



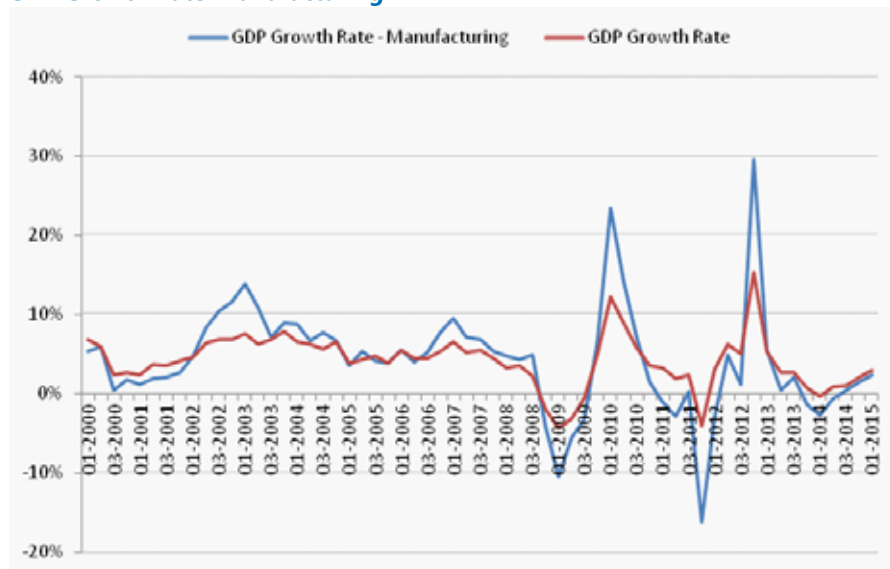
# H1 2015 MANUFACTURING PROPERTY MARKET

## HIGHLIGHTS

- Industrial land sales in H1 2015 were 1,404 rai, decreasing from the previous year by 2.3% due to a sluggish recovery in the Thai economy and contraction of the export sector.
- Factory occupancy rates stood firm at 77.1% in H1 2015, a reduction of 0.5% year on year, with a drop in all locations.
- The highest factory rental rate growth was seen in the Eastern Seaboard with an increase of 0.9%; however, the rental rates in other key locations also slightly increased.

## ECONOMIC OVERVIEW

Figure 1  
**GDP Growth Rate-Manufacturing**

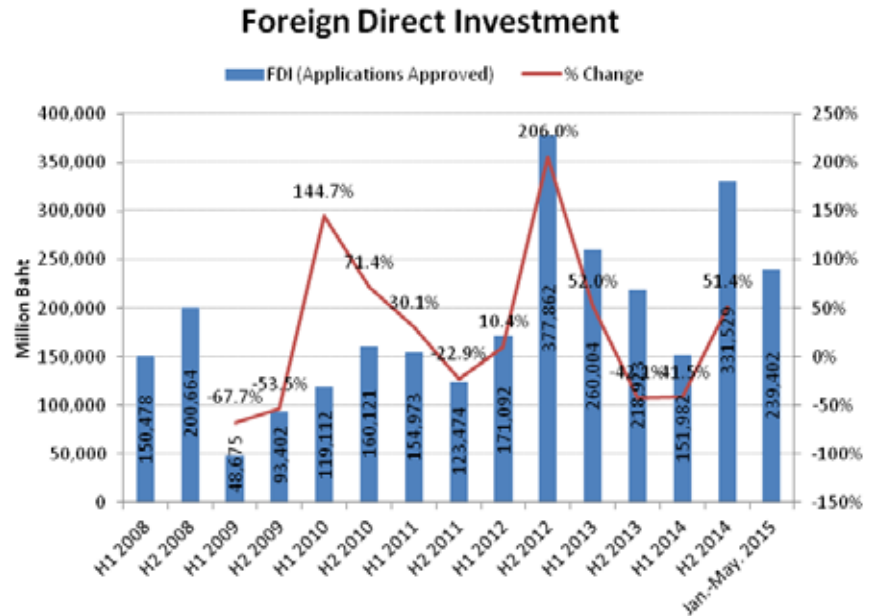


Source : Office of the National Economic and Social Development Board

The Thai economy in Q1 2015 grew by 3.0%, an increase from 2.1% in Q4 2014. The GDP growth rate of the Thai industrial sector was at 2.3% in Q1 2015, an increase of 1.4% from the previous quarter, due to a recovery of industries that serve domestic consumption. However, the sluggish global economy and a fall in crude oil prices continue to affect the export volume of Thailand. In the first quarter of 2015, the export value of manufacturing products declined by 2.5%, compared with a 3.1% growth in Q4 2014.

