The Thai economy was relatively strong throughout 2018, expanding at the fastest rate in six years. GDP expanded by 4.1%, driven by stronger domestic demand and public spending while being offset by weakened export growth and the global economic slowdown.

**ECONOMIC OVERVIEW**

Private consumption and investment grew at a rate of 4.6% and 3.9% respectively, both at the highest pace in the past six years. Meanwhile, export growth eased to 7.7% Y-o-Y from 9.8% achieved in 2017. Imports expanded by 14.3%, up from 13.2% in the previous year. Export competitiveness has been dampened as a result of the weakened global economy, and the strengthening of the Thai baht against the US dollar at a faster rate than its trade competitors in Asia.

Despite lower export success, Thailand maintains a strong competitive advantage due to relatively good infrastructure, location, supply of labour, and banking and financial systems, as well as the investment development and promotion plan. This makes the nation an attractive production base for companies considering relocation given the prolonged US-Sino trade dispute. The manufacturing productivity index reached 105.7 points, having increased by 4.2% Y-o-Y. The manufacturing sector accelerated in line with favourable expansion of domestic demand that has increased production of major industries, including tobacco, refined petroleum products and non-alcoholic beverages. Thailand remains an attractive venture for international stakeholders, as foreign direct investment approved by the Board of Investment (BOI) increased by 300 billion baht to a total of 583 billion baht. The majority of investment value awaiting approval is in petrochemicals (59%) followed by machinery and export equipment (17%).
In 2018, the total amount of serviced industrial land plots for sale, which is land made available for sale in industrial estates and industrial parks, increased by 2,405 rai to a total of 138,581 rai, representing a 1.8% increase Y-o-Y. This is lower than the amount entered in 2017 at 3,234 rai. Over the past 5 years, supply has increased by around 2.1% annually.

**SERVICED INDUSTRIAL LAND PLOTS (SILP)**

**SUPPLY**

In 2018, the total amount of serviced industrial land plots for sale, which is land made available for sale in industrial estates and industrial parks, increased by 2,405 rai to a total of 138,581 rai, representing a 1.8% increase Y-o-Y. This is lower than the amount entered in 2017 at 3,234 rai. Over the past 5 years, supply has increased by around 2.1% annually.
The supply distribution for serviced industrial land plots remains largely unchanged from the previous year. Almost all of industrial land made available for sale in 2018 was located in the Eastern Seaboard. The area, which consists of Chacheongsao, Chonburi and Rayong, holds the largest market share at 57%, having increased by 3% Y-o-Y to a total of 79,740 rai. The Eastern Seaboard is traditionally a hub for heavy industry, especially in the areas of petroleum, petrochemicals and automotive manufacturing. It benefits from an unparalleled level of transport infrastructure in the form of the U-Tapao airport, Map Ta Phut and Laem Chabang deep-sea ports. In addition, the designation of the area as the Eastern Economic Corridor (EEC) to help transform Thailand into a powerhouse for industrial production has generated a significant amount of investment from both public and private entities.

The central region, consisting of Ayutthaya, Pathum Thani and Saraburi, has the second largest market share at 18%. The area is a major cluster for appliance and electronic manufacturers, which has contributed to Thailand’s status as the world’s top HDD and components manufacturer and 2nd largest producer of air conditioning units. The central region was dealt a major setback following the major flooding in 2011, but has gradually recovered over the past 5 years and continues to generate substantial interest from investors.

### TABLE 1
THAILAND SERVICED INDUSTRIAL LAND PLOTS DISTRIBUTION BY ZONE (RAI)

<table>
<thead>
<tr>
<th>Supply Distribution by Area</th>
<th>2018</th>
<th>% Change Y-o-Y</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bangkok Metropolitan Region</td>
<td>12,599</td>
<td>-</td>
</tr>
<tr>
<td>Eastern Seaboard</td>
<td>79,740</td>
<td>▲ 3%</td>
</tr>
<tr>
<td>Central</td>
<td>25,153</td>
<td>-</td>
</tr>
<tr>
<td>West</td>
<td>941</td>
<td></td>
</tr>
<tr>
<td>South</td>
<td>1,245</td>
<td>-</td>
</tr>
<tr>
<td>Northeast</td>
<td>5,000</td>
<td>-</td>
</tr>
<tr>
<td>North</td>
<td>2,929</td>
<td>-</td>
</tr>
<tr>
<td>Other</td>
<td>10,974</td>
<td>▲ 1%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>138,581</strong></td>
<td>▲ 2%</td>
</tr>
</tbody>
</table>

