RESEARCH

Q4 2012

LOGISTIC PROPERTY REPORT

Knight Frank

HIGHLIGHT

- The total supply of warehouses for rent in Q4 2012 was 2,907,907 sq.m., an increase from the last quarter by 5.86% and 21.95% Y-o-Y.
- The occupancy rate in the warehouse rental market was 93.13%, a drop from the last quarter by 0.31%, due to an increase in supply.

MACRO ECONOMIC OVERVIEW

The Thai export situation has improved gradually since the floods of late 2011. During Q3 2012, the total export value was 1,880 billion baht. The value of exports and imports has been on the increase since the floods, and the figures seem to indicate that the economy is on track towards recovery.

There are of course many important outside factors that could have a detrimental effect on this outcome, including a prolonged or worsening Eurozone crisis, and setbacks in the US or Chinese economies.

Figure 1

Thailand Exports - Imports

Source: Bank of Thailand

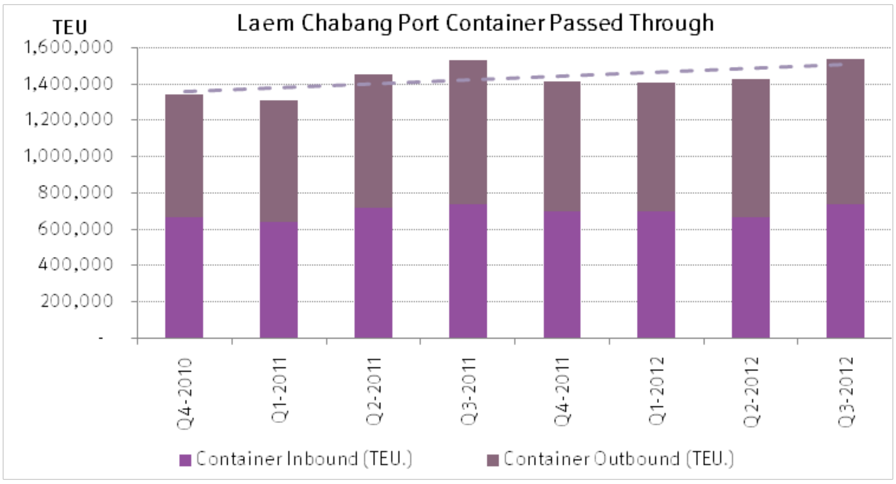
Today the European and American debt crises are a major concern to the global economy, leading the Thai government and private sectors to reduce their investment, consumption and spending. The National Economic and Social Development Board (NESDB) reduced the export growth target for the whole of 2012 to be only 5-6%, but recent announcements have even called those estimates into question.

A Bangkok Post article on 27/12/2012 quotes Srirat Rastapana, Director-general of the International Trade Promotion Department, as saying that the government still hopes exports will end the year with 4.17% growth, despite shipments through November increasing by just 2.32%, and expressed confidence that next year's growth would exceed 5% because "factories have now returned to full capacity after last year's flood crisis and on improving global demand." The article also went on to say that "the Commerce Ministry has set an export growth target for next year of 8-9% to $250 billion."

As goods make their journey from the factory to the consumer, warehouses are needed wherever that flow is broken. For example, where goods change their mode of transportation, say, from truck to sea or to air.
So as countries invest in infrastructure and create new trade routes, we can expect to see demand for integrated-logistics space increase at strategic transport hubs such as Laem Chabang Port.

