

COMMERCIAL RESEARCH



LOGISTICS PROPERTY

MARKET H2 2015

HIGHLIGHTS

- In 2015, the total warehouse supply was at 3,639,097 sq.m., an increase from the previous year by 9.5%. Supply increased at a slower rate since 2014 as developers slowed down the launch of new projects to cope with decreasing demand.
- The occupancy rate dropped to 78.2% from 78.7% in the previous year. Suvarnabhumi-Bangpakong saw the highest occupancy rate for warehouses at 86.5%. Both supply and occupied space have been increasing at the same rate.
- On average, the warehouse rental rate slightly increased by 0.3% to 156.6 baht per sq.m. per month. Only the rate in the Eastern Seaboard area dropped the most, by 0.3%.



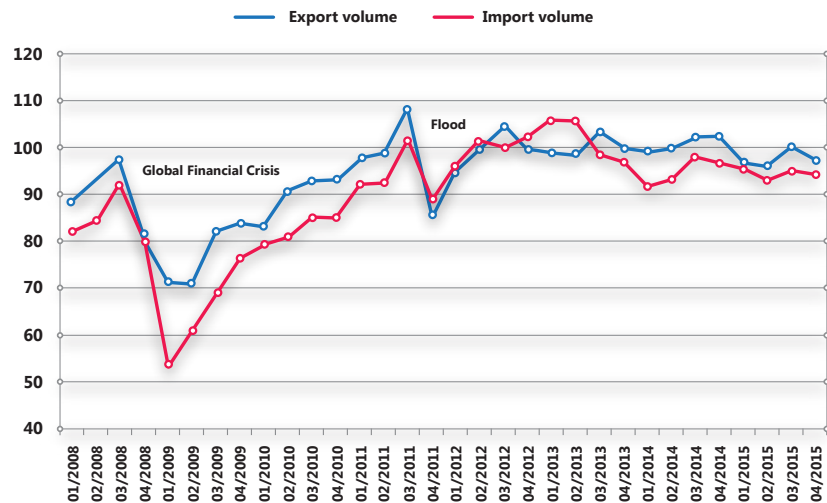
MARCUS BURTENSRAW
Executive Director,
Head of Commercial Agency

“Samut Prakarn continues to be the most popular location for warehouse tenants, although users with requirements in excess of 10,000 sqm are increasingly having to look at build to suit solutions.”

Economic Overview

FIGURE 1

Export – Import Volume Index



SOURCE : MINISTRY OF COMMERCE AND BANK OF THAILAND

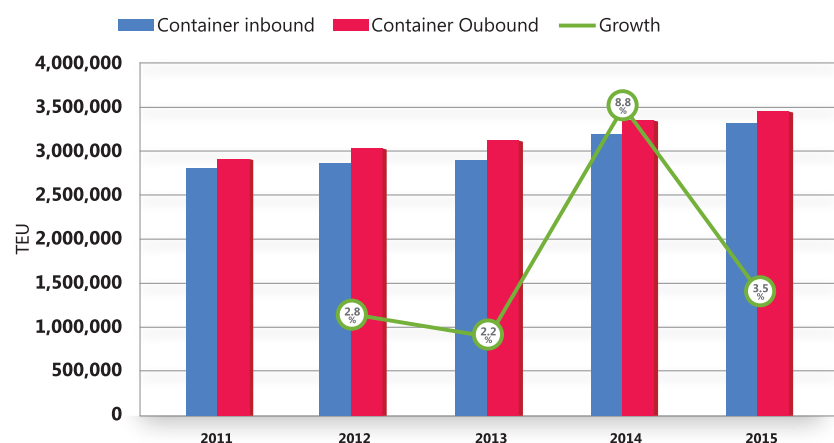
Thailand is one of the export- dependent countries where exports account for 70% of the total gross domestic product (GDP).

Currently, the Thai export situation declined due to problems in the Thai economy, global economy, and China's

economic slowdown. Specifically, the decline was largely affected by the setback in auto exports along with subdued activity in the electrical appliance, metal, chemical, and petro chemical sectors.

