Thailand Research

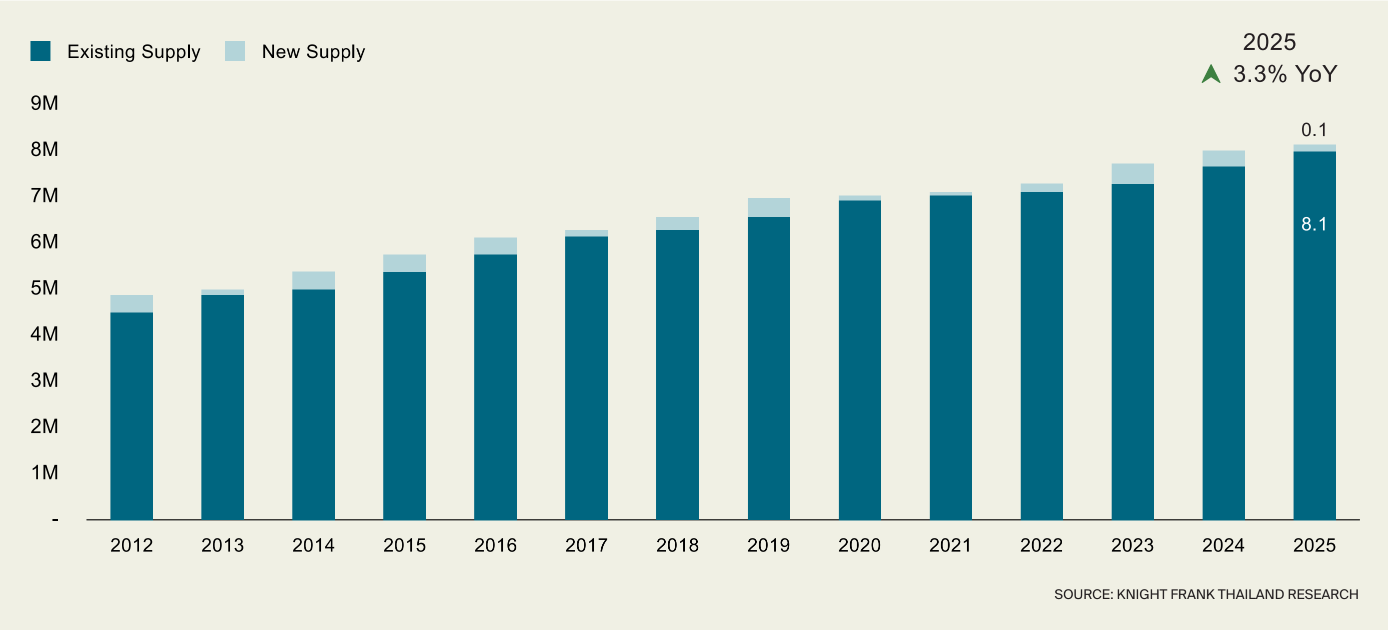
Great Malls Were Never Built by Accident

They Were Built by a Strategy the World Already Proved

2H 2025	An overview review of Bangkok's Retail market in 2H 2025 by Knight Frank Thailand	knightfrank.co.th/research

Supply	Occupancy Rate	Future Supply
8.2M sqm.	**91%**	**1.1M sqm.**
▲ 3.3% YoY	▲ 1.5% Y-o-Y	

Total leasable area (NLA) in 2025 is projected at 8.2 million sq.m.



Net Leasable Area (NLA) refers to the net area within a Shopping mall that is specifically allocated to support the Shopping mall's demand and can be leased to generate revenue in accordance with the role of each Shopping mall. NLA is measured from the internal wall-to-wall area of each leasable unit and excludes all common areas and non-revenue-generating platform support spaces.

Market Overview

Bangkok retail property market in 2025 is in a phase of measured expansion. The overall supply of shopping centre space continues to grow, while utilisation remains high and on an improving trend. A key indicator of market conditions is the total Net Leasable Area (NLA), which in 2025 is projected to reach approximately 8.2 million square metres, representing a roughly 3.3% year-on-year increase. This level of growth is less exuberant than in past boom cycles but reflects a pace that is more aligned with the gradual recovery in the wider economy and domestic consumption. Developers still perceive long-term opportunity and are proceeding with new schemes, particularly mixed-use and lifestyle malls in suburban locations and major tourist destinations.

