

COMMERCIAL RESEARCH



LOGISTICS PROPERTY

MARKET H1 2016

HIGHLIGHTS

- The total warehouse supply was at 3,732,147 square metres, representing an increase of 4.1% from the end of the last period, with 145,737 square metres being added to the market.
- The warehouse occupancy rate as of H1 2016 was at 78.0% -- a small jump of 0.5% from last year's figure. The Eastern Seaboard saw the highest jump in occupancy whereas the Greater Bangkok region (Suvarnabhumi-Bangpakong) enjoyed the highest warehouse occupancy rate.
- On average, the warehouse rental rate slightly increased by 0.2% to 156.9 baht per square metre per month.

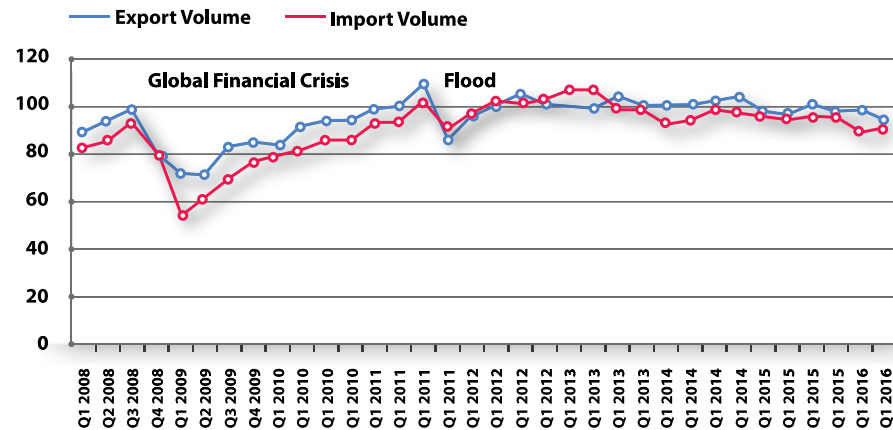


MARCUS BURTENSHAW
Executive Director,
Head of Commercial Agency

"Some warehousing locations are clearly faring better than others. New supply needs to be constrained in areas of falling occupancy. Despite this, the underlying fundamentals that originally established each of the major strategic distribution locations are the same. Demand for warehousing space continues to grow, as e-commerce begins to take an even bigger role in the retail landscape in Thailand."

Economic Overview

FIGURE 1
Export – Import Volume Index

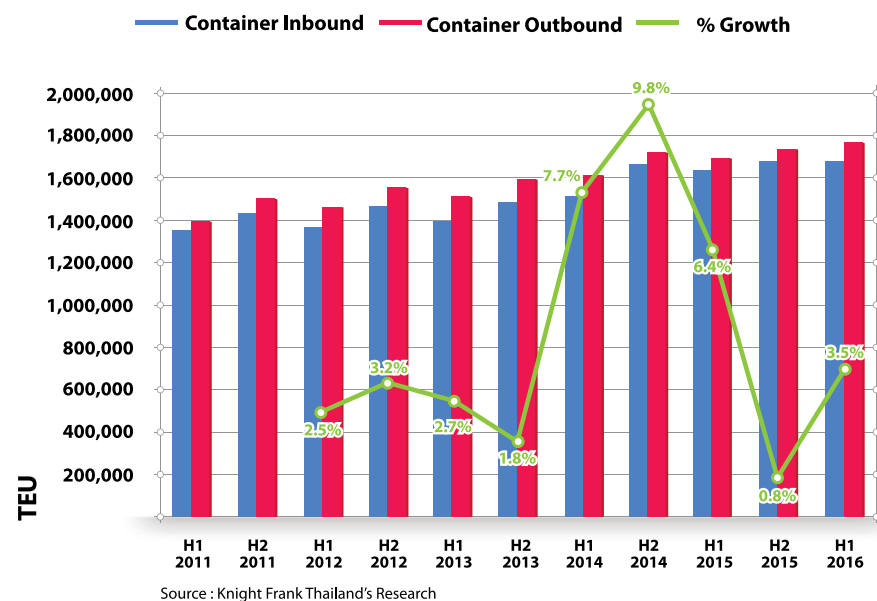


SOURCE : MINISTRY OF COMMERCE AND BANK OF THAILAND

As an export-oriented nation where exports account for up to 70% of the country's total gross domestic product (GDP), Thailand faced turbulence in its exports from the continued slowing of

the global economic climate. The export landscape worsened even further this quarter from subdued activity in other export segments such as petrochemicals and automobiles.

