



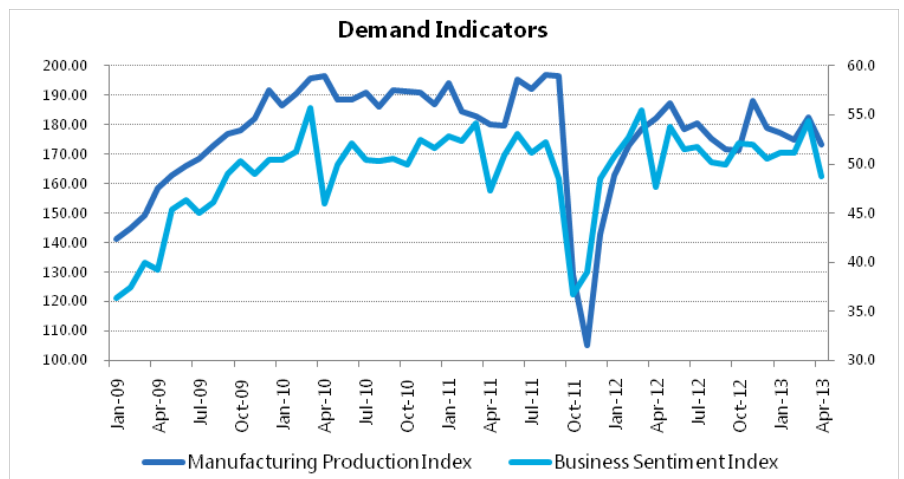
## HIGHLIGHTS

- Indicators of confidence start to return to Ayutthaya and Pathumthani as transactions, occupancies and prices increase
- The total supply of Serviced Industrial Land Plots (SILPs) in Q1 2013 reached 120,425 Rai, demonstrating an increase of 6.07% YoY
- The factory rental market's occupancy rate stood at 86.82% in Q1 2013, a slight decrease from 87.62% in the previous quarter, as new supply entered the market.
- New Investment Incentives announced

ECONOMIC  
 OVERVIEW

The Bank of Thailand and the Office of the National Economic and Social Development Board (NESDB) forecasted GDP growth for 2013 between 4.5% to 5.5%.

Figure 1  
**Demand Indicators**



Source: Bank of Thailand and Office of Industrial Economics

Remarks:

1/ Business Sentiment Index is compiled from BOT survey data of 1,010 businesses.

2/ Below is the interpretation of the index:

Index = 50 indicates that business sentiment remains stable.

Index > 50 indicates that business sentiment has improved.

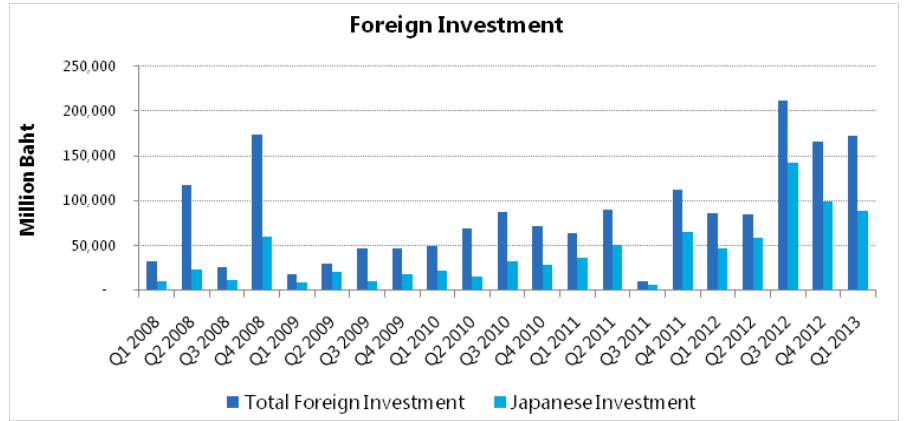
Index < 50 indicates that business sentiment has worsened.

3/ Production Index is value added weight and seasonally adjusted.

The Office of Industrial Economics said the latest results show that the Manufacturing Production Index (MPI) over the first half of 2013 decreased from last year as the export-oriented industries encountered difficulties with the global economic climate and appreciation of the baht.

