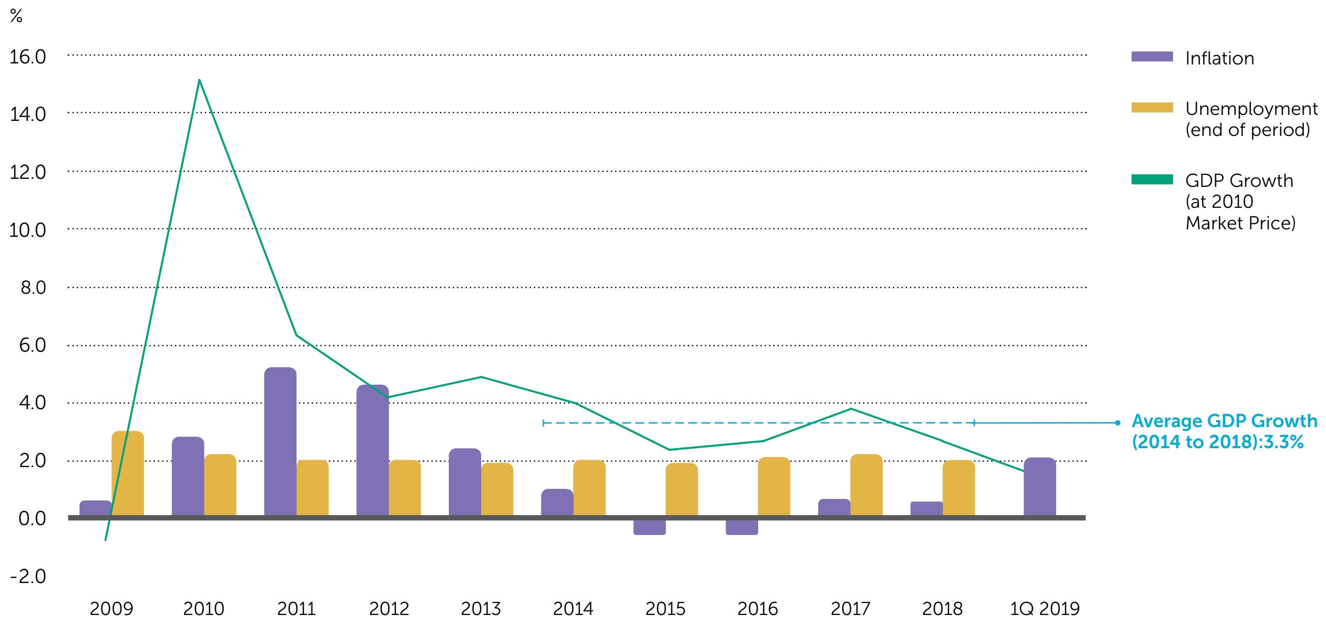
SINGAPORE INDUSTRIAL PROPERTY MARKET OVERVIEW

Edmund Tie & Company (SEA) Pte Ltd

ECONOMIC OVERVIEW

Singapore's gross domestic product ("GDP") grew by 3.2% in 2018, a moderation from the 3.9% growth in 2017 (Figure 1). In 1Q 2019, GDP grew by 1.2% year-on-year ("y-o-y"), slightly lower than the 1.3% growth in the preceding quarter. Unemployment rate increased slightly to 2.2% in 1Q 2019 compared with 2.0% in 1Q 2018.

FIGURE 1: ANNUAL GDP GROWTH, UNEMPLOYMENT AND INFLATION



Source: Department of Statistics, Ministry of Trade and Industry, International Monetary Fund

The construction sector, supported by increase in public and private sector construction activities, grew by 2.9% y-o-y while the wholesale & retail trade continued to be lacklustre, declining by 1.8% y-o-y in 1Q 2019. Although GDP growth was largely backed by the manufacturing sector and the servicing producing industries in 2018, the manufacturing sector experienced a weaker performance in 1Q 2019 due to the waning global electronics cycle, which resulted in output declines for precision engineering and electronics clusters. The Index of Industrial Production, an indicator for manufacturing output, declined by 0.5% y-o-y in 1Q 2019, a reversal compared with 10.0% y-o-y increase in 1Q 2018.

Negative growth was registered for output for the electronics (-15.3%), precision engineering (-13.3%) and chemicals (-2.7%) clusters in March 2019. On the other hand, the biomedical manufacturing, general manufacturing and transport engineering clusters experienced growth of 13.7%, 5.8% and 1.8% respectively.

According to the Ministry of Trade and Industry, further escalation of the United States-China trade dispute and the sharper-than-expected slowdown of the China's economy may pose downside risks for the external growth outlook in 2019. Taking into account the performance of the Singapore economy in 1Q 2019 and weaker external demand outlook for Singapore, Ministry of Trade and Industry expects GDP growth for 2019 to be between 1.5% and 2.5%. With a slowdown in manufacturing sector likely to affect economic growth, Government's plans and policies are geared towards increasing productivity in the sector. There are also initiatives to assist firms to re-engineer processes to stay relevant in the highly globalised and ever-changing economy. Moving forward, the Monetary Authority of Singapore expects modern services that are underpinned by digitalisation and innovation, as well as selected segments in the financial sector, to be key support pillars of the economy.

