

Bangkok Retail Market

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“Some retail categories have seen few new projects during the past 10 years, only shopping malls and community malls are having had new projects every year.”

Forecast at a glance



Supply

New retail added to the market in 2016 was the lowest it has been in the past many years, due to some large-scale projects being postponed to 2017.



Demand

There is strong demand from both international and Thai brands, and this will continue to grow in 2017.

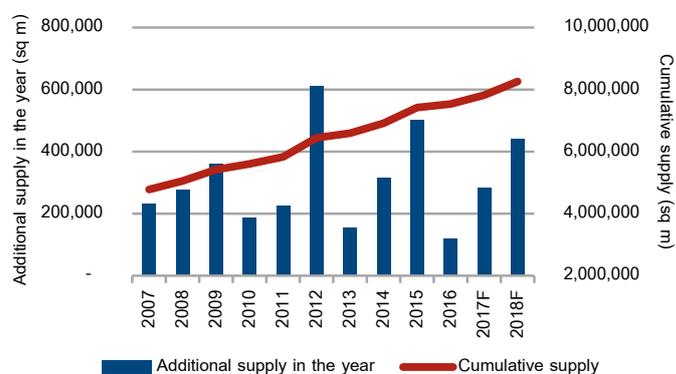


Rent

Retail rents have continuously increased over the past few years due to high occupancy rates, and many new projects have been added to the market. This trend will continue in 2017.

Supply

Cumulative supply and new retail supply by year as of 4Q 2016

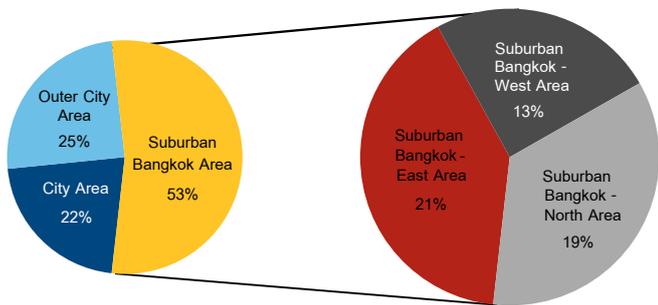


Source: Colliers International Thailand Research
Note: F= Estimated area of all office buildings expected to be completed in 2017 - 2021.

Only 119,200 sq m of new retail space were added to the market in 2016, the lowest in the past many years, and around 282,800 sq m are scheduled to be completed in 2017. New retail supply each year depends on the broader economic situation, so many retail projects were postponed from 2016 to 2017, due to the many negative factors that directly affected the economic overview. Total retail supply in Bangkok and surrounding area as of 4Q 2016 was roughly 7,537,800 sq m. Most of the new retail projects that opened their doors in 2016 were community malls, while large-scale retail projects such as shopping malls are expected to be opened in 2017 – 2018.

Approximately 723,000 sq m of new retail supply is scheduled to be completed in 2017 – 2018, and most future supply consists of shopping malls. Some shopping malls were postponed from 2016 to 2017; therefore, total new retail supply will be around 282,800 sq m.

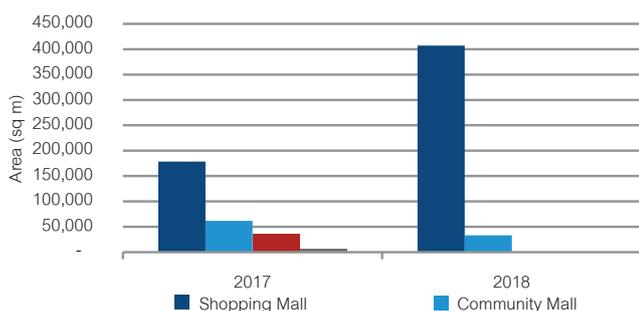
Retail space in Bangkok and surrounding area by location as of 4Q 2016



Source: Colliers International Thailand Research

Approximately 53% of total retail supply in Bangkok and surrounding areas was in the Suburban Bangkok Area. Many large-scale shopping malls and superstore malls were located in this area. Limited available land plots in the City and Outer City areas were the primary obstacle to retail project development, and only a few shopping malls were opened in the area. Community malls and supporting retail saw the most movement in both areas, due to community malls requiring smaller parcels of land, and to the development of supporting retail projects in office buildings or residential projects.

