

**REAL ESTATE
TIMES**

APRIL 2022



BANGKOK Q1 2022

The outbreak crisis and Russia's war in Ukraine challenged Bangkok's property market in Q1

ECONOMY

KEY HIGHLIGHTS

GROSS DOMESTIC PRODUCT (GDP)

Q4 2021
+1.9%

Q3 2021
-0.2%

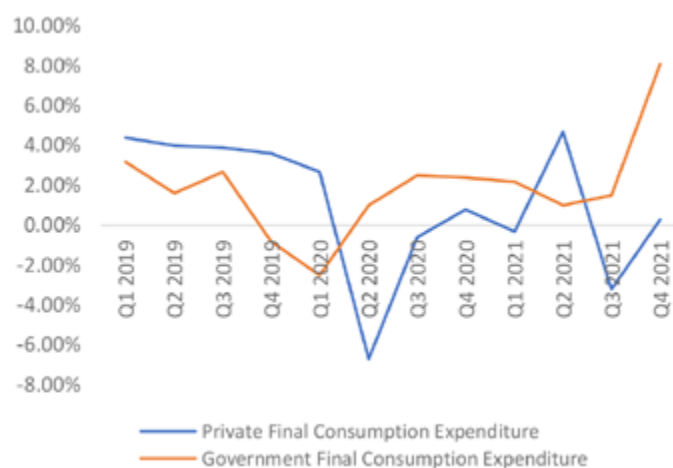
The Thai economy increased by 1.9 per cent, mainly attributed to the higher domestic and external demand for goods and services.



PRIVATE & GOVERNMENT FINAL CONSUMPTION EXPENDITURE

Private
Final Consumption
Expenditure
+0.3%

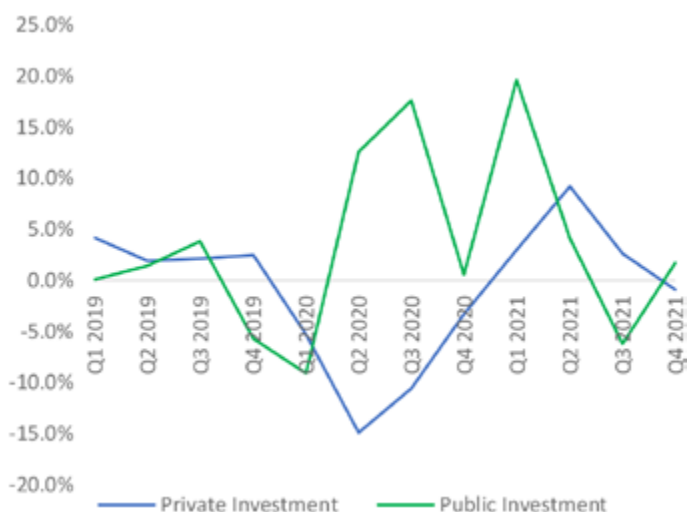
Government
Final Consumption
Expenditure
+8.1%



