CB RICHARD ELLIS

MarketView
Bangkok Overall

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Second Quarter 2009

Quick Stats

	Change from last YR	QTR
Office Rent (CBD)		
Grade A	↓	↓
Grade B	↓	↓
Residential		
Luxury Condominium price	↓	↓
Apartment Rent Grade A	↓	↓
Apartment Rent Grade B	↓	↓
Serviced Apt. Rent Grade A	↓	↓
Retail Rent		
Grade A	↔	↔
Industrial Price		
SILPs	↓	↑
Factory Rental	↔	↔
Hotel Room Rate	↓	↓

Quarterly Highlights

- In Q2 2009, the average asking price at off-plan condominium projects (high-end and above) in downtown Bangkok was 128,040 THB/m^2 declining from 139,436 THB/m^2, or 8.2% Q-o-Q and -18% since December 2008.
- The occupancy rate for Bangkok luxury and first class hotels further decreased to 44% in Q2 2009 from 55% in Q1 2009.
- 255 Rai of SILP's were sold in Q2 2009 growing 187% Q-o-Q but this was due to the Thailand Tobacco Monopoly buying 240 Rai at Rojana Industrial Park.
- Foreign Direct Investment (FDI) into the industrial sector dropped 17% Y-o-Y in 5M2009, while foreign direct investment from Japan, Thailand's major foreign investor, has decreased by 27% Y-o-Y.

The second quarter of 2009 started badly with civil disturbances in Bangkok over the Songkran (Thai New Year) holidays in April. However, despite this inauspicious commencement to the quarter there were signs of improvement in certain property sectors.

The luxury condominium market saw a significant improvement in the number of sales compared to the first quarter. The majority of purchasers were Thais who bought both from developers in buildings under construction and resales in buildings about to be completed. The total number of condominium units in downtown Bangkok grew, up 4.3% Q-o-Q and 14% Y-o-Y to a total of 60,507 units. We expect a that a further 15,739 units will be completed between July 2009 and the end of 2012.

The total supply of serviced apartments increased by 3.2% Q-o-Q and 14.2% Y-o-Y to 12,392 units in Q2 2009. The majority of new projects are located in the Sukhumvit area.

Overall take-up of the Bangkok office market was 6,763,812 m^2, up 0.2% Q-o-Q and 0.9% Y-o-Y. The demand driver for this quarter was DTAC taking up 61,000 m^2 in Chamchuri Square. The occupancy rate of the Bangkok office market also improved slightly to 86.0% from 85.8% in the last quarter.

Overall, Bangkok office rents fell. During Q2 2009, Grade A CBD office rents fell to THB 700/m^2 from THB 710/m^2 in Q1 2009, down 1.4% Q-o-Q and 5.7% Y-o-Y.

The Energy complex is one of only 4 office buildings that will come to the market over the next two years. The project will increase the total office space by 119,000 m^2 and is expected to be completed in the second half of 2009.

In Q2 2009, the Bangkok retail occupancy rate dropped to 91.1% from 92.9% in the last quarter. Total retail space occupied increased to 4,760,220 m^2, up slightly 0.9% Q-o-Q and 4.5% Y-o-Y. The midtown area had the highest increase in take-up at 1.6% Q-o-Q and 2.8% Y-o-Y. The suburban area followed with an increase of 0.9% Q-o-Q and 8.4% Y-o-Y. Total retail sales although recovering slightly in May are still below the levels for 2006-2008 which will restrict tenant's ability to expand or pay increased rents. Vacancy rates increased slightly and we do not expect that rentals will rise this year until retail sales improve.

The industrial sector has seen virtually no new sales of serviced industrial land plots with only 255 Rai sold in quarter 2 and a total of 344 Rai for the whole of the first half of 2009 compared to sales of 4,170 Rai for the whole of 2008. We have not however seen a large number of industrial properties being offered for sale due to factory closures. The total value of BOI-approved projects decreased by 56.1% Y-o-Y , to THB 115.2 billion from THB 180 billion, for the first seven months of the year.

Foreign Direct Investment (FDI) into the industrial sector dropped 17% Y-o-Y in 5M2009, while foreign direct investment from Japan, Thailand's major foreign investor, has decreased by 27% Y-o-Y.

