

COMMERCIAL RESEARCH



# BANGKOK OFFICE

MARKET OVERVIEW Q2 2016

## HIGHLIGHTS

- So far in 2016, the Bangkok office supply has a net increase of 76,800 square metres amounting to the total office supply of 4,723,862 square metres.
- A continued increase in office space demand slowly pushed rental prices up—causing commercial developments more attractive to developers now with up to 288,000 square metres being planned for the next couple of years.
- Occupied space continued to break records set from previous quarters but the overall occupancy level fell slightly from 92.3% to 92.1% as net new supply finally caught up with the net square metre takeup for the first time since 2011 on a yearly basis.



**MARCUS BURTENSRAW**  
Executive Director,  
Head of Commercial Agency

"Bangkok's commercial property market is currently one of the strongest performer in the Thai real estate sector. We are starting to see many of the well-known residential developers shifting their focus to commercial property. By the end of this year, a total commercial space of 163,604 sq.m. would be added to the market."

## Market Overview

In the second quarter of 2016, the Bangkok office market had high occupancy level at 92.1%. The limited supply forced the price levels to go up. However, developers were reacting with up to 288,000 square metres soon to be introduced to the market over the next couple of years.

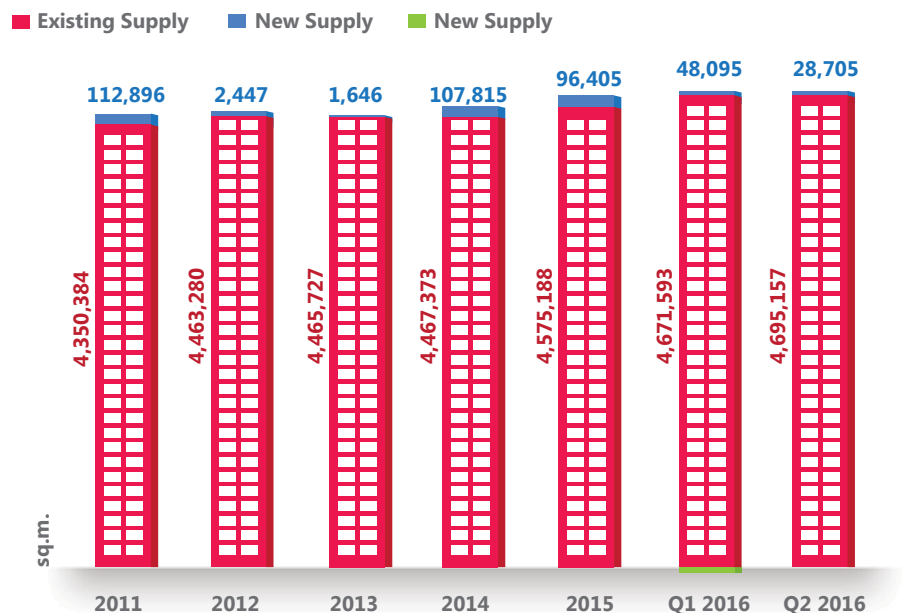
## Supply

The current office supply in Bangkok at Q2 2016 stood at 4,723,862 square metres, a net addition of 28,705 square metres from the previous quarter,

reflecting the launch of two new buildings, M Tower (Sukhumvit 62) and The Metropolis (Sukhumvit 39), both in prime but non-CBD locations.

So far, as of Q2 2016, all of the new office buildings being launched were located out of the traditional Bangkok CBD areas but all of them are located in areas that are quickly emerging to become new business sub-districts of their own, such as the Mid Sukhumvit and the Mid Rama IV areas. We currently do not expect any additional supply within the CBD areas until early 2017 when we would see the launch of the Bhiraj Tower on Sathorn Road.

FIGURE 1  
**Bangkok Office Supply and New Supply, 2011-Q2 2016**



SOURCE : KNIGHT FRANK THAILAND'S RESEARCH

## Demand

The total occupied space for Bangkok offices stood at 4,350,130 square metres or approximately 92.1% of the total supply in the market, representing the highest occupied space in our recorded. Grade A categories registered a small reduction in occupancy in particular in the Non-CBD regions but this was a result of an increase in supply rather than reduction in demand for office space.

