



REAL ESTATE
TIMES

JANUARY 2022

BANGKOK Q4 2021

The easing of movement restrictions spurred market optimism and new launches

ECONOMY

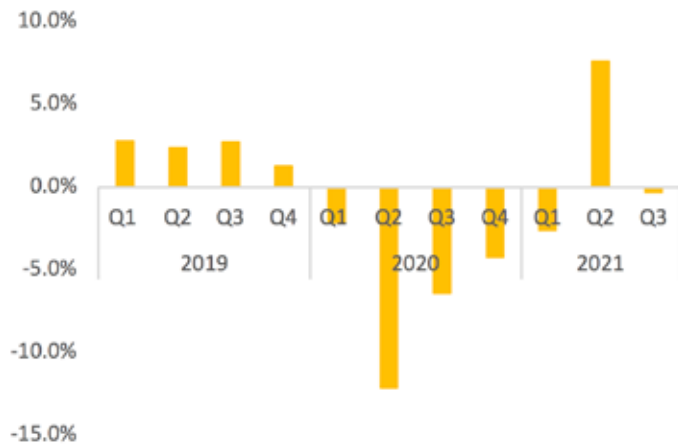
KEY HIGHLIGHTS

GROSS DOMESTIC PRODUCT (GDP)

Q3 2021
-0.3%

Q2 2021
+7.6%

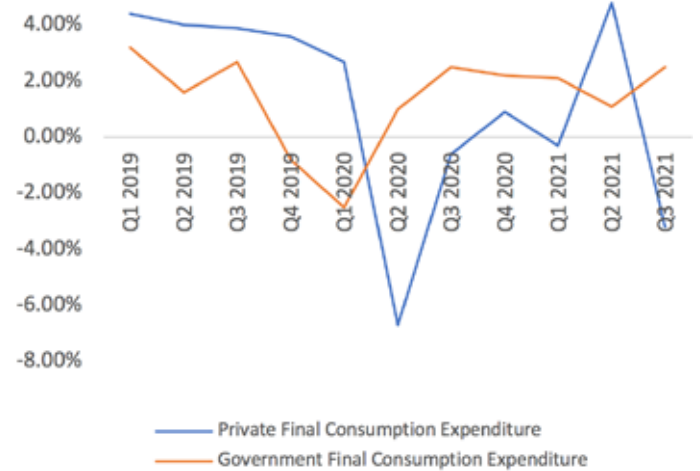
The Thai economy contracted by 0.3 per cent, mainly attributed to the adverse impact of Covid-19 outbreak on economic activities.



PRIVATE & GOVERNMENT FINAL CONSUMPTION EXPENDITURE

Private
Final Consumption
Expenditure
-3.2%

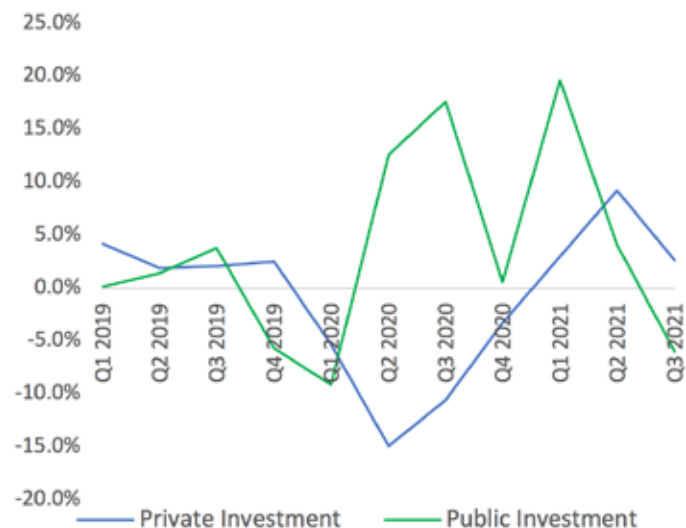
Government
Final Consumption
Expenditure
+2.5%



PRIVATE & PUBLIC INVESTMENT

Private Investment
+2.6

Public Investment
-6.0%



Source: Office of the National Economic and Social Development Council

EXPORTS OF GOODS & SERVICES

Q3 2021
+12.3%

Q2 2021
+27.7%



Source: Office of the National Economic and Social Development Council

MARKET COMMENTARY

- According to the National Economic and Social Development Council (NESDC), the Thai GDP in Q3 contracted by 0.3 per cent stemming from the adverse impacts of the Covid-19 outbreak on economic activities.
- Private final consumption expenditure decreased by 3.2 per cent, in contrast to an increase of 4.8 per cent in Q2, attributed to the decrease in spending on durable, semi-durable, and net service items. Concurrently, spending on non-durable items had a slow increase over Q2. The rise in compensation of employees and social transfer in-kind bolstered the government final consumption expenditure to increase by 2.5 per cent, expanding from an increase of 1.0 per cent in Q2.
- Private investment increased by 2.6 per cent, slowing down from 9.2 per cent in Q2. Public investment decreased by 6.0 per cent, in contrast to a 4.1 per cent rise in Q2, due to a decrease in government investment.
- Private construction decreased by 0.5 per cent, compared to a decrease of 0.1 per cent in Q2. This was mainly caused by the decrease in residential building construction influenced by the decline in construction permitted area for all types of residential buildings in Bangkok and metropolitan area, municipal area, and sub-district municipal area. However, non-residential building construction increased by 2.8 per cent, improving from a 5.1 per cent decrease in Q2.
- Exports of goods and services grew by 12.3 per cent, a slower rate compared to 27.7 per cent in Q2.
- The consumer price index (CPI) increased by 0.7 per cent to 102.25 (NSA), above the optimal level of 100 points, reflecting better consumer sentiment.

