

Bangkok Office

Market Overview Q3 2022



HIGH LIGHTS

1

THE TOTAL SUPPLY OF OFFICE SPACE IN BANGKOK DECREASED SLIGHTLY BY 0.5% Q-O-Q TO 5.68 MILLION SQ M.

2

1.76 MILLION SQ M IS IN THE PROJECTED PIPELINE FROM 2022 TO 2026.

3

NET ABSORPTION CONTINUED TO GROW AT THE SAME PACE AS Q2 AT 44,000 SQ M.

4

THE OCCUPANCY RATE SHOWED A MARGINAL IMPROVEMENT IN Q3 BY RISING 1.2% PTS Q-O-Q TO 81.3%.

5

THE AVERAGE ASKING RENT REMAINED STEADY Q-O-Q AT 802 BAHT PER SQ M PER MONTH.



PANYA JENKITVATHANALERT
Executive Director, Division Head of Office Agency



The office market in Q3 became more active as we saw twice as much transaction volume as the last quarter. Continued demand backed by the return-to-office theme and supply withdrawals drove market occupancies back to 81%. Meanwhile, we witnessed the growing demand for high-quality and sustainable workplaces, which are in line with most business locations globally.



OFFICE PROPERTY MARKET INDICATORS

	5.68M SUPPLY (sq m)	4.62M OCCUPIED SPACE (sq m)	81.3% OCCUPANCY RATE	802 ASKING RENT (THB / sq m / month)
% Change				
Q-o-Q	▼ 0.5%	▲ 1.0%	▲ 1.2% pts.	-0.0%
Y-o-Y	▲ 3.0%	▲ 0.9%	▼ 1.7% pts.	▲ 2.0%

ECONOMIC OVERVIEW

The Thai economy in Q3 2022 continued a slight improvement amid global uncertainty.

According to the World Bank, private consumption improved, aided by better labour market conditions and a low base last year. The unemployment rate dropped to 1.2% in August compared to 2.0% during the peak of the COVID crisis. In addition, the country witnessed more foreign visitors for nine consecutive months. In September, tourist arrivals rose to 1.3 million per month (+11% M-o-M), yet still accounted for 45% of September 2019. The banking system remained strong as overall capital to risk-weighted assets (CAR) stood at 19.9% with a liquidity coverage ratio of 186% in

August, while the minimum regulatory requirements equalled 8.5% and 100%, respectively. Non-performing loans fell to 2.9%, which was lower than 3.1% at year-end 2019.

Headline inflation in August reached 7.9%, increasing by 0.3% M-o-M, mainly driven by inflationary pressure from supply-side factors such as rising food and energy prices. The surge in diesel price will cause the government to extend the subsidy programme, putting more pressure on the public debt to continue passing above 60% of the GDP. Goods exports contracted from subdued global demand, deepening the current account deficit to almost 10% of the GDP and weakening the Thai Baht.

The Business Sentiment Index (BSI) in Q3 decreased to 49.6 from 50.5 last quarter, showing less confidence in the overall business outlook, despite the marginal improvement of the economy. The 3-month expected BSI did not change much from Q2, standing at 53.8, supported mainly by the respondent's confidence in the tourism and hospitality sector.



FIGURE 1
THAILAND BUSINESS SENTIMENT INDEX



SOURCE: BANK OF THAILAND

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

SUPPLY

Bangkok's total supply of office space dropped by around 31,000 sq m or -0.5% Q-o-Q this quarter. One new building was completed, while three properties were removed from the leasing market. For sustainable green office buildings, the net lettable area expanded to 992,000 sq m, up by 12.7% Y-o-Y, with an average annual growth rate of 13.4%.

FUTURE SUPPLY

There has been no additional project announced in the past three months. With construction delays, the completion dates of some projects that were set to be completed by the end of 2022 were moved towards the first half of 2023. Therefore, the upcoming supply at the end of 2022 - 2024 is expected to be 208,000, 583,000,

and 295,000 sq m, respectively. The total size of the future lettable area will tally 1.75 million sq m, accounting for 30% of the current level of office supply. Around 65% of the future supply will be in the CBD.

