



DELAYS IN CONSTRUCTION ARTIFICIALLY BUOYS OFFICE SPACE TAKE-UP

Insights & Recommendations

In Q3 2023, the total office space available in Bangkok expanded to 9.79 million sq m, showing a slight 0.53% increase QoQ and a modest 2.59% growth YoY. Within this timeframe, the completion of just one new office building contributed a total NLA of 51,659 sq m to the overall office stock.

The upcoming pipeline retains its substantial nature, comprising more than of 1.3 million sq m of developments over the upcoming three years. Additionally, the construction delays for this year are likely to result in an accumulation of supply as we transition into the year 2024.

The upward movement of citywide headline rents persists albeit at modest degrees. The citywide rental rate has settled at THB763 per sq m per month, showing a meagre 0.52% QoQ and a 1.06% YoY growth. We anticipate that the market will continue to present significant benefits for tenants, especially in the near to medium term.

Current landlords are recommended to adopt more practicable marketing strategies, such as incorporating better lease flexibility amid potential threat to new competition. Given sizeable supply in the pipeline, we advise developers to be more prudent with their development timelines, as well as be more prudent with their site selection considerations.



Demand

UP ▲

Strong pre-commitment has become noticeable especially in the CBD area whereas more than 10,000 sq m of office space was inked in the recent quarter.



Supply

UP ▲


In Q3, a single new office building was unveiled, totalling 51,659 square meters in size. Colliers anticipates a substantial future supply with an annual average of 400,000 sq m expected until 2025.



Rent

UP ▲

The monthly citywide rental rate stabilized at THB763 per sq m, demonstrating a meagre 0.52% QoQ and a 1.06% YoY uptick.



Occupancy

UP ▲

Overall occupancy slightly improved, reaching nearly 89%, with only 37,373 sq m of new spaces occupied.



GRADE A OFFICE RENT UP FOR THE FIRST TIME SINCE Q1 2020

in Q3 2023, the cumulative office supply in Bangkok reached 9.791 million sq m, indicating a modest 0.53% growth QoQ and about 2.59% YoY increase. This uptick in supply, encompassing a total NLA of 51,659 sq m, was driven by the completion of a single new office building:

One City Center | a Grade A office building located in a CBD area with the total NLA of 51,659 sq m. This project is situated in the Lumpini area, a premium location in the city reflecting a relatively higher asking rental rate at THB1,400 per sq m, in comparison to similar developments in the trade area.

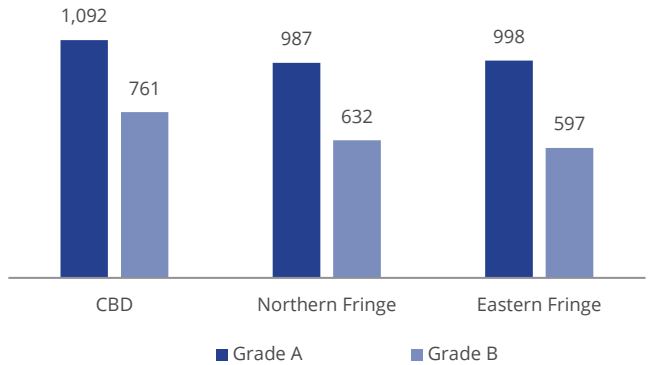
Meanwhile, construction setbacks have led to the postponement of other projects in the pipeline, with their expected completion now pushed to the following year.

The pipeline of upcoming projects continues to be significant, representing more than 1.3 million sq m over a three-year period. This equates to an average of just over 400,000 sq m of new office space annually until 2025. Some noteworthy developments comprise the following:

1. **Punn Rama 4** | 22,500 sq m (2023)
2. **Dusit Central Park** | 63,000 sq m (2024)
3. **One Bangkok Office Tower 4** | 95,000 sq m (2024)
4. **One Sanampao** | 33,930 sq m (2024)
5. **JLK Tower** | 30,956 sq m (2024)

Colliers has also observed that certain newly launched office buildings are attempting to position themselves as superior to luxury standards, likely in an effort to align with exceptionally high asking rental prices. The observation underpins a shift in the industry towards better modern standards along with meeting the heightened expectations of more premium tenants.

