

Bangkok Retail Market

Bangkok and Surrounding Area

2Q 2020

Phoenix Property Development and Consultancy Co.,Ltd.

"The closure of retail projects for over 1 month had major impact on tenants and operators."

Government had announced temporary closure of the retail projects since 22 March 2020 with exception of supermarkets, pharmacies, banks, and take-away restaurants. However, all retail projects had re-opened again on 17 May 2020 under stricter regulations for covid-19. The closure of retail projects for over 1 month had major impact on tenants and operators.

Although shops and tenants have lease agreement with the project owner, they need to ask to reduce the rent from the project owner. Most project owners had agreed to reduce the rent, because otherwise many tenants may choose to cancel the lease contract.

Surachet Kongcheep

Managing Partner

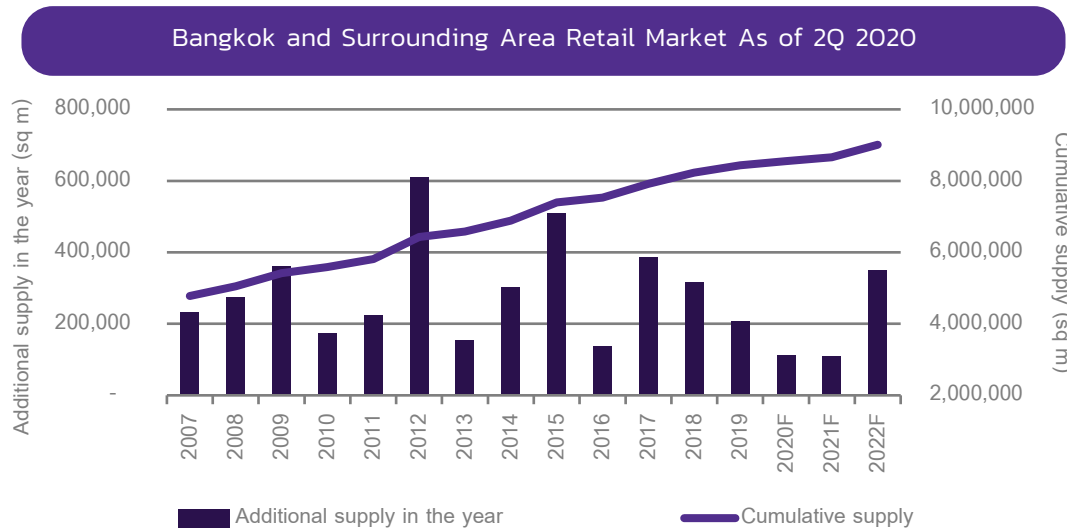


Overall, the retail market in the second quarter of 2020 has come out in a quiet form, the number of new projects launched are small compared to the previous year.

Retail sales index in the first quarter was negative by 3 - 7%, but in the second quarter it is possible to increase to minus 20 - 50% compared to the same period last year.

"Many tenants must temporarily and permanently close the business during the past 2 months."

Supply



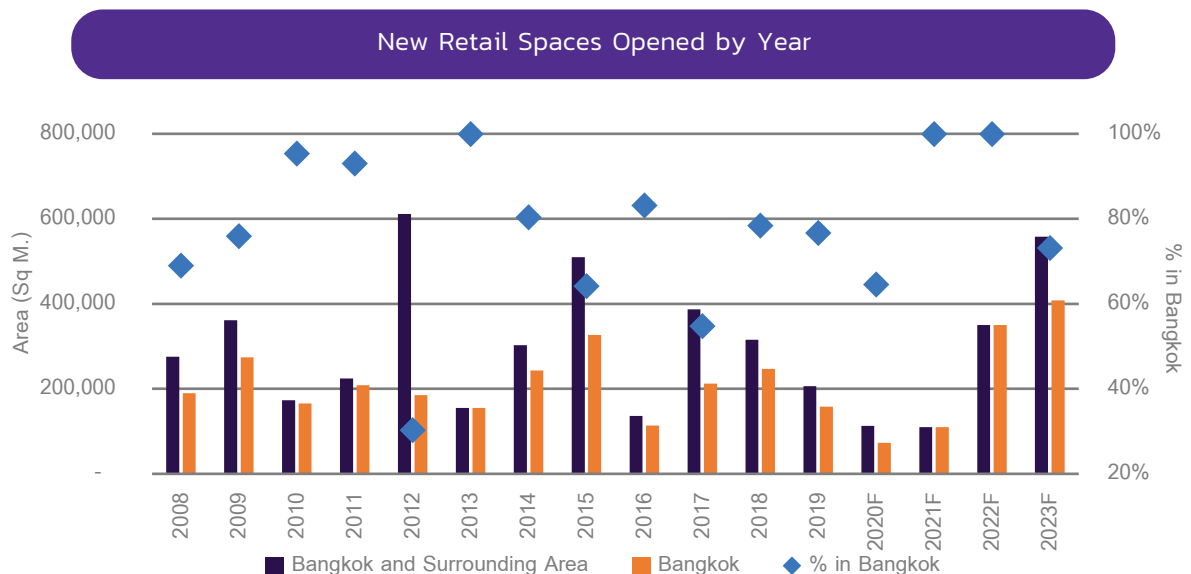
Source: Phoenix Property Development and Consultancy

