



Q2 2014 OFFICE MARKET REPORT

Knight Frank

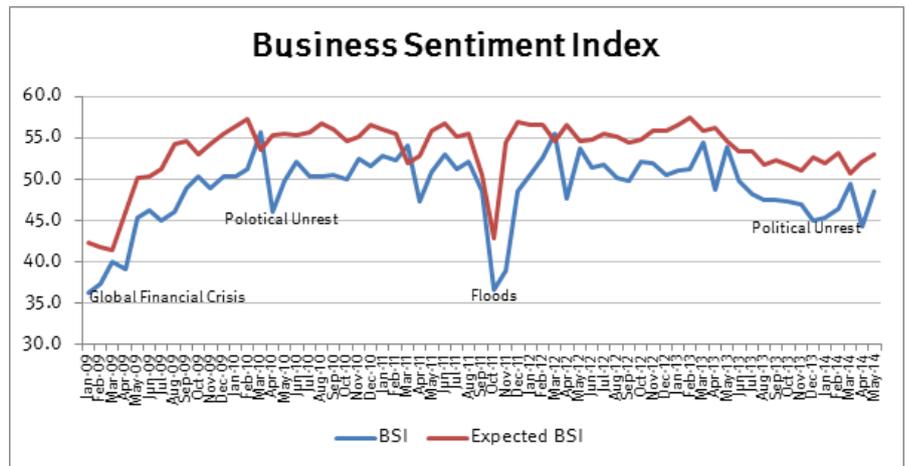
HIGHLIGHTS

- As of Q2 2014, there were approximately 4,555,271 square metres of office space in Bangkok.
- 87,898 square metres of new supply filled in 2014 (The Nine Tower, located in Ratchadapisek – Rama 9 and AIA Capital Center)
- The occupancy rate in Q2 2014 increased to 91% from 90.6% in Q1 2014.
- First half of 2014 saw strong demand with over 80,000 square metres taken up.
- The overall office rent increased by 2.1% year-on-year, reaching THB 630 per square metre in Q2 2014.

MARKET
OVERVIEW

The Business Sentiment Index (BSI) dipped to its lowest point in April 2014 after recovering from the floods of 2011, signalling concern from entrepreneurs and investors over domestic consumption, household debts, currency fluctuation, and unfavourable tension from the ongoing political situation.

Figure 1



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.

