

Office

Q3 2023

An overview review of Bangkok's Office market in Q3 2023
by Knight Frank Thailandknightfrank.co.th/research

- Amid rising competition, landlords are boosting their offerings with a focus on customized, built-to-suit, and ready-to-move-in solutions, gaining more prominence over the past year.

Thailand economic growth softened in Q3, with the country experiencing the first decline in inflation in over two years. According to the Press Release on Economic and Monetary Conditions for Q3 of 2023, Thailand's growth moderated following significant expansions in prior periods. Private consumption and the service sector remained positive, bolstered by a surge in tourist-related activities, with international tourist numbers hitting 20 million in the first nine months. Besides tourism, the labor market exhibited positive trends, with employment under section 33 up by 3.9% from the end of 2022. Regarding other GDP components, private investments and government expenditures saw a decrease, while the trade balance improved as imports fell more significantly than exports.

On the financial stability front, the prime rate, measured by the average minimum lending rate (MLR) of the six largest banks in Thailand, increased to 7.0%, up from 6.0% at year-end 2022. Meanwhile, headline inflation in October 2023 has decreased by 0.31 percentage points compared to the previous year, with declines observed across all major components, including core inflation, raw food, and energy. This represented the first monthly decrease in price levels in 25 months, as reported by the Ministry of Commerce.

The Business Sentiment Index (BSI) dropped to 50.4, down from 51.0 last quarter, attributed to diminishing total order books and lower production levels. Similarly, the 3-month projected BSI mirrored this trend, dipping to 54.7 from 55.2 in the previous period.

25,000 sq m

The total supply of office space in Bangkok increased with the completion of Quant S25, P23 and Sukhumvit Hills, bringing the total to 5.97 million sq m.

1.62 million sq m

is in the projected pipeline from 2022 to 2028.

11,000 sq m

Net absorption slowed in Q3.

