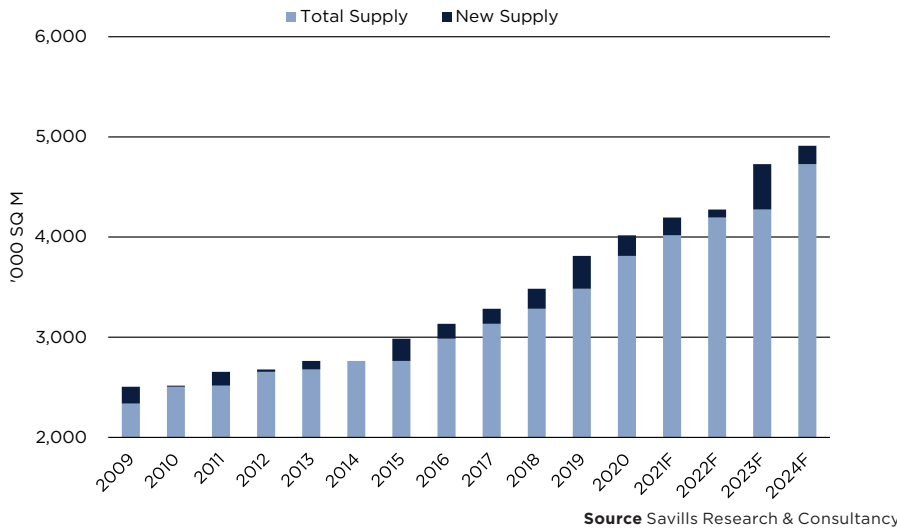


# Bangkok Offices

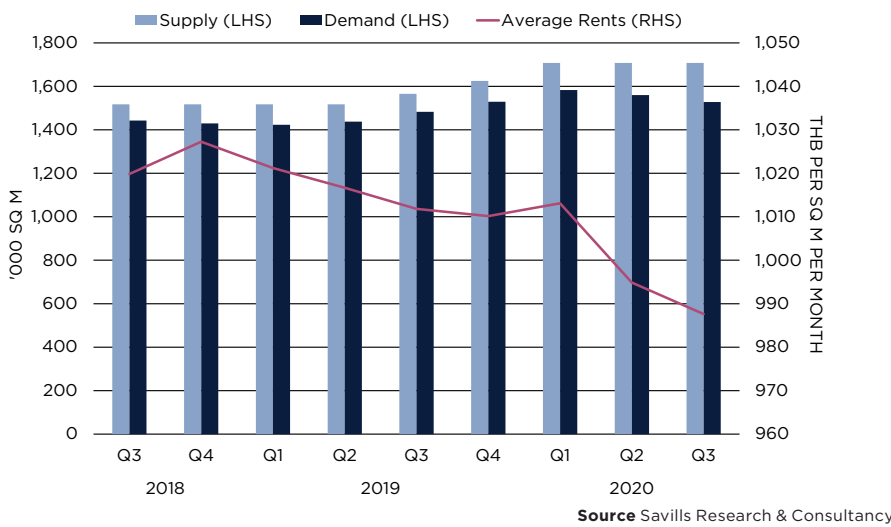


# Office landlords face increasing competition

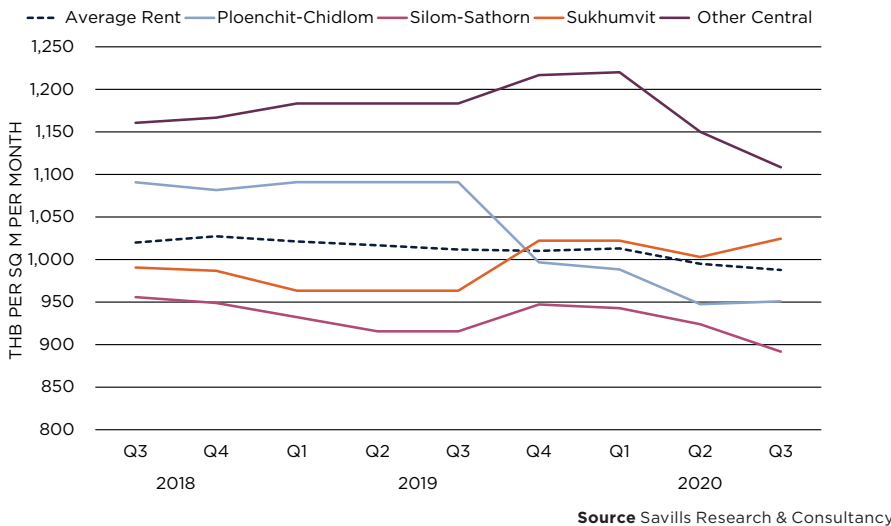
**GRAPH 1: Bangkok Office Supply, 2019 to 2024F**



