

A low-angle, upward-looking photograph of several modern glass skyscrapers against a clear blue sky. The buildings are reflected in each other, creating a sense of height and architectural grandeur.

# Q3 2013 OFFICE MARKET REPORT

Knight Frank

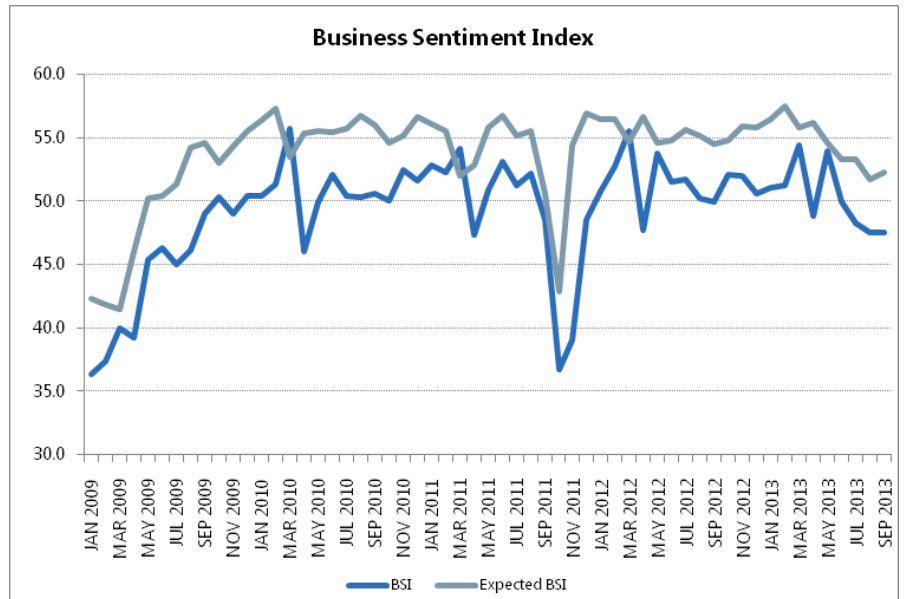
## HIGHLIGHTS

- Demand for Bangkok office space remains positive, despite weaker business sentiment.
- Half of the planned future office supply will be located in the Rama 9 – Rachadapisek Intersection.
- The average recorded office occupancy rate was 89.47%, which increased from the last quarter by 0.62% and 2.11% year-on-year.

## MARKET OVERVIEW

The Thai economy emerged from a technical recession in Q3, but economic headwinds remain strong.

Figure 1  
**Business Sentiment Index**



Source: Bank of Thailand

Remarks:

1/ Business Sentiment Index is compiled from BOT survey data of 1,010 businesses.

2/ Below is the interpretation of the index:

Index = 50 indicates that business sentiment remains stable.

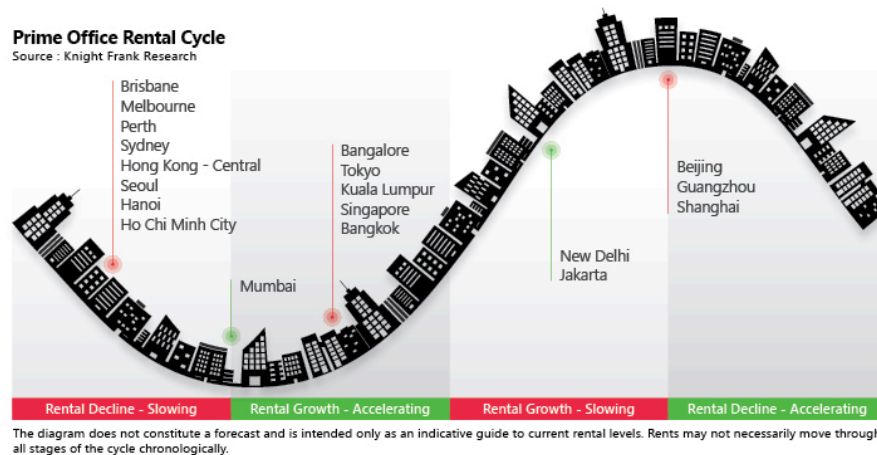
Index > 50 indicates that business sentiment has improved.

