

A low-angle photograph of a modern warehouse building with a white corrugated metal roof and blue horizontal siding. The sky is a clear, bright blue. The building's structure is geometric, with lines converging towards the top.

H2 2014 LOGISTIC PROPERTY REPORT

Knight Frank

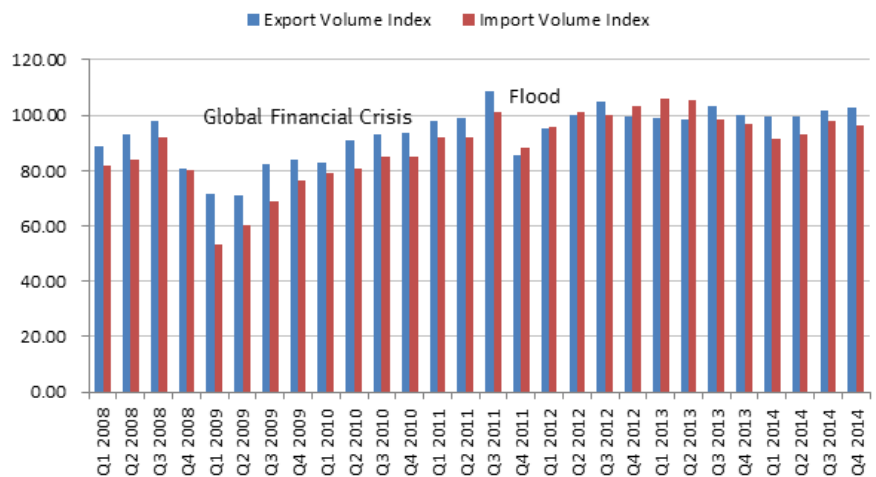
HIGHLIGHTS

- The total supply for warehouse rental space was about 3,367,203 square metres. Most of the new supply in 2014 was located in the Samutprakarn – Bangpakong area.
- The warehouse rental rate in the Eastern Seaboard decreased as competition intensified.

ECONOMIC
 OVERVIEW

The export sector is a major source of income for Thailand. Almost 70% of the country's total gross domestic product (GDP) is based on the export of goods and services, with the automotive and electronics industries as the largest sectors. The international trade volume index is picking up, signifying the demand of logistics. Also, Thai exports and imports are recovering after the severe floods in late 2011.

