

BANGKOK OFFICE



Office Q2 2023

CBD Grade A

936

Gross Rent (THB/ SQM/MO)

QoQ
Chg12-Mo.
Forecast

24%

Vacancy Rate

88,600 sqm

New Completions (YTD)

THAILAND ECONOMIC INDICATORS
Q1 2023

2.7%

GDP Growth

YoY
Chg12-Mo.
Forecast

3.88%

Inflation Growth

1.05%

Unemployment Rate

Source: NESDC (National Economic and Social Development Council)

Thailand's Quarterly Economic Growth Continues to Expand

Thailand's economic growth expanded by 2.7% in Q1 2023, up from a rise of 1.4% in Q4 2022. This was mainly attributable to continued expansion of the services sector stemming from the tourism industry recovery, growing private consumption, and a decelerated rate of inflation. Thailand's economic growth projections for 2023 now range from 2.7% to 3.7%, owing to the recovery of the tourism sector, rise of private consumption, and expansion in both private and public investments. Exports are expected to recover gradually. The inflation rate in Q1 2023 fell to 3.88%, down from 5.81% in Q4 2022. The unemployment rate dropped to 1.05% in Q1 2023, down from 1.15% in Q4 2022. The Bank of Thailand raised the policy rate by 0.25 percentage points from 1.75% to 2%, bringing the key policy rate to its highest level since 2015.

Rental Rates Remain Stable, Overall Vacancy Set to Rise

Total Grade A office stock in the CBD area rose to 2.03 million sq m in the second quarter of 2023, owing to the completion of the WHA KW project which added 9,900 sqm of Grade A supply. Total new Grade A office space for the year to date in the CBD market was recorded at 88,600 sq m.

Average gross rental rates remained stable at THB936 per sq m per month. The overall vacancy rate rose modestly to 24% in Q2 2023, up from 23% in Q1 2023. The rise was chiefly due to tenants' relocations from older office buildings to newer properties, as well as remaining unoccupied space at new completions. Overall office vacancy is expected to rise further, as an influx of new supply enters the market with low to moderate pre-let commitment levels, and tenants continue to reevaluate their workplace strategies amid right-sizing and flight to quality trends. The overall rental level is forecast to stabilize over the coming quarters, as Bangkok remains a tenant-favorable market. Landlords of older buildings are also likely to trim rents and increase incentives in order to retain or attract tenants, in turn softening overall market average rents.

Recent new office project completions have witnessed high occupancy levels, such as TL4 (50%), One City Centre (50%), and Park Silom (60%). New incoming supply including projects such as The EmSphere, and Siam Pathumwan House are scheduled to complete in 2023. There is currently 685,406 sq m of office space under construction with expected completions between 2023 and 2026. This will markedly increase the total office inventory in a short period of time, in turn pushing up overall office market vacancy levels.

Corporates Identifying Workplace Optimization Opportunities

As new supply begins to enter the Bangkok office market, most of the new projects are being completed to LEED and WELL standards as the new benchmarks for sustainable development. High-quality office space is best suited to facilitate tenants' sustainability requirements, and to progress towards their net zero carbon goals. There is also growing pressure on landlords of existing buildings to keep their assets relevant to current market needs. This includes considering a property's age and the need for ongoing refurbishment programs, and how to obtain sustainability accreditation of current buildings so as to provide more competitive offerings to current and new tenants.

Corporates are now identifying workplace optimization opportunities. Further relocations from older office buildings to newer projects are expected to be seen over the coming quarters. Implementing the right workplace sizing strategy is now a priority for business. Office space downsizing can also be seen in the market, implying that overall office leasing activity across the Bangkok market will be marked by transitions. The Bangkok market broadly has sufficient stock but will need to focus more on quality improvements. A shift in corporate workplace strategy, the economic cycle and financial markets will all play an integral role in shaping tenant demand.



MARKET STATISTICS

SUBMARKET	INVENTORY (SQM)	DIRECT VACANT (SQM)	OVERALL VACANCY RATE	UNDER CNSTR (SQM)	AVG GROSS RENTAL RENTS* (THB / SQM / MO)	AVG GROSS RENTAL RENTS* (US / SF / MO)
Bang Rak	171,130	40,729	23.8%	63,000	944	\$2.52
Khlong Toey	139,409	25,791	18.5%	20,000	1,042	\$2.78
Pathum Wan	872,630	219,903	25.2%	0	952	\$2.54
Sathorn	611,182	142,405	23.3%	551,449	843	\$2.25
Wattana	236,232	57,404	24.3%	50,957	950	\$2.53
GRADE A CBD TOTAL	2,030,583	487,340	24.0%	685,406	936	\$2.50

*Gross Rental Rents are after adjustments for any incentives
1 US\$/THB 34.826 as of 15th June 2023

GRADE A CBD OFFICE COMPLETIONS YEAR TO DATE (2023)

PROPERTY	MARKET	SUBMARKET	OWNER / DEVELOPER	SQM	COMPLETION DATE
TL4	CBD	Central East	Siam Future Development PLC	13,700	Q1 2023
Park Silom	CBD	Central Bangkok	NYE and RGP Development	65,000	Q1 2023
WHA KW	CBD	Central East	WHA Corporation PLC	9,900	Q2 2023

GRADE A CBD OFFICE PROJECTS UNDER CONSTRUCTION

PROPERTY	MARKET	SUBMARKET	OWNER / DEVELOPER	SQM	COMPLETION DATE
The EmSphe	CBD	Central East	The Mall Group	20,000	Q4 2023
Siam Pathumwan House	CBD	Central Bangkok	Siam Motor	51,449	Q4 2023
One Bangkok (Phase 1) Tower 4	CBD	Central Bangkok	TCC Assets and Frasers Property	95,000	Q1 2024
One Bangkok (Phase 1) Tower 5	CBD	Central Bangkok	TCC Assets and Frasers Property	97,000	Q1 2024
One Bangkok (Phase 1) Tower 3	CBD	Central Bangkok	TCC Assets and Frasers Property	97,000	Q1 2024
JLK Tower	CBD	Central East	JLK Holdings	30,957	Q4 2024
Dusit Central Park	CBD	Central Bangkok	Dusit Thani	63,000	Q4 2024
One Bangkok (Phase 2) 2 Towers	CBD	Central Bangkok	TCC Assets and Frasers Property	211,000	Q4 2026
Tenth Avenue	CBD	Central East	Tenth Avenue	20,000	Q4 2026

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