

Intelligent Investment

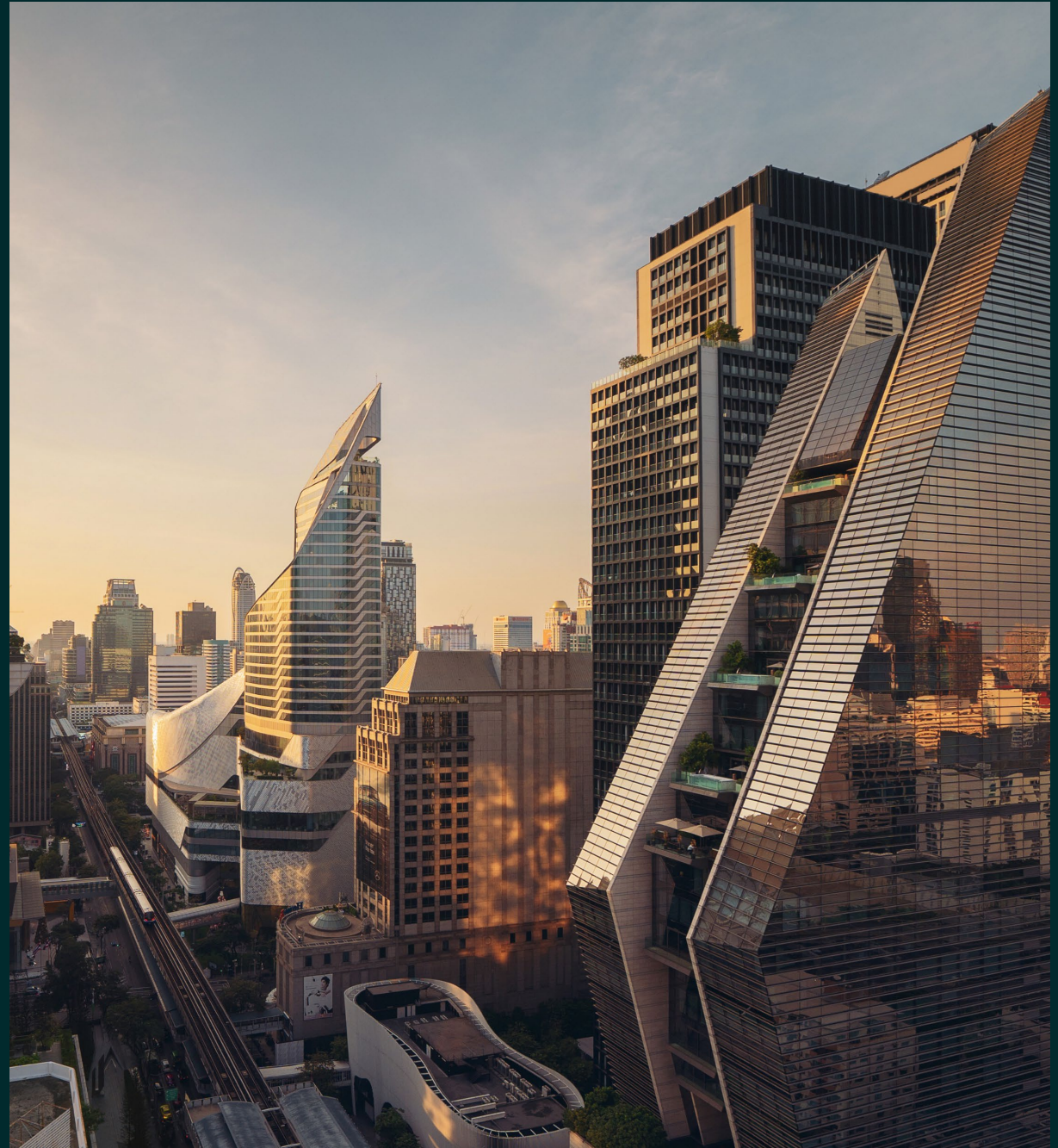
2024 Thailand Real Estate Market Outlook

REPORT

A Tale of Two Halves:
Headwinds Followed
by Recovery

CBRE

CBRE RESEARCH
FEBRUARY 2024



A Tale of Two Halves: Headwinds Followed by Recovery

Headwinds

Recovery

01

Weaker economic growth ahead



Rate cut cycle commences by mid-2024

02

High supply pressure in several markets caps rental growth prospects



Occupier demand for 'nothing but the best' supports prime-core asset performance

03

Investment activity remains muted amid limited repricing



Credit conditions loosen after rate cut cycle begins

CBRE RESEARCH

This report was prepared by the CBRE Research Thailand – a network of preeminent researchers who collaborate to provide real estate market research and econometric forecasting to real estate investors and occupiers around the globe.

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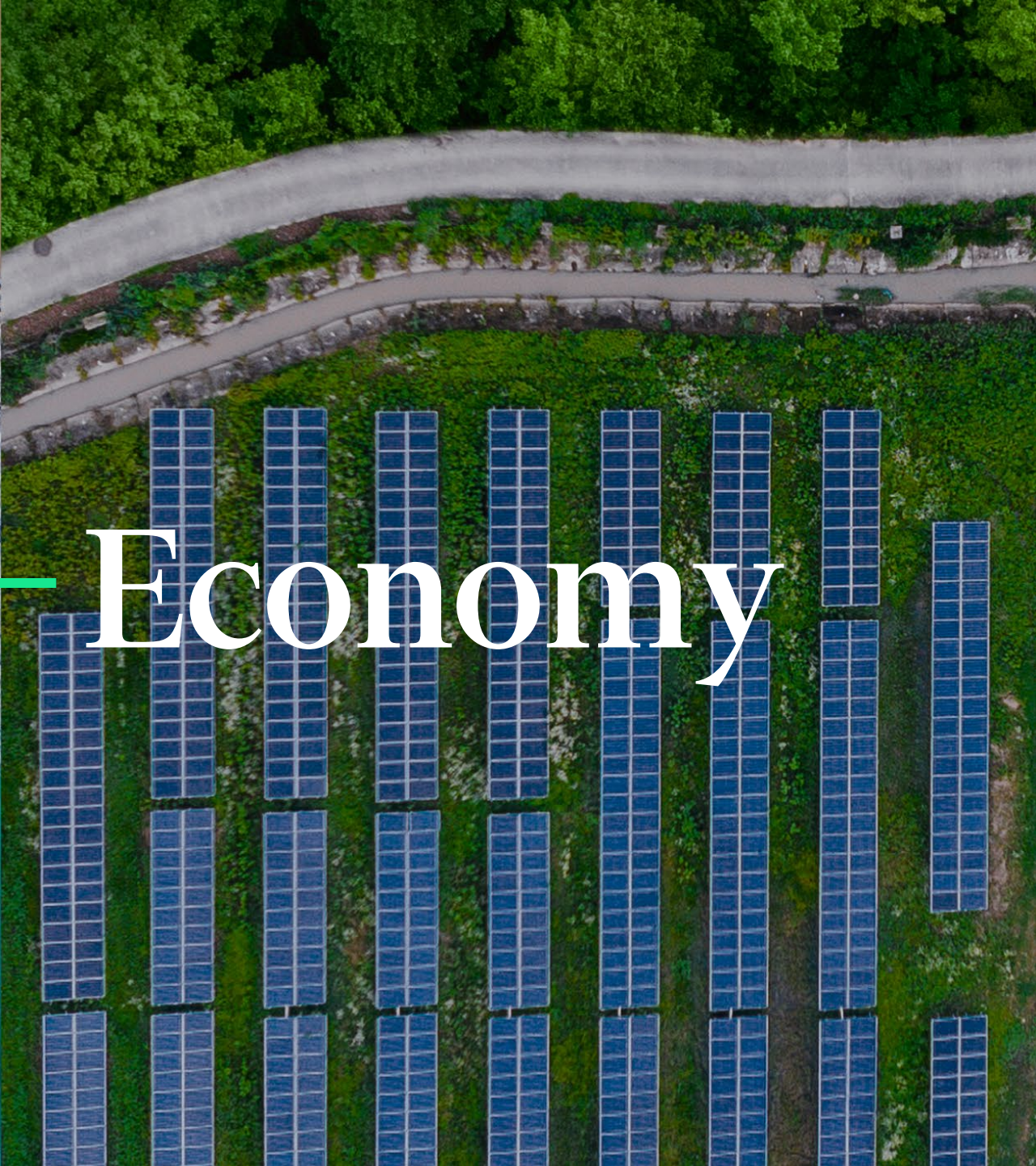
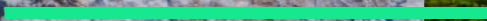
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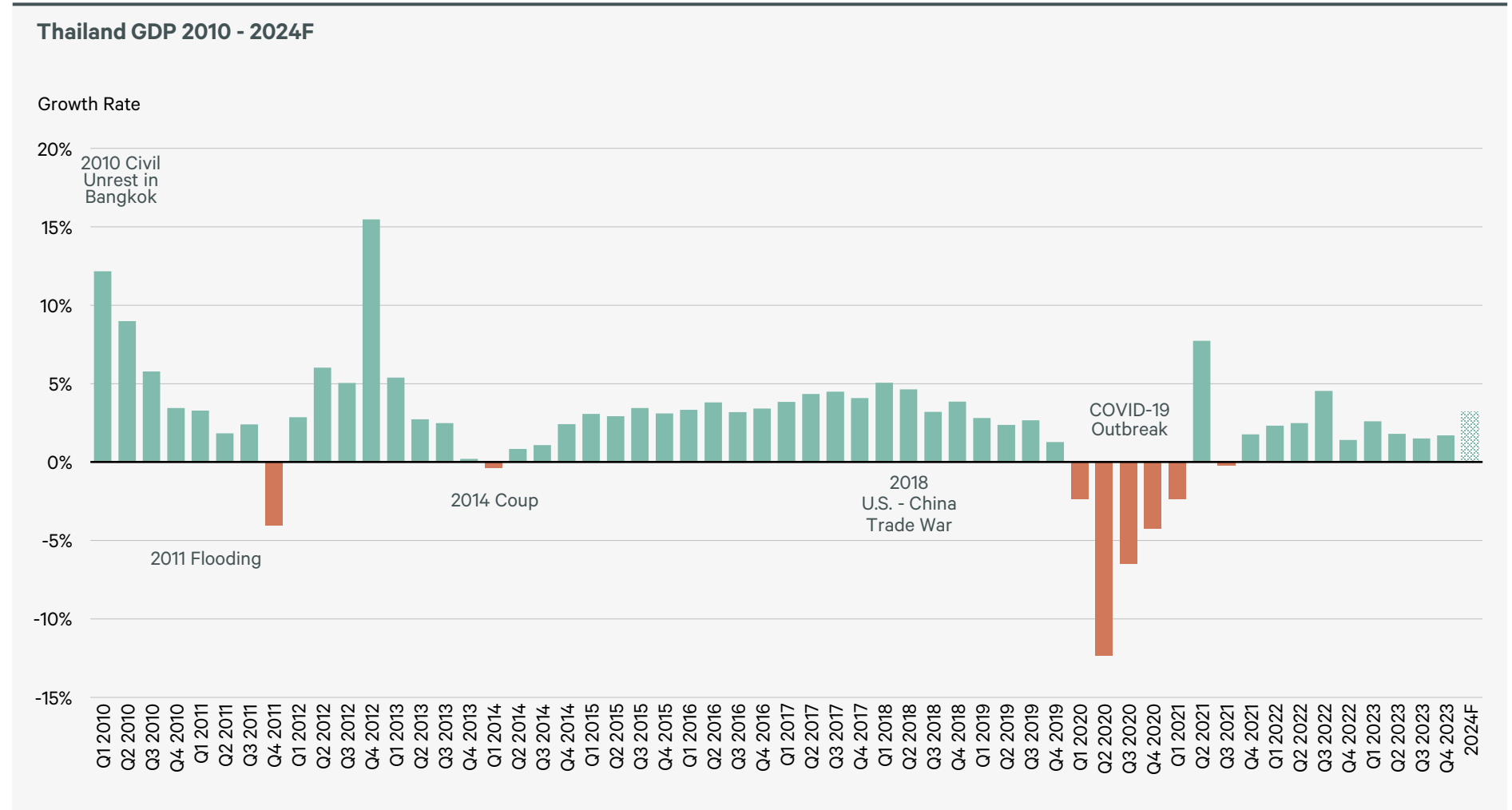
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Economy

GDP Forecast by the Bank of Thailand

2018	4.2%
2019	2.2%
2020	-6.2%
2021	1.6%
2022	2.6%
2023	1.9%
2024F	3.2%



Source: Bank of Thailand

Risks to Watch

A CAUTIOUS OUTLOOK LOCALLY, TEMPERED BY GLOBAL CHALLENGES

01

RECOVERY

The anticipated economic rebound in 2023 fell short of expectations. Improved GDP in 2024 is reliant on tourism, private consumption and merchandise exports.

