

RESEARCH

Bangkok Q2 2018

Retail market shows positive growth



Retail occupancy levels in both downtown and midtown areas remain strong as supply in the downtown area was limited whereas tenants started to move into newly launched retail malls in midtown areas. Prime retail rents in the downtown area in Q2 2018 rose to THB2,630 per sq m, whereas rents dropped to THB1,610 per sq m per month in the midtown area.

Edmund Tie & Company Research

2018 Q2 SNAPSHOT

According to the Office of the National Economic and Social Development Board, gross domestic product (GDP) in Q1 2018 increased by 4.8 per cent, compared to an increase of 4.0 per cent in Q4 2017. The Consumer Price Index (CPI) in Q1 2018 increased by 0.1 per cent year-on-year (y-o-y), whereas the policy rate was left unchanged at 1.5 per cent as of December 2017.

Investment sales reached

THB 25.4bn

in Q2 2018

The largest investment deal recorded in Q2 2018 was the purchase of part of the Mahanakorn building. King Power Mahanakorn Co., Ltd has purchased part of the Mahanakorn building from Pace Development Corporation Plc with the total value of THB14 bn.

OFFICE



Prime rents for Grade A offices in the CBD rose quarter-on-quarter (q-o-q) to THB830 per sq m (psm) per month, reflecting an increase of 1.8 per cent on a y-o-y basis. There was one new office launched in Q2 2018. Consequently, office stock increased to 1.858m square metres (sq m).

RETAIL



In the downtown area, rents increased to THB2,630 psm per month, rising by 1.15 per cent on a y-o-y basis. Average retail rents in the midtown area decreased to THB1,610 psm per month in Q2 2018, dropping by 0.31 per cent q-o-q, rising by 1.26 per cent on a y-o-y basis.

RESIDENTIAL



The total new condominium supply in the CBD in Q2 2018 was 852 units, rising from 623 units in Q1 2018. The total number of new units launched increased by 36.8 per cent q-o-q. The average take-up rate of newly launched condominium projects in the CBD reached 46.0 per cent in Q2 2018, lower than the 81.0 per cent in Q1 2018. The average unit selling price stayed at THB330,447 psm in Q2 2018.

2018 Q2 ภาพรวมตลาดอสังหาริมทรัพย์

ดัชนีราคาผู้บริโภค (CPI) ในไตรมาส 1 ปี 2561 เพิ่มขึ้น 0.1% เมื่อเทียบกับช่วงเดียวกันของปีก่อน ในขณะที่อัตราดอกเบี้ยนโยบายยังคงทรงตัวที่ระดับ 1.5% ณ เดือนธันวาคม 2560 ผลิตภัณฑ์มวลรวมในประเทศ (GDP) ในไตรมาส 1 ปี 2561 ขยายตัว 4.8% เทียบกับ 4.0 % ในไตรมาส 4 ปี 2017

ยอดการลงทุน

THB 25.4bn

in Q2 พ.ศ. 2561

ข้อตกลงการลงทุนที่มีมูลค่าสูงสุดในไตรมาส 2 ปี 2561 คือการซื้อขายทรัพย์สิน ระหว่าง บริษัท ดิงพาวเวอร์ มหานคร ได้ซื้อขายตึกมหานครจาก บริษัท เพช ดีเวลลอปเม้นท์ มีมูลค่าทั้งหมด 14 หมื่นล้านบาท

อาคารสำนักงาน



มี 1 สำนักงานแห่งใหม่เปิดตัวในไตรมาสที่ 2 ปีพ.ศ. 2561 ดังนั้นสำนักงานเพิ่มขึ้นอยู่ที่ 1,858 ล้านตารางเมตร ค่าเช่าเฉลี่ยสำหรับสำนักงานเกรด A ในเขต CBD เพิ่มขึ้นต่อไตรมาสเป็น 830 บาทต่อตารางเมตรต่อเดือนซึ่งเพิ่มขึ้น 1.8% เมื่อเทียบกับช่วงเดียวกันของปีก่อน

