EVOLVING URBAN DESTINATIONS

How the blending of work and travel is reshaping cities in Asia-Pacific for the better

CITY APPENDIX

airbnb ARUP

BANGKOK

1. UNDERSTANDING THE TRENDS

Capital of Thailand — the 8th largest national economy in Asia in 2018 — Bangkok has a population of over 10 million and accounts for 80% of all urban space in Thailand.[1] As Bangkok's economic activities start to pick up post Covid-19, there are several key trends observed that may shift the paradigms of the city.

1.1. COVID-19

As the most visited city globally in 2018 with over 22 million international overnight visitors,[2] Covid-19 deeply impacted the city's economy. In 2020, the loss of visitor arrivals was estimated to be 14.5 million[3]. In addition, many were forced to work from home, making the city centre quieter, reducing transport movement, particularly by public transportation (as low as 83% decline in ridership for some rail lines), and prompting commercial tenants to downsize office floorspace.[4] Road traffic was less congested, resulting in improved air quality,[4] though more recently, pre-pandemic traffic patterns are returning to many parts of Bangkok. Bangkok's plastic waste, however, rose by 62%, a portion of which entered waterways,[5] and Covid-19 brought forth calls for action around planning for resilience and sustainability.

1.2. SUSTAINABILITY

Bangkok lacks adequate urban infrastructure. The city is known to be one of the most congested in the region – with a relatively low ratio of roads to total urban space, an average speed of 23km/hr on main roads,[6] and active mobility/public transport utilisation rate of only 32.4% in the year 2018,[7] – all contributing to poor air

[1] Urbanisation in Thailand is dominated by Bangkok urban area. World Bank, 2015
[2] Bangkok tops Mastercard's global destination cities index for the fourth consecutive year. Mastercard, 2019
[3] Covid-19 and the future of tourism in Asia and the Pacific. ADB and UNWTO, 2022
[4] Sustainable urban transport index for Bangkok and impacts of Covid-19 on mobility, UN ESCAP 2020
[5] Bangkok drowns in infections and plastic. Heinrich Boll Stiftung Southeast Asia, 2021
[6] The urbanization of Bangkok: Its prominence, problems and prospects. United Nations University, undated
[7] Sustainable urban transport index for Bangkok and impacts of Covid-19 on mobility, UN ESCAP 2020

Bangkok

quality with high levels of lead and carbon monoxide. Waterways of Bangkok are also highly polluted,[1] which directly affects residents as many rely on water transport along the canals and rivers. With Bangkok's low topography (average mean sea level of 1.5 metres) and its sinking rate of 2 cm every year, Bangkok is in the top 10 city populations most exposed to flooding. Recent forecasts show that 40% of the city may experience annual flooding by 2030,[2] posing a strong impetus for more climate-resilient development.

1.3. OTHER TRENDS

In addition to a considerable proportion of urban dwellers living in slums (29% in year 2018)[3], 60% of housing is owned by only 10% of the population, indicating significant inequality. Thailand also experiences labour shortages and an ageing population, with 42% of Thais estimated to be over 65 years old by 2040.[4] Secondary education enrolment in Thailand was also relatively low at 77.3% in 2015.[5]

In response, the 12th National Economic and Social Development Plan aims to address such issues via urban development strategies, prioritising integrated urban planning, efficient land management, and decentralisation strategies. In addition, the Thailand Bio-Circular-Green plan (BCG),[6] works to decentralise economic activities from Bangkok to reduce economic inequality, whilst upgrading transport infrastructure and upskilling its population to maintain a competitive edge. BCG also highlights plans to grow the digital economy, and currently there are approximately 1000 tech start-ups largely clustered in the capital city, supported by active Venture Capital – angel investors and accelerators[7] – which is expected to grow in the coming years.

2. FUTURE WORK & TRAVEL

Support packages from the Thai Government during Covid-19 represent about 13% of GDP,[8] amongst the highest in the region. At the same time, the local economy and employment rate shrank. As Thailand moves towards rebuilding its economy, some work-related emerging trends may drive the way forward.

2.1. THE NEW NORMAL OF WORK

Similar to the global workforce, Bangkok's workforce has had to adapt to remote arrangements during Covid-19 due to social and mobility restrictions. There are several trends that may redefine the new normal of work.

- **Flexible/remote work arrangement:** Recent UOB ASEAN Consumer Sentiment Study indicated that 80% of Thai citizens would prefer flexible work arrangements.[9] In 2020, 20% of Thai companies were estimated to have permanently embraced remote working policies,[10] a figure that is growing as the workforce indicates a preference for flexible work arrangements. In 2023, the government has taken steps to foster this shift by introducing a new Work From Home Bill.

