

An aerial photograph of the Bangkok skyline at sunset. The Chao Phraya River flows through the center, with several bridges crossing it. The city is filled with numerous high-rise buildings, some of which are illuminated with lights. The sky is a mix of orange, yellow, and blue, with large, dark clouds. The overall scene is a vibrant and detailed representation of the city's urban landscape.

**REAL ESTATE
TIMES**

JULY 2022

BANGKOK Q2 2022

**Surging oil price and high inflation continue to challenge
Bangkok property market**

ECONOMY

KEY HIGHLIGHTS

GROSS DOMESTIC PRODUCT (GDP)

Q1 2022
+2.2%

Q4 2021
+1.8%

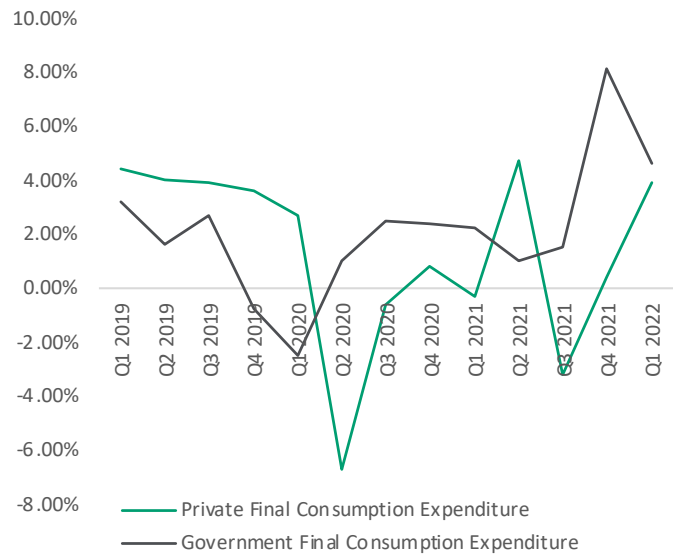
The Thai economy expanded by 2.2 per cent, mainly attributed to the higher domestic and external demand for goods and services.



PRIVATE & GOVERNMENT FINAL CONSUMPTION EXPENDITURE

Private
Final Consumption
Expenditure
+3.9%

Government
Final Consumption
Expenditure
+4.6%



PRIVATE & PUBLIC INVESTMENT

Private Investment
+2.9%

Public Investment
-4.7%



Source: Office of the National Economic and Social Development Council

EXPORTS OF GOODS & SERVICES

Q1 2022
+12.0%

Q4 2021
+17.6%



Source: Office of the National Economic and Social Development Council

MARKET COMMENTARY

- According to the National Economic and Social Development Council (NESDC), the Gross Domestic Product increased by 2.2 per cent in Q1 2022 compared to a 1.8 per cent increase in Q4 2021. This is due to the government's economic stimulus measures, the relaxation of travel restrictions domestically and internationally, and improved domestic production particularly in the agricultural sector.
- Private final consumption expenditure rose by 3.9 per cent, expanding from a 0.4 per cent increase in Q4 2021. There was an increase in spending on durable goods, semi-durable goods, and net services at 3.8 per cent, 0.4 per cent, and 4.4 per cent, respectively. The expenditure on non-durable goods (food and non-food items) increased by 4.1 per cent in Q1 2022.
- Government final consumption expenditure increased by 4.6 per cent, decelerating from an 8.1 per cent increase in Q4 2021. The deceleration stems from the contraction in compensation of employees, purchases of goods and services at 2.6 per cent and 3.8 per cent, respectively.
- Private investment increased by 2.9 per cent, improving from a reduction of 0.8 per cent in Q4 2021. The increase stemmed from an increase in machinery investment. Public investment decreased by 4.7 per cent, slowing down from a 1.7 per cent increase in Q4 2021.
- Exports of goods and services continued to increase by 12.0 per cent, compared to the 17.6 per cent increase in Q4 2021.
- As prices have continued rising, the consumer price index (CPI) rose by 4.7 per cent in Q1 2022, higher than the 2.4 per cent recorded in Q4 2021.

