

Housing in BMR

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- In the three years between 2018 and 2020, the market for residential accommodation in the Bangkok Metropolitan Region is expected to improve on growing domestic demand, the latter driven by economic recovery. In particular, government spending on infrastructure projects will help to stimulate demand for housing, especially in areas near to rapid mass transit lines. Increasing trade and investment linkages within the region will also help to stoke demand from overseas buyers.
- Property developers will likely bring an increasing number of projects to market, though most of these will be from the larger players in the sector. Condominiums will remain the main driver of the market and developers will tend to focus their efforts on the mid- to upper-end of the market as this sector has great purchasing power. Customers at the mid- to lower-end may, on the other hand, face problems with high levels of debt and the likely upward swing in interest rates, which might restrict the ability of some mortgage holders to meet their repayment schedules. At the same time, levels of accumulated unsold housing stock remain high in certain areas, and this will place a limit on how far house prices will be able to rise in these locations.

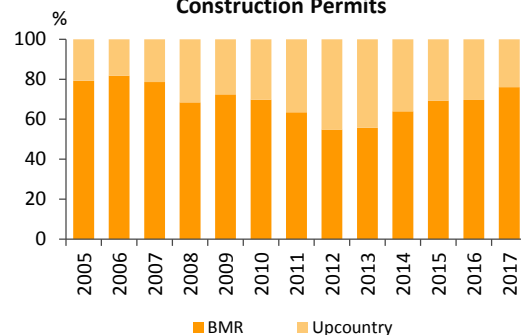
Overview

The real estate sector accounts for 8% of Thailand's GDP and so is thus of some significance in terms of the national economy. A considerable amount of capital circulates within the sector and this supports increasing levels of employment and income, and at the same time, the sector is tied to related businesses such as construction, building materials, finance, consumer electronics, furnishings and decorations, and so on.

The property sector consists of three principal segments: residential, commercial, and industrial. **In Thailand, considered by value, some two-thirds of the entire property market is residential** (source: World Bank), with Thai developers concentrating on this domestic market. The focus on domestic customers is because **Thai law stipulates that non-Thais may legally own only condominiums**, but no more than 49% of total salable areas. As regards detached housing and townhouses (also called rowhouses or shophouses), the regulations covering ownership by non-Thais are more onerous.

The residential market is split between self-built housing and housing projects. The latter is concentrated in the Bangkok Metropolitan Region (BMR) and in fact around 60-70% of all housing units constructed nationally are found in this area (figures 1 and 2). Over the past five years (2013-2017), this market has had an annual value of around THB 400 bn but since 2012, developers have started to look beyond the Bangkok region. This shift in focus occurred due to the major flooding of BMR and the central region that happened towards the end of 2011 and to the decision by the government in 2012 to increase spending on infrastructure in the provinces. Developers thus placed a greater emphasis on investing in housing projects in provincial centers, the majority of which has been low-rise housing due to the ready availability of land outside Bangkok. However, upcountry consumer purchasing power weakened in 2015 and 2016 as the price of agricultural goods dropped and this caused developers to switch their attention back to projects in the BMR.

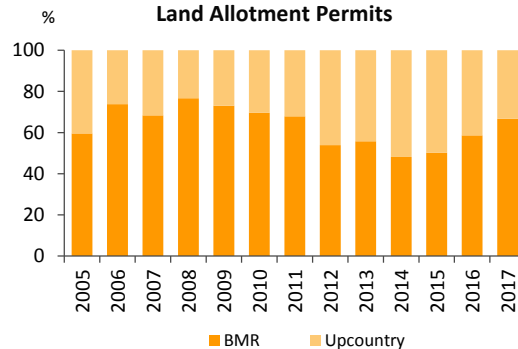
Figure 1: High-rise Housing: Construction Permits



Source: Real Estate Information Center (REIC)

Note: Based on construction area permitted in sq.m. High-rise housing includes condominiums, apartment buildings, and flat buildings. Bangkok Metropolitan Region (BMR) is defined as Bangkok and the five adjacent provinces of Nakhon Pathom, Pathum Thani, Nonthaburi, Samut Prakan, and Samut Sakhon.

Figure 2: Low-rise Housing: Land Allotment Permits



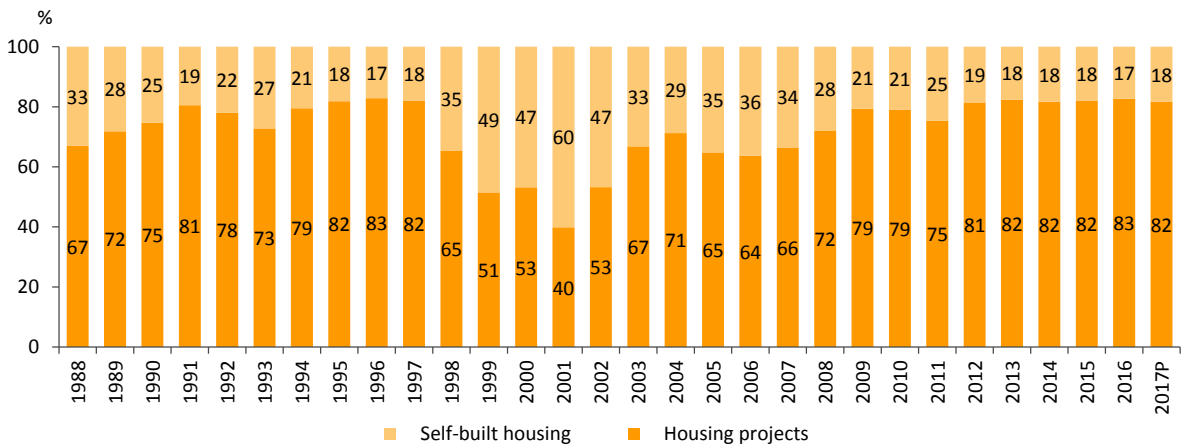
Source: REIC

Note: Based on the number of units permitted for land allocation. Low-rise housing includes detached houses, duplexes, and townhouses.

Currently, over 80% of new residential unit in the BMR is the project developed by housing developers (Figure 3). The data for 2017 show that large operators (those that are registered on the stock market subsidiaries of those registered on the stock market) control over 80% of the housing market in the BMR, both in terms of the number of new units and development value. These large companies benefit from typical economies of scale in that they are able to manage costs more effectively than can smaller companies. They are also in a position to assemble large land banks and these two factors help to lower their operating costs. Their size also enables them to undertake many projects simultaneously and to use their expertise as a way of building consumer trust in their brand.

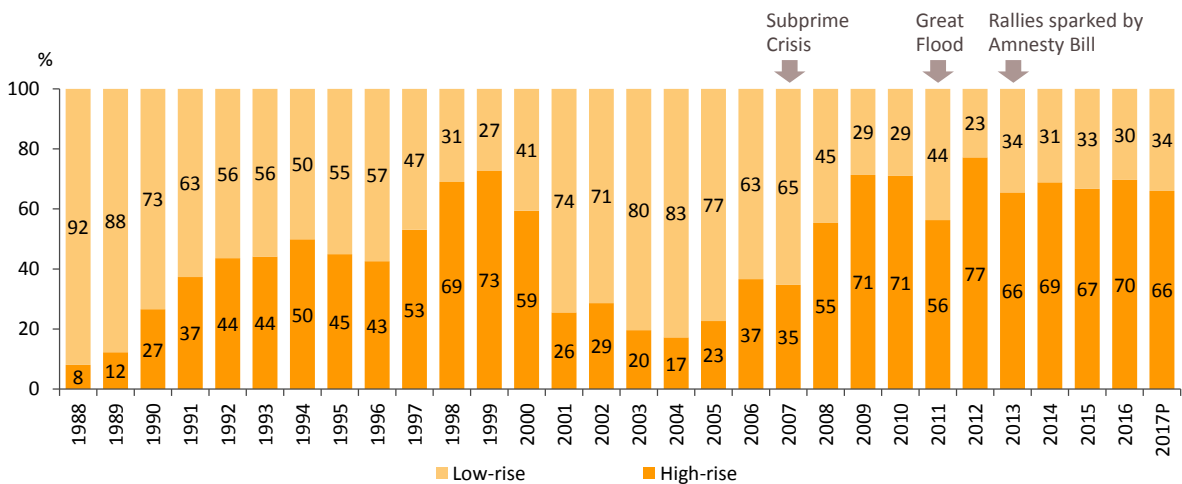
Since 2008, high-rise buildings have represented a higher proportion of new projects than have low-rise structures. This has been due to the declining availability and consequent rising price of land that has potential for development, and to the post-2006 extension of rapid mass transit lines (the MRT and the BTS), which has led to developments springing up alongside these new routes. The outcome of these changes is that high-rise developments have become increasingly popular and since 2009, an average of almost 70% of new housing units have been in condominium developments (Figure 4).

