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THE TRANSFER OF OWNERSHIP AND SALE OF NEW LAND IN THE INDUSTRIAL ESTATE HAS BEEN POSTPONED DUE TO THE RESTRICTIONS ON ACCESS TO THAILAND

Summary and Recommendations

"The overall of the industrial estate market in Thailand during 1H 2020, it was found that more than 650 rai of land has been traded in the industrial estate. However in the first 3 quarters of 2020 (October 2019 – June 2020), 1,696.92 rai were traded, decreased only 3.86% y-o-y. Due to the spread of the Covid-19 virus that had made the investors to be unable to visit the location and also unable to make a business decision to reserve/purchase/lease land in the industrial estate.

The trend of the industrial confidence index has improved since the outbreak of the COVID-19, partly due to the government's ability to cope with the pandemic. The lockdown policy has begun to relax. The Research and Communications department from Colliers International Thailand forecasted that after the end of the COVID-19 situation, the International travel will return to normal. The investment in land and factory will be expected to return to normal in the second half of the year. Colliers International Thailand recommends that the levy of the authorization fee of the operations in industrial estates for the owners of industrial estates should be waived for a period of 4-6 months and reduces maintenance costs by 10-20% in order to help those who are affected by the outbreak of COVID-19."



Demand

The spread of the COVID-19 virus has caused the investors to be unable to come and visit Thailand and delay in making business decisions in the industrial estates. Thailand continues to benefit from the US-China trade war. Some investors from China and Taiwan relocated production base to Thailand and most of them will enter into the land lease agreement before gradually investing.



Supply

The total supply of industrial estates was approximately 177,997 rai, an increase of approximately 1,322 rai, located in the eastern region. From the epidemic situation of the COVID-19 virus, it may have caused the economy to slowdown in Thailand, especially in 2H 2020 that investors are still concerned. As a result, many industrial estate developers may adjust their development plans or delay the development of the area to launch a new phase during the years 2020 - 2021.



Occupancy

The average occupancy rate in industrial estates in Thailand was overall approximately 76.14%. For the industrial estates sold in the first three quarters of 2020 (Oct. 19 - Jun. 20) was at 1,696.92 rai, a decrease of 3.86% y-o-y. However Research and Communications Colliers International Thailand predicts that in 2H 2020, the investment in the industrial estates will begin to improve from the refinement of the lock down from the COVID-19 situation.



Price

The industrial estate business is still very competitive. The coronavirus crisis has raised concerns about the competitiveness of the situation on the land price reduction. Many developers may need to use a strategy to attract tenants as they are not able to increase the price, except in some areas only.

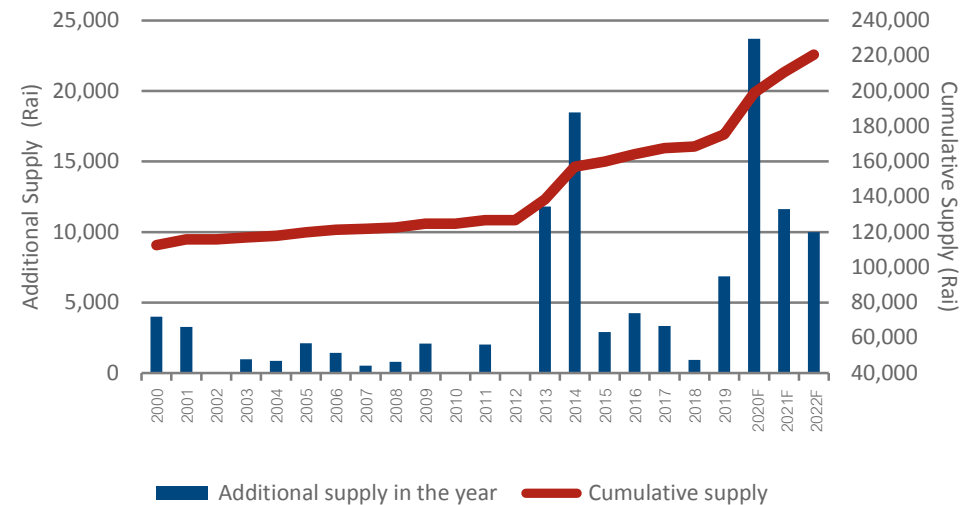
THERE MAY BE A DELAY IN THE DEVELOPMENT PLAN OF THE NEW SUPPLY FROM 2020-2021 ONWARDS

