

## “Occupancy and Rental Rates Continuously Grow”

### MARKET INDICATORS 4Q 2014 -1Q 2015

Demand ↑ Supply ↑ Occupancy ↑ Rent ↑

#### Summary

**Demand** continued to show improvements during Q4. This trend is expected to continue as long as the political situation remains stable. No significant negative change was noted in the global economy, and the Thai Baht was lower than last year.

The Government recently approved tax and non-tax incentive packages to attract and encourage international companies to establish their International Headquarters (IHQs) and International Trading Centres (ITCs) in Thailand.

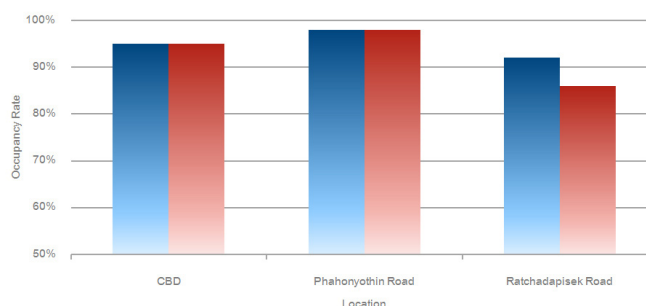
**Supply** remains limited due to the lack of new supply entering the market. Large space occupiers have limited relocation options available to them. New developments that are expected to be completed during 2Q – 4Q 2015 and 2016 total approximately 207,700 sq m. The majority of this space is outside of the traditional CBD.

**Occupancy rates** in the key locations within Bangkok are above 90%, with Grade A buildings in close proximity to mass transit systems enjoying the greatest occupancy. Lower-quality buildings located in areas not currently serviced by mass transit systems are not in any great demand.

**Rental rates** have been driven upwards over the past 12 months, and this trend is expected to continue. Most office buildings in Bangkok are older than 15 years, and they cannot upgrade or increase their rental. Landlords need to renovate and upgrade their internal facilities to attract more new tenants as well as high rental rate.

Please download the [Colliers International Office Leasing Guide](#) for more information or contact Khun Nattawan Radomyos at +66 (0) 81 842 0294 or [nattawan.radomyos@colliers.com](mailto:nattawan.radomyos@colliers.com)

#### Occupancy Rates as of 1Q 2015



Source: Colliers International Thailand Research

The office market in Bangkok has shown the highest occupancy rate in the past years after a huge number of demand from Multinational and Thai companies.

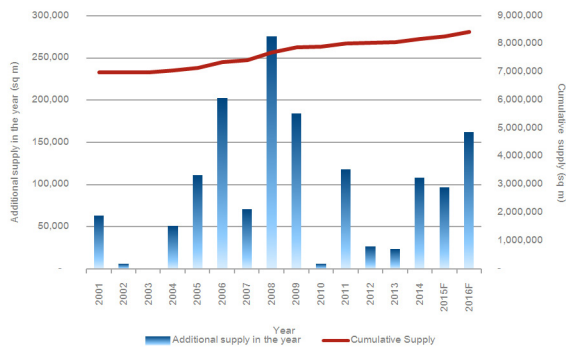
With demand showing signs of continuous improvement and the lack of any significant supply, it is expected that occupancy rates will remain at their high levels throughout 2015.

The average occupancy rate of Grade A office buildings in each Area was higher than that of Grade B because they are closer to mass transit facilities. Moreover, most Grade A buildings will provide more modern facilities than lower-grade buildings, as well as better services and security access.

Large space occupiers experience difficulty in relocating or expanding their space because not much large space is available and rental rate is too high in the new office buildings compared to existing buildings.

The Government recently approved the Regional Operating Headquarters (ROH) scheme to try and increase demand from MNCs. The ROH scheme provides tax and non-tax incentives for international companies to establish their International Headquarters (IHQs) and International Trading Centres (ITCs) in Thailand.

## Cumulative and Future Supply as of 1Q 2015



Source: Colliers International Thailand Research

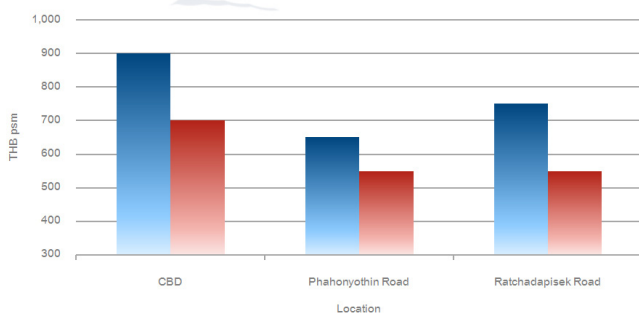
The total office supply is approximately 8.26 million sq m, with further 207,700 sq m expected to be completed the rest of 2015 and 2016. In addition, some office buildings with a total of more than 110,000 sq m are also under construction for owner use.

The majority of these new developments are not within the traditional CBD zone, but all are located along the mass transit lines.

### Examples include:

- Bhiraj Tower @ BITEC, which is close to Bang Na BTS station and is part of the Bangkok International Trade & Exhibition Centre or BITEC;
- FYI Center, which is connected to Klong Toey MRT station and will include retail and hotel facilities supporting the two office towers; and
- G Land Tower, which is connected to Rama 9 MRT and is part of the G Land complex, including retail, residential and hotel facilities.

## Average Rate by Location as of 1Q 2015



Source: Colliers International Thailand Research

Asking rents are expected to continue to increase throughout 2015, assuming that the political situation remains calm and that the global economy does not have any significant negative downturns.

The average vacancy rate achieved the lowest levels during the past years, but rental rate is still not high compared to the growth of occupancy rate. Average rental rate of Grade A buildings in the CBD area is around THB900 per sq m / month, which is still lower than in other capital cities in the ASEAN, and even Yangon in Myanmar. However, some new buildings in Bangkok CBD ask for THB900 - 1,200 per sq m / month.

In addition, approximately 56% of the total office space in Bangkok comprises Grade B buildings and offer lower rental rate in the same location as Grade A buildings. New Grade A office buildings outside the CBD Area are more interesting than Grade A buildings in the CBD Area due to lower rental rate and location that is adjacent to existing mass transit facilities.

### Forecast

The average rental rate will continue to steadily increase in 2015 because of limited existing and future supply scheduled to be completed in 2015 - 2016. Meanwhile, demand still continues to grow.

The areas along Ratchadapisek and Phahonyothin Roads are the most interesting locations for office development due to lower land prices and easy access to the adjacent BTS and MRT routes.

Landlords of older buildings are likely to renovate, redecorate or upgrade their facilities but they are unable to increase rents to the levels quoted by newer buildings in the same location.

Some property developers will probably become the main players in the office building market after occupying many leasehold land plots in Bangkok.

### FOR MORE INFORMATION

Surachet Kongcheep  
Associate Director | Research | Thailand  
surachet.kongcheep@colliers.com

Narin Phumviwattanasirikul  
Deputy Managing Director | Head of Agency | Thailand  
narin.phumviwattanasirikul@colliers.com