Figure 3: New Housing Units in BMR



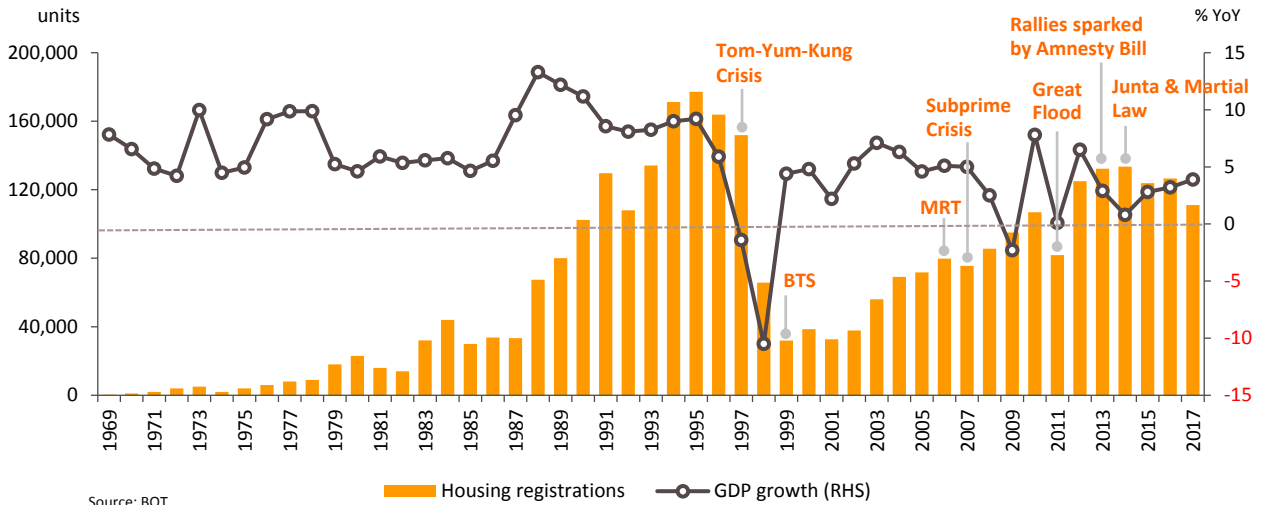
Source: BOT

Figure 4: New Housing Projects in BMR



Source: BOT

Figure 5: Property Cycle, GDP Growth, and Major Events



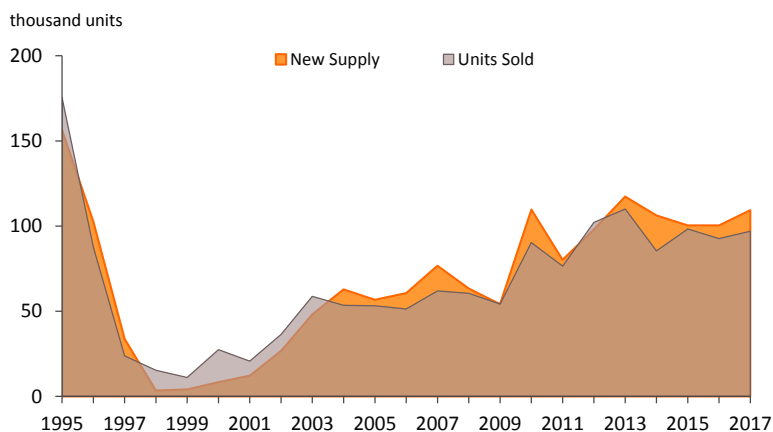
Source: BOT

▲ Situation

Following the Asian Financial Crisis of 1997, the housing market flipped from being in a state of over-demand to being in one of steadily increasing over-supply, as new supply to the market outpaced sales over a period of years.

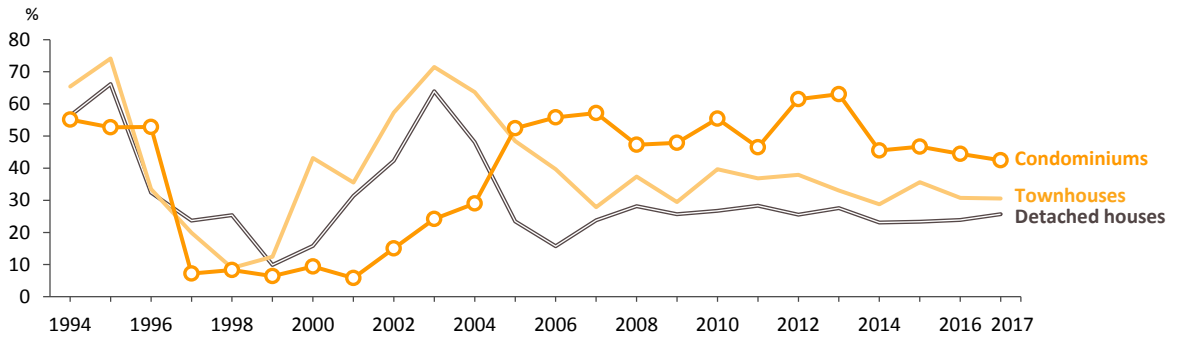
- **1997-2006: The Asian financial crisis of 1997 led to a five-year depression in the property market in BMR (1997-2001),** a collapse in consumer purchasing power triggered a dramatic slide in the number of sales of new units, which came to an average of only 20,000 units per year. This compares starkly to the pre-crisis average annual figure of 148,000 units for 1994-1996, years in which the market was driven by excess demand. However, **in 2003, new investment started to pick up again (Figure 6)** and in 2003-2004, significant investments were made in better quality low-rise housing on the western Bangkok Outer Ring Road, although this area remains over-supplied with detached housing to this day. Following this, in 2006, work on the expansion of the BMR rapid mass transit networks prompted a corresponding increase in investment in high-rise buildings, with condominiums selling well and seeing a shorter absorption period than did low-rise housing.
- **2007-2009: The subprime crisis had effects across the world,** and Thailand was no exception. The crisis helped to slow the domestic property market, both in terms of supply and demand; in 2009, 59,000 units were sold, a 10% YoY fall, though the market rebounded the following year on an improving economy.
- Over the ten years between 2007 and 2016, **approximately 90,000 new units came onto the market in the Bangkok Metropolitan Region each year, but only some 80,000 were sold** (Figure 6), with the result that the number of unoccupied units has gradually increased.

Figure 6: New Supply & Units Sold



Source: Agency for Real Estate Affairs (AREA)

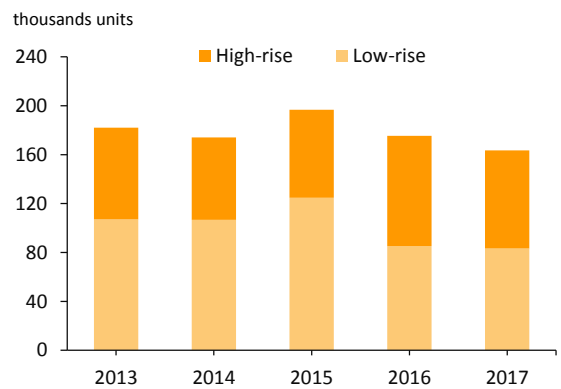
Figure 8: Absorption Rate



Source: AREA

2010-2016: During this period, the housing market was affected by ongoing problems with an oversupply of properties in certain locations. This was caused by record-breaking investments in condominium projects in 2012-2013 that followed on the heels of the first home scheme of 2011-2012, problems arising because the latter stimulated sales of residential property, especially of condominiums, and this helped to pull forward future demand. **In 2014-2016, demand for residential units was also negatively affected by a combination of domestic political conflict and a global economic slowdown**, a fact that is reflected in the decrease in the absorption (Figure 8) and the number of housing transfers that were made (Figure 9). In addition to these economic and political factors, weakening consumer spending power and high levels of household debt (which ran to an average of around 80% of GDP) caused financial institutions to tighten regulations on lending with the result that **the housing market in the BMR experienced a significant over-supply**. For example, new housing near BTS lines in the outer regions of the city, which typically carry a price tag of less than THB 2 m, became hard to sell and despite efforts made by the government at the end of 2015 to stimulate the market, including cutting fees for mortgage registration and transfer ^{1/}, in 2016, a total of 164,000 units remained unsold, of which almost 70,000 were condominiums (Table 1).