Average Asking Rental Rate by Location, as of Q3 2023 (THB / sq m / month)



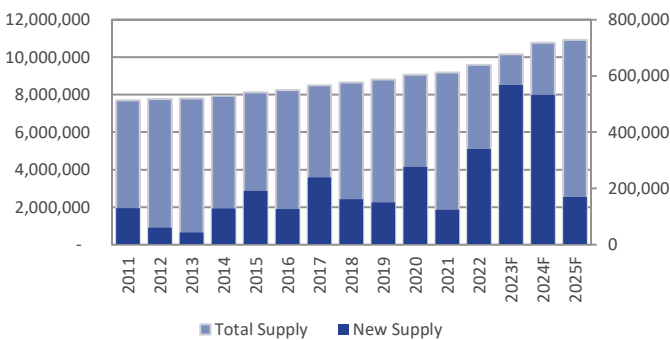
Source: Colliers Thailand

The city-wide rent settled at THB763 per sq m per month, up by 0.52% QoQ and 1.06% YoY. Colliers anticipates that the market will sustain a substantial advantage for tenants, particularly in the short to medium term as competition further tightens.

Meanwhile, in an unexpected turn, the average Grade A office rents witnessed an upturn for the first time since Q1 2020. The asking price for Grade A office buildings situated in CBD areas has now reached approximately THB1,092. This marks a 0.64% increase on a quarterly basis. The uptick in rent was geared by the higher rental values offered in recently completed top tier office developments. Given sizeable future supply, it is yet to be determined if the rise in rent would establishing a trend in the immediate future.

Colliers observed that landlords are actively improving vacant spaces by offering higher agent commissions. Some landlords are keeping rental rates low to attract new tenants, and many are providing special discounts for larger occupiers. To an extent, others are open to considering reduced rental rates to lock in existing tenants through their lease renewals.

Total office supply in Bangkok from 2011-2025F



Source: Colliers Thailand



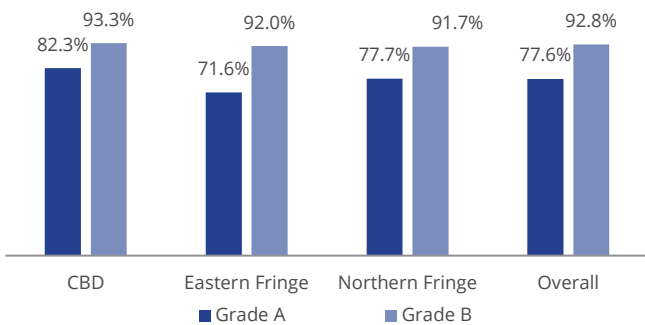
TAKE UP RATES IMPROVED, OLDER BUILDINGS NEED TO CATCH UP

The overall improvements in take up rate is primarily attributed to some new market entrants such as foreign corporations, technology firms, co-working spaces, and professional services especially legal practices. In particular, strong pre-commitment has become noticeable especially in the CBD area whereas more than 10,000 sq m of office space was inked in the recent quarter.

Colliers continues to anticipate that relocation towards better standard office buildings may become more apparent in 2024 wherein new developments are also slated to open. Consequently, tenants in older, existing buildings are now observed to be less inclined to renew their contracts through which landlords are then advised to start upgrading their building offerings

In fact, certain older buildings are actively rebranding by introducing new names, logos, and interior designs to attract a wider tenant base. These efforts aim to upgrade their image and enhance the overall appeal of their office spaces to stay competitive. We also suggest that landlords allocate extra capital expenditure as needed to refurbish both interior and exterior aspects, modernize their offerings, and maintain competitive and flexible rates and payment terms.

