

# Prime Retail



## Retailers integrate online and offline strategies

With reduced footfall, retailers are looking to e-commerce to maximise the effectiveness of their bricks-and-mortar stores.

- Bangkok's total retail supply reached 8.8 million sq m in 2020, of which 2.4 million sq m is considered to be prime.
- Average rents for prime retail in CBD remained stable in Q4/2020 at THB2,550 per sq m per month, a trend that is anticipated to continue through 2021.
- The prime retail occupancy rate increased by 0.8% from the previous quarter.
- Social distancing measures made a return to Bangkok in December 2020, leading to reduced footfall across most prime retail malls, which looks likely to continue through Q1/2021.

“With Bangkok’s retailers having struggled through lockdown and social distancing measures in 2020, 2021 will likely be the year that retailers look to increase their online presence to help recover their lost sales.”

SAVILLS RESEARCH

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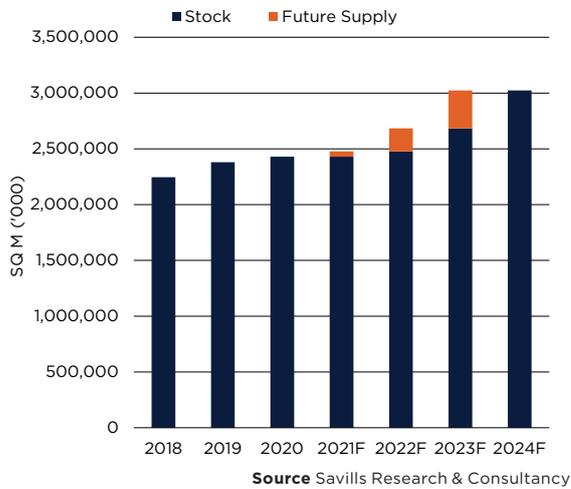
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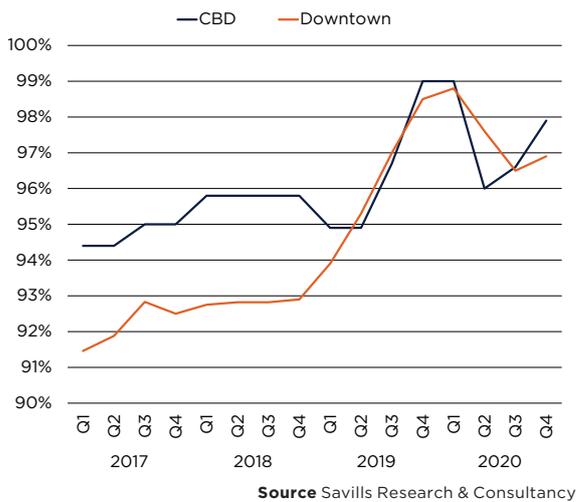
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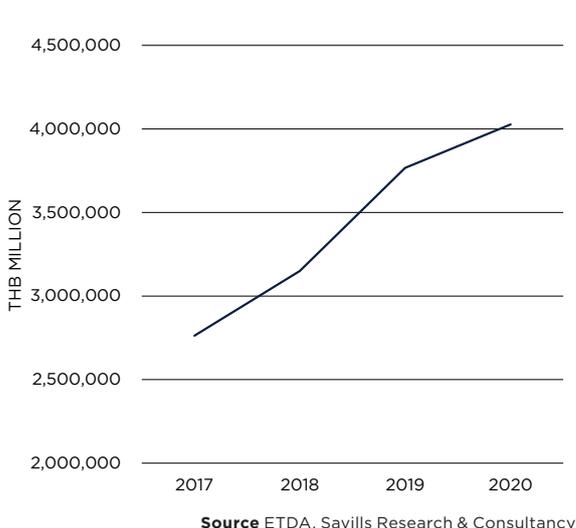
**GRAPH 1: Prime Retail Stock And Future Supply, 2018 to 2024F**



**GRAPH 2: Occupancy Rate Of CBD And Downtown Prime Retail, Q1/2017 to Q4/2020**



**GRAPH 3: E-commerce Market Value, 2017 to 2020**



**MARKET COMMENTARY**

The Bangkok retail environment endured through to the end of 2020 having struggled with reduced foot traffic and lower spending for most of the year. There was some slight optimism to be seen through the rise in the Consumer Confidence Index, which had risen to 52.4 in November, up from a low of 47.2 in April, though this positivity was quickly overwhelmed in December by the news of a return of local COVID-19 transmissions throughout the country.

