

# Bangkok Retail Market

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**“Retail business is still continuing to grow in 2017, but there is resistance from the slower recovery of purchasing power.”**

## Forecast at a glance



### Demand

Many local and international brands or shops are seeking an opportunity to step into the Thai market.



### Supply

New retail supply is still continuing to grow in 2017 and looks to keep expanding in the future.



### Occupancy rate

Average occupancy rates in retail business are not much changed but are still higher than 90%, except supporting retail.

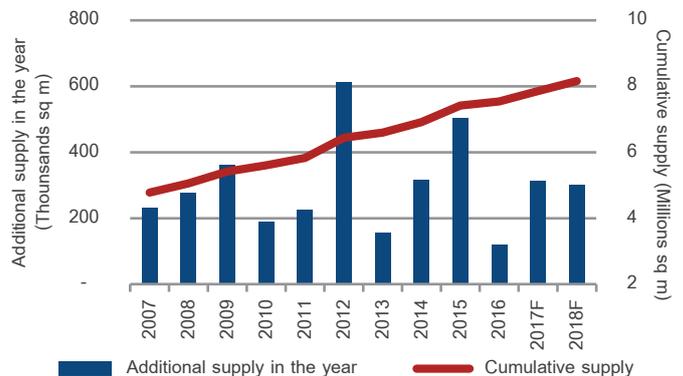


### Rental rates

Average rental rates in the City Area show the highest rate, especially shopping malls in the Inner City Area.

# Supply

## Cumulative and future supply as of 2Q 2017



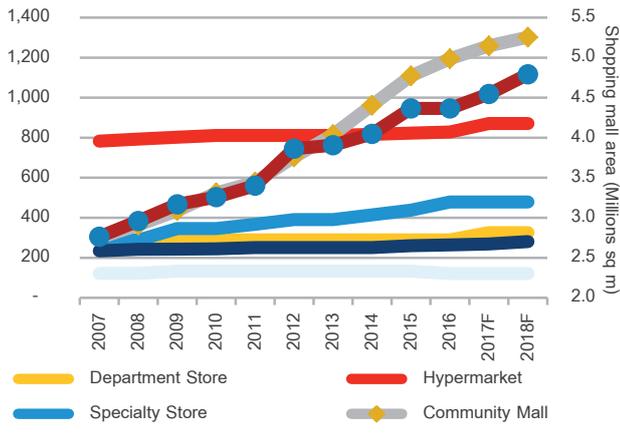
Source: Colliers International Thailand Research  
Note: F= Estimated area of all office buildings expected to be completed in 2017 - 2021.

Approximately 300,000 sq m of new retail space is expected to be opened in both 2017 and 2018. Amongst new retail supply currently under construction are some large-scale shopping malls that are scheduled to be opened in 2017-2018.

Around 114,350 sq m of new retail space was opened in the first half of 2017, pushing the total retail supply in Bangkok and the Surrounding Area up to 7,658,170 sq m. Most of the new retail centres which were opened in the past six months are shopping malls, followed by supporting retail in office buildings. Bangkok Outer City Area is the most fashionable location for new retail supply in the future, due to more than 60% of total future supply being located in this area.

Although Thailand’s economic situation has still not significantly grown or shown recovery in 2016-2017, many retail developers are still continuing to develop new retail projects. This optimism is due to them looking to the future for long-term investments.

## Cumulative retail supply by category and year



Source: Colliers International Thailand Research  
 Note: F = Estimated area of all retail centres expected to be completed in 2017 – 2018

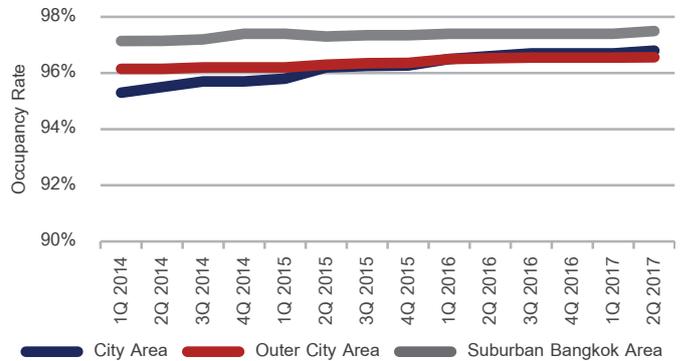
Community malls represent the new wave of retail business in Bangkok and the surrounding area. Community malls have risen like a skyrocket in only a few years to grab the second share in the market in 2014, and then have continued to grow until now. However, from 2016 onwards, the growth of community malls has become slower. Some projects failed only two or three years after the official opening due to the owner or developers not understanding the retail business.

