

“The number of expats in Bangkok continuously increased, but occupancy rate did not reflect that growth.”

MARKET INDICATORS 3Q – 4Q 2015

New Supply ▲ Rents ↔ Occupancy ▲

Summary

Approximately 200 serviced apartment units are scheduled to be completed in 2016.

- New serviced apartment projects each year have continued to remain low during the past few years.
- Many expats are moving to luxury / high-end apartments or condominiums along Sukhumvit Road due to lower rents.

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

- Serviced apartment projects try to retain current customers by maintaining the rental rate or increasing by only a few percentages.
- The number of expatriates in Bangkok has increased every quarter, especially the Japanese.
- Average occupancy and rents may slightly increase in 2016.

The serviced apartment market is facing a tough time from many factors in the past few years as well as in the future.

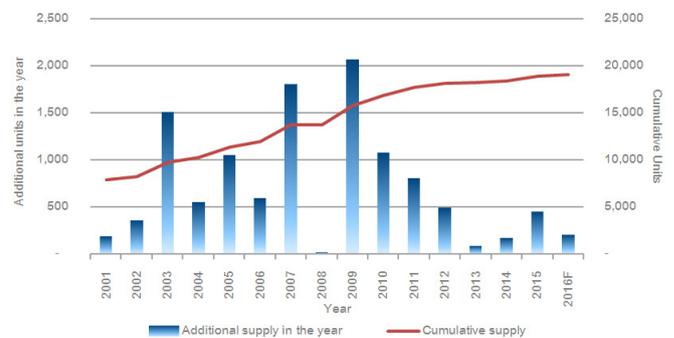
- The Thailand Hotel Association (THA) is trying to push all serviced apartments to apply for hotel licenses.
- Intense competition with condominiums and luxury or high-end apartments is the other main factor affecting the serviced apartment business.
- Land prices in the inner city area of Bangkok are not suitable for the development of serviced apartment projects.

Other areas outside Bangkok CBD have become more popular for serviced apartment development.

- The creation of many new extension lines is the main factor driving new serviced apartment development in other areas.
- Lower rental rate is another factor for serviced apartments in areas outside the CBD.

Supply

Cumulative Supply as of 4Q 2015



Source: Colliers International Thailand Research

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

There are only approximately 200 new serviced apartment units scheduled to be completed in 2016. Approximately 445 serviced apartment units were completed in 2015, and the total serviced apartment supply in Bangkok as of 4Q 2015 is approximately 18,875 units. Serviced apartments became a less interesting field of business after land price in the CBD area or the area along the BTS lines dramatically increased in the past few years because high land price is more suitable for condominium projects that can make more profits in the short term period on the land plot.

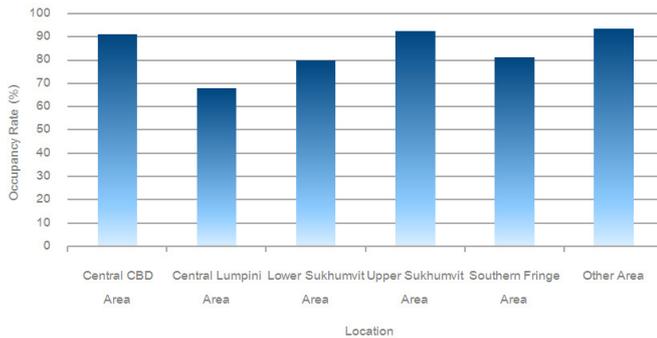
Most new serviced apartment projects in the past few years came out with total units lower than 80 per project. In addition, most serviced apartment projects are located on sois / small roads, especially the area along Sukhumvit Road.

The area along Sukhumvit Road is the most fashionable for serviced apartment projects. Most serviced apartments in Bangkok are located along Sukhumvit Road, with a total of more than 9,930 or around 53% of total units in Bangkok.

Although most customers of serviced apartments still prefer to stay in serviced apartments, some foreigners who have worked or lived in Bangkok for more than one year may be moving to condominiums or luxury apartments in the same location due to lower rental rate.

Demand

Average Occupancy Rate as of 4Q 2015



Source: Colliers International Thailand Research

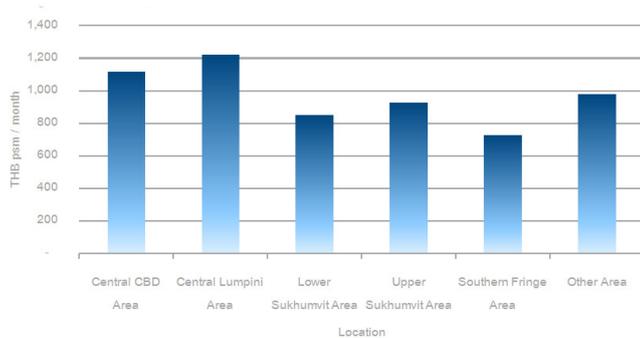
The main target group of serviced apartments in Bangkok comprises expatriates who work in Bangkok. Approximately 81,960 expatriates applied for work permits in Bangkok as of December 2015. The number is expected to further increase in the future, especially in 2016 after AEC officially opened on the last day of 2015.

The Upper Sukhumvit Area had the highest occupancy rate, similar to Other areas. Other areas, comprising the areas outside the existing BTS and MRT system, are becoming more popular compared to 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 high-end and luxury apartments with lower rents.

Rental Rates

Average Rental Rate by Location as of 4Q 2015



Source: Colliers International Thailand Research

The average rental rate in all locations remained similar to that in the previous quarter. Serviced apartments in Central Lumpini Area still showed the highest rents because of many luxury projects with international and Thai brands in the area. The rental rate in Central CBD Area is also higher than THB1,000 per sq m / month as there are many high-end and luxury projects in the area. Thailand is becoming the investment centre of the ASEAN, especially for foreign investors looking to invest in Cambodia, Myanmar and Laos. Many government agencies forecast that a lot of foreign investors will enter Thailand after all countries in the ASEAN become one community at the end of 2015. However, not all foreigners who come to work in Bangkok or Thailand will stay in serviced apartments because condominiums, high-end or luxury apartments and houses are other choices for them.

Most serviced apartments are maintaining their rates to keep existing clients and to try to attract more new ones. Therefore, average rental rates did not significantly change.

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

Forecast

The number of expatriates in Bangkok, which is increasing every quarter and AEC on the last day of 2015, is also becoming a new factor that will drive the number of serviced apartments in the future.

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. Only small serviced projects are under construction and are expected to be completed in 2016. All of these projects are not on main roads, and some are outside the CBD area.

Average rents and occupancy rates in 2016 will continue to increase, but may increase by only a few percentage because most clients of serviced apartment projects are on long-term contracts.

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

Some developers that 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.

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.