

THAILAND RESIDENTIAL

QH projects for 2008 worth nearly B20bn developer believes luxury demand solid

The listed developer Quality Houses Plc (QH) planned to launch 13 new residential projects this year worth a combined 19.55 billion baht, targeting 12 billion baht in revenue by the end of the year. Rutt Phaniijphand, the QH president and managing director, said the new projects being launched this year would comprise 11 low-rise developments worth 16.93 billion baht and two condominiums worth 2.62 billion baht. The economic outlook this year will be better than last year now that the new government has been formed, he said.

The property market will also improve as demand remains strong, especially in the high-end segment with unit prices between 10 million and 20 million baht, where supply is very limited. Mr Rutt said QH's main revenue this year would come from sales of single houses at 10.5 billion baht while it would generate 1.5 billion baht from rental income of office buildings and serviced apartments.

The company plans to spend three billion baht to acquire 14 new plots of land for future development in 2009-10. As condominiums are booming, it plans to change its Centre Point Lang Suan serviced apartment to a condominium with 209 units worth a combined three billion baht. Unit prices would be 180,000 baht per square metre. Construction would finish by mid-2009.

Due to the higher cost of construction, the company expected to raise unit prices by 5% in the third quarter, said Mr Rutt. QH is also interested in overseas investment after studying the property market in China and Vietnam last year. The company will finalise an investment plan to develop a condominium in Ho Chi Minh City, a high-potential location for property, by the fourth quarter.

Source: Bangkok Post
Posted: February 4, 2008

Land & Houses in re-branding bid

Market leader Land & Houses Plc (LH) is embarking on a corporate re-branding and will develop a new website to draw younger homebuyers. Suparat Veerakul, the company's vice-president for corporate communications, said that LH would launch a new website in March to attract first-home buyers, at www.1sthome.in.th.

The website will allow first-home buyers to research information on townhouses, condominiums or single houses. There will also be information about financing, location, housing types and an online live chat with architects, interior designers and feng shui experts. "First-home buyers are a new-generation group who use the internet to search for information before making a decision. A website is the best way to talk with them," Ms Suparat said.

A company survey found that 20% of its sales last year originated on the internet, with two billion baht worth of properties booked online. LH uses two websites to communicate with customers: the corporate website lh.co.th and a home sales and design portal, homedd.com. "We are negotiating with a Singaporean investor who will buy the homedd.com content and database to combine with his property websites in Southeast Asia. The deal has not been concluded as he wants to buy our team as well," she said.

Ms Suparat said that LH's re-branding started in late 2005 after its research showed a drop in the number of customers visiting project sites, and it found that some of its housing designs were not appealing to buyers. "'Out of date', 'old aged', 'expensive' and 'arrogant' were the four main perceptions among our units' homeowners, customers and visitors at our project sites. These are what we've tried to change," said Ms Suparat. Many customers said that LH's new units had outdated designs compared to those of competitors, or that they were overpriced.

After it launched an 'Ask Your Neighbour' campaign, LH received positive feedback with an increase in site visits and bookings. Sales also rose by 30-40% during the first re-branding. This year the company will launch a new product, Baan Mai townhouses priced from 2.89 million baht, to tap first-home buyers and new couples. It is also developing a new home-office brand, The Landmark, with unit prices of higher than 15 million baht and would launch these as a flagship product in 2009. "For condominiums, we will start building a condominium brand. Its theme will be modern and a product for the new generation," said Ms Suparat.

Source: Bangkok Post
Posted: February 6, 2008

L.P.N. launches new condo worth B1.25bn

The listed condominium developer L.P.N. Development Plc has launched its new 1.25-billion-baht Lumpini Ville Ramkhamhaeng 26, aimed at university students and young employees, said managing director Opas Sripayak. The development will have 998 units sized from 28 to 62.50 square metres, starting from 980,000 baht per unit.

Construction is scheduled to be completed in June next year. Bookings will open from Sunday. L.P.N. earlier pioneered condominium development in the Ramkhamhaeng area with two projects with around 4,000 units. It has sold out its Lumpini Ville Ramkhamhaeng 44 and 80% of Lumpini Condotown Bodindecha-Ramkhamhaeng.

