

REDPAPER

3 Real Estate Megatrends for Thailand

Issue 4



3 REAL ESTATE MEGATRENDS FOR THAILAND

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3 REAL ESTATE MEGATRENDS FOR THAILAND

Direction and movements in residential, industrial, and commercial properties

With the COVID-19 pandemic receding, the reopening of Thailand and other countries around the world is fueling expectations that economic growth will resume. The overall real estate industry has begun to recover steadily since 2022, however, the Thai and global economies were unable to rebound due to the trade war between the United States and China, as well as the Russia-Ukraine conflict, resulting in economic uncertainty and inflation. Most significantly, climate change is becoming increasingly acute, with the potential to contribute further instability around the world. As a result, people are paying close attention to environmental concerns, particularly the younger generation. These shifts in attitudes are resulting in striking trends in how residential, industrial, and commercial properties will adapt.

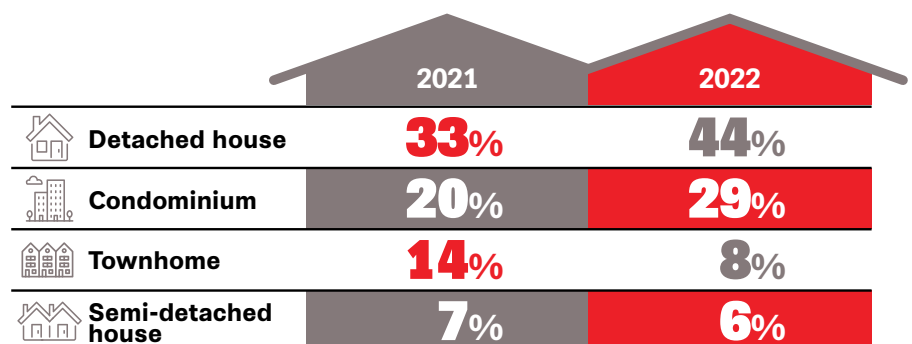
REDPAPER, an insight report on real estate data and trends by Frasers Property (Thailand) Public Company Limited, in collaboration with Numbers 10 Research Company Limited, collected information from qualitative in-depth interviews with ten executives in real estate-related businesses and a quantitative online survey from 762 samples in Bangkok and its vicinity; along with published secondary data and various trends previously presented by REDPAPER to analyze the movements and challenges faced by the business sector in the past summing up the emerging megatrends and forecasting the direction of real estate over the next one to two years.



Business Trends in Residential Properties

According to research conducted by Numbers 10 Research Co., Ltd., demand for single-family housing in 2022 increased by 11%, while consumers searching for houses worth seven million baht or more reached 24%, an increase from 9% in 2021, indicating that premium single-family houses are in demand in the market. The target market of homebuyers has shifted to the middle-to-upper market, and those with purchasing power are looking to either buy a new, bigger house or build their own homes. Concerns about hygiene, family safety, and living with sufficient private space for all household members contributed to the popularity of single-family dwellings.

Breakdown in demand for housing in 2021 and 2022

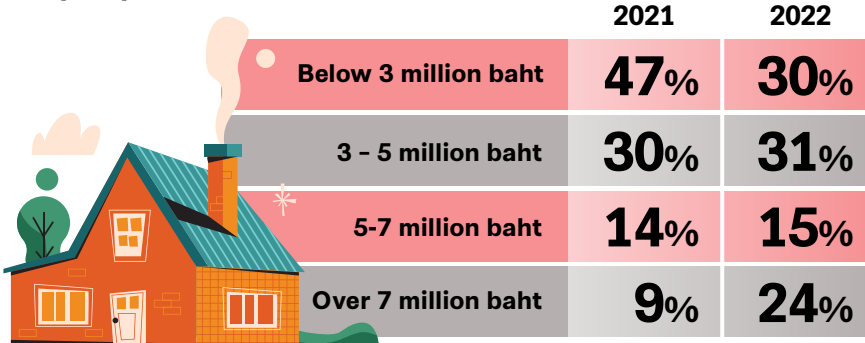


Source: Research from Numbers 10 Research Company Ltd.