TABLE 1

BANGKOK OFFICE SUPPLY CHANGE

	Q3 2022 (sq m)	Supply % Change		10 Yr. Avg. Growth Rate
		(Q-o-Q)	(Y-o-Y)	
Market	5,680,000	▼ 0.5%	▲ 3.0%	▲ 2.1%
Green	992,000	▲ 1.8%	▲ 12.7%	▲ 13.4%

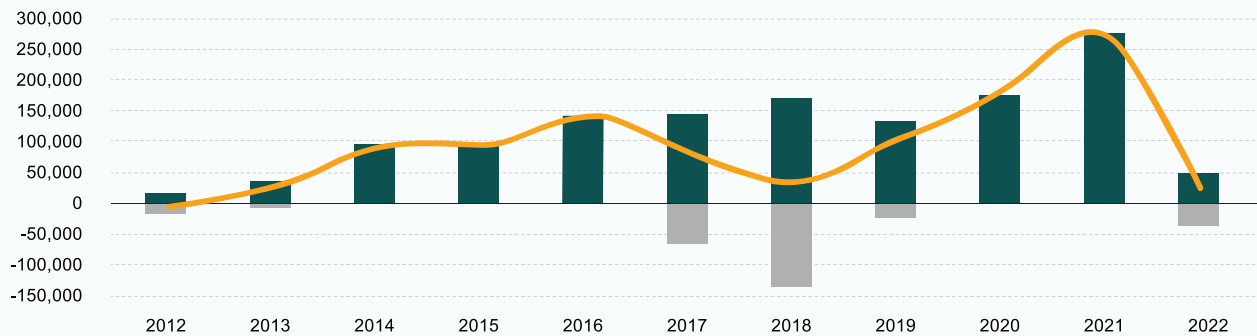
SOURCE: KNIGHT FRANK (THAILAND) – OCCUPIER STRATEGY & SOLUTIONS

FIGURE 2

BANGKOK OFFICE NET SUPPLY CHANGE

SQ M

■ Additions ■ Withdrawals — Net Supply Change

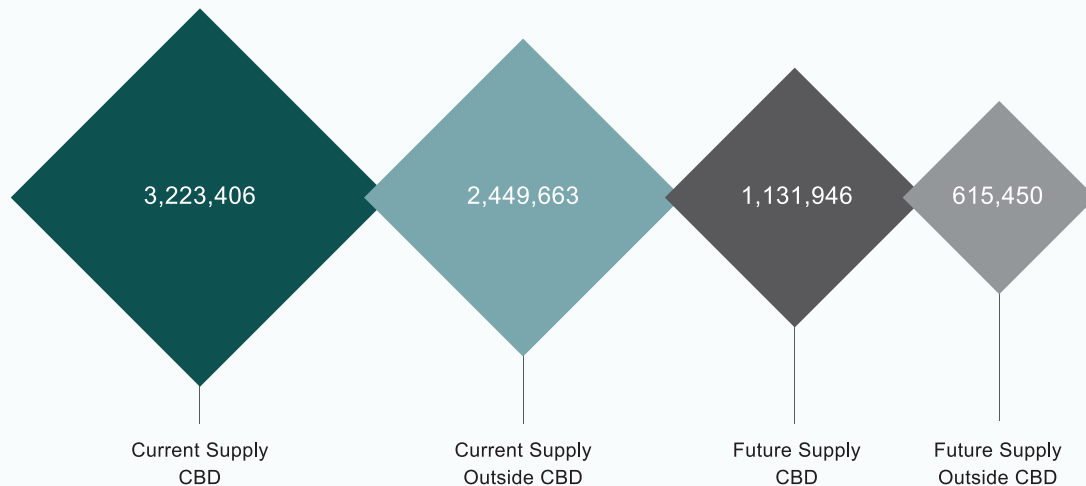


SOURCE: KNIGHT FRANK (THAILAND) – OCCUPIER STRATEGY & SOLUTIONS

FIGURE 3

BANGKOK OFFICE CURRENT AND FUTURE SUPPLY

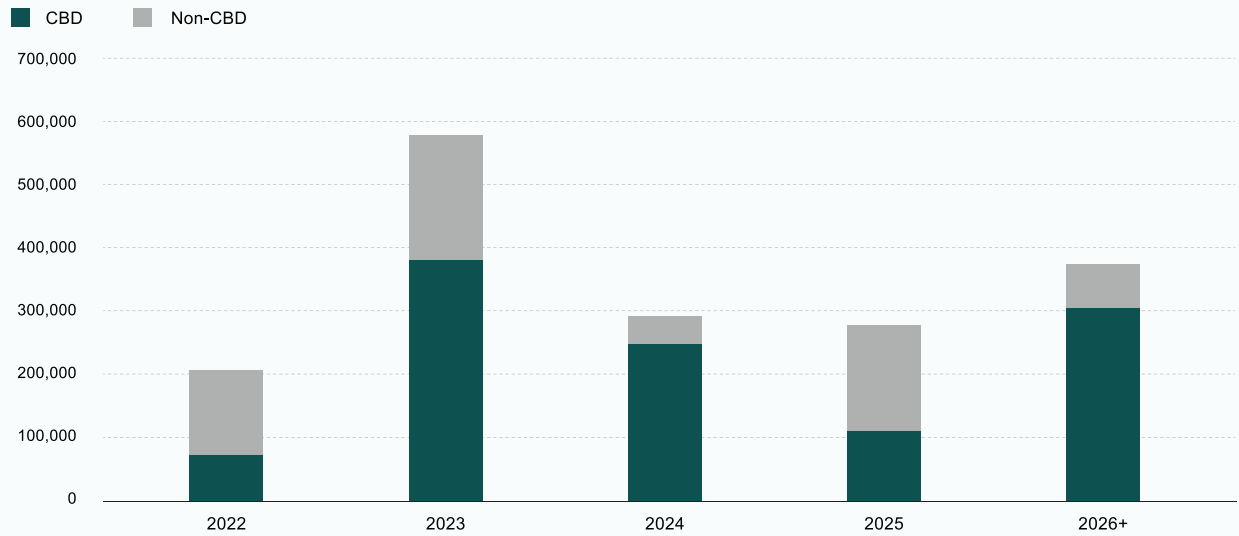
SQ M



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

