

Research & Forecast Report

Bangkok Thailand | Retail Market 4Q 2014



Accelerating success.

“Community malls has been the most fashionable category in the past few years, although many projects failed. Thai confidence and purchasing power in 2014 was still lower than expected. Bangkok is becoming the new place for shopping in Asia. Online shopping is still growing.”

MARKET INDICATORS 3Q / 4Q 2015

New Supply Rents Occupancy

Summary

Community malls replaced superstore malls to take the second-largest share of the Bangkok retail business.

- Community malls grew from 524,370 sq m in 2010 to 962,410 sq m in 2014, an 83% increase.
- Many community malls were not successful and closed after three years, as many projects are run by new players who do not understand the retail business.

The Suburban Bangkok area is the main location for retail business in 2015 - 2016.

- A huge number of residential projects in the Suburban Bangkok area are attracting many retail projects.
- Many large-scale shopping malls are under construction and scheduled to be completed in 2015 -2016 in the Suburban Bangkok area.

Occupancy rates continuously increased during the past few years.

- There is strong demand from all international and Thai brands and this will grow in 2015.
- Most retail projects are almost fully occupied before their official opening dates.

Rental rates will also steadily increase in 2015, especially in the Bangkok City area.

- Retail rents have continuously increased during the past few years, due to the high occupancy rate, and many new projects were added to the market. This trend will continue in 2015.
- New retail projects in the Suburban Bangkok area are asking for higher rents than other projects in the same location.

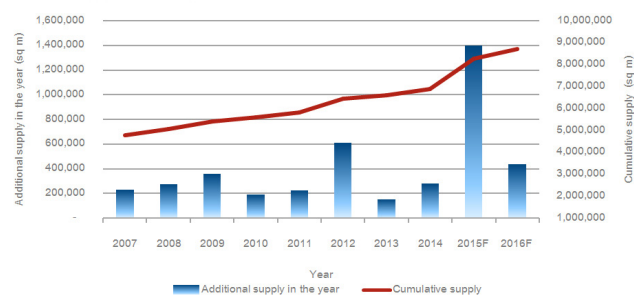
Thai purchasing power did not significantly increase in 4Q 2014.

- The economic situation and household debt were major concerns for all Thais, so they are spending less even during the festive season in December.

Online shopping is becoming the new trend in the retail business.

- All big-name retail developers are developing their websites to offer online shopping, as well as mobile applications.

Supply Cumulative Supply as of 4Q 2014



Source: Colliers International Thailand Research

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

Many large-scale shopping malls are under construction and expected to be completed in 2015 -2016 in the Suburban Bangkok area. This is due to the huge number of residential projects in the Suburban area, especially large-scale housing projects to which many people moved in the past 20 years. In addition, many mass transit lines are also extending from the City area to the Suburban area and this will increase the population in the area in the future.

Community malls have been the most fashionable in the retail sector in terms of number of projects in the past few years. Many new developers and residential developers are still interested in developing new community malls in Bangkok, especially in the Suburban Bangkok area. This, although some community malls are not successful or cannot maintain their popularity for more than two years, so some



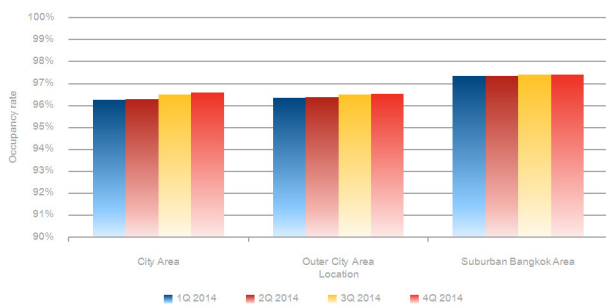
shops close or move out and leave the space vacant, which affects the project's image.

Approximately 86,570 sq m of new retail space was supplied during the last quarter of 2014; total retail space as of 4Q 2014 is 6,881,000 sq m. More than 4,013,800 sq m or 58% of existing retail space was shopping malls and community malls, representing the second largest market share with a total area of around 962,410 sq m or 14%.

The government and private sectors are trying to promote Bangkok as the best place for shopping in Asia by running many marketing campaigns and promotions.

Demand

Breakdown of Historical Occupancy Rate of Retail Space by Location as of 4Q 2014



Source: Colliers International Thailand Research

The occupancy rate in all areas in 4Q 2014 remains similar to the previous quarter, but the City area increased more than other locations because of some brand name and luxury shops. During the political crisis in the first half of 2014, many new foreign and Thai shops still opened in Bangkok and some tourist destinations.

Demand from all international and Thai shops is strong in 2014 and will be next year, so the average occupancy rate in the retail business will grow 3 - 5% in 2015, especially in the City area. Although the retail sales index in October 2014 was slightly higher than in the past few months, it was still lower than in 2013, indicating that Thai purchasing power has still not recovered. The festive season in the last month of 2014 may boost the Thai mood for spending, while the political and economic situations are also more stable, restoring confidence in 4Q 2014.

Shopping online is the one of fastest growing trends in the past few years; all retail developers are developing their websites or mobile applications to offer shopping online. The retail index in 4Q 2014 still declined, even in the festive season in December 2014, due to many factors still affecting Thai confidence and purchasing power; we expect it will be better in 2H 2015.

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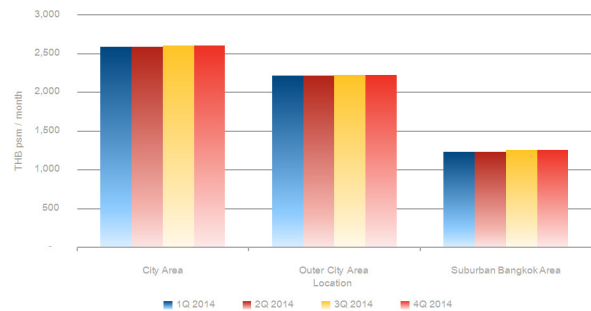
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Rental Rates

Average Rental Rate as of 4Q 2014



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 4Q 2014 slightly increased from the previous quarter. The City area has the highest rental rate, probably higher than THB3,000 psm / month at some shopping malls, with most retail developments in the CBD area and located along mass transit lines, which are more convenient for shoppers. Many new community malls in the Suburban Bangkok area were completed in the past few years, so rental rates in those areas continued to increase. Rents in 2015 will also increase steadily but slightly, as many new projects with higher rents than existing projects are gradually completed.

Forecast

Some large-scale shopping malls are under construction and expected to be completed in 2015 - 2016, especially in the Suburban Bangkok area. All projects are located in residential areas and adjacent to the outer ring road, because of the convenience of accessibility from other parts of Bangkok.

In 2014 and 2015, community malls will continue to grow in number, especially in the Bangkok suburbs, although some community malls are not successful after opening in the past few years.

Most of the older malls will renovate their properties and relocate or re-mix their tenants and add new brands or shops that are suited to the modern lifestyle.

The government and all tourism organisations as well as retail developers/operators are try to promote Bangkok as the best place for shopping in Asia and are trying to attract foreign tourists by running marketing campaigns and offering promotions.

All retail developers / operators are trying to catch up the luxury brands by opening their own luxury projects or renovating and re-mixing tenants, adding more high-end and luxury shops. This is because they prefer to be different from their competitors and attract more high purchasing power.



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