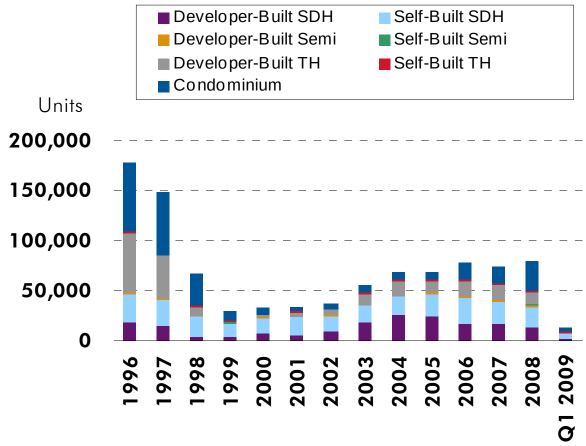
The hotel sector continues to see rising supply and falling demand resulting in lower occupancy rates, room rates and revpar. Occupancy levels for upscale hotels are now at 44% for an 11% drop on Q1 figures of 55%. As a result of poor occupancy levels Average Daily Room Rates (ADR) dropped at upscale hotels from THB 5,992 in Q1 to 5,308 in Q2 a reduction of 11.4% Q-o-Q and down 9% Y-o-Y. RevPar figures were also down at a rate of 2,277 (THB), a decline of 29.7% Q-o-Q and 45.7% Y-o-Y.

The situation is very different to the 1997/98 financial crisis when almost every property sector in Thailand was over supplied and credit was suddenly cut of with the closure of finance companies and banks.

The sector facing the biggest challenge is hospitality properties both hotels and serviced apartments because of the amount of new supply which continues to increase combined with a fall in demand.

HOUSING

New Supply of Residential Units in Bangkok Metropolitan Region, 1996-Q1 2009



The completion of the dark green line of BTS extension (Taksin-Wong Wien Yai) and nearly completed Airport Rail link will boost the demand in the western and the eastern area.

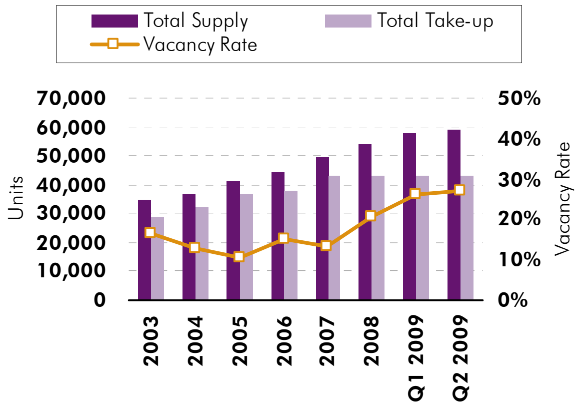
Sales rates continued to improve in both of SDH and TH projects due to the combination of government incentives and promotion packages from developers.

Interest rates have decreased to 5.85% - 6.25% at the five largest commercial banks after the Bank of Thailand reduced its key policy (overnight) rate four times between December 2008 and April 2009.

There will be no infrastructure catalyst until work actually starts on other mass transit schemes such as the Red or Purple lines. Buyers will only have the confidence to make purchases in areas that will benefit from the new lines once construction is well underway.

CONDOMINIUM

Total Supply, Demand & Vacancy Rates in Downtown Bangkok, 2003-Q2 2009



The existing supply in downtown Bangkok reached 60,507 units in Q2 2009, an increase of 4.3% Q-o-Q and 14.0% Y-o-Y. There were 2,501 units completed in this quarter, of these 278 units (The Rajdamri condominium) were leasehold. Another 8,389 units are scheduled to be completed in the remainder of 2009 which will Raise the total downtown condominium stock significantly to 68,896 units, or by 22.4% Y-o-Y.

Future supply is going to level off in 2010 and 2011 with increases of 6% (4,149 units) and 5.1% (3,713 units) respectively, bringing the total number of downtown condominium units to 76,758 by the end of 2011

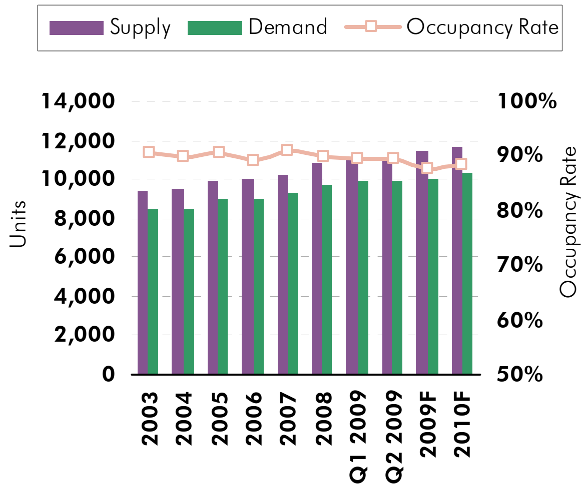
In Q2 2009, the average asking price at off-plan condominium projects (high-end and above) in downtown Bangkok was 128,040 THB/m^2 declining from 139,436 THB/m^2, or 16% Y-o-Y. Central Lumpini has the highest overall asking price at 174,133 THB/m^2 however; the asking price fell 7.2% Y-o-Y

