

COMMERCIAL RESEARCH



BANGKOK OFFICE

MARKET OVERVIEW **Q1 2018**

KEY FACTS

- Total Office Stock :
4.88 million square metres
- Average Rents :
743.3 baht
- Average Occupancy Rate :
92.31%
- Future Supply :
908,209 square metres

BANGKOK OFFICE MARKET INSIGHT

In the Bangkok office market, 2017 was a period of a record-breaking pricing movement in the grade A sector. This, together with a relatively low volume of new supply delivered to the market, resulted in a significant increase in the occupancy rate.

DEMAND

In Q1 2018, the activity of tenants in Bangkok remains strong. The net occupied space increased by 17,413 square metres to 4,563,551 square metres, bringing the occupancy rate to 92.31%.

Tenants continue to take advantage of market conditions tipping in their favour, and are upgrading to better quality

space. So, the net occupied space in the CBD increased around 21,000 square metres, especially in the Silom-Sathorn areas.

Furthermore, we saw the occupancy rate of grade A office buildings grow by 1.4% to 95.4%, the highest occupancy rate since 2016.

TABLE 1

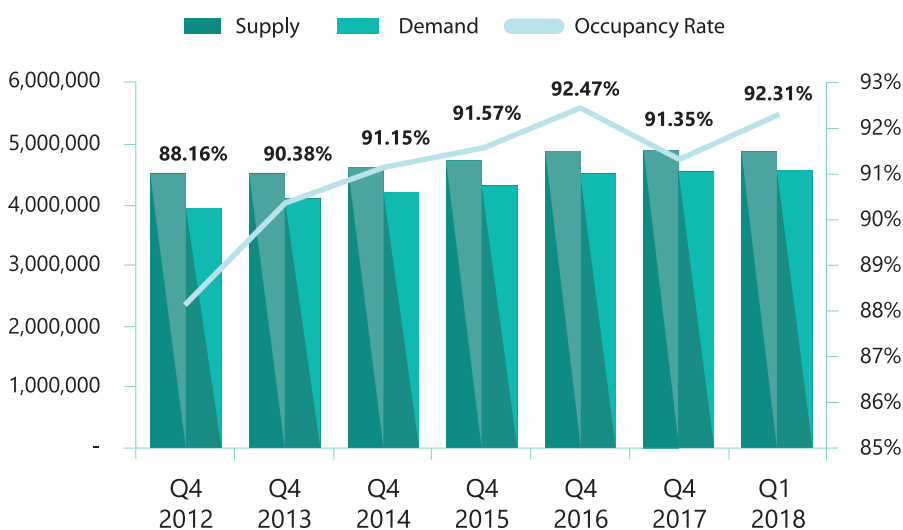
OCCUPANCY RATE BY GRADE

Grade/ Quarter	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Q1 2018
A	95.8%	92.5%	92.5%	94.0%	95.4%
B	93.4%	92.9%	94.1%	93.9%	95.0%
C	89.3%	89.0%	89.7%	89.1%	89.2%
Overall	91.4%	91.2%	91.7%	91.4%	92.3%

Source: Knight Frank Thailand Research

FIGURE 1

OFFICE SUPPLY, DEMAND AND OCCUPANCY RATE, 2012 – Q1 2018



Source: Knight Frank Thailand Research

Note: These figures exclude multi-owner occupied premises and office buildings smaller than 5,000 square metres.

The available office space for rent in Bangkok is anticipated to be very limited until late 2020, providing the opportunity for the market to absorb existing vacancy.

SUPPLY

As of Q1 2018, the total office supply in Bangkok dropped by 27,400 square metres to 4,890,731 square metres, as two office buildings were removed from the market.

This quarter, only one office building amounting to 6,000 square metres was completed in Paholyothin area. However, over the rest of the year, there will be a further 4 office buildings with 139,060 square metres that will enter the market.

TABLE 2

BANGKOK OFFICE FUTURE SUPPLY

Building Name	Lettable Area (square metres)	Completion	Zone
Office expected completion in 2018			
MS Siam Tower	37,000	Q2 2018	Non-CBD
Singha Complex	50,600	Q2 2018	Non-CBD
T1 Office Building	22,000	Q3 2018	Non-CBD
Whizdom 101	30,000	Q3 2018	Non-CBD
Total Office expected completion in 2018 : 139,060 square metres			
Office expected completion in 2019			
Aspiration One	27,518	2019	Non-CBD
CP Tower 4	48,091	2019	Non-CBD
Samyan Mitrtown	45,000	2019	CBD
The PARQ	71,000	2019+	Non-CBD
Total Office expected completion in 2018 : 191,609 square metres			
Office expected completion in 2020-2023+			
Magnolia Project	20,000	2020	Non-CBD
Ploenchit Embassy	61,000	2021	CBD
One Bangkok	225,000	2021+	CBD
The Forestias	100,000	2022	Non-CBD
Super Tower	94,000	2023	Non-CBD
Dusit Thani	20,000	2023	CBD
Chuvit Garden	20,000	2023	CBD
Sriboonruang	37,000	2023	CBD
Total Office expected completion in 2020-2023 : 652,000 square metres			

Source: Knight Frank Thailand Research

TABLE 3

TOTAL FUTURE SUPPLY

Future Supply	CBD	Non-CBD
Total Completion in 2018	0	139,060
Total Completion in 2019	45,000	146,609
Total Completion in 2020-2023+	363,000	214,000
Total Supply	408,000	500,209
Total Office expected completion in 2018-2023+ : 908,209 square metres		

Source: Knight Frank Thailand Research

RENTAL RATES

The grade A office rents continued to see robust performance in Q1 2018, underpinned by strong demand and positive absorption.

