

Logistics

H2 2023

An overview review of Logistics market in H2 2023
by Knight Frank Thailand

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► Thailand’s logistics property market showed signs of a slowdown in its growth trajectory during the second half of 2023, with 3PL and e-commerce sectors scaling back to align their operations with demand outlooks. External factors such as the Red Sea conflict and other geopolitical tensions raise concerns for the global supply chain, and the magnitude of their impact on Thailand’s logistics activities will likely be observed in 2024.

The Office of the National Economic and Social Development Council (NESDC) announced the 2023 GDP growth of 1.9%, citing weakened public investment and spending in the latter half of the year.

Private consumption remains a significant driver of the Thai economy, with the service sector experiencing notable expansion, evidenced by growth exceeding 15% YoY. In contrast, investment has decelerated, with an increase of 1.3% YoY, attributed largely to a decrease in public investment. In addition, public spending has also seen a downturn, declining by 3.1% YoY, primarily due to delays in disbursing the 2024 fiscal budget. In terms of international trade, Thailand has managed to maintain a positive trade balance. This is shown in a 1.7% decrease YoY in exports of goods and services, which offset a greater decline of 3.1% YoY in imports.

Headline inflation in Thailand turned negative for four consecutive months, settling at an annual average of 1.3%, which aligns with the central bank’s

policy target of 1-3%. Amid these conditions, the Thai policy rate has been maintained at 2.5%, reflecting concerns over inflation risks that could arise in the absence of government interventions such as electricity bill or diesel subsidies. These concerns are compounded by the recent decline in Thai Baht and the context of the US Federal Reserve maintaining its key rate between 5.25-5.50%. Looking forward to 2024, NESDC forecasts the Thai economy to grow by 2.7%, with tourism and private consumption expected to be the major drivers of growth.

Looking at the indicators related to logistics, statistics from the Office of Industrial Economics (OIE) indicate that the production index experienced a decline from 94 in June 2023 to 88 in December 2023. In the meantime, the finished goods inventory index also reduced from 139 to 127. This combination of reduced production and inventory levels indicated that while consumption has recently been strong, future projections appear less optimistic.

5.70 million sq m.

Total supply increased by 3.1% HoH and 6.3% YoY.

4.81 million sq m.

The overall occupied space experienced a 0.7% HoH decrease in due to a negative net absorption of -31,800 sq m.

84.4%

The overall occupancy rate witnessed a HoH drop of 3.2 percentage points, with the Eastern Economic Corridor (EEC) experiencing a substantial decline of 6.9 points to reach 76.4%.

**158 THB
per sq m per month**

in H2 2023, the average asking rent saw a slight decrease.

**Geopolitical
tensions**

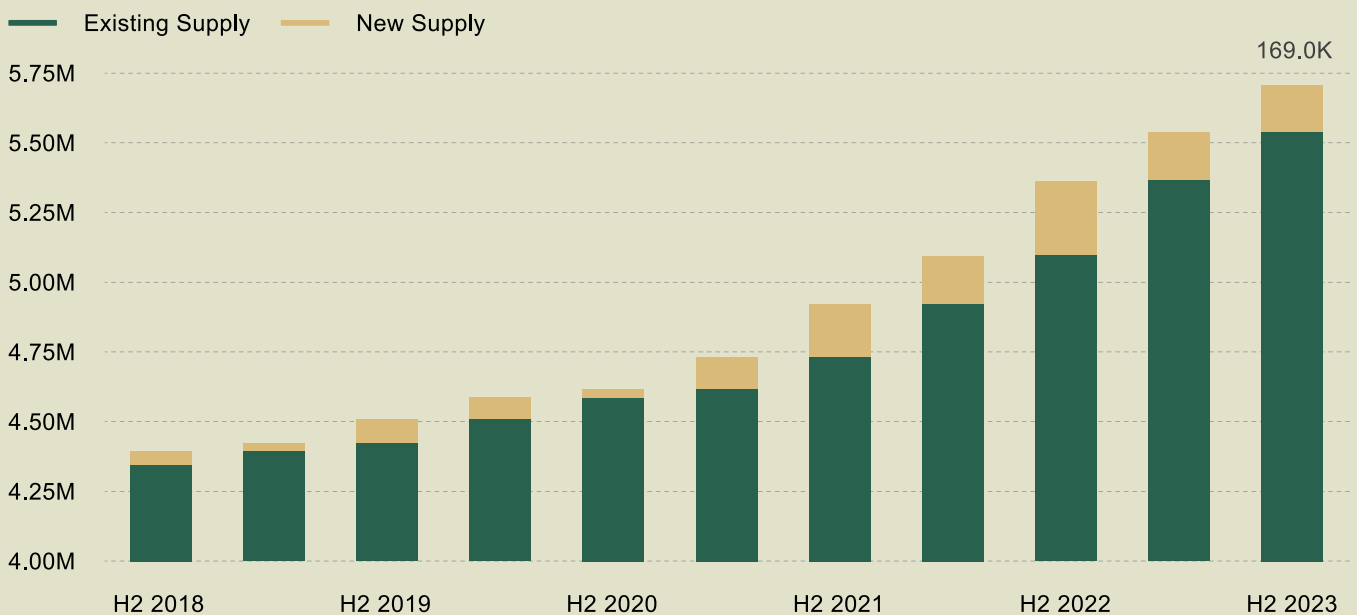
Particularly the Red Sea conflict, and rising freight rates globally, contributing to a growth plateau in the second half of 2023.