## BOI-APPROVED FOREIGN DIRECT INVESTMENT

Figure 2  
**Foreign Direct Investment**



Source: Board of Investment, Thailand

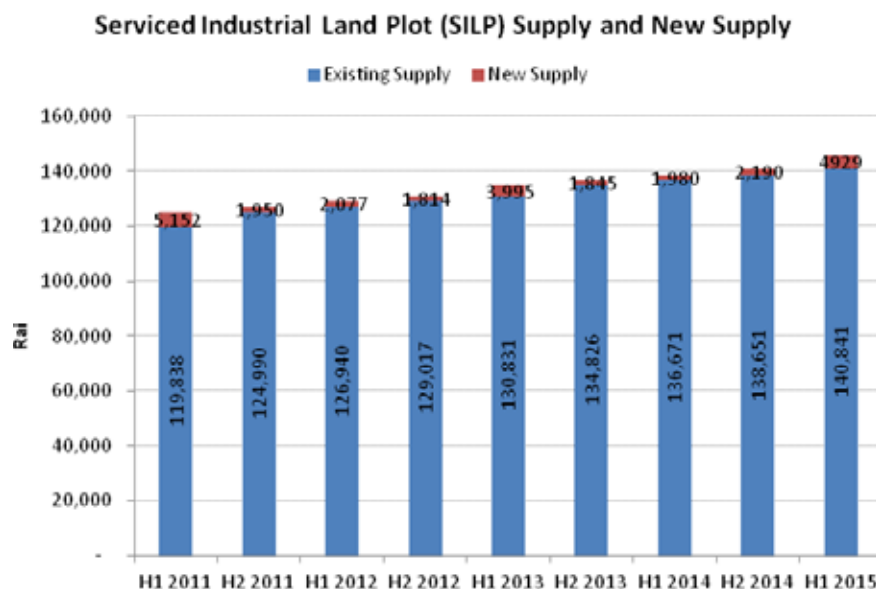
Between January and May 2015, the value of foreign investment projects approved was almost THB 240 billion, which decreased from the same period of the previous year by 64.2%.

In Jan - May 2015, 49.8% of all approved investments were from abroad. Most funds were directed to metal, machinery and equipment for transportation. The region that received the highest investment was the east of Thailand with 293 projects, worth THB 136,453 million.

## SILP SUPPLY

Figure 3

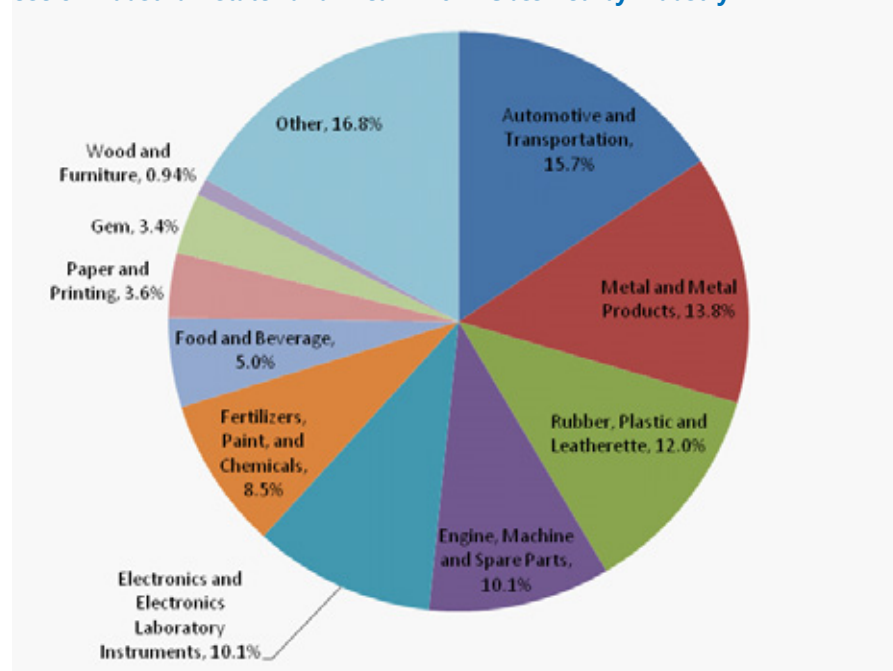
### Serviced Industrial Land Plot (SILP) Supply and New Supply