MARKET OUTLOOK

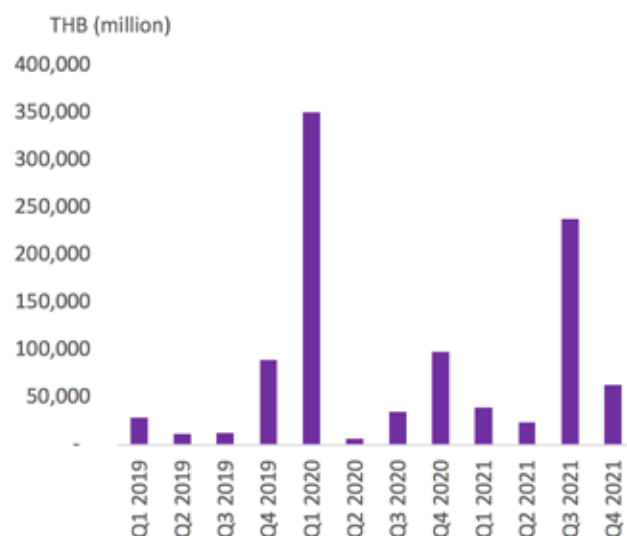
- The NESDC projected the Thai economy in 2021 to grow in the range of 0.7 – 1.2 per cent this year. Meanwhile, private consumption expenditure and private investment are expected to increase by 4.3 per cent and 4.2 per cent, respectively. Headline inflation is estimated to be in the range of 0.9 – 1.9 per cent. Key factors that will drive economic growth in 2021 include: 1) the recovery in domestic demand and manufacturing production; 2) the government efforts to boost domestic tourism; 3) the expansion of export of goods; and 4) the support from government disbursement.
- The Bank of Thailand projected the GDP growth to be higher in 2022, with a full recovery not taking place until 2023, due to the Omicron variant being a dominant factor that the country needs to be cautious of.
- The government will spend around THB1 trillion in 2022 to cushion against the volatility that can arise from the Omicron variant. They are balancing between keeping the economy stable and taking precautions against the virus.
- According to the Federation of Thai Industries (FTI), the Thailand Industry Sentiment Index (TISI) in November 2021 rose to 85.4 points, improving from 82.1 points in October. The index recorded the highest in eight months attributed to the reopening of the country, the ongoing stimulus packages, and the export expansion. These factors boosted confidence among large and small manufacturers. Nonetheless, negative factors like Covid-19, high energy costs, expensive freight rates, and a shortage of workers in the manufacturing and construction sectors are still concerns. Business leaders are monitoring the new variant and want the government to tighten preventive measures in anticipation of the possible negative impact of the virus.

INVESTMENT

KEY HIGHLIGHTS

INVESTMENT SALES (THB MILLION)

Total investment value in Thailand decreased to THB63,180 million in Q4, recording a decrease of 73.5 per cent compared to Q3.



VALUE OF TOP 5 INVESTMENT DEALS (THB MILLION)

In Q4 2021, the value of the top 5 investment deals represented 66 per cent of the total investment value.

Top 5 investment deals in Q4:

Investment Transaction	Buyer	Seller	Value (THB million)
The investment of Univentures BGP Company Limited by acquiring indirect shareholding in PTTC Company Limited and SSUT Company Limited.	Univentures BGP Company Limited	Eastern Cogeneration Company Limited	12,400.00
The construction contract to proceed with the Map Ta Phut Industrial Port Development, Phase 3 (Stage 1) Project.	Gulf MTP LNG Terminal Company Limited	Italian-Thai Development Public Company Limited	10,519.91
The contract to proceed with the construction of drainage tunnel for Khlong Prem Prachakorn from Khlong Bang Bua to the Chao Phraya River.	Department of Drainage and Sewerage, Bangkok Metropolitan Administrator	ITD-NWR Joint Venture	8,233.30
The disposal of assets to WHA Premium Growth Freehold and Leasehold Real Estate Investment Trust (WHART) to increase capital and trust unit subscription.	WHA Premium Growth Freehold and Leasehold Real Estate Investment Trust (WHART)	WHA Corporation Public Company Limited	5,549.72
The disposal of ordinary shares in Vienna House Group hotel business by U City Public Company Limited.	HR Neunte Hotel Estate Holdings GmbH, HRG Hotels Sechste Management GmbH, HR Zehnte Hotel Estate Holdings GmbH, and ALL Beteiligungsgesellschaft mbH. (collectively referred to as 'Buyer').	U City Public Company Limited	5,229.52
Total			41,932.45