ศูนย์การค้า



ค่าเช่าศูนย์การค้าเฉลี่ยในเขต CBD อยู่ที่ 1,610 บาทต่อตารางเมตรต่อเดือนในไตรมาส 2 ปีพ.ศ. 2561 เพิ่มขึ้นร้อยละ 1.26 เมื่อเทียบกับช่วงเดียวกันของปีก่อน ในเขต downtown ค่าเช่าเพิ่มถึงถึง 2,630 บาทต่อตารางเมตรต่อเดือน ซึ่งลดลง 1.15% เมื่อเทียบกับช่วงเดียวกันของปีก่อน

ที่อยู่อาศัย



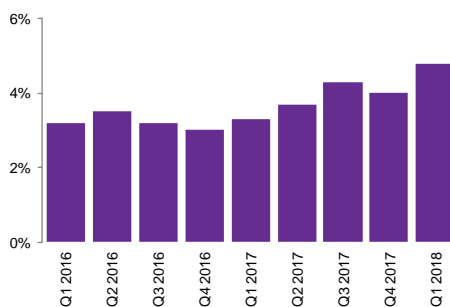
จำนวนคอนโดมิเนียมโดยรวมในไตรมาสที่ 2 ปี พ.ศ. 2561 มีจำนวน 852 หน่วย ซึ่งลดลงจาก 623 หน่วยในไตรมาสที่ 1 ปี 2561 โดยมียอดการเปิดตัวใหม่เพิ่มขึ้น 36.8% ต่อไตรมาส อัตราค่าเช่าเฉลี่ยของโครงการคอนโดมิเนียมที่เปิดตัวใหม่ในย่าน CBD ในไตรมาส 2 ปี 2018 ลดลงถึงร้อยละ 46 ต่ำกว่าไตรมาสที่ 1 ปี 2561 ซึ่งอยู่ที่ 81% โดยราคาขายเฉลี่ยต่อตารางอยู่ที่ 330,447 บาทต่อตารางเมตรในไตรมาสที่ 2

THE ECONOMY

Key highlights

- The average growth rate of the economy in 2017 was 3.8 per cent.
- The policy rate in 2018 remained unchanged at 1.5 per cent.
- GDP expanded by 4.8 per cent y-o-y in Q1 2018.
- The CPI in Q1 2018 decreased by 0.1 per cent y-o-y.
- The inflation forecast is in the range of 1.5 per cent to 2.0 per cent in 2018.

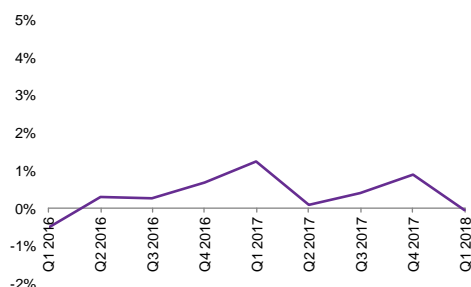
FIGURE 1
GDP growth



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

The economy is likely to grow further in 2018 with the progress propelled by domestic consumption, exports and tourism as the main growth drivers.

FIGURE 2
Change in CPI (y-o-y)



Source: Bank of Thailand, Edmund Tie & Company Research

Market commentary

Key indicators in the market continue to produce positive signals. Market data has shown that the economy continues to enjoy a strong run in Q1 2018, growing at its quickest pace in the past five years. GDP expanded in Q1 2018 by 4.8 per cent y-o-y, compared to a 4.0 per cent growth rate in Q4 2017 (Figure 1). Thailand is expected to post 4.1 per cent GDP growth in 2018, the highest since 2012 as the recovery has broadened. There are three main reasons for growth this year: a healthy growth in exports, tourism and sound government measures.

Domestic demand is expected to increase on the back of a pick-up in public sector consumption and fixed investments ahead of elections scheduled no later than February 2019.

