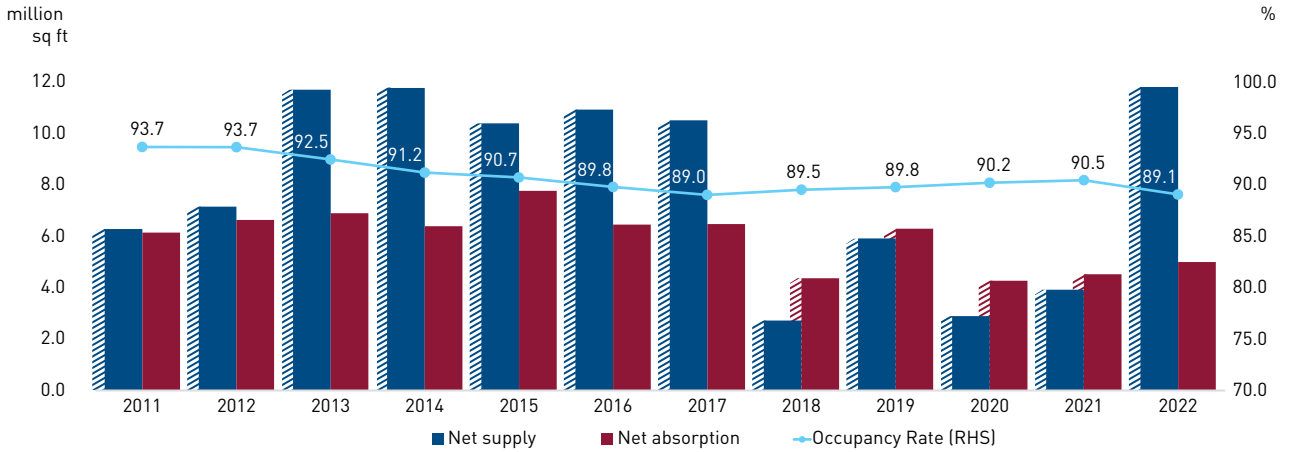
Source: EDMUND TIE Research

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FACTORY

Demand and Supply

Net Supply, Net Absorption and Occupancy (Multiple-and-Single-user Factory Space)



Source: JTC

Demand

Despite the manufacturing slowdown, overall demand for factory space remained resilient in 2022. Net absorption rose to 5.0 million sqft in 2022 from 4.5 million sqft in 2021, as demand was largely supported by the high-value manufacturing industries. The occupancy rate dipped to 89.1% in 2022 from 90.5% in 2021.

Supply

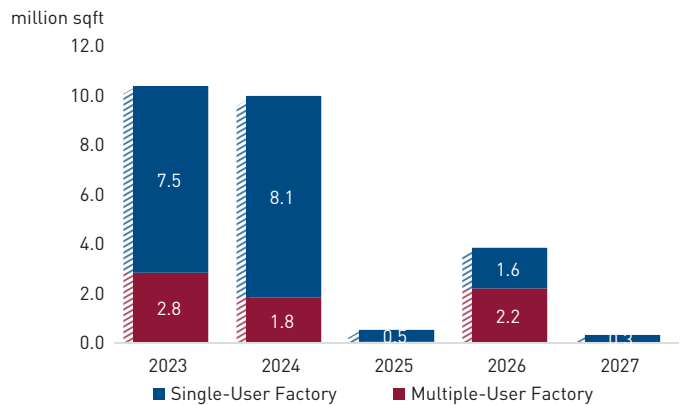
With the alleviation of construction manpower crunch as border restrictions were lifted, total factory stock expanded by 3.0% to 411.0 million sqft from 399.2 million sqft in 2021, surpassing the 1.0% growth witnessed in 2021. In 2022, the largest project completed was TimMac @ Kranji developed by JTC, which received partial TOP of 1.2 million sqft NLA, with full completion expected in 2023.

Potential Supply

As at 4Q2022, around 22.9 million sqft (NLA) of factory space is expected to come onstream from 2023 to 2027, of which the bulk of the pipeline is projected to be completed in 2023 (45%) and 2024 (44%).

