

COMMERCIAL RESEARCH



BANGKOK OFFICE

MARKET OVERVIEW Q4 2015

HIGHLIGHTS

- Bangkok's office supply increased to 4,671,593 square metres. During 2015, the office supply increased by 96,405 square metres.
- Majority of future supply over the next five years will be located in non-CBD areas.
- Net take-up in 2015 was 149,301 square metres, the highest since 2011.
- The latest occupancy rate was at 92.8%, an all-time high in many years.
- The overall average rental rate increased from THB 646 in 2014 to THB 695 per square metre, or approximately 7.6% per annum.



MARCUS BURTENSHAW
Executive Director,
Head of Commercial Agency

"Tenants are facing a soft economy in a climate where office rents are likely to continue to rise, need to look at the cost control strategies that could be employed in their work place. Flexible working arrangements, standardised (and reduced) desk allocations, split operations or even moving to secondary locations might all be considered."

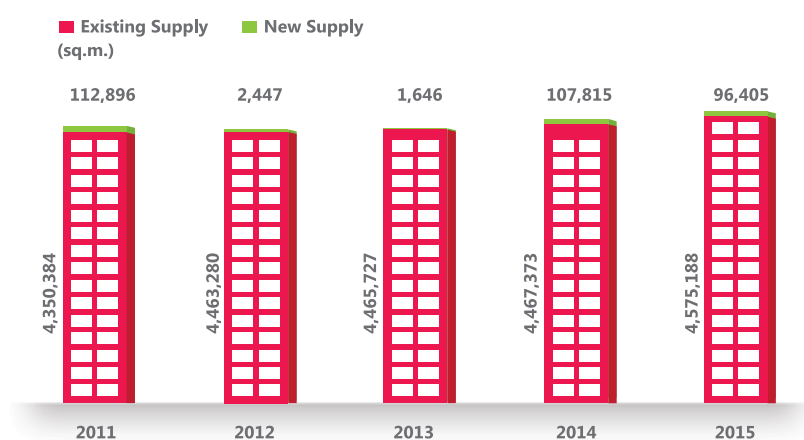
Market Overview Supply

The current office supply in 2015 stands at 4,671,593 square metres, an increase of 96,405 square metres or 2.11% from the previous year. The additional supply came from the completion of AIA Sathorn Tower, Major Tower, and Bhiraj Tower at EmQuartier. Both Major Tower and Bhiraj

Tower at EmQuartier are located in the Inner Sukhumvit area, while AIA Sathorn is only building located on Sathorn Road, close to Chong Nonsi BTS station.

In 2015, 53% of the total supply was located outside CBD areas while 47% was in the CBD. In addition, there has been a growing supply of office space in non-CBD areas as there is a scarcity in space for development in the CBD.

FIGURE 1
Bangkok Office Supply & New Supply, 2011-2015



SOURCE : KNIGHT FRANK THAILAND RESEARCH

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

Future Supply

TABLE 1
Known Future Office Supply in Bangkok

Building Name	Lettable Space (sq.m.)	Completion	Location	Zone
G-Land Tower	65,630	Q3 2016	Rama 9	Non-CBD
Bhiraj Tower at Sathorn	27,000	Q4 2016	Sathorn	CBD
The Metropolis	13,540	Q2 2016	Sukhumvit 39	Non-CBD
Bhiraj Tower at BITEC	31,880	Q2 2016	Sukhumvit-Bangna	Non-CBD
FYI Center	48,095	Q1 2016	Ratchadapisek - Rama IV	Non-CBD
M Tower	9,990	Q2 2016	Sukhumvit 62	Non-CBD
Rungrojthanakul 4	15,705	Q4 2016	Ratchadapisek	Non-CBD
Shinnawat 4	13,060	Q1 2017	Paholyothin	Non-CBD
Singha Complex	36,000	Q1 2017	Asok-Petchaburi	Non-CBD
Gaysorn Office Tower	19,500	Q2 2017	Rajdamri	CBD
Whizdom 101	30,000	2018	Sukhumvit 101	Non-CBD
Super Tower	94,000	2020	Rama 9	Non-CBD
The Bangkok Mall	100,000	N/A	Sukhumvit-Bangna	Non-CBD

SOURCE : KNIGHT FRANK THAILAND RESEARCH

In 2016, the supply of office space is expected to be approximately 152,960 square metres from five office projects with approximately 87% of the space located in non-CBD areas, while only 13% in the CBD. After 2017, it is expected that the majority of new office space supply will be located in non-CBD areas such as Bangna, Outer Sukhumvit, Ratchadapisek, etc.