# FOREIGN DIRECT INVESTMENT IN THAILAND

Figure 2  
Foreign Investment

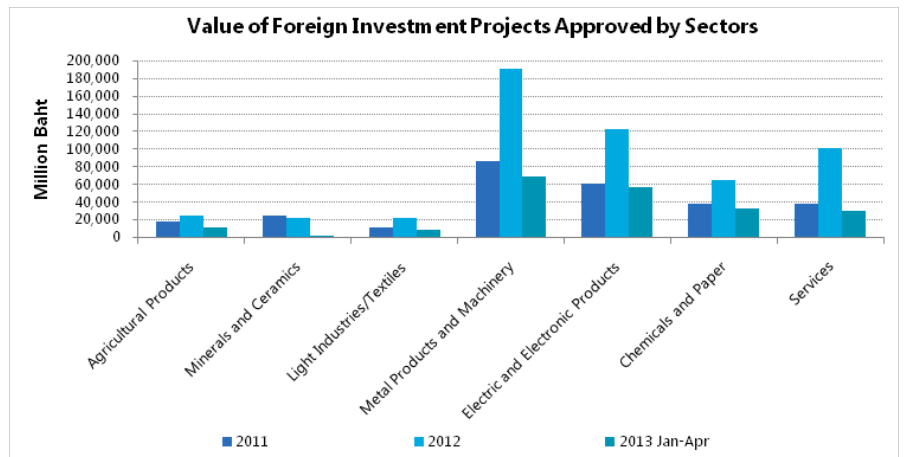


Source: Board of Investment

Foreign investment is the major source of Thai industrial property demand. During 2012, foreign investment grew substantially after the floods, with especially strong commitment from Japanese investors who accounted for 63%, or over 348 billion baht, of all FDI in 2012.

Major investments announced in the first six months of 2013 include Honda in Rojana Industrial park, Prachinburi, Toyota in Gateway City, Bridgestone in Amata Nakorn, Chonburi, and Electrolux in Hemeraj Rayong Industrial Land, to name just a few.

Figure 3  
Value of Foreign Investment Projects Approved by Sectors



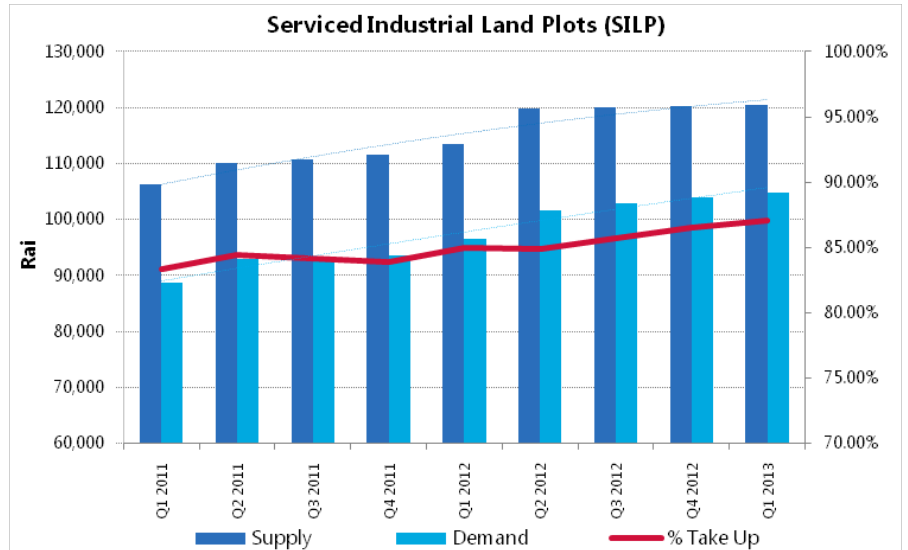
Source: The Board of Investment

With strong interest in the automotive, metal processing and electrical appliance and electronics industries from Japanese investors, it is the “metal products and machinery”, and “electric and electronic products” sectors that recorded the highest growth in 2012.

From January to April 2013, the level of FDIs rose to close or more than 2011’s level for some sectors and registered almost 35% of 2012’s level across all sectors.

