

Logistics Property



H1 2023

In H1 2023, the Thailand logistics property market exhibited robust growth, characterized by significant demand for warehouse space, driven by the 3PL and consumer product sectors, as well as growth in the EV and solar industries. Net absorption surged by 282,000 sqm, marking a 12% increase compared to H2 2022, driving the market occupancy rate to nearly 88%.

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Serviced Industrial Land Market Indicators

	5.57M SUPPLY (sq m)	4.88M OCCUPIED SPACE (sq m)	87.6% OCCUPANCY RATE	159 ASKING RENT (THB / sq m / month)
% Change				
H-o-H	▲ 3.8%	▲ 6.1%	▲ 1.9% pts.	▼ 0.4%
Y-o-Y	▲ 9.3%	▲ 12.3%	▲ 2.4% pts.	▲ 0.1%

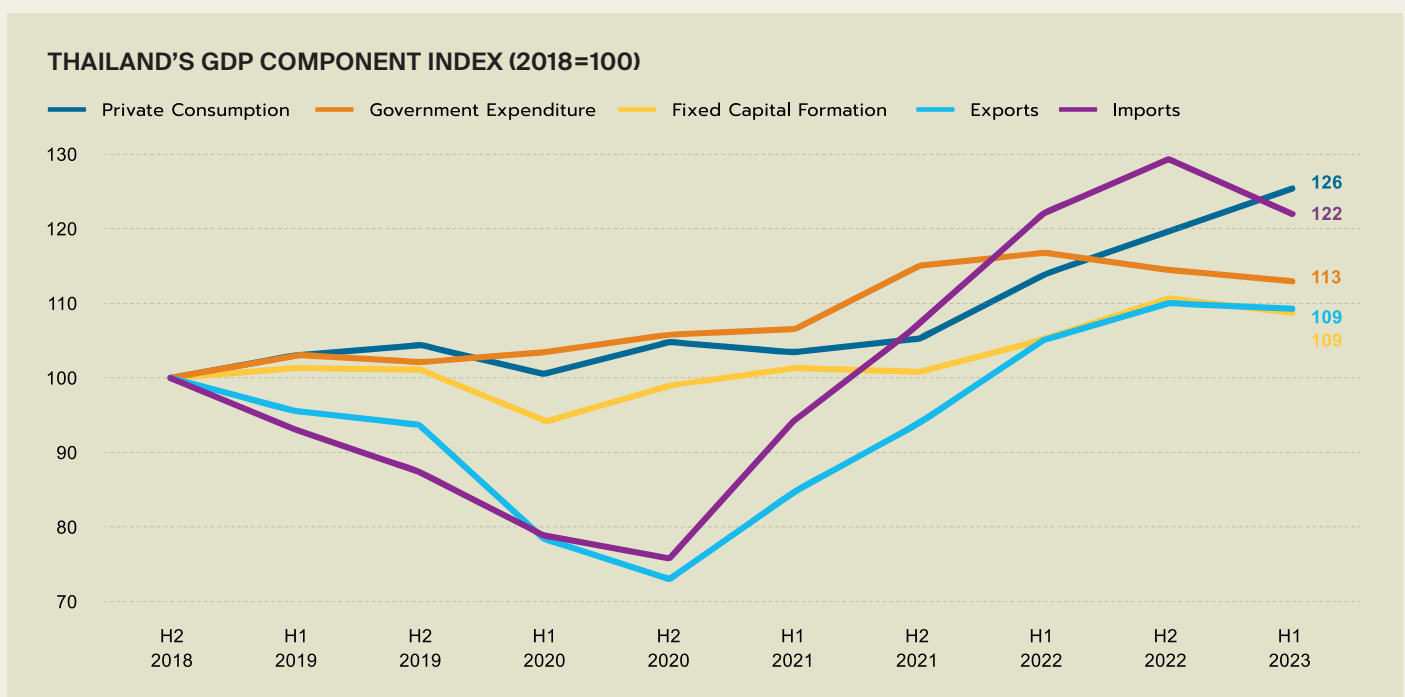
Economic Overview

The Thai economy recorded a 2.2% expansion in H1 2023, falling short of the earlier forecasts due to the ongoing weak external demand, contracted government spending and lower-than-expected tourist expenditures.

