SANSIRI Quarterly Newsletter | Issue No. 5/2005

Ticker Symbol : SIRI Reuters : SIRI.BK Bloomberg : SIRI TB Primary Exchange : The Stock Exchange of Thailand

Key Stock Data

4Q04	1 Oct 04	30 Dec 04	% change
SIRI Price (Baht / Share)	3.52	3.20	-9.1%
Property Sector Index	121.72	118.39	-2.7%
SET index	661.23	668.10	1.0%
Avg Daily Turnover (Mil Baht)		14.41	
Avg Daily Turnover (Mil Shares)		4.51	

As of 17 Feb 05	
Issued shares (Mil Shares)	1,473
Estimated free float	40%
SIRI Price (Baht / Share)	3.18
Market Cap (Mil Baht / Mil US$)	4,686 /121

Major Shareholders (%)	As of 2 Feb 05
1. Natural Park Public Company Limited	24.61%
2. Thai NVDR Co.,Ltd	7.43%
3. The Viriyah Insurance Co.,Ltd	5.56%
4. Chase Nominees Limited 42	4.96%
5. Unigold Enterprises Limited	4.70%
6. Morgan Stanley & Co International Ltd.	2.70%
7. Univenture Asset Management Co.,Ltd	2.27%

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In Brief

Property market in the second half of 2004 improved towards normalized demand as the effect of a year-end rush to buy property in 2003 to beat the expiry of the tax benefits was absorbed in the first half of 2004. The major factors causing negative sentiment to the stock market include the outbreak of bird flu, the unrest in the Southern Thailand together with the rising oil price in the global market. The real demand for housing still exists although the demand for investment in property has been removed after the stock market becomes highly volatile. In addition, low interest rate, high job security, and increasing consumer confidence will continue driving the real demand for housing while the strict lending policy to small developers employed by the commercial banks would help stabilize the growth of the property business.

Sansiri Public Company Limited and its affiliates have launched a variety of housing projects to satisfy various customer needs. All projects have received warm welcome from the customers. Consequently, the Company posted 498 million baht net profit with total revenues in 2004 amounted to 6,645 million baht, or 74% increase over the same period in 2003.

The Company believes that in 2005 the real estate sector will continue to grow, but at a slower pace. Competition will be fierce, and branding will be an important influence on consumers' buying decisions. Interest rates, though rising slowly, will remain low and economic growth will tend to support a rise in demand for housing. The rise in interest rates will not have a significant impact on this demand, but may tend to move demand closer to mid-market purchases.

Y2004 Performance

Sansiri Plc. recorded 498.67 million baht net profit for the year ended 2004, or 7% increase from 463.89 million baht net profit excluding extraordinary items in 2003. Total revenues increased 74% from 3,814 million baht in 2003 to 6,645 million baht in 2004, mainly driven by the 99% increase in revenues from property sales and 55% increase in revenues from hotel business.

Of the total Y2004 revenues of 6,645 million baht, 5,691 million baht in property for sales comprised 86%, 531 million baht from hotel business comprised 8%, 203 million baht from property management comprised 3%, 144 million baht from rental business comprised 2%, with the balance of 76 million baht from gain from investment and other revenues comprised 1%.

Banking on its hard-earned reputation of being the high-quality condominium developer, Sansiri has made inroads into the single-detached housing market since 2001. The endeavor becomes rewarding as Sansiri is currently recognized as one of the high-quality housing developers. Consequently, the revenues from single-detached housing projects contributed 43% to the total property sales of 5,691 million baht, increasing from 36% of the total property sales in 2003. In addition, the on-schedule construction helped secure the revenues from condominium and townhouse projects, which contributed 57% to the total property sales.

In response to the more competitive market, the gross margin of property sales dropped from 35% in 2003 to 30% in 2004 to ensure customer satisfaction yet remain competitive. The SG&A increased from 18% in 2003 to 21% of total revenues in 2004, partly caused by the re-imposition of the 3.3% special business tax.

Revenues from hotel business dramatically increased to 531 million baht in 2004, or 55% increase over the same period in 2003 as the occupancy rate improved from 64% in 2003 to 84% in 2004.