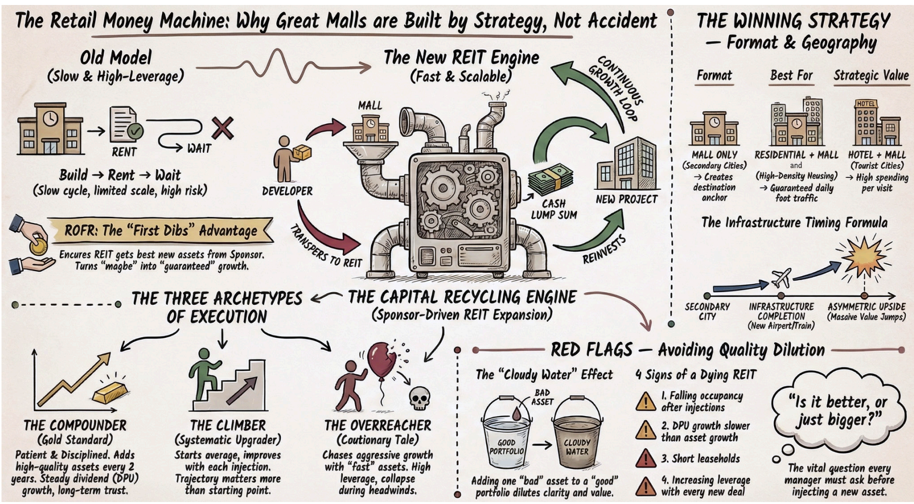
On the demand side, the average occupancy rate stands at about 91%, up approximately 1.5% from the previous year, indicating that the market has been able to absorb new space coming on stream. Major domestic and international retailers continue to expand their store networks, while F&B and lifestyle service operators still rely on shopping centres as their primary platform to reach consumers. An occupancy rate above 90% suggests that most centres are close to full, which, from an investment perspective, supports maintaining rental returns. Owners of prime-location assets now have stronger bargaining power, whether in curating their tenant mix, setting lease terms, or gradually increasing rents to reflect higher costs and the popularity of their centres.

However, the outlook is not without its challenges. The pipeline of future projects remains sizeable at about 1.1 million square metres of additional space, implying a substantial uplift in supply relative to the existing stock over the next two to three years. This will intensify competition between new-generation schemes and older centres. Properties in secondary locations, or those that have been operating for many years without significant refurbishment, may face greater pressure from anchor tenants relocating and from the need to offer more generous support measures – such as rental discounts, joint marketing campaigns, or more flexible lease structures – to retain occupancy at acceptable levels.

Strategically, shopping centre owners need to shift their mindset from viewing their assets simply as “lettable space” to positioning them as “experience and sales platforms” for their tenants. Curating a tenant mix that clearly targets defined customer segments, balancing mass-market brands with lifestyle and niche concepts, and incorporating community activities and non-retail spaces will be crucial to sustaining footfall. At the same time, digital capabilities – such as membership platforms and customer data systems – will allow centres to understand shopper behaviour better and to run targeted joint promotions with tenants. Ultimately, these initiatives underpin the ability to preserve both rental levels and occupancy over the longer term.

From an investor’s standpoint, the 2025 landscape suggests that Thailand’s retail market remains in an upward cycle, albeit selective. Asset quality and location will be the key differentiators between winners and losers. Centres situated in core urban nodes, close to mass transit or in prime tourist areas, are likely to maintain high occupancy and to implement gradual rental uplifts. By contrast, assets in weaker locations must move quickly to refurbish or reposition themselves in order to compete with incoming stock. If landlords can use this period – while occupancy remains robust and the economy recovers – to realign their schemes with new consumer behaviours, Thailand’s retail property sector should continue to grow sustainably, even as online channels and digital platforms exert increasing influence over the long term.

Understanding the Playbook That Transforms Shopping Mall Developers Into City Builders March 2026



In This Business, There Is No Such Thing as Luck

Picture two malls that opened around the same time, in similar locations, with comparable budgets. Ten years later, one has become the heartbeat of its neighbourhood - tenants queue for space, footfall never stops, and asset value has multiplied. The other echoes with emptiness.

Most people call this luck. That explanation is wrong.

The real answer is a single strategy, tested across decades and markets, that works every time execution is disciplined: **Sponsor-Driven REIT (Real Estate Investment Trust) Expansion.** The principle behind this strategy is simple — never let capital stand still.

The Problem Every Developer Faces

Building a mall requires enormous capital. Once construction is complete and the space is leased, that capital becomes trapped, trickling back as monthly rent over the years. To build a second mall under the traditional model, a developer must wait, accumulate, and borrow. Growth is slow, debt builds up, and most developers never own more than a handful of assets.