Source: EDMUND TIE Research & The Stock Exchange of Thailand

MARKET COMMENTARY

- The total value of investment transactions in Thailand was recorded at THB63,180 million in Q4, decreasing by 73.50 per cent compared to THB238,316 million in Q3. The high-value deals transacted in Q3 caused a high percentage decrease in total investment value in Q4.
- The largest investment transaction was an investment in Eastern Cogeneration Company Limited in the form of an asset acquisition transaction by Univentures BGP Company Limited. The transaction amount was THB12,400 million.
- The second-largest investment deal was the construction contract signed between Italian-Thai Development Public Company Limited and Gulf MTP LNG Terminal Company Limited to proceed with the Map Ta Phut Industrial Port Development, Phase 3 (Stage 1) Project. The contract value was THB10,519.91 million.
- The third-largest investment deal was the construction contract signed between ITD-NWR Joint Venture (the joint venture between Italian-Thai Development Public Company Limited and Nawarat Patanakarn Public Company Limited) and Department of Drainage and Sewerage, Bangkok Metropolitan Administrator to proceed with the construction of drainage tunnel for Khlong Prem Prachakorn from Khlong Bang Bua to the Chao Phraya River. The contract value was THB8,233.30 million.
- The fourth-largest investment deal was the disposal of assets to WHA Premium Growth Freehold and Leasehold Real Estate Investment Trust (WHART) by WHA Corporation Public Company Limited to increase capital and trust unit subscription at the investment value of THB5,549.72 million.
- The fifth-largest investment deal was the disposal of ordinary shares in Vienna House Group hotel business by U City Public Company Limited to HR Neunte Hotel Estate Holdings GmbH, HRG Hotels Sechste Management GmbH, HR Zehnte Hotel Estate Holdings GmbH, and ALL Beteiligungsgesellschaft mbH (collectively referred to as 'Buyer'). The total transaction value was THB5,229.52 million.

MARKET OUTLOOK

- The Transport Ministry plans to push ahead with megaprojects in 2022 with the aim of easing traffic congestion and improving road connectivity between Bangkok and its surrounding provinces. The megaprojects will see some 204 kilometres of new roads and lanes constructed to ease traffic flow to and from the capital. Most of the projects will be managed under a public-private partnership (PPP) model with construction set to take place between 2022 and 2027.
- The government will ramp up infrastructure projects in various regions in 2022 in response to the Prime Minister's instruction to accelerate infrastructure projects. This will improve social and economic development in the provinces, increase the country's logistics competitiveness, and raise the local population's income. Consequently, a total of 81.5 kilometres of rail infrastructure projects in six provinces are likely to start within the next few years, including light rail development in Khon Kaen, Phuket, Chiang Mai, Nakhon Ratchasima, Hat Yai and Phitsanulok.
- The Board of Investment (BOI) looks set to revise Thailand's strategic investment promotion plan to align with updated national and global trends. There is a change in global investment trends such as greenhouse gas emission requirements, evolving technology, and the impact of Covid-19 outbreaks. The new strategic plan to be implemented in early 2023 aims to upgrade the country in terms of high technology, focusing on R&D, the BCG (Bio-Circular-Green) economic model, the medical and wellness sector, and S-Curve industries.
- Edmund Tie Research forecasts that the total investment value in 2022 will stem from the investment by state agencies in response to the government's policy in improving the country's infrastructure through creating road connectivity between Bangkok and surrounding provinces and also increasing the country's competitiveness in terms of technology and wellness. The cautious spending by private organizations amid the Omicron variant concern will temper their investment decisions till mid-2022 when there is a clear direction of the new virus variant infection.

OFFICE

KEY HIGHLIGHTS

RENTAL IN PRIME CBD (THB / SQ M / MONTH)