Index < 50 indicates that business sentiment has worsened.

The Business Sentiment Index (BSI) struggled to climb into positive territory for four consecutive months, signaling negative feedback from entrepreneurs and investors who are concerned with decreasing domestic consumption, fluctuation of the Thai baht, and signs of growing political tension.

However, the Bangkok office market has remained as one of the least volatile in the Asia Pacific region. Demand for office space has been growing steadily since 2011; flagging business sentiment has been shrugged off, pushing rents ever closer to record levels with vacancies rates falling across the market.

Figure 2  
Prime Office Rental Cycle



Source: Knight Frank Thailand Research

Figure 3  
Asia-Pacific Prime Office Rents, Q3 2013

Figure 3  
Asia-Pacific Prime Office Rents  
Q3 2013

City	Submarket	Prime Net Headline Rent	Local Measurement	USD/sqm/mth	12mth % change Q3 '12 - Q3 '13	3mth % change Q2 '13 - Q3 '13	Gross Effective Rent** USD/sqm/mth	Forecast Next 12 mths
Brisbane	CBD	556.0	AUD/sq m/annum (Net Floor Area)	43.2	-3.5%	-0.7%	36.4	↓
Melbourne	CBD	462.0		35.9	0.4%	0.0%	35.0	↓
Perth	CBD	736.0		57.2	-6.8%	-3.2%	61.8	↓
Sydney	CBD	739.0		57.4	-0.4%	-0.1%	49.1	↓
Beijing	Various	383.8	RMB/sq m/month (Gross Floor Area)	62.5	-2.7%	-0.9%	91.0	↔
Guangzhou	CBD	177.0		28.8	-0.6%	0.1%	48.9	↔
Shanghai	Puxi, Pudong	276.3		45.0	-1.7%	0.6%	69.3	↑
Hong Kong	Central	117.6	HKD/sq ft/month (Net Floor Area)	163.3	0.3%	-1.3%	164.3	↔
Bangalore	CBD	1,077.0	INR/sq ft/annum (Gross Floor Area)	15.4	2.0%	2.6%	24.3	↔
Mumbai	BKC	3,029.0		43.3	-4.0%	-8.2%	69.6	↔
New Delhi	Connaught Place	3,182.0	IDR/sq m/annum (Semi-Gross Floor Area)	45.5	2.0%	1.8%	73.1	↔
Jakarta	CBD	6,225,645.7		45.1	85.6%	28.0%	56.9	↑
Tokyo*	Central 3 Wards	26,659.0	JPY/Tsubo/month (Net Floor Area)	82.1	25.2%	-0.1%	82.4	↑
Kuala Lumpur	City Centre	4.8	MYR/sq ft/month (Net Floor Area)	16.1	1.3%	-0.2%	20.1	↔
Singapore	Raffles Place, Marina Bay	9.2	SGD/sq ft/month (Net Floor Area)	79.0	-1.4%	1.2%	92.0	↑
Seoul	CBD	30,300.0	KRW/sq m/month (Gross Floor Area)	28.6	-7.8%	0.3%	72.2	↔
Bangkok	CBD	677.2	THB/sq m/month (Gross Floor Area)	21.7	4.7%	0.1%	26.3	↑
Hanoi	Hoan Kiem District	29.1	USD/sq m/month (Net Floor Area)	29.1	-10.0%	-0.8%	36.8	↓
Ho Chi Minh City	District 1	31.0		31.0	-3.1%	0.0%	38.8	↑