The economic data from the National Economic and Social Development Council (NESDC) indicates that the Thai economy exhibited a slower growth rate than anticipated in the first six months of 2023. Under the expenditure approach, the driving force behind Thailand's GDP growth during this period remained private consumption, which experienced a 6.8% Y-o-Y increase, slightly lower than the 7.3% Y-o-Y recorded in H2 2022. On the other hand, public expenditure

experienced a further decline, reaching -5.3% Y-o-Y in H1, following a reduction of -4.2% Y-o-Y in the preceding half-year due to a substantial decrease in healthcare expenses related to COVID-19. Fixed capital formation displayed a deceleration, with a growth of 1.8% Y-o-Y in H1, a decrease from the 4.7% Y-o-Y recorded in H2, largely attributed to reduced public investment during the interim government. When examining the external sector, the value of exports in H1 grew at a more

modest pace of 1.4% Y-o-Y, down from 3.9% Y-o-Y in H2. This decrease stemmed from diminished global demand, especially for products like storage devices, chemicals, petrochemicals, and agricultural goods such as rubber and palm oil. Similarly, the value of imports also witnessed a slowdown, decreasing by -1.7% Y-o-Y compared to an increase of 2.3% Y-o-Y in H2, primarily owing to a contraction in the demand for raw materials and intermediate goods associated with exports.



NOTE: CALCULATED FROM SEASONALLY ADJUSTED DATA WITH CURRENT MARKET PRICES

SOURCE: NESDC

Under the production approach, non-agricultural production, which encompasses the industrial and service sectors and constitutes around 90% of the GDP, experienced 2.1% Y-o-Y growth in H1. While the industrial sector faced a contraction of 2.7% Y-o-Y, the service sector demonstrated a positive expansion

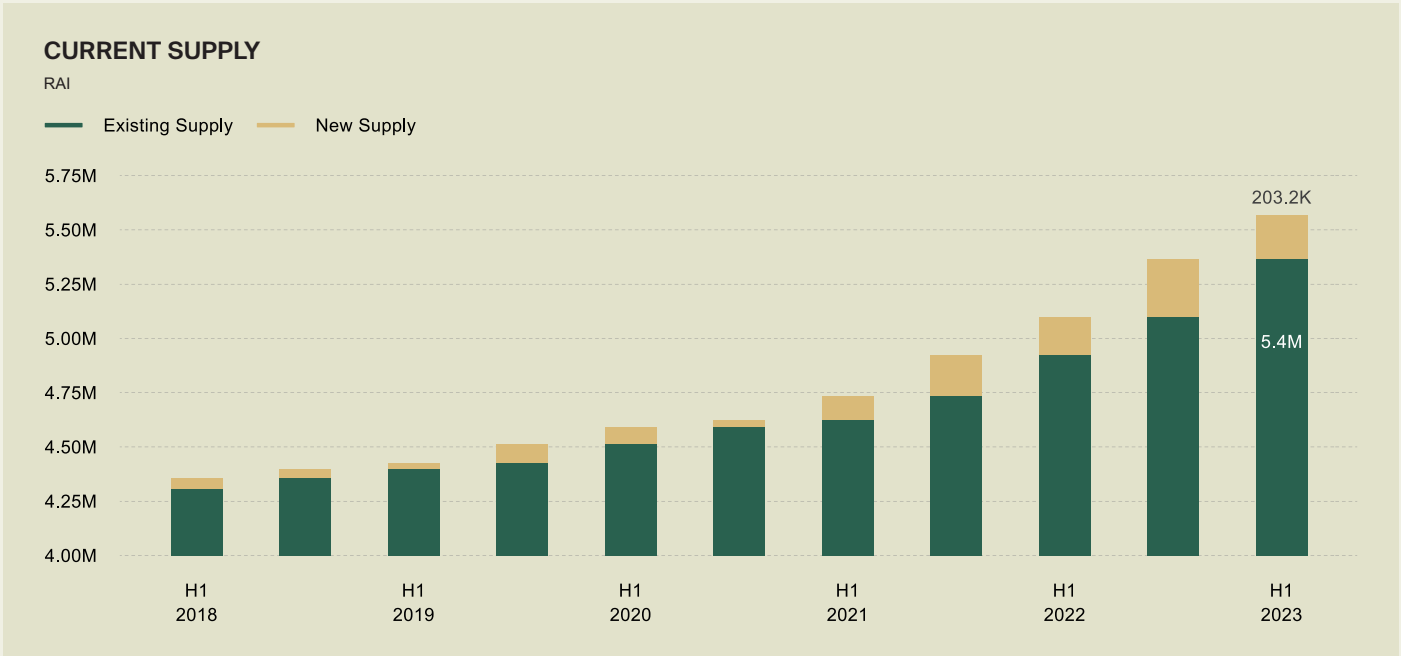
of 4.7% Y-o-Y. Specifically within the service sector, there was a notable 10.0% Y-o-Y increase in transportation and storage, whereas real estate activities showed a rise consistent with the average, standing at 2.2% Y-o-Y. Looking at the indicators related to logistics, statistics from the Office of Industrial Economics (OIE) indicate

that the production index experienced a slight decline from 97 in H2 2022 to 94 in H1 2023. At the same time, the finished goods inventory index saw a rise from 136 to 139. This combination of reduced production and heightened inventory levels mirrored the patterns observed in the industrial sector and export trends.

