

Q2 2026

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Industrial space demand benefits from AI-led investment

“AI and digitalisation reshape occupier requirements, at the same time creating structural demand that underpins both leasing activity and capital values.”

TRIDIANA ONG, HEAD, OCCUPIER STRATEGY AND SOLUTIONS

AI-LED MANUFACTURING DRIVES ECONOMIC GROWTH IN Q2 2026

Advanced estimates released by the Ministry of Trade and Industry showed that Singapore's economy grew 5.7% y-o-y in Q2 2026, with the resilient performance primarily driven by the goods producing industries which clocked an increase of 10.4% y-o-y. Manufacturing remained a key driver of economic growth as output expanded 12.2% y-o-y, accelerating from 8.0% y-o-y in the previous quarter on the back of continued AI-led demand for semiconductors and semiconductor manufacturing equipment. Construction growth moderated to 6.2% y-o-y in Q2 2026 from 12.9% y-o-y in Q1 2026, although activity remained supported by both public and private-sector projects.

The overall Purchasing Manager's Index (PMI) registered 51.3 in June 2026,

better than the 50.7 and 51.0 recorded in April and May 2026 respectively. The electronics PMI continued to outperform the overall index, recording 52.2 in June 2026. The current momentum of growth in both manufacturing and electronics was largely driven by strong global demand for AI-related products, especially computer chips. Factories remained busy as new orders kept pouring in, while major technology companies continued investing heavily in AI infrastructure. This steady demand kept the sectors resilient despite ongoing geopolitical tensions and supply chain challenges.

INDUSTRIAL SALE ACTIVITY EASED WITH LESS BIG-TICKET DEALS IN Q2

A total of 386 industrial sales transactions were recorded in Q2 2026, down 8.5% q-o-q and 18.0% y-o-y (Exhibit 1), with total

3,199

LEASES

Number of Industrial Tenancies
7.9% ▲ Q-O-Q | 4.8% ▼ Y-O-Y

\$S\$1.3

BILLION

Total Industrial Sales
66.2% ▼ Q-O-Q | 44.7% ▼ Y-O-Y

46.0

Million SF GFA

Upcoming Supply (Q2 2026 to 2030)

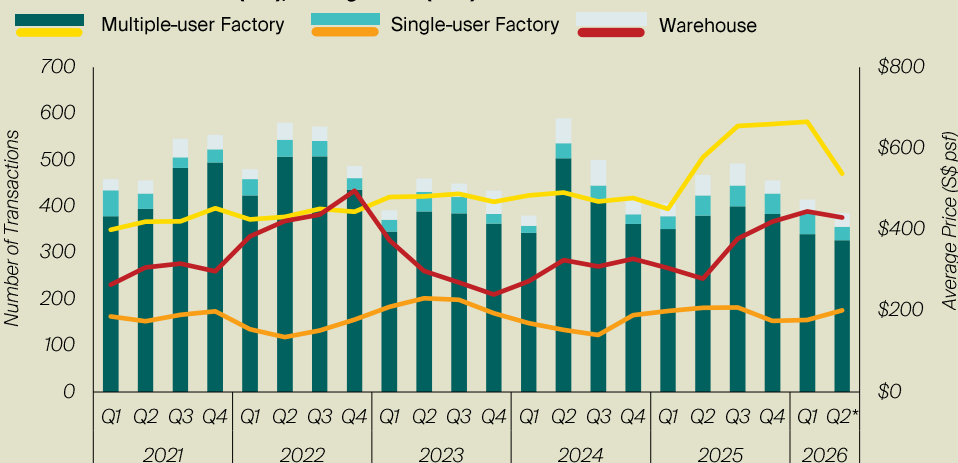
transaction value amounting to S\$1.3 billion. This represented a return to more normalised levels after the S\$3.7 billion recorded in Q1 2026 when UI Boustead REIT was listed. The slowdown was more pronounced in the absence of big-ticket deals, as the number of transactions of S\$10 million and above fell from 39 in Q1 2026 to just 16 in Q2 2026. At the same time, sub-S\$10 million transactions remained relatively resilient, with 370 deals recorded in Q2 2026, similar to the 383 in Q1 2026, suggesting that owner-occupiers continued to seek space for business continuity.

Industrial leasing activity rose 7.9% q-o-q to 3,199 contracts in Q2 2026 (Exhibit 2). In Q2 2026, the Prime Business Park and General Business Park rents remained steady at S\$6.28 psf pm and S\$3.75 psf pm respectively, while High-Specs Industrial moved up 0.8% q-o-q to S\$3.67 psf pm. On a yearly basis, Prime Business Park rents contracted 2.2%, while General Business Park and High-Specs Industrial rents were broadly unchanged, edging up by a slight 0.8%.