Government efforts to boost the economy include domestic stimulus and incentivizing foreign investors to expand their business in Thailand.

Anticipated growth in both domestic business investments and foreign direct investments (FDI) is expected to contribute to improved GDP.

02

RISKS

Concerns persist regarding sustained expansion of overall consumption, particularly among low-income earners burdened by excessive debt.

Tourist arrivals in 2023 were slightly ahead of expectations, despite a slower increase in Chinese visitors. While an increase in tourists is anticipated in 2024, a return to 2019 levels is unlikely to be realized.

Potential challenges include inflation and high interest rates impacting economic stability.

03

OUTSIDE INFLUENCE

Ongoing conflicts continue to have a negative influence on global markets and the tourism sector.

U.S.-China tensions are likely to lead to more manufacturers relocating to Southeast Asia.

The economy faces the risk of a global downturn, falling demand and fluctuation in currencies.





2



Residential

Condominium

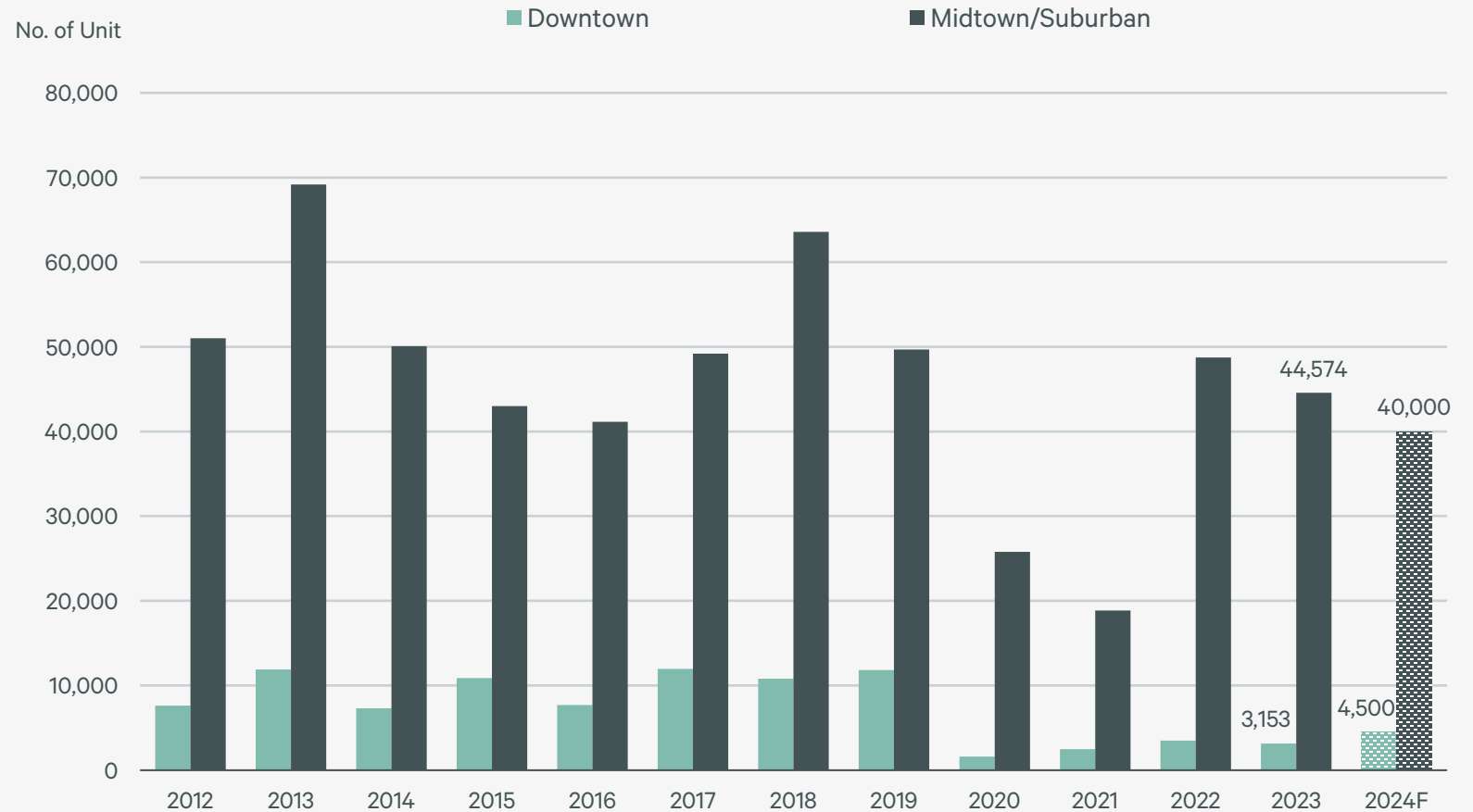
IN 2023:

- New downtown and midtown launches were fewer than in 2022.
- >90% of new condo supply was in the midtown and suburban markets.
- The market was reliant on domestic own-use buyers.

In 2024:

- Expect more downtown launches but fewer projects in midtown/suburban areas.

Newly Launched Condominiums in Downtown and Midtown/Suburban Areas, 2012 - 2024F

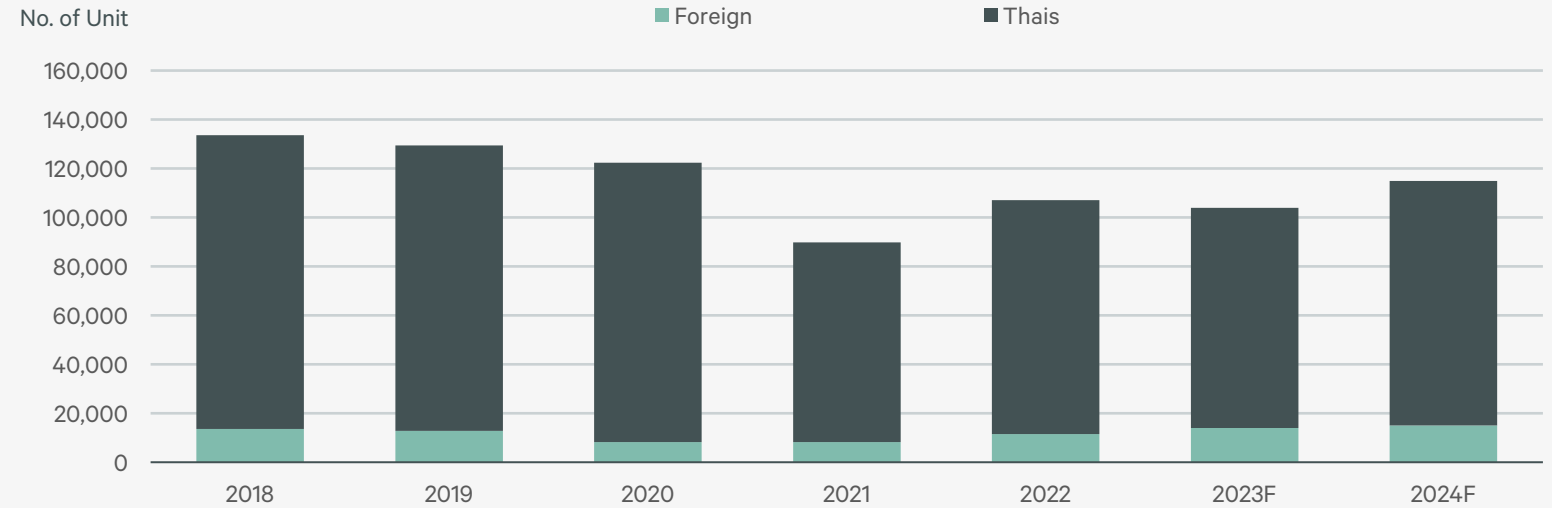


Source: CBRE Research

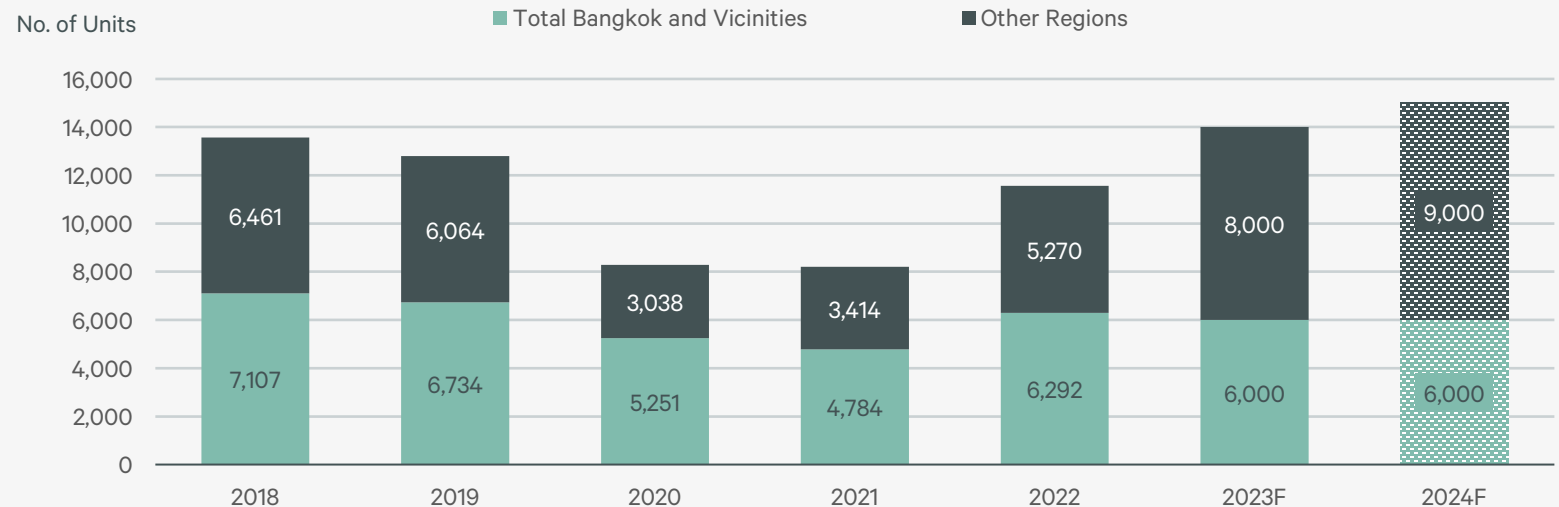
Condominium

- Overall, the proportion of foreign transfers remains relatively low, averaging +/- 10% annually by unit.
- A higher proportion of foreign ownership unit transfers are occurring outside of Bangkok
- 2023 was the first year where more units were transferred to foreigners outside Bangkok than in Bangkok.
- We expect this trend to continue in 2024.

