

A photograph of a large, modern warehouse with blue corrugated metal siding and yellow trim. A yellow semi-trailer is parked in front of the building. The sky is overcast.

# HI 2014 LOGISTIC PROPERTY REPORT

Knight Frank

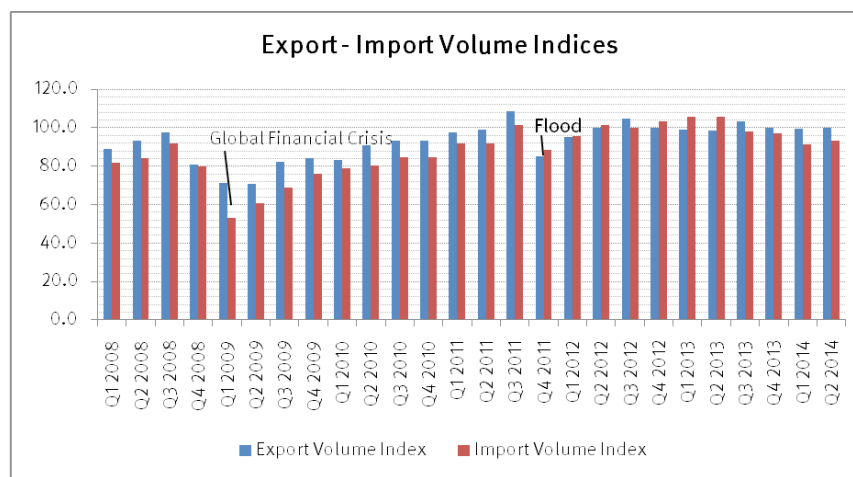
## HIGHLIGHTS

- The total supply of the rental warehouse market was 3,135,174 sq.m., increasing from last year by 19.5% as 511,568 sq.m. of new supply entered the market from mid-2013.
- The overall occupancy rate dropped to 80.6%, due to new developments coming on stream primarily in Samut Prakarn, and from Bangpakong to Chonburi.

## ECONOMIC OVERVIEW

The Thai economy depends substantially on exports. Nearly 70% of its total gross domestic product (GDP) is based on the export of goods and services, with automotive and electronics as the largest sectors. From the international trade volume index, Thai exports and imports are enjoying positive growth once again, after severe flooding in Q4 2011.

Figure 1

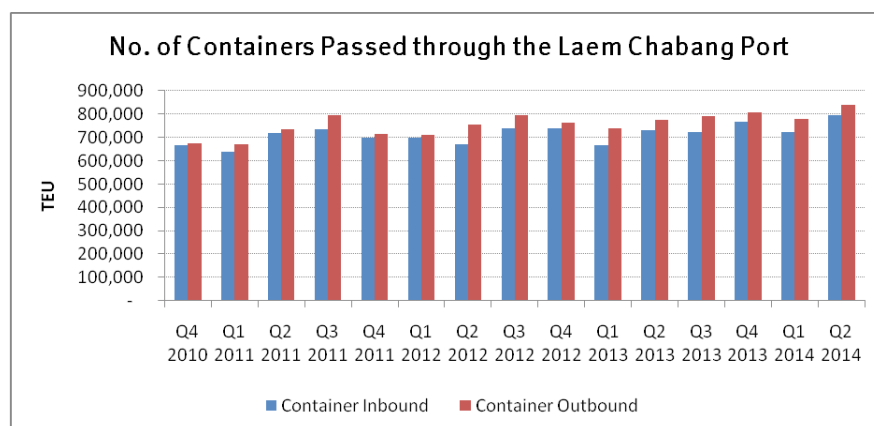


Source: Ministry of Commerce and Bank of Thailand

Recently, the government has been developing and expanding the road network in the Eastern Seaboard zone and Laem Chabang Port to support the logistics and transportation system.