FIGURE 2
Number of Containers Passing Through Laem Chabang Port



SOURCE : PORT AUTHORITY OF THAILAND
REMARK : TEU - TWENTY-FOOT EQUIVALENT UNIT CONTAINER

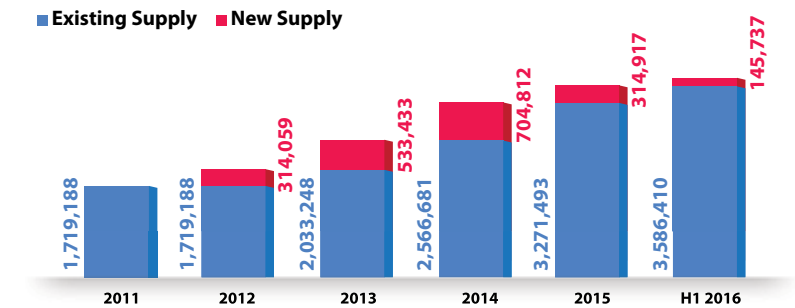
Despite the disappointing export numbers, the movements at Laem Chabang Port indicated that the demand for logistic services was still increasing at the pace of 3.5% on the half-on-half (HoH) basis. The HoH outbound demand growth was significantly more than the inbound demand growth at 4.27% against 2.66%. The first half of 2016 saw a total of 3,451,730 TEUs passing through the port.

At the end of the first half of 2016, the total warehouse supply was at 3,732,147 square metres, representing an increase of 4.1% from the end of the last period with 145,737 square metres being added to the market. The latest peak in the addition of supply was still from 2014, which was when the country's largest developer completed its three largest projects. Since then, the market saw relatively incremental increase in supply to cope with a slowing growth in demand.

Future Supply

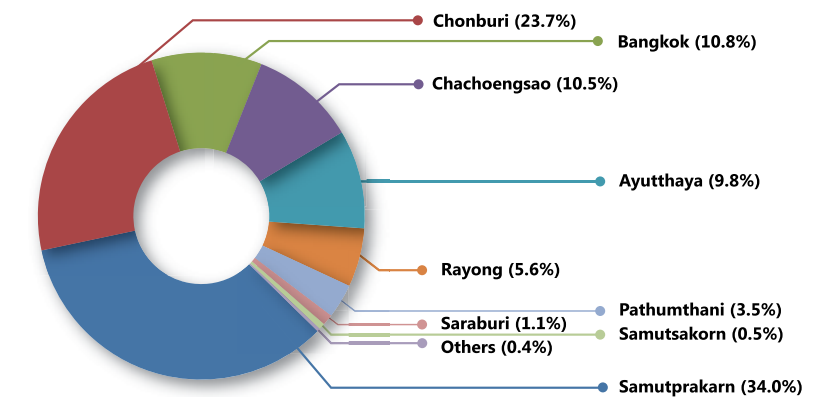
For the remainder of 2016 all the way to 2017, approximately 300,000 square metres of warehouse supply is expected to enter the market. Up to 250,000 square metres of this would be in Samutprakarn province as the location offers a healthy level of demand and high levels of occupancy.