MARKET OUTLOOK

- The NESDC has projected the Thai economy to grow by 3 per cent this year and 3.7 per cent next year, driven by exports, increased domestic demand, and a recovery in tourism. Exports, a key driver of growth, still had momentum despite the impact of Russia's invasion of Ukraine on the global economy. However, the structural changes in geopolitics are likely to create more risks for the Thai economy next year, especially when there are disruptions to global supply chains which would affect Thai manufacturing. The NESDC expressed the opinion that the ongoing war in Ukraine is expected to become more complex and unpredictable, potentially becoming a greater geopolitical risk in 2023.
- The cabinet approved extending the existing measures scheduled to expire at the end of June 2022 to the end of September this year to alleviate the hardship experienced by low-income earners from the surge in oil prices. The energy prices remain relatively high, attributed to the war in Ukraine and some countries curbing exports of commodities.
- The Labour Ministry revealed that the minimum daily wage would be increased this year. However, the wage increase will not be sharp since businesses are still reeling from the impact of Covid-19. The minimum daily wage was last increased in January 2020, from THB313 to THB336. According to the Labour Ministry, the new minimum daily wage will be determined by a national tripartite committee on wages, and will take effect on 1 January next year.

INVESTMENT

KEY HIGHLIGHTS

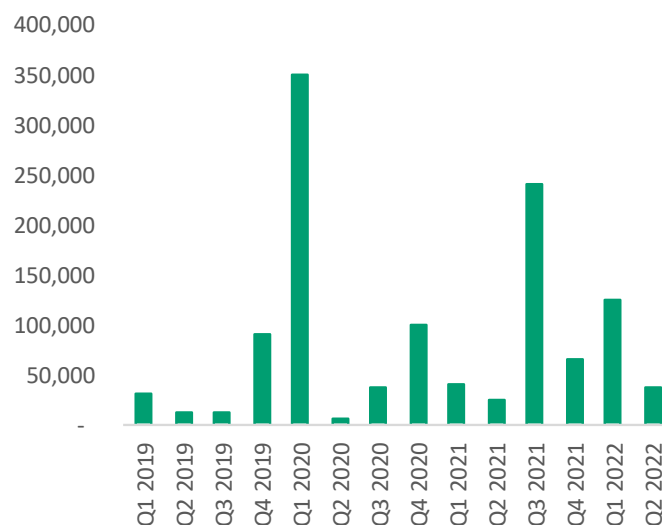
INVESTMENT SALES (THB MILLION)

Q2 2022
THB **36,271**
MILLION

Q1 2022
THB **122,651**
MILLION

Total investment sales decreased by 70.4 per cent in Q2 2022 compared to Q1 2022.

THB (million)



Q2 2022
THB **30,824**
MILLION

Q1 2022
THB **117,631**
MILLION

VALUE OF TOP 5 INVESTMENT DEALS (THB MILLION)

In Q2 2022, the value of the top 5 investment deals represented 87 per cent of the total investment value.

Top 5 investment deals in Q2:

| Investment Transaction | Buyer | Seller | Value (THB million) |
|--|---|---|---------------------|
| The transaction to lease the land located at the corner of Sarasin Road and Lang Suan Road to develop the BDMS Silver Wellness & Residence Project. | Bangkok Dusit Medical Services | The Crown Property Bureau | 23,545.00 |
| The contract for the construction of Terminal D Phase 2A, 2B, and 2C Laemchabang Thailand. | The Crown Property Bureau | Nawarat Patanakarn Public Company Limited | 3,451.98 |
| The expansion of electricity and steam generation capacity of Nava Nakorn Electricity Generating Company Limited. | Hutchison Laemchabang Terminal Limited | Electricity Generating Authority of Thailand | 1,724.00 |
| The acquisition of ordinary shares in Majestic Park Company Limited. | RATCH Group Public Company Limited – Nava Nakorn Public Company Limited – Global Synergy Public Company Limited | Noble Development Public Company Limited | 1,053.49 |
| The purchase of certain assets including the land and premises relating to the three hotels, namely Ibis Phuket Kata, Ibis Hua Hin, Ibis Styles Krabi Ao Nang. | S Prime Growth Leasehold Real Estate Investment Trust (SPRIME) and the Subscription of SPRIME's Trust Units | The Erawan Group Public Company Limited and Erawan Naka Company Limited | 1,050.00 |
| Total | | | 30,824.47 |