Supply

Current Supply

The total supply of ready-built warehouses accounted for 5.57 million sq m, an increase of 203,150 sq m of warehouse space compared to H2 2022. This addition represented a growth of 3.8% H-o-H and 9.3% Y-o-Y. The new supply included MP Warehouse (Nong Yai Bu), KR Warehouse close to Pinthong 3 Industrial Estate, Namyong at WHA Chonburi Industrial Estate 1 in Chonburi, Bangkok Free Trade Zone 4 in Chachengsao, and Bangkok Free Trade Zone 6 in Samutprakarn.



SOURCE: KNIGHT FRANK THAILAND

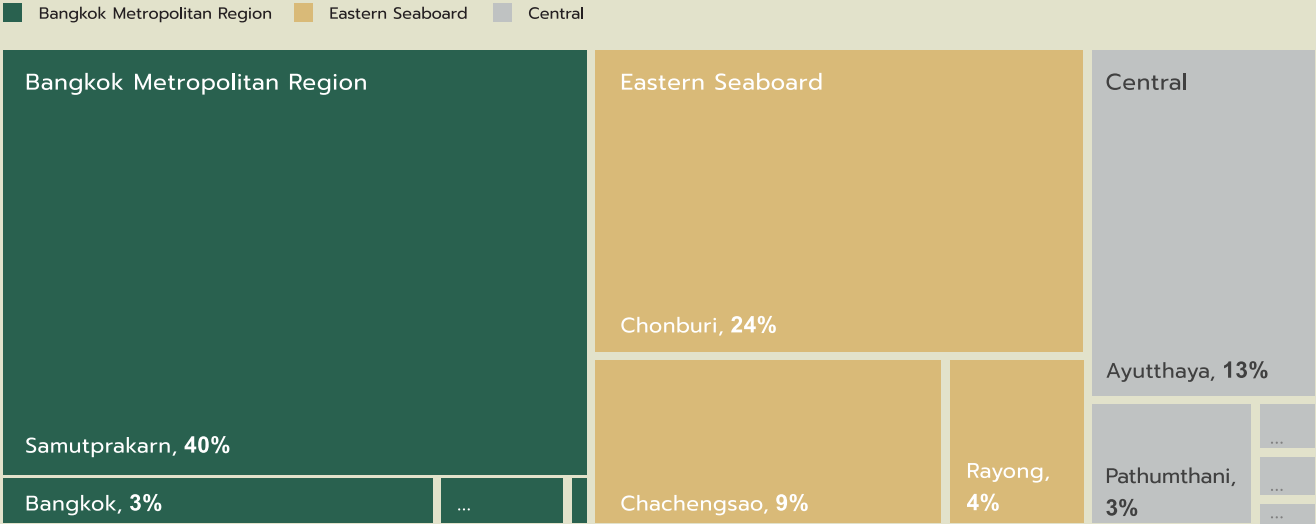
Supply Distribution

The distribution of ready-built warehouses in Thailand is primarily divided among three key regions. The largest sub-market is the Bangkok Metropolitan Region, holding a 45% share of the total market. In this area, Samutprakarn commands the largest portion at 40%, while Bangkok contributes 3%. The Eastern Seaboard serves as the second-largest sub-market, comprising 38% of the overall

warehouse supply. Chonburi takes the lead with a 24% share, followed by Chachoengsao at 9%. In the central region, Ayutthaya, functioning as a significant hub for domestic logistics, represents 13% of the entire speculative warehouse space in the country, followed by Pathumthani at 3%. In H1 2023, there was a consistent rise in supply across major sub-markets. The net leasable area in

the Bangkok Metropolitan Region, experienced a 2.8% H-o-H increase, reaching 2.5 million sq m. The Eastern Seaboard followed closely with the most rapid expansion this half-year at 5.5%, reaching almost 2.1 million sq m. Lastly, the Central and other region saw a moderate supply growth of 3.0% H-o-H, totaling 944,700 sq m.

