

Bangkok Overall, Q4 2014

Condominium Downtown Supply
+5.1% y-o-y

Hotel Downtown Supply
+3.3% y-o-y

Office Supply
+2.6% y-o-y

CONDOMINIUM

Record-breaking prices of over THB 300,000 per sq.m. have been achieved in five downtown condominium projects in 2014. This reinforced our belief that the downtown condominium sector is a low-volume high-value market with limited new supply.

The number of condominium units launched increased by 281% Q-o-Q in the downtown area and 13% Q-o-Q in the midtown/suburban area. Due to political turmoil in the first half of the year, the total number of condominiums launched throughout 2014 decreased by 37% in the downtown market and 29% in the midtown/suburban market, compared to 2013.

The hot spot for midtown/suburban condominium launches in 2014 was along the MRT's Purple Line. Throughout the year, 7,500 units were launched in this area, accounting for 58% of newly launched units along under-construction mass transit lines. This has pushed developers to search for new locations along other under-construction mass transit lines where there is less competition.

Still, the key issues in the midtown/suburban market are how many speculative condominium buyers will default if they cannot resell before completion and how many end-user buyers will be able to get mortgage loans with tightened banks' criteria.

Figure 1: Newly Completed Bangkok Condominiums

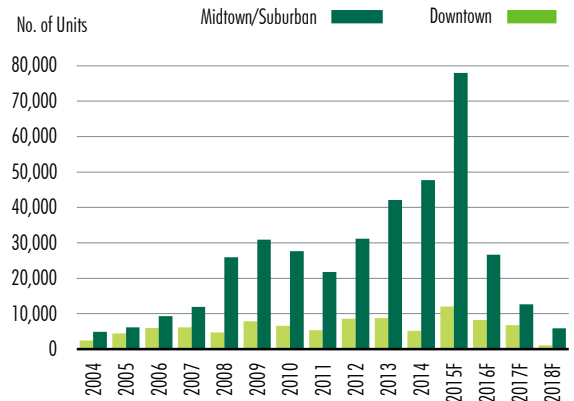
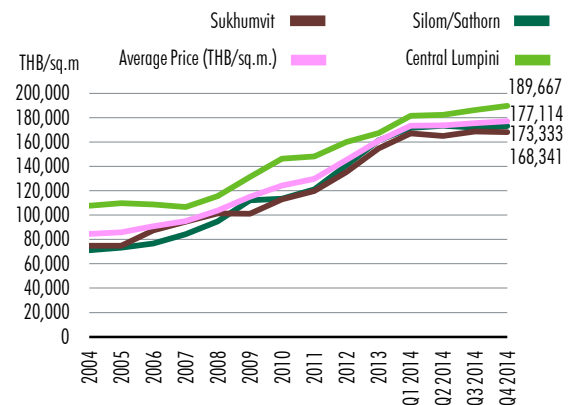


Figure 2: Average Re-sales Prices of Downtown Completed Freehold Units (High End and above)



Source: CBRE Research, Q4 2014

Looking forward in 2015, we believe that the trend of forming joint ventures to finance projects among Thai developers, and between Thai developers and foreign investors, will continue in the upcoming year. The Bangkok condominium market sentiment in 2015 will largely depend on the pace of economic recovery, developers' ability to transfer completed units and the presales of newly launched projects especially in the midtown/suburban market where buyers are most affected by the rising household debt.

OFFICE

Total Bangkok office supply increased by 0.6% Q-o-Q due to the completion of the Channel 5 Head Office Building, U-Place and the Hitachi Office Building with a net lettable area of 20,000 sq.m., 22,500 sq. m. and 7,000 sq.m., respectively.

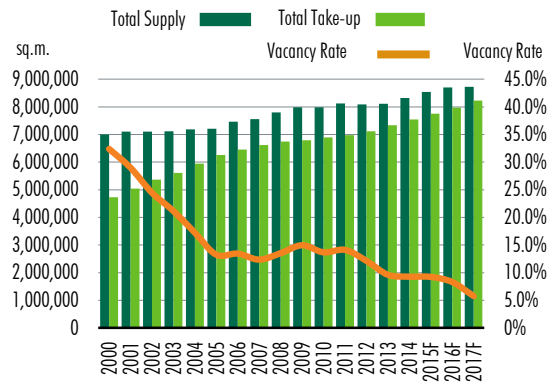
The vacancy rate was 9.3%, dropping slightly by 0.2 percentage points Q-o-Q. The total net take-up for Q4 2014 was 38,923 sq.m., decreasing by 38.9% Y-o-Y. Total net take-up for the whole of 2014 was 180,000 sq. m., a 18.9% drop Y-o-Y. A reasonable level of demand and limited supply have caused office rents to rise by 4% - 10% Y-o-Y in all grades and areas.

