


Bangkok Retail, Q2 2016

Retail sales recover but uncertainty remains

 **Supply**
+6.2% y-o-y

 **Demand (Take-up)**
+7.4% y-o-y

 **Retail Sales Index**
+8.25% y-o-y

QUARTERLY HIGHLIGHTS

- In Q2 2016, the total Bangkok retail supply was 7.19 million sq. m., increasing by 0.003% Q-o-Q or 6.2% Y-o-Y with an additional 23,974 sq. m. of net lettable area in four new retail centres.
- The volume of occupied retail space was around 6.7 million sq. m., increasing by 1.4% Q-o-Q or 7.4% Y-o-Y. The overall occupancy rate was 93.9%, increasing by 1 percentage point Q-o-Q or 2.6 percentage points Y-o-Y.
- In June 2016, Thailand's Consumer Confidence Index (CCI) dropped to 71.6, compared to 72.6 and 72.7 in May and April, respectively. The retail sales index in May 2016 estimated by the Bank of Thailand (BOT) was at 216.01, increasing by 8.25% Y-o-Y.
- This quarter, the number of international tourist arrivals to Thailand continued to grow, increasing by approximately 9.8% Y-o-Y. The increase in tourist numbers improved the retail sales in Central Bangkok.

The Thai retail industry has shown signs of recovery, yet remains fragile amid the weak consumer sentiment. The retail sales index in May 2016 estimated by the BOT was at 216.01, increasing by 8.25% Y-o-Y. A key driver for the positive growth trend in this quarter was the recovery in the farm sector. However, Thailand's Consumer Confidence Index (CCI) dropped to 71.6 in June, the lowest level since the political turmoil, from 72.6 and 72.7 in May and April 2016, respectively. Moreover, household debt still remained high 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. As of Q2 2016, the total retail supply in Bangkok amounted to 7,189,766 sq.m., increasing by only 23,974 sq.m. (0.3% Q-o-Q, 6.2% Y-o-Y). However, the average new supply per quarter over the past two years has been approximately 100,000 sq. m. As we see supply slow down this quarter, we expect to see more competition in marketing campaigns to compete for customer traffic.

Despite we see the improvement in occupancy rate, increasing the retail rental rate has remained a challenge for developers. The occupancy as of Q2 2016 was at 93.9%, increasing by one percentage point from the previous quarter.

TABLE 1: TOTAL SUPPLY, DEMAND AND VACANCY BY AREA, Q2 2016

	Total Market	Downtown	Midtown	Suburbs
Total Supply	7.2 million	1.5 million	2.0 million	3.7 million
Total Take-up	6.7 million	1.4 million	1.9 million	3.5 million
Total Vacancy	0.4 million	0.07 million	0.15 million	0.2 million
% Vacant	6.1%	5.1%	7.4%	5.8%

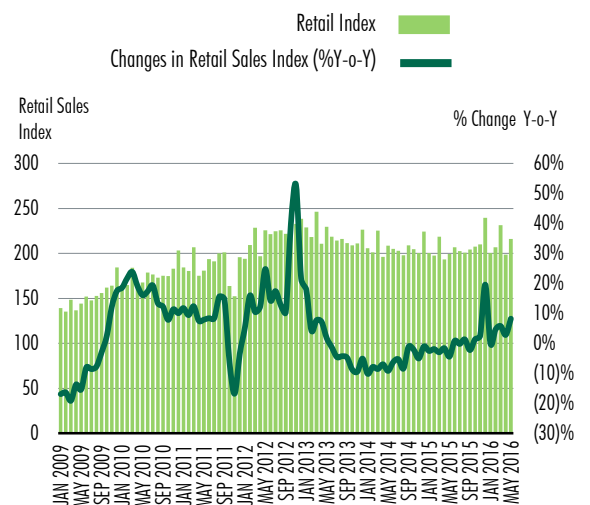
Source: CBRE Research, Q2 2016

Nevertheless, we have seen falling occupancy in some of the old or poorly managed malls.

Recognizing the threat and importance of e-commerce, Central Group has acquired Zalora Thailand. This deal will strengthen Central Group’s dominant position in the country since they have improved their online-to-offline shopping experience. However, not all e-commerce business had been successful. As competition in e-commerce remains fierce, only big players with a healthy financial status are likely to survive in this arena. Ensogo has announced its closure due to insufficient financial support from its parent company, Ensogo Australia. Moreover, Rakuten also sold its share in Tarad.com and exited the market earlier this year. As e-commerce is growing fast and attractive, there will be more competition to compete for the consumer share of wallet.

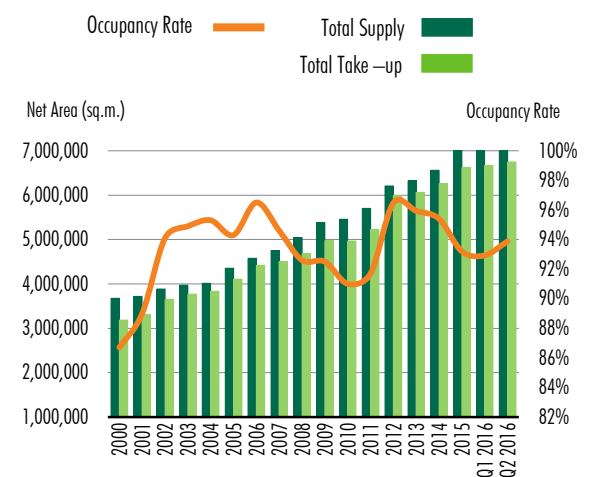
Looking forward, the future retail supply in Bangkok will be limited as the major developers are taking a “wait and see” approach. Unless the economy recovers, developers are expected to postpone their large-scale projects. With the completion of the refurbishment of large-scale projects, we expect the overall occupancy rate to continue to increase. However, due to the combination of weak consumer sentiment, high level of household debt and increasing competition, it is still challenging for developers to raise rents.

Figure 1: Thailand’s Retail Sales Index

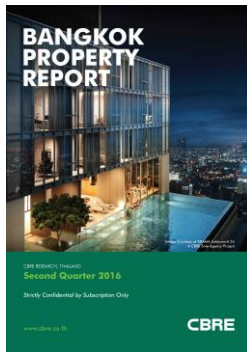


Source: Bank of Thailand, Q2 2016

Figure 2: Bangkok Retail Market



Source: CBRE Research, Q2 2016

QUARTERLY REPORTS

Bangkok Property Report

The Bangkok Property Report, now in its 19th 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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