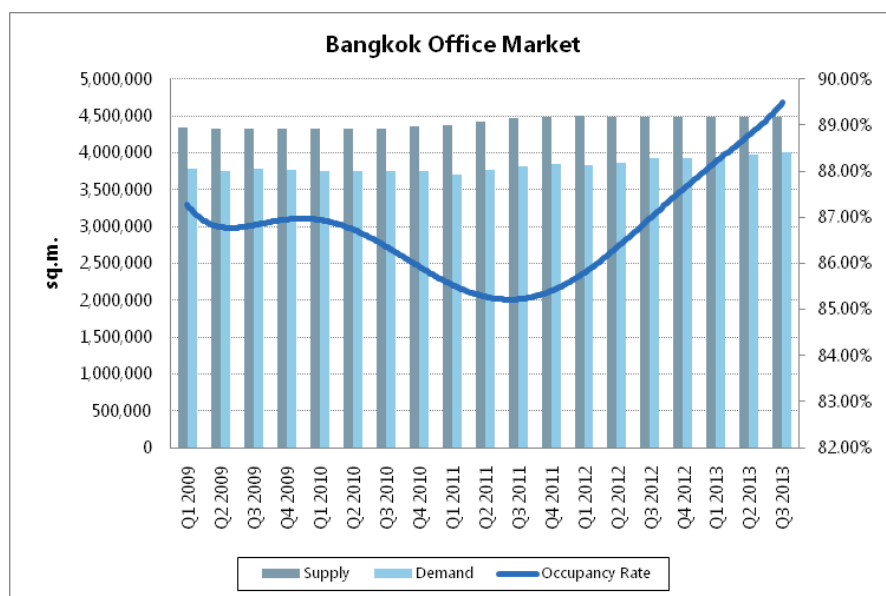
Source: Knight Frank Research

\*Source: Seriko Estate

\*\*Inclusive of incentives, service charges and taxes. Based on net floor areas.

## SUPPLY

Figure 4  
Bangkok Office Market



Source: Knight Frank Thailand Research

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

No new office buildings completed this quarter, so the cumulative office supply remained at 4,480,507 sq.m. with occupied space increasing to 4,008,731 sq.m.

## FUTURE SUPPLY

Approximately 338,834 sq.m. of office space will be added to the market during the remainder of 2013 through to 2016; of this figure, 86% of this space will be located in areas outside the traditional definition of the Central Business District (CBD).

Table 1

Future Supply	Lettable Space (sq.m.)	Completion	Location
The 9th Tower A	33,898	2013	Rama 9
The 9th Tower B	23,530	2013	Rama 9
Equinox	19,205	2014	Paholyothin
AIA Capital Center	54,000	2014	Ratchadapisek
UBC III (Bhiraj Tower)	47,000	2014	Sukhumvit
Magnolia Ratchadamri Boulevard	6,000	2014	Ratchadamri
G-Land Tower	65,630	2015	Rama 9
Golden Land Rama IV	48,071	2015	Ratchadapisek-Rama IV
AIA Sathorn	38,500	2016	Sathorn
Noble Ploenchit	3,000	2016	Ploenchit
Central Lumpini Park	N/A	N/A	Rama IV

Source: Knight Frank Thailand Research

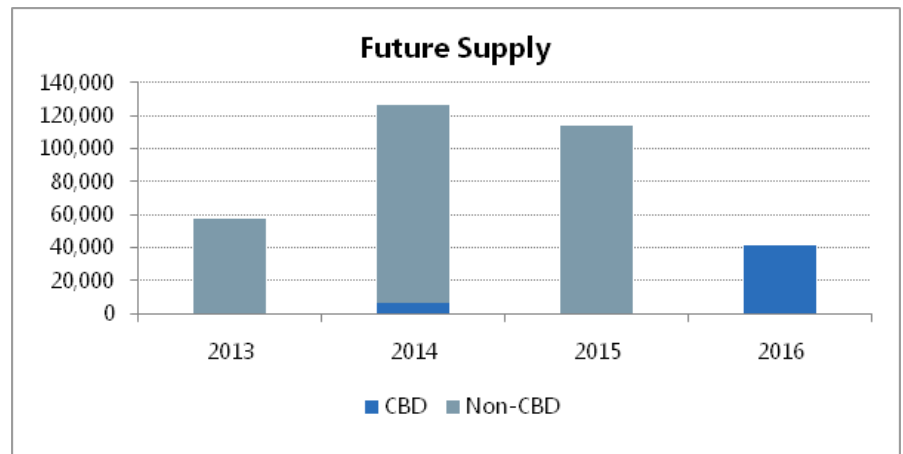
Note: The new supply is exclusive of the office buildings that were built and occupied by the owners; for instance Dhipya Insurance, SCG New Head Office, Channel 5's New Office Building and U-Place (Unilever).