[1] A Decade Of Water Quality Monitoring In Thailand's Four Major Rivers, Simachaya, undated
[2] Turn down the heat. World Bank, 2013.
[3] The social impact of Covid-19 outbreak on urban slums., Journal, 2021.
[4] Live long and prosper: aging in East Asia and Pacific. World Bank, 2016.
[5] Thailand's education system and skill imbalances., OECD, 2021.
[6] Thailand's Bio-Circular-Green plan, The Nation Thailand, 2022
[7] Profiled cities: Bangkok. Enterprise SG, undated.
[8] Covid-19: The impact on Thailand's people and economy. World Bank, 2020
[9] UOB Thailand gives employees choice to work remotely two days a week. TQPR, 2021.
[10] 20% of Thai companies are working from home, says PwC. PwC, 2020.

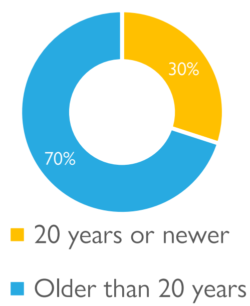
Bangkok

- **Lower uptake of commercial office space:** With more organisations adopting hybrid and full remote work arrangements, there has been a shift in demand for office spaces in Bangkok. In several sectors, more space has been surrendered than it is added from Q2 2020 to Q1 2021.[1] According to the same research by JLL, domestic banks have also surrendered most of their leased spaces and shifted to co-working spaces as an alternative. While the demand for office space has been dropping, the supply of office space has been increasing even during Covid-19 (9.2 million sqm in Q4 2021), resulting in a decline in occupancy rates to 92.16% compared to the previous quarter.[2] For buildings older than 20 years, which make up about 70% of Bangkok's for-lease office stock, the occupancy rate is even lower.[3]

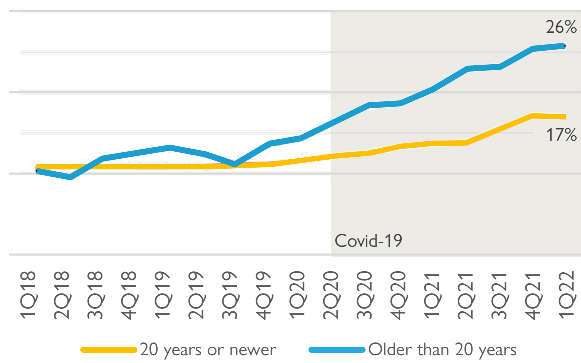
- **Booming co-working space:** Amid the changing environment of commercial office space in Bangkok, co-working facilities have experienced growth that started before Covid-19. Such facilities generally offer membership-based models with more flexible lease terms, varying workspaces and sizes, office-like amenities (e.g.: Wi-Fi connections, meeting rooms) and in some cases, social events for networking and community creation. Between 2013 and 2019, co-working space supply in Bangkok increased from 21,574 sqm to 125,370 sqm, with more on the way.[4] For example, JustCo opened its fifth facility in Bangkok at the end of 2022 following the success of its four facilities at Sathorn Tower, Amarin Tower, Capital Tower and Samyan Mitrtown, which had an occupancy rate of 87% and about 6,000 customers in 2022, a 20% increase compared to early 2020.[5]

- **Redefining the office into agile and dynamic workspace:** The past few decades have seen a transition of workspace from offices made of fixed workstations and cubicles to collaborative spaces, activity-based-workplaces, and wellness-centred office spaces.[6] However, more than two-thirds of Bangkok's office stock was classified as ageing as of Q1 of 2022[3]. This calls for a reevaluation of commercial office offerings to make it more attractive to support changing workforce and work habits.

Bangkok's for-lease office stock*



Office vacancy rate across for-lease assets by age groups



*The data shown excludes owner-occupied and built-to-suit office buildings[3]

[1] Bangkok's office market in the new normal. JLL, 2021
[2] Bangkok's office market Q4 2021. Colliers, 2021
[3] Bangkok's ageing offices: asset enhancement, 2022
[4] Co-working spaces projected to rise 50%. Bangkok Post, 2019
[5] JustCo to open 4 new co-working spaces. Bangkok Post, 2022
[6] The future of workspace. Figari Group, undated
[7] Bangkok's Ageing Offices Asset Enhancement, JLL, 2022

Bangkok

2.2. THE NEW NORMAL OF TOURISM

In an effort to maintain Thailand's global competitiveness, the Thai government introduced the BCG model. This is intended to allow its local economy to grow while achieving the United Nations' Sustainable Development Goals through transformation into a value-based and innovation-driven economy.

