



In association with

CLUTTONS

# Thailand Country Report

30 October 2015

Jakarta, Indonesia

This contains confidential and proprietary information of VPC Asia-Pacific and is intended for the exclusive use of the parties to whom it was provided by VPC Asia-Pacific. Its content may not be modified, sold or otherwise provided, in whole or in part, to any other person or entity, without VPC Asia-Pacific's permission. The findings and/or opinions expressed herein are the intellectual property of VPC Asia-Pacific and are subject to change without notice.

[vpcasiapacific.com](http://vpcasiapacific.com)

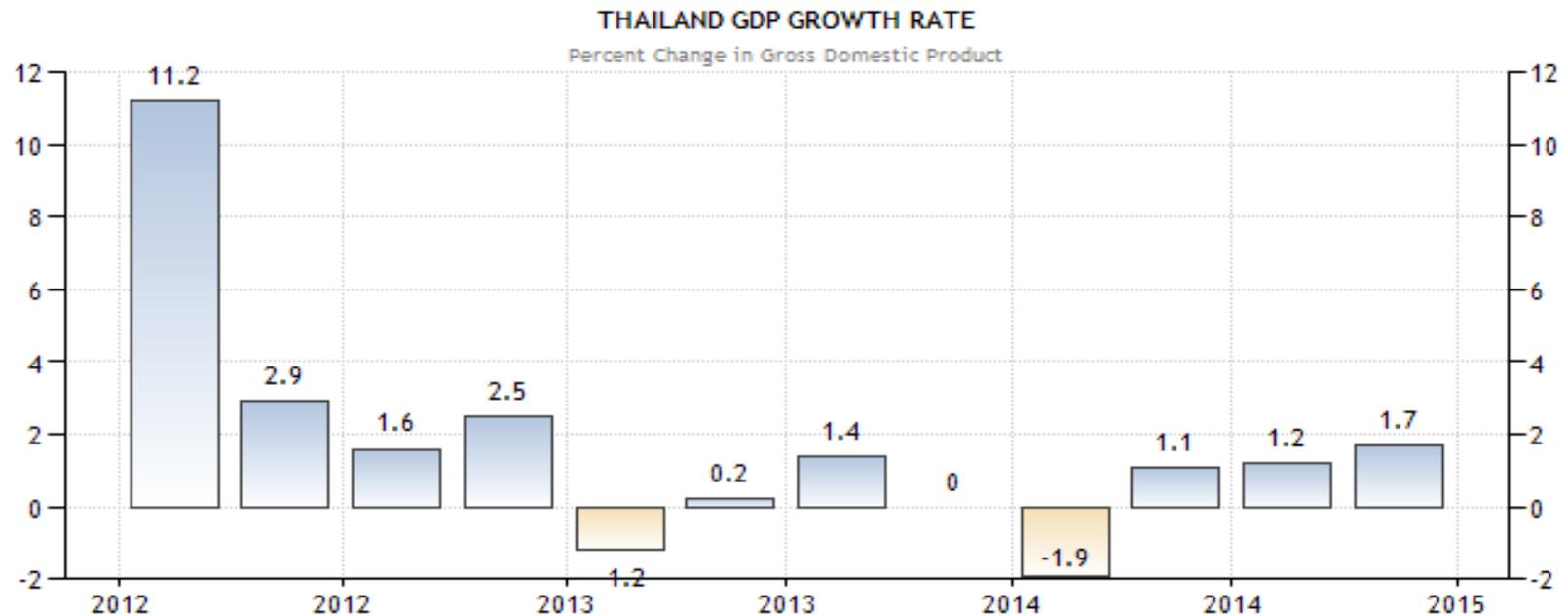
# Agenda

---

- **Thai Economic Outlook**
- Bangkok Property Update

# Thailand: Economic Overview

- **Slowdown in Economic Growth Expectation:** The Thai real **GDP** is expected to register a growth of 2-2.5% in 2015 (2014: 0.7%, 2013: 2.9 %, 2012: 6.5%), due to the ease of political unrest and return of tourism and investment.



SOURCE: WWW.TRADINGECONOMICS.COM | NESDB, THAILAND

- **Slow Recovery:** Economic activity continues to improve slowly. Private consumption and particularly exports slowed down with the slow down in China.

## Thailand: Economic Overview (Cont.)

- **Inflation Subsided:** Driven mainly by a fall in fuel and weak fresh food prices (meat, rice and vegetables), the inflation rate has been negative for the most part in 2015.