In Q4 2014, average Grade-A CBD rents increased by 0.6% Q-o-Q and 3.7% Y-o-Y to THB 850/sq.m./month.

There is limited supply due for completion in 2015-2017. Less than 400,000 square meters of office space is under construction. About 30% of space under construction will be Grade-A in the CBD.

We expect that rents will continue to rise because of high occupancy levels and limited new supply.

Figure 3: Bangkok Office Market



Source: CBRE Research, Q4 2014



Bhiraj Tower at EmQuartier, Sukhumvit

Due to be completed in Q1 2015



FYI Centre, Rama IV

Due to be completed in Q4 2016

RETAIL

In Q4 2014, the total Bangkok retail supply was 6.7 million sq.m., increasing by 6.3% Y-o-Y with six additional new retail centres. The biggest new development completed was the 50,000-sq.m. The Crystal Ratchapruek, a community mall located at Ratchapruek, a suburban location.

The overall occupancy rate stayed at 94%. The volume of occupied retail space increased to 6.3 million sq.m., up by 4.2% Y-o-Y. In November 2014, the retail sale index increased by 1% Q-o-Q but decreased by 4% Y-o-Y.

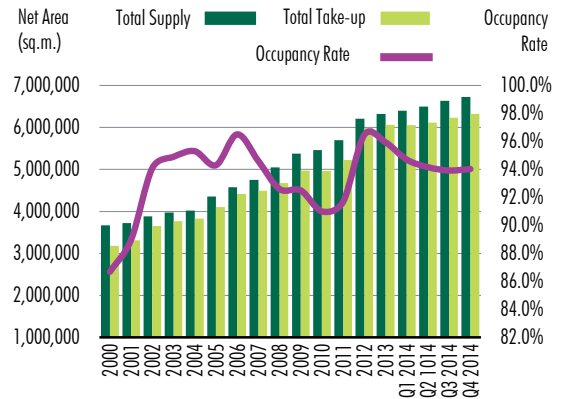
New retail construction continued to grow. Bangkok is one of the hotspots for development in Southeast Asia with more than 1.7 million sq.m. of new retail space due to be completed in the next few years. Most of the new supply will be in suburban locations which are mostly in emerging residential areas and along the extensions of mass transit systems.

There will be more competition between newer malls and existing malls in suburban areas, such as the upcoming Bangkok Mall which will be up against Mega Bangna and CentralPlaza Bangna.

“Big Box “grocery retailers have been suffering poor sales and both Tesco Lotus and Big C are considering reducing the amount of space they occupy themselves, by converting this excess space to rental space for third party tenants.

This is a trend that is also being seen on other more mature markets such as the UK.

Figure 4: Bangkok retail Supply, take-up and Occupancy Rate



Source: CBRE Research, Q4 2014



The Crystal Ratchapruek



Bangkok Mall,
Due for completion in 2017

APARTMENT

In Q4 2014, the supply of apartments (single ownership multi family buildings) in the downtown area of Bangkok totalled just under 12,000 units, increasing by 0.2% Q-o-Q but decreasing 1.2% Y-o-Y. Two new apartments located in the Sukhumvit area were completed with a total of 29 units.

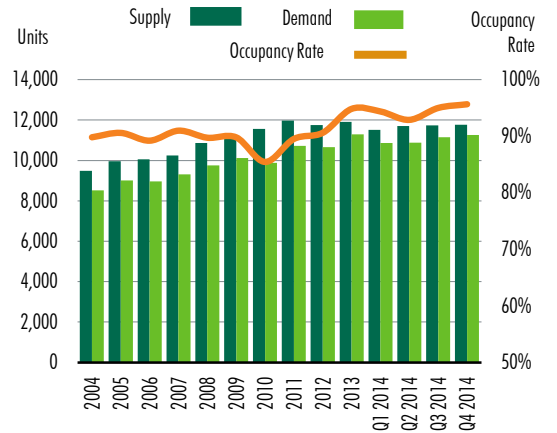
The Central Lumpini area posted the highest achieved average rents with Grade-A rents of THB 456/sq.m./month. The occupancy rate in Q4 2014 was 95.6%, increasing by 0.6 percentage points Q-o-Q and 0.8 percentage points Y-o-Y. There was upward pressure on rentals because of strong demand for large units with increased expatriate numbers and a limited new supply of two- and three-bedroom apartment and condominium (multiownership) units

HOTEL

In 2014, nine new hotels were completed. Sukhumvit remained the most popular hotel location in Bangkok. The total supply of downtown hotel keys is set to increase more than 12% by 2018 with the addition of around 5,500 keys.

