

Manufacturing

H2 2023

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

knightfrank.co.th/research

- While overall production activities slowed following global economic trends, the serviced industrial land market experienced one of its best years. A total of 8,867 rai was sold, doubling the sales figures from the previous year. The relocation and expansion of foreign companies, particularly in the EV and electronics industries, seeking offshore manufacturing opportunities, led to a substantial increase in the sales of serviced industrial land in the country.

According to the world bank Thailand, the Thai economy is forecast to grow by 2.5% in 2023, which is below the 3.2% forecast announced at the beginning of the year.

In the first nine months of 2023, Thailand maintained a positive trade account, due to a 1.0% increase in exports of goods and services, which surpassed a 4.6% decline in imports. Private consumption remained robust, growing by 7.3% due to a resilient job market and the continued recovery of international tourism, despite falling short of targets for Chinese visitors. Fixed capital investment also experienced moderate growth of 1.7%, driven by investments in private construction and machinery. Meanwhile, government expenditure contracted by 6.2% as COVID-19 relief measures and stimulus packages

were phased out. Moreover, the delay in the FY2024 budget expenditure Act approval is likely to decrease government investment until Q1 2024.

The faltered recovery of Thailand's economy caused it to diverge further from ASEAN peers, including Indonesia, Malaysia, the Philippines, and Vietnam, by approximately 10% in terms of accumulated GDP growth since 2019. However, price pressures eased as headline inflation turned negative for the first time in two years, primarily due to diesel and electricity bill subsidies and lowered food prices. This marks Thailand's inflation rate as one of the lowest globally during the second half of the year.

99.2% YoY

The serviced industrial land market experienced one of its best years. A total of 8,867 rai was sold, doubling the sales figures from the previous year.

EV & Electronics

The relocation and expansion of foreign companies, especially in the EV and electronics sectors, drove a significant surge in sales of serviced industrial land in the country.

EEC

Dominates with 64% market share in Serviced Industrial Land particularly in Rayong (39%).

3.1%

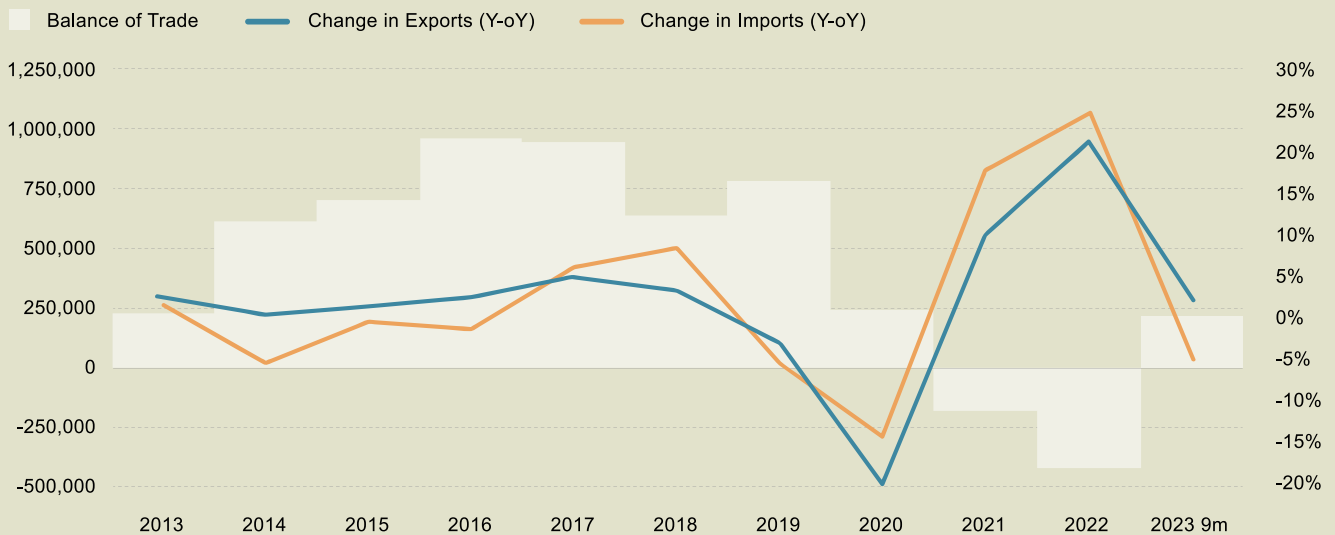
The average land price in Thailand saw a considerable rise, reaching 6.1 million baht per rai.

