

RESEARCH

October 2018

# Bangkok Q3 2018

Sales of highest grade condominiums  
projected to slow



# 2018 Q3 snapshot

The Consumer Price Index (CPI) in Q2 2018 increased marginally by 0.03 per cent year-on-year (y-o-y), whereas the policy rate was once again left unaltered at 1.5 per cent. According to the Office of the National Economic and Social Development Board, gross domestic product (GDP) in Q2 2018 rose by 4.6 per cent, down slightly compared to the long-term high of 4.8 per cent in Q1 2018.

Investment sales reached

**THB10.3bn**  
in Q3 2018.

The largest investment deal recorded in Q3 2018 was the acquisition of shares. **Supalai Public Company Limited has acquired shares in the MK Real Estate Development Public Company Limited portfolio, part of this includes 64 development projects, with the total value of the shares being THB4.06bn.**

## Office



Prime rents for Grade A offices in the CBD **rose quarter-on-quarter (q-o-q) to THB850 per square metre (psm) per month, reflecting an increase of 4.3 per cent on a y-o-y basis.** There were no new offices launched in Q3 2018. Consequently, **office stock remained at 1.858m square metres (sq m).**

## Retail



In the downtown area, rents decreased to **THB2,595 psm per month, easing by 0.19 per cent on a y-o-y basis.** Average retail rents in the midtown area **remained at THB1,610 psm per month in Q3 2018,** rising by 1.26 per cent on a y-o-y basis.

## Residential



The average take-up rate of newly launched condominium projects in the CBD **only reached 31.0 per cent in Q3 2018; even lower than the poor performance of 46.0 per cent in Q2 2018.** The total new condominium supply in the CBD in Q3 2018 **was 1,636 units, rising from 852 units in Q2 2018.** The total number of new units launched increased by 92.0 per cent q-o-q. The average unit selling price stayed flat at THB330,447 psm in Q3 2018.

# 2018 Q3 ภาพรวมตลาดอสังหาริมทรัพย์

ผลิตภัณฑ์มวลรวมในประเทศ (GDP) ในไตรมาส 2 ปี 2561 ขยายตัว 4.6% เทียบกับ 4.8% ในไตรมาส 1 ปี 2018 ดัชนีราคาผู้บริโภค (CPI) ในไตรมาส 2 ปี 2561 เพิ่มขึ้น 0.03% เมื่อเทียบกับช่วงเดียวกันของปีก่อน ในขณะที่อัตราดอกเบี้ยนโยบายยังคงทรงตัวที่ระดับ 1.5% ณ เดือนธันวาคม 2560

ยอดการลงทุน

## THB10.3bn

in Q3 พ.ศ. 2561.

ข้อตกลงการลงทุนที่มีมูลค่าสูงที่สุดในไตรมาส 3 ปี 2561 คือการซื้อขายทรัพย์สิน ระหว่าง บริษัท ศุภลาชัย จำกัด (มหาชน) ได้ลงทุนเข้าซื้อทรัพย์สินจาก บริษัท เอ็ม.เค.เรียลเอสเตท จำกัด มีมูลค่าทั้งหมด 4.06 หมื่นล้านบาท

## อาคารสำนักงาน



ไม่มีสำนักงานแห่งใหม่เปิดตัวในไตรมาสที่ 3 ปีพ. ศ. 2561 ดังนั้นสำนักงานทรงตัวอยู่ที่ **1.858** ล้านตารางเมตร ค่าเช่าเฉลี่ยสำหรับสำนักงานเกรด A ในเขต CBD เพิ่มขึ้นต่อไตรมาสเป็น **850** บาทต่อตารางเมตรต่อเดือน ซึ่งเพิ่มขึ้น **4.3%** เมื่อเทียบกับช่วงเดียวกันของปีก่อน

