

Housing Market in Thailand

by Marcus Gomez

April 15, 2008

Companies

Major Development PCL	MJD TB
Raimon Land Public Co. Ltd.	RAIMON TB
Sansiri Public Co. Ltd.	SIRI TB

Sources

15 realtors specializing in residential housing in the Bangkok metropolitan area

Key Findings

- Most believe current buying sentiment for condominiums is stronger than for townhouses and detached units. Condominium sales are expected to increase an average 17% in 2008 vs. 2007, while sales of townhouses and detached units are expected to be flat.
- Properties in the lower price range are the most attractive to buyers, while interest in properties in the higher price range is mostly flat.
- On average, condominium prices have risen by about 9% over the past year, while prices for townhouses and detached units have risen by 5% and 7%, respectively.
- Most said that there is an oversupply of condominiums in the Bangkok metropolitan area, while supply for townhouses and detached units is meeting demand.
- About half of the current demand for condominiums in downtown Bangkok is speculative interest.
- Preferred developers are **Raimon Land**, **Sansiri/Plus Property** and **Major Development**.

Consumer Sentiment

Most sources believe current buying sentiment for condominiums is 'very good,' largely because condominiums are the only type of property open to foreign investment and because they are cheaper than detached properties in the Bangkok metropolitan area. One remarked, "Condominiums are the preferred housing choice among the new generation of Thais." Another said, "Even though the market for office space, commercial and industrial land is slow, the condominium market is very active." A third said, "Now that we have an elected government, foreign sentiment has improved considerably." A fourth said, "Old, detached property is making way for condominium projects." A fifth said, "Condominiums are the only thing moving in the downtown area." Another commented, "Condominiums are more popular because they are more affordable compared to detached property in the metropolitan area."

Indeed, most sources said that interest in townhouses and detached units is flat, as such property in Bangkok is too expensive for most buyers. One said, "Because of restrictions on foreign ownership for this type of housing, demand growth for townhouses or single-detached units is generally slow." Another remarked, "Townhouses and single-detached units downtown can cost four or five times more than condominiums and are too expensive for all except the most-serious buyers." A third said, "The foreign ownership quotas of 49% on condominium buildings often fill up long before local ownership, because most Thais cannot afford them, let alone townhouses and single-detached units." Another said, "Downtown townhouses and single-detaching units are too risky for Thai speculators."

Meanwhile, sources said properties in the lower price range (THB1 million to THB10 million [US\$32,000 to US\$317,000]) are the most attractive to buyers. Besides being more affordable to owner-occupiers, they reportedly are also less risky to speculative foreign buyers. One source said, "Sixty percent of our sales happen in the THB1 million to THB10 million range, with 35% in the next 10 million range and only 5% in properties above the THB20 million [US\$638,000] mark." Another commented, "The lower price range is most popular because Thais can afford it." A third said, "Cheaper units are less risky to speculative foreign investors."

At the same time, interest in properties in the higher price range (THB10 million and above) is mostly flat, according to sources. One said, "There is not much demand for higher-priced units because locals cannot afford them." Another said, "The strong Thai baht may be discouraging foreign interest in higher price ranges." A third said, "I think most developments in the THB10 million to THB20 million range are going to be in trouble soon due to oversupply."

Sales

Expected Home Sales by Type in 2008 vs. 2007

Home Type	Sales Expectations in 2008 vs. 2007
Condominiums	up 17%
Townhouses	up 1%
Single-Detached Homes	up 1%

Sources expect condominium sales to increase an average 17% in 2008 vs. 2007, partly due to newly announced property tax policies, which will expire at the end of March 2009. One said, "We have lost deals because of the 3.5% business tax, so the new policies will definitely help." Another said, "People are postponing their decisions until the tax amendment is made public, so it's obviously going to have a positive effect on the market." A third said, "Since the new tax policies will expire at the end of March 2009, many people stand to benefit from making decisions this year rather than waiting until next year."

At the same time, sources expect sales of townhouses and detached units to be flat. One said, "Sales of suburban detached properties will probably do OK but not in the city center." Another said, "Unless there is a sudden change in foreign investment policy, sales of detached property in downtown Bangkok will remain subdued." A third said, "We expect sales of townhouses and detached houses in downtown Bangkok to be flat this year."

Meanwhile, sources reported that the most-important factor influencing buyers is access to the BTS Skyway Train, followed by the design/layout of condominiums and price. One source said, "Ninety-five percent of my customers request units that are a reasonable distance from BTS stations."

Another said, “Although the MRT covers more-popular areas, it does not enjoy the reputation that the BTS has among foreign investors.” A third commented, “Only singles or couples stay in the city, so the most-popular designs are one- and two-bedroom units. Three-bedroom units are typically larger, more expensive and therefore harder to sell.”

