

Bangkok Serviced Apartment Market

“There will be very limited future supply of serviced apartments in the next one to three years, due to intense competition in Bangkok. Although the number of expatriates in Bangkok will continue to increase every quarter, they will have a lot of choices for their residences so rental and occupancy rates in 2019 should remain similar to 2018. ”

Forecast at a glance



Demand

With higher occupancy than the city’s other locations, Sukhumvit Road remains the most popular area for developers and their clients. Most of the future supply that is due to be finished between 2019 and 2021 is located along this road.



Supply

There will be very limited future supply of serviced apartments in the next one to three years, due to intense competition in Bangkok.



Occupancy rate

The average occupancy rates in all locations in 2018 are similar to the previous year.



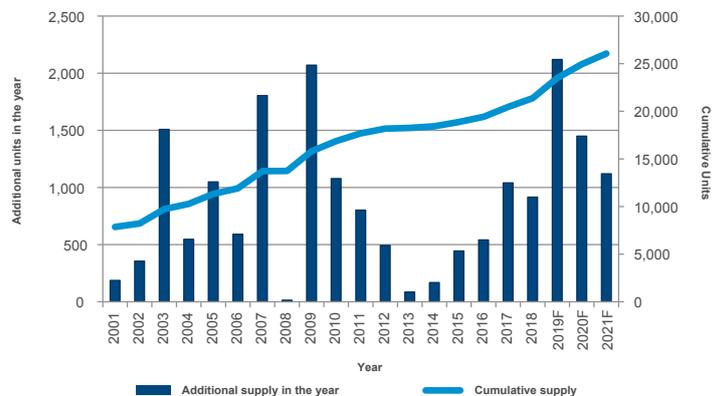
Rental rates

The average monthly rental rate exceeded THB840 per sq m in all locations except the Southern Fringe Area.



Supply

Cumulative and future supply as of 4Q 2018



Source: Colliers International Thailand Research
 Note: F = Estimated units expected to be completed in 2019–2021

About serviced apartment 56 units are completed in 4Q 2018, The total supply of serviced apartments units in Bangkok, as of the end of 2018 is approximately 20,372, and more than 4,689 units under construction are slated for completion in 2019–2021. However, some projects in the pipeline have not been disclosed to the public. Grade A or branded serviced apartment units mostly appear in the Central Lumpini Area.

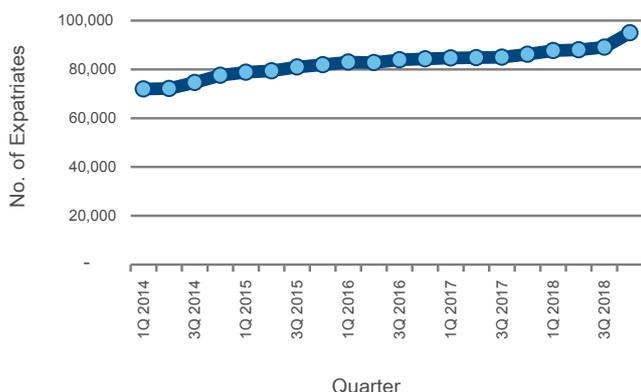
The new serviced apartment supply in Bangkok, especially in the City area has decreased, due to the intense competition with luxury apartments and condominiums. Some serviced apartments had already secured hotel licenses and most of them were more focused on daily rentals due to the high turnover. Many hotel and condominium developers have also converted some units in their own projects into serviced apartments; therefore, many luxury hotels, upscale hotels and some condominium projects in Bangkok have monthly rental packages similar to stand-alone serviced apartments. This is becoming a trend as developers offer more options

Many small and medium-sized serviced apartment projects have been completed in the past few years, whereas others still under construction are expected to be completed in the near future. Increased prices of land have emerged as a principal factor in the construction of serviced apartment developments and other types of rental projects.

The Upper Sukhumvit area has had the highest share of the market with approximately 9,417 units, while the lowest supply of serviced apartments in Bangkok is in the Southern Fringe area, where there are nearly 956 units. The Upper Sukhumvit area is the main business area in Bangkok; many office buildings are located in this area. In addition, the Lower Sukhumvit area still has some shopping malls and many international restaurants as well as convenience stores and supermarkets; the Sky Train (BTS) also is another key factor.

Demand

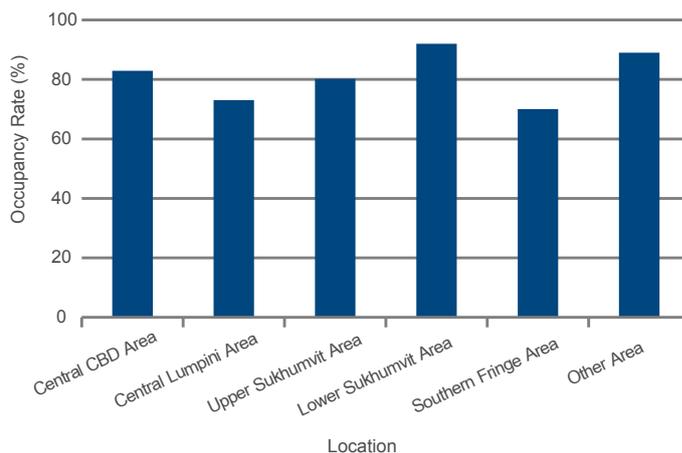
Expatriates with work permits in Bangkok as of 4Q 2018