FIGURE 2

No. of Containers Passing Through Laem Chabang Port



SOURCE : PORT AUTHORITY OF THAILAND

REMARK : TEU - TWENTY-FOOT EQUIVALENT UNIT CONTAINER

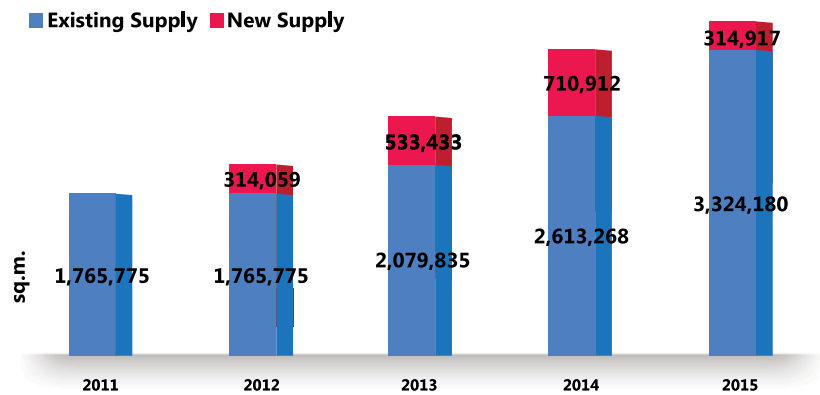
The movement in international transactions through Laem Chabang Port indicates the increasing demand of logistics services, including the need for warehouse space, where more than 80% of goods pass through Laem Chabang Port.

In 2015, the number of containers that passed through Laem Chabang Port was 6,756,128 TEUs, increasing from that of the previous year by 3.5%; this figure has been growing since 2011.

Warehouse Market Supply

In 2015, the total warehouse supply was at 3,639,097 sq.m., an increase from the previous year by 9.5%. From 2011 to 2015, warehouse supply on average increased by 15.6% annually. The increase in supply peaked in 2014 where there were approximately 710,912 sq.m. of new supply entering the market. Supply increased at a slower rate since 2014 as developers slowed down the launch of new projects to cope with decreasing demand, as there were issues related to a reduction in goods exports in Thailand.

FIGURE 3

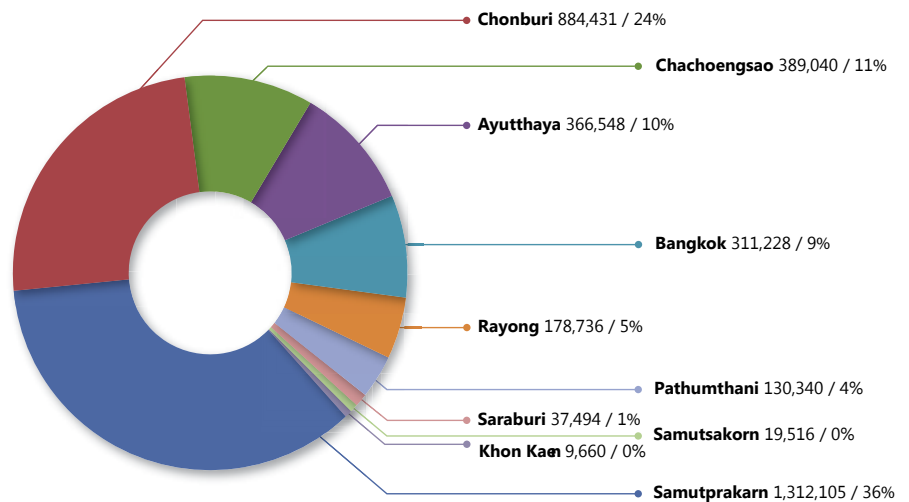


SOURCE : KNIGHT FRANK THAILAND RESEARCH

Supply by Provinces

Samutprakarn and Chonburi provinces are the most strategic locations where logistic service providers maintain their distribution centres. Samutprakarn boasts the highest supply, with 36% of the entire market. The province is located next to Bangkok on the east, covering the main roads to the Eastern Seaboard, such as Bangna-Trad Road. There are also many industrial estate developments in this area, which include Bangpoo Industrial Estate and Bangplee Industrial Estate. Samutprakarn is also the area where Bangkok International Airport is situated. Chonburi follows, with 24% of the supply. This location encompasses and benefits from Laem Chabang seaport and the automotive production hub inside many industrial estates. Chachoengsao and Ayutthaya then follow, with 11% and 10% of the supply, respectively.