Figure 9: Housing Transferred in BMR



Source: REIC

Table 1: Unsold Supply by Price

	2013	2014	2015	2016	2017
Detached houses					
THB< 3m	4,844	5,077	3,953	3,859	2,112
THB3-5m	18,156	17,922	17,950	17,048	16,690
THB5-10m	11,178	11,178	14,236	14,836	13,910
THB> 10m	3,183	3,504	3,687	3,784	4,259
Total units	37,361	37,681	39,826	39,527	36,971
Townhouses					
THB< 3m	34,390	39,884	38,212	43,648	50,972
THB3-5m	8,917	8,560	9,032	9,540	10,093
THB5-10m	1,316	2,449	1,422	1,303	1,408
THB> 10 m	16	251	333	163	98
Total units	44,639	51,144	48,999	54,654	62,571
Condominiums					
THB< 3m	39,402	48,520	49,713	49,846	54,514
THB3-5m	7,075	9,459	9,195	11,151	11,075
THB5-10m	3,088	3,911	5,442	5,555	7,515
THB> 10m	1,695	1,646	2,999	3,247	3,686
Total units	51,260	63,536	67,349	69,798	76,790

Source: AREA

^{1/} Officials cut the fees for mortgage registration and transfer of home ownership were temporarily reduced to 0.01% for housing at all price levels. These measures were in place for the 6 months between October 19, 2015 to April 30, 2016.

- In 2017, the property market in the BMR recovered following growth of 3.9% in the Thai economy, though this improvement was also partly due to structural changes in the market itself, which were seen on both the demand and supply sides. With regard to the former, consumers in the BMR changed their behavior and are increasingly looking for second properties, many of which are condominiums in locations from which it is convenient to travel into the center of Bangkok. As regards the latter, supply expanded as players invested in the development of new condominiums alongside new and extended rapid mass transit lines.
- In the same year, a total of 109,305 new units came onto the market, representing an increase of 8.8% YoY (Figure 10), the expansion in supply due in part to developers rushing through the release of new projects, especially of condominiums and townhouses, as a response to increased investment in expanding the BMR rapid mass transit network. For the year, the total number of units sold^{2/} rose by 4.7% YoY to 96,952 (Figure 11) but despite this increase, the cumulative total of unsold units was also up 7.5% YoY to 176,332 units, comprising 36,971 detached houses, 62,571 townhouses, and 76,790 condominiums (Figure 12).

Figure 10: New Supply

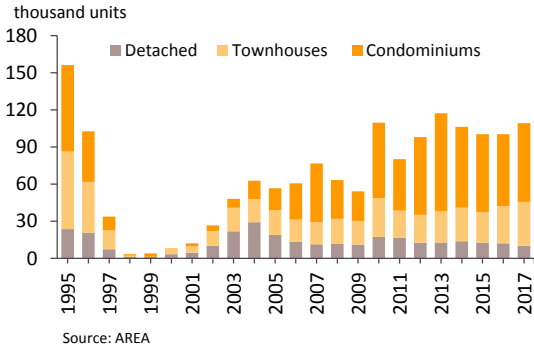


Figure 11: Units Sold

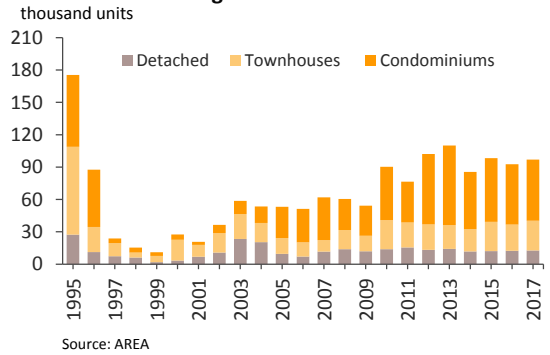
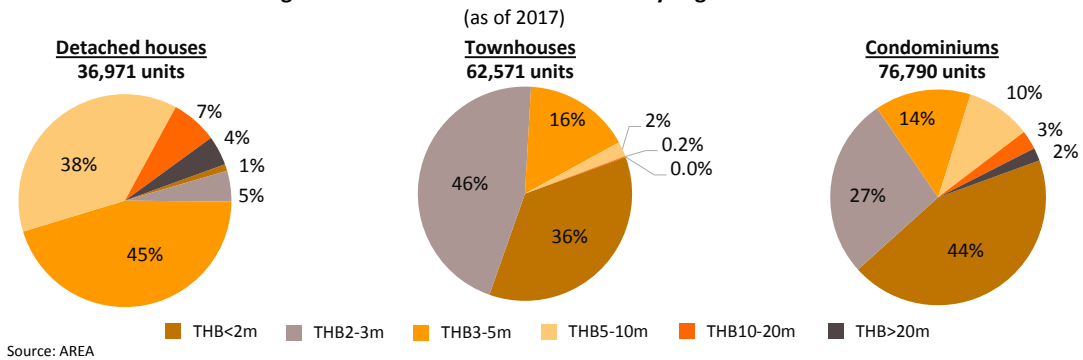


Figure 12: Accumulative Unsold Units by Segment



- The total value of new units released in 2017 rose 15.0% YoY to THB 441.66 bn, as a large number of expensive, higher-end developments were released for sale, though the large jump in value is also explained by comparison with the relatively low figure for the previous year. The average per-unit sale price of THB 3.8 m was also an increase on that of the previous year, up 11.6% YoY (Figure 13).
- Meanwhile, the number of housing transfers fell 6.8% YoY to 163,468 units, a consequence of government measures to stimulate the real estate market that were in effect in 2016. In 2017, then, with 80,223 units, condominiums formed the largest group (49% of the market), followed by townhouses (29%), detached houses (14%), and others (8%) (Figure 14).

Figure 13 : New Supply Value and Average Price per Units

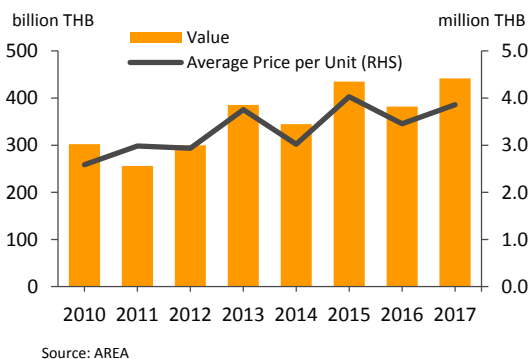
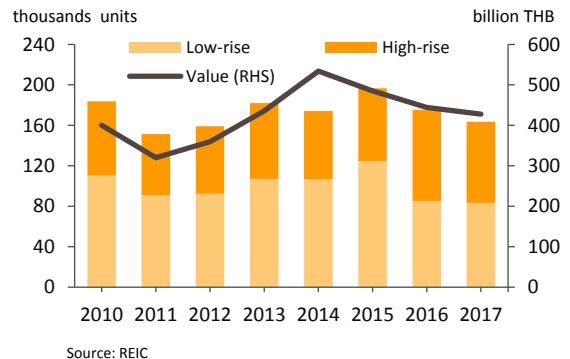


Figure 14: Housing Transferred in BMR



^{2/} Sold units include both units that were sold in that period and those that were sold in that period but which had been released to the market at an earlier time.

The situation for different categories of housing market is given below.

● Detached housing

Following the development of major transportation routes links to outer Bangkok in 2003-2004, the market for detached housing experienced a significant increase in supply, especially alongside the main transport arteries. However, this expansion in supply outpaced demand and this discrepancy naturally caused an increase in the stock of unoccupied housing, which became evident from 2005 but which persists at a high level through to the present. At the same time, the absorption rate of detached housing in the period 2005-2016 slumped to an average of 25%, significantly down from the 56% recorded during the boom in detached housing in 2003-2004.

