

Office

Q2 2024

An overview review of Bangkok's Office market in Q2 2024
by Knight Frank Thailandknightfrank.co.th/research

- **Flight to quality, with evolving definitions of quality that emphasize flexibility, technology, and sustainability, becomes even more prominent. Older buildings face increased competition from newer, more adaptable properties, especially as 1.2 million square meters of new supply is expected in the next 2.5 years. The Silom-Sathorn-Rama IV area is projected to become a key leasing hotspot with the opening of One Bangkok phase 1 in the latter half of 2024, amid mounting pressure on occupancies and rents.**

The Office of the National Economic and Social Development Council (NESDC) revealed that the Thai economy expanded by 2.3% YoY in Q2, increasing from 1.6% recorded in the previous quarter. However, growth was unevenly distributed. Tourism remained the primary growth engine, driving activity in the service sector and contributing to increases in employment and private consumption. Merchandise exports, excluding gold, rose in tandem with improved manufacturing production. However, some industries faced challenges in exports and production due to high inventory levels and structural issues related to declining competitiveness. Private investment in machinery and equipment grew, while government spending saw a significant boost following the enactment of the 2024 Budget Act. On the economic stability front, headline inflation was recorded at 0.62%, driven by higher energy prices as government subsidies were gradually lifted, along with reduced

supply of vegetables and pork. Core inflation, however, eased to 0.36% due to lower prices of prepared foods and personal care products. The labor market continued to improve, primarily due to stronger employment in the service sector.

In June, the Business Sentiment Index (BSI) rose but stayed below 50, indicating an uncertain business recovery, with a gradual improvement in manufacturing but a decline in non-manufacturing. Despite the 3-month expected BSI remaining above 50, overall confidence has decreased since last year, driven by lower confidence in the non-manufacturing sector, while manufacturing confidence remained stable.

29,200 sq m

The total supply of office space in Bangkok increased from the completion of Supalai Icon Sathorn and Ratchayothin Hills, bringing the total to 6.16 million sq m.

1.46 million sq m

is in the projected pipeline from 2024 to 2028.

18,400 sq m

Net absorption rose in Q2.

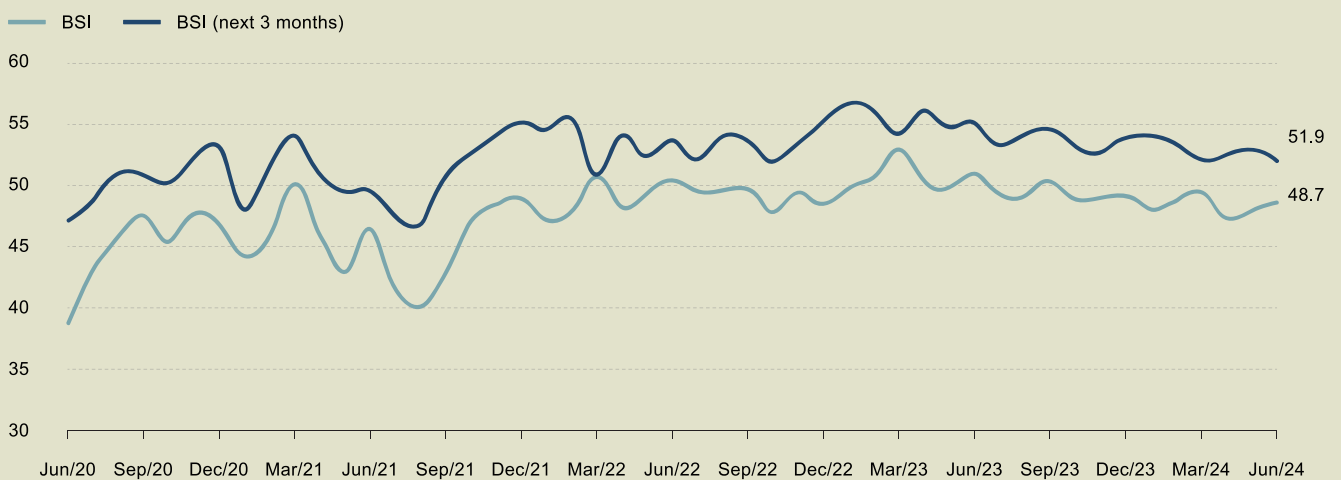
76.8%

The overall occupancy rate declined by 0.1% pts QoQ.