### TABLE 2
THAILAND SERVICED INDUSTRIAL LAND FUTURE SUPPLY

<table>
<thead>
<tr>
<th>Industrial Estate</th>
<th>Province</th>
<th>Area Size ( Rai)</th>
<th>Completion Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sa Kao Industrial Estate</td>
<td>Sa Kao</td>
<td>661</td>
<td>2019</td>
</tr>
<tr>
<td>Tak Industrial Estate</td>
<td>Tak</td>
<td>837</td>
<td>2020</td>
</tr>
<tr>
<td>Sadao Industrial Estate</td>
<td>Songkhla</td>
<td>928</td>
<td>2021</td>
</tr>
<tr>
<td>Smart Park Industrial Estate</td>
<td>Rayong</td>
<td>1,500</td>
<td>2021</td>
</tr>
<tr>
<td>World Food Valley</td>
<td>Ang Thong</td>
<td>1,398</td>
<td>2022</td>
</tr>
<tr>
<td>CP Industrial Estate</td>
<td>Rayong</td>
<td>3,068</td>
<td>2023</td>
</tr>
<tr>
<td>Gemopolis City</td>
<td>Bangkok</td>
<td>600</td>
<td>TBA</td>
</tr>
<tr>
<td>Mukdahan Industrial Estate</td>
<td>Mukdahan</td>
<td>1,081</td>
<td>TBA</td>
</tr>
<tr>
<td>Trat Industrial Estate</td>
<td>Trat</td>
<td>889</td>
<td>TBA</td>
</tr>
</tbody>
</table>

SOURCE: KNIGHT FRANK (THAILAND) – OCCUPIER SERVICES & COMMERCIAL AGENCY
DEMAND

During 2018, 2,139 rai of serviced industrial land was sold, declining by 27% Y-o-Y. This is lower than the average of 2,755 rai of industrial land sold annually over the past 5 years. Despite a strong start to the year, land sales fell during the second half of the year as the trade dispute was prolonged and global and domestic investment sentiment dampened. The Eastern Seaboard had the largest amount of land sold at 1,921 rai, decreasing by 9% Y-o-Y. Despite the Y-o-Y decline, the area is still generating substantial interest from investors following the formal approval of the EEC development in 2016. The Bangkok metropolitan region was the only area in which the amount of industrial land sold increased, growing by 21% Y-o-Y to 60 rai. Despite the yearly growth, the amount of land sold is rather limited in comparison to 2014 to 2016. During this period, at least 170 rai of land was sold in the region annually. The decline is due to the scarcity of land available and immensely high land prices.

Overall occupancy remained constant at 84% this year. The occupancy rate has been relatively consistent, sitting within a narrow range of 82% to 84% over the past 5 years. The area with the highest occupancy rate is metro Bangkok at 94%, having experienced no change Y-o-Y. The western area experienced the highest rise in occupancy, increasing by 5%. This is a function of limited regional supply of 941 rai, which is the lowest amongst all regions, rather than a significant increase in the amount of industrial land sold.

Despite the relatively large amount of land sold in the Eastern Seaboard, the occupancy rate remained constant at 84% as a result of the considerable increase in supply. Available space in the Bangkok metropolitan and central regions remains relatively limited as the occupancy rate is at 94% and 92% respectively.
ASKING PRICES

Mean asking prices increased to 5,182,898 baht per rai over the past year. This represents a 3% increase Y-o-Y. Excluding the western region, the areas with the highest annual price increase are the Bangkok metropolitan region and the Eastern Seaboard at 6% and 4% respectively. Due to high demand and limited supply, the average asking price in the Bangkok metropolitan region reached an unprecedented level of over 9,800,000 baht. Meanwhile, demand for manufacturing space in the Eastern Seaboard has caused prices to rise close to 5,300,000 baht regardless of the supply level. Despite being a traditional industrial hub, the central region experienced no price increase. Coupled with a relatively lacklustre sales performance of only 49 rai and limited supply, this could indicate that manufacturing investment is starting to shift elsewhere.