Thailand has been known as both a beach destination and medical tourism destination. In fact, Thailand was ranked 18th as the most popular medical tourism destination in 2016.[1] While beach and healthcare will continue to attract influx of visitors into Thailand, the BCG model focuses on bioeconomy, circular economy, and green economy, which will drive adoption of even more sustainable practices in tourism sector in Thailand.

With tourism and creative economy sectors being one of the four target sectors in the BCG framework, there is an aim to create sustainable, high-quality and niche tourism such as wellness tourism and eco tourism.[2] There is a conscious effort for Thailand to enhance its sustainable tourism offering, as showcased in the 7greens website that the Tourism Authority of Thailand released to encourage operators and visitors to adopt a more sustainable approach to tourism.[3] Thailand has also obtained sustainable tourism recognition from the Global Sustainable Tourism Council (GSTC) and published criteria for Thailand's community-based tourism development. Currently, Thailand is already known for its wildlife, lush greenery, and animal conservation, many of which are located in more rural areas.

[1] Medical tourism. KPMG Thailand, 2018
[2] Reopening to more sustainable tourism for Thailand. BBC, undated
[3] 7Greens, Tourism Thailand, undated

Bangkok

The size of Thailand's sustainable tourism market is estimated to reach US$24.6m in 2022.[1] Under the BCG model, there is an effort to promote organic tourism in Phuket. With the local government's effort to develop tourism outside Bangkok – for example, under the BCG model, there is an effort to promote more organic tourism in Phuket – Bangkok will need to enhance its sustainable and eco-tourism offering to remain attractive as a tourist destination. Several aspects that Bangkok can consider in alignment with GSTC criteria and BCG model:[2]

- **Sustainable and eco-tourism:** Conservation of natural heritage, combined with resource management (e.g. energy, water, waste) that is critical to ensure environmental impact of tourism can be minimised.
- **Community-based tourism:** Delivery of tourism offerings that deliver economic benefits and social benefits.
- **Cultural sustainability:** Protection of local cultural heritage, which in Bangkok includes floating markets, performing arts and temples such as Wat Prayun which has received a UNESCO Cultural Heritage Conservation Award.
- **Tourism and creative economy:** As part of the BCG economic model to develop tourism and the creative economy, there is a potential for the development of additional niche markets such as wellness tourism, cultural tourism, etc.

With more tourism offerings, Bangkok has the potential to attract more diverse types of visitors into the city and is likely to continue to be the gateway to the rest of Thailand. This is also enabled by the increasing global trend related to remote working, workcation and digital nomads, which will enable global visitors to extend their stay in Thailand longer while combining work and leisure activities within a single trip.

2.3. THE GREAT MERGING – NEW LIFESTYLES

Thailand has introduced a long-term resident visa effective 1 September 2022 in order to attract remote workers. While the visa has rather strict requirements with the aim of attracting high-potential foreign

[1] Thailand sustainable tourism market outlook (2022-2032). FMI, 2022.
[2] GSTC destination criteria 2.0. GSTC, 2019.

Bangkok

nationals and remote workers for well-established overseas companies, the visa opens doors for foreigners to enter the country and obtain up to 10-year residency.[1] At a country level, there may be increased mobility between Bangkok (where most economic activities are happening) and other provinces and islands.

The introduction of the new visa is in line with Thailand's recent global tourism campaign, Visit Thailand Year 2022: Amazing New Chapter, which campaigns for visits to nature destinations and workcations (mix of work and leisure vacations).[2] It can be expected that Thailand will see more influx of digital nomad, workcation and bleisure visitors in the years to come, especially as the blurring of work and leisure travel is often associated with work-life balance, better mental health, and increased productivity. A 2021 survey indicated that 85% of 3,000 Indian survey participants took a workcation that year. In a similar trend, a global study of eight countries indicated that 65% of 5,500 respondents plan to take a workcation in 2022.[3] These moves and trends around workcation indicate the blurring of work and leisure activities, and Thailand's intention to capture the new work-tourism market.

For Thailand, the demography of workcation visitors does not seem to be limited to international visitors. In fact, a study by Economist Impact, shows that 60% of Thais plan to take workcations or work remotely from new destinations when they can.[4] In addition to local Thais adopting workcation, Bangkok has been named the best city in the world for a workcation,[5] indicating the potential for Bangkok to capture a slice of international workcation visitors.