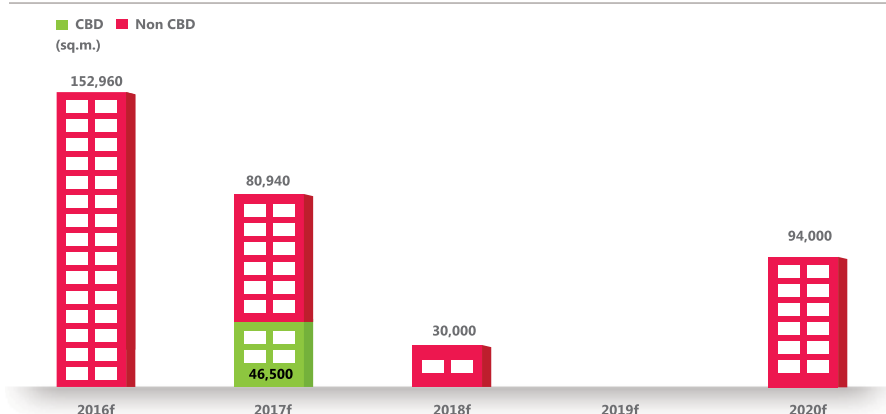
Demand

The total occupied space stood at 4,334,324 square metres, representing an occupancy rate of 92.8% and an increase of 1.3% from last year.

The highest growth at the end of 2015 was seen in the Grade A office in the non-CBD category, with an increase of 8.2% on a year-on-year basis. However, Grade A offices in CBD areas enjoyed the highest occupancy rate of 94.3%, but also suffered the lowest growth rate year-on-year at 0.4%. This should not come as a surprise as the high occupancy rate did not allow for much further growth. Overall, on an annual basis, the office market showed a growth rate of 2%.

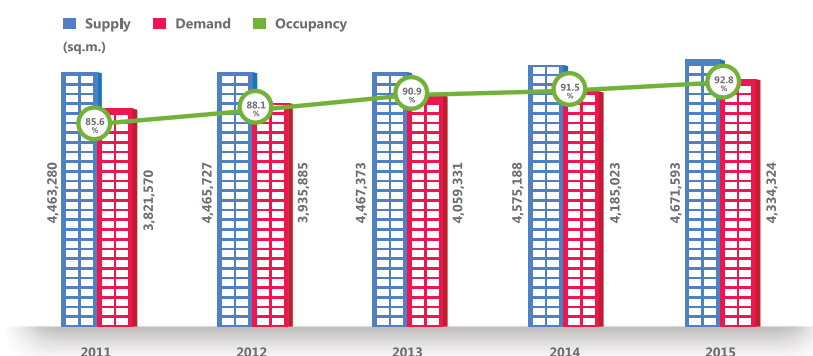
Contrary to the expectations of many, the slowing growth in the overall Thai economy has not yet had a spillover effect on the office occupancy rate. This is largely due to the rapid growth of the IT sector, where local subsidiaries of major e-commerce businesses now occupy large spaces in buildings such as AIA Capital Center and CyberWorld on Ratchadapisek Road, and Empire Tower on Sathorn. The growth in this sector has also created a trend where smaller start-up businesses start moving into larger office buildings from rowhouses, in order to benefit from improved corporate images and the ease of access to mass transit stations.

FIGURE 2
Known Future Office Supply in Bangkok by Location and Launch Period



SOURCE : KNIGHT FRANK THAILAND RESEARCH

FIGURE 3
Bangkok Office Supply & New Supply, 2011-2015



SOURCE : KNIGHT FRANK THAILAND RESEARCH

NOTE : THESE FIGURES EXCLUDE OWNER OCCUPIED PREMISES AND OFFICE BUILDINGS SMALLER THAN 5,000 SQ.M.

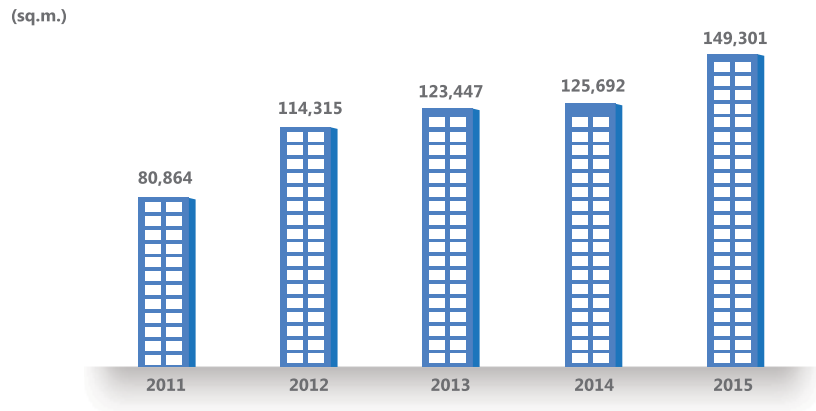
TABLE 2
Occupancy Rate by Grade and Location from Q4 2014 to Q4 2015