Industrial land prices in the Bangkok metropolitan region ranged from 4,000,000 baht per rai to 16,500,000 million baht. The large spread is the result of the industrial land in Samut Sakhon receiving limited demand relative to Bangkok and Samut Prakan. The latter two provinces have greater connectivity to major distribution centres and other manufacturing hubs. There is also a large spread in prices for land in the northern region as a result of land in the Northern Region Industrial Estate being much more expensive than in other northern industrial areas.
Supplier

In 2018, total RBF supply did not increase by a significant amount, as only 18,180 square metres of space were added, increasing total supply to 2,927,805 square metres. New supply launches were limited as a result of the relatively high vacancy level of existing RBF in the market and weakened economic sentiment during the second half of the year. The high vacancy is a result of a massive increase in supply that has outpaced demand from 2014 to 2016. In addition, demand from manufacturers is shifting towards the purchase of SILP to build and operate their own factories, rather than lease RBFs. Tenant requirements are becoming increasingly specific and operational efficiency is valued over pure rental cost-savings.

Supply Distribution

Given limited entry, the supply distribution for RBFs remains largely unchanged from the previous year. The Eastern Seaboard has the largest market share at 50%. RBF supply in the area increased by 3,288 square metres to a total of 1,448,036 square metres. The central region contains the second highest share of RBFs at 26%, followed by the Bangkok metropolitan region at 21%.

Table 5

<table>
<thead>
<tr>
<th>Supply Distribution by Area</th>
<th>2018</th>
<th>% Change Y-o-Y</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bangkok Metropolitan Region</td>
<td>619,415</td>
<td>-</td>
</tr>
<tr>
<td>Eastern Seaboard</td>
<td>1,448,036</td>
<td>0.2%</td>
</tr>
<tr>
<td>Central</td>
<td>765,754</td>
<td>0.8%</td>
</tr>
<tr>
<td>Other</td>
<td>94,600</td>
<td>0.9%</td>
</tr>
<tr>
<td>Total</td>
<td>2,927,805</td>
<td>0.3%</td>
</tr>
</tbody>
</table>

Source: Knight Frank (Thailand) – Occupier Services & Commercial Agency
DEMAND

Net absorption remains positive this year, increasing total occupied space by 94,829 square metres to a total of 2,345,392 square metres. This represents a 4.2% increase Y-o-Y. This can partly be attributed to the limited supply entering the market in this year. Nevertheless, the market has displayed positive net absorption of over 50,000 square metres over the past 5 years, which indicates that there is a consistent and considerable level of demand for RBF.

Overall market occupancy rate is at 79.9%, having increased by 2.8% Y-o-Y. Over the past 5 years, the market occupancy rate and annual net supply change were negatively correlated (see figure 12.). This indicates that as the rate at which supply is added decreases, the market occupancy rate increases. The noteworthy decline in new supply each year to 18,080 from 188,183 square meters recorded in 2015 has eased pressure on occupancy levels, resulting in the recent rise in the occupancy rate. Market occupancy increased in all zones, with the largest rise occurring in the Bangkok metropolitan region. Occupancy of RBF in this area increased by 4.4% to 86.7%. This is followed closely by the central region, in which occupancy increased by 4.3% to 70%. The Eastern Seaboard experienced limited occupancy growth, increasing by 1.3% to 84.1%. The limited change is a result of the significantly larger supply and amount of occupied space in the Eastern Seaboard compared to other areas.
RENTAL RATES

Average asking rents increased to 198 baht per square metre per month from 197 baht in this year. Although this seems like an insignificant change, this represents a reversal of the decline in asking rents over the previous 2 years. This is likely due to the limited annual supply and consistent level of demand that has resulted in a slight increase in bargaining power for landlords. RBF by zone displayed a mix of no change to slight increase in rental rates. RBFs in the Eastern Seaboard still command the highest rents at 213 baht per square metre per month, despite having undergone no change. The Bangkok metropolitan region experienced the highest rental increase at 1.6% to 173 baht.

The highest asking rent can be observed in the Eastern Seaboard at 250 baht per square metre per month. This is closely followed by rents in the Bangkok metropolitan and central regions at 230 baht. However, rental spreads in metro Bangkok were much wider, ranging from 123 baht to 230 baht. Despite being a high demand area overall, there are several RBFs in Samut Prakan that are located outside industrial zones. They command much lower rents than their counterparts that are located in industrial estates or parks, resulting in lower asking rents for the overall Bangkok metropolitan area.

