

# Bangkok Retail Market



Mid-Year 2023

An overview review of Bangkok's retail market in mid-2023 by Knight Frank Thailand

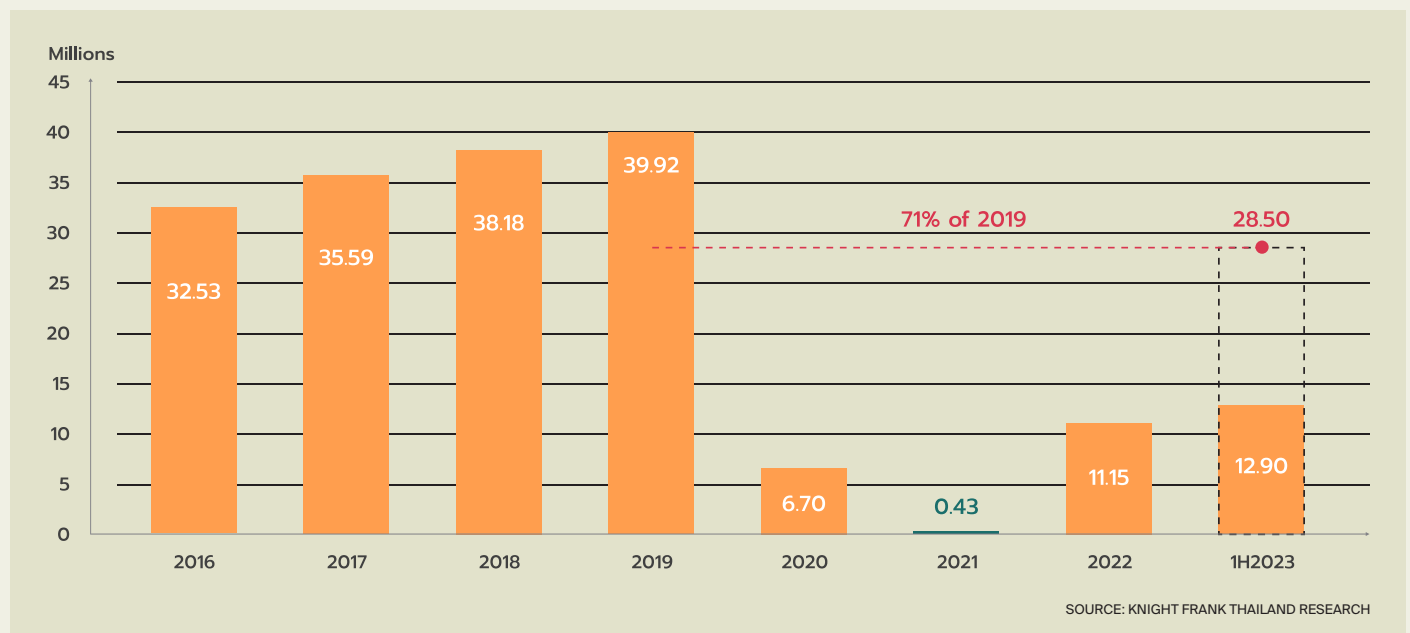
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# Market Overview

► The Bangkok retail market, as of mid-2023, has made a significant recovery, thanks to an increasing number of foreign tourists since last year. The number of foreign arrivals as of June 2023 stood at 12.9 million. It is anticipated to reach a total of 28.5 million, which is approximately 71% of the levels seen in the year 2019, before the Covid-19 pandemic, by the end of this year. From January to May 2023, the top 5 countries in terms of foreign arrivals are as follows: 1. Malaysians: 2.10 million 2. Chinese: 1.44 million 3. Russians: 791 thousand 4. South Koreans: 763 thousand and 5. Indians: 761 thousand. Overall, the Bangkok retail market is on a positive trajectory in 2023, with foreign tourism playing a significant role in its recovery.



