



Q4 2014 OFFICE MARKET REPORT

Knight Frank

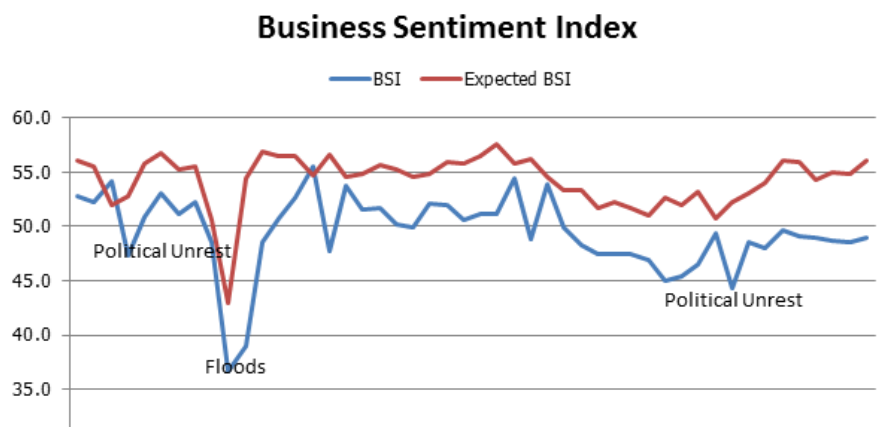
HIGHLIGHTS

- Bangkok office supply increased to 4,575,188 square metres. During 2014, office supply increased by 107,815 square metres.
- The net take-up of office space peaked in 2014 at 125,962 square metres.
We expect to see the net take-up of office space reach 130,000 square metres in 2015.
- The latest occupancy rate was at 91.5%, the highest level in the past few years.
- The overall average rental rate was THB 646 per square metre, an increase by 3.2%.

MARKET OVERVIEW

Although the Business Sentiment Index (BSI) has risen to 49 in December 2014, the index was still below 50, showing some concern from entrepreneurs and investors over Thailand’s current political situation. However, in 2014, the Bangkok office market remained healthy among all property sectors. Demand and rental rates have been growing continually since 2011, outpacing supply.

Figure 1



Source: Bank of Thailand

Remarks:

1/ Business Sentiment Index is compiled from BOT survey data of 1,010 businesses.

2/ Below is the interpretation of the index:

Index = 50 indicates that business sentiment remains stable.

Index > 50 indicates that business sentiment has improved.

Index < 50 indicates that business sentiment has worsened.

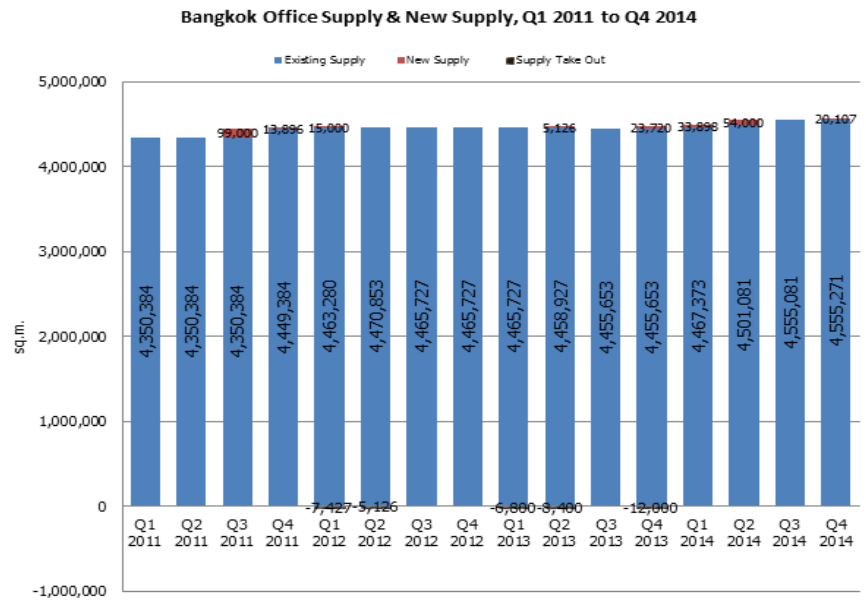
SUPPLY

The cumulative office supply stood at 4,575,188 square metres, increasing from the previous quarter by 20,107 square metres, thanks to the completion of SJ Infinite I Business Complex on Phaholyothin and Vibhavadi-Rangsit.