In 2017, developers cut back on the number of detached houses that they released and consequently, detached houses accounted for 8.9% of all new residential units, a fall from the 11.0% seen in the previous year. A total of 10,217 detached houses came to the market in 2017 (down 15.9% YoY) and these had an average price of THB 7.5 m, with 60% of those sold being at the middle and upper end of the market, defined as those carrying a price tag of THB 5 m or more. The relatively high price of detached housing makes it harder to sell and so it takes longer for the market to absorb this new supply. The total for all units sold, including old housing, increased for the year, up 2.6% YoY to 12,773 units, which left the number of unsold detached houses at 36,971 units, down 6.5% YoY.

Figure 15: Annual Housing Supply and Units Sold – Detached Houses

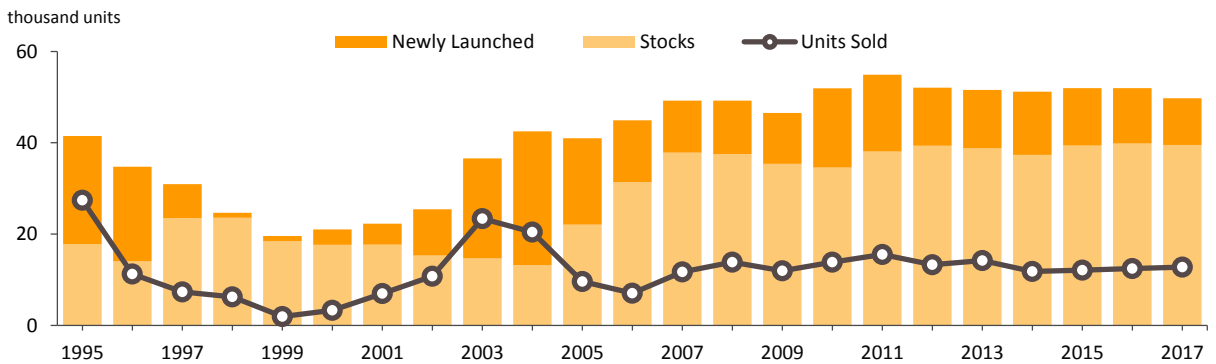


Figure 16: Absorption Rate – Detached Houses

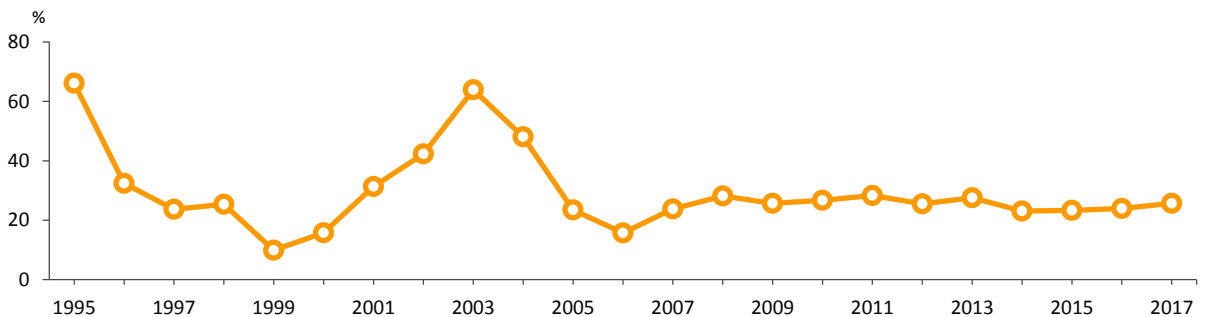
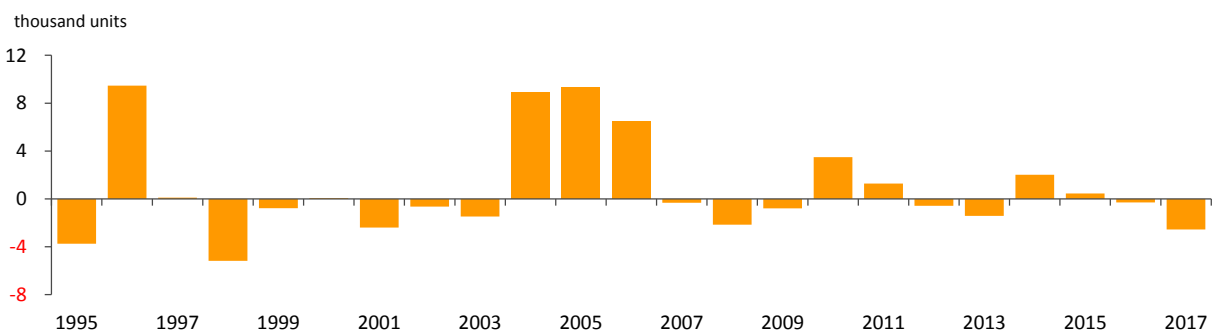


Figure 17: Annual Surplus/Deficit – Detached Houses



Source: AREA, REIC
 Note: Annual Surplus/ Deficit = New Supply – Total unit sold

● Townhouses

Increasing land prices have spurred the development of townhouses as alternatives to more expensive detached housing and in particular, between 2002 and 2004, the number of townhouse developments increased substantially. However, as with other market segments, supply increased at a faster pace than demand and since 2005 the number of unsold townhouse units has steadily risen. In addition to this, over the decade between 2007 and 2016, townhouses have declined in favor relative to condominiums located near BTS lines (sometimes referred to as ‘city condos’), with the latter having advantages in terms of price and the convenience of being able to travel rapidly into the city center. The result of these shifts in the market has been that the absorption rate for townhouses has slipped to an average of 34%, down from 56% in the townhouse boom period of 2002-2006. Despite this, though, in 2014-2016, better quality and more expensive townhouses were developed with prices in excess of THB 10 m/unit. These townhouses typically have three or more floors and were built around the edges of the center of Bangkok and not too far from BTS lines, for example, near Rama 3, Sathu Pradit, Yannawa, and Lat Phrao. In addition, developers are also targeting mid- to lower-end buyers by investing in townhouses located in smaller alleyways that connect to mass transit systems and which are priced in the THB 2-3 m price range.

In 2017, 35,462 new townhouses were released to the market, up 19.7% YoY, but a softening of consumer purchasing power coupled with, in response to high levels of household debt, a tightening of lenders’ regulations on credit led to sales of only 27,545 units, (up 13.5% YoY) and so inevitably, this expanded the stock of unsold units, which increased by 14.5% YoY to 62,571 units.