Future retail supply in Bangkok and surrounding area by category in 2017 – 2018



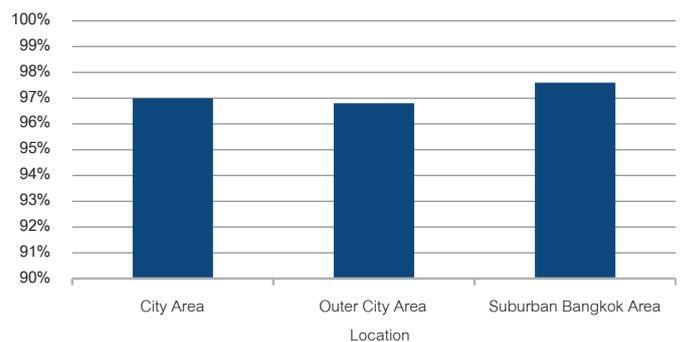
Source: Colliers International Thailand Research

Some large-scale shopping malls are also scheduled to be completed in the Suburban Bangkok Area in 2017 – 2018, pushing up total new shopping mall area in 2017 – 2018 over 585,000 sq.m. Community malls comprised the fastest-growing category in the retail industry, starting from 300,000 sq.m in 2007 and rapidly growing every quarter to 1,194,300 sq.m in 4Q 2016; more than 61,000 sq.m are expected to be opening their doors in 2017.

Some retail categories have seen few (or no) new projects open during the past 10 years, such as entertainment complexes, department stores and only some superstore malls. Only shopping malls and community malls are have had new projects every year.

Demand

Average occupancy rates of retail spaces by location as of 4Q 2016



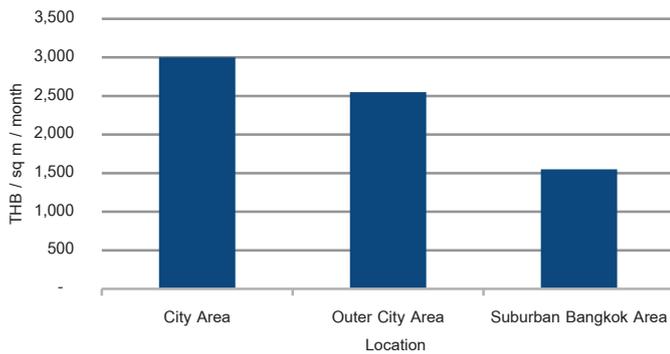
Source: Colliers International Thailand Research

The average occupancy rate in all locations in 4Q 2016 was similar to that in the previous quarter, which was higher than 96% in all locations. Average occupancy rate in all locations did not decrease, although Thai purchasing power continuously declined in 2016, reflecting the country's economic situation, which was worse than government projections. The Bangkok Suburban Area had the highest occupancy rate, with many superstores and shopping malls in the area being almost fully occupied. However, some community malls were empty or unable to attract well-known brands to their projects.

The Consumer Confidence Index in 4Q 2016 is similar to the previous few quarters of 2016, with an increase in December due to the Christmas and New Year seasons. The government announced that all shoppers would receive a tax deduction on selected purchases of goods and services from 14 to 31 December 2016, up to a maximum of THB15,000. This policy motivated many Thai to spend money during the holiday season. Retail business directly benefitted from this policy, and the Thai Retailers Association (TRA) forecasted 2016 retail business growth up from 2015 by around 3%, with 3 – 3.2% for projected for 2017.

Rental Rate

Average rental rates as of 4Q 2016



Source: Colliers International Thailand Research
 Note: The average rental rates are based on the rental rates of the ground floor of a building.

The average rental rates in all locations in Bangkok and the surrounding areas in 4Q 2016 were similar to those of the previous quarter. However, some new retail projects opened their doors in 2015, and most had higher rental rates than existing retail centres in the same location. The City Area had the highest rental rates, especially shopping malls located along BTS lines that are directly accessible from BTS stations.

The average rental rates in all locations in 2017 may continue to increase, with similar rates to 2016 of around 3 - 5%. This is due to the many international and Thai brands or shops continuing to increase their number of branches or stores in all retail centres around Thailand. Thai purchasing power is, however, still lower than government expectations, particularly in those below the middle income group. Many restaurants in retail centres that focus on lower middle income clients faced a tough time in 2016.

Other topics of interest

1. Convenience stores or supermarkets in Gas Stations.

Many gas station operators or oil brands try to add more non-oil business to their gas stations in order to increase revenue from non-oil business streams. Convenience stores are the business model which is most suitable for gas station clients. Convenience stores in gas stations sell many different goods and products depending on their location and target groups. Some convenience stores are from foreign countries, so many of the products for sale are imported from their parent countries.

| Gas Station | Convenience Store |
|-------------|------------------------------------|
| Bangchak | Baichak Mart, Mini Big C and SPAR |
| Caltex | S Minimart and Tops daily |
| Esso | Tesco Lotus Express and S Minimart |
| PT | Max Mart |
| PTT | Jiffy and 7 Eleven |
| Shell | Select |
| Susco | Lawson 108 and Suria |

2. Supermarkets are becoming the new competitive field in 2017.

In addition, all retail operators / developers are focusing on supermarkets, as many big retail players have expanded their supermarkets to areas all around Thailand. Supermarkets have experienced the highest growth rate in retail business over the past 1 – 2 years, with around 8 – 10% growth per year. All of the main players in the supermarket business, such as Villa Markets and Foodland, were planning to increase their number of branches in 2017 by more than 10%. Both The Mall and Central Groups are also looking to expand their supermarket presence in 2017.

FOR MORE INFORMATION:

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