Total assets and liabilities as of year ended 2004 stood at 19.2 billion baht and 12.1 billion baht respectively, declining from 19.3 billion baht and 12.3 billion baht in 3Q2004 as a result of the high turnover. Shareholders' equity slightly increased from 7.1 billion baht in 3Q2004 to 7.2 billion baht as more profits were generated. Debt-to-equity ratio and the interest bearing debt to shareholder's equity ratio (gearing ratio) slightly moved down from 1.73 times and 1.33 times in 3Q2004 to 1.70 times and 1.28 times respectively as of year ended 2004.

Y2005 Preview

Stable growth in 2005 is expected as the major drivers for housing market are still encouraging. The increase in interest rate and the hike in oil prices are already anticipated and would not greatly depress demand for housing providing economy growth remains positive with high confidence level. However, these less favorable factors would decrease the customers' affordability and force the housing market to shift towards medium-end customers. Having been proactive and geared up to incorporate more medium-end customers, Sansiri will launch more medium-end houses from both current and new project in 2005. In addition, the proven record of townhouse and condominium projects launched by "Plus", elevates it to be in the same league as other leading developers. In 2005 "Plus" will penetrate the high potential townhouse markets through the launches of new projects, including projects in areas of Ladprao, Ekamai-Ramindra, Rama IX- Huamark, and Sukhumvit 101/1. Furthermore, Sansiri will strengthen the hard-earned reputation of being the market leader in condominium market through on-schedule construction and delivery together with the launches of new projects.

Update

Sansiri launched new TVC, "Great Space", to communicate its values for developing high-quality housing projects

Sansiri launched new TV commercial, "Great Space", on January 19, 2005, as a part of its business plan to penetrate the medium-sized single-detached housing market. The TVC would elaborate on the magnitude of space planning concept that have long been rooted in Sansiri's values for developing high-quality single-detached housing projects. The total budget including creative and production cost together with airtime to be spent in 2005 is nearly 50 million baht.

The conceptual idea of the new TVC is originated by the hard-earned reputation of Sansiri as a high-quality developer. Every housing project is designed by great space planning concept to be airy and spacious to accommodate all necessary functions yet make homeowners feel comfortable and cozy at everywhere of the house. For example, homeowners can relax in any room of the house and be overwhelmed by the freshness of nature all around. In this regard, the new TVC is expected to not only communicate the effective marketing strategies of Sansiri, but also create awareness of selecting housing projects with great space planning.

Plus strengthens its brand image with the concept of "Thinking Plus, Living Plus"

Plus Property Partners Co.,Ltd. ("Plus"), a 100% owned subsidiary of Sansiri, reported total sales of 1.2 billion baht, or 68% increase over the same period in 2003. To the total revenues, property sales contributed 73% while property and engineering management together with other businesses contributed the balance of 27%. To support its sustainable growth, "Plus" raised its registered capital twice in 2004 from 169 million baht to 400 million baht and 450 million bath respectively.

Based on its strong platform of experience and expertise as the largest property manager in Thailand, "Plus" successfully registered its name as one of the leading property developers, evidenced by the well-received projects launched since 2003. To date, "Plus" has launched 4 townhouse projects and 7 condominium projects with total sales values of more than 3.8 billion baht, 80% of which are sold.

"Plus" has penetrated the high potential townhouse market with the concept of "Plus City park" since the fourth quarter of 2004. All of the projects are in prime locations with highly accessible transport routes to Ladprao 71, Kaset-Nawamin Road, Rama9-Huamark, and Ekkamai-Ramindra Road. The firstly launched townhouse project in 2004 was "Plus Citypark Kaset-Nawamin on Ramindra 14, with more than 80% of total units sold within 2 months. In addition, more than 40% of the second project at Ladprao 71 was sold within a few weeks after its launch in late February 2005. The projects in pipeline are expected to be launched from June 2005 onwards.

In 2005, "Plus" expects total sales of 2.5 billion baht, or 108% increase over that of 2004 with property development business contributing approximately 85% while the balance of 15% will come from other services businesses. The success of "Plus" in 2004 has led to strong determination to achieve even higher level of customer satisfaction in 2005. The company is strengthening its brand image with the concept of "Thinking Plus, Living Plus" - using extensive training to build up a supporting team to cater to various needs of the customers. In addition, there are a number of new allies to help strengthen the brand whereas new media channels, such as the advertisement in the sky train and the sky train passes, will be used to reach the new generation consumers.

