↗ SINGAPORE INDUSTRIAL PROPERTY MARKET OVERVIEW

Edmund Tie & Company (SEA) Pte Ltd, 26 May 2023

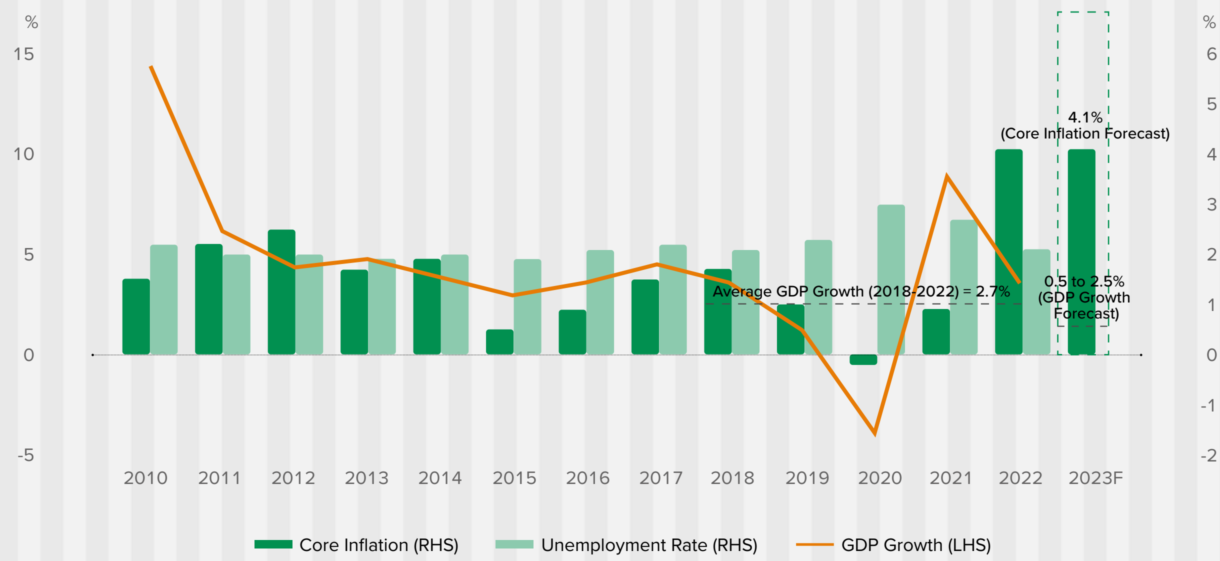
1.0 ECONOMIC OVERVIEW

Headwinds and uncertainties remain elevated, with a further slowdown in the Singapore economy expected in 2023

According to the Ministry of Trade and Industry ("MTI"), the Singapore economy expanded by 3.6% in 2022, moderating from the 8.9% growth in 2021. In 2022, the labour market recorded significant improvement as compared to the previous year amid sustained economic growth. The average overall unemployment rate fell to 1.8% in 1Q 2023, following 2.1%[1] in 2022 from 2.7% in 2021 and held steady at pre-pandemic level, while total employment rose by an unprecedented level (249,500) in 1Q2023, largely driven by non-residents as border restrictions were lifted.

Singapore GDP grew by 0.4% year-on-year ("y-o-y"), while the manufacturing sector declined by 5.6% y-o-y in 1Q2023, following the 2.6% contraction in the previous quarter, due to output contractions across all the manufacturing clusters, except for the transport engineering cluster. GDP growth for 2022 fell to 3.6% from 8.9% in 2021. In April 2023, the Index of Industrial Production, an indicator for manufacturing output, contracted by 6.9% y-o-y, with contractions registered across all sectors with the exception of transport engineering. Full-year manufacturing output growth for 2022 decelerated sharply to 2.5% from 13.3% in 2021.

FIGURE 1: GDP GROWTH, CORE INFLATION[2] AND UNEMPLOYMENT



Source: Department of Statistics Singapore, MTI and MOM

In 2023, the United States of America and the Eurozone are expected to experience sharp slowdowns, while the global supply chain disruptions may persist amid the protracted Russia-Ukraine war. China's growth is projected to pick up, which will improve the regional economies' growth outlook. A further slowdown in the Singapore economy is expected in 2023, with growth forecasted by MTI to be "between 0.5% and 2.5%" due to weakening global economic conditions.

2.0 KEY GOVERNMENT POLICIES AND PLANS

Long term urban redevelopment

There are several ongoing urban transformation projects, which aim to bring forth economic growth, create jobs and improve the amenities in the areas.