KEY GOVERNMENT POLICIES AND PLANS

SIX CLUSTERS OF INDUSTRIES INTRODUCED TO ENCOURAGE TRANSFORMATION

Under the S$4.5 billion Industry Transformation Programme, the Government announced that the Industry Transformation Maps ("ITM") will be grouped into six clusters to boost collaboration opportunities (Table 1). The integrated approach is to prepare for the next phase of economic transformation and position the country as a "global Asia node" for technology, innovation and enterprise.

TABLE 1: ITM CLUSTERS AND INDUSTRIES

Manufacturing	Built Environment	Professional Services
• Energy & Chemicals • Precision Engineering • Marine & Offshore • Aerospace • Electronics	• Construction (including Architecture & Engineering services) • Real Estate • Cleaning • Security	• Professional Services • ICT and Media • Financial Services
Lifestyle	**Essential Domestic Services**	**Trade & Connectivity**
• Food Services • Retail • Hotels • Food Manufacturing	• Healthcare • Education (Early Childhood and Private Education)	• Logistics • Air Transport • Sea Transport • Land Transport (including Public Transport) • Wholesale Trade

Source: Ministry of Trade and Industry, Edmund Tie & Company

INITIATIVE TO ACCELERATE THE ADOPTION OF INDUSTRIAL INTERNET-OF-THINGS SOLUTIONS

Led by Agency for Science, Technology and Research ("A*STAR"), the Industrial Internet-of-Things Innovation, based on a public-private partnership model, aims to accelerate and drive the adoption of Industrial Internet-of-Things ("IIoT") research into industry ready solutions for cross-sectoral industry partners. The initiative comprises global multinational corporations, large local enterprises, as well as small-and medium-sized enterprises. As a result, end-users can connect with solutions providers across the IIoT value chain and co-develop new technologies with A*STAR's research institutes and institutes of higher learning in Singapore.

INDUSTRIAL PROPERTY MARKET OVERVIEW

As at 1Q 2019, there is a total of 528.4 million square foot[1] ("sq ft") of industrial space. 50% (265.9 million sq ft) of the total stock is single-user factory space, followed by multiple-user factory space (23%, 122.8 million sq ft), warehouse space (22%, 116.0 million sq ft) and business park space (5%, 23.7 million sq ft).

1 All data on areas are based on net lettable area ("NLA") unless otherwise stated.

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INDUSTRIAL GOVERNMENT LAND SALES PROGRAMME

The Government announced five sites on the Confirmed List and seven sites on the Reserve List in the first half of 2019 Industrial Government Land Sales ("IGLS") Programme, totaling 11.86 hectares ("ha") (Table 2). The Confirmed and Reserve lists could potentially yield about 893,400 sq ft and 1.8 million sq ft of gross floor area ("GFA") to the total pipeline supply respectively. Majority of the land plots in the IGLS Programme are zoned Business 2 (B2) and have small site areas of below 1.5ha with leasehold tenures of 20 years. These smaller plots with shorter land tenures were first introduced in 2012 and are consistent with the Government's intention for industrial land to stay affordable for small industrialists. The shorter land tenures also allow for flexibility in land rejuvenation in order to keep up with the changing market demand.

TABLE 2: IGLS PROGRAMME FOR FIRST HALF OF 2019[2 3]

CONFIRMED LIST OF INDUSTRIAL SITES					
Location	Zoning	Site Area (Ha)	Gross Plot Ratio	Tenure (Years)	Estimated Launch Month
Woodlands Industrial Park E2/E5*	B2	0.5	2.5	20	Closed on 26 March 2019
Plot 2, Tampines North Drive 3*	B2	0.48	2.5		Closed on 23 April 2019
Plot 2, Jalan Papan	B2	1.24	1.4		Closed on 21 May 2019
Plot E, Gul Circle	B2	0.80	1.4		Closing on 25 June 2019
Senoko Drive	B2	1.20	2.5	30	May 2019
RESERVE LIST OF INDUSTRIAL SITES					
Plot 19, Tuas South Link 3*	B2	0.45	1.4	20	Available
Gul Circle*	B2	1.00	1.4	20	Available
Plot 9, Tampines North*	B2	0.49	2.5	20	Available
Plot 2, Gambas Way*	B2	1.20	2.5	30	Closed on 7 May 2019
Plot 1 Benoi Sector*	B2	2.00	2.5	30	Available
Tuas Avenue 6	B2	0.50	1.4	20	May 2019
Plot 4, Kakit Bukit Road 5	B2	2.00	2.5	30	June 2019

Source: JTC, Edmund Tie & Company
*Previously listed in the second half of 2018 Confirmed and Reserve Lists.

2 Includes sites that were launched in the previous IGLS programme.
3 As at end May 2019.

MAJOR INVESTMENT SALES

The largest investment sales for industrial buildings in 2018 was the sale of 20 Tuas South Avenue 14, located adjacent to the future Tuas Mega port, to Logos under a sale and leaseback agreement. The 1.6 million sq ft (GFA) development was sold for S$585 million at S$450 per square foot ("per sq ft") (Table 3).

