Singapore Industrial Property Market Overview

Knight Frank Consultancy, 23 May 2024

1 OVERVIEW OF THE SINGAPORE ECONOMY

1.1 Singapore's Economic Performance

According to the Ministry of Trade and Industry ("MTI"), the Singapore economy expanded 1.1% year-on-year ("y-o-y") in 2023, easing from the 3.8% expansion in 2022 as the manufacturing sector shrank by 4.3% with all clusters recording output declines except for the transport engineering cluster. As at 1Q2024, Singapore's Real Gross Domestic Product ("GDP") grew 2.7% y-o-y, faster than the 2.2% growth recorded in 4Q2023. Overall unemployment rate recorded a decline on a yearly basis – from 2.1% in 2022 to 1.9% in 2023, before inching up slightly – from 2.0% as at December 2023 to 2.1% in March 2024.

The manufacturing sector contracted by 1.8% y-o-y in 1Q2024, in contrast to the 1.4% expansion in the preceding quarter. Output declines in biomedical manufacturing, electronics, and general manufacturing clusters more than outweighed expansions in the transport engineering, chemicals, and precision engineering clusters.

Inflation

Based on estimates by the Monetary Authority of Singapore ("MAS"), Singapore's core inflation eased to 3.1% y-o-y in March 2024, down from 3.6% recorded in the previous month, driven mainly by slower price increases in food and services. The MAS Core Inflation is expected to remain on a gradual moderating trend for the rest of 2024 as import cost pressures are expected to moderate in light of the strong Singapore Dollar. For 2024, MAS Core Inflation is projected to come in at an average of 2.5% to 3.5%.

Fixed Asset Investments

Following the S$22.5 billion in fixed asset investments ("FAI") in 2022 – the highest record in the last 10 years since 2013, total FAI receipts declined by 43.7% y-o-y to S$12.7 billion in 2023 amid a challenging global environment that affected business and investor sentiment. Manufacturers turned cautious in their expansion plans, contending with tight fiscal operating environments, stubborn inflation, elevated interest rates and geopolitical tensions. In particular, FAI commitments for the Electronics sector decreased significantly from S$15.0 billion in 2022 to S$3.0 billion in 2023 due to a slowdown in global demand for semiconductors. Despite strong macroeconomic headwinds, the FAI in 2023 was still above the Singapore Economic Development Board's ("EDB") medium to long-term annual investment commitment goals of S$8 billion to S$10 billion, with Singapore continuing to attract investment from globally-oriented manufacturers. For example, Procter & Gamble announced in June 2023 that it would invest more than S$100 million to set up a new manufacturing facility in Singapore. Singapore's position as a trusted hub for business, innovation and talent remains a key factor of the country's attractiveness among foreign investors.

Outlook

On the back of a resilient external economic environment with better-than-expected market demand, Singapore's economic growth trajectory is expected to strengthen over the course of 2024. This prospect is buoyed by the recovery in the manufacturing and financial sectors. Economic growth momentum is expected to pick up alongside an anticipated easing of global policy interest rates later in the year. The envisaged upturn in the global electronics cycle supported by demand for semi-conductors for end markets such as smartphones, personal computers and artificial intelligence will have positive spillover effects on the precision engineering

Exhibit 1-1: Annual GDP Growth, Unemployment and Core Inflation[1]

Source: MTI, MAS, Singstat and Knight Frank Consultancy

[1] Core inflation excludes the components of "Accommodation" and "Private Transport".

cluster, as well as the machinery, equipment and supplies segment of the wholesale trade sector. Against the backdrop of the expected gradual pickup in manufacturing and trade-related sectors, MTI maintained its GDP growth forecast of 1.0% to 3.0% in 2024.

2 SINGAPORE GOVERNMENT POLICIES AFFECTING THE INDUSTRIAL PROPERTY MARKET

2.1 Budget 2024

Singapore's 2024 Budget contained a suite of support measures to help businesses tackle cost concerns, and initiatives focusing on workforce development, skills training, promotion of artificial intelligence and sustainability to foster an innovative and vibrant economy.

Notable initiatives include the Enterprise Support Package and the Enhanced Partnerships for Capability Transformation ("PACT") scheme. Aimed at helping Singapore businesses manage rising costs, the Enterprise Support Package is a new S$1.3 billion package, comprising three main components – (1) Corporate Income Tax rebate; (2) Enhancements to the Enterprise Financing; and (3) Extension of SkillsFuture Enterprise Credit. The existing PACT Scheme will see further enhancements to current partnerships to catalyse co-innovation and promote greater collaboration between various industries. It helps to align interests and partnerships between different components of the value chain and raise the profile and credential of companies.

