

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

## Key Stock Data

4Q05	3 Oct 05	30 Dec 05	% change
SIRI Price (Baht / Share)	2.82	2.74	-2.8%
Property Sector Index	112.38	112.30	8.8%
SET index	717.42	713.73	-0.5%
Avg Daily Turnover (Mil Baht)		4.26	
Avg Daily Turnover (Mil Shares)		1.65	

As of 3 Apr 06	
Issued shares (Mil Shares)	1,473
Estimated free float	40%
SIRI Price (Baht / Share)	3.84
Market Cap (Mil Baht / Mil US\$)	5,658/145

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Major Shareholders (%)	As of 14 Feb 06
1. Natural Park Public Company Limited	24.61%
2 Thai NVDR Co.,Ltd	8.09%
3 Chase Nominee Limited 42	7.43%
4. The Viriyah Insurance Co.,Ltd	5.56%
5. HSBC (Singapore) Nominees Pte Ltd	3.47%
6. Finansa Assurance Co.,Ltd	2.57%
7. PICTET & CIE	1.74%

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## YE2005 Performance

Sansiri Public Company Limited and affiliates have launched a variety of housing projects to satisfy various customer needs. All projects have received warm welcome from the customers. Consequently, Sansiri posted 903 million baht net profit, an 81% growth over the same period in 2004. Of the 2005 total revenues of 10,517 million baht, revenue from project sales comprised 88%, revenue from hotel business comprised 3%, revenue from property management comprised 2%, revenue from rental business comprised 2%, and other incomes comprised 5%.

Total revenues in 2005 amounted to 10,517 million baht, a 58% increase from 6,645 million baht over the same period in 2004. The key driver was the 63% growth in revenue from project sales as a result of successful launches of single-detached house, condominium, and townhouse projects. The successful penetration the single-detached house and townhouse markets shifted the revenue breakdown. To the total revenue from project sales in 2004, revenue from condominium projects contributed 55% while revenue from single-detached houses and townhouses projects contributed 44% and 1% respectively. Of the total revenue from project sales in 2005, on the other hand, revenue from single-detached house projects comprised 51% while revenue from condominium and townhouse projects comprised 41% and 8% correspondingly.

Revenue from rental business (including revenue from leasehold rights written off) increased from 144 million baht to 181 million baht, a 26% increase over the same period in 2004, as more units of the single-detached housing projects were added to the recurring income portfolio. The expansion of property management business resulted in 3% increase of the revenue from business management, increasing from 203 million baht in 2004 to 208 million baht in 2005. In addition, the sale of Sofitel Silom Hotel in May 2005, made the revenue from hotel business decrease from 531 million baht to 240 million baht, a 55% decrease over the same period in 2004, whereas resulted in the gain on sale of investments in related parties (before transaction costs) of 456.20 million baht.



Cost of project sales rose from 4,008 million baht to 7,010 million baht, representing a 75% increase. The more competitive market in 2005 forced the gross margin of project sales to move down from 30% in 2004 to 24%, as a result of providing higher quality products to ensure customer satisfaction and build long-term relationship with customers. The higher turnover resulted in the 22% increase of the Selling General and Administration (SG&A) expense, from 1,387 million baht in 2004 to 1,699 million baht in 2005. Major component of the SG&A was sales promotions to stimulate sales, however, the SG&A expense improved significantly from 21% of total revenues in 2004 to 16% of total revenues in 2005, due to the higher economy of scale. Consequently, earnings before taxes doubled over the same period in 2004 to 1,246 million baht, while earnings after interests and taxes (before minority interest) amounted to 876 million baht, an 81% growth from 2004. Based on the accounting practice, Sansiri could not record and realize profit from the sale of 25 single-detached houses to SIRIPF with an agreement to buyback those houses at the purchased price according to the put option by SIRIPF at the end of the fifth year. However, Sansiri was liable for the transfer fee, special business tax and income tax of approximately 91 million baht from the transaction, according to the revenue code. Hence, the discrepancy between the accounting practice and the revenue code resulted in higher SG&A expense and income tax.

