SANSIRI

Quarterly Newsletter | Issue No. 4/2006

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

Key Stock Data

2Q06	3 Apr 05	30 Jun 05	% change
SIRI Price (Baht / Share)	3.84	2.98	-22.4%
Property Sector Index	123.25	103.80	-15.8%
SET index	738.67	678.13	-8.2%
Avg Daily Turnover (Mil Baht)		16.77	
Avg Daily Turnover (Mil Shares)		4.28	

As of 14 Sep 06	
Issued shares (Mil Shares)	1,473
Estimated free float	40%
SIRI Price (Baht / Share)	3.60
Market Cap (Mil Baht / Mil US$)	5,305 / 141

Major Shareholders (%)	As of 31 Mar 06
1. Natural Park Public Company Limited	24.61%
2 Thai NVDR Co.,Ltd	13.71%
3 Chase Nominee Limited 42	8.42%
4. The Viriyah Insurance Co.,Ltd	5.56%
5. HSBC (Singapore) Nominees Pte Ltd	3.65%
6. Kasikornbank PCL.	1.83%
7. Starwood Thailand Country I	1.72%

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2Q2006 Performance

Sansiri reported 101.24 million baht net profit in 2Q2006, a 25% decrease from that of 1Q2006, mainly caused by high income tax from the high presale amount and high transfer amount in 2Q2006. Based on the accounting practice, Sansiri could not yet record and realize profit from the presale until down payment collection reaches 20% of total sale value and construction progress is more than 10%. However, Sansiri was liable for the income tax, according to the revenue code, upon the contract signing and transfer. In this regard, the complete condominium projects, which revenues have already been realized during the past quarters, were due for transfer in 2Q2006 as well. Hence the discrepancy between the accounting practice and the revenue code resulted in the high effective tax rate and net profit contraction.

Total revenues increased 15% from 2.41 billion baht in 1Q2006 to 2.78 billion baht in 2Q2006 largely driven by 16% increase of project sales as more single-detached housed (SDH) were sold. To the total 2Q2006 revenues, 2,638 million baht in property sales contributed 95%, 55 million baht from property management services and 52 million baht from rental revenue altogether contributed 4%, with revenue from hotel and other revenues of 38 million baht altogether contributed the balance of 1%.

Gross margin from project sales slightly improved from 28% in 1Q2006 to 29% in 2Q2006 while SG&A expenses increased from 21% of total revenues in 1Q2006 to 23% of total revenues in 2Q2006. The high SG&A was due to the investment in branding via the housing exhibition "Living Plus:2006 " held at Siam Paragon Department Store during 23-25 June, 2006 and the launch of new TVC, "Newlyweds", to boost the sale of Setthasiri Prachachuen project. However, the high SG&A was justifiable in terms of both amount and timing. Due to the time lag between presales and realized revenues, marketing expense is correlated to presale amount. Therefore, high SG&A (as a percentage of total revenue) was reasonable based on the high presale amount in the first half of 2006. In addition, Sansiri made the first move through the two housing exhibitions and two TVC and pre-empted the fierce competition with high presale backlog.

For the six-month performance, total revenue increased 20% from 4.32 billion baht for 6M2005 to 5.19 billion baht for 6M2006, with 47% growth in project sale. The successful penetration into the SDH and townhouse market has been reflected in the mix of project sales. Realized revenue from SDH were still a major generator of the project sale in 6M2006 with 48% contribution from SDH projects, 41% contribution from condominium projects and 12% contribution from townhouse projects.

High turnover made total assets decrease from 18.67 billion baht as of 1Q2006 to 18.51 billion baht as of 2Q2006. Loan repayment from internal cash flow resulted in the decrease of current portion of long-term loans while the progressive construction led to the increase of long - term loans ,project financing loans. In this regard, total liabilities slightly increased from 10.80 billion baht as of 1Q2006 to 10.88 billion baht as of 2Q2006 with current liability decreasing from 72% of total liabilities as of 1Q2006 to 68% of total liabilities as of 2Q2006. The 324.19-million baht dividend payout (0.22 baht per share) resulted in the decrease of un-appropriated retain earnings. Consequently, total shareholders' equity slightly decreased from 7.87 billion baht as of 1Q2006 to 7.63 billion baht as of 2Q2006.

