

BANGKOK OFFICE MARKET

Q1 2021



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Summary & recommendations

"At the end of Q1 2021, the supply of office space in Bangkok continued to increase steadily to 9,098 million sq.m. from the launch of one new office building project, namely Bangkok Life Assurance Company Headquarters Building, with the total NLA of 20,000 sq.m., and found that in Q1 2021, there was another Grade A office building launched into the market, but located outside Bangkok area, which was WHA Tower project with a total NLA of 24,023 sq.m., located on Thepparat Road Km 7.

Meanwhile, the occupancy rate started to rise again due to the demand for office space coming from the e-commerce, developers' owner use, Financial institutions, Online reservation service companies and wholesale and retail business of electronic products. Colliers Thailand found that in Q1 2021, some tenants still wanted to renew the lease, but at the same time, they wanted to reduce the size of the rental space. While tenants with larger use of the space in each office building had higher bargaining power in order to get better agreements from the office landlords."



Supply

At the end of Q1 2021, the supply of office space in Bangkok continued to increase steadily to 9.098 million sq.m. or an increase of 0.2% q-o-q from the launch of one new office building project in the Bangkok area, namely the new headquarters building of Bangkok Life Assurance, located on Bangkok-Nonthaburi Road with the total leasable area 20,000 sq.m.



Demand

The q-o-q trend right now is falling demand for new office space in the Bangkok area in Q1 2021 as businesses downsize. Q1 however was a bright spot as Bangkok Insurance occupied 20,000 sq m, bringing demand to approximately 32,000 sq.m. overall from this owners use and also E-Commerce, Financial institutions, online reservation service companies and electronic products.



Rent

Overall average rental price of all grades and areas of office buildings in Bangkok increased 0.4% q-o-q to THB745 per sq.m. It was found that the asking rent for Grade A office buildings in the CBD area dropped to approximately THB1,103 from THB1,108 or a 0.5% drop q-o-q.



Occupancy

As of Q1 2021, the total office space of over 8.536 million sq.m. was occupied. As a result, the falling overall occupancy rates have stabilized a little in this Quarter at 93.8 %, showing a small increase of 0.2% q-o-q.

OCCUPANCY RATES HAVE STABILIZED IN THIS QUARTER

As of Q1 2021, the supply of office space in Bangkok continued to increase steadily to 9.098 million sq.m. or an increase of 0.2% q-o-q from the launch of one new office building project in the Bangkok area, namely 'Bangkok Life Assurance' Company Headquarters Building. The building is located on Bangkok-Nonthaburi Road with the total NLA of 20,000 sq.m. There was another new Grade A office building, located outside Bangkok, namely the WHA Tower, a new 25-storey office building with a usable area of over 52,000 sq.m. and a total NLA of 24,023 sq.m. located on Thepparat Road Km.7.

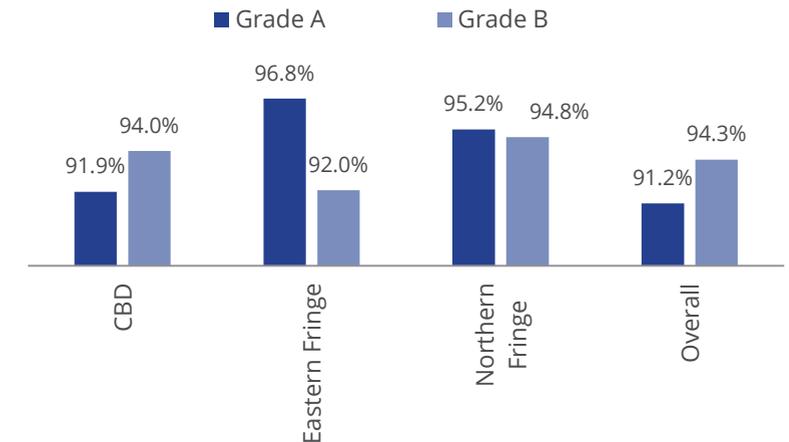
Overall average quoting rental prices at all grades and areas of office buildings in Bangkok increased 0.4% q-o-q to THB745 per sq.m, showing that some landlords have not yet openly dropped rental rates. It was found that the asking price for Grade A office buildings in the CBD areas dropped to approximately THB1,103 from THB1,108 or a 0.5% drop q-o-q. The outer CBD areas offered slightly higher rental price as some tenants who previously rented office space in CBD areas began to look for office space outside the city center including the northern fringe and the eastern fringe and the western fringe areas. This is due to some tenants wanted to reduce the cost of rental and looking for office space with lower rents but with the locations that are able to travel into the city center area quite quickly.

Office buildings in the Lumpini area still have the highest average asking rental rate at THB1,090 per sq.m. per month. While the average rent of grade A office space in Bangkok generally ranges from THB900 - THB1,600 per sq.m.

It was found that in Q1 2021, there were 3 office buildings with a total NLA of approximately 105,000 sq.m being postponed. In 2021, Colliers Thailand expects that there will be approximately 485,865 sq.m. of office building construction to be completed in 2021 and another 534,068 sq.m. in 2022. It was also found that approximately 58.0% of all office buildings are expected to be completed between the year 2021 to 2025 are located in the CBD and 82.0% are Grade A office space.