## ศูนย์การค้า



ค่าเช่าศูนย์การค้าเฉลี่ยในเขต **downtown** อยู่ที่ **2,595** บาทต่อตารางเมตรต่อเดือนในไตรมาส 2 ปีพ.ศ. 2561 ลดลงร้อยละ 0.19 เมื่อเทียบกับช่วงเดียวกันของปีก่อนในเขต midtown ค่าเช่าคงที่ที่ **1,610** บาทต่อตารางเมตรต่อเดือน ซึ่งลดลง 1.15% เมื่อเทียบกับช่วงเดียวกันของปีก่อน

## ที่อยู่อาศัย



จำนวนคอนโดมิเนียมโดยรวมในไตรมาสที่ 3 ปี พ. ศ. 2561 มีจำนวน **1,636** หน่วย ซึ่งเพิ่มขึ้นจาก **852** หน่วยในไตรมาสที่ 2 ปี 2561 โดยมียอดการเปิดตัวใหม่เพิ่มขึ้น 92% ต่อไตรมาส อัตราค่าเช่าเฉลี่ยของโครงการคอนโดมิเนียมที่เปิดตัวใหม่ในย่าน CBD ในไตรมาส 3 ปี 2018 **ลดลงถึงร้อยละ 31** ต่ำกว่าไตรมาสที่ 2 ปี 2561 ซึ่งอยู่ที่ **46%** โดยราคาขายเฉลี่ยต่อทรงตัวอยู่ที่ 330,447 บาทต่อตารางเมตรในไตรมาสที่ 3

# The economy

## Key highlights

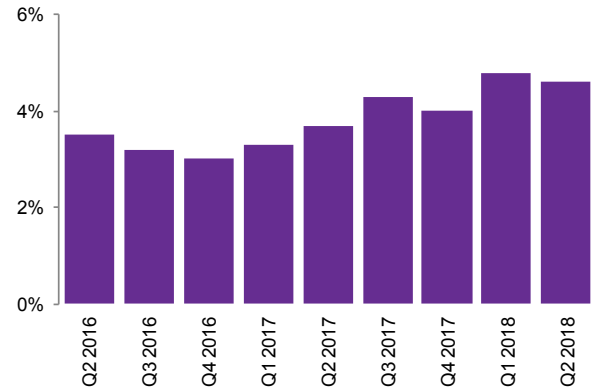
- Inflation is forecasted in the range of 1.5 per cent to 2.0 per cent in 2018.
- The average growth rate of the economy in 2018 is predicted to be in the range of 4.2-4.7 per cent.
- The policy rate in 2018 remains unchanged at 1.5 per cent.
- GDP expanded by 4.6 per cent y-o-y in Q2 2018.
- The CPI in Q2 2018 increased by 0.03 per cent y-o-y.

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In H1 2018, the economy expanded by 4.8 per cent y-o-y, compared to a 3.7 per cent expansion in the same period of 2017, with the growth supported by robust exports and growing tourism.

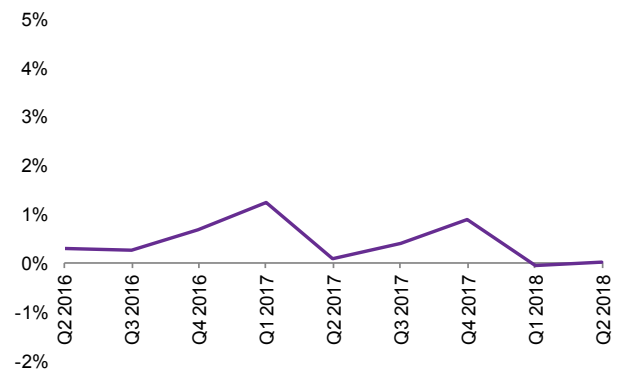
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Figure 1: GDP growth



Source: Office of the National Economic and Social Development Board (NESDB), Edmund Tie & Company Research

Figure 2: Change in CPI (y-o-y)



Source: Bank of Thailand, Edmund Tie & Company Research

## Market commentary

GDP expanded in Q2 2018 by a healthy 4.6 per cent y-o-y, compared to a 4.8 per cent growth rate in Q1 2018 (Figure 1). Due to the continued growth, the market remains positive and data has shown that the economy continues to enjoy success in Q2 2018, growing at its quickest pace since 2012. Thailand's GDP growth is expected to be in the range of 4.2-4.7 per cent in 2018. Robust exports is one of the main supporting factors for this growth. In addition, Thailand's traditionally buoyant tourism market continued to expand while government measures continue to support these two sectors.

