THAILND REAL ESTATE
Location remains priority for non-residential investment

Location remains the first priority that investors should consider before investing in non-residential property projects, suggested executives in the real-estate industry. Vivat Sricharoenwong, vice-president of the Thailand Asset Management Association, said property investors should consider location first, followed by financial and management risks, as a better location would bring a higher yield.

For example, an office building in Soi Lung Suan in downtown Bangkok can command a monthly rent of 650-700 baht per square metre while a similar building outside the central business district (CBD) would charge less.

In yield terms, office buildings in the CBD would generate 8% per year while non-CBD ones earn 5-6%.

Wongphumi Vanasin, president and managing director of Pinnacle Hotel Group, said location was also a factor for hotel investment.

The second concern was building structure and hotel management team.

The tourism business has not been affected by the economic slowdown because people stressed out from work or business usually take leisure trips for relaxation, he noted.

However, risks in hotel investment include interest rates, supply and the political situation.

Charoen Nadpobsuk, general manager of SC Park Hotel, said currently there is an oversupply in the hotel business due to a rising number of serviced apartments competing for market share.

As a result, hotel agents are bargaining down the price with hotel operators.

Over the past 10 years, hotel room rates rose by less than 10% on average.

Currently, there are 500,000 hotel rooms in Thailand, excluding apartments, serviced apartments and condo-turned-hotel rooms. The average occupancy rate was 70%.

Thanin Nonnathee, president of the Bangkok Serviced Apartment Club, said that as of early 2008, there were a total of 10,685 serviced apartment rooms in Bangkok, with 1,500 added in 2007. About 65% of them are located along the BTS and Sukhumvit Road.

He suggested that investors study location, project feasibility and demand before investing in serviced apartments.

Compared to hotel investment, serviced apartments generated higher gross operating profits as hotels would need two staff members for a room but serviced apartments need up to one.

Ornranee Ratanakongsawat, a consultant with Panthip Court Serviced Residence, said the initial return rate of grade A serviced apartments in Phloen Chit, Silom and Sukhumvit Road was 12-15% and 10-13% for grade B.

On Phahon Yothin Road, the return on investment was 11-14% for grade A and 9% for grade B while on Ratchadaphisek Road it was 10% for grade A and 8-9% for grade B.

At the same time, the break-even period should not be longer than seven years for serviced-apartment investments, excluding land price, and 10-12 years including land price.

Source: Bangkok Post
Posted: April 25, 2008

Scandinavians like Rayong

The rising Scandinavian interest in real estate in Thailand, especially in Rayong, stems from the surging arrivals to the country, according to international property consulting firm Colliers International Thailand. Statistics from the Tourism Authority of Thailand showed that Scandinavian tourists increased yearly from 2003 to 2007, with 17.4% growth last year to 757,734 visitors, up from 645,361 in 2006. The majority were from Sweden with 374,000 visitors in 2007, followed by Finland at around 138,000.

Patima Jeerapaet, the company's managing director, said the interest in Thai real estate by Scandinavians started in 2003 when a pioneering Swedish investor launched a Scandinavian Village in Bang Saen with full on-site facilities for retirees. This paved the way for Scandinavian investors and created an interest for Swedes to own property in Thailand.

Swedes are most interested in real estate brokerage, with 73 Swedish registered companies in Thailand with an investment of around 43.2 million baht. This is followed by the construction business with 51 Swedish-registered companies with registered capital of 27.82 million baht.

The majority of Swedish investment is in Rayong, representing 34.13 million baht, or 45% of all Swedish investment in Thailand.

The prices of Scandinavian-managed projects in Rayong range from 38,256 to 85,000 baht per square metre, between 29,412 and 67,144 baht per sq m in Bang Saen and between 38,000 and 95,000 baht per sq m in Pattaya.

The number of residential units developed by Thai-Scandinavian firms also was highest in Rayong with 809 residential units. Hua Hin was next with 468, followed by Pattaya with 259.

