Singapore Research

Industrial

Q1 2026 | knightfrank.com.sg/research

A steady industrial market despite new global uncertainty seeding caution among investors and manufacturers

"As costs rise and uncertainty persist, the industrial market is recalibrating to favour resilience and strategic selectivity in the occupier space. However, in the investment space, institutional players and owner-occupier buyers continue to scour the market for suitable assets."

TRIDIANA ONG, HEAD, OCCUPIER STRATEGY AND SOLUTIONS

2,964 LEASES

Number of Industrial Tenancies
3.4% ▼ Q-O-Q | 1.5% ▼ Y-O-Y

S$3.6 BILLION

Total Industrial Sales
54.3% ▲ Q-O-Q | 371.0% ▲ Y-O-Y

47.8 MILLION SF GFA

Upcoming Supply (2026 to 2030)

MANUFACTURING PERFORMANCE STEADY IN Q1 2026 AMID UNCERTAINTY

Advanced estimates released by the Ministry of Trade and Industry showed that Singapore's economy grew by 4.6% y-o-y in Q1 2026, with the resilient performance primarily driven by the goods producing industries which grew 5.4% y-o-y. Within this segment, the construction and manufacturing sectors expanded by 9.0% y-o-y and 5.0% y-o-y respectively. Despite the steady performance of the economy in Q1, the US-Israel-Iran conflict that began at the end of February is likely to rein in economic activity in the coming quarters.

The overall Purchasing Manager's Index (PMI) came in at 50.5 in March 2026, slightly lower than the 50.6 recorded in February 2026. Meanwhile, the electronics PMI continued to outperform the overall index, registering 51.4 in March 2026. Although the headline PMI edged down slightly, both indices remained in expansion territory, pointing to a resilient manufacturing outlook despite rising energy prices and longer delivery lead times amid ongoing tensions in the Middle East.

FEWER BUT BIGGER TICKET VALUES DRIVE INDUSTRIAL INVESTMENT SALES IN Q1

A total of 374 industrial sale transactions were recorded in Q1 2026, down 19.0% q-o-q and 8.1% y-o-y (Exhibit 1). Despite the decline in transaction volumes, total sales value rose 54.3% q-o-q and 371.0% y-o-y to S$3.6 billion, with the increase largely due to the public listing of UI Boustead REIT, comprising 21 local industrial assets valued at S$1.3 billion. Other large ticket transactions towards the end of the quarter made up bulk of the transaction value, including CapitaLand Ascendas REIT's acquisition of ramp-up logistics and industrial assets at 25 Loyang Crescent together with a 50% stake in The Ascent for S$749.2 million, Standard Chartered Bank's sale and leaseback of two Changi Business Park assets for S$183.0 million, and the sale of four warehouses by Far East Organization for S$322.0 million. More than half of the transactions, however, were below S$1.5 million, indicating that activity remained concentrated in smaller deals.

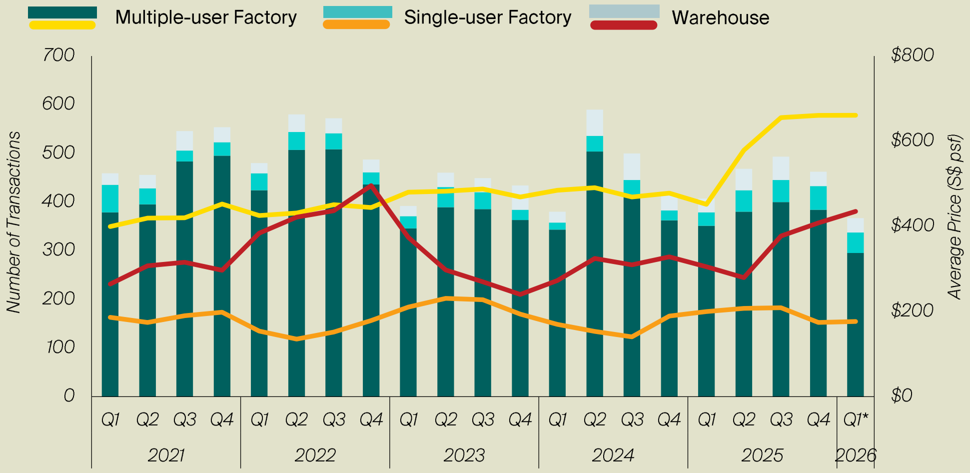
Industrial leasing activity fell 3.4% q-o-q and 1.5% y-o-y to 2,964 contracts in Q1 2026 (Exhibit 2), with the slowdown partly due to fewer working days in February and the Lunar New Year period which led to extended leasing cycles. Concurrently, rents across the 25th percentile, median and 75th percentile all eased moderately during the quarter, suggesting that caution was underlying demand.

Rental trendlines representing prime business parks (comprising a basket of modern high-quality business park properties in the Central Region), general business parks (constituting a sample of business park properties in all islandwide locations) and high specifications (high-specs) industrial (consisting of modern high-quality factories typically with B1 landuse) will be presented in Knight Frank's regular industrial reports from 2026.