LOGISTICS PROPERTY MARKET INDICATORS

	5.70M SUPPLY (sq m)	4.81M OCCUPIED SPACE (sq m)	84.4% OCCUPANCY RATE	158 ASKING RENT (THB / sq m / month)
% Change				
H-o-H	▲ 3.1%	▲ 0.7%	▲ 3.2% pts.	▼ 0.5%
Y-o-Y	▲ 6.3%	▲ 4.7%	▲ 1.3% pts.	▲ 0.6%

CURRENT SUPPLY

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SOURCE: KNIGHT FRANK (THAILAND) – OCCUPIER STRATEGY & SOLUTIONS

CURRENT SUPPLY

The total supply of ready-built warehouses reached 5.70 million sq m, an increase of 169,000 sq m in warehouse space from the previous half-year. This addition represented growth of 3.1% HoH and 6.3% YoY. The new supply included KR Warehouse - Beung sub-district and Alpha Laemchabang in Chonburi, Fraser Bangna 2 in Chachoengsao, ESR Asia Suvarnabhumi in Samut Prakan, and Alpha Rangsit – Phaholyothin KM. 33 in Pathum Thani. The addition of supply also came from the expansion of existing projects like KR Warehouse – Bowin in Chonburi and RBF’s Buildwell in Pathum Thani.

