Although the overall serviced apartment market in Bangkok is still continuously growing, some entrepreneurs had converted the serviced apartment projects to be condominium projects or hotels in the first half of the year 2019. The purpose is to support the growth in the condominium market and the growth of Thailand’s tourism market, which is recorded more than 38 millions tourists in the past year. One of the reasons why some investors have been changing the use of serviced apartment to the other is because the average rental rate of serviced apartments in Bangkok has not significantly increased over the past several years.

### Summary & Recommendations

#### Demand

<table>
<thead>
<tr>
<th>Q2 2019</th>
<th>Full Year 2019</th>
<th>2019–22 Annual Average</th>
</tr>
</thead>
<tbody>
<tr>
<td>450 units</td>
<td>2,000 units</td>
<td>2,000 units</td>
</tr>
</tbody>
</table>

Although the number of expatriates in Bangkok continuously grew every quarter, the average occupancy rate of serviced apartments in Bangkok did not dramatically increase over the past few years.

#### Supply

| 348 units | 2,480 units | 1,695 units |

#### Occupancy

<table>
<thead>
<tr>
<th>End Q2/QOQ</th>
<th>End 2019/YOY</th>
<th>End 2022/Annual Average Growth 2019–22</th>
</tr>
</thead>
<tbody>
<tr>
<td>85%</td>
<td>86%</td>
<td>86%</td>
</tr>
</tbody>
</table>

#### Rent

<table>
<thead>
<tr>
<th>2H 2019</th>
<th>2019–22 Annual Average</th>
</tr>
</thead>
<tbody>
<tr>
<td>USD 40.92</td>
<td>USD 43.11</td>
</tr>
</tbody>
</table>

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

Average rents rates in 2H 2019 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.
Supply

Existing supply of serviced apartment in Bangkok as of 2Q 2019

As of 2Q 2019, there was a total of 21,916 serviced apartment units in Bangkok. There were 348 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 areas and located in Sukhumvit sub-soi. Developers are still developing serviced apartment as expatriates still prefer to stay in serviced apartments despite the increasing competition between serviced apartments and condominium units that are available for rent.

Early Sukhumvit had the highest serviced apartment supply with a total of 9,897 units, accounting for 45% 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.

Source: Research, Colliers International Thailand

Note: F = Future supply

Existing supply by location (unit)
Demand

Number of expatriates in Bangkok between 1Q 2016 and 2Q 2019

Expatriates who came to work in Bangkok are the main demand for serviced apartments. As of 2Q 2019, there was a total of 105,522 expatriates with work permits in Bangkok. The number has increasing; however, not all expats will choose to stay in a serviced apartment but might considered in 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 2Q 2019

The average occupancy rate of serviced apartments in Bangkok was 85% as of the second 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.

Although the number of expatriates in Bangkok has grown continuously quarter after quarter, the average occupancy rate of serviced apartments in Bangkok has not dramatically increased during the past few years, largely because many expatriates prefer to stay in condominiums with lower rents than serviced apartments in the same location.

Japanese expatriates are the chief clients of serviced apartments in Bangkok, especially along Sukhumvit Road (soi 21–55). Some areas along Sukhumvit Road have also become popular locations for other foreigners, including the many South Koreans who stay in Sukhumvit Soi 12 and Middle Easterners who stay in the area around Nana.

We expect the average occupancy rate of serviced apartments in Bangkok in 2H 2019 to be similar to that of 1H 2019.
Rental Rate

Average rental rate for one-bedroom unit in Bangkok as of 2Q 2019

As there is competition from other type of properties, serviced apartment are limited in increasing rental rates. As of the second 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.

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.
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Primary Authors:

Phattarachai Taweewong
Associate Director | Research | Thailand
+66 86 546 3683
phattarachai.taweewong@colliers.com

Contributors:

Ratchaphum Jongpakdee
Deputy Managing Director | Thailand
+66 63 878 3322
ratchaphum.jongpakdee@colliers.com

For further information, please contact:

Barny Swainson
Senior Director | Capital Markets & Investment Services | Thailand
+66 62 445 0040
barny.swainson@colliers.com

Wasan Rattanakijjanukul
Associate Director | Capital Markets and Investment Services | Thailand
+66 81 443 2048
wasan.rattanakijjanukul@colliers.com

Napaswan Chotehard
Senior Manager | Residential Sales & Leasing | Thailand
+66 85 902 7463
napaswan.chotehard@colliers.com

Sorravich Siriwattanapornchai
Senior Manager | Industrial Services | Thailand
+66 83 077 6445
sorravich.siriwattanapornchai@colliers.com

Hathairat Yoorod
Senior Manager | Office Services | Thailand
+66 89 919 1923
hathairat.yoorod@colliers.com