

# Bangkok Office



Q2 2023

Prime offices in Bangkok are at the forefront of embracing WiredScore certification, underscoring their commitment to providing cutting-edge technology infrastructure and paving the way for a transformative shift in the office sector.

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# Office Property Market Indicators

	5.96M SUPPLY (sq m)	4.69M OCCUPIED SPACE (sq m)	78.8% OCCUPANCY RATE	815.- ASKING RENT (THB / sq m / month)
% Change				
Q-o-Q	▲ 1.1%	▲ 0.8%	▼ 0.2% pts.	▲ 0.8%
Y-o-Y	▲ 4.3%	▲ 2.6%	▼ 1.3% pts.	▲ 1.7%

## Economic Overview

The Thai economy in Q2 continued to make strides alongside subdued inflation.

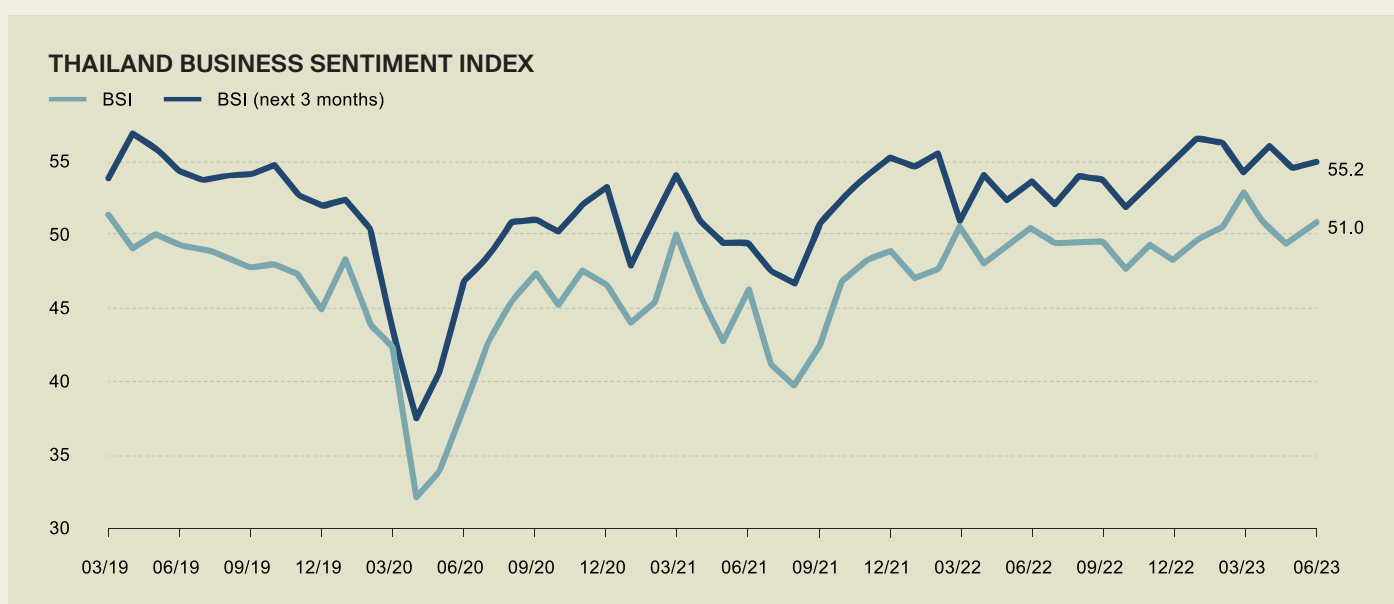
In Q2 2023, the Thai economy continued to make progress on its recovery path. Private consumption rose with improvements in the labour market, notably in the hospitality sector. Private investment increased, driven by investments in machinery and equipment, alongside a surge in foreign direct investment (FDI) inflow. Public spending also saw growth, attributed to compensations for public servants and investments by state-owned enterprises. In addition, the trade surplus mainly from contracted imports led to a surplus in the current account, reaching its highest level in over two years at 3% of the GDP.

Despite the overall gradual recovery, the Thai economy lagged behind other major ASEAN economies like Vietnam, Malaysia, and Indonesia, primarily due to its higher reliance on the external sector, particularly trade and tourism.