OFFICE PROPERTY MARKET INDICATORS

	6.16M SUPPLY (sq m)	4.73M OCCUPIED SPACE (sq m)	76.8% OCCUPANCY RATE	817.- ASKING RENT (THB / sq m / month)
% Change				
Q-o-Q	▲ 0.5%	▲ 0.4%	▼ 0.1% pts.	▲ 1.1%
Y-o-Y	▲ 3.5%	▲ 1.5%	▼ 1.6% pts.	▲ 0.4%

THAILAND BUSINESS SENTIMENT INDEX



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.

SOURCE: BANK OF THAILAND

SUPPLY

Bangkok's total supply of office space expanded this quarter by 29,200 sq m, or by 0.5% QoQ, to 6.16 million sq m following the completion of Supalai

Icon Sathorn and Ratchayothin Hills. Currently, green buildings represent 24% of total supply.

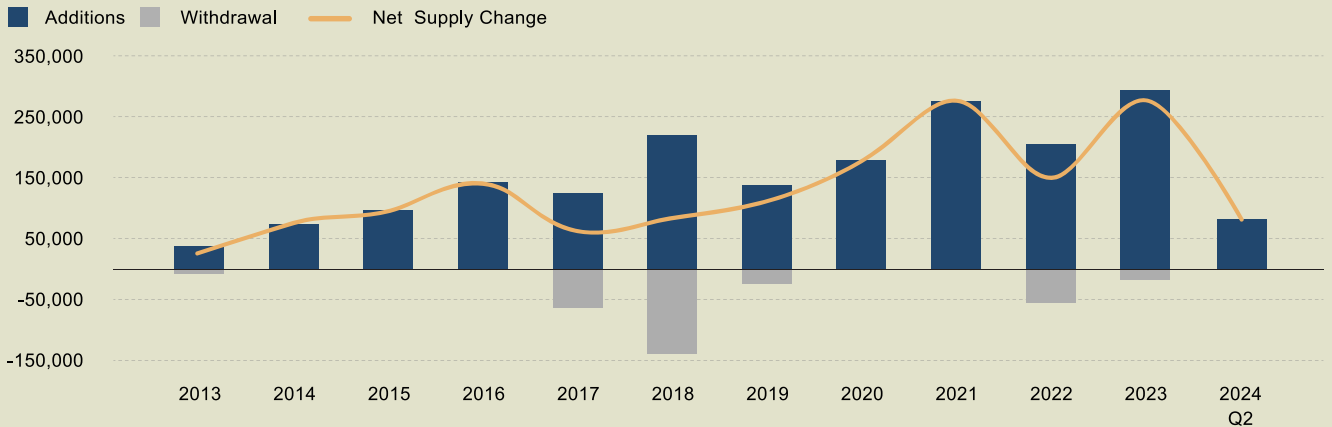
BANGKOK OFFICE SUPPLY CHANGE

	Q2 2024 (sq m)	Supply % Change		10 Yr. Avg. Growth Rate
		(Q-o-Q)	(Y-o-Y)	
Market	6,156,000	▲ 0.5%	▲ 3.5%	▲ 2.8%
Green	1,465,000	▲ 1.3%	▲ 9.0%	▲ 15.9%

