

RESEARCH

March 2019

# Bangkok Q4 2018

Large supply of super-luxury condominiums  
in Q4 2018



# 2018 Q4 snapshot

The Consumer Price Index (CPI) in Q3 2018 shrunk by 0.04 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 (NESDB), gross domestic product (GDP) in Q3 2018 rose by 3.3 per cent, down slightly compared to the 4.6 per cent in Q2 2018.

Investment sales reached

# THB16.1bn

in Q4 2018.

The largest investment deal recorded in Q4 2018 was the acquisition of 4,300 rai site at Bangna-Trad Road KM.32 by **TRA Land Development Co., Ltd**, with the total bidding value of **THB8.90bn**.

## Office



Average asking rents for prime offices in the CBD **remained unchanged at THB1,040 per square metre (psm)<sup>1</sup> per month in Q4**. Office supply in the CBD totalled to 4.59m square metres (sq m) in Q4 2018, **increasing from 4.51m sq m in Q4 2017 at 1.9 per cent**.

## Retail



In the downtown area, rents remained unchanged at **THB2,595 psm per month, easing by 0.38 per cent on a y-o-y basis**. Average retail rents in the midtown area **remained at THB1,610 psm per month in Q4 2018**, declining 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 **reached 44.0 per cent in Q4 2018; higher than the performance of 31.0 per cent in Q3 2018**. The total new condominium supply in the CBD in Q4 2018 **was 2,461 units, a 50.4 per cent increase from the previous quarter of 1,636 units**. Overall, the total new supply of 5,572 units in 2018 was 34.0 per cent lower than in 2017. The average unit selling price stayed flat at THB330,447 psm in Q4 2018.

<sup>1</sup> Based on revised sample as of October 2018

# The economy

## Key highlights

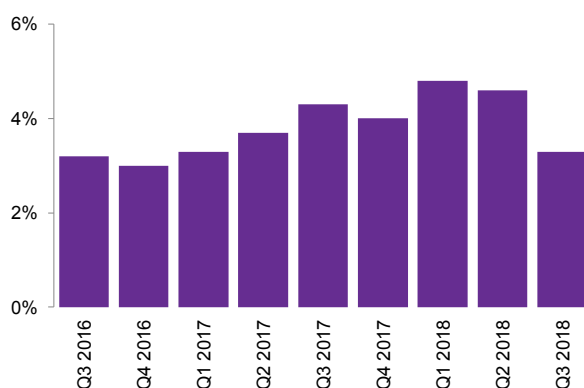
- Inflation is forecasted in the range of 1.5 per cent to 2.0 per cent in 2018.
- The average growth rate of the economy in 2018 is forecasted to be 4.2 per cent.
- The policy rate in 2018 remains unchanged at 1.5 per cent.
- GDP expanded by 3.3 per cent y-o-y in Q3 2018.
- The CPI in Q3 2018 decreased by 0.04 per cent y-o-y.

## Market commentary

GDP in Q3 2018 increased by 3.3 per cent, compared to the 4.6 per cent rise in Q2 2018, mainly driven by domestic demand, while external demand slowed down. For production, both agricultural and non-agricultural sectors increased at a slower rate. A slowdown of agricultural production was mainly from main crops. In addition, the non-agricultural sector expanded at a slower rate, mainly attributed to the slowdown of both manufacturing and tourist-related services sector in response to a deceleration of inbound tourists.

The CPI in Q3 2018 shrunk by 0.04 per cent y-o-y, compared to an increase of 0.03 per cent in Q2 2018 (Figure 2). In light of this, the central bank has encouraged economic growth by keeping monetary policy stable.

