JONES LANG LASALLE

Real value in a changing world

/pulse/

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Property Market Monitor BANGKOK

The Economy

Bank of Thailand Raises 2010 GDP Forecast

The Bank of Thailand (BOT) recently raised its GDP estimate for 2010 to 3.3–5.3%, reporting signs that the economy has emerged from recession. The central bank's 2010 growth forecast takes into account a potential 0.2-percentage point reduction due to industrial project delays, while a one-year delay in investment may shave next year's expansion by 0.5 percentage points, according to BOT Assistant Governor Paiboon Kittisrikangwan.

BOI Introduces New Tourism Promotion Measures

Thailand's Board of Investment (BOI) launched a new measure to promote investment in activities related to tourism and tourism-related real estate projects in an effort to encourage the formation of a tourism cluster in the country. According to the new measure's terms and conditions for service industrial estates, if 80.0% of the land is occupied by activities related to tourism, the project will receive maximum incentives from the BOI as part of the Thailand Investment Year campaign.

The incentives include the exemption from import duties on machinery and corporate income tax exemption for eight years and a 50.0% reduction of corporate income tax on net profit derived from the investment for five years after the exemption period.

Key Economic Indicators	
GDP Growth (3Q09 yoy)	-2.80%
Unemployment (1H2009)	1.80%
Consumer Price Index (June 2009 yoy)	-4.00%
Bangkok Bank MLR (November 9, 2009)	5.88%
Stock Exchange of Thailand Index (November 9, 2009)	713.48
Thai Baht-US$ Exchange Rate (November 9, 2009)	33.5

Source: Commerce Department, SET, Bank of Thailand, EIU, National Statistics Office

Office Market

Key Indicators as of End-1H09	BMA	Grade A CBD
Total Stock* (million sqm)	7.88	1.41
Net Addition (sqm)	178,000	48,000
Net Absorption (sqm)	–17,000	34,000
Vacancy Rate (%)	16.0	19.2
Average Gross Rent (THB psm pm)	407	643
y-o-y Rental Change (%)	–2.6	–4.2

* Subject to re-audit/review of building NLA
Source: Jones Lang LaSalle

Net Office Absorption on Flat Demand, New Supply

With corporations cutting costs, and in some cases, handing back space, net absorption in the Bangkok office market was negative for the first time since 1998, when 57 Thai finance companies shut down their operations. The negative net absorption is primarily attributable to the minimal new set-ups and expansions, some closures or hand-backs by existing tenants, as well as the relocation of some state-related agencies and organisations to the Government Office Center along Chaeng Wattana Road.

New Supply Completed

Six new office buildings were completed in 1H09, including two in Bangkok's CBD. Both Asia Centre (31,000 sqm) by City Realty and Sala @ Sathorn are located along the prime Sathorn Road. Asia Centre's first major tenant is KGI Securities, which relocated from United Center on Silom.

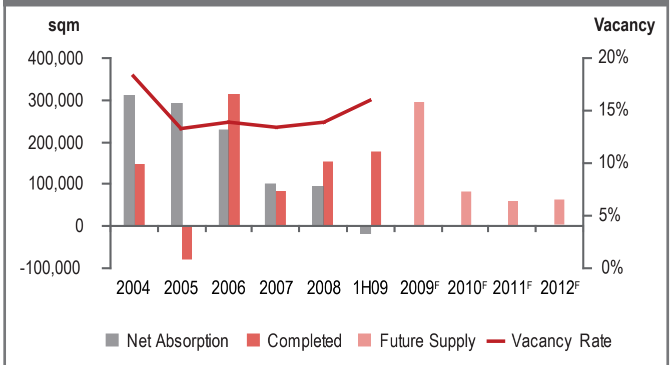
Other completions during 1H09 include CyberWorld Towers (60,000 sqm) along Ratchadapisek Road, Central Plaza Chaeng Wattana Tower (20,000), the Kasikorn Bank headquarters (about 39,000 sqm) in Muang Thong Thani and phase II of Pakin Building (16,000 sqm) along Ratchadapisek Road.

Vacancy Rises, but Minimal Decline Seen in Rents

On the back of new supply (both commercial and the Government Office Center) and the resulting contraction in demand, the vacancy rate in Bangkok's office market rose to 16.0%, still well below the rates witnessed in the aftermath of the Asian Financial Crisis. However, office rents have only fallen slightly compared with the sharp declines in regional markets, such as Singapore and Hong Kong.