In June 2023, headline inflation increased by 0.2%, pushing the year-to-date average down to 2.49%, marking the sixth consecutive month of declining inflation. This was mainly due to slow growth in food prices, significant declines in energy prices, and a high base from the previous year. Core inflation mirrored this pattern, reaching 1.3% yet still above the pre-pandemic average of under 1%.

As inflationary pressures persisted, the central bank maintained a gradual monetary policy normalisation approach to address inflation while supporting economic recovery.

The Business Sentiment Index (BSI) declined to 51.0 from 52.9 in the previous quarter due to worsening firm performance and reduced production levels. However, there is an improvement in the 3-month expected BSI, indicating a belief that the production cost will increase at a slower rate and return to the target range.



SOURCE: BANK OF THAILAND

Interpretation of the index is as follows:

Index = 50 indicates that the respondents' business sentiment remains stable from the previous month;

Index > 50 indicates that the respondents' business sentiment has improved from the previous month;

Index < 50 indicates that the respondents' business sentiment has deteriorated from the previous month

# Supply

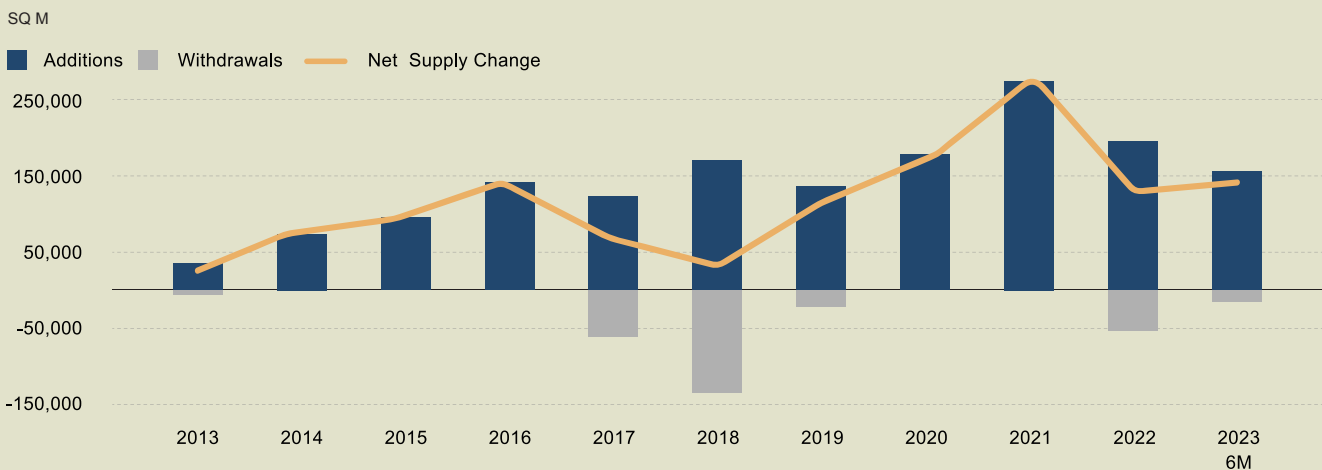
Bangkok's total supply of office space this quarter expanded by 79,000 sq m or +1.1% Q-o-Q. Two new buildings were launched in Q2, including Park Silom on the corner of Silom and Convent Road and The Unicorn, which connected to the Phayathai BTS station. Meanwhile, the total lettable area of green office space increased by 6.3% Q-o-Q to 1,340,000 sq m, making up 22% of the total market.

## BANGKOK OFFICE SUPPLY CHANGE

	Q2 2023 (sq m)	Supply % Change		
		(Q-o-Q)	(Y-o-Y)	10 Yr. Avg. Growth Rate
Market	5,958,000	▲ 1.1%	▲ 4.3%	▲ 2.6%
Green	1,340,000	▲ 6.3%	▲ 28.6%	▲ 16.8%