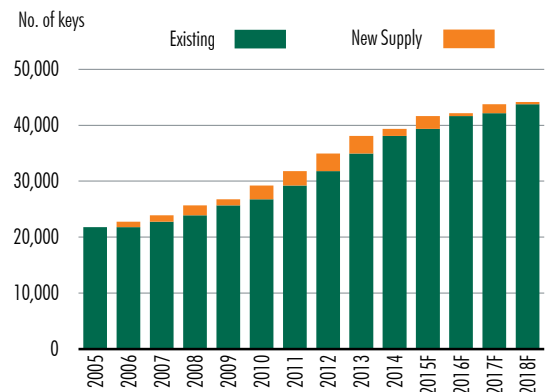
Total tourist arrivals to Thailand decreased by only 6.7% Y-o-Y despite the political problems, travel warnings and the enforcement of martial law. Arrivals at Bangkok’s international airports fell more by 7.6% Y-o-Y, pushing down the average occupancy rate of hotels of all grades in Bangkok from around 74% in 2013 to 62% this year. Hotel room rates in Bangkok also dropped slightly by 2% Y-o-Y.

Figure 5: Supply, Demand and Occupancy Rate



Source: CBRE Research, Q4 2014

Figure 6: Future Supply in Downtown Bangkok



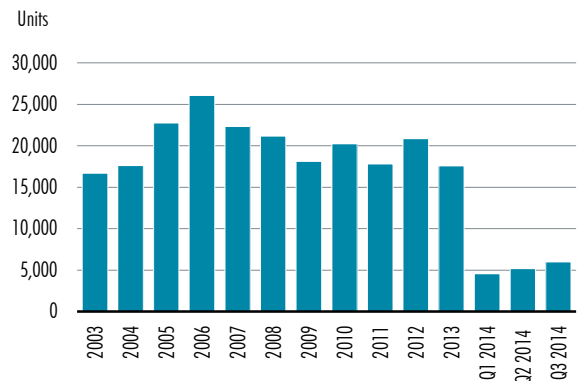
Source: CBRE Research, Q4 2014

HOUSING

In Q3 2014, 16,000 new low rise residences including single detached houses, semi detached houses, townhouses and shophouses were completed, increasing by 17.7% Q-o-Q but decreasing by 12.9% Y-o-Y.

With the political climate continuing to remain stable in Q4 2014, consumer and developer confidence is returning. However, banks have become stricter about loan to income ratios as household debt remains high. Sales performance will depend on the availability of mortgage finance in the lower end of the market.

Figure 7: New Supply of Developer-Built Single-Detached Houses in the BMR



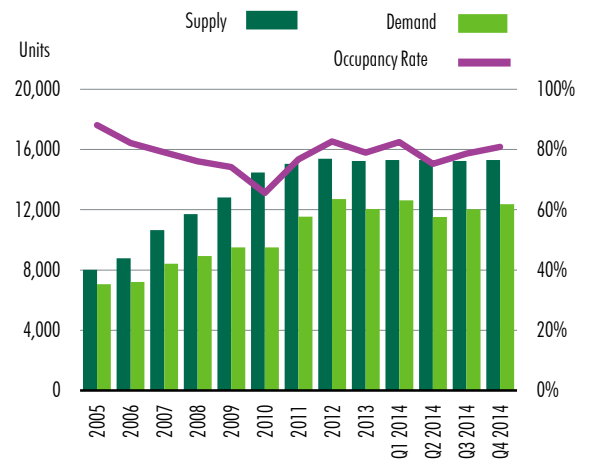
Source: Land Department, REIC and CBRE Research, Q4 2014

SERVICED APARTMENT

The supply of serviced apartments stood at 15,297 in Q4 2014, a decrease of 0.1% Y-o-Y because of a change of use and closure of some existing buildings. One serviced apartment was completed in this quarter.

