

RELATIONSHIPS BETWEEN LOCATIONS VS BUILDING CHARACTERISTICS ON SERVICED APARTMENT RENT: BANGKOK CBD CASE STUDIES

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ABSTRACT

This research investigates and compares relationships between both locations and building characteristics on rent of apartments and serviced apartments. The 3 case studies investigated are in Bangkok CBD (Central Business Districts). Instead of using focused analysis on either location or buildings with mass data analysis, the study applies case studies which allow the benefit of cross investigation of both factors. The results show that to judge for rents, one cannot use either location or number of amenity types alone. Moreover, there is a need to consider maintenance, conditions, buildings, and atmosphere of buildings at different price level as factors that can have influence on rent.

INTRODUCTION

Apartments and serviced apartments are two types of popular property developments in the real estate business. In Bangkok, there are still rooms available for both businesses, as the city is part of the global business development. Investments in new and existing types of projects are widespread throughout the city. Each project is built at different locations, with different mix of amenities and services, and with different levels of luxury and rent.

Past researches analyzed the determinants of market rent through various approaches, one of which is by using property-specific factors. Many research studies focused mainly on amenities, services, and physical characteristics, while others focused mainly on location and distance from township centers.

Rationale

As each apartment or serviced apartment is built differently in terms of both location and other physical characteristics, amenities that are normal at one location might not be needed at the other location. Location is an important determinant of rent. City development in one part of the town has a different character and surrounding from other parts.

Analysis of mass data collected in numerous projects located from different areas can benefit, for

example in increasing investor's confidence. However, this mass data analysis can overpass insight as to location specific differences.

Objective

The aim of this research is to investigate the relationships of location on rents by comparing the relationships of location versus building characteristics on rents. The investigation uses Bangkok cases to study both factors.

LITERATURE REVIEW

Location Variables

Many researches have been conducted on location variables to determine rents. Related studies explored relevant approaches including: proximity variables (Guntermann and Norrbin, 1987; Sirmans et al, 1990; Asabere and Huffman, 1996; and Frew and Wilson, 2002), market segmentation techniques (Smith and Kroll, 1989; and Des Rosiers and Thériault, 1996), and spatial autoregressive (Pace et al, 1998).

These various modeling approaches use specific location data for research analysis. Valente et al (2005) used a spatial process to explore data collected from Atlanta by special association between pairs of

locations as a function of distance between them.

Analysis of relationship between rents on different locations in Bangkok CBD has been explored by Vanichvatana et al (2003). This research surveyed 271 luxury apartments and serviced apartments in 3 main zones in Bangkok CBD: Zone A (Sukhumvit areas): Vadhana and Khlong Toei districts; Zone B: Bangrak, Yanawa, and Sathon Districts, and Zone C: Pathumwan, Ratchatawee, and Phaya Thai Districts. Analysis results of rent from projects in each 3 zones are dissimilar in range and average values. The highest rent values are from newly developed Zone C, which are supported by convenient mass transportation, especially sky train. Zone B rental rate is lower because of less popular business locations, although they contain projects with similar ages. While, the earliest developed Zone A with many grades of projects has the lowest rent values.

Building Characteristics

Many past researches on the topic of apartments cover many other issues: demand and supply, vacancy rates and market equilibrium, rent control, demographic determinants of apartment demand, the rent or buy decision, apartments and business cycles, using hedonic approach to analyze determinant for apartment rents, and other important factors on rent (Jud et al, 1996).

Recent research analysis on determinants for apartment and serviced apartment rent in Bangkok CBD found that there are differences between types of amenities provided in luxury apartments and in serviced apartments (Vanichvatana, 2006). Basically, there are seven types of amenities that are normally provided in both types of business: parking, security guard, swimming pool, satellite/cable, fitness, sauna, and laundry. Hence, amenities provided in apartments are aimed to accommodate long stay life style: sporting amenities, on-air entertainment amenities, and entertainment and leisure amenities. Amenities provided in serviced apartments are aimed to accommodate busy life styles: house keeping amenities, food supply, beauty amenities, and business support amenities.

RESEARCH METHODOLOGY

The study focused on apartments and serviced apartments in 3 Case Studies in Bangkok CBD. Each

case is from Zone A (Sukhumvit areas): Vadhana and Khlong Toei districts; Zone B: Bangrak, Yanawa, and Sathon Districts, and Zone C: Pathumwan, Ratchatawee, and Phaya Thai Districts, sequentially. Comparative analysis has been applied on each of the three cases.