Condominium Ownership Transfer by Thais and Foreigners - By Unit, 2018 - 2024F



Condominium Ownership Transfer by Thais and Foreigners - By Unit, 2018 - 2024F



Source: CBRE Research

Housing

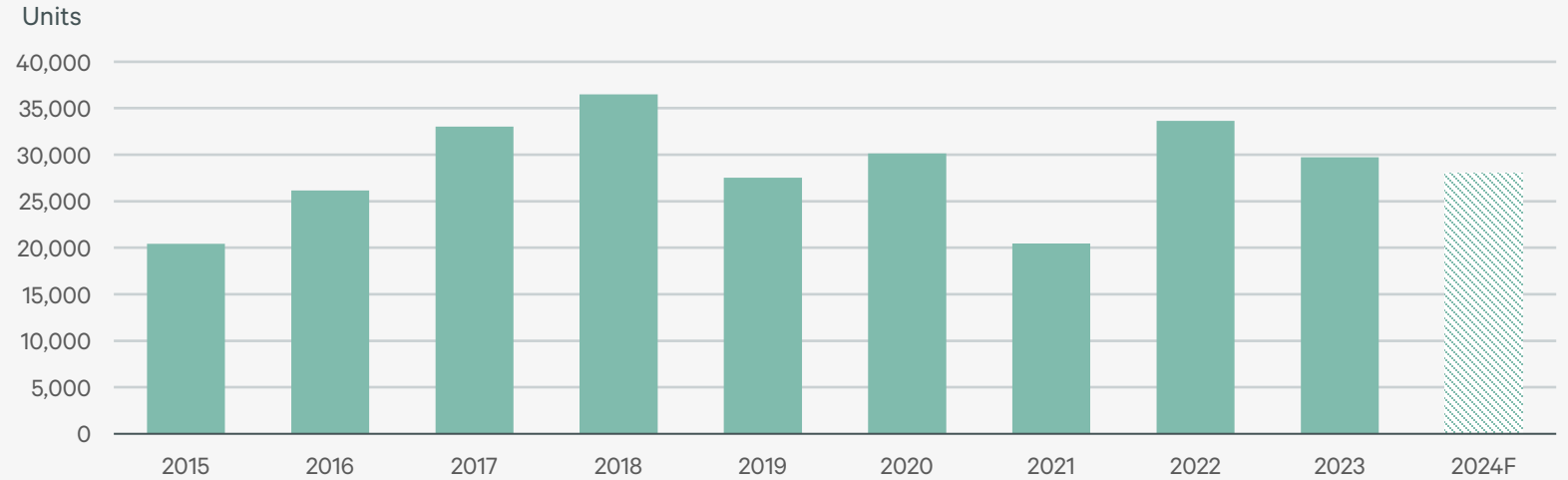
IN 2023:

- Only 70% of announced projects were launched, with a higher proportion in H2.
- Luxury and super-luxury projects increased from 3.3% of total units launched in 2022 to 5.0% in 2023.
- The number of luxury and super-luxury projects increased, but the average project volume was smaller compared to 2022.

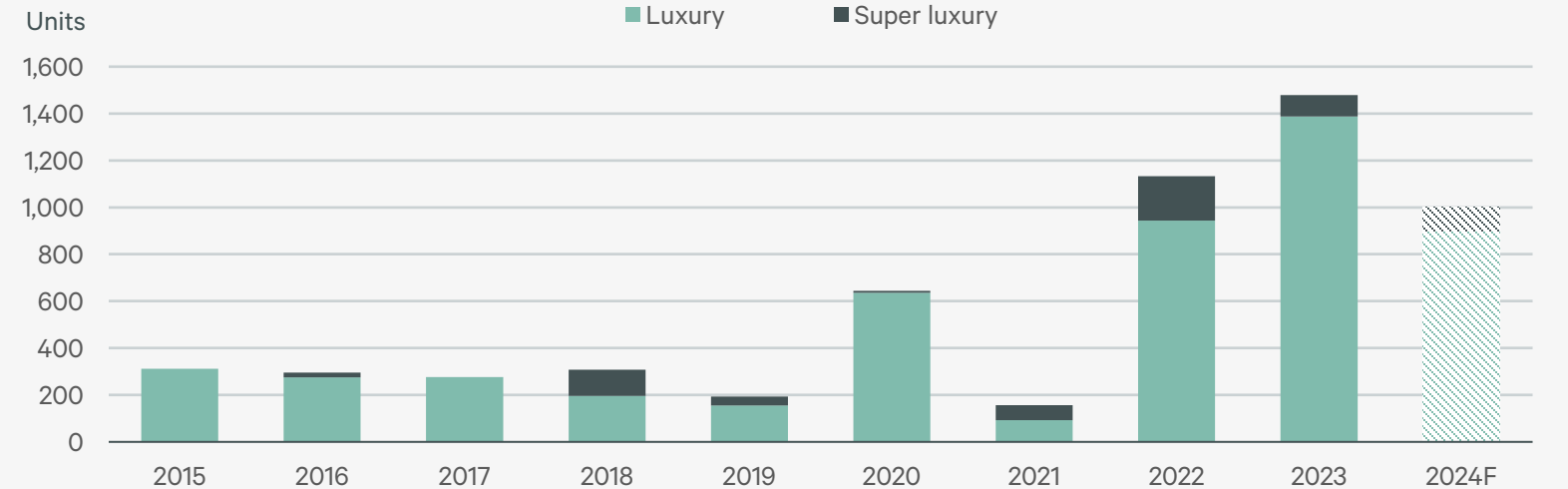
In 2024:

- We expect fewer launches in H1 and an uptick in H2.

Total New Housing Units Launched Between 2015 – 2024F



New Luxury & Super Luxury Housing Units Launched Between 2015 – 2024F



Source: CBRE Research

Trends to Watch

COMPETITION FORCES DEVELOPERS TO BE CREATIVE AND TO DIVERSIFY

01

INCREASE IN DOWNTOWN CONDOMINIUM PRODUCT VARIETY

Developers are exploring the incorporation of new elements and facilities within projects to meet buyer expectations.

Expect a higher proportion of large units with larger living spaces, and more branded residences and wellness concepts in the luxury/super-luxury segments.

End-user demand will continue to dominate, with a lower proportion of investors.

02

MORE RESIDENTIAL PROJECTS WITHIN MIXED-USE DEVELOPMENTS

Midtown and suburban projects will be concentrated in locations close to key demand generators to attract both end-user buyers and investors.

More projects will form part of large mixed-use developments.

Developers will explore new markets and areas of opportunity, particularly via joint ventures.

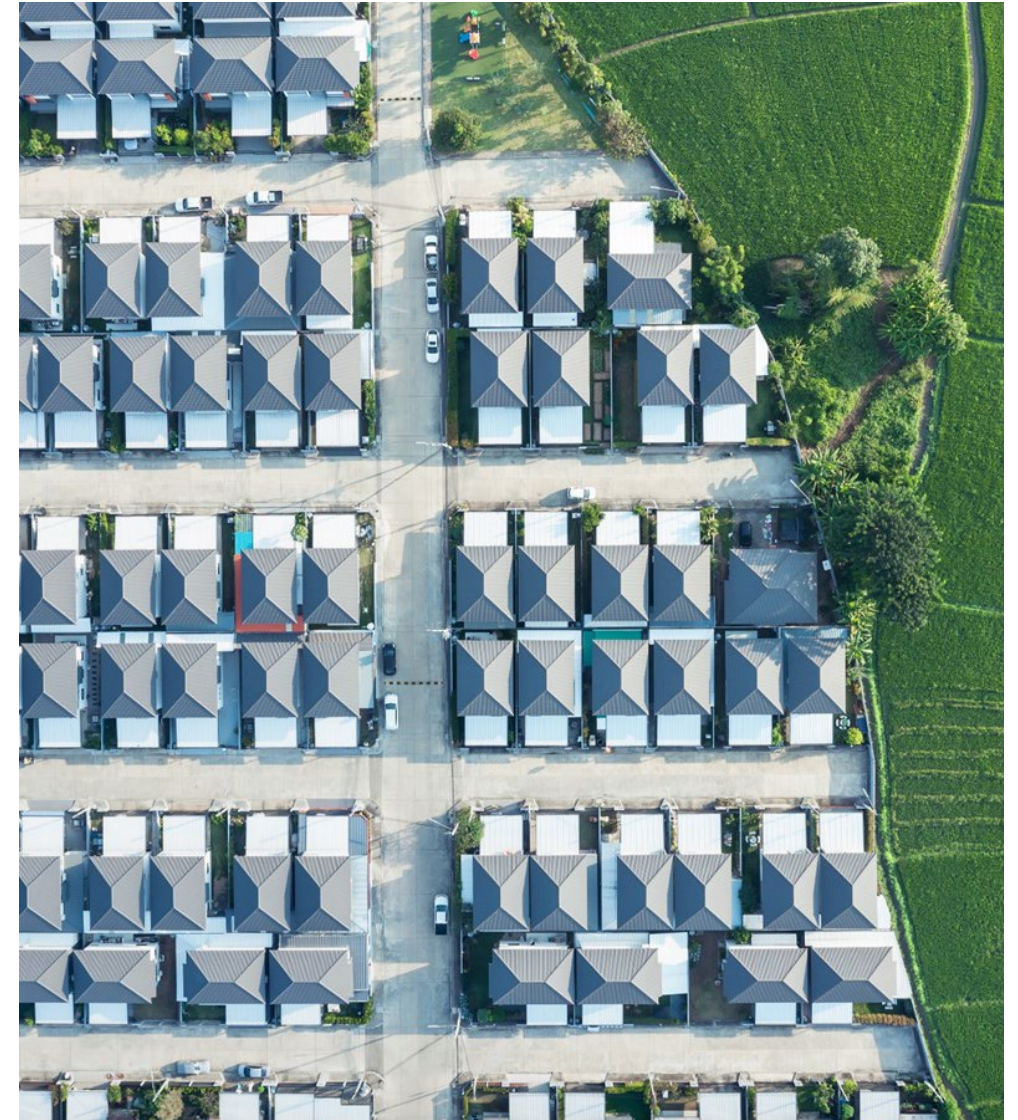
03

HOUSING LAUNCHES TO FOCUS ON THE MID-LEVEL MARKET

Luxury housing launches will stabilize as developers focus on the high-end market, with properties priced between THB 15-30 million.

The housing market is mature and remains very competitive.

Correct pricing is critical alongside housing innovation, as services become more important in differentiating from the competition.