FIGURE 4



SOURCE : KNIGHT FRANK THAILAND RESEARCH

Future Supply

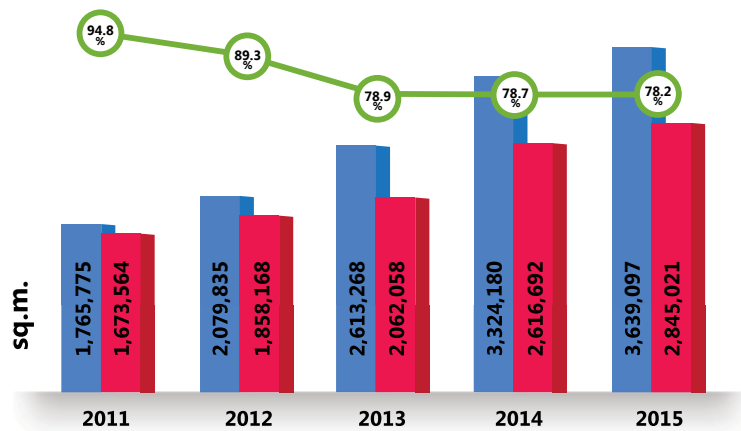
In 2016, there will be 364,000 sq.m. of warehouse supply entering the market; of this figure, approximately 112,000 sq.m. or 30% will be in the Samutprakarn area, due to the fact that this choice location features healthy demand and high levels of occupancy.

Demand

By the end of 2015, the total rented space was at 2,845,021 sq.m., increasing from the previous year by 228,329 sq.m. or 8.7%. The occupancy rate dropped to 78.2% from 78.7% in the previous year. Both supply and occupied space have been increasing at the same rate.

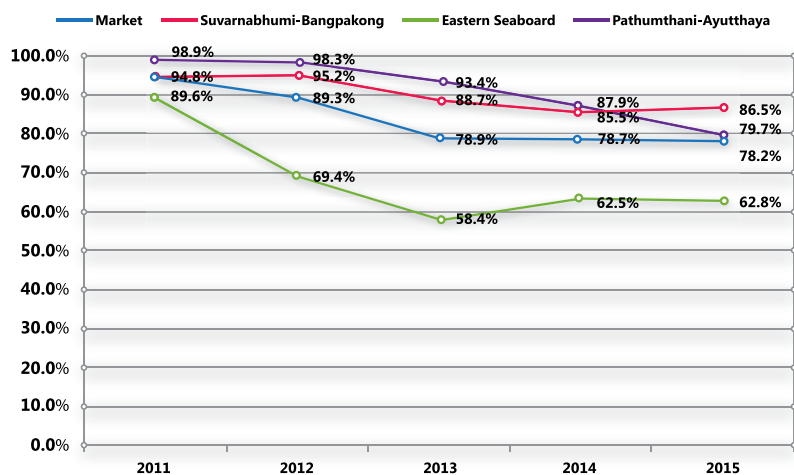
At the end of the 2015, Suvarnabhumi-Bangpakong saw the highest occupancy rate for warehouses at 86.5%. Meanwhile, the Pathumthani-Ayutthaya region commands occupancy rates of 79.7%. The Eastern Seaboard area saw the lowest occupancy rate of 62.8%, despite an increase in demand due to a relatively large supply entering the market from 2012 to 2013.

FIGURE 5
Occupied Space and Occupancy Rate



Source : Knight Frank Thailand Research

FIGURE 6
Occupancy by Key Logistics Locations



Source : Knight Frank Thailand Research

Occupancy Rate

	Suvarnabhumi-Bangpakong	Eastern Seaboard	Pathumthani-Ayutthaya	Market
2013	88.68%	58.38%	93.40%	78.9%
2014	85.46%	62.53%	87.01%	78.7%
2015	86.54%	62.78%	79.73%	78.2%
% Y-o-Y	1.1%	0.2%	-7.3%	-0.5%