TABLE 3: SELECTED INDUSTRIAL INVESTMENT TRANSACTIONS (2018 & 1Q 2019)

Development	Land Lease Tenure	Type	GFA (sq ft)	Vendor	Buyer	Price (million)	Unit Price per GFA (per sq ft)
20 Tuas South Avenue 14	30 years Leasehold ("LH") from 2008	Ramp-up logistics warehouse	1,600,000	REC (Solar firm)	Logos (Sale and leaseback)	S$585.0	S$450
18 Tai Seng	30 years LH from 2014	High-spec mixed-use industrial building	443,810	Mapletree Investments Pte Ltd	Mapletree Industrial Trust	S$268.3	S$605
Admirax	60 years LH from 2000	Industrial building	581,832	Ascendas-Singbridge	BlackRock	S$106.0	S$182
Geo-Tele Centre (9 Tai Seng Drive)	30 years LH from 1995	Data centre	218,905	Sabana REIT	Ascendas-Singbridge [4]	S$99.6	S$455
Pei Fu Industrial Building	Freehold	Industrial building	155,864	En-bloc	SLB Development	S$76.3	S$489
RBM Centre (7 Tai Seng Drive)	30 years LH from 1993	Industrial building	256,600	Mapletree Logistics Trust	Mapletree Industrial Trust	S$68.0	S$265
8 Tai Seng Link	60 years LH from 2006	Industrial building	268,000	Marvell Asia	Charles & Keith Group	S$60.0	S$224

Source: JTC, various REITs, OneMap, Edmund Tie & Company

MULTIPLE-USER FACTORY SPACE

Slower output in the manufacturing sector continues to weigh on the demand and rents for multiple-user factory space. Coupled with moderated supply, we expect rents for multiple-user factory space to stay flat in 2019.

STOCK AND SUPPLY

As at 4Q 2018, total multiple-user factory stock grew by 2.2% y-o-y (2.6 million sq ft) to 121.9 million sq ft. In 1Q 2019, multiple-user factory stock increased further to 122.8 million sq ft. Major completions included TrendSpace (542,912 sq ft) by JTC and Platinum @ Pioneer (110,242 sq ft).

4 Ascendas-Singbridge bought Geo-Tele Centre with plans to revamp the property into a data centre.

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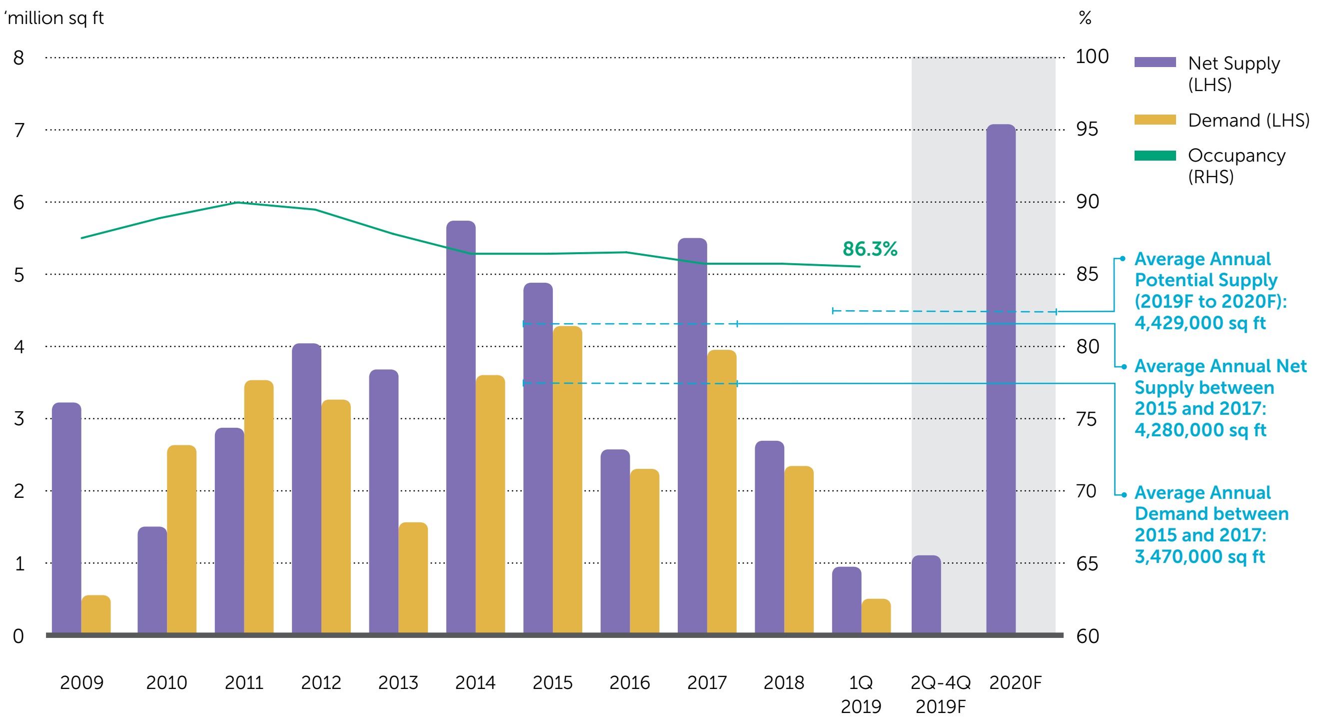
DEMAND AND OCCUPANCY

While the manufacturing sector experienced a slowdown, the Government's effort in regulating the market by tapering the release of land via the IGLS programme is showing its effect. While the demand for multiple-user factory space fell by 41.0% y-o-y (1.6 million sq ft) to 2.3 million sq ft in 2018, net supply fell by 51.6% y-o-y (2.8 million sq ft) to 2.6 million sq ft (Figure 2). This has allowed demand to catch up with supply, leading to occupancy stabilising at 86.5% in 2018. In 1Q 2019, occupancy was 86.3%.

