



Note by EIC

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Dark green mass transit route extension...more than transport facilitation



Highlight

The dark green line mass transit extension from Mo Chit to Khu Khot via Saphan Mai will facilitate transportation for those living near the route. Furthermore, 2 other possible businesses will also benefit from the route operation, which are real estate developers and retailers. EIC views that both the industry are not in an oversupply condition and have continuous growth prospects.

Currently, there are 4 operating mass transit routes in the Bangkok metropolitan area. The number of routes should increase to 9 within the next 10 years, with double the coverage area. The 4 operating mass transit routes are 1) BTS dark green line from Mo Chit to Bearing 2) BTS light green line from National Stadium to Bang Wa 3) MRT Chulalongkornrajavidyalaya line from Hua Lamphong-Rama 4-Bang Sue and 4) Airport Rail Link from Phaya Thai to Suvarnabhumi Airport. The 4 mentioned routes covers only 537 square kilometers. EIC views that when all 9 routes are in operation the system will be able to cover 1,640 square kilometers (Figure 1).

The next route that will be constructed is the dark green line extension from Mo Chit to Khu Khot via Saphan Mai. The new route will bring more prosperity to the northern Phaholyothin area that has various community areas and government agencies. Currently, the mentioned project has received construction approval and is in the construction procurement stage. The mentioned route is the extension from the existing dark green route that ends at Mo Chit. The extension will be built from Mo Chit towards the northern part of Bangkok following the Phaholyothin road (Bang Khen – Sai Mai district) and ending at Khu Khot, Lam Luk Ka, Pathum Thani province. The route distance is approximately 18 kilometers and will pass several landmarks, such as department stores, residential areas, universities, hospitals, and the Don Mueang airport, in addition to passing various governmental agencies such as the Royal Forest Department, Royal Thai Army, and the Royal Thai Air Force (Figure 2).

When the Mo Chit – Khu Khot mass transit route extension is in operation, people living in the Saphan Mai – Khu Khot and nearby areas will have more convenience when taking trips to the town center. Currently there are approximately 12 million people living in the mentioned area, 2.5 million of which are students. EIC views that if the people living in the mentioned area want to travel into the city center via personal cars, it would take 2-3 hours. However, if the same groups of people travel via the mentioned mass transit system from Khu Khot to the Victory Monument station, it will take only 35 minutes with a 50 baht fare.

Furthermore, the mentioned route can be developed to link to the Don Mueang airport, in order to facilitate passengers wanting to travel to the city center. The amount of passengers traveling to the Don

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Mueang airport continues to increase and has reached 16 million or grew by approximately 4.5 times in 2013 from the average number of passengers during 2007-2012 (Figure 3). High passenger growth is attributed to the airport status as a hub for low cost airlines. Moreover, if the Thai Smile airlines move its operation from the Suvarnabhumi airport to the Don Mueang airport in August 2014, Don Mueang airport traffic will increase.

EIC views that if the Don Mueang airport service passenger bus from the airport to either the Laksi Monument or the Saphan Mai station on the dark green line extension, it will help reduce passenger's traveling time to the city center and increase convenience. Moreover, the service will reduce traffic within the Don Mueang airport area also. The mentioned dark green route extension should be able to transport 60,000-80,000 passengers per day. The capacity is adequate to service both people in the area and passengers from the Don Mueang airport. Furthermore, the mentioned mass transit route will be in operation 4 years before the Airport Rail Link (Phaya Thai-Bang Sue-Don Mueang).

Apart from travel facilitation, real estate activities will directly benefit from the mass transit route expansion. There are still varying demands for single detached house, townhouse, and condominiums in the different areas. For example, in the Lam Luk Ka and Sai Mai area, properties that are in demand are single detached house and townhouses, since people in the area are families who value privacy. During 2011-2013, there were launches of 1,200 units of single detached houses ranging from 3-5 million baht per unit in the area. Meanwhile, in the Saphan Mai and Ratchayothin area, properties in demand are condominiums, since people in the area are mostly university students and office workers. In the mentioned area there are 3 large universities such as, Kasetsart University, Sripatum University, and Krirk University, in addition to other educational institutions. As such, during 2011-2013, there were launches of approximately 800 units of condominiums ranging from 0.5-2 million baht per unit in Saphan Mai. EIC views that real estate activities are not yet in the oversupply stage evident from ready to move in condominiums near the Ratchayothin, Sena 2, to the Kasetsart University area having occupancy rates at 78%, reflecting existing demand and lack of buy-sell-transfer issues.