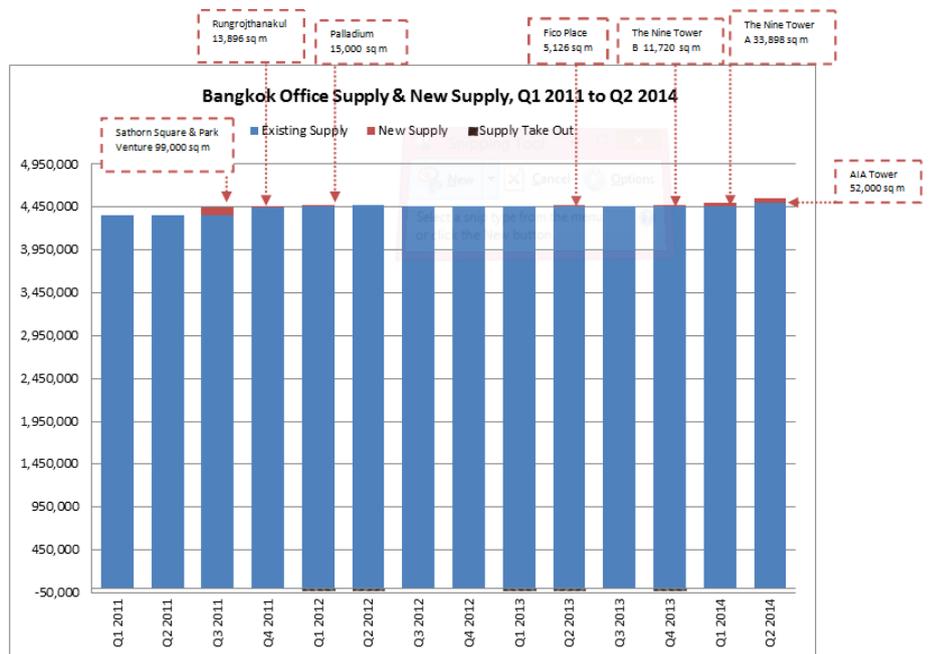
SUPPLY

As of Q2 2014, there were approximately 4,555,271 square metres of office space in Bangkok. During Q1 2014, there were approximately 33,898 square metres (The Nine Tower A, located in Ratchadapisek – Rama 9) of office space added in Bangkok. Whereas in Q2, there were approximately 54,000 square metres added to the office supply, which was comprised of the AIA Capital Center on Ratchadapisek Road. This represented an increase of about 1.2% of the total supply from Q1 2014.

There were some office buildings taken out of the supply in some periods. Sino Brit (7,427 sq.m.), located in a non-CBD area, was taken out in Q1 2012. Fico Place (5,126 sq.m.) in the CBD caught on fire and was subsequently taken out in Q2 2012, but it was added back into the supply in Q2 2013. Nailert (6,800 sq.m.) in the CBD, and EGCO (8,400 sq.m.), located in a non-CBD area, were taken out in Q1 2013 and Q2 2013, respectively. All of the office buildings that were taken out of the supply were in the Grade B segment.

Office supply in the non-CBD areas comprised approximately 52% of the total supply, whilst office space in the CBD made up around 48% of the supply. The majority of Bangkok offices were classified as Grade B, with about 68% of the total, whereas Grade A office space was only 32%. The majority of Grade A offices were located in the CBD, with approximately 1,183,775.96 square metres, whilst Grade A space in the non-CBD areas was only 275,892 square metres.

Figure 2
Bangkok Office Supply & New Supply Q1 2011 to Q2 2014



Source: Knight Frank Thailand Research

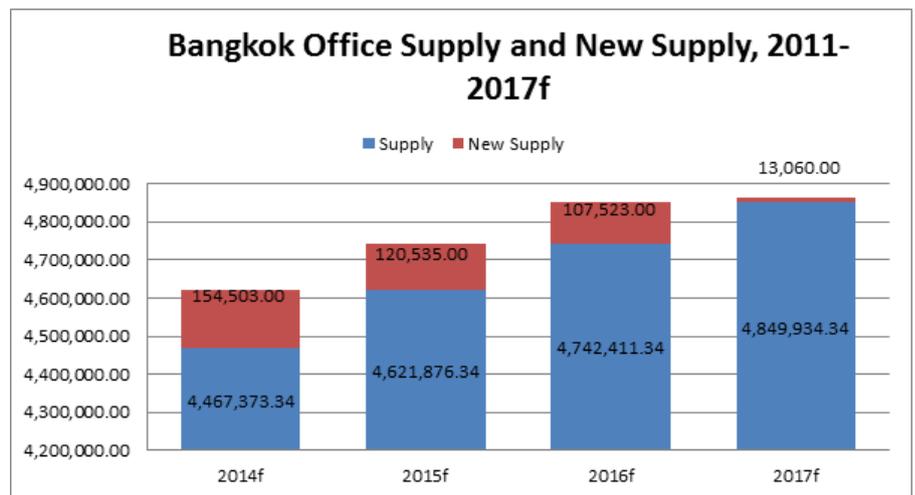
Note: These figures exclude multi-owner occupied premises and office buildings smaller than 5,000 sq.m

FUTURE SUPPLY

There will be approximately 307,723 square metres added to the office supply from Q3 2014 to 2017, of which the new office supply in the CBD will be only 72,048 square metres, whilst the new office supply of non-CBD areas will be 235,675 square metres.

