

## OVERVIEW

For the first quarter of 2023, the manufacturing sector contracted by 6.0% compared to a 5.8% growth a year ago. Almost all clusters of the manufacturing sector contracted except for the transport engineering cluster. The electronics and chemicals cluster led the declines in manufacturing output.

Table 1: Year-on-Year Change in Gross Domestic Product in chained (2015) dollars

	1Q 2022	2Q 2022	3Q 2022	4Q 2022	2022	1Q 2023*
<b>GDP</b>	4.0	4.5	4.0	<b>2.1</b>	<b>3.6</b>	<b>0.1</b>
<b>Manufacturing</b>	5.8	6.1	1.1	<b>-2.6</b>	<b>2.5</b>	<b>-6.0</b>
<b>Construction</b>	3.3	5.5	8.1	<b>10.0</b>	<b>6.7</b>	<b>8.5</b>
<b>Services</b>	4.9	4.8	5.5	<b>4.0</b>	<b>4.8</b>	<b>1.8</b>

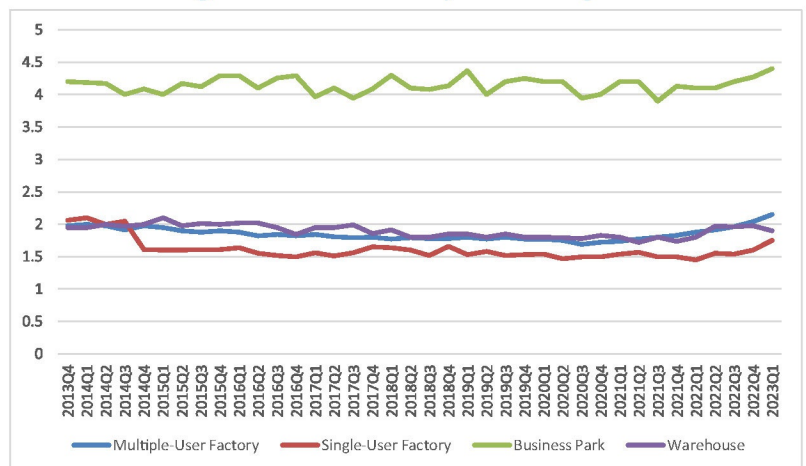
\* Advance estimates

Source: MTI, Huttons Research

Prices and rents of industrial space continued to grow by 1.5% and 2.8% in 1Q 2023. Prices however have moderated for the second straight quarter. Rents continued to rise because these tenancies were signed during the Covid years when they were lower.

Occupancy rate of industrial space weakened further by another 0.6% in 1Q 2023, following on the fall of 0.3% in the previous quarter. Demand for industrial space plunged from 268,000 sq m in 4Q 2022 to a mere 5,000 sq m in 1Q 2023. The single-user segment demand contracted the most by 50,000 sq m.

Figure 1: Median Rents of Industrial Space



Source: JTC, Huttons Research

## MARKET OUTLOOK

The weakness in manufacturing and non-oil domestic exports (NODX) is likely to persist in the coming months of 2023 and will impact demand for industrial space. The higher than usual supply in the pipeline will create an overhang in the industrial market and occupancy could trend lower. This may add downward pressure on prices and rents in 2023. Prices and rents of industrial space may see not more than 3% growth in 2023.

CONTACT ME FOR A DETAILED DISCUSSION OF THE LATEST TRENDS



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