

COMMERCIAL RESEARCH



BANGKOK OFFICE

MARKET OVERVIEW Q4 2016

HIGHLIGHTS

- In 2016, the office supply increased by 115,804 square metres.
- Net take-up was 118,141 square metres.
- Latest occupancy rate was 93.1%, an all-time high in many years.
- The overall average rental rate increased from 695 baht in 2015 to 738 baht per square metre in 2016, or approximately 6.2% per annum. The average rental rate of Grade A CBD was 960 baht per square metre, while Grade A Non-CBD was 818 baht per square metre, Grade B CBD 671 baht per square metre and Grade B Non-CBD 504 baht per square metre.



MARCUS BURTENSRAW
Executive Director,
Head of Commercial Agency

"The trend of tenants moving away from older centrally located buildings to new properties in 'fringe' locations is likely to continue. New buildings that are competitively priced in areas that were once considered 'fringe' locations are becoming much more desirable, they might be easier to reach, better connected by mass transit and boast new facilities and features that older buildings are hard pressed to match. In this period of record high rents there has never been a better time to consider renovations and repositioning of centrally located Grade B properties."

Supply

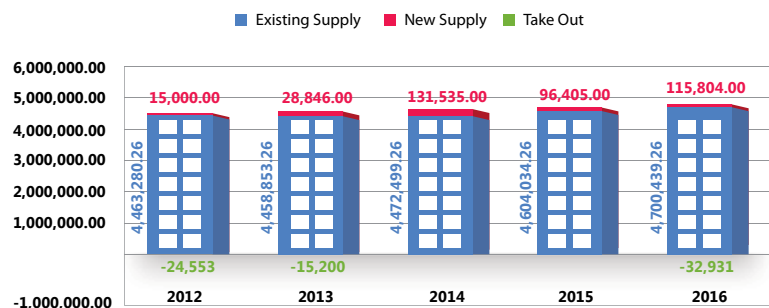
As of the end of 2016, the office market supply stood at 4,783,312 square metres, increasing about 115,804 square metres from 2015. The newly launch office buildings during 2016 include FYI Tower (48,095 sqm), G Tower (South Tower; 23,299 sqm), Rungrojthanakul 5 (15,705 sqm), Metropolis (13,990 sqm) and M Tower (14,715 sqm). There are some

office buildings that we have taken out from the supply since they are no longer for rent while some buildings were demolished; these include Vanessa building, Phayathai Building, and Kian Gwan Building I, with approximately 32,931 square metres in space.

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

FIGURE 1

Bangkok Office Supply and New Supply from 2012-2016



SOURCE : KNIGHT FRANK THAILAND'S RESEARCH

TABLE 1

Known Future Office Supply in Bangkok

Building Name	Lettable Space (sq.m.)	Completion	Locatio	Zone
Office expected completion in 2017				
G Tower (North Tower)	42,531 Q	1 2017	Rama 9	Non-CBD
Shinnawat 4	13,060 Q	1 2017 P	aholyothin	Non-CBD
Gaysorn Office Tower	30,000 Q	2 2017	Rajdamri	CBD
Bhiraj Tower at BITEC	31,880 Q	2 2017	Sukhumvit-Bangna N	on-CBD
Cosmo Office Park	60,000 Q	2 2017	Chaengwattana N	on-CBD
Ladprao Hill (Evergreen Group) 7	,000 Q	3 2017 V	ibhavadi-Ladprao N	on-CBD
Total Completion in 2017	184,471	CBD	30,000	Non-CBD
Office expected completion in 2018				
MS Siam Tower	37,000 Q	2 2018	Rama III N	on-CBD
Singha Complex	34,000 Q	4 2018 A	sok-Petchaburi N	on-CBD
Aree Hill (Evergreen Group)	12,000 Q	4 2018 A	ree	Non-CBD
T1 Office Building	23,340 Q	4 2018	Sukhumvit Soi 40	Non-CBD
Total Completion in 2018	06,340	CBD	0	Non-CBD
Office expected completion in 2019				
Samyan Mitrtown	45,000 Q	1 2019	Samyan	CBD
Total Completion in 2019	45,000 C	BD	45,000 N	on-CBD
Total Future Office Supply	335,811 C	BD	75,000 N	on-CBD

SOURCE : KNIGHT FRANK THAILAND'S RESEARCH

Future Supply

We expect 184,471 square metres of new supply to be complete in 2017. The future supply of the office market will be approximately 335,811 square metres that are currently under construction and are expected to be complete within three years from now.

Demand

At the end of 2016, there were approximately 4,451,150 square metres being occupied, representing an occupancy rate of 93.1% of the total market supply and an increase of 0.9% from 2015. The buildings that were completed within the last two years (for example, AIA Sathorn Tower and Bhiraaj at EmQuartier) have the most take-up space.

