

# Gearing up for the new economy

## Industrial market stabilising

Stability has been the theme of the Singapore industrial market for the first three months of 2019. According to CBRE data, rents for both ground and upper floor factories and warehouses were unchanged on a quarter-to-quarter basis, and stayed firm or slipped less than 1 per cent on a year-on-year basis.

Analysts' consensus points to the market holding firm in the year ahead, supported by the limited supply in the market, which is expected to tighten vacancies even further. There are some other bright spots – despite global uncertainties from the trade war, the Purchasing Managers' Index in fact expanded for the 31st straight month in March. In particular, high-specification ("high-specs") buildings are likely to be the winner, as they are expected to continue commanding higher rentals as tenants renew or relocate from older-generation buildings.

But do not confuse stable for boring. Transformation is underway in the industrial market, which has been swept up by the global revolution known as Industry 4.0.

Companies are now racing to digitalise and automate their processes in order to unlock the new frontiers of possibilities offered by technologies like the Internet of Things (IoT) and robotics.

Welcome to the brave new world, where smart warehouses come equipped with intelligent sensors and vision-guided robots; automated, real-time tracking of inventory and maintenance and even robots to sort and retrieve wares. The life cycle of a product – starting from research and development all the way to last-mile delivery to customers – can now be linked up seamlessly with a digital supply chain network. In smart factories, sensors can collect data on operations, to be analysed and improved on by artificial intelligence and machine learning.

## Future-Forward

As has been throughout Singapore's history, having a future-ready economy is imperative – and now is not an exception. Already, Industry 4.0 has been identified as a key driver of Singapore's future economic growth. In the past two years, Singapore has been showcasing its best ideas in advanced manufacturing at the Hannover Messe



fair in Germany, which is the world's largest industrial technology trade show. In October this year, Singapore will also play host to the Asian edition of Hannover Messe, allowing companies from all over the world to connect with players in the booming Asean region.

At home, the industrial sector has of late seen a flourishing innovation climate thanks to the changing dynamics in both the Singapore and global economy – which will also mean a marked shift in appetite for industrial properties. With the government's drive to boost Singapore's food security and production by 2030, there is a robust pipeline of food-related industrial developments now under construction. One example is the 1.14 ha Bedok Food City, expected to complete in 2019 to 2020 with features like dedicated exhaust shafts, flues, diesel and gas supply as well as cross ventilation. High costs in the F&B sector are also prompting demand for central kitchens in industrial spaces, where food is prepared and then delivered, either partially or fully cooked, to restaurant outlets or customers.

E-commerce is also booming, driven by a digitally and shopping savvy population and the government's push to transform Singapore into a hub distributing goods to the region. For those in this space, particularly logistics players, modern ramp-up warehouses with higher power and floor loading capacity to increase the efficiency of their operations is in demand. On the whole, with the increasing digitalisation of the economy, the industrial property market is set to see an increased demand for hi-tech logistics and warehouses and business

**MAIN PHOTO & ABOVE:**  
UE BizHub EAST (Business Park);  
11 Serangoon North Avenue 5  
(General Industrial).



## ANTI-CLOCKWISE FROM TOP:

Viva Business Park (Business Park); 15 Greenwich Drive (Logistics and Warehouse); 30 Marsiling Industrial Estate Road 8 (High-Specs Industrial).



parks with sophisticated features, whether it be uninterrupted power supplies and internet connectivity, or servers and mini data centres.

## ESR-REIT leading the way to be Future-Ready

Over the past few years, ESR-REIT has been transforming its properties and repositioning and tenant targeting in preparation for the expected changes to Singapore's economic fabric brought about by Industry 4.0. It has successfully ushered in a slew of tenants which includes technology companies such as DSIM and Ecquaria, social media platforms, video processing and real time communication firms. E-commerce players under ESR-REIT's roofs include online

fashion shop Love & Bravery; automated parcel terminal network BluPort Logistics; Teledirect, a call centre serving tenants from e-commerce platforms; and do-it-yourself online property portal Ohmyhome.

More future-forward industries are set to come, as ESR-REIT has also received encouraging enquiries since the beginning of the year for central kitchens from established food delivery platforms. Already as of end-2018, business parks and high-specs assets contribute 45 per cent of ESR-REIT's portfolio composition by value. ESR-REIT's properties are outfitted with features such as cold storage rooms at 6 Chin Bee Avenue with more than half of its \$558.7 million logistics portfolio comprising modern ramp-up warehouses like 15 Greenwich Drive and 3 Pioneer Sector 3. It has also proactively rejuvenated its properties – converting 30 Marsiling Industrial Estate 8, traditionally a General Industrial building, into a modern high-specs building to attract industrialists from the higher-value added manufacturing sector. 30 Marsiling was fully pre-leased prior to completion of the asset rejuvenation works in January 2019. More asset rejuvenation initiatives are planned for other similar general industrial buildings in the portfolio. Already riding the wave of industrial transformation, ESR-REIT stands ready to support even more of such tenants-of-tomorrow.

**\$3.1B AUM**  
**14.1M SQ FT GFA**  
**57 PROPERTIES ACROSS SINGAPORE**

## AT ESR-REIT, WE BELIEVE IN THE FUTURE.

That's why we own quality income-producing properties strategically located across Singapore. You can gain access to our well-connected properties in **Business Parks, High-Specs Industrial, Logistics / Warehouse and General Industrial sectors** island wide.

We look forward to supporting and providing the footprint for our tenants' expansion.

**We believe in creating new and sustainable partnerships for a better future.**

For leasing enquiries, speak to us at +65 6827 9555 and discover the benefits.



4/6 Clementi Loop  
Logistics & Warehouse



12 Ang Mo Kio  
Street 65  
High-Specs  
Industrial



30 Toh Guan Road  
General Industrial



UE BizHub EAST  
Business Park



Real Estate for  
Tomorrow's Businesses

www.esr-reit.com.sg