Data

The 3 Case Studies explained in the analysis part are selected from the prior primary data surveys. The surveys consist of 45 apartment and serviced apartments in Bangkok CBD. The name lists of these projects are selected from the 271 projects survey from previous research (Vanichvatana et al, 2003).

Analysis

This section analyzes and describes 3 case studies. Each of the three cases is located in Zone A, B, and C, respectively. The case studies further describe relationship among location, amenity and building conditions, and rent factors:

3 CASE STUDIES

Case Study 1: Zone A - Sukhumvit 24

Case Study 2: Zone B - Sathupradit 15 and 19

Case Study 3: Zone C - Langsuan Road

A. Case Study 1

Case Study 1 analyzes four projects located in the same soi (sub-street), district, Zone as follows:

Zone: A
District: Klongtei
Sub-street: Soi Sukhumvit 24

Soi Sukhumvit 24 is a prime area for mixed uses of residential and commercial buildings in the upper grade residential zone on Sukhumvit Road.

Exhibit 1 shows the location of the four projects and picture of Project#A1, Project#A2, Project#A3, and Project#A4, respectively.

The analysis of Case Study 1 is done in two pairs, First Pair:

Case Study 1.1: Apartment Pair
Project #A1 and Project #A2

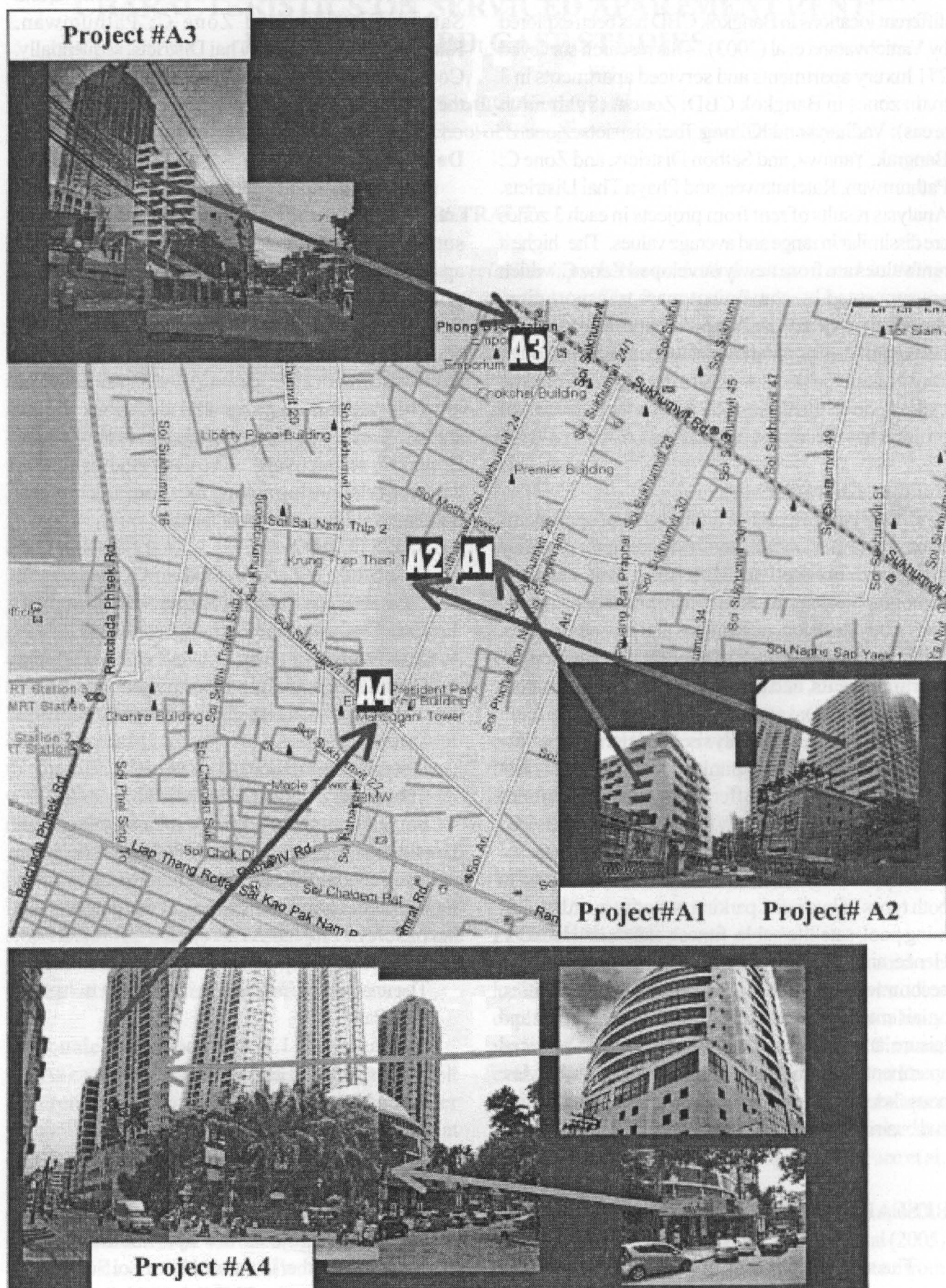
Second Pair:

Case Study 1.2: Serviced Apartment Pair
Project#A3 and Project#A4

Case Study 1.1 - First Pair: Apartment Pair

These two projects are apartments located opposite to each other in the middle of Soi Sukhumvit 24. The comparisons of details of both Project#A1

Exhibit 1: Cast Study 1, Maps and Pictures of the Four Projects



and Project#A2 are shown below in Exhibit 1.

From Exhibit 2, we can conclude the following:

- Both projects are apartments only (not condominiums)
- Both projects were built in the same year
- Both have same room type and similar room size
- Both project decorations are similar
- The differences in both projects are in:
 - ⇒ Project#A2 Building size has more storeys and total units
 - ⇒ Project#A2 has more amenities
 - ⇒ And, Project#A2 charges higher rental rate

Case Study 1.1 Summary

- Project#A1 charges rental rate about one third of Project#A2. The question is which of the above differences constitute the ability of Project#A2 to charge higher rents than Project#A1.

- Project#A1 appears to provide a lot less amenity types that Project#A2. Also that, Fitness in this project has been added on later.

- It is interesting to raise the question on whether permanent amenities like tennis court and/or Driving Range have any impact on rental rates.

- This case shows that the two projects with similarity in location, project type, room type, room size, year built, building decorations, but have differences in amenity types have quite different rental rates.

Exhibit 2: Comparison of the Projects in Case Study 1.1, Project #A1 and #A2

Factors	Project #A1	Project #A2	Comparison
Type	Apartment	Apartment	Same
Year Built	1989	1989	Same
Story	8	27	#A1<#A2 by 9
# of Total Units	20	72	#A1<#A2 by 52
Room Size	1-bed: 150 sq.m. 1-bed: 190 sq.m.	2-bed: 240 sq.m. 2-bed: 230 sq.m.	Similar
Bedroom & Living	Wooden & Wooden	Wooden & Wooden	Similar
Furniture	Satisfactory Condition	Satisfactory Condition	Similar
Lobby	Granite, ok deco	Granite, ok deco	Similar
# of Amenity	5	11	#A1<#A2 by 6
Amenity Types	Carpark, 24-hrs guard, Satellite/Cable, Swimming Pool, Fitness (add on later).	Carpark, 24-hrs guard, Satellite/Cable, Swimming Pool, CCTV/CNN, NHK, Sauna, Child Playground, Tennis, Driving Range, Library, Fitness.	#A1<#A2 In: CCTV/CNN, NHK, Sauna, Child Playground, Tennis, Driving Range, Library. #A1>#A2 In:
Rental Rate (baht/sq.m./month)	265.00	366.93	#A1<#A2 by 100

(Note: * 38 baht equal to US\$ 1)

Case Study 1.2 - Second Pair - The differences in both projects are:

Both projects are serviced apartments located each on both ends of Soi Sukhumvit 24. The comparisons of details of Project#3 and Project#4 are shown below in Exhibit 3.