The total number of units occupied by owners or tenants increased to 43,246 in Q2 2009 from 42,954 in Q1 2009. The occupancy rate however fell from 77.1% to 73.4% because 2,501 new units were completed and have not yet been occupied.

We expect that vacancy rates will rise in some older buildings where there are units available for rent rather than owner occupied as tenants will choose to rent in new buildings.

EXPATRIATE RENTAL APARTMENT

Total Supply, Demand & Occupancy Rate, 2003-2010F



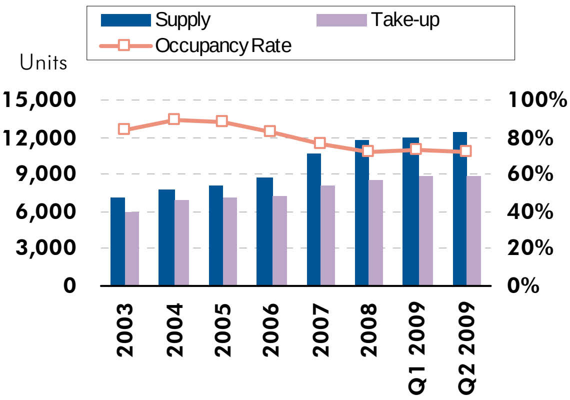
The occupancy rate increased to 89.6% in Q2 2009, a 0.4% increase Q-o-Q and 2.6% Y-o-Y. Grade A occupancy was 84.3%, compared to 92.2% for Grade B. 9,932 apartment units were occupied during this quarter, compared to 9,874 units during Q1 2009.

In June 2009, the number of work permit-holding expatriates in Bangkok and provincial areas increased to 79,511 and 65,982 respectively, up 13.2% Y-o-Y and 11.1% Y-o-Y.

The apartment sector has been the most stable of all property sectors, with occupancy rates within the 87-93% band since 2000. However, we are now seeing a softening of rents, and expect further weakening in 2009. A large amount of condominium stock (as many as 11,389 units) is scheduled to be completed during the year, and many of these units will find their way onto the rental market, further pressuring apartment rents. Future supply of apartment units is limited, the current stock is 11,089 and we expect this figure to rise by 381 by the end of 2009.

SERVICED APARTMENT

Total Supply, Demand & Occupancy Rate, 2003-Q2 2009

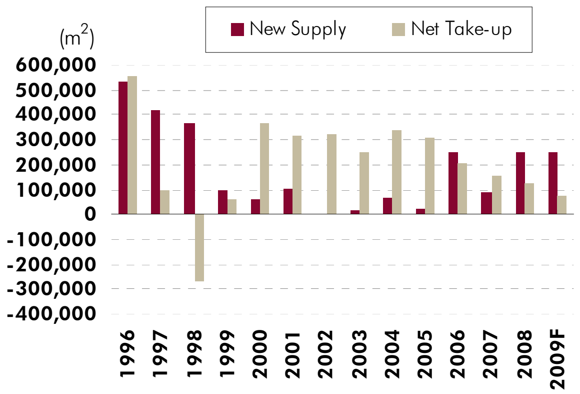


The downturn in tourism and business travel has affected those serviced apartments that rely heavily on daily guests. The number of expatriates in Bangkok with work permits has actually slightly increased and those serviced apartments with a higher percentage of longer leases have not been as badly affected.

The occupancy rate decreased by 7.3% Y-o-Y, from 78.9% in Q2 2008 to 71.6% in Q2 2009, which is concerning as the total supply of serviced apartments increased by 3.2% Q-o-Q and 14.2% Y-o-Y to 12,392 units in Q2 2009. Overall, future supply is expected to grow 23.83% to 15,345 units by 2011. To combat the falling demand some serviced apartments have cuts their daily rates. Average rents fell by 7.7% Q-o-Q and 11.3% Y-o-Y. With ever increasing supply we may see rates dropping even further.