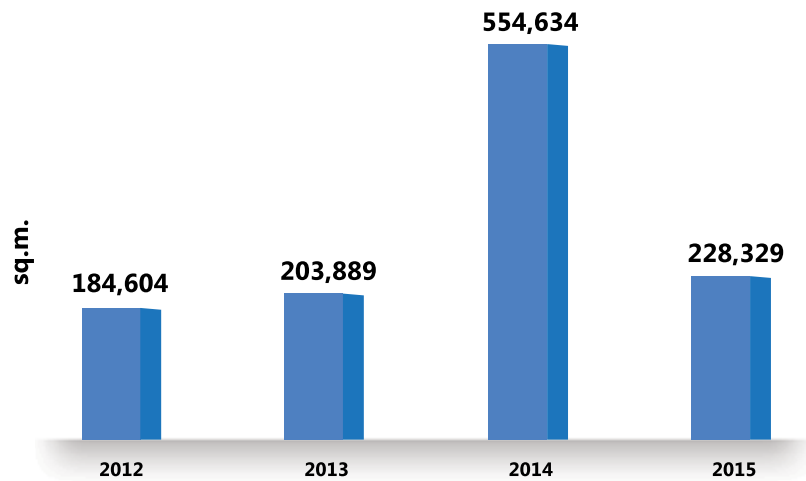
Source : Knight Frank Thailand Research

Net Take-up

FIGURE 7

The total net take-up of warehouse space was in the range of 180,000 to 560,000 sq.m. within the last few years. The positive net take-up indicates the growth in demand over the past year. The net take-up for 2015 dropped to 228,329 sq.m. due to the slowdown in exports.

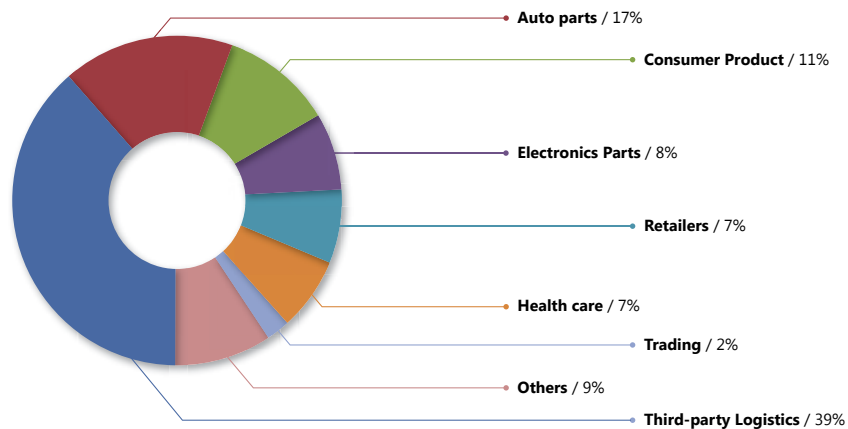
The net take-up was at its peak in 2014 at 554,634 sq.m., as between 2013 to 2014, the largest warehouse developer completed 3 large projects within the Suvarnabhumi-Bangpakong region and the market response was largely positive. Logistic service providers were the biggest source of demand for these projects.