According to the Bank of Thailand, CPI in Q1 2018 shrunk by 0.1 per cent y-o-y, compared to an increase of 0.9 per cent y-o-y in Q4 2017 (Figure 2). In light of this, the central bank has encouraged economic growth by keeping monetary policy stable.

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.

Outlook

Thailand's economy is expected to grow in 2018, despite the global trade hostilities emanating from America that have affected the Stock Exchange of Thailand (SET). Thailand's economy has recovered strongly since the beginning of 2018 supported by healthy growth in the export and tourism sectors. Mainland Chinese tourists are expected to continue supporting the vacation industry in Thailand with high rate of arrivals.

The acceleration of implementing large infrastructure projects will be critical in strengthening the economic recovery in 2018 and throughout 2019. The Government continued reform momentum in education, public investment management, skills and services will be critical for raising Thailand's long-term growth path above 4.0 per cent.

Notwithstanding, growth is expected to moderate in the coming quarters. Economic growth should remain robust this year due to healthy domestic demand, but household debt remains a long-term issue, which is one of the reasons for restrained spending. Export growth, however, is likely to ease due to a large base effect.

The Government proposed property tax is likely to be further delayed which is favoured by many large companies in Thailand. The economy is expected to suffer should the government look to push back the proposed 2019 elections, as this will give rise to uncertainty in the market.

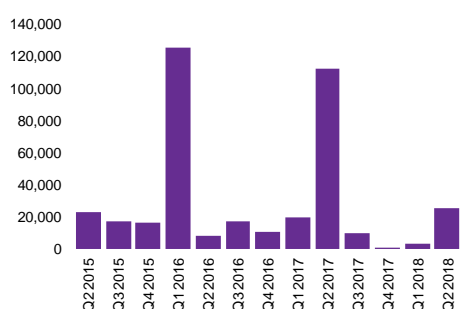
INVESTMENT SALES

Key highlights

- The largest investment deal was the purchase of shares of Pace Development Corporation Public Company Limited by King Power Mahanakorn Co., Ltd for THB14bn.
- Investment sales in Q2 accounted for THB25.4bn, increasing from THB2.9bn in Q1 2018, or a 773.78 per cent rise.
- The investment market was once again dominated by domestic investors, accounting for THB24.5bn.
- Bangkok was the focus for real estate investment while Thailand's Eastern Economic Corridor (EEC) continues to attract attention.

Domestic investors continue to dominate the market in Thailand. Acquisition of shares is an efficient and common way for domestic businesses to expand their development activity in the property sector.

FIGURE 3
Investment sales (THBm)



Source: Edmund Tie & Company Research

Market commentary

Activity in the investment sales market is traditionally dominated by Thai companies with most of the transactions this quarter involving the acquisition of assets. The largest deal involved an acquisition and deposition of assets between King Power Mahanakorn Co., Ltd and Pace Development Corporation Public Company Limited. The transaction was recorded at THB14bn.

The total investment sales volume increased on a q-o-q basis. In Q2 2018 the total investment value amounted to THB25.4bn, up from THB2.9bn in Q1 2018 (Figure 3).

Several investment deals in Q2 2018 comprises the acquisition of assets and the purchase of shares involving companies that were looking to expand their businesses with the help of a partner. One of them was Powerhouse Co., Ltd, as it purchased shares from AP (Thailand) PCL with the total value of THB0.99m. In addition to this deal there was MBK Public Company Limited, which was involved in the acquisition of shares with Siam Piwat Co., Ltd, with the transaction value of THB932.85m. Central Pattana Public Company Limited was involved in the purchase of shares from Dusit Thani Public Company Limited with the transaction value of THB2.141bn.

