

“Thai confidence and purchasing power in 2Q 2015 still declining since 1Q 2015.”

MARKET INDICATORS 1Q - 2Q 2015

New completed supply ▲ Rents ↔ Occupancy ↔

Summary

Thai confidence has still not recovered in 2Q 2015 and is directly affecting purchasing power.

- Thailand’s current economic situation has not met the government’s expectations, as many negative factors still affect export performance.
- Most Thais have reduced their expenses, which has directly impacted all shops and retail centres.

Nearly 724,920 sq m of new retail centres are expected to open in 2H of 2015.

- Most are located in the Bangkok Suburban Area.
- Some large-scale retail projects are under construction and scheduled to open in 2H 2015.

Big retail players still dominate and have the largest share in the retail business.

- Big retail developers/operators are continuing to increase the number of their stores in all formats.
- More than 1,113,500 sq m, or 70% of future retail supply, is expected to be completed during the period of 2015 - 2016.

Occupancy rates continuously increasing at smaller growth rates in 2015.

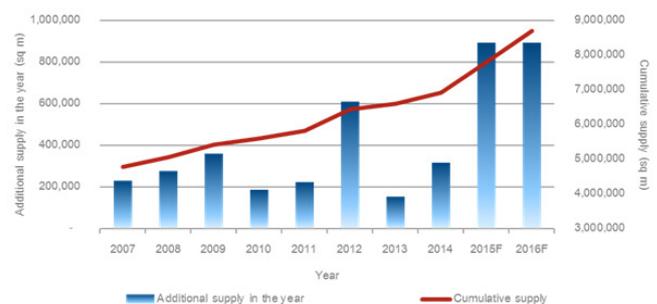
- There is strong demand from international and Thai brands. This demand will grow in 2015.
- The economy is still not in recovery in 1H 2015, but will probably improve in 2H 2015.

Rental rates will steadily increase in 2015.

- Many large-scale shopping malls are expected to open during the period of 2015 - 2016 and to affect the average rental rates in the Bangkok Suburban Area, as most will ask for higher rents than those of other projects in the area.

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

Supply Cumulative supply as of 2Q 2015



Source: Colliers International Thailand Research

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

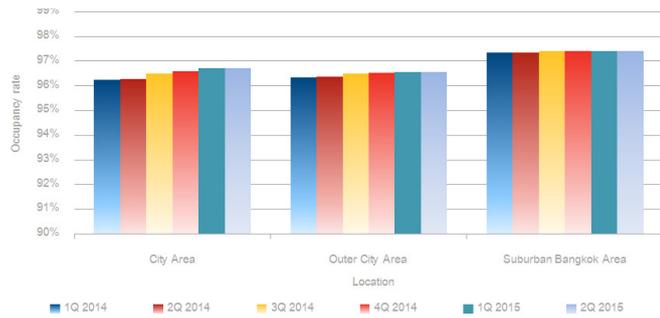
Some large-scale shopping malls have postponed their completion dates and some projects have been rescheduled to 2016. Therefore, approximately 724,920 sq m of total retail space is expected to be completed in 2H 2015, while around 169,100 sq m has already been added to the market in 1H 2015. Approximately 636,880 sq m or 88% of the total retail area expected to be completed in 2H 2015 is located in the Bangkok Suburban Area. The total existing retail supply as of 2Q 2015 was approximately 7,085,130 sq m, which is 1.47 million sq m more than the supply in 2010.

All big-name retail developers have postponed the launches of their new retail centres in 2015, as much retail space is still under construction, while purchasing power is also lower than expected. Some large-scale shopping malls located in the Bangkok Suburban Area have cancelled their projects and may convert to smaller retail projects. Some retailers have expanded their portfolio outside Thailand by initiating joint-ventures with overseas retailers.

Many new developers still focus on community mall development. Nearly 200,000 sq m of community malls are still under construction and scheduled to open in 2H 2015. Many community mall projects that opened for business in the last three years have not been successful.

Demand

Breakdown of historical occupancy rates of retail spaces by location, 1Q 2014 to 2Q 2015



Source: Colliers International Thailand Research

The occupancy rates in all areas in 2Q 2015 were nearly the same as those of the previous quarter. The average occupancy rate in the City Area was around 97%. Some retail spaces in the large shopping malls in the City Area, even in the prime retail location, are still available. The Bangkok Suburban Area has had the highest occupancy rate with many superstores and shopping malls in the area being almost fully occupied.