OFFICE

New Supply and Net New Take-up, 1996-2009F



Overall take-up in the Bangkok office market was 6,763,812 m², up 0.2% Q-o-Q and 0.9% Y-o-Y. Net take-up during this quarter improved from Q1 2009 to 13,524 m², an of increase 57.1% Q-o-Q however down 63.5% Y-o-Y. There was 1,100,623 m2 of vacant space.

The source of growth in take-up during Q2 2009 was largely driven by DTAC who completed their move to Chamchuri Square occupying 61,000 m² and vacating 35,000 m².

Apart from Energy Complex only three buildings will be completed in the next two years. Sathorn Square (73,584 m²) in 2010, Sivatel (5,880 m²) in 2010 and Park Ventures (28,000 m²) in 2011.

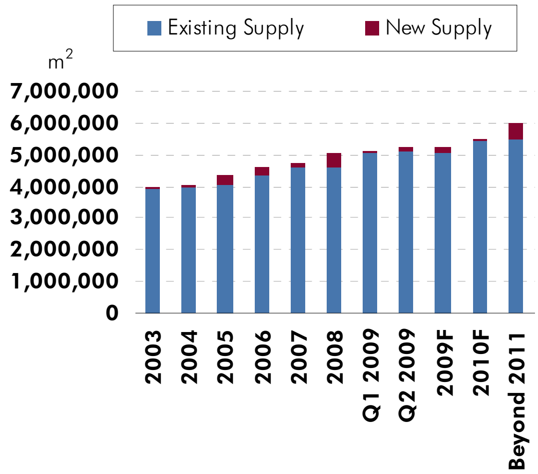
For Grade A-Non CBD area, we expect to see growth when companies move into the Energy Complex by the end of 2009 and early 2010.

There were some companies who downsized but in many cases in Bangkok, it is cheaper to remain in existing premises because of the high cost of relocation.

Overall Bangkok office rents fell. During Q2 2009, Grade A CBD office rents fell to THB 700/m² from THB 710/m² in Q1 2009, down 1.4% Q-o-Q and 5.7% Y-o-Y.

RETAIL

Existing and New Supply, 2003-Beyond 2011



The total supply of Bangkok retail space was 5,226,306 m² increasing 2.9% Q-o-Q and 7.3% Y-o-Y. The occupancy rate declined from 92.9% in Q1 to 91.1% in Q2 a 1.8% Y-o-Y drop and down 2.4% Y-o-Y. There was an increase in vacant space especially in secondary retail centres and some retail operators were renovating their centres during this quarter. Newly completed shopping centres were not yet fully occupied as not all the tenants had completed fitting out. The retail sales index was 145.97 in May 2009, an improvement from 134.92 in April but still down 5.8% on May 2008. Future supply includes major shopping centres such as Central Rama IX and Mega Mall Bangna. There are also a number of podiums in new condominiums and office buildings. It will be challenging to find tenants for many of these podiums unless an anchor tenant can be found. There are a number of neighborhood centers due for completion, success relies on being able to secure a supermarket, this is becoming tough as two of the major supermarket operators Tesco and Tops are also developers who would prefer to anchor their own developments rather than lease from a third party.

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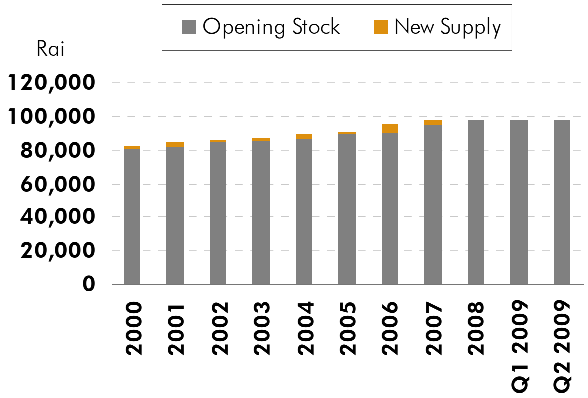
INDUSTRIAL

Thailand SILP Stock, 2000-Q2 2009



Thailand Tobacco Monopoly (TTM), a state enterprise under the Finance Ministry, bought 240 Rai of industrial land plots in Rojana Industrial Park, Ayutthaya to relocate their existing plant which is located in the center of Bangkok. There were only another 15 Rai of sales in this quarter.