Total assets and liabilities as of year ended 2005 stood at 18,322 million baht and 10,578 million baht respectively, declining from 19,273 million baht and 12,145 million baht as a result of the high turnover, the sale of Sofitel Silom Hotel, and the substantial decrease of the bill of exchange. Shareholders' equity



## Assets

Total assets of Sansiri Group as of December 31, 2005, stood at 18,322 million baht, a 952-million baht decline over the same period in 2004, due to the sale of Sofitel Silom Hotel which had net book value of approximate 2 billion baht. The net cash flow from the transaction was used as working capital and supporting ongoing expansion over the next years. The unbilled completed receivables increased by 53% or 886 million baht, due to progressive construction as scheduled for transfer to customers. In addition, Sansiri has continuously developed and launched new projects in response to the recovering demand for housing, resulting in higher amount of project development for sale. However, some of the project development for sale was realized as cost of project sales corresponding to the high turnover. Consequently, the outstanding of project development for sales as of year ended 2005, slightly dropped by 8% over the same period in 2004.

Land, Leasehold, Building and Equipment (net) including an office for rent and other operating assets, amounted to 567 million baht, a 78% decline from last year due to the sale of Sofitel Silom Hotel. The Property development for rent, however, increased by 44% to 1,344 million baht as more single-detached units were added to the portfolio. The recurring income assets include two residential projects, a commercial building, a group of single-detached houses, and a boutique hotel.

## Liabilities

Total liabilities of Sansiri Group as of December 31, 2005, amounted to 10,578 million baht, a 13% decline or 1,567 million baht from last year. The net cash flow from the sale of Sofitel Silom Hotel was used for loan repayment, resulting in the significant decrease of the "Bill of Exchange and Promissory Note - Financial institutions". The outstanding amount had decreased noticeably from 1,314 million baht in 2004 to 483 million baht in 2005. Consequently, the interest bearing debts declined meaningfully from 9,282 million baht as of the year ended 2004 to 7,651 million baht as of the year ended 2005. Thus, the Debt-to-Equity ratio and the interest bearing debt to equity (Gearing ratio) was at 1.26 and 0.99 respectively.

Loans from financial institutions with security guarantee as of December 31, 2005, comprised project-financing loans with repayment due upon transfer housing units; single-detached houses, condominiums and townhouses, decreasing to 6,187.83 million baht, from 7,723.10 million baht as of December 31, 2004. The 1,535-million baht decline was due to the higher sales of single-detached houses as well as the timely construction and transfer of condominium and townhouse projects to customers as scheduled. Of the total project financing loans of 6,187.83 million baht, 2,846.77 million baht are due for repayment within one year while 3,341.06 million baht are due for repayment in 2 to 5 years. The outstanding of "Other payable-Property fund" amounted to 848.74 million baht, reflecting the record of the sale of 25 units to SIRIPF as the loan from property fund.



## Shareholders' Equity

Shareholders' Equity of Sansiri Group as of December 31, 2005, amounted to 7,743 million baht, an increase of 615 million baht over the same period in 2004. The retained earnings accumulated to 1,495 million baht, an 81% growth from year ended 2004. In this regard, the outstanding of retained earnings was net of the 236-million baht dividend payout in 2005.

According to the letter dated November 16, 2005, sent from the Securities and Exchange Commission (SEC) to all listed companies, the Federation of Accounting Professions made comments regarding accounting practices of capital reduction to offset the retained losses. For companies with outstanding discount on share capital, the retained losses must be offset following to the discount on share capital. Consequently, companies with inconsistent accounting practice are required to make amendments to the latest financial statements.

With regard to the capital reduction to offset the retained losses, Sansiri has strictly followed all the guidelines, principles, and comments by the authority as well as consulted the authority prior to every capital reduction. However, misapprehension has led to the outstanding discount on share capital of 1,068.62 million baht on Sansiri's balance sheet as of year end 2005. In this regard, the Securities and Exchange Commission (SEC) consented to the capital reduction for offsetting the outstanding discount on share capital, instead of making amendments. Meanwhile, the procedures and schedules must be disclosed on the financial statements. The net retained earnings after paying out dividend must be no less than the outstanding discount on share capital, should the companies wish to pay out dividend. The implementation of the new guidelines, therefore, limits the dividend payout, which to be approved by the annual shareholders' meeting in April 2006.