The question that changed everything: Is there a way to unlock that trapped capital without selling the asset outright?

The answer was the **REIT (Real Estate Investment Trust)** — a fund that pools money from investors to buy income-producing properties, then distributes the rental income back to those investors each year.

From a developer's perspective, a REIT (Real Estate Investment Trust) is essentially a ready and willing buyer for completed, stabilised assets. The mechanics work like this: a developer builds a mall, sells it into the REIT (Real Estate Investment Trust), receives a large lump sum of cash, and uses that cash to build the next mall. The cycle then repeats — indefinitely — without the developer's debt load growing heavier each round.

Old model: Build › Wait › Borrow › Build again — slow, expensive, and capped.

New model: Build › Sell into the fund › Recycle cash › Build again › Sell again — faster, less debt, and infinitely repeatable.

What makes this strategy even more powerful is something called **ROFR (Right of First Refusal)** — a contractual right that gives the fund first access to every new property from its developer-sponsor, before that property is offered to anyone else in the market.

ROFR (Right of First Refusal) transforms "might receive a quality asset" into "will receive a quality asset." That shift in certainty is the difference between a fund that grows by chance and one that grows by design.

Three Ways This Strategy Ends

The world has tested this approach long enough to identify three distinct outcomes — shaped not by the strategy itself, but by the discipline with which the strategy was carried out.

The Compounder applies the model with patience and unwavering discipline. Every new property must clear the same quality bar: strong occupancy, a well-chosen location, and a design that genuinely matches the needs of the local market. The result is a distribution per unit — the annual payout to investors — that rises consistently year after year, with few surprises along the way.

The Climber starts with modest, mid-quality assets but carries a clear plan to improve the portfolio over time. Each new property injected into the fund must be better than the existing average in at least one meaningful way — a stronger location, a higher-quality mix of tenants, or a more relevant format for its era. The lesson is straightforward: this strategy is not reserved for those who begin with the finest assets. The strategy belongs to anyone with the discipline to keep improving, one asset at a time.

The Overreacher begins well — then allows growth pressure to override quality judgement. Properties enter the portfolio before occupancy has stabilised. Locations are chosen for speed, not strength. Debt climbs with each round of expansion. When headwinds arrive — whether from recession, pandemic, or a simple slowdown in consumer confidence — a fund without adequate reserves finds itself in serious difficulty. The damage was already done long before the trouble became visible.

Same strategy. Three different levels of discipline. Three completely different outcomes. The difference is not whether to add new properties — the difference is what gets added, and why.

Format Is Not Decoration — Format Drives Returns

One of the most overlooked decisions in this strategy is **asset format** — meaning the type and design of the property being developed. A mall serving as the anchor of a secondary city has an entirely different purpose from one nestled in a dense residential neighbourhood or a tourist destination. Applying the same template everywhere is one of the most common — and costly — mistakes in this industry.

The Hotel and Mall combination is the most instructive example. The format blends two very different visitor profiles: local residents who come regularly, and tourists who visit once but spend significantly more per trip. The result is a revenue-per-square-metre figure that meaningfully outperforms a standalone mall in the same location.

Format	Best Suited For	Why the Format Works
Mall only	Secondary city lacking a retail destination	Creates a landmark; activates the surrounding area
Residential + Mall	Middle-to-upper residential district	Built-in local population guarantees daily footfall
Hotel + Mall	Tourist city	Tourist spending compounds local demand; higher revenue per square metre

The right question is not “Is this a good location?” The right question is “What does this location actually need?” These are fundamentally different questions — and the discipline to ask the second one separates good funds from exceptional ones.

Secondary Cities Are the Real Frontier

Prime locations in the hearts of major cities are the most competitive ground in real estate: land is expensive, rivals are entrenched, and profit margins are thin. Secondary cities and tourist markets, by contrast, are places where genuine demand already exists — but where quality supply has not yet arrived. That gap is the opportunity.

Three location types worth watching this decade:

- **Tourist Cities** receiving two to five million international visitors each year, yet still lacking a world-class lifestyle destination. The spending power already exists in these markets — the spending simply has nowhere compelling to go.
- **Infrastructure-driven secondary cities** receiving new airports, rail connections, or major universities — steadily attracting higher-income residents and working professionals.
- **New urban growth corridors** developing along transit lines, where population density is rising but a quality retail anchor has not yet arrived.