The total area of the industrial estate supply is approximately 178,654 rai. In 1H 2020, there was 1 new industrial estates for approximately 1,322 rai located in the eastern region. From the situation of the spread of the Covid-19 virus that may affect the economic system severely both in Thailand and worldwide. Especially in 2H 2020, investors are still worried about the situation. As a result, many industrial estate developers may have to adjust the development plan or delay the development of the area in order to launch a new phase of sales during the year 2020-2021. The Industrial Estate Authority of Thailand (IEAT) revised its development goals for industrial estate areas under the supervision, which was found that Industrial Estate Authority of Thailand decreased to only 2,000-2,500 rai per year from the original target of 3,000-3,500 rai per year, as well as offering policies to help SMEs and developers in industrial estates in order to alleviate the suffering of developers in industrial estates after the outbreak of the virus Covid-19 ends. In addition, it was found that the Industrial Estate Authority of Thailand has prepared to adjust the plan more aggressively to attract investors, especially the whole water management plan in the Eastern Special Economic Zone (EEC), consisting of 3 provinces (ChonBuri, Rayong and Chachoengsao) to increase competitiveness and support economic activities. Therefore the investment deals will increase in the future. Nevertheless due to the industrialization of the industrial estates in Thailand in the past 2-3 years is quite strong and continues to improve continuously. By reflecting the sales of area in industrial estates in the past 2 years that has grown steadily especially in the Eastern Economic Corridor (EEC) development areas in the 3 eastern provinces such as Chachoengsao, Chon Buri and Rayong provinces that the government has fully pushed. This is resulting in industrial estates in the EEC area receiving a lot of interest from foreign investors. In 2019, an industrial estate area in that area closed down more than 1,900 rai or equivalent to 89.9% of the total sales rate of all industrial estates in Thailand.

The Eastern Special Economic Zone (EEC) is a new key factor to stimulate demand in the industrial sector. In addition, new supply is expected to increase in the future especially in the eastern region. But it takes 1-3 years or more to see clearly from the Eastern Special Zone Development Policy (EEC) of the government that aims to be an area to support investment, especially targeted industries to drive the economy under the Thailand 4.0 strategy, especially the propulsion of the projects such as the Map Ta Phut Port Phase 3 Development Project (Phase 1), and high speed rail project connecting 3 airports.

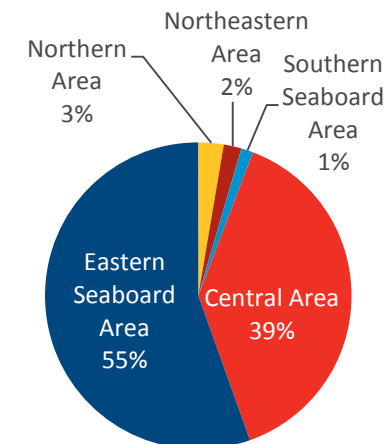
The eastern region is still the most popular area of the industrial estate business because approximately 55% of the industrial estates in Thailand are in this area and another 39% is in the central region, which is the first industrial area in Thailand. There are still very low industrial estate areas, compared to the central and eastern regions. Research and Communications department from Colliers International Thailand predicts that the eastern region will continue to gain popularity in the future because the EEC will drive the industrial estates in the Eastern region to expand in the future. It was found that in the EEC area there is an industrial estate project in which developers are in the progress of studying and developing projects of more than 24,000 rai in the future, although the government and the Industrial Estate Authority of Thailand (IEAT) will try to promote special economic zones along all 10 borders as well.