PRIVATE & PUBLIC INVESTMENT

Private Investment
-0.9

Public Investment
+1.7%



Source: Office of the National Economic and Social Development Council

EXPORTS OF GOODS & SERVICES

Q4 2021
+17.7%

Q3 2021
+12.3%



Source: Office of the National Economic and Social Development Council

MARKET COMMENTARY

- According to the National Economic and Social Development Council (NESDC), the Thai economy in 2021 grew by 1.6 per cent, recovering from a decline of 6.2 per cent in 2020. The Thai GDP in Q4 increased by 1.9 per cent, accelerated by the higher domestic and external demand for goods and services, including the relaxation of measures to control the spread of Covid-19 and various measures to stimulate the economy.
- Private final consumption expenditure rose by 0.3 per cent, improving from a 3.2 per cent decrease in Q3 2021. There was an increase of 3.7 per cent in spending on food and non-food items. Spending on durable, semi-durable, and net service items decreased by a corresponding 5.3 per cent, 0.8 per cent, and 1.7 per cent, which was an improvement from a decrease of 13.9 per cent, 6.5 per cent, and 5.4 per cent in Q3 2021.
- Government final consumption expenditure increased by 8.1 per cent, accelerating from a 1.5 per cent expansion in Q3. The growth resulted from the compensation of employees, with a 0.4 per cent rise. Social transfers in kind increased by 38.5 per cent whereas the purchase of goods and services rose by 11.4 per cent.
- Private investment decreased by 0.9 per cent, compared to an increase of 2.6 per cent in Q3 2021. The decrease stemmed from a 0.9 per cent fall in both private construction and private machinery.
- Public investment increased by 1.7 per cent, improving from a decrease of 6.2 per cent in Q3. The improvement was attributed to a rise in the government investment.
- Exports of goods and services increased by 17.7 per cent, expanding from an increase of 12.3 per cent in Q3.
- Driven by higher oil prices, the consumer price index (CPI) rose by 2.4 per cent, improving from a 0.7 per cent increase in Q3.

MARKET OUTLOOK

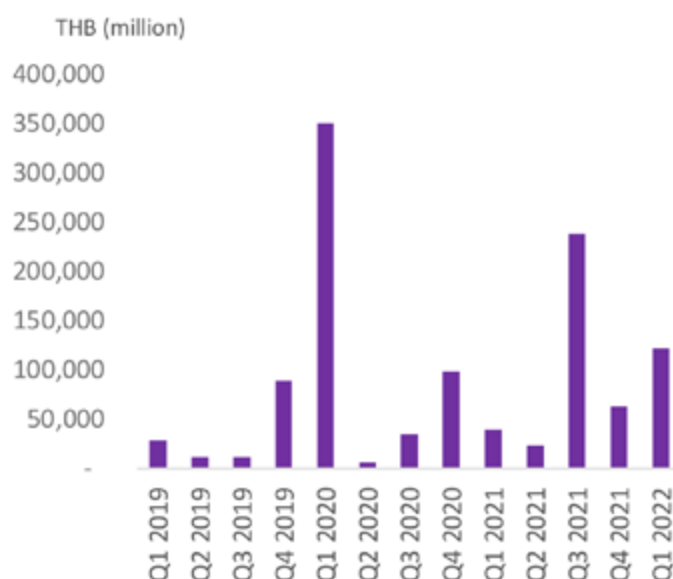
- The NESDC projected the Thai economy in 2022 to grow in the range of 3.5-4.5 per cent. Key factors that will drive economic growth in 2022 include 1) the growth in domestic demand, 2) the recovery of domestic tourism, 3) the continual expansion of export of goods, and 4) the support from public investment.
- The NESDC anticipated the export value of goods in US dollar terms to expand by 4.9 per cent, private consumption expenditure and private investment to increase by 4.5 per cent and 3.8 per cent, respectively, in 2022. Public investment is projected to increase by 4.6 per cent. Headline inflation is estimated to be in the range of 1.5-2.5 per cent.
- The Finance Ministry has approved TH34.8 billion for the fourth phase of the co-payment subsidy scheme, effective from 1 February to 30 April 2022.
- The Tourism Authority of Thailand (TAT) might lower the tourism industry's revenue and arrivals this year, stemming from the surging oil prices and inflation caused by the Russia-Ukraine conflict.

INVESTMENT

KEY HIGHLIGHTS

INVESTMENT SALES (THB MILLION)

Total investment value in Thailand soared to THB122,651 million in Q1, registering a remarkable increase of 94.1 per cent compared to Q4 2021.



VALUE OF TOP 5 INVESTMENT DEALS (THB MILLION)

In Q1 2022, the value of the top 5 investment deals contributed to 96 per cent of the total investment value.