**GRAPH 2: Supply, Demand And Rental Trend, Q3/2018 to Q3/2020**



**GRAPH 3: Prime Grade A Rents By District, Q3/2018 to Q3/2020**



## ECONOMIC OVERVIEW

Thailand's economy has continued to struggle in the face of the global COVID-19 pandemic. The country's GDP forecast, by FocusEconomics, had been revised to a -7.4% contraction at the end of 2020, which represents a slight increase from the previous forecast made in the second quarter, of -0.7%. The Thai government is anticipating an economic recovery in 2021, representing a GDP increase of 3.1%, though this is dependent upon an improvement in the management of the pandemic and a return of international tourism.

The Thai government has started to allow tourists to enter the country on a long-stay visa program, though the maximum number of tourists permitted under this scheme is 1,200 per month, so there is little benefit for the ailing hospitality sector. The tourists are required to complete a two-week quarantine on arrival at one of the government quarantine hotels, though there are some hotels offering accommodation as alternatives.

Whilst Thailand has seen few local transmissions over the past six months rates of redundancy have continued to rise; seven million jobs were expected to have been lost by Q2/2020 and it is predicted that this number could reach 10 million by the end of the year. The recovery of employment will likely depend on the improvement in the global economy and a return of tourism; current projections are for arrival figures to take up to four years to recover to 2019's level, and it is therefore unlikely that employment will bounce back.

## SUPPLY

As there were no new office developments launched in Q3/2020, Bangkok's office stock remained at 3.87 million sq m in total, of which 1.7 million sq m is Grade A. Over one million sq m of Grade A office space is scheduled to enter the market by 2026, which is approximately equal to 58% of current stock. The future supply is already having an impact on the market, as tenants begin to schedule their future occupancy plans so that they can move into one of the newly developed office buildings. A flight to quality is common in such conditions.

The impact of COVID-19 has led to some developments delaying their construction phases, the most notable being One Bangkok, a large mixed-use scheme on Rama

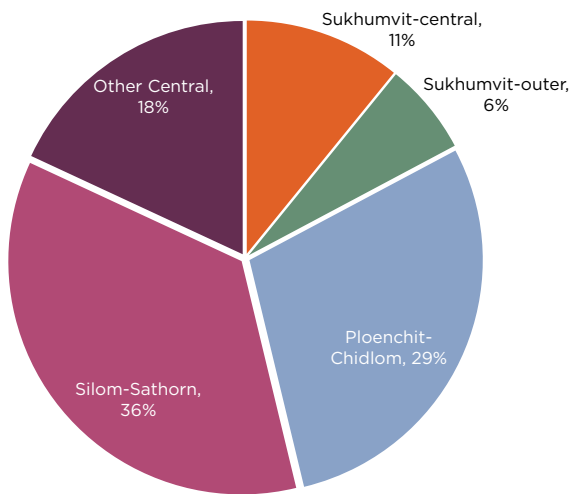


IV Road, which delayed their final phase from 2024 to 2026, though the developer Fraser Property has announced that further delays would be considered if market conditions continue to deteriorate. It is likely that other developers will follow this trend, especially in cases where construction has not yet started.