Colliers Thailand found that in Q1 2021, some tenants still wanted to renew the lease, but at the same time, they also wanted to reduce the size of the rental space from the original. For the tenants who wished to renew the lease in the original rental area, the tenants were offered their rental rates to an average of 3.0% per year from normal 3.0%-5.0%, and some tenants were offered the same rental rate as the last year's contract. Additionally, it was found that more tenants have begun to focus on cost control and risk mitigation. This is an important factor in considering the leasing of office space for many companies in Thailand and in Asia Pacific. It is forecasted that the working trend will change with a greater integration of work outside the office space. As a result, the functions of future office spaces will be shifted from traditional spaces to areas that promote greater collaboration and flexibility to meet the organizational and social needs of employees. Office use will shift towards a blended workplace as companies plan to make the best use of office space for businesses and people.

Occupancy Rate by Location, as of Q1 2021



Source: Research and Communication, Colliers Thailand



Bangkok Life Assurance Head Quarter

THE AVERAGE ASKING PRICE IN THE CBD AREA REMAINED STABLE

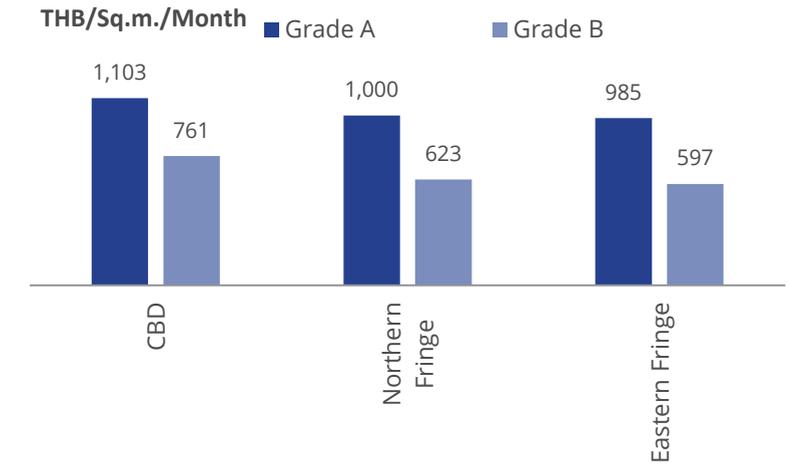
As of Q1 2021, over 8.536 million sq.m. of office space in Bangkok was occupied. As a result, the overall occupancy rate in Q1 2021 adjusted to 93.8%, an increase of 0.2 percentage point q-o-q. The Sukhumvit area remained the area with the highest occupancy rate in the CBD at 94.5 % at the end of Q1 2021, slightly decreased from the previous quarter while the northern fringe area had the highest occupancy rate outside the CBD at 95.3%.

Demand for office space in the Bangkok area has continued to persist though slightly dropped from the previous quarter. This is because some tenants were affected by the economic slowdown due to the impact of the COVID-19 epidemic. Tenants affected by the virus outbreak were still likely to request a downgrade of the rental space or apply for a temporary rental reduction. At the same time, it was found that some businesses, such as e-commerce, logistics and technology continued to generate more income until expanding their businesses and requesting for more space to rent. However Q1 2020, it was found that most of the new demand has remained in the e-commerce segment, developer’s own use, financial institution, online reservation service companies and wholesale and retail business of electronic products or equipment. Also, many companies preferred to downsize and improve the rental space to become more modern. Most of the companies focussed on downsizing and some wished to move the new office building at lower rental prices in order to save costs as the overall economy is still in a slowdown period.

In Q1 2021, there were 2 office buildings namely JLK Building, a 31-storey Grade A office building for rent located on Sukhumvit Road with the total NLA of approximately 30,957 sq.m. and the 10th Avenue Sukhumvit 10 Project have been approved by the Environmental Impact Assessment(EIA) Report. It is expected that these projects will begin the construction soon. In addition, it was found that in Q1 2021, large developers such as Origin Property Plc. have continued to develop office buildings in the CBD area. Origin has a plan to develop a project for a grade A office building next to Sanam Pao BTS station. This will be another interesting office building project on this area in the future.

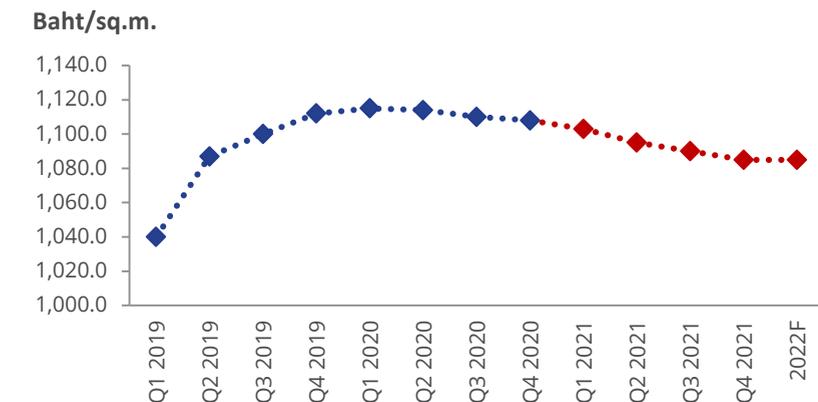
Colliers Thailand found that from the total office supply in Bangkok, most of the office supply was located in the outer city of Bangkok, which was approximately 45.3%. However, it was found that 58.0% of the office space being under construction and expected to launch in the future is located in the CBD area, an area with relatively high land prices and land for development of office buildings such as Rama IV, Sukhumvit, Silom, or Sathorn, etc.

Average Asking Rental Rate by Location, as of Q1 2021



Source: Research and Communication, Colliers Thailand

Average Grade A asking rental rate, Q1 2019 – 2022F



Source: Research and Communication, Colliers International Thailand
Remark: F = Forecast



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