

## Q3 2009 BANGKOK OFFICE

Quarterly

**Knight Frank**

### HIGHLIGHTS

- Official statistics shows fewer new firms have been established in Bangkok in 2009.
- After a large spike in business dissolutions in Q3, the total number of dissolved companies for the year to date grew by 14.71% from 2008
- The average vacancy rate of the Bangkok office market decreased very slightly in the third quarter from 13.32%, to 13.19%, with vacancy rates dropping in the grade A and B sectors but the modest gains made in these sectors were offset in a worsening performance of the grade C class buildings who saw vacancies increase by 1.26%
- The third quarter saw rents drop across the entire market, with the Grade A sector the most affected which saw rents drop by 0.78% from the recorded levels of the previous quarter.

# BANGKOK OFFICE OVERVIEW

## Zone Classification

Knight Frank Thailand has defined the scope of office market research as below.

1. CBD:  
Sathorn, Rajdamri,  
Langsuan, Sarasin,  
Ruamrudee, Tonson,  
Silom, Surawongse,  
Suanplu, Wireless Road,  
Ploenchit, Rama IV.
2. Sukhumvit:  
Sukhumvit Soi 1-65,  
Sukhumvit Soi 2-42.
3. Rama III:  
Yannawa, Chan Road,  
Nanglinchee.
4. Riverside:  
Charoen Krung,  
Charoen Nakhon.
5. Others:  
Ratchadapisek, Phyathai,  
Phaholyothin, Rajthwee,  
Huay Kwang, Din Daeng,  
Outer Sukhumvit,  
Petchburi, Ratchayothin,  
Krunghonburi, and  
Ladprao.

## Demand

The latest reports from the Ministry of Commerce indicates that the total number of business dissolutions spiked in the 3<sup>rd</sup> Quarter, climbing 44.76% year on year. This spike in dissolutions reverses the trend described in the official figures for the first half of the year to bring the total number of business closures in the year to date to 4,148 firms, up by almost 15% from the same period last year

table 1

### Bangkok Establishments and Dissolutions Q1 – Q3 2009

| Period             | Amount of business establishments |               |               | Amount of dissolutions |              |               |
|--------------------|-----------------------------------|---------------|---------------|------------------------|--------------|---------------|
|                    | 2008                              | 2009          | % change      | 2008                   | 2009         | % change      |
| January            | 1,887                             | 1,270         | -25.16%       | 515                    | 499          | -10.27%       |
| February           | 1,539                             | 1,389         | -11.70%       | 221                    | 238          | 7.69%         |
| March              | 1,466                             | 1,954         | 332%          | 296                    | 306          | 3.04%         |
| Q1                 | 4,782                             | 4,633         | -11.80%       | 1,032                  | 1,042        | 2.81%         |
| April              | 1,320                             | 1,046         | -20.76%       | 247                    | 321          | 29.96%        |
| May                | 1,243                             | 1,278         | 2.82%         | 303                    | 353          | 60.1%         |
| June               | 1,481                             | 1,440         | -3.42%        | 688                    | 538          | -19.45%       |
| Q2                 | 4,064                             | 3,784         | -7.16%        | 1,248                  | 1,242        | -2.82%        |
| July               | 1,827                             | 1,642         | -10.13%       | 432                    | 674          | 55.02%        |
| August             | 1,643                             | 1,533         | -6.70%        | 349                    | 599          | 71.63%        |
| September          | 1,529                             | 1,796         | 17.45%        | 565                    | 661          | 19.10%        |
| Q3                 | 4,888                             | 4,871         | -0.68%        | 1,828                  | 1,884        | 44.78%        |
| <b>Total Q1-Q3</b> | <b>18,736</b>                     | <b>12,818</b> | <b>-8.39%</b> | <b>3,818</b>           | <b>4,148</b> | <b>14.71%</b> |

Source: Knight Frank Research

## Vacancy Rates

The statistics from the Business Development Department have sadly started to reflect the movements we have witnessed in the Bangkok office market over the past 9 months.

In the 3rd Quarter vacancy rates rose by 1.26% in the Grade C sector, but this was offset by modest gains reported in occupancy of both the grade A & B sectors which saw occupancies improve by 0.70% in the grade A sector and 0.97% in grade B.