The highest sales value from Thai-Scandinavian investors was in Rayong with approximately 4.8 billion baht, or 29% of total Scandinavian project sales value. This was followed by 25% in Hua Hin and 13% in Koh Samui.

0no traffic, no pollution and an expected increase in property values. The main developers in Rayong and Pattaya are Glen Asia and Logans Thailand Co.

One of the major things Scandinavians look for when selecting property is distance from Bangkok. This is noticeable from the strong preference for properties in Rayong, Bang Saen and Pattaya, all of which aren't too far from the Thai capital.

However, the future Scandinavian demand will likely extend to Phuket and Koh Samui, which are very attractive tourism destinations for Scandinavians. Chartered flights also fly to Surat Thani airport during the peak tourism season.

In recent years Scandinavians have been active investors in Thai property, with hundreds of Swedish home buyers spearheading an incredibly strong and growing Nordic property boom in Thailand, Mr Patima said.

"What is clear is that the trend of owning property and retiring overseas is going to grow in Thailand as the preferred location in Asia," he said.

Source: Bangkok Post
Posted: April 23, 08

Building on strengths
New projects add sparkle to property market in popular seaside resort, Nina Suebsukcharoen in Hua Hin

Boathouse Hua Hin has received a vote of confidence from Laguna Holiday Club, which purchased 55 units to serve its time-share members.

The property market in the popular seaside resort of Hua Hin is building on its strengths this year, with new developments rising and ongoing projects attracting strong interest. Purchases and development by vacation clubs are also livening things up.

Praphaisith Tankeyura, managing director of the 80-rai condominium and villa development Boathouse Hua Hin, said the market should pick up with the launch of some new condominiums including the Moroccan-themed Marrakesh by Major Development; Baan San Suk, located at the entrance of Khao Trakiab and developed by Sanrisi; and the relaunch of Malibu Khao Tao by Maneeya Realty Co.

"The average selling price of condominiums in Hua Hin is more than 100,000 baht a square metre now with the launch of Marrakesh and Baan San Suk," Mr Praphaisith said at a recent Songkran fair during which six Boathouse units were auctioned.

"All are on the beachfront but they are low-rise buildings, mainly four to six storeys. Our price is very cheap compared to theirs. And this despite the fact that we have invested more than half a billion baht in our infrastructure, swimming pools and garden."

This is no empty boast because visitors will clearly see the evidence with two of the four condominium towers completed and the construction of the third under way. Perhaps this is why Laguna Holiday Club, part of the Laguna resort in Phuket, decided to purchase 55 units at Boathouse Hua Hin for around 300 million baht to serve its time-share members who now total around 5,000, of whom 65% are Thai.

Mr Praphaisith said several foreign retirement funds were also moving into Thailand with one from the US developing a low-rise condominium near the Hua Hin railway station. The goal is to serve American members by rotation but it is uncertain whether the fund actually calls itself a holiday club.

"This is something new, good for Hua Hin, good for Thailand."

Phanom Kanjanathiemthao, managing director of Knight Frank Thailand, the property and rental management form for Boathouse Hua Hin, said that although the time-share business had a bad reputation in the past, things have changed in the US and Europe, where regulations have improved the industry.

Such regulations are rare in Asia and Mr Phanom urged the Thai government to consider new rules because the time-share business had expanded to fractional ownership whereby a condominium unit or villa is collectively owned by several people.

"In Europe and America they have laws supporting this and we should too. It would mean selling a whole building to 500 to 700 people instead of 90, and each could use the unit for 30-40 days a year or if they don't use it they could offer it for rent."

Mr Praphaisith, a former president of Bank of Ayudhya, acknowledges that condominiums are easier to sell than higher-priced villas, but he has a few marketing strategies in mind. He plans to visit New York later this month to approach the approximately 100,000 Thais living in the city and four neighbouring states, because for them the 15-million-baht price tag is not that high.

"We have already sold five units to Thais in the States. Hua Hin is a romantic place for Thais, a magic word, the royal summer place is here. ... It's a place for your family to enjoy and live - not like Pattaya."

