

# Bangkok, Thailand



## Contact

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## Country Data

Area (KM<sup>2</sup>) 514,000

Population (Millions) 66.4

GDP 2006 (US\$ B) 225.8

GDP Growth (%) 4

GDP/Capita (US\$) 3399.85

Inflation Rate (%) 2

Interest Rate (%) 3

Unemployment Rate (%) 2.1

Political instability, due to the September 2006 coup, remained an issue in 2007. The interim government's attempt to bring order was unsuccessful; however, Thailand remains hopeful that an elected government will be in place in January 2008.

In 2007 GDP growth remained at 4.6%, while the CPI averaged 2%. The 2008 GDP growth is forecast at 5% with inflation remaining stable. Strong net exports are offsetting weak private consumption and investment. A weak dollar, new curbs on investment and possible changes to the Foreign Business Act dented business confidence. The current account is expected to show a deficit in 2008 through 2012. Lending rates are dropping but the Baht has remained strong against the U.S. dollar, appreciating by about 18%. Domestic demand dropped but confidence is returning.

Flat office rental rates and low take up are deterring new office development. Development costs are stable but may drop due to less construction demand.

Land prices rose at a slower pace. Changes in official land values in 2008 may cause increases. Demand for locations on existing and planned mass transit routes for residential, hotel and office sites remains firm.

In 2007, the industrial market was weak, although exports were up 18%. More Thai Board of Investment approvals were granted in the first half of 2007, a rise of only 9.7% year-on-year. FDI decreased by 11.5% year-on-year, with Japan remaining the main source commanding 36% of the total FDI.

Supply of Serviced Industrial Land Plots (SILP) remains at 37,868 acres, with sales up 63.3% year-on-year. 1,300 acres are planned to be added by Q4 2007. BOI Zone 2 remains the most popular location with SILP sales in Zone 2 representing 81% of the total sales. Most future SILP supply is in the Zone 2 where 97% of the total future supply is located. Prices remained flat, rents remained stable and Ready Built Factory (RBF) supply grew slightly. Major industrial developers of RBFs are focusing on selling leased premises into their property funds. Sectors showing new investment included automobile assembly and auto parts. Chemicals, petroleum, pulp and paper sectors are reaching 90% capacity and are likely to expand in the near term.

Retail space is expected to reach 4.88 million square meters by late 2007 with vacancy 12.8% overall and about 8% in prime retail centers. In 2007, there was 183,370 square meters under construction. Suburban outlets are now the focus to avoid intense downtown competition. Changes to the FBA may limit the entry of new foreign retailers in addition to curtailing expansion plans of existing operators. Rental rates continue to climb for prime space and capital values have grown by 2%.

Total office supply increased to 7.40 million square meters, with 450,000 square meters under construction. Offices totaling 20,750 square meters entered the market in the first half of 2007 with more than 140,000 square meters to be completed by the end of 2007. Vacancy rates were 14.1% in 2007 with average vacancy rates for CBD Class A at 13.2%. Average rents by mid 2007 peaked but are still competitive. Capital values have grown by 1.1% in the first half of 2007.

Hotel investment by Middle Eastern companies is active. More joint ventures are expected with tightening of foreign ownership restrictions of Thai companies owning property. Property funds are gaining popularity as investment vehicles.

## Bangkok At A Glance

Conversion: 34 THB = 1 US\$

|                              | RENT/M <sup>2</sup> /MONTH |           | US\$ RENT/SF/YEAR |           |         |
|------------------------------|----------------------------|-----------|-------------------|-----------|---------|
|                              | Low                        | High      | Low               | High      | Vacancy |
| <b>DOWNTOWN OFFICE</b>       |                            |           |                   |           |         |
| New Construction (AAA)       | N/A                        | THB 750   | N/A               | \$ 24.59  | 19.0%   |
| Class A (Prime)              | THB 500                    | THB 650   | \$ 16.39          | \$ 21.31  | 13.2%   |
| Class B (Secondary)          | THB 350                    | THB 490   | \$ 11.48          | \$ 16.07  | 11.0%   |
| <b>SUBURBAN OFFICE</b>       |                            |           |                   |           |         |
| New Construction (AAA)       | N/A                        | THB 600   | N/A               | \$ 19.67  | 40.0%   |
| Class A (Prime)              | THB 350                    | THB 450   | \$ 11.48          | \$ 14.76  | 10.0%   |
| Class B (Secondary)          | THB 300                    | THB 350   | \$ 9.84           | \$ 11.48  | N/A     |
| <b>INDUSTRIAL</b>            |                            |           |                   |           |         |
| Bulk Warehouse               | THB 170                    | THB 190   | \$ 5.57           | \$ 6.23   | N/A     |
| Manufacturing                | THB 180                    | THB 220   | \$ 5.90           | \$ 7.21   | 14.1%   |
| High Tech/R&D                | N/A                        | N/A       | N/A               | N/A       | N/A     |
| <b>RETAIL</b>                |                            |           |                   |           |         |
| Downtown                     | THB1,300                   | THB 3,500 | \$ 42.63          | \$ 114.76 | 5.0%    |
| Neighborhood Service Centers | N/A                        | N/A       | N/A               | N/A       | N/A     |
| Community Power Center       | THB1,100                   | THB 1,500 | \$ 36.07          | \$ 49.18  | 5.0%    |
| Regional Malls               | THB1,800                   | THB 2,000 | \$ 59.02          | \$ 65.58  | N/A     |

## DEVELOPMENT LAND

|  | Low/Hectare     | High/Hectare      | Low/Acre     | High/Acre     |
|--|-----------------|-------------------|--------------|---------------|
| Office in CBD (per buildable M <sup>2</sup> /SF) | THB 87,103      | THB 109,061       | \$ 238       | \$ 298        |
| Land in Office Parks                             | THB 44,000,000  | N/A               | \$ 523,711   | N/A           |
| Land in Industrial Parks                         | THB 9,375,000   | THB 31,250,000    | \$ 111,586   | \$ 371,954    |
| Office/Industrial Land - Non-park                | THB 25,000,000  | THB 125,000,000   | \$ 297,563   | \$ 1,487,815  |
| Retail/Commercial Land                           | THB 250,000,000 | THB 2,250,000,000 | \$ 2,975,630 | \$ 26,780,668 |
| Residential                                      | THB 50,000,000  | THB 875,000,000   | \$ 595,126   | \$ 10,414,704 |