From Exhibit 3, we can conclude the following:

- Both projects are serviced apartments only. But Project#A3 is not a condominium and Project#A4 has some separate buildings as condominiums.
- Both project decorations are similar

- The differences in both projects are:

- ⇒ Project#A3 is newer than Project#A4
- ⇒ Project#A3 offers rooms with several bedroom types
- ⇒ Project#A3 Building is higher, because this is a complex building, consisting of luxury department store and retail mall
- ⇒ Project#A4 has a greater number of amenities
- ⇒ And, Project#A4 charges higher Rental rate

Exhibit 3: Comparison of the Projects in Case Study A.2, Project #3 and #4

Factors	Project #A3	Project #A4	Comparison
Type	Serviced Apartment	Serviced Apartment	Same
Year Built	2000	1994	Same
Story	42	18	#3>#4 by 24
# of Total Units	367	228	#3>#4 by 139
Room Size	1-bed: 95 sq.m. 2-bed: 160 sq.m. 3-bed: 200 sq.m.	studio: 43 sq.m. 1-bed: 80 sq.m.	Different room types
Bedroom & Living	Wooden & Wooden	Wooden & Wooden	Same
Furniture	Very good condition	Very good condition	Same
Lobby	Hotel style	Hotel style	Same
# of Amenity	20	23	#3<#4 by 3
Amenity Types	Carpark, 24-hrs guard, Satelite/Cable, CCTV/CNN, NHK, Swimming Pool, Jacuzzi, Fitness, Sauna, Child Playground, Mini-Mart, Business Center, Conference Room, Internet, Restaurant, Coffee-shop, House Keeping, Laundry, Shuttle, Travel Agency.	Carpark, 24-hrs guard, Satelite/Cable, CCTV/CNN, NHK, Swimming Pool, Jacuzzi, Fitness, Sauna, Child Playground. Tennis, Squash, Salon, Mini-Mart, Business Center, Conference Room, Internet, Restaurant, Coffee-shop, House Keeping, Laundry, Shuttle, Travel Agency.	Tennis, Squash, Salon #3<#4 In:
Rental Rate (baht/sq.m./month)*	928.29	1,093.00 #1<#2 by 165	

(Note: * 38 baht equal to US\$ 1)

Case Study 1.2 Summary

- In this case, it is obvious that Project#A3 is superior to Project#A4 in location (although in the same sub-street, but closer to the Bangkok Mass Transit System), newly built, and more storeys.
- The only factor that makes Project#A3 has less advantage than Project#A4 is the three types of amenity: Tennis, Squash, and Salon.
- It is interesting to raise question whether permanent amenity like tennis court and/or Squash have any impact on rental rates.
- This case also shows that Project#A3 (that has better location, newer and higher building, but has less amenity types) charges 18% less rental rates than Project#A4.

B. Case Study 2

Case Study 2 analyzes three projects located in two Sois (sub-streets) which are located in the adjacent area as follows:

Zone: B
District: Yannawa
Sub-street: Soi Sathupradit 15 and Soi Sathupradit 19

Surroundings of the Sub-Streets

Both Soi Sathupradit 15 and 19 are two sub-streets which are located in proximity to each other on Sathupradit Road and Narathiwatranakarin Road within Yannawa District. Although both sub-streets have the same 2 traffic lanes, the surroundings of these two Sois are quite different.

Soi Sathupradit 15 has two traffic lanes, however appears quite narrow. Buildings in this Soi are mostly shop houses which are set back, by law, from the public line by about 2 meters. The surroundings of this Soi are mundane but pleasant.

On the contrary, Soi Sathupradit 19, which also has two traffic lanes, appears to be a wider road than Soi Sathupradit 15. This is because there are many big building development projects in this Soi. These buildings are mandated by law, to have far set back from the public line. This street setbacks from projects on both sides of the two lanes creating a much more pleasant atmosphere in the Soi.

Characteristics of the Three Case Projects

Beside the differences in atmospheres of the two sub-streets that are located in proximity, rental residences that are located on these two Sois also have quite different atmospheres.

The descriptions of the three projects studied in these two Sois are summarized in the Exhibit 5 below.

From Exhibit 5, we can conclude as follows:

- Among the three projects, Project#B2 has 3 out of 4 towers sold as condominiums. For the last tower, the owner has kept and operated the whole building as apartments with shared amenities with the other 3 condominium towers.
- Project#B1 on Soi 15 appears to be in different grade than Project#B2 and #3. Although Project#B1 is an apartment, same as Project#B2, the two are different in building size, room decorations, and amenities provided.
- Project#B2 and #B3 appear to be in a similar grade, although one is an apartment and the other is a serviced apartment. The two projects are similar in building height, year of building, and decorations in room flooring. The number of amenities provided in Project#B2 is lesser than in Project#B3, mostly in types related to business supporting functions (NHK, Steam, Business Center, Conference Room, Internet, and Restaurant).

