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# Bangkok Office

Market Overview Q4 2022





**HIGH  
LIGHTS**

1

THE TOTAL SUPPLY OF OFFICE SPACE IN BANGKOK INCREASED BY 117,000 SQ M TO 5.80 MILLION SQ M.

2

1.66 MILLION SQ M IS IN THE PROJECTED PIPELINE FROM 2022 TO 2028.

3

NET ABSORPTION GREW BY 20,900 SQ M IN Q4, A SLOWER RATE THAN LAST QUARTER.

4

THE OVERALL OCCUPANCY RATE DECLINED BY 1.7% PTS Q-O-Q TO 79.6%, WITH PROPERTIES OUTSIDE CBD EXPERIENCING A LARGER DECLINE BY 3.2%

5

THE AVERAGE ASKING RENT LEVELLED OFF AT 801 BAHT PER SQ M PER MONTH.



**PANYA JENKITVATHANALERT**  
Executive Director, Division Head of Office Agency

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As ESG and sustainability have become key selection criteria for corporate tenants, we anticipate that demand for green office space will only expand in 2023.

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# OFFICE PROPERTY MARKET INDICATORS

	<b>5.80M</b> SUPPLY (sq m)	<b>4.62M</b> OCCUPIED SPACE (sq m)	<b>79.6%</b> OCCUPANCY RATE	<b>801</b> ASKING RENT (THB / sq m / month)
% Change				
<b>Q-o-Q</b>	▲ 2.1%	▲ 0.5%	▼ 1.7% pts.	-0.0%
<b>Y-o-Y</b>	▲ 2.4%	▲ 0.4%	▼ 2.0% pts.	▲ 1.1%

## ECONOMIC OVERVIEW

### The Thai economy in Q4 2022 was on a recovery path despite facing a global economic slowdown.

The GDP of Thailand in 2022 was expected to grow by 3.4% Y-o-Y, driven by private consumption. A rebound in the tourism sector was a primary factor supporting spending in the country. According to the tourism ministry, the number of international tourists visiting Thailand improved to 5.7 million in Q4, representing almost 50% of the 2022 number. The improvement in labour market conditions was another factor contributing to rising consumption in the country since

the average unemployment rate of 2022 declined by 0.5% Y-o-Y to 1.4%. On the contrary, fixed capital investment growth fell to 2.3% in 2022 from 3.4% in 2021 due to the contraction of public sector investment. Net export was negative for the first time in the last five years because of weaker external demand and inflated prices of the import products.

Headline Inflation remained high at 6% because of the persistent inflated food and energy prices, which rose by 10% from 2021. The Bank of Thailand recently increased the policy rate to 1.5%, the third consecutive rise of 25 basis points since

Q3 2022. An increase in the policy rate has also caused other interest rates, such as the minimum loan rate, which represents the borrowing cost of businesses, to increase to 6% from 5.5%.

The Business Sentiment Index (BSI) dropped to 48.4 from 49.6 in the previous quarter, indicating businesses were less optimistic about the economy because of concerns over subdued global demand. However, expectations for the next three months were positive due to more confidence in the domestic sector, which would benefit from more international tourists and China's reopening policy.

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 this quarter expanded by 117,000 sq m or +2.1% Q-o-Q, representing two-thirds of the new supply in 2022. Four new buildings, including Vanit Place Aree, True Digital Park Phase 2, AIA East Gateway and TPLACE, were launched in Q4. Since most recent projects are green-certified, the total lettable area of green office space increased sharply by 11.3% Q-o-Q to 1,180,000 sq m, making up 20% of the total market.

## FUTURE SUPPLY

There has been one new project outside CBD announced this quarter. The upcoming supply at the end of 2023 - 2024 is expected to be 592,000, 342,000, and 282,000 sq m, respectively. The total size of the future lettable area totalled 1.66 million sq m, accounting for 29% of the current level of office supply. Around 69% of the future supply is in the CBD.