FIGURE 4
BANGKOK OFFICE FUTURE SUPPLY IN CBD VS NON-CBD

SQ M



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

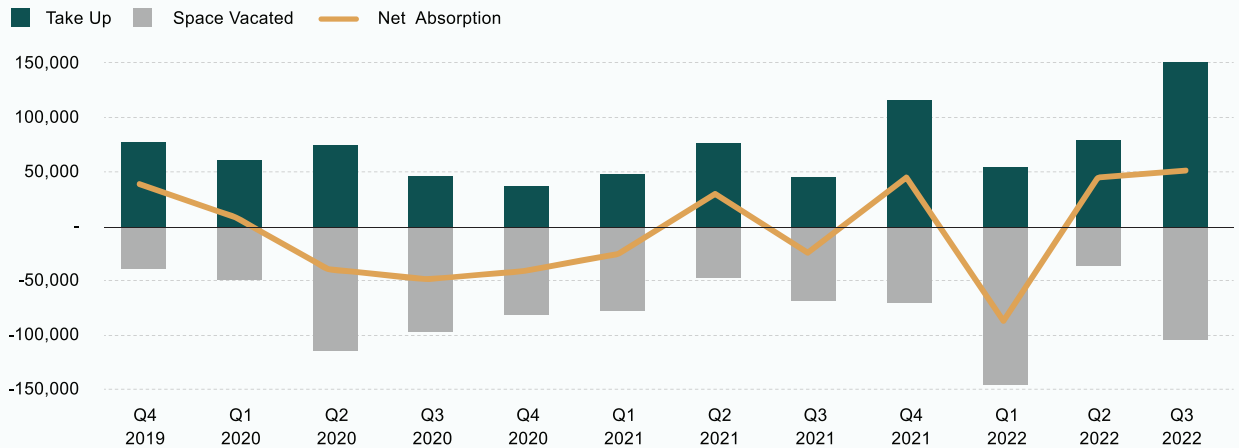
DEMAND

Take-up rose significantly from 80,000 sq m to 147,000 sq m, while space vacated also increased considerably from -36,000 sq m to -103,000 sq m. The positive net absorption of 44,000 sq m in Q3 has not changed much from Q2. However, the total volume of leasing activities in

Q3 more than doubled in Q2. Our data indicated that the take-up we witnessed this quarter was dominated by tenants relocating to new premises rather than tenants' expansion.