Approximately 9,700 Rai of SILPs is under development as of Q2 2009. Of this amount, 1,700 Rai is located in BOI Zone 3, while more than 8,000 Rai is located in BOI Zone 2. Hemaraj has the largest expansion plans, with approximately 5,000 Rai in Hemaraj Eastern Seaboard Industrial Estate (H-ESIE).

Total sales for the first half of 2009 were 599 Rai compared to 4,170 Rai for the whole of 2008.

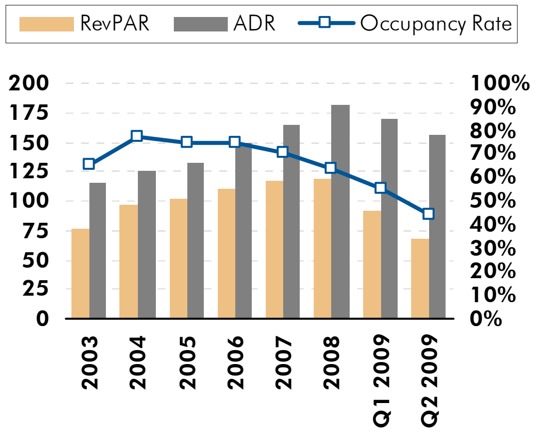
The Eastern Seaboard (Chonburi and Rayong) is still the most popular location for SILPs due to proximity to the port and better logistics, while Ayutthaya is favored because it is near Bangkok.

Foreign Direct Investment (FDI) into the industrial sector dropped 17% Y-o-Y in 5M2009, while foreign direct investment from Japan, Thailand's major foreign investor, has decreased by 27% Y-o-Y.

The occupancy rate of Ready Built Factories (RBF) was 74.6% in Q2 2009, down from 77.5% last quarter.

HOTEL

RevPar, ADR & Occupancy Rate of Selected Upscale Hotels, 2003-Q2 2009



The Thai Hotel sector is facing a number of difficult challenges none more prevalent than a falling demand coupled with an increased number of units. Several factors have contributed to this decline

Eastern Asia provides Thailand with the largest single number of tourists accounting for 52.8% of all travelers. Q2 2009 has seen a dramatic reduction in the number of visitors from this region. Q2 2009 showed tourism numbers from East Asia at 1,565,892 compared with 2,315,305 in the same period last year, a decline of 32.4%

Overall the number of international tourists fell 18.6% Q-o-Q and 14.4% Y-o-Y in to around 3 million from 3.5 million in Q2 2008.

There is some encouraging news regarding travel from Europe with international arrivals from this part of the world faring marginally worse than last year. Q2 2009 figures showed 693,681 visitors against 704,886 for the same period in 2008, a drop of just 1.6%.

During Q2 2009, the total number of hotel rooms in downtown Bangkok was 26,169 (spread across 86 hotels), an increase of 1.1% q-o-q and 8.7% y-o-y. The higher supply resulted from the completion of two new hotel projects which are President Palace Hotel (236 keys) and Luxx XL Hotel (51 keys). We expect an additional 7,931 units to be completed by the end of 2012 bringing the total of hotel rooms in downtown Bangkok to 34,100

During Q2 2009, the occupancy rate for luxury and first class hotels continued to fall from 67% in Q2 2008 to 44% in Q2 2009

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As the global leader in real estate with more than 200 years of experience, CB Richard Ellis is the only commercial real estate services company named one of the 50 "best in class" companies by BusinessWeek, and was also named one of the 100 fastest growing companies by Fortune.

CB Richard Ellis established an office in Bangkok, Thailand in 1988 and in Phuket in 2004, and then expanded with its Samui office in 2007. We are the largest property services provider in Thailand with over 700 professional staff, offering strategic advice and execution for sales and leasing for all types of property, property and facilities management, valuation and advisory, and research and consulting. CB Richard Ellis Thailand was awarded the "Best International Agent" by Property Report Thailand in 2007 and 2008, consecutively.

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The Bangkok Property Report provides in-depth analysis of the Bangkok real estate market, including property supply and demand, occupancy, take-up, prices, rental trends and other indicators.

Phuket Property Report

The Phuket Property Report, the latest quarterly subscription report by CB Richard Ellis' Research Services in Thailand, is an initiative designed to bring professional analysis and transparency to the growing Phuket property market.

The report provides detailed information and analysis from CB Richard Ellis' comprehensive and unrivaled Phuket and overall Thailand database, combined with our own exhaustive market and property surveys.

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