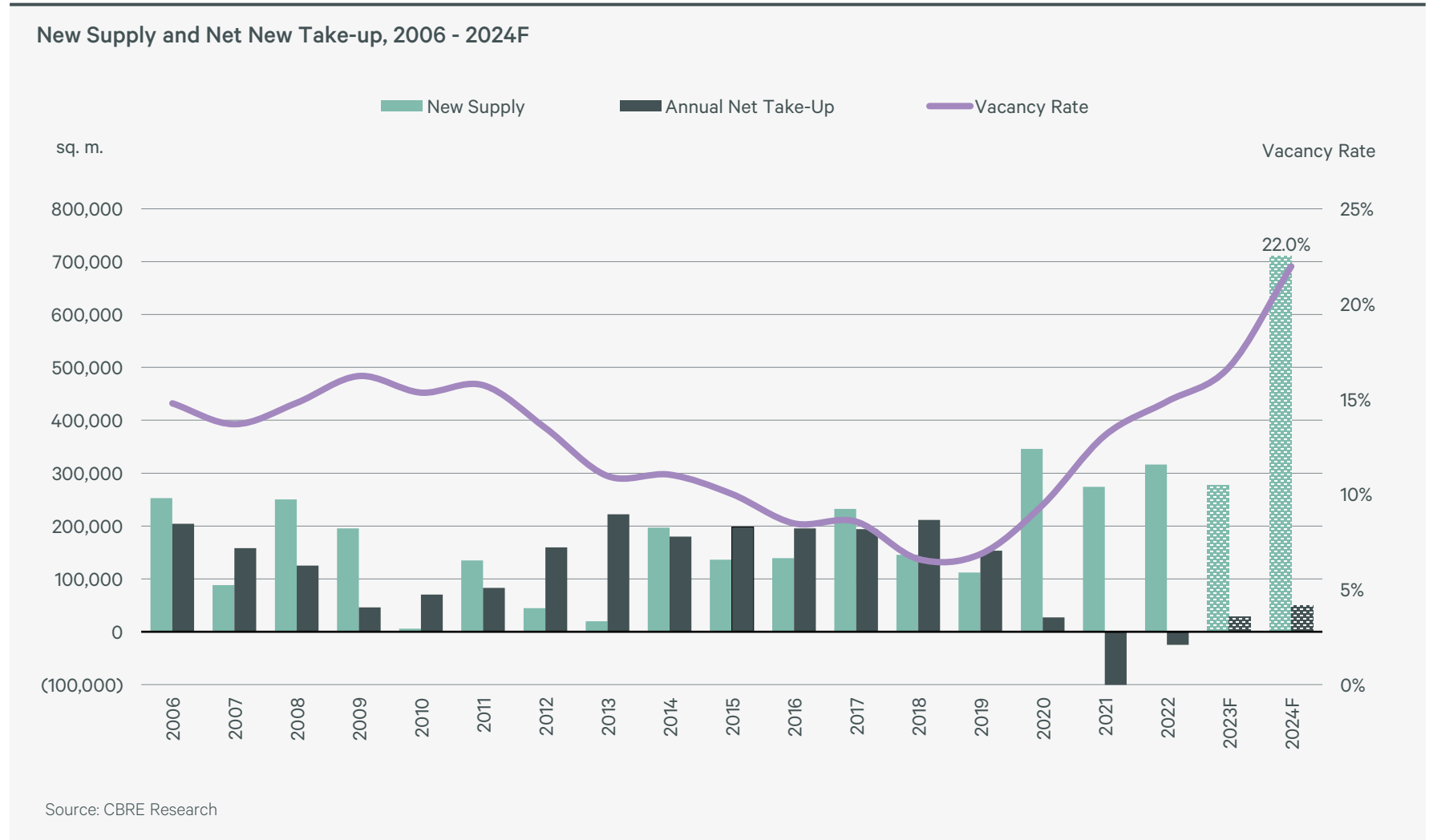
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Office

New Office Supply & Take-up

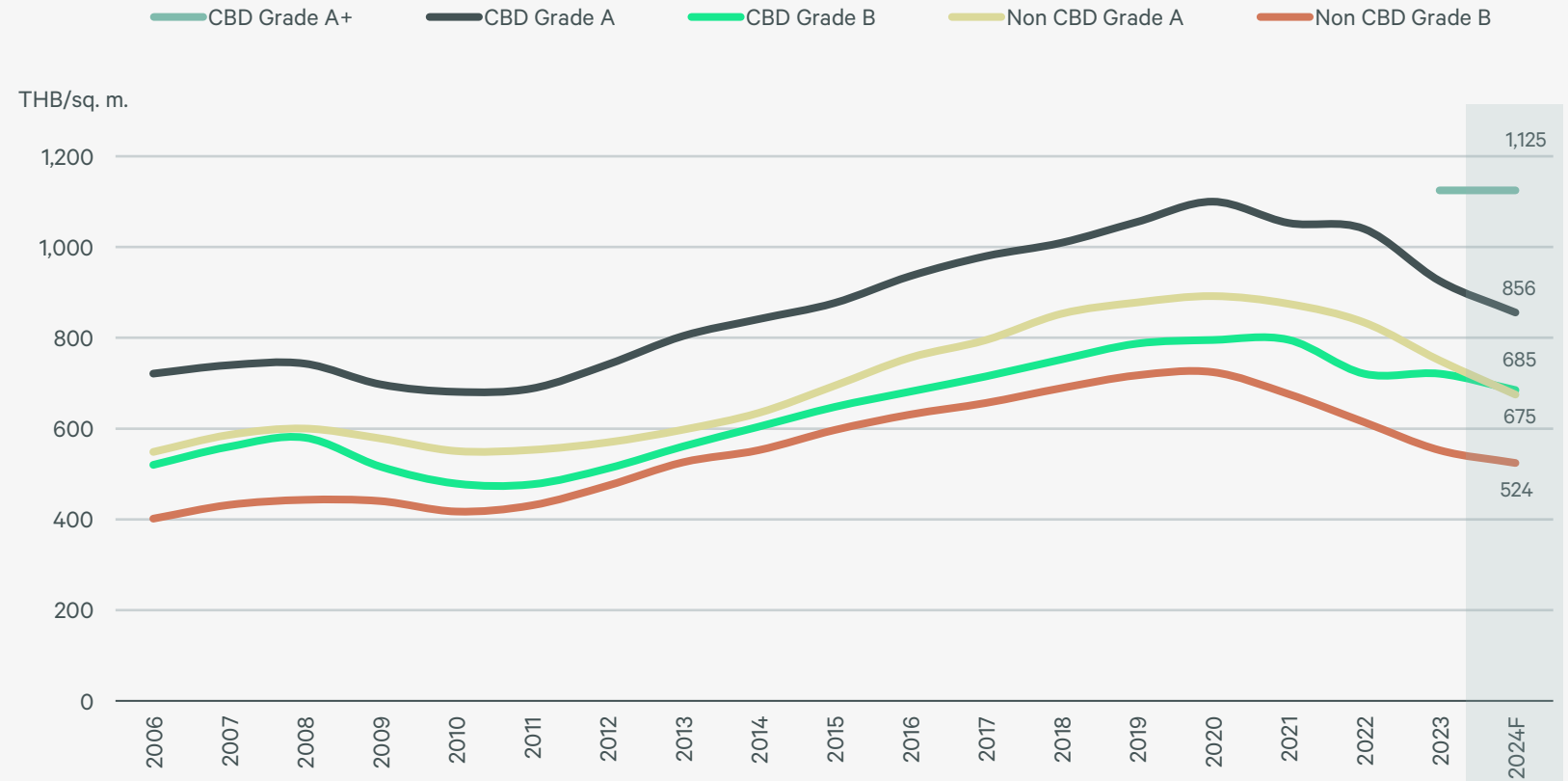
- A surge in new office supply in 2024 will substantially raise the vacancy rate, particularly in the CBD.
- Increased leasing activity in growth industries will lead to positive net take-up in 2024.
- Flexspace operators continue to expand and form important partnerships with landlords.



Effective Rents

- Overall, rents are expected to fall in all submarkets except Grade A+ as vacancy rates rise.
- Landlords will use various incentive strategies to attract and retain tenants.
- Larger transactions may receive an approximate discount of 5%-15% compared to smaller transactions.
- Some older unrenovated buildings will find it very difficult to fill vacant space once long-term tenants relocate.
- Renovation will not be financially viable for all old buildings.

Average Effective Rent of Bangkok Office by Grade, Based on 100 - 300 sq. m., 2006 - 2024F



Source: CBRE Research

Trends to Watch

MORE LEASING ACTIVITY AMID STRONG COMPETITION BETWEEN LANDLORDS

01

SIGNIFICANT INCREASE IN SUSTAINABLE AND SMART BUILDINGS

Most under-construction Grade A office buildings are targeting international certification, as green certifications are an essential component in attracting tenants.

In 2024, approximately 70% of Grade A office buildings will be green-certified.

Developers may also obtain certifications for technology and building services to gain further independent endorsement.

New Grade A+ office buildings will incorporate facilities that attract both visitors and tenants.

02

RENTAL RATES EXPECTED TO DECLINE FURTHER AS COMPETITION INTENSIFIES

Older buildings with higher occupancy rates that have been renovated and well-maintained will remain able to protect themselves from downward rental pressure.

CBRE expects more leasing activity across all grades and locations in Bangkok in 2024, but the focus will be on newer buildings.

Tenants are willing to pay slightly more for newer spaces, better facilities, green components and, most importantly, proximity to mass transit.

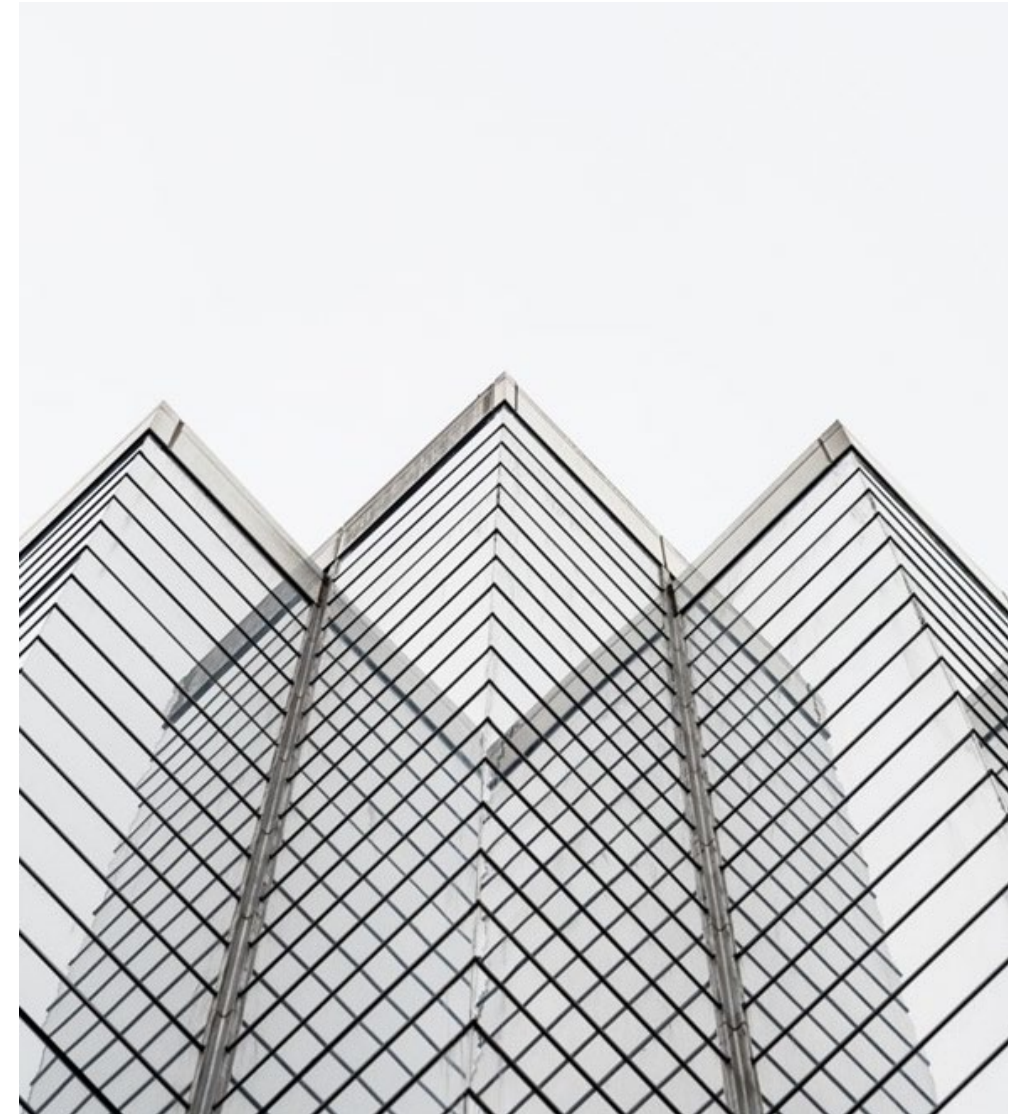
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LANDLORDS ACTIVELY CONSIDER WAYS TO ATTRACT AND RETAIN TENANTS

Landlords see partnerships with agile workplace operators as an increasingly important tool to attract tenants.