2.2 Key Industry Improvement Initiatives and Developments

Supporting Sustainability Capabilities of Enterprises

The Singapore government administered a slew of measures to support businesses in their sustainability journey of implementing decarbonisation and energy efficiency solutions.

1. Expansion of the Enterprise Sustainability Programme and an Enhanced Enterprise Development Grant ("EDG")

   First launched in 2021 by Enterprise Singapore, the Enterprise Sustainability Programme will be expanded to provide more support to businesses and workers in a bid to encourage decarbonisation efforts. New initiatives include digital solutions, courses, partner programmes, and a one-stop website to provide small and medium enterprises ("SMEs") with access to information and resources to improve their sustainability strategy and resource optimisation. Additionally, the existing EDG has been enhanced to allow SMEs to receive up to 70% support for sustainability-related projects from 1 April 2023 to 31 March 2026.

2. Energy Efficiency Grant ("EEG")

   First launched in 2022, the EEG co-funds investments in energy-efficient equipment by companies in the Food Services, Food Manufacturing, and Retail sectors. From 1 April 2024, the EEG will be expanded to more sectors, such as Manufacturing, Data Centres and Construction.

3. Enhancement of Resource Efficiency Grant for Emissions ("REG(E)")

   The REG(E) provides support for industrial facilities such as manufacturing plants and data centres to undertake projects that improve their energy efficiency and reduce emissions. On 1 March 2024, the MTI announced that the REG(E) will be extended and enhanced – with the carbon abatement threshold lowered from 500 tonnes per annum to 250 tonnes per annum. This will allow more industrial facilities to tap on the grant.

Johnson & Johnson Innovation Collaboration with EDB to Transform Singapore's Life Science Innovation Ecosystem

A collaboration between Johnson & Johnson Innovation and EDB was announced in September 2023. This collaboration aims to support companies with a base in Singapore by accelerating their early-stage discoveries into innovative medicines, medical technologies, and healthcare solutions.

3 REVIEW OF SINGAPORE INDUSTRIAL PROPERTY MARKET

3.1 Overview of Industrial Stock

As at 1Q2024, overall industrial stock in Singapore totalled 570.5 million square feet ("sq ft") of net lettable area ("NLA"), out of which 49.6% or 283.0 million sq ft comprised single-user factory space. Multiple-user factory, warehouse and business park space contributed 23.6% (134.5 million sq ft), 22.2% (126.5 million sq ft) and 4.6% (26.5 million sq ft) to the total industrial stock respectively.

3.2 Industrial Government Land Sales Programme

The MTI launched five sites on the Confirmed List and four sites on the Reserve List under the Industrial Government Land Sales ("IGLS") Programme for the first half of 2024. The total land area covered by the nine industrial sites covers a substantial 13.75 hectares ("ha") in site area, translating to more than 3.25 million sq ft Gross Floor Area ("GFA") of potential industrial stock. All nine parcels are zoned under Business 2 Industrial ("B2"), comprising a mix of 20-year or 30-year leasehold tenures. The exception is the 4.45 ha Kallang Way site on the Confirmed List, which has a leasehold tenure of 32 years (Exhibit 3-1).

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Exhibit 3-1: Confirmed and Reserve Sites under IGLS Programme (First Half of 2024)

Confirmed List of Industrial Sites

Location	Zoning	Site Area* (ha)	Gross Plot Ratio	Tenure (Years)	Estimated Launch Month
Plot 8 Jalan Papan	B2	0.90	1.4	20	January 2024
Plot 10 Tampines North Drive 5	B2	0.50	2.5	30	February 2024
Penjuru Lane	B2	0.34	2.5	20	April 2024
Penjuru Road	B2	2.10	2.5	30	May 2024
Kallang Way	B2	4.45	2.5	32	June 2024

Reserve List of Industrial Sites

Location	Zoning	Site Area* (ha)	Gross Plot Ratio	Tenure (Years)	Status
Tuas Road	B2	2.18	1.4	30	Available for application
Plot 3 Jalan Papan	B2	0.72	1.4	20	Available for application
Lok Yang Way	B2	1.86	2.5	30	Application starts March 2024
Tukang Innovation Drive	B2	0.70	2.5	20	Application starts June 2024

* Estimated site area. Area is subject to final survey before tender release and will be updated.
Source: JTC Corporation ("JTC") and Knight Frank Consultancy

3.3 Upcoming Supply of JTC Projects

Based on data published by JTC, over 41.2 million sq ft GFA of upcoming industrial supply is expected to be completed between 2Q2024 to 2027, ranging from factory to business park space. Of which, an estimated 13.3% or 5.5 million sq ft consists of JTC-developed space (Exhibit 3-2).

