

A Study on Condominium Market Situation in Bangkok Thailand

[Benyapa Kongmalai]

Abstract— Bangkok the capital city of Thailand has changes its social patterns and behavior of Thai end-user purchaser. Mostly to Thai single family to choose to live in condominium in city center and midtown. This will effect to the driving the growth of the mass transit condominium market which will still continue to grow in the future, especially in the areas along the new mass transit lines.

This research aims to analyze and synthesis ideas about the current condominium situation in Bangkok by document research and analyzed by content analysis from books, articles, documents, web sites and related research since year 2012 - 2015.

The results showed that the effect of business fallen will lead the condominium market mark up the prices. Average condominium selling will continue to increase slightly in 2015. But new developments are increasingly competing for buyers with second-hand units in the same locations at lower prices. Meanwhile the demand for a condominium located in the Central Bangkok District still rising and will concern on the criteria that will affect prices such as a location, the trusted in developer even when the business stream has fall down. And the 4 factors of investment or when people decided to pay a decision on a condo are 1. The segment of condo 2. The location of the building 3. The public mass transportation 4. The budget constrain.

Keywords—Microeconomic, Condominium, Thailand Condominium, Bangkok Condominium, Bangkok Condominium Market

I. Introduction

The demographics and affluence's changes in social patterns have resulted in the emergence of a new class of Thai end-user purchasers, who are single, affluent and prefer living in the city rather than staying with their families. Single Thais are now moving away from their family home and buying a property before getting married.

It all include household size decreasing, the average age of marriage for both men and women is also increasing. Following the trend seen in the rest of Asia, Bangkok households are moving from extended households to minimal family households. There preferred choice of property is city centre and midtown, one-bedroom condominium developments located close to mass transit stations.

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The demand for one-bedroom condominium units next to mass transit stations will continue to grow which has created fresh demand for one-bedroom condominium units located in conventional locations driving the growth of the mass transit condominium market.

So it is an important steps to study the condominium market situation in Bangkok Thailand very well in the middle of the tougher screening the average rejection rate, the percentage of condo loan that are rejected by the customer has increased from 25% to 30% in year 2015. Although the economy had grown only slightly residential demand had continued to expand in the middle and upper-income market as well as the developer plan to launch projects with targeting the middle to upper income segment.

Literature Review

Currently in Thailand, all the economic engines appear to have stopped functioning rendering Thailand's economic outlook the worst in 40 years, The contraction of economic growth, the shrinking of export and domestic consumption, farm price slump and delayed disbursement of government's spending budget have combined to make the private sector feel not confident with the state of the economy.

However Bank of Thailand (BoT) assistant governor has stated the central bank had not yet witnessed any sign of a bubble in the property business sector. There is the remark in response to an earlier Asian Development Bank warning to Asian countries, including Thailand, not to invest in the property business sector when the interest rate remains low. With the low interest rate, excessive investment might occur, which could lead to a bubble in the property sector. However, there is not yet witnessed any sign of a bubble in the sector And also the central bank still sees a need to monitor the global economic conditions, implementation of fiscal stimulus measures, and political malaise.

The government cautions of the danger of oversupply, 26.5% cost increment in Bangkok's luxury real estate market and a general 6% average increment in Bangkok real estate in the first quarter of year 2013, the condominium market kept on booming with a lot of new projects under construction and in the planning stages. The year 2013 saw the most new projects launched in Bangkok for many years. And Pattaya property has reported that Bangkok is still the most moderate capital in South East Asia regarding condo units and real estate, compared to areas like Singapore, Kuala Lumpur, Hong Kong, Jakarta and Manila. An expected 24% of sales in the Bangkok real estate market are to be transferred to foreign

property investors. The demand for condos in Bangkok’s city regions is incremented at an average rate somewhere between 5% to 10% in year 2013. Average Price per sq/m. late 2012 was approx. 63,500 THB for condos.

As it happens, condo unit prices have risen continually during the past five years, for an average annual growth of 9%. This condo price increase is especially significant because prices for townhouses and single detached houses have merely tracked inflation during the same period. That disparity has generated concern among some economists and real estate pundits about a potential bubble in condominium prices.