Debt-to-equity ratio (excluding deferred leasehold revenue) and the interest bearing debt to shareholders' equity ratio (gearing ratio) slightly increased from 1.27 and 0.98 respectively as of 1Q2006 to 1.32 and 1.00 correspondingly as of 2Q2006.

Update

Sansiri successfully expands the customer base to incorporate more medium-end customers through the launches of 19 housing projects including 2 single-detached housing (SDH) projects, 1 detached-housing project, 10 condominium projects and 6 townhouse projects. The premium quality housing units at affordable prices have led to a record presale of 10.69 billion baht during the first half of 2006, a 4-fold increase over the same period in 2005. Of the total presale of 10.69 billion baht, 4.98 billion baht from condominium sales comprised 47%, 4.10 billion baht from single-detached and detached house sales comprised 38%, and 1.62 billion baht from townhouse sales comprised 15%. Consequently, presale backlog amounted to 14.77 billion baht as of June 30, 2006.

Realizing that rising oil price together with the upward trend of housing loans would inevitably reduce affordability, Sansiri adjusted its business plan to cope with the changing housing demand. Medium housing units; single-detached houses, townhouses and condominiums, were designed to deliver a good value to customers. The highly competitive market with customers become more selective, is particularly advantageous to Sansiri in that customers are satisfied with high value-for-money housing units developed by Sansiri and its subsidiaries. Accordingly, 7 out of 10 condominium projects launched in the first half of 2006 were sold out with only 329 units available for sale (as of September 13, 2006). In addition, the selling rates of medium single detached houses and townhouses have been impressive at 16 and 17 units per month respectively.

A Summary of Competition in the industry

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

Single Detached-Houses and Townhouses' market

The survey has been carried out on 554 housing estate projects with a combined unit of 35,507, of which 437 projects with the total of 25,804 units are single detached-houses and the remaining 117 projects with the total of 9,703 units are Townhouses. It was found that the residential units available in the market of the two housing estate categories slump from the 2H-2005 by 19 percent; yet increase if comparing at same period of 2005 by 16 percent. The regression factors are derived from the market condition in 1H slump; the margin of main Property developers are dropped off due to the pressure of higher cost; and the housing project remains leftover. As a result, the new projects launched into market have been delayed.

Nevertheless, the consequence in official opening of International Airport, Suvarnabhumi International Airport brings about the higher demand of Single Detached-Housed and Townhouses in Eastern part by 102 projects with combined units of 8,071 (23 percent) after surveying in 2H-2005.

The average sales value by 40 percent, of which 3.5 units per month per projects. Comparing to 2H-2005, it is increased by 10 percent out of 50 percent average sales or absorption rate by 5.3 units per month per project. For the time being, the dropped off sales in all areas are noticeable; yet, the eastern area still maintains stable in sales from last cycle. The sale ratio values by 57 percent or 7.8 units per month for each project, decreased by 13 percent or 4.3 unit per month per project. In 2H-2005, the average sales of northern area reach by 68 percent or 10.7 units per month per project, which equal to southern areas'; however, the higher available units per month per project value by 7.4.

It is noted that the sales that divided by price category indicates that Single Detached-Houses cost less than 3 million baht maintains the highest demand by 52 percent; in range between 7-10 million baht at 41 percent; and in range between 3-5 million baht and between 5-7 million baht by 40 percent. Comparing to sales ratio in 2H-2005, sales of Single Detached-House in all price categories are slumped in all areas; especially in price range between 10-20 million baht decreases by 14 percent; while price range at 20 million baht up decreases by 21 percent.