The new retail market space in Bangkok and surrounding areas during the second quarter of 2020 were at 50,000. Therefore, throughout the first half of 2020, there were just 55,000 square meters of new retail space open, the lowest compared to the same period in many years. This is the result of only the economic downturn, and not the result of the outbreak of the Covid-19 virus. Since 2020 - 2021, there were not many new retail projects scheduled to be opened compared to the previous year. Most projects that are scheduled to open in 2020 - 2021 are shopping centers.

The cumulative retail space in Bangkok and the surrounding area is approximately 8,493,200 square meters.

However, if considering only in Bangkok area, there will be a total retail area of approximately 6,496,700 square meters.

Retail projects, especially community malls in the Suburban Bangkok area, may encounter problems with tenants who are unable to continue their business in the long run as the impact occurred during the 1st and 2nd quarter. However, the impact should be larger in the second quarter. Although the retail projects re-opened in mid-May, but the service is limited under new covid-19 regulations. Some tenants choose to close the business temporarily during this time.

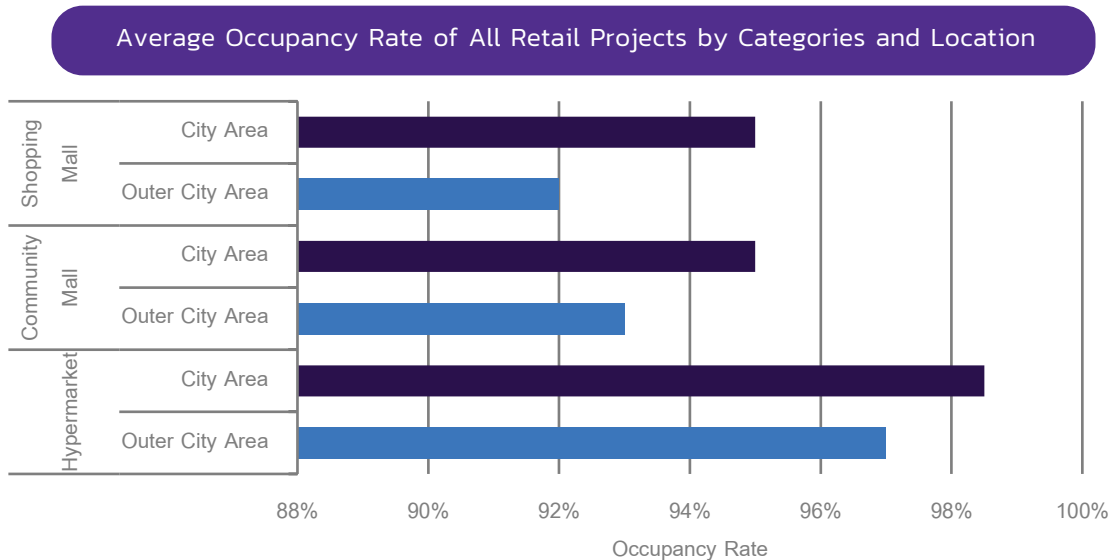


Source: Phoenix Property Development and Consultancy

Most of the retail projects that opened in Bangkok and surrounding areas are located in Greater Bangkok. There may be some years when there are large retail space projects open in the Suburban Bangkok area.

But most large-scale retail projects that had already taken the space in suburban Bangkok and the area around Bangkok in the past many years as the land price at the time were not too high.