Top 5 investment deals in Q1:

Investment Transaction	Buyer	Seller	Value (THB million)
The construction contract for the Purple Line Project Tao Pun – Rat Burana (Kanchanapisek Road) Section Contract 1 and Contract 2.	Mass Rapid Transit Authority of Thailand	CKST-PL Joint Venture	35,308.00
The construction contract for the Purple Line Project Tao Pun – Rat Burana Section Contract 3, Contract 5, and Contract 6.	Mass Rapid Transit Authority of Thailand	ITD-NWR MRT Joint Venture (Contract 3). Sino-Thai Engineering & Construction Public Company Limited (Contract 5, 6)	31,792.80
The construction contract for the Double-Track Railway Project in Chiang Rai – Chiang Khong (Section Ngao – Chiang Rai).	State Railway of Thailand	CKST-DC2 Joint Venture	25,130.84
The construction contract for the Double-Track Railway Project in Chiang Rai – Chiang Khong (Section Chiang Rai – Chiang Khong).	State Railway of Thailand	CKST-DC3 Joint Venture	18,116.82
The disposal and lease of assets.	S Prime Growth Leasehold Real Estate Investment Trust (SPRIME) and the Subscription of SPRIME's Trust Units	Singha Estate Public Company Limited	7,283.00
Total			117,631.46

Source: EDMUND TIE Research & The Stock Exchange of Thailand

MARKET COMMENTARY

- The total value of investment transactions in Thailand was THB122,651 million in Q1 2022, increasing by 94.1 per cent compared to THB63,180 million in Q4 2021. Most transactions in Q1 were public investments in the country's infrastructure with a high construction contract value.
- The largest investment transaction was the construction contract signed between CKST-PL Joint Venture and Mass Rapid Transit Authority of Thailand for the Purple Line Project Tao Pun – Rat Burana (Kanchanapisek Road) Section Contract 1 (valued at THB19,430 million) and Contract 2 (valued at THB15,878 million). The combined value of the two contracts was THB35,308 million).
- The second-largest investment transaction was the construction contract for the Purple Line Project Tao Pun – Rat Burana (Kanchanapisek Road) Section Contract 3, Contract 5, and Contract 6 which the Mass Rapid Transit Authority of Thailand awarded to the contractor at the combined contract value of THB31,792.8 million. Contract 3 valued at THB15,109 million was signed in the name of ITD-NWR MRT Joint Venture. Contract 5 and Contract 6 were signed in the name of Sino-Thai Engineering & Construction Public Company Limited with each respective value at THB13,094.8 million and THB3,589 million.
- The third-largest investment transaction was the construction contract signed between CKST-DC2 Joint Venture and the State Railway of Thailand to construct the Double-Track Railway Project in Chiang Rai – Chiang Khong (Section Ngao – Chiang Rai). The contract value was THB25,130.84 million.
- The fourth-largest investment transaction was the construction contract signed between CKST-DC3 Joint Venture and the State Railway of Thailand to construct the Double-Track Railway Project in Chiang Rai – Chiang Khong (Section Chiang Rai – Chiang Khong). The contract value was THB18,116.82 million.
- The fifth-largest investment deal was the disposal and lease of assets to S Prime Growth Leasehold Real Estate Investment Trust (SPRIME) and the Subscription of SPRIME's Trust Units by Singha Estate Public Company Limited at the investment value of THB7,283 million.

MARKET OUTLOOK

- The Prime Minister ordered the Board of Investment (BOI) to speed up its organizational restructuring and privilege structures to draw more investment. In the meantime, the government plans to attract wealthy foreigners and highly-skilled professionals from overseas to Thailand in the next five years to increase the country's investment potential and competency. The current investment plan (2015 – 2021) has been extended until 31 December 2022. The BOI is revising the country's strategic investment promotion plan to align with the national and global trends. The new strategic investment plan is scheduled for implementation in early 2023.
- According to the BOI, they will increase the country's competitiveness in the world market by supporting local startups that embark on bio, circular and green (BCG) businesses and S-curve targeted industries this year. The initiative is aligned with the government's policy to promote environmentally friendly manufacturing. The state will spend around THB10 billion in funding to drive the country's competitiveness by developing the 12 S-Curve industries in the Eastern Economic Corridor. These industries cover 1) new-generation cars, 2) smart electrics, 3) affluent, medical and wellness tourism, 4) agriculture and biotechnology, 5) food, 6) robotics for industry, 7) logistics and aviation, 8) biofuels and biochemicals, 9) digital, 10) medical services, 11) defense, 12) education development.
- In the next quarter, we expect the public sector to drive investment in infrastructures and lift the country's competency. The direction of the Russia-Ukraine war will determine the overall investment climate in Q2, as it has partly caused the depreciation of the Baht currency, inflation, and rising oil prices.

