

Q3 2024

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## Electronics driving manufacturing rebound

► “With the electronics sector leading manufacturing growth, market activity in the industrial sector is expected to increase alongside interest rate cuts.”

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### THE MANUFACTURING SECTOR LEADS THE ECONOMY BACK TO GROWTH

The Q3 2024 advance estimates announced by the Ministry of Trade and Industry (MTI) reported that the Singapore economy grew 4.1% y-o-y and 2.1% q-o-q. The manufacturing sector led the expansion with an increase of 7.5% y-o-y and 9.9% q-o-q in the third quarter of 2024, supported by increases in output across all manufacturing clusters, apart from biomedical manufacturing.

Singapore's total manufacturing output grew in August 2024, 27.5% y-o-y and 21.0% y-o-y (excluding biomedical manufacturing), according to the Economic Development Board (EDB). The electronics cluster expanded the most by a significant 49.1%, followed by chemicals at 11.1%, 7.9% from precision engineering, 3.9% in transport engineering,

and 2.5% in general manufacturing. Biomedical manufacturing recorded the sole decline of 16.1%. The improved performance was underpinned by the increased demand for electronics, and a low semiconductor production base in August last year. In tandem with the increasing manufacturing output, business expectations for the manufacturing sector remains optimistic. An overall net weighted balance of 23.0% of manufacturers anticipate favourable business situations for all manufacturing clusters except for biomedical engineering for the period between July and December 2024.

Both the overall and electronics Singapore Purchasing Manager's Index (PMI) expanded in Q3 2024, indicating manufacturing resilience, despite the economic uncertainties and ongoing geopolitical tensions. The overall PMI increased 0.3 percentage points (pp) to

## 3,304 LEASES

Number of Industrial Tenancies  
5.8% ▲ Q-O-Q | 2.3% ▲ Y-O-Y

## S\$3.1 BILLION

Total Industrial Sales  
199.6% ▲ Q-O-Q | 205.6% ▲ Y-O-Y

## 47.3 MILLION SF GFA

Upcoming Supply (Q3 2024 to 2028)

50.7 in July, 50.9 in August, before reaching 51.0 in September. The electronics PMI has been in expansion mode for 11 consecutive months, at 51.0 and above for five straight months. Despite declining 0.2 to 51.0 in July, the electronics PMI rose to 51.3 in August and 51.5 in September. Notwithstanding the optimism in Q3, factory activity may start to abate in the new year, as global supply chains slow due to challenges from the strain of Middle East tensions. Additionally, electronics order backlogs might ease, despite the current healthy expansion levels.

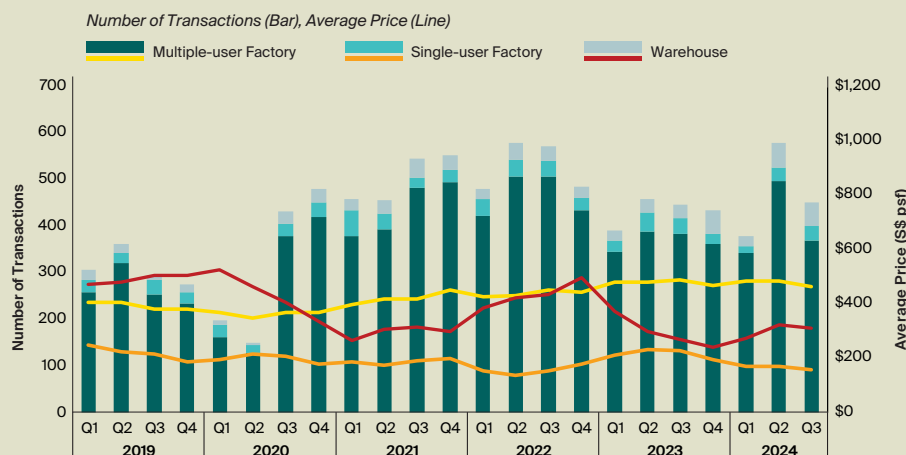
### RESILIENT PRICES AND RENTS

On the back of expectations and the eventual announcement of a long-awaited interest rate cut by the US Federal Reserve (Fed), sales activity of industrial properties picked up. The increase in manufacturing activity amid a positive outlook for the sector will likely drive demand and result in increased sales volume of industrial properties.

Industrial property sales activity in Q3 2024 surged, with the total sales value growing 199.6% q-o-q and 205.6% y-o-y to reach S\$3.1 billion from a total of 456 transactions (Exhibit 1).

