

OVERVIEW

Singapore's manufacturing output and non-oil domestic exports (NODX) remained weak in 3Q 2023. The manufacturing sector contracted by an estimated 5% year-on-year (YoY) while NODX shrank by almost 20% YoY in 3Q 2023. Almost all clusters of the manufacturing sector contracted except for the transport engineering cluster. The electronics, precision engineering and general manufacturing cluster contributed the most to the decline in manufacturing output.

Table 1: Year-on-Year Change in Gross Domestic Product in chained (2015) dollars

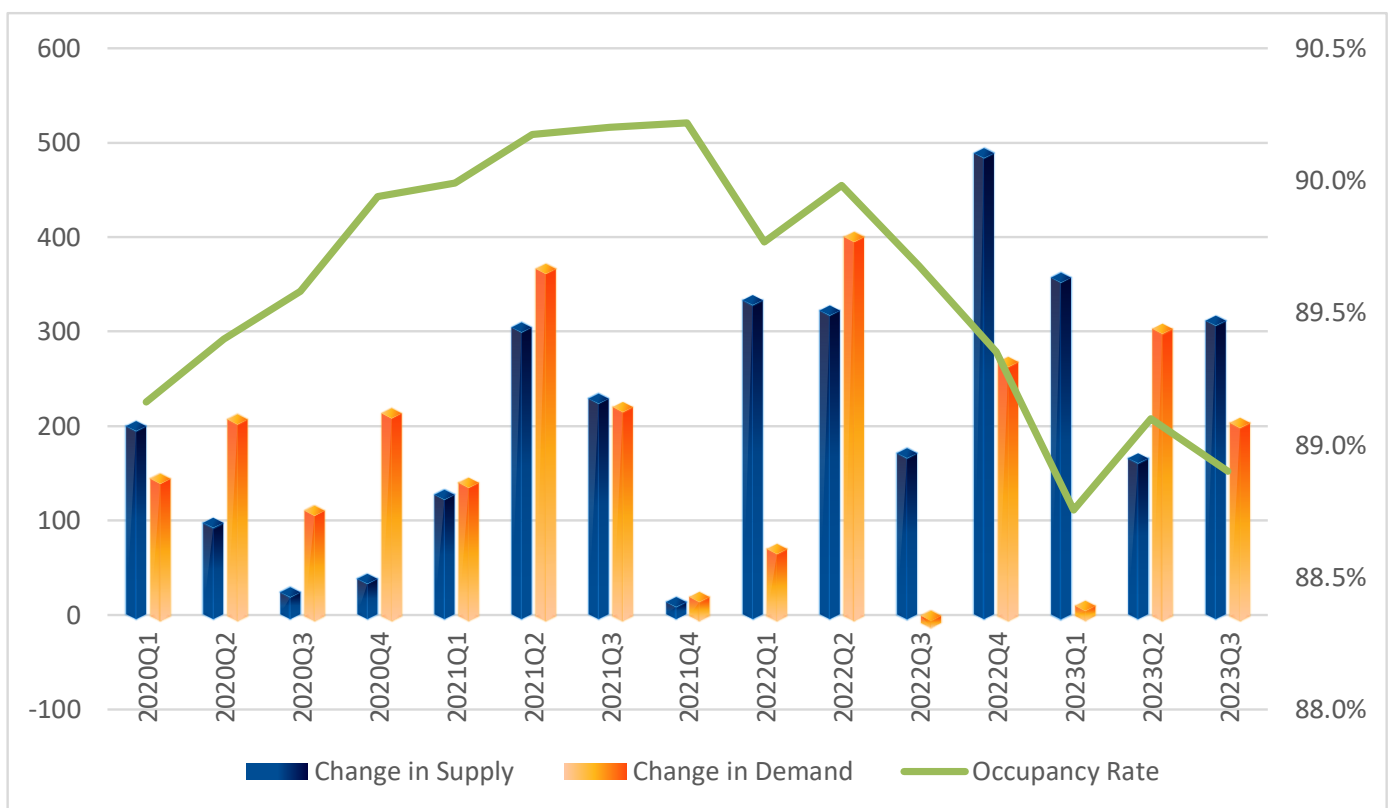
| | 3Q 2022 | 4Q 2022 | 2022 | 1Q 2023 | 2Q 2023* | 3Q 2023* |
|----------------------|---------|---------|------|---------|----------|-------------|
| GDP | 4.0 | 2.1 | 3.6 | 0.4 | 0.5 | 0.7 |
| Manufacturing | 1.1 | -2.6 | 2.5 | -5.3 | -7.7 | -5.0 |
| Construction | 8.1 | 10.0 | 6.7 | 7.9 | 7.7 | 6.0 |
| Services | 5.5 | 4.0 | 4.8 | 1.9 | 2.8 | 1.9 |

* Advance estimates

Source: MTI, Huttons Data Analytics as of 13 Oct 2023

Demand for industrial space eased to 203,000 sq m as worries over the economy led to companies putting on hold expansion plans. With completion of industrial space outpacing demand in 3Q 2023, occupancy rate of industrial space eased by 0.2% in 3Q 2023.