Fundamental value is determined by three factors: supply, demand and realistic expectations about future prices. In theory, a prolonged period of easy money fuels of the condo price to rise. Low interest rates have given potential homebuyers higher purchasing power because they have lowered the cost of monthly mortgage payments. So many former renters have adopted to buy. If kept prolonged, however, this low interest rate environment can pump up speculative demand, potentially risking a “ bubble” , the rising prices with further inflates demand. In a bubble’s cycle continues until the bubble bursts. Owners rush to sell, causing prices to collapse.

As for condo prices, one way to assess fundamental value is to compare prices with historical rents. Rents reflect how much people value housing units for use without the benefit of future price appreciation. The price-to-rent ratio, which is the property's purchase price divided by annual rent, is akin to the price-earnings ratio, or P/E ratio, that is key to valuing shares in the stock market. The same is true for a home. A condo's price has reached bubble level when its price far exceeds what could be reasonably justified in terms of its rental income stream.

Because property prices in Thailand remain very attractive by international standards, for example at least four times cheaper than Singapore, Compared to other key Asian cities such as Hong Kong, Singapore, Tokyo, Shanghai, Beijing or Kuala Lumpur, prices in Bangkok are currently very low – with an average price of just \$5,000/m2. This compares favorably to Beijing at \$9,500/m2, Singapore at \$24,500 and Hong Kong at \$31,000/m2 revealed by Thailand City real estate website.

A condominium, or condo, is the form of housing tenure and other real property where a specified part of a piece of real estate is individually owned. Use of land access to common facilities in the piece such as hallways, heating system, elevators, and exterior areas are executed under legal rights associated with the individual ownership.

Thailand’s housing boom continues. But political unrest and an economic slowdown are flashing red warning signals. The condominium index soared by 14% (13.18%

inflation-adjusted), and is actually a more relevant index. Condominiums are what Bangkok people, including foreign homebuyers and expatriates, tend to live in. The longer-established detached houses index over-represents the rural population. With strong economic fundamentals, the market also offers good prospects for capital gains, with quality high-end and luxury projects in the best locations ensuring maximized capital appreciation in the long-term.”

The reason above has related to the latest Condominium research released by an extract of the Bangkok Property Report, a quarterly subscription report. The report brings professional analysis and transparency to the Bangkok property market which can, generate some of the highest returns in Thailand. CBRE Bangkok Property Report has Classify Bangkok Condo units into six categories based on price per sq.m. CBRE Research and consulting classifies units into six categories based on price/sq.m. Classifications are based on the maximum number of units in a project that fall into a category as the table following:

Classification of condominiums based on price/ m²

Classification	Price/m ²
Super Luxury	Above THB 250,000/m ²
Luxury	THB 170,000-249,999/m ²
High End	THB 120,000-169,999/m ²
Upper-Mid-range	THB 90,000-119,999/m ²
Mid-range	THB 70,000-89,999/m ²
Entry Level	Below THB 70,000/m ²

Table 1 Classification of condominiums (CBRE Research and consulting, 2015)

A large portion of the downtown condominium supply is located in the Sukhumvit area, which is supported by the existing BTS mass transit line with important office and retail developments. This area remains the most established residential area for both Thais and expatriates, accounting for 33% of supply in the downtown area. This is followed by Silom/Sathorn (18%), Riverside (12%), Pathumwan (11%), Rama III (11%), Outer Sukhumvit (9%) and Central Lumpini (6%).

Although the ultra-luxury condo still growing radically. JLL’s Thailand Property Intelligence Centre has stated that there were 13 condominium projects launched in Bangkok in the first quarter of this year. Among these, four projects are in the ultra-luxury segment with prices offered at above THB 250,000 per square metre. Located in Bangkok's central business areas (CBA), the four ultra-luxury projects.

Nevertheless, the Bangkok condominium market performed more poorly than expected in the first three quarters of 2014 due mainly to political tensions, but a recovery started to take hold in the fourth quarter as confidence among developers and consumers alike improved in line with a return of political stability

The average take-up rate of all condominium units launched from 2011 to 2014 was approximately 73%; about 47,100 units are still available in the market. It would take more than one year to sell all these units without any new project launches during that time.

Many projects by listed developers had high take-up rates, especially some in the central business district, which sold out within a few days of their launches. The decline in overall take-up rates, however, was due to many factors that influenced Thai confidence, such as rising household debt and the economic slowdown.