Source: EDMUND TIE Research & The Stock Exchange of Thailand

MARKET COMMENTARY

- The total value of investment transactions in Thailand was THB36,271 million in Q2, decreasing by 70.4 per cent compared to THB122,651 million in Q1. The economic slowdown is an impact of high inflation, the Russia-Ukraine conflict, and the concern of a supply chain disruption caused by the conflict and border restrictions in China. These factors have halted the investment decisions of private and public agencies.
- The largest investment was the transaction to lease the land at the corner of Sarasin Road and Lang Suan Road from the Crown Property Bureau to develop the BDMS Silver Wellness & Residence Project by Bangkok Dusit Medical Services. The transaction value was THB23,545 million.
- The second-largest investment transaction was the construction contract signed between Nawarat Patanakarn Public Company Limited and Hutchison Laemchabang Terminal Limited for the construction of Terminal D Phase 2A, 2B, and 2C Laemchabang Thailand. The contract value was THB3,451.98 million.
- The third-largest investment transaction was the investment in the expansion of electricity and steam generation capacity of Nava Nakorn Electricity Generating Company Limited through the joint investors such as RATCH Group Public Company Limited, Nava Nakorn Public Company Limited, and Global Power Synergy Public Company Limited. The transaction value was THB1,724 million.
- The fourth-largest investment transaction was the acquisition of ordinary shares in Majestic Park Company Limited by U City Public Company Limited from Noble Development Public Company Limited, valued at THB1,053.49 million.
- The fifth-largest investment deal was the purchase of several assets including the land and premises relating to the three hotels, namely Ibis Phuket Kata, Ibis Hua Hin, and Ibis Styles Krabi Ao Nang, by Origin Property Public Company Limited from The Erawan Group Public Company Limited and Erawan Naka Company Limited. The total investment value was THB1,050 million.

MARKET OUTLOOK

- The Board of Investment (BoI) has approved enhanced benefits for investments in battery production, an improved package for the promotion of investment in smart-industrial estates and zones, and an incentive package for upgrading existing industrial estates and zones. Both existing and new projects using advanced technology in the production of EV batteries, from battery cells to battery modules, and in the production of high-energy-density batteries now enjoy a 90 per cent reduction in import duties on raw and essential materials for five years if the output sold domestically.
- The government is offering the highest level of incentives for investors in the bio-, circular and green (BCG) economy, innovation and high technology, R&D that increases the value of products, and human resources development to develop four new regional economic corridors. The four special economic corridors focus on new investment categories that can increase the value of farm products that conform to the government's policy to promote the BCG economy. The new incentives will be determined by the government soon this year.
- According to the Bangkok Metropolitan Administration (BMA), the light rail transit (LRT) project linking the Bang Na intersection and Suvarnabhumi Airport is expected to break ground in 2025, with the first-phase operation to be launched by 2029. The LRT will cover 14 stations between Bangkok and Samut Prakan. A 14.6-kilometre section will cover the first 12 stations, namely Bang Na, Praphamontree, Bang Na-Trat 17, Bang Na-Trat 25, Wat Si Lam, Prem Ruethai, Bang Na-Trat 6, Bangkaew, Kanchanaphisek, Wat Salut, King Kaew, and Thana City.
- EDMUND TIE expects the investment in the next quarter to be driven by the public sector in the form of infrastructure investment, whereas the investment from private companies could slow down, attributed to the high inflation and economic uncertainties created by the prolonged conflict between Russia and Ukraine.

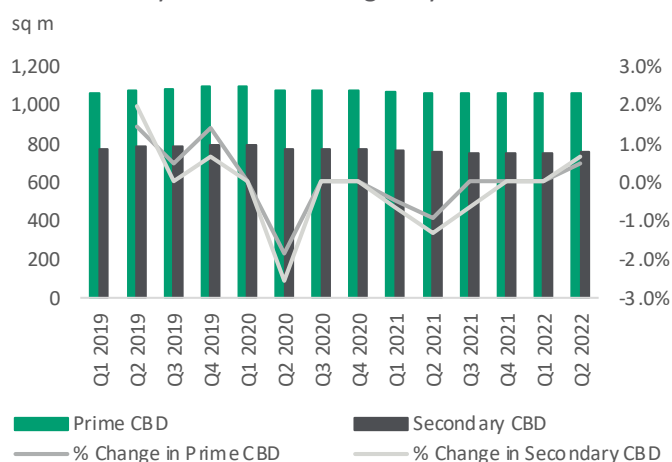
OFFICE

KEY HIGHLIGHTS

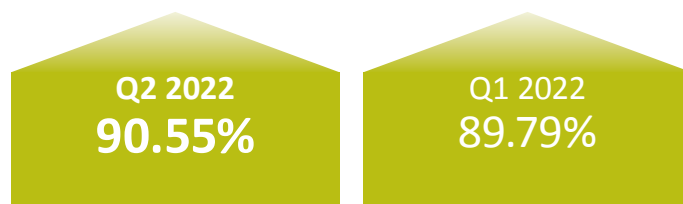
RENT IN PRIME CBD (THB / sq m / month)