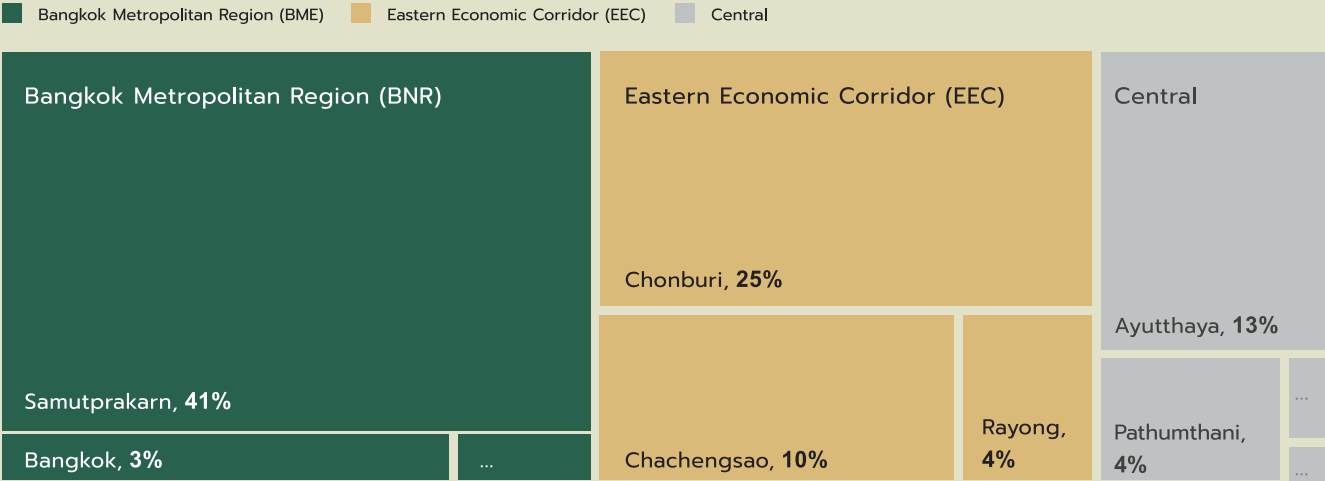
SUPPLY DISTRIBUTION

The distribution of ready-built warehouses in Thailand is primarily concentrated in three key regions. The Bangkok Metropolitan Region (BMR) represents the largest sub-market, commanding a 45% share of the total market, with Samut Prakan holding the majority share within the BMR at 41%. The Eastern Economic Corridor (EEC) stands as the second-largest sub-market, accounting for 38% of the overall warehouse supply. Among the EEC supply, Chonburi takes the lead with a 25% share, followed by Chachoengsao at 10%. In the Central region, Ayutthaya functions as a significant hub for domestic logistics,

representing 13% of the country’s speculative warehouse space, with Pathum Thani following at 4%. In the second half of 2023, there was a consistent rise in supply across the major sub-markets. The net leasable area in the BMR experienced a 1.0% HoH increase, reaching 2.52 million sq m. The EEC saw the most rapid expansion this half-year at 4.4%, reaching almost 2.16 million sq m. Finally, the Central region and others experienced robust supply growth of 3.8% HoH, totaling 944,700 sq m.

NET LETTABLE AREA AND NET SUPPLY CHANGE BY REGION

SQ M - NEAREST HUNDRED



SOURCE: KNIGHT FRANK (THAILAND) – OCCUPIER STRATEGY & SOLUTIONS

NET LETTABLE AREA AND NET SUPPLY CHANGE BY REGION

SQ M - NEAREST HUNDRED

Region	Net Lettable Area as of H2 2023	%Change	
		(H-o-H)	(Y-o-Y)
Total	5,704,700	▲ 3.1%	▲ 6.3%
Bangkok Metropolitan Region (BNR)	2,522,900	▲ 1.0%	▲ 3.3%
Eastern Economic Corridor (EEC)	2,160,500	▲ 4.4%	▲ 8.9%
Central	980,200	▲ 3.8%	▲ 6.9%

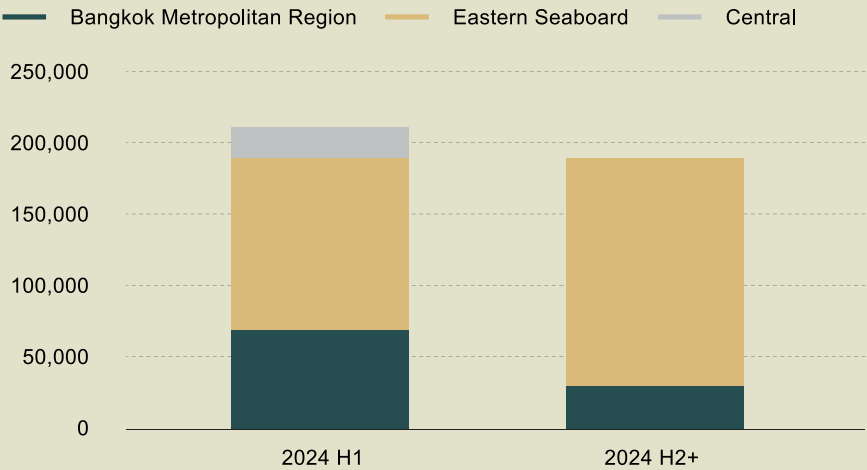
SOURCE: KNIGHT FRANK (THAILAND) – OCCUPIER STRATEGY & SOLUTIONS

FUTURE SUPPLY

The total size of the lettable area expected to be completed in 2024 is 413,900 sq m, with 218,100 sq m in H1 and 195,800 sq m in H2. This new space is set to constitute 7% of the current supply. The EEC is poised to host around 70% of the upcoming supply, followed by the BMR, with a share of 25%. This trend underscores a shift towards the EEC, which could potentially impact the region's occupancy performance.