SOURCE: KNIGHT FRANK (THAILAND) – OCCUPIER STRATEGY & SOLUTIONS

## BANGKOK OFFICE NET SUPPLY CHANGE

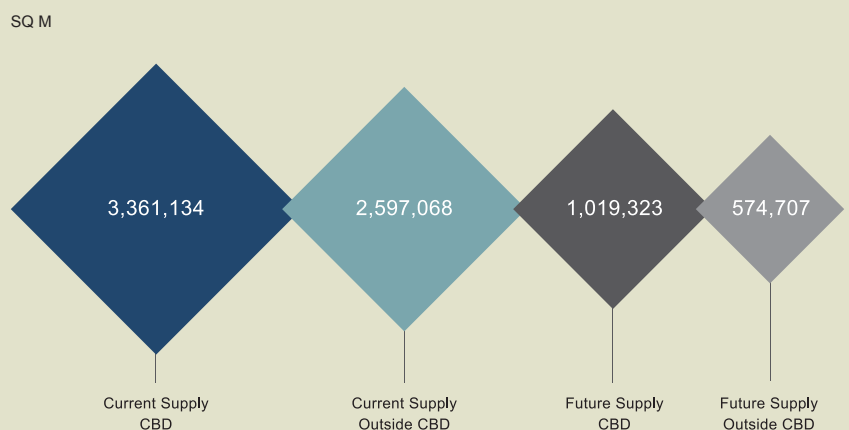


SOURCE: KNIGHT FRANK (THAILAND) – OCCUPIER STRATEGY & SOLUTIONS

# Future Supply

In Q2, two new projects outside the central business district (CBD), including AIA Connect on Ratchadapisek Road and V.One Tower on Rama 9 Road, were introduced. Looking ahead, the projected office supply by the end of 2023, 2024, and 2025 is estimated at 368,000 sq m, 480,000 sq m, and 302,000 sq m, respectively. The total lettable area of these forthcoming developments is expected to reach 1.59 million sq m, representing 27% of the current office supply. Of this upcoming supply, 64% is concentrated within the CBD.

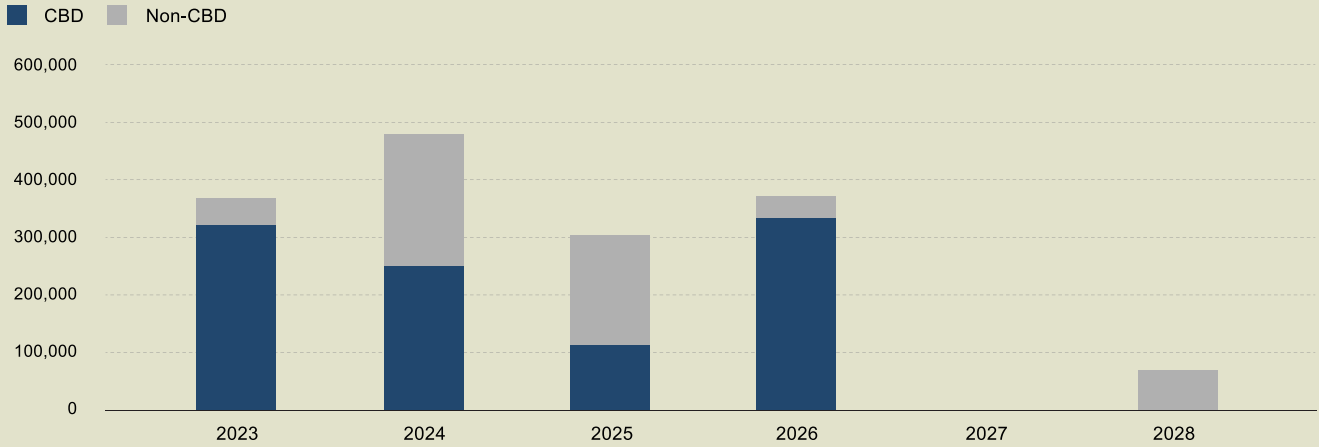
## BANGKOK OFFICE CURRENT AND FUTURE SUPPLY