1. Changi Region: Envisioned to be a vibrant ecosystem around the airport, key projects in the area include the Changi Aviation Park (for aviation-related sectors), Changi Airport Terminal 5, Changi East Industrial Zone and Changi East Urban District.

2. Punggol Digital District: As Singapore's first enterprise and smart district, it will feature the future Singapore Institute of Technology's campus and JTC Corporation ("JTC")'s business park space that cater to key digital growth industries such as cybersecurity and digital technology as well as serve as a lifestyle destination for the community.

[1] Based on preliminary estimates, Ministry of Manpower ("MOM").
[2] Core inflation defined by the Monetary Authority of Singapore is a measure that excludes the components of "Accommodation" and "Private Road Transport".

3. Woodlands Regional Centre: As the largest economic hub in Singapore's North region, it will comprise two precincts, Woodlands North Coast and Woodlands Central, supporting the Northern Gateway and Agri-Tech and Food Corridor.

4. Jurong Innovation District ("JID"): The JID will be an industrial district for advanced manufacturing, supporting an ecosystem of manufacturers, technology providers, researchers and educational institutions, such as the neighbouring Nanyang Technological University.

5. Tuas Mega Port Project: Expected to be fully completed in the 2040s, the next-generation port will be fully automated and digitalised, with the capacity to handle 65 million twenty-foot equivalent units, 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.

Industry Transformation Maps (ITM)

First launched between 2016 and 2018, the ITMs aim to drive industry transformation, support the growth of enterprises, and help Singaporeans take up quality jobs. In October 2022, the refreshed ITMs for the five sectors - Electronics, Precision Engineering, Energy & Chemicals, Aerospace and Logistics – outlined strategies to grow Singapore's manufacturing value-added by 50% from 2020 to 2030. It involves support for research and development, deep tech innovation, extensive digitalisation and environmental sustainability, as well as fostering of partnerships between companies and Institutes of Higher Learning.

Sector trends

Achieving supply chain resilience stood at the top of industrialists' agenda this year amid the protracted supply chain disruptions and heightened stockpiling requirements. Industrialists have embarked on various strategies to manage inventories and mitigate risks, including investments in analytics, technology and sustainability solutions. Accordingly, such investments will continue to bolster demand for modern warehouse and logistics space.

Amid flight to quality, prime logistics assets, high-tech factories and city-fringe business parks continued to be sought after, with the corresponding rise in rents and capital values. In response, landlords have carried out more redevelopments of ageing assets . In line with the Industry 4.0, some of the upcoming asset enhancement initiatives or recent completions are build-to-suit facilities or high-tech properties designed to cater to high value-add manufacturing, such as advanced manufacturing, biomedical science, information and communications technology, and R&D innovation.

New growth sectors

High-value manufacturing industries, such as Medical Technology ("MedTech") and Green Technology ("GreenTech"), as well as niche sectors such as cold chain logistics are poised to be new growth areas for the industrial sector and likely contribute to greater demand for industrial space. MedTech involves the R&D and manufacturing of high-value medical technology products, such as implantable pacemakers and life science instruments, while GreenTech harnesses technology to meet sustainability objectives through the use of alternative energy and high-tech agriculture.

3.0 INDUSTRIAL PROPERTY MARKET OVERVIEW

As at 1Q2023, there was a total of 563.3 million square foot[3] ("sq ft") of industrial space. About 49.8% (280.5 million sq ft) of the total stock was single-user factory space, followed by multiple-user factory space (23.5%, 132.6 million sq ft), warehouse space (22.1%, 124.4 million sq ft) and business park space (4.6%, 25.7 million sq ft).

Industrial Government Land Sales Programme

MTI announced four sites on the Confirmed List and three sites on the Reserve List for the first half of 2023 Industrial Government Land Sales ("IGLS") Programme, totalling 7.16 hectares ("ha"). To maintain affordability and land rejuvenation flexibility, all the land plots in the first half of 2023 IGLS Programme are zoned Business 2 ("B2") with an average site area of 1 ha and leasehold tenures of 20 or 30 years (Table 1).

TABLE 1: IGLS PROGRAMME FOR FIRST HALF OF 2023

Location	Zoning	Site Area (Ha)	Gross Plot Ratio	Tenure (Years)	Tender Closing Date
Confirmed List of Industrial Sites					
Plot 7 Tampines North Drive 4	B2	2.03	2.5	30	March 2023
Plot 8 Jalan Papan		0.86	1.4	20	April 2023
Plot 10 Tampines North Drive 5		0.50	2.5	30	May 2023
Woodlands Avenue 8		0.55	2.5	30	June 2023
Reserve List of Industrial Sites					
Plot 3 Jalan Papan	B2	0.72	1.4	20	Available for Application
11 Tuas Avenue 18		0.40		20	Available May 2023
Tuas Road		2.10		30	Available June 2023

Source: JTC and EDMUND

3 All data on areas are based on net lettable area ("NLA") unless otherwise stated. Numbers may not add up due to rounding.

