

# Bangkok Office Market

“Occupancy and rental rates continuously grow”

## Forecast at a glance



### Demand

Demand continued to show improvement from 1H 2018, due to limited available office space; the government is also trying to attract more foreign investments.



### Supply

Supply remains limited due to the lack of new supply entering the market. Large space occupiers have limited relocation options available to them.



### Occupancy rate

Occupancy rates in main locations are higher than 90%; most Grade A buildings in close proximity to mass transit systems are showing high occupancy rates.

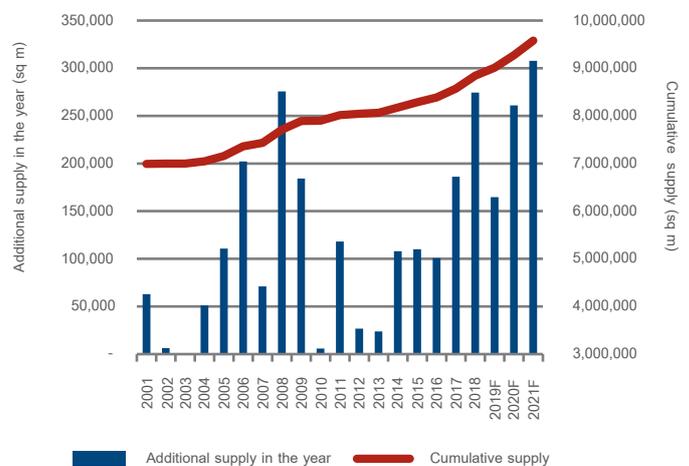


### Rental rates

Rental rates have been driven upwards over the past two to three years, and this trend is expected to continue in 2018,

# Supply

## Cumulative and future supply as of 3Q 2018



Source: Colliers International Thailand Research  
 Note: F= Estimated area of all office buildings expected to be completed in 4Q 2018-2021.

The total office supply is approximately 8,673,862, sq m, with around 55,000 sq m completed in 3Q 2018. In addition, more than 86,192 sq m were under construction and expected to be completed in 4Q 2018. In addition, more than 2.1 million sq m were under construction and expected to be completed in 2018–2023, but some office buildings are in the planning stage and scheduled to be announced in the market.

Many office buildings were continuing to be completed during the past few years and numerous new office buildings are still under construction and scheduled to be completed in the future. This trend is reflecting the popularity of the office market in Bangkok in the past few years.

Approximately 35% of total office supply in Bangkok was in the CBD Area where most buildings are Grade A buildings. The Northern Fringe Area holds the second share in the office market with around 23% of the total Bangkok office market.

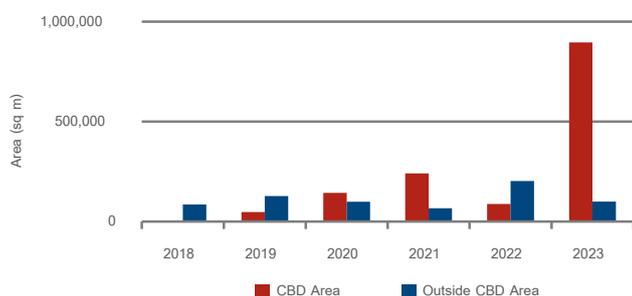
Some leased land plots in the Bangkok CBD Area were under development for new mixed-use projects, including office buildings. These are mostly expected to be completed in the next 4–5 years. A lot of new office space in the future will be added to the market and will directly affect the overall Bangkok office market, especially the older office buildings in the same location as some large-scale mixed-use projects are completed. Some interesting office buildings that are under construction and scheduled to be completed in 4Q 2018 are below:

**“SM Siam Tower”** 38-storey premium office building for rent on the corner of Rama III and industrial ring roads, Bangkok. With total lettable area around 40,000 sq m This new project is expected to be completed in Q3 2018.

**“T-One”** at the junction of Sukhumvit Road and Soi Sukhumvit 40, developed by Tan In Asset Co., Ltd., the owner of the “Ichitan” green tea drinks brand. With total Lettable Area around 22,500 sq.m. This new project is expected to be completed in Q3 2018.

**“Summer Hub Offices”** a new 6-storey office project by Boutique Prakhanong 2 Limited. Located at the intersection of Rama IV and Sukhumvit roads, a few hundred meters away from entrance and exit of expressways. Within steps of Phra Khanong BTS station and adjacent to Summer Hill. Summer Hub Offices that is set to open this Q4 2018, will also feature its own retail space on the ground level and office spaces ranging from 150-900 sqm.

