

Bangkok Office Market

3Q 2020

Phoenix Property Development and Consultancy Co.,Ltd.



“The office market is in a period of slowdown in demand.”

The office market is in a period of slowdown in demand, due to the economic slowdown and lower income rate as businesses have been facing problems in the past several months. While there are still new office buildings to be completed,

Surachet Kongcheep

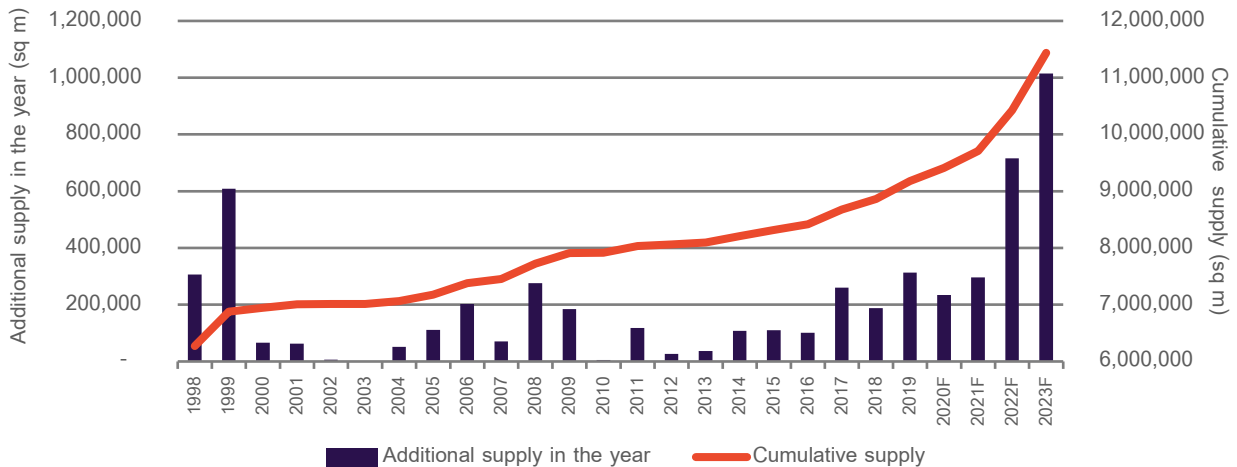
Managing Partner



the occupancy rate of office buildings in Bangkok has faced a small decline. This reflects negative change in the market.

Supply

New and accumulated office space in Bangkok



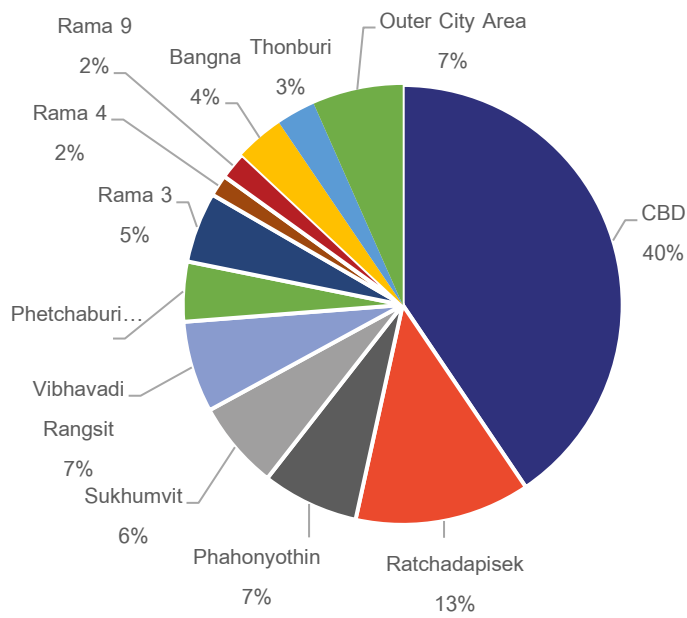
Source: Phoenix Property Development and Consultancy

Note: F = Forecast of office building area to be completed that year

Office area in Bangkok as of Q3 2020 is approximately 9.38 million square meters, increased from the end of 2019 by 206,000 square meters. The reason is because there is still an office space to open for new services continuously in the past 3 quarters. Although some office buildings are buildings that the owners built for themselves, but it also affects the market as the owners' subsidiaries will move away from the leased office buildings.

