COVID-19 and Bangkok’s Prime Office Market
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COVID’s effect on Bangkok’s Prime Office Market

SUMMARY
- A handful of office landlords are providing rental relief to tenants, generally reductions of up to 15%.
- Rental reductions are more readily available, though they have to be negotiated on a case-by-case basis.
- Retail landlords have had to react much faster as retailers have faced forced closures and cuts to overheads have been more substantial.
- Compassionate relief from landlords may help with future occupancy rates in the increasingly competitive prime office market, which is expected to see a doubling of total stock by 2025.

IMPACT AND OPPORTUNITY IN BANGKOK’S OFFICE SECTOR FOLLOWING THE COVID-19 GLOBAL HEALTH CRISIS

Through the current global COVID-19 pandemic, businesses of all varieties have seen drastic changes in both their operations and their cash flows. Some sectors, such as aviation and tourism have been severely hit, due to the flight and travel restrictions imposed globally. However, it’s likely that the majority of businesses are experiencing issues due to restrictions on trading, supply chain interruptions and difficulties with accessing their places of work. In light of these issues, the Thai government has taken steps to lessen the potential impact of COVID-19 but this approach will inevitably lead to recession as it has elsewhere. The grim equation is ‘lives versus livelihoods’.

Bangkok’s prime office buildings are currently experiencing a huge drop in activity, as firms have been required to instruct their employees to work from home, in order to protect both their workforces and society at large. These steps combined with the poor trading environment has led to some firms enforcing mandatory leave without pay. With firms taking steps to reduce overheads some office landlords are taking steps to share the burden.

A handful of landlords in the city have provided rental deductions of 10–15% for certain tenants who operate within sectors that have been particularly badly affected, such as hospitality and tourism, though this is done on a case-by-case basis and there is no policy available for tenants. Some landlords are also offering rental payment delays without penalties, usually of up to two weeks, however this is again considered on a case-by-case basis, requiring tenants to enquire and negotiate with their landlord.

Bangkok’s retail landlords have been much faster to react, due in part to the more sweeping closures enforced by the government, with many now offering rental & CAM fees waivers for the duration of the trade restrictions to the retailers who have been closed. In the prime malls, even the retailers who were able to continue trading, such as restaurants and pharmacies, are often given a sizeable reduction in rental payments to provide relief in the limited trading environment.

It is likely that as markets continue suffering office landlords will begin to
It is likely that as markets continue suffering through the unprecedented effects of the global pandemic that landlords will begin to offer a broader relief to tenants.