Overall, the occupancy rate for the office market in Q2 2016 shrank by 0.2% on a quarter-on-quarter basis but grew 1% on a year-on-year basis. The Non-CBD Grade A market showed the strongest year-on-year occupancy growth at 4.8%.

When comparing the change in supply against the change in demand over the past few periods, it is found that, for the most periods in the past four years office space take-ups were greater than the introduction of new supply. So far in 2016, however, this period marks the second time since 2012 where new office supply outgrew the take-ups.

## Rental Rates

The average asking rental rate for office space in Q2 2016 was around 726 baht per square metre per month, a quarterly growth of 2.2% from an average of 711 baht per square metre per month in the previous quarter. The asking rent increase over the same period last year was at 7.6%.

Based on the pricing trend, the CBD Grade A office spaces would continue to outperform the rest of the categories significantly whilst the Non-CBD Grade A office spaces' asking rent is diverging away from the remainder of the categories and slowly creeping closer to their CBD counterparts.

TABLE 1

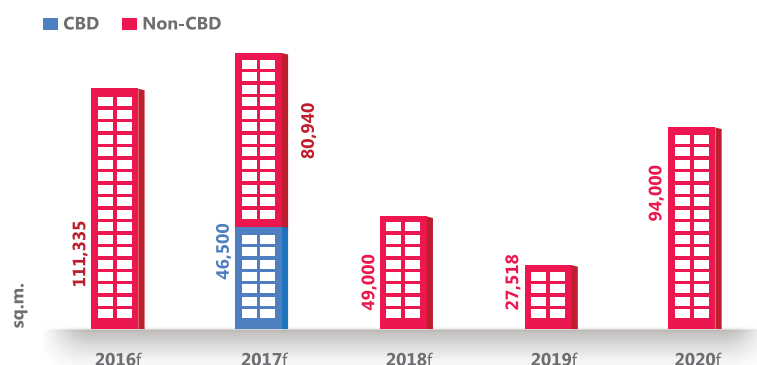
Bangkok Office Future Supply

Building Name	Lettable Space (sq.m.)	Completion	Location	Zone
Rungrojthanakul 4	15,705	Q4 2016	Ratchadapisek	Non-CBD
G Tower	65,630	Q4 2016	Rama 9	Non-CBD
Pearl Bangkok	30,000	2016	Paholyothin 5	Non-CBD
Bhiraj Tower at Sathorn	27,000	Q1 2017	Sathorn	CBD
Shinawatra Tower 4	13,060	Q1 2017	Paholyothin	Non-CBD
Singha Complex	36,000	Q1 2017	Asok-Petchaburi	Non-CBD
Gayson Office Tower	19,500	Q2 2017	Rajdamri	CBD
Bhiraj Tower at BITEC	31,880	Q2 2017	Sukhumvit-Bangna	Non-CBD
Aree Hill (Evergreen Group)	12,000	Q2 2018	Aree	Non-CBD
Ladprao Hill (Evergreen Group)	7,000	Q2 2018	Vibhavadi-Ladprao	Non-CBD
Whizdom 101	30,000	2018	Sukhumvit 101	Non-CBD
Aspiration One	27,518	2019	Ratchatewi	Non-CBD
Super Tower	94,000	2020	Rama 9	Non-CBD
The Bangkok Mall	100,000	N/A	Sukhumvit-Bangna	Non-CBD