Cumulative and Future Supply as of 1H 2020



Source: Research and Communication, Colliers International Thailand
 Note: 1 rai = 1,600 sq m and 6.25 rai = 1 Hectare
 F= Forecasted new expansion areas for 2021–2022

Current Supply by Location as of 1H 2020



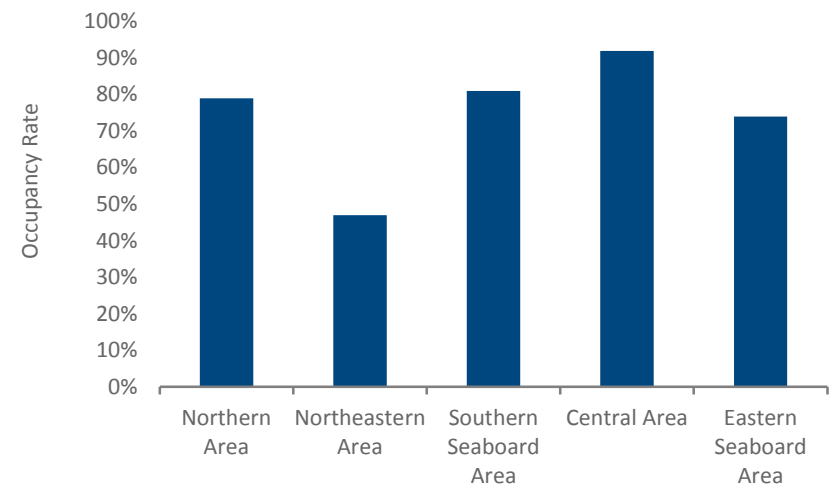
Source: Research and Communication, Colliers International Thailand

FROM THE POLICY TO RESTRICT ACCESS TO THAILAND AS A RESULT, SOME INVESTORS DELAY THE DECISION

The average occupancy rate in industrial estates in the central region was about 92%, while other areas are clearly lower than the two. For the area in industrial estates, it was sold during the first 3 quarters of 2020 (Oct 62 - Jun 63) at 1,696.92 rai, decreased by 3.86% y-o-y due to the spread of the Covid-19 virus that has made the investors to be unable to visit the location and unable to make a business contact in order to make a decision to reserve/purchase/ lease land in the industrial estate. The Eastern Special Development Zone (EEC) has sales / rent of 1,598.95 rai and 97.97 rai outside of the EEC area, with a total of 114 new factories, with 12,019 additional jobs. At the same time, Thailand has also received benefits from the trade war between the United States and China causing some investors from China and Taiwan to move production bases to Thailand. Most of them will sign a contract to reserve the land before investing. In addition, the Industrial Estate has a sales promotion, resulting in the sales/rental area since the beginning of last year. Therefore it is ensuring that the investment in industrial estates in the second half of this year will begin to improve. However, sales slightly decreased. There is still property being traded because Thailand has received the merit from trade war between the United States and China. This is causing some investors from China and Taiwan to move their production base to Thailand. Most of them have already signed rental agreements. Also, with the promotion of land sale/lease promotion in the industrial estate area of the Industrial Estate Authority of Thailand in order to motivate investors to turn to invest in more industrial estates in 2H 2020.

Sales in the Eastern Special Development Zone (EEC) continued to be supported by infrastructure investments with progress more clearly. In this regard, the contract signing of the Map Ta Phut Industrial Port Phase 3 (Phase 1) and the high-speed rail link 3 airports, the U-Tapao Airport Development Project and the Eastern Aviation City, are worth THB290,000 million, including on-going government stimulus policy. In addition, the trade war between China - the United States of America which encourages Chinese investors to make more investments overseas and Thailand is considered a target country that will help build investor confidence in 1H 2020 and in the future.

Average Occupancy Rate by Location as of 1H 2020



Source: Research and Communication, Colliers International Thailand

At the same time, even though Covid-19 virus will affect the global economy and the economy in Thailand but the process of establishing industrial estates of the Industrial Estate Authority of Thailand and industrial estates that the private sector invests in still continuously moving forward. As a result of the US News & World Report, Thailand is ranked No. 1 in the world as the best country to start business from a total of 73 countries and as the government began to relax the lockdown policy. Research and Communications department from Colliers International Thailand believes that the investment will increase in 2H 2020 and in the future. And the Industrial Estate Authority of Thailand also has a promotion, sales promotion and rental of land in each industrial estate to attract investment which is believed to stimulate more investment decisions.