3.4 Major Investment Sales

Similar to the level of investment sales activity witnessed the year before in 2022, major investment sales for industrial properties totalled S$2.5 billion in 2023 with several prominent industrial property deals exceeding S$100 million changing hands. The largest transaction recorded was CapitaLand Ascendas REIT's acquisition of The Shugart, an integrated high-specification business park property for S$218.2 million in May 2023. Other significant transactions included M&G Real Estate's acquisition of the Jardine C&C Regional HQ and Mercedes-Benz Centre in February 2023 for S$142.0 million and S$131.0 million respectively.

Exhibit 3-2: Upcoming JTC Key Projects (2Q2024 to 2027)

Confirmed List of Industrial Sites

Project Name	Total Uncompleted GFA (sq ft)	Expected Year of Completion	Type of Industrial Tenants
Business park development in Punggol	1,235,588	2024	Digital technology and cybersecurity companies
Business park development in Punggol	1,269,925	2024	Digital technology and cybersecurity companies
Bulim Square	1,696,283	2025	Advanced manufacturing
JTC Space @ AMK	1,261,852	2025	Terrace workshops and light general manufacturing

Source: JTC and Knight Frank Consultancy

Exhibit 3-3: Key Industrial Property Investment Sales (2023 and 1Q2024)

Development	Land Tenure	Land Use Zoning and Type	GFA* (sq ft)	Vendor	Buyer	Price** (S$ million)	Unit Price per GFA (S$ per sq ft)
The Shugart	30 Years Leasehold ("LH") from May 2013	Business Park	440,000	Seagate Singapore	CapitaLand Ascendas REIT	218.2	495
Jardine C&C Regional HQ	99 Years LH from 19 March 1956	Industrial B1	201,000	Cycle & Carriage Singapore	M&G Real Estate	142.0	706
OneTen Paya Lebar	Freehold	Industrial B1	155,000	Hwa Hong Corp	Big Data Exchange (BDx)	140.0	903
Mercedes-Benz Centre	99 Years LH from 1 July 1948	Industrial B1	Undisclosed	Cycle & Carriage Singapore	M&G Real Estate	131.0	Undisclosed
10, 12 Mandai Estate	Freehold	Industrial B2	Undisclosed	Undisclosed	Smartisan Development	100.0	Undisclosed
J'Forte Building	30+30 Years LH from 9 June 2007	Industrial B2	193,000	Suki Sushi Pte Ltd	Boustead Singapore, AP SG 21 Pte Ltd, Metro Holdings	98.8	512
Noel Building	Freehold	Industrial B1	93,800	Noel Gifts International	Undisclosed	81.2	866
HB Centre 1	Freehold	Industrial B1	100,600	Ho Bee Land	Undisclosed	81.0	805
Sime Darby Business Centre	99 Years LH from 2 March 1956	Industrial B1	179,200	Blackstone Group	Eagle Land (Credit)	68.0	379
GS Building	Freehold	Industrial B1	92,200	Multiple strata owners	JVA Venture	67.0	727

* GFA rounded up to nearest 100.
** Price rounded up to nearest 100,000.
Source: URA, various sources and Knight Frank Consultancy

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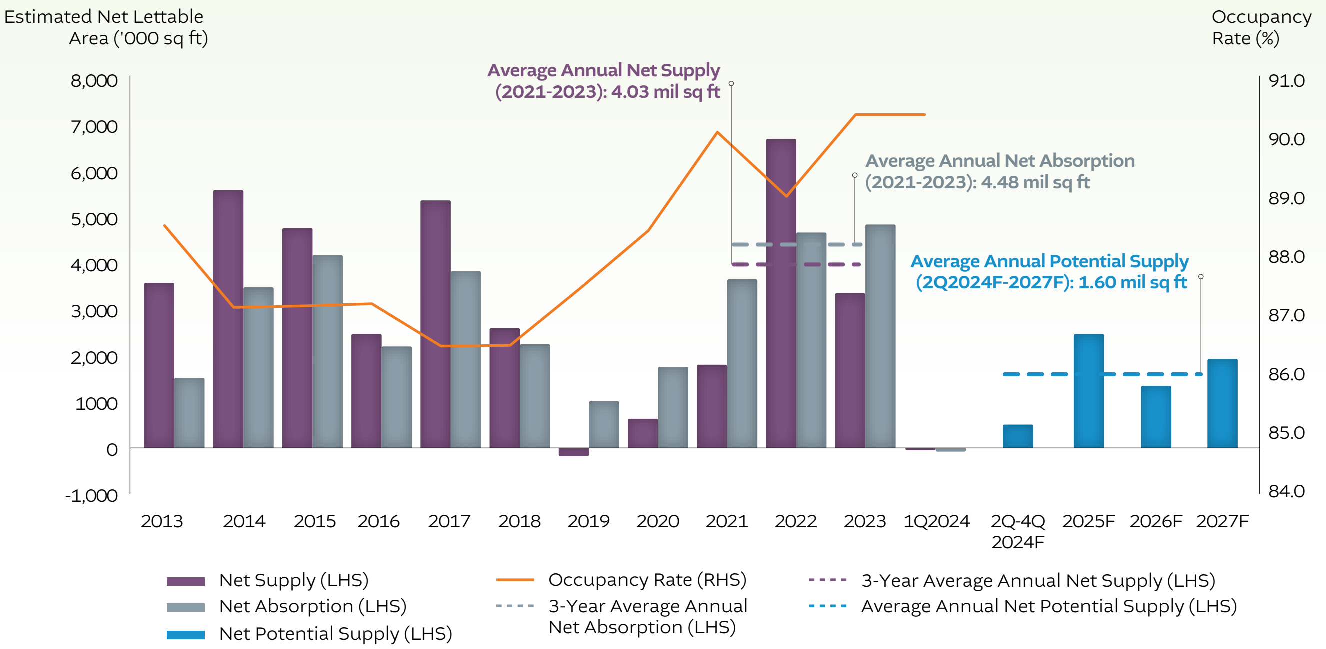
4 MULTIPLE-USER FACTORY SPACE