Source : Knight Frank Thailand Research

FIGURE 8

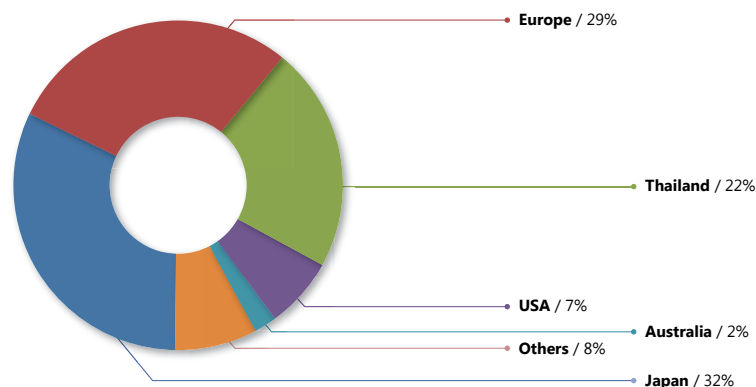
Warehouse Tenant by Industry Type



Source : Knight Frank Thailand Research

FIGURE 9

Warehouse Tenant by Nationality

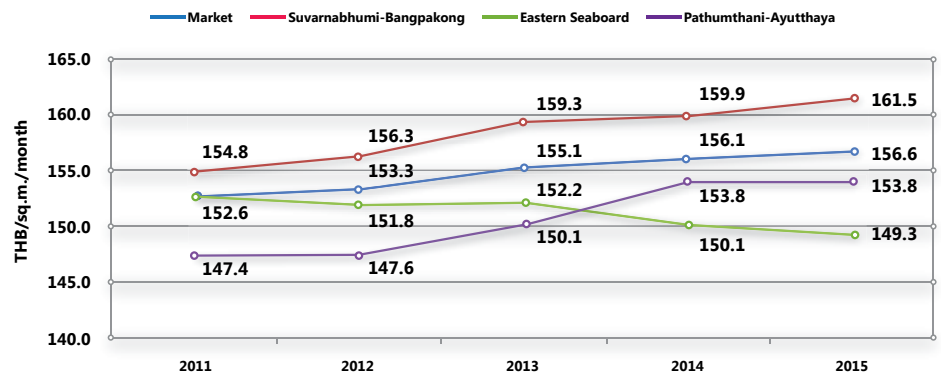


Source : Knight Frank Thailand Research

Rental Rate

On average, the warehouse rental rate slightly increased by 0.3% to 156.6 baht per sq.m. per month. Only the rate in the Eastern Seaboard area dropped the most, by 0.3% to 149.3 baht per sq.m. per month, due to the low level of occupancy and the slowdown in Thai exports.

FIGURE 10



Source : Knight Frank Thailand Research

Rental Rate

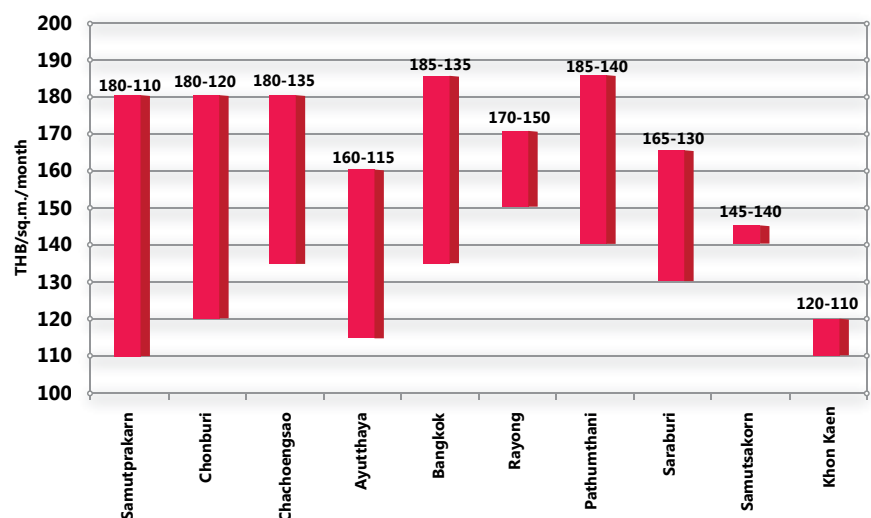
	Suvarnabhumi-Bangpakong	Eastern Seaboard	Pathumthani-Ayutthaya	Market
2013	159.3	152.2	150.1	155.1
2014	159.9	150.1	153.8	156.1
2015	161.5	149.3	153.8	156.6
% Y-o-Y	1.0%	-0.5%	0.0%	0.3%

Source : Knight Frank Thailand Research

The current rental rate is at the maximum of 185 baht per sq.m. per month in Bangkok and Pathumthani, followed by the maximum rent of 180 baht per sq.m. per month in Samutprakan, Chonburi, and Chachoengsao. Our data suggests that the location of the warehouse is a major factor that determines rental rate. However, other factors can also affect rental rates, including but not limited to design, condition and building age.

FIGURE 11

Warehouse Rental Rate by Provinces



Source : Knight Frank Thailand Research



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Warehouse Market Outlook

The export sector in Thailand is currently experiencing a slowdown due to the sluggish recovery in both the global and Chinese economies, which affects the demand for space in warehouses. Developers, therefore, have slowed down with their investments on new projects. This results in a small number of new supply entering the market, comparing to the year before. In recent years there has been a growing demand for warehouses from business engaged in FMCG and E-Commerce. Thailand also has a geographic advantage as it is located in the centre of the Southeast Asian region as well as among the ASEAN neighbouring countries.

We expect the level of competition to continue and perhaps even intensify throughout 2016, as projects from new local developers enter the market, particularly in locations such as Samutprakarn and the Eastern Seaboard. Furthermore, with a planned government investment of two trillion Thai baht in infrastructure, including the East – West corridor and the Chinese – Laos – Thai rail link, we expect to see increased investment in warehousing projects outside of the traditional areas.

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