### TABLE 6
THAILAND READY – BUILT FACTORIES OCCUPANCY RATE BY ZONE

<table>
<thead>
<tr>
<th>Occupancy Rate by Zone</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>% Change Y-o-Y</th>
</tr>
</thead>
<tbody>
<tr>
<td>Overall</td>
<td>77.5</td>
<td>76.9</td>
<td>76.1</td>
<td>77.1</td>
<td>79.9</td>
<td>+ 2.8%</td>
</tr>
<tr>
<td>Bangkok Metropolitan Region</td>
<td>95.5</td>
<td>90.8</td>
<td>87.4</td>
<td>82.3</td>
<td>85.7</td>
<td>+ 4.4%</td>
</tr>
<tr>
<td>Eastern Seaboard</td>
<td>80.8</td>
<td>79.3</td>
<td>77.3</td>
<td>82.9</td>
<td>84.1</td>
<td>+ 1.3%</td>
</tr>
<tr>
<td>Central</td>
<td>59.1</td>
<td>60.2</td>
<td>66.7</td>
<td>65.6</td>
<td>70.0</td>
<td>+ 4.3%</td>
</tr>
<tr>
<td>Other</td>
<td>44.6</td>
<td>39.0</td>
<td>53.3</td>
<td>48.0</td>
<td>50.5</td>
<td>+ 2.5%</td>
</tr>
</tbody>
</table>

SOURCE: KNIGHT FRANK (THAILAND) – OCCUPIER SERVICES & COMMERCIAL AGENCY

### FIGURE 14
THAILAND READY – BUILT FACTORIES AVERAGE ASKING RENT SPREADS

SOURCE: KNIGHT FRANK (THAILAND) – OCCUPIER SERVICES & COMMERCIAL AGENCY
OUTLOOK

The global economic slowdown, prolonged export weakness and events such as Brexit and the US-Sino trade war have created an uncertain market environment for investment. Given these factors, it is projected that supply and demand for both industrial land plots and RBF will drop in the short term. Several developers and tenants may delay project launches and spending as they adjust to the economic slowdown. RBF asking rents may decline slightly in order to attract tenants in the midst of the weakened market sentiment.

In the medium to long term, strong economic fundamentals, sustained public spending on infrastructure and incentives offered by the Board of Investment will make Thailand even more attractive to international investors, especially those looking to relocate their manufacturing bases from China. Relocations by some international companies are already in progress.

GLOSSARY

Serviced Industrial Land Plots
– Land made available for sale in industrial estates and industrial parks

Bangkok Metropolitan Region
– Includes Bangkok, Samut Prakan, Samut Sakhon

Eastern Seaboard (EEC)
– Includes Chachoengsao, Chonburi, Rayong

Central
– Includes Ayutthaya, Pathum Thani, Saraburi

West
– Includes Ratchaburi, Petchaburi, Prachuap Khiri Khan

South
– Includes Songkhla, Pattani

Northeast
– includes Nong Khai, Nakhorn Ratchasima

North
– Includes Lamphun, Pichit

Thailand Contacts

Phanom Kanjanathiemthao
Managing Director
+66 (0)2643 8223 Ext 124
phanom.kanjanathiemthao@th.knightfrank.com

Surasak Limpa-Arayakul
Executive Director,
Head of Valuation and Advisory
+66 (0)2643 8223 Ext 143
surasak.limpa-arayakul@th.knightfrank.com

Roong Sitthisankunchorn
Executive Director,
Head of Property Management
+66 (0)2643 8223 Ext 144
roong.sitthisankunchorn@th.knightfrank.com

Marcus Burtenshaw
Executive Director,
Head of Occupier Services and Commercial Agency (OSCA)
+66 (0)2643 8223 Ext 104
marcus.burtenshaw@th.knightfrank.com

Frank Khan
Executive Director,
Head of Residential
+66 (0)2643 8223 Ext 280
frank.khan@th.knightfrank.com

Phuket Contact

Nattha Kahapana
Executive Director,
Head of Knight Frank Phuket
+66 (0)7631 8151 Ext 300
nattha.kahapana@th.knightfrank.com

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