Figure 2

Laem Chabang Port Container Passed Through



Source: Port Authority of Thailand

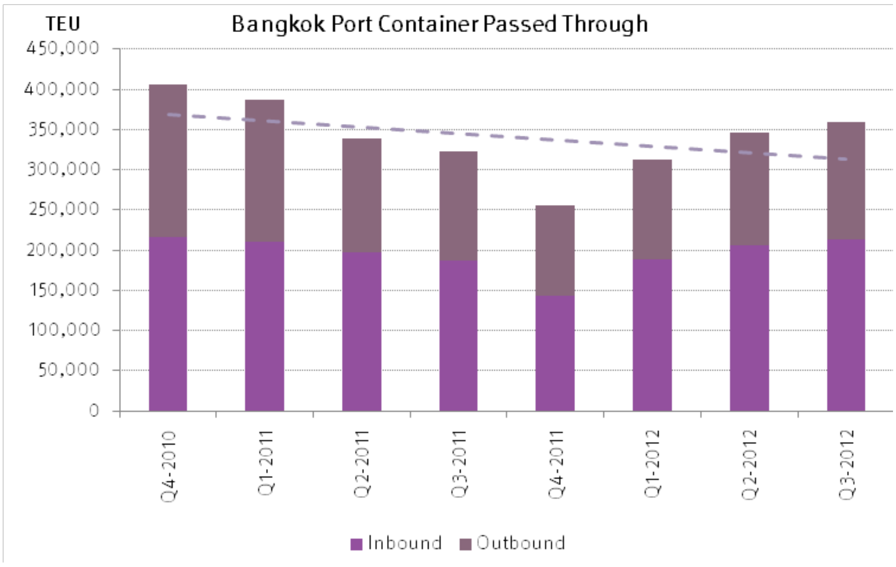
Remark: TEU - Twenty-foot equivalent unit container

According to the American Association of Port Authorities, in year 2010 Laem Chabang was ranked 22nd as the busiest container port in the world, and Laem Chabang port traffic is still growing as exports increase. Today it accounts for more than 80% of traffic of Thailand's total overseas trade.

In Q3 2012, the Laem Chabang port container transit volume was measured by the Port Authority of Thailand as being 1,535,541 Twenty Foot Equivalent Units (TEUs), with 797,104 TEUs outbound and 738,437 TEUs inbound. The total container transit volume increased from the previous quarter by 7.87%.

Figure 3

Bangkok Port Container Passed Through



Source: Port Authority of Thailand

Remark: TEU - Twenty-foot equivalent unit container

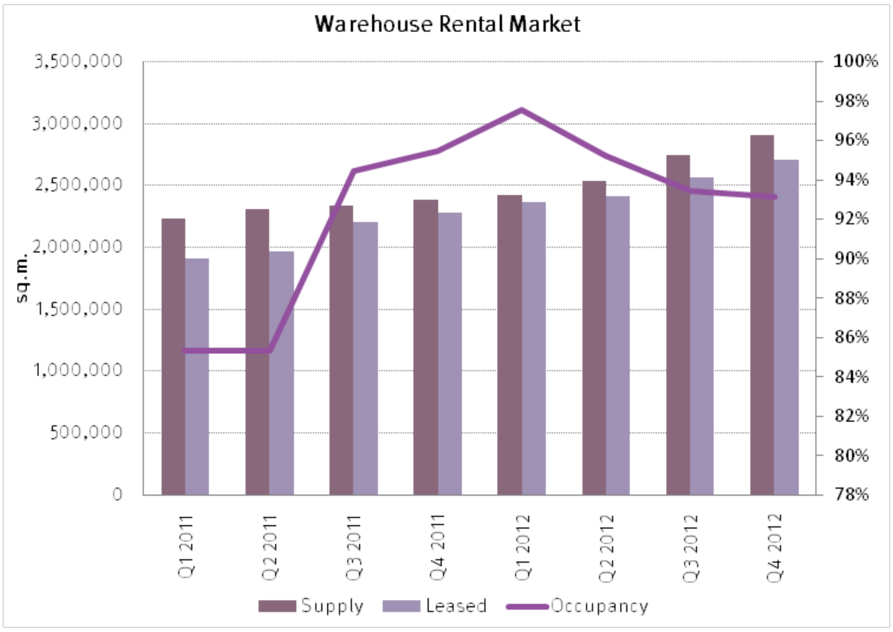
The Bangkok port container traffic volume was especially low during Q4 2011 at just 255,854 TEUs, as the supply-chain was interrupted by severe flooding. However, traffic in the port increased throughout 2012. By Q3 2012, the total container traffic moving through Klongtoey was 359,635 TEUs; the total outbound volume was 146,894 TEUs, an increase from the previous quarter of 11.28%, and up by 28.44% Y-o-Y. However, whilst this recovery is encouraging, the overall trend is still somewhat downward as more and more freight gets shipped via Laem Chabang.