Meanwhile, sales of medium-end Single Detached-House are also dropped off by 7-8 percent while low-end or less than 3 million baht remain stable in demand from last cycle or 52 percent. These reflects the demand of this category remain in good level. In regard to sales of Townhouses in each price categories, the survey findings indicate that all price categories appear decreased as well as the sales of Single Detached-House. In addition, Townhouses in price range at less than 3 million baht remains popular continuously; at range between1-3 million baht meet sales by 61 percent; and at less than 1 million baht meet sales of 58 percent. Nonetheless, comparing to last cycle, the demand of Townhouses at price range at 1-3 million baht obtain equal demands, which indicates that the demand of Townhouses that these price category maintains their attractiveness.

The supply of Single Detached-Houses and Townhouses market in 2H-2006 becomes slowdown at same level of launched units in 1H-2006 since the economic slump, the possible increase of home-loan interest rate that reflects housing affordable ability; the inflation situation, the instability of political and the increase of price in construction materials by the oil price hike, which affects to the cost of production. Consequently, to develop new projects to market are restraint and the major developer approaches low to medium end customers more since they express their interest in demand constantly. Besides, the selling strategies of each developer are compatible with a company situation and a capacity to their land development by emphasizing on convenient location and increasing customer satisfaction i.e. the use of high-quality construction materials suitable with price set; the after sales service and continual project development rather than price war to enhance customer's satisfaction and reference to others. The price is predicted to increase approximately at 6-10 percent to compensate the higher cost.

Bangkok's Condominium market

During 1H-2006, there are 32 newly launched Condominium projects with combined 9,913 units, which raising at 37 percent or 2,701 units from 1H-2005. And the new condominium projects are mainly launched with combined 5,693 units in second half of year. The newly launched projects remain the existing major developers, who possess profession in term of budget and experiences. One out of three of newly launched condominium or 3,000 units up are mostly situated in Ratchadapisek-Ladprao area which contain one studio and one bedroom and costs 0.86 million baht that emphasizes the medium to low end customers.

The cumulative sales in 1H-2006 reach 94 percent, which expands by 3.5 percent at same period of year 2005 and continuously grows by 1.5 percent during year 2005. The leftover remains 1-13 percent which diverse from places to places. Phayathai area obtains least number of leftovers at only 1 percent or 67 units while Rama III area are opposite at 13 percent or 1,736 units. However, the leftover units are higher than 8,000 units for the time being.

It's noted that the average sales of first six month of the year that equal to 8,825 units is higher than total year 2005, which obtain 8,260 units sales. The expansion increases constantly by 6.8 percent and possess double growth comparing to the same period of last year. Ratchadapisek area obtains highest sales points by 2,656 units; then, Sukhumvit and Phaholyothin area, 2,230 units and 1,350 units, respectively. Evidently, the information indicates that the sales constantly rise in view of the fact that business strategies of major developers bring about the successfulness to increase total sales i.e. many projects launch at same period of time to extend the channels of choice including focusing on medium and low end customers by pressing suitable positioning and price as they could respond to the volume of supply.

The sales price is greater than before by 6 percent at the same period of year 2006 due to the increase in price of construction materials, transportation cost and construction cost including the oil price hike. Phayathai area adjusts the highest price by 23 percent or 12,366 baht per square metre, which comes to 68,633 baht per square metre. Next, Sukhumvit area by 12 percent or 8,479 baht per square metre, which comes to 79,709 baht per square metre and Business area by 9 percent or 7,218 baht per square metre, which comes from 82,264 to 89,482 baht per square metre. Eventually, the Business area becomes price-dominated in the market. However, some new condominium projects offer the lower price than one's location's mean i.e. Rama II and Phaholyothin area while some offers higher price than one's location's mean i.e. Sukhumvit area which release between 82,000-100,000 per square metre.

In summary, the number of supply condominium in year 2006 will be greater than last year. The new supply hike into market not less than 7,000 units and the major areas like Business area like Sukhumvit and inner area of Bangkok (Ratchadapisek-Ladprao, Phayathai, Riverside area) remain attractive toward the Thai and International investors and the areas nearby BTS still interest them. In addition, the areas under expansion project and the large community will launch the new projects to serve the demand of residents. The number of demand of both residing and investment maintains its stability and is expected to constantly grow by 5-6 percent by the customers' segments. The projects between 1-2 Million baht up dominates the rest in the market since they propose to buy-for-living. The price per square metre will be increased by 10-15 percent and diverse by locations.