Figure 18: Annual Housing Supply and Units Sold – Townhouses

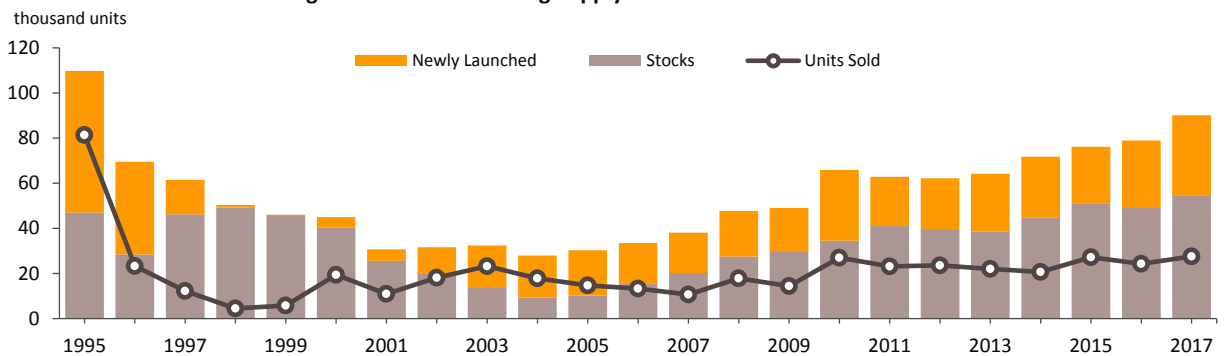


Figure 19: Absorption Rate – Townhouses

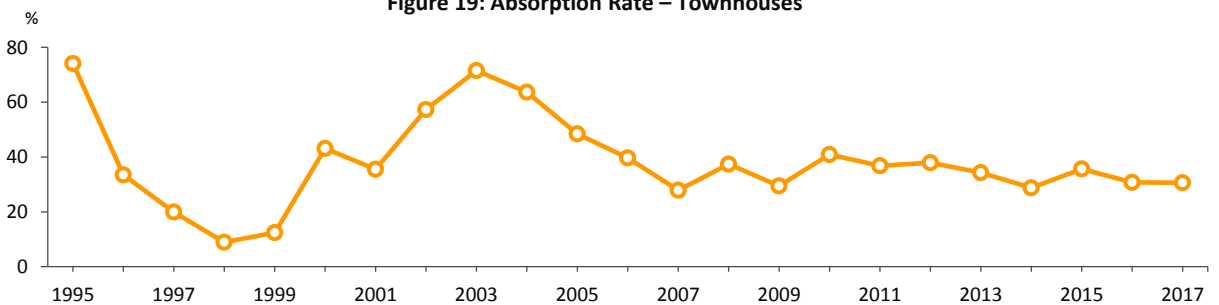
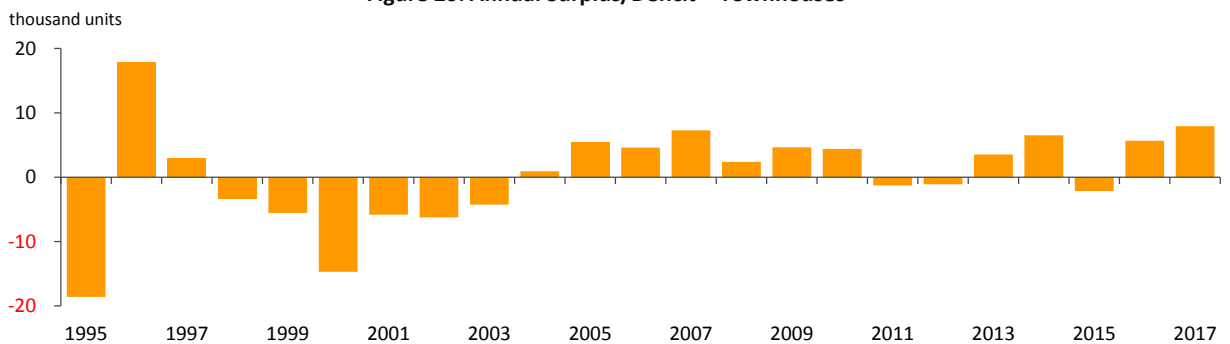


Figure 20: Annual Surplus/Deficit – Townhouses



Source: AREA, REIC
 Note: Annual Surplus/ Deficit = New Supply – Total unit sold

● Condominiums

Since 2007, condominiums have been a favorite of the Bangkok housing market due to: (i) the extension of mass rapid transit lines and increasing connections within the communications network, which is making its use more convenient; (ii) changing consumer behavior driven by a desire to save money and to reduce commuting time that is causing a switch in preferences from low-rise housing in the suburbs to high-rise accommodation in the city center; (iii) changing social structures within Thailand, with more people living in smaller, nuclear families; and (iv) the declining availability of land on which to build and subsequent rising costs. The outcome of these factors is that developers have increasingly turned to condominiums to meet consumer demand for housing, with the result that over 50,000 new units typically become available annually. Customers for these condominiums can be split into two distinct groups. Real demand accounts for around 60% of the market while there are those who make purchases for investment purposes, a group which is itself split between those who then rent out the property (25-30% of the market) and those who wish to speculate (the remaining 10-15%). Thai law specifies that non-Thais may own condominiums provided that not more than 49% of the total floor-space in the building is foreign-owned and this has also led to condominiums having a higher absorption rate than low-rise buildings. Thus, between 2008 and 2017, the absorption rate for condominiums was 49.8%, significantly higher than the 28.9% for low-rise properties (detached and townhouses).

Despite this, though, from 2014 to 2016, conditions for the condominium market somewhat slowed down, especially at the mid- to lower-end (i.e. units under THB 3 m), as high levels of debt and a sluggish economy took their toll and customers at this end of the market were forced to be careful about their spending and so to delay purchases of condominiums. At the top end of the market, though, units continued to sell well and to remain popular among those with higher levels of purchasing power.

In 2017, 63,626 new condominiums came to the market, a rise of 9.0% YoY and the largest number for four years. Condominiums also represented 56% of all new housing stock released in the year. This large increase was in part a result of government measures to stimulate the real estate sector that had run in 2015-2016 and rather than break ground on new projects, developers tended to try to run down their existing stocks. On the other hand, the number of units sold rose only slightly, up 1.3% YoY to 56,634 properties. Given this difference, the total accumulated unsold stock also increased, rising 10.0% YoY to 76,790 units. On the positive side, though, the absorption rate was better, and this indicates that it may be easier for operators to reduce their holdings of unsold condominiums than will be the case for their low-rise properties.

Figure 21: Annual Housing Supply and Units Sold – Condominiums

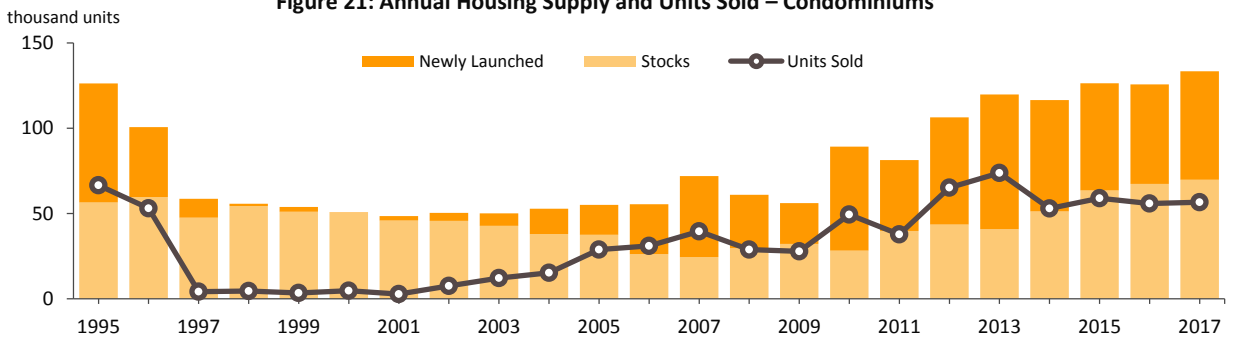


Figure 22: Absorption Rate – Condominiums

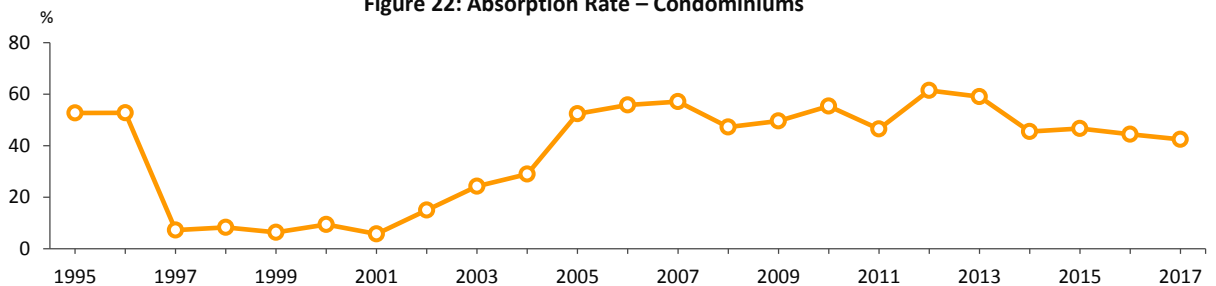
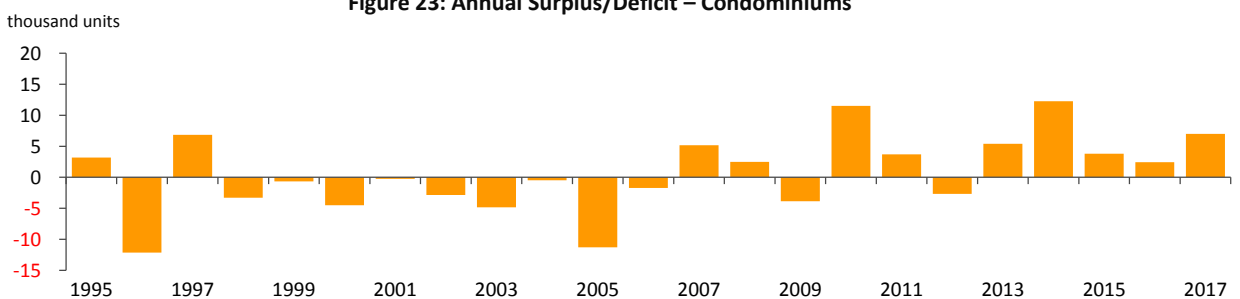