SERVICED INDUSTRIAL LAND MARKET INDICATORS

	179,283 SUPPLY (rai)	4,445 LAND SOLD (rai)	83.1% CUMULATIVE SALES RATE	6.1M AVERAGE ASKING PRICE (THB/rai)
% Change				
H-o-H	▲ 0.8%	▲ 0.5%	▲ 1.6% pts.	▲ 2.0%
Y-o-Y	▲ 2.7%	▲ 99.2%	▲ 2.4% pts.	▲ 6.1%

THAILAND'S GOODS & SERVICES BALANCE

THAI BAHT (MILLIONS)

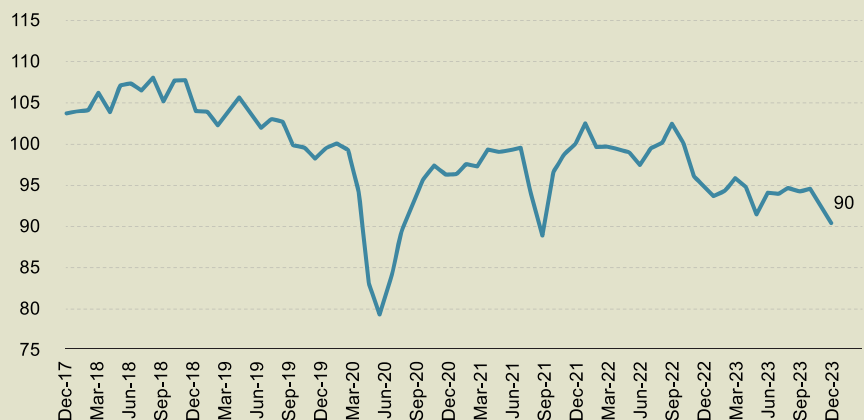


SOURCE: NESDC

In November 2023, Thailand's manufacturing productivity index (MPI), after seasonal adjustment, dipped to 90%, marking a 4% decrease from the mid-year figure. This downturn was due to lower production in specific sectors such as automotive - particularly in conventional private vehicles and pickup trucks - and raw sugar. Conversely, production of various petroleum products, including diesel, fuel oil, gasohol, and biofuels, experienced an increase within the same timeframe.

THAILAND MANUFACTURING PRODUCTIVITY INDEX

(MPI - SEASONALLY ADJUSTED)