SERVICED  
 INDUSTRIAL  
 LAND PLOTS  
 (SILP)

Figure 4  
 Serviced Industrial Land Plots (SILP)

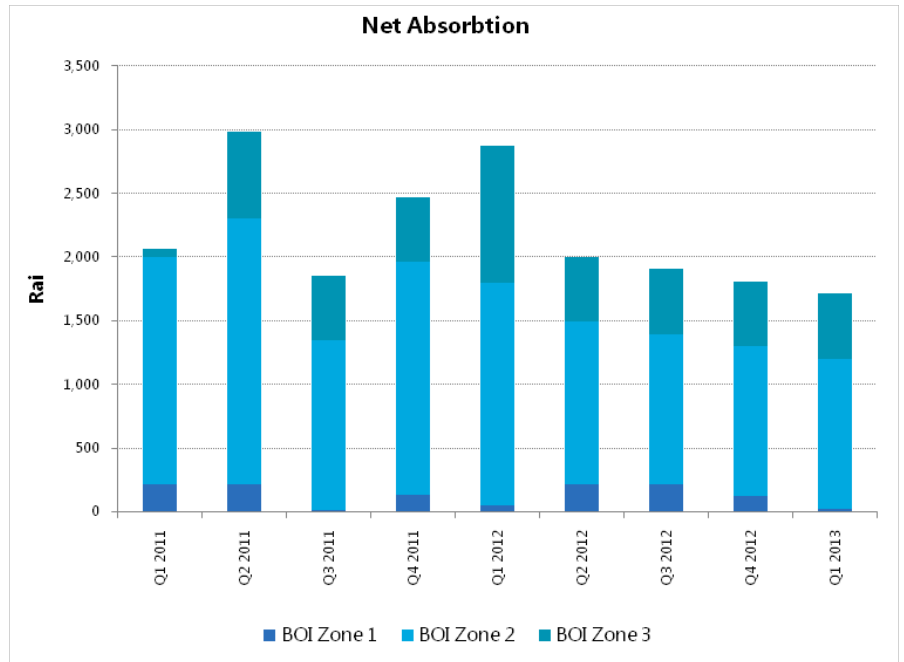


Source: Knight Frank Thailand Research, and Industrial Estate Authority of Thailand

The total supply of SILPs in Q1 2013 reached 120,425 Rai, representing an increase of 6.07% Y-o-Y. The total area of occupied industrial land reached 104,803 Rai, with a take-up rate of 87.03%, again demonstrating an increase from 86.5% in the previous quarter.

Given the high occupancy rates and demand many industrial developers are planning new estates and parks. As the Bangkok Post reported on June 13 2013: "The Industrial Estate Authority of Thailand (IEAT) plans to develop 13 new estates, of which four are for SMEs in four regions , one logistics estate in Chiang Khong district of Chiang Rai and another eight sites in the northeastern provinces of Nakhon Ratchasima , Khon Kaen , Ubon Ratchathani , Udon Thani , Mukdahan , Sakon Nakhon , Nakhon Phanom and Nong Khai. The focus will be on the automotive , electronics and agriculture sectors. The proposed projects cover 14 ,163 rai , with estimated land prices of 1.5 million baht per rai." Source: <http://www.bangkokpost.com/business/news/354835/>

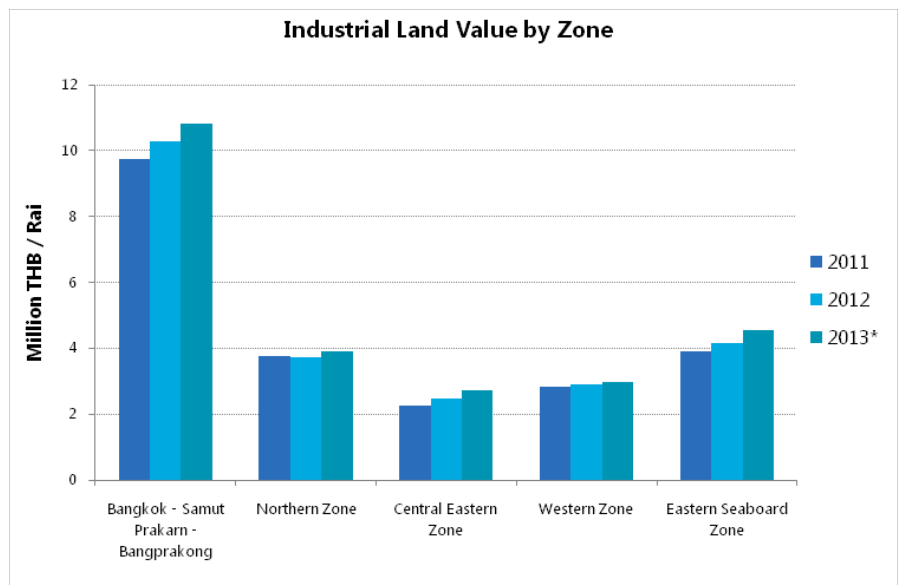
Figure 5  
Net Absorbtion



Source: Knight Frank Thailand Research, and Industrial Estate Authority of Thailand

Our research reveals that most of the absorption of industrial estate / park land has occurred in the BOI Zone 2.