SOURCE: WWW.TRADINGECONOMICS.COM | BUREAU OF TRADE AND ECONOMIC INDICES, MINISTRY OF COMMERCE, THAILAND

- **Weaker Baht/USD But Strong comparing to other ASEAN Countries:** While Thai Baht has depreciated about 20 % during the past year against USD (from about THB 29/USD as of April 2013 to THB 32.5/ USD in late April 2015 to THB 33.5/ USD in late October 2015). The Bank of Thailand (BoT) kept the policy rate at 1.75% and is expected to keep the rate low to support the economy and export (with weaker Baht).

# Thailand: Economic Overview (Cont.)

Robust growth in tourism industry and stable growth in cargo traffics/ logistics.

Traffic at Six Major Airports in Thailand				Traffic at Suvarnabhumi Airport			
No. of Passengers	Sep '15	% Change YoY	% Total	No. of Passengers	Sep '15	% Change YoY	% Total
All Flights	106.78	21.9%	100.0%	All Flights	52.4	13.0%	100.0%
International Flights	61.30	19.8%	57.4%	International Flights	43.97	15.5%	83.9%
Domestic Flights	45.48	25.0%	42.6%	Domestic Flights	8.43	0.34%	16.1%
Aircraft Movement (Take-offs/ Landings)				Aircraft Movement (Take-offs/ Landings)			
No. of Passengers	Sep '15	% Change YoY	% Total	No. of Passengers	Sep '15	% Change YoY	% Total
All Flights	707,362	21.9%	100.0%	All Flights	310,867	6.1%	100.0%
International Flights	365,321	19.8%	51.6%	International Flights	242,953	7.1%	78.2%
Domestic Flights	342,041	25.0%	48.4%	Domestic Flights	67,914	2.8%	21.8%
				Freight tonnes			
No. of Passengers	Sep '15	% Change YoY	% Total	No. of Passengers	Sep '15	% Change YoY	% Total
All Flights				All Flights	1.28	6.1%	100.0%
				International Flights	1.24	0.7%	96.8%
				Domestic Flights	0.04	2.1%	3.2%

Traffic at Don Mueng Airport				Traffic at Phuket Airport			
No. of Passengers	Sep '15	% Change YoY	% Total	No. of Passengers	Sep '15	% Change YoY	% Total
All Flights	28.6	47.8%	100.0%	All Flights	12.5	11.2%	100.0%
Aircraft Movement (Take-offs/ Landings)				Aircraft Movement (Take-offs/ Landings)			
No. of Passengers	Sep '15	% Change YoY	% Total	No. of Passengers	Sep '15	% Change YoY	% Total
All Flights	214,809	32.7%	100.0%	All Flights	82,000	10.1%	100.0%

Source: Airports of Thailand, PLC., data as end of September 2015, No. of Passengers, unit in Million

## Thailand: Economic Overview (Cont.)

---

### Prayut's Government Performance

- revitalize economy with changes of the economic team from MR Pridiyathorn to Somkid Jatusipituk-former Thaksin's Deputy Prime Minister and Finance Minister.
  - + Property Transfer Fee Break: Introduced in late October 2015 with a reduction of transfer fee of 2% and reduction of mortgage fee of 1% to 0.01% each (effective Oct 29, 2015 – April 29, 2016)
  - - New Property Tax Law: New Property Tax approved. Higher rate of taxation for vacant plots would compel landlords to sell or build on them starting soon.
- September 2015 voting for passing law which was not passed. Consequently, it is extending election date to likely late 2016, or even 2017. The implication is more time for Prayut government to rectify problem in Thai government system.

