

Prime Retail



Bangkok retail sees to a rebound

Retailers are refocusing on well-established retail districts as the second quarter saw an uptick in activity from major international and luxury brands. Despite the absence of Mainland Chinese tourists, the luxury retail market is proving surprisingly resilient.

- Bangkok market-wide retail stock reached eight million sq m in 2022, of which 2.3 million sq m is prime space. Projects currently under construction comprising nearly 570,000 sq m are expected to enter the market by 2024, accounting for 25% of existing total prime stock.
- Average prime retail rents in CRD increased to THB2,400 per sq m per month. The overall average rental rate fell to THB2,070 per sq m per month in Q2/2022, 8% lower than the pre-pandemic level recorded in 2019.
- Prime vacant space fell to 3.6% in Q2/2022 from 4.2% in Q1/2022.
- At opposite ends of the market, luxury retail and convenience stores are both proving surprisingly resilient, a situation which is expected to continue through to the end of 2022.

“Bangkok retailers have adapted in order to be ready for the post travel restrictions era, targeting visitors from other countries besides high spending Mainland Chinese who are largely absent.”

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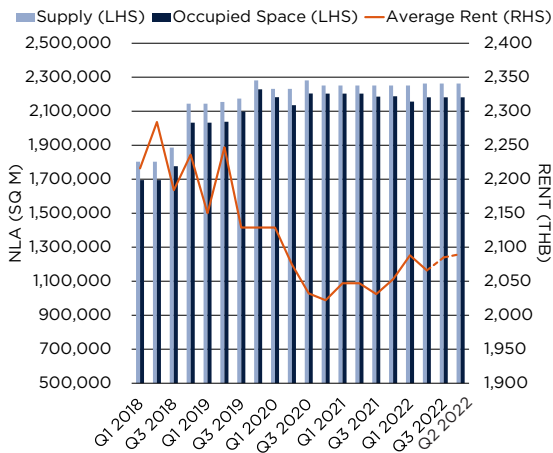
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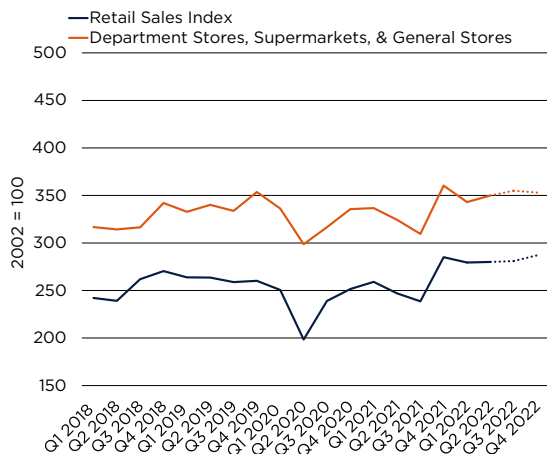


GRAPH 1: Bangkok Prime Supply, Occupied Space and Rents, Q1/2018 to Q4/2022F



Source Savills Research & Consultancy

GRAPH 2: Retail Sales Index, Q1/2018 to Q4/2022F



Source Bank of Thailand, FocusEconomics, Ministry of Finance Revenue Department

ECONOMIC INDICATORS

The Thai economy improved in Q2/2022 registering growth of 3.0% YoY and is expected to range from 3.5% to 4.9% through to the end of 2022. The higher-than-expected performance is supported by the easing of COVID restrictions and a rise in overseas visitor arrivals. Tourism-related industries are expected to enjoy a healthy trading environment over the remainder of 2022, despite the rise of new COVID subvariants. The Thai authorities are keeping an eye on the situation as the market recovers.

MARKET COMMENTARY

Bangkok's retail industry is proving resilient, with the level of general market activity indicating improved foot traffic together with higher spending in the first half of 2022, notably in the luxury segment. The Consumer Confidence Index (CCI) presented its first rise after a period of six months of consecutive declines from the highest recorded level at 46.2 in December 2021 to 40.2 in May 2022, before registering 41.6 in June. The Business Sentiment Index (BSI) also increased by 2.4% to 50.5 points in June.

Major retail market events in the first half of 2022 included the renovation of Amarin Plaza, Erawan, and Central Ramintra, in addition to the demolition of The Peninsula Plaza, and the official commencement of operations for the second phase of Central Village in April. Projects currently under-construction of nearly 570,000 sq m are expected to enter the market by 2024, accounting for 25% of current prime stock.

Among the major retail players, several

are planning to expand their presence to suburban areas. LHMH is scheduled to open at the upcoming Terminal 21 Rama III in Q3, while CPN is set to add 93,000 sq m of Central Westville and looks set to continue their 5-year retail expansion with a pipeline of 50 Central retail outlets across the country. In addition, CP plans to expand Lotus North, a hypermarket in the Chaiyapruerk area, to target the high spending residential clientele in the Ratchapruerk area.

