



# H1 2015 LOGISTICS PROPERTY MARKET

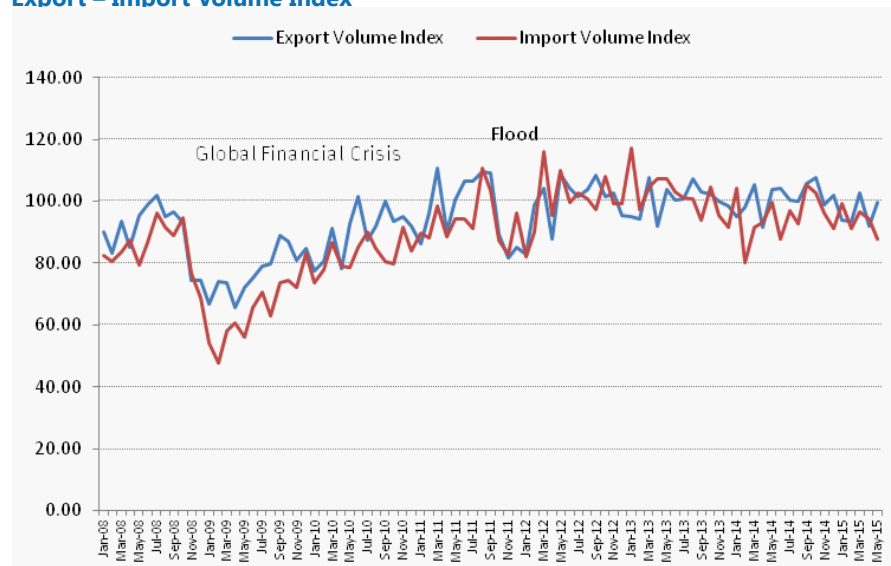
## HIGHLIGHTS

- The total supply for warehouse rental space was about 3,468,530 square metres, increasing by 3%. The new supply that entered the market was only 101,327 square metres.
- The occupancy rate dropped to 78% from 79.8% in the previous year. The Eastern Seaboard area still had the lowest occupancy of 57.7%.
- On average, the warehouse rental rate slightly decreased by 0.51% to 159.8 baht per square metre per month. The rate in the Eastern Seaboard area dropped the most, by 4.1%.

## ECONOMIC OVERVIEW

Figure 1

### Export – Import Volume Index



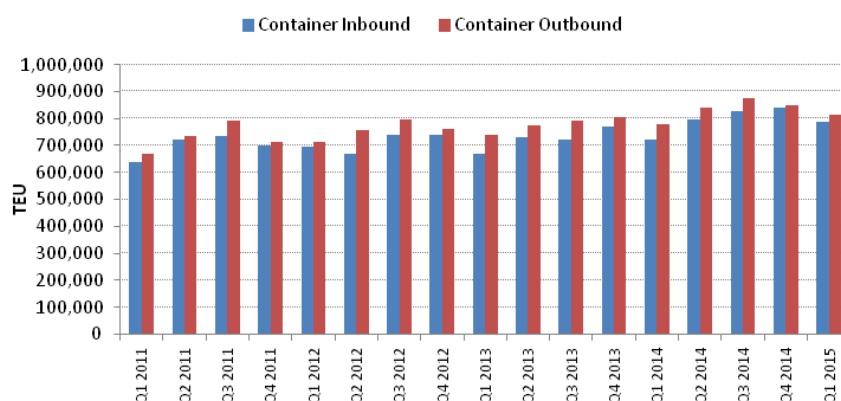
Source: Ministry of Commerce and Bank of Thailand

Thailand is one of the export-oriented countries where exports account for more than two-thirds of the total gross domestic product (GDP).

The current Thai export situation declined due to lower foreign demand and China's economic slowdown. China is one of the largest export destinations and the major consumer of commodities. The consequence is not only felt in Thailand but also in Asean economics where China is reducing their import volumes.