Q4 2021
THB 1,055

Q3 2021
THB 1,055

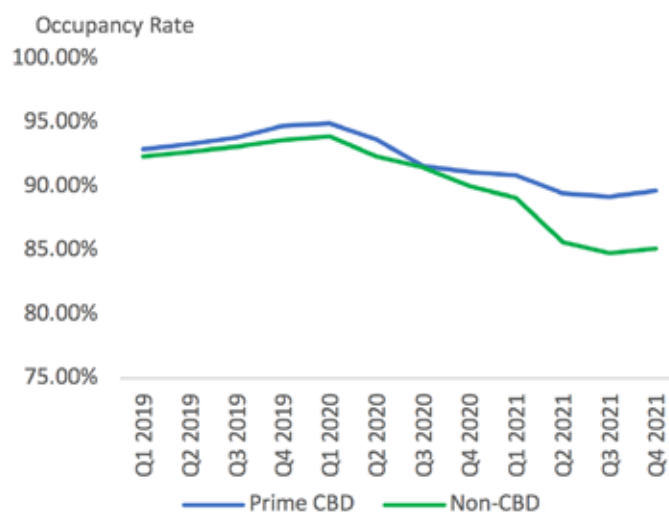
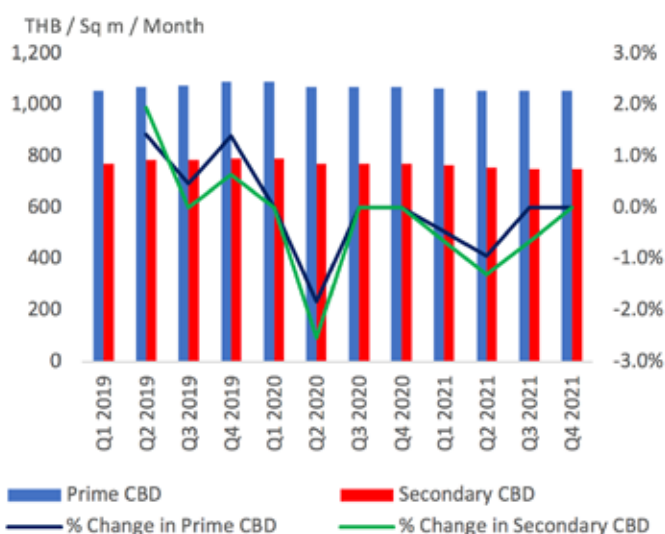
The average rental in the prime CBD and secondary CBD remained unchanged at THB1,055 per sq m per month and THB750 per sq m per month, respectively, in Q4.

OCCUPANCY RATE OF PRIME CBD OFFICE SPACES

Q4 2021
89.65%

Q3 2021
89.18%

The average occupancy rate improved slightly due to more business activities and demand from new tenants.

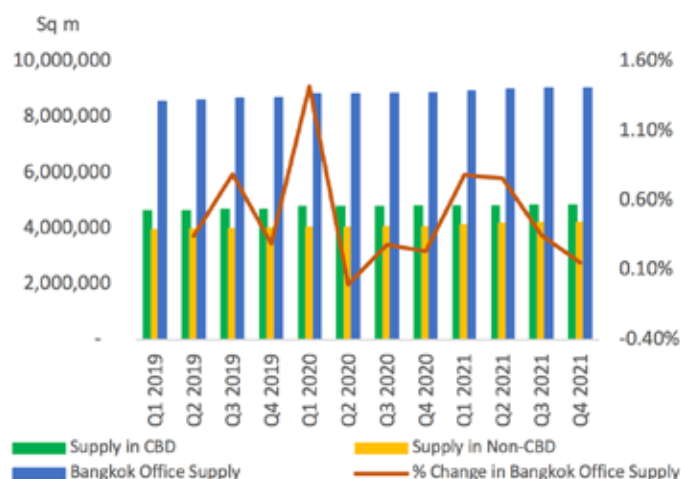


SUPPLY – BANGKOK OFFICE SUPPLY (SQ M)

Q4 2021
9,060,769 sq m

Q3 2021
9,046,919 sq m

The completion of the new office building in the CBD contributed to a slight increase in Bangkok office supply in Q4.

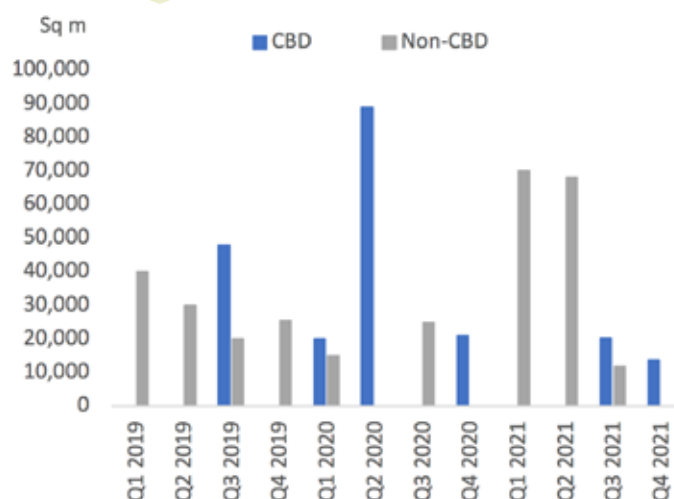


NEW OFFICE SUPPLY IN CBD (SQ M)

Q4 2021
13,850 sq m

Q3 2021
20,165 sq m

The net leaseable area of the newly completed office building in the CBD was 13,850 sq m in Q4.