4.1 Stock and Upcoming Supply

As at 1Q2024, Singapore's multiple-user factory stock rose by 1.4% y-o-y to 134.5 million sq ft from 132.6 million sq ft in the preceding year. Major completions in 2023 included Tai Seng Exchange (1,132,900 sq ft GFA), Mapletree Hi-Tech Park @ Kallang Way (865,687 sq ft GFA), and Polaris @ Woodlands (563,383 sq ft GFA). From 2Q2024 to 2027, the upcoming stock is expected to be over 6.4 million sq ft NLA. Of which, 2025 marks the year with the highest expected completion of over 2.5 million sq ft of space (Exhibit 4-1).

Exhibit 4-1: Net Supply, Net Absorption, Occupancy and Potential Supply (Multiple-user Factory Space)



Note: Occupancy rates are as at fourth quarter of each year except for 1Q2024.
Source: JTC and Knight Frank Consultancy

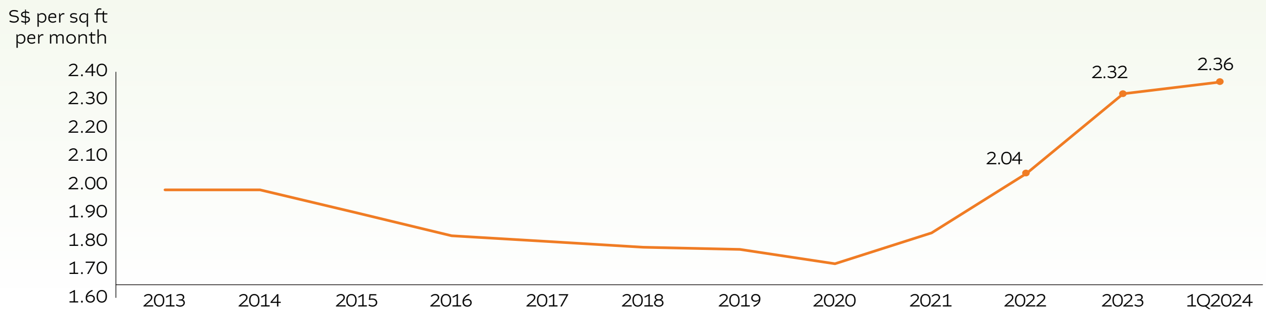
4.2 Demand and Occupancy

Positive net supply and net absorption of multiple-user factory space was recorded at 3.4 million sq ft and 4.9 million sq ft respectively in 2023. With annual net absorption exceeding annual net supply, occupancy rate stood at 90.5% as at 2023 with 121.7 million sq ft of stock occupied. This represented a slight 1.4 percentage points ("pp") increase in occupancy rate compared to 2022 (Exhibit 4-1).

4.3 Rents

Based on JTC data, the median rent of multiple-user factory space rose by 13.7% y-o-y to S$2.32 per sq ft per month ("psf pm") in 4Q2023 from S$2.04 psf pm in 4Q2022, supported by higher net absorption and improved occupancy performance in 2023. The median rent picked up for fourteen consecutive quarters since 4Q2020 to reach S$2.36 psf pm in 1Q2024 (Exhibit 4-2).