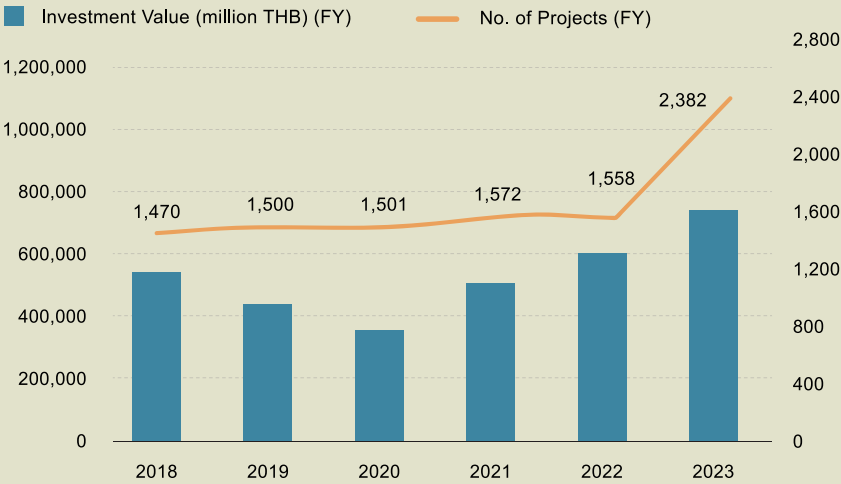


SOURCE: OFFICE OF INDUSTRIAL ECONOMICS

According to the BOI report, the total number of investment promotion approvals in 2023 increased substantially by 53%, reaching 2,383 projects compared to last year. The investment value also rose by 23%, reaching 750 billion Baht. The electronics and electrical equipment sector, especially in areas such as solar cells and smart electronics, continued to contribute the largest share, accounting for nearly half of the total approved investment value. This sector experienced significant growth of 238% with an investment value of 267 billion Baht in 2023. Additionally, new sectors, including medical services and high-value-added services—such as advanced technology and professional services—have also seen a significant increase in investment value.

THAILAND'S FOREIGN DIRECT INVESTMENT (FDI)
APPROVED BY THE BOI

THAI BAHT (MILLIONS)



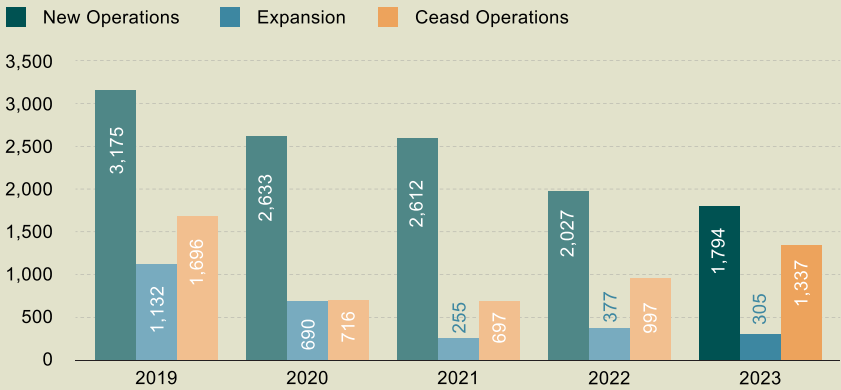
BOI APPROVAL		
	No. of Projects	Investment Value (million THB)
2022	1,558	612,101
2023	2,383	750,129
Change	+53%	+23%

SOURCE: THAILAND BOARD OF INVESTMENT

In the past five years, Thailand has seen fewer permits granted by the Department of Industrial Works, while the number of new projects approved by BOI has increased. In 2023, the number of new and expanded factories fell to 2,099, marking a 13% decline compared to the previous year. At the same time, factory closures increased by 34%, rising to 1,337.

THAILAND FACTORY OPERATIONS

NUMBER OF FACTORIES



THAILAND FACTORY OPERATIONS			
	New Operations	Expansion	Ceased Operations
2022	2,027	377	997
2023	1,794	305	1,377
Change	-11%	-19%	+34%