While things are looking up for Hua Hin, Mr Praphaisith notes that banks have tightened their lending to developers and only the strongest players are able to cope. "Right now banks require presales of 40-50% before they provide you with a construction loan, so banks are very conservative."

He said some projects had not reached the 40-50% presale level, and agreed that banks have to be cautious in ascertaining that developers have their own equity to carry a project forward.

"That is the risk, I think buyers really need to know how committed developers are."

This change certainly benefits the second-hand market, but Mr Praphaisith noted that only units in well-maintained buildings have good value.

While some people are a bit uneasy about the direction of Thai politics, Mr Praphaisith thinks Thai people take such changes in stride. "Governments come and go in Thailand. ... The issue is the economy. We have been close to the bottom for many years so there is not much room left to sink any further but there is opportunity for us to rise with the increase in rice prices - rice is becoming like crude oil now."

Souce: Bangkok Post
Posted: April 23, 2008

Sustainability in demand

Corporations in the Asia Pacific are more pragmatic than those in the rest of the world about the costs of obtaining sustainable real estate. About four times as many firms in the region as in other parts of the world were willing to pay double-digit premiums for property that would help them save energy and operating costs, according to a survey by Jones Lang LaSalle (JLL) and CoreNet Global.

The survey, covering more than 400 occupiers of corporate real estate, was conducted last year during CoreNet Global Summits on four continents.

The survey found that a majority of companies globally viewed sustainability as critical to their business and were willing to pay a premium to help their companies became more sustainable. The survey involved 414 professionals at CoreNet Global Summits in London, Melbourne, Denver and Singapore.

The results showed that 12% of corporations in the Asia Pacific versus only 3% of firms across North America, Europe, the Middle East and Africa were willing to pay double-digit premiums to meet their sustainable real estate needs.

In addition, 47% of polled companies in Asia Pacific indicated that sustainability was already a critical issue for them, driven mainly by the pressure of significant increases in energy costs.

The survey also indicated that an overwhelming 69% of respondents across the Asia Pacific believed sustainability was a near-term business issue that was important today, or would be in the next one to two years.

Globally, the figure was 73%, revealing that Asia _ despite having many developing countries _ did not lag far behind developed nations in terms of real estate priorities. However, even though demand existed and companies were willing to pay premium prices, global supply remained patchy and in some cases was seen as non-existent.

Only 16% of global respondents said that good, widely available, sustainable real estate was available in markets where their firms needed to be. Another 46% said availability was limited or minimal.

Source: Bangkok Post
Posted: April 22, 2008

Tax incentives lift everyone's mood

Amid concerns about higher costs of construction materials, the tax incentives announced in early March have come as good news to the property market this year. Analysts expect it to improve significantly from 2007, a sluggish year due to lower confidence. The Finance Ministry led by minister Surapong Suebwonglee has essentially revived the tax incentives that proved successful in spurring the property market in 2003 when they were used by former prime minister Thaksin Shinawatra.

The property sector, according to the National Economic and Social Development Board, contributes 7% of the country's gross domestic product. It serves as an important economic multiplier, leading to consumption of construction materials, employment of labour and the creation of general consumption ranging from furniture to appliances. Significantly, 90% of property spending involves local content.

Prior to the effective date of the tax incentives on March 29, many developers had been concerned that unit transfers slated for March would be delayed as buyers would wait to take advantage of the breaks.

Some decided to reduce transfer fees from 2% and mortgage registration fees from 1% to 0.01%. These two major reductions would allow developers to prevent a drop in earnings during the first quarter.

Even so, firms expect profits to improve for the rest of the year as unit transfers accelerate on pent-up demand. Developers' profits will also improve as they benefit from a reduction of the special business tax to 0.1% from 3.3%.

The result could be a windfall for developers that have housing to sell and transfer before the tax incentives expire in one year. This will include pre-built units and low-rise housing that can be built in just four to eight months.