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

BANGKOK OFFICE NET SUPPLY CHANGE

SQ M



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

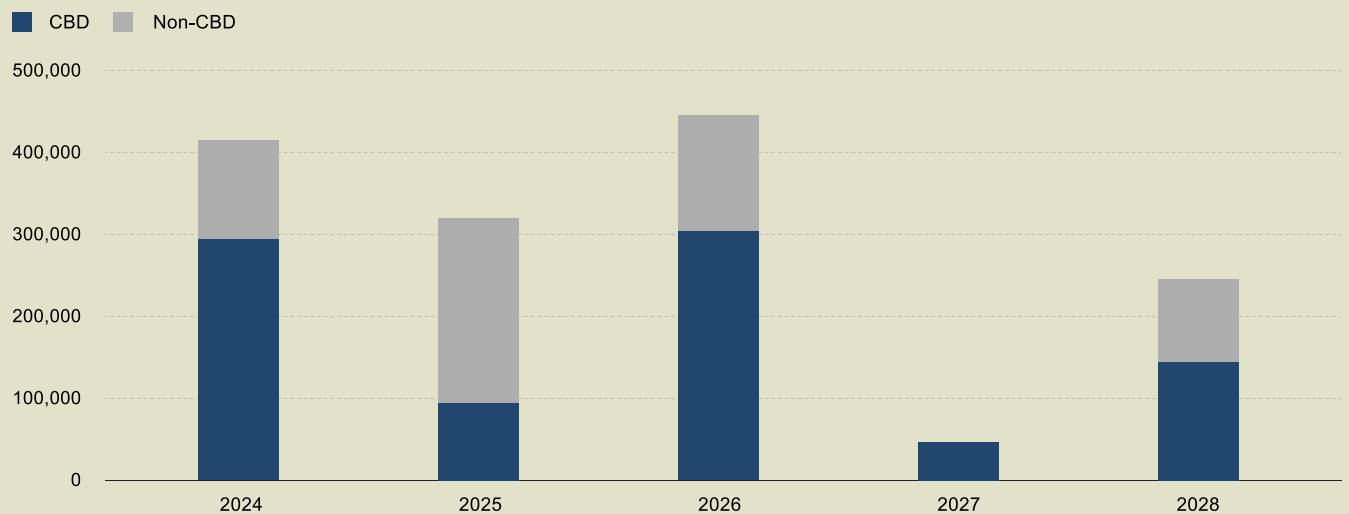
FUTURE SUPPLY

With no new projects announced, the total lettable area for upcoming developments has decreased to 1.46 million square meters, representing 24% of the current office space supply. The CBD remains the primary focus, with 60% of the forthcoming supply

concentrated in central areas. Over the next 2.5 years, the anticipated additional office space supply is projected to be 410,700 sq m in the latter half of 2024, 316,000 sq m in 2025, and 440,400 sq m in 2026.