With this estimated increase, the total office supply will be about 4,862,994.34 square metres. In 2015 and 2016, there will be new supply of about 120,535 square metres and 107,523 square metres, respectively. In 2017, there will be approximately 13,060 square metres of office space added to the supply.

Figure 3
Bangkok Office Supply and New Supply 2011 -2017f



Source: Knight Frank Thailand Research

During the second half of 2014, all of the new supply of around 66,605 square metres will be in non-CBD areas. In 2015, around 76,035 square metres of new supply will be located in non-CBD locations, while another 44,500 square metres will be in the CBD. In 2016, the new supply of 79,975 square metres will be located in non-CBD areas, while another 27,548 square metres will be added to the CBD. In 2017, all of the new supply (approximately 13,060 square metres) will be added into the non-CBD areas. Details of the various future office spaces are in the table below.

Table 1
Future Supply

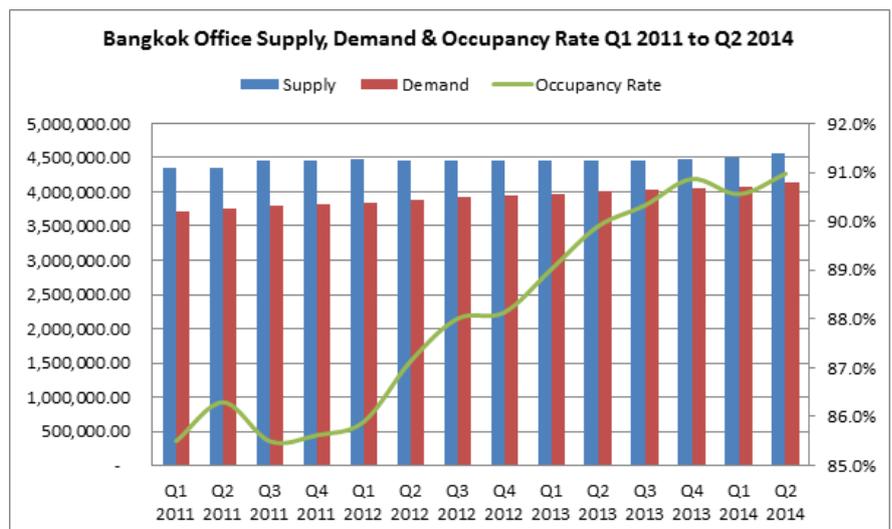
Future Supply	Lettable Space (sq.m.)	Completion	Location	Zone
Equinox	19,205	Q4 2014	Paholyothin	Non-CBD
Bhiraj Tower at EmQuartier	47,400	Q4 2014	Sukhumvit	Non-CBD
AIA Sathorn	38,500	Q1 2015	Sathorn	CBD
Major Tower	10,405	Q3 2015	Thonglor 10	Non-CBD
G-Land Tower	65,630	Q4 2015	Rama 9	Non-CBD
Magnolia Ratchadamri Boulevard	6,000	Q4 2015	Ratchadamri	CBD
Bhiraj Tower at BITEC	31,880	Q2 2016	Sukhumvit-Bangna	Non-CBD
FYI Center	48,095	Q4 2016	Ratchadapisek-Rama IV	Non-CBD
Gaysorn II	27,548	Q4 2016	Rajdamri	CBD
Unnamed Office Building by SC Asset	13,060	Q1 2017	Paholyothin	Non-CBD

Source: Knight Frank Thailand Research

DEMAND

The occupancy rate of the overall office market was on an increasing trend. The occupancy rate in Q2 2014 increased to 91% from 90.6% in Q1 2014. The occupied space was around 4,144,149.45 square metres out of 4,555,271.34 square metres, with only 411,121.89 square metres of office space available in the market.