## TOP 5 FOREIGN ARRIVALS FROM JANUARY-MAY 2023

1		Malaysia	2,104,714
2		China	1,443,119
3		Russia	791,574
4		South Korea	763, 079
5		India	761,463

SOURCE: MINISTRY OF TOURISM AND SPORTS

# Retailers' Adaptation

## 2020 - 2021

- ▶ Covid-19 severely impacted businesses.
- ▶ Consumer behavior changed and shifted to online shopping.
  - ▶ Number of tourists visiting shopping center decreased dramatically.
  - ▶ Consumer income decreased, mostly spending on necessity products.
  - ▶ Stores closed, both temporary and permanently.
  - ▶ Restaurants quickly adapted to delivery to survive.
  - ▶ Shopping center's revenue decreased by 30-40%.

## 2H 2022

- ▶ Reduced rental prices by 0-15%
- ▶ Stores gradually renovated to open and welcome the New Year festival.
- ▶ Restaurant tenants started to use robots to serve food and vending machines to sell products.
- ▶ Recruited new stores with business growth potential to replace existing stores.
  - ▶ Hosted events and invite artists from overseas to celebrate the countdown.
  - ▶ Promoted online shopping via application.
- ▶ Penetrated new markets to diversify risks, especially small grocery businesses such as the Star Shop or Buddy Mart.
  - ▶ ESG played a vital role in large shopping centers' business plans.
  - ▶ Large shopping centers in the city center recovered quickly. Meanwhile, small and medium sized shopping centers around the city center that slowly adapted still had occupancy rates below 80%.

## 1H 2022

- ▶ Reduced rental prices by 30-70% so stores could survive.
- ▶ Closed some sections to reduce management costs, marketing costs, and employee costs (used more robots).
- ▶ Recruited new stores with business growth potential to replace existing stores and subsidized store decoration costs partially or fully.
- ▶ Switched from Fix Rent to GP and accelerated sell by utilizing marketing channels and online platforms.
- ▶ Tested new markets to create opportunities and reduce risks such as Go Wow, Tops Food Hall.
- ▶ Turned vacant space into a flea market. Thus, rental and parking income increased. Rental rate per store was approximately 5,000-10,000 baht/month.

## 1H 2023

- ▶ Canceled rental discounts or offered a discount of approximately 0-4% after number of arrivals went back to 80% compared to the pre-Covid 19 period.
- ▶ The number of foreign arrivals has begun to recover quickly. In 2019, there were 39.9 million foreign arrivals and expected to be 28-30 million arrivals in 2023.
- ▶ The shopping center's total revenue for the first quarter of 2023 increased approximately 20% from previous year.
- ▶ Celebrations were held for every festival.
- ▶ New community malls have begun to be developed, especially nearby international schools.
- ▶ Pushed mobile application at accelerated rate, and stimulated sales through promotions and gamify with various coin rewards.
- ▶ Demand recovered and tenants return to sign rental contracts in almost every segment, especially the beauty, health and wellness.