SOURCE: KNIGHT FRANK (THAILAND) – OCCUPIER STRATEGY & SOLUTIONS

## BANGKOK OFFICE FUTURE SUPPLY IN CBD VS NON-CBD

SQ M



SOURCE: KNIGHT FRANK (THAILAND) – OCCUPIER STRATEGY & SOLUTIONS

## Demand

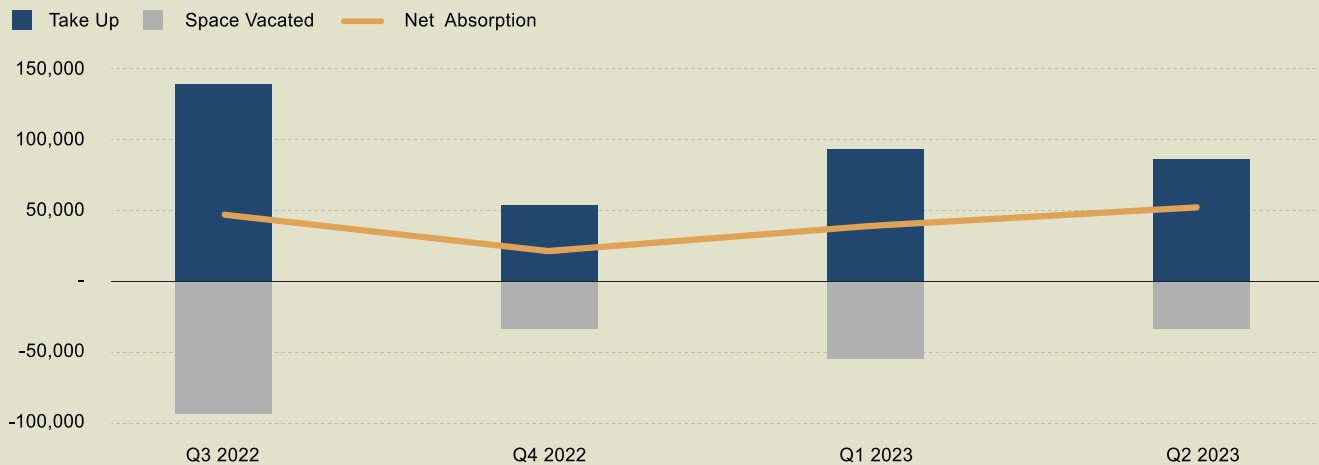
The office market in Q2 2023 demonstrated a robust net absorption figure of 53,000 sq m compared to 39,500 sq m in Q1 2023. This favourable trend continued over the past year, with the market's net absorption reaching 160,000 sq m, surpassing the pre-COVID levels. Notably, green

buildings accounted for the entirety of this expansion, with a net absorption of 53,400 sq m, indicating a preference for sustainable leasing options. During this quarter, the central business district (CBD) experienced a notable surge in demand for office spaces, largely attributed to the

occupancy of newly constructed buildings. The net absorption for properties in the CBD stood at 38,100 sq m, whereas non-CBD properties experienced a lower net absorption of 14,900 sq m.