SINGAPORE INDUSTRIAL PROPERTY MARKET OVERVIEW

Major Investment Sales

In 1Q2023, total major industrial investment sales (S$10 million and above) amounted to at least S$512 million. Cycle & Carriage completed the disposal of its four-storey regional headquarters at 239/241 Alexandra Road and three other properties totaling S$333 million.

In 2022, total major industrial investment sales (S$10 million and above) amounted to about 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-and-leaseback of Philips APAC Center by Philips Electronics Singapore to CapitaLand Ascendas Reit for S$104.8 million.

4.0 MULTIPLE-USER FACTORY SPACE[4]

Stock and Supply

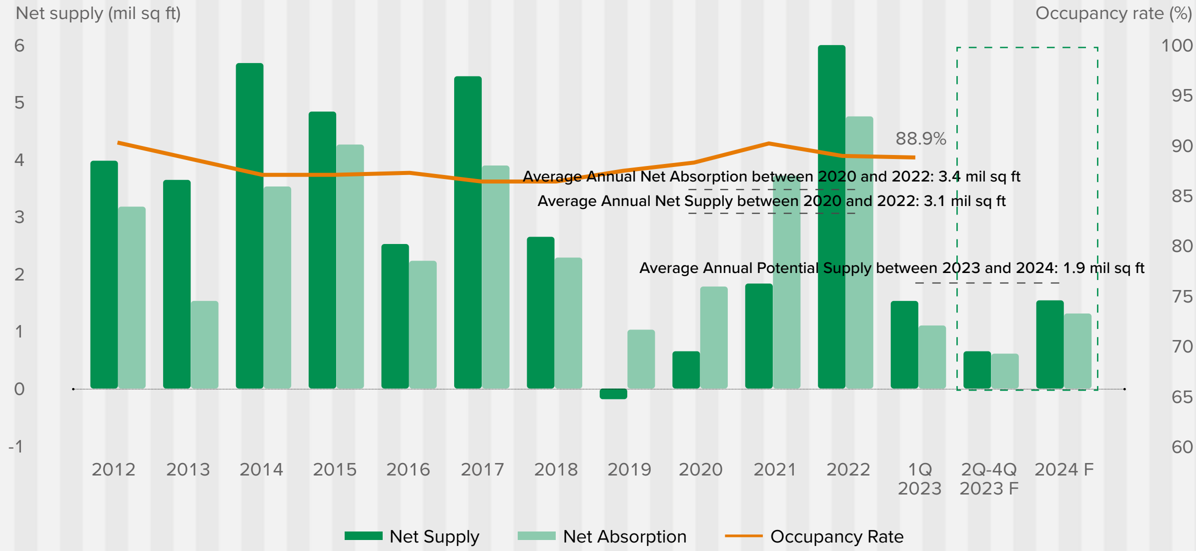
As at 1Q2023, the multiple-user factory stock rose by 4.5% y-o-y to 132.6 million sq ft. Multiple-user factory stock grew by 5.5% to 131.1 million sq ft in 2022 from 124.2 million sq ft in 2021. Major completions in 1Q2023 included Tai Seng Exchange (1.13 million sq ft gross floor area ("GFA") and multiple-user factory space by Mapletree Industrial Trust (MIT) at 161, 163 and 165 Kallang Way (652,000 sq ft GFA[5]).

Demand and Occupancy

The slowdown of the manufacturing sector has dampened demand for multiple-user factory space.

Following pandemic-induced completions delay in 2021, the net supply for multiple-user factory space accelerated to 6.8 million sq ft in 2022 from 1.8 million sq ft in 2021. Major public completions in 2022 included the JTC Defu Industrial City (3.5 million sq ft GFA) and JTC TimMac @ Kranji (1.5 million sq ft GFA). At the same time, net absorption rose to 4.8 million sq ft in 2022 from 3.7 million sq ft in 2021 (Figure 2), which attributed to the growth of Industry 4.0. As a result, the occupancy for multiple-user factory space dipped by 1.1 percentage point to 89.1% in 2022 from 90.2% in 2021. In 1Q 2023, the occupancy for multiple-user factory space dipped to 88.9%.

