

COMMERCIAL RESEARCH



# BANGKOK OFFICE

MARKET OVERVIEW Q2 2017



## HIGHLIGHTS

- Business sentiment in Thai economy improves.
- The amount of new office space leased in Bangkok expanded around 36,368 square metres in Q2 but fell 37.1% from Q1.
- Overall occupancy rate was 90.82%.
- Quarterly average rents stable across the market but still rose by 1.5% per annum.



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Tenants in Bangkok's office market are faced with a problem. The market still favours the developer. Tenants face increased rents upon renewal, and few relocation prospects offer competitive terms for comparable quality and location. Now more than ever it pays to look ahead. We urge tenants to conduct a thorough analysis of their office accommodation strategy at least one year before their lease expires, and even longer if their scale demands it, or if regional or global corporate real estate departments are involved.

## Supply

The current office supply in Q2 2017 stood at 4,877,670 square metres. The newly launched office buildings this year include Gaysorn Office Tower (32,312 sqm) and Bhiraj Tower at BITEC (31,880 sqm). In the future, the majority of the new buildings next 3 years will be located in areas considered to be Non-CBD but are rapidly emerging to become new

commercial districts.

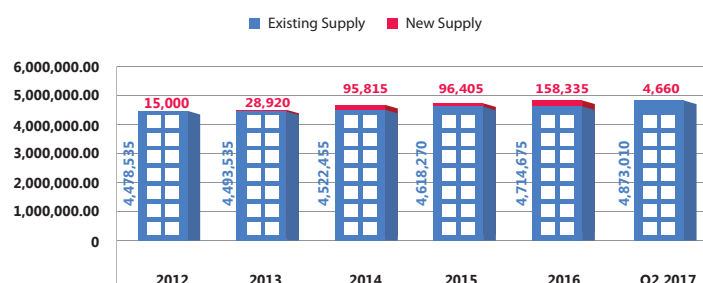
Note: These figures exclude multi-owner occupied premises and office buildings smaller than 5,000 square metres.

## Future Supply

We currently expect 64,192 square metres of new supply to be completed at the end of this year. In addition to

FIGURE 1

**Bangkok Office Supply and New Supply from 2012-Q2 2017**



SOURCE : KNIGHT FRANK THAILAND RESEARCH

TABLE 1

**Bangkok Office Future Supply**

Building Name	Lettable Space (sq.m.)	Completion	Location	Zone
Office expected completion in 2017				
Bhiraj Tower at BITEC	31,880	Q3 2017	Sukhumvit -BangnaN	on-CBD
Gaysorn 2	32,312	Q3 2017	Ratchadamri	CBD
Office expected completion in 2018				
MS Siam Tower	37,000	Q1 2018	Rama 3	Non-CBD
Ari Hill	26,110	Q1 2018	PhaholythinN	on-CBD
Singha Complex	50,600	Q2 2018	Asoke-Petchburi	Non-CBD
T1 Office Building	22,000	Q3 2018	Sukhumvit 40	Non-CBD
Whizdorn 101	30,000	Q3 2018	Sukhumvit 101	Non-CBD
Office expected completion in 2019				
Aspiration One	27,518	2019	Ratchatewi	CBD
CP Tower 4	48,091	2019	Rama 4	Non-CBD
Famyan Mitrtown	45,000	2019	Sqmyan	CBD

SOURCE : KNIGHT FRANK THAILAND RESEARCH

TABLE 2

**Total Future Supply**

Future Supply	CBD (sq.m.)	Non-CBD (sq. m.)
Total Completion in 2017	32,312	31,880
Total Completion in 2018	0	165,710
Total Completion in 2019	72,518	48,091
Total Supply	104,830	245,681

SOURCE: KNIGHT FRANK THAILAND RESEARCH

projects under construction, the total amount of new supply of 350,511 square metres would be added to the market in 2019.

## Demand

This quarter, net occupied space of the office market was 4,454,894 square metres, representing an overall occupancy rate of 90.82%. The average vacancy rate of Grade A buildings was 7.5%, while Grade B was 6.45% and Grade C was 12.14%. The amount of new office space leased in Bangkok expanded around 36,368 square metres but fell 37.1% from the previous quarter. This demand has been a very faint positive every year since 2012.

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

## Rental Rates

The rental rates for office space in Bangkok have been driven upward over the past six years. The average asking rental rate in Q2 2017 was around 702 baht per square metre per month, remaining stable from the previous quarter. However, the price increase over the same period last year was at 1.5%. This trend is expected to continue in Q3 and the foreseeable future.

The average monthly rental rate of Grade A office was 952 baht per square metre, while Grade B was 705 baht per square metre and Grade C was 450 baht per square metre.