The variety of incentives offered by landlords is growing to suit the needs of different tenants.

Fit out and rent-free periods, the standard incentives to attract tenants, have been supplemented by fit-out funding and more flexible lease terms and conditions.





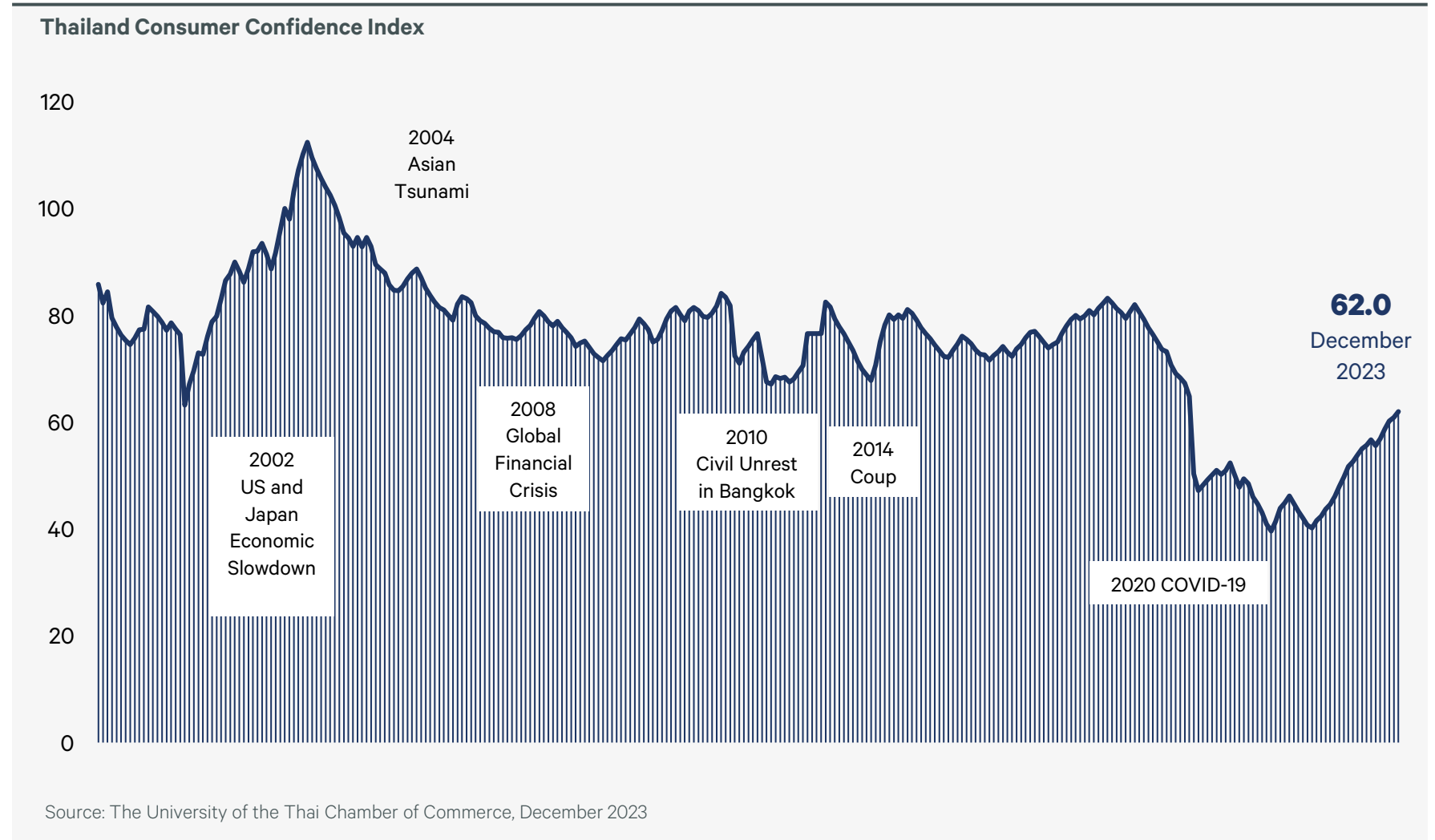
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Retail

Consumer Confidence

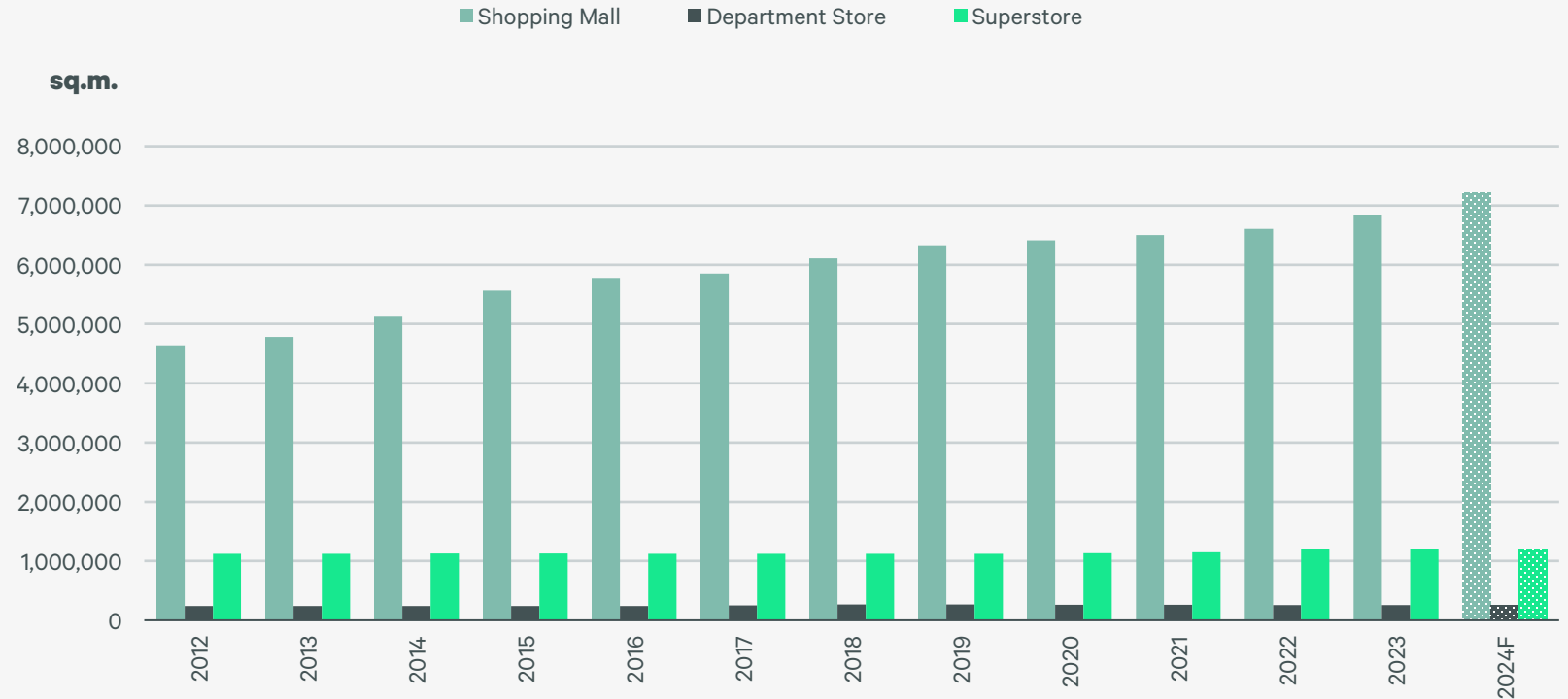
- Improving consumer sentiment paints a promising picture for the Thai retail sector in 2024.
- CCI increased to 62.0 in December 2023, its highest level since February 2020.
- Expect government stimulus measures and increased tourist numbers to continue to assist the sector.



Retail Formats

- The retail sector is undergoing a dynamic transformation, driven by developers and retailers expanding into all areas of the city.
- The expansion of shopping malls, especially community malls and on-site retail in mixed-use projects, will continue in 2024.
- Demand is growing for convenient and accessible shopping options, especially in downtown and midtown areas.
- Suburban areas are also seeing increased shopping mall development, fueled by population growth and improved infrastructure.

