



Phattarachai Taweewong

Research | Associate Director | Thailand
(+66) 86 546 3683

phattarachai.taweewong@colliers.com



Waras Dechgitvigrum

Research | Manager | Thailand
(+66) 82 398 6893

waras.dechgitvigrum@colliers.com

BANGKOK OFFICE

Q1 2020

Summary & Recommendations

"Although there was the situation of COVID-19 outbreak in many countries around the world including Thailand during Q1 2020 but found that the supply of total office space in Bangkok continued to increase to 8.857 million sq.m. from the launch of 3 office building projects with a total rental area of 57,071 sq.m.

For an overview of the office market in Bangkok, it was found that it was a business that has been relatively less affected compared to other types of real estate sector. Since the remaining supply was still not enough to support the needs of various tenants who require to move to a new office building or expanding more rooms to new offices especially grade A buildings.

The tenants are recommended to adapt to this situation by reducing the rental area to be smaller or the signing of previous lease agreements that was signed for more than 3 years could have been adapted to shorter period. Landlords should give a discount to the rental price of office space for at least 3-6 months divided by the type of businesses that have been affected or to let the tenants to be able to pay the rent without interest. So that the affected tenants can sustain the businesses and to allow the tenants to continue to rent space without cancelling the rental contract."

	Q1 2020	Full Year 2020	2021-25 Annual Average
 <p>Demand</p> <p>Most office buildings in the three main areas of Bangkok had almost 100% occupancy rates, especially Grade A office buildings or new office buildings that have been completed in the last 1-3 years.</p>	<p>-35.7pp</p> <p>45,000</p>	<p>+11.5pp</p> <p>220,000 sq. m.</p>	<p>200,000 sq. m.</p>
 <p>Supply</p> <p>Q1 2020, the cumulative supply of office buildings in Bangkok accounted for 8.857 million sq.m. In Q1 2020, there was a total of 57,071 sq.m. of newly launched office spaces.</p>	<p>+62.5pp</p> <p>57,071 sq. m.</p>	<p>+117.0pp</p> <p>329,000 sq. m.</p>	<p>33,000 sq. m.</p>
 <p>Occupancy</p> <p>As of Q1 2020, there was a total of office space of 8.441 million sq.m. with the total occupancy rate of 95.3%. Sukhumvit was still the area with the highest occupancy rate in the CBD of 96.3%.</p>	<p>-0.6pp</p> <p>95.3%</p>	<p>+0.6pp</p> <p>95.9%</p>	<p>0pp</p> <p>95%</p>
 <p>Rent</p> <p>Rents are still likely to increase steadily in Q1 2020, although relatively it was considered relatively low compared to the previous quarter because the available spaces were less while the demand continued to increase. Average rental price for Grade A office buildings in the CBD was approximately THB1,115 per sq.m. per month</p>	<p>+0.3%</p> <p>THB 1,115</p>	<p>+2.0%</p> <p>THB 1,130</p>	<p>+5.0%</p> <p>THB 1,190</p>

RESIDENTIAL DEVELOPMENT COMPANIES HAVE TURNED TO DEVELOP OFFICE BUILDINGS TO GAIN CONSISTENT INCOME

Although there was the situation of COVID-19 outbreak in many countries around the world including Thailand during Q1 2020 but found that the supply of total office space in Bangkok continued to increase to 8.857 million sq.m. from the launch of 3 office building projects ,which were Spring Tower on Phayathai Road, with the total NLA of 27,255 sq.m., Tipco Tower 2 on Rama 6, with a total NLA of 14,238 sq.m. and TR Tower on Narathiwat Nakarin Road. The three projects totalling a total area of 57,071 sq.m.

At the end of Q1 2020, there were approximately 1.45 million sq.m. of office space being under construction which were expected to be completed between 2020 – 2025. Approximately 58% of all office buildings being under constructed are in the CBD area and 82% will be Grade A office space. Office spaces that will be completed in 2020 were still limited. In Q1 2020, there were only 57,071 sq.m. of office space completed. While in 2020, it is estimated that there will be approximately 329,255 sq.m. of office space completion. In 2021 and 2022 there expected to be more office space completion each year at 368,032 sq.m. and 401,174 sq.m. respectively.