Newly Launched Condominium Units with Average take up rate by price

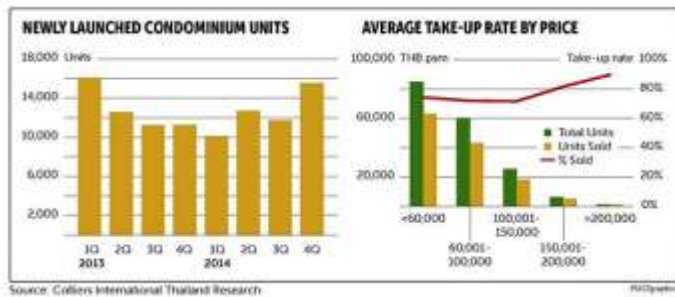


Figure1. Newly Launched Condominium Units with Average take up rate by price (Collier International Thailand Research, 2015)

About 38,500 units with average prices starting from below 60,000 baht per square metre and ranging up to 100,000 baht per sq m are still available in the market. Meanwhile, luxury condominium projects priced above 200,000 baht per sq m are 90% sold out with only about 100 units available. Freehold units in particular are very rare.

The areas around some new BTS stations, especially Wutthakat and Punnawithi, still have many condominium units available because developers launched a large number of new projects in recent years in anticipation of greater demand once mass transit started operating.

Demand in the condominium market in 2015 may show a similar or slightly decreased trend compared with 2014. Although the confidence index in December rose sharply from November, many factors will still affect confidence in 2015, most notably high household debt levels and sluggish economic conditions overall, not only in

Thailand but in many countries that are markets for Thai exports.

Average condominium selling prices have been increasing by 5-10% per year and will continue to increase slightly in 2015. But new developments are increasingly competing for buyers with second-hand units in the same locations at lower prices.

While oil prices have fallen, their overall impact on construction material prices is low, so condominium prices in 2015 will continue increasing, especially for projects along the existing mass-transit lines. New projects that are scheduled to be launched in the city area in 2015 are expected to start at more than 250,000 baht per sq m because land prices are very high. Available units with prices higher than 200,000 baht per sqm are also rare in the market.

Likewise Thailand's biggest condominium developer LPN Development, the market leader in medium-to-low priced condominiums, missed its revenue target last year, hit by weak demand from consumers after months-long political unrest in Thailand.

LPN has sent the signal that the company is cautious about buying land as domestic demand for high-rise buildings weakens and banks restrict lending to home buyers. Rising household debt is slowing condo demand in Thailand, and banks are getting cautious about giving loans to home buyers. This pushed the rejection rate, or rate at which banks refuse loans, up to 15 percent in the fourth quarter, versus the normal rate of 10 percent

The market for condos is clearly on a downtrend because most developers are trying to reduce building condominiums, especially those that cost less than 3 million baht per unit. However from the changes in social patterns, Thais has growing income and infrastructure and now has changed in social patterns with adopted to moving away from parents. This generation wants to live and work in the city and wants to be as close to a mass transit station as possible. Therefore the demand for purchasing condominium by the inner city mass transit routes such as the BTS skytrain, the MRT and the ARL have been dramatically rising.

During 2014 more than 467,000 users of Thailand's number one property website opted to use the 'search by station' feature to search for property to buy, rent and sell. The MRT station at Rama 9 has emerged as the most-searched mass transit station in Bangkok. The area has been marketed as the new central business district for the capital, and that's been reflected by the number of property developments that have sprung up in the area in the last 12 months.

The search by station function has been extremely well-received by users of DDproperty.com, who are able to define the distance they wish to search for property from their chosen station. A total of 13.4 percent of the hundreds of

thousands of users of the ‘search by station’ function on the website were searching for property to buy, rent and sell within a short distance of the MRT station at Rama 9.

The second most popular station by searches was the BTS sky train station at Thong Lor, while the accolade of the most-searched Airport Link station went to Hua Mak – roughly half way from Bangkok to Suvarnabhumi International Airport. The data from property searches using the ‘search by station’ function also revealed that stations on the BTS sky train Sukhumvit Line seemed far more popular than those on the Silom Line, with the terminal station at Bang Wa heading the list of most-searched stations on that line, and ranked as at the 12th most-searched overall.

Most projects from listed developers had a high take-up rate. The average take-up rate of all condominium units launched in 2Q 2015 was approximately 76%, higher than that in the past few quarters. Listed and well-known developers are the largest shared in the Bangkok condominium market. Many condominium projects by listed and well-known developers have had a high take-up rate. Decreased confidence is still the major factor impacting the take-up rate in the mid- to low-level market. The average take-up rate of newly launched units in 2Q 2015 that are selling for less than THB100, 000 psm is lower than the above high level.