Whilst these modest improvements reflect anecdotal accounts of an improving business climate, we are reluctant to describe this as a beginning of a trend at this stage.



table 2

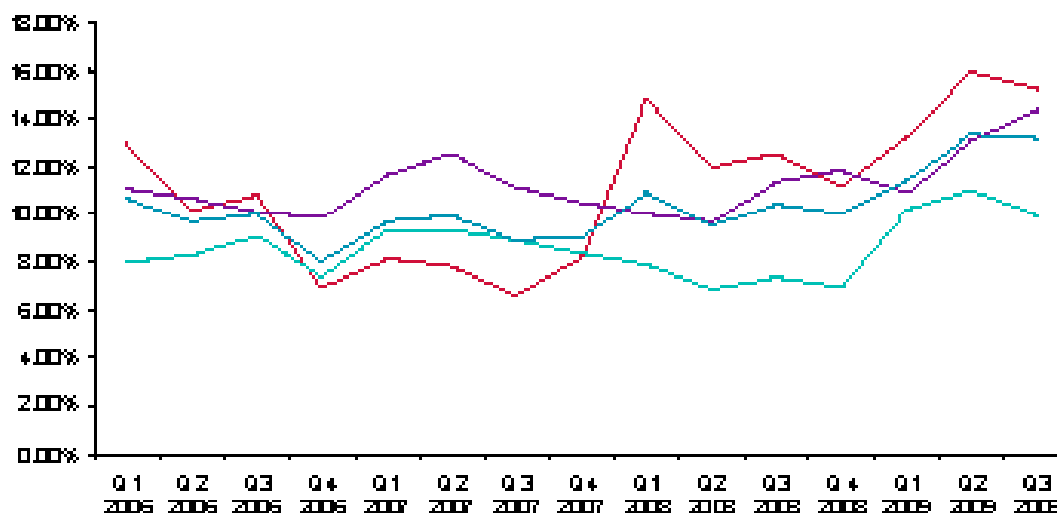
Occupancy Rates Q1-Q3 2009

|         | Grade A | Grade B | Grade C | Overall Occupancy |
|---------|---------|---------|---------|-------------------|
| Q1 2009 | 86.70%  | 89.81%  | 89.09%  | 88.53%            |
| Q2 2009 | 84.07%  | 89.05%  | 86.91%  | 86.68%            |
| Q3 2009 | 84.77%  | 90.02%  | 85.65%  | 86.81%            |

Source: Knight Frank Research

Figure 2

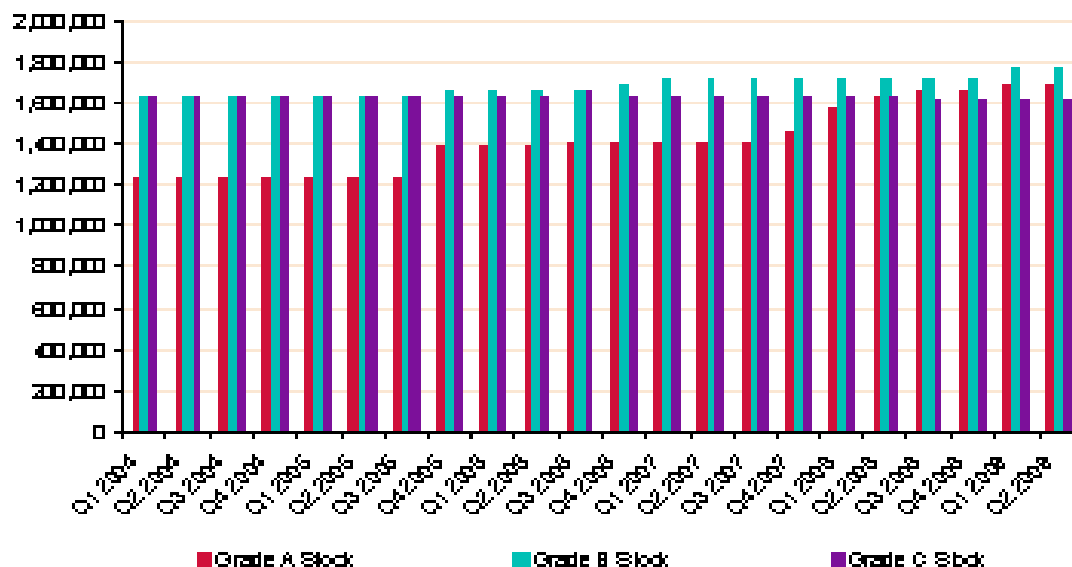
Bangkok Vacancy Rates -Q3 2009



Supply

Total supply of Bangkok's major office buildings for rent remained stagnant at 5,076,182 square meters.