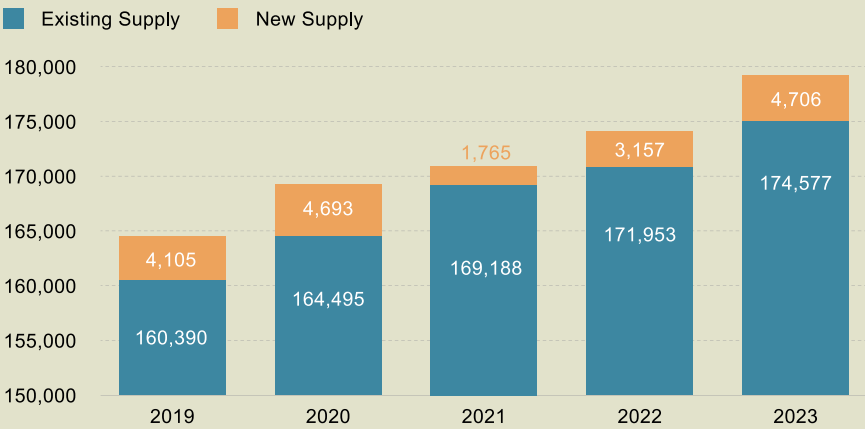
SOURCE: THAILAND BOARD OF INVESTMENT

SERVICED INDUSTRIAL LAND

SUPPLY

In H2 2023, there was no new industrial estate approved by the Industrial Estate Authority of Thailand (IEAT). However, expansions at Amata City Industrial Estate Rayong, Amata City Industrial Estate Chonburi, and Rojana Industrial Park Ayutthaya led to an increase in available serviced industrial land. As a result, the total amount of serviced industrial land in industrial estates, industrial zones, and industrial parks increased by 0.8%, or 1,959 rai, bringing the total to 179,283 rai.

THAILAND SERVICED INDUSTRIAL LAND AVAILABLE FOR SALE/LEASE
RAI



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

SUPPLY DISTRIBUTION

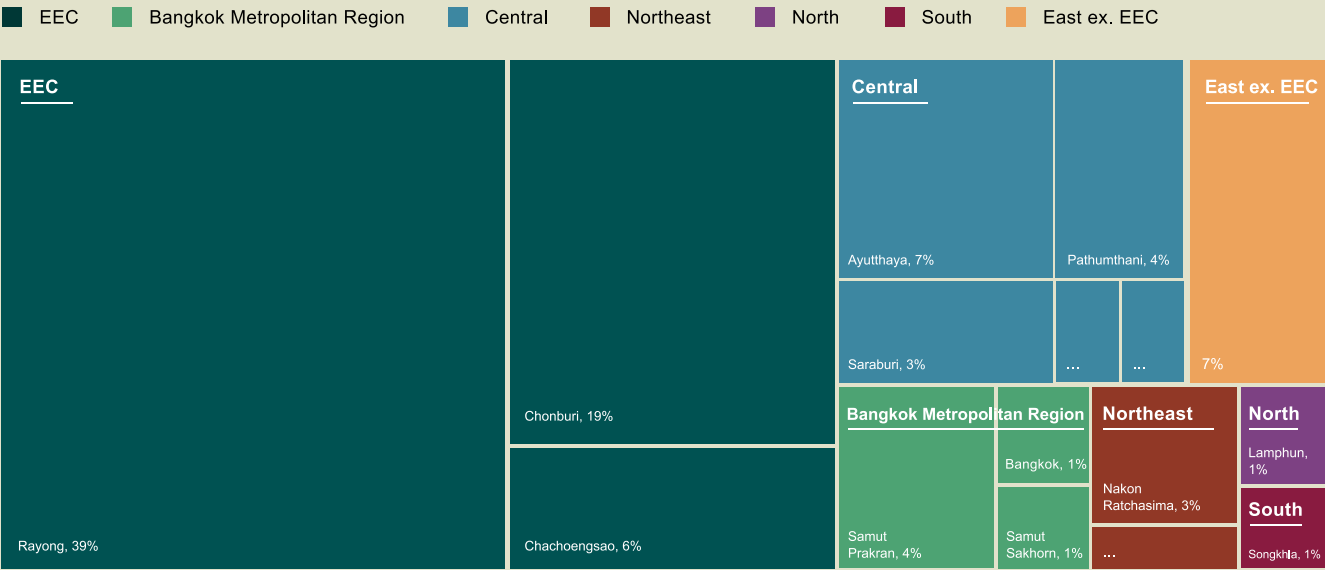
Serviced Industrial Land in Thailand is distributed across 18 provinces, with the majority—71% of the market share—concentrated in the Eastern part of Thailand. In this region, the Eastern Economic Corridor (EEC) holds a dominant 64%, while the remaining 7% is located in Prachinburi. Inside the EEC, Rayong stands as

the prime manufacturing hub of the country, covering over 70,000 rai, which constitutes 39% of the market share. This is followed by Chonburi at 19% and Chachoengsao at 6%. The Central Region is the second-largest, comprising 16% of the total supply, featuring Ayutthaya at 7%, Pathum Thani at 4%, and Saraburi at 3%.