Mr Opas said the company's market research on residential demand in the area last year found that about 240,000 people wanted to live there. Most are students, employees in the area and people working at Suvarnabhumi Airport, which would be connected to Ramkhamhaeng through the Airport Link early next year.

There are currently 153 rental apartment buildings with 14,281 units in the area and 34 new projects with 2,655 units under the construction. The average monthly rent is around 3,500 baht.

Source: Bangkok Post
Posted: February 14, 2008

High costs worry developers low-priced projects might be delayed

Property developers should be careful of higher construction costs and new property-related laws as they diversify their portfolios, industry executives said. Issara Boonyoung, managing director of the residential developer Kanda Property Co, said higher construction costs would likely affect low-priced condominium projects. Those with prices of 30,000 baht per square metre might not be built as costs have climbed to as high as 20,000 baht. "Despite the good sales, some developers of low-priced units might not be able start construction due to higher costs," he said.

Meanwhile, high-end condominium developers would not face this situation as they have higher margins. Another issue developers might face is escrow accounts, which might be effective within a year after being talked about for two decades. All developers would need more money to invest for developing projects, but homebuyers would have more confidence in buying a unit as their down-payments would not be used for developers' cash flow. Environmental issues are also a concern. "Actually, an environmental impact assessment (EIA) is not a new issue but new regulations on green areas have delayed many projects. There should be clear regulations announced to developers," he said.

Prasert Taedullayasatit, chief business officer of the listed developer Preuksa Real Estate Plc, said the EIA board, at its latest meeting in January, discussed whether to cancel the new regulations on green area. This would be good news for condominium developers whose projects are waiting for EIA approval. "Last year every condominium developer enjoyed selling units, but they might face difficulties caused by increasing prices of steel. They should try to reduce and control costs," he said.

The Real Estate Information Center (REIC) yesterday reported a survey on residential supply in Greater Bangkok. It found that more than 231,164 outstanding units from 1,157 projects were available for sale at the end of the third quarter of 2007. Of the total projects, 951 were low-rise and 403 were located in Bangkok, followed by 152 in Nonthaburi, 149 in Pathum Thani, 128 in Samut Prakan, 64 in Samut Sakhon and 55 in Nakhon Pathom. The total number of low-rise units was 153,648. There were 53,655 units in Bangkok, followed by 35,967 in Pathum Thani, 26,492 in Samut Prakan, 20,906 in Nonthaburi, 11,251 in Samut Sakhon and 5,377 in Nakhon Pathom.

In the third quarter of 2007, 9,402 units were sold and 62,911 remained up for sale, 25% of which were pre-built units. At the same time, 206 condominium projects were sold in the quarter. Meanwhile, 77,516 condominium units were available for sale at the end of the third quarter. About 44% were priced at 1-2.99 million baht a unit. Of this number, the largest were in Bangkok with 62,880 units, followed by Samut Prakan with 12,754 units, Nonthaburi with 1,638 units and Pathum Thani with 244 units.

Source: Bangkok Post
Posted: February 14, 2008

Pattaya turning heads of condo investors

Backed by a thriving economy and a populace brimming with retirees, tourists, expatriates and prosperous businessmen, Pattaya is fast turning the heads of savvy investors looking for handsome returns in a beach destination. Pattaya continues to attract astute property investors, who believe today's market conditions offer the opportunity to lock into excellent future returns, either from rental income or through capital growth.

The year 2004 signaled the rebirth of Pattaya's real estate sector. Prior to this, few high-quality apartments had been completed. Continued growth in new housing construction permits since 2004, which grew to the 3.9 million square metres approved in 2006, indicates a healthy property market. Of note is the percentage of permits issued for high-rise residential construction, which tripled from 7% in 2004 to 21% in 2006. A high-rise building is recognised as being more than eight stories high.

The successful launch of Raimon Land's Northshore project in 2004 triggered a wave of upmarket beachfront high-rise developments including La Royale (2005), Ocean Portofino (2005), The Sails (2006), Northpoint (2006) and The Spinnaker (2007). A total of 1,000 new high-end beachfront condominium units are expected to be completed over the next three years. Premium grade A condominium projects have joined beachfront developments in popularity, bringing the number launched between 2004 and 2007 to 31 sites for a total of 5,177 units. The number of units launched per year has also climbed, with 2,268 new units

announced in 2007. Pattaya itself received 33% of the newly launched units, with 11% and 22% in North and Central Pattaya respectively.