Bangkok Supply by Format, 2012 - 2024F

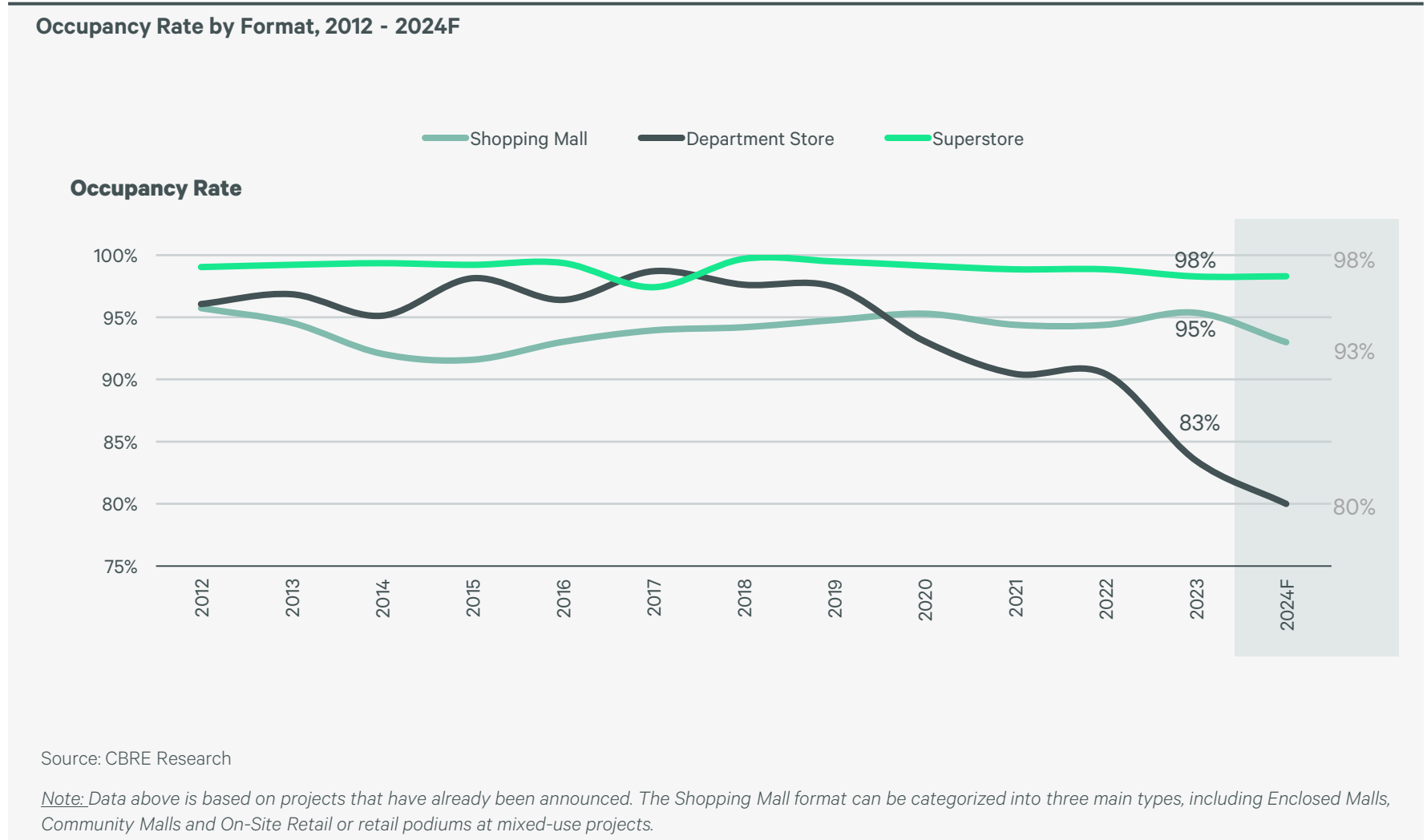


Source: CBRE Research

Note: Data above is based on projects that have already been announced. The Shopping Mall format can be categorized into three main types, including Enclosed Malls, Community Malls and On-Site Retail or retail podiums at mixed-use projects.

Occupancy Rate by Format

- Overall retail occupancy remained high in 2023 at 95%.
- The positive trend extends across all shopping mall formats.
- More new and renovated supply will be added to Bangkok's retail landscape in 2024.
- Future supply additions, however, could put pressure on occupancy rates in 2024.



Trends to Watch

RETAILERS FOCUS ON EXPERIENCES, WELLNESS AND LIFESTYLE

01

STORE EXPANSIONS BY ESTABLISHED GROUPS TO CONTINUE, ESPECIALLY IN F&B AND WELLNESS

Food & beverage and wellness are the key segments that continue to expand.

Brands focused on health, wellness and fitness are starting to see the benefits of occupying space within malls, forming an accessible cluster for health-conscious consumers.

Expect more healthy food hubs in enclosed malls with premium supermarkets and restaurants specializing in organic and locally sourced ingredients to attract health-conscious consumers.

02

LARGE-SCALE DEVELOPMENT FOCUSED OUTSIDE OF BANGKOK

New developments and renovations were concentrated in Bangkok between 2020-2023. In 2024, there will be more focus on smaller-scale projects in Bangkok with larger-scale developments in other provinces.

Developers and leading retailers will partner with magnets to increase footfall, with a strong focus on wellness and MICE spaces.

Provincial retail projects will increasingly incorporate other uses, including hospitality and residential, to create synergy for the entire development.

03

RETAIL OPERATORS PRIORITIZE ATTRACTIONS AND EVENTS TO GENERATE FOOTFALL IN MALLS

A focus on delivering memorable experiences is critical in attracting discretionary customers and tourists.

Malls are evolving from shopping destinations into vibrant event hubs. Flexible spaces are utilized for diverse functions to attract new customers

Expect more investment in in-mall advertising, with captivating digital displays, interactive installations, strategic product placement and immersive branded events that redefine the shopping experience.





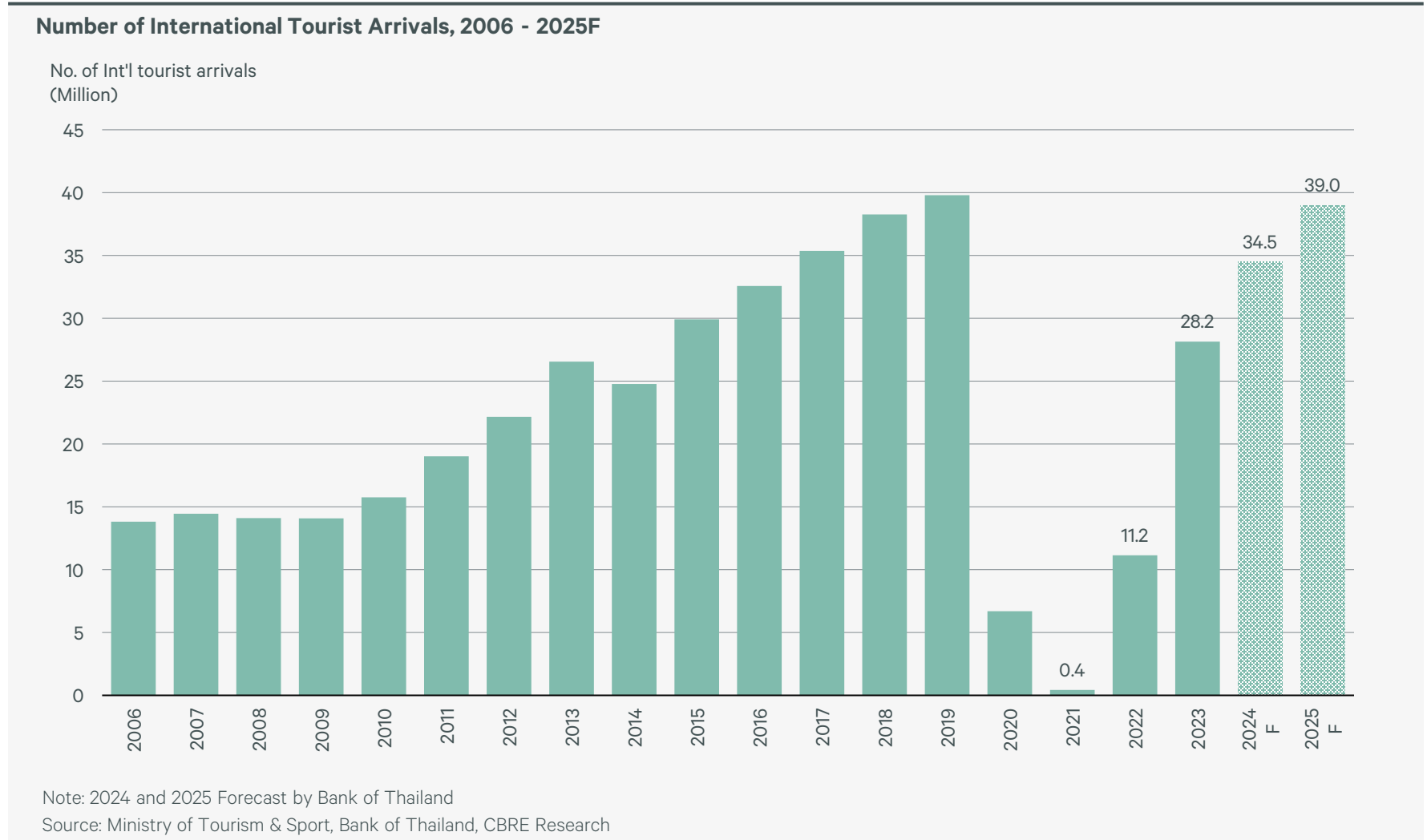
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Hotel

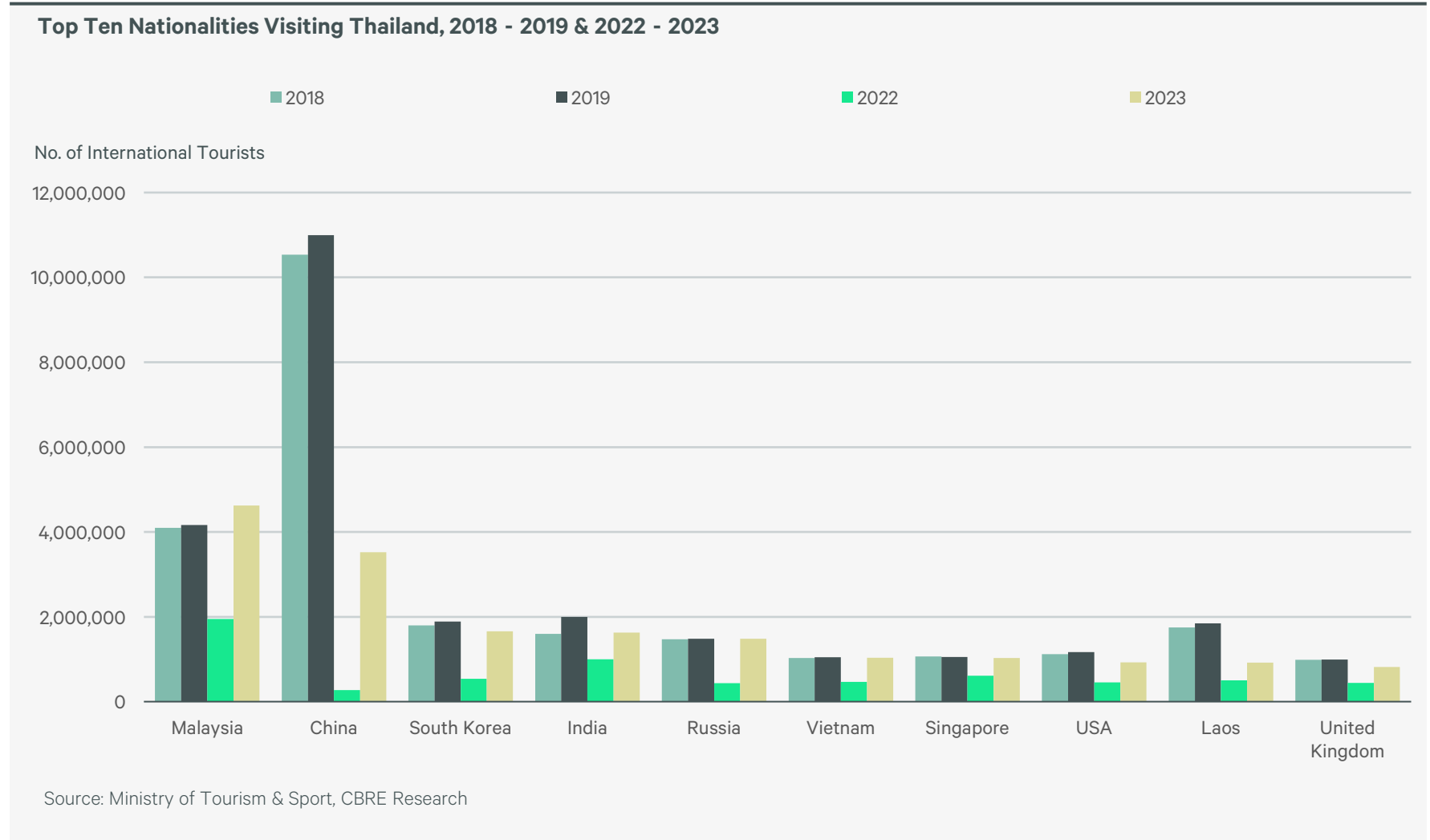
International Arrivals

- Thailand welcomed 28.2 million international tourists in 2023, exceeding the TAT’s minimum target.
- FIT and corporate travel have resumed, but tour groups are still lagging.
- Government policies helped to attract more tourists in H2 2023.
- Expect increased government support to reach the target of 34.5 million tourists in 2024.



