

Bangkok Prime Office



Savills team

Please contact us for further information

AGENCY

Chadathorn Sornvai

Associate Director
Thailand
+66 64184 7798
chadathorns@savills.co.th

RESEARCH

Chris Hobden

Associate Director
Thailand
+66 2636 0300
chobden@savills.co.th

Waras Dechgitvigrom

Senior Analyst
Thailand
+66 2636 0300
warasd@savills.co.th

Savills plc
Savills is a leading global real estate service provider listed on the London Stock Exchange. The company established in 1855, has a rich heritage with unrivalled growth. It is a company that leads rather than follows, and now has over 600 offices and associates throughout the Americas, Europe, Asia Pacific, Africa and the Middle East. This report is for general informative purposes only. It may not be published, reproduced or quoted in part or in whole, nor may it be used as a basis for any contract, prospectus, agreement or other document without prior consent. Whilst every effort has been made to ensure its accuracy, Savills accepts no liability whatsoever for any direct or consequential loss arising from its use. The content is strictly copyright and reproduction of the whole or part of it in any form is prohibited without written permission from Savills Research.

Rents reach new high over fourth quarter

Healthy take-up and limited new supply underpinned near-record occupancy rates, with average Grade A CBD rents surpassing THB1,000 per square metre

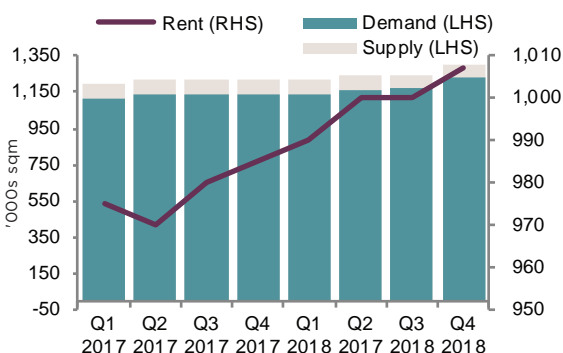
Average asking rents across Grade A CBD stock reached THB1,007 per sq m per month, representing q-o-q and y-o-y increases of 0.7% and 2.2%, respectively.

The average Grade A occupancy rate stood at 94.6%, decreasing marginally by 0.3 ppt q-o-q, due to completion of new stock.

Total Grade A CBD stock reached approximately 1.3 million sq m, with Singha Complex adding a further 60,000 sq m, representing a y-o-y increase of 7%.

There is approximately 168,000 sq m of Grade A CBD office space, both under construction and planned, expected to complete by the end of 2020.

Graph 1: Bangkok CBD Office Net Supply, Demand and Rent (THB)

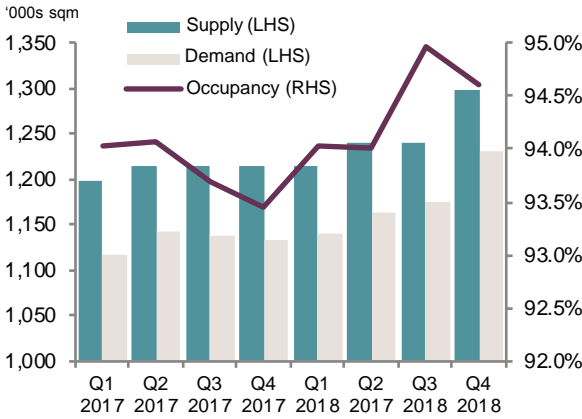


Source Savills Research

“ Prime CBD office stock benefited from professional services growth, in addition to new market entrants, with co-working providers announcing aggressive Bangkok expansion plans over the fourth quarter ”

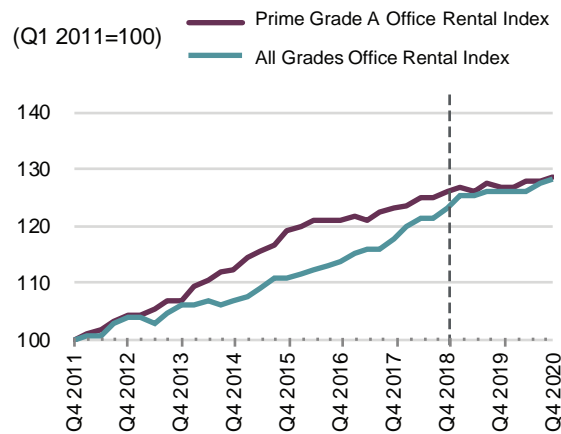
CHRIS HOBDEN, SAVILLS RESEARCH

Graph 2: CBD Office Supply, Demand & Occupancy (Q1 2017 - Q4 2018)



