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## **TOUGH TIME FOR LANDLORD**

**June 24, 2009** – **Colliers International Thailand**, a leading property consultancy company, has given the opinion toward the residential leasing market sector.

*Mr. Patima Jeerapaet, Managing Director of Colliers International Thailand*, said that although Thailand remains an important base for many multinationals, many with staff working all around South East Asia, due to Bangkok acknowledged competitiveness as a communication and transportation hub offering an attractive lifestyle that would be either very expensive or not as agreeable or safe in other South East Asian countries, by year end many multinationals were implementing or planning downsizing or closures, both in the manufacturing and services sectors. Under current market conditions, the apartment and serviced apartment markets are likely to experience declining demand growth

*Miss Arnuj Rittichaiseri, Associate Director of Residential Department of Colliers International Thailand*, shared her opinion that many expatriates who have been asked to lower their accommodation budgets, which will put downward pressure on the upscale market, although middle-market, more affordable apartments may stand to benefit in the short term. Many multinationals were implementing or planning downsizing or closures, both in the manufacturing and services sectors. The key Japanese market could be particularly badly affected by these developments, which would have a strong impact on the core Sukhumvit apartment market.

The increasing number of new serviced apartments as well as the existing supply will increase competition in the Sukhumvit area. During the first quarter of 2009, there were approximately 1,496 new expatriates arriving Bangkok. It is predicted that the number of new work permits will decline in 2009. As a result, occupancy rates in the first quarter 2009 had fallen to 73.1%, some 17.07% lower than the peak achieved in 2005, reported *Miss Risinee Sarikaputra, Head of Colliers International Thailand Research and Advisory*.

The slowing demand had pushed down the average rental rate per square metre of Grade A serviced apartment by 4%, from THB 1,256 per square metre per month to 1,210 per square metre per month. However, the ARR of Grade B in Q1 2009 dropped by 2% from THB 898 per square metre in 2008 to THB 881 per square metre per month in the first quarter of 2009. It is forecast that the ARR of Grade B could decrease by 10% in 2009, whilst Grade A could decrease by 15% in 2009.

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**Miss Arnuj** added that the Bangkok Apartment market appears to be faring reasonably well towards the end of 2008, but the first signs of a downturn were becoming evident by year-end. Despite the prospect of mounting job losses, it is reassuring that the Bangkok apartment market is still buoyant, though some expatriates are now moving to cheaper accommodation to save money. The current economy, especially with the weakness of pound sterling and several other currencies, is having an impact on budgets. The turnover of people moving to lower their rent is noticeable.

The overall occupancy rate of apartments is high, with an average of 90.89% as of the end of Q4 2008. Grade A occupancy was at 90.89%, whilst Grade B was at 90.88%. Contrary to what one might expect, overall landlords were not giving deep discounts by year end 2008 because they were not feeling the pinch yet as the total number of people moving out had not risen significantly. The average rental rate in the Bangkok expatriate apartment market was THB 349 / square metre / month. The average rental rate of Grade A was THB 457 / square metre / month as of the end of Q4 2008, whilst Grade B was THB 303 / square metre / month, reported **Miss Risinee**.

The rate of growth of new apartment supply is projected to averaged 5.6% per year from 2003 to 2008, whilst the growth in supply of serviced apartments by the end of 2009 was amount to 23.4%, a very sharp increase which will make 2009 a particularly challenging year for the industry.

**Mr. Patima** concluded that low demand of residential leasing market caused from the economic recession and the impact from last year's airport closures against a sharp rise recently in supply are likely to create an oversupply of serviced apartment this year. It is interesting to see how the new comers can build market share during these tough times.

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