FIGURE 5
BANGKOK OFFICE DEMAND DYNAMICS

SQ M



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

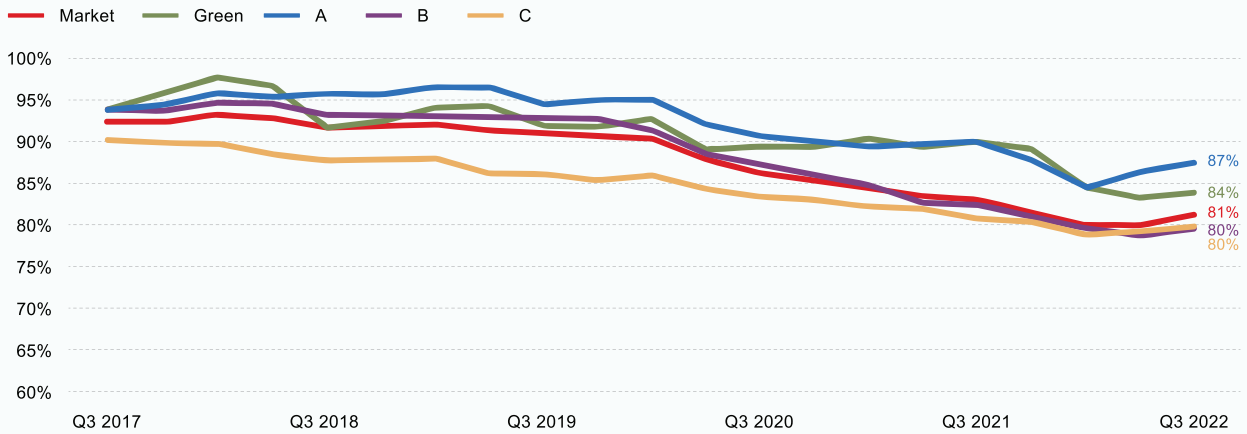
MARKET DYNAMICS BY SEGMENT

The occupancy rate of all grades improved Q-o-Q, with most segments except grade C recording positive net absorption.

The total amount of occupied space increased steadily from 4.57 sq m in Q2 2022 to 4.62 sq m in Q3 2022, with market occupancies rising to 81%. Grade A became the best-performing segment in Q3, with the occupancy rate increasing by 1.3% Q-o-Q. The occupancy rate for grade B also bounced back by 1.2% Q-o-Q to reach 80%. Grade C, the least sensitive segment to the changing market condition over the past two years, underperformed other grades but still had occupancies at around 80%.

Looking at net absorption or the total change in occupied space by segment, the quarterly and yearly performances showed similar results. All grades saw positive net absorption, except grade C, with - 5,000 sq m Q-o-Q and -27,000 Y-o-Y. Compared to other grades, demand for grade B was the highest this quarter at 32,000 sq m, followed by green buildings and grade A at 22,000 and 16,000 sq m, respectively.

FIGURE 6
BANGKOK OFFICE OCCUPANCY RATE BY GRADE



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

TABLE 2
BANGKOK OFFICE OCCUPANCY RATE BY GRADE

	Q3 2022	Occ % Change		10 Yr. Avg. Occupancy Rate
		(Q-o-Q)	(Y-o-Y)	
Market	81%	▲ 1.2% pts	▼ 1.7% pts	89%
Green	84%	▲ 1.1% pts	▼ 5.6% pts	90%
Grade A	87%	▲ 1.4% pts	▼ 2.4% pts	93%
Grade B	80%	▲ 1.3% pts	▼ 2.4% pts	89%
Grade C	80%	▲ 0.7% pts	▼ 0.5% pts	86%

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

TABLE 3

BANGKOK OFFICE OCCUPIED SPACE AND NET ABSORPTION BY GRADE

THOUSAND SQ M

	Occupied Space as of Q3 2022	Net Absorption	
		Per Quarter	Per Annum
Market	4,617	43	40
Green	833	22	41
Grade A	1,003	16	24
Grade B	2,238	32	43
Grade C	1,375	-5	-27

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

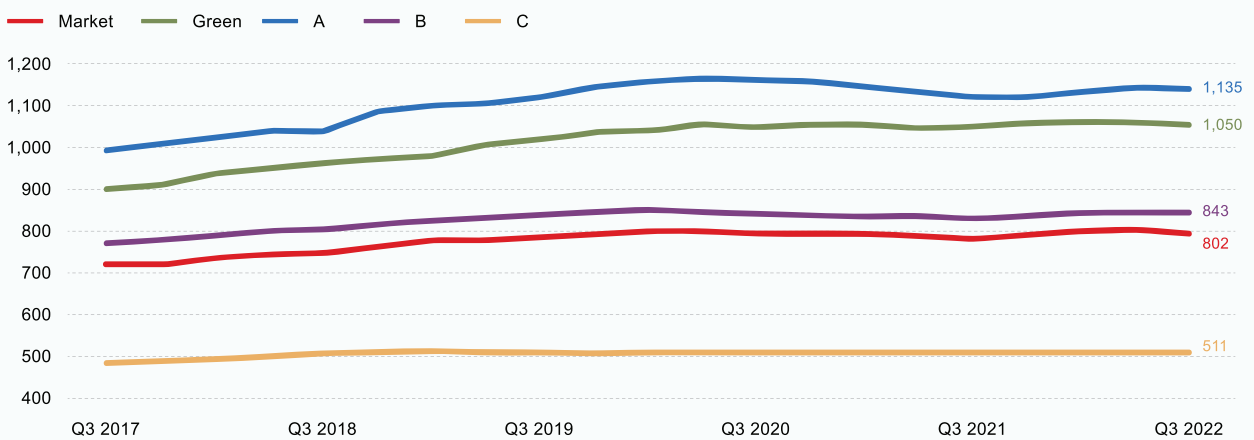
The average asking rent increased marginally to 802 Baht per sq m per month in Q3, below the 10-year rental growth, which averaged 3.6% per annum. Quarterly rental growth by grade mixed as the rental changes for green buildings and grade A were negative, while grades B and C were positive. Green buildings