Figure 23: Annual Surplus/Deficit – Condominiums



Source: AREA, REIC

Note: Annual Surplus/ Deficit = New Supply – Total unit sold

● **The price of residential property increased slightly in 2017.**

The price index for detached housing and townhouses in 2017 a little bit increased relative to their levels in 2016, but due to both the substantial increases seen over the previous five years and the limited recovery in purchasing power. Thus, between 2016 and 2017, the index of detached housing prices increased to 130.9 from 130.8 (+0.1% YoY) while the index of townhouse prices moved from 137.6 to 141.2 (+2.6% YoY). The index of condominium prices saw slightly stronger gains, rising 2.9% YoY to 171.0 from 166.2. This rise was driven mainly by strengthening land prices, which is the largest single cost for property developers (the cost of purchasing the site for development typically consumes 25-30% of all development costs). Indeed, in the years 2009-2017, the cost of land in the BMR rose by an annual average of 6.9%, prices being pushed up by the limited supply of land that has potential for development. These increases are not, however, evenly spread and the exact location will help to determine by how much prices rise and so, in the past 2-3 years, land that is in the center of Bangkok and that is near rapid mass transit lines (for example around Sukhumvit and Sathorn) has increased in price sharply, and this in turn has caused the price of new condominiums, many of which are in these areas, to rise equally swiftly.

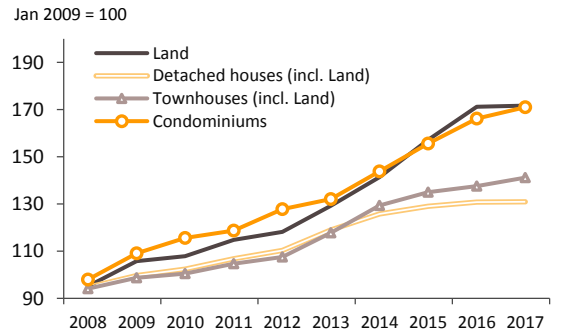
● **Growth in property loans slowed in 2017.**

The general situation for property loans is one of continuous expansion over the ten years between 2007-2016, in line with growth in the property market itself; over this decade, the combined total for pre-finance loans (loans to developers to finance construction, or real estate development credit) and post-finance loans (loans to residents to finance purchases, or personal housing credit/mortgages) grew by an average of 9.0% YoY (Figure 25), while in 2017, growth slowed to 5.4% YoY.

■ **Real estate development credit** (or pre-finance) totaled THB 630 bn in 2017, up 5.3% YoY following a 3.6% YoY contraction in 2016. The 2017 increase was a consequence of developers increasing the number of projects with which they were involved, a change from the 2016 situation, when developers tended to focus their attention more on running down existing stocks. Rising purchasing power has also helped to build investor confidence and this has fed into more developments being started.

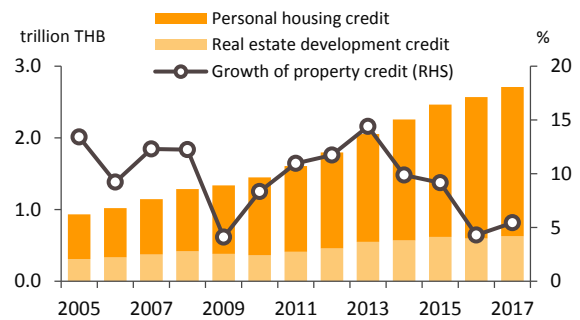
■ **The value of personal housing credits** in 2017 came to a total of THB 2.1 trn., up 5.5% YoY but this was the third year running when the rate of growth slowed, and the 2017 level of growth is substantially lower than the average of 11.2% recorded for the past decade. This decline has been caused by the heavy burden of household debt, together with the decision by lenders to tighten the conditions for issuing credit, following the tendency for the rate of non-performing loans to increase among poorer debtors (Figure 27).

Figure 24: Housing Price Index



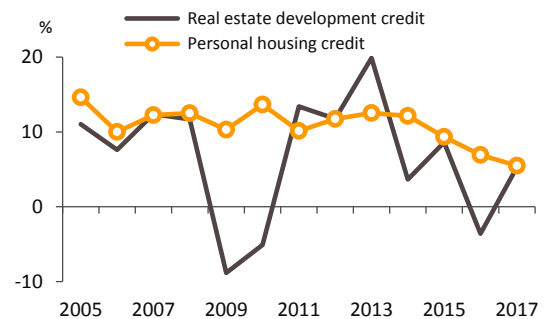
Source: BOT
Note: Housing price index was calculated from 17 commercial banks which are registered in Thailand and located in BMR.

Figure 25: Value of Property Credit Outstanding - Nationwide



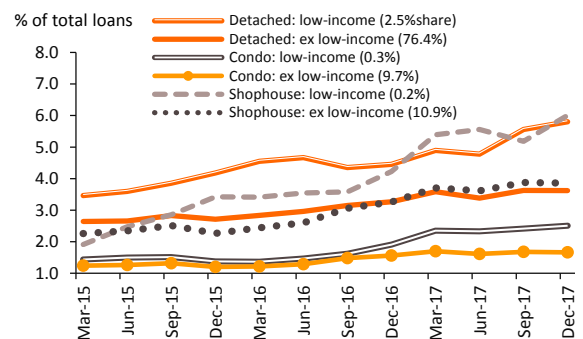
Source: BOT

Figure 26: Growth of Property Credit Outstanding - Nationwide



Source: BOT

Figure 27: NPL ratio of housing loans



Source: BOT

▲ Industry Outlook

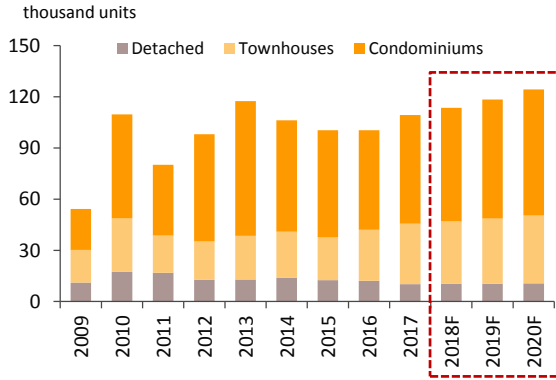
The outlook for housing sector in the BMR between 2018 and 2020 is for steady improvement.

- **It is expected that this improvement in the housing market will occur thanks to: (i) strengthening domestic demand, driven by an expanding economy; (ii) investment by the government in expanding the BMR rapid mass transit network,** including the Pink Line Khae Rai-Minburi and Yellow Line Lat Phrao-Samrong projects, which are helping to build investor confidence; and (iii) increasing economic links within the countries of the wider region and following on from this, the increasing investment by foreign players in Thailand and the growing number of foreign workers coming to the country, which will together tend to increase demand for housing from non-Thais in the BMR.
- **The volume of new housing coming to the market is forecast to grow by 3-5% per year between 2018 and 2020 (Figure 28). The majority of this new supply will come from projects undertaken by large developers and condominiums will remain the mainstay of the market, followed in importance by townhouses and detached housing.** However, developers will tend to increase the proportion of low-rise developments in their portfolios as this will help them to retain their profit rates (at around 3-6 months, returns are made more rapidly on low-rise developments) and because market demand for low-rise properties reflects a higher level of 'real demand' and less speculative demand. Developers will also look more to the mid- and upper-levels of the housing market as purchasing power remains strong in those segments, while at the middle and lower end of the market, a combination of high levels of household debt.
- **In addition, the product mix in developers' portfolios will also become more varied and whereas in the past, competition took place on location, price and product, this will tend to change as operators move into developing mixed-use projects^{3/} that may include hotels, shopping centers and residential accommodation all within the same development.** In addition, buyers will also increasingly encompass overseas purchasers from China, Hong Kong, Singapore, Britain and Japan, and a proportion of these will be buying for investment purposes.
- **Looking out over the next three years, it is likely that the BMR residential property market will be driven mainly by large developers since, as of 2017, in terms of both value and the number of new launched, large developers dominate with an 80% market share.** This will be especially so for developers that are registered on the Stock Exchange of Thailand, as they are able to raise financing more effectively than can mid- and small-sized operators. Competition will also tend to strengthen in the market, though this will come both from other businesses within the sector and from large players that have their roots in other sectors of the economy, such as is the case with Singha Estates and BTS Group Holdings. Foreign investors will also take on a higher profile, with players from Japan, Singapore, Hong Kong and China increasingly showing interest in investing in residential accommodation in the BMR, and in particular in condominiums. A number of joint ventures between Thai and foreign operators have already occurred, including for example those between AP (Thailand) and Mitsubishi Estate Group, and between Ananda Development and Mitsui Fudosan. In the future, it is expected that a greater number of such joint ventures will be seen, and this should help to build trust in players in the sector, increase the use of high-tech applications in construction in Thailand, and expand developers' customer base to include a greater number of foreign buyers with higher purchasing power.
- **However, the market will also face a number of obstacles. In some locations,** the oversupply of unsold stock remains high, purchasing power continues to be weak in some segments of the market and household debt is at elevated levels. Those cause lenders to put more cautions on offering housing loans, especially to low-income groups, while trend of increasing rate will restrict the ability of consumers to take on more debt. In addition, the costs of property development continue to inflate as the prices of land, labor and construction materials steadily increase.
- **The real estate market may also be affected by the new Land and Building Tax Act,** which is expected to come into force in 2019. The proposed act will impose taxes on unused land and this may lead to land changing hands more rapidly and developments being pushed through in the run up to the law's enforcement, though if this happens, this may then lead to the oversupply of unsold housing stock persisting for many more years.