Although the majority of office building supply of approximately 45% was still in the CBD area. It was also still found that more than 58% of office space being under construction is still located in the CBD area, which was the rare locations with relatively high land prices for development, such as Rama 4 Road, Sukhumvit, Silom or Sathorn. However since the middle of the year 2019, it was found that the locations outside the CBD area was becoming a new location for office development because the land price is was not very high, suitable for the development of office buildings, and those locations was still lacking of new grade A office spaces with fully equipped with various facilities. Since most office buildings for rent in those locations have been completed for more than 10 years, such as Ratchadaphisek Road and Rama 9, the area along the middle of Sukhumvit Road - at the end of Phahonyothin Road and in the Bangna area especially the area along the sky train line, the new route extension which is currently being under construction. The increase in land prices in the CBD area is an important factor affecting office building development. However it was still found that many foreign investors and many Thai developers are still looking for potential land in the CBD area to develop office buildings for rent no matter how much the land prices have increased as they see the opportunity to invest in this area, both in terms of the remaining supply that is relatively low and the rental price that can continue to increase continuously. As a result, those developers are still confident and see continuous investment opportunities.

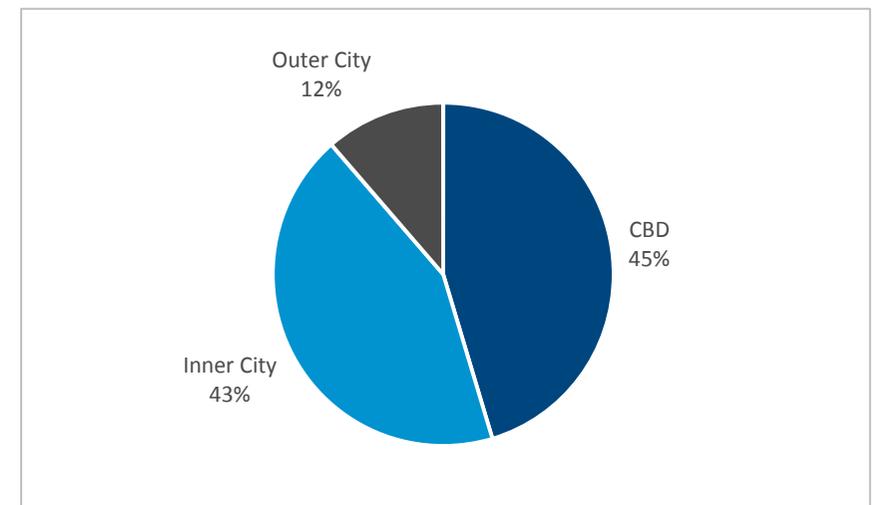
Recently, we have seen residential development companies turn to real estate development with consistent incomes, including office buildings, in order to diversify risk from the slowdown of the housing market. This includes the purchase of office buildings and renovating in order to be able to increase rental fees. There are also a lot of foreign investors that are interested in buying office buildings in Bangkok. The office building market in Thailand has continued to grow and is still strong amidst various negative factors.

Historical Office Supply in Bangkok, 2011 – 2022F



Source: Research, Colliers International Thailand

Existing Supply by Location, Q1 2020



Source: Research, Colliers International Thailand

THE DEMAND SLOWED DOWN BUT THERE WERE STILL TENANTS LOOKING FOR NEW OFFICE SPACES

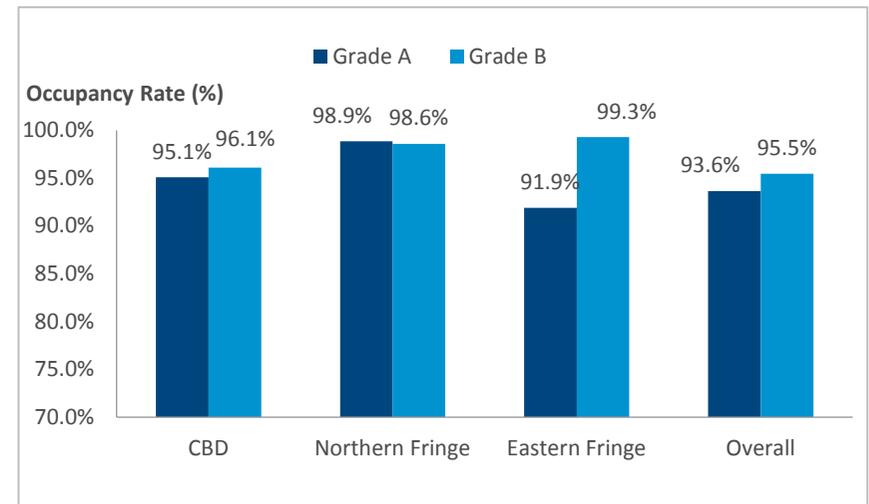
At the end of Q1 2020, the total office space was 8.441 million sq.m. The overall occupancy in Q1 stood at 95.3%, which was considered relatively high. Sukhumvit area was still the highest occupancy rate in the CBD at 96.3% in Q1 2020, while the northern area had the highest occupancy in the non-CBD area at 99.1%. Co-working space, financial institutions and some government agencies occupied the most office spaces during Q1. Most of these tenants occupied a large area of more than 3,000 sq.m., resulting the office buildings being completed and officially launched in Q1 to be occupied over 80% and predicted that these tenants will continue to be the main tenants of office buildings in the future.