FIGURE 2: NET SUPPLY, DEMAND, OCCUPANCY AND POTENTIAL SUPPLY (MULTIPLE-USER FACTORY SPACE)[1]



Source: JTC, Edmund Tie & Company

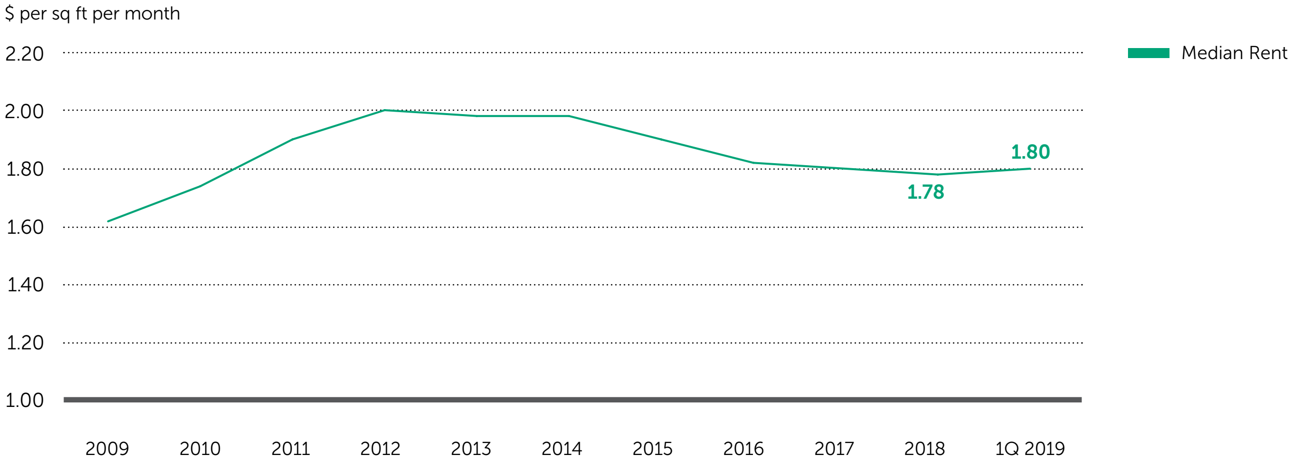
POTENTIAL SUPPLY

Between 2Q 2019 and 2020, an estimated total of 9.9 million sq ft of GFA of multiple-user factory space is expected to complete. Only 2.2 million sq ft is expected in 2019, lower than the supply in 2018 (2.6 million sq ft). Three major projects - Defu Industrial City (3.5 million sq ft), TimMac @ Kranji (1.5 million sq ft) and Bedok Food City (1.1 million sq ft) - are expected to be completed in 2020.

RENTS

Despite a slower output from the manufacturing sector, rents for multiple-user factory space were stable in 2018, cushioned by the lower supply. As the manufacturing sector continued to transform with the advances in technology, demand for new multiple-user factory space remained healthy. In 2018, median rents for multiple-user factory space dipped only slightly from S$1.80 per sq ft to S$1.78 per sq ft per month (Figure 3). In 1Q 2019, the median rent for multiple-user factory space was S$1.80 per sq ft per month.

FIGURE 3: RENTS FOR MULTIPLE-USER FACTORY SPACE[5]



Source: JTC, Edmund Tie & Company

OUTLOOK

Despite undergoing transformation under the fourth industrial revolution, the manufacturing sector experienced contraction in 1Q 2019, with the output decline for precision engineering and electronics clusters outweighing output expansions in the biomedical manufacturing, transport engineering and general manufacturing clusters. At the same time, global uncertainties continue to persist on the back of the United States-China trade dispute. The imposition of further tariffs by the United States will likely affect the region's growth negatively, due to lower import demand. Multiple-user factory, especially those with traditional industrial space, may see a fall in rents. On the other hand, supported by the lower supply, we expect overall rents for multiple-user factory space to stay flat in 2019.

5 Refers to gross rent per month including service charge but excluding Goods and Services Tax ("GST").

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HIGH-SPECIFICATION INDUSTRIAL SPACE

Apart from the manufacturing sector which has slowed down, value-add industries are driving the demand for high-specification industrial space, lending support for rents. However, with the global economy uncertainties amidst a United States-China trade dispute, we expect a moderation in the demand for high-specification industrial space and rents to stay flat in 2019.

STOCK AND SUPPLY

There is no official statistics on high-specification industrial space. In general, high-specifications industrial space have better specifications such as higher floor loading and back-up power supply and are usually in strategic locations. They also have additional features e.g. corporate lobby and facilities such as swimming pool and sky gardens. Based on Edmund Tie & Company's estimation, there is about 48 million sq ft of high-specification industrial stock as at 1Q 2019. Around 3.2 million sq ft was completed in 2018, 7.0% higher than the 3.0 million sq ft[6] supply that was completed in 2017. There is no completion in 1Q 2019 (Figure 4).

