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VPC Thailand

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Agenda

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

Thailand: Economic Overview

- ❖ **GDP** growth was approximately **1.5%** in 2011.
 - **Flood Impact:** GDP contracted 9% in the Q4 2011 Y-o-Y.
 - Impacted 28 provinces in the North, Northeast and Central areas affecting many **rice crop** areas and **7 industrial estates** (mainly in electronics and automotive) in the central region.
 - **Export** impacted by the flood with **tourism industry** affected.
- ❖ **Inflationary pressure:** Latest headline inflation rate in February 2012 of **3.4%** means the real bank deposit rates is still below zero. The increasing food, beverage, and energy prices are the key drivers.
- ❖ **Central Bank interest rates:** Bank of Thailand maintained the benchmarked rate (1-day repurchase rate) at **3%**, a total decrease of 0.50% from October 2011. Average housing bank loan still hovers at around 7%.
- ❖ **Unemployment rate:** Current unemployment rate remains low, **below 1%**, but the market is looking to see what will happen once the **sharp increase in minimum wage to US\$9.8/day** (increases of between 40% to 60% in 7 key provinces) takes effect in April 2012.

Agenda

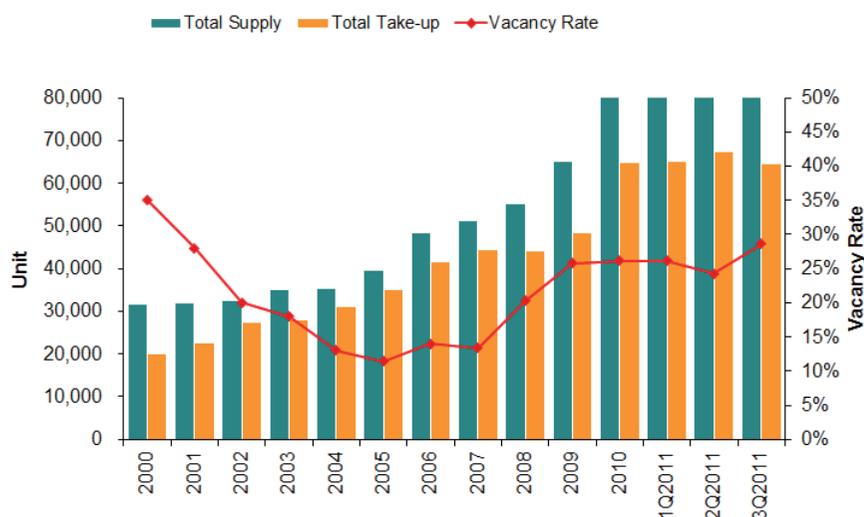
- Thai Economic Outlook

- **Bangkok Property Update**

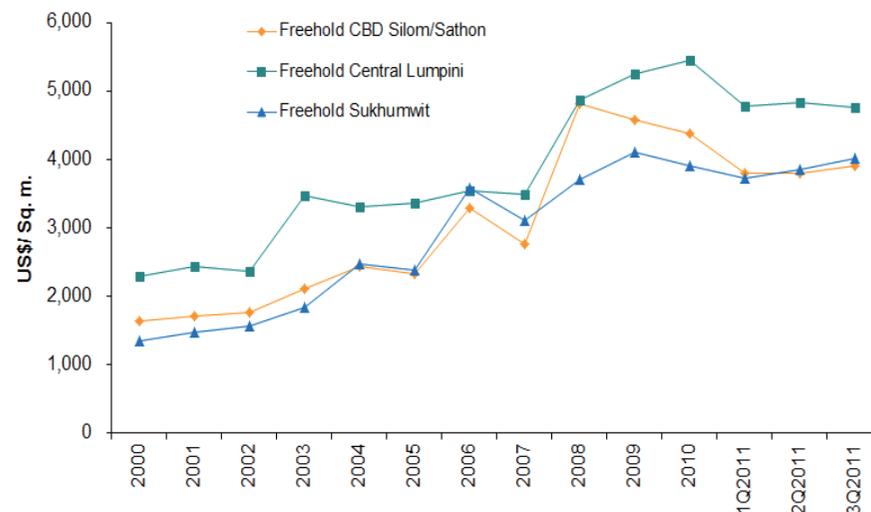
Condominium in Downtown Bangkok Focusing More Toward Small Unit Price with Strong Price Competition

- Growing supply in the market for one bedroom units (31 – 45 sq. m.), especially units close to mass rapid transit stations while there were fewer launches of larger size two and three bedroom units.
- In Q4 2010, the Bank of Thailand announced that Loan to Value ratio (LTV) was to be limited to 90% for condominiums priced at under THB 10 million (~US\$ 328k).
- 7 projects were launched in Q3/2011 in down town areas. Meanwhile, the overall occupancy rate for downtown decrease a bit to about ~71%.
- The average selling price for condominium in the downtown Bangkok was THB 128,907/sq. m. (~US\$ 4.22k) or about 5% increase Y-o-Y.

