

COMMERCIAL RESEARCH



# BANGKOK OFFICE

MARKET OVERVIEW Q2 2018

## HIGHLIGHTS

- During Q2 2018, the total occupied spaces of the office market in Bangkok reached 4,603,875 square metres.
- As of June 2018, Bangkok's overall occupancy rate was recorded at 91.6%, driven by strong absorption in the CBD market.
- The average asking rents in Bangkok increased by 7.12% Y-o-Y in Q2 2018.
- Grade A office rents increased to 1,045 baht per square metre per month for ten consecutive quarters, with a cumulative 9.11% increase since Q2 2017



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“Over 140 companies now call Bangkok the home of their regional or international headquarters, and as office rents continue to climb to record levels, inefficient office layouts are becoming an increasingly expensive burden on the bottom line. So now more than ever tenants should study their accommodation needs to ensure that they are using an appropriate amount of space. This might be as simple as looking at how often desks and meeting rooms are occupied. But this era of record office rents might also represent an opportunity to explore how new business concepts like agile working could be employed to reduce accommodation costs through efficient offices designed to support activity based working.”

# BANGKOK OFFICE MARKET



Currently, low levels of vacancy for office spaces have led to sustained rental growth which, coupled with limited new supply, is creating a market that is increasingly balanced in favour of landlords.

## DEMAND

As of Q2 2018, demand growth for office space in Bangkok remains positive. The net occupied space increased by 40,324 square metres to 4,603,875 square metres, representing an overall occupancy rate of 91.6%.

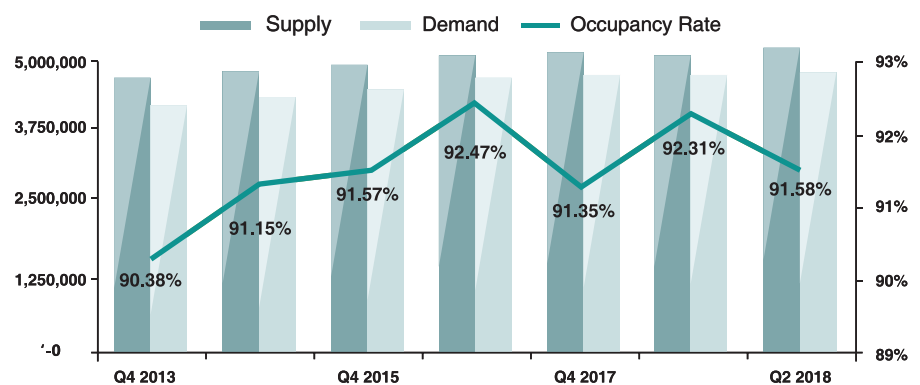
In terms of locations, the highest demand was registered on Sukhumvit Road between Phromphong and Chidlom with occupied space at 97.2%.

## Future Supply

Approximately 165,710 square metres of new supply will be completed next year. In addition to projects under construction, the total amount of new supply of 214,609 square metres or more would be added to the market in 2019-2023. With this estimated increase, the total office supply will be around 5.4 -5.6 million square metres in 2023.