FUTURE SUPPLY BY REGION

SQ M



SOURCE: KNIGHT FRANK (THAILAND) – OCCUPIER STRATEGY & SOLUTIONS

DEMAND

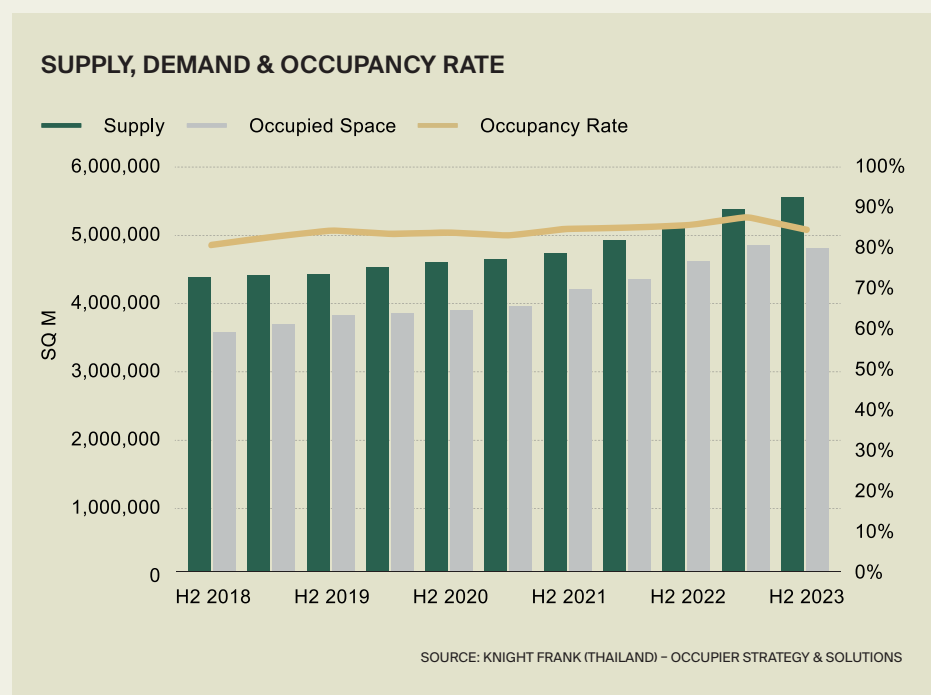
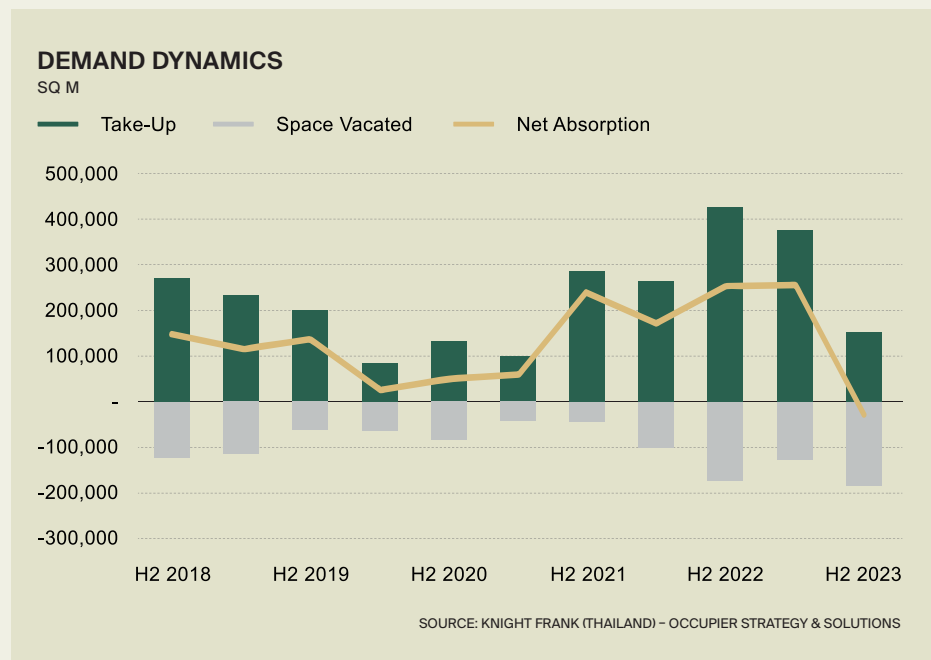
In the second half of 2023, the logistics property sector experienced a slowdown, evidenced by lower take-up rates and increased space vacated. Net absorption, which is the net change in the market-wide occupied space, in H2 recorded a negative figure of 31,800 sq m, marking the first occurrence in the last five years. Consequently, the total occupied space decreased by 0.7% HoH to 4.81 million sq m.