## BANGKOK OFFICE DEMAND DYNAMICS (NET ABSORPTION)

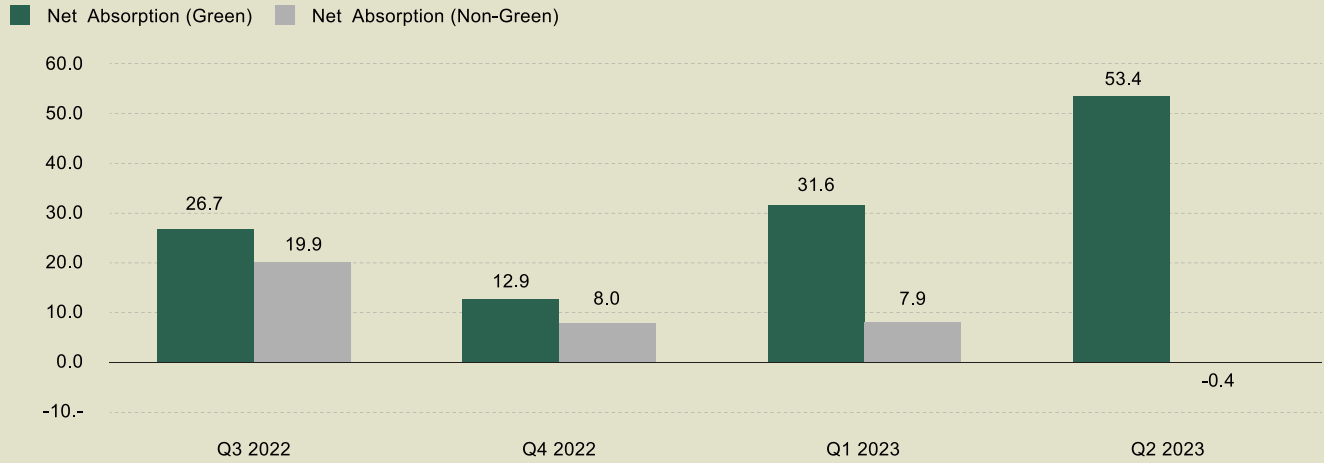
SQ M



SOURCE: KNIGHT FRANK (THAILAND) – OCCUPIER STRATEGY & SOLUTIONS

## BANGKOK OFFICE DEMAND DYNAMICS (NET ABSORPTION GREEN VS NON-GREEN)

THOUSAND SQ M



SOURCE: KNIGHT FRANK (THAILAND) – OCCUPIER STRATEGY & SOLUTIONS

# Market Dynamics by Segment

The Bangkok office market experienced positive net absorption across all grades, driven by strong demand for recently completed buildings.

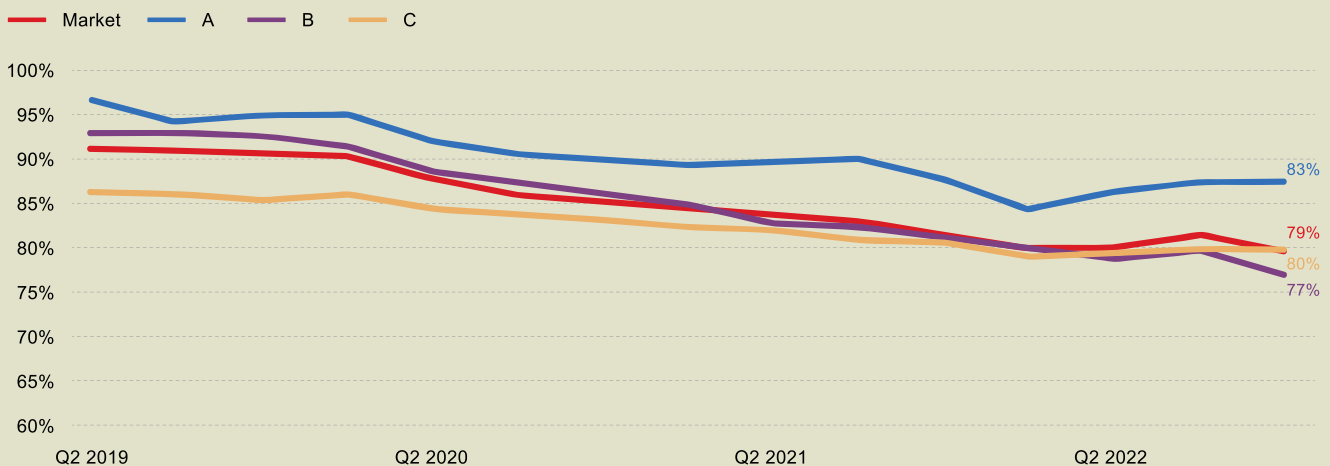
In Q2 2023, the total occupied space in the Bangkok office market witnessed a rise of 53,000 sq m, reaching a total of 4.69 million sq m. All grades continued to experience positive net absorption during this period. Grade A demonstrated the most substantial increase in occupied space, with a quarterly net absorption of 36,600 sq m, primarily

driven by strong demand for recently completed buildings. Similarly, grade B experienced significant improvement, nearly doubling its last quarter's net absorption to 14,100 sq m. Meanwhile, grade C did not see significant changes, recording a small positive net absorption of 2,300 sq m.

The overall market occupancy rate experienced a slight decline of -0.2%

pts Q-o-Q to 79%. Grade A witnessed the most reduction among all grades, declining by -2.2% pts Q-o-Q and -3.9% pts Y-o-Y to reach 83%. Grade B saw a slight improvement in occupancy rate, increasing by 0.4% pts Q-o-Q, although it still fell by almost 2% pts Y-o-Y. Finally, the occupancy rate for grade C remained relatively stable, maintaining a level just below 80%.