TOTAL SUPPLY BY AREA



SOURCE: KNIGHT FRANK THAILAND

NET LETTABLE AREA AND NET SUPPLY CHANGE BY REGION

SQ M - NEAREST HUNDRED

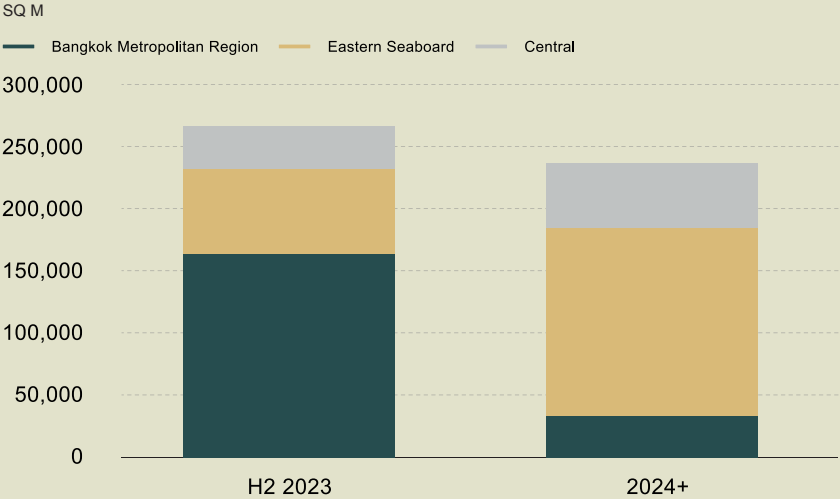
Region	Net Lettable Area as of H1 2023	%Change	
		(H-o-H)	(Y-o-Y)
Total	5,569,500	▲ 3.8%	▲ 9.3%
Bangkok Metropolitan Region	2,509,100	▲ 2.8%	▲ 5.9%
Eastern Seaboard	2,091,900	▲ 5.5%	▲ 12.0%
Central	944,700	▲ 3.0%	▲ 13.3%

SOURCE: KNIGHT FRANK THAILAND

Future Supply

The total size of the future lettable area amounted to 505,300 sq m, comprising 267,600 sq m in H2 2023 and 237,700 sq m from 2024 onwards. This forthcoming space constituted 9% of the current supply. Around 44% of the supply in the pipeline is located in the Eastern Seaboard, followed by the Bangkok Metropolitan Region, with a share of 39%. This trend highlights the slight shift towards the Eastern Seaboard, due to its lower land costs, coupled with comparable rental rates.

