

ROBUST GROWTH OF FOOD FACTORIES

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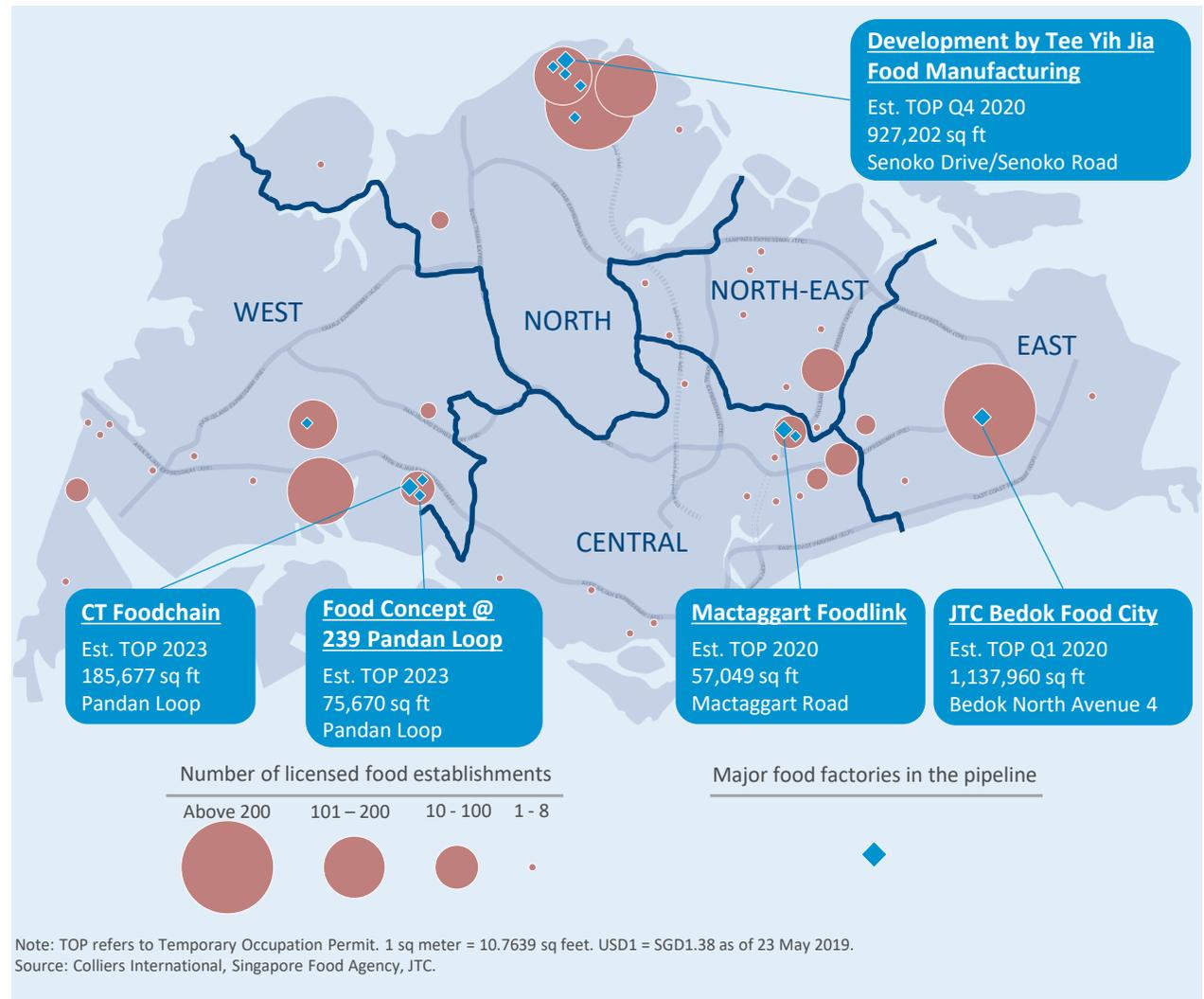
Summary & Recommendations

With high retail rents and the government's push for productivity in F&B, food factories and central kitchens, located in industrial zones, have risen in demand in recent years.

Monthly rents achieved in established food zones range around SGD1.5–2.4 (USD1.1–1.7) psf, while food factories transacted between SGD142–325 (USD103–236) psf.

We forecast sustained demand but robust supply should keep rents and prices of food factories largely stable over the next three to five years.

We recommend that occupiers be mindful of the regulations and keep an open mind to facilities further from the city center in view of rent savings. Operators should continue to upgrade their facilities to remain competitive.



* This report has been updated as of 4 June 2019 and supersedes all previous versions.

Sustained demand

Food facilities estimated to account for about 10%¹ of the total number of manufacturing establishments. Given the perishable nature of food, these facilities are strictly governed, with most food factories located in JTC Food Zones.