TABLE 1  
BANGKOK OFFICE SUPPLY CHANGE

	Q4 2022 (sq m)	Supply % Change		10 Yr. Avg. Growth Rate
		(Q-o-Q)	(Y-o-Y)	
Market	5,796,000	▲ 2.1%	▲ 2.4%	▲ 2.3%
Green	1,180,000	▲ 11.3%	▲ 19.1%	▲ 15.4%

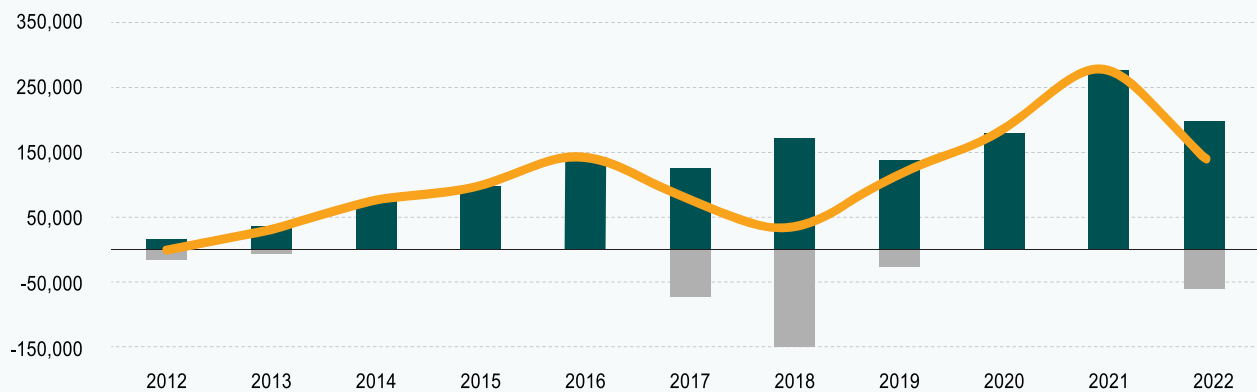
SOURCE: KNIGHT FRANK (THAILAND) – OCCUPIER STRATEGY & SOLUTIONS



FIGURE 2  
BANGKOK OFFICE NET SUPPLY CHANGE

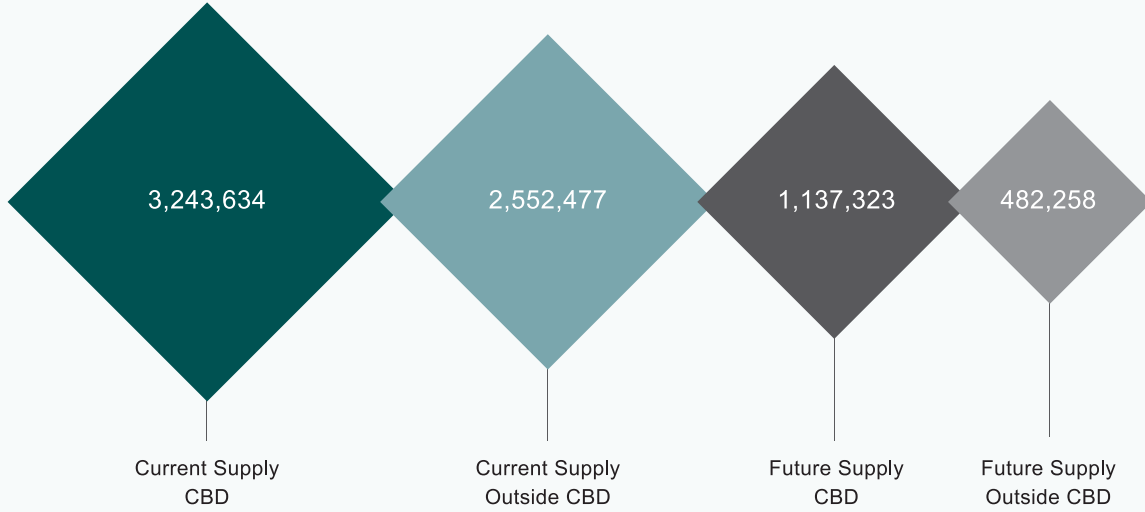
SQ M

■ Additions ■ Withdrawals — Net Supply Change



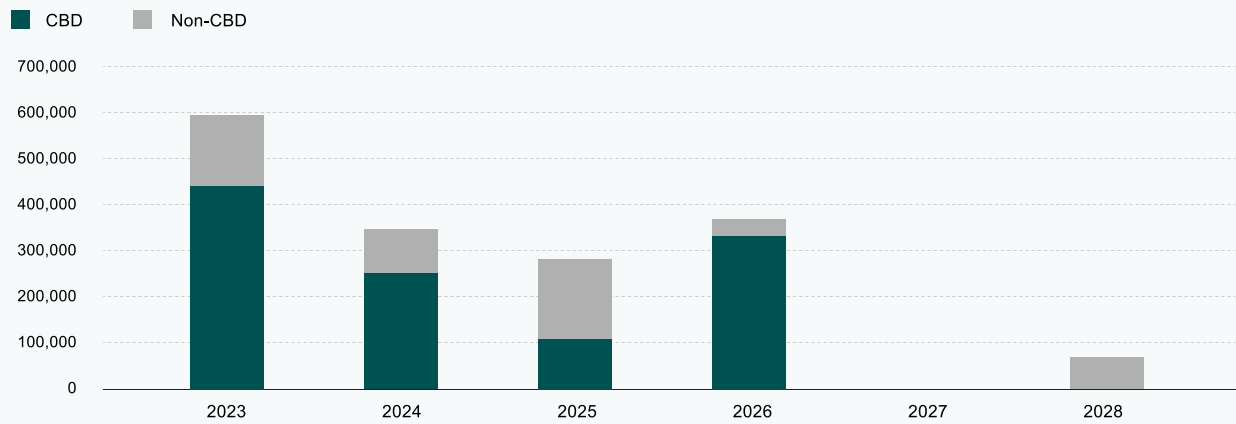
SOURCE: KNIGHT FRANK (THAILAND) – OCCUPIER STRATEGY & SOLUTIONS

**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

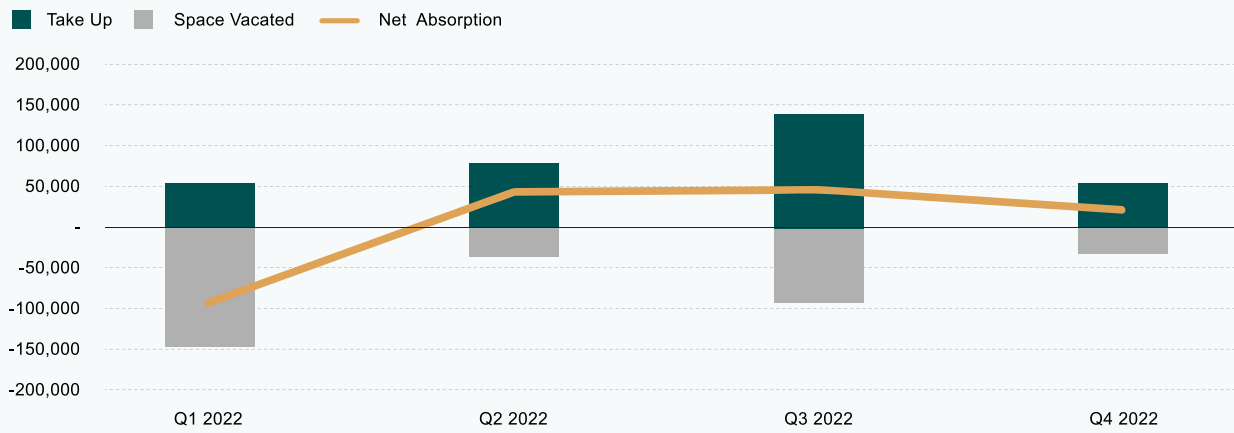
Net absorption declined to 20,900 sq m in Q4 from 44,000 sq m in Q3, with 7,700 sq m in the CBD and 13,200 sq m outside the CBD. A higher net absorption outside the CBD was primarily due to the move-ins to newly completed buildings.

This quarter, green buildings had a net absorption of 12,900 sq m, higher than non-green buildings, which stood at 8,000 sq m. For the entire year, green buildings had a positive net absorption of 28,200 sq m, while non-green buildings

had a negative net absorption of -10,200 sq m, indicating a high preference for sustainability among businesses considering office space.