Source: Knight Frank Thailand Research

Figure 4

### Use of Industrial Estate Land Area in 2014 Classified by Industry



Source: Knight Frank Thailand Research

In H1 2015, the majority of industrial estate land was used by the automotive and transportation sector, at 15.7%, followed by (1) Metal and Metal Products, (2) Rubber, Plastic and Leatherette, and (3) Engine, Machine and Spare Parts whereby each of these sectors contribute and support businesses in the automotive and transportation sector. This shows that Thailand remains a strong car manufacturing base for the region and amongst the top 10 car producing countries in the world. All of this was due to policies that nurture and support the local automotive industry. Currently, Thailand commands up to 55% of ASEAN's total car production.

## SILP SALE VOLUME

Figure 5  
Sales Volume



Source: Knight Frank Thailand Research

In H1 2015, industrial land sales were 1,404 rai, an improvement from the end of 2014, which was 839 rai, due to the constant inflow of foreign direct investment into Thailand. However, the figure in H1 2015 was less than that of H1 2014 by 2.3%, reflecting problems of a sluggish recovery in the Thai economy and contraction of the export sector.

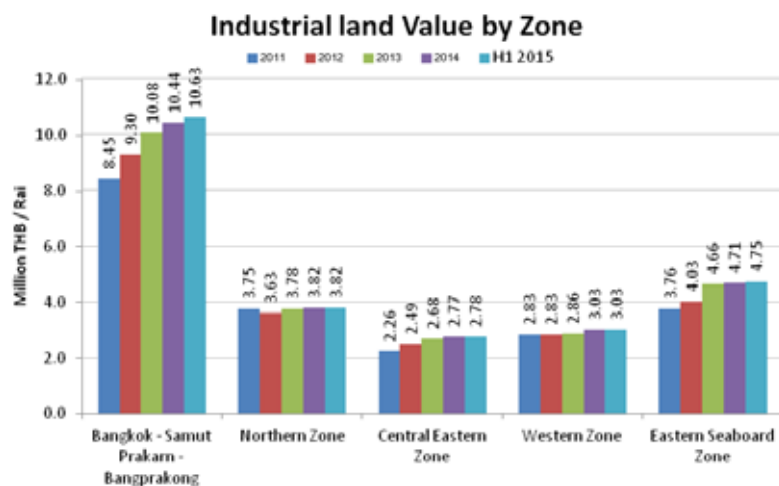
## INDUSTRIAL LAND PRICE

Table 1  
Industrial Land Price

Industrial land Value by Zone	(Million THB / Rai)					% change	
	2011	2012	2013	2014	H1 2015	2014	H1 2015
Bangkok - Samut Prakarn - Bangprakong	8.45	9.30	10.08	10.44	10.63	3.64%	1.76%
Northern Zone	3.75	3.63	3.78	3.82	3.82	0.88%	0.00%
Central Eastern Zone	2.26	2.49	2.68	2.77	2.78	3.33%	0.30%
Western Zone	2.83	2.83	2.86	3.03	3.03	5.68%	0.00%
Eastern Seaboard Zone	3.76	4.03	4.66	4.71	4.75	1.07%	0.90%

