BY CATHERINE NG

RELOOK YOUR RENTAL NEEDS

Now may be an opportune time to evaluate space requirements amid a favourable tenant's market with ample options available

A KEY concern of SMEs for the short term is rent, which is a considerable part of business cost. Over the last two years, JTC has been lowering the posted rents of its industrial land and facilities. After energy prices took a sharp dive in late 2014, the offshore and marine (O&M) sector was hit the hardest by the protracted downturn. Profitability of service providers suffered due to a lack of upstream activity by major oil companies. To support smaller businesses, the government agency recently announced that all its tenants and lessees in the O&M industry will receive rental rebates for this year.

Some may feel that help has come too late, but the aim is that along with the potential cost savings, companies could review their operations and set themselves up for the long term. Restructuring a business is a complex task and while short-term issues are just as important, repositioning can ensure that a business is afforded every opportunity possible for growth when the economy picks up in the future.

The economy may be slowing but there are bright spots that offer growth opportunities. Industries such as automation, robotics engineering, food and additive manufacturing, 3D printing, infocommunications and financial technology are expected to be some of the main drivers for the economy. Setting the trend in industry development for these sectors, JTC has been providing next generation industrial facilities that feature shared infrastructure and services, such as JTC Space @ Tampines North, and JTC nanoSpace @ Tampines.

In addition, to support industrialists across the different stages of their business growth, a steady supply of industrial facilities is being released in an effort to stabilise the industrial property market. Together, the prevailing economic outlook and speed of excess supply absorption are expected to shape prices and rentals of industrial space for this year.

SMEs can look forward to varied options available for land use and space needs. Along with the ample space options available, there will be opportunities for industrialists to secure choice business premises with better floor layout at competitive rents.

Medium to large enterprises can expect further cost reduction with the options of consolidating their operations, as well as strategic space planning. Creative use of modern and high-specification industrial facilities that offer shared services and scalable space are worth considering. Firms can shape their operational space freely to increase their footprint as their business grows, or consolidate multiple sites into a single location, thereby improving operational efficiency. Furthermore, centralised shared utilities help lower upfront capital and operational costs by leveraging economies of scale.

Enterprises can also take this opportunity to evaluate their space requirements by strategising to achieve optimal workspace efficiency under the ancillary office component. Industrial facilities have a higher space allocation per head than commercial office facilities. Taking a page from the hot-desking trend, businesses can reduce their office needs with a smaller workspace ratio, hence freeing up capacity for core industrial use. Thus, by implementing a flexible workplace strategy, firms can make efficient use of space, expect a reduction in operating cost, and increase productivity by making adjustments to space ratio within their premise. Alternatively, they can consider premises with similar rents but better specifications.

Industrialists of smaller-scale enterprises may also wish to consider short-term leases. Such lease arrangements provide flexibility by allowing tenants the options of remaining in their existing location if business is doing well, or relocating if they decide to do so. Such an arrangement also provides companies with a certain scope for space and lease term restructuring, thereby reducing capital and operational cost.

Although it can be costly to restructure a business or to relocate, especially if relocating leads to operational disruptions, speaking with trusted real estate advisers is advised. An industrial space adviser can help with space planning, leasing strategy, provide advice to clients on the disposition of their assets, and the procurement of replacement tenant for pre-termination cases. ■

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JTC nanoSpace @ Tampines