The most powerful element of this geography play is what might be called the **Infrastructure Tailwind.** Developers who commit before infrastructure is complete pay lower land and construction costs — then capture the full upside once that infrastructure opens to the public. That kind of asymmetric return simply does not exist in an already-saturated city centre.

The Risks Nobody Discusses Loudly Enough

This strategy amplifies results in both directions. Executed well, the compounding of value over time can be remarkable. Executed poorly, the damage hides beneath the surface — and by the time it becomes visible, correction is often very difficult.

Quality dilution is the enemy that kills slowly. Every time a property is added to the fund at a quality level below the existing portfolio average, the mean occupancy rate dips a little, the net property income yield thins a little, and the annual payout to investors grows a little more slowly. Each individual effect is easy to dismiss in isolation. Accumulated across several rounds of expansion, the combined effect becomes a meaningful deterioration — one that experienced investors will eventually notice and price into the unit value accordingly.

Four warning signals worth monitoring:

One final risk deserves attention: **macro sensitivity in tourism-dependent markets.** The COVID-19 pandemic demonstrated that a Hotel and Mall property in a tourist city — appearing highly resilient under normal conditions — can lose nearly all of its revenue virtually overnight. Funds with heavy geographic concentration in tourism-dependent locations must carry financial reserves that are materially thicker than those of their peers.

Signal	What the Signal Indicates
Portfolio occupancy falls with each new addition	New properties not yet stabilised, or locations weaker than existing portfolio
Annual investor payouts grow slower than asset count	Expansion is adding size, not value
Short remaining lease terms in the pipeline	Properties nearing expiry in ten to fifteen years are hidden value destroyers
Debt rises with each expansion round	Recycled cash is insufficient; borrowing is filling the gap

The Strategy Is Proven. The Question Is Who Can Execute.

Why do some malls become the heartbeat of their cities, while others quietly fade away?

The answer, returned consistently throughout this analysis, is always the same: the right strategy, executed with consistent discipline.

Sponsor-Driven REIT (Real Estate Investment Trust) Expansion has already been discovered, tested, and proven across markets worldwide — and the strategy has also failed repeatedly when placed in the wrong hands. The Compounder, the Climber, and the Overreacher all point toward the same conclusion:

“Does this property make the portfolio better — or does this property simply make the portfolio bigger?”

For Thailand specifically, the conditions today may represent the most favourable environment this strategy has ever encountered. The country’s shopping mall REIT (Real Estate Investment Trust) ecosystem is anchored by eight listed vehicles, ranging from approximately 14,000 to over 240,000 square metres of leasable area, established between 2007 and 2024 across three distinct generations of sponsors. The earliest pioneers built the structure from scratch. A mid-cycle wave scaled aggressively during the REIT (Real Estate Investment Trust) reform era. And the newest entrants, launched as recently as 2024, are now positioning around secondary cities and specialised formats — precisely where the greatest opportunities in this strategy have always been found.

Alongside this maturing ecosystem sit conditions that rarely align so cleanly at once: genuine supply gaps in secondary cities and tourist destinations, infrastructure expanding steadily across the region, a strong tourism recovery underway, and significant market territory still awaiting consolidation.

The greatest malls of the next decade in this region may currently be nothing more than pins on a map — located in cities whose names many people have not yet learned, waiting for infrastructure that is on its way, waiting for a sponsor disciplined enough to hold the line and execute what the world has already proved possible.

Those malls will not be built by accident.

REIT	Establishment	Total Leasable Area (m^2)
CPNREIT	Dec-17	241,224
ALLY	Nov-19	164,889
MJLF	Jun-07	126,623
FUTURERT	Aug-24	105,613
LHSC	Dec-14	97,905
CPTREIT	Nov-24	56,722
AIMCG	Jul-19	43,300
TPRIME	Oct-16	13,694

SOURCE: THE STOCK EXCHANGE OF THAILAND

Recent Research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Office

Q1 2026

A review of Bangkok's Office market in Q1 2026 by Knight Frank Thailand

knightfrank.co.th/research

- Bangkok's office market remained highly competitive in Q1 2026, despite a clearer recovery in demand, with occupancy continuing to improve. However, ongoing new supply continues to weigh on market conditions, providing occupiers with a wide range of options and strong negotiating leverage.

  At the same time, the "flight to quality" trend remains evident, with tenants increasingly prioritising higher-quality buildings. The expansion of Grade A supply in non-CBD locations is also reshaping location preferences and has become a key driver of demand in the current market.

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Bangkok Office Market Q1 2026

We like questions, if you've got one about our research, or would like some property advice, we would love to hear from you.

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