

Thailand Country Report

9 May 2014

Johor Bahru, Malaysia

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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 1.5% to 2% in 2014 (2013: 2.9 %, 2012: 6.5%), due to political unrest hurt demand, tourism and investment.



SOURCE: WWW.TRADINGECONOMICS.COM | NESDB, THAILAND

- The announced Election Day is for **July 20, 2014**, which means Thailand will not have a new, running government until September/October 2014.

Thailand: Economic Overview

- **Inflation Stable**: The Thai inflation has been tamed remaining below 3% while unemployment is still below 1%.

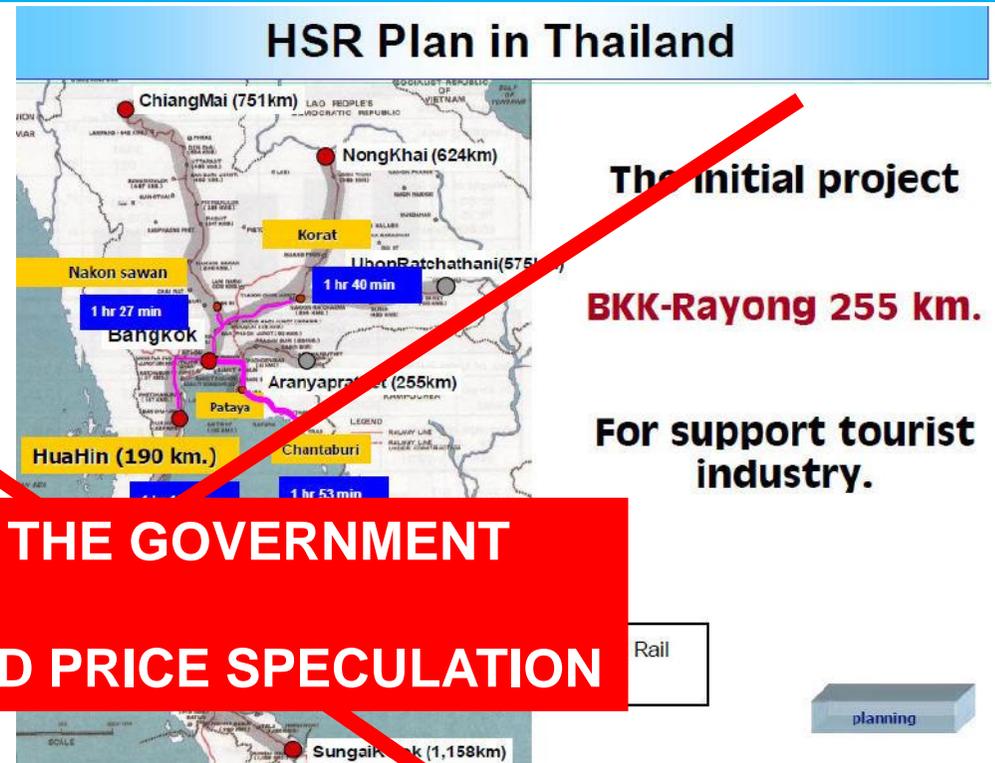


SOURCE: WWW.TRADINGECONOMICS.COM | BUREAU OF TRADE AND ECONOMIC INDICES, MINISTRY OF COMMERCE, THAILAND

- **Weaker Baht**: Thai Baht has **depreciated** about 12% YoY (from about THB 29/USD as of April 2013 to about THB 32.5/ USD in April 2014). While to Bank of Thailand has lower the policy rate to 2% in March 2014 (from 2.75% in prior year)