In addition, Kasikorn Asset Management Company Limited as the Trustee of WHART acquired an asset with the related-party transaction from Central WHA Alliance Co, Ltd., WHA Venture Holding, WHA Corporation Co., Ltd. The investment value was worth up to THB4,464.5m. This was the second largest deal in Q2 2018. Nawarat Patanakarn Public Company Limited has secured a construction contract with Metropolitan Electricity Authority. The value of the investment was THB2,944.5m.

Outlook

In 2018, we expect international investors to focus on joint venture partnerships. This allow companies to not only acquire freehold land and assets but also secure local expertise and connections. A case in point this quarter was AP (Thailand) PCL entering into a joint venture agreement with MEC Thailand Investment Pte., Singapore; the total value was THB932.3m. Foreign companies which are looking for investments in Thailand are predominantly from Asia-Pacific with Japan and Mainland China being key source markets.

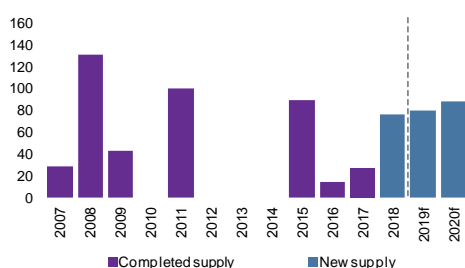
We expect to witness an increasing focus from developers and investors on leasehold deals as land prices in Bangkok looks set to continue its increase. Long leases of 99 years seem unlikely to be released to the market in the short to medium term as local developers and real estate companies show limited demand for the structure.

OFFICE

Key highlights

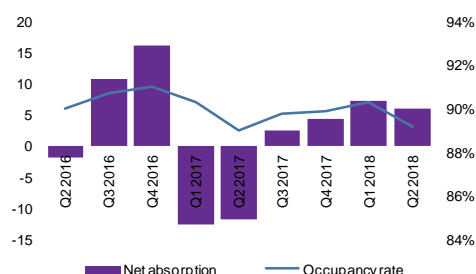
- Approximately 218,596 sq m of office space is under construction or planned in the CBD.
- Asking rents increased to THB830 psm per month in Q2, an increase of approximately 1.9 per cent y-o-y.
- Office occupancy in the CBD decreased slightly to 89.2 per cent in Q2 2018.
- The office supply in Bangkok's CBD increased in Q2 2018 as total supply rose to 1.858m sq m.

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



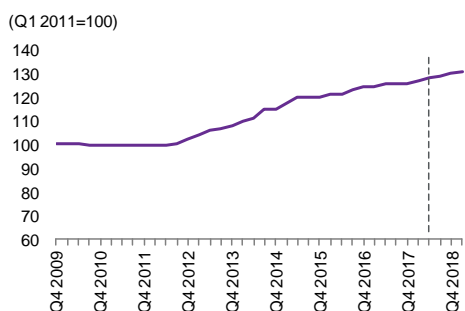
Source: Edmund Tie & Company Research

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 Q2 2018 as Ladprao Hills (6,000 sq m) was completed. This building is located near Pahonyothin MRT station. In the CBD market, the redevelopment of the Bank of Ayudhya building (25,000 sq m) on the corner of Wireless Road and Ploenchit Road was officially completed. This resulted in the increase of CBD supply to 1.858m sq m. In Q2 2018, net absorption dropped from Q1 2018. The average CBD occupancy level dropped to 89.02 per cent from 90.3 per cent in Q1 2018. The office take-up rate in the CBD market also decreased in Q2 (Figure 5).

For the upcoming CBD supply, Singha Complex will open officially in Q3 2018 (50,596 sq m). Other future CBD supply 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 Vanessa 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 from full completion.

Occupancy levels in the CBD office buildings declined with the introduction of more space to the market in Q2 2018; while the take-up rate is expected to continue to grow in H2 2018.

Prime average asking rents in the CBD increased to THB830 psm per month in Q2. The office gross rental index in Q2 improved to 129.0, up from 127.0 in Q1 2018 (Figure 6).