1 A home that provides “sentimental value” must be more than just a house

In addition to the style and size of the house, people are paying more attention to the use of materials and furniture, as this reflects the property owner’s identity. Emotions and sentiment also feature prominently in the decision-making variables when purchasing a house. As a result, housing developers play a vital role in expressing the different segments of houses through the designs and materials used to generate additional value, both physically, and by fulfilling the needs and tastes of the homeowner.

Preferred price range of prospective residential real estate



Source: Research from Numbers 10 Research Company Ltd.

Mrs. Prapai Thayanuwat, Managing Director at Grand Home Mart Co., Ltd., said, “The COVID-19 pandemic forced people to spend more time at home. Those with higher purchasing power spent more money on decorating their homes and showcasing the designs of their residences, and therefore, paid increased attention to the use of materials tailoring their taste and priorities. Moreover, an increasing number of the younger generation now use their homes to make a living, especially with the rise of e-commerce jobs where they can work remotely and livestream product sales from home, for example. Residential developers must, therefore, design attractive houses that meet the needs of contemporary homeowners based on today’s productive work styles where every room in the home serves the right function, with the appropriate layout, while providing that wow factor.”

2 People-centric development

The housing sector is entering an era where it must place a genuine emphasis on people, from upstream to downstream, beginning by developing homes that meet the needs of owners, ensuring they are suitable to evolving lifestyles while providing the right space for individuals of all ages, as well as making sure the construction team is first rate, given that they are the main contributor in building and completing the house. And while technology has been introduced to facilitate home construction, it cannot entirely replace the labor required of homebuilders. Consequently, keeping personnel and talented workers is a top priority for residential developers while also training them to operate more efficiently. Moreover, people are valuable assets who play an important role in pushing for quality home construction that is completed on time and without any defects or problems.

3 ESG is no longer a far-fetched concern

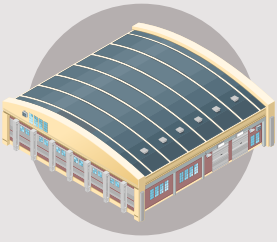
Environmental, social and governance (ESG) factors are being widely discussed and a significant priority for consumers today. Real estate developers must incorporate ESG criteria and concerns and can play an important role by increasing awareness among all parties on the need to be environmentally responsible while positively contributing to a more livable society.

We will increasingly see housing designed to sustainably support people’s lives, in part by promoting the responsible use of resources, such as selecting construction and home decoration materials that have little to no impact on the environment, utilizing long-lasting products, and employing automation technology to further reduce energy consumption while increasing safety.

Mr. Kamchub Vatanatham, Senior Department Manager of Diamond Building Products Public Company Limited, noted that, “Construction materials must be produced at a high quality standard with natural raw materials. Our company is concentrating on efficient resource utilization. For example, by modifying the production formula of roof tiles to decrease the environmental effects as much as is feasible, or designing a roof where the slope is adjusted to use less resources.”

Mr. Uthai Chatsirikul, Managing Director of Four Summit Co., Ltd., added, “Nowadays, an increasing number of environmentally friendly products and materials are being utilized for long-term use while taking care of the environment at the same time. For example, the use of solar cells to save energy, employing a special cement mix that causes the least amount of pollution, and producing flooring products that use recycled materials as raw materials. Even though the cost is higher, we found that this meets the increased demands of customers and developers. So it really shows that the trend and focus on sustainability, in which people pay greater attention to the environment, is already a major priority.”