Exhibit 4-2: Median Rents of Multiple-User Factory Space



Rents are as at fourth quarter of each year except for 1Q2024.
Source: JTC and Knight Frank Consultancy

4.4 Outlook

Despite manufacturing output contractions and lower export volumes in 2023, multiple-user factory indicators remained resilient for most of the year with steady occupancy levels and moderate growth in price and rental indices. The manufacturing outlook, especially the electronics cluster, is expected to be more sanguine in 2024 alongside a rebound in global demand, with a pause in interest rate hikes and rate cuts expected in the second half of 2024. Although recovery prospects for the manufacturing sector is expected to underpin demand for factory spaces, cautious optimism for the quarters ahead is weighed down by macroeconomic uncertainties stemming from continued geopolitical tensions and the risk of an escalation of military conflict in the Middle East and Ukraine. Considering the combination of these factors, Knight Frank expects multiple-user factory rents to grow moderately of between 3% and 5% for the whole of 2024, barring any unforeseen external factors that might unhinge the delicate return to growth for Singapore's manufacturing sector.

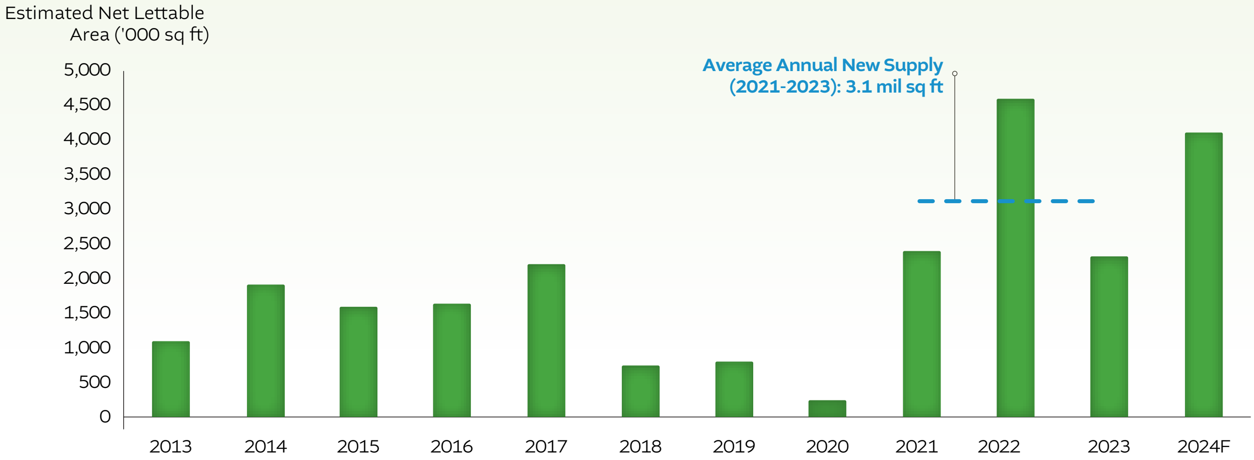
5 HIGH-SPECIFICATION INDUSTRIAL SPACE

Knight Frank defines high-specification industrial space as the property asset class that comprises high floor loading and floor-to-ceiling height, together with high office quality for tenants in technology and knowledge-intensive sectors, which may include activities such as advanced engineering and data centre operations. These developments typically house multi-national companies and local firms who wish to incorporate their headquarter functions with production activities.

5.1 Existing Supply and Demand

There are no publicly available statistics tracking high-specification industrial space in Singapore. Based on Knight Frank's classification, there were at least 39.8 million sq ft of net lettable space as at 1Q2024. The overall occupancy of high-specification industrial space was estimated to be approximately 92.0% in 2023.

Exhibit 5-1: Supply of High-Specification Industrial Space



Source: JTC, Various sources, Knight Frank Consultancy

5.2 Potential Supply

Singapore will be expecting around 4.0 million sq ft NLA of high-specification industrial space in 2024, with no known upcoming supply beyond 2024 in the medium term. A prominent supply of the upcoming high-specification industrial space will be developed by JTC, including Bulim Square (1.2 million sq ft NLA) and JTC Space @ AMK (0.9 million sq ft NLA).

5.3 Rents

The 75th percentile rent for multiple-user factory space estimated by JTC will serve as a proxy for high-specification industrial space as the latter typically command higher rents. Following a 13.2% y-o-y increase in 2023, rents of high-specification industrial space continued its steady growth of 1.8% q-o-q in 1Q2024 to reach S$2.88 psf pm (Exhibit 5-2).

5.4 Outlook

According to EDB, Singapore is the world's fifth largest global exporter of high-tech goods. New industry-wide support measures to further develop the high-tech manufacturing sector were announced in Budget 2024. They aim to help Singapore become a more competitive global business innovation and talent hub for the advanced manufacturing cluster and attract investment from more high-value manufacturing businesses in electronics, precision engineering, energy and chemicals and logistics industries. These businesses support the demand for good quality and high-tech manufacturing spaces. In view of stronger manufacturing sectoral performance and outlook, high-specification industrial space should see improved rental growth in 2024, ranging from 3.0% to 4.0%.