Majority of the large sales took place in August, as investors pulled the trigger on deals expecting interest rate cuts and a return of positive carry. The prominent transactions included the sale of the S\$1.6 billion portfolio comprising seven industrial properties by Lendlease and Warburg Pincus from a portfolio owned by Blackstone and Soilbuild, the 51% stake sale of 20 Tuas South Avenue 14 for S\$444.6 million by ESR LOGOS REIT, and the 49% stake sale of Elementum for S\$272.0 million to a sovereign

Exhibit 1: Industrial Sales Performance



Source: JTC J-Space, Knight Frank Research

Note: The average unit price is based on a four-quarter moving average of strata transactions.

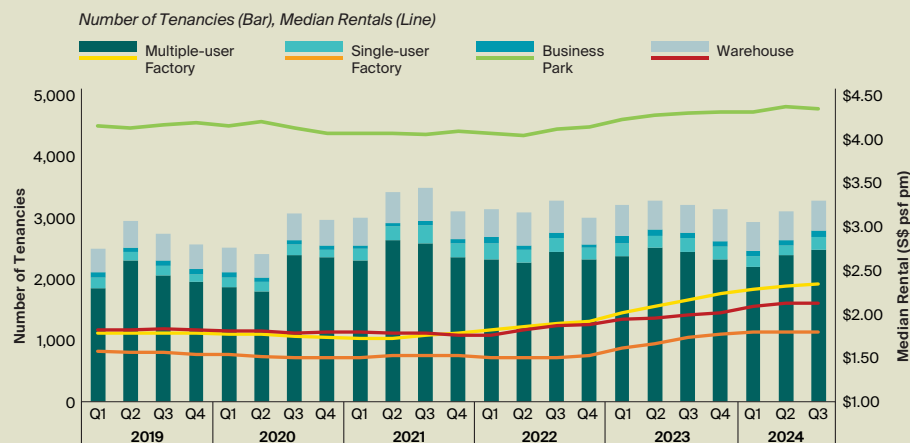
\*Q3 2024 data is based on transactions downloaded as at 15 October 2024.

wealth fund from Brunei, making up the bulk of industrial sales activity during the quarter.

In Q3 2024, there were 3,304 industrial leasing transactions, a growth of 5.8% q-o-q and 2.3% y-o-y. With the increase in leasing activity, the total value of rental transactions grew 1.6% q-o-q to S\$29.1 million.

Rents of all industrial properties island-wide showed marginal quarterly growth of 0.8% and 0.9% in the 25<sup>th</sup> percentile and median categories, but fell 3.6% quarterly in the 75<sup>th</sup> percentile. With improving manufacturing output and sentiment, island-wide rents for single-user factory spaces rose across all rental percentiles, increasing from S\$1.52 psf pm, S\$1.79 psf pm, and S\$2.22 psf pm in the previous quarter to S\$1.55 psf pm, S\$1.80 psf pm, and S\$2.47 psf pm in the 25<sup>th</sup>, median, and 75<sup>th</sup> percentiles respectively.

**Exhibit 2: Industrial Leasing Volume and Median Rentals**



## SINGAPORE CONTINUES TO BE ATTRACTIVE AS A GLOBAL MANUFACTURING HUB FOR ELECTRONICS

Fixed asset investments (FAI) in the second quarter of 2024 increased to S\$3.7 billion, a quarterly growth of 117.6% compared to S\$1.7 billion in Q1 2024. The surge in FAI was supported by a S\$3.4 billion injection into the manufacturing sector, with the electronics cluster receiving S\$1.8 billion out of the total for manufacturing. Following closely behind is the biomedical manufacturing cluster which received S\$1.5 billion in investment commitments.

Singapore remains a global production hub for semiconductors and chips due to its stability amid ongoing geopolitical tensions in other parts of the world. There are more chipmakers and related businesses expanding by setting up new production plants and research and development (R&D) campuses in Singapore to boost their supply chain resilience. Production capacity of electronics swelled as demand escalated during the Covid-19 pandemic. And although this global demand cooled as the

world normalised after, the increasing production of electric vehicles (EV) and solar panels, alongside the growing demand for chips for artificial intelligence (AI) have continued to propel the manufacturing sector. The construction of Changi Airport Terminal 5 as well as the government's push towards green buildings and infrastructure will support domestic demand for sustainability components and supporting equipment in the growing ESG-related economy in the short- to medium-term.

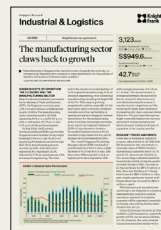
## MARKET OUTLOOK

With the borrowing environment expected to become more benign, individual buyers purchasing for business use and private equity funds acquiring assets for investment will increasingly start to make their move, and transaction volume of multiple-user factory spaces and warehouses will gain momentum. The stability of Singapore continues to attract international firms looking for a safe and resilient location for expansion, and this in turn bolsters local enterprises that support these international conglomerates. Factory rents and prices for the industrial sector are likely to remain stable with some measure of moderate increase for the rest of the year, primed for more growth in 2025.

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