Shopping malls are also continuing grow in the past few years and still occupy the highest share in future retail supply that are expected to be completed in 2017-2018. The total shopping mall area in Bangkok and the Surrounding Area as of 2Q 2017 was around 4,451,300 sq m, or 58% of total retail supply.

All the big players in the retail business will continue to increase the number of their shopping malls in Thailand, especially in some of the major Thai cities. On the other hand, some retailers are still expanding their portfolios outside Thailand.

## Demand

### Breakdown of historical occupancy rate of retail space by location as of 2Q 2017

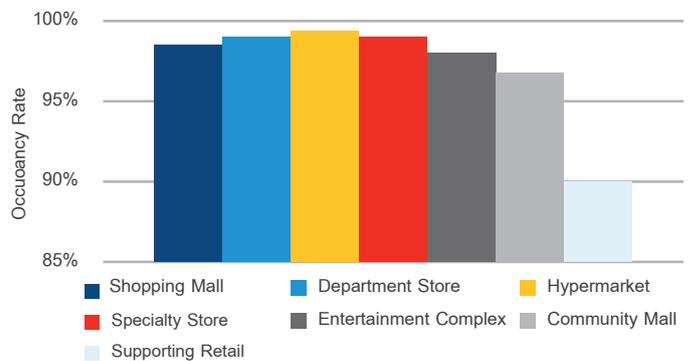


Source: Colliers International Thailand Research  
 Note: The average rental rate is based on the rental rate of the ground floor of the building.

Many of the area’s hypermarkets, specialty stores and large-scale shopping malls are in the Bangkok Suburban Area, and most of them have shown themselves as fully occupied or almost 100% occupied. Therefore, the average occupancy rate in the Bangkok Suburban Area is the highest in Bangkok and the Surrounding Area.

The Thai Retailers Association has forecast that retail business in Thailand in the first half of 2017 will probably grow around 3–3.2% and will continue to grow at a similar rate for the whole year. Many negative factors are still directly affecting the level of Thai confidence in 2017, although some economic indicators have been gradually rising in the past few months. The Thai Retail Association also issued an optimistic growth forecast for 2017 as a whole.

### Average occupancy rate by category, 2Q 2017



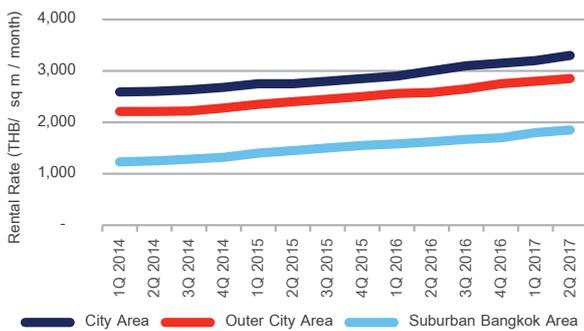
Source: Colliers International Thailand Research

Retail occupancy rates were generally 96% or above for all retail categories in 2Q 2017, nearly the same as the rates of the previous quarter. The high rates are typical especially for hypermarkets, since most of the area is occupied by themselves, just as with specialty stores and entertainment complexes. Shopping malls have also shown a high occupancy rate, because shopping malls are popular because of all their local and international brands and shops.

Many office buildings were completed in the past few quarters boosting the total area of supporting retail in Bangkok. Some supporting retail areas in new office building are occupied by well-known tenants and create quite a bit of traffic from people who do not work in the buildings.

## Rental Rates

### Average rental rate by location as of 2Q 2017



Source: Colliers International Thailand Research  
 Note: The average rental rate is based on the rental rate of the ground floor of the building.

The average rental rates of all locations in Bangkok and the Surrounding Areas in the first half of 2017 have risen by around 5-10% compared to 2016. Large-scale shopping malls had the highest rents, as to these projects include shops and services which attract people of all ages.

The City Area has the highest rental rates, which are probably more than THB3,000-4,000 per sq m per month at some shopping malls in prime locations. The rates for malls with direct access to BTS stations may be just as high, but some community malls not on the main roads cannot ask such high rents. The rents in the Bangkok Suburban Area are around THB800-3,500 per sq m per month, but some community malls ask for rents starting at just THB300 per sq m per month

Average rental rates of all locations in 2017 have probably increased by around 5-10% from their 2016 levels. Rates will be similar to these average rents in 2Q 2017, depending on the location and the project category. Community malls in Bangkok Suburban Areas might not have been able to increase their rents in the past few quarters, due to their projects not as popular as during the opening time period.

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