There were four major completions of high-specification industrial developments in 2018. One of which was 30A Kallang Place (336,000 sq ft GFA) by Mapletree Industrial Trust, which targets mainly clean and technology-related companies and the other three developments are strata-titled developments for sale.

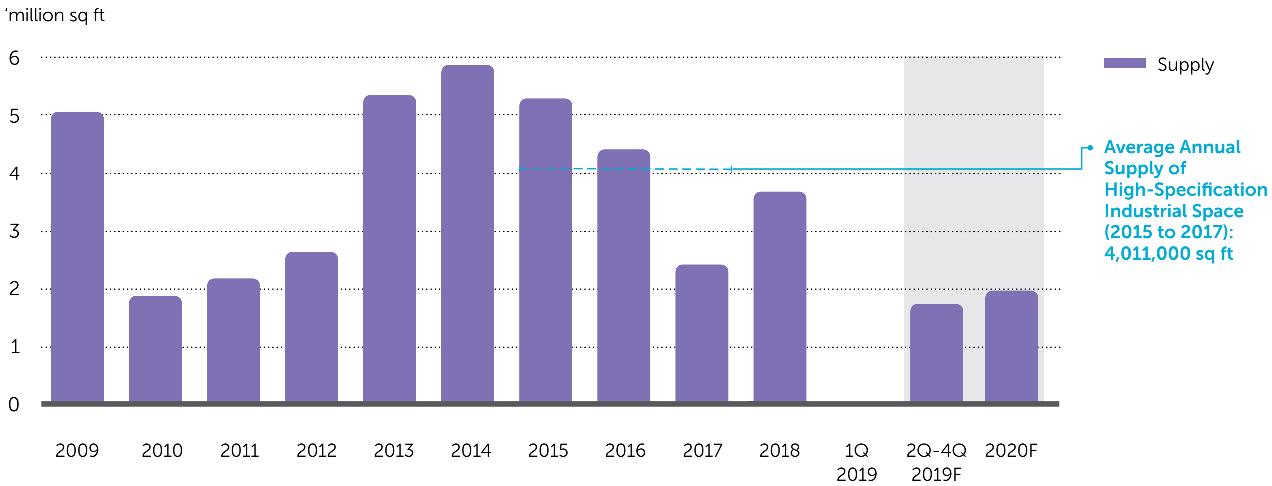
POTENTIAL SUPPLY

A total of 3.7 million sq ft GFA of high-specification industrial space is expected to be completed between 2Q 2019 and 2020. Solaris@Kallang 164 and 171 (total GFA 900,300 sq ft) are redevelopments of two industrial buildings into high-specification industrial buildings located at Kallang Way. Both developments are expected to be completed in 2019.

RENTS

The 75th percentile rent for multiple-user factory space, which is a proxy for high-specification industrial space, remained stable in 2018 at S$2.20 per sq ft per month (Figure 5). In 1Q 2019, the 75th percentile rent increased slightly to S$2.21 per sq ft per month.

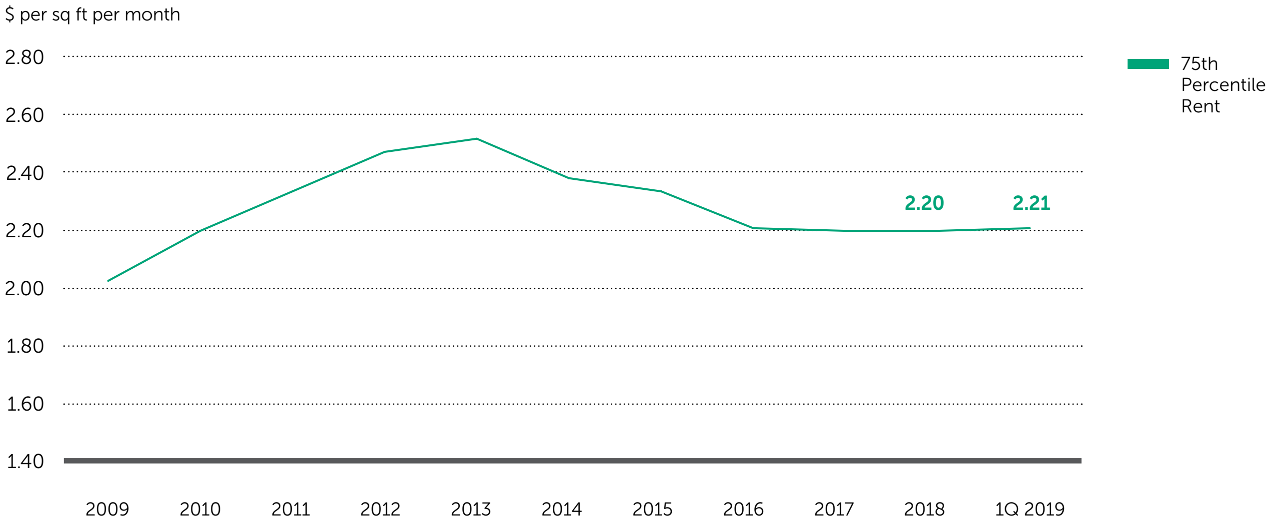
FIGURE 4: SUPPLY OF HIGH-SPECIFICATION INDUSTRIAL SPACE[1]



