

“Extremely competition from condominium and luxury apartments was the major factor for less development of new serviced apartment projects in the CBD area.”

MARKET INDICATORS 1Q - 2Q 2015

New Supply ↑ Rents ↔ Occupancy ↓

Summary

Only 460 serviced apartment units are scheduled to be completed in 2H 2015 -2016.

- Serviced apartments in Bangkok are facing intense competition from condominiums and luxury apartments.
- Land prices in the inner city area of Bangkok are not suitable for the development of serviced apartment projects.

The average occupancy and rental rates in all locations have remained similar to the previous quarter.

- Serviced apartments are still the most popular with foreigners, especially Japanese.
- Political stability in Thailand has restored the confidence of foreign investors and businessmen.
- The number of expatriates in Bangkok has increased every quarter.
- Average occupancy and rents may slightly increase in 2015.

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

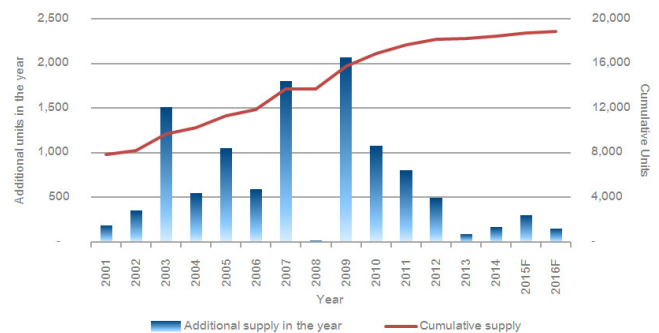
- More than 50% of serviced apartments in Bangkok are located along Sukhumvit Road.
- Most future serviced apartments that are under construction also are located in this area.

Very limited international serviced apartment brands in Bangkok.

- No new international serviced apartment brands have entered Thailand in the past few years.
- Some international brands are looking for an opportunity to invest or manage serviced apartments in Bangkok.

Supply

Cumulative Supply as of 2Q 2015



Source: Colliers International Thailand Research

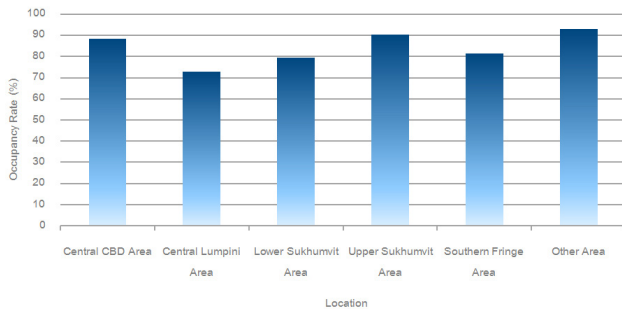
Notes: F = Estimated units expected to be completed in 2015 - 2016

There are only approximately 460 new serviced apartment projects scheduled to be completed in 2H 2015 - 2016. Approximately 210 serviced apartment units were completed in the first half of 2015; the total serviced apartment supply in Bangkok is approximately 18,640 units. Serviced apartments are a less interesting business after many condominium units were completed in the area along the BTS system, and some condominium unit owners are renting out their units at rents lower than those for serviced apartments.

Serviced apartments have been 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.

Demand

Average Occupancy Rate as of 2Q 2015



Source: Colliers International Thailand Research

The main target group of serviced apartments in Bangkok is expatriates who work in Bangkok. Approximately 79,400 expatriates applied for work permits in Bangkok as of June 2015 and the number has increased continuously over the past few years.

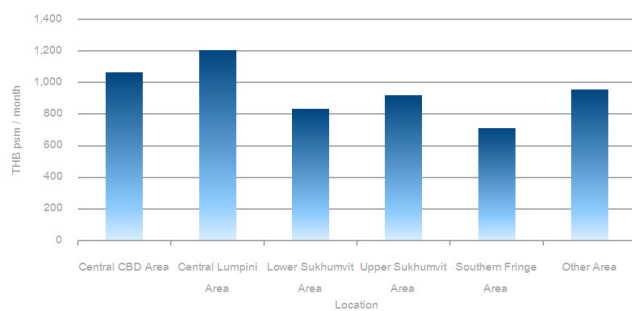
Although the number of expatriates in Bangkok grew continuously every quarter, the average occupancy rate of serviced apartments in Bangkok did not dramatically increase over the past few years. This is because many expatriates preferred to stay in condominiums or apartments with lower rents than serviced apartments in the same location.

The Japanese are the main clients of serviced apartments in Bangkok, especially in the area from Sukhumvit 21 -55. Some areas along this road have also become the best location for other foreigners, such as the many Koreans who stay in Sukhumvit Soi 12, and those from the Middle East who stay in the area around Nana.

We expect that the average occupancy rate of serviced apartments in Bangkok in 2015 may be similar to 1H 2015.

Rental Rates

Average Rental Rate of One-bedroom Units by Location as of 2Q 2015



Source: Colliers International Thailand Research

The average rental rate in all locations continued to increase from 2014 and may slightly increase in 2015. This is due to the positive signs on the political and economic fronts, although the Bank of Thailand forecasts that the GDP in 2015 will grow by less than 3%.

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

Land prices and a lot of competing condominium units in Bangkok are the major factors affecting serviced apartment development, due to lower profits and extreme competition.

Average rents and occupancy rates in 2015 will continue to increase. However, the increase may be only a few percentage points, as most clients for serviced apartment projects are on long contracts.

International serviced apartment brands are very limited in Thailand and no new brands have entered the market in the past few years, but some are looking for opportunities in the future.

Some new serviced apartment projects expected to open in the future are located outside the existing CBD area and far from a BTS station, due to the lower land prices.

Some developers who own leasehold plots of land in the City area are planning to develop mixed-use projects that include serviced apartments, but these will probably not be started in 2015.

Most serviced apartment projects in Bangkok are more focused on renting on a daily basis than monthly for the higher income from daily clients, even at a similar occupancy rate.

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\$2.3

billion in
annual revenue

1.7

billion square feet
under management

16,300

professionals
and staff

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