A strong recovery in the tourism industry has helped boost occupancy rates in Q4 2014. The average occupancy rate of serviced apartments increased by 1.8 percentage points Y-o-Y. The average achieved rent for serviced apartments in downtown Bangkok decreased by 2.6% Y-o-Y.

Figure 8: Supply, Demand and Occupancy Rate



Source: CBRE Research, Q4 2014

INDUSTRIAL

Total Serviced Industrial Land Plots (SILPs) sales on our surveyed estates and parks for the whole of 2014 were 1,730 rai (276.8 hectares or 684 acres) 64% down Y-o-Y.

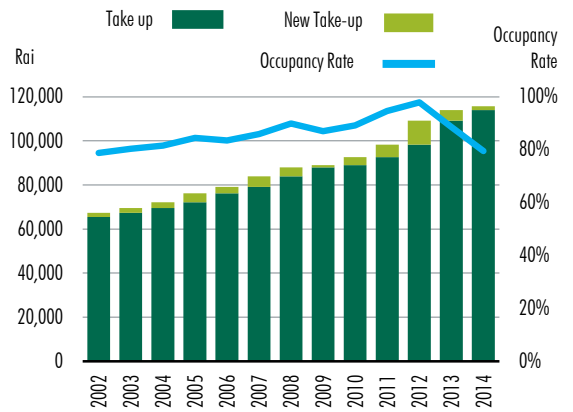
The Board of Investment (BOI) announced new policies and criteria for investment promotion. The new policies will grant incentives based on industry type rather than geographic location. The policies will be effective for applications that are submitted after 1 January 2015 to 31 December 2021.

There was a rush to submit applications before the rules changed, a total of 3,469 projects were submitted to BOI with a combined value of THB 2,192.7 billion in 2014 – increasing 117% Y-o-Y. The highest investment value was in the Services and Infrastructure sector which accounted for 37% of total investment value but will not create demand for industrial property.

The total supply of Ready Built Factories (RBFs) was 2.4 million sq.m., an increase of 18.9% Y-o-Y. New yearly take up was about 60,000 square metres. The occupancy rate of ready-built factories (RBFs) was 66.7% in Q4 2014. Rental rates were the same as quarter 3 2014.

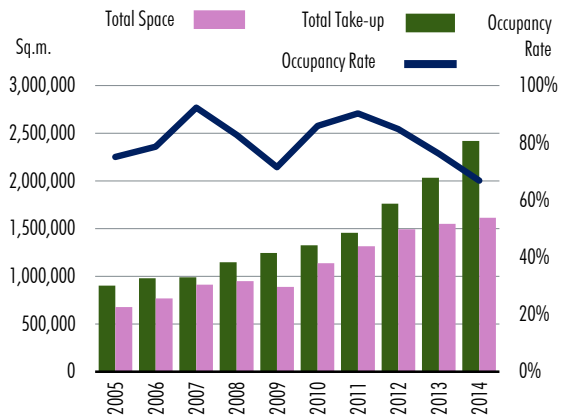
The total supply of Modern Logistics Properties (MLPs) was 2.3 million sq.m., an increase of 39.7% Y-o-Y. New yearly take up was about 400,000 square metres. The occupancy rate of Modern Logistics Properties (MLPs) was 75% in Q4 2014, down from 78% in previous quarter. There was a little change in rents.

Figure 9: Demand and Occupancy Rate of SILPs



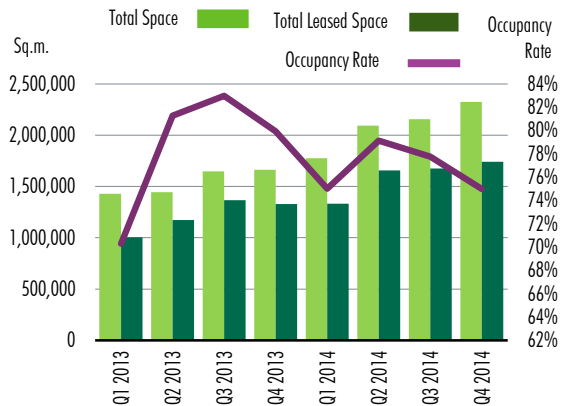
Source: CBRE Research, Q4 2014

Figure 10: Supply, Demand and Vacancy Rate of RBFs



Source: CBRE Research, Q4 2014

Figure 11: Supply, Demand and Vacancy Rate of MLPs



Source: CBRE Research, Q4 2014

INVESTMENT

The Bank of Thailand held the policy rate at 2.00%.