Demand for office spaces has steadily increased in the past 1-2 years and the newly launched supply which is still limited has become an important factor resulting in higher occupancy rates in 3 main areas in Bangkok including the CBD area, the northern fringe and the Eastern fringe area. Many foreign and Thai companies in Bangkok still need to rent grade A and B office space in the CBD area. However there are many companies that have difficulty finding suitable areas to meet their needs making some new office buildings outside the CBD attractive for companies that need more than 1,000 sq.m. of office space, or many companies choose to renew the contract to wait for the new supply to be completed in the future.

Most office buildings being under construction are open for rent in advance through agencies and continually increasing the rent. Many buildings have advanced occupancy rates of more than 60% before the building is officially launched because the tenants see that the rental price is relatively cheaper when the building is newly completed and the buildings still have space to choose with desired spaces.

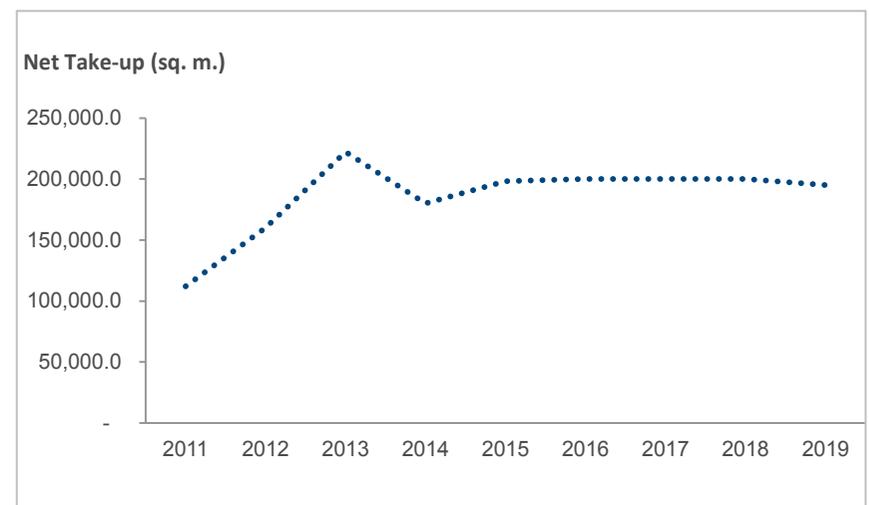
In general, the tenants moving into the offices in Bangkok will be looking to the similar locations or move to a new office building with better facilities as the company does not want the relocation of the office to affect the traveling of employees. This is including clients to be able to travel to the office conveniently. Another important factor is the image of the companies, it is important for the tenants to move the new office buildings with good management systems, modern and with better facilities in order to improve the quality of life of staff and the brand reputation of the organisations.

Occupancy Rate by Location, as of Q1 2020



Source: Research, Colliers International Thailand

Historical Net Take-up, 2011 – Q1 2020



Source: Research, Colliers International Thailand

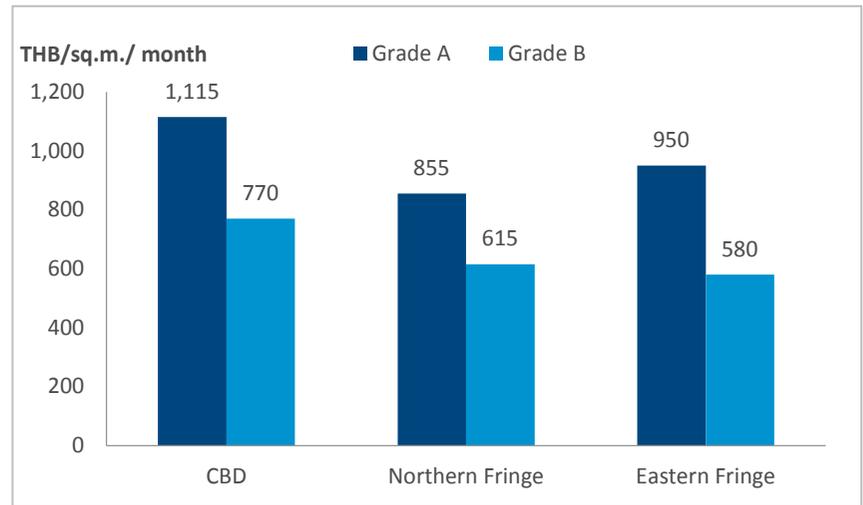
THE RENTS IN THE LUMPINI AREA CONTINUE TO INCREASE