Plus Property Partners is currently recognized not only as the largest property manager in Thailand, but also as Thailand's leading integrated property operator. The company provides services including property development, brokerage and sales management, property development consultant, as well as property and engineering management. At present, the company has 14 projects under development and 83 projects under its property management, the largest in Thailand.

Summary of Real Estate and Market Completion
Sansiri Research

Bangkok's Single-Detached Home And Townhouse Market.

According to the market survey that covered 529 single-detached home and townhouse projects in Bangkok in 2H2004, a total of 35,780 units were up for sales. These can be divided into 398 single-detached home project with a total of 24,761 units and 131 townhouse projects with a total of 11,019 units. The number of single-detached homes and townhouses for sales in 2H2004 rose from 1H2004 by 19 percent and 9 percent, respectively. Combining both groups together, the number of the for-sale single-detached houses and townhouses in Bangkok market in 2H2004, rose from 1H2004 by almost 15 percent.

The average monthly sale of single-detached homes during 2H2004 rose to 4.5 units per month from 3.7 units per month in 1H2004. The average monthly sale of townhouses in 2H2004 rose to 7.5 units per month against 5.8 units per month in 1H2004. A series of sale promotion campaigns held by developers in 2H2004 to clear the supply that was left over from 1H2004 included offering homebuyers a discount fee for any house ownership transfers, no initial deposits required when signing a preliminary contract to purchase a single-detached home, a privilege to stay-for-free in the purchased houses for a trial period of one or two years, a decreased fee requiring for any down-payments in addition to handing out homebuyers such a giveaway prizes as home electrical appliances, furniture and cars.

Sales of single-detached homes with a price tag of between 1-3 million baht per unit in 2H2004 rose from 1H2004 by nine percent to 2,917 units out of a total of 6,506 units put up for sales. Meanwhile, sale of middle-end single-detached housing units in 2H2004 fell from 1H2004 by one percent but this segment enjoyed the highest sales volume with 4,402 out of total for-sale 9,898 units having been sold in 2H2004. In contrast, sale of high-end single-detached housing units with a price tag ranging between 7-10 million baht and 10-20 million baht in 2H2004 fell from 1H2004 by average of 3-5 percent. But the number of high-end units sold in 2H2004 was higher than the ones sold in 1H2004. A rise in sales of high-end units indicated that various unpredictable factors, including the expectant interest rate hike, had not much impacted the high-end single-detached home market, primarily the well-heeled buyers.

Various marketing campaigns that developers will put into use this year are unlikely to be much different from last year. Besides, the number pre-built housing units are expected to slide, given that most developers are unlikely to come up with too high a market demand projection and thus work out the development plans accordingly. On the other hand, it is projected that the number of housing units with half-completed constructions that will keep coming into the market will be on the rise in line with the changing market condition. Moreover, it is expected that the expansion of single-detached house and townhouse market in Bangkok in this year will be in par with that of last year because of such beleaguered factors ranging from a hefty oil price and a rise in both inflation and interest rates this year.

Bangkok's Condominium Market.

The survey findings showed that 5 new projects with combined 847 units had been launched in the market in 2H2004, raising the total number of the market's total completely-built condo units to 86,619 units, a 3 percent rise from 2H2003. While at the same time some other projects with combined 8,222 units that had delayed their launching schedule from 2H2004 are expected to be ready for service this year, given that 4 new projects with combined 575 units are pre-built projects.

The sale price per square metre in 2H2004 rose by average of 13 percent from 2H2003 to 6,926 baht per square metre. Area with the largest price hike was Sukhumvit with average sale price of 10,938 baht per square metre, compared to Bangkok's central business district area's average price of 10,068 baht per square metre.The rise in construction costs - pushed up by the rising oil price continually since early last year in addition to the interest rate hike - had impacted the sale prices for condo units in all areas of Bangkok.