The total supply increased from the previous year by 2.4%. During 2014, there were 107,815 square metres of new office supply. This was located outside the CBD area, encompassing AIA Capital Center on Ratchadaphisek Road, the 9th Towers at the Ratchadaphisek – Rama 9 junction, and SJ Infinite I Business Complex on Phaholyothin and Vibhavadi-Rangsit Roads.

Office supply in the non-CBD areas comprised approximately 52% of the total supply, whilst office space in the CBD made up around 48%. In addition, the proportion of non-CBD supply seems to be gradually increasing since land in the CBD has become scarcer for the development of office buildings.

Figure 2
Bangkok Office Supply & New Supply Q1 2011 to Q4 2014



Source: Knight Frank Thailand Research

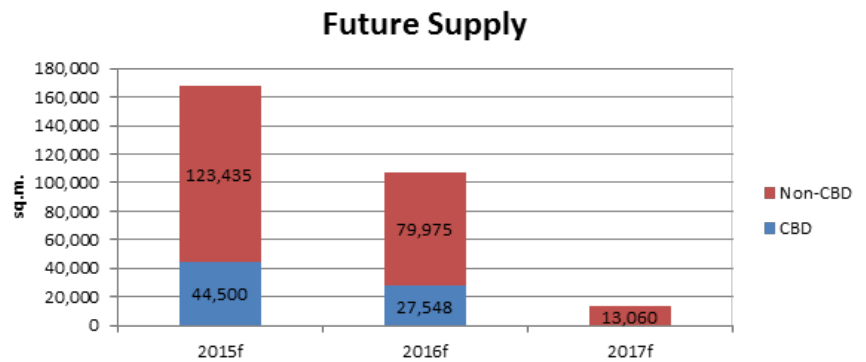
Note: These figures exclude multi-owner occupied premises and office buildings smaller than 5,000 sq.m

FUTURE SUPPLY

In 2015, 167,935 square metres of the future supply will be completed. In 2016, it is anticipated that 107,523 square metres of new supply will enter the market.

From 2015 to 2017, 74% of the total future supply will be located in non-CBD areas. Most of the projects will be in Late Sukhumvit and Ratchadapisek-Rama 9.

Figure 3
Bangkok Office Supply and New Supply 2011 -2017f



Source: Knight Frank Thailand Research

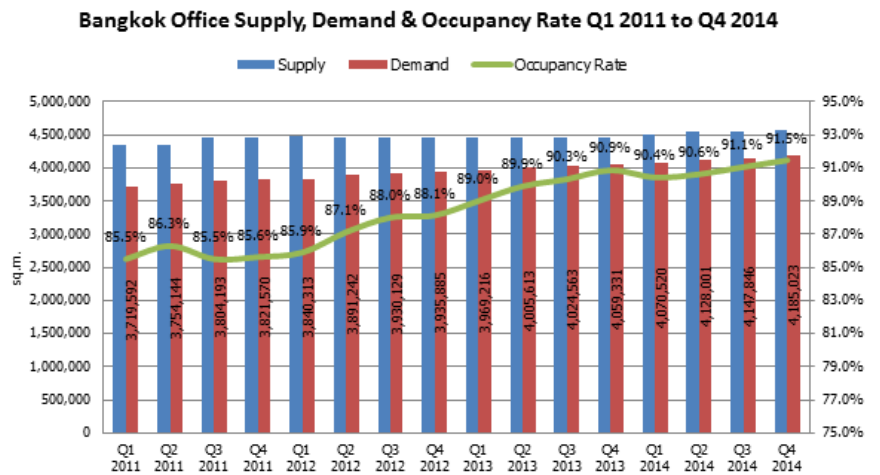
Table 1
Future Supply

Future Supply	Lettable Space (sq.m.)	Completion	Location	Zone
Bhiraj Tower at EmQuartier	47,400	Q1 2015	Sukhumvit	Non-CBD
AIA Sathom	38,500	Q1 2015	Sathom	CBD
Major Tower	10,405	Q3 2015	Thonglor 10	Non-CBD
G-Land Tower	65,630	Q4 2015	Rama 9	Non-CBD
Magnolia Ratchadamri Boulevard	6,000	Q4 2015	Ratcha damri	CBD
Bhiraj Tower at BITEC	31,880	Q2 2016	Sukhumvit-Bangna	Non-CBD
FYI Center	48,095	Q4 2016	Ratcha dapisek-Rama IV	Non-CBD
Gaysom II	27,548	Q4 2016	Ratcha damri	CBD
Unnamed Office Building by SC Asset	13,060	Q1 2017	Paholyothin	Non-CBD
Bhiraj Tower at Sathom	30,000	2020	Sathom	CBD