However, property prices near the dark green route extension will significantly increase once the route is in operation. EIC views that the price of new condominiums in the area will increase by 25-45%, since the start of the bidding process for the route. During the bidding stage prices of new condominiums in the area should be at 55,000 baht per square meter, while increasing to 60,000-65,000 baht per square meter during the construction period and 70,000-80,000 baht per square meter after the construction is complete. The mentioned rate is similar to the price increment seen for properties near the green line mass transit (Bearing-Samut Prakarn). Note that the land price, which will be the cost for real estate developers, should also increase by 10-15% after the dark green route extension is in operation.

EIC views that retail businesses, especially small grocery stores will also benefit from the mass transit route extension, due to city expansion and shift in consumer behavior. Increasing residential property units near the mass transit route will increase demand for consumer goods. Moreover, the current population structure and consumer behavior in Bangkok has changed. The current trends are families with smaller sizes, most in the working age, which prefers convenience and buys small amounts of products at a more frequent pace and at locations close to home. As such, small grocery store businesses respond directly to the changing landscape and should be in demand from consumers near the area.

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Despite continuous launch of small grocery stores throughout the last 3-4 years, the amount of stores in the Bang Khen - Sai Mai area is still low. The amount of stores in the mentioned district totals to about 11 branches per 1 million consumers, which is lower than the average 20 branches per 1 million consumers. Furthermore, population density in the area should increase from condominium launches with approximately 1-3 inhabitants per unit. Hence, the retail business is another business that should continue to grow.

Implication

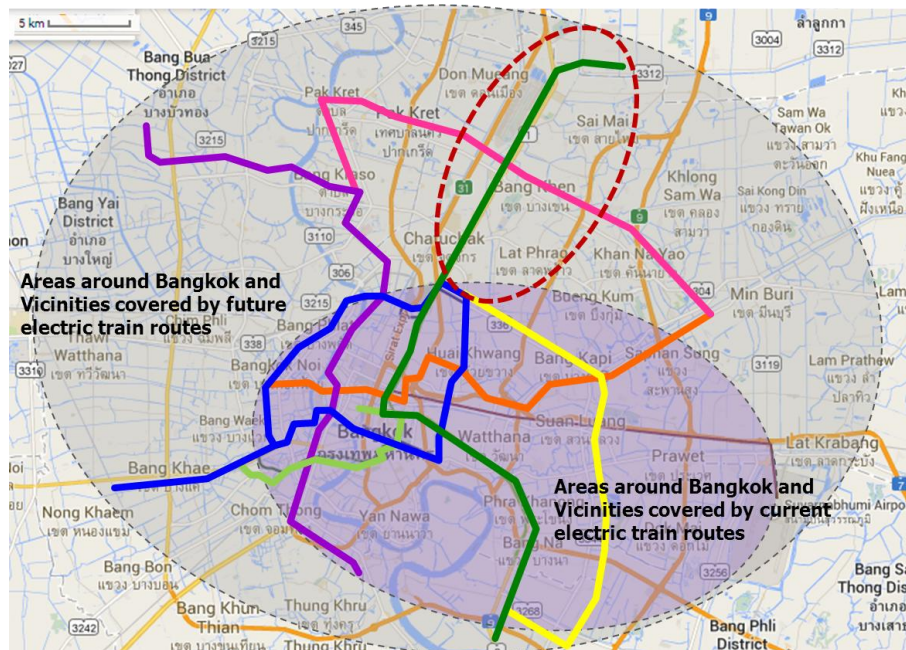
- In order to prepare for growing amounts of passengers in the Don Mueang airport, airline players and the airport operator should facilitate passenger transportation to the mass transit system. Furthermore, there should be advertisement of the facilitation before the mentioned mass transit route is in operation. During the construction period of the dark green mass transit line, the airport operator and airline players should cooperate to study and plan for how to best transport passengers from the airport to the mass transit route.
- Real estate properties, especially condominiums, within the Ratchayothin and Saphan Mai area will most likely benefit due to their price attractiveness as a consequence of the establishment of the dark green line and the market is not yet oversupplied.
- Real estate developers interested in the mentioned area should start looking for land plots, before prices spike after the dark green line expansion route is in operation. Currently the population density in the Saphan Mai and Khu Khot area is still low with average 8,000 persons per square meters. Meanwhile, areas with high population density have on average 50,000 persons per square meters. As such, there is still high development potential in the area.