MARKET COMMENTARY

- Bangkok recorded 9.06 million sq m in supply, increasing by 0.2 per cent compared to 9.05 million sq m in Q3. The opening of SiamScape (a mixed-use development in the CBD area) contributed a total new leasable area of 13,850 sq m into Bangkok office supply in Q4.
- The opening of several new office buildings has been delayed due to the uncertainty of the impact extent of the Omicron variant on business operations. They are expected to open in 2022 when the outbreak is expected to ease.
- Compared to Q3, the average occupancy rate of prime CBD office buildings and those located in the non-CBD area increased slightly to 89.65 per cent and 85.14 per cent in Q4. The improvement in the average occupancy rate was due to more business activities and the move-in of some new tenants. However, companies are still facing financial uncertainties and are forced to continue their cost-cutting measures and adopt the hybrid work model.
- In Q4, the average rental rate of office buildings in the prime and secondary CBD remained unchanged at THB1,055 per sq m per month and THB750 per sq m per month, respectively. The cost-saving policy and the cautious spending of many businesses led landlords to maintain rentals in Q4.

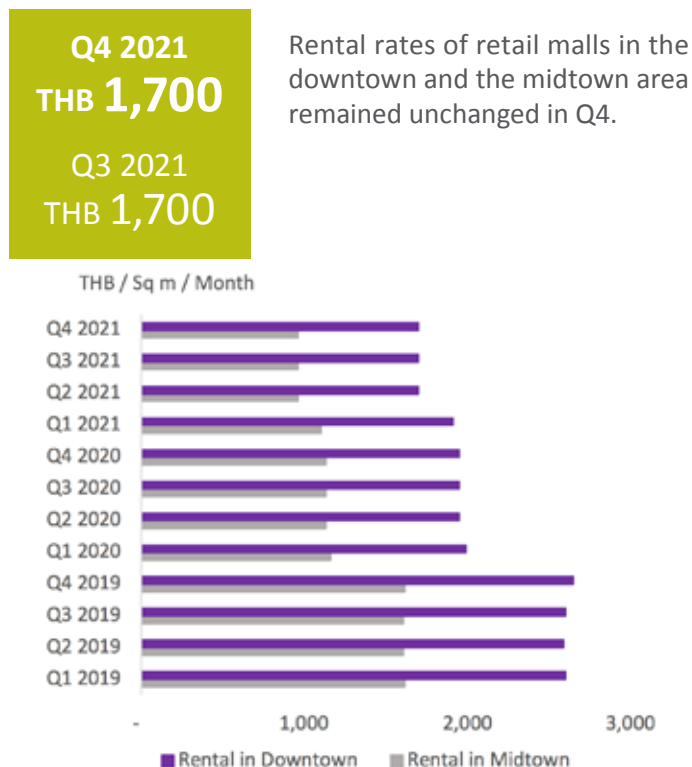
MARKET OUTLOOK

- The country's economic performance, the pandemic, and the preventive measures to contain the effects of the virus infections influenced the current market sentiment. Several building owners have delayed their opening, pending improvement in market conditions. Edmund Tie Research forecasts that there will be approximately 185,000 sq m of new office spaces launched in the CBD and outside the CBD in the first half of next year.
- Many new office buildings slated for completion in 2022 are located in prime areas like Ploenchit, Wireless, Chidlom, Silom, and Sukhumvit that currently covered by commercial buildings and luxury hotels. The opening of new prime-grade office buildings will affirm these areas to be the Prime Business District (PBD) with many high-end developments and convenient access to other locations via cars and mass rapid transit service.
- Demand for office spaces in 2022 is forecasted to improve, based on the condition that the government can contain the current and the new virus variant. Good government management on public health can prevent a new pandemic that deters the country's economic growth and tourism recovery. Under this condition, Edmund Tie Research anticipates the vacancy rate of office buildings to be lower in mid-2022 when most of the new tenants finished interior decorations and started their move-in.
- The average rental movement in Bangkok in 2022 will rely on the economic and the outbreak situation. Additionally, special deals between landlords and tenants that occurred during the outbreak crisis this year are likely to limit the percentage of increase in the average rental in 2022.

