

Thailand - April 2020

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COVID-19: Impact on Thailand's Retail Market

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SUMMARY

- Shopping centres throughout Bangkok have been under lockdown since 22nd of March and are not expected to open until 1st of May at the earliest
- Retail landlords have reacted quickly to provide relief as retailers have faced forced closures and cuts to overheads have been substantial
- Some landlords are offering up to 100% rent relief to tenants who have been shut down and up to 50% for those tenants who are still able to operate
- The retail sector is unlikely to recover fully until tourism arrival figures reach similar levels seen pre-crisis

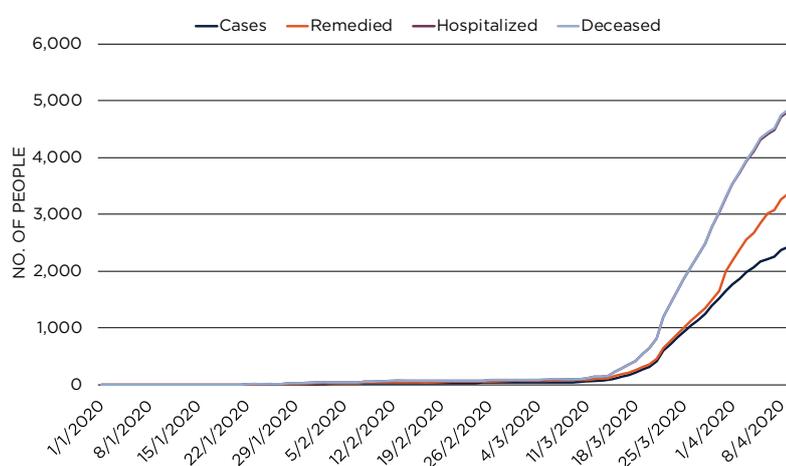
IMPACT AND OPPORTUNITY IN THAILAND'S RETAIL SECTOR FOLLOWING THE COVID-19 GLOBAL HEALTH CRISIS

The global COVID-19 pandemic has led to the greatest impact on trading conditions around the world in recent memory. Over 1.9 million people have been infected globally, with 2,400 having tested positive in Thailand (8th April 2020). Since the 22nd of March, as a social distancing measure, all shopping centres and retail outlets have been ordered to close and are not expected to open until 1st May at the earliest. Through this period, supermarkets, pharmacies and banks have been allowed to continue trading, as have restaurants though only for takeaways and deliveries, though all other retailers have been forced to shut. This has left the majority of retailers in crisis as they face fixed overheads and no sales revenue from which to pay. In response, some landlords have begun to offer up to 100% rental relief to closed tenants and as much as 50% for those that have been able to continue trading. Though it is only a handful of landlords offering such generous relief at present, it is anticipated that if the lockdown were to be extended then a greater number of landlords would begin to offer these levels in order to relieve some of their tenants' burden.

As the COVID-19 outbreak hit, Thailand experienced a sharp decline in tourist arrivals, -20% YoY, through January and February, though this figure is expected to increase dramatically due to the full inbound flight ban imposed by the Civil Aviation Authority of Thailand (CAAT), which has now been extended until the 30th of April. Bangkok's luxury retailers will likely struggle to meet their pre-crisis sales revenues unless the number of international tourists reach their pre-crisis highs, as international tourists are known to be a large source of sales of luxury goods in the capital.

With the lockdown in place households have begun to rely on e-commerce to a greater degree in order to purchase necessities; Thailand's office of National Broadcasting and Telecommunications Commission reports that online purchases increased by 80% in February from the previous month, which was mainly driven by higher demand for groceries. This steep change in consumer-behaviour will likely

GRAPH 1: Timeline Of Confirmed Covid-19 Case In Thailand, As Of 9 April 2020



Source Department of Disease Control, Thailand

TABLE 1: Number Of International Tourist Arrivals And Receipts, January to February 2020/2019

COUNTRY OF NATIONALITIES	NUMBER		% CHANGE 2020/19	RECEIPT (THB MILLION)		% CHANGE 2020/19
	2020P	2019P		2020P	2019P	
East Asia	3,357,419	4,670,377	-28.11	129,958.91	200,063.13	-35.04
Europe	1,723,479	1,720,256	0.19	116,637.67	122,344.45	-4.66
The Americas	276,874	316,130	-12.42	17,979.88	22,199.60	-19.01
South Asia	299,908	349,441	-14.17	12,192.77	15,126.33	-19.40
Oceania	118,056	138,252	-14.61	8,415.86	10,796.14	-22.05
Middle East	75,813	103,026	-26.41	5,895.09	8,319.39	-29.14
Africa	20,596	24,676	-16.53	1,422.05	1,837.98	-22.63
Grand total	5,872,145	7,322,158	-19.8	292,502.23	380,687.52	-23.16

Source Ministry of Tourism and Sports

increase e-commerce's long term usage as consumers will have increased familiarity with the sales model and its convenience, such as home delivery. In response, we expect to see retailers expediting their plans for e-commerce in order to minimize their losses and to remain competitive in an industry which may suffer from varying levels of social distancing for an uncertain amount of time.

Looking ahead, we anticipate that landlords will become increasingly concerned over the long-term implications of losing tenants who may cease trading or enter bankruptcy, which would potentially lead to higher rates of vacancy. As the risk increases, landlords will likely become more generous

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with their relief to share the financial burden with their tenants. Retail revenues will likely return to pre-crisis levels only once international travel has resumed and tourism is close to the record set in 2019 of 39.8 million arrivals. Regardless of when the

COVID-19 pandemic ends, Bangkok's retail environment will experience a prolonged struggle, and both landlords and tenants should continue to cooperate and share the costs of the crisis in order to minimise long-term damage to the industry.



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