Elsewhere, Samut Prakarn constitutes 4% of the total supply, while Nakhon Ratchasima accounts for 3%.

During the second half of 2023, only the Central region and the EEC saw an increase in total supply, expanding by 1.8% and 0.9% compared to the first half of the year, respectively.

THAILAND SERVICED INDUSTRIAL LAND DISTRIBUTION BY REGION



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

THAILAND SERVICED INDUSTRIAL LAND DISTRIBUTION BY REGION

RAI

Region	Saleable / Lettable Area	% Change	
		(H-o-H)	(Y-o-Y)
Total	179,283	▲ 0.8%	▲ 2.7%
Bangkok Metropolitan Region	12,077	0.0%	0.0%
EEC	114,760	▲ 0.9%	▲ 3.8%
East ex-EEC	12,867	0.0%	0.0%
Central	26,676	▲ 1.8%	▲ 1.8%
North	3,204	0.0%	0.0%
Northeast	6,630	0.0%	0.0%
South	2,127	0.0%	0.0%
West	942	0.0%	0.0%

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

DEMAND

Based on the IEAT report and Knight Frank survey, the demand for serviced industrial land in H2 2023 showed a positive trend. The total area sold or leased during this period amounted to 4,445 rai, contributing to an annual total of 8,867 rai, which is an 99% increase compared to 2022. This surge in demand was primarily driven by key industries such as EV automotive,

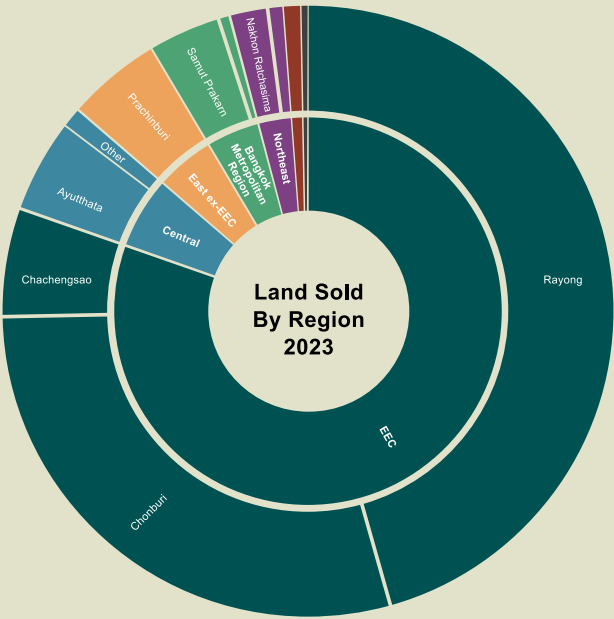
electronics, metal, chemical, and the plastic industry.

In terms of the demand distribution in 2023, the Eastern Economic Corridor (EEC) continued to be the most prominent sub-market, with 6,481 rai transacted, or 80% of the total transactions. In the EEC, there were significant land purchases by

major companies: BYD, a leading EV manufacturer from China, secured 600 rai within WHA Rayong 36 Industrial Estate, and Changan Auto acquired approximately 250 rai in WHA Eastern Seaboard 4. Outside the EEC, transactions totaled 1,577 rai, with Ayutthaya, Prachinburi, and Samut Prakarn seeing notable activity.