Figure 1: GDP growth



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

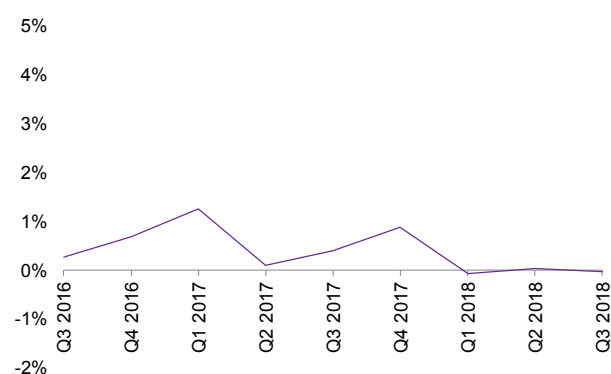
In Q3 2018, the economy expanded by 3.3 per cent y-o-y, compared to a 4.3 per cent expansion in the same period of 2017, with the slowing of external demand.

## Outlook

GDP is projected to grow at 4.0 to 4.3 per cent in 2019. Among factors that have potentially positive effects on investors' confidence, is the election in February 2019. The export and tourism industries will continue to be the country's key economic drivers. Exports grew by 11.0 per cent in H1 2018, which was the highest growth in the past seven years. With Bangkok named as "the most popular city for international tourists" by MasterCard, the number of foreign tourists increased by 40.0 per cent between 2014 to 2017 from 25m to 35m.

The policy rate remained unchanged at 1.5 per cent per annum, based on the assessment that the current policy rate is at an appropriate level to support economic growth and maintain an inflation rate within the target range.

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



Source: Bank of Thailand, Edmund Tie & Company Research

# Investment sales

## Key highlights

- Investment sales in Q4 2018 accounted for THB16.1bn, increasing from THB10.3bn in Q3 2018. With a total investment of THB54.7bn in 2018, the amount dropped by 62.0 per cent compared to THB142.9bn in 2017.
- The largest investment deal in Q4 2018 was the acquisition of 4,300 rai site by TRA Land Development Co., Ltd. for THB8.9bn.
- The investment market was once again dominated by domestic investors, accounting for all THB16.1bn 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.

## Market commentary

Thailand's investment market in Q4 was active as the total investment volume grew substantially quarter-on-quarter (q-o-q). The total investment value in Q4 accounted for THB16.1bn, up from THB10.3bn in Q3 2018 (Figure 3). The transactions in Q4 were once again dominated by domestic investors. The purchasers consist of a mix of companies, which are in both real estate and non-real estate sectors.

The largest deal in Q4 was transacted by TRA Land Development Co., Ltd – a joint venture company by TICON (a leading industrial developer), Rojana Industrial Park Public Company Limited and Asia Industrial Estate Co., Ltd. The company acquired a 4,300 rai site at Bangna Trad Road KM.32, which has the potential for a large scale integrated industrial development. The total bidding amount was close to THB8.9bn.

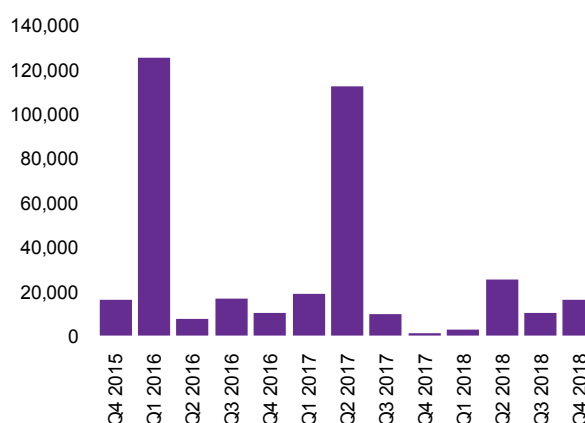
Thailand remains a prime destination for foreign direct investment as its central location in the region affords good connectivity to Cambodia, Laos, Myanmar and Malaysia.

In addition, Singha Estate PLC will invest THB3.7bn to develop a commercial property project on a leasehold 7 rai plot on Vibhavadi Rangsit Road to capitalise on high office demand but limited supply at the location. The project, Oasis, offers 53,000 sq m of commercial space including office and retail.

## Outlook

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 residential properties, office buildings and retail malls.

