

Bangkok Serviced Apartment Market

“Although land price along Sukhumvit Road will increase every year most new serviced apartments are still located in this area, but not on the main road.”

Forecast at a glance



Demand

The primary client group of serviced apartment units are expatriates living in Bangkok, although not all expatriates have opted to stay in such serviced apartments.



Supply

A slight majority (55.93%) of all serviced apartment units in Bangkok are located in the area along Sukhumvit Road.



Occupancy rate

The average occupancy rate in all locations exceeded 70% and in some locations exceeded even 90%.

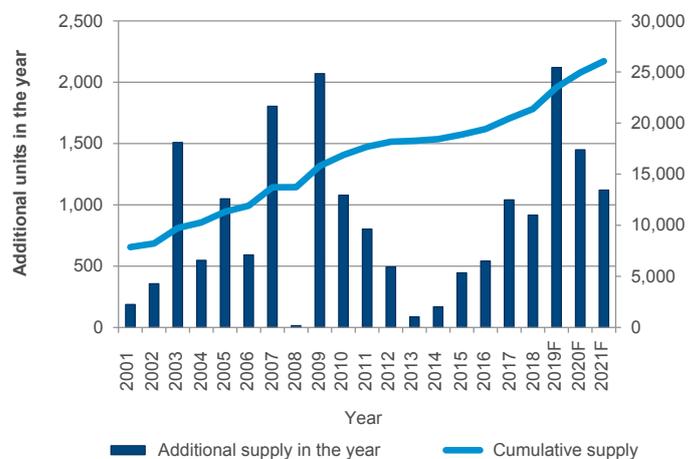


Rental rates

The average monthly rental rate exceeded THB840 per sq m in all locations except the Southern Fringe Area.

Supply

Cumulative and future supply as of 3Q 2018



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

Although 916 new serviced apartment units are scheduled to be completed in 2018, some projects may be postponed until 2019 due to delays in construction. This is due in part to several large-scale mixed-use 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. The increasing interest of foreign investors is also a positive sign for the serviced apartment market.

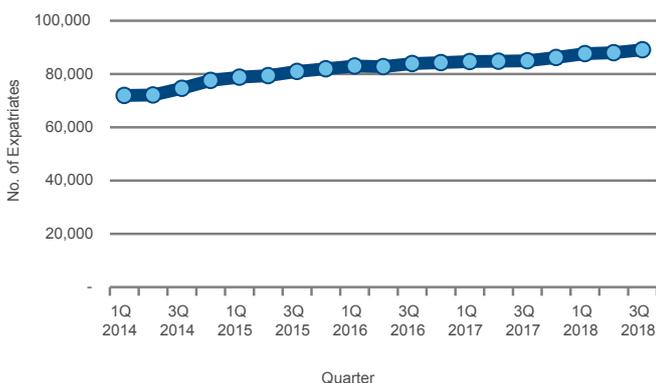
169 serviced apartment units were completed in 3Q 2018. As a result, serviced apartment units in Bangkok totalled 21,316, and more than 3,500 units under construction are slated for completion in 2019–2020. However, some projects in the pipeline have not been disclosed to the public. Grade A or branded serviced apartment units mostly appear in the Central Lumpini Area.

Although the area along Sukhumvit Road has been the most popular for serviced apartment units in Bangkok—approximately 55.93% of all serviced apartment units in Bangkok are there—other locations have attracted the interest of developers for the future due to the new mass transit system currently under construction. New factories in industrial estates in locations outside Bangkok have emerged as a new potential factor in attracting more foreigners, especially Eastern Economic Corridor (EEC), to Thailand.

Many small and medium-sized serviced apartment projects have been completed in the past few years, whereas others still under construction are expected to be completed in the near future. Increased prices of land have emerged as a principal factor in the construction of serviced apartment developments and other types of rental projects.

Demand

Expatriates with work permits in Bangkok as of 3Q 2018

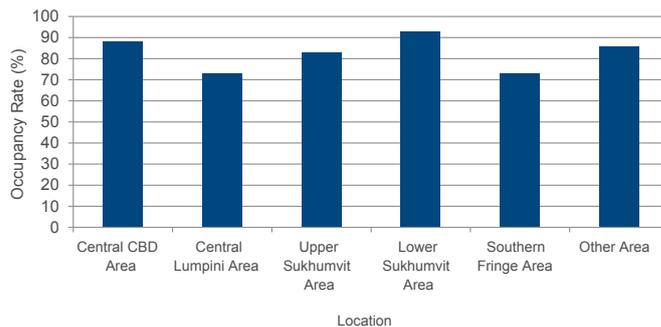


Source: Ministry of Labour

As of August 2018, approximately 89,000 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.