In 2023, a key upcoming factory project is the Hyundai Motor Group Innovation Centre (0.8 million sqft NLA) located in the Jurong Innovation District, which is designed to develop new automotive technologies, such as for electric cars' production.

Factory supply pipeline from 2023 to 2027



Source: JTC

Projected new supply of top 5 major private factory developments

Developer/development	Location	Region	NLA million sq ft	Status	Expected Completion
Multiple-user factory developments					
Polaris @ Woodlands	Woodlands Avenue 12	North	0.5	Under construction	2024
Tuas Vista	Tuas South Avenue 2	West	0.3	Under construction	2023
7000 Ang Mo Kio Avenue 5	Ang Mo Kio Avenue 5	North-East	0.2	Under construction	2023
CT FoodNEX	Mandai Estate	North	0.2	PP: April 2022	2026
Food Vision @ Mandai	Mandai Estate	North	0.2	Under construction	2026
Single-user factory developments					
Hyundai Motor Group Innovation Centre	Jurong West Avenue 2	West	0.8	Under construction	2023
Pfizer	Tuas South Avenue 6	West	0.4	Under construction	2024
Sanofi	Tuas South Street 2	West	0.3	Under construction	2025
SATS Food Hub	Bulim Street	West	0.3	PP: July 2022	2024
Wilmar Distribution	Jalan Ahmad Ibrahim	West	0.3	Under construction	2023

Sources: JTC, EDMUND TIE Research

Projected new supply of major public factory developments

Developer/development	Location	Region	NLA million sq ft	Status	Expected Completion
Multiple-user factory developments					
Bulim Square	Bulim Lane 1/2	West	1.4	Under construction	2026
JTC Space @ AMK	Ang Mo Kio Street 64/65	North-East	1.0	Under construction	2024

Sources: JTC, EDMUND TIE Research

Rental Values

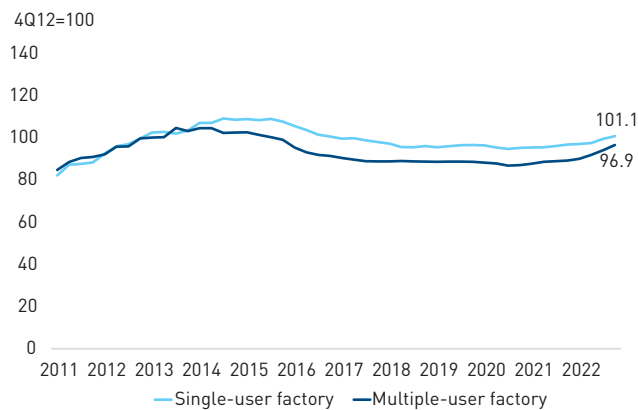
Amid sustained demand, rental values of factory spaces witnessed strong growth in 2022. As at 4Q2022, the rental index for both multiple-user and single-user factory increased at a greater pace by 8.3% y-o-y and 4.1% -y-o-y respectively, compared to the respective increases of 2.5% y-o-y and 1.7% y-o-y in the multiple-user and single-user factory rental indices in 2021.

As at 4Q2022, the 25th percentile, median and 75th percentile monthly rents for multiple-user factory registered at S\$1.72, S\$2.04 and S\$2.50 per sqft per month² respectively. For single-user factory, the respective 25th percentile, median and 75th percentile monthly rents were S\$1.25, S\$1.60 and S\$2.19 per sqft per month.

2 The rental data refer to contracted gross rent per month as declared by tenants to IRAS through its e-Stamping system. Contracted gross rent includes the base rent and all charges in connection with the lease (such as additional rent, service charge, payment for hire of fittings or equipment, fees for advertising and promotion). It may or may not include any rent-free period and other incentives.