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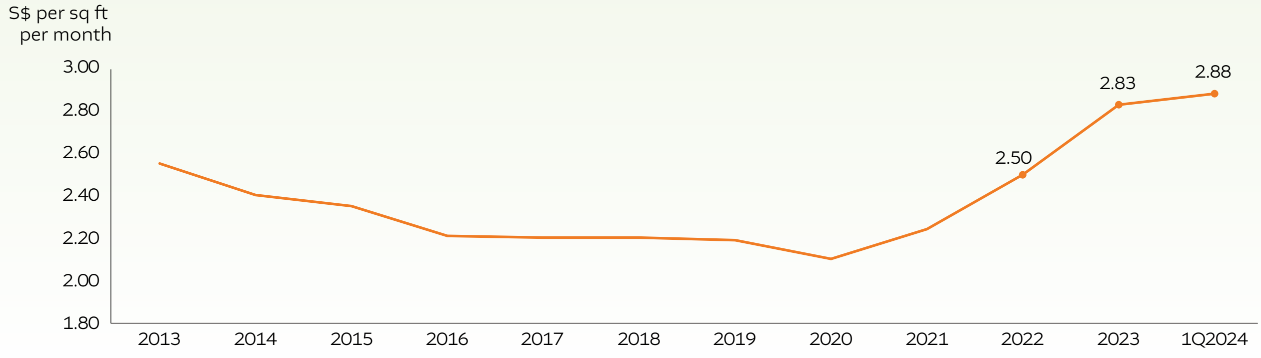
Exhibit 5-2: Rents of High-Specification Industrial Space



Rents are as at fourth quarter of each year except for 1Q2024.
Source: JTC and Knight Frank Consultancy

6 BUSINESS PARK SPACE

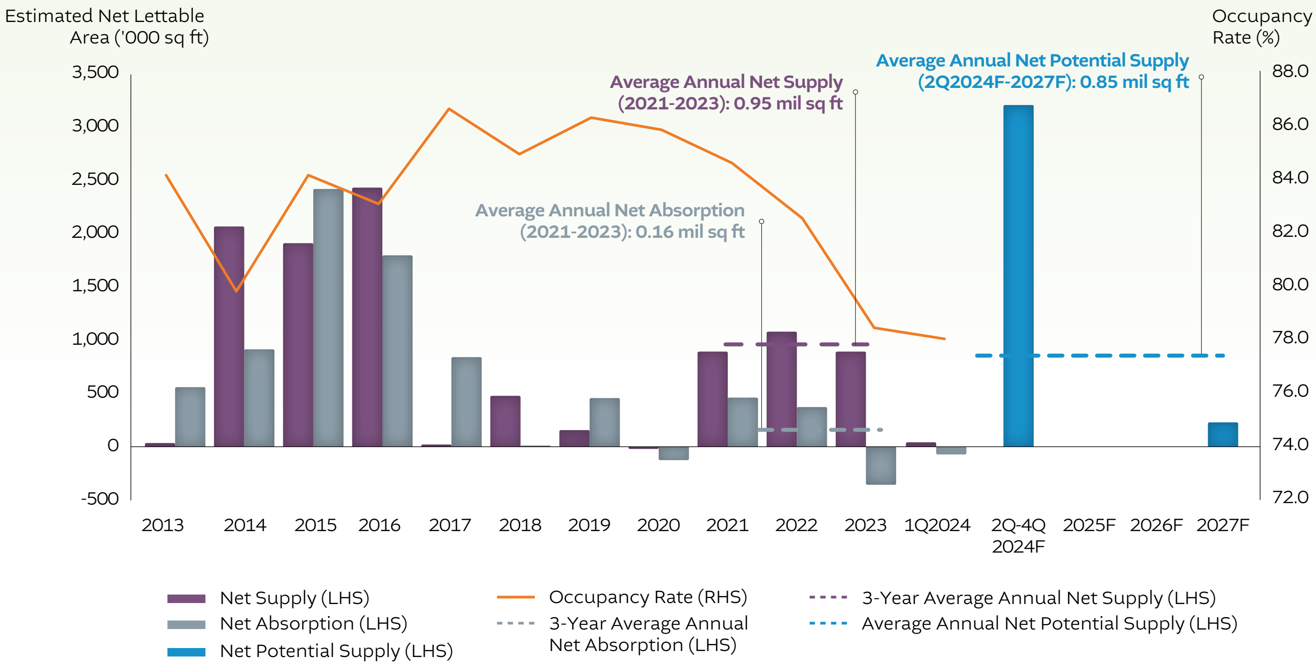
6.1 Existing Supply

As at 1Q2024, the total stock of business park space in Singapore increased by 3.1% y-o-y to over 26.5 million sq ft NLA. More than half (56.0%) of business park space is located within the Central Region, while the remaining stock is distributed across the East and West Regions at relatively equal proportions. Both the West and Central Regions saw a moderate y-o-y increase in stock of around 4.1% and 3.9% respectively, while the available stock in the East Region remained relatively unchanged from the previous year.