had the worst rental performance in Q3, with a decline of -1.3% Q-o-Q and -0.5% Y-o-Y. Rents of Grades A and B changed slightly this quarter but had more than a 2.0% increase Y-o-Y from the low bases last year. Lastly, Grade C had a positive change in rent for both Q-o-Q and Y-o-Y at 0.4% and 0.9%, respectively.

FIGURE 7

BANGKOK OFFICE AVERAGE ASKING RENT BY GRADE

BAHT PER SQ M PER MONTH



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

TABLE 4

BANGKOK OFFICE AVERAGE ASKING RENT BY GRADE

BAHT PER SQ M PER MONTH

Market	Q3 2022	Rent % Change		10 Yr. Annual Growth Rate
		(Q-o-Q)	(Y-o-Y)	
Market	802	0.0%	▲ 2.0%	▲ 3.4%
Green	1,050	▼ 0.7%	▲ 0.1%	▲ 3.7%
Grade A	1,135	▼ 0.5%	▲ 2.3%	▲ 4.0%
Grade B	843	▲ 0.2%	▲ 2.7%	▲ 3.2%
Grade C	511	▲ 0.4%	▲ 0.9%	▲ 1.8%

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

MARKET DYNAMICS BY AREA

All major sub-markets demonstrated positive rental changes Y-o-Y. While occupancies mostly grew Q-o-Q, they have not reached Q3 2021 figures.

To start with, rental growth for CBD properties grew slowly by 0.2% Q-o-Q to 911 THB per sq m per month, with the average occupancy rate uplifting by 0.8% pts Q-o-Q to 84%. Ploenchit – Chidlom – Wireless had both asking rents and occupancy rate increase this quarter at 0.2% and 0.6%, respectively. Nana - Asoke – Phrompong experienced a slight decrease in asking rent by 0.3%

Q-o-Q but came up with a significant rise in occupancies at 1.9% Q-o-Q. While Silom - Sathorn - Rama IV had the biggest positive change in net absorption at 24,000 sq m, its occupancy rate increased very slightly since a new building was completed and added to the sub-market stock.

For properties outside CBD, the average asking rent decreased by 0.4% Q-o-Q to 658 THB per sq m per month, while the occupancy rate jumped by 1.7% pts Q-o-Q to 77%. Petchburi - Rama IX – Ratchada has shown the worst performance in Q3

as rent and the occupancy rate were all down by 1.2% Q-o-Q. A steep rise in the occupancy rate of Phaholyothin – Viphavadi by 3.7% Q-o-Q while witnessing negative net absorption was the result of two buildings in the area being removed from the leasing market. Finally, Bangna – Srinakarin was the only major sub-market in Q3 which saw increasing rent, rising occupancies and positive net absorption Q-o-Q and Y-o-Y.

TABLE 5

BANGKOK OFFICE SUB-MARKET INDICATORS

Area	Average Asking Rent (THB / SQ M / Month)	Rent % Change		Occupancy Rate (%)	Occupancy % Change	
		(Q-o-Q)	(Y-o-Y)		(Q-o-Q)	(Y-o-Y)
CBD	911	▲ 0.2%	▲ 2.4%	84%	▲ 0.8%	▼ 1.2%
Ploenchit - Chidlom - Wireless	1,030	▲ 0.2%	▲ 4.3%	85%	▲ 0.6%	▼ 3.9%
Nana - Asoke - Phrompong	917	▼ 0.3%	▲ 3.8%	87%	▲ 1.9%	▼ 0.1%
Silom - Sathorn - Rama IV	888	▼ 0.3%	▲ 0.3%	83%	▲ 0.4%	▼ 0.9%
Non - CBD	658	▼ 0.4%	▲ 1.4%	77%	▲ 1.7%	▼ 2.5%
Petchburi - Rama IX - Ratchada	734	▼ 1.2%	▲ 0.3%	81%	▼ 1.2%	▼ 3.4%
Paholyothin - Viphavadi	678	▼ 1.2%	▲ 3.6%	77%	▲ 3.4%	▼ 2.5%
Bangna - Srinakarin	581	▲ 0.6%	▲ 0.3%	75%	▲ 1.2%	▲ 1.9%