^{3/} Mixed-use real estate developments include both commercial and residential uses. Mixed-use developments may thus contain retail units, office space and residential accommodation within the same project.

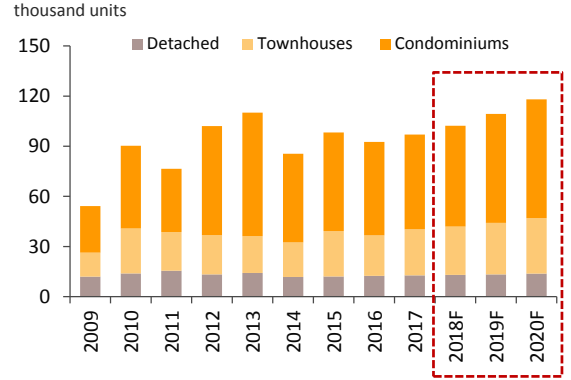
Industry Outlook

Figure 28: New Units



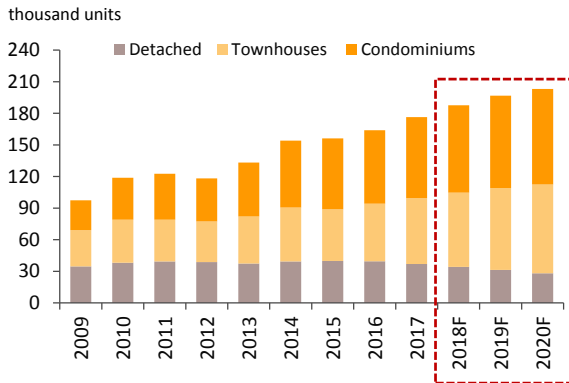
Source: AREA, forecast by Krungsri Research

Figure 29: Units Sold



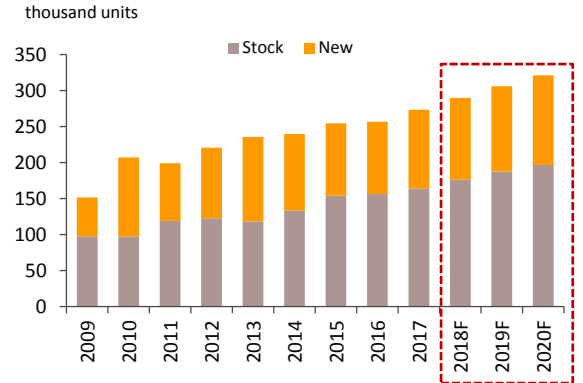
Source: AREA, forecast by Krungsri Research

Figure 30: Unsold Units



Source: AREA, forecast by Krungsri Research

Figure 31: Total Supply



Source: AREA, forecast by Krungsri Research

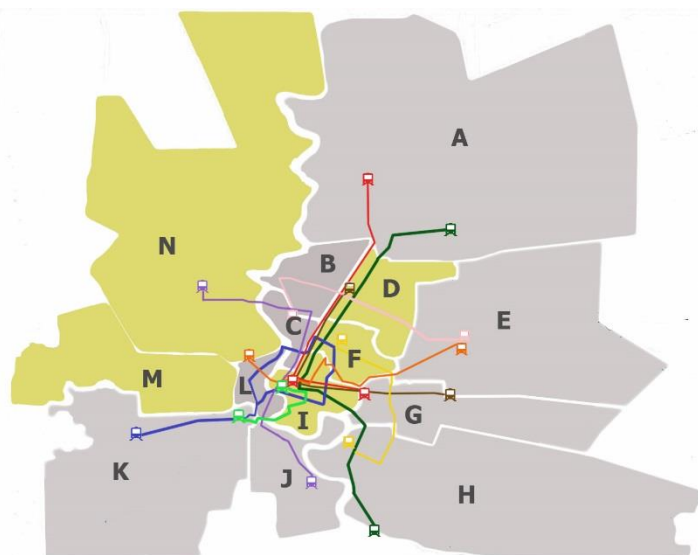
The outlook for potential areas in BMR in 2018-2020

Krungsri Research believes that within the BMR there are three zones near rapid mass transit extensions and two further zones in the center of Bangkok that will show significant commercial potential between 2018 and 2020.

- 1) The Green Line extension (north) (Mo Chit – Saphanmai – Khu Khot, zone D)** is an older residential area, especially the area's housing projects and apartment. However, it is currently seeing condominium developments springing up to meet higher demand, which is anticipated to increase further following the scheduled completion of the BTS extension in 2020. The area is also home to a number of government offices, hospitals, universities and is near to Don Muang airport. At present, the average of absorption rate for townhouses in the area is 44.3%, while that for detached housing is 34.0%. Condominiums are the most common form of new housing, and these have an absorption rate of 37.8%.
- 2) Ratchada and Lat Phrao (zone F)** are centers for housing, business activities and entertainment and can in fact be considered new extensions of the central business district (CBD). Within the area, work is being conducted on the Yellow Line (Lat Phrao-Samrong) and this should be completed by the end of 2020, with the result that travel connections to the rest of Bangkok and areas further afield will be much improved. Currently, the majority of property developments in zone F are condominiums and the area is popular with both Thai and foreign residents, especially the Chinese. The absorption rate for condominiums is thus 50.2%. As regards low-rise developments, although demand exists in the market, the supply of suitable land is limited. The average of absorption rate for detached housing and for townhouses is 60.5% and 30.9%, respectively.
- 3) The center of Bangkok (zone L)** enjoys good travel connections, being served by two rapid mass transit networks (the BTS and the MRT) and the elevated expressway. The area is popular with foreigners, a large number of whom live in zone I and for these reasons, residential prices is more expensive here than in other zones. Currently, developments are mostly high-end condominiums and these are attracting the interest of foreign investors. The absorption rate is 55.4%.
- 4) The area serviced by the Blue Line extension and the western side of Bangkok (zone M)** is an area from which central Bangkok and the central business district is easily accessible. This includes Silom and Sathorn, which can be reached by BTS and by Kanlapaphruek and Ratchaphruek Roads. Condominiums are again the main type of accommodation in these areas and have an average absorption rate of 44.5%, while detached housing and townhouses have absorption rates of 26.3% and 19.5%, respectively.
- 5) The western bank of the Chaophraya River (zone N)** is on the outskirts of the BMR but it has potential given the area's communications connections, including an expressway which takes commuters into central Bangkok. The zone is also served by two major retail developments (Central Westgate and Mega Bangyai) and in the future, the Bangyai-Kanchanaburi motorway will provide additional transport links. These combine to make the area attractive to property developers, especially for low-rise developments, which have been well received; with a 26.9% absorption rate, townhouses are the best-selling type of accommodation followed in second place by detached housing, these having a 25.8% absorption rate.

Typically, new housing projects that are located near rapid mass transit lines will show a higher absorption rate than will projects in other areas. But over the past two years, a number of such developments have been rushed onto the market with the result that in some districts a considerable volume of units remain unsold. This is especially the case near the Purple Line in zones N, M and D and it is expected that it will take some time for the market to absorb this surplus. New developments in these areas will thus not typically show high absorption rates. Nevertheless, given the potential for demand for property in these areas to grow in the future and the possibility the ability of developers to cut back on the release of new housing projects, problems with the oversupply should gradually abate with time.