Figure 2

### Container Volume Through Laemchabang Port

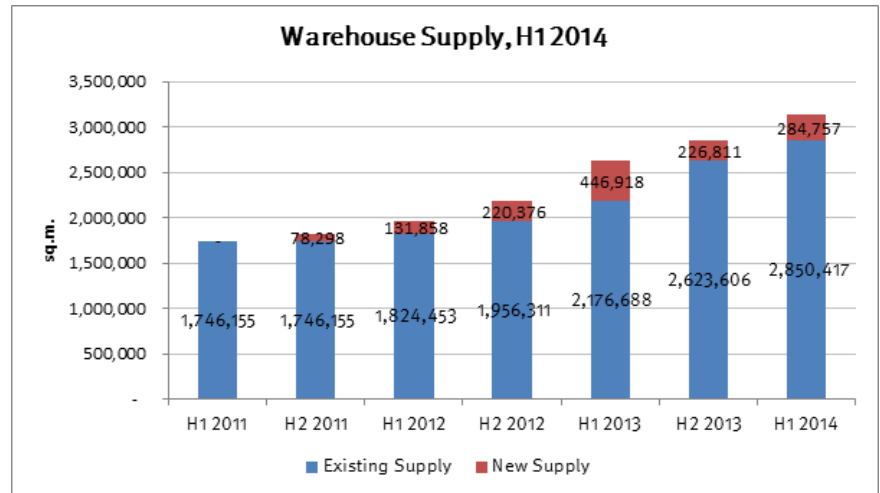


Source: Ministry of Commerce and Bank of Thailand , Remark: TEU - Twenty-foot equivalent unit container

In Q2 2014, the number of containers that passed through the Laem Chabang Port was 1,633,980 TEUs. In the latest quarter, the number was at its highest record since Q4 2010, which increased from the previous year by 8.7% and continues to grow. The growth in international transactions through Laem Chabang Port indicates the increasing demand of logistics services, including the need for warehouse space.

## SUPPLY

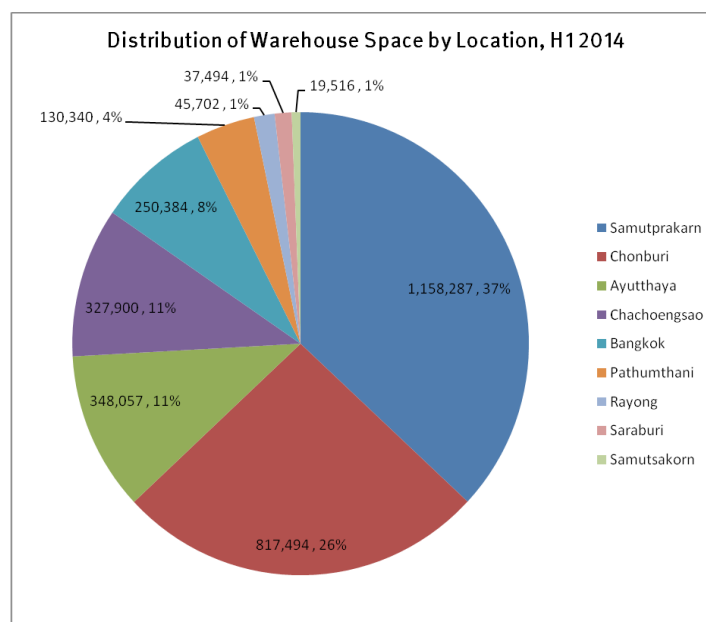
Figure 3  
**Warehouse Supply, H1 2014**



Source: Knight Frank Thailand Research

284,757 sq.m. of warehouse space was completed in H1 2014. The total supply of the rental warehouse market was 3,135,174 sq.m., increasing from last year by 19.5% ; in other words, 511,568 sq.m. of new supply entered the market from mid-2013, most of which was located in Samutprakarn and the Eastern Seaboard area.

Figure 4  
**Distribution of Warehouse Space by Location, H1 2014**



Source: Knight Frank Thailand Research

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Most of the warehousing space is located in Samut Prakarn, which encompasses 1,158,287 sq.m., accounting for 37% of the total space. This location has the key benefits of proximity to the Suvarnabhumi Airport, Bangkok, and major industrial estates.