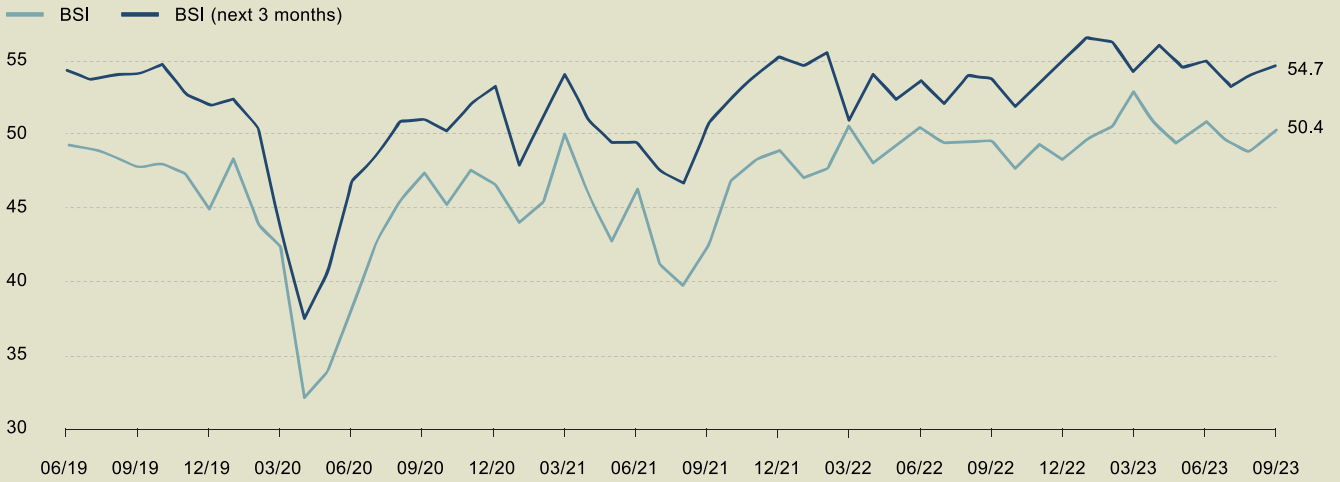
0.2%

decline in the overall occupancy rate Q-o-Q to 78.3%

OFFICE PROPERTY MARKET INDICATORS

| | 5.97M SUPPLY (sq m) | 4.68M OCCUPIED SPACE (sq m) | 78.3% OCCUPANCY RATE | 813.- ASKING RENT (THB / sq m / month) |
|--------------|----------------------------------|--|--------------------------------|---|
| % Change | | | | |
| Q-o-Q | ▲ 0.4% | ▲ 0.2% | ▼ 0.2% pts. | ▼ 0.3% |
| Y-o-Y | ▲ 5.4% | ▲ 2.2% | ▼ 2.5% pts. | ▲ 1.3% |

THAILAND BUSINESS SENTIMENT INDEX



SOURCE: BANK OF THAILAND

SUPPLY

Bangkok’s total supply of office space this quarter expanded by 25,000 sq m or +0.4% Q-o-Q to 5.99 million sq m. Three new buildings were launched in Q3, including Quant S25 at the mouth

of Sukhumvit 25 Road, P23 inside Sukhumvit 23 Road, and Sukhumvit Hills, located between Onnut and Bangchak BTS stations. Of the total office space, the total lettable area

of green office buildings remained unchanged this quarter at 1,344,000 sq m, making up 22% of the total market.

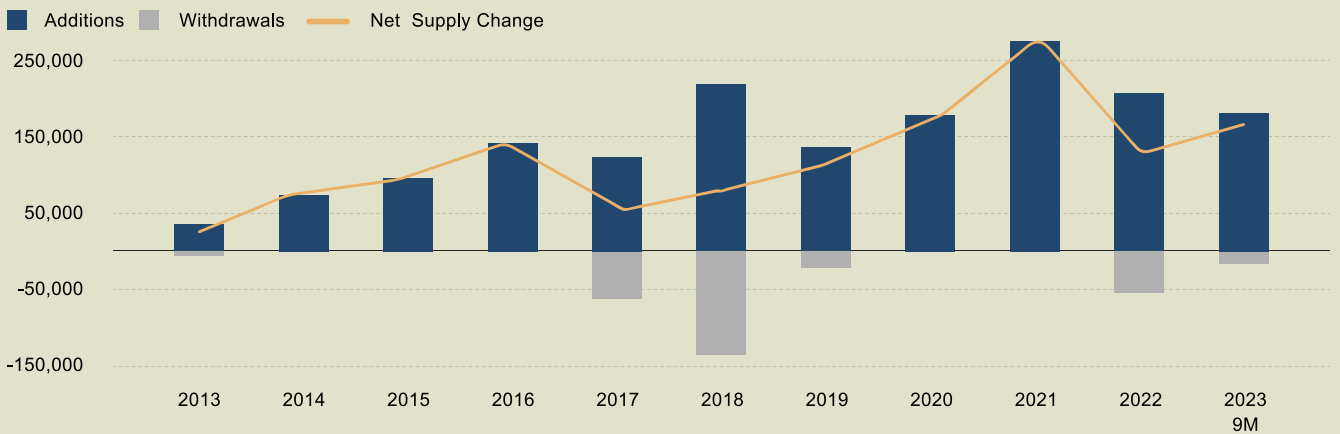
BANGKOK OFFICE SUPPLY CHANGE

| | Q3 2023 (sq m) | Supply % Change | | |
|---------------|----------------|-----------------|---------|-------------------------|
| | | (Q-o-Q) | (Y-o-Y) | 10 Yr. Avg. Growth Rate |
| Market | 5,971,000 | ▲ 0.4% | ▲ 5.4% | ▲ 2.6% |
| Green | 1,344,000 | 0.0% | ▲ 26.8% | ▲ 16.0% |