PRICE HAS NOT YET BEEN ABLE TO INCREASE

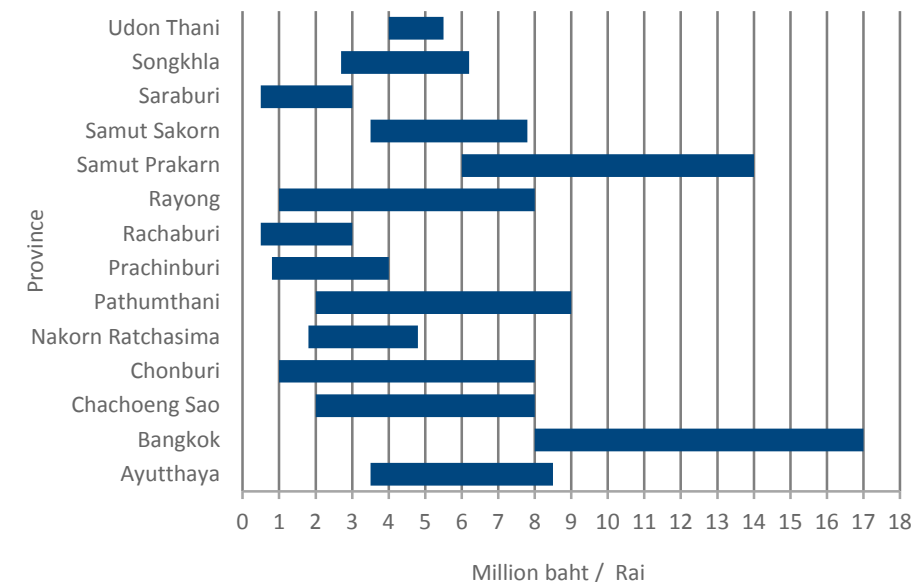
The selling price of land in an industrial estate and various industrial parks is depending on many factors, such as travelling, construction project, the cost price before development and supporting raw materials from other sources. Research and Communication department from Colliers International Thailand found that the prices in industrial estates in Bangkok area are still the most expensive, because they are the center for transportation of goods which has both ports and international airports. Also, the price of land in Bangkok in the last 5 years had been a relatively high adjustment. Also, the remaining vacant space for sale in Bangkok is currently very low. This is followed by Samut Prakan and Pathum Thani, respectively. Land prices in Bangkok and Samut Prakan are relatively different because many industrial estates are not far from the capital area where the price is high. The Eastern Special Economic Zone (EEC) has a direct impact on the price of land and the remaining land in various industrial estates in these 3 provinces. Since 2017, land prices in the areas that Eastern Special Economy There is a lot of adjustment. For some provinces, such as Songkhla, Sara Buree had much lower land prices since they are a relatively remote area away from Bangkok and the harbor. Also, the cost of land before development was still relatively low when compared to Bangkok and the areas in the EEC Zone resulting in a lot of land remaining for sale.

In 1H 2020, it was found that industrial estates were still highly competitive, combined with the outbreak of the Covid-19 virus, resulting in concerns that competition in land price reductions to occur. Many developers have to adjust the price of land to be cheaper or use promotions to attract tenants as they are unable to increase the price too dramatically, except in some areas such as industrial estates in Bangkok and the surrounding areas that still have a relatively high selling price due to the relatively high occupancy rate at present. But at the same time, it was found that the Industrial Estate Authority of Thailand (IEAT) will increase rental rates and land prices in some area in Songkhla, increased by 10% from the current price. This may be due to the increase in land prices, processing and construction costs but will be effective from 1 July 2020 onwards.