Chonburi is also a popular location for manufacturers and third-party logistics providers. The supply there is equivalent to 817.494 sq.m., or 26% of the total space.

## FUTURE SUPPLY

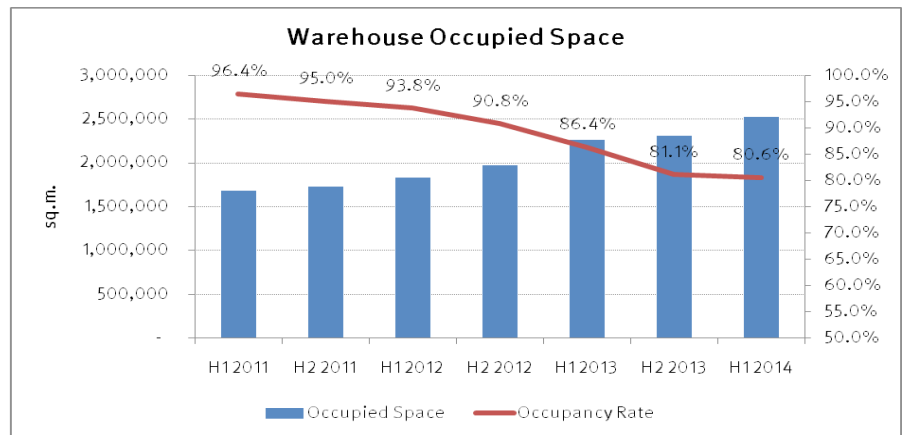
Table 1  
**Future Supply**

Project	Developer	Location	Total Size (sqm)	Completion
TPARK Bangplee 2,4,5	TPARK	Samut Prakarn	60,000	Q3 2014
Thrive Group Km. 19	Thrive Group	Samut Prakarn	20,184	Q3 2014
WHA, Ladkrabang	WHA	Bangkok	19,474	Q3 2014
WHA Mega Logistics Center Chonlahampichit Km.4 : 72	WHA	Samut Prakarn	70,000	Q3 2014
Sahathai Laemchabang	Sahathai Property	Chonburi	82,200	Q4 2014
Rattanabadee Land Km. 19	R-Land	Samut Prakarn	12,000	Q4 2014
Poonphol Bangna-Trad Km.38	Poon Phol Group	Chachoengsao	55,380	Q4 2014
WHA Mega Logistics Center Chonlahampichit Km.6 : 66	WHA	Samut Prakarn	65,000	2014
WHA Surathani Phase I	WHA	Surathani	50,000	2014
WHA Mega Logistics Center Chonlahampichit Km.5 : 82	WHA	Samut Prakarn	40,500	2014
WHA Khonkaen	WHA	Khon Kaen	35,000	2014
WHA Logistics Kabinburi DC.	WHA	Prachinburi	16,500	2014
WHA Mega Logistics Center Leamchabang	WHA	Chonburi	49,000	2015
TPARK Khon Kaen	TPARK	Khon Kaen	16,000	2015
TPARK Eastern Seaboard 1 (C)	TPARK	Chonburi	N/A	N/A
TPARK Eastern Seaboard 2 (B)	TPARK	Chonburi	N/A	N/A
WHA Amata Nakorn I.E.	WHA	Chonburi	N/A	N/A
PK Park 2	Tip Holding	Samut Prakarn	N/A	N/A
PK Park 3	Tip Holding	Samut Prakarn	N/A	N/A