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

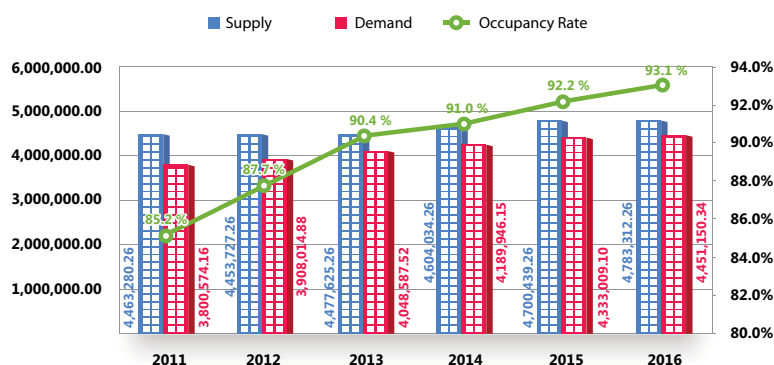
The total annual take-up is calculated from the change in the amount of occupied space of office buildings in Bangkok. During 2016 this was approximately 118,141.24 square metres. Non-CBD for both Grade A and B have high annual take-up areas, with approximately 80,386.91 square metres and 50,874.01 square metres, respectively.

The amount of occupied space in Grade B buildings in the CBD actually fell by 25,432.78 square metres. This could be due to a number of reasons, but perhaps the chief amongst them could be that in the face of rising rents tenants are choosing to relocate away from Grade B office buildings in the CBD to new buildings in the city fringe.

Overall, the occupancy rate for the office market in Q4 2016 increased by 1.1% on a quarter-on-quarter basis. The CBD Grade A market showed the strongest year-on-year occupancy growth at 2.5%.

FIGURE 2

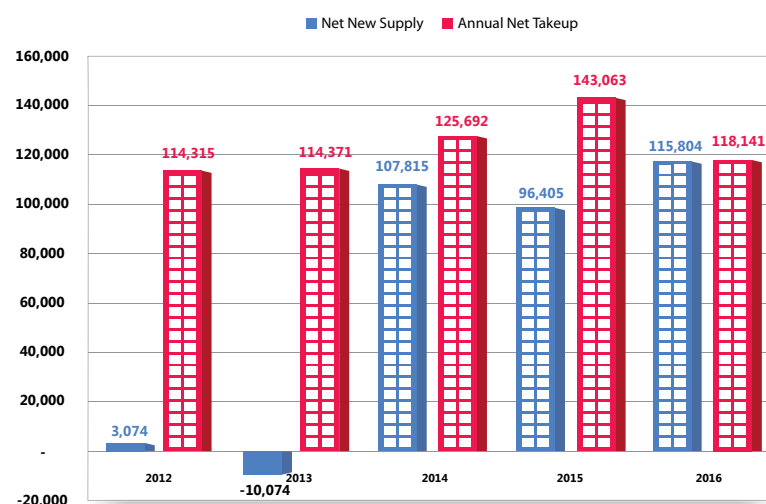
Office Supply, Demand and Occupancy Rate, 2012-2016



SOURCE : KNIGHT FRANK THAILAND'S RESEARCH

FIGURE 3

Bangkok Office Demand and Supply Analysis, 2012 – 2016



SOURCE : KNIGHT FRANK THAILAND'S RESEARCH

TABLE 2

Occupancy Rate by Grade and Location from Q1 2015 to Q4 2016

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%
Q3 2016	95.8%	93.2%	92.5%	91.4%	93.0%
Q4 2016	95.3%	93.4%	92.7%	91.7%	93.1%
Q-o-Q	1.8%	-0.8%	2.4%	1.3%	1.1%
Y-o-Y	2.5%	0.0%	0.6%	1.6%	1.4%

SOURCE : KNIGHT FRANK THAILAND'S RESEARCH

In 2016, office tenants in Bangkok rented an additional 118,141 square metres. This demand for office space has been positive every year since 2012; however, the pace of growth has fallen slightly over the past two years. Over the past few years, with a limited supply of office space in CBD areas, we anticipate a shift in office take-up from the CBD towards Non-CBD areas as some of these areas are within a convenient reach from the CBD through mass transit systems.