Figure 6  
Industrial Land Value by Zone



Source: Knight Frank Thailand Research

Remark: \* as of June 2013



Industrial land prices in the five zones monitored by Knight Frank have all increased from last year. With available industrial land becoming increasingly scarce, The Eastern Seaboard and Central Eastern Zones are the popular locations due to the proximity to Laem Chabang port, infrastructure, and road network improvement, and as such have seen the greatest improvements.

However, it is also encouraging to see land prices in the Northern Zone increase by 5.27% y-o-y in 2013 as confidence and transactions slowly start to return to this location.

Table 1

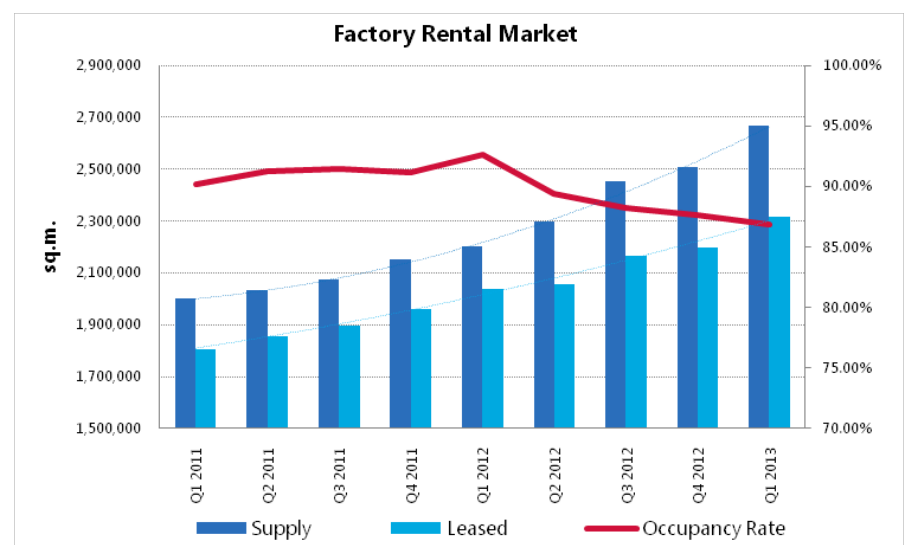
Industrial land Value by Zone	(Million THB / Rai)			YoY % change	
	2011	2012	2013*	2011/2012	2012/2013*
Bangkok - Samut Prakarn - Bang-prakong	9.75	10.3	10.82	5.68%	5.03%
Northern Zone	3.75	3.72	3.91	-0.89%	5.27%
Central Eastern Zone	2.26	2.49	2.72	10.18%	9.37%
Western Zone	2.83	2.89	2.99	2.21%	3.46%
Eastern Seaboard Zone	3.89	4.15	4.56	6.65%	9.91%

Source: Knight Frank Thailand Research

Remark: \* as of June 2013

## FACTORY RENTAL MARKET

Figure 7  
 Factory Rent Market



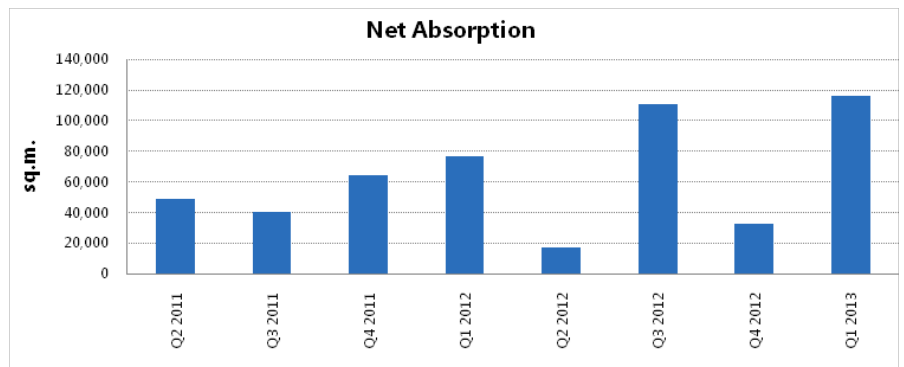
Source: Knight Frank Thailand Research

## SUPPLY AND DEMAND

The factory rental market's occupancy rate dipped slightly by 0.8% to 86.82% in Q1 2013 as developers responded to rising demand by increasing the total supply of ready-built factories by 160,000 sqm to 2,665,819 sqm.

