

OVERVIEW

The contraction in the electronics, chemicals and biomedical clusters outweighed the expansion in the precision engineering, transport engineering and general manufacturing clusters, resulting in the manufacturing sector shrinking by 3% in 4Q 2022. For the whole of 2022, the manufacturing sector grew by 2.6% compared to a 13.2% growth in 2021.

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

	4Q 2021	2021	1Q 2022	2Q 2022	3Q 2022	4Q 2022	2022*
GDP	6.1	7.6	4.0	4.7	4.2	2.2	3.8
Manufacturing	15.5	13.2	6.0	6.3	1.4	-3.0	2.6
Construction	2.9	20.1	3.2	4.8	7.8	10.4	6.5
Services	4.4	5.6	4.9	5.0	5.8	4.1	5.0

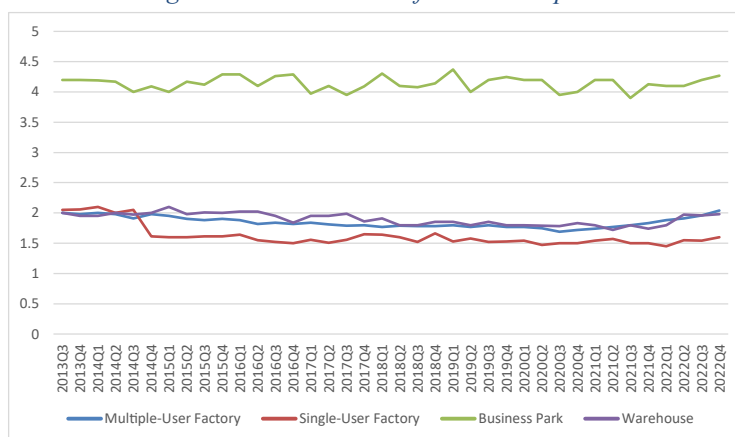
* Advance estimates

Source: MTI, Huttons Research

The overall occupancy of industrial space eased by 0.2% to 89.7% in 4Q 2022 due to a large completion of 486,000 sq m of industrial space in the quarter. Demand for industrial space remained healthy with a take-up of 268,000 sq m in 4Q 2022. There was probably some stockpiling of goods by e-commerce companies for the festive season in Dec 2022 and Jan 2023 to hedge against supply chain concerns. The demand for warehouse space increased by 91,000 sq m in 4Q 2022 and completion of industrial space increased in 4Q 2022 to 401,000 sq m compared to 171,000 sq m in 3Q 2022.

Prices and rents of industrial space continued to grow by 1.7% and 2.1% in 4Q 2022. Prices and rents of industrial space continued to grow by 1.7% and 2.1% in 4Q 2022. On a year-on-year basis, prices jumped by 7.5% while rents went up by 6.9% in 2022. This is the fastest pace of increase for both prices and rents since 2012.

Figure 1: Median Rents of Industrial Space



Source: JTC, Huttons Research

MARKET OUTLOOK

Investors continued to chase after industrial space in 4Q 2022 as it is probably the segment that offers a yield in excess of the interest rate. Landlords on the other hand increased rents to compensate for the higher mortgage installments.

While the manufacturing sector has seen some slowdown in the past few months, there may be some light at the end of the tunnel. China's relaxation of border controls may lead to a recovery in global demand for goods and provide support for Singapore's manufacturing sector.

The completion of 1.8 million sq m of industrial space in 2023 is the largest since 2017. This may add downward pressure on prices and rents in 2023. Prices and rents of industrial space may see no more than 3% growth in 2023.

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