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JTC Industrial Rental Index (Multiple-and-Single-user Factory)



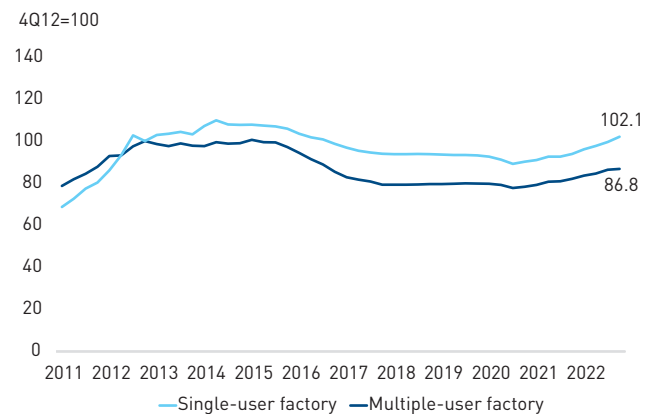
Source: JTC

Capital Values

According to JTC's price indices, prices of multiple-user and single-user factory rose further by 8.7% y-o-y and 5.7% y-o-y in 4Q2022 respectively, as compared to the 4.1% y-o-y and 4.9% y-o-y increase of multiple-user and single-user factory price indices in 2021.

As at 4Q2022, the median price for multiple-user factory space stood at S\$439 per sqft, while the median price for single-user factory space stood at S\$154 per sqft.

JTC Industrial Price Index (Multiple-and-Single-user Factory)



Source: JTC

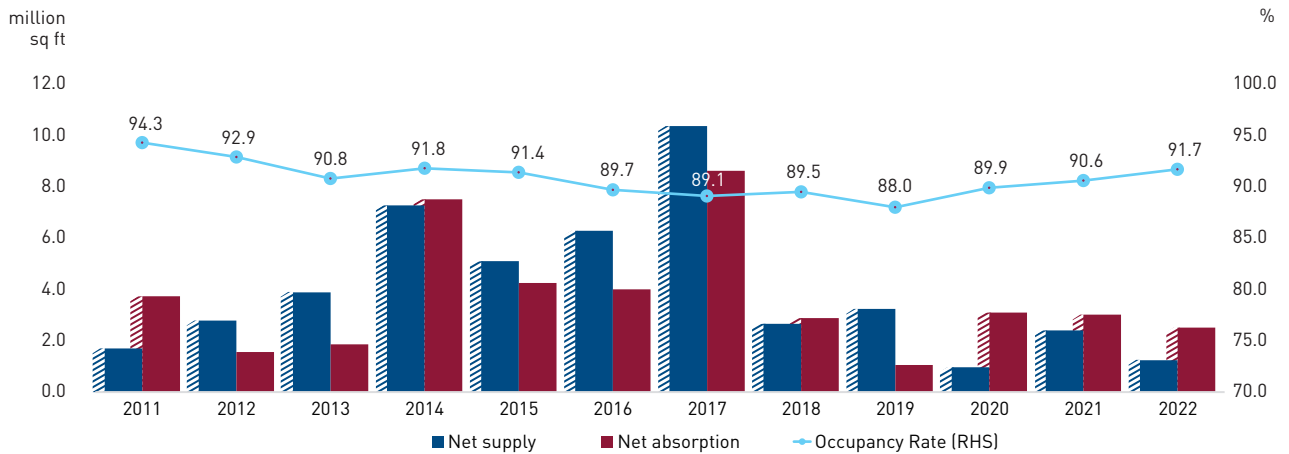
Outlook for 2023

Manufacturing sentiments continued to be weighed down by weaker global demand, as local manufacturers continued to remain negative about business conditions over the next six months and overall factory activity contracted for the fifth consecutive month in January 2023. Amid multiple economic headwinds and a softer manufacturing outlook, factory rents are likely to moderate after nine consecutive quarters of increase. However, high-value manufacturing industries, such as MedTech and GreenTech, are poised to be new growth areas for the industrial sector and likely contribute to greater demand for industrial spaces. Accordingly, a slower pace of rental growth for multiple-user factory of between 3–5% is projected in 2023.

WAREHOUSE

Demand and Supply

Net Supply, Net Absorption and Occupancy (Warehouse)



Source: JTC

Demand

Warehouse net absorption declined slightly to 2.5 million sqft in 2022 from 3.0 million sqft in 2021. However, warehouse demand outpaced supply and resulted in a 1.1% points improvement in occupancy rate to 91.7% in 2022, the highest since 2014. Overall warehouse demand was largely sustained amid protracted supply chain disruptions and the e-commerce growth.