Figure 32: Potential Areas for Housing in BMR (2018-2020)

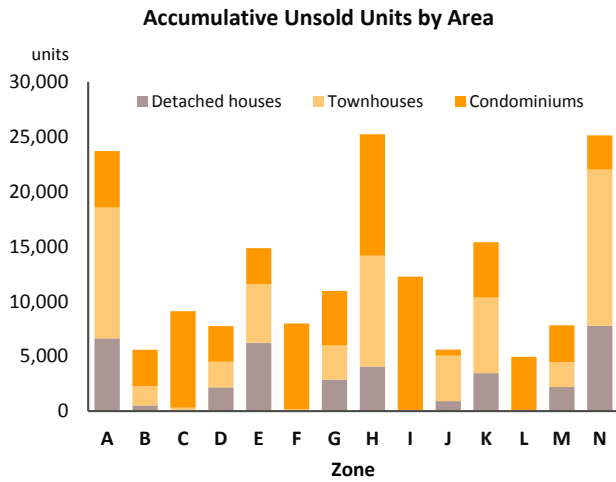


Source: AREA

Zone	Location
A	Rangsit/ Pathum Thani
B	Chaeng Watthana/ Song Prapha
C	Nonthaburi /Bangsue
D	Phaholyothin/ Ram Inthra
E	Northeast of Bangkok
F	Ratchada/ Lad Phrao
G	East of Bangkok
H	Bangna/ Samut Prakan
I	Central business district (CBD)
J	Suksawat
K	Rama2/ Petkasem
L	Thon Buri/ Bang Phlat
M	Pinklao/ Phuttamonthon
N	Nonthaburi/ Bang Bua Thong

The housing market in the BMR by Area

Figure 33: Accumulative Unsold Units & Absorption Rate



Zone	Location	Housing (Detached+Townhouses+Condominiums)			
		Total Supply (units)	Sold (units)	Unsold (units)	%Unsold
A	Rangsit/ Pathum Thani	31,045	7,341	23,704	76.4
B	Jaengwattana/ Songprapa	8,230	2,640	5,590	67.9
C	Nonthaburi /Bangsu	14,750	5,636	9,114	61.8
D	Phaholyothin/ Ram Inthra	12,708	4,951	7,757	61.0
E	Northeast of Bangkok	20,025	5,172	14,853	74.2
F	Ratchada/ Lad Phrao	15,992	8,007	7,985	49.9
G	East of Bangkok	17,896	6,936	10,960	61.2
H	Bangna/ Samut Prakan	39,295	14,068	25,227	64.2
I	CBD	27,432	15,181	12,251	44.7
J	Suksawat	8,706	3,094	5,612	64.5
K	Rama2/ Petkasem	21,640	6,256	15,384	71.1
L	Thon Buri/ Bang Phlat	9,655	4,708	4,947	51.2
M	Pinklao/ Phuttamonthon	11,845	4,026	7,819	66.0
N	Nonthaburi/ Bang Buathong	34,065	8,936	25,129	73.8
Total		273,284	96,952	176,332	64.5

Zone	Location	Detached Houses				Townhouses				Condominiums			
		Total Supply	Unit Sold	Unsold	Absorption rate	Total Supply	Unit Sold	Unsold	Absorption rate	Total Supply	Unit Sold	Unsold	Absorption rate
A	Rangsit/ Pathum Thani	8,740	2,103	6,637	24.1%	15,374	3,463	11,911	22.5%	6,931	1,775	5,156	25.6%
B	Jaengwattana/ Songprapa	716	192	524	26.8%	2,562	811	1,751	31.7%	4,952	1,637	3,315	33.1%
C	Nonthaburi /Bangsu	24	17	7	70.8%	660	342	318	51.8%	14,066	5,277	8,789	37.5%
D	Phaholyothin/ Ram Inthra	3,284	1,115	2,169	34.0%	4,182	1,853	2,329	44.3%	5,242	1,983	3,259	37.8%
E	Northeast of Bangkok	7,753	1,522	6,231	19.6%	7,141	1,807	5,334	25.3%	5,131	1,843	3,288	35.9%
F	Ratchada/ Latphrao	147	89	58	60.5%	178	55	123	30.9%	15,667	7,863	7,804	50.2%
G	East of Bangkok	3,838	971	2,867	25.3%	5,065	1,941	3,124	38.3%	8,993	4,024	4,969	44.7%
H	Bangna/ Samut Prakan	5,678	1,615	4,063	28.4%	15,773	5,677	10,096	36.0%	17,844	6,776	11,068	38.0%
I	CBD	29	16	13	55.2%	137	64	73	46.7%	27,266	15,101	12,165	55.4%
J	Suksawat	1,276	355	921	27.8%	6,351	2,221	4,130	35.0%	1,079	518	561	48.0%
K	Rama2/ Petkasem	4,690	1,219	3,471	26.0%	10,403	3,534	6,869	34.0%	6,547	1,503	5,044	23.0%
L	Thon Buri/ Bang Phlat	101	65	36	64.4%	27	7	20	25.9%	9,527	4,636	4,891	48.7%
M	Pinklao/ Phuttamonthon	2,976	783	2,193	26.3%	2,822	550	2,272	19.5%	6,047	2,693	3,354	44.5%
N	Nonthaburi/ Bang Buathong	10,492	2,711	7,781	25.8%	19,441	5,220	14,221	26.9%	4,132	1,005	3,127	24.3%
Total		49,744	12,773	36,971	25.7%	90,116	27,545	62,571	30.6%	133,424	56,634	76,790	42.4%

Zone	Location	Proportion Unsold (%)		
		Detached Houses	Townhouses	Condominiums
A	Rangsit/ Pathum Thani	28	50	22
B	Jaengwattana/ Songprapa	9	31	59
C	Nonthaburi /Bangsu	0	3	96
D	Phaholyothin/ Ram Inthra	28	30	42
E	Northeast of Bangkok	42	36	22
F	Ratchada/ Latphrao	1	2	98
G	East of Bangkok	26	29	45
H	Bangna/ Samut Prakan	16	40	44
I	CBD	0	1	99
J	Suksawat	16	74	10
K	Rama2/ Petkasem	23	45	33
L	Thon Buri/ Bang Phlat	1	0	99
M	Pinklao/ Phuttamonthon	28	29	43
N	Nonthaburi/ Bang Buathong	31	57	12
Total		21	35	44



Source: AREA

▲ Krungsri Research's view

Large property developers in BMR will continue to enjoy solid levels of growth. Small- and medium-sized operators will, however, encounter both stiff competition on the steadily increasing cost of land for development, which is becoming more difficult to find, especially in the heart of Bangkok. Developers will therefore tend to engage in joint ventures or mergers with both Thai real estate operators and foreign investors as a way of building competitiveness and the effect of this will then be to change the structure of the real estate market, which would shift from the current situation, where one large developer controls a significant market share to a situation where developers increasingly work in partnerships with other operators. In addition, in the coming period, the sector will employ a greater level of high technology in its construction operations, and this will help to build trust in businesses in the real estate market.

- **Income for large developers will continue to grow**, as these players are able better to adjust themselves to changing circumstances and because they enjoy advantages over small- and medium-sized players in almost all areas, though especially with regard to their lower costs of financing. This arises from the fact that most large players are able to raise capital through the stock market, in addition to their being able to invest in assembling land banks of sites with potential for future development thanks to their strong financial footing.
- **Small- and medium-sized developers will face greater levels of difficulty and will see their market share shrink because**, relative to large players, smaller operators lack the flexibility to adjust their business activities and this in turn reduces their competitiveness. Some smaller developers may also face limitations on their capital and lenders may be stricter about agreeing to new loans, with the result that some players run may face risk from liquidity squeeze.

As for trends in the development of condominiums in the BMR, projects in the center of Bangkok and along rapid mass transit lines will mostly be undertaken by large developers that have the requisite capacity in project management, marketing and financing, together with access to land for development. Mid- and small-sized players will focus more on developing low-rise condominiums (i.e. those with eight or fewer floors) in less potential area in BMR which are less popular than detached housing and townhouses in the same location.

^{7/} 'Prime areas' are those that developers view as having investment potential, having considered the accessibility of the site through communications and mass-transit networks together with the infrastructure that is already in place. In Bangkok, prime areas include Silom, Sathorn, Wireless Road, Ratchadamri, and Ploenchit.

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