## Update

### Highest presales in 1Q2006 confirms the rewarding brand investment

During the first quarter of 2006, new TVC was launched while series of events were organized to promote housing projects by Sansiri and its subsidiaries to the public. The new TVC, "Opportunity", communicates that all the high-quality housing projects are uniquely designed to complement the various lifestyles at the affordable prices for each target group. With minimum selling price of 3 million baht per unit for the brand "Saransiri" and 5 million baht per unit for the brand "Setthasiri", medium housing projects are well received by customers while the sales of high-end houses are in line with the sales forecast. Besides launching more medium-houses, Sansiri enlarges its customer base through the launch of "CondoOne", a brand new condominium projects with minimum selling price of 1.1 million baht per unit. Locating along BTS sky-train and MRT underground-train, CondoOne projects provide sleepless services, such as fitness, laundry and vending machines to complement the trendy lifestyles of urban people. Consequently, 5 of the 6 newly launched CondoOne projects were sold out within a few weeks after the launches, leaving less than 30 units available for sale from the CondoOne-Sukhumvit 67. In addition, 3 townhouse projects were launched to satisfy the strong demand for the trendy townhouse locating in various prime locations.

The key event to promote housing projects by Sansiri and its subsidiary was "Living in Style by Sansiri 2006", convened March 17-19, 2006 at Siam Paragon Shopping Center. The event received overwhelming commercial acclaim as more than 10,000 potential buyers attended, generating 1 billion baht presales amount.

The upshot of Sansiri's integrated portfolio-wide sales campaign in 1Q2006, is the 5.4-billion baht in presale bookings, which serve as a clear indication of surging demand for high-value-for-money housing projects and a well-established brand of Sansiri. More than 1,200 units of condominiums, townhouses, and single-detached houses were taken up, with 46% and 43% of the total presales amount came from single-detached houses and condominiums respectively, and the balance from townhouses.

## A SUMMARY OF COMPETITION IN THE INDUSTRY

(Source : Research and Development Department , Plus Property Partners Company Limited)

### The Single Home and Townhouse Market

A survey of housing developments, both single homes and townhouses, in the latter half of 2005 revealed that there were 558 projects, with 44,104 units for sale. 436 projects offered 32,268 single homes, and the remaining 122 townhouse projects consisted of 11,836 units. Single homes for sale therefore outnumbered townhouses by a factor of three to one. In comparison with the same period in 2004, the number of units for sale was up by 8,324, or 23% growth. The Northern Bangkok, with 163 projects and 19,074 units, was most active, followed by the Western Bangkok with 146 projects and 8,099 units and then the east. Eastern Bangkok, however, saw the greatest increase in development, namely 21%, due to the construction of Suvarnabhumi International Airport. Developers, both large and small, poured their efforts into this area, convinced that Eastern Bangkok will become the city's new central business district. New projects during this period were almost equally divided between single homes and townhouses, namely 37 projects with 3,552 units for single homes and 20 projects with 3,007 units for townhouses. Altogether, then, 6,559 new units from 57 projects entered the market during the year. This was, however, a lower figure than in 2004. A decline in the new launches was due to a number of external factors, as well as a surplus of unsold housing and intense competition in this sector.

At present, the demand for single homes can be judged by the fact that 16,215 units out of the 32,268 available, approximately 50%, were sold during the year, up 6% from 2004. The absorption rate of the market is, on average, 5.3 units per project per month. The main factor influencing this demand was the developers' marketing strategies to stimulate sales and clear away as much inventory as possible. The highest-selling area was Northern Bangkok, at 9.8 units per projects per month, followed by the East with 5.8 units per project per month. The imminent opening of Suvarnabhumi International Airport was a potent influence here. Southern Bangkok's average was 5.2 units per project per month; affected by the approval of an extension of Bangkok's subway along Petchkasem Road. As for townhouses, sales of 8,342 units out of 11,836 available represented an impressive sale rate of about 70%, averaging 12.1 units per project per month. The main factors supporting the high sale rate were the low price of townhouses and their relative proximity to the city centre. The highest sale rate was in Southern Bangkok, at 94%, followed by the North at 78% and the East at 64%.



Single homes priced at less than 5 million baht held the largest market share of over 70% of total units available. This higher percentage than the previous year indicated that the importance of the high-end market is declining, and that real estate developers are more interested in vying for the mid-to-low-end market. Demand at all levels, however, as indicated by sales statistics, continues unabated. As for townhouses, half of those sold are in the 1-3 million-baht range, 17% in the 3-5 million-baht range, and 14% ranging from 5-7 million baht. These proportions are not much different from those of 2004, except that the numbers in the 1-3 million-baht range are somewhat higher. Townhouses under 1 million baht, however, continue to decline in popularity as developers cannot bear the rising construction costs without raising prices. The demand for townhouses priced at 1-7 million remains strong. In the 1-3 million-baht range, sale rate stood at 78%, while the figure of 3-5 million baht segment was 63%. The sale of the 3-5 million baht segment, however, decreased from the same period in 2004 due to the dramatic increase in the 1-3 million-baht segment. Fierce competition is the norm, causing some customers to shift their purchases down-market.