## Cumulative office supply in CBD area and Outside CBD Area by year



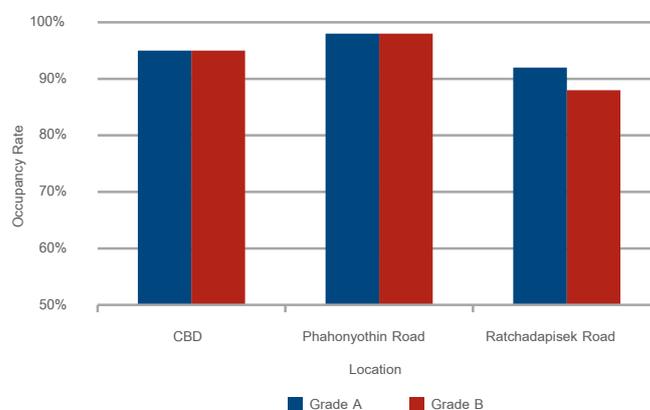
Source: Colliers International Thailand Research

Some long-leased land plots in the CBD area are also under development and are expected to be completed in the years after 2020. Therefore, total office building area in the CBD Area in 2021 will be higher than in earlier years.

New office buildings in the CBD Area are mostly part of large-scale mixed-use projects on long-leased land plots and some project details are still not finalised and have only an estimated completion date, so this area needs to be monitored closely.

## Demand

### Occupancy rate as of 3Q 2018



Source: Colliers International Thailand Research

The average occupancy rate of the office market continues to increase in 2018, although the rise is slower than in the past 1–2 years. But demand from Thai and multinational companies has still been driving up the occupancy rate in the past few months. Many new office buildings in the CBD Area and the area along BTS and MRT lines have a high take-up rate or are fully occupied with no large spaces available for rent. Many office building owners are trying to retain their tenants in the long term by offering special rents or increasing rents by only a few percentages upon contract renewal, so rates for continuing tenants – especially for those occupying large spaces – can be dramatically lower than for new tenants.

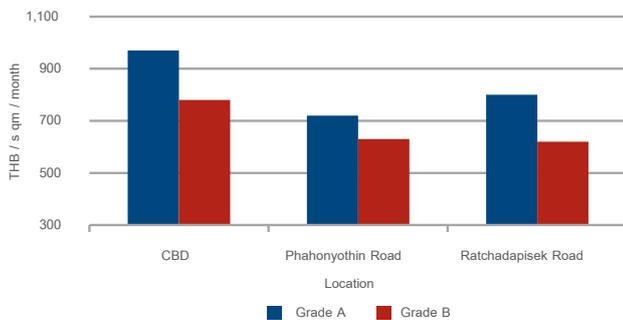
Some Grade A and B new office buildings in the area along Phahonyothin and Ratchadapisek Roads are either 100% occupied or almost fully occupied. This high occupancy is due to many multinational and Thai companies looking to expand their office space and moving from the CBD area to these locations where many new office buildings have been completed in the past few years.

Total new office space occupied in 2017 was approximately 180,000 sq m and we are expecting a similar amount of new office space to be occupied in 2017. Total new office space occupied in the first half of 2018 was around 70,000 sq m. While overall the country situation and its economic outlook are trending positively, the office market will continue to grow in 2018

The government is still promoting Thailand as a hub of ASEAN and is trying to attract more foreign investment by extending privileges to investors and setting up special economic zones as well as encouraging many multinational companies to set up branches or offices in Thailand.

## Rental Rates

### Average rental rate by location as of 3Q 2018



Source: Colliers International Thailand Research

Asking rents are expected to continue to increase throughout 2018, although maybe by a few percentage less than in the past 1–2 years. Most Grade A and B buildings in Bangkok’s CBD Area have increased their rents, due to a high take-up rate and limited new office space being added to the market as well as continuing demand during the past few years.

Although some Grade A office buildings in Bangkok were asking more than THB1,500 psm per month, other Grade A buildings in a similar location were offering office space at less than THB1,000 psm per month. The average rental rate of Grade A office buildings in the CBD Area was around THB970 per sq m per month, which remains similar to the previous quarter.

Office rents in the area along Ratchadapisek Road were higher than in areas along Phahonyothin Road due to many new office buildings being completed in the past few years and all buildings were asking high rental rates compared to older buildings in the same location.

Many Grade A buildings in the CBD Area cannot increase their rental rate more than 5% per year, because they are trying to retain their existing tenants, especially large-space tenants. Therefore, many Grade A buildings are increasing their rental rate only around 3% per year except for some buildings that have only a small volume of space available.

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