FIGURE 3
Number of Warehouse Supply, 2011-H1 2016 (square metres)



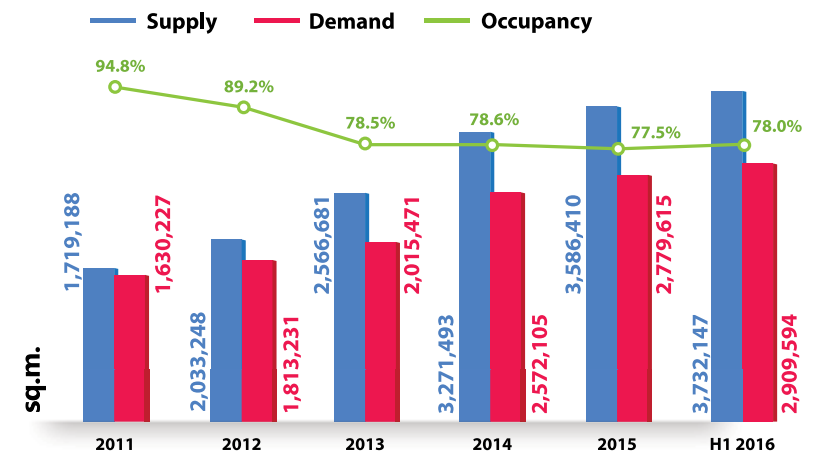
SOURCE : KNIGHT FRANK THAILAND'S RESEARCH

FIGURE 4
Supply Share by Province, as of H1 2016



SOURCE : KNIGHT FRANK THAILAND'S RESEARCH

FIGURE 5
Warehouse Demand, 2011 – H1 2016



SOURCE : KNIGHT FRANK THAILAND'S RESEARCH

Demand

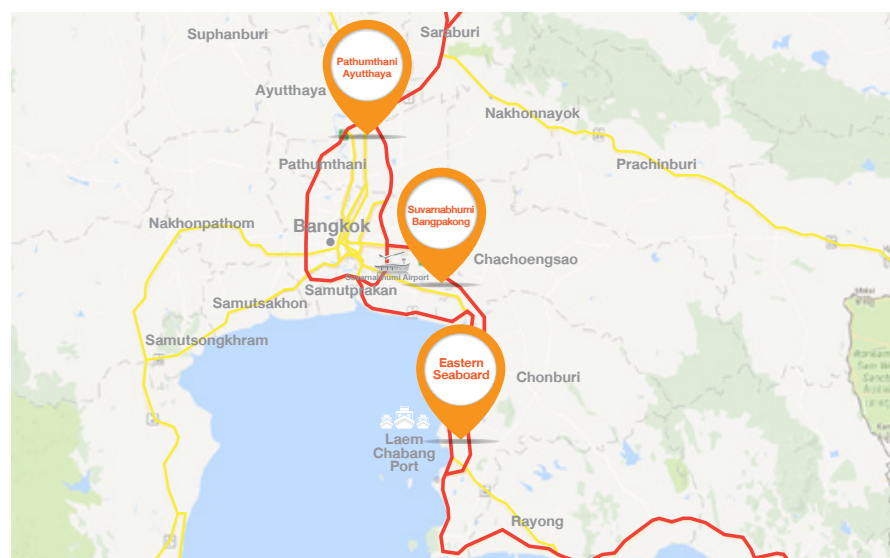
The total occupied space for the period was at 2,909,594 square metres, an 8.7% increase from the previous period; this amounts to an occupancy rate of 78.0%. Based on the occupancy trend, both supply and occupied space has been increasing at a similar rate, keeping occupancy level relatively stable around 77.5 to 78.5%. Figure 6 shows the net absorption rate of 129,982 square metres for only the first half of the year.

The warehouse occupancy rate as of H1 2016 was at 78.0% -- a small jump of 0.5% from last year's figure. The Eastern Seaboard saw the highest jump in occupancy whereas the Greater Bangkok region (Suvarnabhumi-Bangpakong) enjoyed the highest warehouse occupancy rate. Pathumthani – Ayutthaya still witnessed a continued reduction in its occupancy rate since the 2011 floods -- and the condition was further worsened by the addition of new supply.