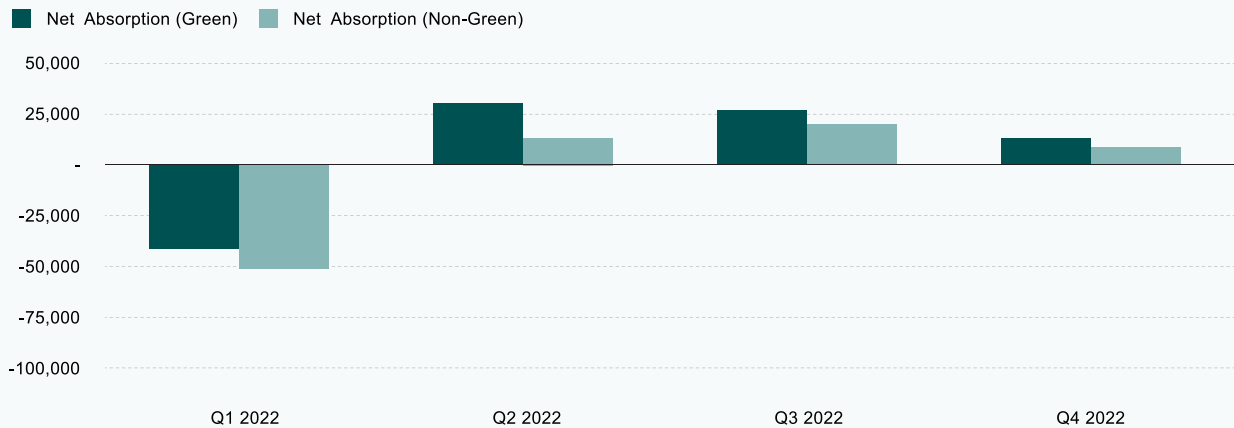
**FIGURE 5**  
**BANGKOK OFFICE DEMAND DYNAMICS (NET ABSORPTION)**

SQ M



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

**FIGURE 6**  
**BANGKOK OFFICE DEMAND DYNAMICS (NET ABSORPTION GREEN VS NON-GREEN)**



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

## MARKET DYNAMICS BY SEGMENT

All segments saw decreased occupancies, with the largest reduction in Grade B.

The total occupied space increased by 20,900 sq m to 4.62 million sq m in Q4 2022, with all grades recording positive net absorption. Grade B showed the biggest increase with net absorption of 17,200 sq m Q-o-Q compared to other grades from the take-up in recently

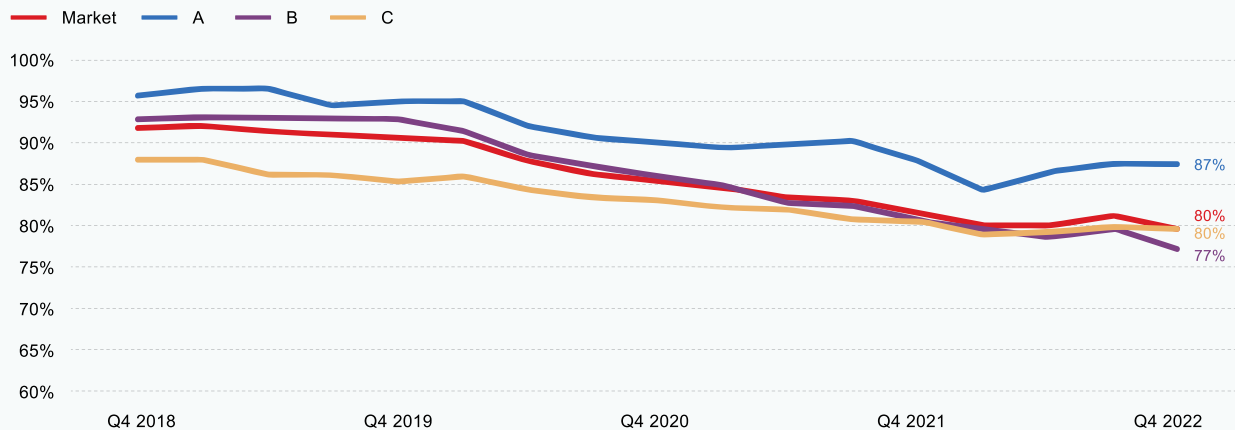
completed buildings. Meanwhile, net absorption of grade C improved in Q4 to a positive of 2,500 sq m but, throughout the year, still held at a negative figure of 20,700 sq m.

In the fourth quarter, market occupancies fell by -1.7% pts Q-o-Q to 80%. None of the segments saw an increase in occupancies. The occupancy rate for Grade A remained unchanged at 87%,

while the occupancy rate for Grade B declined by 2.6% to 77%, despite the highest demand compared to other grades. This has led to the biggest difference in performance between Grades A and B over the last five years. Finally, Grade C saw an occupancy rate decrease slightly by -0.2% Q-o-Q to 80%.