Prices

Current Pricing Changes YtY by Home Type

Home Type	Current Pricing Changes YtY
Condominiums	up 9%
Townhouses	up 5%
Single-Detached Homes	up 7%

On average, condominium prices have risen by about 9% over the past year driven by rising construction costs, sources reported. One said, “Prices are being pushed up by costs, not demand, especially in the higher price ranges, which use high-quality materials.” Another said, “The price of steel has gone up 20% in the past year, and land prices have gone up by 15%. Add to that the changes in zoning laws, and it’s no wonder development costs are pushing up condominium prices.” A third noted, “Prices in older condominium projects are not going up as much as the newer buildings, so construction costs are definitely pushing up prices.”

At the same time, sources said prices for townhouses and detached units have risen an average of 5% and 7%, respectively. One said, “Unless there is a specific requirement for a specific piece of land, the price for a townhouse or detached unit will not go up much.” Another said, “The price of a detached property only rises marginally from year to year once it passes a certain point.” A third remarked, “There are so few people who can actually afford these units right now that prices will likely remain flat for quite a while.”

Supply

Most sources said there is an oversupply of condominiums in the Bangkok metropolitan area. One observed, “Condominiums are selling, but no one is moving into them.

Some buildings are half empty.” Another said, “There are so many new projects that started two years ago that are now coming onstream. The market is about to be flooded with new condominiums.” A third said, “Over 50,000 condominium units will be launched this year, far more than real demand can support.” Another said, “Whenever there appears to be a profitable niche in the market, everybody piles in, which quickly leads to an oversupply.”

In addition, half of sources said there is an oversupply of condominiums in the THB1 million to THB10 million range. One said, “Cheap, high-density condominium projects are abundant.” Another said, “Since the higher price ranges are too risky for speculators, they all bet in the lower price ranges, creating speculative demand. The market is oversupplying this segment.”

At the same time, most sources said that supply of townhouses and detached units is meeting demand. One said, “The downtown detached-property market is very niche, and demand is easily fulfilled.” Another said, “The people who can afford detached properties are well served by a select number of developers. Most buying and selling activity is in the condominium market.”

Mortgage Schemes

Most sources said current home mortgage schemes available to Thais are attractive to consumers. One source said, “Bank loans can be stretched over 30 or 40 years to reduce monthly installment amounts, which Thais seem quite happy about.” Another said, “The schemes available are very cost-effective for the first couple of years, which makes them attractive to speculators.” A third said, “The home loan packages offered by banks are very flexible.”

However, sources reported that the home mortgage schemes are not typically available to foreign buyers. One source observed, “Banks here are very reluctant to offer financing to foreigners, so we suggest to our clients that they take loans out of Singapore.” Another remarked, “Since banks do not offer loans to foreign buyers, we are in the process of developing our own financial programs for our customers.” A third said, “Foreign buyers have to pay for their properties in cash, which is sometimes a deterrent to investment.”

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Speculative Demand

All sources believe that there is speculative demand in the Bangkok property market by both foreign and local buyers. One source said, "The early buyers of any new project are almost always speculators. Long-term buyers come later." Another said, "A lot of new condominiums are sold but never occupied, so there is definitely a lot of speculation going on."

In addition, sources said that about half of the current demand for condominiums in downtown Bangkok is speculative interest. One said, "Most of our clients just want to buy for investment." Another said, "Local buyers are speculative, wanting to either earn rent or resell at a profit."

As to the most-popular property locations in Bangkok, sources cited downtown Sukhumvit Road as being in the highest demand, followed by Asoke and Sathorn. One said, "Sukhumvit is definitely the trendiest place in Bangkok and is very popular among yuppies." Another said, "The area between Sukhumvit Soi 1 and Sukhumvit Soi 63 is

popular among expatriates and wealthy Thais." A third said, "The Sukhumvit/Asoke/Sathorn areas are all covered by the BTS and so are very prime locations."

Preferred Developers

The preferred developers among sources are Raimon Land, Sansiri/Plus Property and Major Development. One said, "Raimon Land does not take on too many projects and focuses on quality rather than quantity." Another said, "Raimond Land is what I call a Grade A developer. The company imports many fittings for its units, and the result is a great finished product." A third said, "The Sansiri/PlusProperty group is the preeminent developer in Thailand." A fourth said, "Sansiri has been very aggressive, and I expect the company to do well." A fifth said, "Sansiri has enough resources to independently fund its projects, so it is probably the safest bet for new developments." A sixth said, "Sansiri stopped developing high-end units a few years ago, but it returned to the market with a bang and has launched four new projects in the last six months." Another said, "I like what Major Development is doing this year."

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