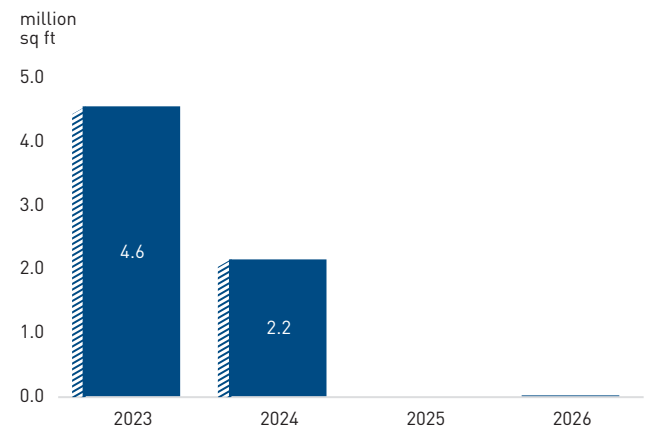
Supply

As at 4Q2022, total warehouse stock rose at a slower pace by 1.0% to 122.8 million sqft in 2022 from 121.6 million sqft in 2021 (2.0% increase in stock). With an NLA of 0.9 million sqft, Tee Yih Jia Food Hub at 5 Senoko Road was the largest warehouse completed in 2022.

Potential Supply

As at 4Q2022, the supply pipeline for warehouse from 2023 to 2026 is projected to be around 6.7 million sqft (NLA), of which the bulk (68%) is expected to come onstream this year, followed by another 32% in 2024. In 2023, some of the major warehouse projects in the pipeline include Allied Sunview’s 1.1 million sqft (NLA) warehouse and 2PS1 (0.7 million sqft NLA) developed by Soilbuild Business Park REIT.

Warehouse supply pipeline from 2023 to 2026



Source: JTC

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Projected new supply of top 5 major private warehouse developments

Developer/development	Location	Region	NLA million sq ft	Status	Expected Completion
Warehouses developments					
Allied Sunview	Sunview Road	West	1.1	WP: March 2019	2023
2PS1	Pioneer Sector 1	West	0.7	Under construction	2023
Fairprice Group Fresh Food Distribution Centre	Sunview Road	West	0.6	Under construction	2023
Soon Bee Huat Trading	Penjuru Lane	West	0.2	Under construction	2023
Drex-Chem Technologies	Tuas Avenue 13	West	0.04	PP: May 2021	2023

Sources: JTC, EDMUND TIE Research

Projected new supply of major public warehouse developments

Developer/development	Location	Region	NLA million sq ft	Status	Expected Completion
Warehouses developments					
JTC Logistics Hub @ Gul	Gul Circle	West	0.5	Under construction	2023

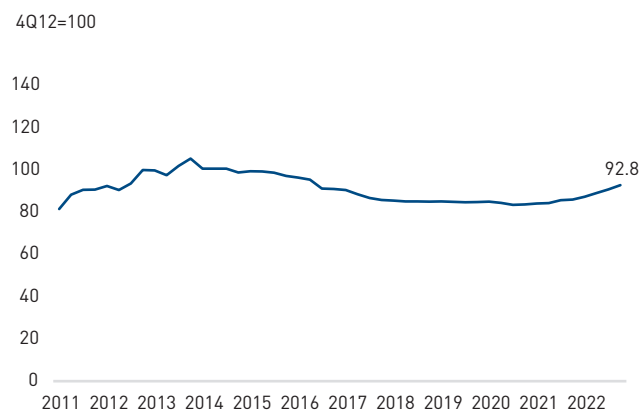
Sources: JTC, EDMUND TIE Research

Rental Values

As at 4Q2022, warehouse's JTC rental index expanded at a faster pace by 7.9% y-o-y compared to 2.7% y-o-y growth experienced in 2021. The resilient warehouse demand supported further overall rental growth, while modern high-specifications warehouse continued to be highly sought after and commanded high rents.