FIGURE 1

SUPPLY, DEMAND AND OCCUPANCY RATE, 2013 – Q2 2018



SOURCE: KNIGHT FRANK (THAILAND) - OCCUPIER SERVICES & COMMERCIAL AGENCY

TABLE 1

OCCUPANCY RATE BY GRADE

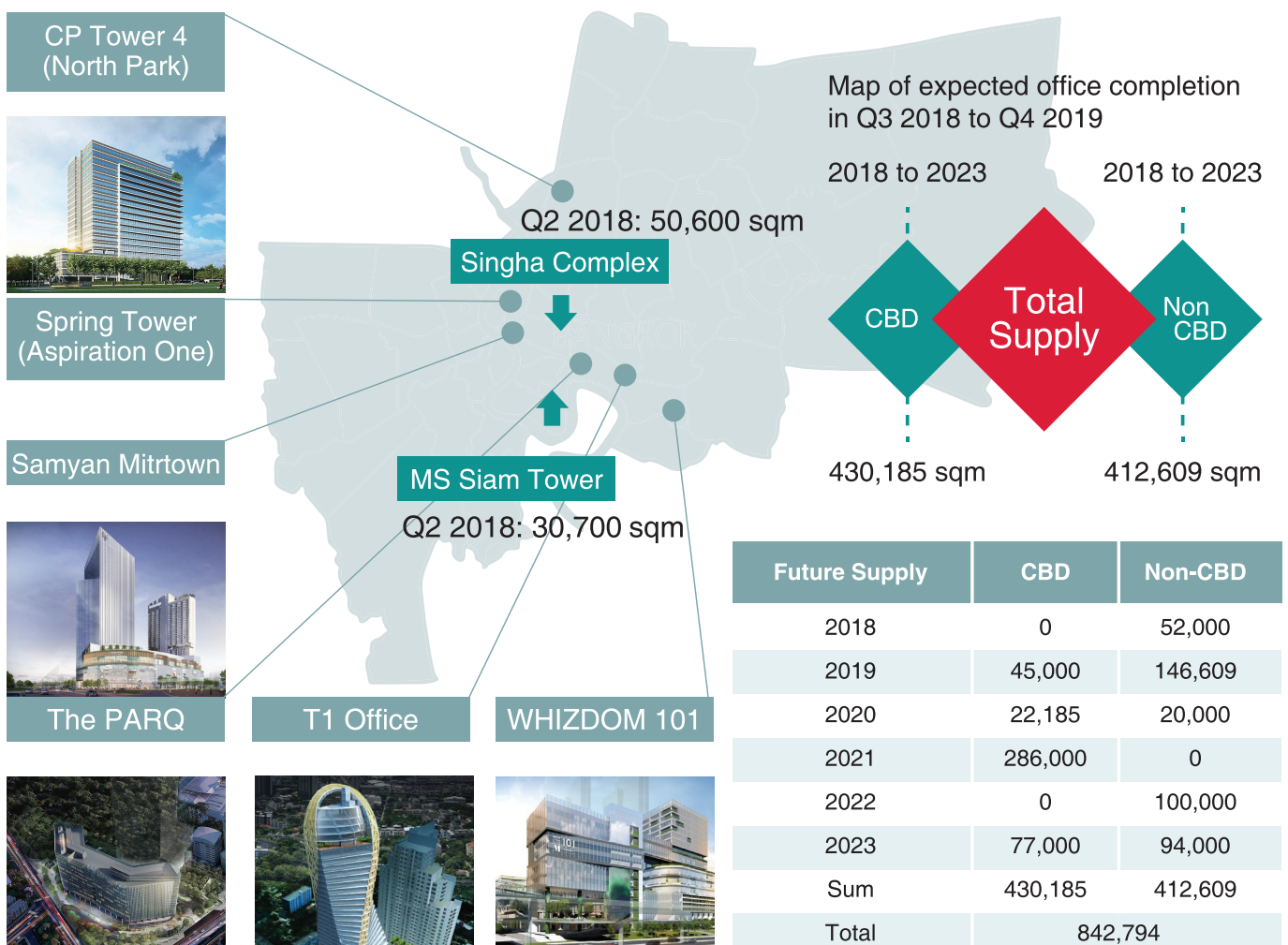
| Grade / Quarter | Q2 2017 | Q3 2017 | Q4 2017 | Q1 2018 | Q2 2018 |
|-----------------|---------|---------|---------|---------|---------|
| A               | 92.5%   | 93.5%   | 94.0%   | 95.4%   | 94.9%   |
| B               | 92.9%   | 94.1%   | 93.9%   | 95.0%   | 94.5%   |
| C               | 89.0%   | 89.7%   | 89.1%   | 89.2%   | 88.1%   |
| Overall         | 91.2%   | 91.7%   | 91.4%   | 92.3%   | 91.6%   |

SOURCE: KNIGHT FRANK (THAILAND) - OCCUPIER SERVICES & COMMERCIAL AGENCY

NOTE: THESE FIGURES EXCLUDE MULTI-OWNER OCCUPIED PREMISES AND OFFICE BUILDINGS SMALLER THAN 5,000 SQUARE METRES.