Case Study 2 Summary

- In this case, Location alone cannot be used to identify rental rate or grade of the business. We need to use Environment or Atmosphere of location as one factor to support the identification.
- The number of amenities also has a relationship with rental rates.

It is quite interesting to raise the question if Project#B2 and/or Project#B3 were located on Soi Sathupradit 15, would either or all projects be able to charge rental rate as is.

Exhibit 4: shows the location of the three projects and picture of Project#B1, Project#B2, and Project#B3, respectively.

Exhibit 4: Case Study 2, Maps and Pictures of the Three Projects

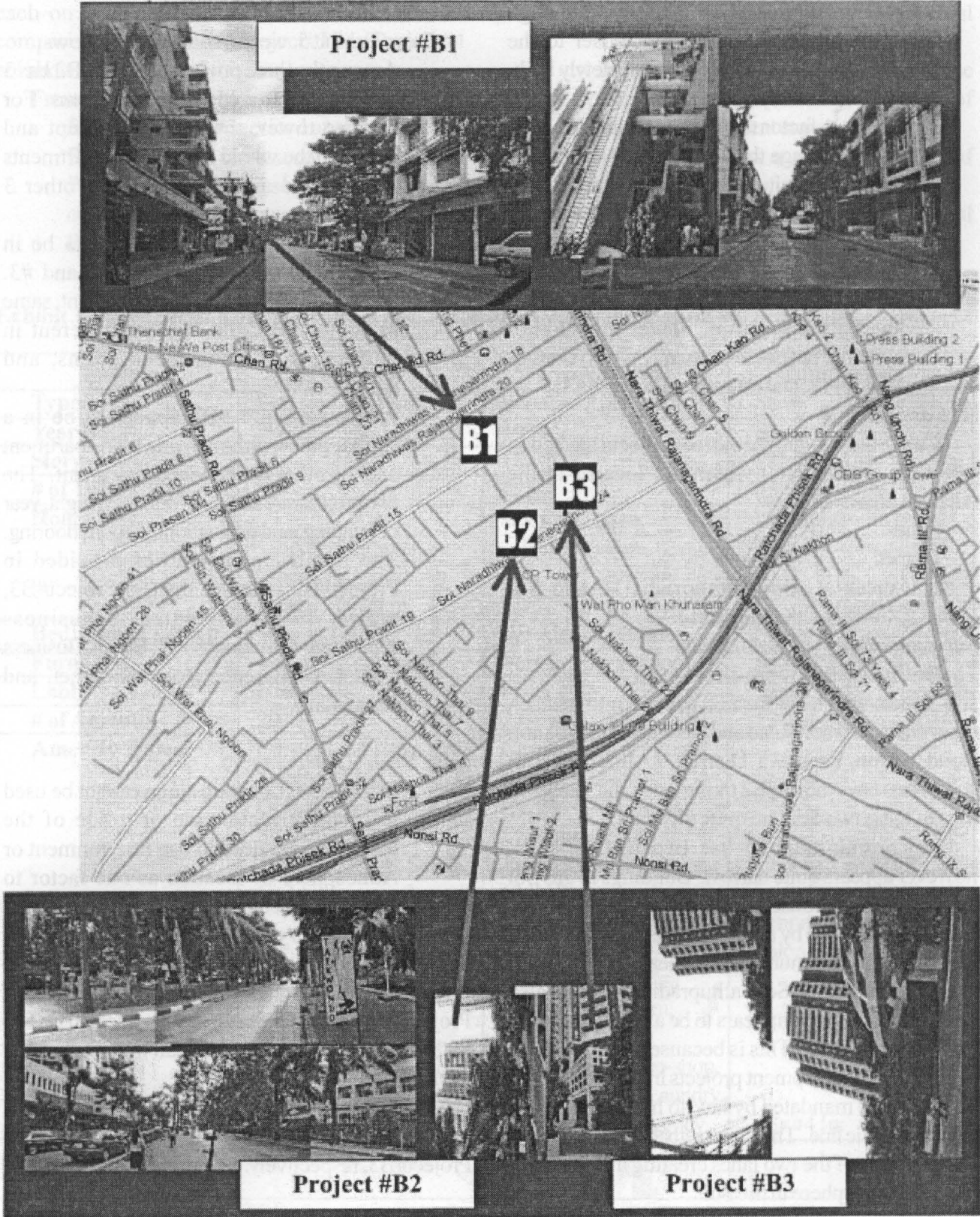


Exhibit 5: Comparison of the Projects in Case Study 2

Factors	Project #B1	Project #B2	Project #B3	Comparison
Location	Soi Sathupradit15	Soi Sathupradit19	Soi Sathupradit19	
Type	Apartment	Apartment	Serviced Apartment	Same in #B1& #B2
Condominium	No	Yes	No	Different
Managed by	Owner Managed	Company Limited	Company Limited	
Year Built	Approx. 1998	1997	1998	Similar
Story	10	18	18	Same in#B2&#B3
# of Total Units	154	360	560	Different
Room Size (sq.m.)	Studio: 391-bed: 63	2-bed: 113 3-bed: 120 Penth: 240	Studio: 45 1-bed: 70 2-bed: 140 3-bed: 175 Penth: 280	Differences in: Room type and Room Size
Bedroom&Living	Ceramic 8"x8"	Wooden	Wooden	Same
Furniture	Plain & old	Fully furnished, nice	Fully furnished, nice	
# of Amenity	12	16	22	Different
Amenity Types	Carpark, 24-hrs guard, Satelite/Cable, Fitness, Sauna, Steam, Table Tennis, Salon, Mini-Mart, Coffee-shop, Laundry, Travel Agency.	Carpark, 24-hrs guard, Satelite/Cable, CCTV/CNN, Swimming Pool, Jacuzzi, Fitness, Sauna, Child Playground, Table Tennis, Salon, Mini-Mart, Coffee-shop, House Keeping, Laundry, Shuttle.	