However, the condominium segment might not share in the spoils as big high-rises take up to two years to build. As well, condo developers are facing stricter Environment Impact Assessment (EIA) rules and more zealous enforcement of other building laws.

Anant Asavabhokhin, chairman and managing director of Land & Houses Plc, the country's biggest residential developer, said the resulting construction delays would be exacerbated by higher construction costs, especially steel prices that have risen more than 40% from last year.

Many developers last year stockpiled thousands of tonnes of steel so they could control costs and maintain unit prices but the inventories have almost run out.

Despite higher costs, developers are reluctant to raise selling prices too much as they might scare off buyers or lose market share to rivals who do a better job of controlling their costs. Even so, increases of 5-10% are likely.

Helping the market will be the long-delayed start of work on new mass-transit projects that increase the potential of several neighbourhoods in the capital. Buyers, meanwhile, can expect lower interest rates in line with the steep reductions made in the US, although the size and pace of cuts locally could be more modest, given concerns about inflation.

Also enhancing buyer confidence is a new regulation on escrow accounts that is finally expected to be enacted this year. The new law will, however, affect smaller developers as they cannot use downpayments as cash flow.

Many developers this year have resumed investment after limiting budgets last year. Some are focusing on condominiums near mass-transit routes and extensions, while others will develop more single houses and townhouses.

Recent data suggest that the property market this year will grow by 5-10% from last year, when newly registered units totalled 74,221 in Greater Bangkok, down 5% from 2006.

Among total new registered units last year, the Real Estate Information Center said condominiums in Bangkok rose 23% to 14,316 and accounted for 37% of all housing units built by developers.

The number of newly registered horizontal units dropped by 5.2% to 57,992. The largest decrease was in single houses, which fell 10% to 38,599. The proportion of single house dropped from 55% to 52%, while condominiums remained steady at 22%, up from 12-15% in 2003-05.

However, fewer condominium projects have been launched since early 2008. Most are from large developers, as newcomers and smaller operators faded away from the market. The main reasons were stricter loan approvals by financial institutions and more concerns about EIA approval.

Overall, signs are good for a property market rebound. The consumer confidence index rose in the first two months of the year and many developers experienced much better sales in January and February than in the same period last year.

''It's all about confidence,'' said Prasert Taedullayasatit, chief business officer of Preuksa Real Estate Plc. ''The property market depends on confidence. The clearer political situation can restore confidence.''

However, some developers need attractive campaigns and promotions, including events at project sites, to boost sales and encourage customers to speed up their decisions.

Source: Bangkok Post
Posted: 8 April 2008

Bangkok office space 'a bargain'

Bangkok's office space is the third cheapest in Asia with only Jakarta and Kuala Lumpur offering lower office rentals, according to the international property consultants CB Richard Ellis. London has the most expensive office rents in the world, at more than 10,000 baht per square metre per month _ about 13.5 times the cost of prime space in Bangkok. Mumbai is the most expensive city in Asia with grade A rents of almost 6,000 baht per sq m per month.

Meanwhile, Singapore rents increased by doubled in 2007 to around 3,800 baht per sq m per month, overtaking Hong Kong rents which rose to 3,600 baht. Rents in Ho Chi Minh City also doubled rising to 2,300 baht.

Demand for office space in Bangkok is starting to recover with an increase in deals. The total increase in leased space was about 158,000 sq m in 2007, which is half the average new take-up achieved per year between 2000 and 2005.

Supply rose by only 88,500 sq m in 2007. The limited amount of new supply supported office rents despite weak demand and rental levels remained flat in 2007 with average for grade A space in the Central Business District of 740 baht per sq m.

''Demand had fallen because of the political uncertainty, weak economic growth and proposed amendments to the Foreign Business Act which would have further restricted foreign ownership of companies in the services sector,'' said Nithipat Tongpun, head of office services at CBRE Thailand.

Nuch of the demand for office space and in particular grade A offices comes from multinational companies. The proposed restrictions on ownership meant that multinationals decided not to expand or establish new companies in Thailand.