The 10-year government bond yield decrease by 69 bps Q-o-Q from 3.56% in Q3 2014 to 2.87% in Q4 2014.

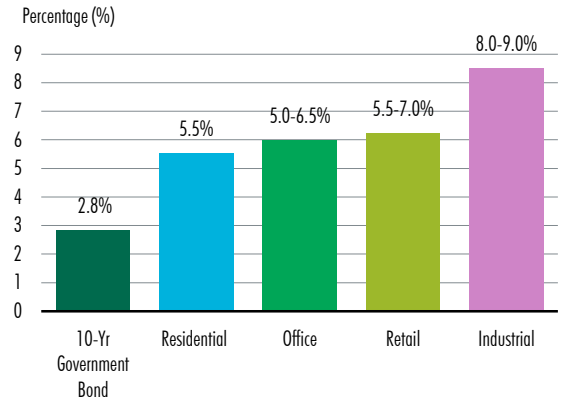
Property Fund yields increased by 38 bps Q-o-Q from 5.62% in Q3 2014 to 6.00% in Q4 2014, moving in the opposite direction to the-10 year government bond.

There were three REIT launches this quarter, WHART, LHSC and TREIT.

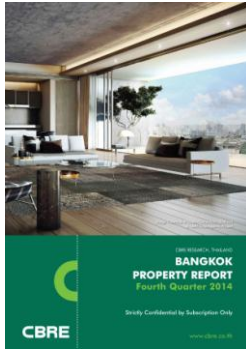
The lack of transactions makes analysis of yields difficult. Our yield information is estimated and is based on our market knowledge.

Most yields for property investments have remained quite stable. Average gross residential yields for individual condominium units stayed at 5.5% at the end of Q4 2014. We base residential yields every quarter on the leasing transactions completed by our leasing team over the previous three months and so yields can vary from quarter to quarter based on where we have concluded transactions.

Figure 12: Estimated Gross Freehold Initial Yield

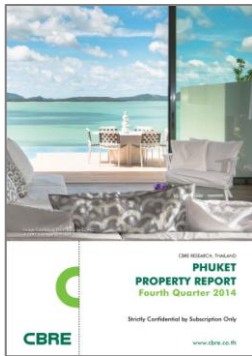


Source: SET and CBRE Research, Q4 2014

QUARTERLY REPORTS

Bangkok Property Report

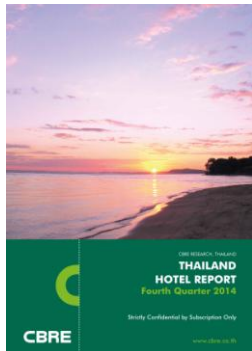
The Bangkok Property Report, now in its 18th year, is CBRE Thailand's flagship quarterly subscription publication, with data from a tried and tested database reinforcing its reputation as Bangkok's definitive property sector source.

The Bangkok Property Report provides in-depth analysis of the Bangkok real estate market, including property supply and demand, occupancy, take-up, prices, rental trends and other indicators.


Phuket Property Report

The Phuket Property Report, the latest quarterly subscription report by CBRE Research in Thailand, is an initiative designed to bring professional analysis and transparency to the growing Phuket property market.

The report provides detailed information and analysis from CBRE's comprehensive and unrivalled Phuket and overall Thailand database, combined with our own exhaustive market and property surveys.


Thailand Hotel Report

The CBRE Thailand Hotel Report provides the most up-to-date and in-depth analysis built on CBRE's comprehensive databases and unrivalled experiences in the hotel market in Thailand – available now in a quarterly format.

It provides a one-stop access to CBRE's market-leading data and analysis, enabling timely, informed decision-making on management, development, and investment strategies in the hotel market, and offering subscribers a tactical edge.


Bangkok Retail Report

The CBRE's Bangkok Retail Report is produced quarterly by a professional retail research team who closely monitor the complex retail database so that our in-depth analysis will definitely be the most meaningful.

The report covers all necessary topics which could be a part of your strategic future business plan. Retail supply, demand, take-up, occupancy, and other indicators that have an effect on the retail market such as retail sale index are all provided.

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