FUTURE SUPPLY BY REGION



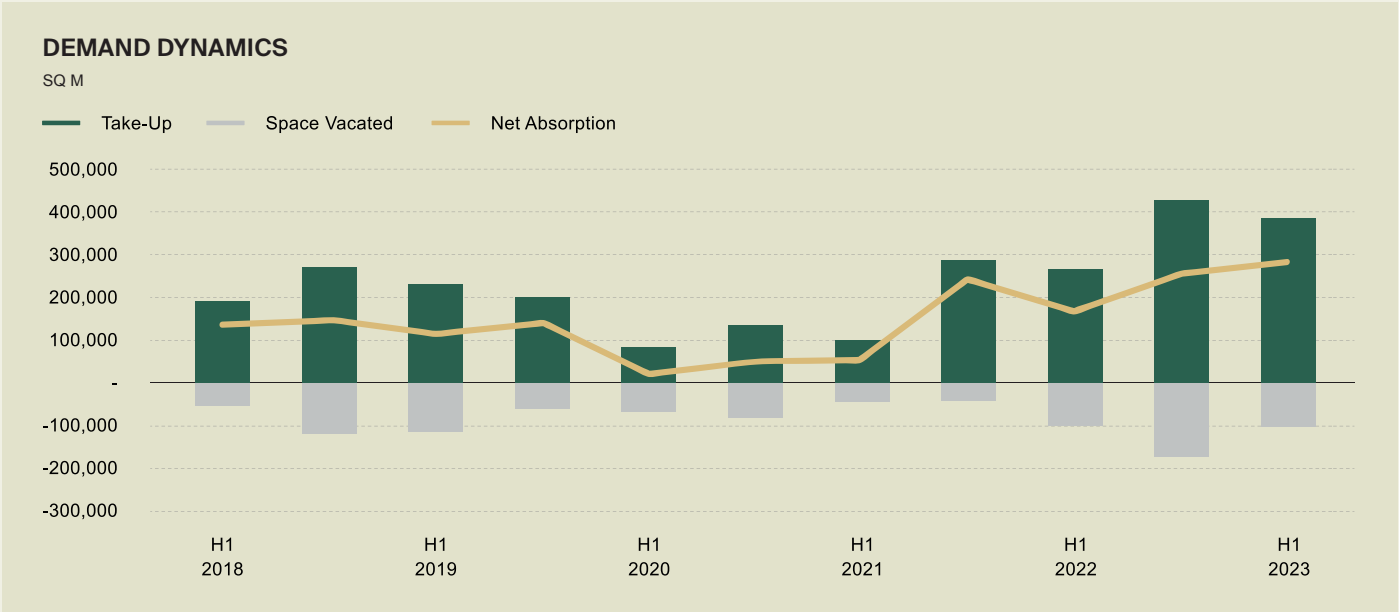
SOURCE: KNIGHT FRANK THAILAND

Demand

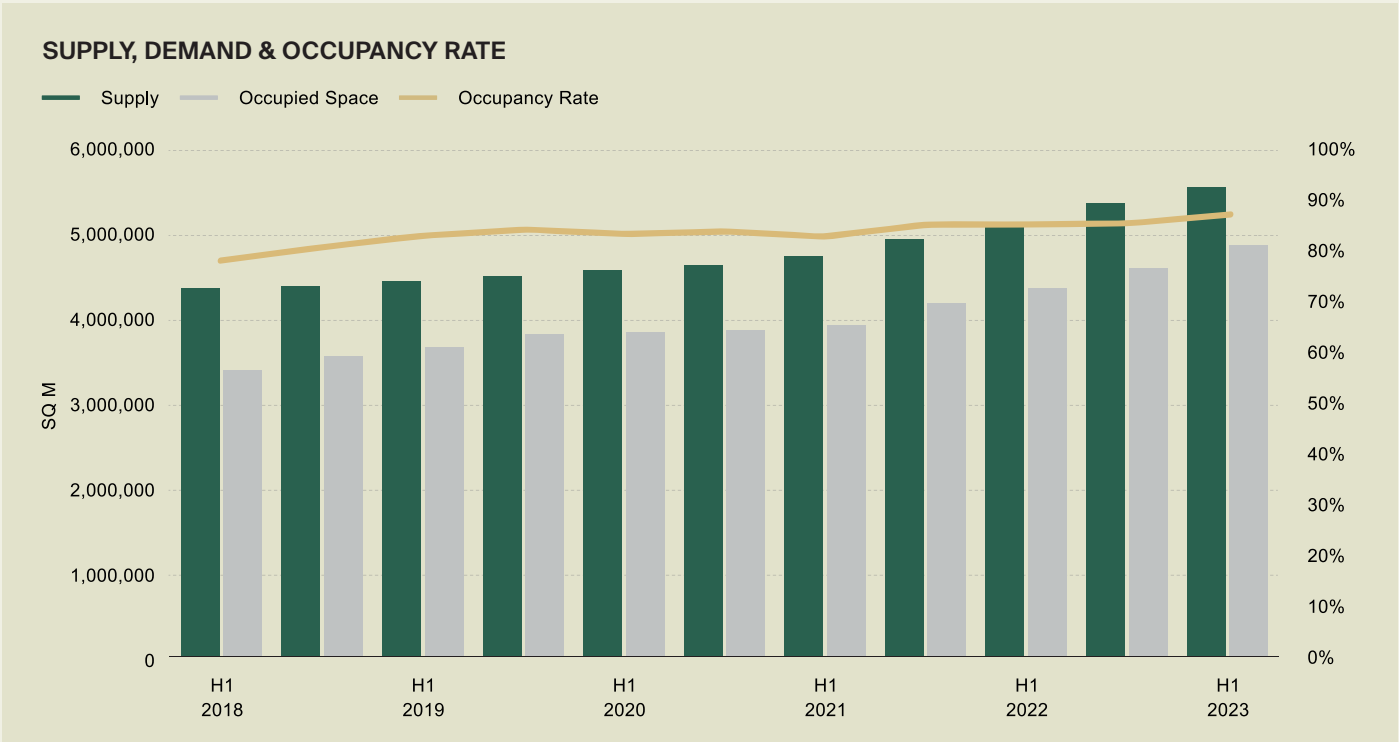
In the first half of 2023, the logistics property sector witnessed ongoing expansion, marked by a positive net absorption of 282,000 sq m, which translates to an 11.7% increase H-o-H compared to the preceding half-year. As a result, the total occupied space increased by 6.1% H-o-H, reaching 4.88 million sq m.

