

Bangkok Serviced Apartment Market

“The supply of serviced apartments has been very limited in the past one to three years due to intense competition in Bangkok. Although the number of expatriates in Bangkok will continue to increase every quarter, there are many choices available for residences.”

Forecast at a glance



Demand

Approximately 88,000 expatriates had applied for work permits in Bangkok as of 2Q 2018, and the total number of expats in Bangkok has continuously increased over the past few years.



Supply

There were approximately 21,147 serviced apartments in Bangkok as of 2Q 2018.



Occupancy rate

Average occupancy rates in all locations have continued to increase steadily, and most are higher than 82%.

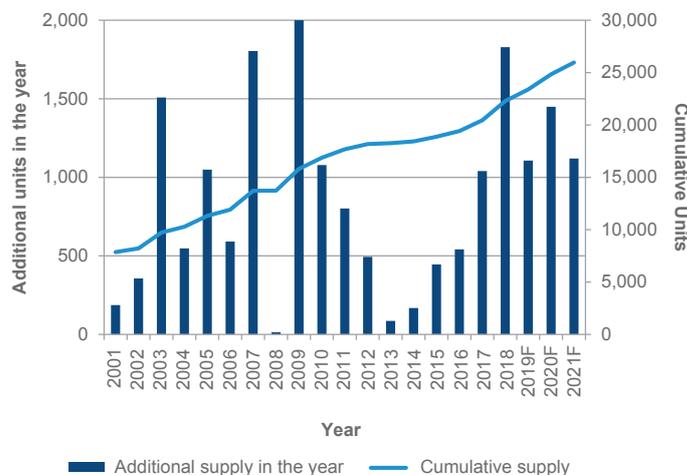


Rental rates

Average rents in 2018 will continue to increase. However, the increases may be only a few percentage points, as most clients for serviced apartment projects are on long-term contracts.

Supply

Cumulative and future supply as of 2Q 2018



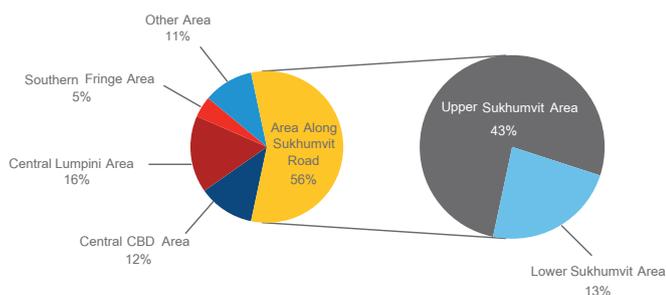
Source: Colliers International Thailand Research
Note: F = Estimated units expected to be completed in 2019–2021

621 serviced apartment units were completed in 2Q 2018 and approximately 691 serviced apartment units were completed in the first half of 2018. New serviced apartment projects that are scheduled to be completed in 2018 comprise nearly 1,830 units. This is due in part to several large-scale projects in the Central Lumpini Area. This area of Bangkok is a prime location and remains the most popular area for serviced apartment development, especially in the vicinity of Lumpini Park and the area along Sukhumvit Road. As of 2Q 2018, there were approximately 21,147 serviced apartments in Bangkok.

In Bangkok, estimates of serviced apartment units expected to open increase every year. Despite intense competition between serviced apartments, condominiums, and high-end apartments in Bangkok’s inner city, many expatriates, especially from Japan, prefer to stay in serviced apartments. Interest in serviced apartments is therefore projected to increase in the future, although most serviced apartment units are part of small projects and located on smaller roads or sois along Sukhumvit Road.

Due to the cost of land and the cost of construction is increasing every year, Developers are interested in developing condominiums more than Serviced apartment because the condominium project get faster returns, but in 2018, 4-5 major developers are interested in developing serviced apartment projects on leased land plots in lower Sukhumvit and Ratchada-Rama 9 area.

Serviced apartment supply in Bangkok by location as of 2Q 2018



Source: Colliers International Thailand Research

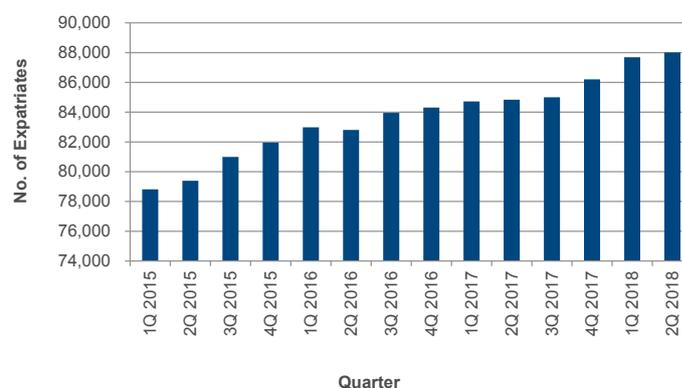
Approximately 84% of serviced apartments in Bangkok are in the inner city, especially in the area along Sukhumvit Road. About 56% of serviced apartment units in Bangkok are in the upper and lower areas of Sukhumvit Road. The upper Sukhumvit area has been the most fashionable area for serviced apartment development during the past several years. Indeed, 13% of all serviced apartments in Bangkok were in that area.