Source: Knight Frank Thailand Research

DEMAND

Figure 4
Bangkok Office Supply, Demand & Occupancy Rate Q1 2011 to Q4 2014



Source: Knight Frank Thailand Research

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

The total occupied space stood at 4,185,023 square metres, increasing from the same period in 2013 by 3.1%. At the end of 2014, the occupancy rate was the highest in the past years. The average occupancy rate was at 91.5%, increasing from that of the last year by 0.6%. The greatest growth was seen in the Grade A CBD category, with the highest occupancy rate of 93.9%. On the whole, occupancy rose in grade A and grade B offices in both CBD and non-CBD

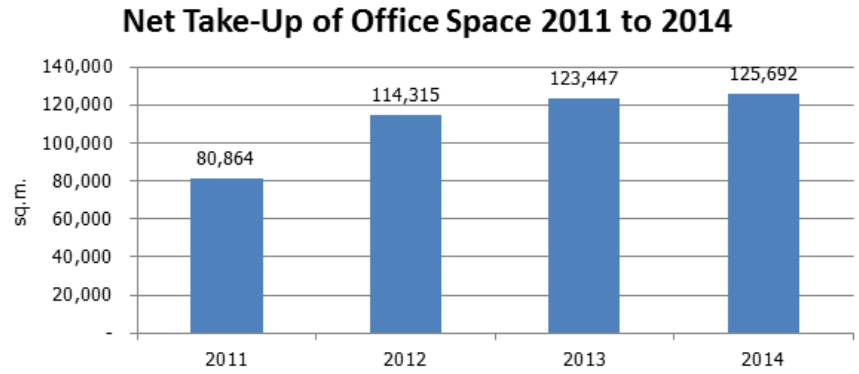
Table 2

Demand

Quarter	CBD		Non-CBD		Overall
	Grade A	Grade B	Grade A	Grade B	
Q1 2014	92.8%	90.8%	94.7%	88.4%	90.4%
Q2 2014	93.0%	91.3%	82.3%	90.0%	90.6%
Q3 2014	93.8%	91.6%	82.5%	90.4%	91.1%
Q4 2014	93.9%	92.5%	84.1%	90.6%	91.5%
Q-o-Q	0.1%	0.9%	1.6%	0.2%	0.4%
Y-o-Y	2.2%	1.4%	-10.7%	0.8%	0.6%