For housing developments in 2006, we expect to see more new supply entering the market at rates similar to those of 2005. Homes in the mid-to-low-end range will occupy most of the market, with many large players jockeying for advantage and heating up competition in this segment. The high-end market, on the other hand, seems to have reached saturation point. Developers at this level will have to scale back their production. Unsold units would be rented out to expatriates as an option to generate more revenues.

Having been one of the basic needs, housing demand is likely to grow steadily. Growth should continue at previous rates, due to the ongoing influence of external factors, such as higher interest rates for housing loans, lofty oil prices that directly affect construction costs, robust inflation, and shaky confidence in the stability of the government and, consequently, the Thai economy as well. All these influences have an impact on consumers' buying decisions, as prospective buyers tend to be more careful in their selection under such circumstances. Real estate developers will find this situation, and the attendant intensity of competition, to be quite challenging. In any case, the residential housing market should reach a state of equilibrium in 2006. Previous experience with crises informs the purchasing behavior of potential buyers and of developers trying to understand this market in equal measure.



### The Condominium Market

During 2005, 21 condominium projects were completed, representing 3,323 units. Most of them were built during the first half of the year, while only 5, equivalent to 1,134 units, came into the market in the second half of the year. Most of them were huddled near the centre of Bangkok (the Central Business District, and Sukhumvit and Paholyotin Roads), and were built by **Sansiri Public Company Limited** and its subsidiary, **Plus Property Partners Company Limited**, along with *Land and House Public Company Limited*, *Noble Development Public Company Limited*, and *L.P.N. Development Public Company Limited*. At least 10,000 units are under construction and due for transfer to their buyers in 2006. This will raise the total supply of finished condominiums in the market to over 100,000 units.

Based on the survey of the accumulated total units of condominium for sale during 2005 in six areas (Central Business District, Sukhumvit, Rama III, Phayatai, Paholyotin, and Tonburi - Riverside), 90.4% of 63,554 units were sold leaving 6,107 units unsold. Comparing unsold units with total available units in each location, Rama III had highest unsold units of 1,963, representing 16% of total available units in that area. The highest unsold rate in Rama III area was caused by a large number of units for sale in each project. Sukhumvit area had unsold units of 533 representing 3% of total available units in that area, while Paholyotin had the lowest unsold units of 422 representing 5% of total available units in that area. Compared to the previous year, however, sales of condominiums in 2005 were 33% higher at 8,166 units, representing an increase of 2,023 units. The greatest number sold, 1,399 units, were in the Rama III area, equal to an increase of 50%, followed by Sukhumvit, Paholyotin, and Rachadapisek Road at 1,289, 1,267, and 1,267 units, respectively. Sales were up in almost all locations except in Silom - Sathon area. In 2005, over 2,000 units were sold in the Rachadapisek area, with considerable success, due to the adjacent subway line and reasonable prices.

The average sale price for a condominium in 2005 was up 8% from the previous year, as construction costs of all types, including materials and transport expenses, were pushed up by high oil prices. The highest rises were in the Central Business District, namely by 14% or 10,804 baht per square metre to 87,772 baht per square metre. Next in line were Paholyotin, up 10% or 4,367 baht from 45,933 baht to 50,300 baht per square metre, and Rama III, up 9% or 4,160 baht from 47,731 baht to 51,891 baht per square metre. The influence of new projects, in short, was to raise the overall average selling price in the market. In some areas, such as the Central Business District, prices varied considerably, with some units selling for as high as 130,000 - 150,000 baht per square metre.

The condominium market should maintain its present growth into 2006. More supply should become available in central Bangkok, especially in the areas served by the mass transit rail lines. The main target market will be working-age people from 25 to 35 years old who are capable of purchasing a 1 million-baht condominium (studio suite) and are looking for a home of their own. There will be fewer new condominium projects in central Bangkok due to the scarcity of land plots in prime locations. Meanwhile, more foreign funds will be entering the real estate market in the form of joint venture investments with Thai partners. New condominium prices per square metre will probably rise by 10-15%, depending on the location. Completed condominiums will increase in number to over 10,000 units, some of which may be rented.