Thailand plans Massive \$62bn Investment In Infrastructure by 2020

Route and Station “Concepts” for High-speed Rail in Thailand

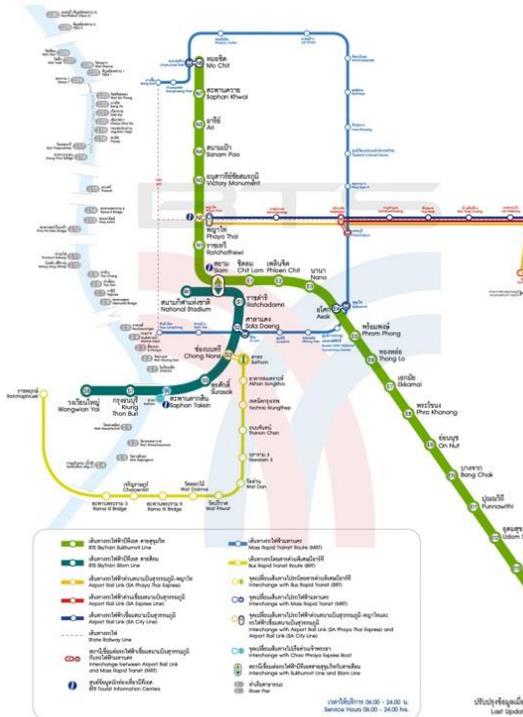


GONE WITH THE GOVERNMENT
GONE THE LAND PRICE SPECULATION

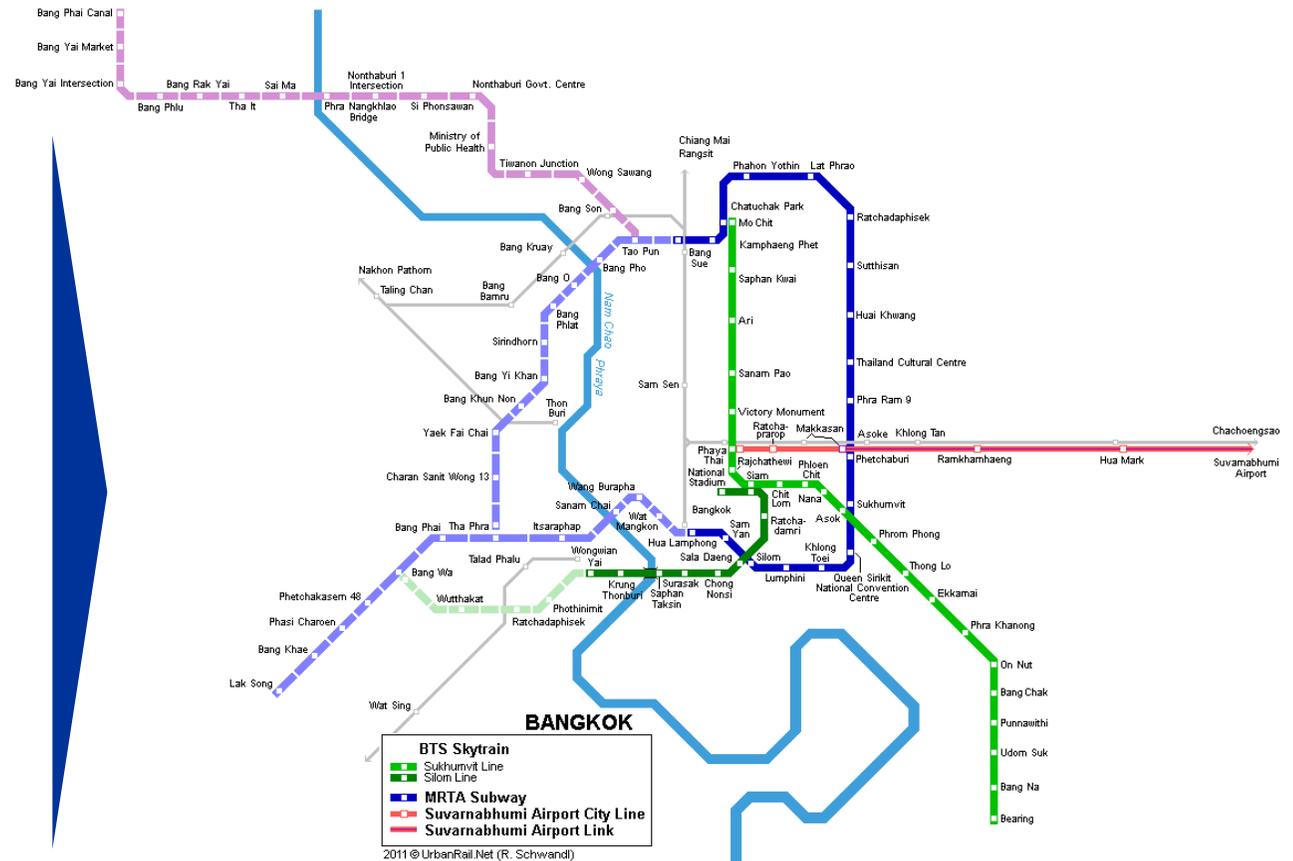


Luckily, Bangkok Mass Rapid Transit Plan Will Continue Current and To-be (5 years from now)