Quarter	CBD		CBD		Overall
	Grade A	Grade B	Grade A	Grade B	
Q4 2014	93.9%	92.5%	84.1%	90.6%	91.5%
Q1 2015	95.1%	92.6%	81.2%	91.0%	91.7%
Q2 2015	94.9%	93.2%	86.7%	92.0%	92.6%
Q3 2015	93.0%	93.5%	92.2%	91.7%	92.5%
Q4 2015	94.3%	93.4%	92.3%	92.0%	92.9%
Q-o-Q	1.3%	-0.1%	0.1%	0.3%	0.4%
Y-o-Y	0.4%	0.9%	8.2%	1.4%	2.0%

SOURCE : KNIGHT FRANK THAILAND RESEARCH

In 2015, the net take-up of office space was the highest since 2011, at approximately 149,301 square metres. Also, the total net take-up was even more than the new supply, which was 96,405 square metres. The net take-up of office space has risen every year since 2011. Over the past few years, with a limited supply of office space in CBD areas, we anticipate a shift in office take-up from the CBD towards non-CBD areas as some of these areas are within a convenient reach from the CBD through mass transit systems. In addition, given the current net take-up and new supply rates, there is a possibility of a supply shortage within the next two years.

FIGURE 4
Annual Net Take-Up from 2011-2015

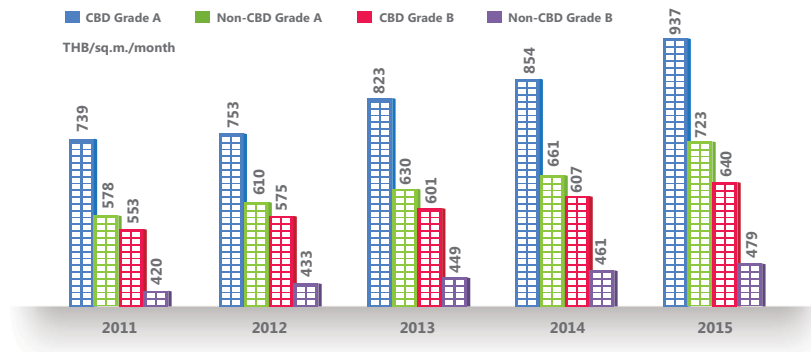


SOURCE: KNIGHT FRANK THAILAND RESEARCH

Rental Rates

The average rental rate in 2015 for Grade A offices in both CBD and Non-CBD areas show a high growth rate between 9% and 10% from the previous year. Grade A offices in the CBD have the highest rental rate, at 937 baht per square metre, followed by those in the Non-CBD area at 723 baht per square metre. The average rental rate for Grade B in both CBD and Non-CBD areas are lower, and saw a relatively small change from 2014. There was approximately a 5.3% rise for Grade B in the CBD and 4.0% for those in Non-CBD areas. When looking at asking rent by major roads, highest quotes could be found