As at 4Q2022, the 25th percentile, median and 75th percentile warehouse monthly rents were contracted at S\$1.56, S\$1.98 and S\$2.50 per sqft per month³ respectively.

JTC Industrial Rental Index (Warehouse)



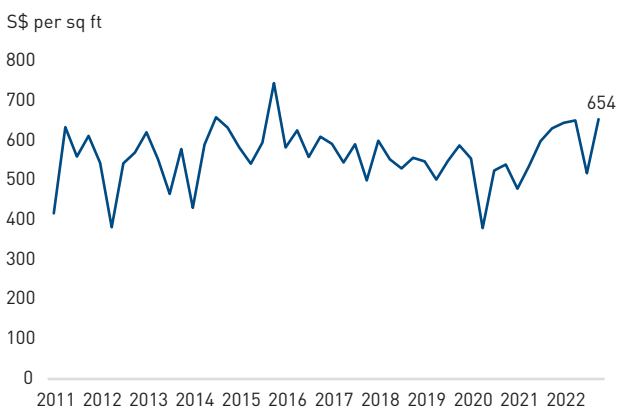
Source: JTC

³ The rental data refer to contracted gross rent per month as declared by tenants to IRAS through its e-Stamping system. Contracted gross rent includes the base rent and all charges in connection with the lease (such as additional rent, service charge, payment for hire of fittings or equipment, fees for advertising and promotion). It may or may not include any rent-free period and other incentives

Capital Values

Since 4Q2014, JTC has not published the warehouse price index due to the limitations posed by thin transactional activity. As at 4Q2022, the median price of warehouses rose by 3.6% to S\$654 per sqft from S\$631 per sqft as at 4Q2021.

Median Prices of Warehouse



Source: JTC

Outlook for 2023

Achieving supply chain resilience is likely to continue to be at the forefront of industrialists' agenda amid the protracted supply chain disruptions and heightened stockpiling requirements. Amid flight to quality, modern warehouse and logistics spaces will continue to be highly sought after, with more redevelopments of ageing stock to be anticipated. Amid sustained demand, warehouse spaces are projected to outperform with rental growth of around 6% in 2023.

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HIGH-SPECS INDUSTRIAL

High-specs industrial spaces refer to modern spaces (exclude business park) with office-like facades and a main lobby, which includes open space and amenities, such as retail, F&B and recreational amenities. They are typically for light and clean business uses, including R&D, data centre, product design, development and testing as well as service centres. In addition, they usually have high floor to ceiling and high loading/unloading capacity depending on their usage, such as data centres.

Demand and Supply

Demand

Demand for high-specs industrial spaces continued to be strong, underpinned by the growth of the high-value manufacturing industries such as advanced manufacturing, biomedical science and information and communications technology, and R&D innovation. Amid flight to quality, such spaces equipped with modern or built-to-suit facilities are highly sought after amid tight supply.

Supply

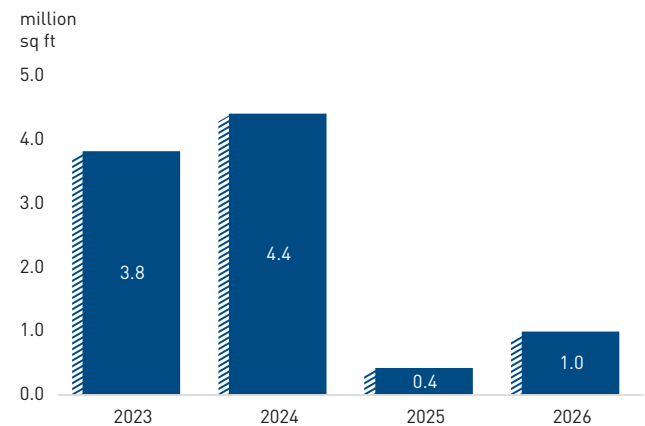
As at 4Q2022, the total high-specs industrial stock expanded by 10.2% to 59.4 million sqft in 2022 from 53.9 million sqft in 2021. The JTC Defu Industrial City (2.9 million sqft NLA) located at Defu South Street 1 was the biggest high-specs industrial project completed in 2022.