Carpark, 24-hrs guard, Satelite/Cable, CCTV/CNN, Swimming Pool, Jacuzzi, Fitness, Sauna, Steam, Child Playground, Snooker, Mini-Mart, Driving Range, Business Center Conference Room, Internet, Restaurant, Coffee-shop, House Keeping, Lakundry, Shuttle.	#B1 < #B2 in: CCTV/CNN, Swimming Pool, Jacuzzi, Child Playground, House Keeping, #B2 < #B1 in: Steam, #B2 < #B3 in: NHK, Steam, Business Center, Conference Room, Internet, Restaurant, #B2 < #B3 in: Table Tennis, Salon.
Rental Rate (baht/sq.m./month)*	187.67	415.68	590.29	#B1<#B2 by 228.67 #B2<#B3 by 174.61
(Note: * 38 baht equal to US\$ 1)				

C. Case Study 3

Case 3 analyzes four projects located on Soi Langsuan which is located in the adjacent area as follows:

Zone: C
District: Pathumwan
Sub-street: Soi Langsuan

Exhibit 6 shows the location of the three projects and picture of Project#C1, Project#C2, Project#C3, and Project#C4, respectively.

The descriptions of the four projects studied in this Case Study are compared in the Exhibit 7.

Characteristics of the Four Projects

- All four projects are serviced apartments
- However, from the primary observation, the four projects are in different grades:
 - ⇒ The lowest grade - Project#C1
 - ⇒ The second grade - Project#C2
 - ⇒ The highest grade - Project#C3 and Project#C4
- Project#C3 and Project#C4 are newly built. These two projects present lobby and surroundings of very high quality.

Case Study 3 Summary

- Project#C2 provides the most number of amenities. However, the higher number of amenity types in Project#C2 do not reflect relationship with rental rate when compared with those of Project#C3 and Project#C4.
- In this case study, the number of amenity types does not reflect relationship with rental rates.