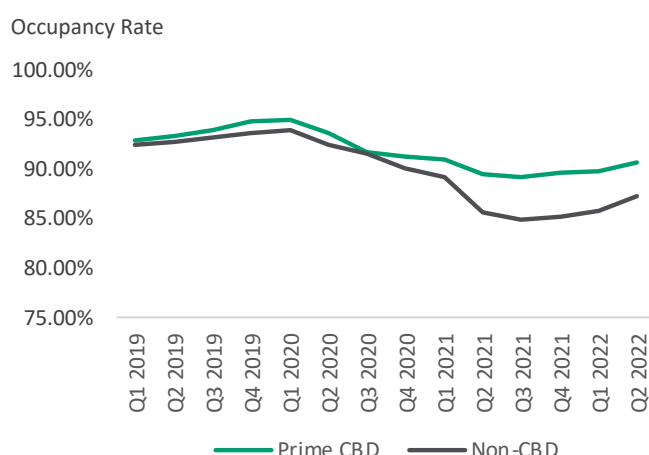
The increasing number of office workers returning to the office and the demand for office spaces has picked up in Q2, which increased the average rental rates of prime and secondary CBD offices marginally.



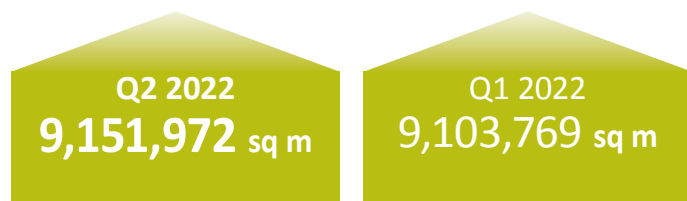
OCCUPANCY RATE OF PRIME CBD OFFICE SPACES



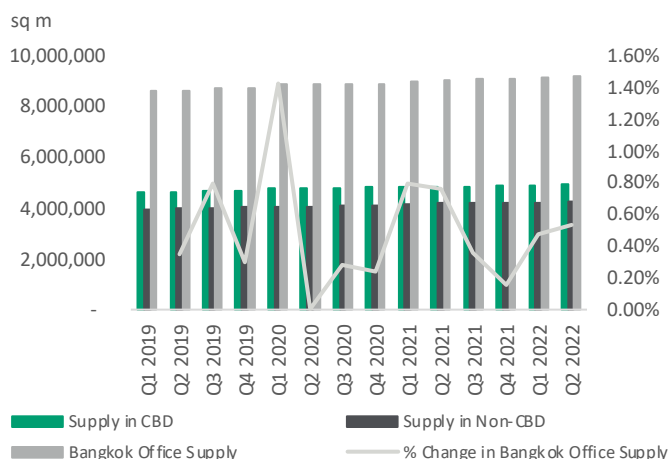
The reduction in work-from-home policies and compulsory four-day-work week in-office practices implemented by many companies helped improve the average occupancy rate.



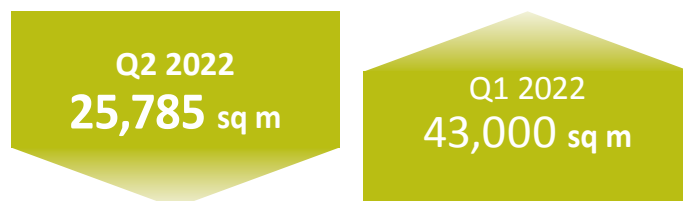
BANGKOK OFFICE SUPPLY (sq m)



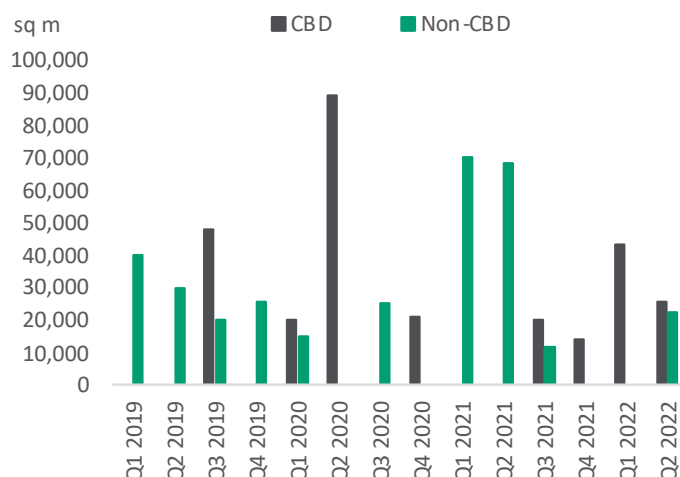
The new office buildings' completion in and outside the CBD contributed to the increase in Bangkok office supply in Q2.



