

“Serviced apartment were extremely competitive with condominiums many expat have moved to condominiums or luxury apartments and serviced apartment will face legal problems in the future.”

MARKET INDICATORS 3Q / 4Q 2014

New Supply ▲ Rents ▲ Occupancy ▲

Summary

The number of new serviced apartments in Bangkok has decreased every year since 2009.

- Serviced apartments were intensely competitive with condominiums in the same location, but had lower rents.

- The increasing land price along existing BTS lines, especially in the inner city area, is the main factor affecting new serviced apartment project development in the area due to the lower return.

- The growth rate of new serviced apartments in Bangkok will continue to exhibit this declining trend.

Serviced apartments and apartments will face legal problems in the future.

- The Thailand Hotel Association (THA) is trying to force the Ministry of the Interior to control serviced apartments and apartments that apply for hotel licenses.

- Some serviced apartments have applied for hotel licenses already and are shifting their focus more to today's accommodation.

The average occupancy rate and rental rate in all locations have continuously increased.

- Average occupancy and rents may slightly increase in 2015.

- The positive signs from the economy and political situation are the major factors.

- Serviced apartments are still the most popular with foreigners, especially Japanese.

- The number of expatriates in Bangkok has increased every year.

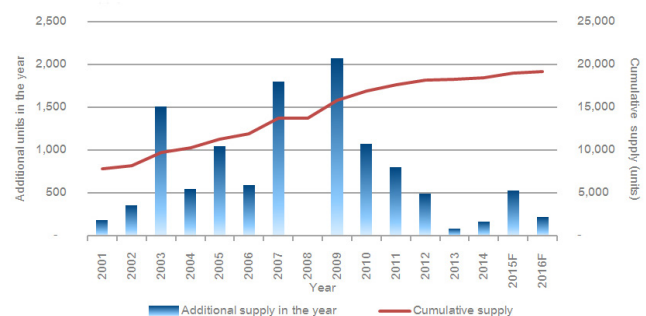
The area along Sukhumvit Road is the main location for serviced apartments in Bangkok.

- Most serviced apartments in Bangkok are located along Sukhumvit Road.

- All future serviced apartments that are under construction are located in this area.

Supply

Cumulative Supply as of 4Q 2014



Source: Colliers International Thailand Research

Notes: F = Estimated units expected to be completed in 2015 - 2016

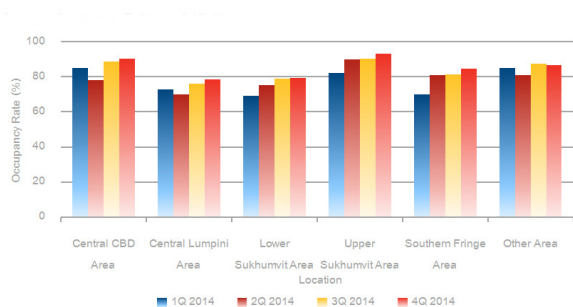
New serviced apartment projects that are scheduled to be completed in 2015 -2016 have only approximately 750 units. Most serviced apartments in Bangkok are located in the area along Sukhumvit Road and nearly 100% of the future supply that are under construction are also located in this area.

Serviced apartments were intensely competitive with condominiums and luxury apartments during the past few years. Many foreigners moved from serviced apartments to condominiums in the same location, due to lower rents and similar facilities. Therefore, not many new serviced apartments were added to the market in the past few years or will be in the future.

Many small serviced apartment projects with less than 80 units have been supplied to the market in the past one to two years, and many are under construction. This trend is attributed to the increase in land prices and the fact that most of these properties are located in smaller roads that are connected to a main road.

Demand

Average Occupancy Rate as of 4Q 2014



Source: Colliers International Thailand Research

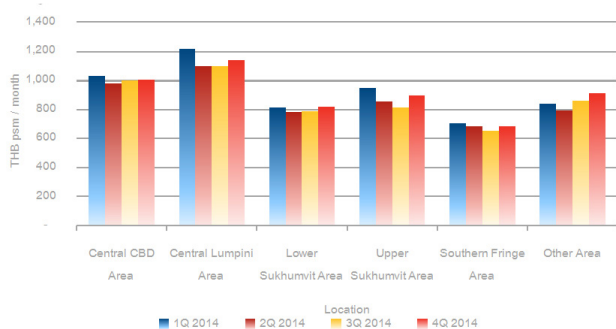
The main target group of serviced apartments in Bangkok is expatriates and approximately 77,600 applied for work permits in Bangkok as of December 2014 are as continuously increased during past few years. Many foreigners have decided to stay in condominiums or luxury apartments in the same location as serviced apartments, due to the cheaper rental rate. But the average occupancy rate in all locations still has steadily increased, except in Other Areas that are far from the inner city.

Thong Lor or Sukhumvit 55 Road is the most fashionable location for foreigners, especially Japanese, and most serviced apartments along Thong Lor have high occupancy rates.

We expect that the average occupancy rate of serviced apartments in Bangkok in 2015 may be similar to or slightly higher than in 2014. This is because Thailand's politics are more stable and the economic situation also may be better than 2014 as the forecast from Bank of Thailand.

Rental Rate

Average Rental Rate of One-Bedroom Units by Location as of 4Q 2014



Source: Colliers International Thailand Research

The average rental rate in all locations continued to increase in 4Q 2014 and may slightly increase in 2015. The average rental rate of serviced apartments in 2015 may increase slightly, due to the positive signs on the political and economic fronts, although the BOT forecasts that the GDP in 2015 will grow only 3 - 4%, but it will still be better than 2014.

Most serviced apartment projects that are under construction in Bangkok are developed by small developers and not related to international or local brands. This is due to lower profits compared to other sectors.

Forecast

The political situation in Thailand was the major concern for foreign investors during the past few years. The new government has restored confidence and improved Thailand's image, so many foreign investors came to Thailand in the last quarter of 2014, and the number will continuously grow in 2015.

Many foreign businessmen are still focusing more on Thailand than on other countries in ASEAN for their investment base.

The increase in land prices along Sukhumvit Road is the main factor affecting new serviced apartment project development in the area. This is because condominium projects are the most suitable, given the high land prices.

Average rents and occupancy rates in 2015 will continue to increase. However, the increase may only be a few percentage points given the substantial increase in the third quarter.

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