Figure 3: Investment sales (THBm)



Source: Edmund Tie & Company Research

# Office

## Key highlights

- In Q4 2018, office supply in the CBD remains unchanged since there was no new supply during the quarter. Total office supply in 2018 showed a small increase of 1.9 per cent to 4.59m sq m compared to 4.51m sq m in Q4 2017.
- Average asking rents of prime CBD offices in Q4 remained unchanged at THB1,040 psm per month.
- Prime office occupancy in the CBD increased slightly from 92.3 per cent in Q3 2018 to 92.7 per cent in Q4 2018.

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Office rents are expected to remain or drop slightly in non-CBD locations as landlords compete with upcoming office launches. Prime offices in the CBD are still in high demand.

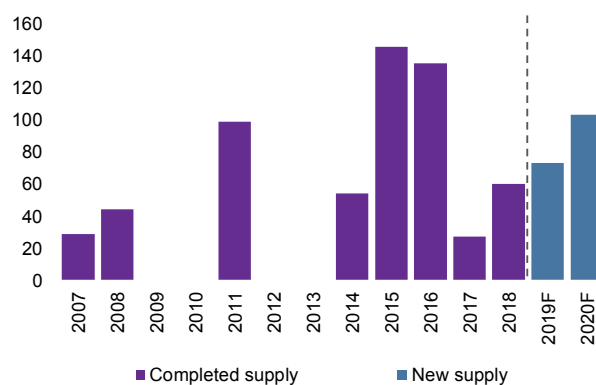
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## Market commentary

In Q4 2018, there was only one new office completion, Singha Complex, in Bangkok's CBD. Singha Complex is a premium mixed-use development located at the corner of the bustling Asoke-Phetchburi intersection. It offers a 42-storey Grade A office building, a lifestyle retail mall as well as a luxury condominium. Its office tower is expected to attract premium tenants as it offers column-free spaces, core-to-window depth of 16 metres and a large floor plate of up to 2,200 sq m.

Future prime office developments scheduled for completion in the CBD area include Samyan Mitrtown (48,000 sq m in Q3 2019), Aspiration One (30,000 sq m in Q4 2019), The Parq (63,000 sq m in Q1 2020), the completed redevelopment of Vanessa Building (25,000 sq m in Q2 2019), and Office@Emsphere (20,000 sq m in Q3 2019) (Figure 4).

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



Source: Edmund Tie & Company Research

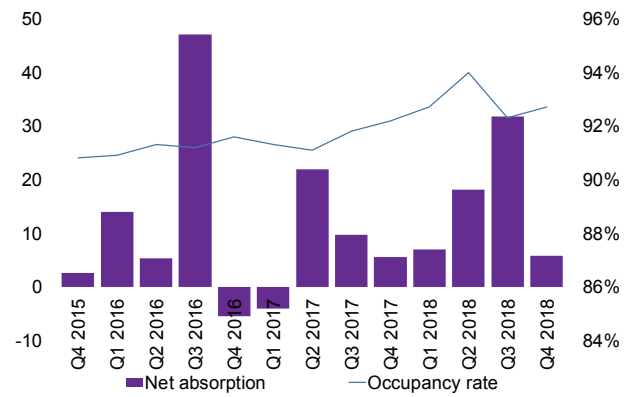
Average asking rents of prime CBD offices remains at THB1,040 psm per month from Q3 2018. The average occupancy rate of prime offices in the CBD was at 92.7 per cent, a slight increase from 92.3 per cent in Q3 2018. Amidst the limited new supply of office spaces in Q4, the prime office gross rental index in Q4 2018 stood at 138.0, up from 137.0 in Q4 2017 (Figure 6).

## Outlook

The prospects for the office market remain optimistic, with rental growth returning to the market and progress in occupancy rates throughout the market. Office rents in the CBD are expected to show continuous improvement towards the end of 2018 due to the demand for office spaces in the CBD and convenient access to MRT and BTS stations.