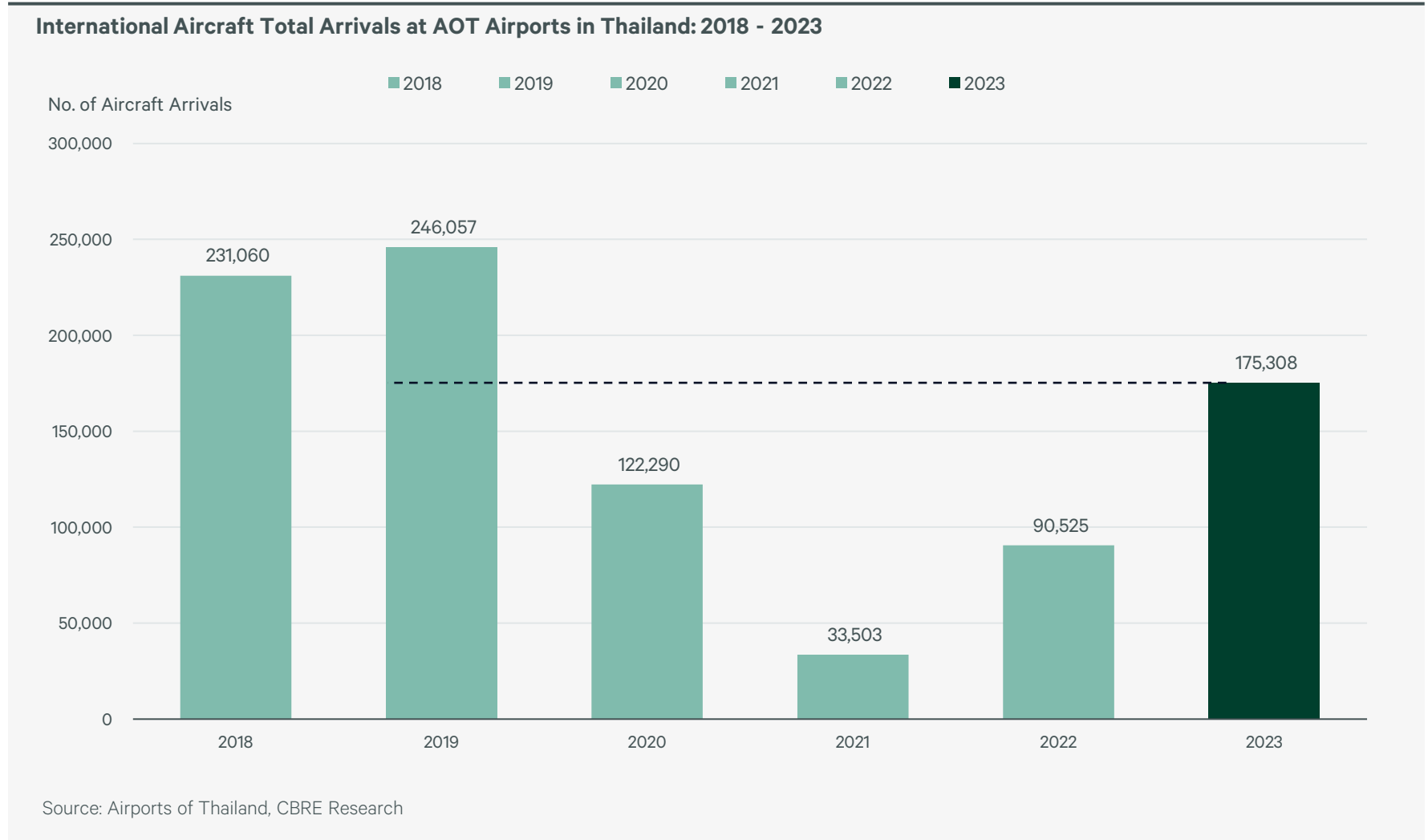
International Visitors by Nationality

- The short-haul market remains the most significant feeder market.
- Malaysia was the largest feeder market in 2023, followed by China, South Korea, India and Russia.
- Only Malaysian tourist numbers exceeded 2019 levels.
- Comparing the top 10 nationalities between 2019 and 2023, the clear shortfall in terms of recovery is China.



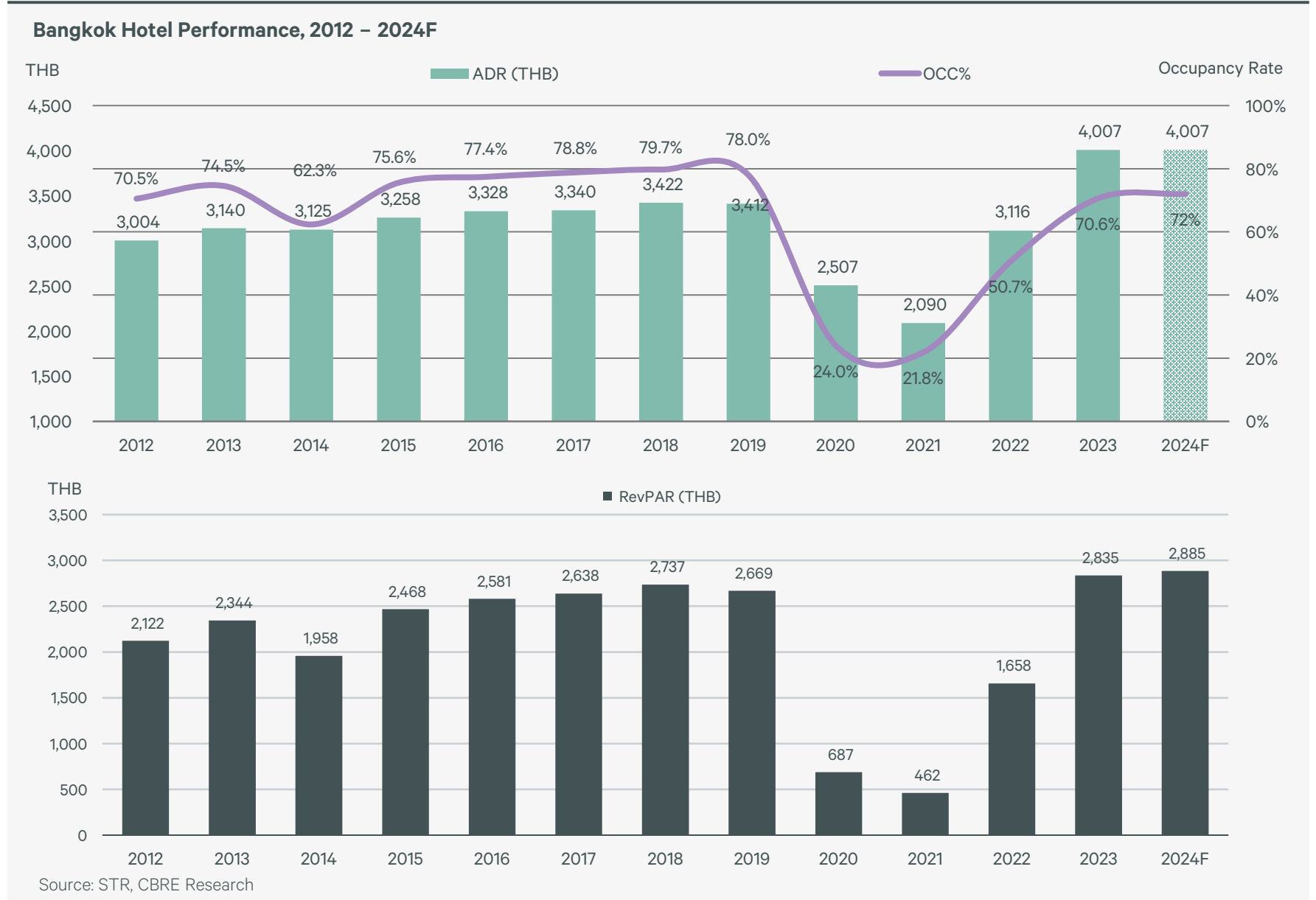
International Flight Arrivals

- International flight arrivals increased 94% from 2022 but remain 29% behind 2019 levels.
- 2023 saw slow flight resumption and some new route openings, especially from Middle Eastern countries to Phuket.
- There is potential for more flights in 2024. However, flights from Chinese airlines are still well below previous levels.



Hotel Performance

- Overall Bangkok hotel performance showed significant improvement in 2023.
- ADR and RevPAR exceeded 2019 levels by 17% and 6%, respectively.
- New hotel supply in 2024 will increase competition, particularly in Luxury and Upscale segments.
- While occupancy is expected to grow, ADR growth is likely to be more muted.



Trends to Watch

HOSPITALITY OWNERS AND OPERATORS ARE HOPEFUL FOR FURTHER IMPROVEMENT IN 2024

01

GOVERNMENT POLICY TO ATTRACT MORE FOREIGN ARRIVALS

The government has launched “visa-free” schemes to promote travel from targeted countries to attract more tourists and generate higher tourism revenue.

To further stimulate spending, the government allowed entertainment venues to extend opening hours.

Expect additional focus by the government in 2024 on attracting overseas tourist revenue.

02

INCREASED COMPETITION AS NEW SUPPLY ENTERS THE MARKET

Expect more competition among hotels in 2024 as new supply comes to market, putting pressure on ADR and RevPAR.

An increase in Chinese tourists is expected in 2024, but unlikely to match 2019 levels.

Domestic tourism remains crucial to the sector, with more than 200 million trips taken in 2023.

03

HOTEL PERFORMANCE RECOVERY STRONG, BUT NOT FOR ALL SEGMENTS

Overall hotel performance in 2023 exceeded 2019 levels in terms of ADR and RevPAR, despite lower occupancy rates.

Luxury and Upscale hotel segments performed particularly well. Mid-scale and Economy grades did not benefit as much, as their core customers have yet to return in significant numbers.

The return of tour travel is vital for increased tourism and improved mid-scale performance.



