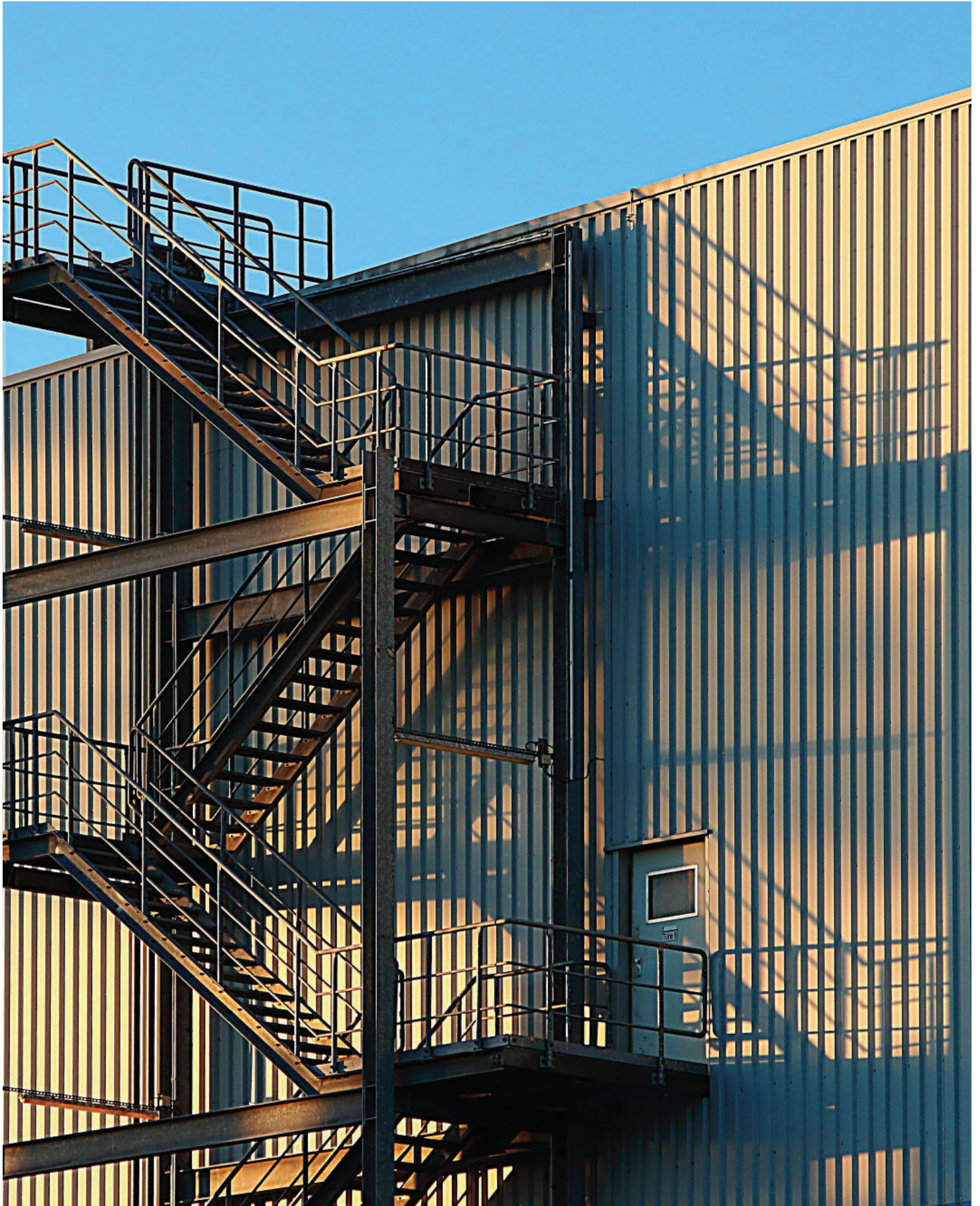


Thailand - March 2021

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SPOTLIGHT
Savills Research

Industrial and Logistics



Thailand's industrial prospects, targeting growth after the pandemic

SUMMARY

- E-Commerce continues to be a primary demand source for warehousing with all major players looking to increase or upgrade their space.
- Thailand's industrial economy was down overall in 2020, but with some positivity returning, there are early signs of a likely pick-up in last half of 2021.
- The Thai government is hopeful of a sharp increase in FDI in 2021, though this will be difficult given the current quarantine requirements for international arrivals.