NEW OFFICE SUPPLY IN CBD (sq m)



The net leaseable area of the newly completed office buildings in the CBD was 25,785 sq m in Q2.



MARKET COMMENTARY

- Bangkok office supply recorded 9.15 million sq m, increasing by 0.5 per cent compared to 9.10 million sq m in Q1. The openings of new office buildings in and outside the CBD contributed a total new leasable area of 48,200 sq m into Bangkok office supply in Q2.
- The reopening of the economy, the decline in Covid-19 infection rate, the easing of Covid-19 restrictions, and the government's plan to declare Covid-19 as endemic starting 1 July 2022 have enabled the developers to resume their construction works, which were delayed.
- In the CBD area, the new office space contributed by '140 Wireless' provides a total leasable area of 25,785 sq m. New office spaces outside the CBD area generated by the completion of 'Sukhumvit Hills' and 'M2 Tower' offer a combined leasable area of 22,418 sq m.
- In terms of demand for office spaces, the average occupancy rate of prime CBD office buildings was 90.55 per cent, a gradual increase from 89.79 per cent in Q1. Office buildings outside the CBD had an average occupancy rate at 87.15 per cent, improving from the 85.68 per cent in Q1.
- After eight consecutive quarters of rental rates cut by landlords to help many businesses suffering from the impact of Covid-19, the average rental rate of office buildings started to trend upward in Q2. The average rental rate of prime and secondary office buildings increased slightly to THB1,060 and THB755 per sq m per month, respectively, compared to THB1,055 and THB750 per sq m per month in Q1. Factors supporting the increase in Q2 include 1) most of the new office buildings are green buildings with WELL/LEED certification and equipped with new technologies that support the smart-building concept, 2) the increasing number of office workers returning to the office implies a gradual recovery in demand for office space usage, and 3) the high inflation rate that would naturally increase rental rates by impacting the cost of maintenance and management.

MARKET OUTLOOK

- EDMUND TIE forecast that there will be approximately 83,510 sq m of new office spaces unveiled in Q3, with 40 per cent representing new leasable space in the CBD and the remaining 60 per cent being new office spaces in the non-CBD area.
- Most new office buildings to open in Q3 are mixed-use developments in the Central area. Given the surging oil and energy prices and the traffic congestion in Bangkok, new office buildings with locations that are within a short distance of BTS/MRT stations will gain high interest from potential tenants. In the meantime, newer office buildings equipped with new technologies and an abundance of food and retail amenities will support the decisions of many companies to move into newer office buildings.
- The average occupancy rate will continue to increase in the remainder of this year, as most businesses have returned to the office after a long period of working from home during the pandemic. Additionally, the further easing of Covid-19 restrictions globally will enable multinational companies proceed with their lease renewal policies. Consequently, we expect more new tenants to move in, improving the occupancy rates of office buildings in the latter half of the year.
- We expect that the average rental rate of office buildings will continue to improve to at least pre-pandemic level as more companies opt to return to the office.

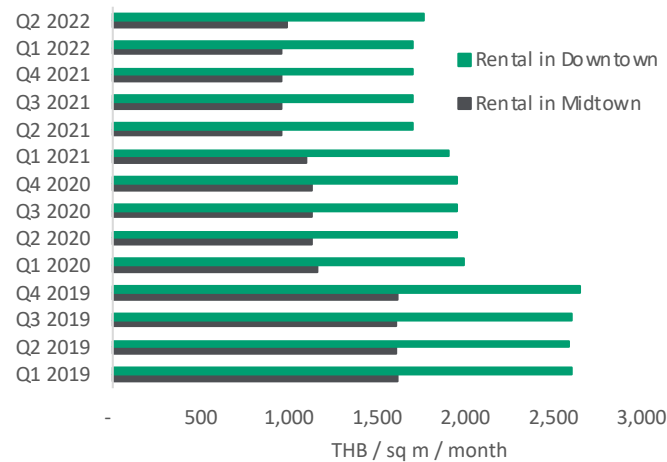
RETAIL

KEY HIGHLIGHTS

RETAIL RENT IN DOWNTOWN & MIDTOWN (THB / sq m / month)