With little surprise, The Bank of Thailand left its benchmark one-day repurchase rate at 1.5 per cent. The rate has been kept at 25 basis points above its all-time low since April 2015. Economists predicted that it will remain at this level for the short to medium term. Borrowing conditions should remain unchanged as the policy rate is anticipated to hold for subsequent quarters.

The CPI in Q2 2018 expanded by 0.03 per cent y-o-y, compared to an increase of 0.1 per cent y-o-y in Q2 2018 (Figure 2). The central bank has left the monetary policy loose as it continues to stimulate economic growth.

## Outlook

Thailand's economic recovery is broadening in 2018. While rapid export growth is fuelling the economy, an increase in capacity utilisation and a hastening in capital goods imports also suggests nascent domestic demand recovery. Mainland Chinese tourists have been a key market for several years and we expect this to continue for the foreseeable future. Regulatory reforms and overall policy stability contribute to continued improvements.

Development of the Eastern Economic Corridor (EEC) and the acceleration of large infrastructure projects' installations in the capital will be critical in strengthening the economic recovery in 2018 and throughout 2019. The Government continues to regularly approve new train lines in Bangkok. They are currently being planned or under construction e.g. Orange Line (37.5 km/30 stations), Pink Line (34.5 km/30 stations) and Yellow Line (30.4 km/23 stations).

In H1 2018, the economy expanded by 4.8 per cent y-o-y, compared to a 3.7 per cent expansion in H1 2017. Any further increase in consumer spending should have a positive impact across several sectors, including manufacturing, retail and tourism. It is possible that the economy may drop marginally towards the end of the year and into 2019 if there is a softening in export momentum, due to a large base effect.

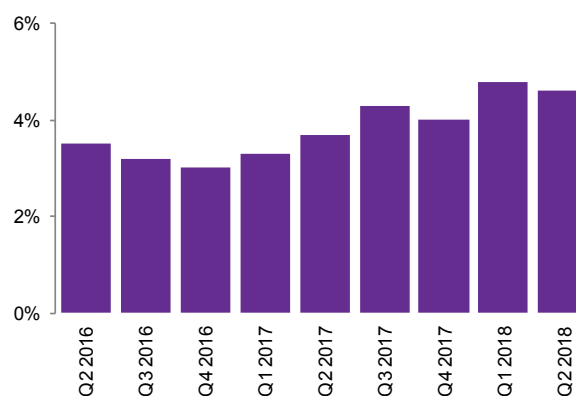
# Investment sales

## Key highlights

- The largest investment deal was the asset acquisition of Supalai Public Company Limited and MK Real Estate Development Co., Ltd, for THB4.067bn.
- Investment sales in Q3 2018 accounted for THB10.3bn, decreasing from THB25.4bn in Q2 2018, or a 59.73 per cent drop.
- The investment market was once again dominated by domestic investors, accounting for all THB10.3bn worth of transactions.
- Thailand remains a prime destination for foreign direct investment as its central location in the region affords good connectivity to Cambodia, Laos, Myanmar and Malaysia.

International companies are making meaningful investments in Thailand. Joint venture agreements, in collaboration with local partners, are effectively the only way for foreign entities to undertake development activity in the property sector.

Figure 3: Investment sales (THBm)



Source: Edmund Tie & Company Research

## Market commentary

The total investment sales volume decreased slightly on a q-o-q basis. In Q3 2018, the total investment value amounted to THB10.3bn, down from THB25.4bn in Q2 2018 (Figure 3). The largest deal involved an acquisition of assets between Supalai Public Company Limited and MK Real Estate Development Co., Ltd. The transaction was recorded at THB4.067bn.