Prominent sectors, including third-party logistics (3PL), Fast-Moving Consumer Goods (FMCG), and electronics, have maintained their position as key occupants, necessitating substantial warehouse space, consistent with previous years. Notably, this year has witnessed a remarkable surge in demand from the

EV and Solar industries, fueled by the global push towards sustainability and net-zero goals. In terms of investor origin, Japanese stakeholders maintain the biggest share in Thailand's warehouse market. However, a dynamic shift is evident as Chinese tenants assert their presence and secure an increasing market share.



SOURCE: KNIGHT FRANK THAILAND



SOURCE: KNIGHT FRANK THAILAND

In the Bangkok Metropolitan Region (BMR), a subtle yet noticeable change took place, with occupancy levels inching up by a modest 0.6% pts H-o-H. This region, well-known for its significant presence in the e-commerce sector that had already demonstrated rapid growth in preceding periods, experienced a slower expansion in 2023. However, it continues to uphold its position with the highest occupancy rate at 91.4%.

Transitioning to the Eastern Seaboard, a resurgence was evident as it experienced a 2.3% pts growth H-o-H, reaching an occupancy rate of 83.6%. This recovery effectively reversed the decline observed in the previous half-year, primarily fueled by a substantial introduction of new supply into the market. Notably, a quick lease-out and a short void period after completion emphasised the strong demand in the Eastern

Seaboard. Among the three main regions, the Central area emerged as a standout performer, propelled by resilient domestic consumption patterns and a relatively low influx of new speculative warehouse space. This region underwent significant expansion, posting the most impressive growth in its occupancy rate by 4.8 pts H-o-H to 86.3%.

OCCUPANCY RATE BY REGION			
Region	H1 2023	% Point Change	
		(H-o-H)	(Y-o-Y)
Total	87.6%	▲ 1.9% pts	▲ 2.4% pts
Bangkok Metropolitan Region	91.4%	▲ 0.6% pts	▲ 3.4% pts
Eastern Seaboard	83.6%	▲ 2.3% pts	▲ 0.4% pts
Central	86.3%	▲ 4.8% pts	▲ 3.3% pts

SOURCE: KNIGHT FRANK THAILAND

OCCUPIED SPACE AND NET ABSORPTION BY REGION			
SQ M - NEAREST HUNDRED			
Region	Occupied Space as of H1 2023	Net Absorption	
		H1 2023	Last 12 months
Total	4,880,100	282,000	535,400
Bangkok Metropolitan Region	2,292,800	76,300	207,500
Eastern Seaboard	1,747,900	135,200	194,300
Central	815,600	67,700	122,700

SOURCE: KNIGHT FRANK THAILAND

Rental Rates

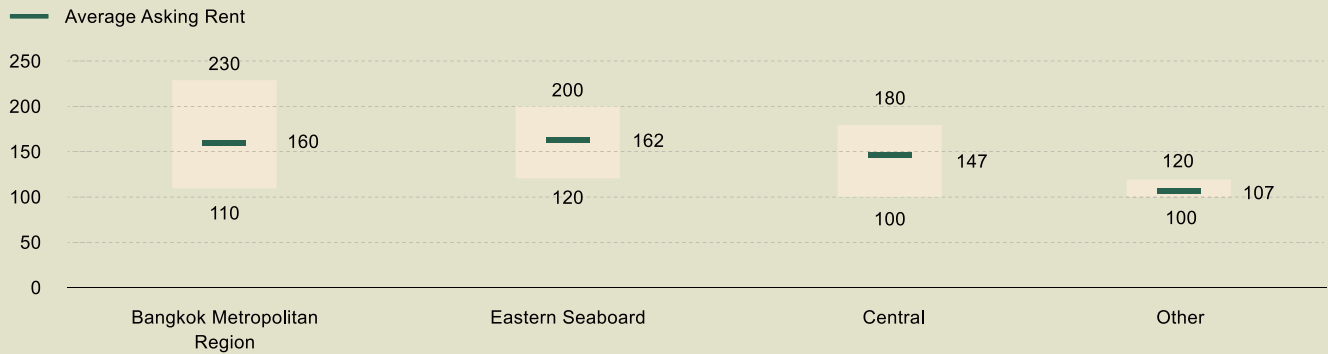
The average asking rent for ready-built warehouses in Thailand held steady at 159 THB per sq m per month in H1 2023. We observed a small number of existing properties lowering their rents to fill up vacant units, while the average rent for new supply stands at around THB 180. Across different regions, the average rental rates remained steady, with the Bangkok Metropolitan Region (BMR) holding at THB 160, the Eastern Seaboard (EEC) at THB 162, the Central region at THB 147, and other areas of Thailand at THB 107. Notably, the Eastern Seaboard (EEC) was the only