Potential Supply

As at 4Q2022, the supply pipeline for high-specs industrial from 2023 to 2026 is projected to be around 10.0 million sqft (NLA) with the bulk (46%) of the pipeline expected to come onstream in 2024 followed by another 40% in 2023.

In 2023, the largest upcoming high-specs industrial project is Malkoha's (Meta) data centre which will bring forth 1.5 million sqft NLA of space. Another major project this year is Solaris @ Tai Seng (0.9 million sqft NLA) developed by SoilBuild, which is designed to be a campus-style development comprising of four towers, including lab infrastructure for selected units.

High-specs industrial supply pipeline till 2026



Source: JTC, EDMUND TIE Research

Projected new supply of major high-specs industrial developments

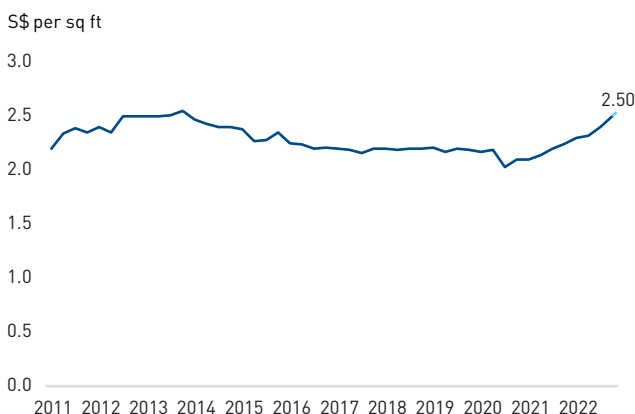
Developer/development	Location	Region	NLA million sq ft	Status	Expected Completion
High-specs industrial developments (non-Data Centres)					
United Microelectronics Corporation	Pasir Ris Industrial Drive 1	East	2.1	Under construction	2024
Siltronic Silicon Wafer	Tampines Industrial Avenue 5	East	1.2	Under construction	2024
Solaris @ Tai Seng	Tai Seng Avenue	North-East	0.9	Under construction	2023
Silicon Box	Tampines Industrial Avenue 3	East	0.6	Under construction	2026
Applied Materials	Tampines Industrial Crescent	East	0.6	Under construction	2024
Data Centres					
Malkoha (Meta)	Sunview Way	West	1.5	WP: May 2019	2023
Google Asia Pacific	Lok Yang Way	West	0.6	Under construction	2024
Memphis 1	Genting Lane	Central	0.4	Under construction	2026
Amazon Asia-Pacific Resource	Sunview Drive	West	0.2	Under construction	2025
Amazon Asia-Pacific Resource	Loyang Drive	East	0.1	Under construction	2023

Sources: JTC, EDMUND TIE Research

Rental Values

Based on the 75th percentile monthly rents of multi-user factory space as a proxy, rents of high-specs industrial premises stood at S\$2.50 per sqft per month⁴ as at 4Q2022, a 11.6% increase from S\$2.24 per sqft per month as at 4Q2021.

Rents for High-Specs Industrial



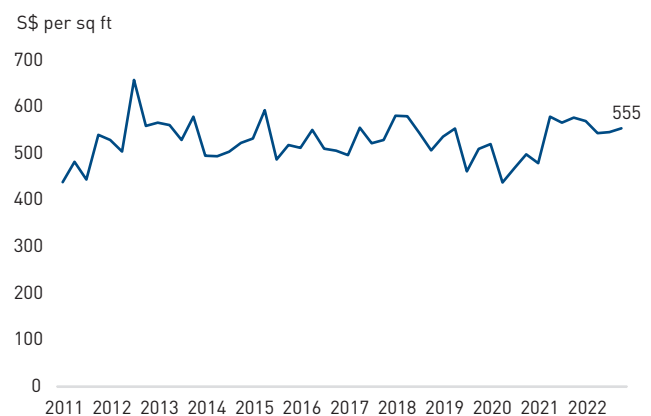
Source: JTC

Capital Values

Based on the 75th percentile of transacted price for multiple-user factory (based on strata area) as a proxy, capital values of high-specs industrial premises were S\$555 per sqft as at 4Q2022.