	Suvarnabhumi-Bangpakong	Eastern Seaboard	Pathumthani-Ayutthaya	Market
2013	85.3%	58.4%	93.4%	78.5%
2014	82.8%	62.5%	87.0%	78.6%
2015	82.5%	62.2%	83.6%	77.5%
H1 2016	82.6%	67.9%	76.5%	78.0%
% Y-o-Y	0.2%	5.8%	-7.1%	0.5%

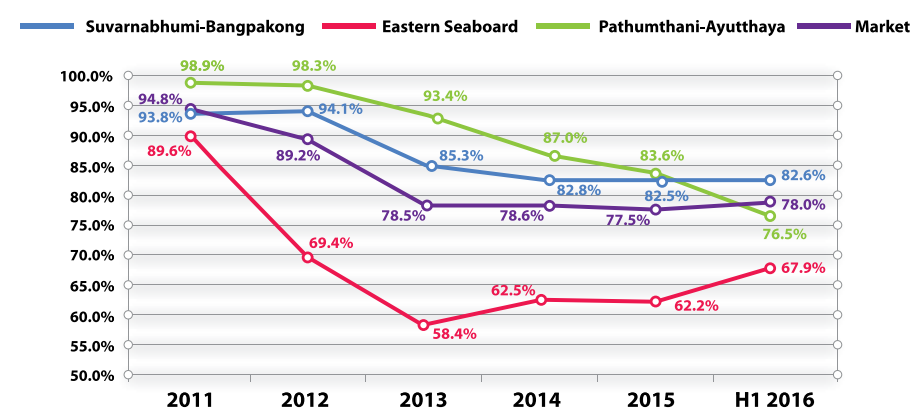
SOURCE : KNIGHT FRANK THAILAND'S RESEARCH

Key Logistics Locations



SOURCE : KNIGHT FRANK THAILAND'S RESEARCH

FIGURE 6
Occupancy by Key Logistics Locations, 2011 – H1 2016



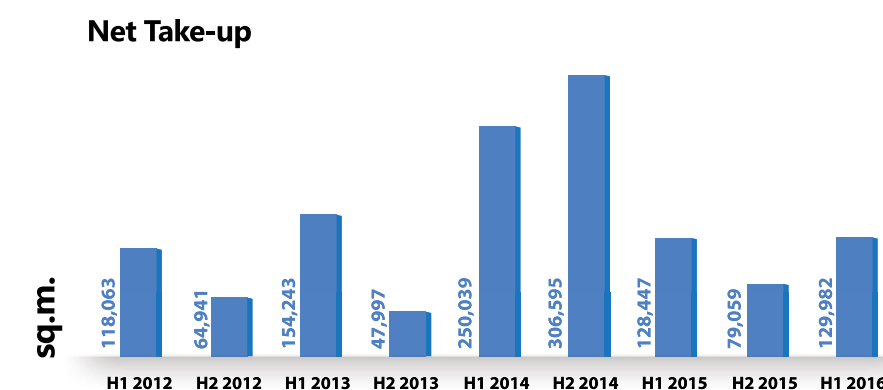
SOURCE : KNIGHT FRANK THAILAND'S RESEARCH

In the first half of 2016, the net absorption was 129,982 square metres, and it remained consistently positive for five years, representing the healthy and growing demand for logistics property.

Rental Rate

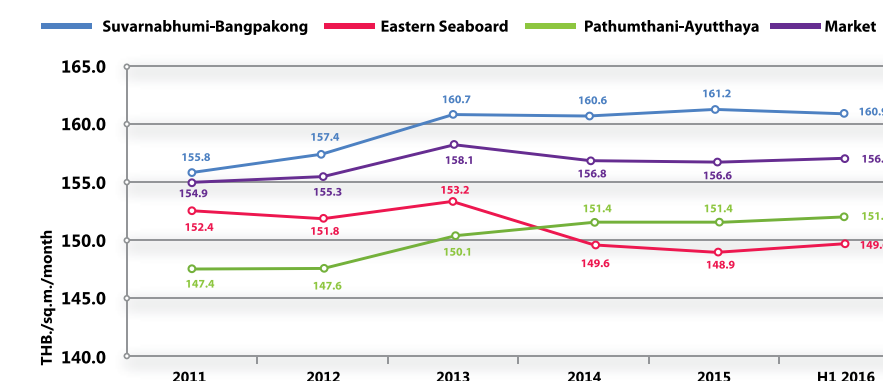
The warehouse rental rate remained relatively stagnant in Thailand. As of H1 2016, the average warehouse rental rate is at THB 156.9 per square metre per month. The region that saw the highest HoH growth was the Eastern Seaboard with an increase of 0.5% from THB 148.9 to THB 149.6 per square metre per month. Bangkok as a province maintained its position as the most expensive area along with Pathumthani with the highest asking rent of THB 185 per square metre per month. In contrast, Khon Kaen had the lowest asking price of THB 110 baht per square metre.