Average rents of all grades recorded the noticeable growth of 2.23% Q-o-Q to 743 baht per square metre per month.

Grade A rents rose to another record at 1,027.4 baht per square metre per month, which increased Y-oY by 8.49%. Meanwhile, grade B and grade C rents grew to 734.9 and 467.6 baht per square metre per month, respectively.

Interestingly, this quarter, we saw 14 office buildings in grade A sector record an asking rents higher than 1,000 per square metre per month. All of them are located in the CBD.

RENTS BY AREAS

The average asking rents in the new commercial areas in Rama 9 and Petchburi have remained relatively stabilised at 540 baht per square metre per month with the occupancy rate of 90.2%. Meanwhile, rents in Srinakarin and Bangna grew by 4.1% to 511 baht per square metre per month.

Furthermore, rents on Sukhumvit Road between Asoke and Chidlom increased by 2.3% to 805 baht per square metre per month, with the highest average occupancy rate of 97.63%.

OUTLOOK

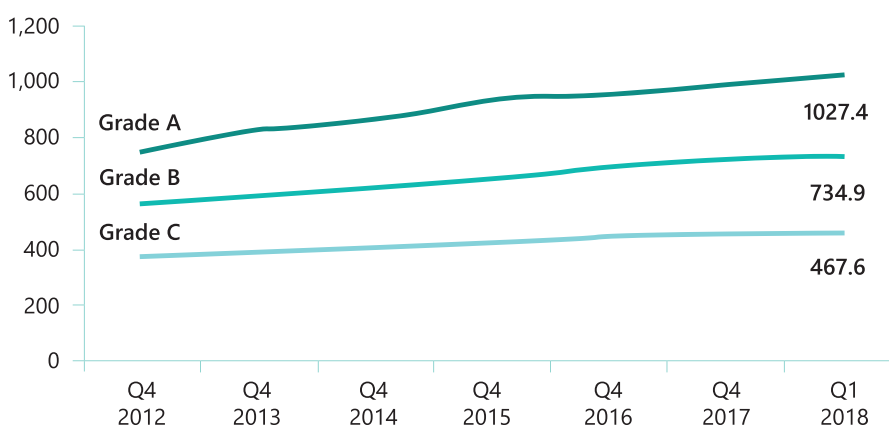
In terms of supply, a number of office projects are scheduled to enter the market in 2023, totaling over 900,000 square metres.

However, during the past 5 years, the average annual demand for office space was just 113,096 square metres. If we assume that the levels of new demand will increase with the same rate in next

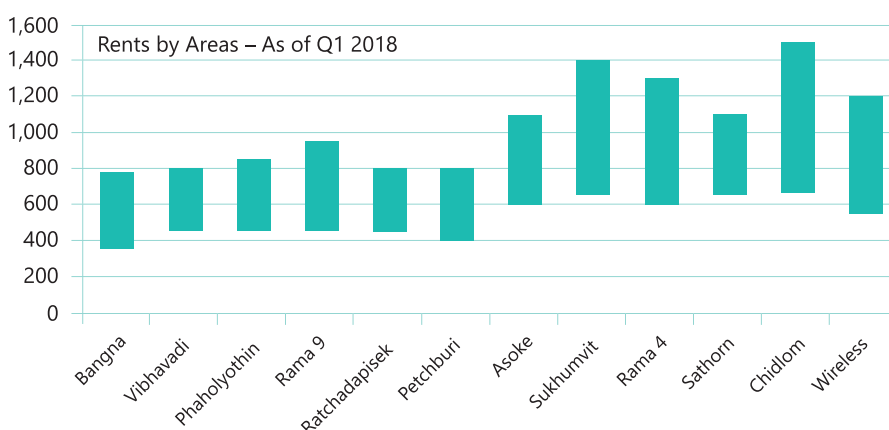
TABLE 4

ASKING RENT BY GRADE

Grade/ Quarter	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Q1 2018	Change (YoY)
A	947	952	993.6	1000.2	1027.4	+8.49%
B	704	705	720	726.7	734.9	+4.39%
C	448	449	450	454.4	467.6	+4.38%
Overall	700	702	722	727	743.3	+6.19%



Source: Knight Frank Thailand Research





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5 years, the total annual new demand will be 565,480 square metres. So, if the conditions remain the same, we would therefore expect to see higher vacancy rates across the market.

GLOSSARY

Central Business District (CBD) –

Central business district, or CBD, is the centre of economic and financial activity of a city, we define this as the area with the greatest concentration of prime office buildings, 5 star hotels and luxury retail.

Grade A, Grade B and Grade C:

Grade A – By virtue of their desirability, these prime properties command the highest rents in their market. You will find them in the Central Business District located a near mass transit station, and have a floor plate of at least 1,000 square metres.

Grade B – The largest sector of the office market, these are the buildings that are traditionally in the greatest demand; they might not be the most expensive properties in the market but represent good value for money.

Grade C – Typically older properties, these buildings provide office space for rent at the most competitive rents in the market.

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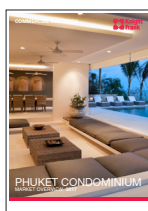
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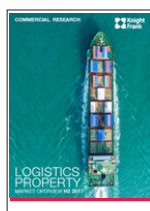
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