region where the minimum asking rent increased, rising from THB 100 to THB 120. In the meantime, the maximum asking rents remained steady across all regions, except for the BMR, where the upper limit went up from THB 200 to THB 230. Given the context of limited growth in warehouse rents in Thailand, we conducted an assessment to compare Thailand’s warehouse rents with those in different countries across the Asia Pacific (APAC) region. Among the group of Australia, Malaysia, China, and India, Thailand’s actual rent secures the fourth position. Only India

offers a more affordable rate at THB 97 per sqm per month. However, when factoring in Purchasing Power Parity (PPP) data from the World Bank to account for price differences in various locations, Thailand rises to become the second most expensive warehouse space, closely trailing China, which charges THB 164 per sqm per month. This observation could help explain the reasons behind the slow growth environment within Thailand’s warehouse market, as it is observed that rental rates in Thailand are already relatively high in comparison to those in other regional countries.

READY - BUILT WAREHOUSE ASKING RENT SPREADS

BAHT PER SQ M PER MONTH

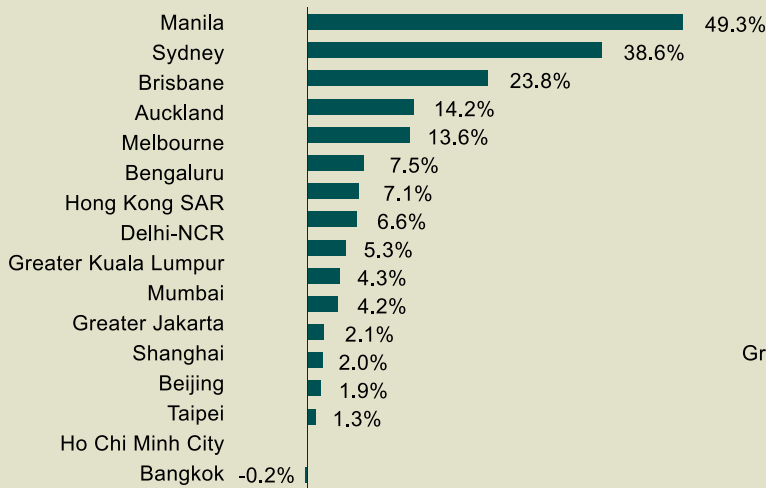


*INDIA TRACKS BY FINANCIAL YEAR (APRIL-MARCH PERIOD) AND IS THUS EXCLUDED FROM THIS CHART

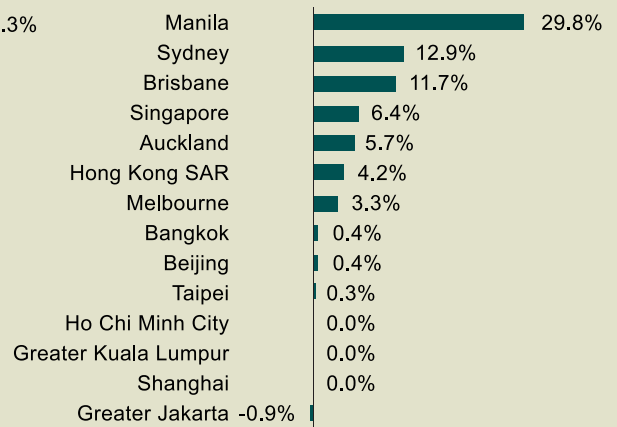
SOURCE: KNIGHT FRANK THAILAND

APAC LOGISTICS RENTAL GROWTH

Rental Growth Year-on-Year



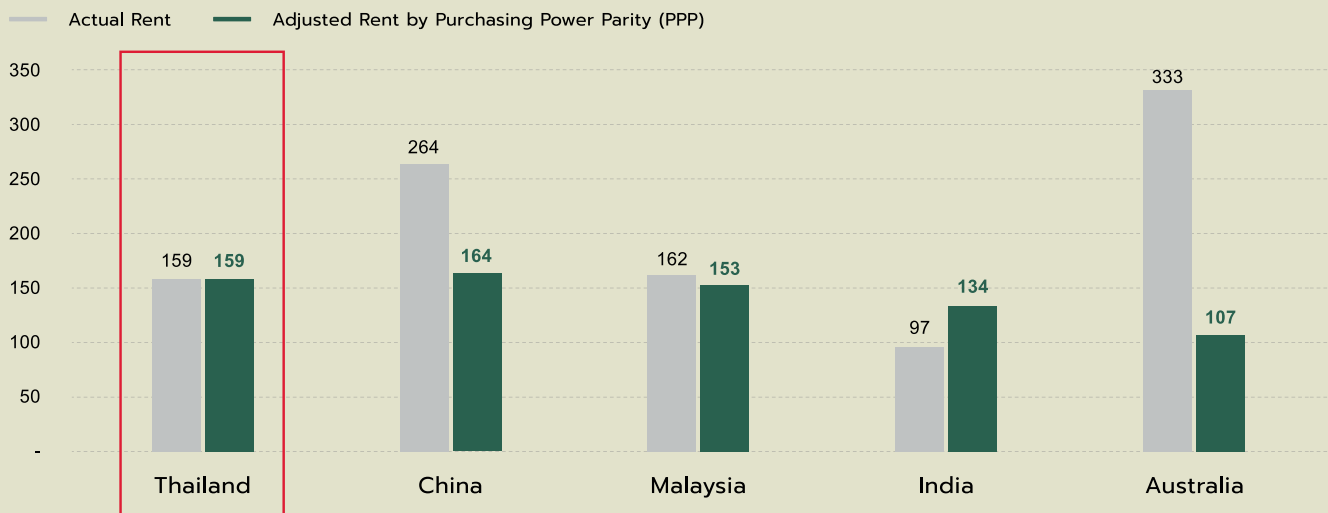
Rental Growth Half-Year



SOURCE: KNIGHT FRANK ASIA PACIFIC

COMPARISON OF READY-BUILT WAREHOUSE RENTS ACROSS APAC

BAHT PER SQ M PER MONTH



SOURCE: KNIGHT FRANK THAILAND / KNIGHT FRANK ASIA PACIFIC / THE WORLD BANK

Review & Outlook

The logistics property market maintained its upward trajectory in the first half of 2023. Net absorption data revealed a remarkable surge in demand for warehouse space, reaching the highest levels seen in the past seven years, with an increase of 282,000 square metres or 12%, compared to the latter half of 2022. The driving force behind this demand was the 3PL sector, which has consistently played a pivotal role since the e-commerce boom. Additionally, noteworthy growth was observed in the EV and solar industries, propelled by manufacturing expansions and relocations, primarily originating from China. These factors collectively contributed to the heightened demand for ready-built warehouses in Thailand. As the increase in demand outpaced new