The Department of Industrial Works states that the total number of applications for licenses to operate (Ror Ngor. 4) and expand the business in 21 industrial groups in 1H 2020 (Jan-29 Jun 2020) in the amount of 1,702 persons, an increase of 10.22% y-o-y, hiring 123,794 people, an increase of 79.23% and investment of THB174,850 million, a decrease of 14.09%. It is expected that in 2020 the number of applicants will be 3,000, equal to 2019, while the factory's request cancellation for 404 businesses, down from 666 closures in the previous year, resulting in layoffs of 16,680 people. The investment in this section has disappeared by approximately THB25,414 million. Most of them are plant-based products from 47 food industry plants and the non-ferrous industry.

For 1H 2020, the effect of the Covid-19 virus spread, causing Chinese and other foreign investors to postpone the investment decisions in the industrial estates in Thailand. Research and Communication department from Colliers International Thailand still believes that in 2H 2020 will be able to sell a factory area in a new industrial estate. This has increased eventhough the global economy is still slowing down due to the effects of the Covid-19 virus outbreak. Research and Communication department from Colliers International Thailand still finds that Chinese investors are still showing interest in buying factory locations, especially in the EEC areas, such as automobile parts / tires / modern materials industry. As a result, some investors just delayed their investment decisions in this period and may return to bustle again after various situations return to normal.

Land Prices in Industrial Estates by Province, 1H 2020



Source: Research and Communication, Colliers International Thailand

THE COVID-19 CRISIS HAS DRAMATICALLY AFFECTED THE DEMAND

1H 2020, the COVID-19 epidemic affected Chinese and some foreign investors to slow down the decision to invest in industrial estates in Thailand. However Colliers International Thailand still believes that in 2H 2020 the market will perform better. Although there is a large impact from the COVID-19 outbreak, it is still believed that the Chinese investors continue to show interest in buying land to set up factories especially in the EEC area, such as for auto parts / tire factories / modern materials industry, etc. As a result, some investors simply delayed their investment decision during this time and may return to be active again after situation has been recovered. For the outbreak of Covid-19 crisis, some industries have reduced their demand. But some industries have increased demand and production is expanded, such as the pharmaceutical and health industries. As a result, some industrial estates continue to develop in accordance with the original plan.

For developers that have been affected by the outbreak of the virus, the Covid-19, Industrial Estate Authority of Thailand (IEAT) has exempted the collection of license fees. There are 11 operations in the industrial estate for developers and owners of industrial estates for a period of 4 months (June - September 2020) and reduce maintenance fees by 10% to help developers in industrial estates and those who get affected by the outbreak of the Covid-19 virus. In addition, there is an exemption or reduction of rental fees for land and buildings, divided into 2 cases which are in the case of a tenant who pays the rent on a monthly basis except for 3 month rental fees and in the case of tenants who pay the rent annually, which will be reduced the rental rate of 25% of the rent in 2020 for a period of 3 months (April - June 2020) and also issued policies to help industrial estate developers by reducing the service fee at the rate of 10% of the service fee in 2020. There are other supporting policies, such as the extension of service fee payment and fees charged by the Industrial Estate Authority of Thailand from the original payment within 20 days from the date receive invoices for 60 days from the date of receipt of the invoice. The period of the land rental payment in the industrial estate is able to be extended up to September 2020 and can be paid in full, which must be paid within September 2020 without any interests.

While the lessee of the land or assets of the Industrial Estate Authority of Thailand can request to refund the collateral of the cash lease by placing a letter of guarantee from the domestic bank of the same value to replace. In this regard, the tenant must have a lease period of not less than 5 years and reduce the extra money due to late payment from the rate of 15-18% to 6.00% per annum. At the same time, this is to motivate the developers to invest or expand investment in industrial estates after the outbreak of the virus Covid-19 and prepare to launch more new promotions and special offers to investors in order to attract investment into the industrial estate area especially in the border special economic development zone (SEZ) Eastern special economic zone (EEC).