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

BANGKOK OFFICE NET SUPPLY CHANGE

SQ M



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

FUTURE SUPPLY

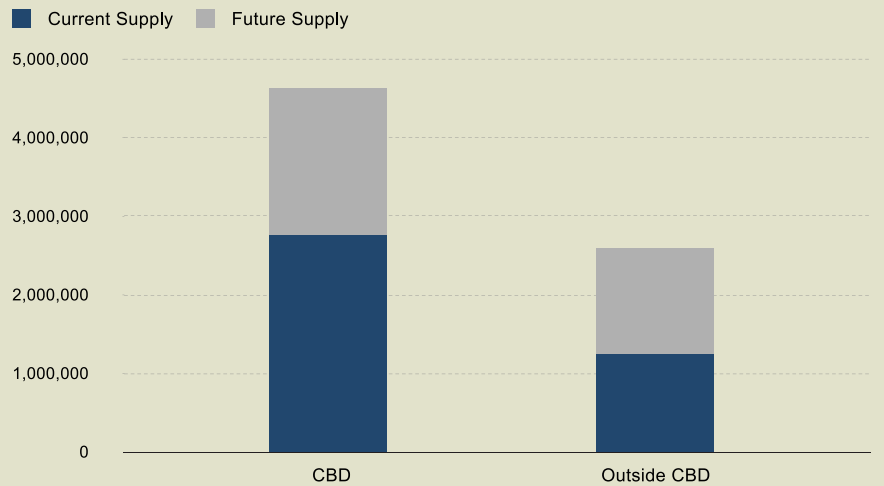
In Q3, two new developments were unveiled in Upper Sukhumvit, within the central business district (CBD). These projects include One Origin Sukhumvit 79 and Project O, which is situated adjacent to Tesco Lotus Sukhumvit 50 and on the opposite side of the former. Looking into the future, the anticipated office space supply for the years 2023, 2024, and 2025 is projected to be 345,000 sq m, 480,000 sq m, and 302,000 sq m, respectively. The combined lettable area of these upcoming developments is forecasted to reach 1.62 million sq m, comprising 27% of the current office space supply. Within this upcoming supply, 62% is concentrated within the CBD.

DEMAND

The office market this quarter demonstrated a net absorption figure of 11,000 sq m, which was slower compared to the 53,000 sq m recorded in Q2 2023. Net absorption for green office space remained positive at 27,900 sq m, while that for non-green office space turned negative at -16,900 sq m. This indicates that some occupiers are transitioning from conventional office space to green space. In this quarter, there was an increase in demand for office space in the non-central business district (non-CBD), primarily due to demand for new buildings. Net absorption for properties in the non-CBD reached 17,200 sq m, marking a 70% increase from the previous quarter. On the other hand, activities within the CBD are found to be more focused on relocating and optimizing workspace, leading to a decrease in total occupied space and a negative net absorption of -6,200 sq m.