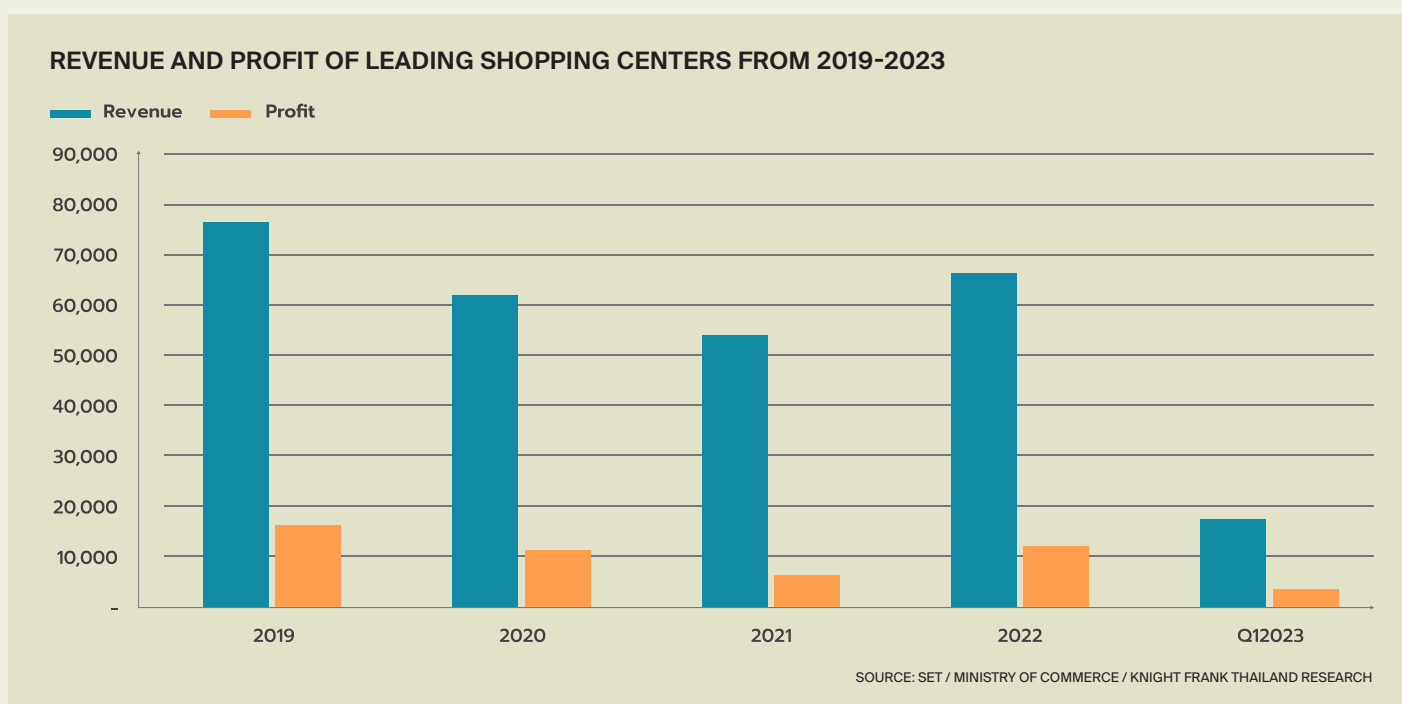
In the first quarter of 2023, retailers in Bangkok made several adaptations. Large shopping centres either cancelled rental discounts or offered discounts of approximately 0-4% after the number of arrivals returned to 80% of the pre-Covid-19 period. The recovery in the number of foreign arrivals has been swift. In 2019, there were 39.9 million foreign arrivals, and it is expected to reach 28-30 million arrivals in 2023. The total revenue of shopping centres has recovered to 50%-60% of the pre-Covid period. Celebrations were held for every festival, and new community malls have started to be developed, especially in proximity to international schools. There has been an accelerated push for mobile applications and increased stimulation of sales through promotions and gamification with various coin rewards. Moreover, demand has rebounded, and tenants are returning to sign rental contracts in almost every segment, particularly in the restaurant segment, which includes shabu, grilled pork, and beauty, health, and wellness establishments.

The total supply of retail properties in Bangkok and its surrounding areas was approximately 7.6 million square meters. There haven't been many new project openings due to the ongoing recovery of the economy and the tourism sector. Furthermore, most mega shopping centres, including One Bangkok, Bangkok Mall, Dusit Central Park, and The EmSphere, are currently under construction.



On the demand side, the shopping centre business is experiencing continuous recovery. Positive factors have emerged due to the resolved COVID-19 situation. Shopping centers are intensifying their activities and running promotions consistently during every festival. The increasing number of office workers and foreigners, coupled with government stimulus schemes like “Shop Dee Me

Kuen” and spending stimulus schemes during the election period, have significantly boosted consumption. It has been observed that the total revenue of leading shopping centres in Thailand has recovered to 87% of the pre-Covid-19 period, while overall profitability has reached 76%. For the operating results in 2023, it is anticipated that they will recover to levels very close to those seen in 2019.



# Objectives of implementing technology in Thailand Retail Market



## HYBRID AND OMNICHANNEL CUSTOMER JOURNEYS

Omnichannel is a combination of both online and offline to create a customers journey and provide a seamless shopping experience.



## CONSCIOUS CONSUMERS CONTINUE TO DEFINE RETAIL HABITS

Consumers acknowledge the impact of consumption and business by paying attention to ESG principles (Environment, Social, Governance) as an important trend. This requires technology to solve new problems and conduct business in a transparent and auditable manner. Retailers tend to focus on this trend throughout the year.