Figure 2

### No. of Containers Passing Through Laem Chabang Port



Source: Port Authority of Thailand

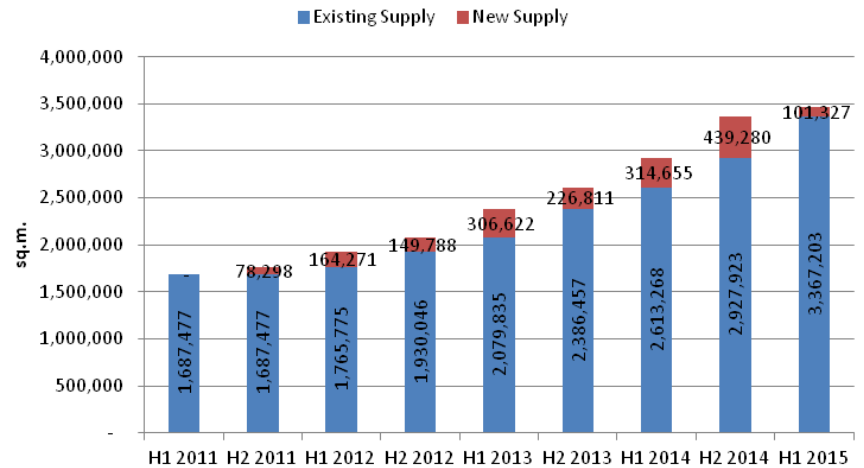
Remark: TEU - Twenty-foot equivalent unit container

In Q1 2015, the number of containers that passed through Laem Chabang Port was 1,602,166 TEUs, dropping from that of the previous quarter by 5.3%, but increasing from that of the last year by 6.8%.

The movement in international transactions through Laem Chabang Port indicates the increasing demand of logistics services, including the need for warehouse space, where more than 80% of goods pass through Laem Chabang Port.

## SUPPLY

Figure 3

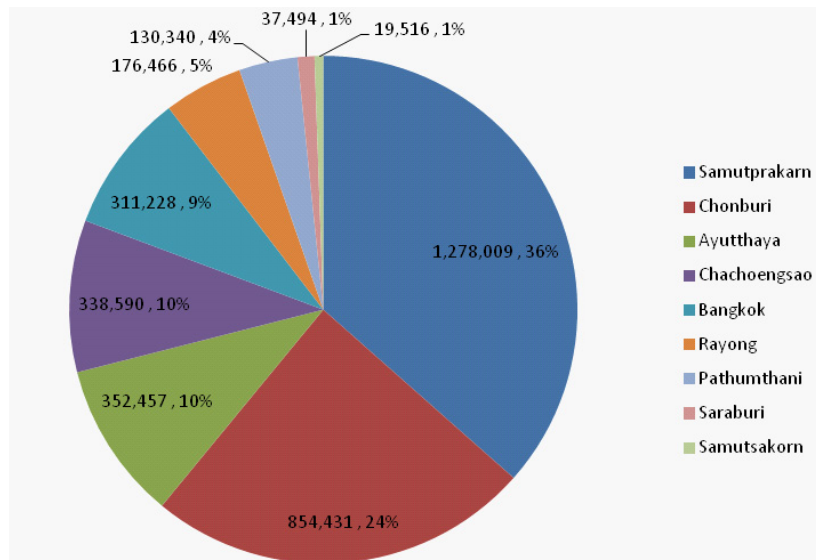


Source: Knight Frank Thailand Research

The total supply for warehouse rental space was about 3,468,530 square metres, increasing by 3%. The new supply entering the market was only 101,327 square metres. The number of newly completed warehouses has decreased in H1 2015 compared with 310,000 - 440,000 square metres semi-annually in the previous years. Rental warehouse developers have been slowing down their plans along with the lower demand affected by drops in Thai exports.

Figure 4

### Distribution of Warehouse Space by Location



Source: Knight Frank Thailand Research

Samutprakarn and Chonburi provinces are the most strategic locations where logistic service providers maintain their distribution centres. Samutprakarn accounts for 36% of the total market supply, which gains advantages from their location close to Bangkok, Suvarnabhumi Airport, and industrial estates. Chonburi province accounts for 24% of the total supply, and it is also a popular area that enjoys proximity to Laem Chabang Deep Sea Port and automotive production hubs.