Outlook

It is expected that office rents will continue to increase gradually in H2 2018 and into 2019. Demand continues to come from the technology sector with international co-working companies looking to expand in the region and into Bangkok.

The five Grade A office buildings in The One Bangkok development is set to complete gradually over the coming years. Office developers remain focused on providing open plan office spaces close to public transport nodes. The supply of new office building in Bangkok's CBD area has been limited in recent years as majority of developers have been focusing on residential developments. However, the trend has reversed as a greater number of buildings are under construction or planned.

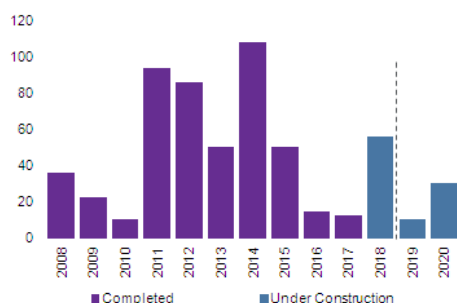
RETAIL

Key highlights

- Average rents in downtown increased to THB2,630 psm per month in Q2 2018.
- Total downtown retail stock remained at 1,344,481 sq m in Q2 2018.
- Retail supply for midtown stayed constant at 978,280 sq m in Q2 2018.
- Retail occupancy rates for Q2 decreased to 94.0 per cent in downtown and 89.8 per cent in the midtown area.
- The average rent in midtown decreased to THB1,610 psm per month.

FIGURE 7

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



Source: Edmund Tie & Company Research

TABLE 1

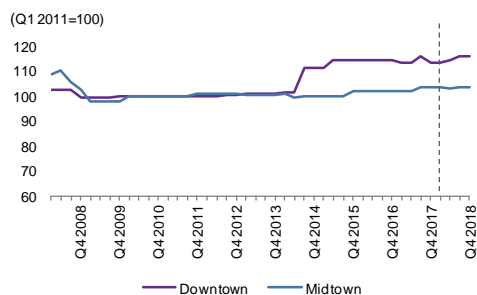
Selected upcoming new completion in 2018

Development	Area	Size (sq m)
Ari Hills	Midtown	1,500
Icon Siam (Shopping Mall)	Midtown	51,500
Icon Siam (Takashimaya Department Store)	Midtown	36,000

Source: Edmund Tie & Company Research

FIGURE 8

Prime gross retail rental indices



Source: Edmund Tie & Company Research

Market commentary

Prime retail rents in downtown increased from Q1 2018 to THB 2,630 psm per month in Q2 2018 y-o-y, an increase of 1.15 per cent. For midtown, rents decreased to THB1,610 psm per month q-o-q.

In Q2 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 Q3 2018 (Figure 7).

It is anticipated that there will be three retail completions, amounting to 89,000 sq m for midtown in Q3 2018. With the completions, the total retail stock for the midtown market will amount to 1,043,980 sq m by the end of Q3 2018.

Downtown occupancy levels decreased to 94.0 per cent from 95.0 per cent in Q2 2018 despite the increase of 1.3 per cent y-o-y. Average occupancy levels in the midtown market have also decrease to 89.8 per cent from 90.3 per cent in Q2 2018.

Retail tenants continue to look to expand throughout Bangkok with key food and beverage outlets in new malls experiencing healthy competition.

Outlook

The supply of retail space set to complete in 2018 is related to mixed-use projects. The first project is Ari Hills along Pahonyothin Road (Table 1). A total of 98,300 sq m of retail space from four new retail projects are expected to complete in Q3 2018.

For the downtown market, developers have been more cautious in recent years, partly because many Thais have put spending on hold in light of household debt. Tourism continues not to be a significant source of customers for many retailers beyond prime downtown locations.

Although several downtown developments have been delayed previously, there has been some progress recently. EmSphere established a projected deadline of 2020 as the site has been cleared for construction.