Source: Knight Frank Thailand Research

## DEMAND

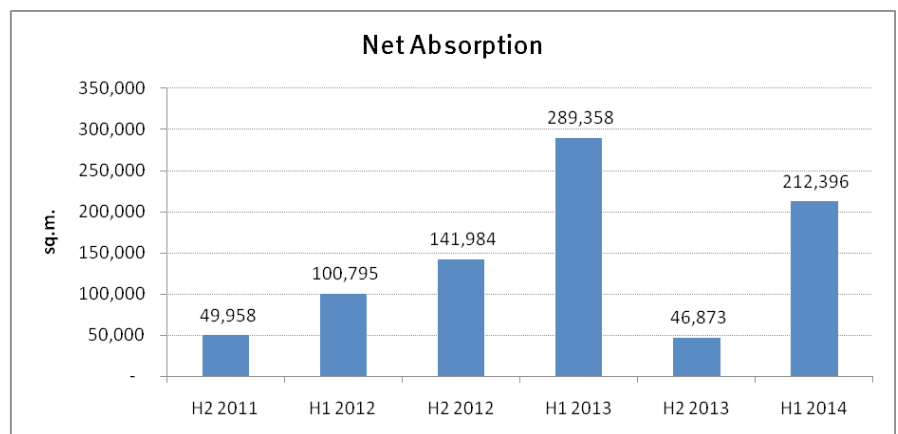
Figure 5  
**Warehouse Occupied Space**



Source: Knight Frank Thailand Research

The total occupied space was 2,525,478 sq.m., increasing from the previous year by 11.4%, while the occupancy rate dropped to 80.6%, due to new developments of warehouse space, primarily in Samut Prakarn, Bangpakong, and Chonburi.

Figure 6



Source: Knight Frank Thailand Research

In first half of 2014, the net absorption was 212,396 sq.m. and it remained consistently positive for three years, representing the healthy and growing demand for logistics property.

Table 2

	Occupancy Rate				
	Suvarnabhumi-Bangkok	Eastern Seaboard	Pathumthani-Ayutthaya	Bangkok	Market
H2 2012	95.0%	70.1%	100.0%	98.2%	90.8%
H1 2013	90.4%	66.0%	98.8%	98.4%	86.4%
H2 2013	88.3%	57.8%	94.4%	98.7%	81.1%
<b>H1 2014</b>	<b>86.1%</b>	<b>59.2%</b>	<b>92.7%</b>	<b>98.9%</b>	<b>80.6%</b>
Y-o-Y	-2.3%	1.4%	-1.7%	0.2%	-0.6%

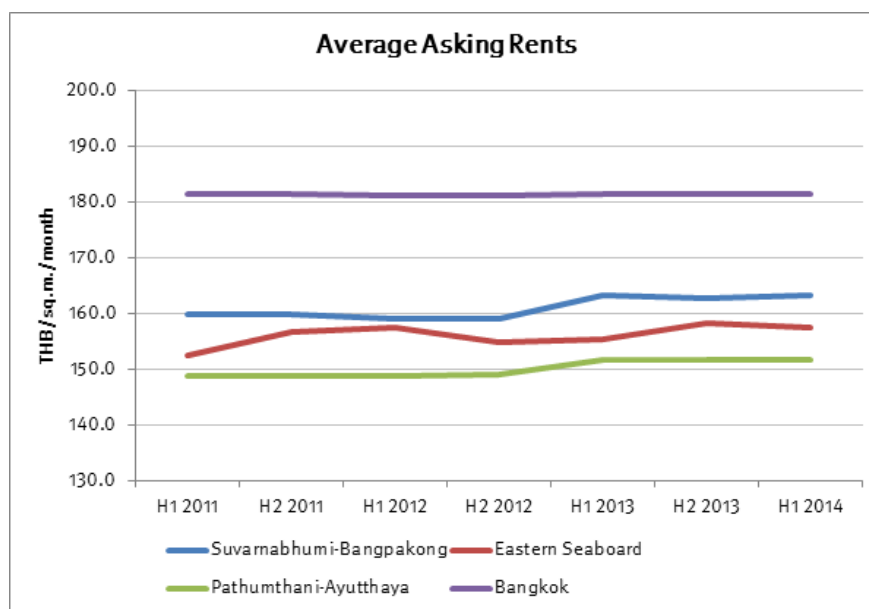
Source: Knight Frank Thailand Research

The warehouse occupancy rate as of mid-2014 was 80.6%, dropping from last year by 0.6%. Bangkok's warehouse rental market gained the highest occupancy rate of 98.6%, follow by Pathumthani-Ayutthaya at 92.7% and Suvarnabhumi-Bangkok at 86.1%.