MARKET OVERVIEW

An influx of new supply has caused average occupancy rates to fall, yet the market has been quick to absorb new supply in recent quarters. We expect this new supply to continue to be taken up quickly as demand for warehousing space grows.

Figure 4

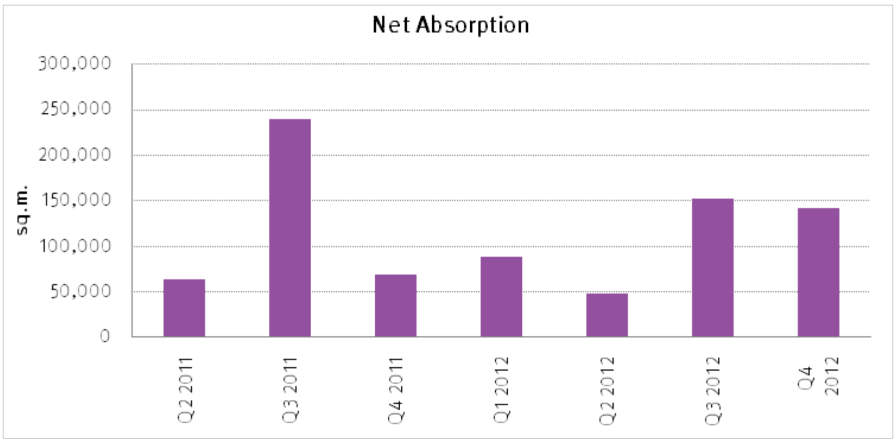
Warehouse Rental Market



Source: Knight Frank Thailand Research

Figure 5

Net Absorption



Source: Knight Frank Thailand Research

Average occupancy rates of the warehouse rental market dropped from the last quarter by 0.31% to 93.13%, due to new development completions. However, in Q4 2012, the total amount of space occupied increased by 141,462 sq.m., indicating positive net absorption amidst robust demand for warehousing space, particularly in Samut Prakarn and along the Eastern Seaboard.

Table 1

Warehouse Rental Market	Bangkok	Rama 2 - Samut Sakhon	Pathum Thani - Ayutthaya	Suvarnabhumi - Bangpakong	Eastern Seaboard
Occupancy	95.10%	92.34%	94.63%	93.04%	84.62%

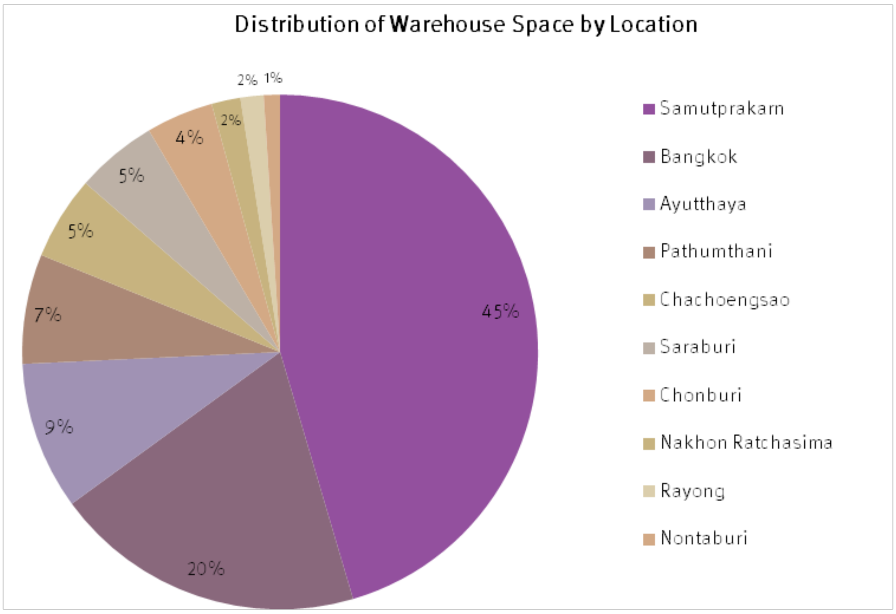
Source: Knight Frank Thailand Research

SUPPLY

The total supply of warehouse space for rent in Q4 2012 was 2,907,907 sq.m., which increased from the last quarter by 5.86% or 21.95% Y-o-Y as an additional 160,988 sq.m. of new supply entered the market.