OFFICE

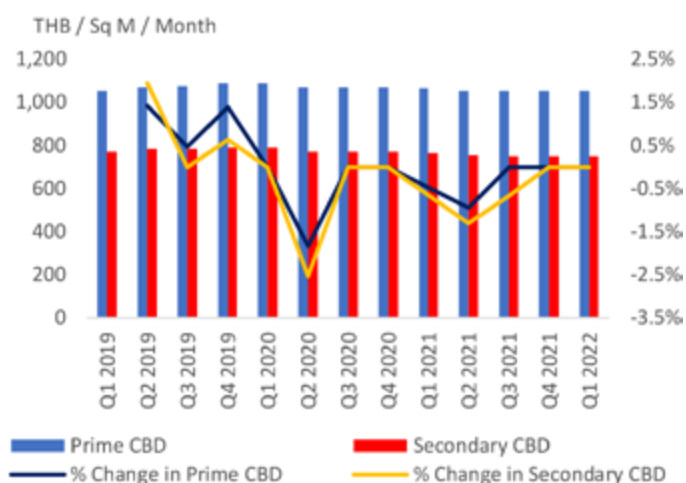
KEY HIGHLIGHTS

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

Q1 2022
THB 1,055

Q4 2021
THB 1,055

The average rent 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 Q1.

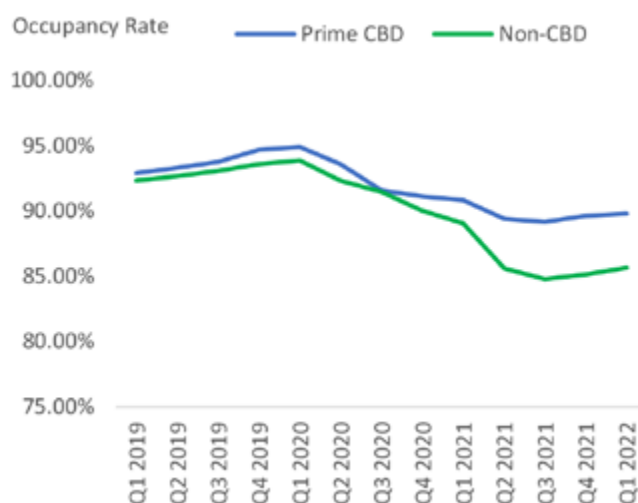


OCCUPANCY RATE OF PRIME CBD OFFICE SPACES

Q1 2022
89.79%

Q4 2021
89.65%

The reopening of most business activities resulted in a slight increase in the average occupancy rate in Q1 2022.

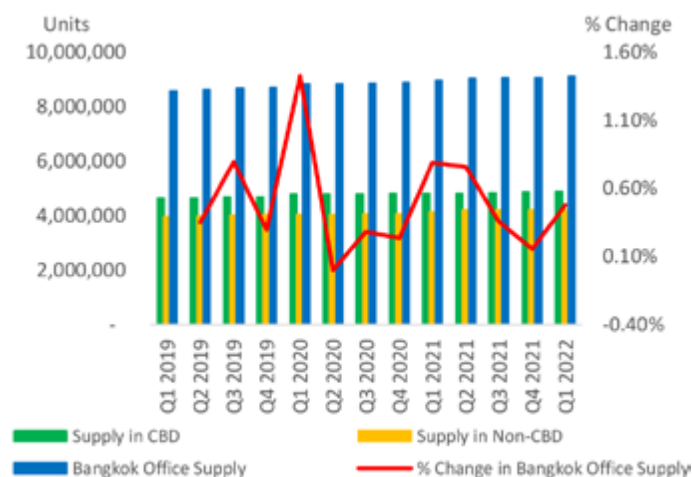


SUPPLY – BANGKOK OFFICE SUPPLY (SQ M)

Q1 2022
9,103,769 sq m

Q4 2021
9,060,769 sq m

The completion of a new office building in the CBD contributed to a slight increase in Bangkok office supply in Q1.