Source: Ministry of Labour

As of December 2018, approximately 95,033 Bangkok-based expatriates had applied for work permits in Bangkok, which continues an increasing trend that has persisted for many years. However, not all expatriates in Bangkok have chosen to stay in serviced apartment units due to the availability of condominiums and both luxury and high-end apartments in areas along Bangkok BTS lines. Moreover, the rental rates for condominiums and both luxury and high-end apartments are lower by at least 10% than those for serviced apartment units in the same location. A lot of foreign investors are looking for investment opportunities in Thailand, especially Japanese investors and businessmen approximately around 25%, followed by other Asian countries, including China, South Korea, Taiwan and Malaysia, and European countries.

Average occupancy rate as of 4Q 2018



Source: Colliers International Thailand Research

The average occupancy rate of the Central CBD and Lower Sukhumvit areas in 4Q 2018 are similar to the previous quarter. At more than 87%, the Upper Sukhumvit Area had the highest occupancy rate in Q3 2017. This was because the area is a popular locale for expatriates, especially in the area of Sukhumvit 55 Road (Thonglor). The new mass transit extension lines will be the main factor to contribute to the residential demand in the Other Area.

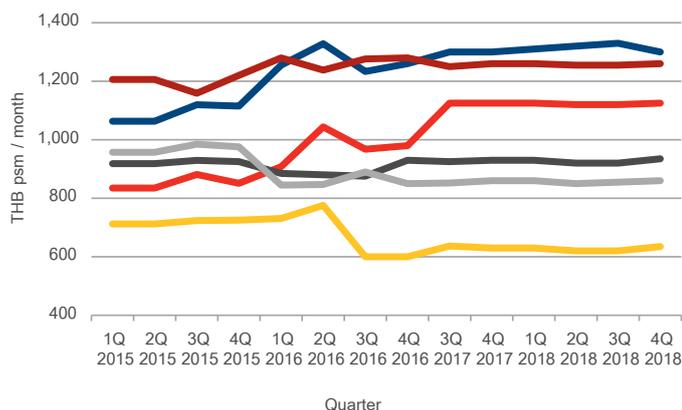
The average occupancy rates of serviced apartment units for all locations in Bangkok exceeded 74% and reached nearly 90% in some locations. For expatriates in Bangkok, the Central Business District and the area along Sukhumvit Road remain the most popular, where the average occupancy rate exceeds 80% due to the convenience of facilities and transportation options, including easy access to the Bangkok BTS. In addition, rental rates are not as high there as in the Central Lumpini Area, which has the highest rents in Bangkok.

Most lessees of serviced apartment units in Bangkok are expatriates who have opted to stay in the units for the long term. Many expatriates in Bangkok stay in serviced apartment units that their companies have rented under long-term leases, although some expatriates who can choose to stay in any type of residence may prefer to stay in an apartment or condominium instead due to the lower rents of such residences. Therefore, the average occupancy rate of serviced apartment units in Bangkok has stabilised during the past few years despite the increased number of expatriates in the city. Serviced apartment units on the whole show an increased proportion of short-term and daily clients who are charged higher rents under shorter-term leases.

The average occupancy rate of serviced apartment units in Bangkok in 2018 and 2019 will likely not increase dramatically. A slightly increased rate is most likely due to the array of choices of residences in Bangkok for all expatriates.

Rental Rates

The average rental rate of one-bedroom units by location as of 4Q 2018



Source: Colliers International Thailand Research

The average rental rate of all locations in Q4 2018 was similar to that of the previous quarter and did not change much from the first quarter. The average monthly rental rate exceeded THB 840 per sq m per month in all locations aside from the Southern Fringe Area along Rama 3 and Naradhiwas Rajanakarin Road, where monthly rents hover around THB 640 per sq m per month.

Among all locations, the Central Business District and Central Lumpini Area have asked for the highest monthly rental rates, which exceed THB1,200 per sq m per month, because many luxury and branded serviced apartment projects are located in those areas.

Serviced apartment units in the area along Sukhumvit Road have asked for monthly rents of THB 850–1,200 per sq m per month. Although some branded serviced apartment projects are in that location, there were also many local serviced apartment, hotel, condominium and apartment projects in the same area. Competition in the area is therefore high.

Although the serviced apartment market in Bangkok has shown only slight growth during the past few years, there are still many positive factors to drive the market in 2018 and the future. The increase in Foreign Direct Investment (FDI), the political stability during the past three to four years, and a new potential factor in attracting more foreigners, especially Eastern Economic Corridor (EEC), to Thailand are the main drivers of demand for serviced apartments.

FOR MORE INFORMATION:

Napaswan Chotephard

Senior Manager | Residential Sales & Leasing

+66 85 902 7463

napaswan.chotepard@colliers.com

Ratchaphum Jongpakdee

Deputy Managing Director | Thailand

+66 83 008 3126

ratchaphum.jongpakdee@colliers.com

Phattarachai Taweewong

Senior Manager | Research | Thailand

+66 86 546 3683

phattarachai.taweewong@colliers.com

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