THAILAND SERVICED INDUSTRIAL LAND SOLD/LEASED BY REGION

RAI



Zone	Province	Land Sold (Rai)
EEC	Rayong	3,674
	Chonburi	2,339
	Chachengsao	468
Central	Ayutthata	394
	Other	86
East ex-EEC	Prachinburi	410
Bangkok Metropolitan Region	Samut Prakarn	328
	Other	25
North	Lamphun	80
Northeast	Nakhon Ratchasima	164
	Other	65
West	Ratchaburi	26

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

The overall market cumulative sales rate showed a positive increase of 1.6% H-o-H, reaching 83.1%. Notably, no region experienced a decline in its sales rate. The Central region had the highest sales rate at 91.8%, followed by the North at 89.7% and the Bangkok Metropolitan Region at 89.6%. Meanwhile, the Northeast region, despite having the lowest sales rate, demonstrated significant improvement with an increase of 3.4% H-o-H.

THAILAND SERVICED INDUSTRIAL LAND CUMULATIVE SALES RATES BY REGION

Region	H2 2023	% pt. Change	
		(H-o-H)	(Y-o-Y)
Overall	83.1%	▲ 1.6%	▲ 2.4%
Bangkok Metropolitan Region	89.6%	▲ 1.0%	▲ 2.9%
EEC	82.1%	▲ 2.0%	▲ 2.7%
East ex-EEC	77.4%	▲ 0.9%	▲ 3.2%
Central	91.8%	0.0%	▲ 0.2%
North	89.7%	0.0%	▲ 2.5%
Northeast	66.5%	▲ 3.4%	▲ 3.4%
South	69.6%	0.0%	0.0%
West	79.9%	0.0%	▲ 2.7%

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

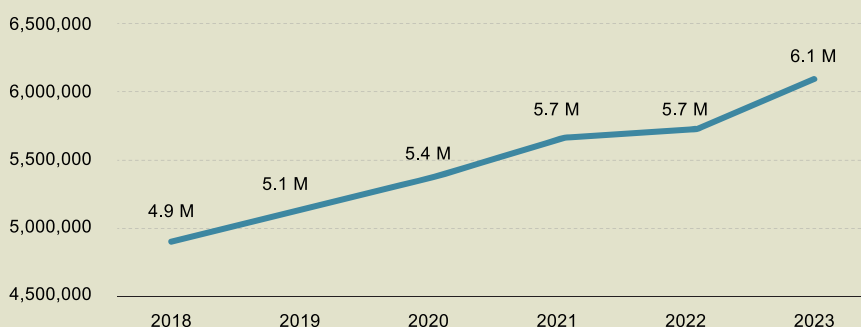
ASKING PRICES

In the second half of 2023, the average land price in Thailand saw a considerable rise of 3.1%, reaching 6.1 million baht per rai. Among the three major manufacturing regions, the Bangkok Metropolitan Region (BMR) had the highest price at 10.9 million baht. This was followed by the Eastern Economic Corridor (EEC) and the Central region, priced at 6.5 and 5.9 million baht respectively. The East ex-EEC experienced the most significant price surge, with a 6.2% rise H-o-H, followed by the Central Region at 5.4% H-o-H, and the EEC at 2.0% H-o-H.

In the EEC, the asking price range remains the widest among all the sub-markets, varying from 3.3 to 12.5 million baht per rai. Industrial estates in this region are typically priced between 4 and 5.5 million baht. Prices are notably higher along Motorway Route 7 (Bangkok – Ban Chang) and near Laem Chabang and Map Ta Phut ports. The highest price was recorded in Samut Prakan, at 16 million baht per rai, while the lowest prices, below 3 million baht per rai, are found in the Northeast and South.