FIGURE 2: NET SUPPLY, NET ABSORPTION, OCCUPANCY AND POTENTIAL SUPPLY (MULTIPLE-USER FACTORY SPACE)



Source: JTC and EDMUND TIE

[4] All data on areas are based on NLA unless otherwise stated.
[5] The project GFA of 161, 163 and 165 Kallang Way is 865,685 sq ft. However, only about 652,000 sq ft GFA of the project was completed in 1Q 2023 based on JTC statistics.

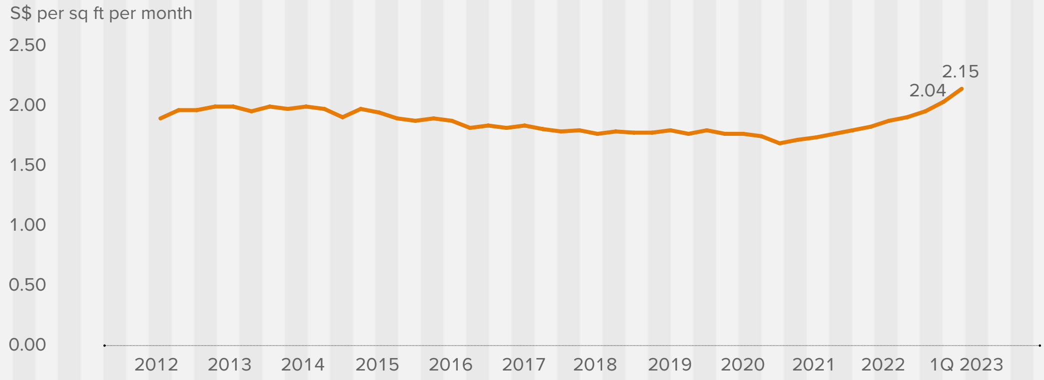
Potential Supply

An estimated 990,000 sq ft (GFA) of multiple-user factory space is expected to be completed from 2Q2023 to 4Q2023 while 2.3 million sq ft (GFA) is scheduled to be completed in 2024. A major public project scheduled for completion in 2024 is JTC Space @ Ang Mo Kio (1.26 million sq ft GFA), while a major private project slated for completion in 2024 is Polaris @ Woodlands (563,000 sq ft GFA).

Rents

Rents for multiple-user factory space were supported by higher net absorption in 2022 despite more completions. In 2022, the median rent for multiple-user factory space rose by 11.5% y-o-y from S$1.83 per sq ft per month in 2021 to S$2.04 per sq ft per month in 2022 (Figure 3). In 1Q2023, the median rent for multiple-user factory space rose to S$2.15 per sq ft per month.

FIGURE 3: RENTS FOR MULTIPLE-USER FACTORY SPACE[6]



Source: JTC and EDMUND TIE

Outlook

Multiple-user factory space recorded slower median rental growth of 5.4% quarter-on-quarter in 1Q2023 on the back of the manufacturing slowdown. Full-year median rental growth in 2022 was 11.5%, extending from the 6.4% increase in 2021. Manufacturing sentiments continued to be weighed down by weaker global sentiment, as overall Purchasing Managers' Index factory activity dipped in March and April 2023. Against the backdrop of macroeconomic headwinds and a weaker manufacturing outlook, median rental growth for multiple-user factory space is anticipated to moderate after ten consecutive quarters of growth and expected to grow by 3 to 5% in 2023. Nonetheless, demand for multiple-user factory space is anticipated to be supported by high-value manufacturing industries, which is expected to be the new growth areas.