Bangkok's Rental Apartment Market

In 1H-2006, the expansion of supply reach only 1 percent from year 2005 or 107 units increased which are 79 units from Sofitel Resident Asoke and 28 units from Bann Pipat Project. Apart from these, 40 units from Chidlom Court Project are transformed to be condominium instead which impact the total number of Rental Apartment, which combined 10,914 units, in the market in 1H-2006

More than 144 units will be supplied during 2H-2006 i.e. 29 units from Boutique Suite 53 Project, 79 units from The Grand Settheewan 2 Project and 36 units from Queen Park-view Apartment. Together with the number of supply by 24 units in Sukhumvit 36, it is noted that the supply of total market will be double to 11,982 units. The trend of market expansion remains slightly changed at only 1-2 percent during 1-2 years.

Sukhumvit area possesses a lion share of 69 percent or 7,639 units among the rest areas; then, Silom-Sathorn area by 11 percent or 1,149 units; Ploenchit-Chidlom area by 9 percent or 932 units; Rama III area by 6 percent or 686 units; Phaholyothin area by 3 percent or 334 units and outer Bangkok by 2 percent or 174 units. Meanwhile, the estate developers launch new high-quality projects into market, which derives grade-A Rental Apartment becomes continuously increasing their sales by 5 percent. The top grade Rental Apartments are mostly clustered in Sukhumvit area at 1,243 units; then, Ploenchit-Chidlom area at 465 units; and Silom-Sathorn area by 397 units. Nonetheless, the supply of the top grade Rental Apartment remains insufficient if comparing to the increasing rate of expatriates in Thailand while the grade-B projects are predominantly scattered in Sukhumvit area at 6,396 units; then, Silom-Sathorn area by 752 units; Rama III area by 686 units; Ploenchit-Childlom by 467 units; and Phaholyothin area by 334 units.

The gradually increase in rental demand of Rental Apartment for foreigners in 1H-2006 reach by 1-7 percent, where Silom-Sathorn area and Rama III by 98 percent equally; then, Ploenchit-Chidlom area by 97 percent; Sukhumvit area by 96 percent; and Phaholyothin area by 94 percent, which are the highest adjustment in the last 6 years. The ratio of grade-A Rental Apartment hike by 8 percent where Ploenchit-Chidlom area obtains 100 percent rent; then, Silom-Sathorn area by 99 percent; Sukhumvit area by 97 percent with the obvious growth by 12, 10, and 2 percent respectively. This illustrates that the apartments for rentals by foreigners for 2006 is given that the growth rate of both the demand and supply is almost in the same direction. The top grade apartment remains popular among foreigners.

The rental fee of top grade Rental Apartment is adapted to the demand by 4 percent increasing or 400 baht per square metre per month. Silom-Sathorn area obtains the highest adjustment of rental fee by 15 percent since there is some renovation of Rental Apartment and new apartment projects so it costs 406 baht per square metre per month. Then, Sukhumvit area has a slight increase by 0.3 percent, where the rental fee remains highest at 408 baht per square metre per month while Ploenchit-Chidlom area, on the contrary, the rental fee is decreased by 2 percent as the demand runs parallel with the current rental fee. The grade-B rental fee values 293 baht per square metre per month and had been already adjusted from year 2005 by only 1 percent. Silom-Sathorn area maintains the highest rental fee by 321 baht per square metre per month, increasing by 5 percent; then, Ploenchit-Chidlom by 288 baht per square metre per month, increasing by 1 percent; Sukhumvit area by 287 baht per square metre per month, decreasing 4 percent; and Rama III by 276 baht per square metre, increasing 2 percent.

Rental Apartment market in the next two years is expected to still have more supply that exceeds the demand that tends to be slowdown though. In the meantime, the supply and demand remains balance, which hasn't been impacted to the market in overall. However, the risk factors to intervene the new projects appear to be the instability of economic and political conditions, which may affects to the national investment. The business type like Security, Banking, Insurance, Airline and Service is expected to attract the foreign investors due to the higher potentiality of cost and knowledge to join or open new business with Thai businessman, which arouse the supply of Rental Apartment following market mechanism.