Current



To-be

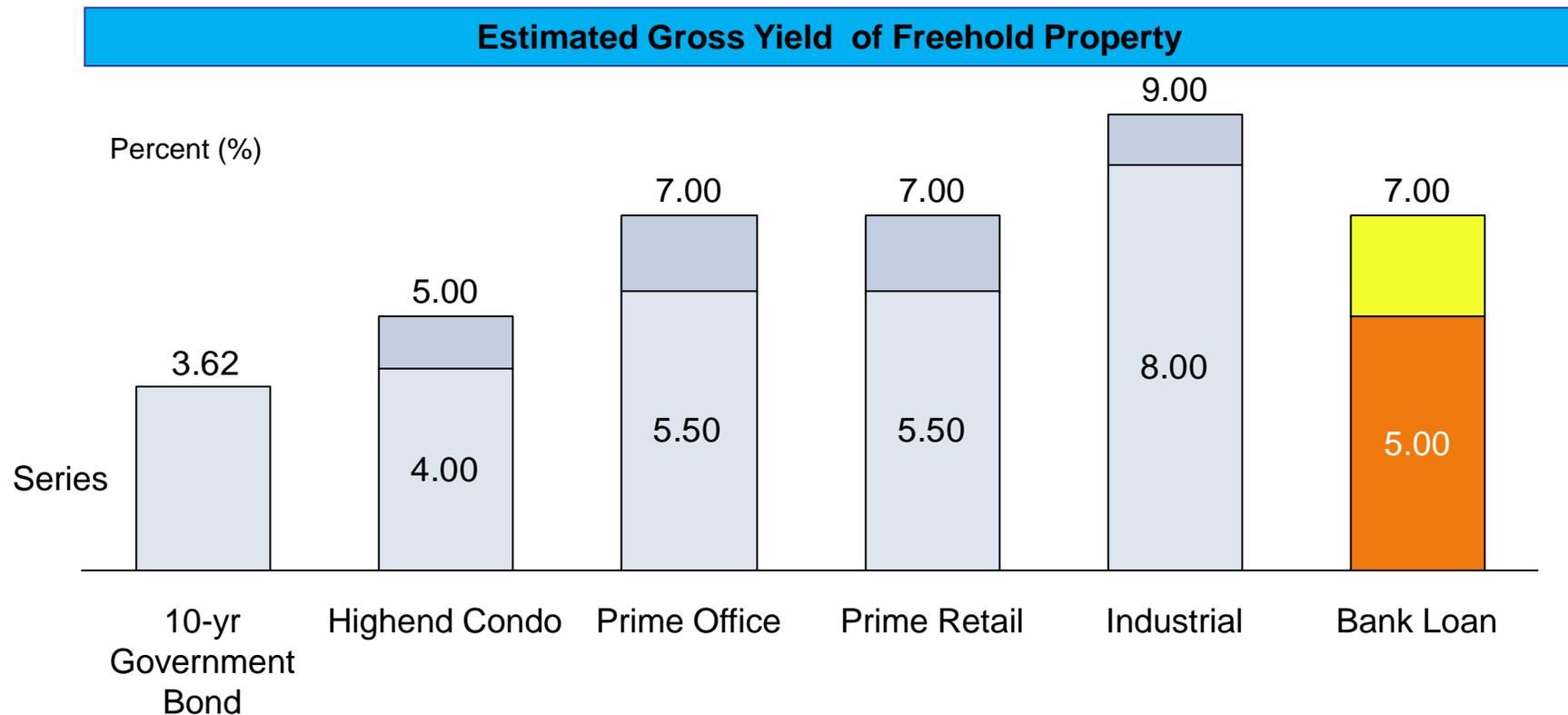


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- Thai Economic Outlook
- **Bangkok Property Update**

Overall Property Market Experience A Slowdown

- **Slowdown in Property Sector:** The **property market** performance in Thailand was generally **softened in 2013** especially in Q4 2013 due to declining liquidity as Central Bank has tightened the housing loan requirements while developers increase higher down payments.

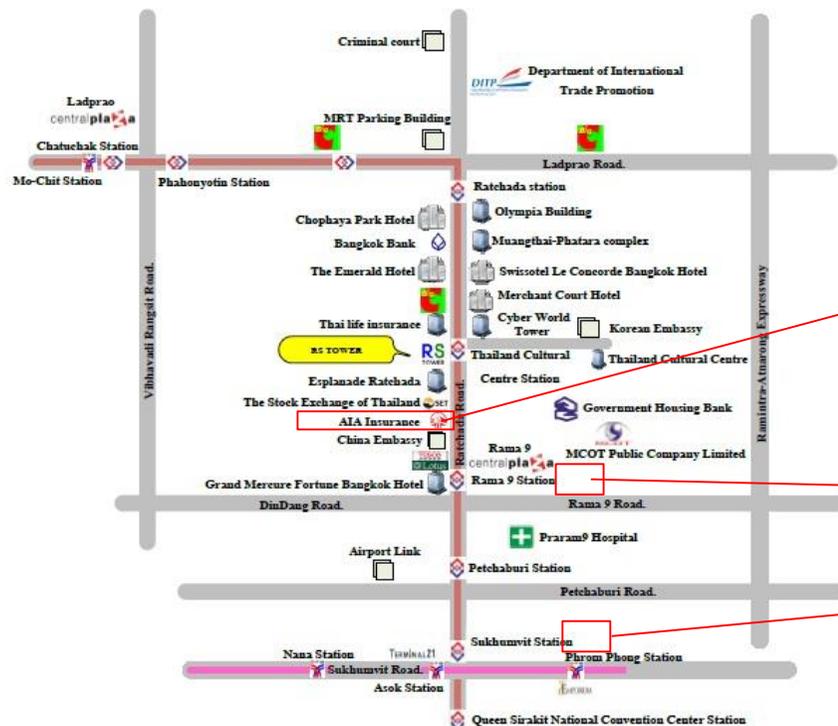


Residential Sale Getting Tougher While Leasing Market is Stable

- **Condominium Oversupply Becoming a Concern**: In tandem with the moderate overall property market performance, response to new launches in the **Bangkok residential market had declined**. Local consumption power has been dampened owing to Government 1st car incentive in 2012. The property market outlook for property in **prime area is still fair**, also due to **foreign investor appetite** for Bangkok condominium properties, supported by the weakening of the Baht against other currencies. 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**. 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. For instance, the number of expatriates holding work permits in Bangkok increased by 11.9% Y-o-Y in Q3 2013. However, most expatriates would occupied mostly two bedroom or larger unit.