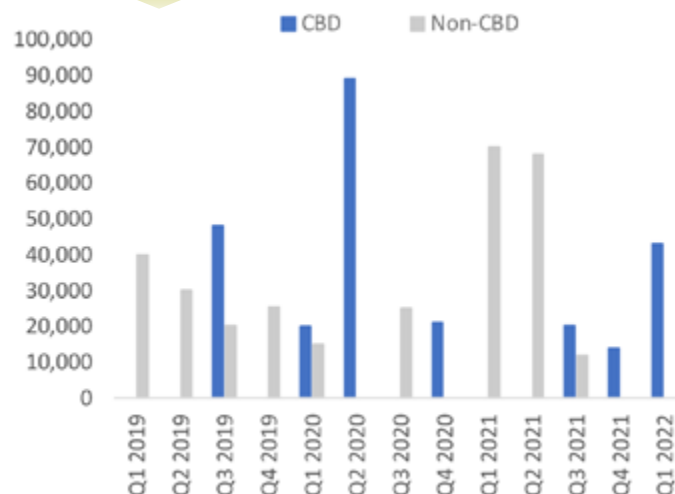


NEW OFFICE SUPPLY IN CBD (SQ M)

Q1 2022
43,000 sq m

Q4 2021
13,850 sq m

The net leaseable area of the newly completed office building in the CBD was 43,000 sq m in Q1.



MARKET COMMENTARY

- Bangkok office market recorded 9.1 million sq m in supply, increasing by 0.5 per cent compared to 9.06 million sq m in Q4 2021. The opening of O-NES Tower contributed a total new leasable area of 43,000 sq m into Bangkok office supply in Q1.
- There was no completion of new office buildings in other areas of Bangkok in Q1 as some worker camps closed down in the second half of 2021. The closure was due to the widespread infection of the Omicron variant.
- The average occupancy rate of prime CBD office buildings was 89.79 per cent, almost steady compared to 89.65 per cent in Q4 last year. The high infection of Covid-19 caused people to continue the hybrid working model in Q1. However, business activities increased after the government planned to declare Covid-19 as an endemic by July 2022 to stimulate the economy and ease the travel rules. Additionally, the mild symptoms of illness from the Omicron variant caused people to have less fear and drive more business activities in Q1. Therefore, there was a slight improvement in the average occupancy rate compared to Q4.
- In Q1, 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 weak financial situation of many businesses and the unclear direction of the war between Russia and Ukraine have caused landlords to be cautious and maintain rentals, while monitoring the conditions in Q1, as the conflict has increased oil prices, resulting in higher production and logistic costs.

MARKET OUTLOOK

- We forecast that there will be approximately 68,780 sq m of new office spaces unveiled in the CBD area in the first half of this year, despite the current uncertain market conditions and workers opting for the hybrid work model. The new office supply in the CBD will be in Sukhumvit and Central areas.
- The pandemic has transformed the concept of many new office buildings to be more than a working place. Building owners and tenants are now more concerned with health and well-being, so many new office buildings have semi-outdoor areas and more green areas for good ventilation, and to also serve as a relaxing area for tenants.
- Since the vaccination rate in the country has hit the target of 70 per cent of the total population and the mild illness caused by the Omicron variant, we expect more workers to return to the office, resulting in a gradual increase in occupancy.
- The movement in the average office rental will depend on the economic situation and business confidence in the government's economic rehabilitation plan for the post-Covid recovery.

RETAIL

KEY HIGHLIGHTS

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

Q1 2022
THB 1,700

Q4 2021
THB 1,700

Rental rates of retail malls in the downtown and the midtown area remained unchanged in Q1.