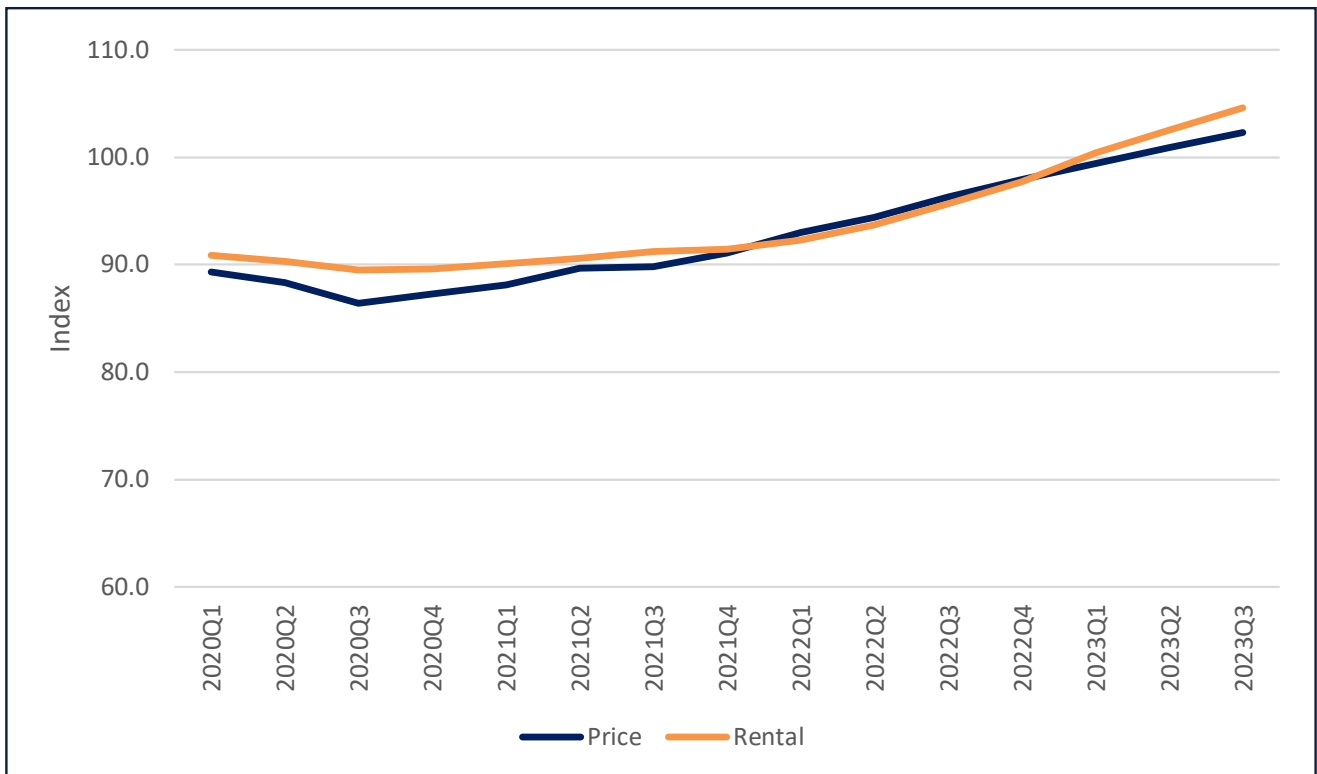
Figure 1: Change in Supply, Demand and Occupancy Rate of Industrial Space



Source: JTC, Huttons Data Analytics as of 26 Oct 2023

Prices and rents of industrial space moderated to 1.4% and 2.0%, respectively in 3Q 2023. The higher for longer interest rates and the uncertain economic outlook are capping the price gains. Manufacturers have also turned cautious amidst the economic uncertainties preferring to renew rather than relocate.