## BANGKOK OFFICE OCCUPANCY RATE BY GRADE



SOURCE: KNIGHT FRANK (THAILAND) – OCCUPIER STRATEGY & SOLUTIONS

## BANGKOK OFFICE OCCUPANCY RATE BY GRADE

	Q2 2023	Occupancy Rate % Change		10 Yr. Avg. Occupancy Rate
		(Q-o-Q)	(Y-o-Y)	
Market	79%	▼ 0.2% pts	▼ 1.3% pts	89%
Grade A	83%	▼ 2.2% pts	▼ 3.9% pts	93%
Grade B	77%	▲ 0.4% pts	▼ 1.8% pts	89%
Grade C	80%	▼ 0.1% pts	▲ 0.2% pts	86%

SOURCE: KNIGHT FRANK (THAILAND) – OCCUPIER STRATEGY & SOLUTIONS

## BANGKOK OFFICE OCCUPIED SPACE AND NET ABSORPTION BY GRADE

SQ M - NEAREST HUNDRED

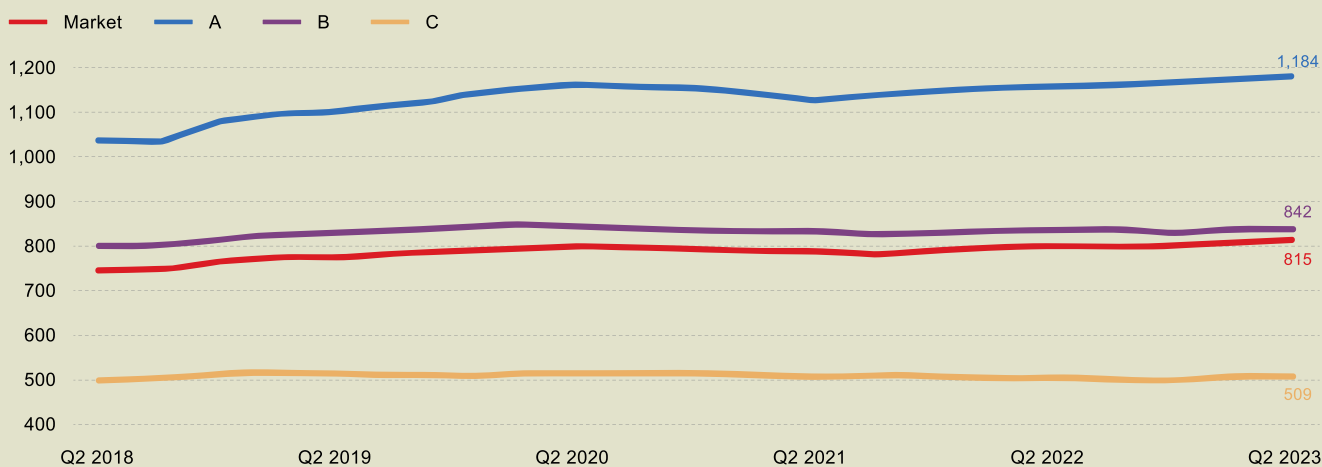
	Occupied Space as of Q2 2023	Net Absorption	
		Per Quarter	Per Annum
Market	4,693,900	53,000	160,000
Grade A	937,400	36,600	79,400
Grade B	2,355,100	14,100	70,600
Grade C	1,355,900	2,300	10,000

SOURCE: KNIGHT FRANK (THAILAND) – OCCUPIER STRATEGY & SOLUTIONS

In Q2 2023, the office market in Thailand recorded an average rent of THB 815 per sq m per month, indicating a slight increase of 1.0% Q-o-Q and 1.3% Y-o-Y. Among the different office grades, Grade A, which commanded the highest rent at THB 1,184, showed a more substantial growth of 1.9% Q-o-Q and 2.6% Y-o-Y, attributed mainly to the completion of prime-grade offices in the central business district (CBD). Grade B followed with an average rent of THB 842, experiencing a 1.2% increase Q-o-Q and 1.4% Y-o-Y. Conversely, Grade C had the lowest rent at THB 509, witnessing very slight changes Q-o-Q and Y-o-Y.