## FUTURE SUPPLY

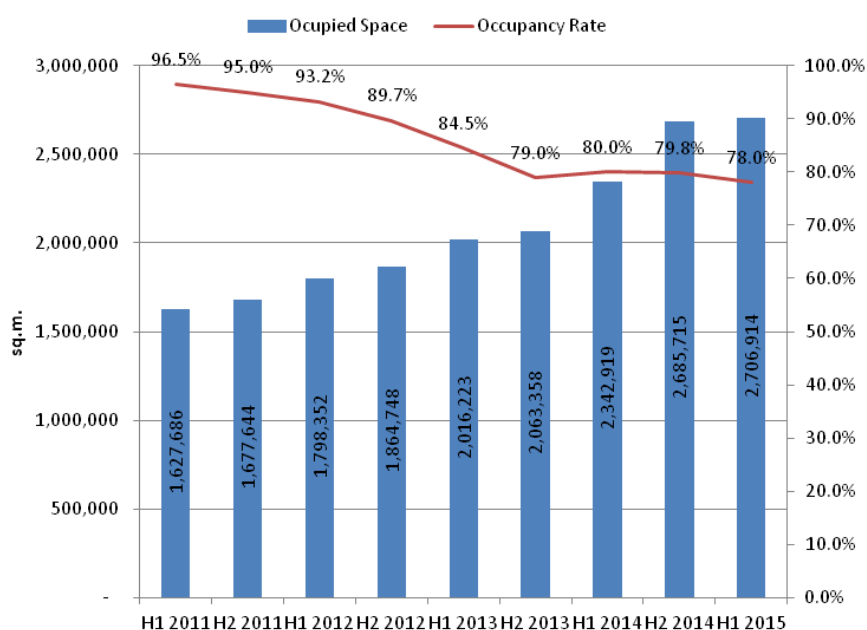
There are approximately more than 230,000 square metres of future supply in 2015. Samutprakarn and Chonburi provinces are still the most popular locations that demand warehouse space, especially in areas situated between the industrial estates and Laem Chabang Deep Sea Port.

Table 1

| Project   | Developer         | Province     | Total Space | Completion |
|---|-------------------|--------------|-------------|------------|
| TPARK Bangplee 4,5,6                            | TPARK             | Samutprakarn | 155,000     | N/A        |
| TPARK Wongnoi 2                                 | TPARK             | Ayutthaya    | 80,000      | 2015       |
| TPARK Khonkaen                                  | TPARK             | Khonkaen     | 9,000       | 2015       |
| TPARK Samutsakorn                               | TPARK             | Samutsakorn  | 25,000      | 2015       |
| WHA-KPN Mega Logistics Center Bangna-Trad km.23 | WHA               | Samutprakarn | N/A         | 2015       |
| WHA Logistics Kabinburi DC.                     | WHA               | Prachinburi  | 16,500      | N/A        |
| WHA Mega Logistics Center Laem Chabang          | WHA               | Chonburi     | 23,000      | 2015       |
| WHA Amata Nakorn I.E.                           | WHA               | Chonburi     | N/A         | N/A        |
| Tip Project                                     | Tip Holding       | Samutprakarn | 30,000      | 2015       |
| Thrive Warehouse Bangna Km.19                   | Thrive Group      | Samutprakarn | 9,000       | 2015       |
| Poonphol Bangna Km.38                           | Poon Phol Group   | Chachoengsao | 18,000      | 2015       |
| KCMA (2000) Group                               | KCMA (2000) Group | Ayutthaya    | 39,619      | 2015       |

Source: Knight Frank Thailand Research

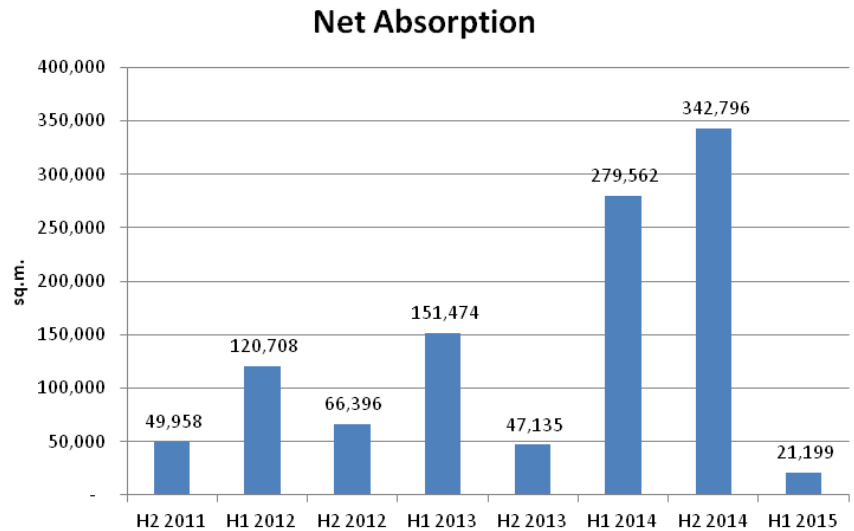
Figure 5  
**Occupied Space and Occupancy Rate**



Source: Knight Frank Thailand Research

In mid-2015, the total occupied warehouse space was 2,706,914 square metres, increasing only by 21,199 square metres or 0.8%. The occupancy rate dropped to 78% from 79.8% in the previous year. Both supply and occupied space have been increasing; however, the new supply increased much more than the net absorption.