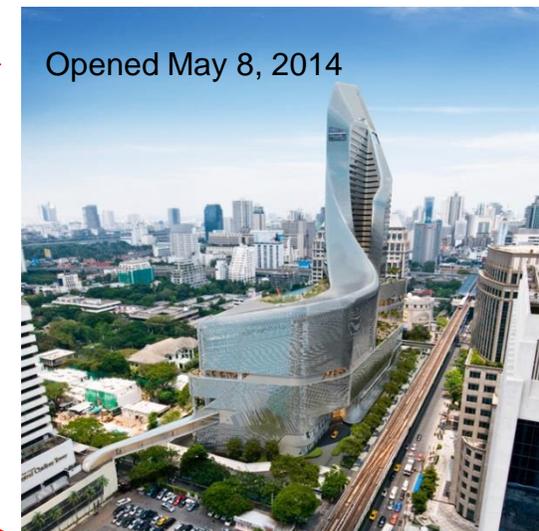
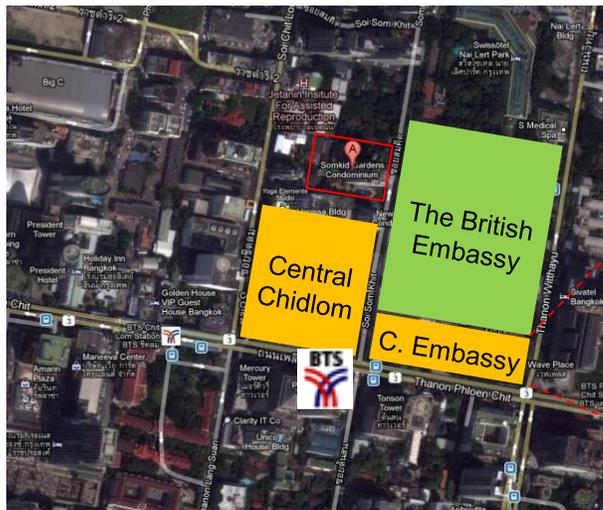
Bangkok Office Rent Continues to Rise

- Office Outlook Positive:** In the **office/commercial market**, the performance continues to be **robust in 2013** and is expected to continue so in the next few years. The **average occupancy rate** of offices in Bangkok continues to **increase** to 89% in 2H2013. The limited good supply is the key driver on rental rate increase where average grade A office can command about USD 25 per square meter and that of grade B office is about USD 18 per square meter.



Retail Sales Slow Down

- **Retail Sales Slow Down**: While the performance in the **retail sector** was strong in 1H2013, the 2H 2013 saw a noticeable slow down. The average occupancy rate in Bangkok continues to be above 95% for 2013. **However**, it will be a **challenging year for retailers 2014** due to reduction of the purchasing power of consumers, due to government 1st car incentive in 2012, 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 in 2014.



Bangkok Hotel Sector Hit by Political Unrest in Q4 '13 & Q1 '14

- **Hotel Outlook Negative-to-stable**: While the number of international tourist arrivals to Thailand in 2013 was a record 26,556,397 **increasing by 19.8% Y-o-Y**, the **Bangkok hotel sector** remained **negatively affected by political unrest**. Phuket saw an increase of 25.8% 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.
 - REITs regulations are in the final stage of being finalized to **replace Property Fund** in 2014, as a new vehicle for real estate financing.
- With increased tourist arrivals, **average occupancy rates up** for all Bangkok hotel grades, despite the rise in supply. The average occupancy rate of hotels of all grades in Bangkok rose to 75% from 70% in 2012. The Average Daily Rate (ADR) was also on the rise at around THB 3,200 which was an increase of 7.0% Y-o-Y (note, the Baht has depreciated by about 10% Y-o-Y).
- The hotels surrounding the protest areas reported occupancy rates of less than 40%.

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

- **REITs** regulations are in the final stage of being 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.^
- **Foreign 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).  **MITSUBISHI ESTATE**

^Source: http://www.set.or.th/en/products/listing/criteria_p7.html