6.2 Demand and Occupancy

The net demand of business park space registered a negative trend with -0.35 million sq ft in 2023, resulting in a drop in occupancy to 78.4% as at 4Q2023, the lowest level since 4Q2010. The dip in occupancy was due in part to a slowdown in space expansion for certain sectors (e.g., technology and information & communications). This was in addition to the completion of redevelopment projects (e.g., Perennial Business City and Geneo) and new projects (e.g., Surbana Jurong Campus), which were still in the process of building up occupancy levels. Overall, the demand for existing stock of established business park space in one-

Exhibit 6-1: Net Supply, Net Absorption, Occupancy and Potential Supply (Business Park Space)



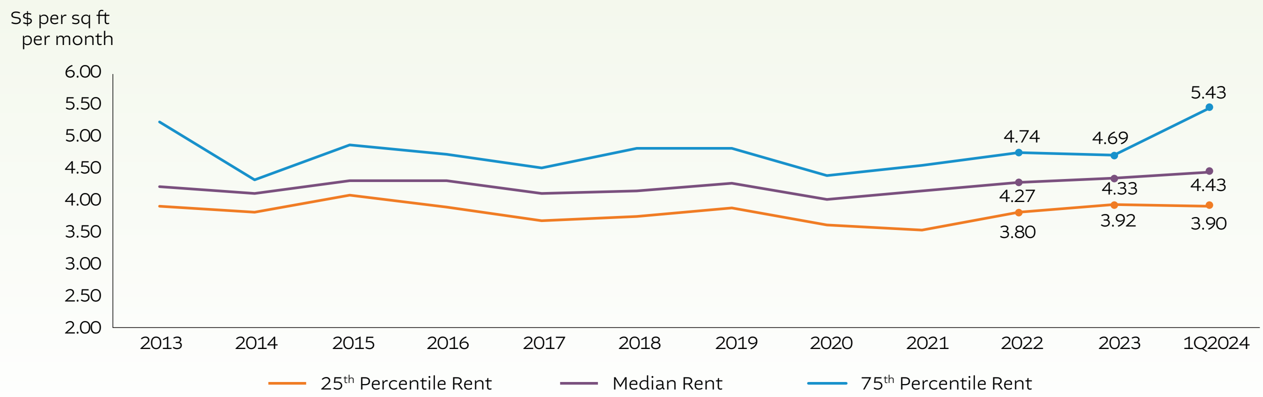
Note: Occupancy rates are as at fourth quarter of each year except for 1Q2024.
Source: JTC and Knight Frank Consultancy

north, Mapletree Business City and Science Park remained strong, where most of the space recorded low vacancy rates. Across the regions, the Central Region recorded the highest occupancy rate of 88.4% as at 1Q2024, while the East and West Regions recorded occupancy rates of 70.6% and 58.9% respectively.

6.3 Potential Supply

According to JTC, approximately 3.2 million sq ft of new business park stock is slated for completion from 2Q2024 to 2027, translating to an annual average of 0.85 million sq ft. The bulk of the upcoming supply is expected to be completed in 2024 while there is no planned supply in 2025 and 2026. Prominent upcoming supply in 2024 includes two new developments at Punggol Way by JTC (estimated 2.13 million sq ft of NLA combined) and the redevelopment of 1 Science Park Drive (1.03 million sq ft NLA) by CapitaLand Development and CapitaLand Ascendas REIT. 27 International Business Park (formerly iQUEST@IBP), a redevelopment project by CapitaLand Ascendas REIT (0.2 million sq ft), is the only known pipeline supply slated for completion in 2027.

Exhibit 6-2: Rents of Business Park Space



Rents are as at fourth quarter of each year except for 1Q2024.
Source: JTC and Knight Frank Consultancy

6.4 Rents

According to JTC data as at 4Q2023, the 25th percentile and median rent of business park space increased by 3.2% and 1.4% y-o-y respectively, while the 75th percentile rent declined by 1.1%.

On a quarterly basis, the 25th percentile declined by 0.5% to S$3.90 psf pm and median rent rose by 2.3% to S$4.43 psf pm in 1Q2024, while the 75th percentile rent posted a strong 15.8% quarter-on-quarter ("q-o-q") growth to reach S$5.43 psf pm. This was mainly attributed to the continued demand for good quality business park space in Mapletree Business City, one-north and Science Park (Exhibit 6-2).