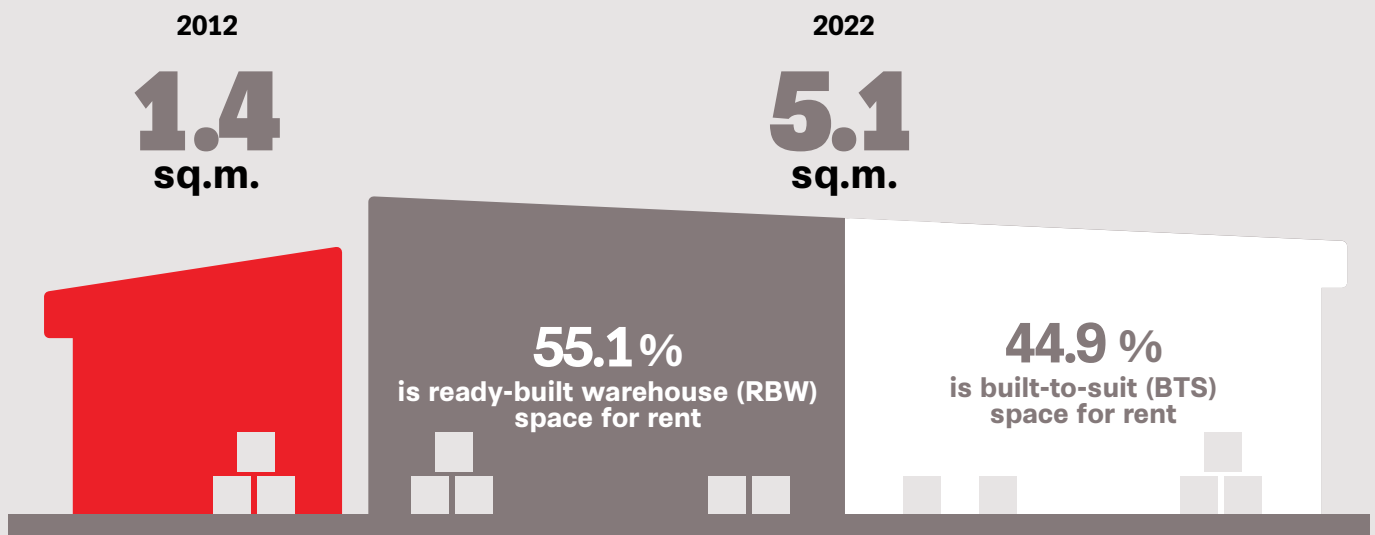




Business Trends in Industrial Properties

The industrial properties business, which focuses on modern warehouses and factories supporting Thai industrial & logistics sector, is expected to experience continued growth due to policies supporting the global reopening, resulting in an improved economic outlook. Additionally, the China Plus One strategy, which allows investors in many countries to start expanding their manufacturing bases to locations other than China, is highly beneficial for Thailand, and expected to be a contributing factor that increases demand for both ready-built and built-to-suit industrial spaces. REDPAPER has gathered the macro data and insights from interviewing professionals involved in industrial properties and summed up the likely trends in the next few years, as follows:

The proportion of supply in Thailand for premium warehouses-for-rent



Source: JLL

1 One Stop Service - A “comprehensive service” that fulfills all requirements in warehouse area utilization

The continued expansion in e-commerce, emphasis on quality maintenance for goods and raw materials, and concerns over food safety have driven demand for high-quality warehouses among leading companies. Fulfilling the need for efficient warehousing operations, quality control, and hygiene, which rank as the highest concerns among leading brands in a range of sectors (e.g. foods and beverages, luxury brands, cosmetics, etc.), requires having a supportive warehouse area and logistics system. This is an essential advantage that allows brands to enhance their business capacities.

Mr. Ratchayot Tawamongkol, Head of Real Estate, Indochina, DHL Express International (Thailand) Co., Ltd., stated that, “As a client that rents warehouses, we require an all-round, one-stop service, which goes beyond the fundamental ‘facility service.’ We need added value that can fulfill every stage of our warehouse and logistics businesses. Thus, the provider renting warehouses must be both a developer and property management consultant, especially in the development of built-to-suit warehouse facilities.”

2 Co-warehouse/Co-space is the new black



Nowadays, both small and medium enterprises need larger areas to store their goods, but they face budget constraints when renting well-known, traditional warehouse areas. Accordingly, this is an opportunity for traditional warehouses providers to tailor their business lines to these client groups by expanding their services to the co-warehouse or co-space model, in addition to services being provided to major clients. The co-warehouse is a large warehouse area that both small and medium clients can share together.