The Thailand economic slowdown has directly affected the confidence of the mid to low level group. The total number of condominium units that are expected to be launched in 2015 may not be over 50,000. The number of newly transferred condominium units continued to decline in the past few quarters. Many buyers cannot transfer their condominium units, because banks are not approving their mortgage loans. The Developers are more focused on the non-transfer units in their backlog, because it directly impacts their financial performance. Meanwhile many speculators also do not want to transfer their units, because they need to wait until the last minute before transferring or selling them back to the developer. Many condominium units were launched in the past few years and many are waiting to be absorbed in the market. The huge number of unsold units and units from speculators in the mid- to low-level market is the major factor forcing a freeze in the prices of mid- to low-level units. The increase in land prices in the past few years is the major factor in condominium prices. Moreover Banks are tightening credit for developers and buyers. The market slowdown is affecting sales performance, and loans from banks cannot be secured. And the bank rejection rate continuously increased to 30%, especially in the mid- to low-level group, which directly affected the transfer rate.

Newly launched condominium units from 1Q2013-2Q 2015

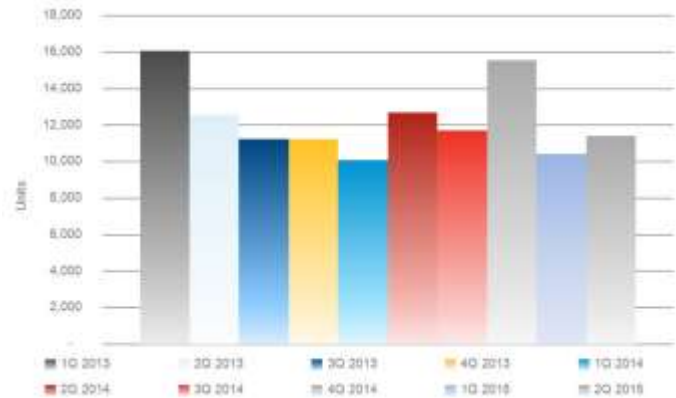


Figure 2 Newly Launch condominium Units from 1Q2013 – 2Q 2015 (Colliers International Thailand Research,2015)

Methodology

This academic work is a qualitative research conducted by the study of documents in order to analyze and synthesize bodies of condominium situation in Bangkok. This research focuses on the study of the main condominium market in Thailand especially in Bangkok competency, by content analysis of 31 textbooks, articles, documents, electronic documents and relevant research from 2012 to 2015. Then, the concept of the condominium situation in Bangkok is concluded by content analysis, which helps to sum up and analyze the qualitative data.

Conclusion

According to Thailand’s economic situation still not recovering and many negative factors that affected Thai confidence of spending, so most Thais may spend less and save money more. They may not want to buy any property that are become long-term debt. Former renters have adopted to buy. If kept prolonged, To assess condominium value is to compare prices with The price-to-rental income and aware of potentially risking the rising prices with further inflates demand. Or a bubble cycle .

In a contradiction the ultra-luxury condo still growing radically which 13 condominium projects launched in Bangkok in the first quarter of this year. Among these, four projects are in the ultra-luxury segment with prices offered at above THB 250,000 per square metre. Located in Bangkok’s central business areas

Discussion

Even though the condominium selling prices have been increasing but the new projects that are scheduled to be launched in the city area in 2015. It's been we will have several of choices to compare for the right condominium much more than the past year. The demand of purchasing condominium by inner city mass transit routes such the BTS skytrain, the MRT and the ARL have been dramatically rising. The most popular searching for condominium is near MRT in Rama 9 area would be the best choice to choose for the middle to top MRT. The second was the BTS sky train station at Thong Lor, and the third is Airport Link station, Hua Mak Station.

Therefore the demand for a condominium located in the Central Bangkok District still rising and will concern on the criteria that will affect prices such as a location, the trusted in developer even when the business stream has fall down. Before make any investment or decided to may a decision on a condo we need to concerned about the segment of condo, the area, the public mass transportation, and also with the budget constrain. In some way the business fallen will lead the condominium market mark up the prices while we tend to choose from variety of developer with we should consider for the guarantee of after sales service would be the win win situation for both buyer and seller.

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