We define the 'CBD' as "the location with the greatest concentration of retail and Grade A office buildings". In Bangkok this 'boot' shaped area is anchored by Lumpini Park, bordered by Ploenchit to the north; Wireless to the east; and Rachadamri to the west, including Rama 4, Silom, Sathorn and Narathiwas road to the south-west.

Figure 5

**Occupancy by Grade**



Source: Knight Frank Thailand Research

Out of the 126,205 sq.m. that will come on stream next year, just 6,000 sq.m. will be located in the CBD, whereas almost half of the future office supply will be located in the emerging secondary CBD, near the Rama 9 and Ratchadapisek intersection.

## DEMAND

Table 2

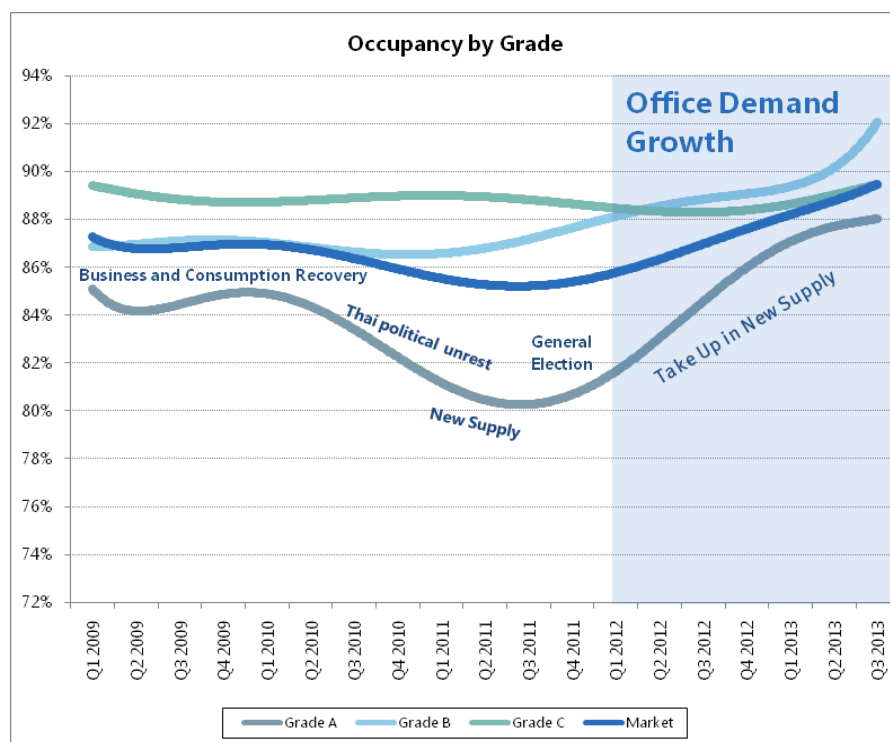
Occupancy Rate (%)				
Grade	A	B	C	Overall
Q4 2012	85.70%	89.14%	88.45%	87.54%
Q1 2013	87.37%	88.71%	88.52%	88.12%
Q2 2013	87.40%	90.93%	89.13%	88.85%
Q3 2013	88.15%	91.84%	89.44%	89.47%
Q-o-Q	0.75%	0.92%	0.31%	0.62%
Y-o-Y	3.13%	2.73%	0.76%	2.11%

Source: Knight Frank Thailand Research

In Q3 the office occupancy rate stood at 89.47%, an increase from the last quarter of 0.62% and 2.11% from last year. The Grade B sector boasts the highest occupancy rates with just 8.16% of available space, after occupancy rates climbed 0.92% in the third quarter.