BANGKOK OFFICE CURRENT AND FUTURE SUPPLY

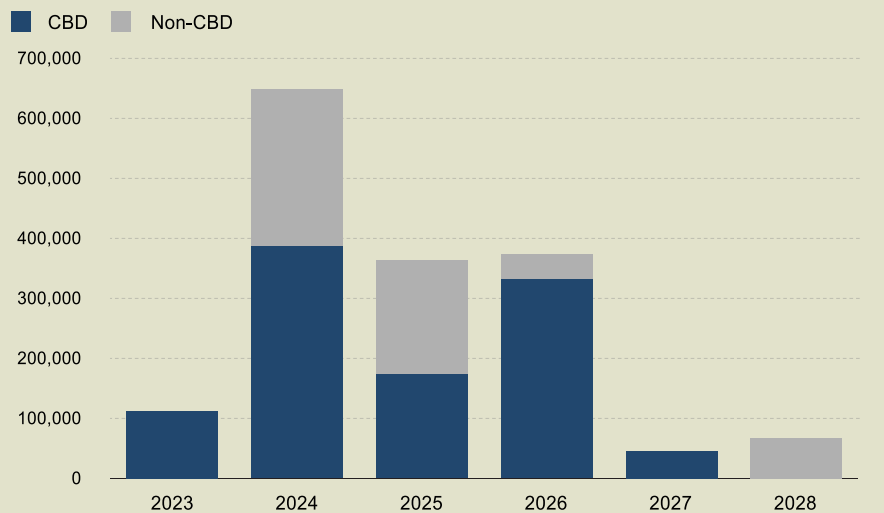
SQ M



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

BANGKOK OFFICE FUTURE SUPPLY IN CBD VS NON-CBD

SQ M

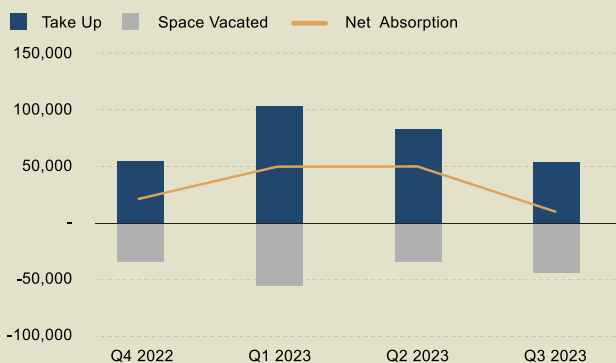


SOURCE: KNIGHT FRANK (THAILAND) - OCCUPIER STRATEGY & SOLUTIONS

BANGKOK OFFICE DEMAND DYNAMICS

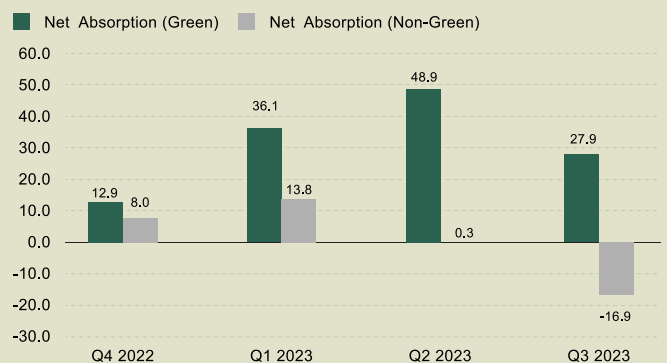
NET ABSORPTION

SQ M



NET ABSORPTION (GREEN VS NON-GREEN)

THOUSAND SQ M



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

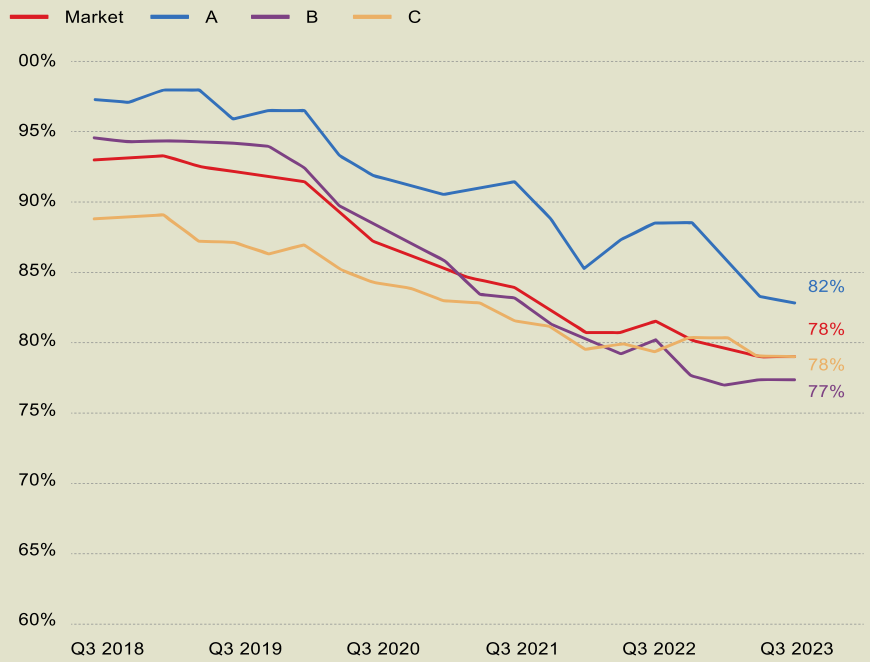
MARKET DYNAMICS BY SEGMENT

Grade B demonstrated the best performance this quarter by showing an improved occupancy rate, even with the introduction of new space.

