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## **Despite weaker industrial land sales in 2014, Thailand 'remains attractive' to investors**

Thailand is still attractive to investors, with advantages of a high level of infrastructure, geographic location in the middle of Southeast Asia, special tax incentives, and a skilled labour force for industrial estates, although the industrial property market weakened last year, according to research by Knight Frank Thailand.

Moreover, the launch of the Asean Economic Community is expected to bring positive changes to Thailand.

The research anticipated growth in demand from both domestic and international companies, including small, medium-sized, and large enterprises, reflecting the need for industrial property and the growth in the automotive industry from Phase 2 of the eco-car programme, which strengthens Thailand's position as a key automotive manufacturing base in Asean.

According to Knight Frank Thailand Research, at the end of 2014, the total supply of serviced industrial land plots (SILP) was 140,841 rai (22,534.5 hectares), increasing by 3.1 per cent from the previous year. On average, the SILP supply has increased by a steady 2-5 per cent each year.

Thailand produces more cars than any other Asean nation. It is among the 10 largest car producers in the world, thanks to policies that nurture and support the local automotive industry.

Currently, Thailand commands up to 55 per cent of Asean's total car production. As one of the country's most important economic drivers, the automotive industry is currently occupying up to 15.7 per cent of the total industrial-estate land.

In 2014, industrial land sales were 2,276 rai, the lowest level in the past few years. Only 937 rai was sold in the first half of 2014 and 1,339 rai in the second half, because of delays in approvals by the Board of Investment between late 2013 and mid-2014. After mid-2014, the land-sales volume was expected to recover; however, foreign investment sentiment failed to improve.

In 2014, the overall SILP asking price increased by 0.9 per cent from 2013, to 4.3 per cent. Industrial land in the every zone enjoyed pricing growth last year. SILP prices in the Central Eastern Zone recorded the highest growth, which saw average prices increase by 4.3 per cent. Pricing growth in 2014 was not as much

as in 2013, because of political unrest that affected demand for industrial land, as indicated in the lower sales volume.

Location, proximity to ports, logistics facilities and infrastructure, labour sources and flood risk are the key factors that affect industrial land prices.

The total supply of rental factory space at the end of 2014 was 2,553,046 square metres, increasing from the previous year's supply by 88,577sqm, representing growth of 3.6 per cent. A significant increase in the supply was observed right after the major floods of 2011, as factories were developed to accommodate new demand in areas unaffected by flooding.

The rental-factory supply did not increase aggressively in terms of warehouse supply, because of land-use regulations requiring a licence for factory operations.

Chon Buri province has the largest share of the total rental-factory supply at 30 per cent, with total space of 775,636sqm. Samut Prakan has the second-largest share at 20 per cent, with 517,452sqm. The third-largest share is held by Rayong at 19 per cent, followed by Ayutthaya at 17 per cent.

The Eastern Seaboard in Chon Buri and Samut Prakan 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.

Based on announcements from major industrial developers, it is expected that there will be a total additional space of 150,000sqm in Samut Prakan, Chon Buri, Rayong and Prachin Buri in 2015.

The current occupancy rate is 77.6 per cent, a reduction of 0.1 percentage point compared with the rate at the end of 2013. This was mostly due to an increase in the rental factory supply in 2014. The total demand for rental factory space at the end of 2014 was 1,980,108sqm, an increase of 64,693sqm from the previous year.