Several investment deals in Q3 2018 comprised the purchase of land. With an active condominium market, these newly acquired parcels of land are often designated for residential developments. Several land purchase deals were completed by L.P.N. Development Public Company Limited. The first of these was the purchase of land at Sukhumvit 76 Road, at a land price of THB119.56m. The plan is to build two 8-storey residential buildings, with approximately 410 units. Another land purchase deal by L.P.N. Development was for Pattanakan 35 Road at THB233m. This site is planned for a 32-storey, single building residential development with approximately 800 units. The final L.P.N deal was for Suksawat-Rama 2 Road, at THB110.75m. The plan for this site is a 26-storey residential building with 370 units.

A deal was agreed for the purchase of shares in Land and Houses Freehold and Leasehold Property Fund, worth THB307.78m. In addition, Central Pattana Public Company Limited purchased shares in Grand Canal Land PCL with a value of THB3,278.10m. This is in regard to the company's development site at Rama 9 Road.

## Outlook

In Q3, international companies investing in Thailand were officially limited as all the transactions were completed by Thai majority owned companies. This is not a reflection on the number of multinational investors in Thailand as joint venture agreements ensure that foreign companies can invest in this market but they do have to invest through Thai companies as minority share owners.

While there were no international deals in Q3 2018, we expect to see more interest from other Asia Pacific countries. In contrast to this a number of Thai investors are expected to continue to explore options in overseas markets in the latter part of the year with focus drawn typically on the hospitality sector. At the same time we anticipate that domestic investors will continue to seek property exposure. Leading property developers will continue to acquire land in prime and secondary locations in Bangkok's CBD to develop further residential properties and retail malls. As a result of this we expect to see land values in Bangkok to continue to increase. This will push smaller investors into less prime locations and some to look for alternative methods of acquiring land.

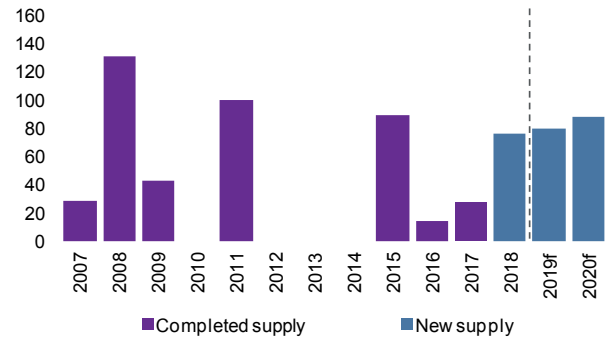
# Office

## Key highlights

- Approximately 218,596 sq m of office space is under construction or has been granted a construction permit in the CBD.
- Asking rents increased to THB850 psm per month in Q3, an increase of approximately 4.3 per cent y-o-y.
- Office occupancy in the CBD increased slightly to 89.8 per cent in Q3 2018.
- The office supply in Bangkok's CBD remained unchanged in Q3 2018 at 1.858m sq m.

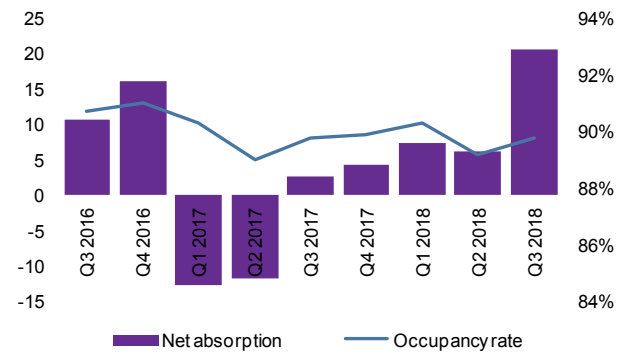
Office rents are expected to remain at the same level or drop slightly in non-CBD locations as landlords compete with newly launched offices in the coming years. Grade A offices in good locations are still in high demand.

