


Bangkok Retail, Q3 2015

# Increasing demand for high quality suburban malls

 **Supply**  
+6.3% y-o-y

 **Demand (Take-up)**  
+3.2% y-o-y

 **Retail Sales Index**  
-1.5% y-o-y

**QUARTERLY HIGHLIGHTS**

- In Q3 2015, the total Bangkok retail supply was 7.0 million sq.m., increasing by 2.4% Q-o-Q or 6.3% Y-o-Y with an additional 162,058 sq.m. of net lettable area in six new retail centres. The largest new development completed was the 132,000-sq.m. CentralPlaza WestGate, a shopping centre at Bang Yai intersection.
- The volume of occupied retail space was 6.4 million sq.m., slightly increasing by 2.3% Q-o-Q or 3.2% Y-o-Y. However, the overall occupancy rate dropped to 91.2% due to the major renovations of many retail centres in Bangkok.
- In September 2015, Thailand’s Consumer Confidence Index (CCI) decreased to 73.4, compared to the average CCI of 75.5 in Q2 2015. The retail sales index was at 201.58 as of July 2015, increasing by 2.8% Q-o-Q but slightly decreasing by 1.5% Y-o-Y.
- Benchmark indicators were Tesco’s Like-for-Like sales growth of 3.0% Y-o-Y during July – August 2015 and CP All’s 7-Eleven same store sales increase of 1.6% in Q3 2015; however, Big C’s same store sales dropped by 5.2% Y-o-Y in Q3 2015.

In this quarter, the number of international tourist arrivals increased by 24% Y-o-Y across Thailand, and the number of international passengers disembarking at all AOT-managed airports also increased by 23% Y-o-Y in Bangkok. The increase in tourist numbers improved the retail sales in Central Bangkok.

Despite the slowdown in retail sales, there is more than 1.1 million square metres of retail space under construction in Bangkok that will be completed by 2017. Forty-four percent or almost 500,000 sq.m. of future supply will be located in suburban areas while 41% and 15% will be located in midtown and downtown Bangkok, respectively.

The big retail developers are not only planning large-scale projects in the midtown and suburban areas but also continuing to renovate their retail centres in downtown Bangkok. The large supply in the pipeline will intensify the competition in Bangkok, and major retail developers are renovating their existing malls in order to attract new brands and more customers. The examples of renovated major malls include Siam Discovery, MBK Centre, CentralPlaza Pinklao and CentralPlaza Bangna.

**TABLE 1: TOTAL SUPPLY, DEMAND AND VACANCY BY AREA, Q3 2015**

|                | TOTAL MARKET | DOWNTOWN    | MIDTOWN     | SUBURBS     |
|----------------|--------------|-------------|-------------|-------------|
| Total Supply   | 7.0 million  | 1.5 million | 2.0 million | 3.5 million |
| Total Take -Up | 6.4 million  | 1.3 million | 1.8 million | 3.3 million |
| Total Vacancy  | 0.6 million  | 0.2 million | 0.2 million | 0.2 million |
| % Vacant       | 8.7 %        | 14.0 %      | 9.5 %       | 6.0 %       |

Source: CBRE Research, Q3 2015

Both international and domestic retailers are becoming more interested in expanding their business in suburban areas. During Q3 2015, the leasing demand was driven by international fashion brands from Europe and the United States.

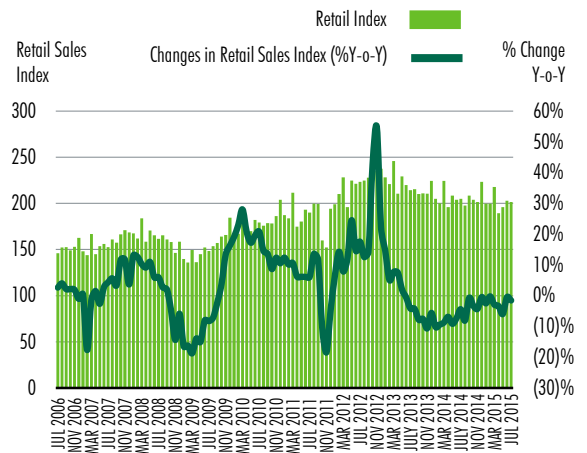
However, if there will be little improvement in the economy, then we are likely to see weak performance in some shopping malls.

The weak economy has led to a slowdown in retail development in provincial cities. There also seems to have been a slowdown in community mall development. Many community mall developers were first-time developers building on family land. There appears to a realization that developing community malls is not easy and banks may be reluctant to lend to first-time developers.

Taking into account the combination of a significant increase in new supply and continued weak consumer sentiment, we think it will be very challenging for developers to be able to raise rents and we are predicting little or no rental growth for the next twelve months unless there is a significant increase in consumer spending.

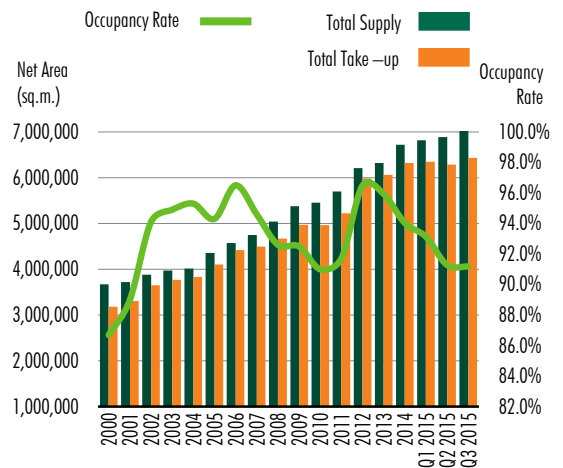
Looking forward, competition in the Bangkok retail market will be fierce with the new malls trying to take shoppers away from the existing malls.

**Figure 1: Thailand's Retail Sales Index**

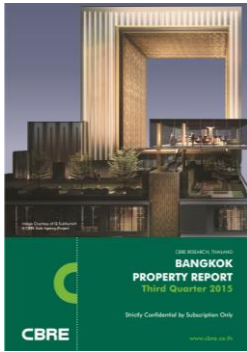


Source: Bank of Thailand, Q3 2015

**Figure 2: Bangkok Retail Market**



Source: CBRE Research, Q3 2015

**QUARTERLY REPORTS**

**Bangkok Property Report**

The Bangkok Property Report, now in its 18<sup>th</sup> 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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