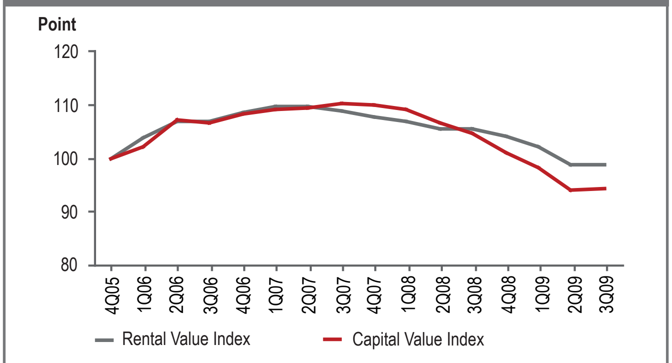
Sala @ Sathorn, one of the six new office buildings completed in Bangkok this year. The development offers 17,500 sqm of Grade A office space for rent.

Physical Indicators (BMA)



Source: Jones Lang LaSalle F = Forecast

Office Rental and Capital Value Indices (CBD)



Source: Jones Lang LaSalle

Residential

Improved Condition Convinces Developers to Return

Overall sentiment improved after a lacklustre 1H09. The Bureau of Trade and Economic Indices' Business Expectation Index posted a sharp rise from 35.4 in 2Q09 to 46.8 in 3Q09. Listed developer Asian Property (AP) was the most active, introducing six new projects in a single quarter. These projects are The Address Phayathai, The Address Prathumwan, The Address Asoke, The Address Sukhumvit 28, The Address Sathorn and Life @ Ladprao 18, comprising a total of 2,146 units.

Some developers have also allocated more funding for land acquisitions for development, while some previously suspended projects were being resumed.

Urbanisation Along New Mass Transit Lies

The official opening of the Airport Rail Link in April has been driving up land prices and attracting new projects as areas in proximity to the infrastructure urbanise. Projects recently launched and located near the main city terminal include The Address Asoke by AP and Villa Asoke by TCC Capital Land Group.

Recent Condominium Launches

Project	Developer	Units Launched	Median Price (THB/sqm)
The Address Asoke	AP Development	574	110,000
Villa Asoke	TCC Capital Land	500	75,000*
Collezio	Major Development	95	130,000
Noble Refine	Noble Development	243	89,000*
The Seed Musee	Prueksa Real Estate	138	91,750

* Starting prices
Source: Jones Lang LaSalle

Retail

Cautious Consumers, Revived Confidence

Consumers were reportedly spending more frequently, but at lower amounts per transaction. A higher volume of both foot and vehicular traffic has also been reported by major retail centres. The Bureau of Trade and Economic Indices' Consumer Confidence Index showed a significant pickup from 10.2 in August to 14.8 in September and 18.1 in October due largely to the more stabile political situation, global economic recovery and lesser concerns about the swine flu. With these conditions, consumption 2H09 is expected to rise above the 1H09 volume.

Timing Appropriate for Retail Renovations

The current low interest rates and lower construction material costs have sparked renovations at certain older retail centres such as Seacon Square and Paradise Park (renamed from Seri Center), which have already been operating for more than ten years. Several other retail malls plan their renovations in the near future. Unlike many other types of real estate, the average rental for prime retail space climbed by 66 basis points q-o-q to THB 2,066 per sqm per month.

Serviced Apartments

New Supply Heats Up Competition in Thonglor

New supply continued to enter the market, particularly in the Thonglor area. The 148-unit Pan Pacific Serviced Suites was nearly ready for occupancy in 3Q09, while three upcoming projects are due for completion by end-2009. These are the 262-unit Somerset Sukhumvit Thonglor, the 50-unit Alcove Thonglor 5 and the 47-unit Grass Suites. Consequently, competition for the 156-unit Center Point Thonglor, which is the most well-known serviced apartment in the market and has been operating since 2005, will definitely intensify.

Other recently completed serviced apartments around central Bangkok include the 23-unit Rongratana Executive Residence along Lungsuan Road and the 300-unit Marriott Executive Apartment on Sukhumvit 24.

Industrial

Map Ta Phut Industrial Operations Ordered Shut

On 29 September, the Central Administrative Court ordered 76 projects in the Map Ta Phut, Rayong industrial zone to cease operations over concerns on environmental and health impacts of these projects. The court cited the National Environment Board's decision to declare the three districts in Rayong a pollution-control zone, declaring that pollution at Maptaphut had intensified. 43 local residents had complained to the court in August, requesting an emergency hearing and an injunction to stop the projects at the industrial zone, which have already attained government approval.

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