As for market trend of Bangkok's condo market for 2005, it is projected that demand for condo units will remain strong. The overall industry's growth this year is expected to nearly in par with last year. Factors that could result in a slump in demand for condos is prospects of the home-loan rate hike by Thai commercial banks this year, thought the market has already digested news over the likely interest rate hike since early 2004. Thus, the issue related to interest rate hike will be much clearer this year than in the past year and should banks make a decision to raise their rates further from current level, the buyers may take a longer time when deciding to buy new housing units.

Most developers will be the long-established ones with a proven success record, expertise and a shrewd marketing plan. Those developers, rather than new comers, are expected to continue to develop and introduce new projects to the market. It is projected that new projects will be more large-scale ones with lots of condo units, catering mainly for middle-end buyers. But sale price may probably be raised by developers this year in tandem with a high cost of such basic production factors as land and building materials - pushed up by the surging oil price in the world market. As for the leftover supply, it is projected that developers would try to close sales on those projects as soon as possible. To meet that end, developers need to come up with a more aggressive and shrewd sales campaigns.

Bangkok's Rental Apartment Market.

A market survey on overall apartments for rentals Hence, the number of total rental apartment rooms in 2H2004 rose by 216 units to 10,409 units from 10,193 units in 1H2004. Most rental apartments are situated in Sukhumvit area. It is projected that new apartments projects with more than 200 units mainly in Asoke area will be launched in 2005. As such, the number of grade-A rental apartments in the market this year is expected to expand further by 13 percent from 2004.

The average occupancy rate in 2H2004 remained largely at good rate. The occupancy rate in all areas averaged between 91-94 percent of total available rental apartment units. When comparing the average occupancy rate for the whole of last year with that in 2003, it is found that the occupancy rate last year rose from 2003 slightly by 1.2 percent to 93 percent.

The rental price for grade-A apartment units in 2H2004 rose from 1H2004 by 3 percent, though there was a slump in occupancy rate in some areas. The rental price last year was highest in Sukhumvit area with the rental price rising to 366 baht per square metre against 358 baht per square metre in 2003, followed by Bangkok's central business district areas 1 (Ploenchit-Chidlom) that saw a rental price rising to average of 355 baht per square metre against 341 baht per square metre in 2003.

The apartments for rental for foreigners in 2005 is expected to expand from last year by average of one or two percent, given that the growth rate of both the demand and supply is almost in the same direction. However, the government's policy of promoting foreign direct investments in the country in the hope of expanding the Thai economic growth further is likely to led to a significant rise in numbers of foreign tourists entering and work in Thailand. It is also expected the rental price would be slightly on the rise this year both from newly-launched and the existing ones that had been under temporary shutdown for facility quality improvements.

Bangkok's Serviced Apartment Market.

Bangkok's serviced apartment market last year grew by average of 5.6 percent from 2003. It is projected Bangkok's serviced apartment market will continue to grow by average of 5.6 percent a year over the next one or two years, boosted by active development projects in Bangkok, though there may be some external factors that may affect local property business.

The average occupancy rate of serviced apartment units in all areas of Bangkok in 2H2004 rose from 1H2004 by 8 percent and rose from 2H2003 by 7 percent. The occupancy rate in Sukhumvit area was highest at 92 percent, followed by Phayathai area with an occupancy rate of 90 percent.

The rental price for grade-A serviced apartments in Silom/Sathorn area in 2H2004 rose from 1H2004 by 16 percent and rose by almost 40 percent from 2H2003. By contrast, the rental price for grade-A serviced apartments in Sukhumvit area was lowered by operators so as to make their projects remained highly competitive amidst the generally slacken demand in the area.

In overall picture, the rental price for grade-A serviced apartments in all areas in 2H2004 rose by average of 13 percent from 2H2003. The rental price for grade-B serviced apartments in all areas in 2H2004 rose by average of 26 percent from 1H2004 Trend of Bangkok's serviced apartment market this year rests on the number of foreign businessmen and tourists coming into Thailand this year as both are regarded as major tenant groups for serviced apartments. Other factor include such question as to whether or not foreign investors have confidence in future prospects in regards to Thailand's political and economic stability that could in turn lead to a rise or a drop in foreign direct investments in Southeast Asia.