The majority of food factories are located in the North and West regions, typically within various JTC Food Zones. Unit sizes range from 3,000–5,500 sq feet (279–511 sq meters) in older premises to 10,000–40,000 sq feet (929–3,716 sq meters) in new buildings.

Based on Colliers' observation, demand remains strong for food factories nearer the city center, with mature food manufacturing areas such as MacPherson, Pandan Loop and Bedok North able to maintain occupancy between 80% to 100%. However, food factories in newer and further locations like Tuas and Senoko tend to have much lower occupancies of around 60%. We expect demand to lag behind supply in 2019-2020 but still remain sustained, driven by rising popularity of food delivery services and e-commerce, the need of F&B operators to streamline their retail spaces, as well as the government's push for greater productivity and innovation in Singapore's food industry.

Licensed food establishments by region

Region	Number of licensed food establishments	Major food factories and central kitchens in the region
North Region	507	Food XChange @ Admiralty, Mandai Foodlink, FoodAxis @ Senoko, JTC Food Hub @ Senoko
West Region	455	Jurong Food Hub, Cache Cold Centre, Westview Food Factory, JTC Poultry Processing Hub @ Buroh
East Region	262	Hersing Kitchen, Shimei East Kitchen, Gourmet East Kitchen
Central Region	239	KA Foodlink, 3020 Ubi Avenue 2
North-East Region	131	Sakae Building, factories on Defu Lane 10

Delivery service providers also solidified their presence in the face of rising competition, with Foodpanda and Deliveroo starting their own central kitchens in the last two years.

Robust supply in the pipeline

According to data from JTC, a total of 637,115 sq feet of food factory space (59,190 sq meters, equivalent to 1–2% of current food factory stock) came on-stream in 2019 to date, a surge from the 31,431 sq feet (2,920 sq meters) completed in all of 2018. Another 3.68 million sq feet of food factory space (341,670 sq meters, about 9–10% of current food factory stock) is in the pipeline with more than 80% to be completed in 2019-2020. This supply influx is located mainly in the North, East and West regions.

The largest upcoming project, JTC Bedok Food City, with a total GFA of more than one million sq feet (105,720 sq meters), is slated for completion in early 2020. In May 2019, an integrated Halal Food Hub of 600,000 sq feet (55,742 sq meters) in the West region was proposed by Elite Partners Capital and the Singapore Malay Chamber of Commerce and Industry to position Singapore at the forefront of innovation in the region's halal industry. It will cost SGD80–100 (USD58–72) million and complete in two years.

Application process for food establishments

Step 1: Check location suitability

Food processing facilities, cold stores and slaughterhouses should be within food zones designated by the SFA and JTC.

Step 2: Apply to SFA for a license

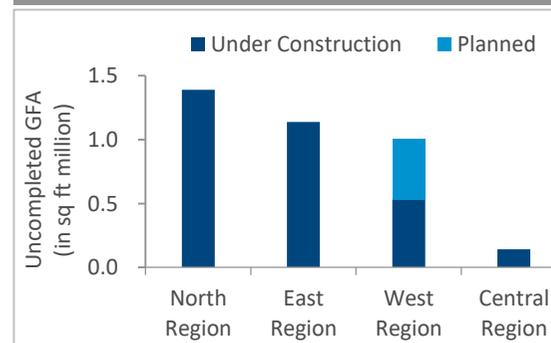
An e-Application must be submitted to the SFA with the required supporting documents, including proposed layout plan, processing flowchart and product particulars. The SFA then conducts a preliminary evaluation and site inspection. Professional advice is provided and approval notification is issued for the commencement of fit-out work.

Step 3: Final inspection

A final inspection is carried out, with additional documents to be submitted for final review.

Step 4: License approval

Major food factory developments in 2019–2023



Source: Colliers International, Singapore Food Agency, JTC.

¹ According to data from Singapore Department of Statistics as of 8 May 2019, "Food, Beverage & Tobacco" accounts for 10.4% of total "Manufacturing Establishments" in 2017. Source: Colliers International, Singapore Food Agency, JTC