supply, the overall occupancy rates improved to nearly 88%, while market rents remained stable.

In the landscape of modern logistics, innovative technologies are reshaping conventional practises. There is a clear trend towards the adoption of warehouse automation solutions, with automated guided vehicles, often referred to as AGVs, being one of the most widely adopted technologies. AGVs operate by autonomously navigating through warehouses using advanced sensors and control systems, effectively streamlining material movement and tasks such as picking, storing, and transporting goods. These portable robots are commonly used in modern warehouses, particularly in e-commerce operations and businesses dealing with high volumes

of transactions or products with numerous business units (BUs).

While AGV technology is not new and has found extensive adoption in major global logistics markets, its implementation in Thailand remains concentrated among large enterprises with economies of scale. However, similar to other technological advancements, the increasing affordability of AGVs is likely to drive broader adoption by businesses. This transition holds the potential to empower these enterprises, enabling them to achieve enhanced overall operational efficiency, reduce human errors from manual intervention, and gain a competitive advantage in an ever-evolving market.

Glossary

- ***Serviced Industrial Land Plots***

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

- ***Bangkok Metropolitan Region(BMR)***

Includes Bangkok, Samut Prakan, Samut Sakhon

- ***Eastern Economic Corridor (EEC)***

Includes Chachoengsao, Chonburi, Rayong

- ***Central***

Includes Ayutthaya, Pathum Thani, Saraburi

- ***West***

Includes Ratchaburi, Petchaburi,

Prachuap Khiri Khan

- ***South***

Includes Songkhla, Pattani

- ***Northeast***

Includes Nong Khai, Nakhon Ratchasima

- ***North***

Includes Lamphun, Pichit

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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