Source: Knight Frank Thailand Research

Figure 6  
Industrial Land Value by Zone



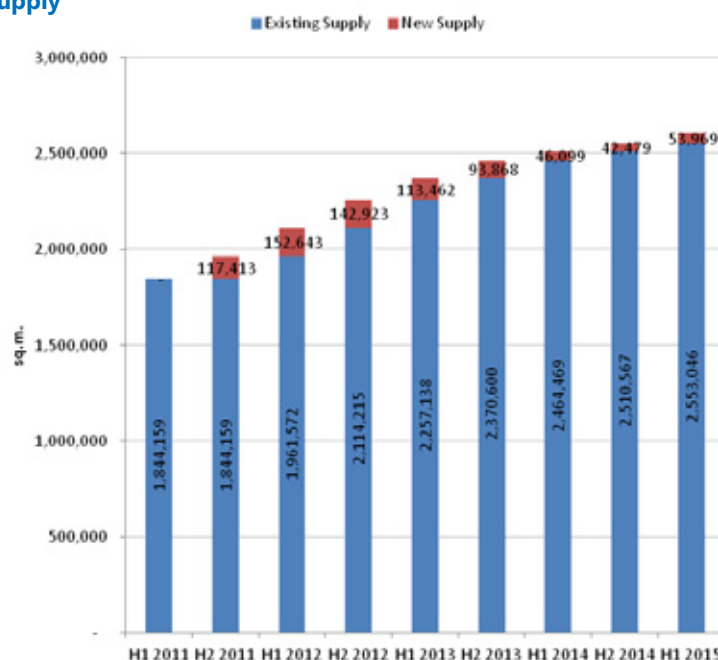
Source: Knight Frank Thailand Research

In H1 2015, the overall SILP asking price increased by 0.6% from last year. Industrial land in most zones experienced a slight pricing growth from the previous year, while the Northern and Western zones show no change in price. Bangkok-Samut Prakarn-Bangprakong is the zone with the highest SILP prices growth of 1.76%. Pricing growth in 2015 continued to remain flat after the end of 2014 due to the drop in industrial land demand, as indicated in the drop of the industrial land sales volume.



## READY BUILT FACTORY MARKET

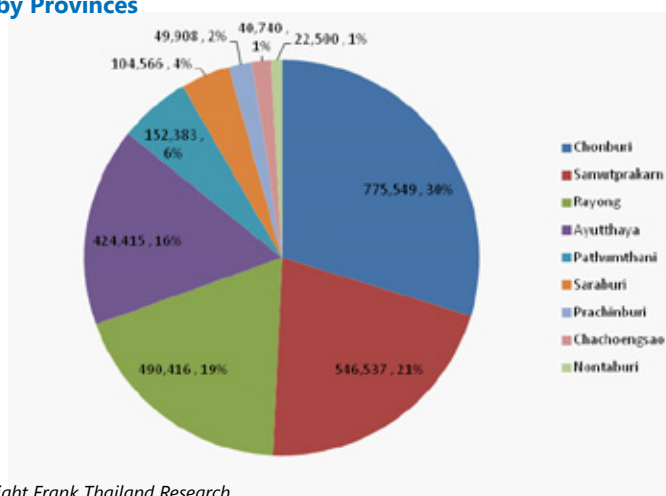
Figure 7  
Supply



Source: Knight Frank Thailand Research

The total supply of rental factory space in the middle of 2015 was 2,607,015 square metres, increasing from last year's supply by 53,969 square metres, representing a growth of 2.1%. The rental factory supply did not increase aggressively compared to the warehouse supply, due to the limitation of land use regulations requiring a license for factory operations. A significant increase in the supply was seen in 2011 - 2012 after the major floods in late 2011, where factories were developed to respond to demand in areas unaffected by flooding.

Figure 8  
Supply by Provinces

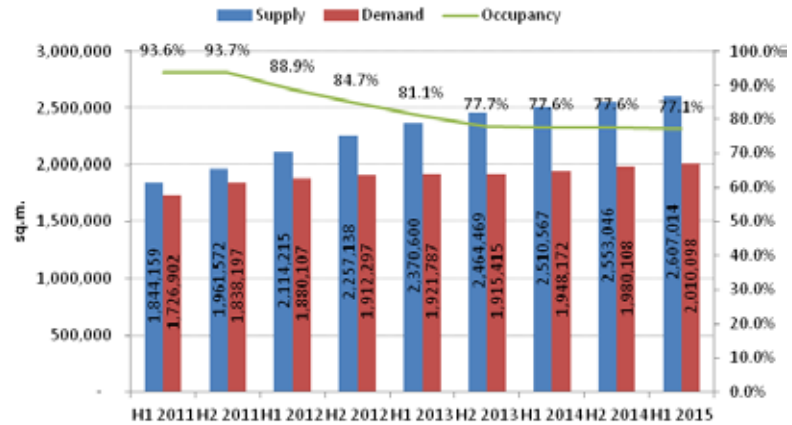


Source: Knight Frank Thailand Research

Chonburi province has the largest share of the total rental factory supply at 30%, with a total rental factory space of 775,549 square metres. Samutprakarn takes the second largest share at 21%, with 546,537 square metres. The third and the fourth largest shares go to Rayong at 19%, and Ayutthaya at 16%. The Eastern Seaboard in Chonburi and Samutprakarn provinces boasts the largest supply of factory leasable space, as those areas are major locations of various industrial hubs and more particularly, they are home to Thailand's automotive industry.