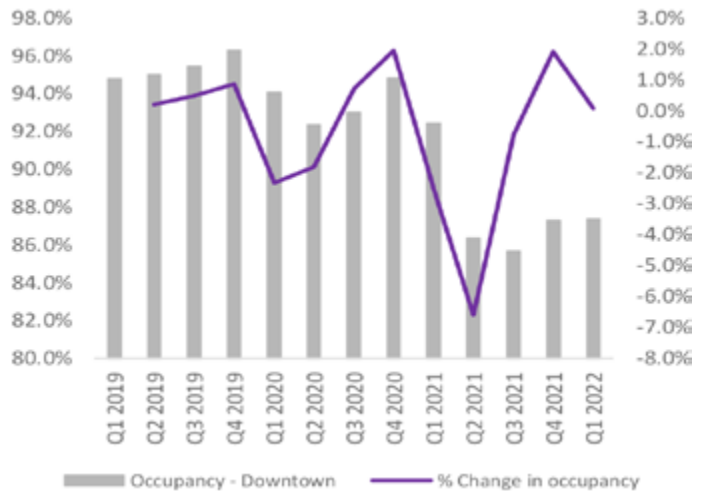


OCCUPANCY IN DOWNTOWN

Q1 2022
87.39%

Q4 2021
87.32%

The average occupancy rates of retail malls in the downtown area were almost at the same level as Q4.

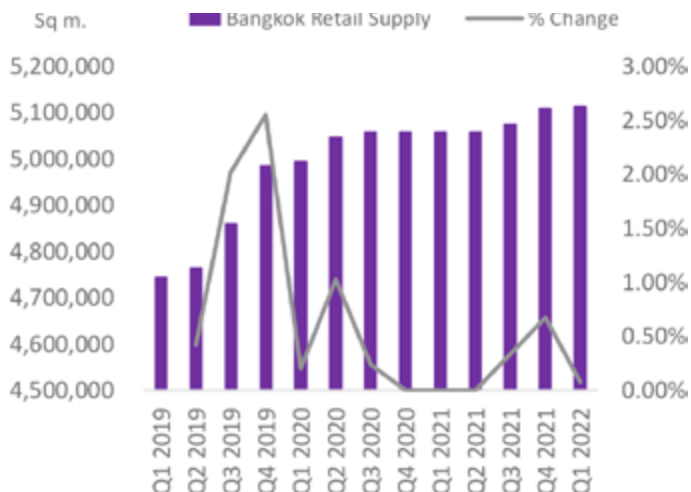


SUPPLY OF BANGKOK RETAIL SPACES (SQ M)

Q1 2022
5,112,618 sq m

Q4 2021
5,108,748 sq m

Bangkok's total retail supply increased by 0.7 per cent with the opening of new retail spaces in the downtown and suburban areas, reaching 5,108,748 sq m in Q4.



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

Q1 2022
3,870 sq m

Q4 2021
6,850 sq m

In the downtown area, there was a total of 3,870 sq m of new retail spaces unveiled in Q1.



MARKET COMMENTARY

- Bangkok retail supply increased slightly at 0.1 per cent to 5,112,618 sq m in Q1, compared to 5,108,748 sq m in Q4 2021. There was a new retail space of 3,870 sq m unveiled in the downtown in Q1, raising the retail supply in the downtown to 1,506,185 sq m, compared to 1,502,315 sq m in Q4 last year.
- The high infection rate of the Omicron variant in Thailand resulted in the construction delay of new buildings and new retail malls in Bangkok. Additionally, the decreasing consumer confidence index from 44.8 in January to 43.3 in February 2022 – stemming from the high infection of Covid-19 and the surging oil price triggered by the Russia-Ukraine crisis – has caused developers to monitor the situation of the pandemic and the war. Therefore, during the quarter under review, most new retail projects were under construction and postponed the openings.
- The average occupancy rate of retail malls in the downtown area was 87.38 per cent in Q1, almost at the same level as 87.32 per cent in Q4 2021. The relaxation of Covid-19 restrictions to generate more tourism income and to further drive the economic growth, the increasing numbers of foreign visitors under the Test & Go scheme, and the resumption of dine-in restaurant service improved the traffic inside shopping malls. Hence, the average occupancy rate of the downtown retail malls in Q1 stayed close to the Q4 level.
- The surging oil price resulted in the increased price of food and merchandise items and the higher cost of living. As such, people were spending more cautiously, especially the middle-income segment and below, while the spending of the high-income was still firm. Under these market circumstances, the financial operation of tenants was still weak for any rental rate increase. Therefore, 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 Q1.