However, whilst occupancies fell due to new supply, the actual amount of space leased in Q1 increased by over 116,000 sqm from the previous quarter. This finding tallies with recent announcements by the Department of Industrial Works who granted over 2,156 new factory permits in 1H2013, up 15.6% y-o-y.

Figure 8  
**Net Absorption**



Source: Knight Frank Thailand Research

## RENTS

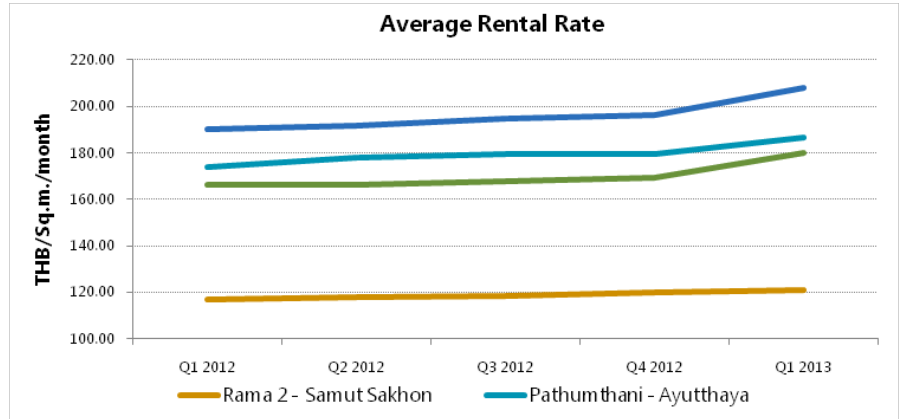
Increased demand for leased factory space has seen the average rental rate increase by 6.4% in Q1, with the Eastern Seaboard commanding the highest rents, followed by Pathumthani – Ayutthaya.

Table 2

Factory Rental Market	Average Rental Rate as of Q1 2013 (THB/Sq.m./month)			
	Rama 2 - Samut Sakhon	Pathumthani - Ayutthaya	Suvarnabhumi - Bangpakong	Eastern Seaboard
Q1 2013	120.94	186.51	180	207.98
2012	120	179.5	169.21	196.5
%Change	0.78%	3.90%	6.37%	5.84%

Source: Knight Frank Thailand Research

Figure 9  
**Average Rental Rate**



Source: Knight Frank Thailand Research

## OUTLOOK

Despite currency concerns, the levels of FDI seen in the manufacturing sectors in the first half of this year are very encouraging and we expect 2013 to be another year of strong growth in FDI.

The Board of Investment’s new promotion policy is scheduled to be completed by the end of 2013 and will be effective in Jan 2015 providing a period of adjustment for investors. At that time the location-based ‘3 Zone policy’ will be discarded in favour of a policy that promotes investment in 10 major areas that are deemed to be more favourable to Thailand, such as advanced and green technology, as well as logistics. This will mean that some activities will no longer be eligible for promotion, or as many tax privileges. However, firms who engage in Research & Development and / or choose to locate in industrial estates may also qualify for additional financial incentives.

As investors submit their investment applications ahead of the planned policy changes, and firms seek to establish a presence here before the formation of the ASEAN Economic Community (AEC), Knight Frank expects to see an increase in demand for rented factories and industrial land over the next 18



## APPENDIX:

**Factory Rental Market** : purpose built factories for rent from all major developers, but not limited to industrial estate locations.

**SILP** : serviced industrial land parcels located in industrial estates, zones and parks.

## Americas

USA  
Bermu da  
Brazil  
Caribbean  
Chile  
Australasia

## Australia

New Zealand

## Europe

UK  
Belgium  
Czech Republic  
France  
Germany  
Hungary  
Ireland  
Italy  
Monaco  
Poland  
Portugal  
Russia  
Spain  
The Netherlands  
Ukraine

## Africa

Botswana  
Kenya  
Malawi  
Nigeria  
South Africa  
Tanzania  
Uganda  
Zambia  
Zimbabwe

## Asia

Cambodia  
China  
Hong Kong  
India  
Indonesia  
Macau  
Malaysia  
Singapore  
Thailand  
Vietnam

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