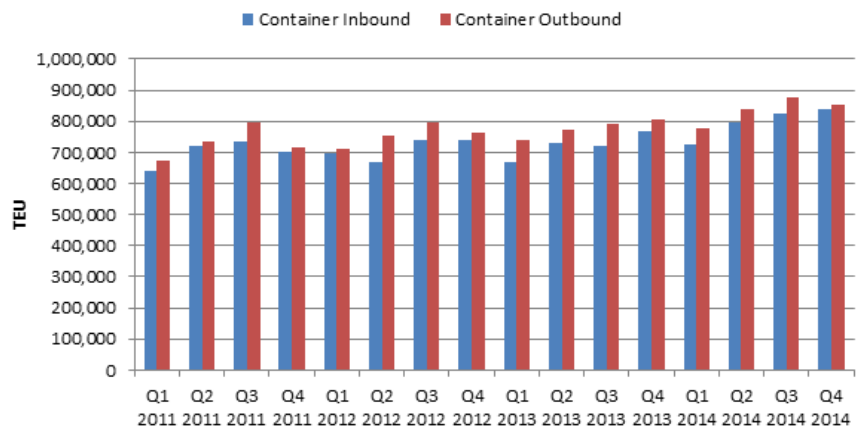
Figure 1



Source: Ministry of Commerce and Bank of Thailand

Figure 2

Container Volume Through Laemchabang Port

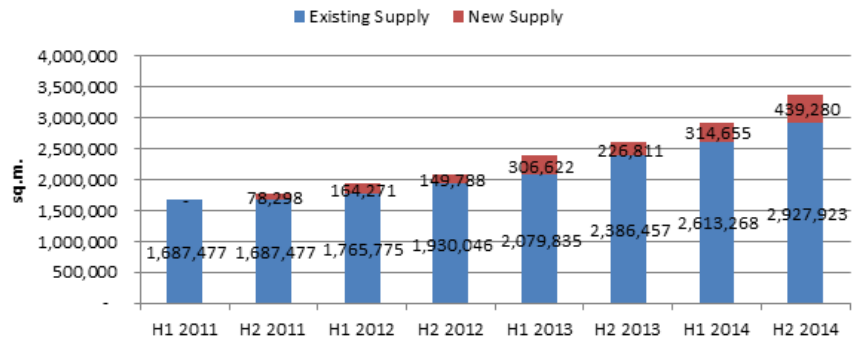


Source: Ministry of Commerce and Bank of Thailand , Remark: TEU - Twenty-foot equivalent unit container

In 2014, the number of containers that passed through Laem Chabang Port was 6,527,266 TEUs. The figure was the highest on record and increased from that of the previous year by 8.8%. The growth in international transactions through Laem Chabang Port indicates the increasing demand of logistics services, including the need for warehouse space.

SUPPLY

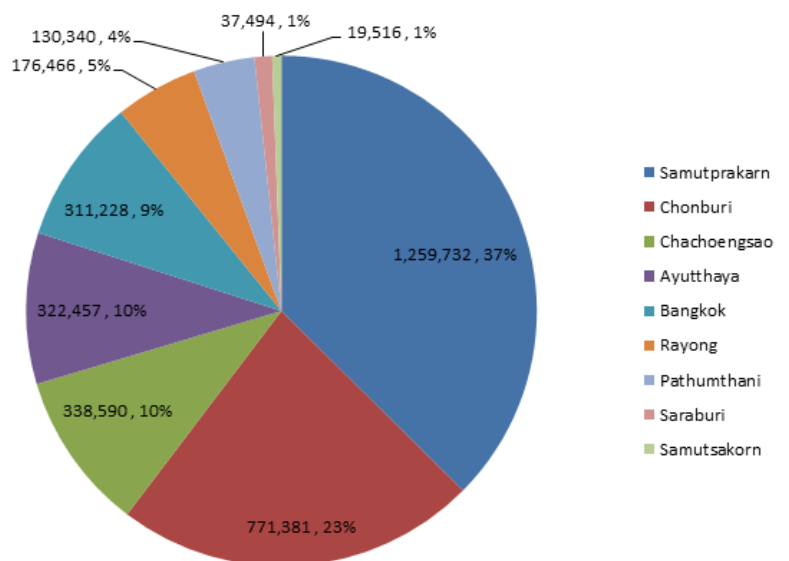
Figure 3
Warehouse Supply, H2 2014



Source: Knight Frank Thailand Research

As of the end of 2014, the total supply for warehouse rental space was about 3,367,203 square metres, which increased from that of the previous year by 753,935 square metres or 28.9%. During 2013 to H1 2014, most of the newly completed warehouses were located in the Eastern Seaboard area. Since then, there was likelihood of oversupply in the area.

Figure 4
Distribution of Warehouse Space by Location, H2 2014



Source: Knight Frank Thailand Research

Most warehouse space is located in Samutprakarn province, with a total area of 1,259,732 square metres or 37% of the total market. This is due to the fact that Samutprakarn is situated near Bangkok, Suvarnabhumi Airport, and many other industrial estates. Chonburi is another important location for warehouses, with a total area of 811,749 square metres or 24% of the total area; it encompasses the Eastern Seaboard, as well as enjoys proximity to Laem Chabang Deep Sea Port and the automotive manufacturing bases, whereas about 10% of warehouses are situated in Ayutthaya, along with another 10% in Chachoengsao.