Supply, Demand and Vacancy Rate in Downtown Bangkok



Average Price by Area in Downtown Bangkok (Freehold)



Source: CBRE, VPC Thailand analysis

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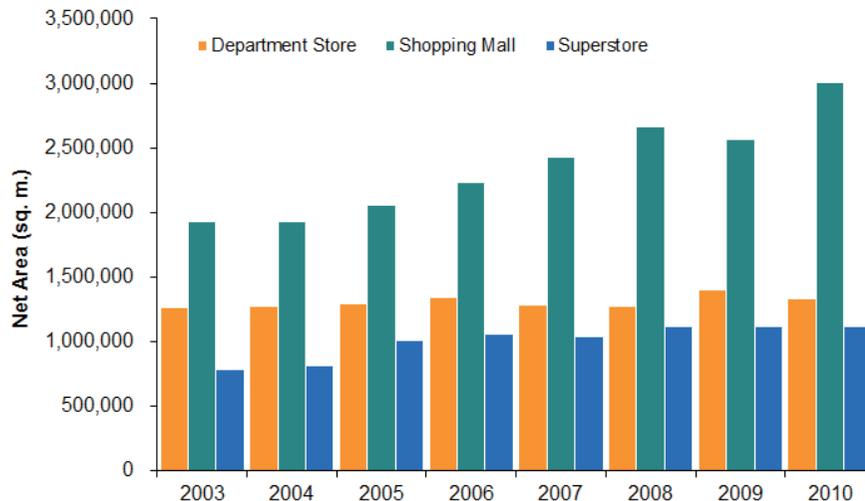
Note: US\$ 1 is about Baht 30.5

Vacancy Rate: % of units not occupied by owners nor tenants (the opposite would be occupancy rate)

Retails Outlook Stable

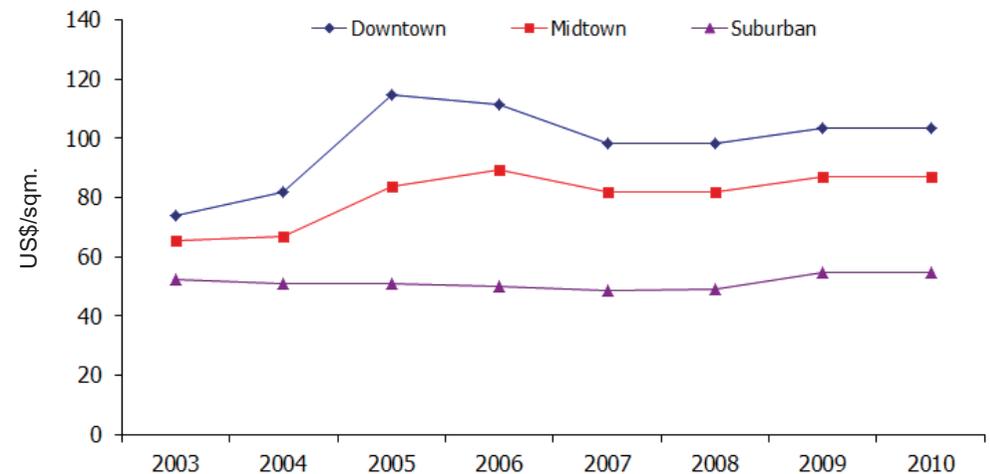
- The Bangkok retail market has returned to normal after the flood crisis, where several malls were temporarily closed and distribution/supply chain interrupted. The market in general is back to normal.
- In 4Q2011, the total retail supply in Bangkok increased to 5.7 million sq. m, up 4.5% Y-o-Y.
- In 4Q2011, overall occupancy rate of Bangkok retail properties increased slightly to 91.7%, up 0.7% Y-o-Y.
- Rents have remained relatively stable since 2010 and no change is expected in 2012.
- In October 2011, IKEA opened their first store in Bangkok.

Bangkok Retail Supply



Source: CBRE, VPC Thailand Analysis
 Note: US\$ 1 is about Baht 30.5

Average Achieved Rent



Source: CBRE, VPC Thailand Analysis

Office Outlook Stable

- Overall, office rents did not show any significant movement in 4Q2011.
- The total supply and occupancy rate was up slight Y-o-Y while the average office rents are stable Y-o-Y.
- Rents for **Grade A offices in the CBD** increased slightly to THB 702/sq. m./month (~**US\$ 23**).
- In term of rental rate for **Grade B in Non-CBD** rents, representing over 40% of the total supply, the rents rose slightly to THB 452/sq. m./month (~**US\$ 14.8**).
- The concept/ trend of green building to emerging in the Bangkok office market with the main activity focusing on the energy savings initially. The future of this trend will depend largely on the multi-national companies' demand in the future.