FIGURE 7
Occupancy by Net Warehousing Space Take-ups, 2011 – H1 2016



SOURCE : KNIGHT FRANK THAILAND'S RESEARCH

FIGURE 8
Rental Rates by Key Logistics Locations, 2011 – H1 2016



SOURCE : KNIGHT FRANK THAILAND'S RESEARCH

	Suvarnabhumi-Bangpakong	Eastern Seaboard	Pathumthani-Ayutthaya	Market
2013	160.7	153.2	150.1	158.1
2014	160.6	149.6	151.4	156.8
2015	161.2	148.9	151.4	156.6
H1 2016	160.9	149.6	151.9	156.9
% Y-o-Y	-0.2%	0.5%	0.3%	0.2%

SOURCE : KNIGHT FRANK THAILAND'S RESEARCH

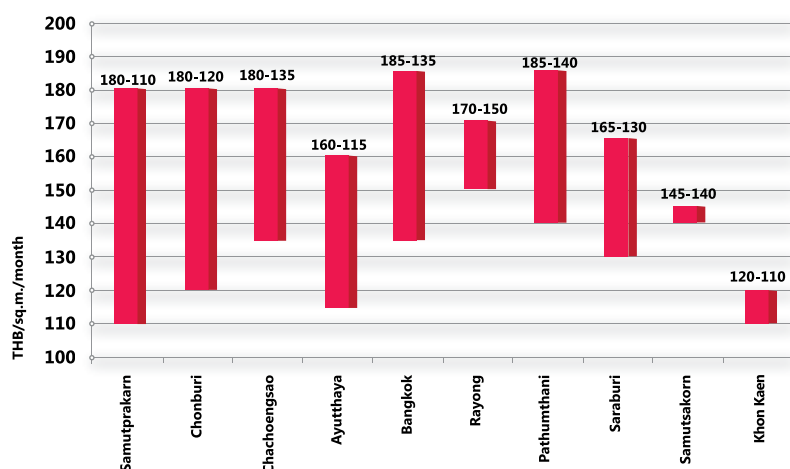


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FIGURE 9

Rental Rate Range by Province, H1 2016



SOURCE : KNIGHT FRANK THAILAND'S RESEARCH

The current rental rate is at the maximum of 185 baht per square metre per month in Bangkok and Pathumthani, followed by the maximum rent of 180 baht per square metre per month in Samutprakan, Chonburi and Chachoengsao. Generally, warehouses command variable rents, depending on location, design, condition and building age. The modern logistics parks usually provide docks, raised floors, floor loading capacity of up to 3 tonnes per square metre, and ceiling heights of 10 metres.

developers have postponed their expansion on the new logistics parks. The new supply entering the market is expected to be slacking off. However, the occupancy rate trends to be stable as the net take-up increases at the same level of the new supply.

The rental rate is forecasted to remain constant due to the balance level of new supply and new demand, putting pressure on price competition and preventing a price rise. In addition, progress on infrastructure, including the Laem Chabang port expansion, and the road and rail network development, is still the key positive factor that drives private investment and logistics space demand.

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Outlook

Thai exports are experiencing a downturn from the continued slowing of the global economy. Some rental warehouse

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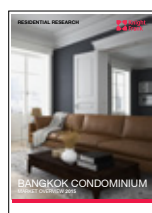
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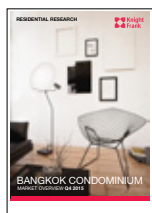
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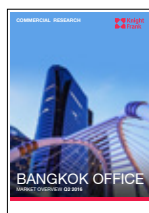
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