FIGURE 7  
BANGKOK OFFICE OCCUPANCY RATE BY GRADE

OCCUPANCY RATE



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

TABLE 2  
BANGKOK OFFICE OCCUPANCY RATE BY GRADE

	Q4 2022	Occ % Change		10 Yr. Avg. Occupancy Rate
		(Q-o-Q)	(Y-o-Y)	
Market	80%	▼ 1.7% pts	▼ 2.0% pts	89%
Grade A	87%	▼ 0.1% pts	▼ 0.4% pts	93%
Grade B	80%	▼ 2.6% pts	▼ 3.6% pts	90%
Grade C	80%	▼ 0.2% pts	▼ 0.7% pts	86%

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

TABLE 3

**BANGKOK OFFICE OCCUPIED SPACE AND NET ABSORPTION BY GRADE**

THOUSAND SQ M

Market	Occupied Space as of Q4 2022	Net Absorption	
		Per Quarter	Per Annum
<b>Market</b>	<b>4,615,600</b>	<b>20,900</b>	<b>16,600</b>
<b>Grade A</b>	904,900	1,200	1,100
<b>Grade B</b>	2,437,300	17,200	36,200
<b>Grade C</b>	1,273,400	2,500	-20,700

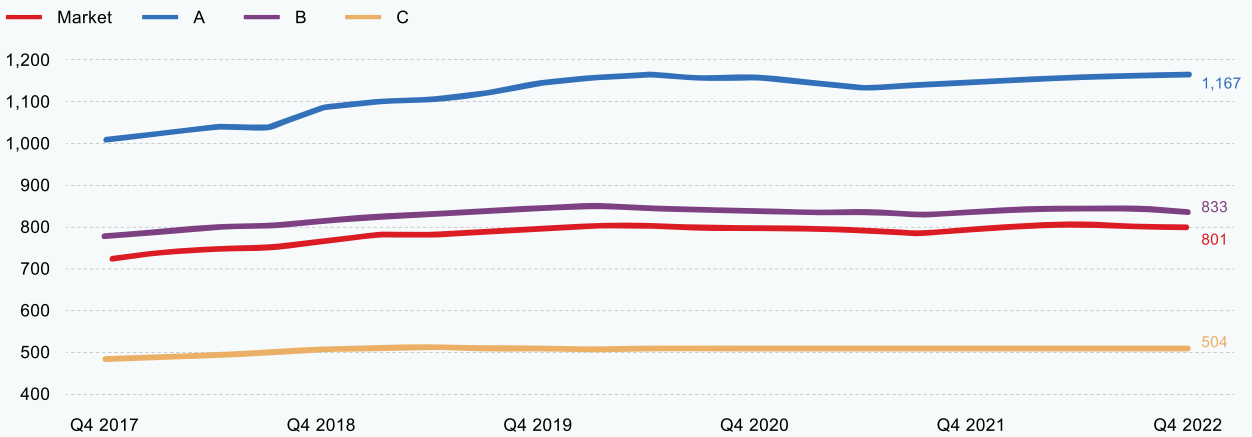
SOURCE: KNIGHT FRANK (THAILAND) – OCCUPIER STRATEGY & SOLUTIONS

The average market rent dropped marginally to 801 Baht per sq m per month in Q4. Grade A saw the most significant rise in rent by 0.6% Q-o-Q, following its high occupancy. On the contrary, the rental rate of Grade B decreased by 0.9% Q-o-Q to THB 832 due to a more competitive environment from the new supply in the market. Lastly, Grade C, which experienced weak demand over the year, saw a decline in rent by 0.3% to THB 504.

FIGURE 8

**BANGKOK OFFICE AVERAGE ASKING RENT BY GRADE**

BAHT / SQ M / MONTH



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

TABLE 4

**BANGKOK OFFICE AVERAGE ASKING RENT BY GRADE**

BAHT PER SQ M PER MONTH

Market	Q4 2022	Rent % Change		10 Yr. Annual Growth Rate
		(Q-o-Q)	(Y-o-Y)	
<b>Market</b>	<b>801</b>	▼ 0.2%	▲ 1.1%	▲ 3.4%
<b>Grade A</b>	1,167	▲ 0.6%	▲ 1.8%	▲ 4.3%
<b>Grade B</b>	833	▼ 0.9%	▲ 0.3%	▲ 3.1%
<b>Grade C</b>	504	▼ 0.3%	▼ 0.3%	▲ 1.6%

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



## MARKET DYNAMICS BY AREA

### The occupancy rate outside CBD declined significantly in Q4.

The average asking rent of CBD properties levelled off at 911 THB per sq m per month, with the average occupancy rate remaining at 84%. All major sub-market in CBD experienced positive rental growth except Ploenchit – Chidlom – Wireless, which saw a slight decrease of 0.3% Q-o-Q. In terms of occupancies, Silom -

Sathorn - Rama IV demonstrated the best performance this quarter, with an increase of 1.0% Q-o-Q, due to greater leasing demand as indicated by net absorption figures.