Changing work habits are contributing to the increasing importance of the outer satellite towns of the Bangkok metropolitan area (e.g.: Muang Thong Thani will be connected to Bangkok via the future MRT Pink Line) and outer districts of Bangkok province (e.g.: Bang Khen), where many people are already residing. The outer districts have their own centres and can allow work and commercial activities to take place, which reduces the need for people to travel to Bangkok's city centre. This can reduce congestion issues while distributing activities more evenly across the city, which opens up the opportunity for the periphery of Bangkok to develop and accommodate visitors as well.

[1] Thailand long-term resident (LTS) visa. Thai embassy, 2022
[2] Visit Thailand year 2022 to spur kingdom's tourism recovery. TTF Asia 2022
[3] Workcations: The travel trend mixing work and play. BBC, 2022
[4] Conscious travel emerges as Thais prioritise sustainable tourism recovery, Airbnb, 2021
[5] Bangkok named no. 1 among 15 'workation' cities worldwide. TAT News, 2021

Bangkok

3. A NEW WAY FORWARD

3.1. OPPORTUNITIES

The national decentralisation plan gives Bangkok space to breathe and focus on nine areas of strategic city improvement that the government has highlighted: education, health, infrastructure, environment, mobility, public safety, economy, creativity and city governance. In parallel, Bangkok can capitalise on emerging work and travel trends.

- **Distribute multiple types of workspace offerings across 50 districts of Bangkok:** A variety of workspaces (including co-working spaces, tech incubation hubs, workshop areas) can be weaved into different locations. Doing so can provide options to travellers, tenants with different types of business activities, and tenants that may require smaller or more flexible workspaces, but do not require a traditional lease structure with a long-term lease or a large leasable space. More even distribution of the workspaces across Bangkok instead of focusing on just the city centre is also important to tap into market demand for more flexible workspace offerings and to support the creation of multiple hotspots for activities.

- **Refresh old commercial real estate in the city centre of Bangkok:** With 70% of office buildings in Bangkok being older than 20 years and experiencing an increasing vacancy rate,[1] there is an opportunity to refresh these old real estate assets and weave in mixed functions into them. More public spaces can be weaved in to increase interaction between permanent space tenants, users and visitors.

- **Capitalise on existing cultural landscape:** As Millennials and Gen Z prefer niche and experiential tourism, Bangkok can develop unique offerings based on existing assets in the city (e.g. Thonburi, West of Chao Phraya river, a quieter area that contains traces of Portuguese architecture and legacy). Lesser-known historic landmarks in the Old Town can also be highlighted as key offerings for new inbound travellers (e.g. Bovorn Sathan Mongkol Palace, Kalayana Maitri Road). Lastly, as the largest city with more developed infrastructure and commercial offerings, Bangkok is well-positioned to attract bleisure and workcation travellers via a combination of work-related events (e.g. conferences) associated with the boom of business events and unique cultural offerings

- **Leverage on natural assets:** Bangkok's, and more broadly Thailand's, natural landscapes provide for a variety of new urban offerings. For example, the city can enhance existing water transport along Chao Phraya River and canals to provide varied experiences to travellers and locals alike. The city's proximity to national parks – including Sai Yok National Park, Khao Yai National Park or Erawan National Park – also provides opportunities to draw in different tourist segments and develop a positioning around conscious and wellbeing tourism.

[1] Ageing office buildings under pressure, Bangkok Post, 2022

Bangkok

3.2. CHALLENGES

Considering Bangkok's vision as a city and the trends and challenges that Bangkok has been facing or will face, there are several key considerations that need to be addressed to allow Bangkok to realise its potential in the new work and tourism market, some of which are highlighted below. As Bangkok opens to tourists post-Covid-19, there is also a threat of overtourism and congestion that the city will need to appropriately manage.

- **Lack of efficient urban mobility infrastructure:** The current BTS and metro system does not extend to the peripheries of Bangkok. To enable residents and visitors to move around more efficiently and support decentralisation of activities from the city centre, the development of more efficient transportation modes and infrastructure within Bangkok, as well as between Bangkok and the rest of Thailand is critical. This can increase connectivity to various parts of the city, especially the outer districts of Bangkok. The development of better IT infrastructure is also critical in ensuring digital connectivity of urban dwellers. However, ageing populations and increasing infrastructure needs in the country will continue to add pressure to the country's finances, potentially constraining the growth of new work and tourism initiatives. New construction has also raised concerns of pollution and worsening air quality from such activities, though investment in mass transit such as the metro line aims to positively impact sustainability in the future. Balancing economic growth, sustainable development of efficient urban infrastructure and financing will play a critical role in the future development of Bangkok. Sustainable bonds, which have grown rapidly from US$934m in 2018 to US$6254m in 2021 in Thailand,[1] can potentially be one of many ways Thailand can finance its growth sustainably.