6.5 Outlook

Four new business park developments were completed in 2023 – two in the West Region (Surbana Jurong Campus, Perennial Business City) and two in the Central Region (Geneo at Science Park Drive and Elementum at one-north), which contributed over 2.6 million sq ft of new business park space to the market. The surge in new supply led to a dip in overall occupancy, but this trend is expected to be temporary. EDB's continuing efforts in promoting Singapore to external businesses and forging of strategic partnerships with local and global industry players, coupled with the landlords' active marketing efforts will contribute to the sustained interest in Singapore's business park space in the medium term. In addition, there is no known major supply of business park space beyond 2024, allowing occupancy to be built-up over time. In view of the likelihood of an improvement in macroeconomic conditions coupled with the overall resilience of business park rental levels, Knight Frank envisages business park rents to grow 2.0% to 3.0% for the whole of 2024.

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7 STACK-UP FACTORY SPACE

Stack-up and ramp-up factory space provides users direct vehicular access to individual standard factories on the upper floors. Some of the individual standalone units are equipped with their own dedicated loading area and car park lots, which greatly improve operational convenience for industrial end-users.

7.1 Existing Stock and Upcoming Supply

There are no publicly available statistics tracking stack-up factory space in Singapore. Based on Knight Frank's classification, there was approximately 10.5 million sq ft NLA of stack-up factory space as at 1Q2024. The last addition to the market was the completion of the redevelopment of JTC Defu Industrial City (approximately 2.5 million sq ft NLA) in 3Q2022. This redevelopment features modern spaces that are designed to support a range of industries such as warehousing and manufacturing with high structural floor loading and ceiling height, and direct ramp access to individual units.

7.2 Demand and Occupancy

Based on Knight Frank's estimation, the overall occupancy rate of stack-up factory space in 2023 was at around 96.0%. With the limited number of new completions each year and sustained demand from end-users, occupancy rate of stack-up factory space is likely to remain relatively unchanged between 95.0% and 96.0% in 2024.

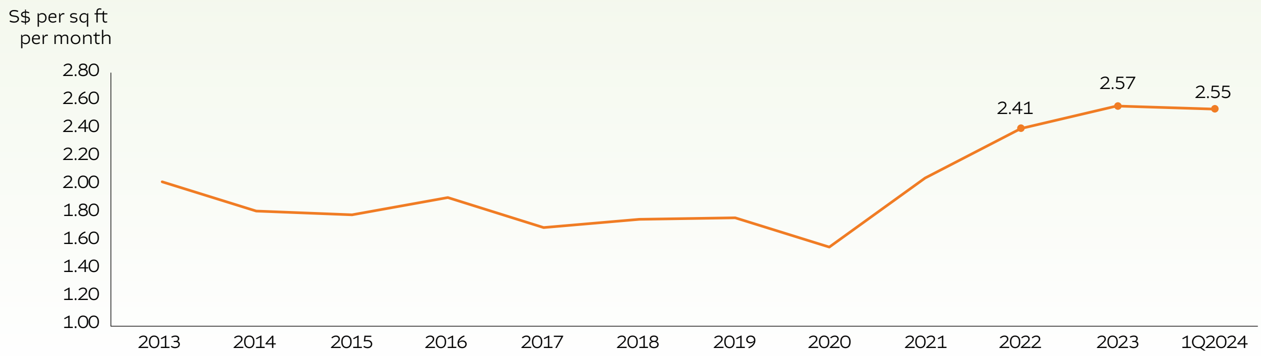
7.3 Rents

Rental transactions of stack-up factory space were largely limited. Tapping on a basket of properties as proxies, Knight Frank estimated the median rent to be approximately S$2.57 psf pm in 4Q2023, translating to a 6.6% increase from the previous year. This rental growth portrayed a rise in demand for industrial space, such as for stack-up and ramp-up factory space as more end-users require greater convenience in goods movement and transportation. For 1Q2024, the median rent had since moderated q-o-q by 1.0% to S$2.55 psf pm (Exhibit 7-1).

7.4 Outlook

Stack-up factory space make up a small portion of the total industrial supply in Singapore of less than 2%, with no known upcoming supply in the near term. The main source of demand comes from the general manufacturing players, which require frequent and seamless transportation of goods in and out of their factory premises. In line with the general industrial property market forecast, rents of stack-up factory space are envisaged to grow by 2% to 3% in 2024.

Exhibit 7-1: Rents of Stack-up Factory Space



Rents are as at fourth quarter of each year except for 1Q2024.
Source: JTC and Knight Frank Consultancy

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