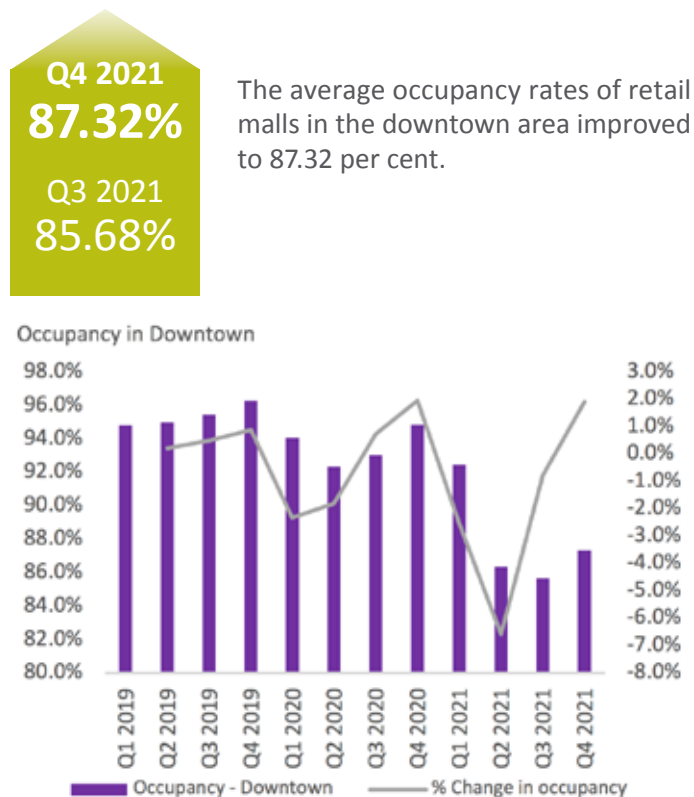
RETAIL

KEY HIGHLIGHTS

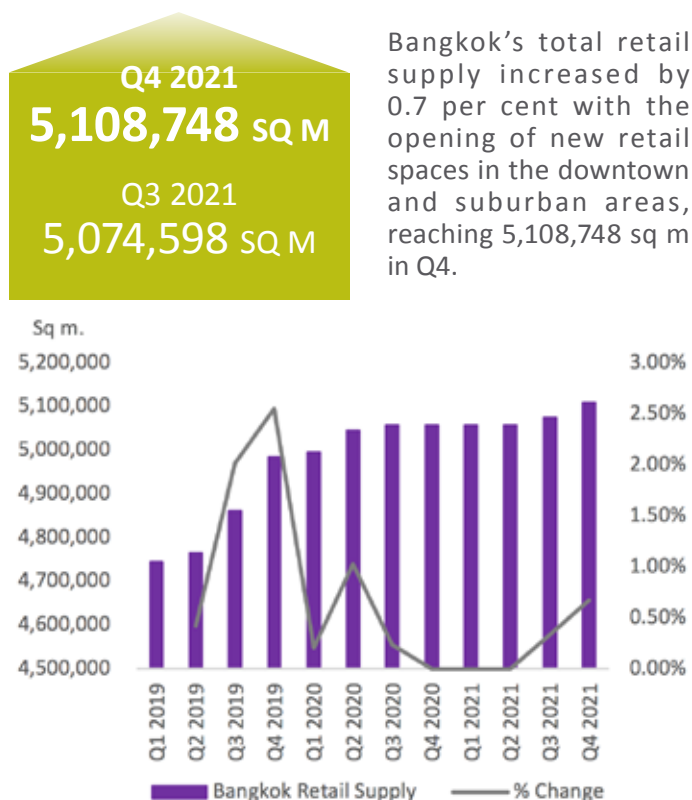
RETAIL RENTALS IN DOWNTOWN & MIDTOWN (THB / SQ M / MONTH)



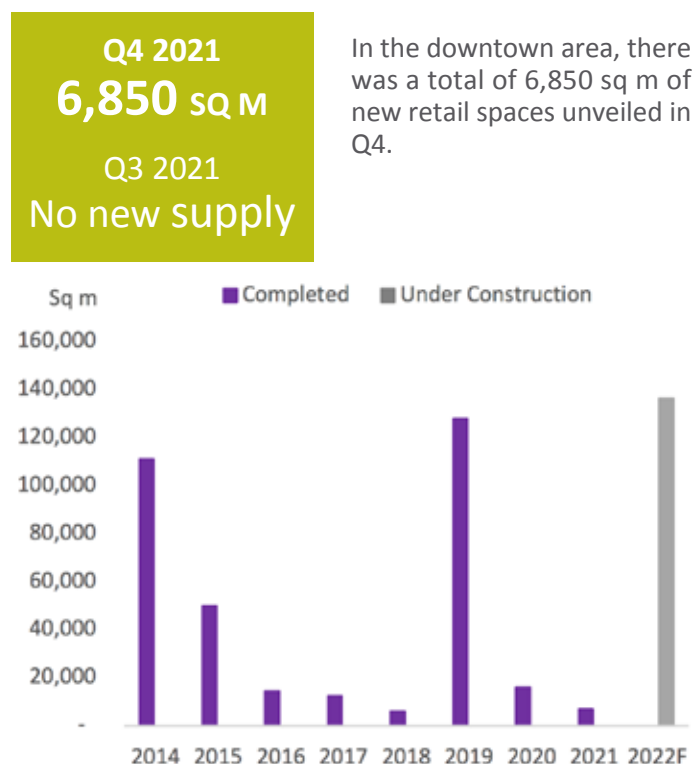
OCCUPANCY IN DOWNTOWN



SUPPLY OF BANGKOK RETAIL SPACES (SQ M)



COMPLETED AND NEW RETAIL SUPPLY IN THE DOWNTOWN AREA (SQ M)