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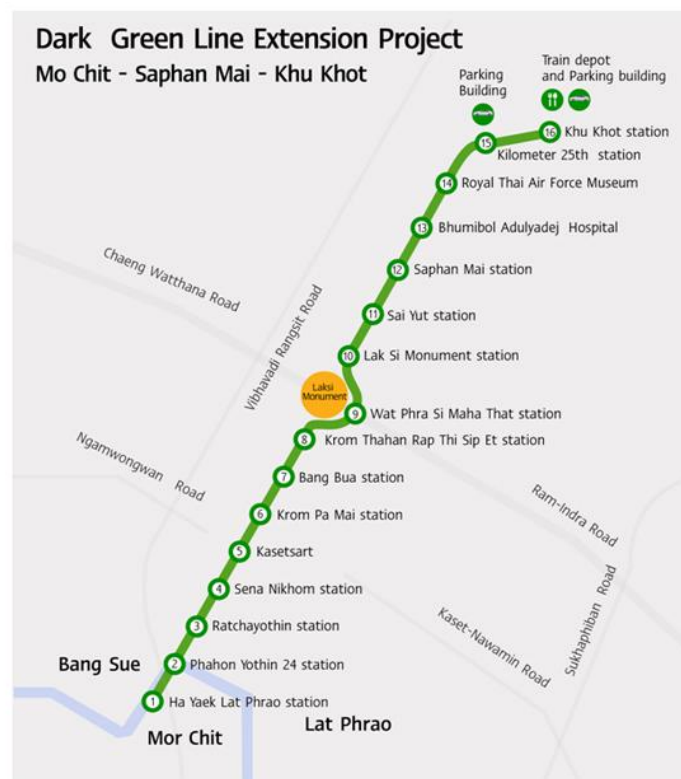
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Figure 1: Areas around Bangkok and Vicinities covered by current and future electric train routes



Source: EIC analysis based on Google Maps

Figure 2: The Extension Plan for Dark Green Line Electric Train (Mo Chit-Saphan Mai-Khu Khot)



Source: EIC analysis based on Office of Transport and Traffic Policy and Planning (OPT), Ministry of Transport

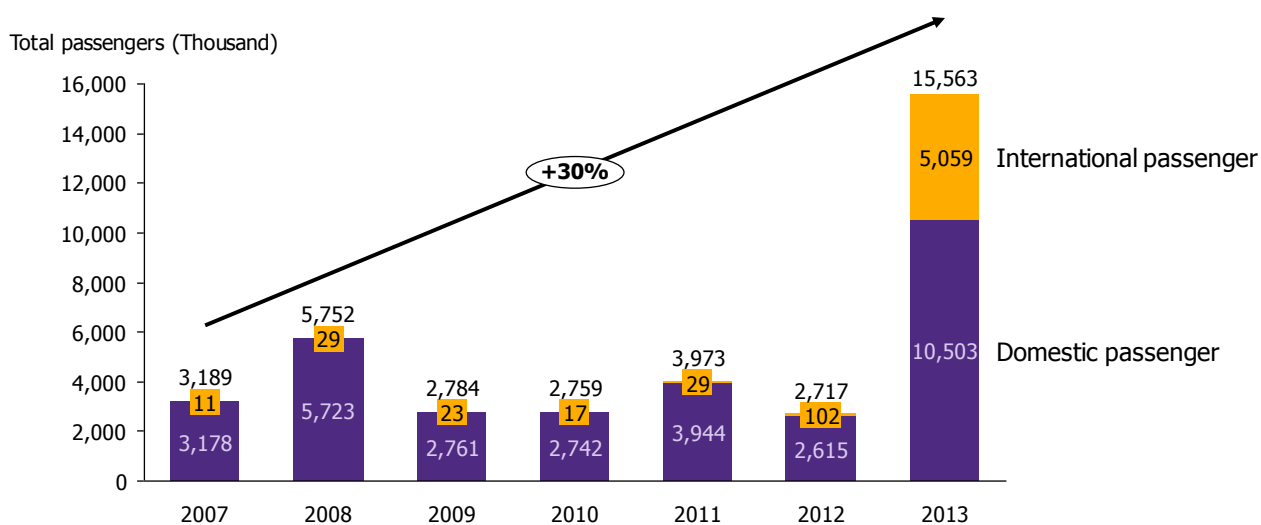
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Figure 3: Total number of domestic and international passengers arriving to and departing from Don Mueang Airport



Source: EIC analysis based on Airports of Thailand Public Co., Ltd. (AOT)

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