Figure 4: Prime office net supply in CBD, sq m (thousands)



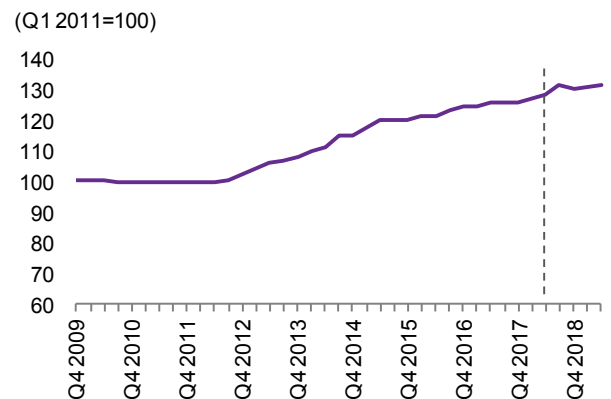
Source: Edmund Tie & Company Research

Figure 5: Prime office net absorption, sq m (thousands) and occupancy rate



Source: Edmund Tie & Company Research

Figure 6: Prime office gross rental index



Source: Edmund Tie & Company Research



## Market commentary

The steady flow of new office space outside the CBD continued in Q3 2018 as MS Siam Tower (37,000 sq m) was completed, adjacent to Rama III Road and near the riverside. With no new office space launched in the prime CBD area in Q3 2018, the supply remained unchanged at 1.858m sq m. In Q3 2018, both net absorption and occupancy rates for the CBD saw an increase, showing that the office take-up rate in the CBD is still going strong (Figure 5).

For the upcoming CBD supply, Singha Complex will open officially in Q4 2018 (50,596 sq m). Others include Samyan Mitrtown (50,000 sq m in 2019), Aspiration One (30,000 sq m in 2019), The Parq (60,000 sq m in 2020) and the redevelopment of Vanissa Building (25,000 sq m in 2020) (Figure 4). Pre-leasing for many of these buildings has already begun as CBD office buildings often become fully-occupied within six months of completion.

Prime average asking rents in the CBD increased by 2.4 per cent from the previous quarter to THB850 psm per month in Q3. The office gross rental index in Q3 improved to 132.0, up from 129.0 in Q2 2018 (Figure 6).

## Outlook

It is expected that office rents will continue to increase gradually in Q4 2018 and into 2019 driven by limited supply. We anticipate that there will be increased demand for office condominiums in Bangkok. While the majority of office condominiums are in older buildings, there have been strong demands from national and international investors for these units as they are relatively affordable compared to buildings near public transport, which have increased significantly in prices in recent years.

There are more office buildings either under construction or planned in and outside of Bangkok's CBD. It is anticipated that this improved supply will help to address the landlord-tenant imbalance in the market, and property owners will have to be more competitive to attract and retain occupiers. Office developers remain focused on providing open plan office spaces close to public transport nodes.

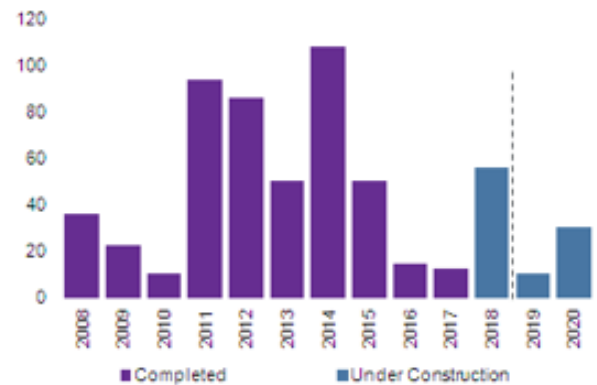
# Retail

## Key highlights

- Average rents in downtown decreased to THB2,595 psm per month in Q3 2018.
- Total downtown retail stock remained at 1,344,481 sq m in Q3 2018.
- Retail supply for midtown increased to 979,780 sq m in Q3 2018.
- The average rent in midtown remained unchanged at THB1,610 psm per month.
- Retail occupancy rates for Q3 stayed at 94.0 per cent in downtown and 89.8 per cent in the midtown area.

