


Bangkok Retail, Q2 2015

Thai retail market remains weak

 Supply
+6.0% y-o-y

 Demand (Occupancy)
-2.9% y-o-y

 Retail Sales Index
-3.4% y-o-y

QUARTERLY HIGHLIGHTS

- In Q2 2015, the total Bangkok retail supply was 6.9 million sq.m., increasing 6.0% Y-o-Y with an additional 73,040 sq.m. of net lettable area.
- Two new retail centres opened this quarter: the 70,000 sq.m. The Hub, which is an expansion of the Zeer Rangsit shopping mall, and the 3,040 sq.m. The Rest Area community mall at Prachachuen Toll Plaza on Srirat expressway.
- The volume of occupied retail space increased to 6.3 million sq.m., up by 0.4% Q-o-Q or 4.8% Y-o-Y. The overall occupancy rate was 93.1% but its sustainability remains uncertain.
- In June 2015, Thailand's Consumer Confidence Index (CCI) decreased to 77.7 compared to an average of 79.1 in Q1 2015. The retail sales index was at 201.15 as of May 2015, falling by 4.4% Q-o-Q or 3.4% Y-o-Y.
- Benchmark indicators were the 2.0% Y-o-Y decline in Tesco's same store sales for the period of March to May 2015 and a 1.8% Y-o-Y decline in Q2 2015 same store sales for Big C. However, CP All's 7-Eleven same store sales showed a slight increase of 1.1% Y-o-Y in Q2 2015.

The retail market in Thailand struggled during the first half of this year due to the economic slowdown as well as weak consumer spending and confidence.

During Q2 2015, leasing demand was led by international brands from Europe and the United States, particularly in the luxury sector in downtown Bangkok; domestic retailers have slowed their pace of expansion.

Construction continued on many new centres that will add approximately 1.5 million square metres of new supply to Bangkok's modern retail property stock over the next three years, a 15% increase. The large supply in the pipeline will continue to increase competition in Bangkok. Many landlords are renovating their existing malls in order to attract new brands which is key to increasing traffic.

If all the large shopping centres announced by the big players such as Central, The Mall Group, Siam Future, and Siam Piwat go ahead and there is little improvement in the economy, then competition is going to be fierce. Not everyone will succeed in attracting tenants and customers.

We are likely to see some community malls fail and less growth in that sector.

TABLE 1: TOTAL SUPPLY, DEMAND AND VACANCY BY AREA, Q2 2015

	TOTAL MARKET	DOWNTOWN	MIDTOWN	SUBURBS
Total Supply	6.9 million	1.5 million	1.9 million	3.4 million
Total Take -Up	6.3 million	1.3 million	1.8 million	3.2 million
Total Vacancy	0.6 million	0.2 million	0.1 million	0.2 million
% Vacant	8.7 %	13.3 %	5.3 %	5.9 %

Source: CBRE Research, Q2 2015

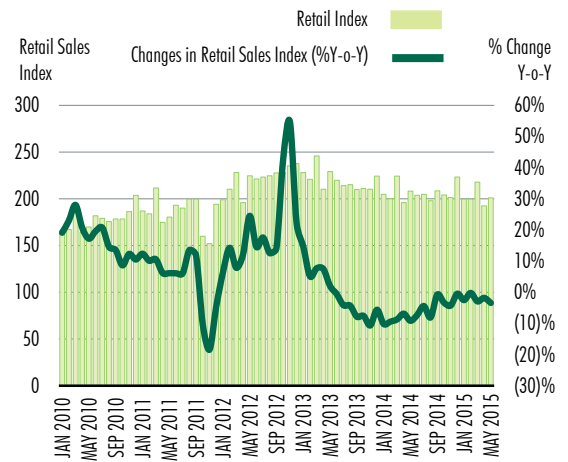
During the past five years, community malls have aggressively expanded in Bangkok with an average growth rate of 32% per year, compared with an average growth rate of 5% per year in overall retail supply. Almost 200,000 square metres of community mall space opened in Bangkok during the year 2014.

However, we have seen a slowdown in the number of new community malls being announced. Only 22,040 square metres of community mall space opened in the first half of 2015 with another 71,081 square metres due to open in the second half of this year.

This may be due to several reasons including small developers, who have built most of the community malls, recognizing that running them is actually quite challenging and certainly not as easy as it looks. The slowdown may also be due to more conservative bank lending and the banks increasingly only lending to experienced developers.

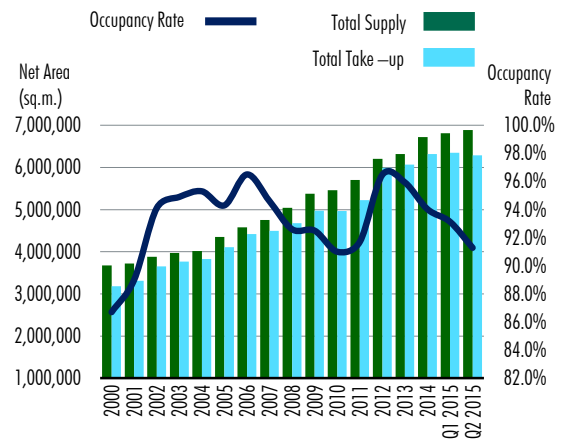
Online retailing is just emerging in Thailand and is very much in its infancy. We are seeing investment in the E-commerce sector and expect that “clicks” will start to compete with “bricks”, further hitting shopping centres that fail to adapt.

Figure 1: Thailand's Retail Sales Index



Source: Bank of Thailand, Q2 2015

Figure 2: Bangkok Retail Market



Source: CBRE Research, Q2 2015

QUARTERLY REPORTS

Bangkok Property Report

The Bangkok Property Report, now in its 18th 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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