

# Bangkok and Surrounding Area Retail Market 1Q 2020

Phoenix Property Development and Consultancy Co., Ltd.



The outbreak of the Covid-19 virus was the big impact to the retail market. Bangkok Metropolitan Administration and the government has requested for the closure of all types of retail projects in Bangkok since March 21, 2020. Only supermarket, restaurants that provide services specifically for taking at home, and drug stores can be opened in due time. All tenants are inevitably affected, all retail developers and retail owners are also affected by the closing of the retail projects. The retail market in the first quarter may not be able to see the serious impact. But the number of

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new retail spaces opened in the first quarter of 2020 is very low and some new areas are in projects that have previously been opened.

## Supply

Cumulative Retail Supply and New Retail Supply by Year



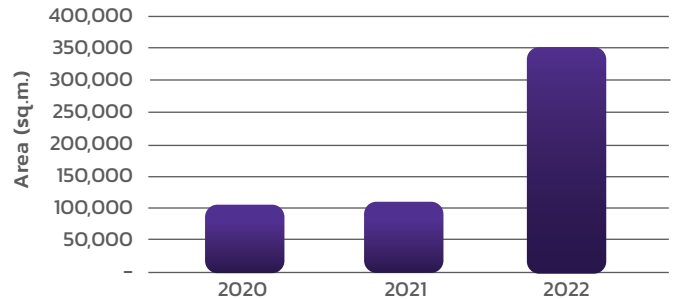
Source : Phoenix Property Development and Consultancy Co., Ltd.

“The retail area that are opened in the first quarter of 2020 is only accounted for 5,000 square meters.”

Another 4,000 square meters were launched in already the existing retail project; therefore, there is no effect on the overall retail market. The total retail space in Bangkok and surrounding areas as of the first quarter of 2020 is approximately 8.43 million square meters. But if counting only the retail space in Bangkok, the number is only 6.52 million square meters. The reason is because some large retail space projects are outside of Bangkok but can attract people in Bangkok and widely known.

Retail areas in Bangkok and surrounding areas were clearly affected by the announcement of Bangkok and the government in April and May. In the first quarter, the impact may not be much. But the factor already affecting the retail space market before the epidemic occurred were the economic slowdown and the reduction in Thai people spending level due to long-term concerns in the country's economy.

### Under Construction Retail Supply and Estimated Completion Year



Source: Phoenix Property Development and Consultancy

Note: Only new retail supply was scheduled to be completed in quarter 2 – 4 for year 2020

Approximately 107,900 square meters of retail space are under construction and scheduled for completion in 2020 with more than 459,600 square meters scheduled to be completed by 2022,

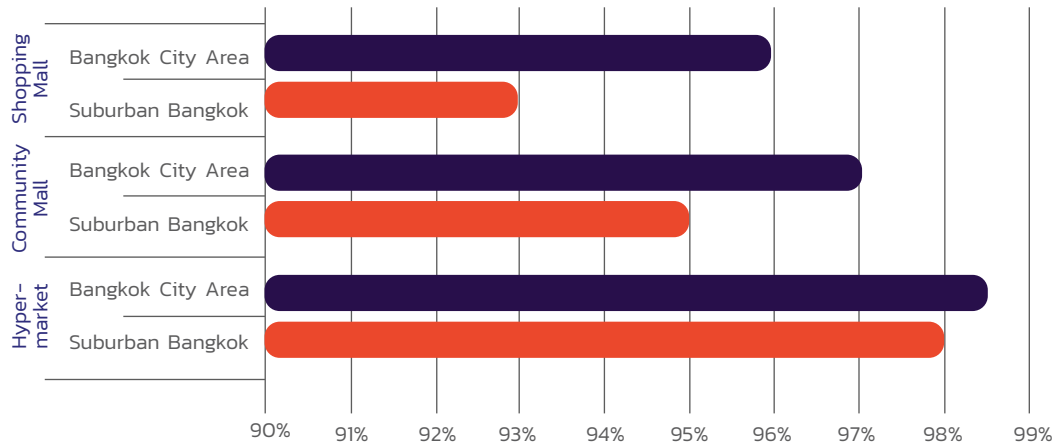
“Over 90% of under construction retail space are Shopping Malls”

Only few community malls and other retail categories will be launched in the market. However, the higher number is in many office buildings that are currently under construction in Bangkok with supporting retail space inside the building.