FUTURE SUPPLY

Table 1
Future Supply

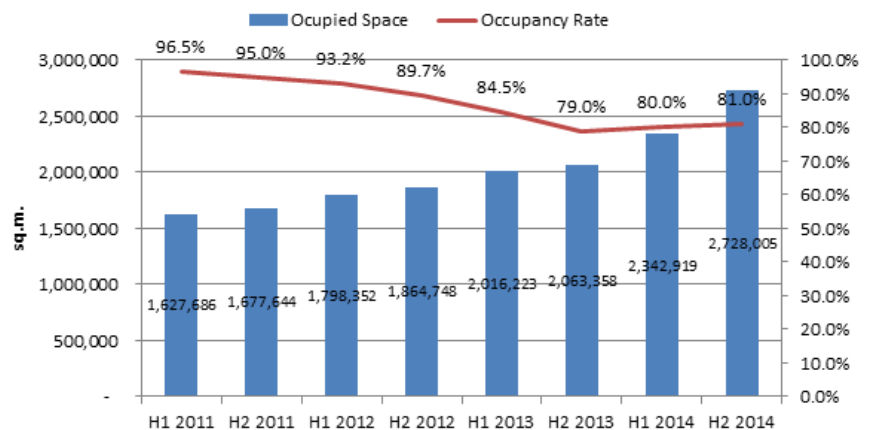
Project	Developer	Province	Total Space	Completion
Tpark Bangplee 4,5,6	TPARK	Samutprakarn	155,000	NA
Tpark Wongnoi 2	TPARK	Ayutthaya	80,000	2015
Tpark Khonkaen	TPARK	Khonkaen	9,000	2015
Tpark Samutsakorn	TPARK	Samutsakorn	25,000	2015
WHA Logistics Kabinburi DC.	WHA	Prachinburi	16,500	NA
WHA Leamchabang	WHA	Chonburi	39,619	2015
WHA Amata Nakorn I.E.	WHA	Chonburi	N/A	N/A
Tip Project	Tip Holding	Samutprakarn	30,000	2015
Thrive Warehouse Bangna Km.19	Thrive Group	Samutprakarn	9,000	2015
Poonphol Bangna Km.38	Poon Phol Group	Chachoengsao	18,000	2015
KCMA (2000) Group Wangnoi	KCMA (2000) Group	Ayutthaya	10,000	2015

Source: Knight Frank Thailand Research

After the heavy flooding in 2011, the demand for warehouse space has increased, especially in areas that were not affected by the flooding, such as Chonburi and Samutprakarn provinces, where the industrial estate developers shifted their attention. There is approximately 220,000 square metres of future supply of rental warehouses in 2015.

Figure 5

Occupied Space and Occupancy Rate

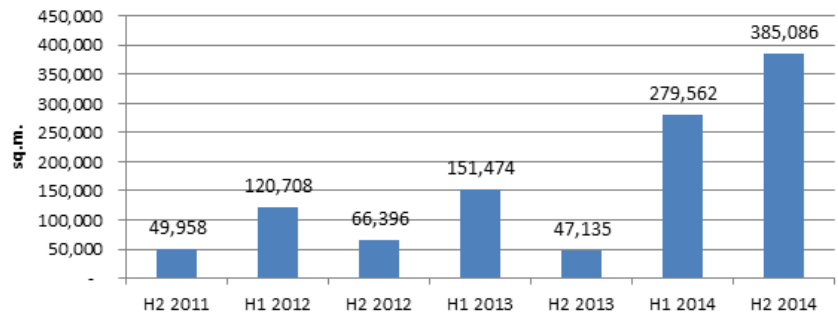


Source: Knight Frank Thailand Research

In 2014, the total occupied warehouse spaces was 2,728,005 square metres, which increased by 664,647 square metres or 32.2% from that of the last year. The increase in demand was higher than the increase in supply, which led to a higher occupancy rate.

The current occupancy rate is 81%, increasing from that of the previous year by 2%. However, since 2011, the occupancy rate has fallen due to the large number of supply entering the market, particularly in the strategic locations such as Samutprakarn, Chachoengsao and Chonburi.