Figure 6

Distribution of Warehouse Space by Location



Source: Knight Frank Thailand Research

Samut Prakarn currently houses the majority of Thailand's warehousing supply. Its location just outside of Bangkok allows convenient access to several industrial estates. Also, it is situated between two major seaports, and is home to the international airport. Despite the concentration of supply in this province, we suspect that the Eastern Seaboard will see the most new supply over the coming few years, as new logistics parks in Rayong and Chonburi pick up steam.

FUTURE SUPPLY

Table 2

Project	Location	Total Size (sqm)	Completion
Hemeraj Logistic Park 3 (Phase 1)	Chonburi	18,656	Q1 2013
SKH Warehouse 1	Samut Prakarn	40,035	Q1 2013
Washington Town	Samut Prakarn	9,720	Q1 2013
Rich Factory	Samut Prakarn	15,655	Q1 2013
WHA Phaholyothin	Ayutthaya	62,000	Q1 2013
PK Park (Phase 1)	Samut Prakarn	9,720	Q2 2013
Thriven Group	Samut Prakarn	20,184	Q2 2013
WHA Bangna	Samut Prakarn	53,130	Q2 2013
Hemeraj Logistic Park 4	Rayong	28,401	Q2 2013
TPARK Eastern Seaboard 1 (B)	Rayong	41,000	Q2 2013
TPARK Amata Nakorn (expansion)	Chonburi	N/A	Q4 2013
SKH Warehouse 2	Samut Prakarn	20,000	Q4 2013
TPARK Eastern Seaboard 1 (C)	Chonburi	N/A	2014
TPARK Eastern Seaboard 2 (B)	Chonburi	N/A	2014
Hemaraj Logistic Park 3	Chonburi	62,000	N/A
WHA Amata Nakorn I.E.	Chonburi	N/A	N/A
PK Park	Samut Prakarn	75,328	N/A

Source: Knight Frank Thailand Research

WAREHOUSE RENTS IN KEY LOGISTICS LOCATIONS

Table 3

Warehouse Rental Market	Rental Rate (THB/sqm/Month) by Locations				
	Bangkok	Rama 2 - Samut Sakhon	Pathum Thani - Ayutthaya	Suvarnabhumi - Bangpakong	Eastern Seaboard
Prime	177.05	166.14	191.63	167.06	167.50
Secondary	121.23	117.92	136.52	115.39	132.05

Source: Knight Frank Thailand Research

Warehouse rental rates vary depending on building age, specifications, condition, and location. Most of the prime warehouses are modern distribution centres, offering raised floors, docks, and ceilings of at least 10 m. in height.

Rents have not witnessed much fluctuation, thanks in part to new supply that has increased in line with increased demand.

The secondary market is markedly cheaper on average but quality, age, and condition are often reflected in the price differential.

OUTLOOK

Robust demand in the wake of the recovery of the export sector has piqued the interest of local investors in logistic properties. Consequently, Knight Frank has seen a number of new projects enter the planning stage.

APPENDIX:

Warehouse Rental Market : purpose built warehouses for rent from all major developers, but not limited to industrial estate locations.

Prime Warehouse Market : ready built warehouses that command and achieve the top 10% in highest rents for their sector.

Americas
USA
Bermu da
Brazil
Caribbean
Chile
Australasia

Australia
New Zealand

Europe
UK
Belgium
Czech Republic
France
Germany
Hungary
Ireland
Italy
Monaco
Poland
Portugal
Russia
Spain
The Netherlands
Ukraine

Africa
Botswana
Kenya
Malawi
Nigeria
South Africa
Tanzania
Uganda
Zambia
Zimbabwe

Asia
Cambodia
China
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