FIGURE 5
Bangkok Office per sqm Asking Rent by Grade and Location, 2011-2015

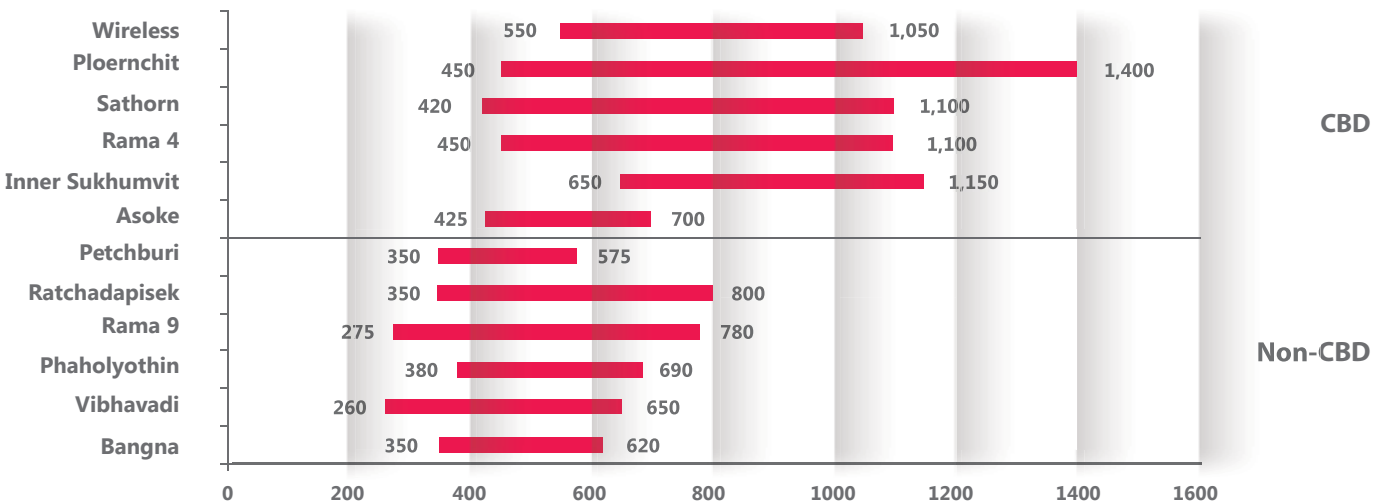


SOURCE: KNIGHT FRANK THAILAND RESEARCH

from properties on Ploenchit and Early Sukhumvit Road. We expect to witness the trend for rental rates to continue to

grow if the net take-up continued to remain high.

FIGURE 6
Asking Rents by Major Roads



SOURCE: KNIGHT FRANK THAILAND RESEARCH



Office Market Outlook

The scarcity of office space in Bangkok's CBD areas is becoming even more pronounced in this quarter with a growing demand but limited supply, whilst the occupancy rate is constantly creeping up. At the current net take-up and available space we expect to witness a shortage in the office market within the next two years, which should result in a continuing rise in the rental rate. Its pace of growth, however, depends largely on the grade of the office and locations; we saw that Grade A offices in both CBD and Non-CBD areas have a steeper rise than Grade B. Going forward we expect to see an expansion or a relocation of businesses into Non-CBD areas should the supply in CBD remained relatively stagnant. Whilst the Bangkok office market outperformed many other industries in Thailand as a whole, but the likelihood of a spill over from the stagnant economy and declining exports remains high.

Grade A Classification

- A floor plate should have 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.

Contributors to this report :

- Apicha Chanprasert
Research & Advisory Manager
- Panon Leelamanit
Research & Advisory Manager

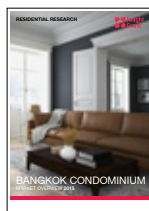
RECENT MARKET-LEADING RESEARCH PUBLICATIONS



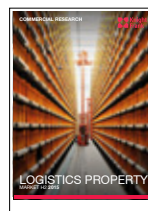
[Q2 2015 Bangkok condominium market](#)



[1H 2015 Bangkok Super Prime and Prime Condominium Market](#)



[Q3 2015 Bangkok Condominium MARKET](#)



[Logistics Property Market H2 2015](#)

Appendix Office Building Classification Definitions

- CBD** Central Business District; defined 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** Defined as the areas outside the CBD area.
- Net Take-Up** The net change in occupied space between the current period and the previous period.

Thailand Contacts

Phanom Kanjanathiemthao
Managing Director
+66 (0)2643 8223 Ext 124
phanom.kanjanathiemthao@th.knightfrank.com

Chaturawit Wattanapruk
Executive Director
+66 (0)2643 8223 Ext 120
chaturawit.wattanapruk@th.knightfrank.com

Surasak Limpa-Arayakul
Executive Director,
Head of Valuation and Advisory
+66 (0)2643 8223 Ext 143
surasak.limpa-arayakul@th.knightfrank.com

Roong Sitthisankunchorn
Executive Director,
Head of Property Management
+66 (0)2643 8223 Ext 144
roong.sitthisankunchorn@th.knightfrank.com

Marcus Burtenshaw
Executive Director,
Head of Commercial Agency
+66 (0)2643 8223 Ext 121
marcus.burtenshaw@th.knightfrank.com

Frank Khan
Executive Director,
Head of Residential
+66 (0)2643 8223 Ext 280
frank.khan@th.knightfrank.com

Risinee Sarikaputra
Director,
Research and Consultancy
+66 (0)2643 8223 Ext 180
risinee.sarikaputra@th.knightfrank.com

Phuket Contact
Nattha Kahapana
Executive Director,
Knight Frank Phuket
+66 (0)7631 8151 Ext 300
nattha.kahapana@th.knightfrank.com



Important Notice

© Knight Frank LLP 2016 – This report is published for general information only and not to be relied upon in any way. Although high standards have been used in the preparation of the information, analysis, views and projections presented in this report, no responsibility or liability whatsoever can be accepted by Knight Frank LLP for any loss or damage resultant from any use of, reliance on or reference to the contents of this document. As a general report, this material does not necessarily represent the view of Knight Frank LLP in relation to particular properties or projects. Reproduction of this report in whole or in part is not allowed without prior written approval of Knight Frank LLP to the form and content within which it appears. Knight Frank LLP is a limited liability partnership registered in England with registered number OC305934. Our registered office is 55 Baker Street, London, W1U 8AN, where you may look at a list of members' names.