SOURCE : KNIGHT FRANK THAILAND'S RESEARCH

FIGURE 2

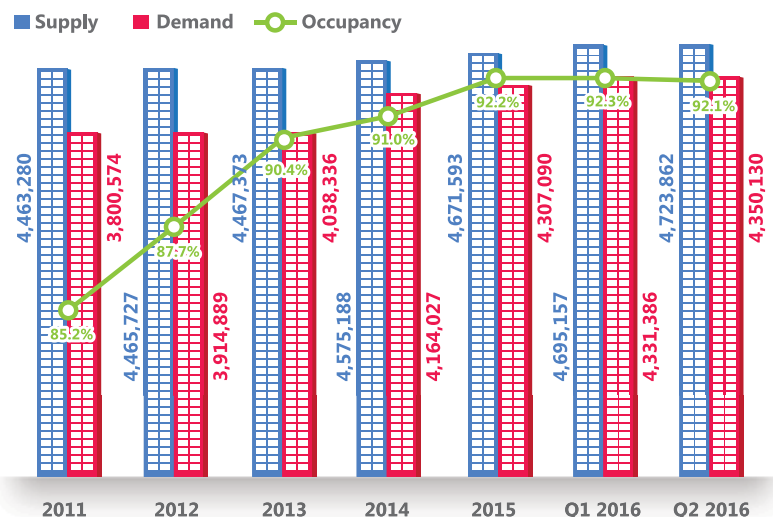
Bangkok Office Future Supply by Location and Expected Launch Period



SOURCE : KNIGHT FRANK THAILAND'S RESEARCH

FIGURE 3

Bangkok Office Demand against Supply, 2011 – Q2 2016



SOURCE : KNIGHT FRANK THAILAND'S RESEARCH

The property with the highest commanding asking rent is Park Venture on Ploenchit Road at 1,400 baht per square metre per month, closely followed by Exchange Tower, Siam Tower and Ramaland Building, all of which listed their asking rent at 1,200 baht per square metre per month.

## Office Market Outlook

The overall Thai economy in the first quarter of this year showed an impressive GDP growth rate mainly due to an increase in the government's expenditure on infrastructure development and upgrades. Despite this, the overall perception on the Thai economic performance remained frail. Whether this has an effect on businesses' demand for office space would depend heavily on the outcome of the upcoming referendum on the Thai constitution along with the state of the global economy, which heavily influences the outcome of Thai business performance.

On the supply side, the newly agreed 50-year lease of a site in Silom has also set a precedent for plots previously deemed financially unsuitable for development. We also see a growing list of future office supply in Bangkok. We expect the office market supply to finally catch up with growing demand over the next few years.

TABLE 2

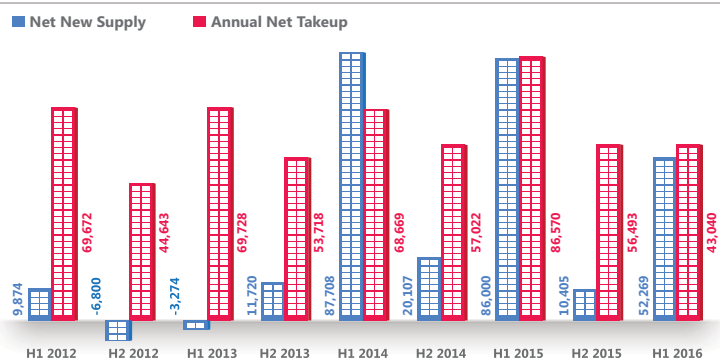
### Office Occupancy by Location and Grading

Quarter	CBD		Non-CBD		Overall
	Grade A	Grade B	Grade A	Grade B	
Q1 2015	95.1%	92.6%	81.2%	90.2%	91.4%
Q2 2015	92.4%	93.2%	86.4%	90.3%	91.2%
Q3 2015	93.0%	93.4%	92.2%	90.2%	91.8%
Q4 2015	94.3%	93.4%	92.3%	90.4%	92.2%
Q1 2016	93.7%	94.1%	92.6%	90.5%	92.3%
Q2 2016	93.6%	94.2%	90.6%	90.5%	92.1%
Q-o-Q	-0.1%	0.1%	-2.2%	0.0%	-0.2%
Y-o-Y	1.3%	1.1%	4.8%	0.3%	1.0%