Most expatriates in Thailand are from Japan (approximately 25%), followed by other Asian countries, including China, South Korea, Taiwan and Malaysia, and European countries.

Average occupancy rate as of 3Q 2018



Source: Colliers International Thailand Research

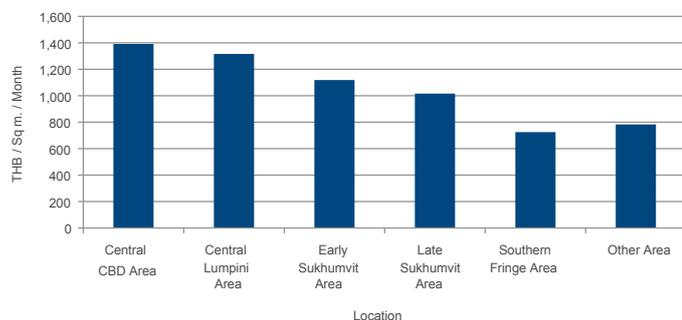
The average occupancy rates of serviced apartment units for all locations in Bangkok exceeded 70% and reached nearly 90% in some locations. For expatriates in Bangkok, the Central Business District and the area along Sukhumvit Road remain the most popular, where the average occupancy rate exceeds 80% 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.

Most lessees of serviced apartment units in Bangkok are expatriates who have opted to stay in the units for the long term. Many expatriates in Bangkok stay in serviced apartment units that their companies have rented under long-term leases, although some expatriates who can choose to stay in any type of residence may prefer to stay in an apartment or condominium instead due to the lower rents of such residences. Therefore, the average occupancy rate of serviced apartment units in Bangkok has stabilised during the past few years despite the increased number of expatriates in the city. Serviced apartment units on the whole show an increased proportion of short-term and daily clients who are charged higher rents under shorter-term leases.

The average occupancy rate of serviced apartment units in Bangkok in 2017 and 2018 will likely not increase dramatically. A slightly increased rate is most likely due to the array of choices of residences in Bangkok for all expatriates.

Rental Rates

The average rental rate of one-bedroom units by location as of 3Q 2018



Source: Colliers International Thailand Research

All serviced apartment units seek to retain their current lessees as well as attract more new clients amid intense competition in the market. Consequently, the average rental rates in all locations in 3Q 2018 were similar to those of the previous quarter. The average monthly rental rate exceeded THB 800 per sq m per month in all locations aside from the Southern Fringe Area along Rama 3 and Naradhiwas Rajanakarin Road, where monthly rents hover around THB 640 per sq m per month. Among all locations, the Central Business District and Central Lumpini Area have asked for the highest monthly rental rates, which exceed THB1,200 per sq m per month, because many luxury and branded serviced apartment projects are located in those areas.

Serviced apartment units in the area along Sukhumvit Road have asked for monthly rents of THB 850–1,000 per sq m per month. Although some branded serviced apartment projects are in that location, there were also many local serviced apartment, hotel, condominium and apartment projects in the same area. Competition in the area is therefore high.

The average monthly rental rate in all locations has continued to slightly increase in 2018 due to positive signs on political and economic fronts. Although the economy has still not recovered, it has shown positive trends in 2018

FOR MORE INFORMATION:

Napaswan Chotephard

Senior Manager | Residential Sales & Leasing

+66 85 902 7463

napaswan.chotepard@colliers.com

Ratchaphum Jongpakdee

Deputy Managing Director | Thailand

+66 83 008 3126

ratchaphum.jongpakdee@colliers.com

Phattarachai Taweewong

Senior Manager | Research | Thailand

+66 86 546 3683

phattarachai.taweewong@colliers.com

Copyright © 2018 Colliers International.

The information contained herein has been obtained from sources deemed reliable. While every reasonable effort has been made to ensure its accuracy, we cannot guarantee it. No responsibility is assumed for any inaccuracies. Readers are encouraged to consult their professional advisors prior to acting on any of the material contained in this report.