## PERSONALIZATION THROUGHOUT THE CUSTOMER JOURNEY

Brands are using personalized customer data to increase customer journey's touchpoints. Data analytics technology is instrumental in personalizing and optimizing this trend.



## AR, VR, AND THE METAVERSE DRIVE IMMERSIVE, EXPERIENTIAL SHOPPING

Customers want memorable service experiences. The metaverse concept, connecting the digital world with VR and AR, is a vital way to connect with consumers. This technology is encroaching on the retail business through innovations such as virtual dressing room.



## CASHLESS, CONTACTLESS, AND AUTONOMOUS SHOPPING AND DELIVERY

Consumers want to pay and receive products in a flexible and efficient manner, such as buying online and picking up at the store, buying online and returning at the store and buying online and picking up at the appointed point. AI and advanced analytics enable the inventory management process to be automated.

SOURCES: FORBES / KNIGHT FRANK THAILAND RESEARCH

# Definition of Retail Property Category

**Department Store** is an extra-large building with average rental space of approximately 30,000-500,000 square meters or more focusing on renting out space for various types of retail businesses. Main tenants are hypermarkets, retail businesses, entertainment businesses or supermarkets and small retail businesses. A connecting walkway has been laid out for convenience. Most department stores are located in the city center or around the city center and can accommodate customers within a radius of not less than 30 kilometers.

**Outlet Mall** is a special type of shopping center focusing on renting out space for various types of retail businesses. The main store sells products from manufacturers or products with minor defects at a lower market price. However, there may be other facilities such as a food court or restaurant included. For example, Central Village Shopping Center, Siam Premium Outlet, Pina House Premium Outlet, FN Outlet, etc.

**Community Mall** is a medium sized shopping center with average rental space of approximately 10,000- 20,000 square meters focusing on renting out space for various types of retail businesses. Most of tenants are supermarkets, fitness centers, tutoring centers and movie theaters. Generally there are a variety of restaurants. There are also banks and specialized stores. This type of shopping center will serve customers within a radius of 10 kilometers, such as Major Avenue Ratchayothin, La Villa Ari, Int Intersect Rama 3, etc.

**Specialty Store** is a shopping center focusing on renting out space for various types of retail businesses, but mainly selling specialized products. This category is not classified by size. The main stores will be stores in the same category. This type of shopping center is often known to customers who want specialized products such as Fortune Town Shopping Center selling computer equipment and camera; Platinum Fashion Mall selling clothes; Mega Plaza Shopping Center sells games and toys, etc.

**Open Air Department Store** is a large open-air shopping center focusing on renting out space for various types of retail businesses. Most open-air shopping centers developed as tourist attractions consisting of retail businesses, malls and retail stores. A connecting walkway has been laid out for convenience. This type of shopping center serves customers within a radius of not less than 30 kilometers such as Asiatique The Riverfront, Amphawa Floating Market, Hua Hin Sam Phan Nam Floating Market, The Circle Ratchaphruek, etc.

**Supporting Retail** is a business of renting out space for various types of retail businesses. It is a commercial area at that project under the management of the same juristic person to support and facilitate businesses, for example, commercial space in a condominium project or in an office building. Most of the tenants are supermarkets, convenience stores, banks, automatic vending machines for goods and services such as vending machines for medicines and medical supplies, ready-to-eat food vending machines, washing machines, dryers, coin-operated machines, etc.

## RETAIL PROPERTY CATEGORY THAT IS NOT INCLUDED IN THIS REPORT:

**Hypermarket** is retail and wholesale stores whose main income derived from selling consumer products, sports equipment, construction materials and building decorations or other specialized products. There may be rental space for main tenants like movie theaters, supermarkets or other businesses such as Tesco Lotus, Makro, BigC, Homepro, Thai Watsadu, Decathlon, etc.

**Mini Mart** is an evolution from a traditional mom-and-pop store transformed into a modern shop. It is small and has a cashier counter for paying. Main income derived from selling consumer products, dry food, fresh food such as 7-11, Family mart, Lawson 108, CJ mart, etc.

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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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