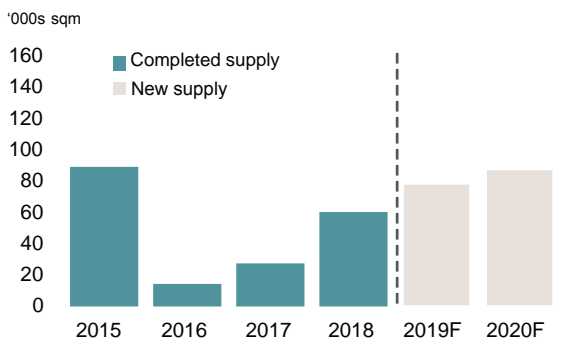
Source Savills Research

Graph 3: CBD Office Rental Indices



Source Savills Research

Graph 4: Prime Office Supply (2015-2020F)



Source Savills Research

MARKET COMMENTARY

The Bangkok prime office sector continued to perform strongly over the fourth quarter with limited supply, coupled with sustained occupier demand, pushing average Grade A CBD rents above the THB1,000 per sq m per month mark.

Grade A CBD rents averaged THB1,007 per sq m per month (inclusive of service charge) over Q4, representing quarterly and annual rises of 0.7% and 2.2%, respectively. While this sets a new high for average Grade A CBD rents, the annual growth rate has declined by 0.4 ppt from 2.6% over 2017, with landlords generally less bullish on renewal uplifts and new quoted terms.

The fourth quarter witnessed the completion of Singha Complex, a mixed-use scheme developed jointly by Bangkok-based Singha Estate and Hongkong Land. The building, located on the corner of Asoke-Petchburi Road, comprises a total of 60,000 sq m of leasable space, with approximately 85% of the scheme reportedly pre-leased prior to completion.

The addition of Singha Complex brings total Grade A CBD stock to around 1.3 million sq m, a year on year increase of 7%.

Co-working providers continued to circulate requirements for prime Bangkok office space, with WeWork officially opening its first Bangkok location in November, occupying two floors at Asia Centre in Sathorn.

Central Pattana PLC (CPN) announced plans to bring Malaysian co-working provider, Common Ground, to Bangkok, with CPN citing anticipated demand for flexible space from small and medium-sized enterprises.

OUTLOOK

2019 is set to see the completion of Samyan Mitrtown, a mixed-use scheme comprising 48,000 sq m of office space and Spring Tower, comprising 30,000 sq m. Both projects are slated for completion by the fourth quarter and located with the prime CBD area.

Phase one of the The Parq, a mixed-use scheme jointly developed by Frasers Property and TCC Group, is scheduled to add a further 63,000 sq m of office space within the first quarter of 2020. The project's second phase is slated to add a further 70,000 sq m over 2023.

We expect Grade A CBD rents to rise by 2 to 3% per annum over the next two years, with demand for prime space continuing to outpace project completions.

Total supply is set to increase by 168,000 sq m by the end of 2020, representing an increase of 12.9 % in Grade A CBD stock.

There are a number of large-scale future office schemes, both planned and under construction, due to complete post 2020. Of particular note is One Bangkok, a flagship mixed-use scheme due to comprise around 470,000 sq m of leasable office space, across five buildings, slated for phased completion from 2022 to 2025.

Assuming completion in line with developers' expectations, Bangkok's CBD is set to witness a significant volume of Grade A supply between 2021 and 2025.

The notable wave of new buildings will likely drive a flight to quality, especially among multinational corporate occupiers. We expect landlords of existing buildings to focus on tenant retention strategies approaching 2021.

The completion of new high specification buildings between 2021 and 2025 will most acutely impact occupancy rates, and achievable rents, across older Bangkok stock.

Table 1: Selected Future CBD Office Supply

DEVELOPMENT	YEAR OF COMPLETION	LOCATION	SPACE (SQ M NET)
Spring Tower	2019	Ratchatewi Intersection	30,000
Samyan Mitrtown	2019	Rama IV	48,000
The Parq	2020-2023	Rama IV	133,000
Vanissa Building (Redevelopment)	2020	Ploenchit Road	25,000
548 Ploenchit	2022	Ploenchit Road	61,000
One Bangkok	2022-2025	Wireless/Ploenchit Road	470,000

Source Savills Research