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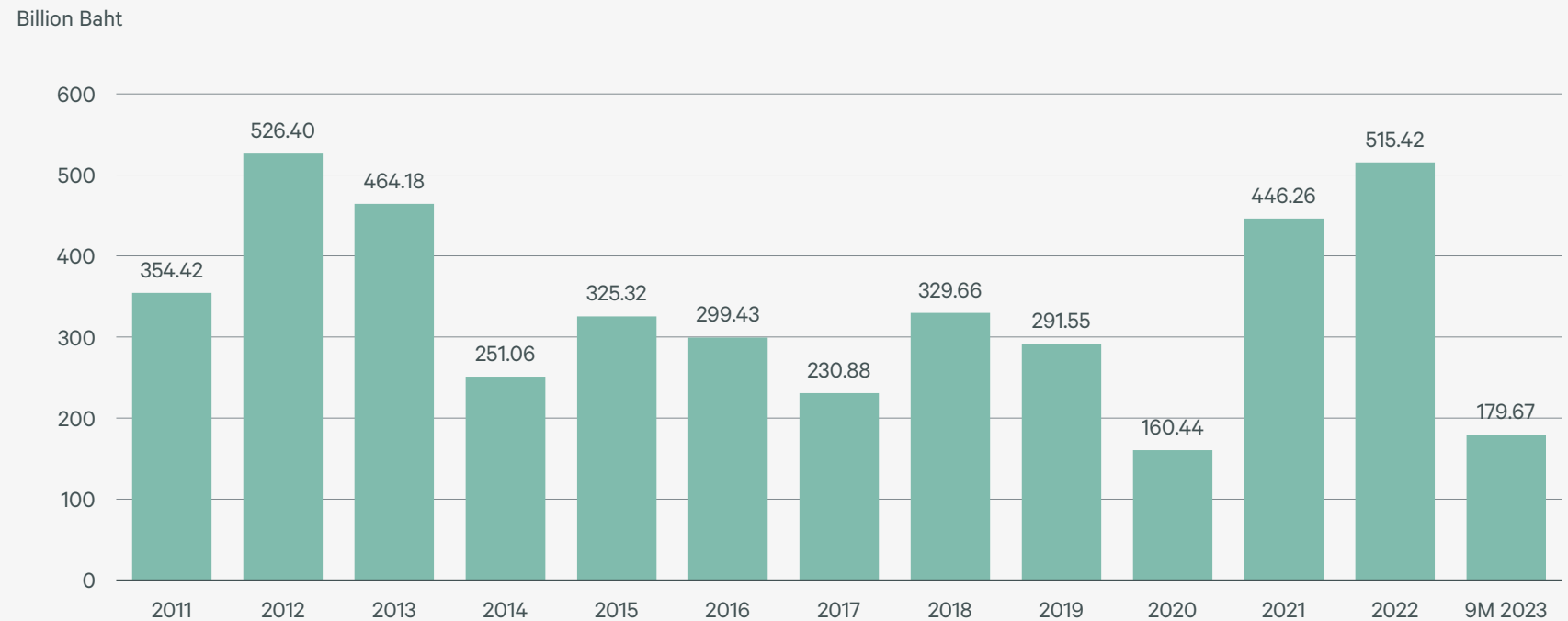
Industrial & Logistics



Manufacturing FDI (Inflow)

- FDI (inflow) in 9M 2023 totaled THB 179.67 billion, decreasing -53.52% Y-o-Y from THB 386.55 billion in 9M 2022.
- Despite low numbers, sentiment is positive, and a recovery of FDI is expected in 2024.

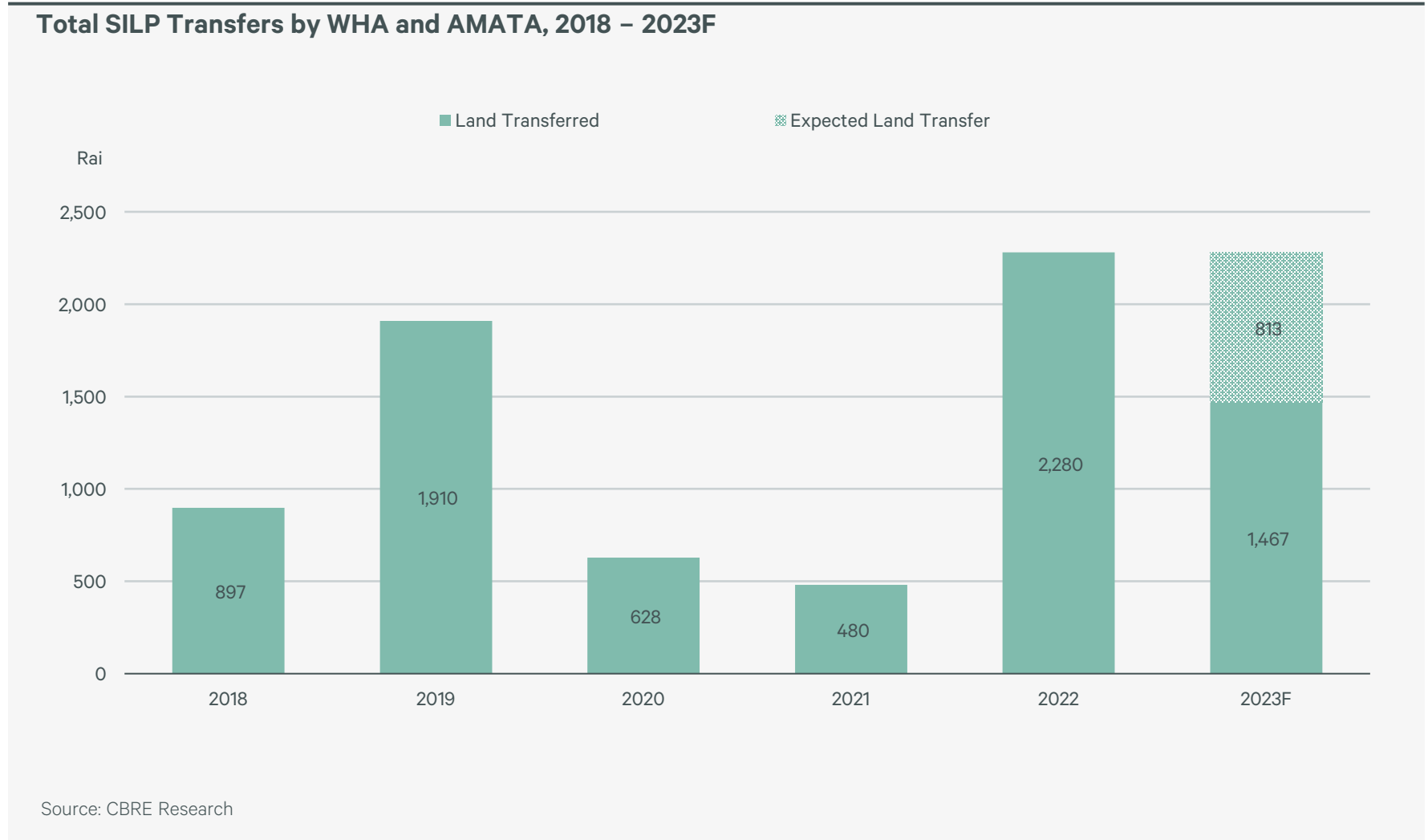
Net Inflow of Foreign Direct Investment to Manufacturing Sector, 2011 – 9M 2023



Source: Bank of Thailand (BoT)

WHA & Amata SILP Sales

- 2023 was another good year for SILP sales.
- Land sales are estimated at 3,000 rai from WHA and Amata, with 1,467 rai transferred as of Q3 2023.
- Full-year land transfer forecasts are similar to 2022.
- A strong pipeline is expected for 2024 as developers rush to prepare new estates and extensions of existing ones.



Trends to Watch

POSITIVE MOMENTUM EXPECTED TO CONTINUE IN 2024

01

SHORTAGE OF INDUSTRIAL LAND IN EEC AS DEMAND EXPECTED TO REMAIN HIGH

Strong land sales are expected to continue for a third consecutive year.

Companies are planning for the long term with large land acquisitions due to a shortage of supply in well-located industrial estates.

Demand is coming from manufacturers in a broad range of industries from Asia, Europe and North America.

02

EV AND TECH INDUSTRIES CONTINUE TO SHOW INTEREST IN INVESTING IN THAILAND

Thailand's status as a regional electric vehicle hub is growing, with more companies planning or showing interest in manufacturing facilities.

Supply chain companies are already following to facilitate component manufacturing in-country.

Demand for data centers and semi-conductor manufacturing capacity is set to benefit Thailand through additional investment and potential joint-venture agreements.

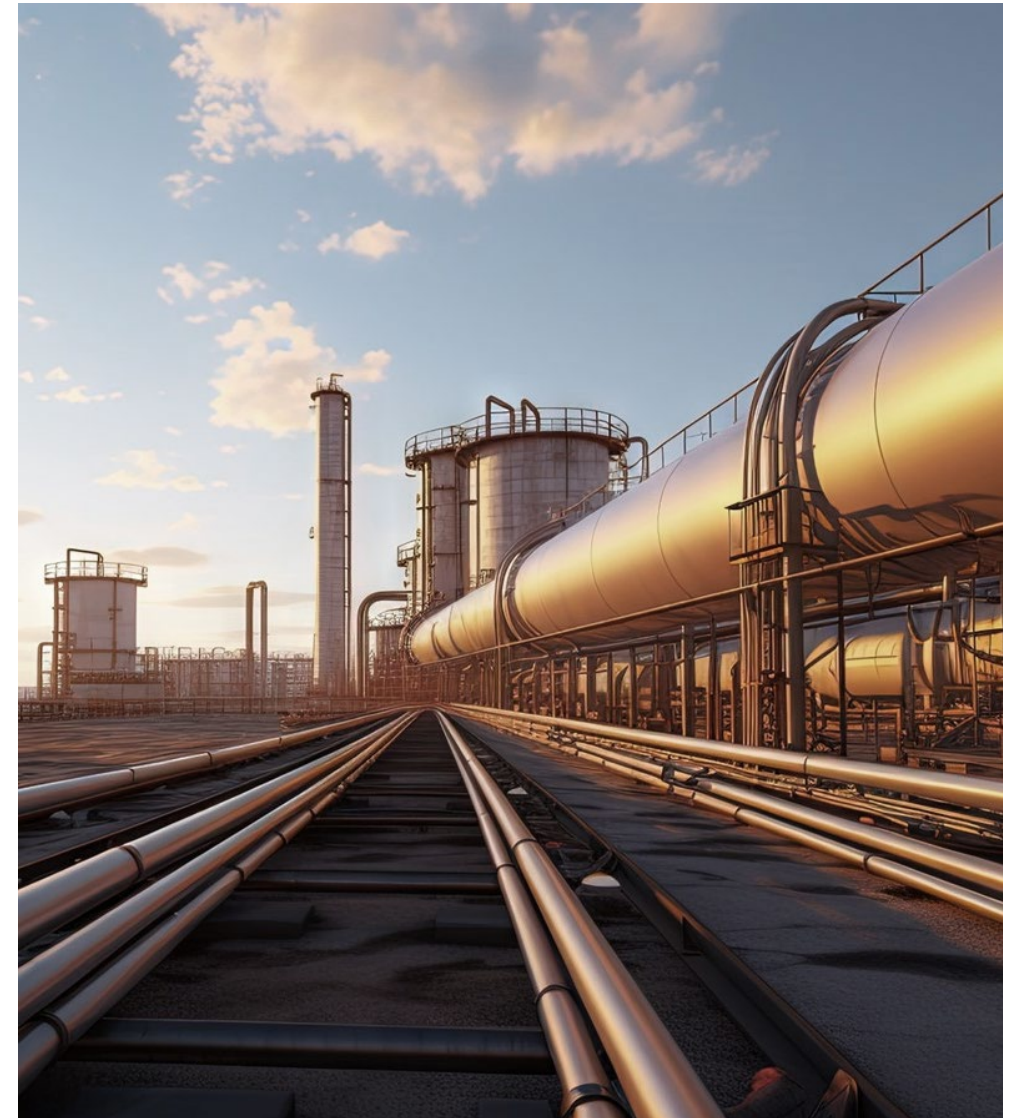
03

MORE COMPETITION IN LOGISTICS

After a stellar year in 2022, the logistics sector has normalized, with margins remaining a key focus for third-party logistics (3PL) companies.

Increased competition from new developers has led to an increase in supply and vacancy rates.

While dominant developers remain well-placed to execute build-to-suit requirements, rents are likely to remain flat.



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