If the government were to liberalise the foreign ownership in the services sector, this would boost the Bangkok office market as well as create jobs.

On average, a new job in the service sector is created for every 10 sq m of office space leased.

The Bangkok office market faces more challenges in 2008. The global credit crisis has meant that multinationals are reviewing costs, and getting approval to expand or set up a new business will become increasingly difficult.

Source: Bangkok Post

Posted: 3 April 2008

Outrigger to operate Phuket resort site

PHUKET : The Hawaii-based hotel company Outrigger has entered the Phuket market in a big way after signing on to manage the West Sands residential and hotel resort project covering 121 rai on Mai Khao beach.

Aside from the pristine beach, the development's other star attraction is a water park to be built by the internationally famous White Water West Industries, the largest specialist in the field with customers including Disney and Sea World.

Darren Edmonstone, Outrigger Enterprises Group's vice-president for acquisitions and development, said West Sands was being developed by Central & City Development Ltd and would have a 396-room hotel plus 171 villas and condominiums for sale in the first phase and 198 in the second phase.

He said the development suited the the company because it had a lot of experience operating condominium resorts in Hawaii, a segment many big brands did not want to touch.

''We do a lot in Hawaii. We fell into it as a matter of course and now we excel in it,'' he said. ''We have developed our own IT systems to handle all these condo resorts.''

While the 60-year-old family-owned company does a lot of development in Hawaii, its strategy of moving into Asia's top resorts is to align itself with a locally-based developer with a typical model being to take a minority equity stake. At West Sands, it has purchased 24 condominiums worth around $8 million.

''We help with the conceptual development of the resort as well as the design areas,'' explained Mr Edmonstone. ''And then obviously securing the long-term management rights. I am very conscious going forward of not being labelled as a condominium resort operator because we are more than that in Hawaii.''

Aside from West Sands, Outrigger is about to announce another management deal with a high-end condominium resort in the south of Phuket. ''I would like to maybe get another project, maybe up around Phangnga.''

Phuket is Outrigger's second stop in Southeast Asia after Bali, where it would manage the 110-unit Outrigger O-CE-N Resort in Legian and a new development called Bukit Peninsular. It is also finalising negotiations to develop a 500-plus-room hotel on Hainan Island in China, and is looking at Vietnam, Samui and Krabi.

The company is already well-entrenched in Australia, New Zealand, Fiji, Tahiti and Guam.

Bali was a natural choice for Outrigger because the Japanese are the fastest-growing tourist group on the Indonesian island and are a very big market in Hawaii.

The company does have advantages over its big-brand competitors because it does not participate in projects with all the baggage of brand standards.

''Big-branded companies will come in and say these are the brand standards, you can't deviate from this _ there has to be a 32-inch TV on that wall,'' says Mr Edmonstone.

''We say here are some guidelines but we would like to sit down with the developer and work out what suits the environment, what suits the site and what suits what you are trying to achieve.''

The customary practice in Asia makes it easier for Outrigger to manage a resort that has a large number co-owners because developers usually require individual owners to sign a management contract if they want to enter the rental pool, and they often sub-contract this to a company such as Outrigger.

The typical guaranteed return in Phuket is around 6% per year but Mr Edmonstone pointed out that the rental pool often exceeds that amount. ''But then you have capital appreciation, when you put that into effect your return is a lot more.''

Barry King, marketing director of Central & City Development, said that around 55% of the villas and condominiums were left for sale with prices starting at five million baht for a 45-square-metre studio and rising up to 73 million for a 1,200 sq m four-bedroom beach villa.

The development group's investors include the CEO of Tesco Plc, Sir Terry Leahy in a private capacity, and Paul Mercer, a former Tesco executive.

Mr King said the buyers included expats in Hong Kong and Thailand, plus customers from mainland China, Europeans, the Middle East, South Africans, Italians, French, Dutch and Swedes.

Source: Bangkok Post
Posted: 3 April 2008