TABLE 2

FUTURE SUPPLY BY YEAR



## SUPPLY

The second quarter of 2018 welcomed 87,600 square metres of new office space, bringing the total supply to 4,968,458 square metres as two new buildings were completed.

This quarter, the total grade A office space grew by 50,600 square metres to 1,316,952 square metres. Meanwhile, grade B and C were 2,142,127 square metres and 1,509,379 square metres, respectively.

Over the rest of 2018 to 2019, most new projects with more than 240,000 square metres will be added in Non-CBD areas.

Meanwhile, in 2020 to 2023, there will be a further 9 office buildings with 599,185 square metres that will enter the market.

## Rental Rates

The upward trend of rental rates was observed both in 2017 and 2018. The average asking rents for vacant space in Bangkok grew from 702 baht per square metre per month to 752 baht per square metre per month, which increased Y-o-Y by 7.12%.

Interestingly, grade A rents recorded the steepest escalation to 1,045 baht per square per month, which increased by 9.77% when compared with Q2 2017. This is the 10th consecutive quarter of growth for grade A office rents in Bangkok.

Meanwhile, grade B and grade C rents continued to rise Y-o-Y by 4.96% and 5.12% to 740 and 472 baht per square metre per month, respectively.

more significant part of the office-leasing segment in the future.

TABLE 3

### BANGKOK OFFICE FUTURE SUPPLY

| Building Name  | Lettable Area (sq.m.) | Completion | Zone    |
|--|-----------------------|------------|---------|
| <b>Office with expected completion in 2018</b>                       |                       |            |         |
| T1 Office Building   | 22,000                | Q3 2018    | Non-CBD |
| Whizdom 101  | 30,000                | Q3 2018    | Non-CBD |
| <b>Total office completions in 2018: 52,000 square metres</b>        |                       |            |         |
| <b>Office with expected completion in 2019</b>                       |                       |            |         |
| Spring Tower   | 27,518                | 2019       | CBD     |
| CP Tower 4   | 48,091                | 2019       | Non-CBD |
| Samyan Mitrtown  | 45,000                | 2019       | CBD     |
| The PARQ   | 71,000                | 2019+      | Non-CBD |
| <b>Total office completions in 2019: 191,609 square metres</b>       |                       |            |         |
| <b>Office with expected completion in 2020-2023+</b>                 |                       |            |         |
| Magnolia Project   | 20,000                | 2020       | Non-CBD |
| Vanissa Building   | 22,185                | 2020       | 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     |
| <b>Total office completions in 2020-2023+: 599,185 square metres</b> |                       |            |         |

SOURCE: KNIGHT FRANK (THAILAND) - OCCUPIER SERVICES & COMMERCIAL AGENCY

TABLE 4

### FUTURE SUPPLY BY YEAR

| Grade / Quarter | Q2 2017 | Q3 2017 | Q4 2017 | Q1 2018 | Q2 2018 |
|-----------------|---------|---------|---------|---------|---------|
| A               | 952     | 994     | 1,000   | 1,027   | 1,045   |
| B               | 705     | 720     | 727     | 735     | 740     |
| C               | 449     | 450     | 454     | 468     | 472     |
| Overall         | 702     | 722     | 727     | 743     | 752     |