The overall market occupancy rate experienced a slight decline of -0.2% pts Q-o-Q to 78% in Q3. Grade A witnessed the most reduction among all grades, declining by -0.6% pts Q-o-Q and -5.4% pts Y-o-Y to reach 82%. Grade B saw a very slight improvement in occupancy rate by 0.1% Q-o-Q, but over the past year, it fell by almost -3% pts, similar to grade A. Lastly, the occupancy rate for grade C saw the most stable performance compared to other segments, decreasing by 0.4% pts Q-o-Q and 0.5% pts Y-o-Y, settling at around 78%.

Looking at the pure demand side, the total occupied space in the Bangkok office market increased by 11,000 sq m, reaching a total of 4.68 million sq m. Grade A experienced minimal changes in total occupancy space since most of the recent transactions involved relocations. Grade B, on the other hand, witnessed a significant increase in occupied space, with a quarterly net absorption of 20,100 sq m, primarily driven by new lettings in newly completed buildings. This contrasts with Grade C, which had the lowest net absorption this quarter. We observed certain existing tenants moving away from Grade C properties towards newer, higher-grade properties, particularly those with low occupancy. This type of building aimed to quickly fill in their vacant space by reducing their effective rental rates.

BANGKOK OFFICE OCCUPANCY RATE BY GRADE



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

BANGKOK OFFICE OCCUPANCY RATE BY GRADE

| | Q3 2023 | Occupancy Rate % Change | | 10 Yr. Avg. Occupancy Rate |
|---------|---------|-------------------------|------------|----------------------------|
| | | (Q-o-Q) | (Y-o-Y) | |
| Market | 78% | ▼ 0.2% pts | ▼ 2.5% pts | 88% |
| Grade A | 82% | ▼ 0.6% pts | ▼ 5.4% pts | 92% |
| Grade B | 77% | ▲ 0.1% pts | ▼ 2.7% pts | 89% |
| Grade C | 78% | ▼ 0.4% pts | ▼ 0.5% pts | 86% |

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

BANGKOK OFFICE OCCUPIED SPACE AND NET ABSORPTION BY GRADE

SQ M - NEAREST HUNDRED

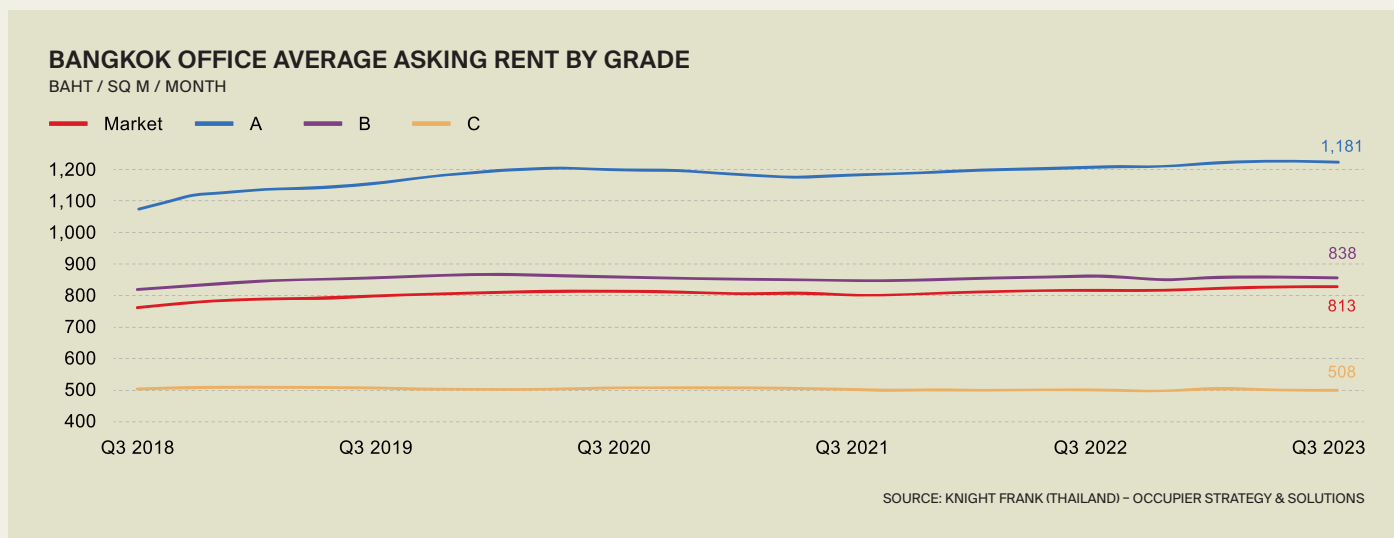
| | Occupied Space as of Q3 2023 | Net Absorption | |
|---------|------------------------------|----------------|-----------|
| | | Per Quarter | Per Annum |
| Market | 4,675,700 | 11,000 | 130,900 |
| Grade A | 982,300 | -600 | 60,900 |
| Grade B | 2,369,900 | 20,100 | 62,800 |
| Grade C | 1,323,600 | -8,500 | 7,200 |