5.0 HIGH-SPECIFICATION INDUSTRIAL SPACE[7]

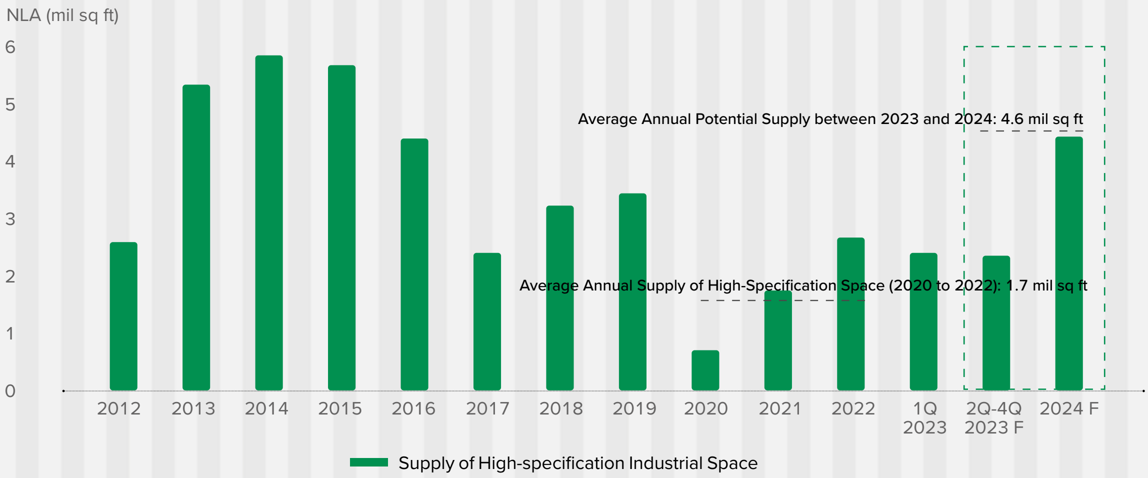
Stock and Supply

High-specification industrial space have better specifications than generic multiple-user factory space. They have higher floor loading and back-up power supply and are usually located in strategic areas. They also have additional features e.g. corporate lobby and facilities such as swimming pool and sky gardens. Currently, there is no publicly available statistics tracking high-specification industrial space in Singapore. Based on EDMUND TIE's estimation, there was about 58.9 million sq ft of high-specification industrial stock as at 1Q 2023. In 2022, approximately 2.7 million sq ft[8] was completed, about 50% increase from the completions in 2021 (1.8 million sq ft). There were about 2.4 million sq ft high-specification industrial completions in 1Q 2023 (Figure 4).

[6] Refers to gross rent per month including service charge but excluding Goods and Services Tax ("GST").
[7] There is no official statistics on high-specifications industrial space.
[8] Based on EDMUND TIE's estimation.

SINGAPORE INDUSTRIAL PROPERTY MARKET OVERVIEW

FIGURE 4: SUPPLY OF HIGH-SPECIFICATION INDUSTRIAL SPACE[9]



Source: JTC and EDMUND TIE

There were three major completions of high-specification industrial developments in 2022. This included the 60 Woodlands Industrial Park (734,000 sq ft GFA) by semiconductor manufacturer, GlobalFoundries, as well as Google's data centre at 1 Lok Yang Way (617,000 sq ft GFA) and AirTrunk's SGP1 data centre (435,000 sq ft GFA). Major completions in 1Q 2023 include Tai Seng Exchange (1.13 million sq ft GFA), HMGICS building (796,000 sq ft GFA) by Hyundai Motor and 161/163/165 Kallang Way (652,000 sq ft GFA[5]) by MIT.

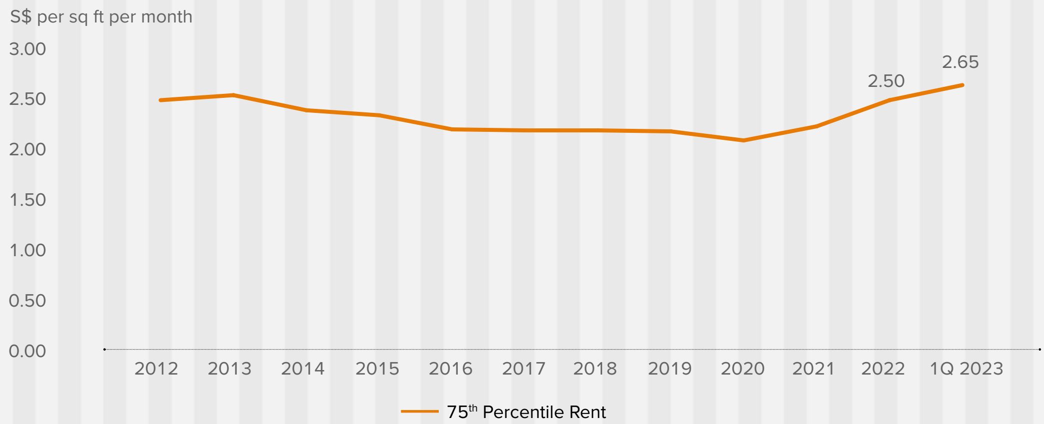
Potential Supply

There is a total of 2.9 million sq ft (GFA) and 5.4 million sq ft (GFA) of high-specification industrial space in the pipeline from 2Q2023 to 4Q2023 and 2024 respectively. The bulk of the potential supply from 2Q2023 to 4Q2023 is from the data centre at Sunview Way by Malkoha (1.8 million sq ft GFA). In 2024, the two major completions are the additions and alterations to existing factory at Pasir Ris Industrial Drive 1 (2.5 million sq ft GFA) by United Microelectronics Corporation and industrial space at Tampines Industrial Avenue 5 (1.5 million sq ft GFA) by Siltronic Silicon Wafer.