In Q1 2026, Prime Business Park rents declined 1.6% q-o-q to S$6.28 psf pm, while General Business Park rents remained stable at S$3.75 psf pm. On a yearly basis, Prime Business Park rents contracted 2.2%, while as islandwide rents were broadly unchanged, edging up by a slight 0.8%. Most business park landlords are cognisant of keeping occupancy levels stable in a time of uncertainty, and can be more negotiable

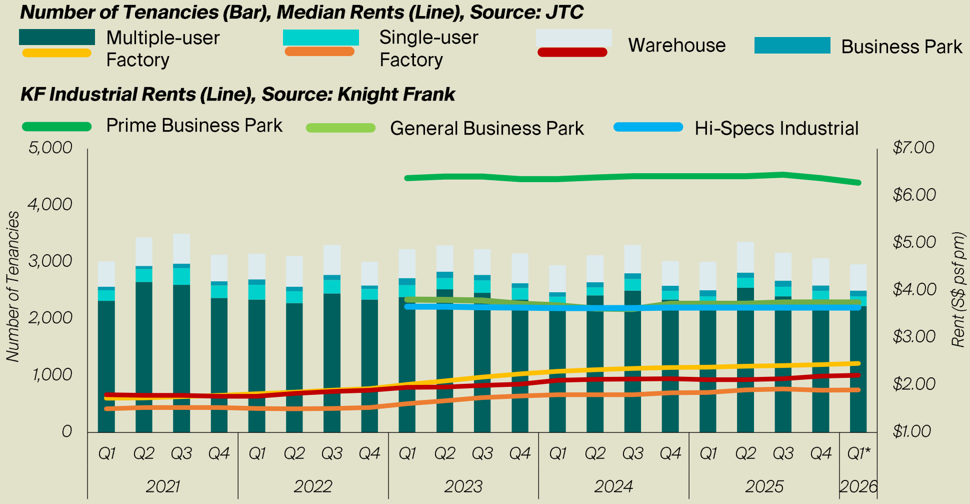
Exhibit 1: Industrial Sales Performance

Number of Transactions (Bar), Average Price (Line)



Source: JTC J-Space, Knight Frank Research
Note: The average unit price is based on a four-quarter moving average of strata transactions.
*Q1 2026 data is based on transactions downloaded as at 15 April 2026.

Exhibit 2: Industrial Leasing Volume and Median Rentals



Note:The median rents from JTC reflect multiple-user factories, single-user factories and warehouse, and is based on a four-quarter moving average.
The average gross effective monthly business park and high-specifications industrial space rents are based on Knight Frank's curated baskets of relevant sample properties that represent the wider market dynamic with the data series starting from Q1 2023.

for both central and non-central locations wherever there is vacancy pressure. At the same time, there is balance between demand and supply in the high-specs B1 space with rents unchanged on a quarterly and yearly basis.

INDUSTRIAL COMMITMENTS THAT PREDATE THE MIDDLE EAST CONFLICT

The biomedical manufacturing cluster remained a key pillar of Singapore's manufacturing sector and recent announcements of plant closures point to a sector specific recalibration rather than a broad slowdown. BioNTech confirmed it will cease operations at its Tuas manufacturing plant by February 2027, following a similar move by MSD (Merck & Co.), which is closing one of its facilities in the same area.

Prior to the outbreak of hostilities in the Middle East, Singapore had secured commitments in AI infrastructure, with Bridge Data Centres pledging up to S$5 billion and Singtel's Nxera opening its largest data centre in Tuas. This AI momentum is now being institutionally supported by the establishment of Kampong AI at one-north, bringing together AI startups, researchers, corporates and talent in an integrated live-work community that is slated for completion in 2028.

JTC also plans to develop a 35-ha mixed-use district in Woodlands to drive Singapore's next wave of economic activity. Within the neighbourhood, Micron broke ground on a US$24 billion NAND flash memory plant in the same corridor and Applied Angstrom Technology opened a precision R&D facility nearby to design next generation chipmaking equipment. The appeal of the district can only grow once the Rapid Transit System (RTS) Link to Johor Bahru begins operations.

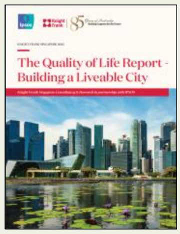
Maersk opened a 1.1 million sf, S$200 million fully automated World Gateway II warehouse in Singapore, to serve companies that are increasingly shifting towards faster, more flexible and regionally focused distribution networks.

MARKET OUTLOOK

Even though some investors could adopt a more cautious stance and delay major acquisitions, the prevailing low interest rate environment should encourage selective and opportunistic transactions to materialise. Deals in advanced stages are likely to move ahead, locking in favourable borrowing costs ahead of any anticipated rate hikes with an aim of capitalising on future value when conditions stabilise. As such, Knight Frank maintains industrial property prices to grow by 3% to 5% for the full year.

On the occupier front, the sharp rise in energy prices is expected to exert cost pressures, prompting businesses to reassess their operational footprints and strategies. This includes considering less costly alternatives, such as ByteDance expanding to take up three floors at the Mapletree Business City. It remains to be seen whether this might inject more interest in business park spaces at the fringe area, especially for other space users who are unable to expand their office footprint in the CBD. On a whole, industrial rental levels are expected to remain broadly stable with some moderate growth of between 1% and 3% for the whole of 2026, undergirded by Singapore's safe haven reputation.

Recent Publications



THE QUALITY OF LIFE REPORT 2025

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