Source: JTC, Edmund Tie & Company

6 Based Edmund Tie & Company's estimation.

FIGURE 5: RENTS FOR HIGH-SPECIFICATION INDUSTRIAL SPACE[7]



Source: JTC, Edmund Tie & Company

OUTLOOK

The demand for high-specification industrial space is being driven by value-add companies and technology industries e.g. digital applications companies. The growth of the technology sector is also supported by the prevalent use of Internet-of-Things technology. These technology-related companies require industrial space with high-specifications, such as high and reliable electrical loading and efficient floor plates. However, as the global economy undergoes uncertainties amidst the United States-China trade dispute, we expect a moderation in the demand for high-specification industrial space and rents to stay flat in 2019.

BUSINESS PARK SPACE

Information technology and media companies continued to drive the demand for strategically located business parks. Bearing in mind the locality and tapered supply, we expect rents for business parks located in the Central region to increase by 3% to 5% while rents for business parks located in the West and East regions to stay flat in 2019.

STOCK AND SUPPLY

In 2018, business park space grew by 2.0% y-o-y (net supply: 464,800 sq ft) from 23.0 million sq ft to 23.5 million sq ft. Completions in 2018 were Alice@Mediapolis (425,000 sq ft) at one-north, The Kingsmen Experience (141,330 sq ft) and FM Global Centre (125,000 sq ft). In 1Q 2019, total stock grew to 23.7 million sq ft upon the completion of 5 Science Park Drive (275,100 sq ft), which is fully leased by Shopee. 58.5% (13.9 million sq ft) of business park space is in the Central region, 24.2% (5.7 million sq ft) in the East region and 17.3% (4.1 million sq ft) in the West region.

7 Refers to gross rent per month including service charge but excluding GST.

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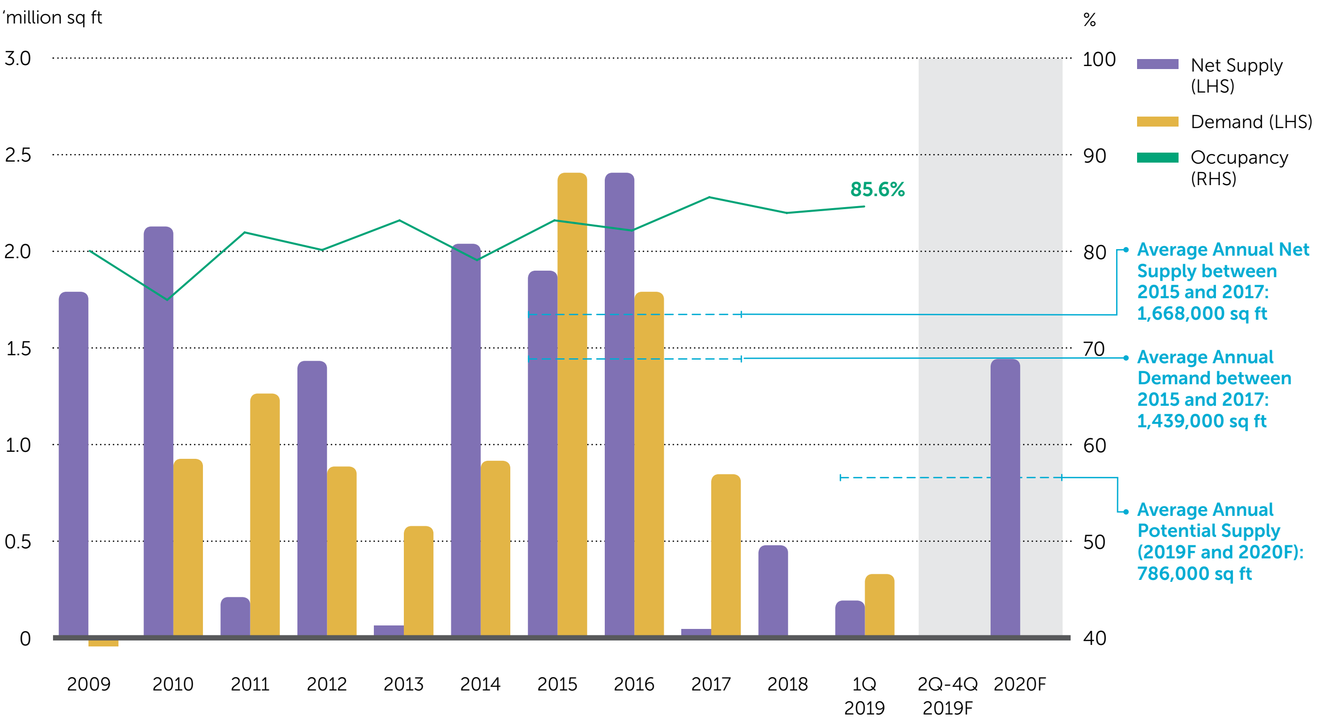
DEMAND AND OCCUPANCY

Highly developed infrastructure and digital transformations, as supported by the government, have led to higher innovation and productivity in industrial and technology-related companies. This in turn drives the demand for high quality and unique workspace in business parks. There is also increased demand for build-to-suit facilities such as Grab's new headquarters at one-north, which will incorporate a research and development centre. Islandwide occupancy fell by 1.7 percentage points to 84.9% in 2018 and rebounded to 85.6% in 1Q 2019 (Figure 6). Business park space in the Central region (i.e. one-north and Mapletree Business City) continued to enjoy the highest occupancy (90.1%) in 1Q 2019 due to their strategic locations, integrated concepts and high-quality developments.