THAILAND SERVICED INDUSTRIAL LAND AVERAGE ASKING PRICE

BAHT PER RAI



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

THAILAND SERVICED INDUSTRIAL LAND WITH AVERAGE ASKING PRICE BY REGION

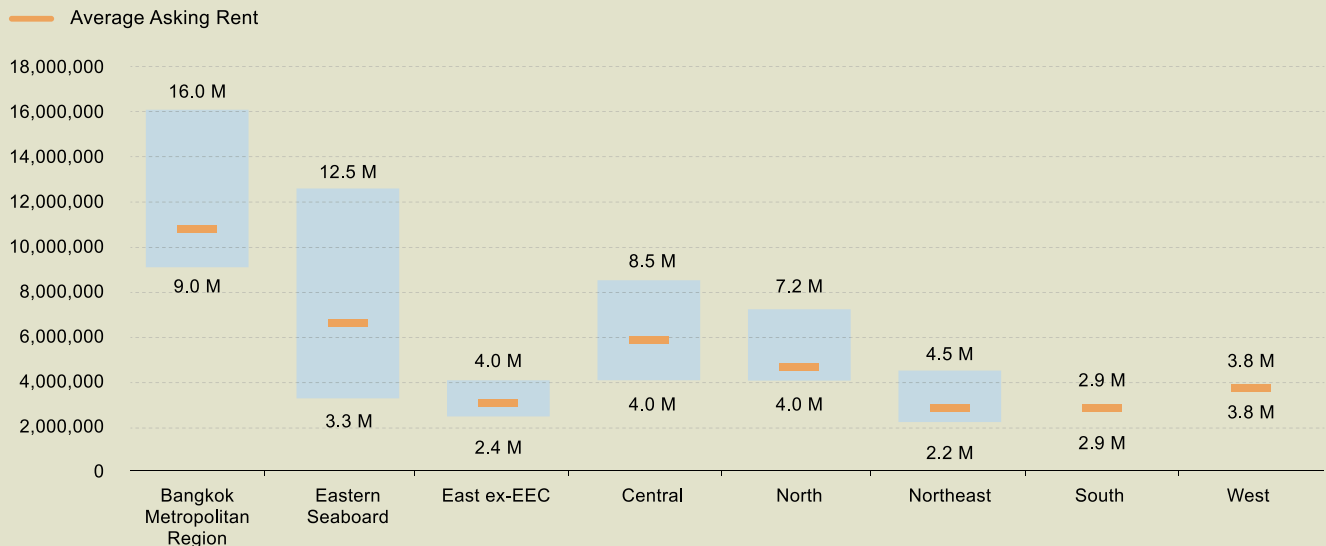
BAHT PER RAI (MILLION)

Region	H2 2023	% pt. Change	
		(H-o-H)	(Y-o-Y)
Overall	6.1	▲ 2.2%	▲ 5.8%
Bangkok Metropolitan Region	10.9	0.0%	▲ 8.6%
EEC	6.5	▲ 1.1%	▲ 4.9%
East ex-EEC	3.1	▲ 6.2%	▲ 9.8%
Central	5.9	▲ 5.4%	▲ 7.9%
North	4.7	0.0%	0.0%
Northeast	2.8	0.0%	▲ 5.4%
South	2.9	0.0%	▲ 7.4%
West	3.8	0.0%	▲ 8.6%

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

THAILAND SERVICED INDUSTRIAL LAND AVERAGE ASKING PRICE SPREAD

BAHT PER RAI



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

REVIEW & OUTLOOK

In the second half of 2023, Thailand's manufacturing sector grappled with subdued global consumption, a situation driven by persistently high interest rates, elevated debt levels, and increased risks of default. These factors led to a marked slowdown in Thailand's overall manufacturing activities and a decrease in factory utilisation rates and exports. However, the serviced industrial land market in Thailand painted a different picture by continuing its significant expansion in both prices and accumulated sales rates. The high barrier to entry in this market accentuates these trends, limiting competition. Meanwhile, on the demand side, Thailand saw an extensive relocation and expansion of foreign companies seeking offshore manufacturing, with foreign direct investment approval in the first nine months growing by 70% from last year.

The electric vehicle (EV) industry stands as a primary example of sectors receiving notable investment, driven by changing consumer preferences. The International Energy Agency anticipates a 35% surge in EV sales in 2023, which could bring global sales to 14 million units. As such, EVs are expected to constitute 18% of the total light vehicle market this year, a 4% increase from the previous year. In Thailand, we started to see a transformative shift, moving from

internal combustion engine (ICE) vehicles towards electric vehicles (EVs). Data from the Federation of Thai Industries (FTI) indicates a significant trend toward electrification: Domestic ICE sales declined by 12% to 221,012 units. Meanwhile, EV sales – including battery electric vehicles (BEVs) and plug-in hybrid electric vehicles (PHEVs) combined – increased more than sixfold to 66,603 from January to November 2023, compared to the same period last year.