## OCCUPANCY RATE

Figure 9  
**Occupancy Rate**

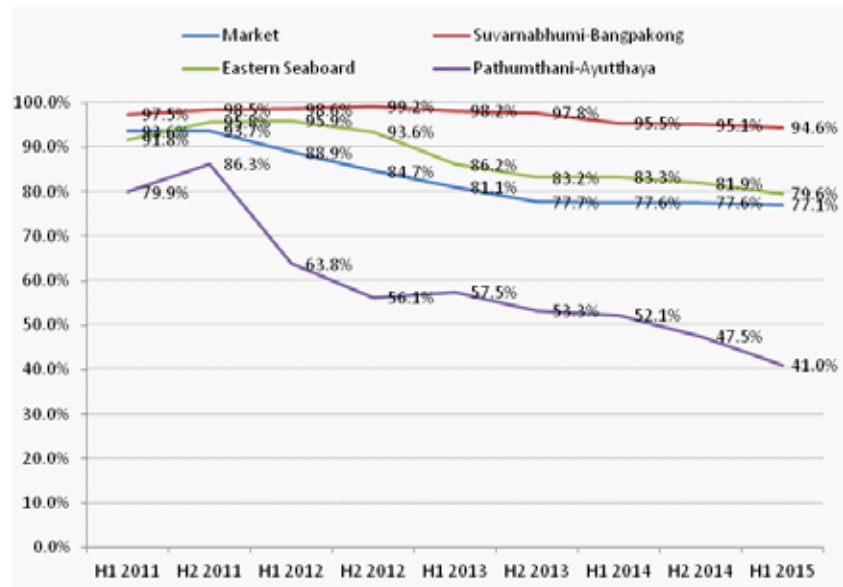


Source: Knight Frank Thailand Research

The latest ready built factory occupancy rate was 77.1%, a reduction of 0.5% compared to the rate at the end of 2014. This was mostly due to an increase in the rental factory supply in 2014 - 2015. The total demand for rental factory space at the middle of 2015 was 2,010,098 square meters, an increase of almost 30,000 square meters from the previous year.

## OCCUPANCY RATE BY LOCATIONS

Figure 10  
**Occupancy Rate by Locations**

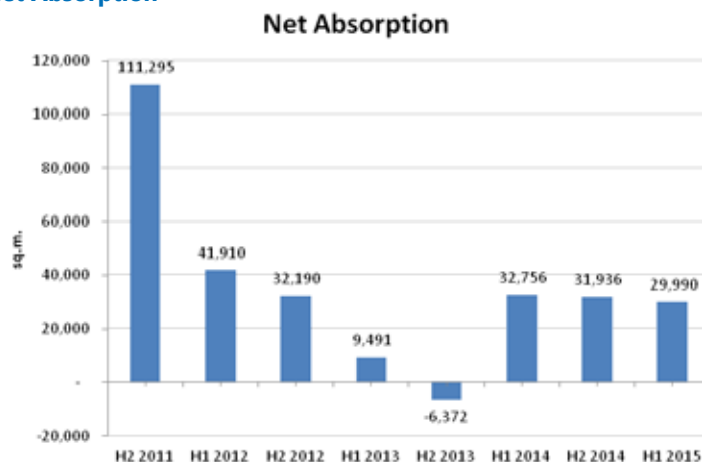


Source: Knight Frank Thailand Research

Occupancy dropped in all locations, with average rates of 77.1%. Suvarnabhumi-Bangkok, which encompasses Suvarnabhumi International Airport and many industrial estates, gained the highest demands within the area, which is located within close proximity to Bangkok. Moreover, the supply in this area is limited and the land to develop rental factories is less than that of the Eastern Seaboard. The occupancy rates in Pathumthani and Ayutthaya were still lower than the market average at 41.0%.