BANGKOK OFFICE FUTURE SUPPLY

SQ M



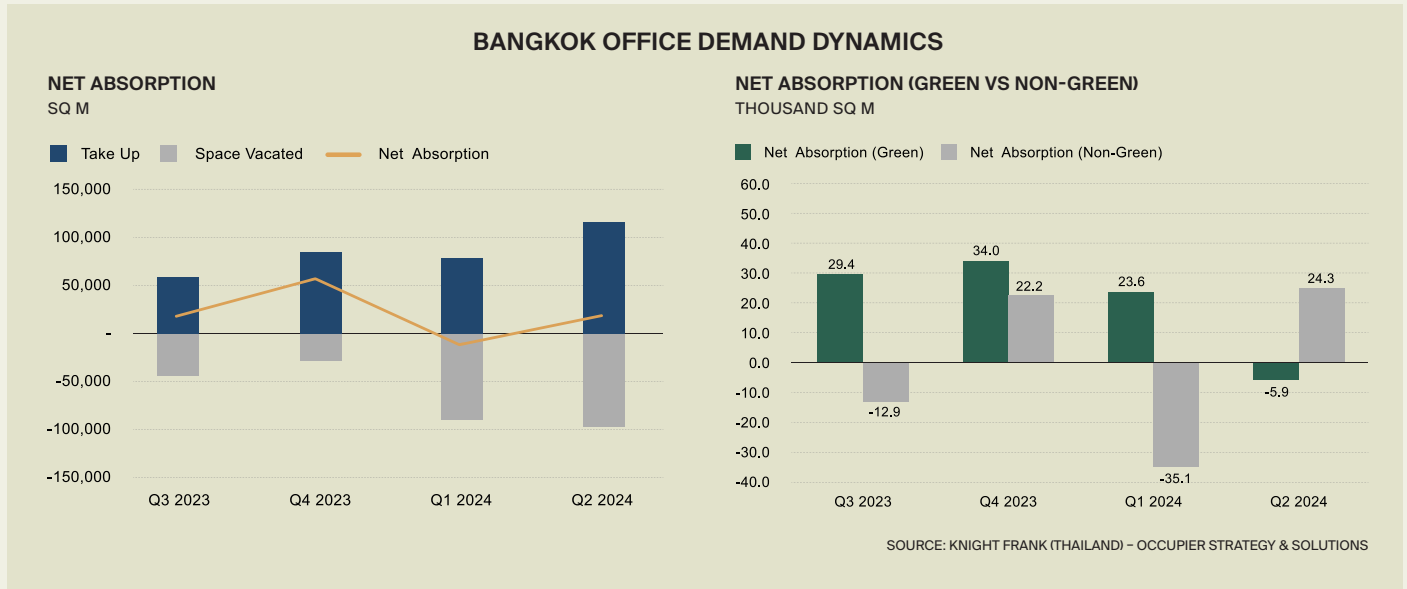
SOURCE: KNIGHT FRANK (THAILAND) - OCCUPIER STRATEGY & SOLUTIONS

DEMAND

The office market this quarter recorded a positive net absorption figure of 18,400 sq m, rebounding from negative figures in the previous quarter. This resulted in total occupied space increasing by 0.4% QoQ to 4.73 million sq m. For the first time since Q1 2022, net absorption for green properties

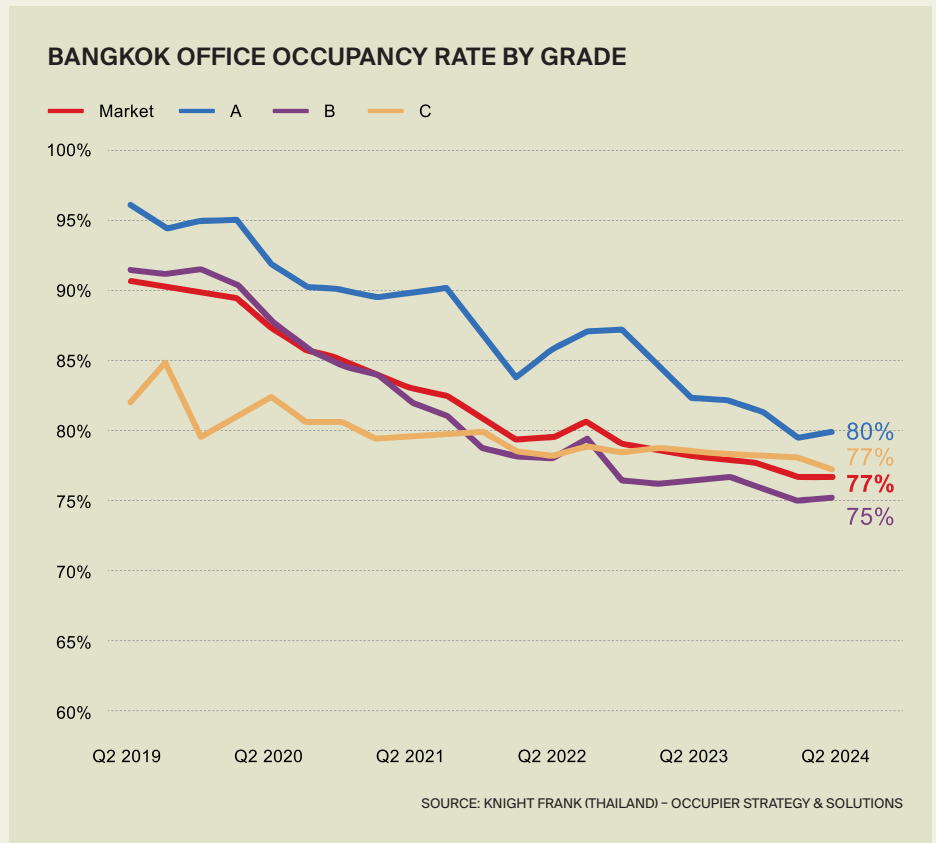
was negative, declining to -5,900 sq m while it increased by 24,300 sq m for non-green office spaces. Despite this quarter's figures, the broader trend indicates that sustainability remains an important driver in the office market, with net absorption for green properties likely to rebound

in the coming quarters. Demand for office space in the CBD grew, reflected by 23,400 sq m of net absorption. Meanwhile, the non-CBD market contracted slightly with -4,950 sq m net absorption.



MARKET DYNAMICS BY SEGMENT

The overall market occupancy rate held steady at 77%, consistent with the previous quarter. Among the different office grades, Grade A offices showed resilience, maintaining the highest occupancy rate at 80%, despite a year-over-year decrease of 2.5% due to ongoing supply-side pressures. Grade B offices saw a slight improvement, with occupancy rising by 0.3% pts. Meanwhile, Grade C properties faced a decline, with the occupancy rate dropping by 1% pts. to 77%.