FIGURE 6: NET SUPPLY, DEMAND, OCCUPANCY AND POTENTIAL SUPPLY (BUSINESS PARK SPACE)[1]



Source: JTC, Edmund Tie & Company

POTENTIAL SUPPLY

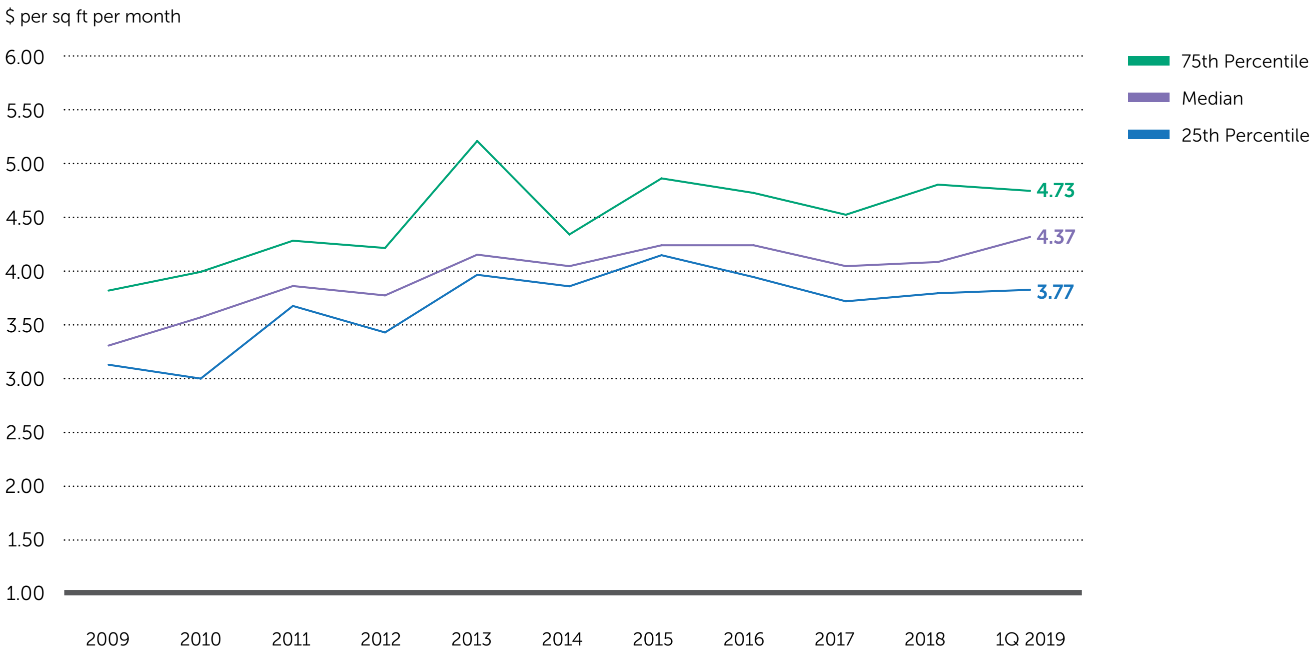
Around 1.7 million sq ft (GFA) of business park space is in the pipeline between 2Q 2019 and 2020. The largest pipeline supply is CleanTech Three (673,000 sq ft) by JTC, an integrated development for research laboratories and start-ups which is expected to complete in 2020. There are no upcoming projects to be completed from 2Q 2019 to 4Q 2019.

RENTS

The flexibility and environment of business parks have consistently drawn demand from technology and research companies in the engineering, biomedical and bioscience sectors. Despite the fall in occupancy in 2018, the lack of new supply led to an increase in rents of business park space. The 75th percentile rent for business park space, which are generally for better and newer business parks, rose by 6.5% y-o-y to S$4.79 per sq ft per month. In comparison, the rent at the 25th percentile[8] and median rents rose by 1.9% and 1.1% to S$3.74 and S$4.13 per sq ft per month respectively in 2018 (Figure 7). As at 1Q 2019, the 75th percentile, median and 25th percentile monthly rents for business park space were S$4.73 per sq ft, S$4.37 per sq ft and S$3.77 per sq ft respectively.

8 The 25th percentile rents generally represents transactions in older stock.

FIGURE 7: RENTS FOR BUSINESS PARK SPACE[9]



Source: JTC, Edmund Tie & Company

OUTLOOK

Business parks are generally more attractive compared to traditional industrial parks given their campus-style environment and variety of amenities. Technology-related companies also benefit from the clustering with similar industries and education institutions, which encourages the sharing of knowledge and generates social capital. High-quality business park space further enables the growth of knowledge-based industries in the technology, software and e-commerce sectors. Bearing in mind the locality and the tapered supply, we expect rents for business parks located in the Central region to increase by 3% to 5% while rents for business parks located in the West and East regions to stay flat in 2019.