Approximately 2 million square meters of office space is under construction and scheduled for completion between 2021 and 2023. Therefore, the office building market is another real estate market that many parties are interested in and worry about in the future, especially with the economic slowdown and the unclear future recovery. Demand for new office space in 2020 and in the next 1 - 2 years may not be remarkably high from the lower business expansion and investment. These office buildings are going to have problems in the future.

Total office space in Bangkok by location

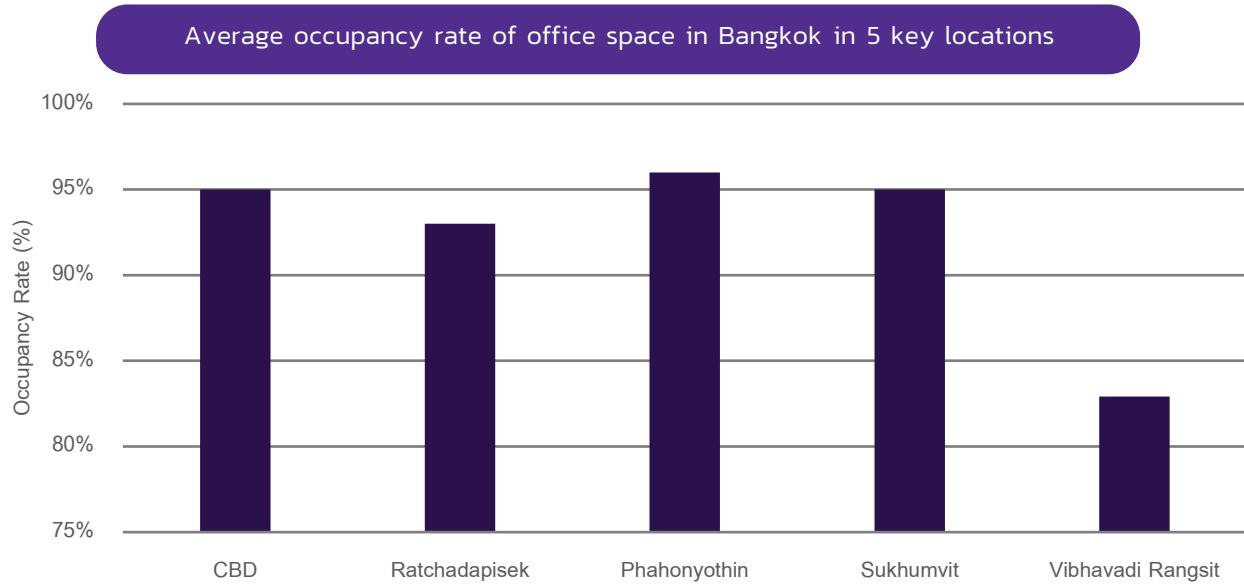


Source: Phoenix Property Development and Consultancy

The CBD area is the area with the most office buildings in Bangkok which represents approximately 40% of the total office space in Bangkok. This is followed by the area along Ratchadaphisek Road (outside the CBD area), which accounted for approximately 13%. Other areas account for less than 50% of the total office space in Bangkok. Other areas besides the aforementioned areas are the areas that previously occupied office buildings. Before the opening of Bangkok mass transit lines, the CBD and Ratchadapisek areas are still the most popular areas for office building as most of the office buildings were completed before the opening of BKK mass transit line.

The direction of the expansion of office space in the years 2021 - 2023 began to spread further outside the CBD area, with more office buildings in the area along Sukhumvit, Phetchaburi, Bangna, Phahonyothin and Vibhavadi Rangsit Road. This is because developers who develop office buildings choose a location where the land price is not as high to develop office buildings. However, the CBD area is still the number 1 office building currently under construction which accounted for almost 100% of the under construction office buildings being located on Rama 4 Road.