# Q3 2013 OFFICE MARKET REPORT

Figure 6  
**Occupancy by Grade**



Source: Knight Frank Thailand Research

## RENTAL RATE

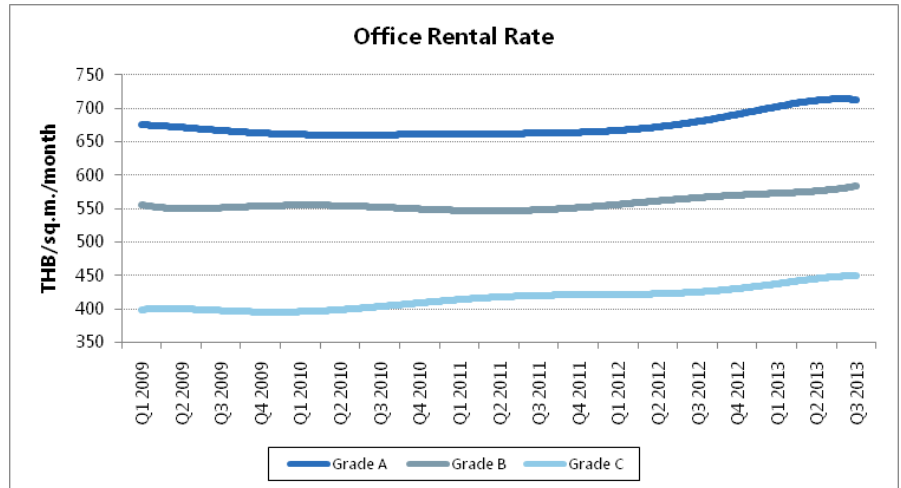
Table 3

Office Rental (THB/sq.m./month)				
Grade	A	B	C	Overall
Q4 2012	652.01	539.03	407.26	532.77
Q1 2013	669.72	542.98	415.24	542.65
Q2 2013	676.63	551.1	423.15	550.29
Q3 2013	677.17	553.63	426.96	552.59
Q-o-Q	0.08%	0.46%	0.90%	0.42%
Y-o-Y	4.74%	3.28%	5.21%	4.37%

Source: Knight Frank Thailand Research

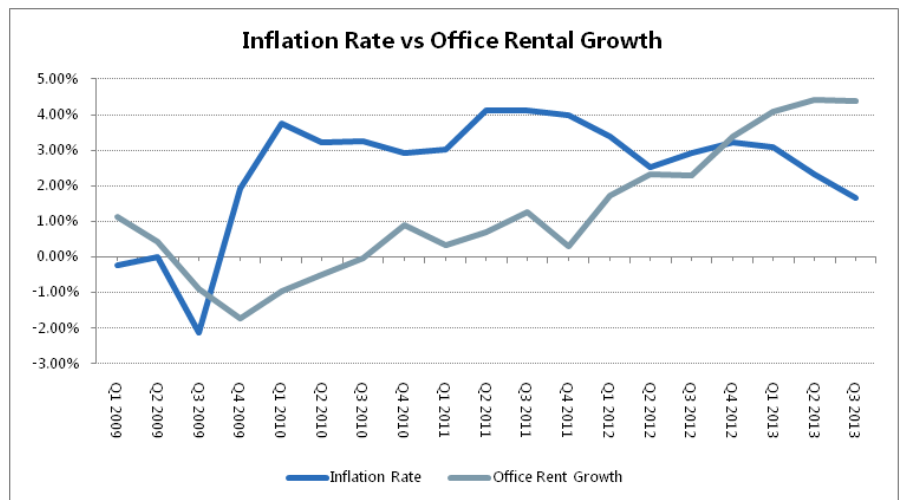
Office rents increased by 4.37% YoY, and there has been a moderate uplift of rental rate in all office grades in Q3. The highest increase was in the grade C segment which saw rents climb by 0.9% in Q3 or 5.21% YoY. This was followed by Grade A, which grew by 0.08% this quarter and 4.74% YoY; and Grade B, which saw rents increase 0.46% YoY and 3.28% since Q3 2012.