Rents

The 75th percentile rent for multiple-user factory space is used as a proxy for high-specification industrial space. In 2022, the 75th percentile rent accelerated by 11.6% y-o-y to S$2.50 per sq ft per month from S$2.24 per sq ft per month in 2021 (Figure 5). In 1Q2023, the 75th percentile rent rose to S$2.65 per sq ft per month.

FIGURE 5: RENTS FOR HIGH-SPECIFICATION INDUSTRIAL SPACE[10]



Source: JTC and EDMUND TIE

[9] Based on NLA.
[10] Refers to gross rent per month including service charge but excluding GST.

Outlook

The demand for high-specification industrial space is expected to sustain in the long run as companies continue their innovation roadmaps and expand their research and development capabilities. Occupiers of high-specification industrial space are typically high-tech manufacturers, data-related industrialists and other high-value-add industrial companies. Demand for high-specification industrial space continues to remain strong, underpinned by the growth of the high-value manufacturing industries such as advanced manufacturing, biomedical science and technology companies. High-specification industrial space equipped with modern or build-to-suit facilities and in good locations are expected to be sought after amid tight supply.

6.0 BUSINESS PARK SPACE

Stock and Supply

In 2022, total business park space rose by 4.3% y-o-y to 25.6 million sq ft from 24.5 million sq ft in 2021. As at 1Q2023, business park stock was 25.7 million sq ft. The only business park completion in 1Q2023 was The Gear at 19 Changi Business Park Crescent (140,577 sq ft) by Kajima Development. As at 1Q2023, approximately 55.5% (14.3 million sq ft) of the total business park space was in the Central Region, 22.7% (5.8 million sq ft) in the East Region and the remaining 21.8% (5.6 million sq ft) in the West Region.

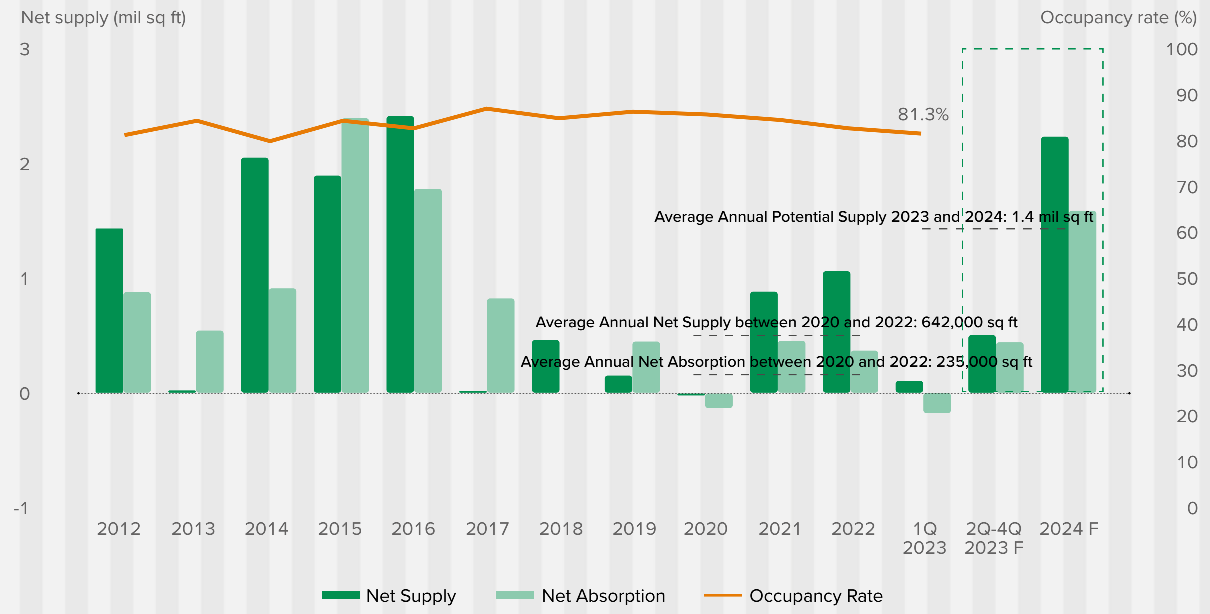
Demand and Occupancy

Supported by the continuous restructuring of industries and digital transformations through a series of government policies and the trend of Industry 4.0, companies are undergoing new forms of work process and efficiency. High-quality business parks thus continue to attract demand from technology and other knowledge-intensive enterprises. Business parks landlords have also committed to rejuvenating older business parks to unlock value for potential tenants. Amid global business uncertainties, islandwide occupancy dipped by 2.0 percentage points from 84.5% in 2021 to 82.5% in 2022 and was 81.3% as at 1Q2023 (Figure 6). Business park space in the Central Region (i.e. one-north and Mapletree Business City) continued to enjoy the highest occupancy (92.3%) in 1Q2023 due to their strategic locations, integrated concepts with amenities and high-quality environment.