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

TABLE 6

BANGKOK OFFICE OCCUPIED SPACE AND NET ABSORPTION BY AREA

THOUSAND SQ.M

Area	Occupied Space as of Q3 2022	Net Absorption	
		Per Quarter	Per Annum
CBD	2,724	26	53
Ploenchit - Chidlom - Wireless	491	7	25
Nana - Asoke - Phrompong	524	13	39
Silom - Sathorn - Rama IV	1,247	24	5
Non - CBD	1,893	18	-14
Petchburi - Rama IX - Ratchada	767	-11	-32
Paholyothin - Viphavadi	378	-2	8
Bangna - Srinakarin	240	9	11

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

SUPER PRIME PERFORMANCES

Apart from grade A, the highest segment currently graded by Knight Frank, we also tracked the ten best-in-class offices for rent in Bangkok. These ten office buildings were chosen by selecting the buildings that command the highest rents in the market, provided that they have an occupancy rate of at least 50%. The study aims to see how well they perform compared to the typical grade A and the market overall. We will call these buildings' Super Prime', listed as follows.

1. Gaysorn Tower
2. Park Ventures
3. Athenee Tower

4. Bhiraj at Emquartier
5. Siam Piwat Tower
6. T1
7. Singha Complex
8. The ParQ
9. Mitrtown Office Tower
10. Interchange 21

Regarding the performances, the following table shows key statistics of the Super Prime, Grade A and Market. The net lettable area of Super Prime of 419,000 sq m is considered 37% of grade A and 7% of the overall market. The current occupancy rate of 93% was higher than grade A (87%) and far above

the market (81%). When considering the demand-side indicator, super prime has average annual net absorption of 29,000 sq m, while grade A and market figures stood at 25,000 and 52,000 sq m, respectively. It is evident that demand for the super prime was also higher than grade A and accounted for approximately 60% of the overall market.

TABLE 7

PERFORMANCE OF THE SUPER PRIME, GRADE A AND MARKET (10 YEARS) AS OF Q3 2022

Statistics	Super Prime	Grade A	Market
Current Net Lettable Area (sq m)	419,000	1,148,000	5,680,000
Current Occupancy Rate (%)	93%	87%	81%
Annual Net Absorption (10-year average) (sq m)	29,000	25,000	52,000

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

REVIEW & OUTLOOK

Despite increasing tourist arrivals and rising employment levels, the Thai economy and the business sentiment index expanded slowly in Q3 due to the rising global uncertainty and fear of looming recession. The performance of the office sector improved slightly, supported by the gradual economic recovery. Total supply stood at 5.68 million sq m, shrinking by 0.5% Q-o-Q, owing to supply withdrawals. Future supply remained at 1.76 million sq m, and around 200,000 sq m remaining to be completed

this year. The overall occupancy rate rose to 81.3% from 80.1% last quarter, with all grades demonstrating positive net absorption except Grade C. Super prime buildings, the top ten office buildings ranked by average asking rents, had higher occupancies than grade A, and captured 60% of demand over the past ten years.

This quarter, the total volume of leasing activities in Q3 increased significantly compared to Q2. However, net absorption

remained steady, implying that a lot of business relocation took place. Based on our database, small to medium-sized units with a lettable area of less than 500 sq m were the most popular size. Multinational tech and professional services companies, such as legal, accountancy and financial advisory, were the most active groups in Q3.

FIGURE 8
BANGKOK OFFICE MARKET BALANCE PROJECTION

2022	Landlord	Balanced	Tenant
2023	Landlord	Balanced	Tenant
2024	Landlord	Balanced	Tenant

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

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 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.

We like questions, if you've got one about our research, or would like some property advice, we would love to hear from you.



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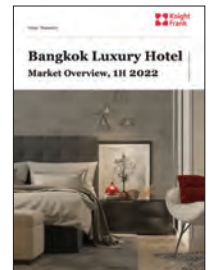
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