Demand

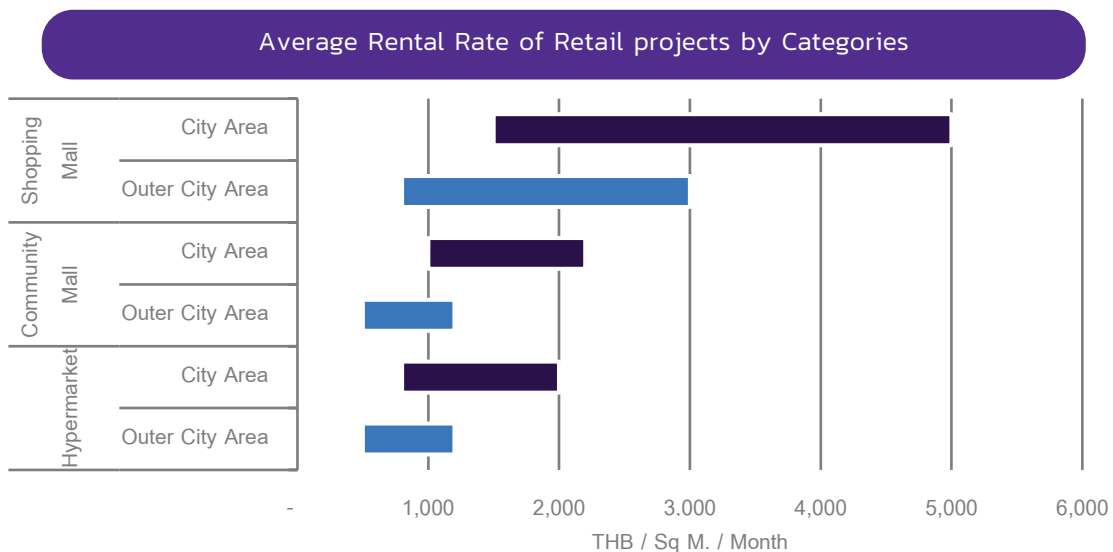


Source: Phoenix Property Development and Consultancy

Occupancy rates in some retail projects, especially small projects or projects with few rental spaces such as community mall and hypermarkets begin to see vacancy. Some tenants are requesting for lease cancellation, resulting in a decrease in average occupancy rates in some areas. Although, the average occupancy rate of various retail space projects will remain at a rate higher than 92%.

Major tenants and small or medium-sized retail projects may keep their rental space occupied in the first half of 2020. But if the epidemic intensifies or the economy after the pandemic of covid-19 is not recovered in time, there will be more vacancy in the retail projects.

Rental Rates



Source: Phoenix Property Development and Consultancy

The average rental rate of each type of retail space will vary according to the location. Community malls in the suburban Bangkok area or in the other provinces around Bangkok cannot afford higher rental fees compared to projects located closer to inner cities.

Almost all retail space projects are required to reduce

or waive rents for tenants during the closure of the projects ordered by government agencies. Due to restrictions on the services under the Social Distancing conditions in the retail project, many tenants, especially restaurants, are still not as comfortable as before. This has resulted in lower income. Therefore, waiver or reduction in rate are prolonged in some projects.

Summary of overview and future trends

- > Retail space projects are still not recovering or returning to normal.
- > The retail space market will continue to be affected until there is no consideration of social distancing conditions.
- > The retail space project in the heart of the city, a district with a group of foreign tourists, is still not recovering until it is open for foreigners to enter Thailand freely.
- > Many tenants must temporarily and permanently close the business during the past 2 months.
- > Rental and rental rates are fixed at a fixed rate and tend to decrease in the third and fourth quarter of this year.
- > Shopping centers will continue to be a form of retail space projects that are continuously expanding in the future.
- > Tenants with online sales channels will begin to reduce space rental in retail space projects.
- > The store in the future retail space project may be just a product display, so the area will not be very large.
- > Supporting retail or retail spaces in the office buildings area still have room to grow in the future.



บริษัท ฟีนิกซ์ พร็อพเพอร์ตี้ ดีเวลลอปเม้นท์ แอนด์ คอนซัลแทนซี จำกัด

ที่ปรึกษาอสังหาริมทรัพย์ครบวงจร
ให้บริการวิเคราะห์ภาพรวมและศึกษาตลาดอสังหาริมทรัพย์
ธุรกิจขายฝาก รวมถึงการจัดหาเงินทุน การร่วมลงทุนในธุรกิจอสังหาริมทรัพย์ และธุรกิจอื่นๆ
ในประเทศไทยด้วยวิสัยทัศน์ในการเป็นหนึ่งในผู้นำด้านที่ปรึกษาอสังหาริมทรัพย์
ที่มีความน่าเชื่อถือในประเทศไทย