“Industrial real estate entrepreneurs must be ready to provide a large variety of warehouse services, such as ready-to-use warehouse space for clients with urgent needs. The provider must also be able to quickly design and develop large areas with solutions that match the needs of their clients,” said **Mr. Ratchayot Tawamongkol**, Head of Real Estate, Indochina, DHL Express International (Thailand) Co., Ltd.

3 No ESG = Out of trend

Warehouse real estate and the logistics industry are increasingly focusing on ESG in every process, especially in light of the quality of life of staff members, impacts on the community, and also sustainability. The warehouse service provider not only has to deliver warehouse buildings conducive to green processes in terms of energy savings, clean energy from solar rooftops, and other uses of renewable energy, they must also develop warehouse buildings that can efficiently elevate such processes to the next level generating better outcomes, such as planning a quality management system for storing goods or designing a high quality temperature-controlled cold storage facility to keep products in decent conditions. Furthermore, it is essential to focus on the quality of life of staff by not only designing the building to be safe and preferable as a great work environment, but also incorporating safety-promoting activities within the

workplace. These days, many leading companies that rent or use warehouse areas clarify in their policies that they prefer to conduct business with partners who prioritize ESG.

“The first priority of large transnational companies are their carbon footprint and net zero emissions. If any companies provide warehouses with solar rooftops or LEED¹ standard certification, this will be an advantageous feature that attracts foreign companies,” noted **Mr. Sakdipat Suvarnazorn**, Senior Logistics System and Business Development Manager of Thai Beverage Logistics Co., Ltd.

¹**LEED (Leadership in Energy and Environmental Design: LEED)** is a green building certification program by the U.S. Green Building Council (USGBC)





Business trends in office buildings

1 Modern Office: Innovative Home for an Advanced Society

A modern workplace that attracts the new generation to return to work



Source: Research from Numbers 10 Research Company Ltd.

Innovative companies are mindful of providing support for the mental health of their employees, reducing stress and enhancing their efficiency and productivity. One response has been to modify office spaces to provide a cozy feel which include facilities that support both work and recreation, such as a variety of spaces for employees to choose according to their work functions. This accommodates more flexible demand for an area's utilization as opposed to a more sedate and conventional use of the workplace. Because of the shift that has taken place in how people work, desirable workspaces for businesses must also change and adapt.

Nevertheless, the use of office space provides important benefits by allowing employees to build good relationships with their colleagues, and coordinate and conveniently participate in activities, which in turn, supports a friendly environment

2 Office area usage varies according to each organization's working style

The need for co-working spaces, together with fixed spaces, has risen among employees. A fixed space requires that an area's size matches the type of business and scale of the workforce which can then be adjusted to suit each purpose in order to create agility and efficiencies in cost management. In addition, certain types of businesses need additional space like those used for product storage.

Ms. Wimolnit Lertpitakkit, Country General Manager (Thailand), JustCo., said, "The office space market is aware of the more obvious trend in demand for usage of office areas. Many startups and SMEs, in addition to transnational technology companies or professional services, have adopted a hybrid work style in their offices to ensure efficiency, enable cost control, and encourage participation and organizational bonds among employees. At the same time, they wish to minimize risks arising from uncertainty from different circumstances. Co-working spaces can perfectly fit all these needs."

As a result of the pandemic, the leasing business for office buildings became stagnant as companies were streamlined and reduced their office areas. However, demand for rental space in new office buildings has rebounded in 2022 as COVID-19 continues to subside, resulting in an improving economy, and as many companies allow their employees to return to work in their offices. REDPAPER has analyzed the market for office building leases and discovered some interesting trends:

within the workplace while encouraging employees to better utilize their creative thinking and generate new ideas collectively, resulting in improved productivity and success for the organization.

"Many organizations have policies calling for employees to return to the office because it is impossible, otherwise, to establish an effective organizational culture, create a feeling of ownership, or a vibrant office environment – which is only possible through face-to-face interactions among employees. And while working from home may be more convenient for some, companies can adopt flexible working styles and update their office spaces, allowing employees to participate in different activities in a welcoming ambience that makes them feel at ease – and in some sense as though they were working at home. This can ultimately result in an increased interest in going back to the office to work and be more productive," said Mr. Michael Glancy, Country Head, Jones Lang LaSalle (Thailand) Co., Ltd.