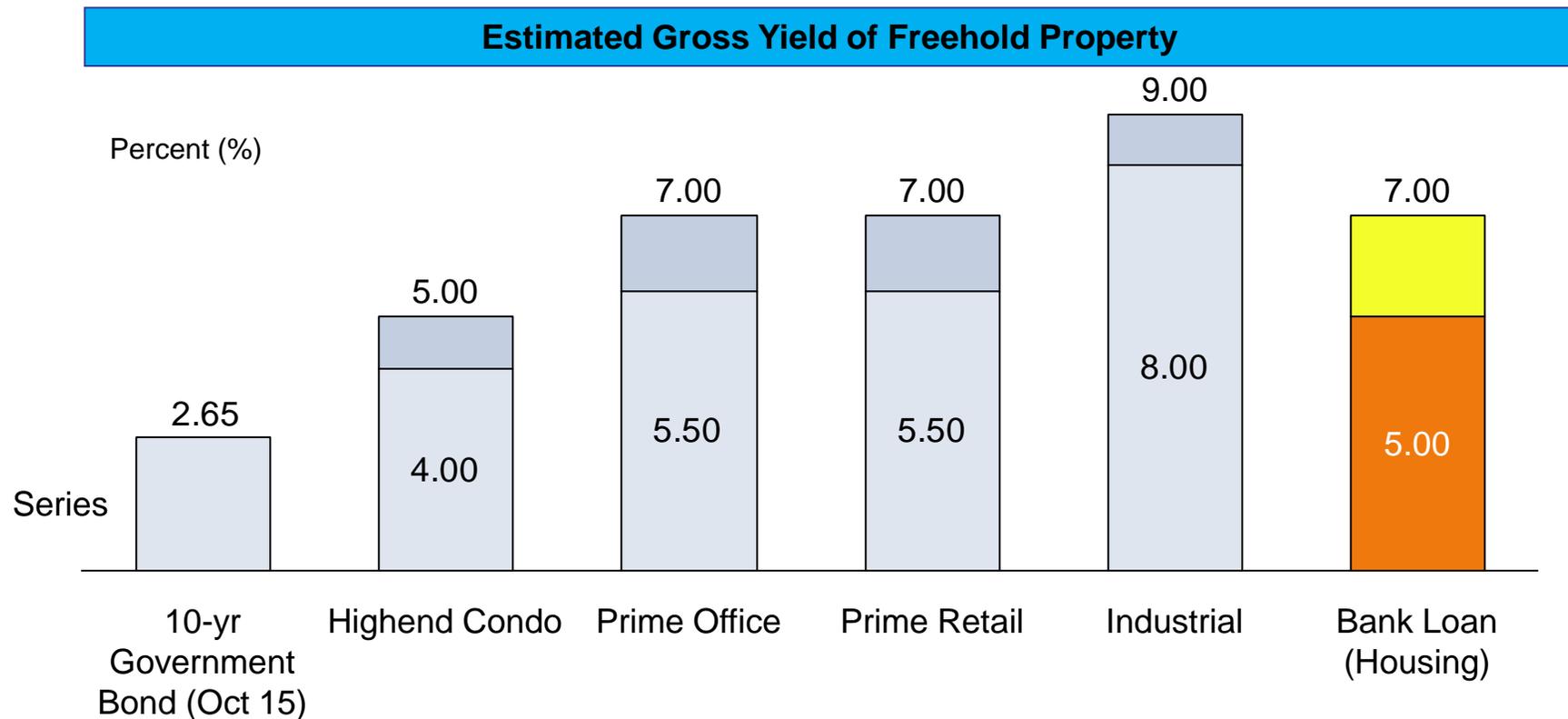
# Agenda

---

- Thai Economic Outlook
- **Bangkok Property Update**

# Overall Property Market Experience A Slowdown

- **Slowdown in Property Sector:** The **property market** performance in Thailand was generally **softened 12015** due to banks tightening the housing loan requirements and high household debt, which is about 85% of the GDP.



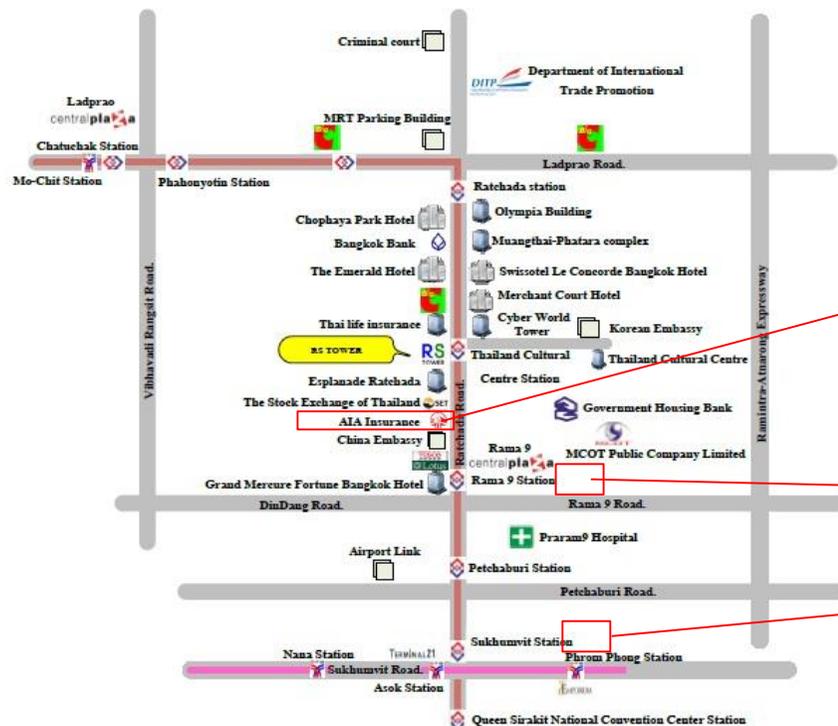
# Residential Sale Getting Tougher While Leasing Market is Stable

