

# Research & Forecast Report

## Bangkok Thailand | Condominium 4Q 2014



Accelerating success.

*“ The mid to low level condominium market signalled an over-supply situation in 2014, and the bank rejection rate sharply increased to around 30%, making developers revise their plans for more low-rise projects to focus on the high-end to luxury condominium market in 2015.”*

### MARKET INDICATORS 3Q / 4Q 2014

New completed units

Newly launched units

Prices

New take-up

### Summary

The Confidence Index in 4Q 2014 decreased from 3Q and may continue declining in 1Q 2015.

- We estimate that approximately 60,000 condominium units are still available (including all unsold units and around 15,000 units from speculators or investors), but the absorption in 2014 was only 40,000 units.

- Approximately 80% of the 60,000 units are for sale at less than THB100,000 psm.

The bank rejection rate continuously increased to 30% and that directly affected the transfer rate.

- Banks' rejection ratio is approximately 25 - 30%; household debt is the main factor affecting buyers' financial status, especially in the mid to low level market.

Banks are more tighten credit for developers.

- Small to medium size developers will face a tough time as banks tighten credit.

More high-end and luxury projects are to be launched in 2015.

- Developers are concerned with available units in the mid to low level market.

- Most listed developers are planning to launch more high level and luxury projects in 2015.

Mid to low level condominium prices will remain stable in 2015, while high level to luxury prices may increase slightly.

- A huge number of available units 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.

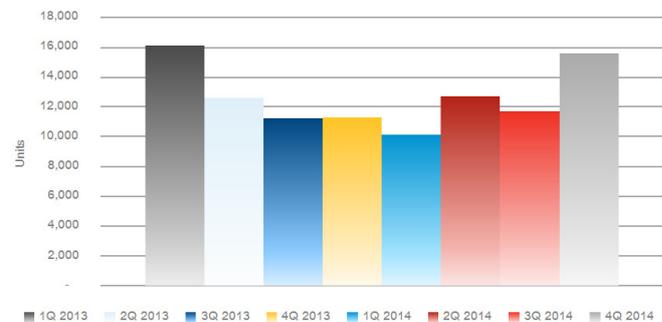
Developers and government officials expect that the property market in 2015 will grow around 10% over 2014; we believe that the condominium market will be lower than expectations.

- The Confidence Index did not significantly change in November and December.

- Unsold units and second-hand units are the major concern for developers.

- Many factors still affect Thais' confidence, especially the economic situation and household debt.

### Newly launched units by quarter



Source: Colliers International Thailand Research

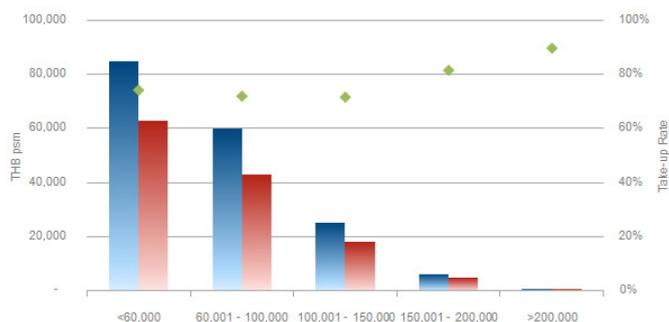
Although the Bangkok condominium market performed more poorly than expected in the first three quarters of 2014 due mainly to political issues, it recovered in terms of supply in the last quarter. This was due to the launching of many condominium projects in Bangkok, with 15,560 units launched in 4Q. This figure was the highest among all quarters in 2014. The total number of condominium units launched in 2014 was around 50,100, which is only 2% fewer than that in 2013 and higher than expected. The accelerated rate of new supply in 4Q 2014 was largely attributable to pent-up demand from 1H that was gradually activated as confidence returned following the end of the political problems in 2013 and in 1H 2014.



## Demand

The New Residence Buyers' Confidence Index, compiled from a survey in December by the University of the Thai Chamber of Commerce, hit 82.4 in August 2014 then continued to decrease from September until November as some factors, such as the economic situation and political concerns, affected confidence. It sharply increased again to 78.2 in December 2014. This was reflected in the Thais' confidence in looking to buy new residences. Meanwhile, developers launched many condominium projects and marketing campaigns in December.

## Average take-up rate of condominium units launched during 2011 - 2014 by price



Source: Colliers International Thailand Research

The average take-up rate of all condominium units launched from 2011 - 2014 was approximately 73%; around 47,100 units are still available in the market. It will probably take more than one year to sell all of these units, without any new project launches during that time. In addition, this number may go higher than 65,000 units if condominiums owned by investors and are ready to be resold are included.

Many projects from listed developers still had high take-up rates, especially some projects in the CBD area that sold out within a few days of their official launch. 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.

More than 38,500 units with average prices from THB60,000 to 100,000 psm are still available in the market. Luxury condominium projects priced higher than THB200,000 psm are 90% sold out and only around 100 units are available in the market.

The areas around some new BTS stations still have many condominium units available because many projects were launched in the past few years, especially at Wutthakat and Punnawithi Stations.

Demand in the condominium market in 2015 may show a similar or slightly decreased trend compared with that in 2014. Although the Confidence Index in December rose sharply from November, many factors will still affect Thai confidence in 2015, such as household debt and the economic situation.

## Price

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 slightly in 2015. But the major factor directly affecting the new condominiums in Bangkok is a lot of second-hand units that are still available in the market with lower prices than new condominium units, so new condominium units will compete with all second-hand units in the same location. Oil prices are only a small factor that affects construction material prices, so condominium prices in 2015 will continue increasing, especially condominium projects along the existing mass transit lines.

New condominium projects that are scheduled to be launched in the City area in 2015 are expected to start at more than THB250,000 psm because land prices are the major factor affecting condominium prices. Available condominium units with prices higher than THB200,000 psm are also rare in the market.

## Forecast

Some new mass transit lines approved by the government in 2014 are expected to be opened for bidding in 2015. The new lines are a positive factor for the condominium market, as many developers are looking for new locations for condominium development projects.

We forecast that the number of newly launched condominium units in Bangkok will be around 55,000 in 2015, or 10% higher than that in 2014, because most listed and well-known developers are planning to launch more new projects than last year, but this still depends on developers' decisions.

Listed developers will remain the main players in Thailand's condominium market, especially in Bangkok and in some tourist destinations, as well as in principal secondary cities.

Developers will focus more on the mid to high level bracket or condominium prices that are higher than THB100,000 psm in 2015 because the mid to low level group is affected by many factors, especially household debt that is directly affected by bank approval.

Many developers will open their new projects in locations where they are already successful and had high take-up rates in the past, because they have a database of buyers and good references.

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