MARKET OUTLOOK

- We expect that the upcoming new retail malls in the downtown, with a total leasable area of 72,400 sq m, will open in the second half of 2022. More than 95 per cent of the new supply are mixed-use projects, whereas the remaining is a community mall.
- Despite the higher cost of living and the lower spending of people, the fourth phase of the co-payment subsidy scheme approved by the government will help relieve the low-income people from the rising cost of living and stimulate spending among blue-collar workers and medium-income people. EDMUND TIE anticipates the foot traffic and spending inside shopping malls to improve during the Songkran Festival in April, which will help boost sales and tenants' revenue.
- On the rental side, EDMUND TIE Research conservatively forecasts that the average rental rate of Bangkok retail malls will remain unchanged in the first half of 2022, stemming from the financial conditions of tenants that will take some time to recover.

RESIDENTIAL

KEY HIGHLIGHTS

TAKE-UP RATE OF NEW LAUNCHED CONDOMINIUMS

Q1 2022
36.1%

Q4 2021
34.3%

The average take-up rate of newly launched units increased to 36.1 per cent compared to 34.3 per cent in Q4 2021.

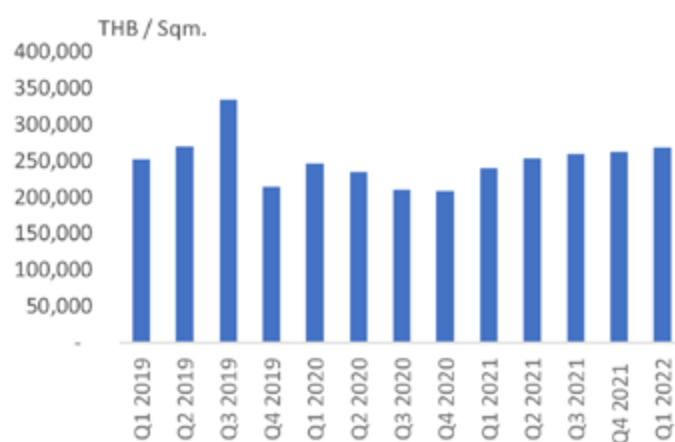


AVERAGE SELLING PRICE OF HIGH-END CONDOMINIUMS IN BANGKOK (THB / SQ M)

Q1 2022
THB 268,900

Q4 2021
THB 262,800

The selling price of high-end condominium projects averaged at THB268,900 per sq m, increasing by 2.3 per cent over Q4.



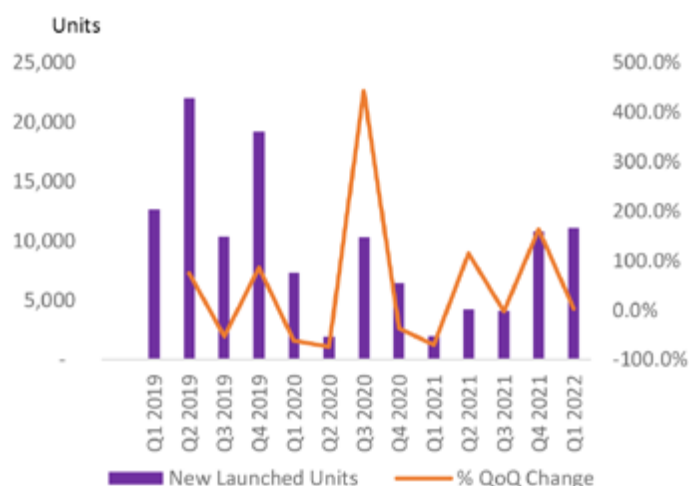
*Price at the period of project launch.