## BANGKOK OFFICE AVERAGE ASKING RENT BY GRADE

BAHT / SQ M / MONTH



SOURCE: KNIGHT FRANK (THAILAND) – OCCUPIER STRATEGY & SOLUTIONS

## BANGKOK OFFICE AVERAGE ASKING RENT BY GRADE

BAHT / SQ M / MONTH

	Q2 2023	Rent % Change		10 Yr. Annual Growth Rate
		(Q-o-Q)	(Y-o-Y)	
<b>Market</b>	<b>815</b>	▲ 1.0%	▲ 1.3%	▲ 3.2%
<b>Grade A</b>	1,184	▲ 1.9%	▲ 2.6%	▲ 4.1%
<b>Grade B</b>	842	▲ 1.2%	▲ 1.4%	▲ 2.8%
<b>Grade C</b>	509	▼ 0.1%	▲ 0.2%	▲ 1.5%

SOURCE: KNIGHT FRANK (THAILAND) – OCCUPIER STRATEGY & SOLUTIONS

# Market Dynamics by Area

Office rents in the CBD witnessed an upward movement, while the non-CBD area showed no overall change.

The average rental rate for CBD properties increased to 932 THB per sq m per month, while the average occupancy rate experienced a slight dip, reaching 83%. Ploenchit - Chidlom - Wireless emerged as the top-performing submarket, with an average rent growing by 0.9% Q-o-Q and an occupancy rate increasing by 1.3% Q-o-Q. This positive performance was primarily driven by the demand for new buildings such as One City Centre, Vanissa Building, and Amarin Tower (Renovated). Moving on to the Silom

- Sathorn - Rama IV submarket, the completion of Park Silom contributed to a 2.0% Q-o-Q rent increase, with the addition of over 50,000 sq m of new office space in the area. Despite this increase in supply, the occupancy rate in Silom - Sathorn - Rama IV only declined by 0.7% Q-o-Q, highlighting robust demand as indicated by a net absorption of 36,800 sq m during the quarter.

Office space outside the CBD maintained an average asking rent of 663 THB per sq m per month, and

the occupancy rate at 74%. Notably, the Phaholyothin - Viphavadi area witnessed a rent reduction of 1.4% Q-o-Q, which led to a surge in demand. This increase in demand was evident through a net absorption of 9,600 sq m and a notable 1.8% Q-o-Q rise in the occupancy rate. Meanwhile, the Petchburi - Rama IX - Ratchada and Bangna - Srinakarin areas saw no change in rent, with slight decreases in their occupancy rates of 0.4% and 0.1%, respectively.

## BANGKOK OFFICE SUB-MARKET INDICATORS

Area	Average Asking Rent (THB / SQ M / Month)	Rent % Change		Occupancy Rate (%)	Occupancy Rate % Change	
		(Q-o-Q)	(Y-o-Y)		(Q-o-Q)	(Y-o-Y)
<b>CBD</b>	<b>923</b>	▲ 1.0%	▲ 2.8%	<b>83%</b>	▼ 0.3%	▼ 1.0%
Ploenchit - Chidlom - Wireless	1,062	▲ 0.9%	▲ 3.4%	80%	▲ 1.3%	▼ 4.9%
Nana - Asoke - Phrompong	934	▲ 0.1%	▲ 1.6%	83%	▼ 0.8%	▼ 2.1%
Silom - Sathorn - Rama IV	912	▲ 2.0%	▲ 2.4%	83%	▼ 0.7%	▲ 0.5%
<b>Non - CBD</b>	<b>663</b>	<b>0.0%</b>	▲ 0.3%	<b>74%</b>	▼ 0.1%	▼ 1.7%
Petchburi - Rama IX - Ratchada	723	0.0%	0.0%	79%	▼ 0.4%	▼ 1.3%
Phaholyothin - Viphavadi	682	▼ 1.4%	▼ 0.7%	74%	▲ 1.8%	▲ 0.4%
Bangna - Srinakarin	616	0.0%	▲ 6.7%	64%	▼ 0.1%	▼ 9.9%