Rents are still likely to increase steadily at the beginning of 2020, although it is not increasing strongly compared to the previous quarter as the available space was less while the demand continues to increase continuously. Average rents for Grade A office buildings in the CBD area stood at approximately THB1,115 per sq.m. per month. Especially the office building in Lumpini area, it was found that the average rental rate increased to THB1,110 or approximately 2.2% q-o-q. The average asking rent of Grade A office space in Bangkok stood at approximately THB900-THB1,600 per sq.m. but the actual rent may be approximately 5% - 10% lower or may depend on the negotiation and the size of the area.

From the situation of the COVID-19 outbreak in many countries around the world including Thailand, it is resulting in the overall economy of Thailand and the global economy to slow down considerably. Most investment activities have been paused. However, for an overview of the Bangkok office market, it was found that this sector was the market with the least affected compared to other sectors as the remaining supply was still not sufficient to support the needs of various demand from many companies who were looking to move to a new office spaces or expanding more rooms for the companies, especially to the grade A buildings. In 2020, although the trend of various business sectors may be in a slowdown period, and some companies may try to reduce the cost of business to prepare for the economic and business impact that may occur this year. However, most office lease agreements are long-term contracts, so the office building market is not affected by the short-term crisis. The research team from Colliers International Thailand believes that many companies still need to increase the rental space if there is an opportunity because the existing office spaces were not sufficient. It was found that there were an increasing number of staff every year, but the companies were unable to expand the spaces due to the limited supply of new office buildings, so the overall office market will be expected to remain a strong industry this year and rents are also expected to continue to increase in the future.

In Q1 2020, many companies have encouraged the work-from-home policy. This may be an important turning point for the future of office market that will make more staff to start working from home and this may affect the reduction of rental space in the future including the co-working space business that is considered another business that has been affected. This is due to the encouragement of social distancing. The tenants are recommended to adapt to this situation by reducing the rental area to be smaller or the signing of previous lease agreements that was signed for more than 3 years could have been adapted to shorter period. Landlords should give a discount to the rental price of office space for at least 3-6 months divided by the type of businesses that have been affected or to let the tenants to be able to pay the rent without interest. Therefore the affected tenants can sustain the businesses and to allow the tenants to continue to rent space without cancelling the rental contract.

Average Asking Rental Rate by Location, as of Q1 2020



Source: Research, Colliers International Thailand



CP Tower North Park

Primary Authors:

Waras Dechgitvigrom

Manager | Research | Thailand
+66 86 546 3683

waras.dechgitvigrom@colliers.com

Contributors:

Ratchaphum Jongpakdee

Deputy Managing Director | Thailand
+66 63 878 3322

ratchaphum.jongpakdee@colliers.com

Phattarachai Taweewong

Associate Director | Research | Thailand
+66 86 546 3683

phattarachai.taweewong@colliers.com

For further information, please contact:

Kanrada Jirattanakorn

Associate Director | Office Services | Thailand
+66 64 469 8262

Kanrada.jirattanakorn@colliers.com

Barny Swainson

Senior Director | Capital Markets & Investment Services | Thailand
+66 62 445 0040

barny.swainson@colliers.com

Hathairat Yoorod

Senior Manager | Office Services | Thailand
+66 89 919 1923

hathairat.yoorod@colliers.com

About Colliers International

Colliers International (NASDAQ, TSX: CIGI) is a leading real estate professional services and investment management company. With operations in 68 countries, our more than 15,000 enterprising professionals work collaboratively to provide expert advice and services to maximize the value of property for real estate occupiers, owners and investors. For more than 25 years, our experienced leadership, owning approximately 40% of our equity, has delivered compound annual investment returns of almost 20% for shareholders. In 2019, corporate revenues were more than \$3.0 billion (\$3.5 billion including affiliates), with \$33 billion of assets under management in our investment management segment. Learn more about how we accelerate success at corporate.colliers.com, [Twitter](#) or [LinkedIn](#)

Copyright © 2020 Colliers International

The information contained herein has been obtained from sources deemed reliable. While every reasonable effort has been made to ensure its accuracy, we cannot guarantee it. No responsibility is assumed for any inaccuracies. Readers are encouraged to consult their professional advisors prior to acting on any of the material contained in this report.