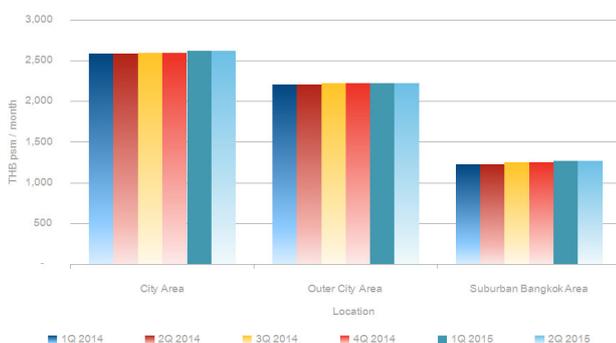
Many retail experts forecast that total retail sales in 2015 will only grow by 9%, the lowest in the past six years.

The Consumer Confidence Index in 2Q 2015 decreased from 4Q 2014 by about 13% due to many negative factors that still directly affect Thai confidence. During 1 – 2 Q 2015, the slump in the Consumer Confidence Index has also impacted the Retail Sales Index, which has been decreasing since 2014. Most Thais are still not sufficiently confident of Thailand's economic overview, since many negative factors are still affecting the economy. Many private firms have been trying to push the government to spend more on infrastructure development in 2H 2015 in order to boost confidence in the existing government.

Some retailers try to develop their shopping malls into destination retail centres with large-scale shopping malls, or co-ordinate with all retail centres at the same location to develop the surrounding area into a "shopping district" or "shopping street", such as the Ratchaprasong District and The Em District of The Mall Group.

Rental Rates

Average rental rates by quarter from 1Q 2014 to 2Q 2015



Source: Colliers International Thailand Research

The average rental rates of all locations in Bangkok and the surrounding areas in 2Q 2015 are still similar to those of the previous quarter. However, many international brands and shops are still more focused on increasing the number of their stores, since Thailand still has room to grow in the long term. Therefore, rental rates have continued to increase during the past few years. The City Area has the highest rental rates, which are 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. The rents in the Bangkok Suburban Area were around THB800 – 3,500 per sqm / month, but the average rental rate was only approximately THB 1,270 per sqm / month.

Many large-scale shopping malls in the Bangkok Suburban Area are expected to open during 2015 – 2016 and to push up average rents in the near future.

Forecast

Thailand's economic situation in 1H 2015 is growing at a rate lower than the government's expectations, and continues to grow slowly in 2H 2015. Consumer confidence and retail sales indexes will be probably similar to what they are in 1H 2015.

Community malls will grow, but with a declining trend in the future, due to many projects having been unsuccessful in the past. As such, the community malls would not be able to maintain their popularity in the long term.

Some major retailers in Thailand have planned to renovate their retail centres after more than 10 years in operation and add some new brands/shops to increase the appeal of the centres, as well as relocate some of the tenants.

All the big players in the retail business will continue to increase the number of their shopping malls in Thailand, especially in the Bangkok Suburban Area, as well as in some of the major Thai cities. Some retailers are still expanding their portfolios outside Thailand.

Some foreign retailers remain interested in Thailand and have opened new stores in 2015, while some other foreign retailers are still waiting for the opportunity to establish their first retail centres in Thailand.

502 offices in 67 countries on 6 continents

United States: **140**

Canada: **31**

Latin America: **24**

Asia Pacific: **199**

EMEA: **108**

MARKET CONTACT:

Surachet Kongcheep

Associate Director | Research | Thailand

+662 656 7000

surachet.kongcheep@colliers.com

Colliers International Thailand

Ploenchit Center Sukhumvit Rd/17

Klongtoey, Bangkok 10110, Thailand

+662 656 7000



\$2.3

billion in
annual revenue

1.7

billion square feet
under management

16,300

professionals
and staff

About Colliers International

Colliers International is a global leader in commercial real estate services, with more than 16,300 professionals operating out of 502 offices in 67 countries. A subsidiary of FirstService Corporation, Colliers International delivers a full range of services to real estate occupiers, owners and investors worldwide, including global corporate solutions, brokerage, property and asset management, hotel investment sales and consulting, valuation, consulting and appraisal services, mortgage banking and insightful research. Colliers International has been recognized and ranked by the International Association of Outsourcing Professionals' Global Outsourcing 100 for 10 consecutive years, more than any other real estate services firm.

colliers.com

Copyright © 2015 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.



Accelerating success.