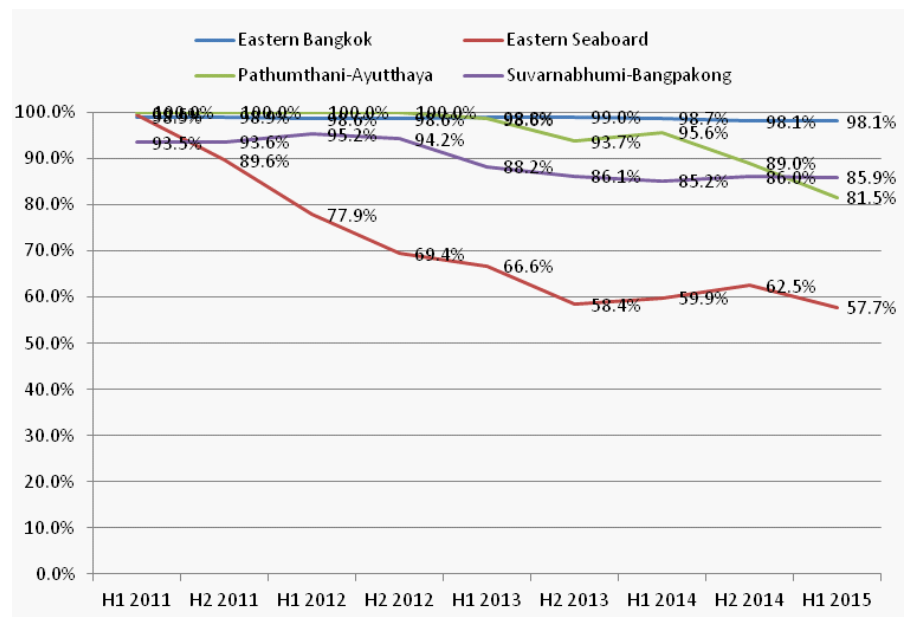
Figure 6  
**Net Absorption**



Source: Knight Frank Thailand Research

Positive net absorption reflects positive demand over the past three years. Even the warehouse net absorption stayed in positive in H1 2015; there were only 21,199 square metres of new take-up space.

Figure 7  
**Occupancy by Key Logistics Locations**



Source: Knight Frank Thailand Research

The highest occupancy rate of 98.1% was shown in the Eastern Bangkok area, covering Ladkrabang, which has limited supply. It was followed by the occupancy rate of 85.9% in Suvarnabhumi-Bangpakong area.

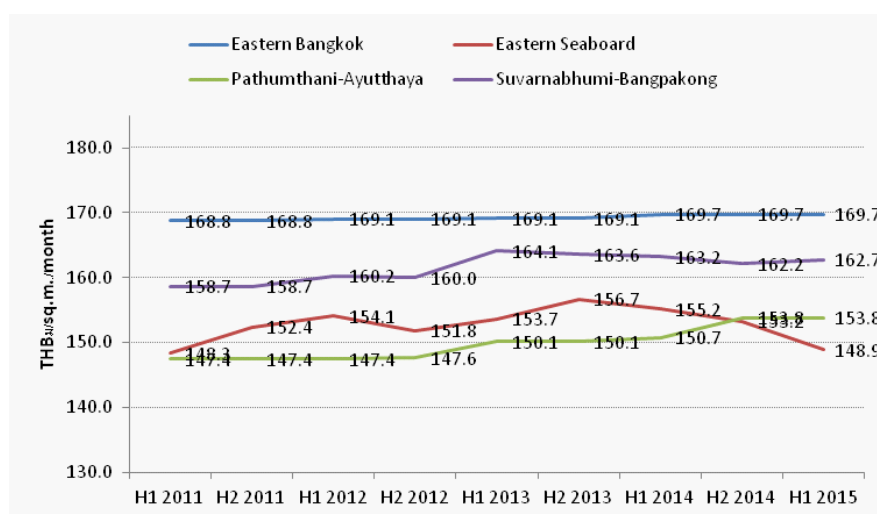
Warehouse occupancy in the Eastern Seaboard area was still low compared to other locations due to a lot of supply entering the market since 2012, which caused occupancy rates to fall, amidst relatively low levels of demand.