Bangkok Office Market, as of 4Q 2011

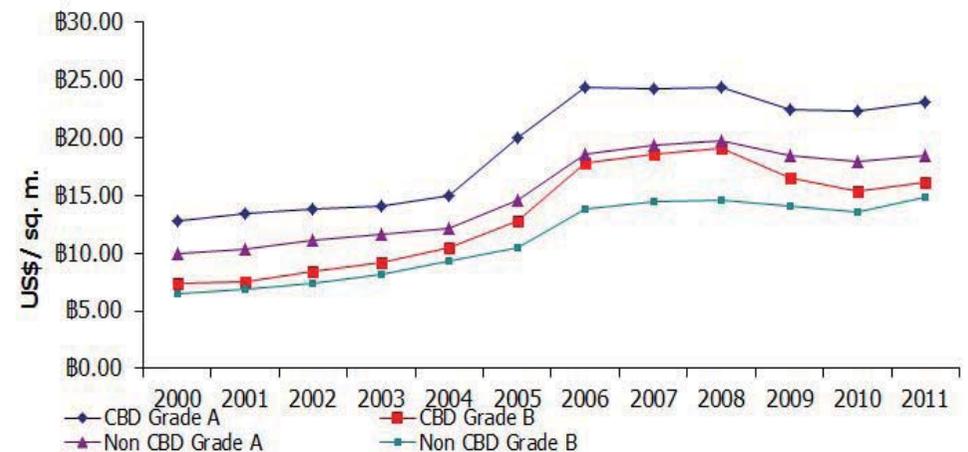
(All units in million, Square meter)

	Total Market	Total CBD	CBD Grade A	Non-CBD Grade A
Total Stock	8.12	4.01	1.18	0.73
Total Take Up	6.97	3.43	0.94	0.71
Total Vacancy	1.15	0.57	0.24	0.021
Vacant (%)	14.1%	14.3%	20.5%	2.9%

Source: CBRE

Note: US\$ 1 is about Baht 30.5

Achieved Rental Rate

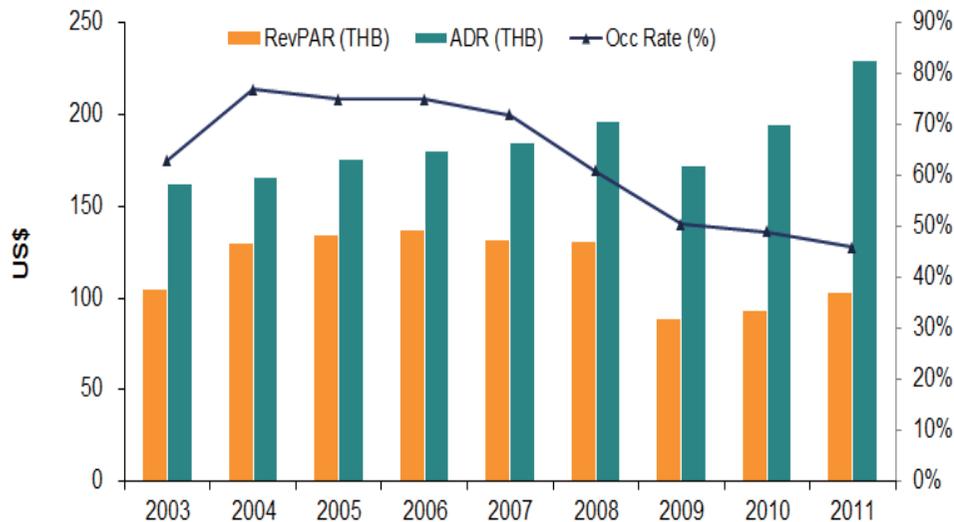


Source: CBRE, VPC Thailand analysis

Hotel Outlook Cautious

- Despite flood crisis in Q4 2011, overall number of international arrivals came solid with over 17.5 m international arrivals.
- In 4Q2011, the average daily rate (ADR) of selected upscale Bangkok hotels was ~US\$229, a 11% increase Y-o-Y, while revenue per available room (RevPAR) was ~US\$ 102, a 10% decline Y-o-Y. The occupancy rate in up scale hotels in Bangkok decreased to 46% from 57% Y-o-Y, due to the flood crisis last quarter.
- The continued increase in the supply of hotels increased competition with the current hotel stock of about 32k keys expected to be over 40k keys over by the end of 2014. This will put downward pressure on the rates. In addition, increases in serviced apartment supply in the future will further intensify competition.