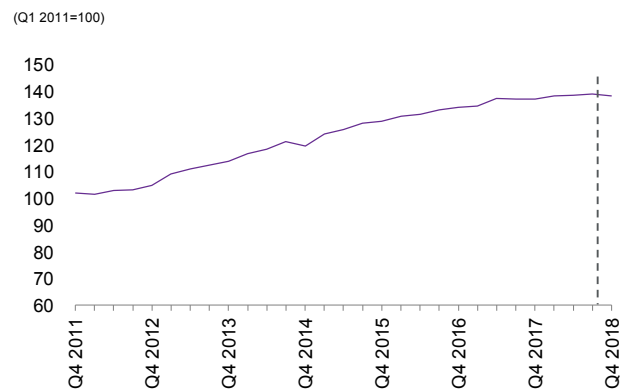
However, it can be observed that from 2019, office supply in the CBD will be mainly formed by mixed-use developments i.e. Samyan Mirtown and The Parq. Other than the periodical launching of new office buildings, some aged premises are planned to be renovated/replaced to serve current demand as well as augment limited existing supply. Once completed, the vacancy rate is forecasted to mount up in non-CBD areas, which will then put pressure on rental rates.

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

# Retail

## Key highlights

- Average rents in downtown stayed flat at THB2,595 psm per month in Q4 2018.
- Average rent in midtown maintained at THB1,610 psm per month
- Total retail stock in downtown was 1,350,481 sq m in Q4, increasing by 6,000 in Q4 2018.
- Retail supply for midtown increased to 1,067,280 sq m in Q4 2018.

Demand for retail space is mainly driven by the F&B sector. Newly launched retail community malls are predominantly filled with F&B and entertainment venues.

## Market commentary

The total retail stock in downtown accounted for 1,350,481 sq m in Q4 2018. The latest introduction of retail space in Q4 2018 is Singha Complex with 6,000 sq m of net leasable area (NLA). For midtown, two new retail completions are Icon Siam (shopping mall) and Icon Siam (Takashimaya department store) with NLA of 51,500 sq m and 36,000 sq m respectively.

Average retail rents in downtown and midtown remained the same in Q4 2018 at THB2,595 and THB1,610 per sq m per month respectively.

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

## Outlook

Prospects for the retail market remain optimistic with rental growth and progress in occupancy rates. Retail rental rates in both midtown and downtown are anticipated to remain modest and increase in 2019 as the retail market recovers.

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



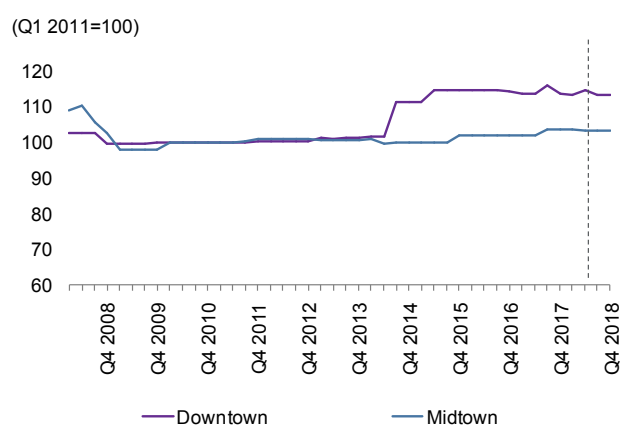
Source: Edmund Tie & Company Research

Table 1: Selected upcoming new completions in Q1 2019

Development	Area	Size (sq m)
The Market by Platinum	Downtown	50,000
Samyang Mitrtown	Downtown	30,000
Langsuan Village	Downtown	10,000