MARKET COMMENTARY

- Bangkok retail supply increased by 0.7 per cent from Q3 to 5,108,748 sq m in Q4. Some new retail projects opened in Q4 have postponed their openings since mid-year. In the downtown area, there was a total of 6,850 sq m new retail spaces unveiled in Q4, increasing the retail supply in the downtown to 1,502,315 sq m, compared to 1,495,465 sq m in Q3.
- Amid the uncertainty from the wake of the Omicron strain's emergence, the Thai government is balancing between keeping the economy running and taking precautions to contain the spread of the virus. There was a continuous improvement in consumer confidence after the ease of the lockdown restrictions, the country reopened to fully-vaccinated foreign tourists, and the substantial progress of the national vaccination that helped decrease the daily fatalities from Covid-19. According to the University of Thai Chamber of Commerce, the consumer confidence index was 44.9 in November, improving from 43.9 in October and 41.4 in September.
- The lifts in the lockdown restrictions and the night-time curfew that has been effective since 1 November 2021 to coincide with the reopening of Thai borders to foreign arrivals helped improve traffic inside shopping malls and enabled shops to open. In addition, the celebration period of Christmas and New Year Festivals encouraged shopping malls to hold year-end campaigns to attract people to visit malls and generate more income from offline shopping. Thus, the average occupancy rate of retail malls in the downtown area improved to 87.32 per cent compared to 85.68 per cent in Q3. The average occupancy rate in the midtown area also increased to 81.78 per cent compared to 80.65 per cent in Q3.
- The average rental rate of downtown and midtown retail malls remained unchanged at THB1,700 per sq m per month and THB960 per sq m per month in Q4. The fragile financial condition of tenants impacted by the lockdown measure to contain the Delta variant and the wake of the Omicron variant were factors for rentals to be maintained by retail operators.

MARKET OUTLOOK

- Despite the threat of Covid-19 headwinds and the high popularity of online shopping, new retail spaces launched in the downtown area in 2022 are forecasted to be approximately 136,000 sq m, with more than 70 per cent representing new supply in the Sukhumvit area.
- Provided the Thai government can manage the existing and the new virus variant, Bangkok retail market is expected to regain momentum in the mid of 2022. Key factors supporting this trend include: 1) the move-in of new tenants, 2) O2O (Online-to-Offline) strategy deployed by retail operators to attract online shoppers to experience and try products at their stores whereas online channel remains on focus in reaching new customers, 3) retail operators and tenants have learnt lessons from the most recent wave of Covid-19 crisis and are likely to mutually work to explore new business opportunities for their long-term business growth, and 4) the design and concept of new retail projects that are beyond shopping malls will attract people to visit malls at the period that social commerce and online stores keep on challenging brick-and-mortar stores.
- On the rental side, Edmund Tie Research conservatively forecast that the average rental rate of Bangkok retail malls is maintained in the first half of 2022, stemming from the fragile financial conditions of tenants that will take some period to recover.

RESIDENTIAL

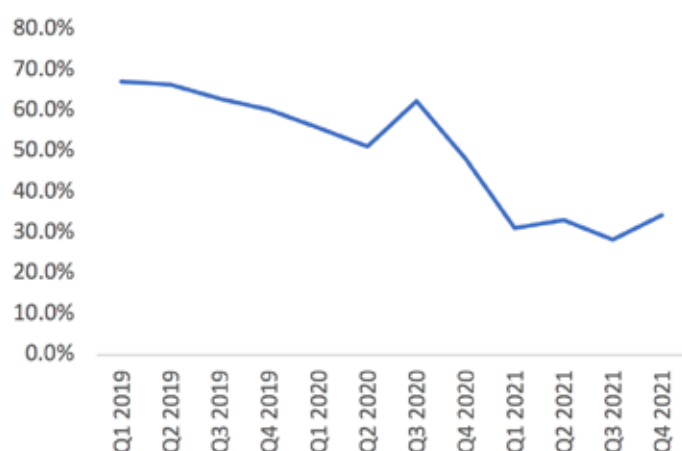
KEY HIGHLIGHTS

TAKE-UP RATE OF NEW LAUNCHED CONDOMINIUMS

Q4 2021
34.3%

Q3 2021
28.3%

The average take-up rate of newly launched units increased to 34.3 per cent compared to 28.3 per cent in Q3.

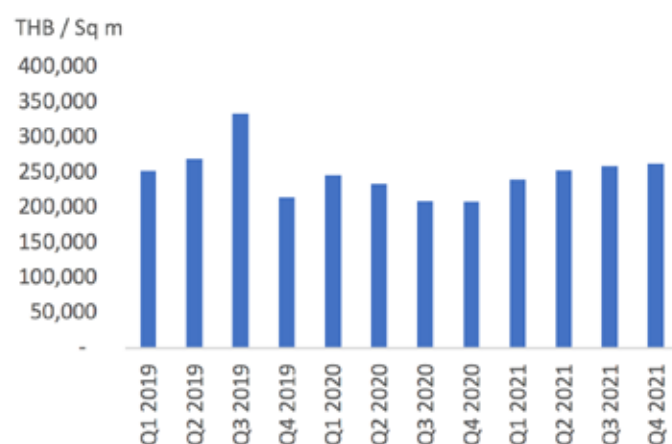


AVERAGE SELLING PRICE OF HIGH-END CONDOMINIUMS IN BANGKOK (THB / SQ M)

Q4 2021
THB 262,800

Q3 2021
THB 259,580

The selling price of high-end condominium projects was averaged at THB262,800 per sq m, increasing by 1.2 per cent over Q3.