Rents for qualifying clean activities in these industrial properties remained relatively more affordable, even as prime Central Business District (CBD) office rents stayed elevated due to the tight supply of high-quality space. As such, occupiers with expansion needs, as well as those resisting rising rental costs, could increasingly look beyond the CBD to alternative locations such as Prime Business Parks. As not all tenants

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.

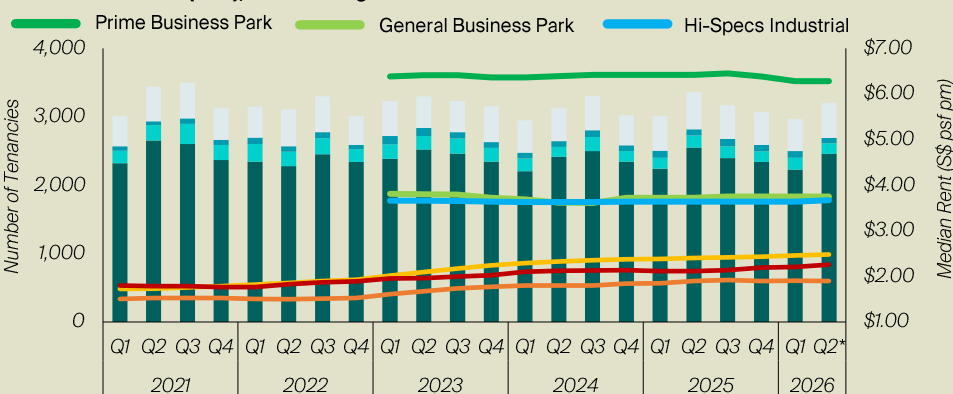
*Q2 2026 data is based on transactions downloaded as at 15 July 2026.

Exhibit 2: Industrial Leasing Volume and Median Rentals

Number of Tenancies (Bar), Median Rents (Line), Source: JTC

Multiple-user Factory Single-user Factory Warehouse Business Park

KF Industrial Rents (Line), Source: Knight Frank



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.

are able or willing to absorb the escalating rental premiums associated with prime CBD offices, growing spillover demand into well-located business parks that offer amenities and accessibility akin to CBD office environments could begin to gain some traction.

INDUSTRIAL SECTOR DRAWS INVESTMENT DUE TO CONFIDENCE IN SINGAPORE'S STABILITY

Katoen Natie invested S\$60 million in a new Jurong Island facility, alongside an additional S\$3.1 million commitment for a fully automated storage and retrieval system, amid disruption to chemical supply chains with the conflict in the Middle-East. The project also reflected continued investment into higher-value, technology-enabled industrial operations, supporting productivity gains and supply chain resilience.

Singapore's maritime sector also stepped up investment in digitalisation, with over S\$100 million committed to maritime research and development over the next five years. Key focus areas include autonomous port operations, smart ships and AI adoption.

Singapore's stable operating environment, skilled talent pool and resilient supply chains make for an oasis-like investment hub for advanced manufacturing. This was reflected in Siemens' decision to establish a S\$299 million digital factory in Singapore, underscoring how manufacturers are prioritising long-term value, reliability and regional connectivity over riskier lower-cost locations.

MARKET OUTLOOK

The investment momentum into facilities for advanced manufacturing, AI infrastructure and logistics automation is expected to remain strong as global companies increasingly seek safe-haven locations to navigate geopolitical conflicts, political barriers and trade obstacles. This is consistent with Singapore's strong fixed asset investment (FAI) performance in Q1 2026, where total FAI commitments rose 40.9% y-o-y, driven largely by manufacturing investments. Notably, commitments in the electronics sector surged to S\$2.2 billion from just S\$55.0 million in Q1 2025.

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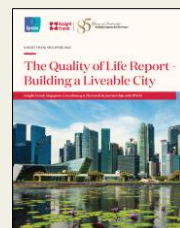


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Although investment sales could become more selective in the near term, both private and institutional investors, as well as business owners continue to keep an eye out for opportunities. Industrial property prices are projected to grow 3% to 5% for the full year, as a result of resilient owner-occupier demand and Singapore's appeal as a hub.

Leasing demand is expected to remain firm as the impact of ongoing expansion and the growing adoption of AI and automation tickle down from large-scale manufacturers to domestic small-and-medium enterprises. At the same time, well-connected, amenity-rich business park buildings such as Galaxis were observed to be in the process of backfilling decanted spaces from larger former occupiers that upgraded to other locations or facilities. Knight Frank maintains industrial rents to grow at a resilient pace of between 1% and 3% for the whole of 2026.

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