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Figure 5



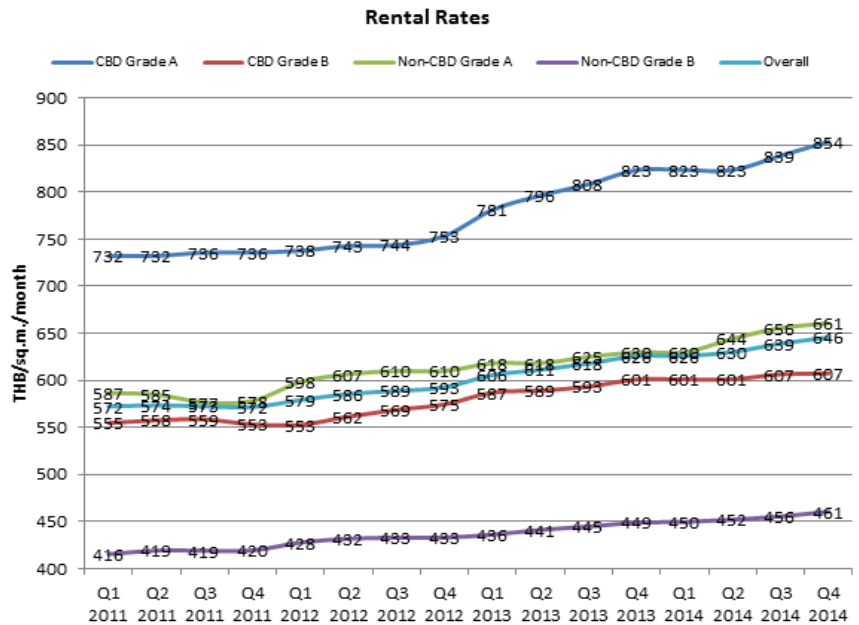
Source: Knight Frank Thailand Research

In 2014, the net take-up of office space peaked at 125,692 square metres. Also, the total net take-up was more than new supply, which was 107,815 square metres. The net take-up of office space has risen every year since 2011. We expect to see the net take-up in the next year reach 130,000 square metres.

If we compare the net take-up space with the future supply on an annual basis, we expect that, going forth, the future supply will be lower while the net take-up continues to grow, thereby implying that there will be an office supply shortage in the future.

RENTAL RATES

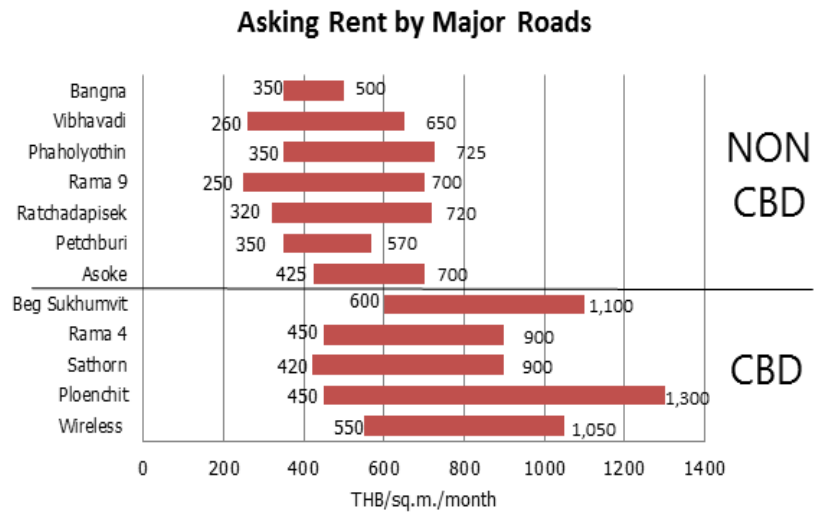
Figure 6



Source: Knight Frank Thailand Research

The overall average rental rate was THB 646 per square metre, increasing 3.2% year-on-year. The rental rate increased in all segments, with the highest rental rate shown in Grade A-CBD, commanding approximately THB 854 per square metre, an increase of 3.7% year-on-year. The average rental rate of Grade B-CBD was THB 607 per square metre, increasing 1.1% year-on-year. The highest increase of average rental rates was seen in Grade A Non-CBD, increasing by 4.9% year-on-year, from just THB 630 per square metre in Q4 2013 to THB 661 per square metre in Q4 2014.

Figure 7
Asking Rent by Major Roads



Source: Knight Frank Thailand Research

OUTLOOK

Today, there are only 390,000 square metres of vacant space, and last year, 125,000 square metres of new demand was taken up and we expect similar level going forward, but with only 290,000 square metres of new supply entering the market in the next three years. Office supply will become increasingly scarce, putting more upwards pressure on rents.

APPENDIX

- **CBD** Defines as the area of a city that has the highest concentration of Grade A office buildings, luxury retailers and 5 star hotels. In our view this is best described as the area covering Silom, Sathorn, Rama IV, Ploenchit, Wireless, and Sukhumvit Road between Soi 1 and Soi 21 to the north and Soi 2 and Soi 16 to the south.
- **Non-CBD** Defines as the areas outside the CBD area.
- **Net Take-Up** The net change in occupied space between the current period and the previous period.
- **Grade A Classification**
 - A floor plate should have the net space of more than 1,000 square metres, with a regular shape, and without structural encumbrances.
 - The building should have an impressive design and high-quality decoration.
 - The building should include an air-conditioning system with a central chiller and variable air volume.
 - The building should have efficient and sufficient car parking space.
 - Ceiling heights should be at least 2.7 metres.
 - The building should have well-known, professional property managers.

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