Perhaps the most encouraging statistic that we can share in this report is that despite the volume of new supply that came on stream we actually saw an improvement in occupancy rates by 1.4% to 59.2% on the Eastern Seaboard signifying strong demand.

## WAREHOUSE RENTS

Figure 7  
Warehouse Rental Rate



Source: Knight Frank Thailand Research

Table 3

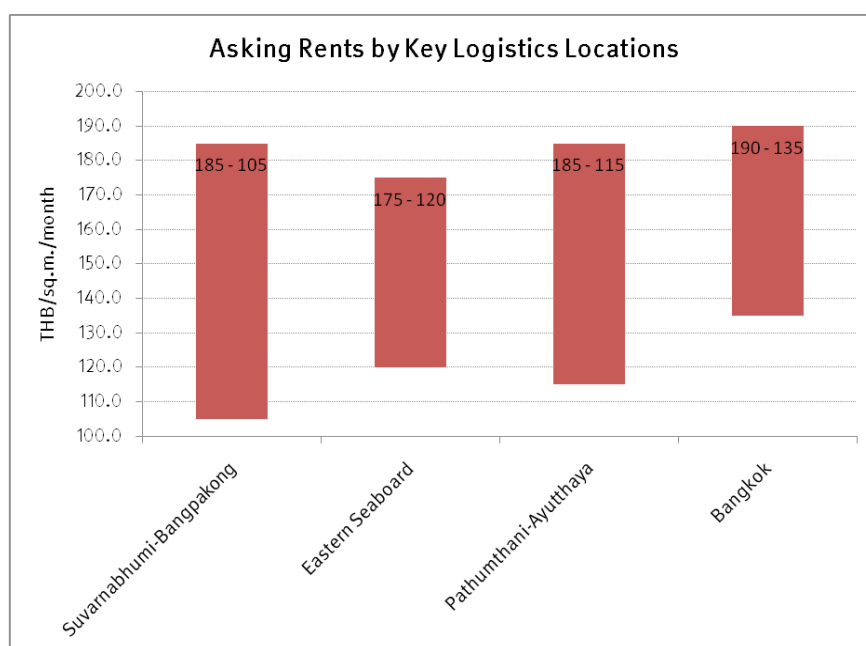
	Average Asking Rents as of H1 2014 (THB/Sq.m./month)				
	Suvarnabhumi-Bangpakong	Eastern Seaboard	Pathumthani-Ayutthaya	Bangkok	Overall Market
H2 2012	159.1	154.8	149.1	181.4	157.8
H1 2013	163.3	155.4	151.8	181.5	160.3
H2 2013	162.9	158.3	151.7	181.5	160.6
H1 2014	<b>163.3</b>	<b>157.6</b>	<b>151.7</b>	<b>181.5</b>	<b>160.7</b>
% Y-o-Y	-0.02%	1.38%	-0.05%	0.00%	0.30%

Source: Knight Frank Thailand Research

The latest data shows a very slight decrease in rental rates in Suvarnabhumi-Bangpakong and Pathumthani-Ayutthaya locations as competition intensifies amidst an influx of new developers. However, the overall trend is still positive as take up rates remain healthy.

Figure 8

#### Asking Rents by Key Logistics Locations



Source: Knight Frank Thailand Research

The Suvarnabhumi-Bangpakong rental rate is quite different, and the warehouses range from traditional flat-floor warehouses to modern logistics parks with high-standard facilities. Generally, warehouses command variable rents, depending on location, design, condition, and building age. The modern logistics parks usually provide docks, raised floors, floor loading capacity of up to 3 tonnes/sq.m., and ceiling heights of 10 metres.

## OUTLOOK

As the forthcoming Asean Economic Community launches in 2015, warehouse demand is expected to be healthy during the rest of 2014. However, with over 500,000 sq.m. of future supply scheduled to be complete in the coming year, we believe the warehouse rental rates will experience only slight growth as competition intensifies, especially in the strategic distribution locations between the Laem Chabang Port and the main manufacturing clusters.



## DEFINITION

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

## 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  
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Zimbabwe

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Singapore  
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