SUPPLY OF NEW LAUNCHED CONDOMINIUMS (UNITS)

Q1 2022
11,100 UNITS

Q4 2021
10,761 UNITS

Many projects launched in Q1 were large-unit projects with more than 1,000 residential units per project, causing the new supply in Q1 to further expand over Q4.

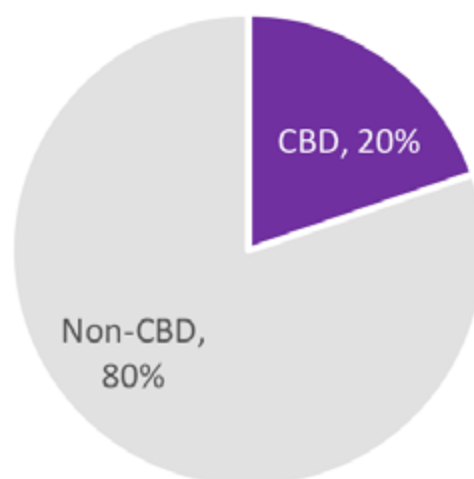


PROPORTION OF NEW LAUNCHED CONDOMINIUMS IN Q4 2021

CBD
20%

NON-CBD
80%

New condominium supply in Q1 were mostly entry-level condominium units located outside the CBD area.



MARKET COMMENTARY

- New condominiums launched in Q1 2022 totalled 11,100 units, increasing slightly by 3.2 per cent from 10,761 units in Q4 2021. Many of these projects are large-unit projects with more than 1,000 residential units per project. Of the total new supply, the CBD condominiums accounted for 20 per cent, with the remaining 80 per cent in the non-CBD, including Srinakarin, Bangchak, Suan Luang, Chatuchak, Vibhavadi Rangsit, Tiwanon, Bangna-Trad.
- Amidst the rising cost of living and the impacts of the Russian-Ukraine war on Thai's economy, many developers launched budget condominiums that cost lower than THB2 million to tap the demand of low-income and first-home buyers in suburban areas of Bangkok. Additionally, the relaxation of the loan-to-value (LTV) regulations also pushed developers to launch many entry-level condominiums in Q1.
- The average take-up rate of newly launched units in Q1 improved to 36.1 per cent, compared with 34.3 per cent in Q4 last year. Under the current market circumstances, the purchase of condominiums by real demand and the high-income purchasers drives the take-up rate in Q1. The price discount and the promotion campaigns offered by developers continued to draw the interests of buyers of condominiums in the CBD and the areas outside the CBD.
- The average selling price of high-end condominiums was THB268,900 per sq m in Q1, increasing by 2.3 per cent compared to THB262,800 per sq m in Q4.

MARKET OUTLOOK

- EDMUND TIE Research estimates approximately 36,000 units of the condominium will be completed in 2022, if there is no supply chain disruption in construction materials, decorations, and electric appliances for high-end condominium units imported from the US and European countries.
- The number of new launches in Q2 will depend on the economic and the pandemic situation. Developers will launch more new projects if there is no skyrocketing infection of Covid-19 after the Songkran Festival, when most people travel to their hometowns and holiday destinations. In addition, the direction of the Thai economy and the world economy as impacted by the war will determine the level of new condominium supply this year.
- To cope with uncertainties in the market arising from the pandemic and the war, developers will revise their business plans in the medium and the long term to be flexible.
- From EDMUND TIE's point of view, the average take-up rate in Q2 is subject to consumer confidence influenced by the employment rate, the government's economic stimulus measures, the outbreak, and the war situation.
- The increase in the average selling price of Bangkok condominiums in 2022 will follow the increasing price of land and construction materials, the possible increasing wage rate as an impact of the rising cost of living, and the rise in the price of imported decoration materials for high-end condominiums.

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