Figure 7  
**Office Rental Rate**



Source: Knight Frank Thailand Research

Figure 8  
**Office Rental Rate**



Source: Bureau of Trade and Economic indices Ministry of Commerce and Knight Frank Thailand Research

The elections of 2011 saw rental growth return to the market and it has slowly been picking up pace ever since. This year's figures shows that rental growth has accelerated and is now outpacing inflation, as vacancy rates continue to drop in all segments of the market.

## RENTS BY LOCATION

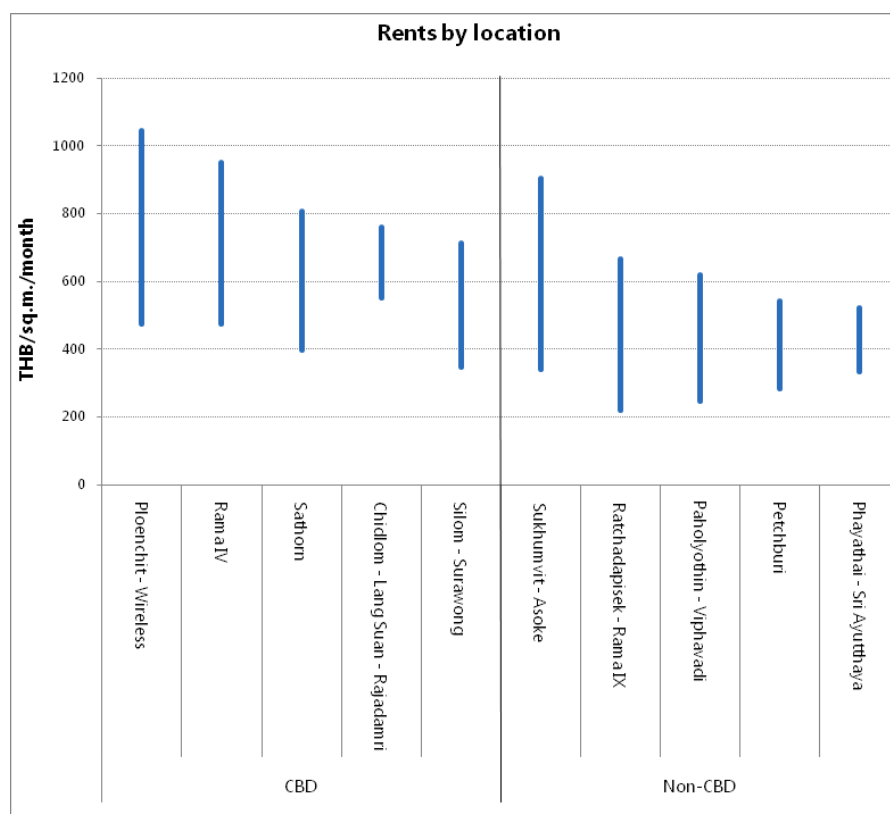
The Central Business District is defined as "the area within the city that has the greatest concentration of prime commercial buildings". In Bangkok, this area is broadly defined as a 'boot shaped' area between Silom to Sathorn, and Rajadamri and Wireless Roads along Ploenchit and Rama I.

Ploenchit and Wireless Roads command the highest office rents in Bangkok, where the highest rents fetch more than 1,000 baht/sq.m./month. Non-CBD area Sukhumvit – Asoke is able to command rent as high as the CBD location, with the peak of 902.5 baht/sq.m./month.

The following graph shows the ranges of office rents by location across Bangkok:

Figure 9

## Rents by Location



## OUTLOOK

Very limited new completions and continued demand for space should see rents continue to escalate throughout the rest of 2013 and possibly beyond, but history has shown us that the increasing political uncertainty that has started to emerge has the potential to dampen confidence, and therefore taper demand.



## Americas

USA  
Bermu da  
Brazil  
Caribbean  
Chile  
Australasia

## Australia

New Zealand

## Europe

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Belgium  
Czech Republic  
France  
Germany  
Hungary  
Ireland  
Italy  
Monaco  
Poland  
Portugal  
Russia  
Spain  
The Netherlands  
Ukraine

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Nigeria  
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Zimbabwe

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