


## Bangkok Retail, Q4 2015

# Weak Consumer Spending amid Increased Competition

 Supply  
+5.7% y-o-y

 Demand (Take-up)  
+4.7% y-o-y

 Retail Sales Index  
+1.9% y-o-y

## QUARTERLY HIGHLIGHTS

- In Q4 2015, the total Bangkok retail supply was 7.1 million sq. m., increasing by 0.7% Q-o-Q or 5.7% Y-o-Y with an additional 172,200 sq.m. of net lettable area in eight new retail centres. The largest new development completed was the 64,500-sq.m. CentralFestival EastVille, a shopping centre on Ekamai-Ramindra Road.
- The volume of occupied retail space was at 6.6 million sq.m., slightly increasing by 2.9% Q-o-Q or 4.7% Y-o-Y. The overall occupancy rate increased to 93.2% due to the reopening of major refurbished malls such as Isetan Department store at CentralWorld and CentralPlaza Pinklao.
- In December 2015, Thailand's Consumer Confidence Index (CCI) increased to 76.1, compared to the average CCI of 73.0 in Q3 2015. The retail sales index was at 207.97 as of November 2015, increasing by 4.12% Q-o-Q or 1.95% Y-o-Y.
- The number of international tourist arrivals to Thailand reached a record level to almost 30 million in 2015, substantially growing by approximately 20% from last year. The increase in tourist numbers improved the retail sales in Central Bangkok.

Due to the sluggish economy and the weak consumer sentiment, the Thai retail sector continues to have a tough time. According to the Thai Retailers Association, the overall retail business in Thailand grew only by 3.1% in 2015, slightly higher than the year's GDP growth rate of 2.8%.

Despite increasing in the last quarter, the retail sales index had decreased for 27 consecutive months from June 2013 to September 2015. The only bright spots of the year have been the record-high international tourist arrivals to Thailand, which boosted retail sales in Central Bangkok; and the Government's Shopping for the Nation Campaign, a tax-deduction measure allowing Thai taxpayers to deduct the taxable income on goods and services purchased from December 25 to 31, which lifted retail sales figures in Q4 2015.

As a result, a number of major developments have postponed the start of construction, and most of the future supply is still in the planning stage, including EmSphere, Mega Rangsit, Bangkok Mall, and Central M. These big retail developments are only expected to be completed after 2018 or beyond if construction does not start this year.

TABLE 1: TOTAL SUPPLY, DEMAND AND VACANCY BY AREA, Q4 2015

	TOTAL MARKET	DOWNTOWN	MIDTOWN	SUBURBS
Total Supply	7.1 million	1.5 million	2.0 million	3.6 million
Total Take -Up	6.6 million	1.3 million	1.9 million	3.4 million
Total Vacancy	0.5 million	0.2 million	0.1 million	0.2 million
% Vacant	6.8 %	8.9 %	7.2 %	5.7 %

Source: CBRE Research, Q4 2015

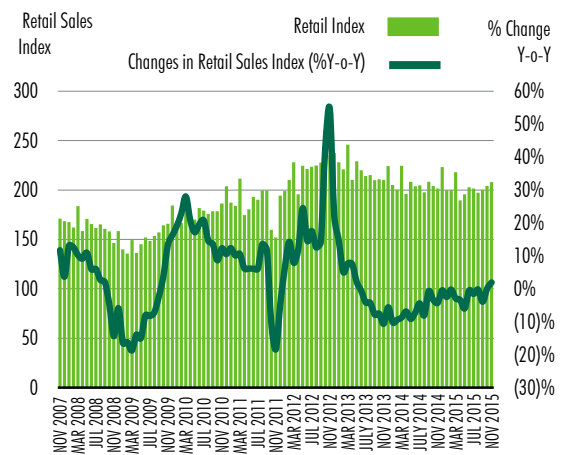
In contrast, new supply in 2016 is expected to be limited and will consist of mostly small-scale developments. Out of the approximately 234,000 sq. m. of new supply to be completed in 2016, there is only one large-scale project, which is Show DC, with 74,000 sq. m.

Competition in the suburbs has continued to increase. In Q4 2015, the openings of both The Crystal Veranda (Phase 3) and CentralFestival Eastville have intensified the head-to-head competition between The Crystal and Central in the Ekamai-Ramindra area.

Despite accounting for only 1% of the total retail sales in Thailand in 2015, online sales have been growing rapidly. We have seen the beginning of a shift in consumer behavior towards online shopping. Major e-commerce companies such as Lazada, Weloveshopping, and Tarad have rapidly grown their platforms in 2015, and even major retailers, such as Central, The Mall, Tesco Lotus and Big C are upgrading their online offerings. The growth of online shopping will threaten some “bricks and mortar” stores and will mean that the landlords will need to adjust their tenant mix in order to persuade people to come to their mall rather than shop online.

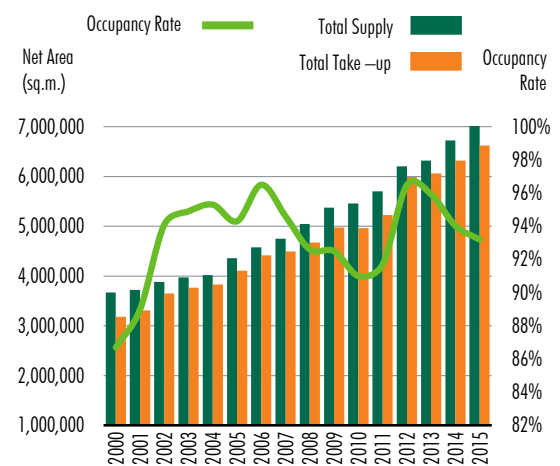
There is a continued slowdown in the development of community malls as the banks have become more conservative in lending, and potential developers have realized the difficulty in successfully running a community mall. Some community malls will struggle to retain tenants and attract customers.

Figure 1: Thailand's Retail Sales Index

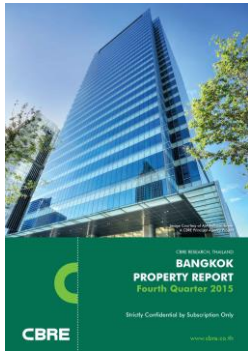


Source: Bank of Thailand, Q4 2015

Figure 2: Bangkok Retail Market



Source: CBRE Research, Q4 2015

**QUARTERLY REPORTS**

**Bangkok Property Report**

The Bangkok Property Report, now in its 19<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.


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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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