SOURCE: KNIGHT FRANK (THAILAND) - OCCUPIER SERVICES & COMMERCIAL AGENCY



Grade A  
9.77%



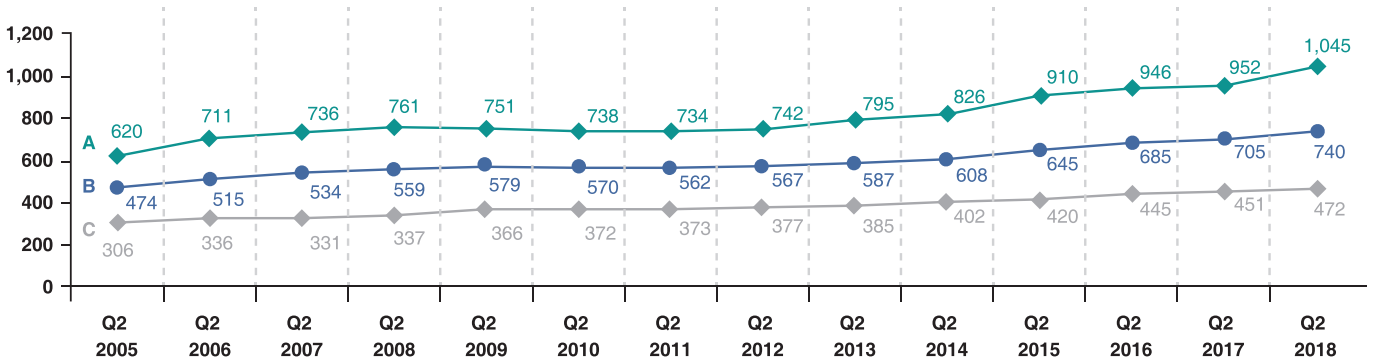
Grade B  
4.96%



Grade C  
5.12%

FIGURE 2

ASKING RENT BY GRADE, Q2 2015 – Q2 2018



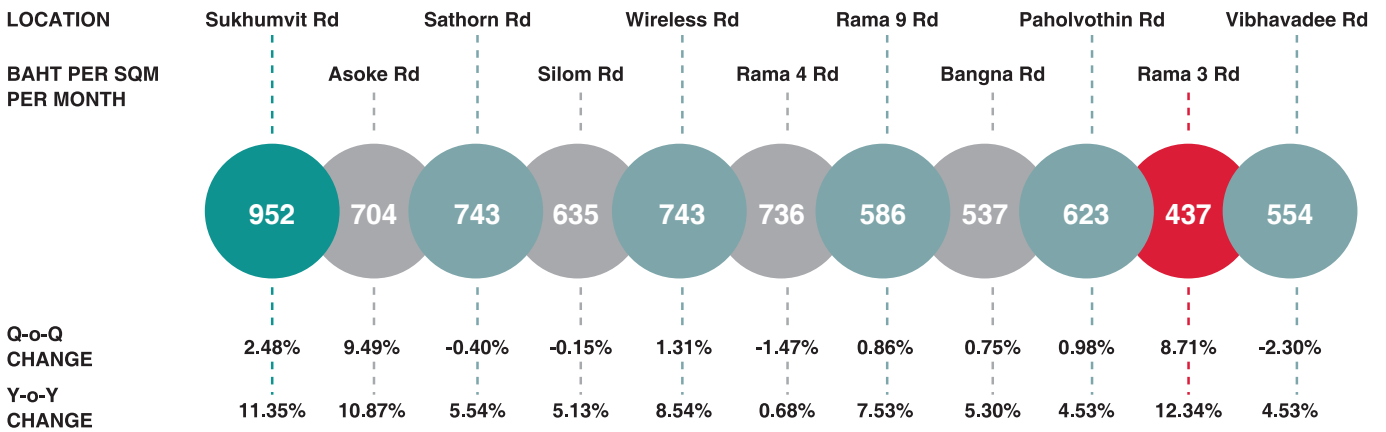
SOURCE: KNIGHT FRANK (THAILAND) - OCCUPIER SERVICES & COMMERCIAL AGENCY

## RENTS BY AREAS

In the CBD, rents are showing sustained improvement. Average rents on Sukhumvit Road between Phromphong and Chidlom showed the highest figure at 952 baht per square metre per month compared to all the precincts. Meanwhile, asking rents on Rama 3 Road showed the lowest figure at 437 baht per square metre per month.

FIGURE 3

AVERAGE ASKING RENTS BY ROADS



SOURCE: KNIGHT FRANK (THAILAND) - OCCUPIER SERVICES & COMMERCIAL AGENCY



## OUTLOOK

Sustained strong demand amid tight supply has resulted in the strong rental growth, which increased by 73.9% since 2004. However, the new supply that will start coming on-stream from 2020 onwards may help to keep the pace in rental increase in check.

## GLOSSARY

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

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

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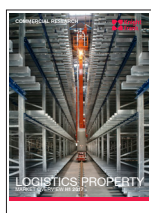
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