Figure 4
Bangkok Office Supply, Demand & Occupancy Rate Q1 2011 to Q2 2014



Source: Knight Frank Thailand Research

Q2 2014 OFFICE MARKET REPORT

The occupancy rates in the office market continually increased in every segment, except in the Grade A Non-CBD category, which dropped to 81.4% in Q2 2014, from 94.7% in Q1 2014. The highest occupancy rate was shown in the Grade A CBD category, at approximately 93.2%, followed by Grade B CBD and Grade B Non-CBD segments, at 91.3% and 89.3%, respectively.

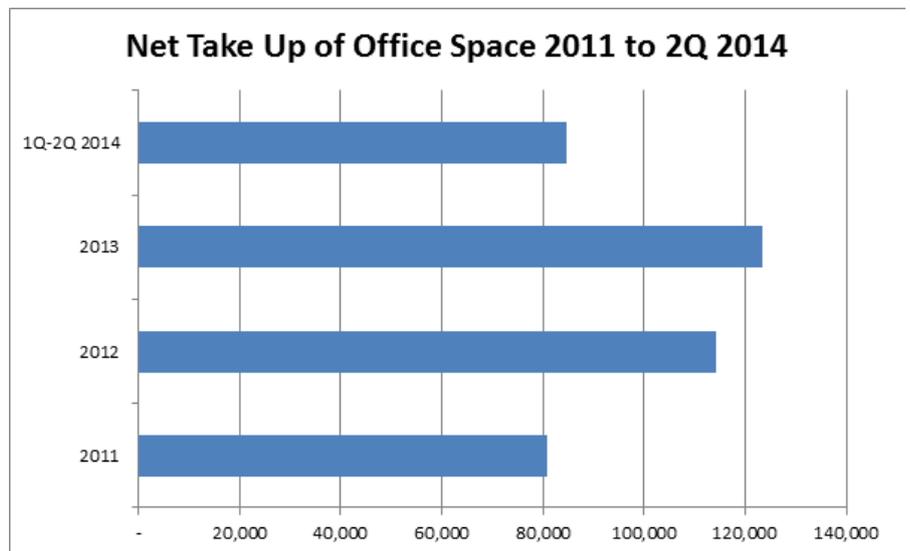
Table 2

Quarter	CBD		Non-CBD		Overall
	Grade A	Grade B	Grade A	Grade B	
Q3 2013	91.3%	90.5%	94.8%	88.6%	91.3%
Q4 2013	90.9%	89.9%	94.7%	88.8%	91.1%
Q1 2014	92.2%	90.8%	94.7%	88.9%	91.7%
Q2 2014	93.2%	91.3%	81.4%	89.3%	88.8%
Q-o-Q	1.1%	0.6%	-14.0%	0.4%	-3.1%
Y-o-Y	2.1%	0.9%	-14.1%	0.8%	-2.7%

Source: Knight Frank Thailand Research

The net take up of office space improved every year since 2011, especially in 2014, where the net take up space in the first six months was more than that of the whole year of 2011. We expect that the net take up space will reach 200,000 square metres by the end of this year.

