

Bangkok Office Market

“Demand will continue to grow, while rental prices will increase in 2019.”

Forecast at a glance



Demand

Demand continued to show improvement from 2018, due to limited available office space, especially in Grade A buildings or new office buildings along mass transit lines.



Supply

Supply remains limited due to the lack of new supply entering the market, especially Grade A in prime locations.



Occupancy rate

Occupancy rate will continue to increase in 2018, due to limited supply against rising demand from the past few years.

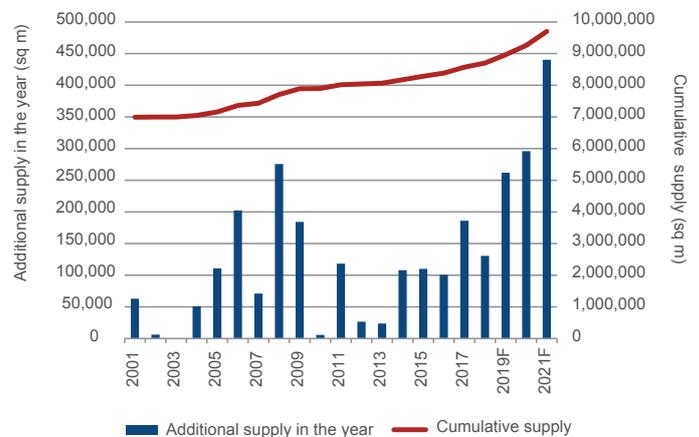


Rental rates

The average rental rate in 2018 increased around 3-5% from 2017, depending on location and building specifications. Although most rates have already increased slightly from the past year, some buildings in the CBD area were increasing their rates again in the second half of 2018, due to limited supply.

Supply

Cumulative and future supply as of 4Q 2018



Source: Colliers International Thailand Research
 Note: F= Estimated area of all office buildings expected to be completed in 2019-2021.

Approximately 27,916 sq m of office space was added to the Bangkok market in 4Q 2018. The total office supply at the end of 2018 will be approximately 8.701 million sq m, with around 262,000 sq m completed in 2019. In addition, more than 1.027 million sq m is under construction and expected to be completed in 2020 – 2022.

Approximately 80% of the total office supply in Bangkok is located along existing mass transit lines, and the CBD area has the largest share of the market with around 35%. And around 60% 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. Land prices have soared in the CBD area over the past few years and limited availability of plots of land is a major factor affecting property development, especially that of office buildings.

Only four or five new office buildings that are expected to be completed in the future are located in a high land price zone, such as Rama 1, Sukhumvit, Silom or Sathorn Roads. This is due to the high-priced land not being suitable for office building development. The areas outside the traditional CBD are becoming the new locations for office development, such as around the intersection of Ratchadapisek and Rama 9 Roads, and the area along Sukhumvit and Phahonyothin Roads. The soaring land prices in the traditional CBD area is the major factor directly impacting office building development, as the high land prices make it unsuitable. Some leasehold plots of land in the traditional CBD area that were owned by property developers are planned for development with office buildings.

The area along the new mass transit extension lines is still not suitable for office building development, but many home office projects were launched in the past one to two years.

Some interesting office buildings that are under construction and scheduled to be completed in the future are below:

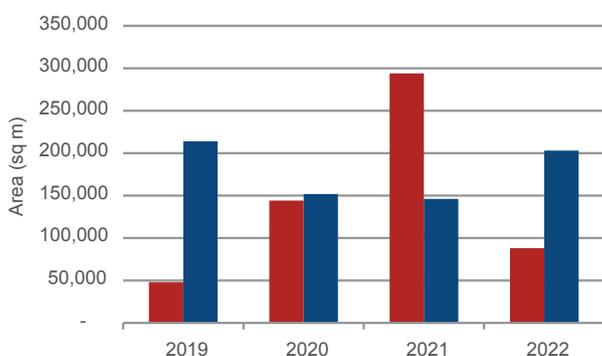
“**One City Centre**” is the new office building from Raimonland PCL opposite Central Embassy Mall in Phloen Chit area.

“**One Bangkok**”, the largest mixed-use development project in Thailand, by TCC Asset (Thailand) Co., Ltd. and Fraser Centrepoint Limited on Rama 4 Road.

“**The PARQ**”, located on the corner of Rama IV Road and Ratchadapisek Road. Continuing with the Queen Sirikit National Convention Center. And opposite the FYI Center office building, developed by TCC Asset (Thailand) Co., Ltd.

“**THE FORESTIAS**”, a mixed-use project on Bangna - Trad KM. 5-7 Road On an area of 300 rai , developed by Magnolias Quality Development Corporation Co., Ltd.

Cumulative office supply in CBD area and outside CBD area by year

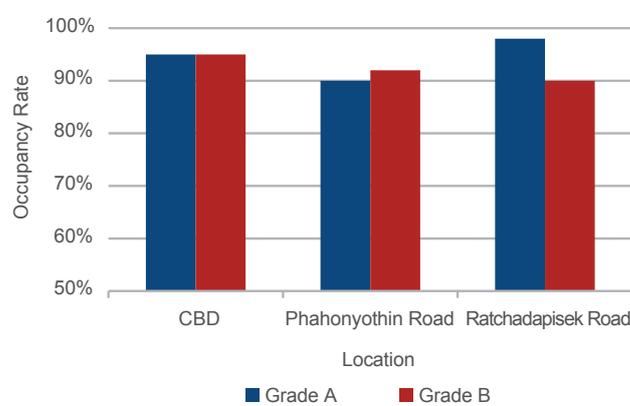


Source: Colliers International Thailand Research

Most of the new office buildings scheduled to be completed in 2019–2022 is located in the area which is outside the CBD area. This was due to developers preferring to develop office buildings in areas with lower land prices. However, 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.

Demand

Occupancy rate as of 4Q 2018



Source: Colliers International Thailand Research

The steadily increasing demand during the past one to two years and limited new supply are the major factors pushing the occupancy rate high in the CBD, Outer CBD and Northern Fringe area. The average occupancy rate of the three main areas of Bangkok was approximately 89%, while the average for all of the Bangkok market was higher than 87.5%.

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 2018 was approximately 200,000 sq m, and we are expecting a similar or more than 5% amount of new office space to be occupied in 2019. Total new office space occupied in the second half of 2018 was around 120,000 sq m. While overall the country situation and its economic outlook are trending positively, the office market will continue to grow in 2019.

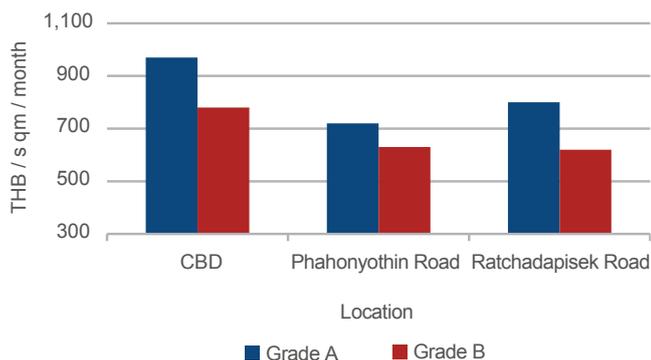
Office Space is expected to be limited to the years 2019-2020, but the situation after 2020 will depend on how many developers will start building new office projects this year. In addition, if the overall economic growth of the country. It is likely that the demand for such offices will increase. If the economy does not grow. The office building market is likely to experience over supply in 2021.

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 sq m per month, which remains similar to the previous quarter.

Rental Rates

Average rental rate by location as of 4Q 2018



Source: Colliers International Thailand Research

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. 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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