Potential Supply

Around 753,000 sq ft (GFA) and 3.3 million sq ft (GFA) of business park space is in the pipeline from 2Q2023 to 4Q2023 and 2024 respectively (Figure 6). Potential supply expected to be completed in 2023 includes the Surbana Jurong Campus (375,000 sq ft GFA). JTC Punggol Digital District is expected to be completed in two phases: Phase 1 (1.79 million sq ft GFA) and Phase 2 (742,000 sq ft GFA) in 2024 and 2025 respectively.

FIGURE 6: NET SUPPLY, NET ABSORPTION, OCCUPANCY AND POTENTIAL SUPPLY (BUSINESS PARK SPACE)



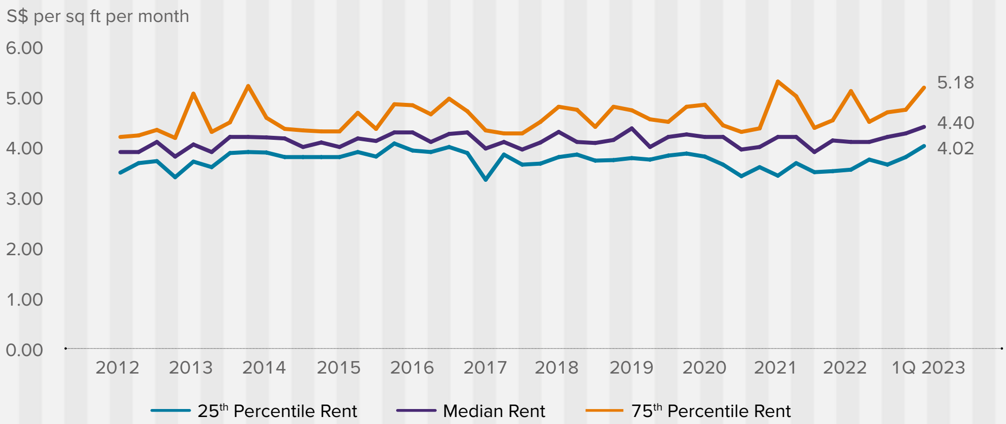
Source: JTC and EDMUND TIE

↗ SINGAPORE INDUSTRIAL PROPERTY MARKET OVERVIEW

Rents

Business parks with well-designed common space and ample amenities have consistently drawn interest from manufacturing companies as well as knowledge-intensive businesses in the fields of engineering, biomedical and bioscience sectors. While occupancy remained stable, the limited new supply in 2022 supported rents for business park space. Conversely, the 25th percentile, median and 75th percentile rents rose by 8.0% y-o-y, 3.4% y-o-y and 4.6% y-o-y to S$3.80 per sq ft per month, S$4.27 per sq ft per month and S$4.74 per sq ft per month respectively in 2022 (Figure 7). As at 1Q 2023, the 25th percentile, median and 75th percentile monthly rents for business park space were S$4.02 per sq ft per month, S$4.40 per sq ft per month and S$5.18 per sq ft per month respectively.

FIGURE 7: RENTS FOR BUSINESS PARK SPACE[11]



Source: JTC and EDMUND TIE

Outlook

The growing occupier interest in the business park segment is expected to continue into 2023, on the back of tight supply as well as potential spillover demand from the current tight CBD office market. In 2023, rents of well-located business parks are poised to rise by 1-2%.

7.0 STACK-UP FACTORY SPACE[12]

Stock and Potential Supply

According to EDMUND TIE, there is an estimated 13.5 million sq ft of stack-up factory space[13] as at 1Q2023. These forms about 12% of the total multiple-user factory space. In 2022, the largest project completions were the JTC Defu Industrial City (3.5 million sq ft GFA) and JTC TimMac @ Kranji (1.5 million sq ft GFA). There was no new supply of stack-up factory space in 1Q2023. Identified major stack-up factory space in the supply pipeline include JTC @ AMK (1.26 million sq ft GFA) and One KA @ Macpherson (198,000 sq ft GFA) in 2024.