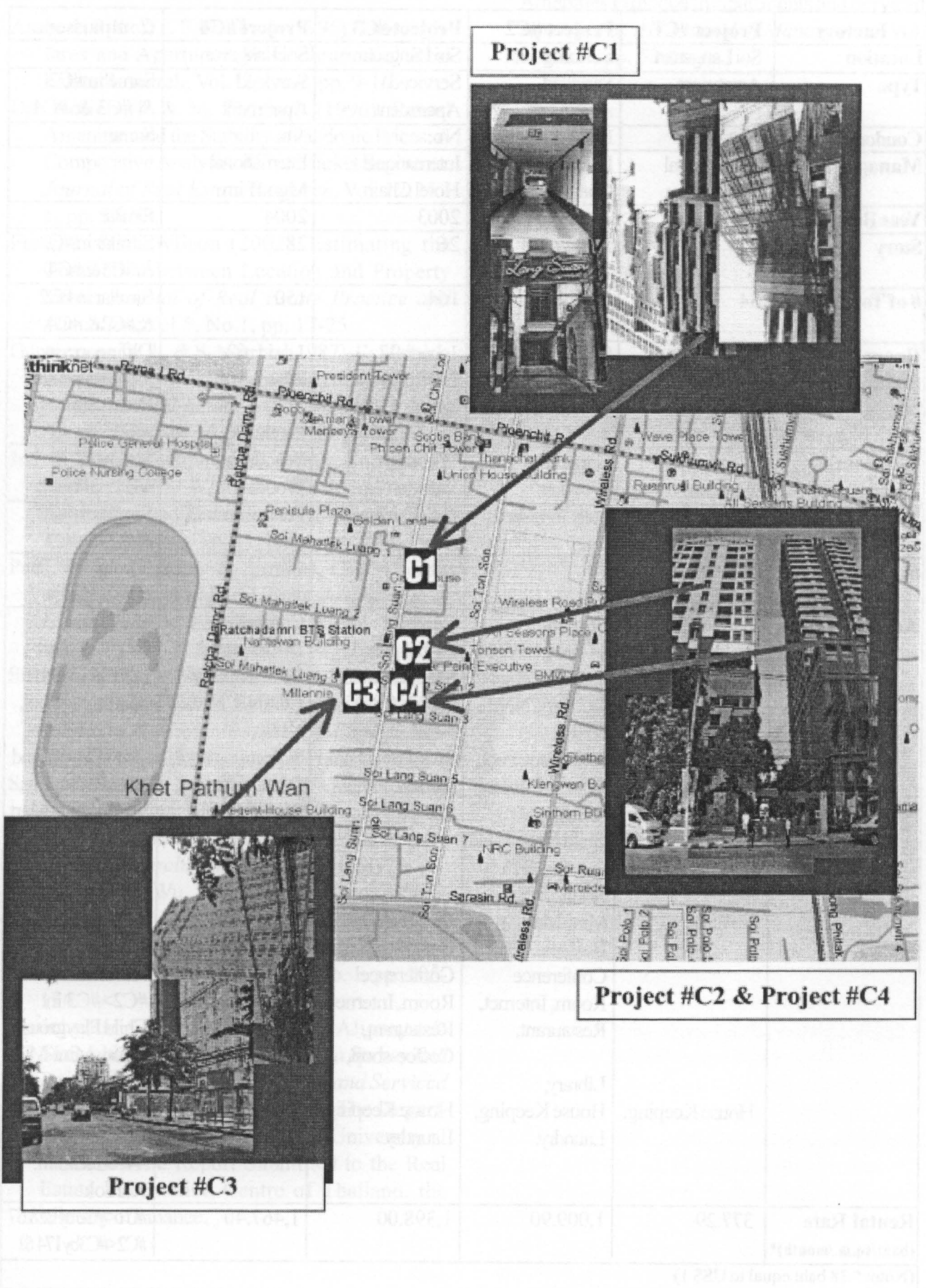
CONCLUSION

This analysis compares three case studies in three location Zones. The research analysis found that: (i) In Case Study 1: Projects located in the similar periphery, the one with more number of amenity type charges more rent. (ii) In Case Study 2: Locations alone cannot be used to identify rental rate or grade of the business. Environment or atmosphere of specific project location is an important factor to support the identification. (iii) In Case Study 3: the number of amenity types provided does not have relationship with rents. We need to consider class or grade of business of each apartment project as well.

From the three Case Studies, we cannot conclude that the number of amenity types alone has relationship with rent. Furthermore, we cannot conclude that location alone has relationship with rents. Projects that are located next to one another with different building characteristics can have quite different rents. There still needs to be further research to study relationships among location, amenity and building conditions, and rents.

In addition, there is the need to consider additional factors that can have influence on rent: (1) maintenance and conditions of buildings and (2) atmosphere of buildings at different price levels.

Exhibit 6: Case Study 3, Maps and Pictures of the Four Projects



(Note: * 38 baht equal to US\$ 1)

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