While the sector saw a slight decline in leasing performance, certain industries, such as fast-moving consumer goods (FMCG) and motor vehicles, continued to be significant tenants that require ready-built facilities for their flexibility and quick setup. We also noted an expansion in E-commerce, although the demand for space has not increased as rapidly as in previous periods.

Regarding the origins of demand, Thai companies remain the most active in the warehouse market, driven by domestic consumption. They are followed by Japanese companies, which have a historically strong presence in Thailand's industrial sector. Chinese firms are ranked third and have observed a reduction in market share, primarily due to the country's economic situation that has broadly affected firms across various industries.

The consistent upward trend in market occupancies halted during the second half of 2023, primarily due to a slowdown in demand for logistics properties, while new completions remained stable compared to the first half of 2023. This correction resulted in the overall occupancy rate dropping by 3.2 percentage points HoH to 84.4%, returning to the average level of the last five years.

In the BMR, a modest change was observed, with occupancy levels decreasing by 0.7 pts HoH. This region, well-known for its significant e-commerce sector presence — which had previously demonstrated rapid growth — experienced a steadier expansion in 2023. Nonetheless, it still holds the position of having the highest occupancy rate, at 90.6%.



Shifting focus to the EEC, the trend experienced a significant downturn, with a marked reduction of 6.9 pts HoH, bringing the occupancy rate down to 76.4%. This downturn is attributed to the region's reliance on exports and imports, sectors that are sensitive to the global economic climate. Challenges such as the crises in the Middle East and Ukraine have led to decreased demand and supply chain disruptions. Furthermore, during this period, the EEC introduced the largest amount of new supply in the country, accounting for over half of Thailand's new supply, which further

exacerbated the challenges in the region.

Conversely, the Central region displayed an uptrend in its performance, driven by steady domestic consumption and a limited influx of new speculative warehouse space. The region demonstrated notable growth, with occupancy rates increasing by 0.6 pts HoH or 5.4 pts YoY, to reach 87.0%.

OCCUPANCY RATE BY REGION

Region	H2 2023	% Point Change	
		(H-o-H)	(Y-o-Y)
Total	84.4%	▼ 3.2% pts	▼ 1.3% pts
Bangkok Metropolitan Region (BMR)	90.6%	▼ 0.7% pts	▼ 0.1% pts
Eastern Economic Corridor (EEC)	76.4%	▼ 6.9% pts	▼ 4.9% pts
Central	87.0%	▲ 4.8% pts	▲ 5.4% pts

SOURCE: KNIGHT FRANK (THAILAND) – OCCUPIER STRATEGY & SOLUTIONS

OCCUPIED SPACE AND NET ABSORPTION BY REGION

SQ M - NEAREST HUNDRED

Region	Occupied Space as of H2 2023	Net Absorption	
		H2 2023	Last 12 months
Total	4,814,600	-31,800	216,950
Bangkok Metropolitan Region (BMR)	2,286,700	5,300	70,152
Eastern Economic Corridor (EEC)	1,651,600	-73,900	39,000
Central	815,400	36,800	104,600