Figure 5



Source: Knight Frank Thailand Research

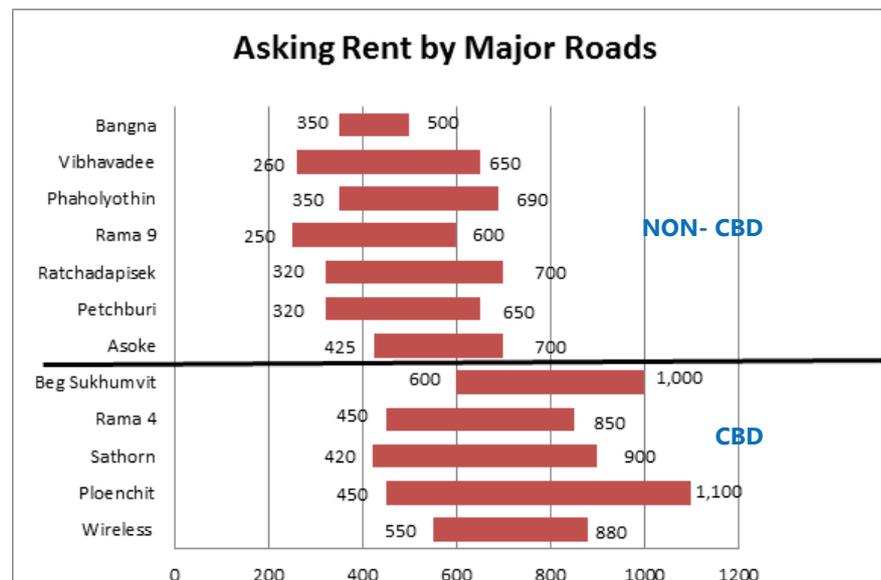
The overall average rental rate was THB 630 per square metre, representing an increase of 2.1% year-on-year, from just THB 617 per square metre in Q3 2013. The average rental rate increased in all segments, and the highest rental rate was shown in the Grade A CBD segment, which commanded approximately THB 823 per square metre; this represented a 1.9% year-on-year increase from THB 808 per square metre in the third quarter of 2013. The average rental rate of Grade B CBD space was THB 599 per square metre, increasing 1.5% year-on-year. The highest increase of average rental rates was shown in Grade A Non-CBD space, increasing by 3.1% year-on-year, from just THB 625 in Q3 2013 to THB 644 in Q2 2014. The lowest average rental rate was shown in the Grade B Non-CBD category at THB 453 per square metre, increasing 2.1% year-on-year. The highest asking rate was at Park Venture, which commanded THB 1,100 per square metre during Q2 2014, followed by Exchange Tower at THB 1,000 per square metre.

Table 3

Quarter	CBD		Non-CBD		Overall
	Grade A	Grade B	Grade A	Grade B	
Q3 2013	808	590	625	443	617
Q4 2013	823	597	630	448	625
Q1 2014	823	598	630	451	624
Q2 2014	823	599	644	453	630
Q-o-Q	0.0%	0.1%	3.4%	0.5%	1.0%
Y-o-Y	1.9%	1.5%	3.1%	2.1%	2.1%

Source: Knight Frank Thailand Research

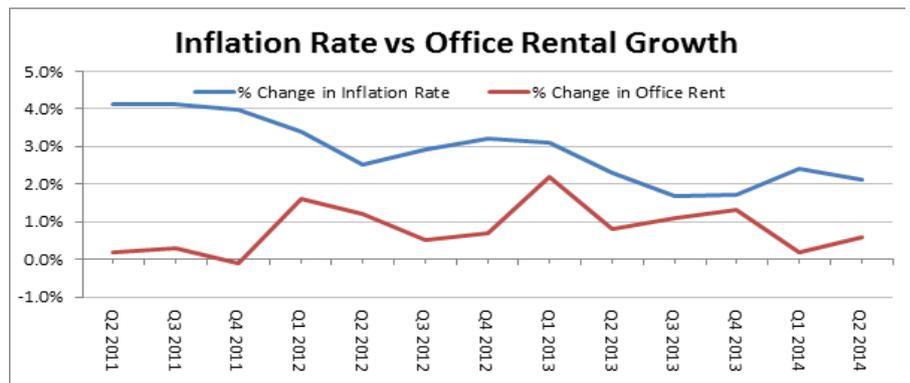
Figure 6
Asking Rent by Major Roads



Source: Knight Frank Thailand Research

It is interesting to see that the upward adjustment of office rents in Bangkok was still lower than the change in the inflation rate; this is due to various factors, such as the global economic climate and political instability in Thailand. Consequently, local landlords had to offer lower rents in order to get tenants to renew their leases during the crisis. We expect that office rents will increase dramatically in the very near future when demand is higher than supply.

