

*“High land price and low profit are the other major factors for the lesser degree of development of new serviced apartment projects in the CBD area.”*

### MARKET INDICATORS 2Q - 3Q 2015

New Supply ↓ Rents ↔ Occupancy ↔

## Summary

**Only 154 serviced apartment units are scheduled to be completed in 4Q 2015 -2016.**

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

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

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

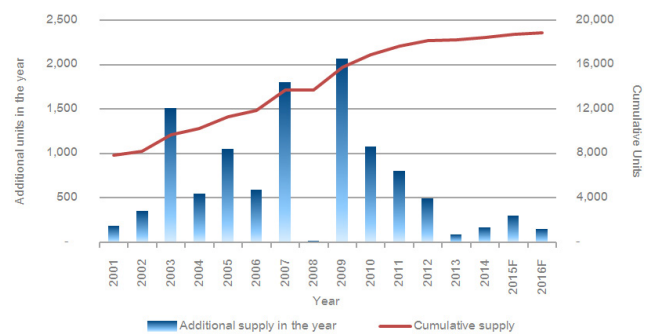
- More than 50% of serviced apartments in Bangkok are located along Sukhumvit Road.
- Most future serviced apartments that are under construction are also located in this area.

**There are very limited international serviced apartment brands in Bangkok.**

- No new international serviced apartment brands 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 3Q 2015



Source: Colliers International Thailand Research

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

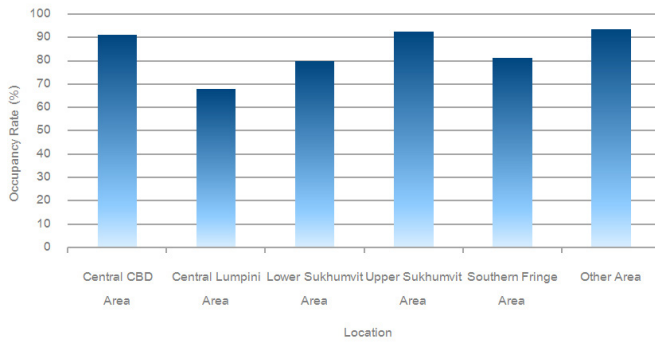
There are only approximately 154 new serviced apartment units scheduled to be completed in 4Q 2015 and 2016. Approximately 304 serviced apartment units were completed in the past three quarters of 2015, and the total serviced apartment supply in Bangkok is approximately 18,730 units. Serviced apartments became a less interesting field of business after land price in the CBD area dramatically increased in the past few years. High land price is not suitable for serviced apartments or other types of rental projects. Many new serviced apartment projects completed in the past few years are located outside the CBD area or on the sois / small roads that are branching from the main roads. In addition, most come out with total units lower than 80 units.

Most serviced apartments in Bangkok are located in the area along Sukhumvit Road, comprising around 52% of total serviced apartment units. However, some new projects that were added in the market in the past few years are located in the Bangkok suburban area.

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 3Q 2015



Source: Colliers International Thailand Research

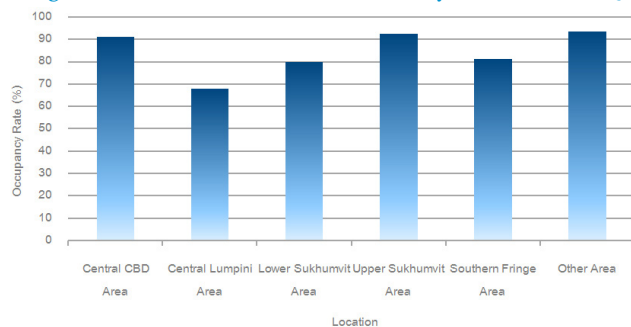
The main target group of serviced apartments in Bangkok comprises expatriates who work in Bangkok. Approximately 81,000 expatriates applied for work permits in Bangkok as of September 2015, an increase of around 6,300 persons from that of 3Q 2014. The number is expected to further increase in the future.

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 than serviced apartments in the same location.

Most expatriates preferred to stay in the serviced apartments along Sukhumvit Road because of easy transportation by sky train system. Therefore, most serviced apartments along Sukhumvit Road have high occupancy rates. In addition, many other supporting facilities are also easy to find in the area along Sukhumvit Road.

## Rental Rates

### Average Rental Rate of One-Bedroom Units by Location as of 3Q 2015



Source: Colliers International Thailand Research

The average rental rate in all locations continued to slightly increase in the past three quarters of 2015. This is due to the positive signs on the political and economic fronts, although the economic overview has still not recovered and could not raise the Thai's confidence in 2015. Most serviced apartments are maintaining their rates to keep existing clients and to try to attract more new clients. 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

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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