On Thailand's automotive supply side, of more than 1.8 million vehicles produced in Thailand in 2023, less than one percent were EVs. However, the recent establishment of new EV manufacturing bases by international players, mainly from mainland China, suggests that the production of EVs will soon gain a stronger foothold. Furthermore, towards the end of 2023, the cabinet approved the new EV policy, known as EV 3.5. This new policy, which replaced the now-expired EV 3.0 policy in 2023, has extended buyer subsidies and reductions on import and excise taxes for EV makers. One of the key components of the measure is to increase the ratio of imported to domestically produced cars from 1:1.5 by 2025 to 1:3 by 2027, a move expected to accelerate the growth of EV production in Thailand over the next few years.

Beyond the EV surge, the Board of Investment (BOI) of Thailand's report highlights that the electronics and electric appliance industry also attracted substantial foreign investments in 2023, particularly in solar cells and advanced printed circuit boards (PCBs). This trend is indicative of a broader shift towards more sustainable and technologically integrated societies. Solar rooftop installations are thriving in the manufacturing sector, buoyed by high electricity costs and attractive BOI incentives that include a 50% corporate tax reduction on solar-related investments within three years, as well as a 10% import tariff reduction plus VAT benefits on relevant equipment. Apart from focusing on sustainability, the electronics industry is also adapting to the need for more compact and complex devices. This is evidenced by the growth in flexible PCBs that can bend and High-Density Interconnect (HDI) PCBs that fit more connections into tight spaces. Nowadays, these PCBs are extensively used in modern, high-performance electronic devices, not only in everyday items like smartphones and laptops but also in specialized equipment for medical, military, automotive, and industrial applications. It is anticipated that these high-value productions, along with other developments aligned with the global megatrends, are poised

to become significant contributors to both the manufacturing sector and the service industrial land market in Thailand.

Despite a 2023 upswing in foreign direct investment and a surge in serviced industrial land sales, Thailand’s economy is navigating a

period marked by geopolitical tensions and crises as we transition into the first half of 2024. These conflicts, including the escalated crisis in the Middle East, the unresolved war between Russia and Ukraine, and the ongoing trade war between China and the United States, will cast a shadow of uncertainty over international trade and the global

supply chain. The ripple effects of these disruptions are expected to be felt across various economies, and the resilience of Thai manufacturing will be tested as it contends with these challenges.

GLOSSARY

SERVICED INDUSTRIAL LAND

Land made available for sale/lease in industrial estates, zones and parks

BANGKOK METROPOLITAN REGION (BMR)

Includes Bangkok, Samut Prakan, Samut Sakhon

EASTERN ECONOMIC CORRIDOR (EEC)

Includes Chachoengsao, Chonburi, Rayong

EAST EX-EEC

Includes Prachinburi, Sa Kaew

CENTRAL

Includes Ayutthaya, Pathum Thani, Saraburi

WEST

Includes Ratchaburi, Petchaburi, Prachuap Khiri Khan not account for the amount of space vacated by tenants.

SOUTH

Includes Songkhla, Pattani

NORTHEAST

Includes Nong Khai, Nakhon Ratchasima

NORTH

INCLUDES LAMPHUN, PICHIT

Recent Research

Thailand Research Office

Amid rising competition, landlords are boosting their offerings with a focus on customised, built-to-suit, and ready-to-move-in solutions, gaining more prominence over the past year.

Office Property Market	Industrial Property Market
5.97M sqm	4.68M sqm
78.3%	78.3%
81%	81%

Bangkok Office Market Q3 2023

25,000 sq m

1.62 million sq m

11,000 sq m

0.2%

We like questions, if you’ve got one about our research, or would like some property advice, we would love to hear from you.

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