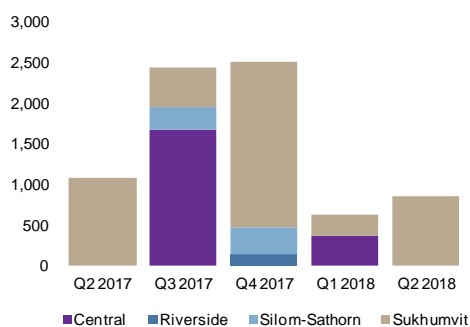
The downtown retail market in Bangkok is dominated by a small number of landlords but with a growing number of mixed-use developments with key retail components, the number of retail landlords will increase. Food and beverage tenants remain keen to expand in the Thailand market and there is increasing competition for choice units in new mixed-use developments.

RESIDENTIAL

Key highlights

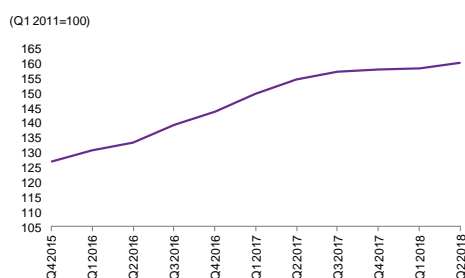
- A total of 852 units from four new projects in the CBD were launched in Q2 2018.
- The largest proportion of condominium units launched in the CBD in Q2 was from the Grade A segment, 51.4 per cent of total new launches, followed by the luxury and super luxury segments.
- Average take-up rate in the CBD was 46.0 per cent in Q2 2018, lower than 58.0 per cent in Q2 2017.
- Average unit selling price for new launches stayed at THB330,447 psm in Q2, representing a massive increase of 32.0 per cent on a y-o-y basis.
- The resale price index increased to 160 in Q2 2018 from 158 in Q1 2018.

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 Q3 2018

Development	Location	Total units
The Monument Thonglor	CBD	127
The Loft Sukhumvit(Prompong)	CBD	237

Source: Edmund Tie & Company Research

Market commentary

In Q2 2018, the number of condominiums in the CBD grew by 852 units (Figure 9). This is more than the 623 units released in Q1 2018. On a y-o-y basis, the supply in Q2 2018 decreased by 20.8 per cent from 1,076 units in Q2 2017. Supply in 2018 has been notably lower than recent years. From 2012 and up to the end of 2017, the average quarterly supply was as high as approximately 2,200 units. Sukhumvit was the sole location for the launch of new condominiums this quarter.

Condominium values increased slightly in Q2 2018 as the price index rose to 160, increasing from 158 in Q1 2018 (Figure 10). The average asking price of resale condominium units increased to THB133,000 psm, up 1.1 per cent from THB131,500 psm in Q1 2018. The average pre-sale rate of upcoming condominium projects in Bangkok's CBD market was at 46.0 per cent in Q2. This is lower than the 58.0 per cent take-up in Q2 2017 and substantially lower than Q1 2018, which was 81.0 per cent.

Outlook

In Q3 2018, we expect to see the launch of The Monument Thonglor and The Loft Sukhumvit. These two developments are both located in the popular Sukhumvit area (Table 2).

While the take-up rate decreased, there was strong demand for upscale condominiums in Q2 2018 with some developers selling up to 100.0 per cent of their units shortly after unveiling their new condominium project.

The significant drop of supply in the CBD shows that developers are responding accordingly to the weaker demand for residential units. Although numbers have shown that it is possible to sell 100.0 per cent of the units prior and after of being launched in the market, the success rate has dwindled. In non-CBD areas, supply remains high and often outstrips demand in some areas.

Although local and international investors continue to invest in the CBD condominium market in Bangkok, these investors are now more cautious when selecting a property. Higher land prices and prudent buyers led to an increasingly challenging market for condominium developers. While the pre-sale rate decreased, the demand for upscale condominium units is expected to remain strong as buyers become more selective on the location, specifications and prices of the units. Condominium prices are expected to increase in the short to medium term.

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