Many occupiers are looking to reduce the total amount of office space they occupy, due to the preference for some employees to continue working from home following lockdown. This change in occupier preference, combined with the large amount of new supply, has resulted in occupiers looking to secure smaller office spaces within new developments, enabling them to increase the quality of their offices whilst also potentially reducing their total

## Bangkok’s office occupiers are reviewing corporate space requirements in light of the emergence of flexible-working practices. Landlords are therefore under increasing pressure to lower rents to retain tenants, a challenge likely to intensify as a wave of new office supply begins to enter the market.

**GRAPH 4: Grade A Office Supply Distribution By Area, Q3/2020**



Source Savills Research & Consultancy

**TABLE 1: Major Future Office Supply, 2021 to 2026**

NAME OF DEVELOPMENT	FLOOR AREA (SQ M)	COMPLETION DATE
UOB Sukhumvit HQ	38,400	2021
The Oasis	53,000	2021
One City Centre (548 Ploenchit)	61,000	2022
Mo Chit Complex	70,000	2023
The Parq (Phase 2)	70,000	2023
Park Silom (Silom Square)	122,000	2023
One Bangkok (Towers 1-4)	477,000	2023-26
Dusit Central Park	90,000	2024
Office @ Emsphere	20,000	2026

Source Savills Research & Consultancy

rent. This shift will have a severe impact on landlords of older buildings, however and it is likely that occupancy rates across the market will continue to fall.

### OCCUPANCY AND RENTS

After seeing average prime Grade A office rents in Q2/2020 fall to THB995 from THB1,010, representing a 1.8% decrease, Q3/2020 saw a further drop to THB987, a 0.73% decrease. Year-on-year (YoY), rental rates have fallen by THB24, from THB1,012 to THB987, representing a decrease of 2.4%. It’s anticipated that rental rates will continue to consolidate.

The average prime Grade A office occupancy rate dropped heavily to 89.5%, from 91.3% in the previous quarter, representing a 1.8 percentage point decrease. This is the fourth consecutive month in which occupancy has fallen, representing a fall from 94.73% in Q3/2019, a decrease of 5.2 percentage points YoY.

The increase in vacancy is mostly due to firms downsizing their offices, in line with new work practices which have emerged, and due to the closure of some satellite offices of international firms choosing to leave the Thailand market, or to integrate their business in a central regional location, such as Singapore. Savills expects occupancy rates to continue declining for a number of years, due to the combined impact of COVID and the increase in new supply being introduced into the market over the next five years.

### LATEST TRENDS

Working practices have changed considerably for a large percentage of Bangkok’s office occupiers. Though Thailand

has been fortunate to have no resurgence in COVID-19 cases, a large number of occupiers have maintained flexible working practices such as working from home and flexible hours; combined with modern workspace practices, such as agile layouts and hotdesking, occupiers are taking the opportunity to reassess their office requirements and are often looking to reduce their total footprint.

Not all occupiers are looking to downsize, however, and occupiers in the technology and e-commerce industries have maintained their aggressive expansion as the sector continues to grow in line with the sectors' overall performance. For some of these occupiers, where flexible working arrangements continue, they

are looking at new ways to utilise their space, for example, by increasing the amount of informal meeting and team working locations.

### MARKET OUTLOOK

With the effects of the pandemic looking likely to continue into 2021, Savills expects to see more occupiers looking to reduce their office space. Considering this along with the large amount of future supply completing over the next five years, it's likely a large number of occupiers will seek to relocate into smaller units within newly completed office buildings.

Savills maintains a downward forecast for both rental and occupancy rates through 2021, due to the combined impact of COVID and the large

amount of new office supply entering the market. It's likely that the largest vacancies will be within Grade B and older Grade A buildings, as occupiers look to make the jump into smaller spaces in the high specification modern buildings which are currently under construction.



For more information about this report, please contact us

---

### Savills Thailand

**Robert Collins**  
CEO  
+66 2636 0300  
robertc@savills.co.th

### Savills Research

**Jeremy O'Sullivan**  
Associate Director  
Thailand  
+66 2636 0300  
jeremyo@savills.co.th

**Simon Smith**  
Senior Director  
Asia Pacific  
+852 2842 4573  
ssmith@savills.com.hk