

## Bangkok Retail, Q1 2016

# Slow retail sales delay new retail project launches

 Supply  
+7.0% y-o-y

 Demand (Take-up)  
+5.4% y-o-y

 Retail Sales Index  
+0.02% y-o-y

## QUARTERLY HIGHLIGHTS

- In Q1 2016, the total Bangkok retail supply was 7.2 million sq. m., increasing by 0.9% Q-o-Q or 7% Y-o-Y with an additional 60,000 sq. m. of net lettable area in nine new retail centres.
- The volume of occupied retail space was at 6.7 million sq. m., slightly increasing by 0.6% Q-o-Q or 5.4% Y-o-Y. The overall occupancy rate was at 92.9%, dropping 0.3 percentage point from the previous quarter.
- In March 2016, Thailand's Consumer Confidence Index (CCI) dropped to 73.5, compared to 75.5 and 74.7 in January and February, respectively. The retail sales index was estimated by the BOT to be 200.7 in January 2016, increasing by 0.02% Y-o-Y.
- The number of international tourist arrivals to Thailand continued to grow, increasing by approximately 15% from last year. The increase in tourist numbers improved the retail sales in Central Bangkok.

We have yet to see signs of recovery in the retail sector as domestic demand remained weak. The retail sales index in January 2016 estimated by the Bank of Thailand was at 200.7 points, increasing by only 0.02% Y-o-Y. Thailand's Consumer Confidence Index (CCI) dropped to 73.5 in March 2016, the lowest level in five months, from 75.5 and 74.7 in January and February 2016, respectively. In addition, Thailand's household debt level continues to be an issue at more than 80% of total GDP, dragging down the spending power of consumers.

Competition in the Bangkok Retail Market has increased tremendously over the past few years with a number of large-scale projects completed. Total retail supply in Bangkok amounted to 7.2 million sq. m., increasing by nearly 900,000 sq. m. from the figure in 2014. Not all shopping centers will perform, and we have seen falling occupancy in some of the old or poorly managed malls. The occupancy as of Q1 2016 was at 92.9%, dropping by 0.3 percentage points from the previous quarter.

Against the unfavorable economic backdrop, coupled with the increased competition in the Bangkok retail market over the last couple of years, a number of developers have continued to postpone planned projects in the city, including mega projects namely EmSphere, Mega Rangsit, Bangkok Mall, and Central M. Instead, they have focused on renovating and

TABLE 1: TOTAL SUPPLY, DEMAND AND VACANCY BY AREA, Q1 2016

	Total Market	Downtown	Midtown	Suburbs
Total Supply	7.2 million	1.5 million	2.0 million	3.6 million
Total Take-up	6.7 million	1.3 million	1.9 million	3.4 million
Total Vacancy	0.5 million	0.1 million	0.2 million	0.2 million
% Vacant	7.1%	9.0%	8.0%	5.8%

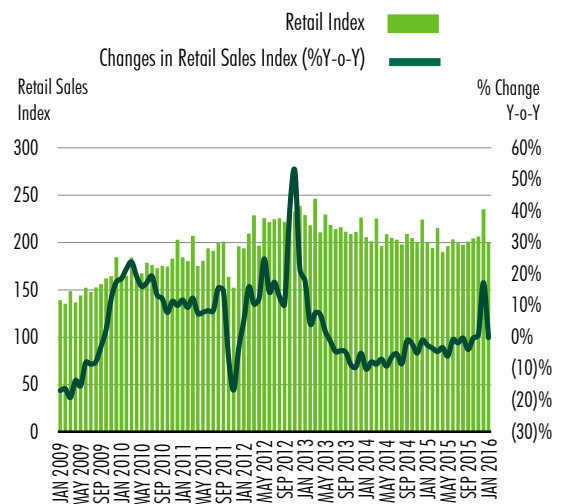
Source: CBRE Research, Q1 2016

repositioning existing malls and selectively expanding upcountry. Newly completed retail supply in Bangkok has begun to slow down. In Q1 2016, there was approximately 60,000 sq. m. of new supply in Bangkok from nine new retail developments. None of the new supply in Q1 2016 was large-scale, with the largest development completed being the Ratchadapisek Suam Lum Night Bazaar.

E-commerce is an up and coming risk to the “bricks and mortar” stores. Despite representing a small share of total retail sales, e-commerce in Thailand has grown rapidly over the past year. Recognizing the growth potential of e-commerce, Central Group is likely to acquire Zalora Thailand and Vietnam, according to multiple sources. This move is expected to strengthen Central Group’s cross border e-commerce position in Southeast Asia. Additionally, Alibaba’s acquisition of the controlling stake in Lazada Group Southeast Asia will further shake up the e-commerce industry in the region. The growing competition in e-commerce will spur growth in online shopping, and subsequently pose more challenges to physical retail stores. As a result, retail developers will have to create more attractions and give reasons for consumers to visit their physical stores.

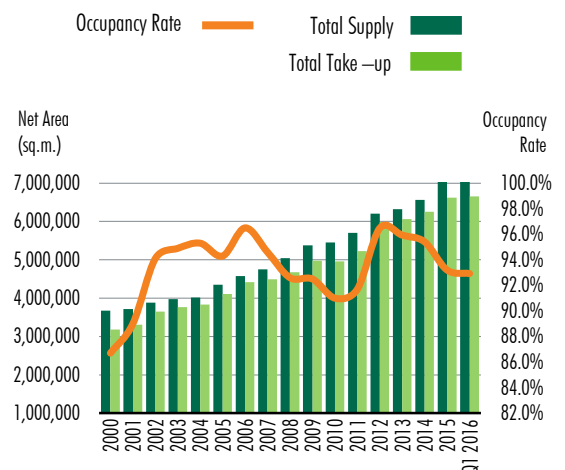
Looking forward, unless domestic demand recovers, we do not expect the delayed projects to start construction anytime soon. With the combination of low future supply and the completion of refurbishment in major retail centers, we believe the occupancy rate will bottom out this year. However, rental growth going forward is expected to be limited as competition remains fierce.

Figure 1: Thailand’s Retail Sales Index

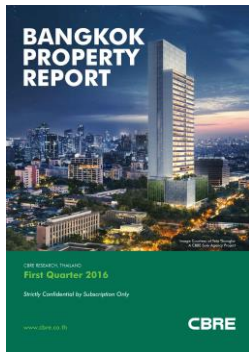


Source: Bank of Thailand, Q1 2016

Figure 2: Bangkok Retail Market



Source: CBRE Research, Q1 2016

**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.


**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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