

## Enclosure 2 : Industry Information

The following industry information includes certain data referenced from the property valuation report prepared by Agency For Real Estate Affairs Company Limited, which has been publicly disclosed on the Trust's official website. (<https://www.cptreit.com/th/downloads/appraisal-report>)

### Office Building Rental Business Outlook

The office building rental business from 2023 to 2025 is expected to gradually improve in line with the economic recovery following the subsiding of the COVID-19 crisis. As a result, work arrangements are anticipated to progressively return to office-based operations. According to a survey of over 150 companies in the Asia-Pacific region, nearly 40% expect employees to return to full-time office work, an increase from 26% in 2021 (Source: CBRE). This reflects the continued importance of office spaces to the business sector. However, hybrid working models, which allow employees to work from anywhere or reduce the number of days spent in the office, are gaining popularity in parts of the economy, particularly among service industry. This trend may influence the demand for office space in terms of size and functional requirements, as well as increase the popularity of co-working spaces and the adoption of flexible seating arrangements. CBRE's survey found that many companies in Thailand have adapted their office spaces to accommodate hybrid working, such as modifying the size and functionality of office areas, implementing hot-desking systems, and integrating smart office technologies. The 3-year outlook for the office rental business can be summarized as follows:

- **Office Space Demand:** Demand for office space is expected to increase gradually at an average annual rate of 1.5% to 2.0% (compared to an average annual rate of 2.5% during 2015–2019), in line with the gradual recovery of economic activities. Continuous business growth will drive employment expansion. Additionally, there is demand from foreign tenants, particularly for Grade A office space in CBDs. However, demand may be constrained by space utilization standards and flexibility requirements. For example, tenants may lease standard office space and use co-working spaces for expansion needs instead of leasing entire floors. Furthermore, surveys indicate that over half of the office leasing transactions in CBDs over the past year (as of mid-2022) involved buildings certified as 'green buildings'. It is now easier for renters to gain environmental certification and so move towards what may be long-term corporate goals of putting their business on a more sustainable and environmentally friendly footing (Source: Future of Work Survey by Jones Lang LaSalle (JLL)).
- **Office Space Supply:** The supply of office space is projected to increase in line with developers' investments, including projects delayed from the COVID-19 period. Approximately 70% of the total supply will be located in CBDs, particularly large-scale mixed-use developments such as The Unicorn, Park Silom, EMSHERE, and One Bangkok, which are categorized as super-premium office buildings. It is estimated that approximately 850,000 square meters of office space will be completed over the next three years, representing an average annual increase of 2.8%, which exceeds the projected growth in demand. This trend may lead to an oversupply in the office rental market, thereby increasing tenants' bargaining power due to a wider selection of office spaces and potentially more favorable lease terms offered by landlords.

- **Occupancy Rate:** The occupancy rate is expected to decline to a 16-year low of 84%, due to the continuous influx of new supply from approximately 20 projects (according to developers' business plans). Meanwhile, new demand is expected to come from tenants currently occupying buildings over 12 years old, which account for approximately half of the market supply. It is anticipated that a significant proportion of tenants in buildings older than 15 years will relocate to newly completed buildings (Source: JLL). This trend pressures owners of older office buildings, both in CBD and non-CBD areas, to expedite renovations. However, the increasing vacancy rates in older buildings may compel some landlords to adopt pricing strategies, such as maintaining current rental rates or offering discounts, particularly during lease renewals, to retain tenants.
- **Rental Rates:** Rental rates in CBDs and for Grade A spaces in non-CBD areas are expected to remain stable or increase slightly, in line with recovering demand, especially from high-growth sectors such as services, commerce, and technology. Project development costs, including labor, are also expected to rise. New office buildings are increasingly focusing on aesthetic design and compliance with tenants' environmental, social, and governance (ESG) objectives, incorporating advanced technologies and efficient management systems to support new work practices post-COVID-19. Older office buildings are undergoing renovations to modernize their facilities. Rental rates for Grade B spaces in non-CBD areas are expected to decline, partly due to tenant migration to higher-quality office buildings. Notably, rental rates for office buildings over 20 years old are expected to decline significantly compared to the market average. However, older buildings that have been renovated and upgraded to meet tenants' quality and functionality requirements can still maintain their competitiveness.

Key challenges for the office rental business in the next 1–3 years include (1) space management, which some organizations may adopt hybrid working models, allow for rotational use of office space. Developers should design flexible spaces that can accommodate varying work activities throughout the day. (2) intensified market competition from the office development pipeline that has increased by 1.5 times during 2023-2025 compared to the average over the past 5 years, while demand is projected to grow gradually. This may limit the ability to raise rental rates. As well as (3) green-certified buildings will be increasingly preferred by tenants, particularly multinational corporations with environmental sustainability targets (A survey by Jones Lang LaSalle (JLL) found that 3 to 5 out of every 10 companies now seek office space in green-certified buildings, compared to only 1 to 2 companies 3 years ago.)

Thailand's office rental market remains attractive compared to other ASEAN countries due to the following factors (1) Thailand's strategic location as a regional hub facilitates trade and investment connectivity with neighboring countries; (2) Office rental rates in Thailand remain relatively low compared to major cities in competing countries such as Singapore and Ho Chi Minh City; and (3) Government policies support the office rental business, such as tax incentives for companies establishing International Business Centers (IBCs) in Thailand (replacing the previous ROH scheme). These factors support the continued growth potential of Thailand's office building market in the foreseeable future.