Demand



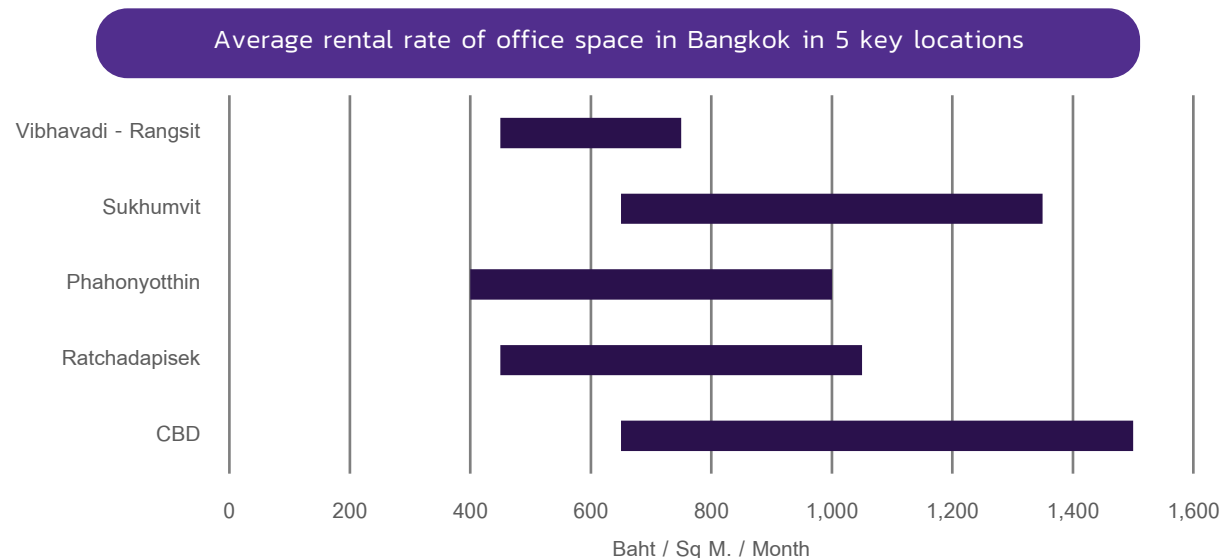
Source: Phoenix Property Development and Consultancy

The demand for office space during the past 1 - 2 quarters was not high. The reason is because of the worsen conditions from work from home policy and employee layoff policy after COVID-19 pandemic. Many multinational companies have slowed their expansion including plans to expand office space in Thailand. The average occupancy rate for office building in Bangkok as of Q3 2020 was approximately 92%.

New office buildings continued to enter the market in the past 3 quarters. Therefore, the average occupancy rate of office space in the overall of

Bangkok decreased slightly. Although there has been a new office building in the past 3 quarters and these office buildings have been reserved by tenants since the construction period. Therefore, when the building is completed and ready to use, tenants will fill almost 100% of the space or the entire building immediately. Thus, this does not affect the overall office market. But in the future, there is likely to be a problem. This is because new office space is higher than the demand for office building each year. From the past statistics, the demand for office space per year will not exceed 200,000 square meters per year.

Rental Rate



Source: Phoenix Property Development and Consultancy

The rent for office space in Bangkok as of Q3 2020 has not changed significantly. Although the demand for office space in the past three quarters is very low compared to the previous year. But the owner of the office building has not reduced the rental rate. There may be a reduction in rent during the lockdown of Bangkok and from work from home policy. However, the drop lasted only 1-2 months in the second quarter and has already returned to

The CBD area remains the highest rented office space in Bangkok. However, there are some locations where under-construction office buildings that are scheduled for completion in the next 1-2 year have started to increase. Which is the rent for office space which is higher than other office buildings in the area. Most of the office buildings that are currently under construction and scheduled for completion in the next 1 – 2 years are Grade A office buildings, resulting in an increase in the overall rents in some locations outside the CBD.

Summary of Market Overview and Future Trends

- > Office building supply in the year 2020 was continues to expand.
- > Demand for office space in 2020 it is likely to be the lowest in years.
- > The occupancy rate of office space has decreased, and office rents are still not clearly different from the previous year.
- > Rent for office space in 2021 probably not much different from the year 2020
- > Demand for office space of each company declined.
- > Political factors influence investment decisions and expanding in 2020 – 2021.



PHOENIX PROPERTY DEVELOPMENT AND CONSULTANCY CO., LTD.

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