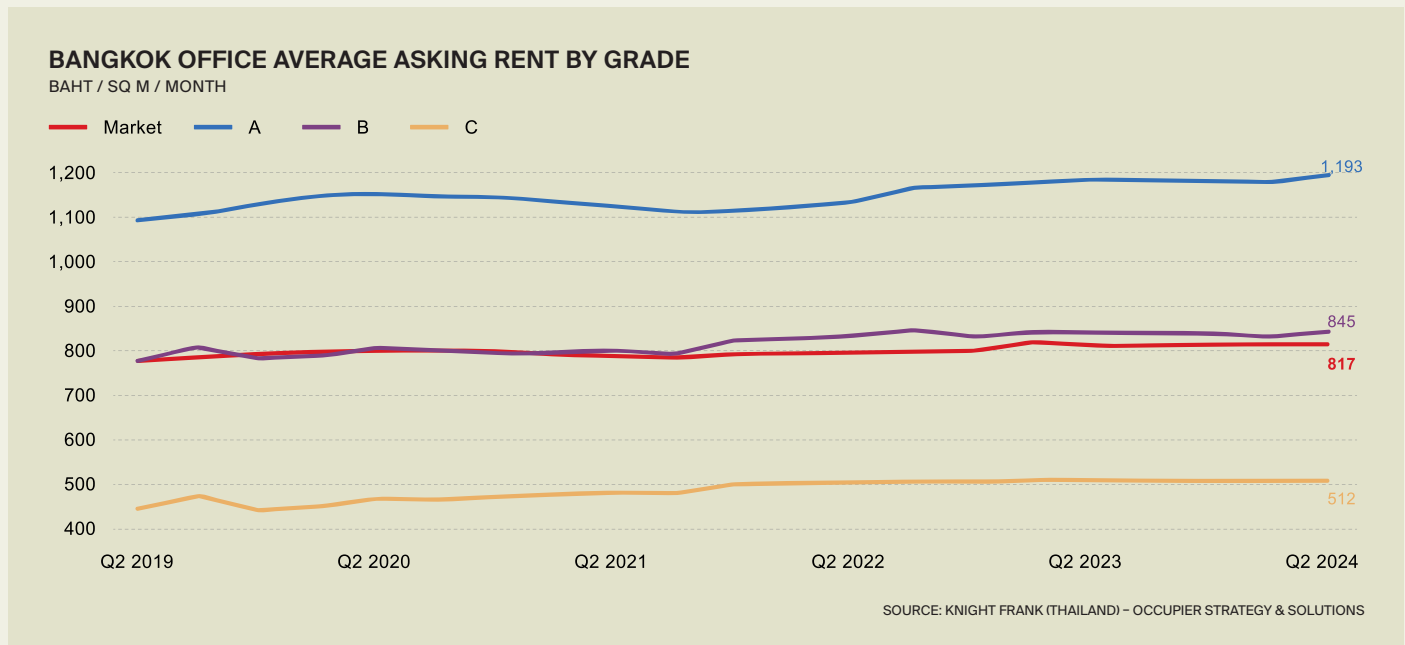


In Q1, the office sector in Bangkok reached an average asking rent of THB 817 per square meter per month, increasing by 0.5% QoQ and 0.3% YoY. The average asking rent increased across all three building grades. Despite the overall upward trend, most properties have opted to maintain their asking rates steady.

BANGKOK OFFICE OCCUPANCY RATE BY GRADE

	Occupancy Rate % Change			10 Yr. Avg. Occupancy Rate
	Q2 2024	(Q-o-Q)	(Y-o-Y)	
Market	77%	▼ 0.1% pts	▼ 1.6% pts	87%
Grade A	80%	▲ 0.5% pts	▼ 2.5% pts	91%
Grade B	75%	▲ 0.3% pts	▼ 1.2% pts	87%
Grade C	77%	▼ 0.9% pts	▼ 1.4% pts	84%

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



BANGKOK OFFICE AVERAGE ASKING RENT BY GRADE

BAHT / SQ M / MONTH

	Rent % Change			10 Yr. Annual Growth Rate
	Q2 2024	(Q-o-Q)	(Y-o-Y)	
Market	817	▲ 0.5%	▲ 0.3%	▲ 2.9%
Grade A	1,193	▲ 1.2%	▲ 0.8%	▲ 3.8%
Grade B	845	▲ 1.5%	▲ 0.2%	▲ 3.5%
Grade C	512	▲ 0.4%	▲ 0.5%	▲ 3.7%

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

MARKET DYNAMICS BY AREA

In the Bangkok CBD, the average asking rent increased by 0.5% QoQ to THB 933 per sq m per month, while the average occupancy rate remained stable at 79%. Contrary to recent trends, Silom-Sathorn-Rama IV was the primary driver of leasing activity in the CBD. The area experienced significant growth as net absorption increased

to 22,200 sq m, causing the area's occupancy rate to rise by 0.4% QoQ. Rental rates declined slightly, falling by 0.7% QoQ.