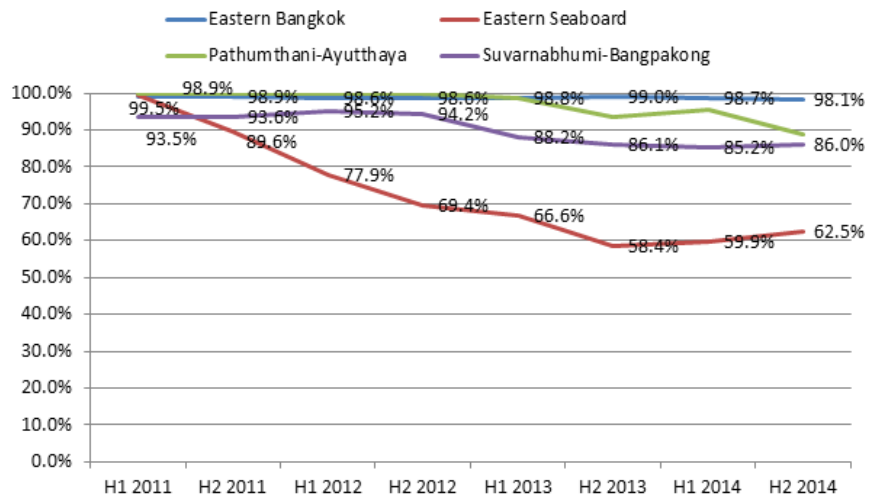
Figure 6
Net Absorption



Source: Knight Frank Thailand Research

Net absorption is the change in occupancy measured in square meters. In Thailand net absorption has stayed in positive territory for the past three years, reflecting the healthy and growing demand for logistics property. The net absorption for 2014 was measured at 664,648 square metres, which was the highest amount for 3 years.

Figure 7
Occupancy by Key Logistics Locations



Source: Knight Frank Thailand Research

H2 2014 LOGISTIC PROPERTY REPORT

Occupancy in the Eastern Seaboard area has remained very low compared to other markets. During 2012 – 2013, a lot of supply entered the market, which caused occupancy rates to fall, amidst relatively low levels of demand. However, data for 2014 does indicate that occupancies in the area are improving

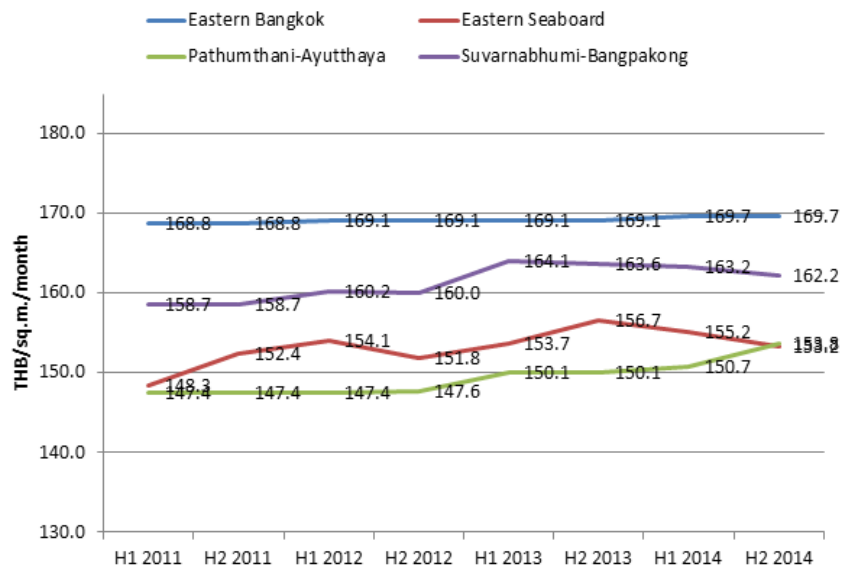
Table 2

	Occupancy Rate				
	Suvarnabhumi-Bangpakong	Eastern Seaboard	Pathumthani-Ayutthaya	Eastern Bangkok	Overall Market
H1 2013	88.2%	66.6%	98.6%	98.8%	84.5%
H2 2013	86.1%	58.4%	93.7%	99.0%	79.0%
H1 2014	85.2%	59.9%	95.6%	98.7%	80.0%
H2 2014	86.0%	62.5%	89.0%	98.1%	81.0%
% Y-o-Y	0.8%	2.7%	-6.6%	-0.6%	1.0%