### The Apartment Market

During the year, 10 new projects, equivalent to 438 units, came onto the market. Most of these were in the Sukhumvit area. The rented apartment market thus increased from 10,409 to 10,847 units, about 4% over the year. For 2006, another 352 units are expected to arrive. Of these, 327 units will be in the Sukhumvit area, and 25 in the Pleunchit - Chidlom area. All of these apartments are classified as 'grade A' - a grade that has grown by 10 to 19% per year during the past 4 to 5 years. This is a clear indication that the rental market for foreign tenants is still strong, and that the demand for high-quality apartments continues unabated.

The average occupancy rate of the whole market stood at 93% diverging only slightly (0.5%) from the previous year. The Rama III area had the highest occupancy rate (97%), followed by the Sukhumvit area (95%), while the Pleunchit - Chidlom area fell by 5% to 89%, the same level as Paholyotin. During the years 2002-2005, the annual growth of occupancy rate remained stable at 1.5%.

Rents for grade A apartments continued to rise, reflecting ongoing foreign investment in Thailand, at rates of 1.0-3.5%. The highest increase was in the Silom - Sathon area, namely 3.5%, to 353 baht per square metre per month. Second was the Pleunchit - Chidlom area, up 3%, and the Sukhumvit area, up only 1%. For grade B apartments, the Paholyotin area continued to see a decline in rents - down 7% to 288 baht per square metre per month. The Rama III area maintained its level of 207 baht per square metre per month. Areas that saw increases in grade B rents were Sukhumvit, to 296 baht per square metre, Pleunchit - Chidlom, to 288 baht per square metre, and Silom - Sathon, to 306 baht per square metre.

For 2006, the supply of apartment rental units for foreign tenants is expected to grow by about 3-4% per annum. This amount will be topped up by buyers of condominiums who rent their units to the market likewise. The influx of expatriates in Bangkok, meanwhile, which increases by about 13-15% per year, will continue to feed demand, causing rental rates to rise by about 5-7% per year. Rental rates for grade A apartments in the Sukhumvit and Pleunchit - Chidlom areas are likely to increase to 400 - 410 baht per square metre per month. Grade B apartments, on the other hand, will likely retain their present levels, unless renovations, new furniture, and other quality improvements constitute a justification for rate increases of 3-4%.



### The Serviced Apartment Market

The supply of serviced apartments in 2005 rose by 9%, due to the launches of 8 new projects containing 1,035 units. From 11,590 units, therefore, the market expanded to 12,625 units. In 2006, moreover, an extra 3% is forecasted to become available, thanks to three new projects -- *Urbana Sathon*, *Amantra*, and *Citadins* -- representing 315 units, while 2007 promises another 340 units. Some new projects are a combination of condominiums and serviced apartments, however, reflecting the developers' strategies to mitigate the risk of high volatility in the condominium market during the past year. Purely serviced apartments remain available as always, of course.

Overall occupancy rates during the year fell by 2% to 85%. The highest occupancy rate was in the Pleunchit - Chidlom and Phyatai areas, at 89%, followed by the Sukhumvit area at 85% and the Silom - Sathon area at 79%. The decrease of occupancy rate was caused by the mismatch between the launches of new projects and the increasing demand. The Sukhumvit area, in particular, saw a decline in occupancy rate of 7%. While grade A apartment occupancy rates fell slightly, paralleling the overall decline in the market, grade B apartment occupancy rates were down by 6%. This reflects the foreigners' preferences for high quality and services during their short visits.

Grade A serviced apartment rents rose 13% from 2004 to an average of 1,112 baht per square metre, up 134 baht per square metre. The Pleunchit - Chidlom area remained the most expensive at 1,305 baht per square metre (up 23%), followed by the Silom - Sathon area at 1,066 baht per square metre (up 2%) and the Sukhumvit area at 966 baht per square metre (up 16%).

Grade B serviced apartments, meanwhile, were priced at an average of 722 baht per square metre, up 40 baht per square metre, or 5%. The Pleunchit - Chidlom area claimed the top spot at 813 baht per square metre, up 24%, followed by the Sukhumvit area at 680 baht per square metre, up 21%, and the Silom - Sathon area at 675 baht per square metre, up 6%. The overall market value of this sector exceeded 7.2 billion baht, 5% increase from the previous year. Overall, then, the serviced apartment industry enjoyed solid growth, even though occupancy rates were down somewhat and rental rates moved up almost imperceptibly.