---

- **Growth of about 5% New Housing Supply Expected in 2015**: The positive performance included the government's various infrastructure projects, the recovery of the local economy, declining fuel prices and a reduction in the benchmark rate. In Bangkok & vicinity new units: 2012, 2013, & 2014 total housing units released were 102,600, 131,200, 118,200 respectively. (source: Real Estate Information Center).
- **Condominium Oversupply a Concern**: In tandem with the moderate overall property market performance, new launches in the **Bangkok residential market continue in 2H 2014 and Q1 2015**. However, local consumption power has been dampened due to high household debt. The property market outlook for property in **prime area is still fair**, also due to **foreign investor appetite** for Bangkok condominium properties. With more completions of **residential projects**, which have been launches in the prior years, we expect a **slow down in overall rental and selling price growth**. We start to see a sale of pre/near-completed project and big lot sale of completed project by small developers. Oversupply in some Bangkok property areas is also a concern where developers continue to launch new projects closer to future mass transit lines, particularly **small units, studio and one bedroom units**.
- The leasing market in CBD perform steady with two bedroom or larger unit with well-maintained properties performing well with consistent expat demand.

# Bangkok Office Rent Continues to Rise ( up 5-10% in 2014)

- Office Outlook Positive:** In the **office/commercial market**, the performance continues to be **robust in 2015** and is expected to continue so in the next few years. The **average occupancy rate** of offices in Bangkok continues to **increase** to over 90%+. The limited good supply is the key driver on rental rate increase where average grade A office can command about USD 23 per square meter and that of grade B office is about USD 16 per square meter.



Ratchadapisek/ Rama 9: Q3 '14      Sukhumvit Q1'15



AIA Capital Centre

Bhiraj Tower

Rama 9: Early '16

G-Land Tower

# Retail Sales Slow Down

---

- **Retail Sales Slow Down**: While the performance in the **retail sector** was strong the last two years, a noticeable slow down is observed. The average occupancy rate in Bangkok continues to be around 95% for 1H 2015. **However**, it has been a **challenging year for retailers in 2015** due to reduction of the purchasing power of consumers, taking away consumption power and the political situation affecting tourism.
- International brands continue to come in with brands such as Sephora, Victoria's Secret, Brioni opened their shop in Q4 2013. More luxury brands will show case at the new 70,000 sq.m. retail *Central Embassy* and *Emquartier* opening recently.



# Bangkok Hotel Sector Hit by Political Unrest

---

- **Hotel Outlook Negative-to-stable**: Bangkok hotels continue to be one of the poorest-performing categories. With increase in supply (no. of room keys), the occupancy dropped for all Bangkok hotels from around 74% in 2013 to 62% in 2014.
- Phuket saw an increase of Y-o-Y. The largest feeder market was Chinese with a 17.5% share of total international tourist arrivals to Thailand in 2013. The number of Chinese arrivals grew by 69.1% Y-o-Y (with the policy on no visa required).
- **Average occupancy rates stabilized** for all Bangkok hotel grades, despite the rise in supply. The Average Daily Rate (ADR) was at around THB 3,300 (note, the Baht has depreciated by about 20%+ Y-o-Y)

# Other Development: Introduction of Thai REITs in 2014 and the Rise of Foreign JV Partnering with Local Developer

---

- **REITs** regulations are finalized to **replace Property Fund** in 2014, as a new vehicle for real estate fund raising. This will enable property developers to employ a new fundraising vehicle while providing public investors with an alternative investment product with greater management flexibility, such as a much higher gearing and offshore investment.^
- **Japanese JV Partner:** joint-venture announcement by  **Mitsui Fudosan**,
  - Ananda Development PCL and **Mitsui Fudosan**,
  - AP (Thailand) PCL agreed a joint-venture with **Mitsubishi Estate Group** in Q4 2013. AP(Thailand) PCL sold 49% interest in Asian Property (Sukhumvit) Co., Ltd., AP (Praram 9) Co., Ltd. and AP (Nonthaburi) Co., Ltd. to Mitsubishi Estate Group for THB 299 million (USD 10 m). The two companies planned to jointly develop three residential condominium projects with a combined expected value of THB 7.5 billion (USD 250 m).
- **Chinese JV Partner:** joint-venture announcement with non-listed, Thai developers is coming up.



^Source: [http://www.set.or.th/en/products/listing/criteria\\_p7.html](http://www.set.or.th/en/products/listing/criteria_p7.html)

# Q&A