Rents and prices to remain stable

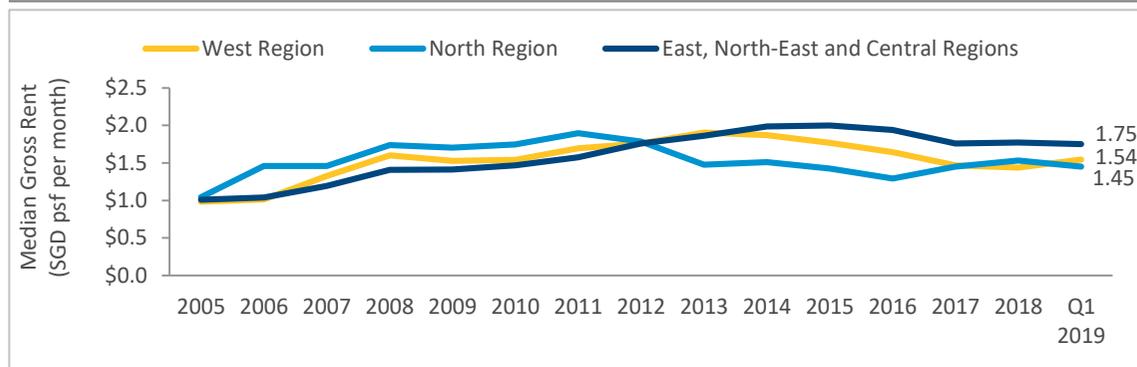
Rental rates and prices of food factories could vary quite widely depending on location, building design, specifications and remaining land tenure. Due to the time sensitivity for food catering and delivery services, central kitchens located near the CBD area or residential neighborhoods command higher rents and prices than average.

Based on transacted data from JTC, aggregated factory rents and prices in major food zones in the East, North-East and Central regions outperformed the West Region and North Region, probably due to their closer proximity to the city center. Nevertheless, monthly rents per sq foot achieved in established food zones can range around SGD1.5–2.4 (USD1.1–1.7) in the West Region (Pandan Loop, Jalan Tepong) and SGD1.8–2.4 (USD1.3–1.7) in the North Region (Senoko Avenue, Mandai Link).

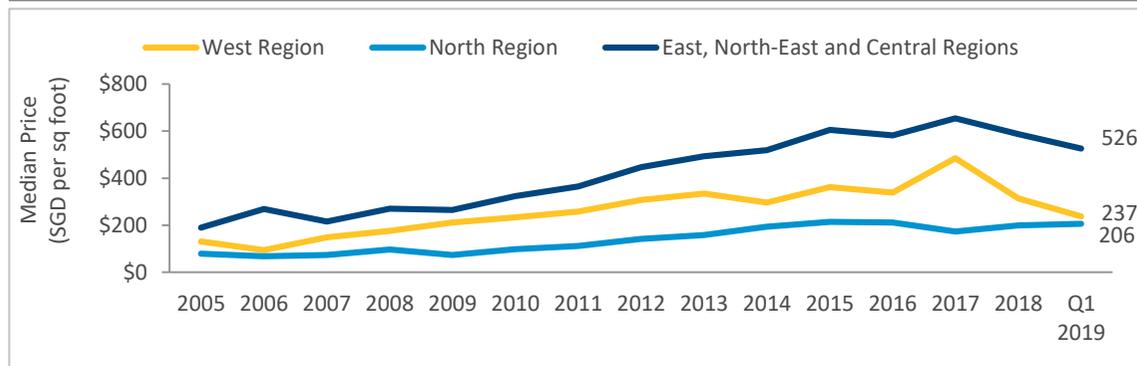
We observe that well-located food factories with better specifications like freezer and refrigerated facilities can fetch about 25–35% higher price than average food factories. In March 2017, US-based PGIM Real Estate acquired 1 Buroh Lane, a cold store food distribution center, at SGD300 (USD217) per sq foot. In March 2019, WTT Trading divested their food factory with cold store at 3 Mandai Link for SGD325 (USD236) per sq foot. In general, we expect food factories to offer attractive yields of about 6–7% (for 30-year land tenures) to qualified investors, comparing favorably to 3.25–3.65% for office properties and 4.4–4.9% for retail properties². With robust supply coming on-stream, we forecast rents and prices of food factories to remain largely stable over the next three to five years.

²According to [Colliers International's Asia Cap Rate Report Q1 2019](#)

Factory rents in major food zones - By region



Factory prices in major food zones - By region



Major food factory transactions

Address	Land Tenure	Price (SGD million)	Contract Date	Land Area (sq ft)	GFA (sq ft)	Price on GFA (SGD psf)
3 Mandai Link	30+30 years from 2007	32.00	04-Mar-19	69,244	98,485	325
10 Fishery Port Road	30 years from 2007	8.00	12-Feb-19	37,566	33,691	237
16 Chin Bee Road	60 years from 1970	4.11	05-Jun-18	54,777	n.a	n.a
33 Chin Bee Crescent	30 years from 2010	10.00	06-Dec-17	100,276	70,663	142
10 Woodlands Link	30+30 years from 1996	19.28	30-May-17	89,157	105,422	183
22 Woodlands Terrace	30+30 years from 1994	8.38	09-May-17	23,605	n.a	n.a
1 Buroh Lane	30 years from 2013	193.80	22-Mar-17	258,215	645,840	300

Note: Rents and prices are based on median unit rental and median unit price from JTC. All deals mentioned in this report have been approved for public release. Source: Colliers International, Real Capital Analytics, JTC, URA REALIS (as of 8 May 2019).

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