

*Low take-up rate was a direct reflection of decreased confidence.*

## MARKET INDICATORS 4Q 2014 –1Q 2015

New completed supply ▲      Newly launched units ▼      Prices ▲      New take-up ▼

### Summary

**The poor economic situation in 1Q 2015 was directly affected by Thai confidence.**

- Poor export and tourism performance are directly impacting the overall economic situation, which is worse than expected.
- Internal consumption is also low and cannot boost the country's economy, whereas household debt continues to increase.
- The government did not spend on large-scale infrastructure projects.

**Decreased confidence is the major factor impact to take-up rate in the mid- to low-end market.**

- The average take-up rate of all condominium units launched in 1Q 2015 was approximately 54%, lower than that in the past few quarters.
- The average take-up rate of newly launched units in 1Q 2015 with an average price of THB200,001 – 250,000 per sqm is more than 80% sold.
- Many condominium projects that are targeted at the mid- to low-level market are facing problems concerning transfer of units.

#### Low newly launched units in 1Q 2015

- Developers are revising their plans for new projects launched in 2015.
- There were approximately 10,450 units newly launched in the first quarter of 2015, dramatically less than that in 4Q 2014 and the lowest in the past many quarters.

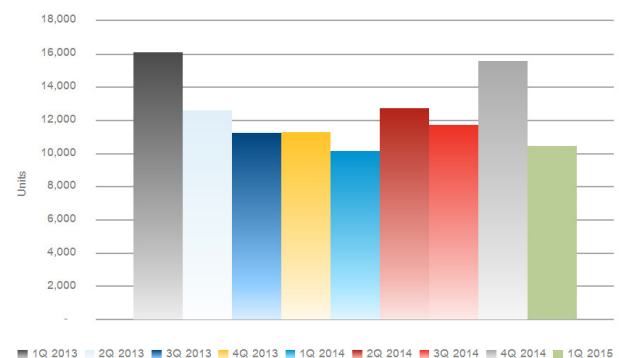
**Mid- to low-level condominium prices will remain stable in 2015, whereas high-level to luxury prices continue to increase.**

- A huge number of available units in the mid- to low-level market are the major factors forcing a freeze in the prices of mid- to low-level units or an increase of only a few percentages.
- The increase in land prices in the past few years is the major factor condominium prices.

**Banks are tightening credit for developers and buyers.**

- The market slowdown is impacting sales performance, and loans from banks cannot be secured.
- 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 1Q 2013-1Q 2015 by quarter



Source: Colliers International Thailand Research

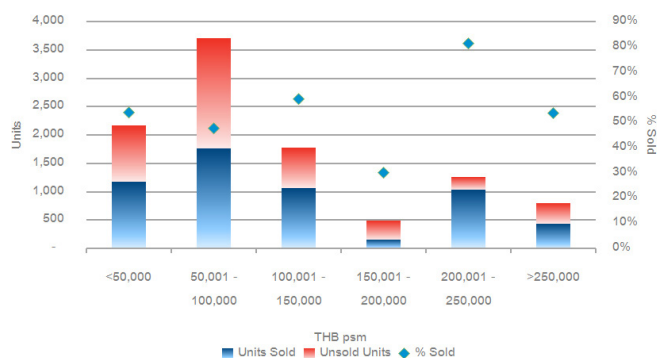
There were approximately 10,450 units newly launched in the first quarter of 2015, dramatically less than in 4Q 2014. Although many developers are still confident in the market and launched new condominium projects in 1Q 2015, most new projects in 1Q were launched in March. Many developers are concerned about low purchasing power, and the rejection rate is higher than 25%, especially in the mid- to low-level market. This was due to high household debt that is directly affecting the purchasing power and financial status of the mid- to low-income bracket.

Many developers postponed the launch of new projects in 1Q and are monitoring the market carefully, especially on the demand side. The high-end to luxury units took more of a market share in 1Q 2015 than in the past few quarters. This was due to many developers focusing more on this target group, replacing the mid- to low-level market group, particularly in the Bangkok Inner City area, close to BTS stations.

## Demand

The New Residence Buyer's Confidence Index, compiled from a survey in January - March 2015 by the University of the Thai Chamber of Commerce, continued to decrease from January to only 71.5 in March, the lowest in the past many months. This was due to Thailand's economic situation still not recovering after export performance showed negative signs in 1Q 2015, which directly affected confidence.

## Average take-up rate of condominium units launched in 1Q 2015 by price



Source: Colliers International Thailand Research

The average take-up rate of all condominium units launched in 1Q 2015 was approximately 54%, lower than in the past few quarters. Approximately 56% of newly launched units in 1Q 2015 are selling at less than THB100,000 psm. The average take-up rate of condominium units with a price of THB100,000-200,000 psm is around 53%, higher than units that are for sale at less than THB100,000 psm. New condominium units launched in 1Q 2015 with an average price of more than THB200,000 psm are more than 66% sold, while some projects were almost 100% sold within a few days after their official launches.

High-end and luxury condominium projects that were launched in 1Q 2015 had a significantly high take-up rate compared to mid- to low-level projects, due to the high purchasing power group still confident in the condominium market. In addition, condominiums are becoming more interesting an investment than putting the money in the bank and are more stable than the stock market.

The decline in overall take-up rates was due to many factors that influenced Thai confidence, such as rising household debt and the economic slowdown in Thailand and in other countries that are export destinations.

Demand in the condominium market in the remaining three quarters of 2015 depends on the overall economic situation and government spending on infrastructure projects, as well as export performance, all factors that will directly affect Thai confidence. These may increase spending for the rest of this year, if Thailand's economic performance improves.

## Price

New condominium projects in the areas close to BTS stations are already more expensive than THB250,000 psm and continue to increase every quarter. The average selling price of condominium projects launched during the past few years increased by around 5 - 10% per year and will continue to increase in 2015. The major factor directly affecting new condominiums in Bangkok is the many second-hand units that are still available in the market with lower prices, so new and second-hand units in the same location will compete for sales. Land prices also became a major factor affecting condominium prices.

## Forecast

The new mass transit lines are a positive factor for the condominium market, as many developers are looking for new locations for condominium development projects. Some development lines are under construction and some new lines are expected to be opened for bidding in 2015.

After the first quarter passed and demand in the condominium market slowed down, developers are revising their plans and focusing more on housing projects. In addition, most developers are launching their new projects in locations where their prior projects were successful. The number of newly launched condominium units in Bangkok in 2015 may be similar to 2014 or less than 50,000 units.

The high-end and luxury markets are becoming the most interesting for most developers in 2015, but this depends on the location and the reputation of the developer.

## FOR MORE INFORMATION

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