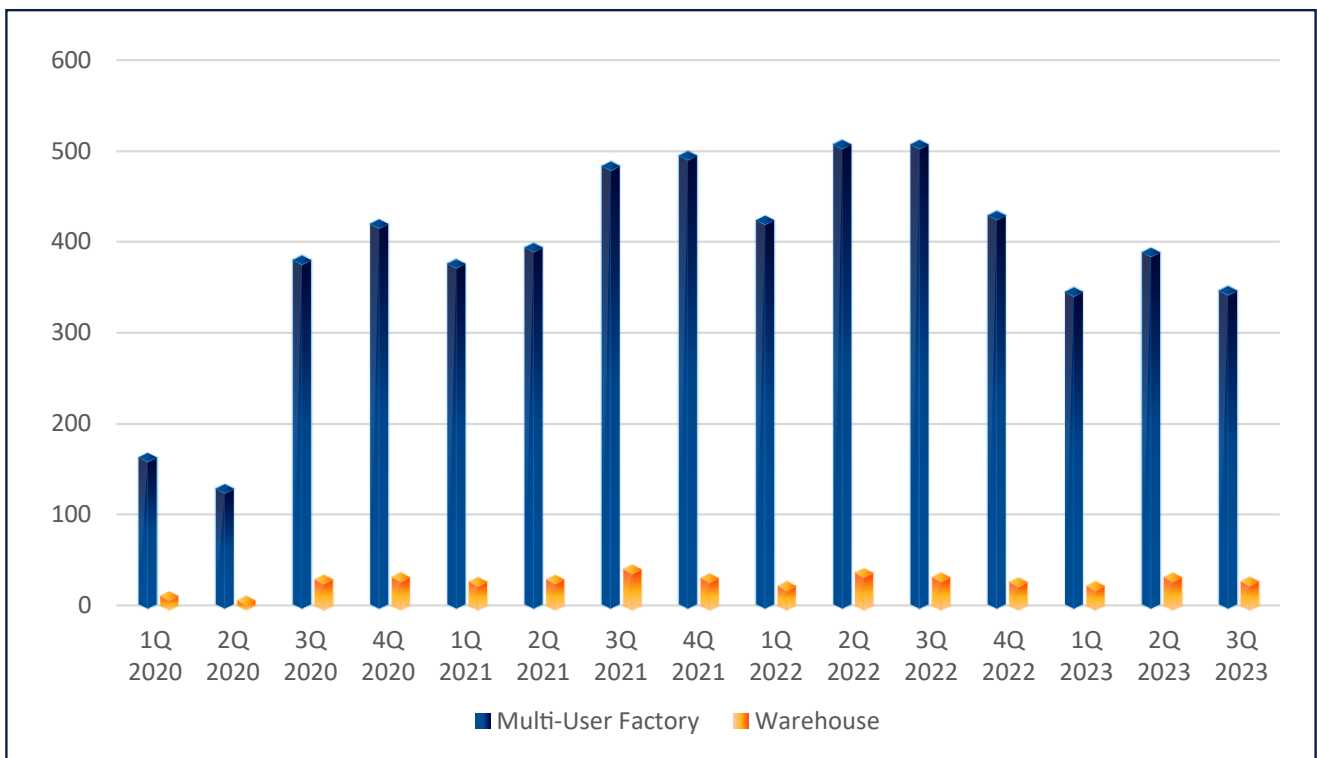
Figure 2: Price and Rental Index of Industrial Space



Source: JTC, Huttons Data Analytics as of 26 Oct 2023

The pullback from investors due to the economic uncertainties and higher for longer interest rates led to slightly lower strata sales of industrial units in 3Q 2023. The largest quantum of \$12.1 million was for a freehold 7,729 sq ft strata unit at Citipoint@PayaLebar.

Figure 3: Transactions of Multi-User Factory and Warehouse Space



Source: JTC, Huttons Data Analytics as of 26 Oct 2023

MARKET OUTLOOK

The manufacturing sector and NODX are expected to remain in contractionary mode for the rest of 2023. While there are early signs of bottoming out in manufacturing and exports, companies are unlikely to expand for the moment until there is more clarity on the economy. There will be another 2.2 million sq m of industrial space completing in 4Q 2023 and 2024. The bulk of the supply is the single-user factory space while multi-user supply remains low. Prices of industrial space may see not more than 5% growth in 2023 while rents could increase faster at up to 8%.

Map 1: Major Multi-User Projects in the Pipeline



Projects above 10,000 sq m excluding A&A

Source: JTC, Huttons Data Analytics as of 26 Oct 2023

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