In 2006, the growth of serviced apartment supply is expected at 3% (no less than 300 units) with the launches of new projects in the inner ring of the Central Business District, such as Rachadapisek and Rama IX Roads. However, the expansion is rather limited since a few condominium units would be converted to serviced apartments while serviced apartments themselves remain rather compact in size. Demand, however, will continue to grow, as foreign investment starts to come back into Thailand on a large scale, while a great number of expatriates are expected. Rental rates may rise, but only slightly, as the current prices are competitive and accurately reflect the level of demand.

### The Office Building Market

A survey of office buildings in Bangkok and vicinity revealed that in the second half of 2005 new supply was delayed somewhat. This was due to the launches of three new buildings in the first half of the year, namely *F.E. Zuellig*, with 5,500 square metres, *Issara Place*, 3,600 square metres in extent, and the *Central Pattana* office building at Pin Klao, comprising 10,000 square metres, constituting an increase of 19,100 square metres to 6.728 million square metres in total. For 2006, however, a number of large projects will be launched: *Q House Lumpini*, 59,000 square metres; *Ponpat Tower (Exchange Tower)*, 36,000 square metres; *Phoenix*, 15,000 square metres; *Grand Tower*, 40,000 square metres; and *Tan Settakit 2*, 26,000 square metres. This new supply of office space, equaling 176,000 square metres, will raise the total available to 6.904 million square metres. Thus, the large projects will bring about the massive coming supply in the next years.

The occupancy rate in 2005 rose by 2% to 89%, leaving 11% unoccupied. The Central Business District saw an increase in occupancy, while other areas climbed, fell, or remained unchanged. The Pleunchit - Chidlom area rose by 5% to 89%, and the Silom - Sathon and Sukhumvit areas each increased to 87%. Some suburban areas saw dramatic rises. Bang Na and Tonburi each increased their occupancy rates by 8%, while the Rama III, Phyatai, and Dindaeng areas all witnessed drops in demand that averaged 6%. Demand in the Paholyotin, Nontaburi, and Rama II areas continued steady from the previous year. Vacant office space in some suburban areas, such as Bang Na, became noticeably hard to find, due to the new opportunities for growth and employment around the city's new airport.

Grade A office space is still much in demand, as can be seen from 2.4% rise in supply, compared with the minimal rise in supply of 0.7% for grade B office space. The highest occupancy rate of grade A office space was in Sukhumvit area with 4% growth, followed by Pleunchit-Chidlom area and Silom-Sathon area with 1% and 2% growth respectively. For grade B office space, Sukhumvit area also had the highest occupancy rate with 3% growth. The occupancy rate in Pleunchit-Chidlom remained stable while occupancy rate in Silom-Sathon slightly dropped by 1%.

The Pleunchit - Chidlom business area continues to have the highest rents, at 566 baht per square metre, up 12.3% from the year before. Next highest was the Silom - Sathon area, at 471 baht per square metre, and the Sukhumvit area, at 380 baht per square metre. Other areas saw slight rises, determined by market factors. Taken as a whole, the rise in office rates for all areas in 2005 was approximately 6.4%. In the Central Business District of Pleunchit - Chidlom, Silom - Sathon, and Sukhumvit, the increase was 10.7%, while in other areas the rise was minuscule. Two other areas that witnessed a distinct increase were Tonburi, at 10.7%, and Nontaburi, at 8%. For grade A office space only, the Pleunchit - Chidlom area had the highest rents, at 601 baht per square metre, up 13% from 2004, with the Silom - Sathon area at 504 baht per square metre and the Sukhumvit area at 400 baht per square metre, representing increases of 14% and 8%, respectively.

It is forecasted that the office building market in 2006 will grow at the same rate of 1-2% as in the previous year, due to domestic economic conditions that favour a continuation of the expansion. While demand continues rising steadily, the new amount of office space, at least 170,000 square metres or 3% growth will be sufficient to keep pace. Supply and demand, in other words, should be in balance. While waiting for the launches of new projects, high-quality office space in prime locations should command rents at least 10-15% higher than in 2005. The increasing rents are in line with the rents of new projects, which are determined by the optimal rate of return for investors.