The future expansion of the retail space market is unclear because online shopping in Thailand still cannot completely replace the purchase at a store in a retail space project like in a foreign country. However, the progress of online shopping that comes into people's daily lives in Thailand especially in Bangkok and vicinity areas is more visible. The progress will be most evident in March and April when most people work at home according to government policy to reduce the spread of the covid-19 virus.

## Demand

### Average Occupancy Rate in Bangkok and Surrounding Area by Category and Location



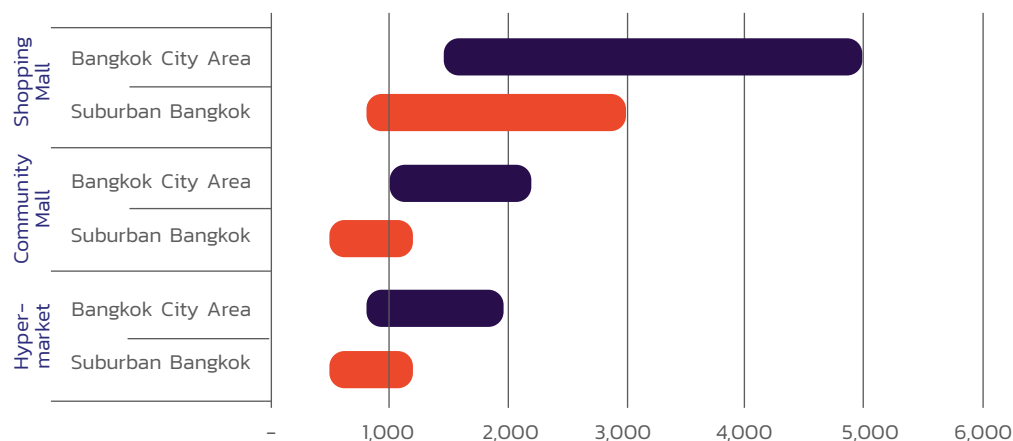
Source : Phoenix Property Development and Consultancy Co., Ltd.

The average occupancy rate of retail space in Bangkok as of the first quarter of 2020 was not much different from the previous quarter. Because the effects of the Covid-19 virus is not much, but after the first quarter, there should be more noticeable differences. Moreover, it is not possible to tell what kind of service will have longer effect after the release of the lock down. But probably not the same as before the epidemic, which may also cause some stores or tenants to be affected as customers or users change their behavior.

The average occupancy rate of retail projects for the rest of the year is likely to decrease because stores or tenants who are affected by the closure of retail space projects for more than 1 month may face a financial problem. In addition, some businesses or stores that may not be able to return to provide the same services immediately, may have problems in renting space in the long run.

## Rental Rate

### Average Rental Rate in Bangkok and Surrounding Area by Category and Location



Source : Phoenix Property Development and Consultancy Co., Ltd.

Average rental rates in retail projects are almost unchanged because there are not many new retail space projects that are open to the market. In addition, the economic downturn since the previous year has resulted in only small change in rental rate. Some community mall projects in the suburban Bangkok area have relatively low rents, while some project have below average rental rate because of the project location and unfavorable store concept.

The closure of the retail space service as ordered by Bangkok and the government will cause trouble for the shops and tenants in the retail projects. Therefore, all tenants requested to reduce the rent from the project owners, which most project owners are willing to reduce at an average rate of about 20% for the rent in April, while the following months will have to wait and see the effect after the lockdown is finished.

## Conclusion

- > The spread of the virus from the Covid-19 directly affecting the retail market.
- > Not many new retail space projects in the future.
- > The shopping center is continuously been expanding.
- > The inner-city area is the area where most retail space projects are under construction.
- > Rental rates in 2020 may not be different from 2019.
- > Rental rates are likely to decrease after the first quarter of 2020.
- > Tenants will ask to reduce the rental rate in April.
- > The service model of the retail project after the lockdown may be not the same.
- > Retail space project under the surveillance situation of the covid-19 virus will continue to cause problems for project owners and tenants until the situation is resolved



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