


Bangkok Retail, Q4 2016

Retail sales gradually recover

 Supply
+3.2% y-o-y

 Demand (Take-up)
+3.9% y-o-y

 Retail Sales Index (Nov)
+6.76 point y-o-y

QUARTERLY HIGHLIGHTS

- In Q4 2016, the total Bangkok retail supply was 7.3 million sq. m., increasing by 1.8% Q-o-Q or 3.2% Y-o-Y with an additional 130,882 sq. m. of net lettable area in nine retail centres. The largest new development completed was the Show DC with a net lettable area of 74,000 sq.m.
- The volume of occupied retail space was around 6.9 million sq. m., increasing by 2.4% Q-o-Q and 3.9% Y-o-Y. The overall occupancy rate was 93.8%, increasing by 0.7 percentage points Q-o-Q and 0.6 percentage points Y-o-Y.
- In December 2016, Thailand's Consumer Confidence Index (CCI) picked up to 73.7, after dropping to 72.3 and 73.1 in November and October, respectively. The drop in CCI was due to the passing of His Majesty the King Bhumibol Adulyadej.
- The number of international passengers disembarking at Bangkok airports totalled 7.05 million in Q4 2016, growing by 17% Y-o-Y. The increase in tourist numbers improved the retail sales in Central Bangkok.

The Thai retail industry is gradually recovering, but growth will be slow in a sluggish economy. The retail sales index in November 2016, estimated by the Bank of Thailand (BOT), was at 216.76, increasing by 3.22% Y-o-Y. The 12-month moving average of the retail sales index continued to show positive growth, albeit at a slower rate, supported by positive growth in farming income, government stimulus (Tax reduction, Cash handouts to low income earners), and robust tourist arrivals. The CCI took a hit again in October at 73.1 due to the passing of His Majesty the King. The CCI continued to drop to 72.3 in November, before picking up in December at 73.7 due to government stimulus measures. Household debt still remained high at more than 80% of total GDP, dragging down the spending power of consumers.

As of Q4 2016, the total retail supply in Bangkok amounted to 7,330,573 sq.m., increasing by 130,882 sq.m. (1.8% Q-o-Q, 3.2% Y-o-Y). Despite the completion of Show DC, the total new supply in 2016 amounted only to 227,921 sq.m. which is still lower than the new supply in 2015 and 2014 at 503,248 sq.m. and 382,117 sq.m. respectively. 74,000 square metres of the new supply in 2016 was in one development, Show DC. We expect retail developers to focus on renovating their existing malls and selectively expanding upcountry and that the rate of new supply will be much slower compared to two years ago.

TABLE 1: TOTAL SUPPLY, DEMAND AND VACANCY BY AREA, Q4 2016

	Total Market	Downtown	Midtown	Suburbs
Total Supply	7.3 million	1.5 million	2.1 million	3.7 million
Total Take-up	6.9 million	1.4 million	2 million	3.5 million
Total Vacancy	0.49 million	0.1 million	0.17 million	0.17 million
% Vacant	6.2%	7.4%	7.9%	4.2%

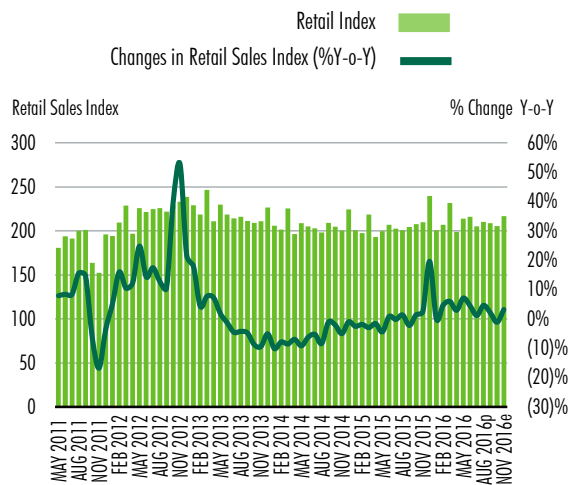
Source: CBRE Research, Q4 2016

Overall occupancy as of Q4 2016 was at 93.8%, increasing by 0.7 percentage points from the previous quarter. High occupancy rates are found in well-managed retail centres with anchor tenants, especially retail centres developed by Central Group, The Mall Group, and Siam Future which have occupancy rates above 95%.

Despite an improved economic outlook, increasing retail rental rates has remained a challenge for developers. In the first nine months of 2016, CPN, Thailand’s major retail developer, reported same store revenue growth of 2%. In Q4 2016, Minor group (food business in Thailand) reported negative Same-Store-Sales-Growth (SSSG) of -1.1% and Minor group (clothing business) also reported negative SSSG of -3.4%. Therefore, we expect rental growth will be limited amid slow growth in retail sales.

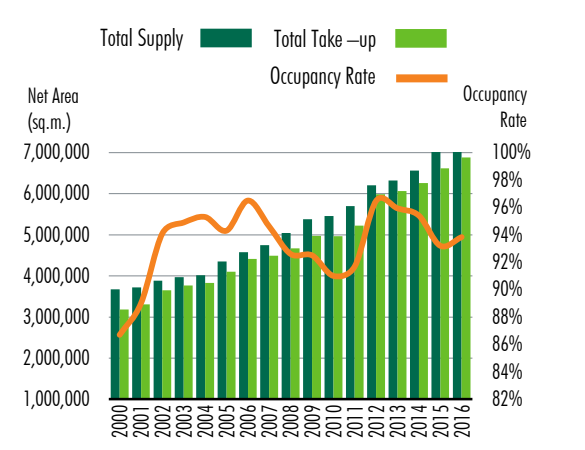
Going forward, with most of the large-scale projects being postponed, the future retail supply in Bangkok in the next couple of years will be limited. With the completion of the refurbishment of large-scale projects, we expect the overall occupancy rate to continue to increase. However with the high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

Figure 1: Thailand’s Retail Sales Index

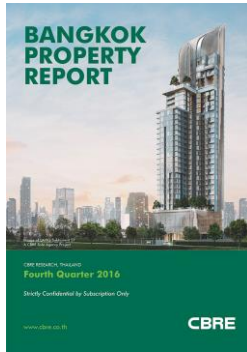


Source: Bank of Thailand, Q4 2016

Figure 2: Bangkok Retail Market



Source: CBRE Research, Q4 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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