Total prime retail stock in Q4/2020 equaled 2,429,641 sq m, having increased by 2% YoY with the opening of a new suburban mall earlier in the year, Siam Premium Outlet, a luxury premium outlet mall of 50,000 sq m net lettable area, which was the first joint venture project between Simon Property Group and Siam Pivat Group. In Q4/2020, almost 500,000 sq m of lettable area was under construction in Bangkok, expected to complete by 2024, representing more than a 19% increase in total prime lettable area.

Prime retail occupancy rates across Bangkok saw a slight rise of 0.8 percentage points, from 97.2% in Q3/2020 to 98% in Q4/2020; Savills observed that the new openings were predominantly food & beverage or fashion brands. Pomelo opened a new store in Mega Bangna and look set to continue their expansion with a pipeline of three new stores throughout Bangkok scheduled for completion soon. Other openings have included new branches of Bread Talk and a new Laem Charoen Seafood restaurant at Mega Bangna.

Rental rates remained stable from the previous quarter within the CBD and Downtown areas, at THB2,550 per sq m per month and THB1,794 per sq m per month, respectively. However, Savills is aware that a large number of landlords have continued to provide rental discounts to tenants who are facing operational difficulties due to the drop in foot traffic and spending across a large portion of malls in Bangkok. Landlords who charge rent as a share of revenue are particularly at a loss, though are likely helping to maintain high occupancy rates and the attractiveness of mall environments.

Malls that have suffered most acutely from the drop in tourist arrivals have taken the opportunity to renovate and reposition their offerings to target local Thai demand. MBK has renovated numerous floors, to reduce the number of tourist-targeting stalls and are instead focusing on the large local student population with a number of floors dedicated as an educational zone. Siam Paragon is also expected to begin renovations this year, to refresh its approach to meet the changing demands of retail.

**ONLINE-TO-OFFLINE RETAIL**

With the reduction of foot traffic in malls due to COVID-19 and social distancing measures, retailers are having to look to other means to maintain engagement with their customer base. In 2020 e-commerce experienced a large increase in traffic, with an apparent increase in total sales of 35% from the previous year. In an effort to maintain the relevance of bricks & mortar stores retailers have taken large steps in integrating the service of e-commerce platforms with the benefits of a physical location. Pomelo, the fashion retailer, in cooperation with their shareholder Central Group, have opened physical stores across Bangkok for customers to visit in order to try on, pick-up and return their products. By managing a lean inventory and combining sales efforts with their e-commerce platform, Pomelo are able to maximise the profitability of their physical store, whilst positively developing their brand concept. Savills anticipates seeing a greater number of retailers employing similar approaches over the coming months with both online and offline retail platforms developing in order to better meet the identity of retailers and the demands of customers.

The banking sector has been successfully integrating their online and offline services for a number of years enabling customers to access a large number of their regular services from mobile Apps. With SET listed banks reporting an overall profitability fall of -23% in 2020 it is likely that banks will continue to move their customers online and to reduce their physical store footprint in order to minimise their cost margins.

Savills anticipates that large and legacy retailers will be able to successfully merge their online and in-store retail experiences thanks to their greater resources, whereas small independent retailers will struggle to regain the market traction they may have enjoyed prior to COVID-19. Changes in shopping behaviour, particularly the increased amount of total retail bought online are unlikely to be fully reversed, even once the pandemic has been bested.