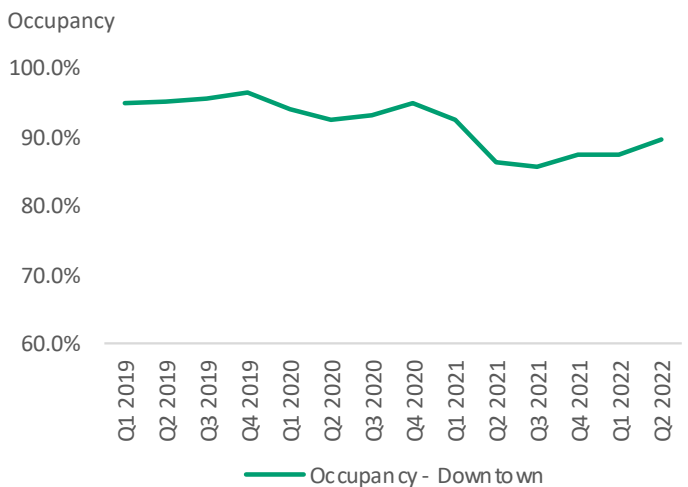
Rental rates of retail malls in the downtown and the midtown area increased to THB1,765 and THB990 per sq m per month, respectively, in Q2.



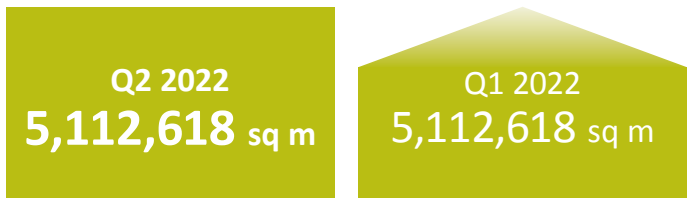
OCCUPANCY IN DOWNTOWN



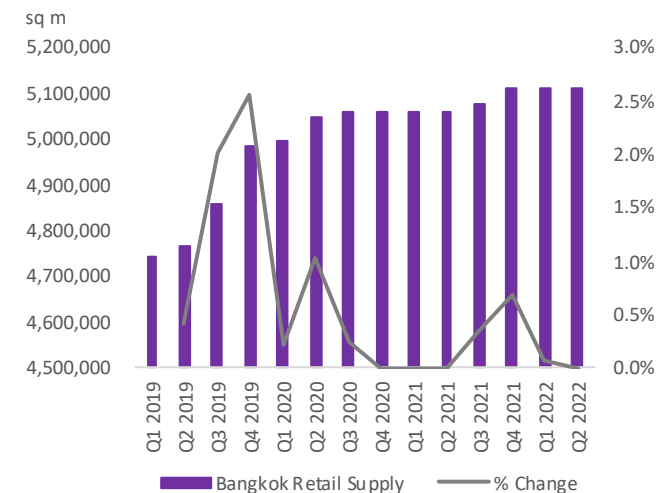
The average occupancy rates of retail malls in the downtown area increased to 89.55 per cent in Q2 compared to 87.39 per cent in Q1.



SUPPLY OF BANGKOK RETAIL SPACES (sq m)



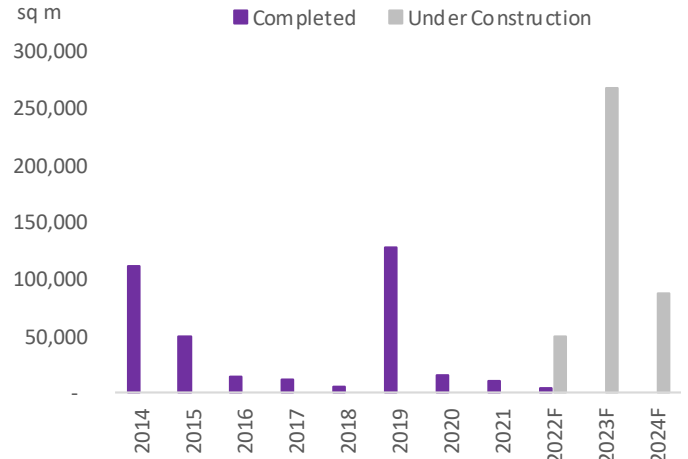
Bangkok's total retail supply remained unchanged at 5,112,618 sq m in Q2.



COMPLETED AND NEW RETAIL SUPPLY IN THE DOWNTOWN AREA (sq m)



There were no new retail spaces in the downtown area in Q2.