SOURCE : KNIGHT FRANK THAILAND'S RESEARCH

FIGURE 4

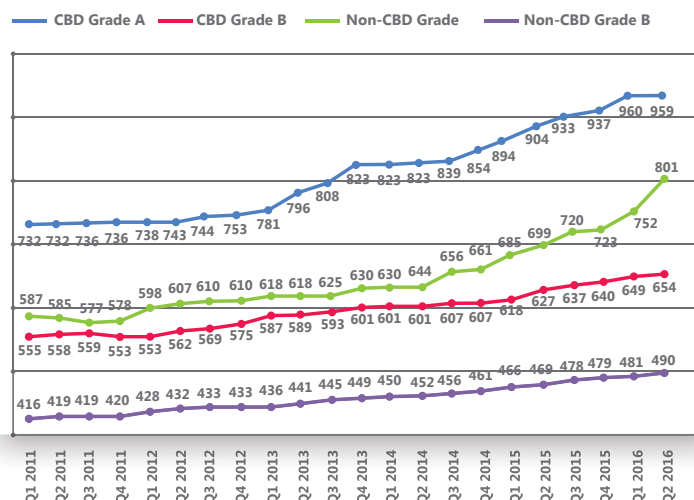
### Bangkok Office Demand and Supply Analysis, 2012 – Q2 2016



SOURCE : KNIGHT FRANK THAILAND'S RESEARCH

FIGURE 5

### Bangkok Asking Rent by Grade and Location, 2011 – Q2 2016



SOURCE : KNIGHT FRANK THAILAND'S RESEARCH





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TABLE 3

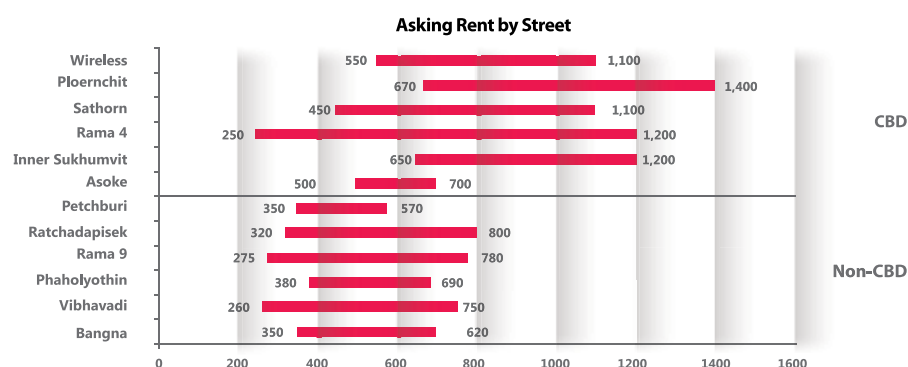
## Asking Rent by Grade and Location; and percentage increase

Quarter	CBD		Non-CBD		Overall
	Grade A	Grade B	Grade A	Grade B	
Q1 2015	894	618	685	466	666
Q2 2015	904	627	699	469	675
Q3 2015	933	637	720	478	692
Q4 2015	937	640	723	479	695
Q1 2016	960	649	752	481	711
Q2 2016	959	654	801	490	726
Q-o-Q	-0.1%	0.8%	6.5%	1.9%	2.2%
Y-o-Y	6.1%	4.3%	14.5%	4.5%	7.6%

SOURCE : KNIGHT FRANK THAILAND'S RESEARCH

FIGURE 6

## Asking Rent by Major Roads at Q2 2016



SOURCE : KNIGHT FRANK THAILAND'S RESEARCH

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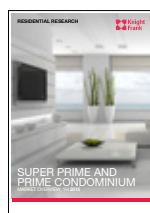
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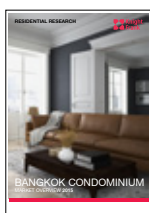
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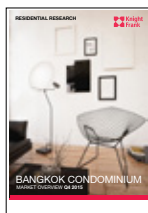
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