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

In the third quarter of 2023, the office sector in Bangkok reported an average rent of THB 813 per square meter per month, indicating a stable pattern with a marginal decrease of 0.2% Q-o-Q and an expansion of 1.3% Y-o-Y.

Grade A, with an average rental rate of THB 1,181, saw a slight drop of 0.3% Q-o-Q but exhibited a robust 4.1% growth Y-o-Y, driven by the addition of high-quality offices in the market. The average rent for Grade B stood at THB

839, marking a 0.3% decrease Q-o-Q and 0.6% Y-o-Y. Lastly, Grade C, priced at an average of THB 509, experienced a slight uptick for the quarter but decreased by 0.6% over the past year.



BANGKOK OFFICE AVERAGE ASKING RENT BY GRADE
BAHT / SQ M / MONTH

| | Q3 2023 | Rent % Change | | 10 Yr. Annual Growth Rate |
|---------|---------|---------------|---------|---------------------------|
| | | (Q-o-Q) | (Y-o-Y) | |
| Market | 813 | ▼ 0.2% | ▲ 1.3% | ▲ 3.1% |
| Grade A | 1,181 | ▼ 0.3% | ▲ 4.1% | ▲ 3.8% |
| Grade B | 839 | ▼ 0.3% | ▼ 0.6% | ▲ 2.7% |
| Grade C | 509 | ▲ 0.1% | ▼ 0.6% | ▲ 1.5% |

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

MARKET DYNAMICS BY AREA

Offices in the CBD experienced negative net absorption, while area outside the CBD showed positive outcomes. Notably, the Phaholyothin – Viphavadi area recorded the quarter’s highest demand for leasing.

The average rental rate for CBD properties decreased to THB 929 per sq m per month, and the average occupancy rate also experienced a decline, settling at 82%. All major sub-markets within the CBD witnessed a decrease in both asking rent and occupancy rate in the recent quarter. The Ploenchit-Chidlom-Wireless area maintained its position as the most

expensive zone, with the highest rent at THB 1,055, as well as the most rapid rental growth at 2.8% Y-o-Y. The Nana-Asoke-Phrompong area introduced two new completions, which led to a decline in its occupancy rate by 1.5% Q-o-Q and 5.5% Y-o-Y. The Silom-Sathorn-Rama IV area, which experienced the highest demand as indicated by a net absorption of 42,800 sq m Y-o-Y, retained its status as the most occupied area in the CBD with an occupancy rate of 83%.

Office spaces located outside the CBD registered no change in their average asking rent at THB 662 per

sq m per month, while the average occupancy rate saw a small uptick to 74%. The Petchburi-Rama IX–Ratchada area remained the sub-market with the highest rent and occupancy figures, at THB 726 and 80%, respectively. Meanwhile, the Phaholyothin–Viphavadi area observed the quarter’s highest net absorption among all sub-markets, at 8,700 sq m, which propelled its average occupancy rate to 75%, marking a 1.6% increase Q-o-Q. In contrast, the Bangna–Srinakarin area experienced a rental drop of 3.2% Q-o-Q following an earlier increase this year, likely attributable to elevated vacancy rates in the region.