STACK-UP FACTORY SPACE

With the ramp-up accessibility and varying unit sizes, stack-up factories allow for co-existence of both small and big companies, encouraging collaboration opportunities. Keeping in mind the slower manufacturing activity which will likely lead to minimum expansion plans for business operations, we expect rents for stack-up factory space to remain stable in 2019.

STOCK AND POTENTIAL SUPPLY

There is no official statistics on stack-up factory space. According to Edmund Tie & Company, there is an estimated 8.8 million sq ft (GFA) of stack-up factory space[10] as at 1Q 2019. The last completion is JTC TrendSpace (542,912 sq ft) in 1Q 2019. There is no supply of stack-up factory space expected in the rest of 2019.

DEMAND AND OCCUPANCY

Stack-up factory provides users with direct vehicular access to individual units in the upper floors, enabling better efficiency. The latest completion, JTC TrendSpace, located at Sungei Kadut, is the first high-rise multi-tenanted development attracting both furniture and furniture-related companies. Based on Edmund Tie & Company's estimation, average occupancy rate for private stack-up factory was around 91.8% in 2018.

9 Refers to gross rent per month including service charge but excluding GST.
10 Includes only ramp-up factory space. Does not include ramp-up warehouses.

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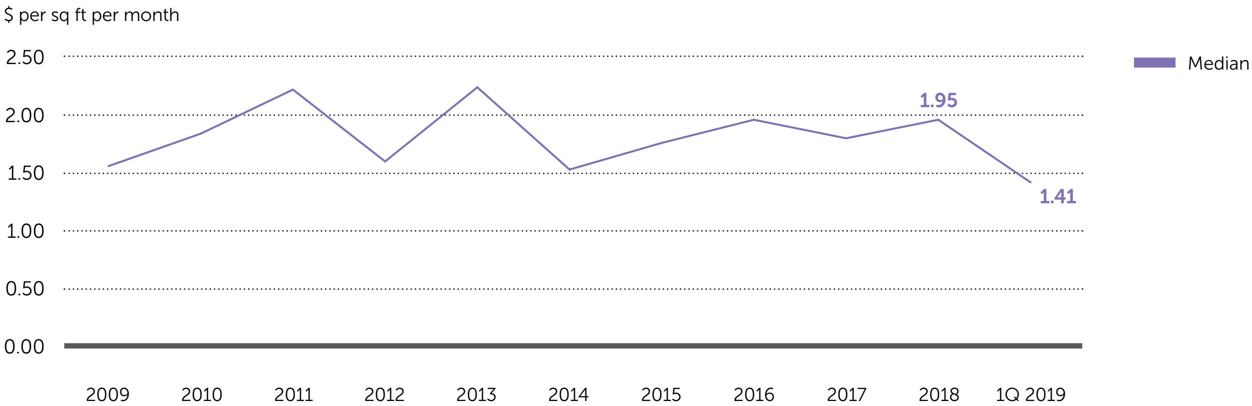
RENTS

There are limited rental transactions for stack-up factory due to its limited stock. Transacted rents also vary as the unit sizes of stack-up factory range from 2,000 sq ft to over 40,000 sq ft. In 2018, monthly rental transactions for stack-up factory was between S$1.50 per sq ft and S$1.93 per sq ft.

The majority of rental transactions were in Bukit Batok Connection, which was used here as a proxy for stack-up factory rents (Figure 8). In 2018, rents increased by 8.9% y-o-y to S$1.95 per sq ft per month compared with the decline in 2017 of 8.2% y-o-y. As at 1Q 2019, the median rent is S$1.41 per sq ft per month.

FIGURE 8: RENTS FOR STACK-UP FACTORY[11]



Source: JTC, Edmund Tie & Company

OUTLOOK

Stack-up factory space, with direct ramp access, provides industrialists an alternative to land-based factory space and improves operational efficiency. As such, stack-up factory space is a viable alternative for general manufacturing industrialists as well as niche businesses, e.g. food and furniture. The space is especially attractive for small-and medium-sized enterprises. Given their varying unit sizes, stack-up factories allow for the co-existence of both small and big companies, encouraging collaboration opportunities. Keeping in mind the slower manufacturing activity which will likely lead to minimum expansion plans for business operations, we expect rents for stack-up factory space to remain stable in 2019.

LIMITING CONDITIONS

Where it is stated in the report that information has been supplied to us in the preparation of this report by the sources listed, this information is believed to be reliable and we will accept no responsibility if this should be otherwise. All other information stated without being attributed directly to another party is obtained from our searches of records, examination of documents or enquiries with relevant government authorities.

The forward statements in this report are based on our expectations and forecasts for the future. These statements should be regarded as our assessment of the future, based on certain assumptions on variables which are subject to changing conditions. Changes in any of these variables may significantly affect our forecasts.

Utmost care and due diligence has been taken in the preparation of this report. We believe that the contents are accurate, and our professional opinion and advice are based on prevailing market conditions as at the date of the report. As market conditions do change, we reserve the right to update our opinion and forecasts based on the latest market conditions.

Edmund Tie & Company (SEA) gives no assurance that the forecasts and forward statements in this report will be achieved and undue reliance should not be placed on them.

11 Includes only rental transactions in Bukit Batok Connections. Refers to gross rent per month including service charge but excluding GST.