

*Thai confidence and purchasing power in 1Q 2015 decreased compared with that in 4Q 2014 but was higher than that in 2Q- 3Q 2014.*

## MARKET INDICATORS 4Q 2014 -1Q 2015

New Supply ▲ Rents ▲ Occupancy ▲

## Summary

**Thai purchasing power did not significantly increase, but was lower than the average in 4Q 2014.**

- The economic situation and household debt are major concerns for Thais, so they are spending less and waiting for positive signs from the government.

**More than 1.39 million sq m of new retail centres are expected to open in 2Q - 4Q of 2015.**

- More than 1 million sq m of a total of 1.39 million sq m is located in Bangkok Suburban Area, with nearly 987,000 sq m accounting for shopping malls.

**Big retail players still dominated and took the largest share in the retail business.**

- Big retail developers / operators are continuing to increase the number of their stores in all formats.
- New players are unable to compete or take more market shares because most of them do not understand the market.
- Many community malls have not been successful after their official opening, operating for only 2-3 years.

**Occupancy rates continuously increased during the past few years.**

- There is strong demand from international and Thai brands, and this demand will grow in 2015.
- Most retail projects are almost fully occupied before their official opening dates.
- Thailand has become the most popular location for foreign high-end and luxury brands or shops.

**Rental rates will steadily increase in 2015.**

- Many large-scale shopping malls are expected to open in 2015 - 2016 and will affect the average rental rate in Bangkok Suburban Areas because most will be asked for higher rents compared with other projects in the area.

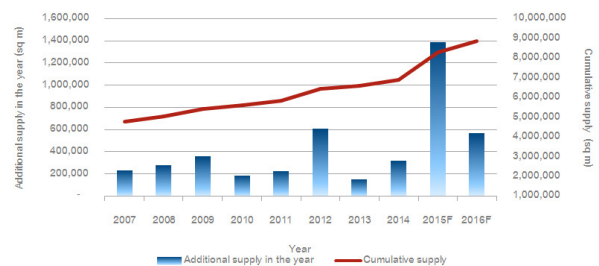
- Retail rents have continuously increased during the past few years due to the high occupancy rate, and many new projects have been added to the market. This trend will continue in 2015.

**Mobile shopping is becoming the new trend in the retail business.**

- Big-name retail developers are developing their applications for mobile shopping, although most Thais still go to retail centres

## Supply

### Cumulative Supply as of 1Q 2015



Source: Colliers International Thailand Research

Note: F = Estimated area of all retail centres expected to be completed in 2015-2016

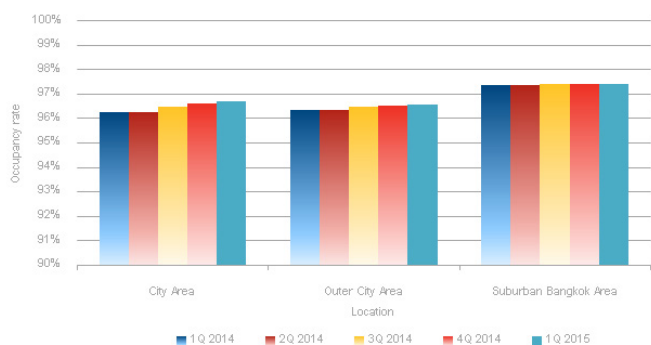
Some large-scale shopping malls are under construction and are scheduled to be completed in 2015, with a total area of 987,500 sq m or approximately 80% of the total retail space that is expected to be opened through the rest of 2015. Community malls will continue to grow in 2015, with a total area of more than 215,000 sq m, the highest in the past years. However, many projects have been unsuccessful.

Approximately 158,050 sq m of new retail space was supplied in the first quarter of 2015; thus, total retail space as of 1Q 2015 is 7,074,100 sq m. Most of the retail space is located in Bangkok Suburban Area, with approximately 60% of the retail space in Bangkok and surrounding areas. It will continue to grow in the future. Most new superstore malls

that opened in the past 1 – 2 years are trying to add more space for other tenants as they need more income from rental. In addition, they are trying to design and decorate their stores in a more interesting manner than other superstore malls.

## Demand

### Breakdown of Historical Occupancy Rate of Retail Space by Location, 1Q 2014 to 1Q 2015



Source: Colliers International Thailand Research

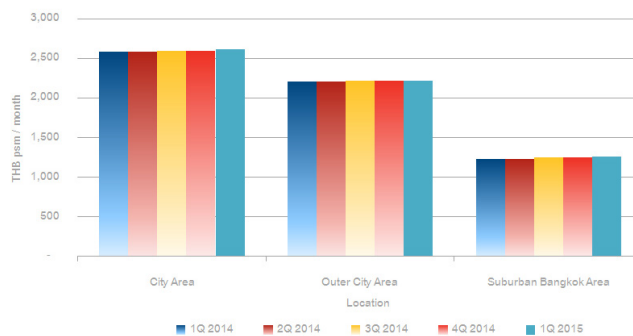
The occupancy rate in all areas in 1Q 2015 remained similar to that in the previous quarter, but the City area increased more than in other locations because of some brand names'and luxury shops' continued growth. Bangkok has become the most popular location in Asia for foreign luxury brands. Demand for retail space in retail centres is continuing growth in 2015, although the whole economic picture is exhibiting a significantly slow recovery.

Consumer confidence index in 1Q 2015 continued to decrease from December 2014. This was due to many negative factors, which still impacted Thai confidence and the economic situation. The declining trend of confidence index also related to retail sales index in the first two months of 2015, which decreased from that in 4Q 2014. Most Thais are still concerned about the economic situation, so they do not want to spend more.

Retailers are trying to attract higherspending from the high-end bracket by adding more high-end and luxury brands in their stores. In addition, superstore mall developers have also imported more luxury products and developed their own luxury house brand products.

## Rental Rates

### Average Rental Rate by Location, 1Q 2014 to 1Q 2015



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 surrounding areas in 1Q 2015 slightly increased from that of the previous quarter. Although Thailand retail sales index showed that the declining trend reflected economic slowdown, brands and shops are still more focused on increasing the number of their stores because Thailand still has room to grow in the long term. Therefore, rental rate continued to increase during the past few years. The City area has the highest rental rate, probably higher than THB3,000– 4,000 per sqm / month at some shopping malls in prime locations or those with direct access to BTS stations.

Many large-scale shopping malls in Bangkok Suburbs area are expected to open in 2015 – 2016, pushing the average rents higher in the future.

## Forecast

Almost 2 million sq m of retail space are under construction and are expected to be completed in 2015 – 2016, especially in the Suburban Bangkok Area.

All big players in the retail business are continuing to increase the number of their shopping malls in Thailand, especially in Bangkok Suburban Area and in some major cities around Thailand.

Second-tier cities or small cities that are close to the major city of each part of Thailand are becoming the new location for retail developers. This is due to the fact that these cities have significantly grown in the past and still has room to grow in the future.

Thailand's economic situation in 2Q 2015 may be similar to that in the first quarter of 2015, but probably better in 2H 2015 and will boost confidence and spending.

## FOR MORE INFORMATION

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