In 4Q2022, prices of high-specs industrial spaces declined by 4.0% y-o-y, reversing from the 15.8% increase in 2021.

Prices of High-Specs Industrial



Source: JTC

Outlook for 2023

Despite the manufacturing slowdown, high-value manufacturing industries, such as MedTech and GreenTech, are poised to be new growth areas for the industrial sector and likely contribute to greater demand for high-specs industrial spaces. In line with the growth of advanced manufacturing, rents of high-specs spaces are projected to record growth of between 6% and 7% in 2023.

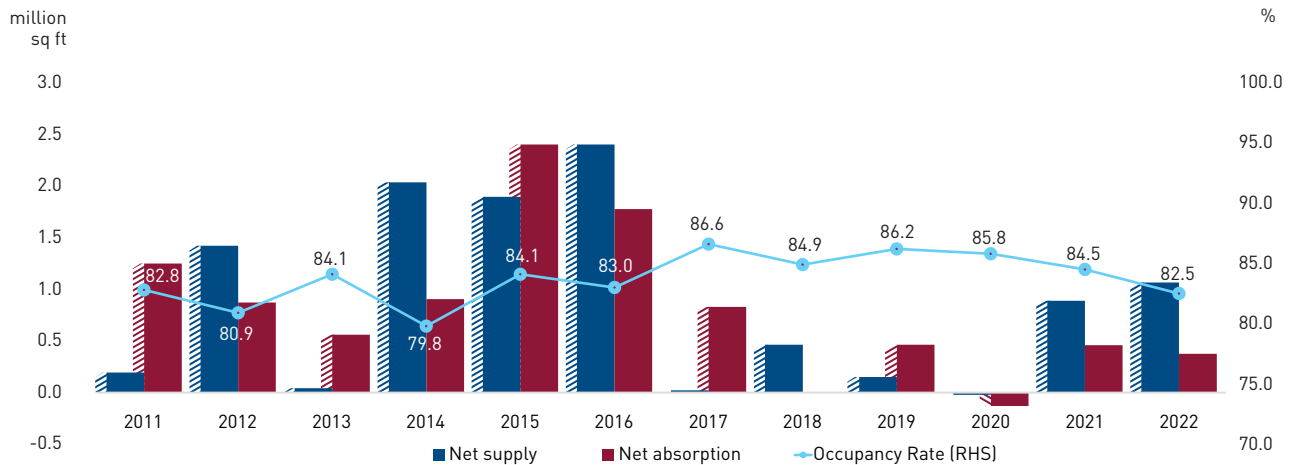
⁴ The rental data refer to contracted gross rent per month as declared by tenants to IRAS through its e-Stamping system. Contracted gross rent includes the base rent and all charges in connection with the lease (such as additional rent, service charge, payment for hire of fittings or equipment, fees for advertising and promotion). It may or may not include any rent-free period and other incentives

SINGAPORE INDUSTRIAL PROPERTY MARKET OVERVIEW

BUSINESS PARK

Demand and Supply

Net Supply, Net Absorption and Occupancy (Business Park)



Source: JTC

Demand

Business park’s leasing demand moderated and recorded a slower pace of absorption of 375,000 sqft in 2022 from 459,000 sqft in 2021. Overall occupancy rate of business parks declined by 2.0% points to 82.5% in 2022, as net supply outpaced net absorption. Nonetheless, there has been growing occupier interest, especially from industries such as biomedical and R&D, in business parks due to cost savings and as part of their decentralisation strategies.

Supply

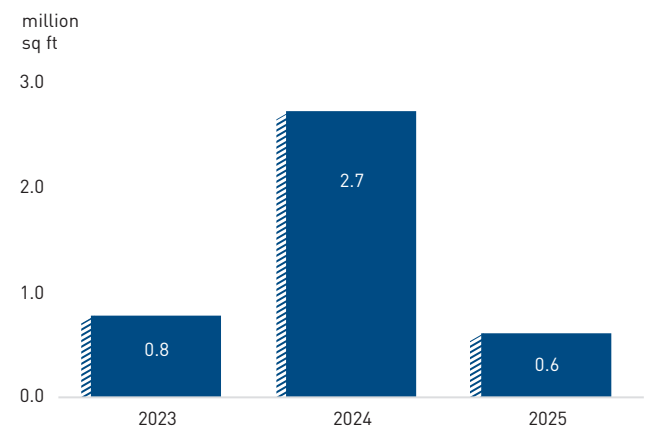
As at 4Q2022, the total business park stock expanded by 4.3% to 25.6 million sqft in 2022 from 24.5 million sqft in 2021, as compared to the 3.8% increase in 2021. CleanTech Three (639,000 sqft NLA) developed by JTC was the biggest project completed in 2022.