Demand and Occupancy

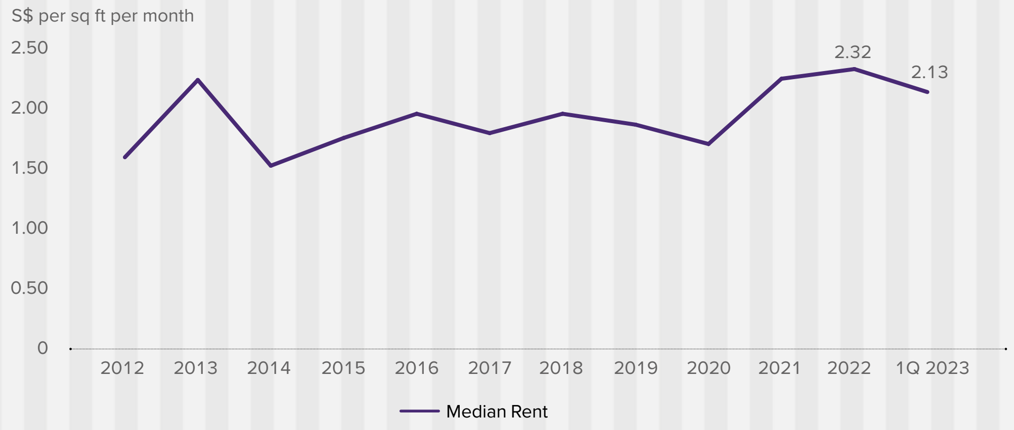
Introduced by JTC in the early 2000s, stack-up factory space provides users with direct vehicular access to individual standard factories in the upper floors, enabling better efficiency. Completed in 1Q2019, JTC TrendSpace at Sungei Kadut is the first high-rise multi-tenanted development that accommodates an ecosystem of furniture industry players. The JTC TimMac @ Kranji, which was completed in 2022, features heavy floor loading, high ceilings as well as the use of overhead canes to cater to the needs of the metal, machinery and timbre industries. Based on EDMUND TIE's estimation, average occupancy rate for private stack-up factory was around 97% in 2022 as compared with 94% in 2021.

Rents

Rental transactions for stack-up factory space are limited due to the small stock available. The unit sizes of stack-up factory space range from 2,000 sq ft to over 40,000 sq ft. In 2022, monthly rental transactions for stack-up factory space were between S$1.69 per sq ft per month and S$2.52 per sq ft per month. Most of the rental transactions were from Bukit Batok Connection, which was used as a proxy for stack-up factory rents (Figure 8). In 2022, rents rose by 3.6% y-o-y to S$2.32 per sq ft per month, moderating from 2021's y-o-y rental growth of 31.8%. As at 1Q2023, the median rent is S$2.13 per sq ft per month.

[11] Refers to gross rent per month including service charge but excluding GST.
[12] There is no official statistics on stack-up factory space. Stack-up factory space are multiple-user factory units stacked on top each other whereby each unit has ground floor convenience via vehicular ramps.
[13] Includes only ramp-up factory space. Does not include ramp-up warehouses.

FIGURE 8: RENTS FOR STACK-UP FACTORY[14]



Source: JTC and EDMUND TIE

Outlook

Stack-up factory space offers direct ramp access and dedicated loading/unloading lots for greater operational efficiency. It provides industrial users with an alternative to land-based factory space and is highly attractive to companies, especially for small and medium-sized enterprises. As such, the stack-up factory space continues to be a viable option for general manufacturing businesses as well as other niche operations, e.g. food, furniture and other metalwork and woodwork fabrication trades. Given their wide-ranging sizes of units, stack-up factories can accommodate both small and large businesses, creating synergy and promoting collaboration opportunities. However, the slowdown in economic activities could pose a challenge for stack-up factories to retain smaller businesses, which may face cashflow constraints. Against the backdrop of prevailing market forces, rents for stack-up factory space could trend sideways in 2023.

LIMITING CONDITIONS

Where it is stated in the report that information has been supplied to us in the preparation of this report by the sources listed, this information is believed to be reliable, and we will accept no responsibility if this should be otherwise. All other information stated without being attributed directly to another party is obtained from our searches of records, examination of documents or enquiries with relevant government authorities.

The forward statements in this report are based on our expectations and forecasts for the future. These statements should be regarded as our assessment of the future, based on certain assumptions on variables which are subject to changing conditions. Changes in any of these variables may significantly affect our forecasts.

Utmost care and due diligence have been taken in the preparation of this report. We believe that the contents are accurate, and our professional opinion and advice are based on prevailing market conditions as at the date of the report. As market conditions do change, we reserve the right to update our opinion and forecasts based on the latest market conditions.

Edmund Tie & Company (SEA) Pte Ltd gives no assurance that the forecasts and forward statements in this report will be achieved, and undue reliance should not be placed on them.

[14] Includes only rental transactions in Bukit Batok Connection. Refers to gross rent per month including service charge but excluding GST.