Prime vacancy fell to 3.6% in Q2 from 4.2% in Q1. Savills notes that despite the exit of some smaller tenants, there has been a rise in opportunities for the more established retail brands. However, we anticipate a rise in vacancy through 2022, partly due to the continued intense competition from e-commerce and e-retail platforms, even as customer footfall in retail stores is anticipated to gradually recover. As a result, average rental rates rose from the previous quarter within the CRD and Midtown areas, to THB2,400 per sq m per month and THB1,820 per sq m per month, respectively. Suburban rents declined from the previous quarter to THB1,800 per sq m per month. Consequently, the overall average rental rate dropped to THB2,070 per sq m per month in Q2/2022, 8% lower than the pre-pandemic level recorded in 2019.

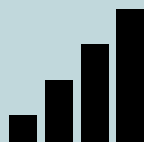
BRAND EXPANSION & COLLABORATION

After taking advantage of renovation opportunities in various malls, landlords are willing to welcome the return of international and domestic customers to a new and healthier environment. Likewise,

GRAPH 3: Bangkok Key Prime Retail Data Points



Total prime stock almost 2.3 million sq m in Q2/2022



Vacancy has risen to 3.6% in Q2/2022 and will rise through 2022 due to intense competition from e-commerce platforms



The average rent rose to THB2,400 per sq m per month in CRD in Q2, 8% lower than the pre-COVID level of 2019



A favourable outlook: market recovery with a gradual rise in rents

Source Savills Research & Consultancy

tenants have adapted their market strategies and product differentiation to appeal to a wider range of consumers and boost footfall to pre-pandemic levels. As a result, Savills sees a positive market dynamic for retailers, with growth through area/branch expansion for brands and collaboration with partners to create new branding opportunities. In a recent announcement, Central's CRC Sport partnered with Reebok to achieve 20% of their total sales through online channels.

Kinokuniya opened their largest store of 2,000 sq m at CentralWorld, while Muji opened a 2,200 sq m store at EmQuartier. Pomelo recently opened a new branch at Central Westgate. In terms of F&B tenants, Sushiro entered Emporium, and YUJI Ramem opened their first branch at Central Chidlom. Siam Paragon welcomed a new premium Shabu Hiruto Shabu, and a new branch of Boost juice opened at Central Ladprao. Tanachira Retail Corporation, the Pandora Thailand distributor, expanded their business lines to join the F&B industry, as the brand opened its first Marimekko pop-up coffee shop in Bangkok's Central Embassy and plans to open a Cath Kidston Café at CentralWorld in

December. Another major announcement was of the scheduled opening in 2023 of the first IKEA Southeast Asian urban store at The EmSphere. In other news, SF Development welcomed Topgolf to their Megacity project, which will provide 9,000 sq m of entertainment area next to Mega Bangna shopping centre, hoping to enhance the footfall in this Maga Project.

LUXURY RETAIL PERFORMING WELL

Through the pandemic years, the luxury segment proved to be relatively resilient, particularly during the second quarter, even though high-spending tourists from China were largely absent. In the Bangkok CRD, Siam Paragon has endured as a vital luxury leader and in late April was awarded 'Best Luxury Shopping Mall in Thailand' by The Luxury Lifestyle Awards (LLA). Savills own retail leasing activity has involved several high-end retail transactions with luxury retailers over the past few months. Cortina Watch opened a luxury watch boutique at the Mandarin Oriental Hotel in Bangkok, Verduno opened their first store importing premium truffles in Sathorn, while one of the leading Italian innovative household appliances brands committed to lease

a stand-alone showroom in Thonglor with an area of over 700 sq m.

CONVENIENCE STORES BUOYANT

Another strongly performing sector is the supermarket and hypermarket store category which has remained highly competitive during the pandemic period, with major players including CP All, Lotus, and CPN. These key players have expanded to service a wider range of target consumers to include mid to high spending groups. CP All recently launched a new '24-hour Lotus' project in North Ratchaphruek, Makro opened several branches of Fresh@Makro, considered a grade-A convenience store, offering premium fresh food to attract mid to high-end consumers. BTS Group has introduced in-station 'Turtle Shop' convenience stores and coffee shops, with the largest branch at over 200 sq m at Saint Louis station. Although the convenience store industry has seen a strong performance during the pandemic, the traditional supermarket still plays an important role as convenience stores are limited in variety, quantity, and often charge higher prices.

TABLE 1: Notable Bangkok Retail Pipeline, 2022 and beyond

COMPLETION YEAR	PROPERTY	LOCATION	TOTAL AREA (SQ M)	RETAIL AREA NLA (SQ M)	DEVELOPER
2022	Terminal 21 Harbour	Rama III	140,000	43,200	LH Mall & Hotel
2022	Marketplace	Thonglor	62,000	7,000	Central Group
2023	Central Westville	Ratchaphruek	93,000	93,000	Central Group
2023	One Bangkok	Rama IV-Wireless Road	1,800,000	150,000	TCC Assets & Frasers Property
2024	Bangkok Mall	Bang Na	873,000	80,000	The Mall Group
2024	Dusit Central Park	Silom	440,000	80,000	Dusit Thani & Central Group
2024	The EmSphere	Phrom Phong	200,000	60,000	The Mall Group
2026	Central Bangkok	Ratchaprasong	N/A	70,000	Central Group

Source Savills Research & Consultancy