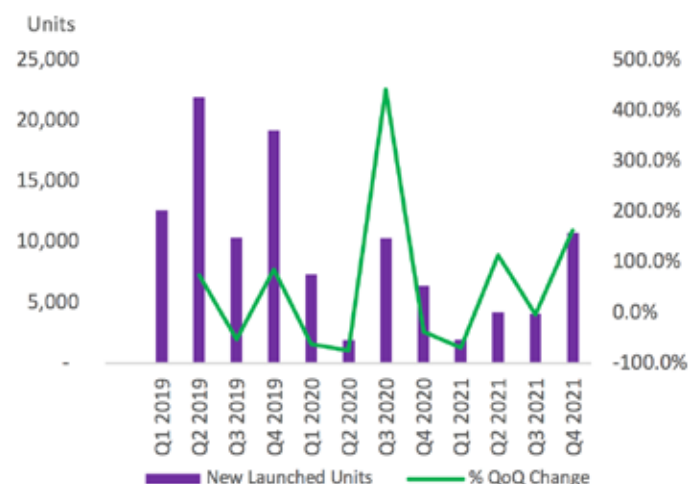
*Price at the period of project launch.

SUPPLY OF NEW LAUNCHED CONDOMINIUMS (UNITS)

Q4 2021
10,761 UNITS

Q3 2021
4,089 UNITS

The lift in LTV ratio and the ease in the country's pandemic crisis caused newly launched condominiums to increase to 10,761 units in Q4 compared to 4,089 units in Q3.

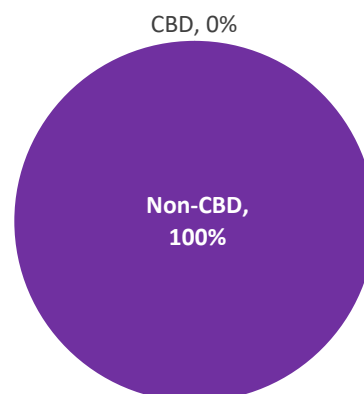


PROPORTION OF NEW LAUNCHED CONDOMINIUMS IN Q4 2021

CBD
0%

NON-CBD
100%

New condominium supply in Q4 were mostly affordably-priced units located outside the CBD area.



MARKET COMMENTARY

- The condominiums launched in Q4 totaled 10,761 units, a tremendous increase of 163.2 per cent compared to 4,089 units in Q3. The relaxation of the loan-to-value (LTV) regulations by lifting the ratio to 100 per cent announced by the Bank of Thailand in October 2021 and the ease in the pandemic situation in the country helped improve the residential market sentiment, causing developers to launch more new condominium projects with the expectation to gain a good market response from buyers at the end of the year.
- To tap the demand of the mass market and low-income earners following the business plans of many developers in this year, the new condominium supply launched in Q4 were affordably-priced units which are found extensively in the suburban area like Bang Khae, Klong Luang, Samrong; where the land prices were relatively attractive for entry-level condominium projects.
- The average take-up rate of newly launched units in Q4 improved to 34.3 per cent compared with 28.3 per cent in Q3. Despite the ease in the LTV measure, take-up rates still disappointed some developers, especially those with high-unit projects. The uncertainty of the new virus variant impact caused people to be concerned over their employment security should there be a new wave of outbreak crisis in the country. Therefore, many buyers postponed buying decisions of new residences to 2022 to monitor the economic and the infection situation.
- The average selling price of high-end condominium projects was THB262,800 per sq m, increasing at 1.2 per cent compared to THB259,580 per sq m in Q3.

MARKET OUTLOOK

- We expect projects scheduled for launch at the end of 2021, but postponed due to the uncertainty from the Omicron variant, to continue their launch in 2022. The unclear impact of the new virus variant in the country will cause owners of condominium projects in the CBD to delay new project launching and monitor the infection situation in early 2022, whereas new condominium projects launching in Q1 2022 will mainly be located in the suburban area.
- Nonetheless, Edmund Tie Research has an optimistic view on the number of new condominium projects launching in 2022 and forecasts that they will increase by 10 – 15 per cent from those unveiled in 2021. Affordably-priced condominiums will continue to dominate new supplies in the first half of 2022, while wellness condominiums and high-end condominiums in the CBD will be unveiled in greater volume in the second half of 2022.
- Developers have learnt lessons during the pandemic crisis in 2021, so their business strategies in 2022 are likely to be more dynamic to comply with the uncertain market situation influenced by external factors such as a virus outbreak, the economic circumstance, the LTV regulation, and household incomes.
- Bangkok condominium absorption in 2022 is forecasted to improve over 2021, provided that 1) the admission rate at hospitals from the Omicron variant is not as critical as the outbreak situation in 2021, 2) people have learned to live with Covid-19, and they are not worried as much as before with the new virus variant, 3) the higher demand from groups of singles who are entering into retirement age and looking for condominiums for their retired living.

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