Occupancy Rate by Location, as of Q3 2023



Source: Colliers Thailand

In Q3 2023, overall occupancy slightly improved, reaching nearly 89%, with only 37,373 sq m of new spaces occupied. However, there's still over one million sq m of unoccupied inventory, mainly in non-central business district areas. With a substantial upcoming supply, occupancy may decline in the coming quarters.

Average Grade A asking rental rate as of Q3 2023 (THB / sq m / month)

Zone	THB / sq m / month
CBD Area	1,092
Northern Fringe Area	987
Outer CBD Area	930
Western Fringe Area	650
Southern Fringe Area	689
Outer City West Area	620
Outer City East Area	682
Eastern Fringe Area	998
Outer City North Area	630

Source: Colliers Thailand

Sukhumvit area remains a preferred choice within the CBD representing an occupancy rate of 92.3%. On the other hand, the Western Fringe stands out with the highest occupancy rate among non-CBD areas, reaching 95.8%.

The Lumpini area has consistently upheld its premium status by commanding the highest rental rates among office buildings and across all grades. As of Q3 2023, the rental rate stood at THB1,055 per sq m, reinforcing the trade area's continued prominence especially in the key districts of Ploenchit, Chidlom, and Rama 1.

Moving ahead, we anticipate that rental rates for Grade A offices outside the CBD will stay relatively stable for the remainder of the year. Older buildings may face increased downward pressure on rents as landlords strive to maintain competitiveness, retain tenants, and swiftly fill vacant spaces.

For further information, please contact:



Manita Santikarn
Associate Director
Office Services
+6689 393 3955
manita.santikarn@colliers.com



Tysen Kamin
Deputy Managing Director |
Capital Markets & Investment Services |
+662 656 7000
Tysen.Kamin@colliers.com



Karlo Pobre
Deputy Managing Director |
Valuation, Advisory and Research |
+6681 647 3559
Karlo.Pobre@colliers.com



Phattarachai Taweewong
Director | Research
+668 6546 3683
Phattarachai.Taweewong@colliers.com



Sorravich Siriwattanapornchai
Associate Director
Industrial Services
+6683 077 6445
sorravich.siriwattanapornchai@colliers.com



Nirawan Lerkapibanwong
Senior Manager
Valuation
+6682 398 6893
Nirawan.L@colliers.com



Primary Authors & Contributors



Phattarachai Taweewong
Director | Research | Thailand
(+66) 86 546 3683
phattarachai.taweewong@colliers.com



Waras Dechgitvigrom
Senior Manager | Research |
Thailand
(+66) 82 398 6893
waras.dechgitvigrom@colliers.com



Karlo Pobre
Deputy Managing Director |
Valuation, Advisory & Research |
+6681 647 3559
Karlo.Pobre@colliers.com

About Colliers International

Colliers (NASDAQ, TSX: CIGI) is a leading diversified professional services and investment management company. With operations in 66 countries, our more than 15,000 enterprising professionals work collaboratively to provide expert advice to real estate occupiers, owners and investors. For more than 25 years, our experienced leadership with significant insider ownership has delivered compound annual investment returns of almost 20% for shareholders. With annualized revenues of \$3.3 billion (\$3.6 billion including affiliates) and \$45 billion of assets under management, we maximize the potential of property and accelerate the success of our clients and our people. Learn more at corporate.colliers.com, [Twitter](#) or [LinkedIn](#)

Copyright © 2021 Colliers International

This document/email has been prepared by Colliers for advertising and general information only. Colliers makes no guarantees, representations or warranties of any kind, expressed or implied, regarding the information including, but not limited to, warranties of content, accuracy and reliability. Any interested party should undertake their own inquiries as to the accuracy of the information. Colliers excludes unequivocally all inferred or implied terms, conditions and warranties arising out of this document and excludes all liability for loss and damages arising there from. This publication is the copyrighted property of Colliers and /or its licensor(s). © 2021. All rights reserved. This communication is not intended to cause or induce breach of an existing listing agreement.