More than 2,500 serviced apartment units are also in Bangkok's inner city. More than 86% of them planned are part of large-scale mixed-use projects in Central Lumpini around Lumpini Park. By contrast, the area along Sukhumvit Road has not been suitable for serviced apartment development, due to high land prices, meaning that few new projects are planned for that area in the future.

The region along the Sukhumvit Road area was the most suitable location for serviced apartment projects for many years until now. This is because it offers numerous facilities for expatriates, who represent the main client group for serviced apartments, and because the area is the most convenient for transportation in Bangkok. Therefore, many serviced apartment projects were located in this area, and a number of new projects are also under construction here.

Demand

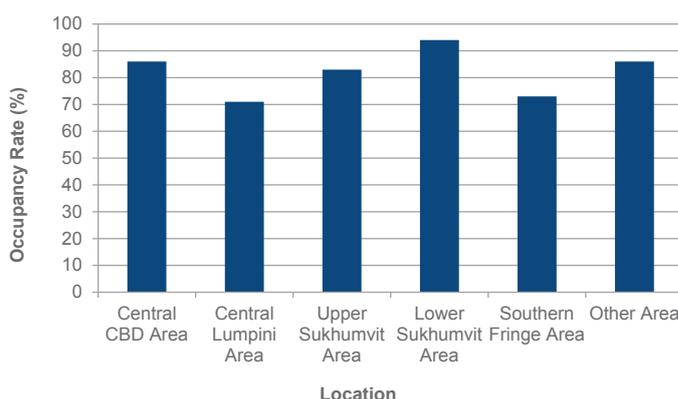
Expatriates had applied for work permits in Bangkok by quarter



Source: Ministry of Labour

As of June 2018, approximately 88,000 Bangkok-based expatriates had applied for work permits in Bangkok, which continues an increasing trend that has persisted for many years. However, not all expatriates in Bangkok have chosen to stay in serviced apartment units due to the availability of condominiums and both luxury and high-end apartments in areas along Bangkok BTS lines. Moreover, the rental rates for condominiums and both luxury and high-end apartments are lower by at least 10% than those for serviced apartment units in the same location.

Average occupancy rate as of 2Q 2018



Source: Colliers International Thailand Research

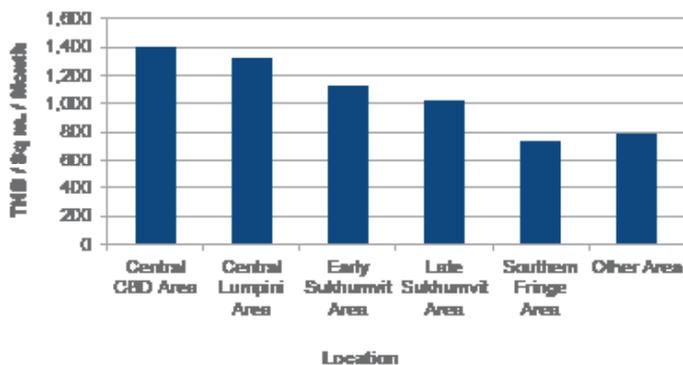
The average occupancy rates of serviced apartment units for all locations in Bangkok exceeded 82% and reached nearly 90% in some locations. For expatriates in Bangkok, the Central Business District and the area along Sukhumvit Road remain the most popular, where the average occupancy rate exceeds 80% due to the convenience of facilities and transportation

options, including easy access to the Bangkok BTS. In addition, rental rates are not as high there as in the Central Lumpini Area, which has the highest rents in Bangkok.

We expect that the average occupancy rate for serviced apartments in Bangkok in 2018 may be similar to the rate for 2017. It will not differ much, as most clients have long-term lease contracts. which their companies rent under long-term contract, but some expatriates that can choose to stay in any type of residence may prefer to stay in an apartment or condominium instead, due to lower rents. Therefore, the average occupancy rate of serviced apartment in Bangkok has remained steady for the past few years; the rate has not significantly increased compared to the increasing number of expatriates.

Rental Rates

The average rental rate of one-bedroom units by location as of 2Q 2018



Average rental rates in all locations in Bangkok have continued to increase since 2016 and may further increase slightly in 2018, due to a positive mood for investment as the Thai government seeks to attract more foreign investors and businessmen to Thailand.

Most serviced apartment projects under construction in Bangkok have been developed by small developers and are not related to international or local brands, due to lower profits than in other sectors. Despite the few international serviced apartment brands in Thailand, some Japanese brands are considering to enter the Thai market in the future, This is due to the number of Japanese expatriates who work in Thailand and who prefer to stay in serviced apartments rather than condominiums and apartments.

The average rental rate in all locations as of 2Q 2018 remained similar to the previous year's rate. Most projects do not want to increase their rents more than 10% due to the intense competition in the market.

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