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 | 929 | ▼ 0.3% | ▲ 2.1% | 82% | ▼ 0.5% | ▼ 2.0% |
| Ploenchit - Chidlom - Wireless | 1,055 | ▼ 0.4% | ▲ 2.8% | 79% | ▼ 0.6% | ▼ 4.3% |
| Nana - Asoke - Phrompong | 927 | ▼ 0.7% | ▲ 1.2% | 82% | ▼ 1.5% | ▼ 5.5% |
| Silom - Sathorn - Rama IV | 911 | ▼ 0.1% | ▲ 2.3% | 83% | ▼ 0.4% | ▼ 0.3% |
| Non - CBD | 662 | 0.0% | ▲ 0.4% | 74% | ▲ 0.4% | ▼ 3.0% |
| Petchburi - Rama IX - Ratchada | 726 | 0.0% | ▼ 0.5% | 80% | ▲ 0.3% | ▼ 1.5% |
| Phaholyothin - Viphavadi | 690 | ▼ 1.4% | ▲ 1.7% | 75% | ▲ 1.6% | ▼ 2.0% |
| Bangna - Srinakarin | 596 | ▼ 3.2% | ▲ 2.7% | 64% | ▼ 1.3% | ▼ 12.4% |

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 Q3 2023 | Net Absorption | |
|--------------------------------|---------------------------------|----------------|---------------|
| | | Per Quarter | Per Annum |
| CBD | 2,774,400 | -6,200 | 55,500 |
| Ploenchit - Chidlom - Wireless | 499,600 | -3,700 | 23,500 |
| Nana - Asoke - Phrompong | 502,500 | 2,700 | -21,300 |
| Silom - Sathorn - Rama IV | 1,290,100 | -6,500 | 42,800 |
| Non - CBD | 1,911,300 | 17,200 | 60,800 |
| Petchburi - Rama IX - Ratchada | 741,200 | 2,800 | -20,400 |
| Phaholyothin - Viphavadi | 401,700 | 8,700 | 23,500 |
| Bangna - Srinakarin | 244,800 | -5,000 | -1,000 |

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

OUTLOOK

For Q3 2023, the Bangkok office sector experienced a marginal decline in average asking rent of 0.3% Q-o-Q, settling at THB 813/sqm/month. While the rent remained relatively stable, there was an uptick in rent-free periods and more attractive incentives on offer. The market occupancy also saw a slight decrease of 0.2% Q-o-Q, reaching 78%. We observed significant leasing momentum, especially from businesses in the manufacturing, information technology, and business services sectors. In addition, green buildings still continue to outperform traditional buildings in terms of demand. Looking ahead to future supply prospects, the total space for office projects currently under construction or in the pipeline amounts to approximately 1.62 million sq m, and this quarter alone has seen an addition of 48,000 sq m.

In this highly competitive leasing landscape, we have seen a growing number of landlords expand their products and services to differentiate themselves and address the evolving needs of their prospective tenants. There is a rising trend among landlords offering a built-to-suit (BTS) solution, primarily targeting larger and more established companies that can commit to long-term leases. This arrangement allows tenants to design specific amenities and optimise their space right from the outset, ensuring that their unique business requirements and long-term objectives are satisfied. Moreover, the costs associated with the build-out are distributed throughout the lease term, enabling tenants to sidestep significant upfront capital expenditures.

Apart from the build-to-suit solution, the ready-to-move-in model is another concept increasingly adopted by landlords. This option is geared towards businesses that might have previously chosen co-working spaces due to their flexibility, convenience, and easy setup process. Ready-to-move-in spaces are typically designed to align with modern and hybrid workstyles and are aimed at smaller or newer businesses seeking more privacy than co-working spaces can offer. In addition, these move-in-ready units help simplify the complexities of office setup, reduce the substantial capital expenditure required for the fitting out, and provide businesses with the flexibility to scale their operations in response to market demands. However, this convenience comes with a higher rental charge, usually in the range of 40-50% above the standard rates.

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.

Recent Research



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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