


Bangkok Retail, Q3 2016

Retail sales gradually recover with slow growth

 Supply
+3.9% y-o-y

 Demand (Take-up)
+4.3% y-o-y

 Retail Sales Index
+2.21% y-o-y

QUARTERLY HIGHLIGHTS

- In Q3 2016, Total Bangkok retail supply was 7.2 million sq. m., increasing by 0.1% Q-o-Q or 3.9% Y-o-Y with an additional 9,925 sq. m. of net lettable area two new retail centres.
- The volume of occupied retail space was around 6.7 million sq. m., remaining the same Q-o-Q but increasing by 7.4% Y-o-Y. The overall occupancy rate was 93.1%, decreasing by 0.8 percentage points Q-o-Q or 1.9 percentage points Y-o-Y.
- In September 2016, Thailand's Consumer Confidence Index (CCI) increased to 74.2, compared to 73.2 and 72.5 in July and June, respectively. CCI had positive Y-o-Y growth for the first time in August and September after negative Y-o-Y growth since June 2015, showing an improvement in consumer sentiment. The retail sales index in July 2016 estimated by the Bank of Thailand (BOT) was at 207.27, increasing by 2.2% Y-o-Y.
- In Q3 2016, the number of international tourist arrivals continued to grow, increasing by 13% Y-o-Y across Thailand. The increase in tourist numbers improved the retail sales in Central Bangkok.

The Thai retail industry is gradually recovering, but growth will be slow amid economic uncertainty. The retail sales index in July 2016, estimated by the Bank of Thailand (BOT), was at 207.27, increasing by 2.21% Y-o-Y. In Q3 2016, Thailand's Consumer Confidence Index (CCI) started to recover, after hitting 72.5 in July 2016, its lowest level since the political turmoil of April 2014, rising to 73.2 and 74.2 in August and September 2016, respectively, showing positive sentiment going forward. Household debt still remained high at more than 80% of total GDP, dragging down the spending power of consumers.

As of Q3 2016, the total retail supply in Bangkok amounted to 7,199,691 sq.m., increasing by only 9,925 sq.m. (0.1% Q-o-Q, 3.9% Y-o-Y). However, the average new supply per quarter over the past two years has been approximately 100,000 sq. m., we expect developers to focus on the perform of shopping malls though renovation and repositioning and delay new development.

Due to increased competition in Bangkok in the past few years, coupled with changing consumer behavior, we continue to see falling occupancy in some old or poorly managed malls while we see the occupancy from major developers, namely CPN, The Mall group, Siam Retail Development, and Siam Future Development, remaining strong due to their uniqueness and good management.

TABLE 1: TOTAL SUPPLY, DEMAND AND VACANCY BY AREA, Q3 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	0.49 million	0.1 million	0.17 million	0.21 million
% Vacant	6.9%	7.8%	8.1%	5.8%

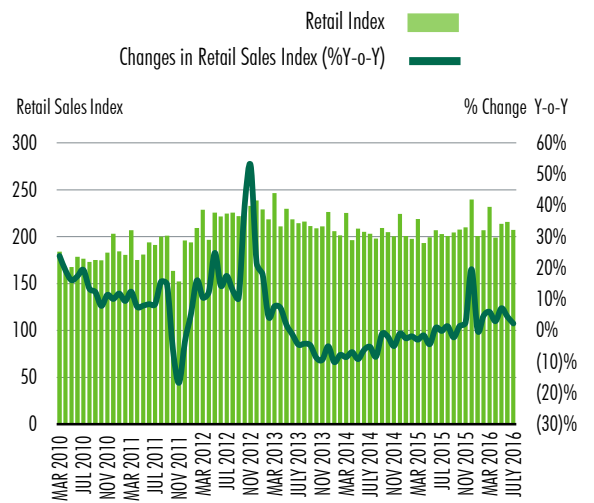
Source: CBRE Research, Q3 2016

Overall occupancy as of Q3 2016 was at 93.1%, dropping by 0.8 percentage points from the previous quarter.

With increasing internet penetration, e-commerce in Thailand has grown rapidly over recent years. Many retailers have been actively trying to reach their customers via online marketing. To maximize the efficiency of their existing physical stores, we expect to see retailers growing their sales more through omni-channels as there will be synergy between offline and online stores. For example, you can order products online through 24catalog.com, a subsidiary of CPALL plc, and pick up your products at the 7-Eleven branch near your home without any extra charges. In addition, we expect to see retail developers create more attractions and giving additional reasons for consumers to visit their physical stores.

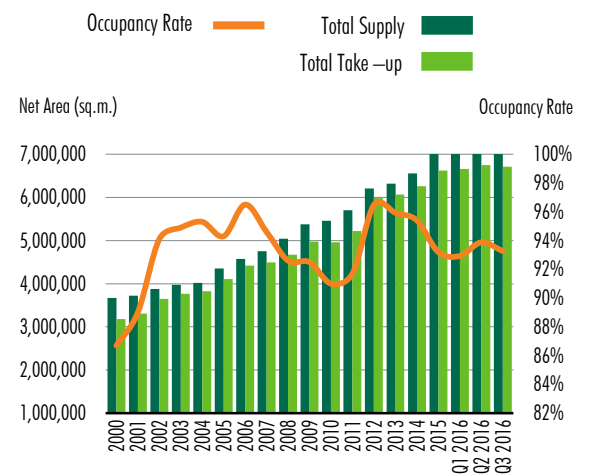
Looking forward, with a number of large-scale projects being postponed, future retail supply in Bangkok in the next couple of years will be limited. Combined with the refurbishment of large-scale projects, we expect the overall occupancy rate to continue to increase. However with the high level of household debt and the increasing competition, it would still be challenging for developers to raise rents.

Figure 1: Thailand's Retail Sales Index

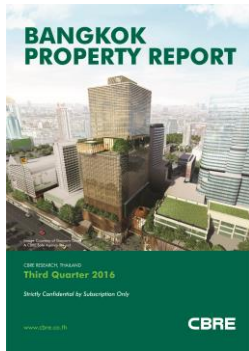


Source: Bank of Thailand, Q3 2016

Figure 2: Bangkok Retail Market

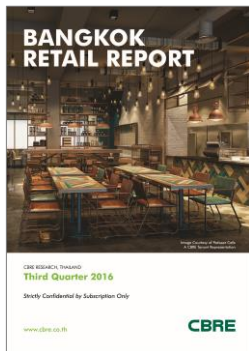


Source: CBRE Research, Q3 2016

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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