

## BANGKOK OFFICE

Office Q4 2023

CUSHMAN &  
WAKEFIELD

## CBD Grade A

QoQ  
Chg12-Mo.  
Forecast

936

Gross Rent (THB/ SQM/MO)



22.8%

Vacancy Rate



88,600 sqm

New Completions (YTD)



## Thailand's Economic Expansion Slows

Thailand's economy expanded at a slower pace at 1.5% in Q3 2023, down from 1.8% in the previous quarter. The deceleration was mainly due to a slowdown of exports and government spending, although supported by private consumption and continued recovery in the tourism industry. The economy is now projected to expand by 2.5% for 2023, continuing from 2.6% growth in 2022. The inflation rate in Q3 2023 fell to 0.52%, down from 1.14% in Q2. The inflation rate for the full year 2023 is now forecast at 1.4%. The unemployment rate fell to 0.99% in Q3 2023, down from 1.06% recorded in Q2. The national workforce employment figure recorded 40.1 million in Q3 2023, up from 39.7 million in the previous quarter.

## Office Stock Remained Stable in Q4, Overall Vacancy Rate Declines

Total Grade A office stock in the CBD area remained unchanged in Q4 2023 at 2.03 million sq m, with no new supply entering in the period. Total new Grade A office space for the full year 2023 in the CBD market was recorded at 88,600 sq m, an increase of 4.6% y-o-y. The overall vacancy rate continued to decline to 22.8% in Q4 2023, down from 23.2% in Q2 and 24% in Q1, due to growing demand from domestic and multi-national companies driving take-up of office leasing space.

Average gross rents maintained a healthy rate of THB936 per sq m per month in Q4 2023. Rental levels are expected to stabilize in the upcoming quarters as the Bangkok office market remains tenant-favorable. New grade A office supply scheduled for the CBD market in Q1 2024 includes the EmSphere and Siam Pathumwan House, adding leasable office space of 71,449 sq m. The vacancy rate is expected to rise further as this new supply enters the market with pre-let commitments below pre-pandemic levels and firms continuing to reevaluate their workplace strategies.

THAILAND ECONOMIC INDICATORS  
Q3 2023YoY  
Chg12-Mo.  
Forecast

1.5%

GDP Growth



0.52%

Inflation Growth



0.99%

Unemployment Rate



## Moderate Demand and Large Supply Volume to Continue to Push Vacancy Rate Higher

Significant new office supply will enter the Bangkok market from 2023 to 2027. A total of 700,836 sq m of new space is currently under construction. This will markedly lift Bangkok office inventory, in turn pushing up overall office vacancy levels. Rising vacancy will then exert downward pressure on rents over the coming quarters. The upcoming supply will prompt landlords to offer greater incentives as the market increasingly favors tenants.

The entry of new projects will lead to further competition in the market. Cushman & Wakefield has seen a growing trend among tenants to focus on quality. The flight to quality theme will widen the gap between Grade A and lower grade office buildings as tenants are anticipated to continue moving into quality office spaces. Occupier demand for higher-quality buildings — with certifications such as LEED and WELL moving from a “nice have” to an essential requirement — is growing, especially among large multi-national corporations.

Looking ahead, given the uncertain global economic outlook, we expect office occupiers to maintain a conservative approach towards managing their real estate costs, in turn further weighing on office rents amid high vacancy levels. Occupiers are also adopting cautious approaches towards workplace optimization opportunities. Further relocations from older office properties to newer projects are expected in the coming quarters. Implementing the correct workplace sizing strategy is now a priority for businesses, with office space downsizing evident in the market, implying that overall office leasing activity across the Bangkok market will be marked by transitions.

The new space and high vacancy will continue to exert pressure on landlords. Landlords will need to align with corporate occupier requirements and ensure their assets are relevant to occupiers to secure lease agreements. We are seeing landlords of older buildings offering rent reductions and expanded incentives to retain existing tenants or attract new budget-aware tenants, in turn softening overall average market rents.

## 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	38,076	22.3%	78,430	907	\$2.40
Khlong Toey	139,409	21,957	15.8%	20,000	1,000	\$2.65
Pathum Wan	872,630	201,102	23.0%	551,449	962	\$2.55
Sathorn	611,182	142,711	23.4%	0	835	\$2.21
Wattana	236,232	60,745	25.7%	50,957	975	\$2.58
<b>GRADE A CBD TOTAL</b>	<b>2,030,583</b>	<b>463,362</b>	<b>22.8%</b>	<b>700,836</b>	<b>936</b>	<b>\$2.48</b>

\*Gross Rental Rents are after adjustments for any incentives  
 1 US\$/THB 35.078 as of 20<sup>th</sup> December 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 EmSphere	CBD	Central East	The Mall Group	20,000	Q1 2024
Siam Pathumwan House	CBD	Central Bangkok	Siam Motor	51,449	Q1 2024
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
Boonmitr Silom	CBD	Central Bangkok	Laem Thong Enterprise	15,430	Q1 2027

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