

Bangkok Retail, Q3 2014

Despite sluggish recovery, retailers continue to invest

 **Supply**
+5.7% y-o-y

 **Demand (Occupancy)**
-1.4% y-o-y

 **Retail Sales Index**
-4.4% y-o-y

QUARTERLY HIGHLIGHTS

- In Q3 2014, the total Bangkok retail supply was 6.6 million sq.m., increasing by 5.7% Y-o-Y with an additional seven new retail centres.
- The overall occupancy rate stayed at 94%. The volume of occupied retail space increased to 6.2 million sq.m., up by 4.1% Y-o-Y.
- In July 2014, the retail sales index increased by 1% Q-o-Q but decreased by 4% Y-o-Y.
- The consumer confidence index is recovering but consumer debt is still high at 82.3% of GDP. Domestic consumer confidence and spending will take time to recover to previous spending levels.
- In this quarter, the number of international tourist arrivals dropped by 13.4% Y-o-Y across Thailand and the number of international passengers disembarking at all AOT-managed airports decreased by 11.3% Y-o-Y in Bangkok. The drop in tourist numbers proved especially hard for retail sales in Central Bangkok.

Despite the slowdown in retail sales, there are more than 1.6 million square metres of retail space under construction in Bangkok that will be completed by 2017.

Fifty-seven percent or 900,000 sq.m. of future supply will be located in suburban areas while 33% and 10% will be located in midtown and downtown Bangkok, respectively.

Big retail developers are not only planning large scale projects in midtown and suburban areas but also continue to renovate their retail centres in downtown Bangkok.

In Q3 2014, Siam Piwat announced renovation plans for Siam Paragon and Siam Discovery Centre in 2015. The construction work will take six and eight months to complete.

Global retailers are increasingly interested in entering and expanding their business in the Thai market. Two new international brands entered the Thai market in Q3 2014: TOMS, a clothing brand from America, opened their flagship store at Central Embassy in July 2014; Ladurée, a French luxury bakery and confectionery, opened at Siam Paragon in September 2014.

TOTAL SUPPLY, DEMAND AND VACANCY BY AREA, Q3 2014

| | TOTAL MARKET | DOWNTOWN | MIDTOWN | SUBURBS |
|----------------|--------------|-------------|-------------|-------------|
| Total Supply | 6.6 million | 1.4 million | 2.2 million | 3.0 million |
| Total Take -Up | 6.2 million | 1.3 million | 2.1 million | 2.9 million |
| Total Vacancy | 0.4 million | 0.1 million | 0.1 million | 0.1 million |
| % Vacant | 6.1 % | 8.7 % | 6.3 % | 4.7 % |

Source: CBRE Research, Q3 2014

We expect to see other international brands such as Tiffany & Co., Van Cleef & Arpels and Roger Vivier debut at EmQuartier by the end of this year.

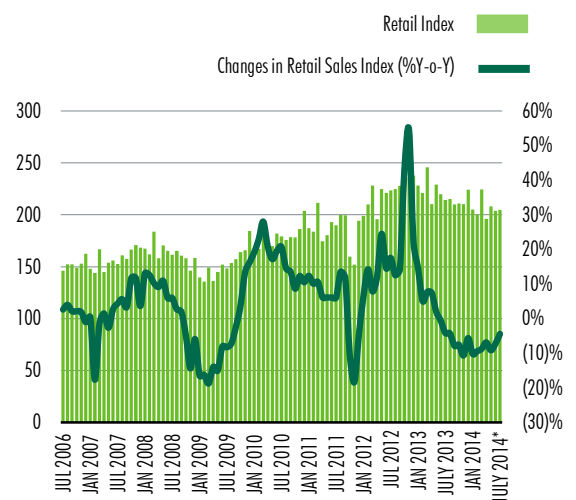
In Q3 2014, Japan’s Tokyu Department Store announced its first local expansion through a joint venture with MBK to develop a new store at Paradise Park on Srinakarin road. The new branch will occupy a two-storey building with a gross floor area of 13,165 sq.m. It is due to open in Q1 2015.

Another, major department store chain, Takashimaya Co. will open its first store in Southeast Asia in Bangkok in 2017. The store will occupy seven floors and one basement at Icon Siam on the Chao Phraya River with a gross floor area of 36,000 sq.m.

Overall, the total occupied retail space increased from 6.1 million sq.m. in Q2 2014 to 6.2 million sq.m. in Q3 2014, a slight increase of 1.9% Q-o-Q. Suburban areas experienced the highest occupancy growth due to the renovation of shopping centres in both downtown and midtown areas, resulting in temporary vacancies and new openings of retail centres in suburban areas during 2014.

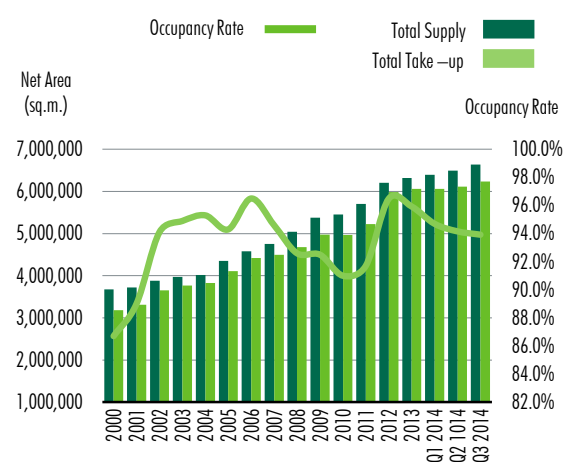
The overall occupancy rate of Bangkok retail properties in Q3 2014 stayed at 94%, decreasing by 0.2% Q-o-Q or 1.4% from Q3 2013.

Figure 1: Thailand’s Retail Sales Index

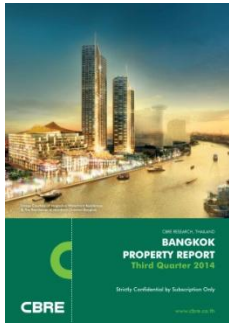


Source: Bank of Thailand

Figure 2: Bangkok Retail Market



Source: CBRE Research, Q3 2014

QUARTERLY REPORTS

Bangkok Property Report

The Bangkok Property Report, now in its 17th year, is CBRE Thailand's flagship quarterly subscription publication, with data from a tried and tested database reinforcing its reputation as Bangkok's definitive property sector source.

The Bangkok Property Report provides in-depth analysis of the Bangkok real estate market, including property supply and demand, occupancy, take-up, prices, rental trends and other indicators.


Bangkok Retail Report

The CBRE's Bangkok Retail Report is produced quarterly by a professional retail research team who closely monitor the complex retail database so that our in-depth analysis will definitely be the most meaningful.

The report covers all necessary topics which could be a part of your strategic future business plan. Retail supply, demand, take-up, occupancy, and other indicators that have an effect on the retail market such as retail sale index are all provided.

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