SOURCE: KNIGHT FRANK (THAILAND) – OCCUPIER STRATEGY & SOLUTIONS

## BANGKOK OFFICE OCCUPIED SPACE AND NET ABSORPTION BY AREA

SQ M - NEAREST HUNDRED

Area	Occupied Space as of Q2 2023	Net Absorption	
		Per Quarter	Per Annum
<b>CBD</b>	<b>2,775,900</b>	<b>38,100</b>	<b>86,100</b>
Ploenchit - Chidlom - Wireless	508,500	8,300	24,700
Nana - Asoke - Phrompong	499,800	-4,700	-11,300
Silom - Sathorn - Rama IV	1,296,500	36,800	73,000
<b>Non - CBD</b>	<b>1,918,000</b>	<b>14,900</b>	<b>79,400</b>
Petchburi - Rama IX - Ratchada	738,400	-4,000	-24,000
Phaholyothin - Viphavadi	393,000	9,600	24,700
Bangna - Srinakarin	242,400	-200	11,400

SOURCE: KNIGHT FRANK (THAILAND) - OCCUPIER STRATEGY & SOLUTIONS

## Review & Outlook

Bangkok office demand continued its expansion trend, displaying positive net absorption of 53,000 sq m in Q2 2023, signifying a stronger performance compared to the previous quarter. Over the past year, net absorption figures totaled 160,000 sq m, already surpassing pre-COVID levels. However, the supply of office space continued to outpace demand, expanding by 79,000 sq m in Q2. Consequently, the overall occupancy rate experienced a decline, reaching 79%. Looking forward, the tenant-favoured market is expected to persist, with a substantial 1.59 million sq m remaining in the pipeline, including approximately 80,000 sq m recently added in this quarter.

Among the various trends monitored by Knight Frank, technology has emerged as a primary driving force in shaping work culture, transforming workplaces, and revolutionising collaboration

processes. The integration of advanced tools and digital solutions has led to heightened productivity and seamless communication. Certifications like WiredScore and SmartScore have been introduced as the global standards for digital connectivity in the built environment. The two certifications have gained prominence among occupiers as indicators of buildings with advanced technology infrastructure and among owners and developers as valuable tools for branding and marketing their properties. While the concepts of WiredScore and SmartScore are related, they serve slightly different purposes. Simply put, WiredScore assesses the internet connectivity and infrastructure of buildings, ensuring they cater to the needs of tech-driven businesses and occupants. On the other hand, SmartScore evaluates the integration of smart technology and digital amenities in commercial

buildings, fostering efficient and tech-savvy work environments.

In recent years, SmartScore and WiredScore certifications have gained significant popularity in the US and Europe, certifying approximately 75 million sq m of commercial space, according to the WiredScore website. However, in Thailand, these certifications are still in an early stage of adoption and implementation. Currently, there are only six certified office buildings, covering 236,000 sq m, which accounts for 4% of the current supply. Nonetheless, it is notable that eight future buildings, totaling 632,000 sq m, or 40% of the total future supply, are planned to be certified. The evidence points to the market's shift towards embracing these certifications as technology standards for properties and a potential trend towards higher demand for tech-enabled office spaces in Bangkok.



# Glossary

## CENTRAL BUSINESS DISTRICT (CBD)

The CBD is the region in Bangkok with the greatest concentration of grade A office buildings, 5-star hotels and luxury shopping malls. Areas within the CBD are easily accessible via mass transit systems.

## GREEN BUILDINGS

The office buildings classified by green building certificates, including LEED and TREES.

## GRADE A BUILDINGS

By desirability, these prime properties command the highest market rent (top 20%). You will find them located in the Central Business District, within 500m of a mass transit station, and have a floor plate of at least 1,000 sq m.

## GRADE B BUILDINGS

The largest sector of the office market, these are the buildings that were traditionally in tremendous demand.

They might not be the most expensive properties in the market, but they 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 (bottom 40%).

## TAKE UP

Measures the total amount of previously available space and new supply leased by tenants during a given period. It is an indicator of the amount of recent leasing activity. It does not account for the amount of space vacated by tenants.

## SPACE VACATED

Measures the total amount of space vacated and not re-let during a given period.

## NET ABSORPTION

Measures the change in occupied space during a given period. Net absorption indicates the change in demand relative to the current supply available in the market. In other words, it is the total amount of space leased minus the total amount of space vacated by tenants.

## NOTE:

ALL FIGURES EXCLUDE MULTI-OWNER, OCCUPIED PREMISES AND OFFICE BUILDINGS WITH A TOTAL LEASABLE AREA OF LESS THAN 5,000 SQ M.

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We like questions, if you've got one about our research, or would like some property advice, we would love to hear from you.



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