

Commercial Real Estate Market In Thailand - Growth, Trends, Covid-19 Impact, and Forecasts (2023 - 2028)

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Report description:

The Thai commercial real estate market is expected to record a CAGR of over 10% during the forecast period (2022-2027).

The COVID-19 pandemic significantly affected Thailand's property market, which was expected to occur in the next 5-10 years. The spread of COVID-19 continues to have a negative impact on the retail industry, resulting in another drop in revenue from major Thai developers. Hotel occupancy rates dropped sharply at the start of 2021 due to the Thai government's response to the second outbreak. There were some signs of demand recovery in Bangkok's office market in Q2 2021, though this was primarily due to the strong leasing performance of new properties rather than a market-wide improvement.

In the first half of 2021, the average occupancy rate of Bangkok's luxury hotels fell even lower, to 20%. The tourism industry began to recover slowly, with occupancy rates increasing from 18% in January to 27% in March 2021. Occupancy rates dropped to 16% and 17% in May and June, respectively, due to the more severe third wave in April 2021.

In terms of leased space, the total retail supply in the first half of 2021 was approximately 2.5 million sq. m, with 57% in the central business district and 43% in the fringe area. The renovation of Thaniya Plaza was completed, and the building reopened with a new supply of 8,500 sq. m.

Thailand Commercial Real Estate Market Trends

Growth in Tourism is Driving the Market

With the reopening of Thailand's key tourism sector, the Thai economy grew by 1.2% in 2021, exceeding the Finance Ministry's

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previous forecast of 1%.

The country's nationwide reopening to vaccinated visitors, which began in November 2021, boosted economic activity in the fourth quarter. The ministry predicted that growth in 2022 could reach 4.5%, exceeding its previous forecast of 4%.

According to Health Ministry's data, the number of active cases decreased to 87,271 in November 2021, the lowest since July 2021, and the average daily infection rate dropped to 6,600 cases from a peak of more than 20,000. A total of 54% of the population has received two doses of the vaccine.

With a stronger grip on the outbreak and an expected global economic recovery in 2022, the government aims to support growth through measures to boost consumption, exports, private investment, public spending, and business recovery. So far, the government's spending to support the economy has amounted to 14.6% of GDP.

To boost the tourism-dependent economy, Thailand added more countries to its current list of 63 territories eligible for quarantine-free travel as of December 2021. It is also thinking about speeding up the reopening of bars and nightclubs once the outbreak is under control.

Recovery of Bangkok's Office Space Driving the Market

In Q2 2021, Bangkok's total office space supply increased by 106,500 sq. m to 5.53 million sq m, representing a 2% increase over the previous quarter.

Three new buildings were completed, providing an additional 22,500 sq. m in the Central Business District (CBD) and 84,000 sq. m in non-CBD areas.

As nine new projects were completed in the second half of 2021, another 175,800 sq. m of office space is expected to enter the market. CBD will account for roughly 60% of the anticipated new supply.

In comparison, if launches in Q3 2021-Q3 2026 go as planned, Bangkok's office market supply will increase by 1.67 million sq. m or 302,000 sq. m per year.

Take-up increased by 61% Q-o-Q to 78,000 sq. m, indicating that leasing activity is improving. This level of take-up is higher than the 10-year average of 67,000 sq. m per quarter.

Meanwhile, 57,100 sq. m of space was vacated, marking the fourth consecutive quarter of growth. Net absorption of 21,000 sq. m was recorded as take-up exceeded the amount of space vacated, marking the first quarter in which net absorption was positive since Q1 2020.

Following the third wave of COVID-19, the remote working trend became even more significant. A combination of core + flex space and remote working may define the future of workplaces. As a result, no significant drop in demand for office space is expected in the medium to long term.

Thailand Commercial Real Estate Market Competitor Analysis

The Thai commercial real estate market is fragmented due to the presence of many players in the country. Some of the major real estate players in the market are Central Pattana PLC, Sansiri Public Co. Ltd, Pace Development Corporation PLC, and Raimon Land PCL. The market is expected to grow during the forecast period due to continued economic growth and increased demand

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for commercial real estate in metropolitan cities. Other factors like demand for office spaces and growth in tourism may also drive the market. Industrial estate developers are more likely to focus on investments or develop new phases or projects in the future.

Additional Benefits:

The market estimate (ME) sheet in Excel format

3 months of analyst support

Table of Contents:

1 INTRODUCTION

1.1 Study Deliverables

1.2 Study Assumptions

1.3 Scope of the Study

2 RESEARCH METHODOLOGY

3 EXECUTIVE SUMMARY

4 MARKET DYNAMICS AND INSIGHTS

4.1 Market Overview

4.2 Market Dynamics

4.2.1 Drivers

4.2.2 Restraints

4.2.3 Opportunities

4.3 Industry Attractiveness - Porter's Five Forces Analysis

4.4 Current Economic Scenario and Consumer Sentiment

4.5 Commercial Real Estate Buying Trends - Socioeconomic and Demographic Insights

4.6 Government Initiatives and Regulatory Aspects for the Commercial Real Estate Sector

4.7 Insights on Existing and Upcoming Projects

4.8 Insights on Interest Rate Regime for General Economy and Real Estate Lending

4.9 Insights on Rental Yields in the Commercial Real Estate Segment

4.10 Insights on Capital Market Penetration and REIT Presence in Commercial Real Estate

4.11 Insights on Public-private Partnerships in Commercial Real Estate

4.12 Insights on Real Estate Tech and Start-ups Active in the Real Estate Segment (Broking, Social Media, Facility Management, Property Management)

4.13 Impact of COVID-19 on the Market

5 MARKET SEGMENTATION

5.1 By Type

5.1.1 Offices

5.1.2 Retail

5.1.3 Industrial

5.1.4 Logistics

5.1.5 Multi-family

5.1.6 Hospitality

5.2 By Key Cities

5.2.1 Bangkok

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- 5.2.2 Chiang Mai
- 5.2.3 Hua Hin
- 5.2.4 Koh Samui
- 5.2.5 Rest of Thailand

6 COMPETITIVE LANDSCAPE

- 6.1 Market Concentration
- 6.2 Company Profiles
 - 6.2.1 Developers
 - 6.2.1.1 Central Pattana PLC
 - 6.2.1.2 Supalai Company Limited
 - 6.2.1.3 Pace Development Corporation PLC
 - 6.2.1.4 Raimon Land PCL
 - 6.2.1.5 Blink Design Group
 - 6.2.2 Real Estate Agencies
 - 6.2.2.1 CBRE Thailand
 - 6.2.2.2 Savills
 - 6.2.2.3 Colliers International Thailand
 - 6.2.2.4 RE/MAX Thailand
 - 6.2.2.5 JLL Thailand
 - 6.2.2.6 Knight Frank Thailand
 - 6.2.3 Other Companies (Start-ups, Associations)
 - 6.2.3.1 Property Perfect
 - 6.2.3.2 Hipflat
 - 6.2.3.3 DDProperty
 - 6.2.3.4 Dot Property

7 FUTURE OF THE MARKET AND ANALYST RECOMMENDATIONS

8 INVESTMENT ANALYSIS

9 DISCLAIMER

10 ABOUT US

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