- **Pollution of waterways, including Chao Phraya River:** Waterways currently receive pollution from plastic waste and direct water discharge from residential and industrial land. Polluted waterways threaten the environmental quality and impact user experience, and as such, need to be addressed to allow creation of attractive water transportation networks along waterways and the rejuvenation of waterfront spaces.

- **Flood incidents that threaten natural and building assets:** Historically, Thailand has had ineffective control of land use, resulting in sprawl and uncontrolled development. Combined with Bangkok's vulnerability to flooding, stricter control of land development and implementation of city-wide flood mitigations are critical to ensure better protection. For example, Chulalongkorn University Centenary Park[2] has implemented green infrastructures that can hold up to a million gallons of water to support urban flood resilience.

[1] Green bond market survey for Thailand. ADB, 2022
[2] Chulalongkorn University Centenary Park – green infrastructure for the city of Bangkok, WLA, 2019

Bangkok

3.3. KEY ACTIONS TO BE TAKEN

The success of Bangkok will depend on the ability for private stakeholders and public stakeholders to work closely through a collaborative and forward-looking approach to create a more livable and attractive space across Bangkok. Coordination across ministries and government agencies will also play a critical role in ensuring a more coordinated approach. An example includes the need for closer collaboration between the Tourism Authority of Thailand (TAT) and the Board of Investment (BOI) of Thailand to have plans and policies to create attractive work and travel environments and offerings across the city.

Creation of spaces for more varied and flexible uses can help the city to cater to rapidly changing trends and demands while maintaining the vibrancy of its spaces. Examples include public space for placemaking, seasonal programmes and markets, and meeting places; as well as buildings and neighbourhoods that allow mix of live-work-play functions to take place, supported by infrastructure to allow smooth Wi-Fi for business and leisure travellers, digitalisation and smart city practices. Buildings outside the CBD of Bangkok, many of which still have low uptake rates despite their quality, would particularly benefit from having more support in making the areas more vibrant, accessible and attractive to the market.

> *"To support development in the outer districts of Bangkok, private sector and public sector should work together to develop necessary infrastructure while being supported by incentives."*
>
> **Pornphrom Vikitsreth, Advisor to the Governor of Bangkok**

BY POLICYMAKERS

- **Development of transport connectivity to the outer districts and creation of programmes:** This can incentivise the private sector to invest in and move to the outer districts of Bangkok. This supports the decentralisation of activities to the outer districts and the distribution of development across Bangkok more evenly, which will help to reduce congestion issues in the city centre of Bangkok.

- **Stricter planning policy and regulations** to reduce sprawl and uncontrolled development can contribute to better protection of existing local natural assets such as cultural buildings, parks, urban forests, and waterways.

- **Investment and mandates for more sustainable and resilient development** through updated codes can push public and private sectors to implement sustainable interventions and disaster mitigation measures (e.g. flood mitigation) to help solve urban environmental issues such as traffic congestion, urban flooding and water pollution. This can contribute to a more livable and attractive urban space.

- **Encourage integration of mixed-use functions, especially in existing real estate:** To refresh Bangkok's ageing office real estate, incentives and policies can encourage the integration of more modern and creative offerings while improving the mix of work-live-play offerings, especially for old real estate.

Bangkok

BY INDUSTRY

- **Tap on the potential of Bangkok's outer districts:** Considering the growing satellite towns and the considerable percentage of people already residing in the outer districts of Bangkok, investment in the outer districts can help to attract visitors to the periphery of Bangkok, which is still an untapped potential at this point of time.

- **Create network of tourism, work and temporary residential offerings in close proximity to local communities:** This can create niche experiences and concentration of offerings for visitors, giving access to both work and travel experiences within a short travel from their temporary residence. This can also create multiple destination centres with mixed uses across Bangkok.

- **Connect with local communities to develop attractive tourism offerings** to activate and empower local communities (e.g. Koh Kret and Bang Nam Phueng Floating Market) to create a high-quality experience, improve reach to global travellers through better marketing, and provide easy navigation of the area for new visitors through wayfinding, maps and integrated websites.

- **Digital tools adoption to connect travellers to places:** Adoption of digital tools can help better manage tourism and work offerings, and connect Bangkok to other parts of Thailand.