Many residential developers are more interested in developing serviced apartments to create an investment opportunity during this period of high competition in the condominium market.

The main demand for serviced apartments continues to be made by expatriates who work in Bangkok. The areas along the BTS Sukhumvit Line are the most popular locations.

The future supply of serviced apartments in the next few years is still limited due to high competition.

Rental rates in all areas remained stable from the previous quarter.

There was a limited change in rental growth in the first quarter of 2019 as the rents are usually agreed upon through a long term contract.

<table>
<thead>
<tr>
<th>Demand</th>
<th>Q1 2019</th>
<th>Full Year 2019</th>
<th>2019–22 Annual Average</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>500 units</td>
<td>2,000 units</td>
<td>2,000 units</td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Supply</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>144 units</td>
<td>2,480 units</td>
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</table>

<table>
<thead>
<tr>
<th>Occupancy</th>
<th>End Q1/QQO</th>
<th>End 2019/YOY</th>
<th>End 2022/Annual Average Growth 2019–22</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>85%</td>
<td>86%</td>
<td>86%</td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Rent</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>4.8%</td>
<td>5%</td>
</tr>
</tbody>
</table>

|           | USD 40.92 | USD 41.08 | USD 43.11 |

Full Year 2019: 2,000 units
End 2019/YOY: 2,480 units
End 2022/Annual Average Growth 2019–22: 1,695 units

85% +1.0pp 86%
86% +1.0pp 86%
86% +1.0pp 86%
86% +1.0pp 86%
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86% +1.0pp 86%
Supply
Existing supply of serviced apartment in Bangkok as of 1Q 2019

As of 1Q 2019, there was a total of 21,568 serviced apartment units in Bangkok. There were 144 units completed during the first quarter, while a total of 6,783 units are under construction and expected to be completed between 2019 and 2022. Most projects are small and located in Sukhumvit sub-soi. Developers are still developing serviced apartment as expatriates still prefer to stay in serviced apartments despite the increase in competition between serviced apartments and condominium units that are available for rent.

Early Sukhumvit had the highest serviced apartment supply with a total of 9,561 units, accounting for 44% of the total supply in Bangkok. The southern fringe had the lowest supply with only 956 units. The Sukhumvit area is the main business and residential area in Bangkok, providing many supporting amenities and access to mass transit stations. Thus, many existing and future serviced apartment projects are concentrated in this location.
Demand

Number of expatriates in Bangkok between 1Q 2016 and 1Q 2019

Expatriates who work in Bangkok are the main demand for serviced apartments. As of 1Q 2019, there was a total of 101,022 expatriates with work permits working in Bangkok. The number has increased; however, not all expats will choose to stay in a serviced apartment but might consider renting a condominium or a luxury or high-end apartment in the same area with access to a mass transit station and similar rental rates.

There are many foreign investors who want to invest in Thailand, especially Japanese investors. Japanese expats accounted for about 25% of the total population of expatriates in Thailand, followed by other Asian nationalities such as Chinese, Korean, Taiwanese, Malaysian and some Europeans.
Average occupancy rate in Bangkok as of 1Q 2019

The average occupancy rate of serviced apartments in Bangkok was 85% as of the first quarter of 2019. Some serviced apartment projects had an occupancy rate as high as 95%. The CBD and the areas along the Sukhumvit Road, especially Sukhumvit 55 (Thonglor), remained the most popular locations among the expatriates as these areas provide easy access to the BTS stations and other amenities. The extension of the BTS Light Green Line is also a factor contributing to the increased demand in this area.

Expatriates looking for a long-term stay remained the key demand for serviced apartments in Bangkok. However, there is competition from condominium and apartment units with lower rental rates. This is the reason the rental rates of serviced apartments in Bangkok have remained quite stable despite the continued increase in the number of expats. As a result, many serviced apartment projects have tried to operate their projects as a hotel in order to increase income as the daily rates are higher than the monthly rental rates.

Source: Research, Colliers International Thailand
Rental Rate

Average rental rate for one-bedroom unit in Bangkok as of 1Q 2019

As there is competition from other type of properties, serviced apartment are limited in increasing rental rates. As of the first quarter of 2019, the average rental rate in Bangkok remained stable at THB 860 per sq. m. per month. The Southern Fringe had the lowest rental rate of THB 640 per sq. m. per month while the Lumpini area in the CBD had the highest rental rate of above THB 1,200 per sq. m. per month (there are many branded and luxury serviced apartments located in this location).

The average rental rates in the Sukhumvit area were between THB 850–THB 1,200 per sq. m. per month. In addition to a number of branded serviced apartments in this location, there are also many condominium and apartment projects, which resulted in high competition limiting rental rate increases.

The Bangkok serviced apartment market has had limited growth in the past few years, but there are still positive factors to support the market in 2019, such as the increase in Foreign Direct Investment (FDI), the expected stability of the political situation and the investment in the Eastern Economic Corridor (EEC).
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