Figure 7
Inflation Rate vs Office Rental Growth



Source: Knight Frank Thailand Research and Bank of Thailand

OUTLOOK

The prospects of the office market are bright, but with only 400,000 square metres of available space, and a new supply of only 300,000 square metres of new supply over the next three years. Demand for office space before 2008 was around 250,000 to 300,000 square metres per year and whilst demand has not returned to those levels, we are approaching it. We expect vacancies to fall sharply and rents to rise to record levels in the near future.

APPENDIX

- **CBD** Defines as the area of a city that has the highest concentration of Grade A office buildings, luxury retailers and 5 star hotels. In our view this is best described as the area covering Silom, Sathorn, Rama IV, Ploenchit, Wireless, and Sukhumvit Road between Soi 1 and Soi 21 to the north and Soi 2 and Soi 16 to the south.
- **Non-CBD** Defines as the areas outside the CBD area.
- **Net Take-Up** The net change in occupied space between the current period and the previous period.
- **Grade A Classification**
 - A floor plate should have the net space of more than 1,000 square metres, with a regular shape, and without structural encumbrances.
 - The building should have an impressive design and high-quality decoration.
 - The building should include an air-conditioning system with a central chiller and variable air volume.
 - The building should have efficient and sufficient car parking space.
 - Ceiling heights should be at least 2.7 metres.
 - The building should have well-known, professional property managers.

Americas

USA
Bermu da
Brazil
Caribbean
Chile
Australasia

Australia

New Zealand

Europe

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

Africa

Botswana
Kenya
Malawi
Nigeria
South Africa
Tanzania
Uganda
Zambia
Zimbabwe

Asia

Cambodia
China
Hong Kong
India
Indonesia
Macau
Malaysia
Singapore
Thailand
Vietnam

Thailand Contacts

Phanom Kanjanathiemthao

Managing Director
+66 (0)2643 8223 Ext 124
phanom.kanjanathiemthao@th.knightfrank.com

Chaturawit Wattanapruk

Executive Director
+66 (0)2643 8223 Ext 120
chaturawit.wattanapruk@th.knightfrank.com

Surasak Limpa-Arayakul

Executive Director, Head of Valuation and Advisory
+66 (0)2643 8223 Ext 143
surasak.limpa-arayakul@th.knightfrank.com

Roong Sitthisankunchorn

Executive Director, Head of Property Management
+66 (0)2643 8223 Ext 144
roong.sitthisankunchorn@th.knightfrank.com

Marcus Burtenshaw

Executive Director, Head of Commercial Agency
+66 (0)2643 8223 Ext 121
marcus.burtenshaw@th.knightfrank.com

Frank Khan

Executive Director, Head of Residential
+66 (0)2643 8223 Ext 280
frank.khan@th.knightfrank.com

Risinee Sarikaputra

Director, Research and Consultancy
+66 (0)2643 8223 Ext 180
risinee.sarikaputra@th.knightfrank.com

Phuket Contact

Nattha Kahapana

Executive Director, Knight Frank Phuket
+66 (0)7631 8151 Ext 300
nattha.kahapana@th.knightfrank.com

Knight Frank Research provides strategic advice, consultancy services and forecasting to a wide range of clients worldwide including developers, investors, funding organisations, corporate institutions and the public sector. All our clients recognise the need for expert independent advice customised to their specific needs.

Knight Frank Research Reports are also available at www.knightfrank.com

© Knight Frank LLP 2014

This report is published for general information only. Although high standards have been used in the preparation of the information, analysis, views and projections presented in this report, no legal responsibility can be accepted by Knight Frank Research or Knight Frank LLP for any loss or damage resultant from the contents of this document. As a general report, this material does not necessarily represent the view of Knight Frank LLP in relation to particular properties or projects. Reproduction of this report in whole or in part is allowed with proper reference to Knight Frank Research.

Knight Frank LLP is a limited liability partnership registered in England with registered number OC305934. Our registered office is 55 Baker Street, London, W1U 8AN, where you may look at a list of members' names.