MARKET COMMENTARY

- Bangkok retail supply remained unchanged at 5,112,618 sq m in Q2. The ongoing pandemic has delayed the completion of new retail projects due to work restrictions imposed by the government. Therefore, many new retail projects scheduled to open in Q2 have postponed their openings to the second half of this year and early 2023.
- The average occupancy of malls in the downtown area was 89.55% in Q2 2022, increasing from 87.32% in Q1. As for malls in the midtown area, the average occupancy rate increased to 83.62%, compared to 81.78% in Q1.
- The ease in the domestic and global Covid-19 situation, loosened Covid-19 restrictions, the full reopening of the country to foreign visitors, and the increase in foot traffic from tourist shoppers at retail malls have raised the average occupancy rate of retail malls in Q2. However, the average occupancy rate in Q2 did not show a significant improvement over Q1, as it was tempered by the slowdown in economic activity during the quarter. This is attributed to the higher energy cost and the rising cost of living caused by the Russia-Ukraine war.
- According to the University of Thai Chamber of Commerce, Consumer Confidence Index fell to 40.2 in May from 40.7 in April. Consumer sentiment has continuously plunged due to caution in spending, concerns over cost of living and rising energy prices.
- According to research by EDMUND TIE, new rental deals in Q2 closed at slightly higher than the existing tenants in Q2, causing the average rental rates of downtown and midtown retail malls to increase by 3.82 per cent and 3.13 per cent to THB1,765 and THB990 per sq m per month, respectively. Despite the ease in Covid-19 restrictions and the low infection rate, rental rates did not show a drastic increase in Q2 due to businesses still reeling from the prolonged impact of the pandemic.

MARKET OUTLOOK

- Due to the delayed completion of new retail malls, EDMUND TIE Research expects a total leasable area of 50,000 sq m to open in the second half of 2022. Most of these upcoming new retail malls are located in the Central and Sukhumvit areas.
- In the highly competitive retail market, some retail operators tried to maintain their market competitiveness by renovating and refurbishing their outlets into new shopping concepts. New flagship stores in the malls can also attract potential shoppers and increase retail footfall.
- Given the continuous increase of international visitors entering the country following the easing of Covid-19 restrictions, we expect retail malls and tenants to target more tourist shoppers to accelerate sales and revenues. Therefore, the demand for retail spaces in the second half of this year is expected to improve.
- EDMUND TIE Research forecasts that the average rental rate of retail malls in Bangkok to increase by 5 per cent in the second half of this year, stemming from the higher asking rents of new retail projects, which are slated to be completed by year-end and the financial recovery of most tenants.

RESIDENTIAL

KEY HIGHLIGHTS

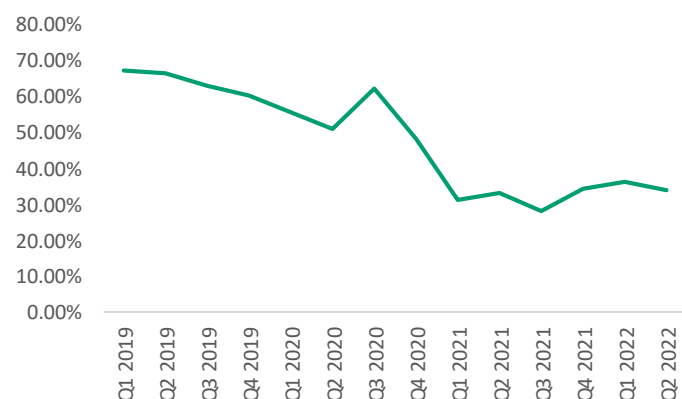
TAKE-UP RATE OF NEW LAUNCHED CONDOMINIUMS

Q2 2022
33.9%

Q1 2022
36.1%

Newly launched units during Q2 2022 recorded a lower take-up rate, at 33.9 per cent compared to 36.1 per cent in Q1 2022.

Take-up Rate



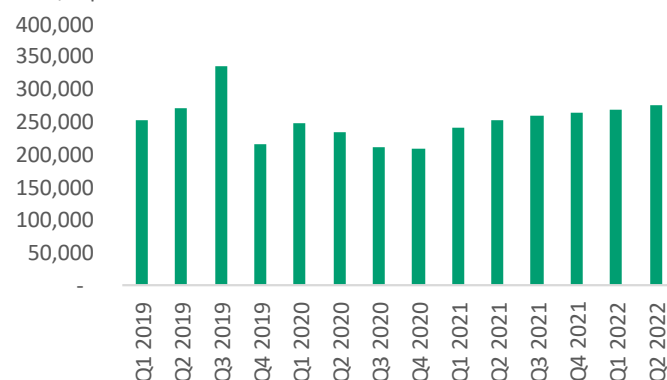
AVERAGE SELLING PRICE OF HIGH-END CONDOMINIUMS IN BANGKOK (THB / sq m)

Q2 2022
THB 274,550

Q1 2022
THB 268,900

The average selling price of high-end condominium projects in Q2 2022 was at THB274,550 per sq m, increasing by 2.1 per cent over Q1.