Bangkok Gross Supply 2004-Q3 2009



**Table 1: Future Supply of Bangkok Office Buildings (2009F – 2011F)**

| Building          | Location           | Zone | Schedule to complete | Available Lettable Floor Space (sq.m.) |
|-------------------|--------------------|------|----------------------|--|
| Sathorn Square    | Sathorn            | CBD  | 2010                 | 80,000                                 |
| + Wireless Square | Ploenchit/Wireless | CBD  | 2011                 | 28,000                                 |
|                   |                    |      | <b>Total</b>         | <b>108,000</b>                         |

Source: Knight Frank Research

## Rents

| Quarter | Grade A | Grade B | Grade C | Average |
|---------|---------|---------|---------|---------|
| Q1 2009 | 645.53  | 503.64  | 353.97  | 501.04  |
| Q2 2009 | 643.06  | 502.66  | 356.25  | 500.66  |
| Q3 2009 | 638.07  | 499.65  | 354.69  | 497.47  |

The third quarter saw rents drop across the entire market with falls experienced in every grade as buildings continue to struggle to attract new tenants, whose primary goal in this climate is to reduce office accommodation costs.

**Figure 3: Bangkok Office Rents by Grade**



Source: Knight Frank Research

During the previous quarters the average office rental rate was preserved by modest gains made in the Grade C and B sectors, however with all sectors now reporting a drop in rental rates, the Average Rent has dropped for the first time since Q2 2007 which marked the end of a pe-

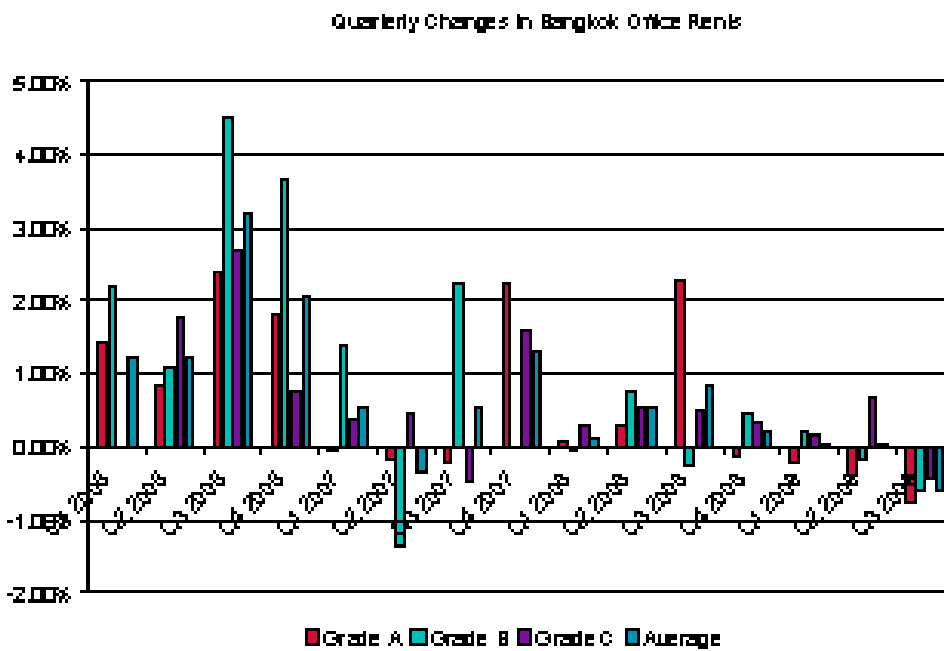
riod of sustained growth and the beginning of this recent rental plateau.



|         | Grade A | Grade B | Grade C | Average |
|---------|---------|---------|---------|---------|
| Q1 2019 | -0.22%  | 0.22%   | 0.16%   | 0.05%   |
| Q2 2019 | -0.36%  | -0.19%  | 0.64%   | 0.02%   |
| Q3 2019 | -0.78%  | -0.60%  | -0.44%  | -0.60%  |

Source: Knight Frank Research

Figure 4: Bangkok Office Q-O-Q Rental Growth



Source: Knight Frank Research

### Conclusion

Pressure continues to mount on landlords as the market shifts increasingly in the direction of the tenant.

If Thailand can maintain continued political stability, very limited new supply should prevent a precipitous decline in rents over the foreseeable future.



## Americas

USA  
Bermuda  
Brazil  
Caribbean  
Chile  
Australasia

## Australia

New Zealand

## Europe

UK  
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Czech Republic  
France  
Germany  
Hungary  
Ireland  
Italy  
Monaco  
Poland  
Portugal  
Russia  
Spain  
The Netherlands  
Ukraine

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Malawi  
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Uganda  
Zambia  
Zimbabwe

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Thailand  
Vietnam

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