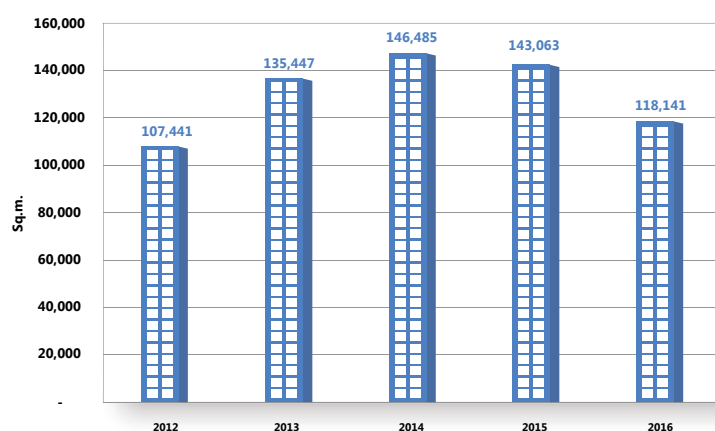
In 2016, the average rental rate of Grade A offices in Non-CBD areas showed a high growth rate at 13.1% from the previous year. Grade A offices in the CBD have the highest rental rate at 960 baht per square metre, followed by those in the Non-CBD area at 818 baht per square metre. The average rental rate for Grade B in both CBD and Non-CBD areas are lower at 671 baht and 504 baht per square metre, respectively. There was approximately a 4.9% rise year-on-year for Grade B in the CBD and 5.2 % rise year-on-year for those in Non-CBD areas.

Rental Rates

When looking at asking rents by major roads, the highest quotes could be found from properties on Ploenchit Road, following by Rama 4 and Inner Sukhumvit Roads. The office building that command the highest rental price is Siam Tower, at around 1,350 baht per square metre, followed by Park Venture, Bhiraaj Tower at EmQuartier, Exchange Tower and Ramaland Building, respectively.

FIGURE 4

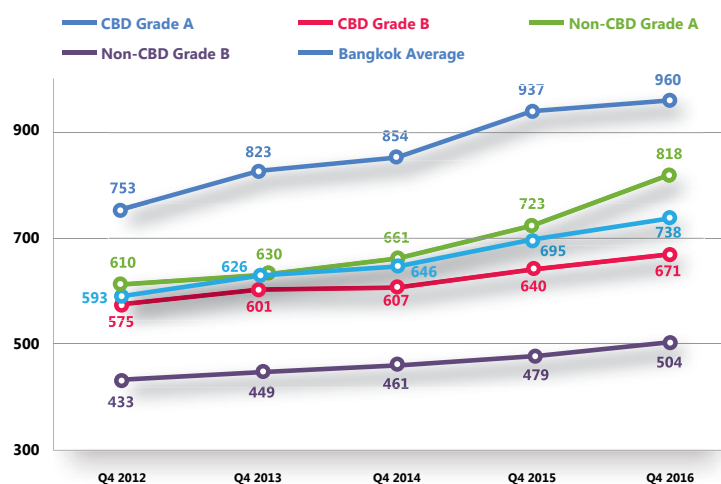
Annual Net Take-Up from 2012 - 2016



SOURCE : KNIGHT FRANK THAILAND'S RESEARCH

FIGURE 5

Bangkok Office per sqm Asking Rent by Grade and Location, 2012-2016



SOURCE : KNIGHT FRANK THAILAND'S RESEARCH

TABLE 3

Office 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
Q3 2016	960	667	813	499	735
Q4 2016	960	671	818	504	738
Q-o-Q	0.0%	0.6%	0.6%	1.0%	0.5%
Y-o-Y	2.4%	4.9%	13.1%	5.2%	6.3%

SOURCE : KNIGHT FRANK THAILAND'S RESEARCH

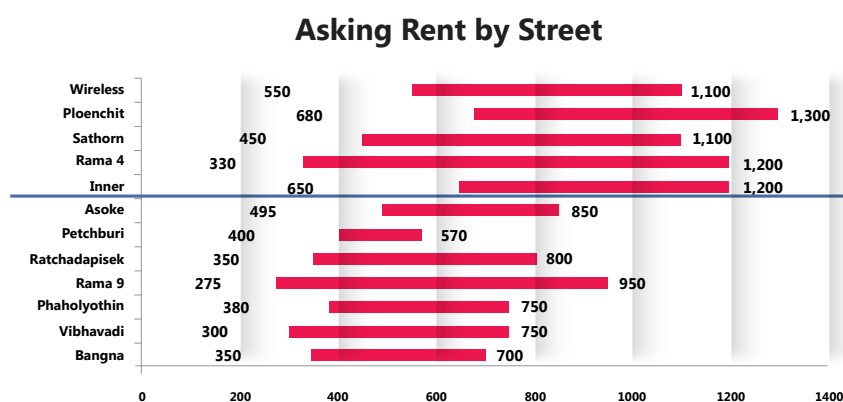


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FIGURE 6

Bangkok Office per sqm Asking Rent by Major Roads, 2016



SOURCE : KNIGHT FRANK THAILAND'S RESEARCH

Outlook

The trend of tenants moving away from older centrally located buildings to new properties in 'fringe' locations is likely to continue. New buildings that are competitively priced in areas that were once considered 'fringe' locations are becoming much more desirable, they might be easier to reach, better

connected by mass transit and boast new facilities and features that older buildings are hard pressed to match.

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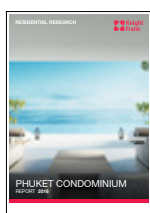
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