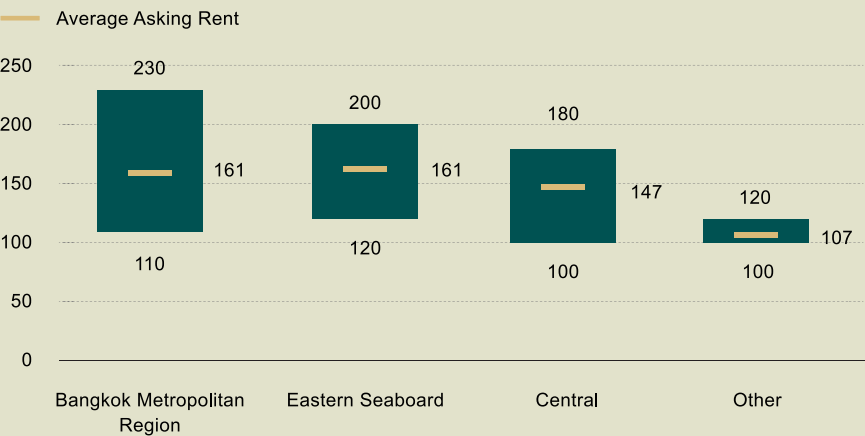
SOURCE: KNIGHT FRANK (THAILAND) – OCCUPIER STRATEGY & SOLUTIONS

RENTAL RATES

In the second half of 2023, the average asking rent for ready-built warehouses in Thailand experienced a marginal decrease, settling at 158 THB per square metre per month. This slight adjustment was primarily due to a small number of existing properties reducing rents by 5-10 THB, alongside new properties entering the market at lower rental rates. Despite these changes, average rental rates across different regions remained stable. The BMR and the EEC both maintained an average rent of 161 THB, while the Central region saw a slightly lower rate at 147 THB, and other areas of Thailand were even more affordable at 107 THB. Notably, there was no change in the maximum and minimum rents across all regions, indicating a stable rental market.

READY-BUILT WAREHOUSE ASKING RENT SPREADS

BAHT PER SQ M PER MONTH



SOURCE: KNIGHT FRANK (THAILAND) – OCCUPIER STRATEGY & SOLUTIONS

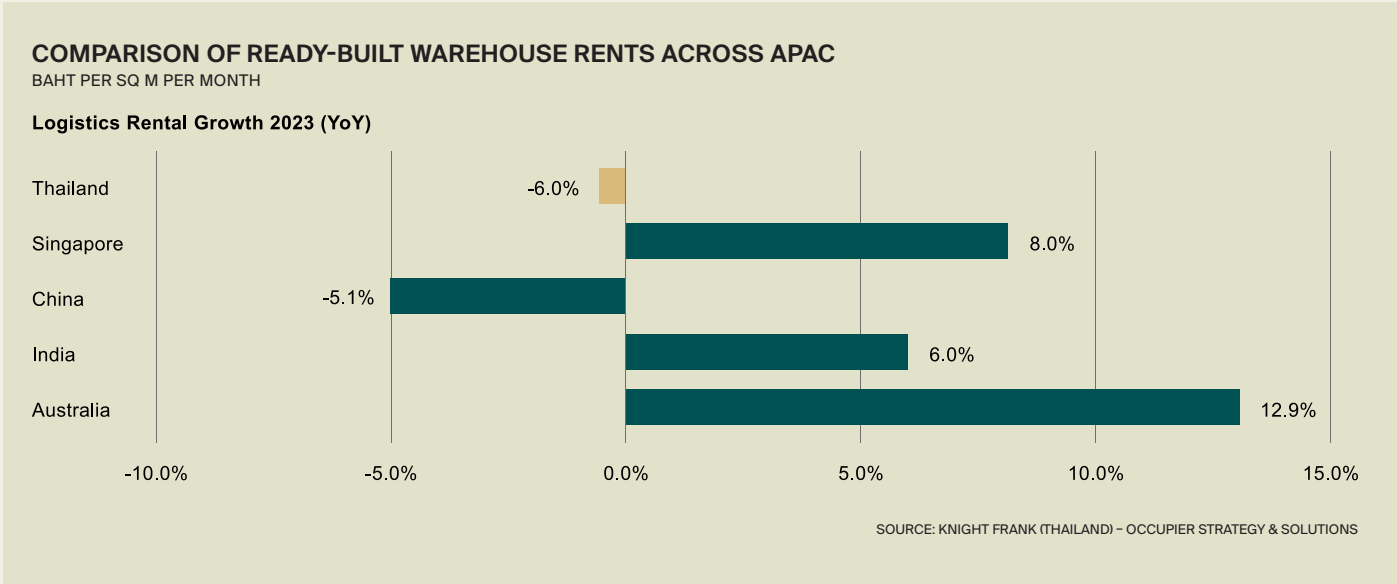
In our assessment comparing Thailand’s warehouse rental rates with those in key logistics markets within the Asia Pacific (APAC) region, including Australia, Singapore, China, and India, we observed distinct trends. While rental rates in Thailand have remained stable over the past year, the landscape in other countries has been marked by diverse dynamics, ranging from strong rental growth to noticeable contraction.