Source: Edmund Tie & Company Research

Figure 9: Prime gross retail rental indices



Source: Edmund Tie & Company Research

# Residential

## Key highlights

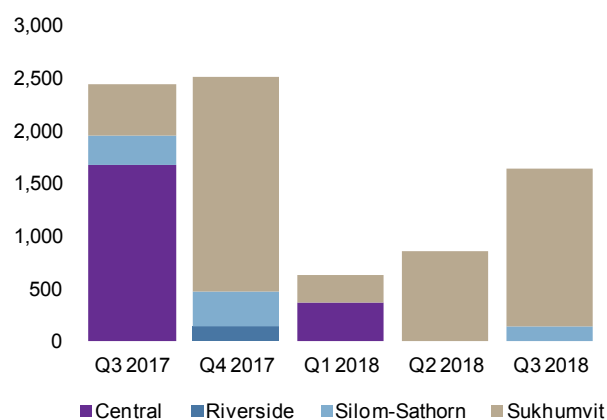
- A total of 2,461 units from six new projects in the CBD were launched in Q4 2018.
- In Q4, 76.7 per cent of the condominium units launched in the CBD were from the super luxury segment, making up the largest proportion of new launches. This is followed by the luxury segment.
- Average take-up rate in the CBD was 44.0 per cent in Q4 2018, higher than the 31.0 per cent in Q3.
- Average unit selling price for new launches escalated to THB330,447 psm in Q4, representing a 28.0 per cent increase on a y-o-y basis (Q4 2017: THB259,076 psm).
- The resale price index increased to 174 in Q4 2018 from 160 in Q3.

Condominium supply started to improve. Major developers are launching new condominium projects in the CBD, especially high-end, luxury, and super luxury\* segments.

## Market commentary

In Q4 2018, a total of 2,461 condominium units were launched, out of the 5,572 units launched in 2018. Compared to the total 8,383 units launched in 2017, the number is 33.0 per cent lower in 2018 (Figure 9).

Figure 9: Bangkok CBD condominium launched, units



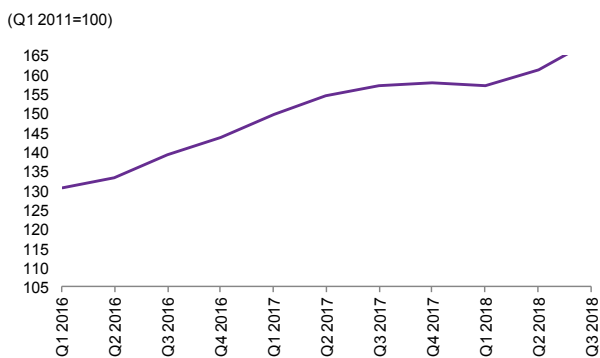
Source: Edmund Tie & Company Research

\* Super Luxury: Above THB320,000 / sq m  
Luxury: THB260,000-319,999 / sq m  
Grade A: THB170,000-259,999 / sq m



New supply in 2018 had been notably lower than recent years due to developers adopting a more cautious approach to the market. Sukhumvit was the dominant location for new condominium launches during this quarter, as it had been for much of 2018. Condominium values increased in Q4 2018 as reflected by the price index at 174, which had increased by 10.0 per cent on a y-o-y basis (Figure 10). The average asking price of resale condominium units stayed at THB144,700 psm. The average pre-sale rate of upcoming condominium projects in Bangkok's CBD market was at 44.0 per cent in Q4. This is higher than the 31.0 per cent take-up recorded in Q3 2018.

Figure 10: Bangkok CBD condominium price index



Source: Edmund Tie & Company Research

## Outlook

In 2018, there was a steady interest from developers to launch new condominium projects. In Q4 2018, most of the new supply came from super-luxury condominium projects in the Sukhumvit and Thonglor area.

We expect similar growth in 2019 targeting the luxury market. However, government policies and economic recovery will have a large impact on new supply, as well as the continual rise in land prices.

Two upcoming projects in Q1 2019 are Chapter Thonglor 25 and Chapter Chula-Samyan, located in Sukhumvit and Central Lumpini respectively (Table 2).

It is also noted that the Thailand residential market has continuously interest foreign investors such as Chinese and Japanese developers, who have entered into a joint venture with local developers.

Table 2: Selected upcoming new completion in Q1 2019

Development	Location	Total units
Chapter Thonglor 25	CBD	288
Chapter Chula-Samyan	CBD	181

Source: URA, Edmund Tie & Company Research

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