The demand for retail space persistently comes from the F&B sector. Newly launched retail community malls are predominantly filled with F&B and entertainment venues.

Figure 7: Completed and new retail supply in downtown area, sq m (thousands)



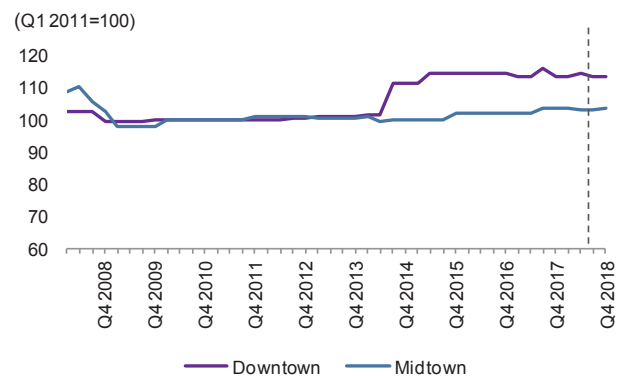
Source: Edmund Tie & Company Research

Table 1: Selected upcoming new completion in Q4 2018

Development	Area	Size (sq m)
Singha Complex	Downtown	6,000
Icon Siam (Shopping Mall)	Midtown	51,500
Icon Siam (Takashimaya Department Store)	Midtown	36,000

Source: URA, Edmund Tie & Company Research

Figure 9: Prime gross retail rental indices



Source: Edmund Tie & Company Research

## Market commentary

There continues to be volatility in the retail market as prime retail rents in downtown decreased from Q2 2018 to THB2,595 psm per month in Q3 2018. This reflects a y-o-y decrease of 1.33 per cent. For midtown, rents remained unchanged at THB1,610 psm per month. In Q3 2018, there was again no new supply for the downtown market, remaining at 1,344,481 sq m. The next project set for completion is likely to be in Q4 2018 (Figure 7).

It is anticipated that there will be four retail completions, amounting to 143,500 sq m for Q4 2018 (Table 1). With the completions, the total retail stock for the midtown market will amount to 1,067,280 sq m by the end of 2018.

Downtown occupancy levels remained unchanged at 94.0 per cent from Q3 2018, an increase of 0.64 per cent y-o-y. Average occupancy levels in the midtown market have also stayed at 89.8 per cent from Q3 2018.

## Outlook

There are a few projects due to complete in Q4 2018, which includes downtown, midtown and suburban locations that amount to approximately 200,000 sq m. These developments are typically part of a larger mixed-use project, such as Singha Complex, which is part of a larger office and condominium scheme.

In recent years, developers have been more cautious about the downtown market, partly because spending has become reasonably low amid high household debt levels. Online shopping is still a small sector in Thailand's retail market, but most major retail landlords have been slow to compete with this growing alternative. The F&B sector in the retail market has always embraced e-commerce – with numerous platforms and popular e-fulfilment methods. Tenants in this sector also understand that customer experience is paramount, which is why they remain keen to expand in the Thailand market.

Growth remains modest as the market has static occupancy rates for both downtown and midtown locations. We expect to see some increase in occupancy soon as tenants begin to move into the newly launched retail malls.