THB / sq m



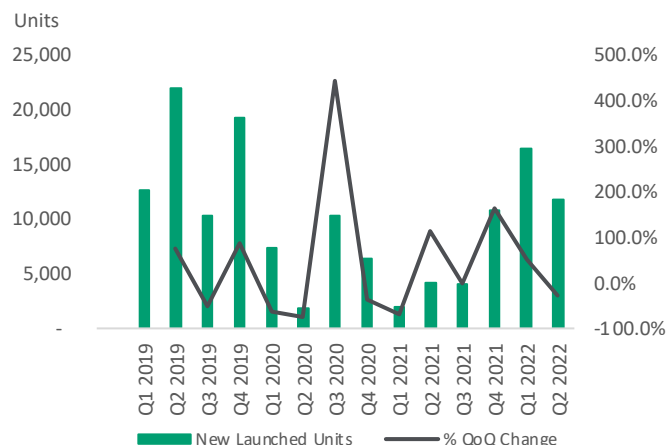
*Price at the period of project launch.

SUPPLY OF NEW LAUNCHED CONDOMINIUMS (UNITS)

Q2 2022
11,738 UNITS

Q1 2022
16,423 UNITS

The decrease in the newly launched units in Q2 stemmed from the slow economic sentiment and the rise in the price of construction materials.

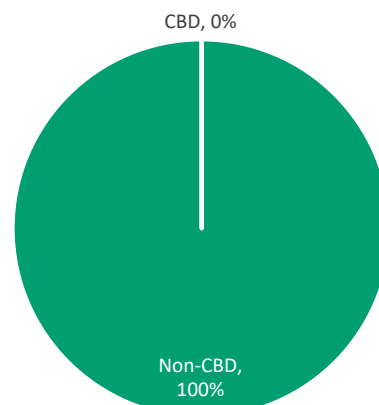


PROPORTION OF NEW LAUNCHED CONDOMINIUMS IN Q4 2021

CBD
0%

NON-CBD
100%

All new condominium supplies in Q2 were affordably-priced units located in the suburbs of Bangkok targeting owner-occupiers.



MARKET COMMENTARY

- The slow economic recovery and the high inflation have caused many developers to review their selling strategies and halt new launches in Q2. In the past, the condominium market in Bangkok was driven by investors and foreign buyers. Due to the current economic challenges, the investment market has not been active, and the market has shifted its focus to local buyers.
- As a result, in Q2 2022, only 11,738 units were launched, lower by 28.5 per cent compared to Q1 2022. All newly launched condominium units were located outside the CBD area, targeting owner-occupiers.
- The average take-up rate of newly launched units decreased to 33.9 per cent compared to 36.1 per cent in Q1. Despite the easing Covid-19 situation and relaxation of restrictions, demand in Q2 was further affected by several external factors, such as the sluggish economy, the depreciation of the Baht currency against the US Dollar, high inflation, the weaker spending power of medium-and-low-income people, and buyers' concern on the future economic direction. Most new condominiums launched in Q2 targeted low-and-medium income buyers.
- The average selling price of high-end condominiums was THB274,550 per sq m in Q2, increasing by 2.1 per cent compared to THB268,900 per sq m in Q1.

MARKET OUTLOOK

- Given the continuous increase in construction costs, EDMUND TIE Research expects most condominium projects to complete on time for cost control. New condominium units to be completed in 2022 will be approximately 37,000 units, with around 20 per cent located in the CBD area and the remaining 80 per cent outside the CBD and suburbs.
- As the economy continues to recover and the reopening of international border, we expect more developers to unveil their new projects in the second half of this year.
- In the medium and affordably-priced segments, developers will review their selling strategies and carefully launch new projects in the remainder of this year since demand in these segments is sensitive to the price increase.
- From EDMUND TIE's point of view, the government's policy on interest rates and the new economic stimulus policies can help improve the market sentiment and enable developers to find solutions for the increase in construction costs to lessen the impact on buyers and their own margins.
- The increasing price of land, construction materials and costs, and the possible increase in the daily wage will further increase the average selling price of Bangkok condominiums in 2022.

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