MARKET OVERVIEW

Following the latest COVID-19 outbreak at the end of 2020, the Thai economy saw further GDP losses, closing the year down -6.6% from 2019. Thailand's manufacturing sector also saw considerable falls in activity, as both the local and international economies struggled, with the manufacturing production index (MPI) posting a -2.44% drop from 2019. Total exports also shrank, with a fall of 6.3% from 2019. Automotive and petro-chemical products were two of the worst hit industries, with falls in exports

of 22% and 11.4%, respectively. Whilst in contrast aircrafts, ships, floating structures and locomotive fared particularly well with an 18.4% increase.

Exports are expected to grow again in 2021 by up to 5%, driven by a global economic recovery and an increase in global consumption, however, both COVID-19 and the strength of the Thai Baht remain a concern for exporters.

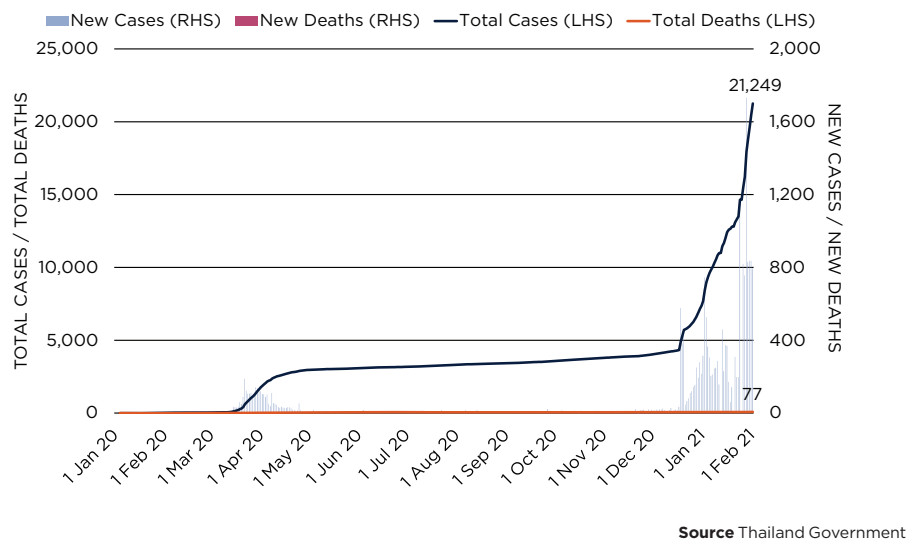
Cargo container shortages have also been an issue for many exporters which was due to the trade imbalance between Asia and the West that was exaggerated by the speed at which the regions have been able to recover from COVID-19. Thailand is estimated to have suffered a shortage of 1.5 million containers in 2020.

The industrial sector has been sharply focused on the Eastern Economic Corridor (EEC) government development plan since the policy was first announced half a decade ago, wherein the government aims to improve the eastern seaboard as a key industrial area through infrastructure development and by attracting private and foreign direct investment.

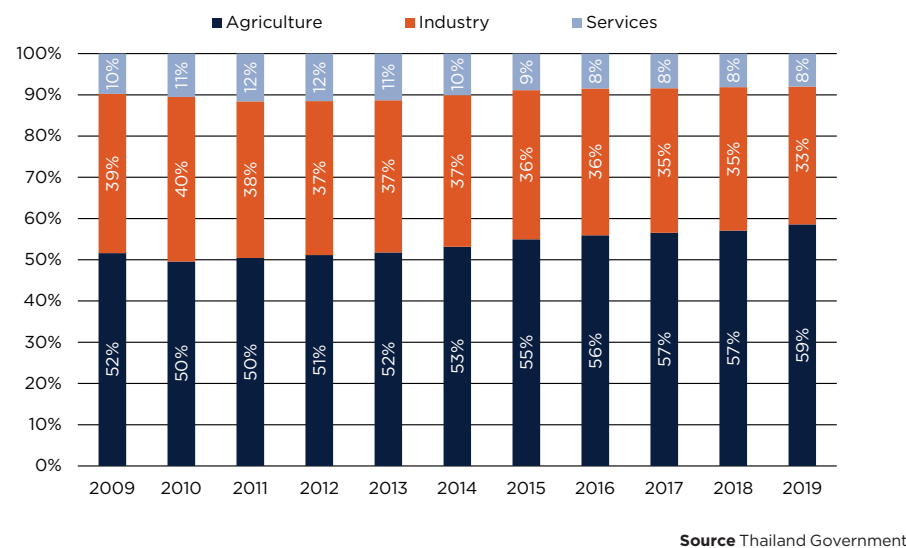
The Thai government expects that foreign direct investment will account for 55% of total investment in the EEC in 2021, equal to 400 billion Thai Baht, which is almost four times greater than the 105 billion Thai Baht invested in 2020. 2020 saw a marked drop in investment activity due to the international travel restrictions and foreign investors were left unable to visit new premises in order to complete their final due diligence prior to making a commitment. There is hope that a potential vaccination visa scheme could allow key investors to return by the end of 2021, though there is a risk that if they are unable to reach Thailand the governments investment targets may not be reached.