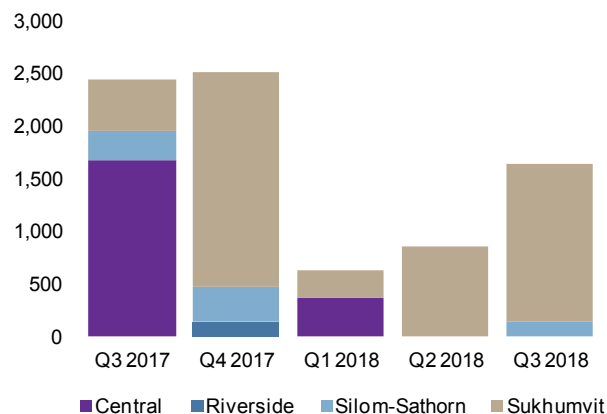
# Residential

## Key highlights

- A total of 1,636 units from four new projects in the CBD were launched in Q3 2018.
- In Q3, 51.0 per cent of the condominium units launched in the CBD were from the luxury segment, making up the largest proportion of new launches. This is followed by the super luxury and Grade A segments.
- Average take-up rate in the CBD was 31.0 per cent in Q3 2018, lower than the 58.0 per cent in Q3 2017.
- Average unit selling price for new launches escalated to THB330,447 psm in Q3, representing a massive increase of 32.0 per cent on a y-o-y basis.
- The resale price index remained unchanged at 160 in Q3 2018.

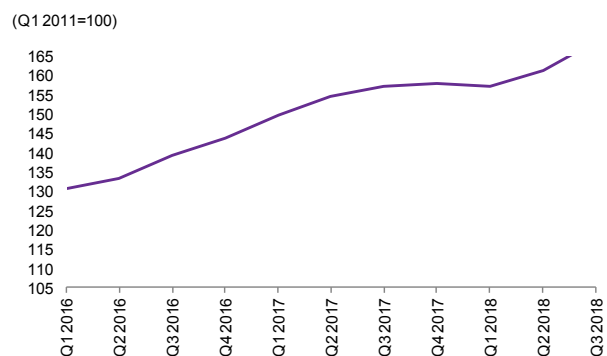
The supply of condominiums is expected to remain low as launch prices show limited growth and sales rates prove disappointing.

Figure 9: Bangkok CBD condominium launched, units



Source: Edmund Tie & Company Research

Figure 10: Bangkok CBD condominium price index



Source: Edmund Tie & Company Research

Table 2: Selected upcoming new completion in Q4 2018

Development	Location	Total units
AESTIQ Thonglor	CBD	203
The Loft Sathorn 12	CBD	250

Source: URA, Edmund Tie & Company Research

## Market commentary

In Q3 2018, the number of condominium units in the CBD grew by 1,636 units (Figure 9). This is more than the 852 units released in Q2 2018. On a y-o-y basis, the new supply in Q3 2018 decreased by 32.8 per cent from 2,436 units in Q3 2017. New supply in 2018 has been notably lower than recent years due to developers adopting a more cautious approach to the market. Sukhumvit was the dominant location for launches of new condominiums this quarter, as it had been for much of 2018. Condominium values stayed unchanged in Q4 2018 as the price index remained at 160 (Figure 10). The average asking price of resale condominium units stayed at THB133,000 psm. The average pre-sale rate of upcoming condominium projects in Bangkok's CBD market was at 34.0 per cent in Q3. This is lower than the 58.0 per cent take-up in Q3 2017 and substantially lower than Q2 2018, which was 46.0 per cent.

## Outlook

In Q4 2018, we expect to see the launch of The AESTIQ Thonglor and The Loft Sathorn 12. These two projects are in the Sukhumvit area and Silom-Sathorn area respectively (Table 2).

The significant drop in the overall supply in the CBD shows that developers are responding to the weaker demand for residential units. In non-CBD areas, supply remains high and often outstrips demand. Banks are also more cautious in granting new loans, which places more pressure on the increasingly fragile market.

Although local and international investors continue to invest in the CBD condominium market in Bangkok, they are more cautious when selecting a property. Higher land prices and prudent buyers are proving to be challenging for developers. At present, there are no signs of the market taking a serious dip but sales rates, supply and growth in average prices are all slowing as the market makes a more comprehensive and manageable adjustment.

A lack of growth in the rental market also adds pressure on residential investors. Well-designed, good quality condominiums units located in central locations will continue to be popular with buyers. In the long term, developers who can adjust to the market conditions and provide projects that appeal to buyers will remain successful.

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