Source: Knight Frank Thailand Research

WAREHOUSE RENTS

Figure 8
Warehouse Rental Rate



Source: Knight Frank Thailand Research

The overall warehouse rental rate trend was quite stable, with only a slight decrease by 0.7%. However, the latest data showed a decrease in rental rates in the Eastern Seaboard, as competition intensified amidst an influx of new developers.

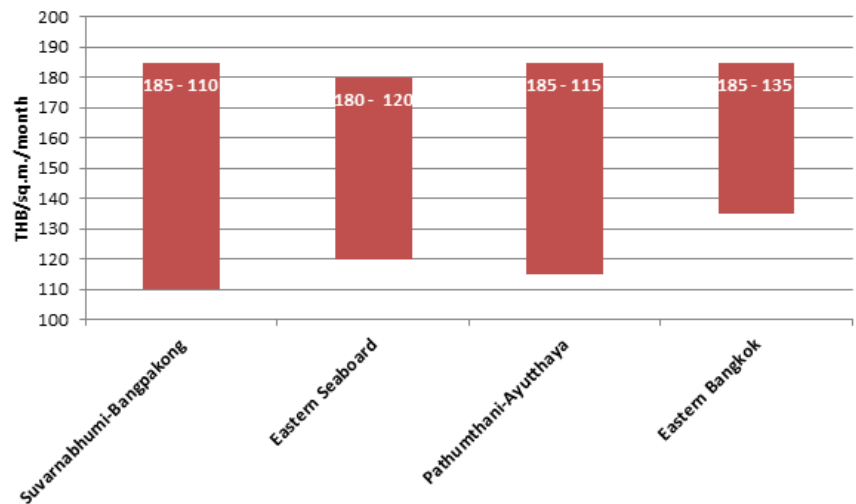
Table 3

	Average Asking Rental Rate as of H1 2014 (THB/Sq.m./month)				
	Suvarnabhumi-Bangkok	Eastern Seaboard	Pathumthani-Ayutthaya	Eastern Bangkok	Overall Market
H1 2013	164.1	153.7	150.1	169.1	158.6
H2 2013	163.6	156.7	150.1	169.1	159.1
H1 2014	163.2	155.2	150.7	169.7	159.3
H2 2014	162.2	153.2	153.8	169.7	158.0
% Y-o-Y	-0.9%	-2.2%	2.4%	0.4%	-0.7%

Source: Knight Frank Thailand Research

Figure 9

Warehouse Rental Rate



Source: Knight Frank Thailand Research

The highest rental rates for warehouses were seen in locations closer to Bangkok, at 185 baht per square metre per month. This was followed by 180 baht per square metre per month in the Eastern Seaboard. In general, the warehouse rental rates vary depending on different factors, such as location, warehouse condition, age of buildings, and specifications.

OUTLOOK

In the future, there will be a great increase in the warehouse supply, specifically in the strategic locations of Samutprakarn and Chonburi, according to the warehouse development plans of the developers. Meanwhile, demand for warehouses will increase, stemming from the development of logistics systems and infrastructure investments. Also, Thailand has an upper hand in terms of its location, where it is in the geographic centre amongst Cambodia, Laos, Burma, and Malaysia. Thus, Thailand has become the region's central logistics hub, playing an important role in the future of the AEC economy. However, due to the higher competitiveness seen in the warehouse rental market, the increase in rents will be unlikely.

DEFINITION

Warehouse Rental Market = purpose built warehouses for rent from all major developers, but not limited to industrial estate locations

Americas

USA
Bermuda
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
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