## OUTLOOK

Figure 11  
Net Absorption

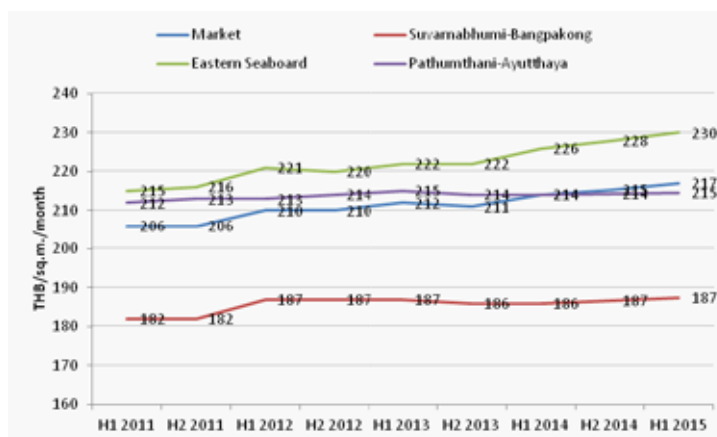


Source: Knight Frank Thailand Research

Net absorption is the change in the amount of occupied space, and whilst this indicator remains positive, it has softened over the past 18 months. Falling occupancy rates coupled with positive net absorption indicates that there has been some slight oversupply in this sector.

## RENTAL RATE

Figure 12  
Rental Rate



Source: Knight Frank Thailand Research

The average factory rental rate was THB 217 per sq.m./month, increasing by 1.4% Y-o-Y. The Eastern Seaboard Zone commanded the highest rents of THB 230 per sq.m./month, followed by THB 215 per sq.m./month in Pathumthani – Ayutthaya, and THB 187 per sq.m./month in Suvarnabhumi – Bangkok.

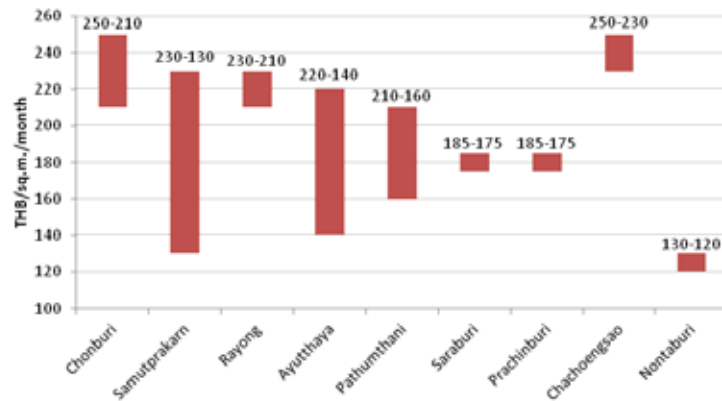
The highest rental rate growth was seen in the Eastern Seaboard with an increase of 1.7%; however, the rental rates in Pathumthani – Ayutthaya and Suvarnabhumi – Bangkok remained the same.

Suvarnabhumi – Bangkok generally has lower factory rental rates, as most of the rental factory space is not located inside industrial estates; in addition, industrial land in this area is quite limited.



## RENTAL RATE BY PROVINCES

Figure 13  
**Rental Rate by Provinces**



Source: Knight Frank Thailand Research

The asking rental rate was the highest in Chonburi and Chachoengsao provinces at THB 250 per square metre per month. The second highest was in Samutprakarn and Rayong, at THB 230 per square metre per month. The highest rate in Ayutthaya was at THB 220 per square metre per month. Provinces unaffected by the floods, such as Chonburi, Chachoengsao, Samutprakarn and Rayong, command the highest rents.

## OUTLOOK

As new BOI incentives for higher value-added industries have been introduced and Thailand's integration into ASEAN Economic Community begins, the prospects of the industrial market are expected to be bright. We anticipate a growing inflow in foreign direct investment and positive demand in industrial property from international companies, including small, medium-sized and large enterprises.

In 2015, we expect to see recovery in industrial land sales and improvement of rental factory demand. Recent data had shown positive signs of improvement, where the automotive industry is still the major driver of the manufacturing property market. Despite that, the slowdown in the Thai and global economy remains a threat to the Thai Industrial property market.

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Chile  
Australasia

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## Thailand Contacts

### Phanom Kanjanathiemthao

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

### Chaturawit Wattanapruk

Executive Director  
+66 (0)2643 8223 Ext 120  
chaturawit.wattanapruk@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 Commercial Agency  
+66 (0)2643 8223 Ext 121  
marcus.burtenshaw@th.knightfrank.com

### Frank Khan

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

### Risinee Sarikaputra

Director, Research and Consultancy  
+66 (0)2643 8223 Ext 180  
risinee.sarikaputra@th.knightfrank.com

## Phuket Contact

### Nattha Kahapana

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

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