In contrast to the CBD, the non-CBD market experienced declines for both the asking rent and occupancy rate. The average asking rent decreased

by 1.6% QoQ, falling to THB 660 per square meter per month. The average occupancy rate also fell, dropping by 0.5% QoQ to 74%. All three highlighted sub-markets experienced positive rental growth, accompanied by a decline in occupancies.

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)
CBD	933	▲ 0.5%	▲ 0.3%	79%	▲ 0.2%	▼ 3.7%
Ploenchit - Chidlom - Wireless	1,070	▲ 2.2%	▲ 1.1%	78%	▼ 1.4%	▼ 0.9%
Nana - Asoke - Phrompong	945	▼ 0.1%	▲ 0.9%	79%	▼ 0.3%	▼ 4.1%
Silom - Sathorn - Rama IV	901	▼ 0.7%	▼ 1.2%	80%	▲ 0.4%	▼ 3.6%
Non - CBD	660	▼ 1.6%	▼ 1.6%	74%	▼ 0.5%	▲ 1.2%
Petchburi - Rama IX - Ratchada	721	▲ 1.6%	▼ 0.3%	79%	▼ 0.6%	0.0%
Phaholyothin - Viphavadi	690	▲ 0.7%	0.0%	74%	▼ 2.2%	▲ 0.6%
Bangna - Srinakarin	585	▲ 1.0%	▼ 2.6%	64%	▼ 1.4%	▼ 1.2%

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 2024	Net Absorption	
		Per Quarter	Per Annum
CBD	2,780,900	▲ 23,400	▲ 12,900
Ploenchit - Chidlom - Wireless	497,260	▼ 9,100	▼ 6,000
Nana - Asoke - Phrompong	512,700	▲ 100	▲ 12,900
Silom - Sathorn - Rama IV	1,270,000	▲ 22,200	▼ 23,900
Non - CBD	1,948,900	▼ 5,000	▲ 66,800
Petchburi - Rama IX - Ratchada	738,200	▼ 5,200	▼ 200
Phaholyothin - Viphavadi	403,700	▼ 4,700	▲ 10,700
Bangna - Srinakarin	237,700	▼ 5,200	▼ 100

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

REVIEW & OUTLOOK

In the second quarter of 2024, the Bangkok office market expanded slightly, with growth in supply, occupied space and the asking rental rate. Although net absorption turned positive, the market occupancy rate continued to fall as supply outpaced demand. Flight to quality remains a key characterization of tenant movement, although the definition of “quality” continues to evolve. Post-pandemic, many tenants have adapted their office space usage to prioritize flexibility, technology, and adaptability. It has become a lot more essential to create work environments that accommodate diverse work styles and emphasize employee well-being. Moreover, sustainability and ESG considerations have gained traction for tenants when making real estate

decisions. With carbon commitments in place and deadlines looming, some companies will only consider green-certified properties, even if non-certified options come with attractive incentives. As highlighted last quarter, there was a noticeable trend of tenants transitioning from home offices to traditional office buildings, driven by the demand for a wider choice of amenities and greater accessibility. This is another indication of flight to quality occurring market wide.

Older buildings that do not undergo Asset Enhancement (AE) or make improvements in Facility Management (FM) face even greater threat from the emergence of newer buildings that employ competitive pricing strategies, physical space and services that meet

the needs of modern-day tenants. With close to 1.2 million square meters still in the supply pipeline over the next 2.5 years, pressures on occupancies and rents will continue to mount. Going forward, asking rents will become even more unreliable as market indicators, as the gap between asking and effective rental rates continues to widen. In the latter half of 2024, the Silom-Sathorn-Rama IV area is anticipated to see increased leasing activity with the official opening of One Bangkok phase 1, positioning it as the key market to watch as these dynamics continue to unfold.

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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