3 Environmental standards: A must-have for A-list buildings

Transnational companies and those with operations abroad are focused on carbon neutrality, or getting greenhouse gas emissions to net zero, to take effect in 2030 and onwards. Many older office buildings are, therefore, not viewed by leading organizations as ideal workplaces. The designs of A-list office buildings these days focus on being climate friendly and providing convenience to building users, which are based on the Leadership in Energy and Environmental Design (LEED) and WELL building standards, to provide positive impacts to health and well-being to those working in the buildings.



Eye-catching real estate megatrends

With different variables influencing the real estate industry, along with changing customer behavior, REDPAPER concludes with the following “3 Megatrends” that will transform the perspective and way real estate developers and business partners operate:

Real estate trends in 2023-2024

 Residential Properties	 Industrial Properties	 Commercial Properties
A house that provides “sentimental value” must be more than just a house	One Stop Service - A “comprehensive service” that fulfills all requirements in warehouse area utilization	Modern office design must be comprehensive, providing “happiness” like a home
People-centric designs	Co-warehouse/Co-space is the new black	Office area usage varies according to each organization’s working style
ESG is no longer a farfetched concern	No ESG = Out of trend	Environmental standards: A must-have for A-list buildings

3 Megatrends in the Real Estate Sector

- 1 Add “value” to products and services.**
- 2 Fulfill the needs users through a “human-centric” concept.**
- 3 Integrate “ESG” in every business component.**

1. Add “value” to products and services

It is worth considering the added value of products and services being provided to consumers and service users, for example, home or residential developments that not only take into account functionality, but also provide emotional value concurrently through designs that reflect identity and characterize the tastes of residents. Similarly, office buildings must be fully equipped with facilities, contain flexible workspaces that meet a range of work functions while providing an atmosphere that makes employees feel relaxed – as though they are at home. At the same time, factories and warehouses can allow people in industrial areas to have a work environment that is comparable to working in an office environment, along with offering comprehensive services for customers.

2. Fulfill the needs of users through a “human-centric” concept

To better meet the lifestyles and needs of building occupants, a “human-centric” concept has been increasingly

applied, emphasizing user-centric designs and features. Property developers need to understand the real needs of a diverse group of customers, not only does this fulfill basic necessities, it can also enhance their work lives by quickly addressing any potential problems that may arise, providing solutions for building users. This contributes to the development of suitable products and services that help to enrich people’s quality of life.

3. Integrate “ESG” in every business component

ESG is an essential consideration in business operations. Nowadays, consumers value buying products and services from companies that have socially and environmentally responsible policies or guidelines. Consumers are also growing increasingly concerned about ESG due to climate change and the rise in extreme weather events. Therefore, businesses need to reassure consumers that they are ready and actively participating in social and environmental stewardship and adhering to robust good governance practices as well.

We anticipate seeing an increased focus on the three megatrends listed above in the real estate industry this year. If real estate developers can catch-up or are already up-to-date with these trends and adapt their businesses to incorporate the emerging trends, they can easily win the hearts and minds of consumers and users, business partners, and society.

REDPAPER would like to thank the following executives for their interviews:

DHL Express International (Thailand) Co., Ltd.
Mr. Ratchayot Tawamongkol, Head of Real Estate, Indochina
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Mr. Kamchub Vatanatham, Senior Division Manager
Four Summit Co., Ltd.
Mr. Uthai Chatsirikul, Managing Director
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Frasers Property Industrial (Thailand)
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Mrs. Prapai Thyanuwat, Managing Director
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REDPAPER, Frasers Property Thailand's insight report, provides a series of articles which address trends, gaps, and analysis of the real estate industry in Thailand, particularly in the residential, industrial and commercial sectors, in addition to reporting useful facts and commentary from market leaders to readers.

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