For office space outside CBD, the average asking rent decreased by 0.5% Q-o-Q to 662 THB per sq m per month, while an occupancy rate tumbled by 3.2% pts

Q-o-Q to 74%. Despite the overall rental decline, specific sub-markets such as Bangna – Srinakarin and Phaholyothin – Viphavadi experienced increased rental rates due to new buildings trying to charge higher rent. However, the slow pre-leasing activities upon completion of these projects resulted in the decline in occupancy rates of the submarkets mentioned earlier by 11.6% and 3.5% Q-o-Q, respectively.

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)
<b>CBD</b>	<b>911</b>	<b>▲ 0.1%</b>	<b>▲ 1.5%</b>	<b>84%</b>	<b>▼ 0.1%</b>	<b>▼ 0.6%</b>
Ploenchit - Chidlom - Wireless	1,018	▼ 0.3%	▲ 0.6%	85%	▼ 1.1%	▼ 2.2%
Nana - Asoke - Phrompong	922	▲ 0.6%	▲ 1.0%	86%	▼ 1.5%	▼ 1.4%
Silom - Sathorn - Rama IV	891	▲ 0.1%	▲ 0.9%	84%	▲ 1.0%	▲ 0.3%
<b>Non - CBD</b>	<b>662</b>	<b>▼ 0.5%</b>	<b>▲ 0.7%</b>	<b>74%</b>	<b>▼ 3.2%</b>	<b>▼ 3.8%</b>
Petchburi - Rama IX - Ratchada	732	▲ 0.4%	▲ 2.6%	81%	▼ 0.4%	▼ 1.2%
Paholyothin - Viphavadi	685	▲ 1.1%	▲ 3.5%	73%	▼ 3.5%	▼ 10.8%
Bangna - Srinakarin	599	▲ 0.6%	▲ 2.8%	63%	▼ 11.6%	▼ 9.7%

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 Q4 2022	Net Absorption	
		Per Quarter	Per Annum
<b>CBD</b>	<b>2,724,500</b>	<b>7,700</b>	<b>2,500</b>
Ploenchit - Chidlom - Wireless	477,700	-6,100	-8,800
Nana - Asoke - Phrompong	514,500	-9,300	-7,200
Silom - Sathorn - Rama IV	1,261,900	14,600	22,300
<b>Non - CBD</b>	<b>1,891,100</b>	<b>13,200</b>	<b>-14,100</b>
Petchburi - Rama IX - Ratchada	758,200	-3,600	-27,900
Paholyothin - Viphavadi	373,300	5,100	12,700
Bangna - Srinakarin	240,400	800	11,100

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

## REVIEW & OUTLOOK

The Thai economy saw a slight recovery in Q4 2022, and likewise, the demand for office space in Bangkok saw a similar uptick. Net absorption has been positive for three consecutive quarters, with a full-year figure of 17,900 sq m. However, this was not enough to meet the increase in new supply, which rose by 136,400 sq m. The mismatch between demand and supply caused the occupancy rate in the Bangkok office to drop to 79.6% in Q4 2022, the first time in 20 years that it fell below 80%. Meanwhile, the asking rent was flat, growing by 1% annually, primarily due to new buildings setting higher rent.

In 2023, the office market in Bangkok is expected to face a major challenge due to the incoming supply of nearly 600,000 sq m and 70% of which are prime properties in the Central Business District (CBD). This increase in supply is likely to put pressure on the office market's performance, especially for Grade A and CBD properties throughout the year.

Perhaps the most notable trend over the past year is the shift towards ESG and sustainability. We found that demand for sustainable buildings was relatively strong in 2022, evidenced by the net absorption of green buildings being higher

than non-green buildings every quarter. A statistical model was used to determine the impact of green certification on rent. It was found that there is a positive correlation between green credentials and rent, with an R-Squared of more than 0.7, and green office space commanded higher rent, by 60 THB per sq m or 5-7%, compared to its non-green counterpart. This finding is similar to a study by Knight Frank UK on prime properties in Central London, which found a 3-13% rental premium for green-rated buildings. As this trend continues, it will be interesting to see the performance of green buildings, given the increasing competition in the market.

## 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.

**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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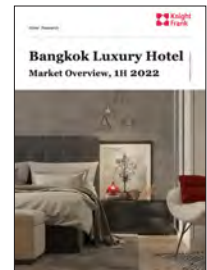
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