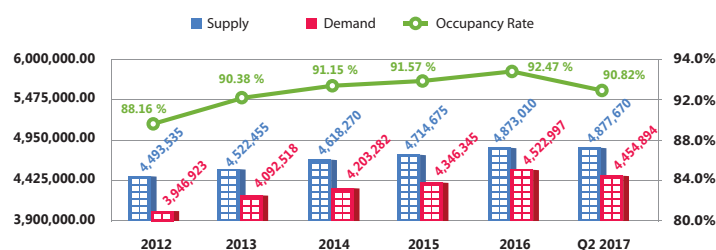
In this quarter, we have seen many office buildings in Bangkok command rental rates of more than 1,000 baht per square metre per month.

## Outlook

The Bank of Thailand (BOT) has forecasted Thailand GDP annual growth rate in 2017 to be 3.1%, increasing by 0.3% from last year. The key factors of

FIGURE 2

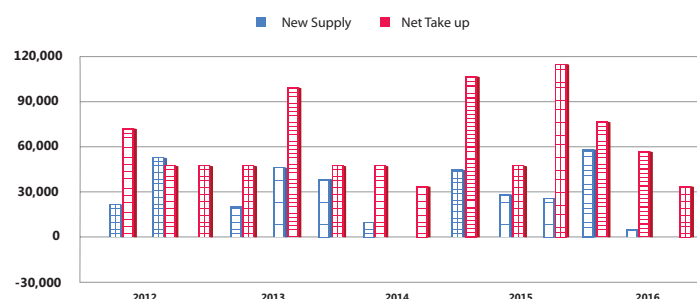
### Office Supply, Demand and Occupancy Rate, 2012-Q2 2017



SOURCE : KNIGHT FRANK THAILAND RESEARCH

FIGURE 3

### Bangkok Office Demand and Supply Analysis, Q1 2014 to Q2 2017



SOURCE : KNIGHT FRANK THAILAND RESEARCH

TABLE 3

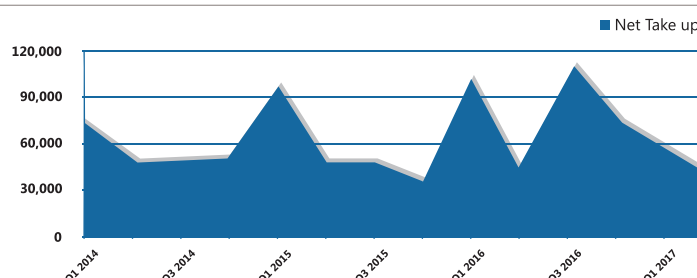
### Occupancy Rate by Grade from Q1 2015 to Q2 2017

Quarter	Grade A	Grade B	Grade C	Overall
Q1 2015	93.38%	92.22%	88.74%	91.18%
Q2 2015	91.85%	92.62%	88.64%	91.20%
Q3 2015	92.67%	93.38%	88.74%	91.40%
Q4 2015	93.74%	93.75%	88.44%	91.57%
Q1 2016	93.09%	93.49%	89.96%	92.11%
Q2 2016	93.27%	93.88%	89.62%	91.72%
Q3 2016	95.67%	93.57%	89.78%	92.09%
Q4 2016	95.50%	93.43%	89.90%	92.47%
Q1 2017	92.84%	93.36%	89.27%	91.39%
<b>Q2 2017</b>	<b>92.50%</b>	<b>93.55%</b>	<b>87.86%</b>	<b>90.82%</b>

SOURCE : KNIGHT FRANK THAILAND RESEARCH

FIGURE 4

### Quarterly Net Take-Up from Q1 2014 to Q2 2017



SOURCE : KNIGHT FRANK THAILAND RESEARCH

GDP growth are a slight recovery of exports and the acceleration of the service sector. The growth rate of the service sector in this year will be 3.4%, increasing by 0.9% from last year.

This quarter, the business confidence index of Thailand is expected to have improved at 50.7. The positive business sentiment index reflects the improvement in confidence in the Thai economy. Therefore, we believe that this is a good sign of potential growth for the office market.

## Glossary

- Central Business District (CBD) – Central business district, or CBD, is the centre of economic and financial activity of a city. We define this as the area with the greatest concentration of prime office buildings, 5 star hotels and luxury retail.