The Jomtien area attracted 26% of the new launches, with 2% in Jomtien itself and 24% in Na Jomtien. Interestingly, 41% of new launches were located outside of the Pattaya and Jomtien areas, with growing interest for Si Racha and nearby Rayong. Condominiums are popular among international investors as they are more affordable and the only type of property in Thailand that a foreigner can own 100% freehold. Security and maintenance issues are handled by common area management, adding to the confidence in a holiday home investment.

Most foreign property buyers are British, American, Australian and Swedish, a line up that has not changed in recent years and remains a strong base for alien ownership. Russia recently entered the top five buying nations to demonstrate the emergence of Eastern European investors. Increased interest from China and South Korea is due to the easing of restrictions on fund transfers. The Germans, French and Scandinavians are also important buyers, and reflect the increasing trend for Europeans to purchase second homes outside traditional European resort destinations. Many have either relocated to Pattaya, spend the European winter there or live in regional business centres such as Singapore, Hong Kong and Shanghai.

However, the bottom line for investors in Pattaya's high-end residential property market is solid returns, whether from rental yields or capital gains. Short-term investors have already cashed in by turning over luxury condominiums during the period of short supply.

An example is the 187-unit Northshore, which launched in 2004 and sold out before opening in 2006. By 2005, resales were bringing in returns of more than 30% with rates jumping to 40-50% the following year. Appreciation has been strong. The price record of 119,718 baht per square metre in 2006 jumped 10.7% to 132,479 baht per square metre in 2007, and the sale generated a record-setting capital gain of 80%. Most of the top 10 sales in 2006-07 generated capital gains of around 30-50%, with the latest resale occurring last month, achieving 180,000 baht per square metre.

Though the returns may not be as spectacular, low-risk, long-term investments in high-end properties can be profitable. While it may be best to steer clear of developers guaranteeing annual gross rental yields of 10%, this level can certainly be achieved as also exhibited at Northshore, where 6-8% yields are already being realised and future capital gains are expected to be handsome. A typical rental contract is for 12 months and not by the day, with monthly rates between 500 and 650 baht per square metre. Two main markets feed the rental sector: Pattaya residents who are often North American retirees and foreign executives - mostly Japanese, South Korean and Malaysian - who work at industrial estates in the area.

Current market conditions and new developments funded by international financial institutions are signalling a wave of opportunities for high-end residential property investors in Pattaya. For those searching for a second home and a sound investment, Pattaya looks set to offer excellent returns well into the future.

Source: Bangkok Post
Posted: February 22, 2008

Home builders say prices will rise in Q2

Home builders plan to raise prices by 3-5% in the second quarter of the year as costs of construction materials will start increasing in line with rising demand stimulated by the government's new tax incentives, says Sakda Kovisuth, the president of the Home Builder Association. "The incentives and the cancellation of (the Bank of Thailand's) 30% reserve

rule will benefit only the housing development market, not the home building market. But they will help stimulate [decisions by] home building customers," he said yesterday.

Average increases in unit prices would be 3-5% while some builders might increase prices by 5-7%. Mr Sakda, who is also the managing director of the builder Royal House Co, said his company would increase its prices by 3-5% in April, its first adjustment since last August.

Pramote Theerakul, managing director of the builder Four Pattana Co Ltd, said his company would increase prices by 5-7% in April as construction material costs, which account for 60% of home building costs, would be higher. "Though the government might lose 40 billion baht by offering the tax incentives, the overall business will be more active," he said. However, there would be a negative impact on the costs of construction materials, pushed by higher oil prices, he added.

Four Pattana says it will maintain the prices it has used since last year for any bookings made at the Home Builder Fair, which is taking place until tomorrow at the Bangkok Convention Center, Central Plaza Lat Phrao. It also will offer a discount of 3% until April 4. The association expects the fair to attract 15,000 visitors and sales of 500 million baht.

Source: Bangkok Post
Posted: March 10, 2008