Bangkok's Office Building Market.

For the whole of last year, Bangkok's rental office building spaces totaled 6.709 million square metres. It is projected four new projects will be launched in 2H-2005. In fact, all the four are halted projects but have been re-developed by developers hoping to keep up pace of strong demand for rental office building spaces. Because of average growth of 8 percent in demand for rental office buildings in all areas, the rental price for office buildings in all areas in 2H2004 raised up average 43 baht per square metre or up by 13.47 percent of the rental price as per square metre in 2003.

The total of 6.003 million square metres or 88 percent of the market's total for-rent-building spaces were occupied by corporate tenants in 2H2004, with the rest 12 percent or 0.786 million square metres left vacant. That leftover rate was the lowest, compared to the pre-crisis period of 1996 when the vacant rate for office-for-rent buildings was as high as 20 percent.

In Ploenchit area, the average rental price of 510 baht per unit was highest in the market in 2H2004. The figure represented a 16.7 percent rise from 1H2004 and a 22.3 percent rise from 2H2003. The average per unit rental price in Silom-Sathorn area was 436 baht, compared to the average per unit rental price of 399 baht in 2H2003.

As for overall picture of Bangkok's office building market, it is projected the market will continue to expand at a good rate due to strong demand in the market. Besides, the available supply of office buildings in the market remains less than demand in the market. Such imbalance between demand and supply leads to a rise of average per unit rental price, particularly for the ones located in Bangkok's major business district areas with easy access to sky-train and subway networks.

as of 28 Feb 2005

Housing Projects

Projects	Style	Total Unit	Sale Value (THB Mil)	Launch Date	Construction Progress	Expected Completion
Nasiri Sathorn Wongwean	Italian	157	2,272	May 03	87%	4Q04
Narasiri Pattanakarn Srinakarindra	Oriental Contemporary	177	3,883	Feb 04	75%	4Q05
Setthasiri Sanambin-nam	Thai Contemporary	299	2,791	Feb 04	59%	4Q07
Saransiri Rangsit Klong 2	Tropical Contemporary	54	315	Feb 04	88%	1Q05
Setthasiri Ramindra	Tropical Modern	143	987	Mar 04	84%	3Q05
Baan Sansiri Sukhumvit	Modern Comtemporary	96	3,488	Nov 04	98%	4Q04

Condominiums Projects

Projects	Type	Total Unit	Sale Value (THB Mil)	Launch Date	Construction Progress	Expected Completion
Baan Siri Sathorn Suanplu	Low rise	75	330	Jan 03	100%	Completed
Baan Siri Sukhumvit 13	Low rise	73	315	Jan 03	100%	Completed
Baan Siriruedee	Low rise	68	485	May 03	100%	Completed
Baan Siriyenakat	Low rise	79	353	Sep 03	100%	Completed
Baan Ratchadamri	High rise	32	954	Jan 03	78%	2Q05
Baan Nanthasiri	Low rise	76	1,058	Aug 03	45%	4Q05
Baan Sirisukhumvit Soi 10	High rise	118	626	Nov 03	40%	4Q05
The Lanai Sathorn	Low rise	34	444	Aug 04	35%	4Q05
Baan Sanploen	Low rise	129	729	Mar 03	30%	1Q06
Baan Sirisilom	High rise	144	828	Dec 03	21%	2Q06

as of 28 Feb 2005

Townhouse Projects

Projects	Type	Total Unit	Sale Value (THB Mil)	Launch Date	Construction Progress	Expected Completion
CITY PLUS Ekamai 10	Neo Euro	11	110	Jun 03	100%	Completed
Plus City Park (Kaset - Nawamindra)	European Colonial	97	370	Dec 04	46%	4Q05

Condominiums Projects

Projects	Type	Total Unit	Sale Value (THB Mil)	Launch Date	Construction Progress	Expected Completion
PLUS 67 (Sukhumvit 67)	Low rise	121	280	May 03	100%	Completed
49 PLUS	Low rise	77	272	Aug 03	50%	2Q05
The FortyNine Plus II	Low rise	63	276	May 04	46%	4Q05
Sukhumvit Plus	High rise	383	885	Jun 03	22%	1Q06