- Grade A, Grade B and Grade C:

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

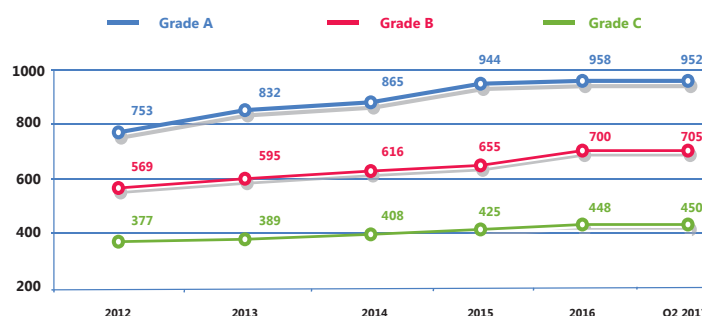
- o Grade B – The largest sector of the office market, these are the buildings that are traditionally in the greatest demand; they might not be the most expensive properties in the market but represent good value for money.

- o Grade C – Typically older properties, these buildings provide office space for rent at the most competitive rents in the market.

- Take up – the amount of new office space leased during a certain period of time.

FIGURE 5

### Asking Rent of Bangkok Office by Grade, Q1 2015 to Q2 2017



SOURCE: KNIGHT FRANK THAILAND RESEARCH

TABLE 4

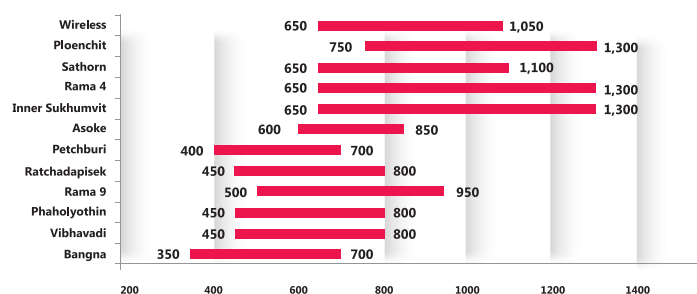
### Office Asking Rent by Grade and Percentage Increase

Quarter	Grade A	Grade B	Grade C	Average
Q1 2015	891	636	422	649
Q2 2015	910	645	420	658
Q3 2015	936	651	425	670
Q4 2015	944	655	425	675
Q1 2016	943	664	425	677
Q2 2016	946	686	446	692
Q3 2016	956	694	448	699
Q4 2016	958	700	448	702
Q1 2017	947	704	449	700
<b>Q2 2017</b>	<b>952</b>	<b>705</b>	<b>450</b>	<b>702</b>
Q-o-Q	+0.5%	+0.1%	+0.2%	+0.3%
Y-o-Y	+0.6%	+2.8%	+0.9%	+1.5%

SOURCE: KNIGHT FRANK THAILAND RESEARCH

FIGURE 6

### Asking Rent of Bangkok Office by Major Roads, Q2 2017



SOURCE: KNIGHT FRANK THAILAND RESEARCH



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TABLE 5

## Office Asking Rent by Grade and Percentage Increase

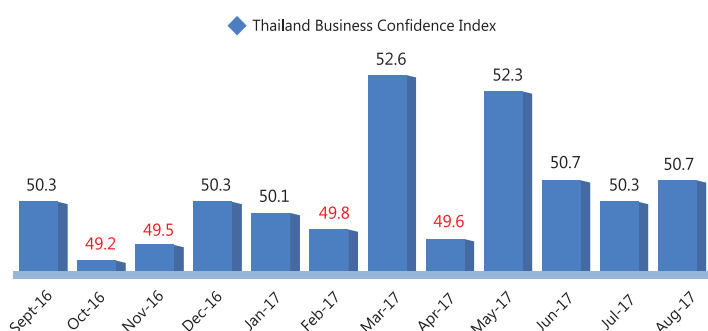
	2011	2012	2013	2014	2015	2016	2017
GDP	0.8	7.3	2.8	0.9	2.8	2.8	3.1
Agriculture	6.3	3.4	0.4	0.3	1.5	5.3	2.7
Industry	-4.1	7.4	1.3	-0.6	4.0	2.7	2.8
Services	5.4	8.0	4.8	2.4	1.9	2.5	3.4
Government Consumption	3.4	7.5	4.7	1.7	2.2	3.6	3.2
Private Consumption	1.8	6.3	0.8	0.6	2.1	2.3	2.4
Exports, goods and services	9.2	5.1	2.8	0.1	0.2	0.4	1.0
Imports, goods and services	12.4	6.0	1.4	-5.3	-0.4	-0.5	-0.4

SOURCE: BANK OF THAILAND (BOT) AND WORLD BANK STAFF ESTIMATES.

NOTE: FIGURES FOR 2017 ARE TENTATIVE, AND MAY PRESENT VARIATIONS RESPECT TO OFFICIAL ESTIMATES.

FIGURE 7

## Office Asking Rent by Grade and Percentage Increase



SOURCE: BANK OF THAILAND (BOT)

## REMARKS:

1/ BUSINESS SENTIMENT INDEX IS COMPILED FROM BOT SURVEY DATA OF 1,500 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 WORSENE.

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