Potential Supply

As at 4Q2022, the supply pipeline for business park from 2023 to 2025 is projected to be around 4.1 million sqft (NLA), with the bulk (66%) of the pipeline expected in 2024, followed by another 19% in 2023.

The major business park projects coming onstream this year include Elementum and Surbana Jurong Campus. In 2024, the JTC-developed Punggol Digital District Phase I (1.5 million sqft NLA) is expected to be completed.

Business park supply pipeline from 2023–2025



Source: JTC

Projected new supply of top 5 major private business park developments

Developer/development	Location	Region	NLA million sq ft	Status	Expected Completion
Business park developments					
1 Science Park Drive	Science Park Drive	Central	1.0	Under construction	2025
Elementum	North Buona Vista Drive	Central	0.3	Under construction	2023
Surbana Jurong Campus	Cleantech Loop	West	0.3	Under construction	2023
7 Science Park Drive	Science Park Drive	Central	0.3	Under construction	2023
Kajima Lab for Global Engineering, Architecture and Real Estate (The Gear)	Changi Business Park Crescent	East	0.1	Under construction	2023

Sources: JTC, EDMUND TIE Research

Projected new supply of major public business park developments

Developer/development	Location	Region	NLA million sq ft	Status	Expected Completion
Business park developments					
JTC Punggol Digital District (Phase 1)	Punggol Way	North-East	1.5	Under construction	2024
JTC Punggol Digital District (Phase 2)	Punggol Way	North-East	0.6	Under construction	2025

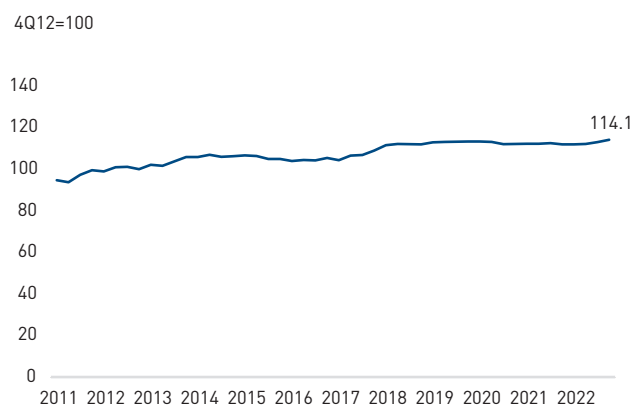
Sources: JTC, EDMUND TIE Research

Rental Values

Business park's JTC rental index rose by 2.0% as at 4Q2022, reversing from the 0.2% decline experienced in 2021, as rental growth was supported by growing occupier demand.

As at 4Q2022, the 25th percentile, median and 75th percentile monthly rents for business parks stood at S\$3.80, S\$4.27 and S\$4.74 per sqft per month⁵ respectively.

JTC Industrial Rental Index (Business Park)



Source: JTC

Outlook for 2023

In 2023, the growing occupier interest in the business park segment is expected to continue as more firms are expected to opt for business park spaces for cost savings. In line with the Industrial 4.0 revolution, the high value-add industries, such as biomedical science, information and communications technology, as well as research & development, will be the main driver for demand for business park spaces. In 2023, rents of well-located business parks are forecasted to rise by 2–3%.

5 The rental data refer to contracted gross rent per month as declared by tenants to IRAS through its e-Stamping system. Contracted gross rent includes the base rent and all charges in connection with the lease (such as additional rent, service charge, payment for hire of fittings or equipment, fees for advertising and promotion). It may or may not include any rent-free period and other incentives