In 2023, Australia led the region with the highest rental growth, attributed to its relatively low rents, both in terms of a percentage of total operating costs

(at around 10%) and in comparison to other global cities. Additionally, the Australian logistics market saw a significant reduction in vacant space, nearly halving compared to two years prior, signaling a tightening market. Singapore’s warehouse sector experienced constraints in both current and future supply, coupled with the first half of the year still feeling a surge in the third-party logistics (3PL) and e-commerce sectors. In India, the warehouse rental market was buoyed by strong domestic demand and an optimistic economic growth forecast of 7% for 2023. Meanwhile, China encountered

a widespread property crisis that extended beyond the real estate sector, resulting in diminished overall investment, consumption, and exports. This downturn had a direct impact on the warehousing demand, culminating in a negative growth rate of 5%.

This variation underscores the diversity of the warehouse rental market across the APAC region, reflecting the interplay of different economic factors, market demands, and supply-side pressures across the region.



RENTAL RATES

Toward the close of 2023, a rise in geopolitical tensions was observed across different parts of the world. These tensions included the ongoing Russia-Ukraine war, heightened conflict between Israel and Hamas, and increased activity by Houthi rebels in the Red Sea. However, the situation in the Red Sea, a crucial passageway that covers 10-15% of global maritime traffic, notably raised many concerns in global logistics. The escalation in attacks in the Red Sea forced ships to detour around the Cape of Good Hope, adding two extra weeks to transit times and increased costs, including fuel and higher premiums due to the surge in demand for alternative routes. The Drewry World Container Index (WCI) has captured a recent sharp rise in freight rates, with the price for a 40 ft container soaring from \$1,661 at the end of 2023 to \$3,964 by the end of January 2024, marking a

more than twofold increase within a month. The most impacted shipping route is estimated to be between Asia and Europe, with significant effects felt in sectors such as agriculture (perishable goods), automotive (with major exporters in Europe and Asia), electronics (due to their time-sensitive nature), and textiles and apparel (which operate on lower profit margins).

Amidst subdued global consumption and widespread uncertainty, Thailand’s logistics property market, closely linked to import and export conditions, experienced a plateau in its growth trajectory during the second half of 2023. Net absorption figures fell to a negative 31,800 square metres after an extended period of growth. This has led to a decline in market occupancies to 84%, approximately 3% lower than in the first half of 2023. A significant

factor in this reduced demand was the 3PL and e-commerce sectors scaling back to align their operations with demand outlooks after extensive expansion in earlier periods.

Looking forward, the committed future-to-current supply ratio remains healthy at 7%, mitigating the risk of a large market downturn. This is largely due to many major developers increasingly shifting their focus towards built-to-suit projects, especially during times of rising land and construction costs, elevated interest rates, and slower leasing activities. Moreover, some developers are diversifying beyond traditional warehousing into specialized services, such as cold storage, dangerous goods warehousing, or automotive yards, areas which they expect to see more significant growth.

GLOSSARY

BANGKOK METROPOLITAN REGION (BMR)

Includes Bangkok, Samut Prakan,
Samut Sakhon, Nonthaburi

EASTERN ECONOMIC CORRIDOR (EEC)

Includes Chachoengsao, Chonburi,
Rayong

CENTRAL

Includes Ayutthaya, Pathum Thani,
Saraburi

Recent Research