Achieved Room Rate for Selected Upscale Hotels



Source: CBRE, VPC Thailand Analysis
 Note: US\$ 1 is about Baht 30.5

Total Hotel Supply in Bangkok, as of 4Q2011

(All units in number of room keys)

Luxury	First Class	Mid Range	Economy	Total
7,315	5,089	14,949	4,453	31,806

Ploenchit/ Sukhumvit	Silom/ Sathon	Riverside	Total
20,038	6,679	5,089	31,806

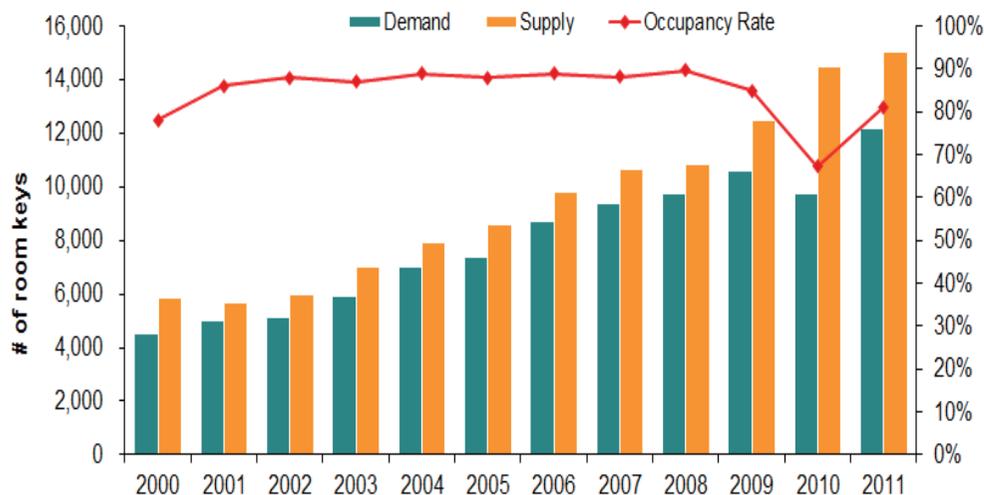
Source: CBRE, VPC Thailand Analysis

ADR: Average Daily Rate; RevPAR: Revenue per available room or occupancy rate multiplied by ADR

Serviced Apartment Outlook Better

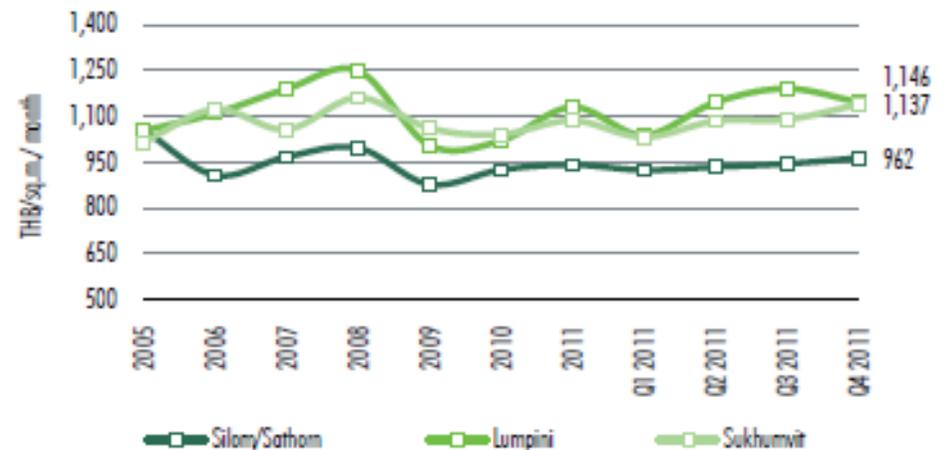
- There is limited new apartment supply, but competition with condominiums will increase as more condominiums are coming into the market in 2012.
- The average achieved rents for serviced apartments in downtown Bangkok increased to THB 1,082/ sq. m./month (~US\$ 35.47), an increase of 7.5% Y-o-Y.
- The occupancy rate has also recovered, moving closed to the 2009 rate, standing at 81.1% in Q4 2011.
- The number of expatriates with work permits continued to grow in 2011, with the figure standing over 100k (~60% in Bangkok area & ~40% in provincial areas)

Demand & Supply



Source: CBRE, VPC Thailand analysis
 Note: US\$ 1 is about Baht 30.5

Average Achieved Rent



Source: CBRE



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