E-commerce has been one of the largest drivers of change in the industrial sector, specifically due to demand for Modern Logistics Property (MLP), which has now emerged as one of the most highly sought-after property types. E-commerce retailers require MLPs due to their higher floor loading capacity, greater space efficiency and convenient dock loading to maximise the efficiency of their operations. COVID-19 is expected to have led to a 35% increase in e-commerce transaction value in 2020, accelerating Thailand's adoption of digital sales channels. It is likely that retailers and e-commerce companies will likewise

GRAPH 1: Timeline of Confirmed Covid-19 Cases In Thailand, 2 February 2021



GRAPH 2: Thailand's GDP Configuration By Sector, 2009 to 2019



accelerate their plans for development/ purchase of MLPs to ensure they are not left behind in the rapidly evolving retail industry. Large Thai industrial developers such as WHA, Frasers and TIP all offer a range of prebuilt MLP warehousing in logistics parks located in strategic locations within central Thailand or within the EEC area.

The pandemic resulted in a sharp decline in the amount of foreign labour available for manufacturing and production, as foreign nationals returned home to avoid the lockdown and restrictions. In order to minimise this risk in future The Department of Correction and The Industrial Estate Authority of Thailand have established a special industrial zone, “Nikhom Ratchatan”, in Samutsakhorn to provide

vocational job training and employment for prison inmates. This initiative will provide 70,000 trained workers suitable for employment and will reduce dependency on migrant labour.

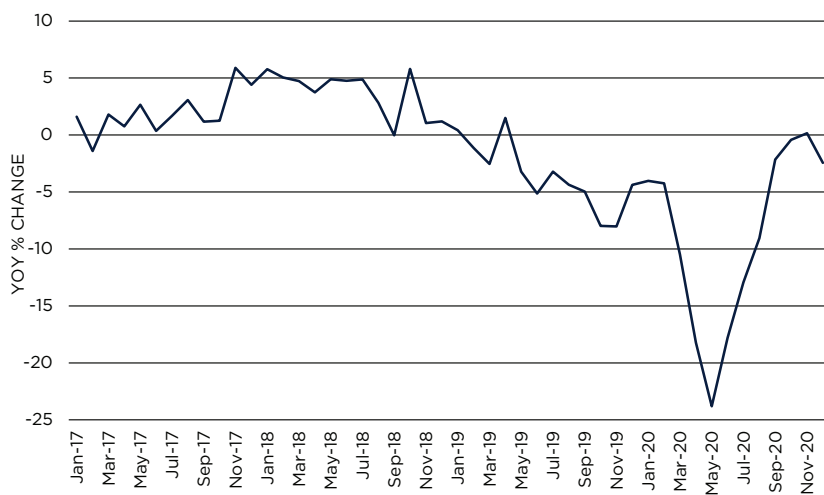
Savills predicts that investment volumes

Investment volumes will remain low through the first half of 2021, due to the continued restrictions on foreign arrivals which will delay due diligence for foreign investors.

will remain low through the first half of 2021, due to the continued restrictions of foreign arrivals which will delay due diligence for foreign investors looking to sign-off investments. If foreign investors are able to reach Thailand without quarantine in the last half of 2021 there could be a substantial rally in industrial investment activity. Thai industrial occupiers will likely continue to look for a firm improvement in the economic fundamentals prior to any major commitments to new industrial space, though some e-commerce players may look to continue their space expansion/facility consolidation.

Logistics is likely to remain the real estate sector of choice for investors as retailers and e-commerce firms push to establish their businesses in the growing market. Exports will likely begin to return to pre-pandemic levels as the major economies resume trade following the pandemic. Manufacturing property and facilities will continue to attract attention from foreign investors thanks to the EEC promotions, though a large amount of the investment will likely depend on the completion of key transportation and shipping infrastructure, which are not scheduled to complete until later in the decade.

GRAPH 3: Manufacturing Production Index (MPI), 2017 to 2020



Source Thailand Government



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