After the Covid-19 virus epidemic has ended, Research and Communications department from Colliers International Thailand estimates that there may be more technological investments in various production processes. With the use of 5G technology, such as using more robots to spacing the production process in order to shut down the production line immediately, in part if there is an epidemic while other production lines can continue to be produced. This will cause Thailand to enter Industry 4.0 faster and expect that Health-related industries and health technology will increase investment including the expansion of production bases from China and other countries into Thailand after Thailand received many quotes from many countries for dealing with the Covid-19 virus. This should be another important opportunity for us to attract foreign investors to invest in this matter including E-Commerce businesses that continue to grow in Thailand, which will be another factor that encourages more investment in 2H 2020.

Research and Communications department from Colliers International Thailand predicts that sales of industrial estates in 2020 may decrease by 20-30%, but believe that after the Covid-19 situation ends, the International travel will return to normal. The investment to buy land and set up the factory will return to normal in 2H 2020. The government, including related agencies, must move forward to build investor confidence and launch incentives to attract new investments, both tax measures and other policies to reduce costs for developers such as reducing land transfer fees to 0.01% and reducing fees and expenses which must cooperate from all parties. The government should arrange as a special package to attract investment to occur after this situation.

THE VALUE OF FOREIGN DIRECT INVESTMENT DECREASED BUT THE NUMBER OF PROJECTS INCREASED

According to the statistics of the Board of Investment (BOI), the Application for foreign investment promotion in 2020 (Jan-Mar), there are 249 projects for investment promotion with investment value THB27,425 million, compared to 2019 (Jan-Mar). The number of projects increased by 6%, while the value decreased by 67% for the number of foreign projects submitted for investment promotion, it is representing 66% of the total amount of projects that have submitted applications for promotion (378 projects). The value of foreign direct investment is accounting for 38% of the total investment amount submitted for promotion (THB71,380 million). The numbers of foreign projects submitted for promotion in January - March of 2020 are mostly services and public utilities, totalling 82 projects, representing 33% of the total number of foreign projects applying for promotion. This is followed by electrical appliances and electronics, 70 projects, accounting for 28 of total investment value. Most of them belong to the category of electrical appliances and electronics, with a total value of THB10,089 million, accounting for 37% of the total foreign investment application. This is followed by metal products, Machinery and transportation equipment in the total value of THB6,610 million, representing 24% of the total number of foreign projects submitted for investment promotion between January - March of 2020. It is also found that many Chinese investors have submitted applications for investment promotion with the highest of 56 projects, accounting for 22% of all foreign investment projects. The highest investment value comes from Japan, with a total value of THB7,402 million, equivalent to 27% of the total foreign investment that is submitted for investment promotion, followed by investors from China and Hong Kong.

105 projects from foreign investors were applied for promotion in the central region (THB6,813 million), in the Eastern region for 100 projects (THB16,580 million), the western region for 5 projects (THB309 million), the Southern region for 11 projects (THB594 million), the Northern region for 16 projects (THB350 million), the Northeast region for 11 projects (THB286 million baht) and other area for 1 project (THB2,494 million).

Research and Communications department from Colliers International Thailand sees foreign direct investment (FDI) in the first 3 months of this year with the total investment promotion applications in the EEC area in the first 3 months of this year totalled THB47,580 million, accounting for 67% of the total investment promotion applications. This shows that the EEC is still the target area for most investors.

For the industrial sentiment index of the Federation of Thai Industries (FTI) revealed that the survey of the industry confidence index in May 2020 was at 78.4, up from 75.9 in April 2020. This was the first increase in the cycle in 4 months or since the outbreak of the Coronavirus 2019 (COVID-19), partly as a result of the government being able to control the outbreak of COVID-19 and began to relax the Lockdown policy. The Industrial Sentiment Index forecasts for the next 3 months to be at 91.5, increased from 88.8 in April 2020, as the developers believe that the relaxation of the Lockdown policies in the future will benefit the country's economic activities. While many countries have also relaxed the Lockdown policy, resulting the foreign goods to come back. However, the index level below 100 is reflecting that the confidence of developers is not strong, Also, Research and Communication department from Colliers International Thailand sees that after the Covid-19 situation recovers, the International travel, the investment to buy land and set up the factory are expected to return to normal in 2H 2020.

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