

GRADUAL IMPROVEMENT IN DEMAND FOR GOOD AND LARGE FLOOR PLATE INDUSTRIAL SPACE

Overall island-wide rents remained fairly resilient

- Overall island-wide rents remained fairly resilient and improved to \$2.19 per sq ft per month (psf pm) in Q2 2016 (Exhibit 2).
- Rents in the Bukit Merah – Alexandra – Jalan Kilang – Pasir Panjang cluster fell 4.2% q-o-q in Q2 2016. Some new space had been added to the area in previous quarters, adding to the competition. Owners of strata industrial space are biting the bullet and moderating rental expectations to secure tenants.
- In contrast, rents in the Kallang – Geylang – Bendemeer cluster improved 3.1% q-o-q, supported by higher transacted rents of industrial units with high specifications.

Uptick in indications of interest in large-floor-plate industrial spaces

- While there are some big companies like Teijin (previously occupied 1.5 million sq ft of site area in Jurong Island) relocating out of Singapore, industrial buildings with good and large floor plates of more than 50,000 sq ft continue to see strong interest from both buyers and tenants.
- The low interest rate environment provides owners with holding power, with no impetus to compromise selling prices to close a deal.

Demand for upper-floor strata-titled factory units held steady amid declining pricing in Q2 2016

- There were 126 transaction caveats of upper-floor strata-titled factory units, unchanged from the previous quarter (Exhibit 1).
- New sale transactions slipped by 3 caveats to 10 caveats in view of fewer launches, while resale transactions remained relatively resilient, with 115 caveats lodged.
- The decline in average price of 60-year leasehold resale transactions, which accounted for 60.3% of these transactions in Q2 2016, pull down the average transaction prices posted in the quarter (Exhibit 2).

Stable demand for upper-floor strata-titled warehouse units, contributing to rising average prices

- There were 10 caveats recorded in Q2 2016, the first improvement in demand since Q2 2015 (Exhibit 1).
- Warehouse facilities in the Central Region, particularly freehold assets, remained highly sought after. Their higher transaction prices caused average island-wide prices for these upper-floor strata-titled warehouse units to rise for the third consecutive quarter (exhibit 2).

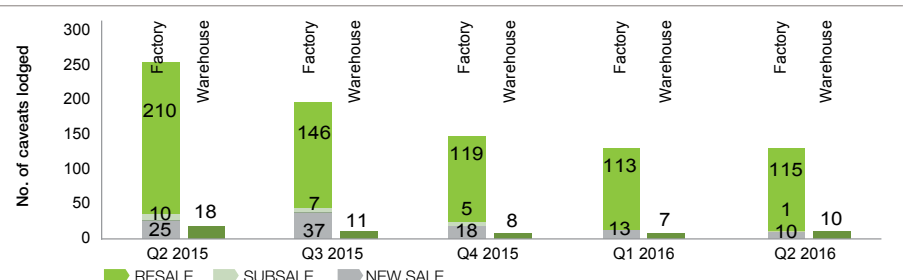


TAN BOON LEONG
Executive Director & Head,
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“There are indications of improvement in industrialists’ business confidence as more industrialists started to put in sales and rental offers in the first half of the year.”

EXHIBIT 1

Number of Caveats Lodged for Strata-titled Factory and Warehouse Units*, as at Q2 2016



Source: REALIS (as at 22 June 2016), Knight Frank Research

*Note: (1) Transactions are based on units on upper floors only, (2) some caveats may comprise more than one strata unit

Market Outlook

- Sentiments in the manufacturing sector remained muted in Q2 2016. The Singapore Purchasing Managers' Index, published by the Singapore Institute of Purchasing and Materials Management (SIPMM), contracted to 49.6 in June 2016 from 49.8 in May 2016.
- Low oil prices, the strong Singapore Dollar, labour woes, and softening global demand are expected to continue to weigh on the industrial sector.
Industrialists are adopting less aggressive approach in their expansion plans amid a more uncertain economy.
- With an additional 26.2 million sq ft of industrial space slated for completion in the three quarters from Q2 to Q4 2016, and with more industrialists vacating spaces, industrial rents are expected to continue facing downward pressure in coming months.
- The likely exception are freehold factory and warehouse units, for which demand and rents are expected to hold firm given the limited supply.

Island-wide Forecast for Q4 2016

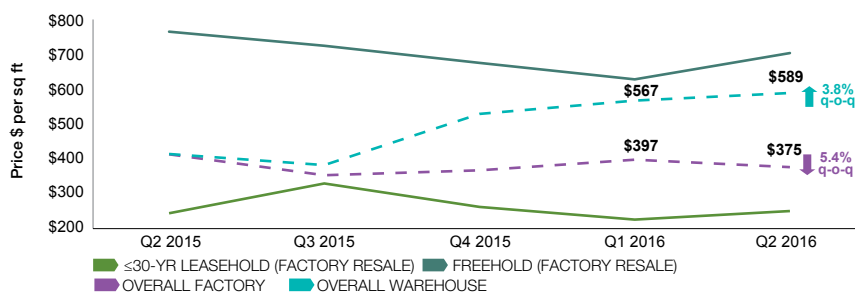
Average rents
-5.0% to -10.0% y-o-y

Average price for leasehold factory and warehouse units
-5.0% to -7.0% y-o-y

Average price for freehold factory and warehouse units
No change to -2.0% y-o-y

EXHIBIT 2

Average Prices of Strata-titled Factory and Warehouse units, and Average Resale Prices of Factory units by Tenure



Source: REALIS (as at 22 June 2016), Knight Frank Research
*Transactions are based on units on upper floors only

EXHIBIT 3

Average Monthly Gross Rentals for Conventional Industrial Space by Cluster

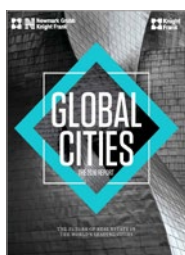
Industrial Cluster	Monthly Gross Rentals (Upper Floor, S\$ psf)		% Change (q-o-q)
	Q1 2016	Q2 2016	
Kaki Bukit - Ubi - Paya Lebar - Eunos	\$2.27	\$2.21	-2.6%
Macpherson - Tai Seng - Defu	\$1.90	\$1.88	-1.1%
Kallang - Geylang - Bendemeer	\$2.83	\$3.02	3.1%
Bukit Merah - Alexandra - Jalan Kilang - Pasir Panjang	\$3.06	\$2.93	-4.2%
Serangoon - Ang Mo Kio - Lorong Chuan - Toa Payoh - Pempin	\$1.89	\$1.90	0.5%
Clementi - Toh Tuck - Bukit Batok	\$1.54	\$1.59	3.2%
Pioneer - Tuas	\$1.77	\$1.79	1.1%
Woodlands - Sembawang - Admiralty - Yishun	\$1.38	\$1.38	No change
Average	\$2.08	\$2.19	4.6%
Business Park Space (Island-wide)	\$4.41	\$4.40	-0.2%

Source: Knight Frank Research
*Range of rentals is estimated based on the average of minimum and maximum rentals derived.
*Only rents of units on upper floors are included

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