Table 2

|                | Occupancy Rate          |                  |                       |                 |              |
|----------------|-------------------------|------------------|-----------------------|-----------------|--------------|
|                | Suvarnabhumi-Bangpakong | Eastern Seaboard | Pathumthani-Ayutthaya | Eastern Bangkok | Market       |
| H2 2013        | 86.1%                   | 58.4%            | 93.7%                 | 99.0%           | 79.0%        |
| H1 2014        | 85.2%                   | 59.9%            | 95.6%                 | 98.7%           | 80.0%        |
| H2 2014        | 86.0%                   | 62.5%            | 89.0%                 | 98.1%           | 79.8%        |
| <b>H1 2015</b> | <b>85.9%</b>            | <b>57.7%</b>     | <b>81.5%</b>          | <b>98.1%</b>    | <b>78.0%</b> |
| % Y-o-Y        | -0.1%                   | -4.8%            | -7.5%                 | 0.0%            | -1.7%        |

Source: Knight Frank Thailand Research

Figure 8  
**Rental Rate**



Source: Knight Frank Thailand Research

The latest overall rental rate slightly decreased by 0.51% to 159.8 baht per square metre per month. The highest drop was seen in the Eastern Seaboard area, which decreased by 4.1% from 2014 to 148.9 baht per square metre per month, due to higher competition and the drop in Thai exports.

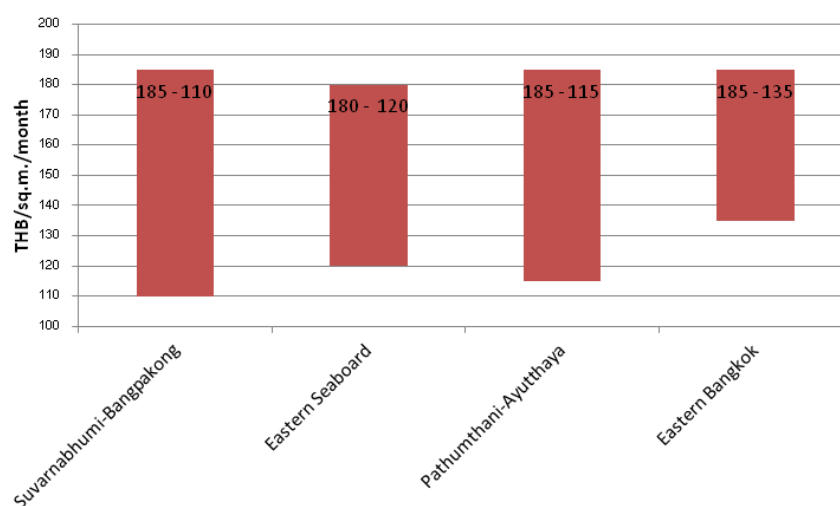
Table 3

|                | Average Asking Rental Rate as of H1 2015 (THB/sq.m./month) |                  |                       |                 |                |
|----------------|--|------------------|-----------------------|-----------------|----------------|
|                | Suvarnabhumi-Bangpakong                                    | Eastern Seaboard | Pathumthani-Ayutthaya | Eastern Bangkok | Overall Market |
| <b>H2 2013</b> | 163.6  | 156.7            | 150.1                 | 169.1           | 160.3          |
| <b>H1 2014</b> | 163.2  | 155.2            | 150.7                 | 169.7           | 160.6          |
| <b>H2 2014</b> | 162.2  | 153.2            | 153.8                 | 169.7           | 160.7          |
| <b>H1 2015</b> | <b>162.7</b>   | <b>148.9</b>     | <b>153.8</b>          | <b>169.7</b>    | <b>159.8</b>   |
| <b>% Y-o-Y</b> | -0.3%  | -4.1%            | 2.1%                  | 0.00%           | -0.51%         |

Source: Knight Frank Thailand Research

Figure 9

### Warehouse Rental Rate



Source: Knight Frank Thailand Research

The highest rental rates for warehouses were seen in locations closer to Bangkok, which are Eastern Bangkok, Suvarnabhumi-Bangpakong, and Pathumthani-Ayutthaya, at 185 baht per square metre per month, followed by 180 baht per square metre per month in the Eastern Seaboard. The rental rate in the same location varies depending on many factors, such as warehouse condition, age of buildings, and specifications.

## OUTLOOK

In 2015, the warehouse supply will continue growing but at a slower rate than in the previous year. Developers have slowed down to build new projects as future demand is expected to drop. Current export situations and a recession in China still affect demand for logistics space. In the long run, we expect to see increased demand for warehouse space from the higher competitiveness, thanks to the geographic advantage of Thailand, the development of logistics systems and infrastructure investments, and the recovery of Thai and global economy.



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