Bangkok's Service Apartment

In the light of market survey, it indicates that the Service Apartment in 1H-2006 are 4 projects launched, which combined 200 units from Regencywan, situated at Ratchadamri Road; 129 units from Frezer Phase, situated at Langsuan Road in Phoenchit-Chidlom area. Then, 99 units from Unico Grande Sathorn, situated at Soi Pipat 2 in Silom-Sathorn area; 76 units from Sofitel Resident Asoke, situated at Soi Sukhumvit 19 in Sukhumvit area. These equal to 504 units with 4.5 percent increasing or 13,075 units. In 2H-2006, there are 370 units from 4 projects, which are 78 units from Urbana Sathorn, 158 units from Amantra, 79 units from Sitadin, 55 units from GM Hight. As a result, the increasing units become 874 and 13,445 in total. The growth rate value 7 percent comparing to year 2005. In 2007-2008, it is expected that Service Apartment will enter into market at 1,566 units or 3-6 percent per year.

The living rate in the 1H-2006 obtains 78 percent, decreasing from year 2005 by 8 percent due to the slowdown of investment in foreigners including the existing customers move to higher segment of projects, which impacts the numbers of Service Apartment living. Separating into two standard categories; grade-A and B, we found that grade-A projects obtains living by 83 percent of available grade-A Service Apartment. Chidlom gains the highest living by 92 percent; then, Phayathai by 84 percent; Sukhumvit by 79 percent; and Silom-Sathorn by 77 percent. However, grade-B Service Apartment gains lower attention than last year by 9 percent (from 81 to 72 percent), where Sukhumvit dominates the market of this segment by 91 percent; Phayathai by 75 percent; Silom-Sathorn by 66 percent; and Ploenchit-Chidlom by 57 percent. Most areas are decreased by 3-12 percent.

In the light of facts, the monthly rental fee of grade-A Service Apartment is increased by approximately 1 percent or 1,122 baht per square metre. If separating by locations, it is found that the highest rental fee belongs to Ploenchit-Chidlom area, valued by 1,378 baht per square metre; then, Ploenchit-Chidlom by 994 baht per square metre; and Silom-Sathorn by 993 baht per square metre. The rental fee of this category remains unchanged comparing to last year, which valued by 722 baht per square metre. Ploenchit-Chidlom obtains the highest rental fee by 759 baht per square metre; then, Silom-Sathorn by 754 baht per square metre; and Sukhumvit by 652 baht per square metre. Silom-Sathorn's rental fee is higher adjusted by 12 percent while Ploenchit-Chidlom; and Sukhumvit, lower adjusted by 7 and 4 percent, respectively.

It's evident that Service Apartment market maintains its growth constantly. The new supply is put into market by 3-6 percent per year which depends on the current market conditions or non-intervene of external factors. The political situation i.e. the delay of Election and the change of policies impacts to the market mechanism where the investors are lack of confidence to precede the business. Consequently, foreigners may delay their demand to live in Thailand. In addition, the positive factor to enhance the demand of Service Apartment is to launch FTA which appears to be long term strategy; although the Service Apartment remains possible potential to move up according to market mechanism.

Bangkok's Office Building

The rent ratio of office building reaches by 90 percent of available office building, increased by 2 percent from year 2005 while the leftover reaches 10 percent or 0.672 million square metre. Phayathai maintains the highest rent record, valued by 96 percent; then, Phaholyothin by 94 percent; Ratchadapisek-Dindaeng by 93 percent; Changwattana-Nonthaburi by 92 percent; Ploechit-Chidlom by 91 percent; Silom-Sathorn by 89 percent; Sukhumvit and Thonburi by 88 percent equally; Rama III by 86 percent and Bangna by 75 percent. Central area of Bangkok is still clustered due to the expansion of the mass transit system. The rental fee of Ploechit-Chidlom; Silom-Sathorn; Sukhumvit remains unchanged comparing to year 2005. And Grade A-office building valued by 88 percent and Grade B by 86 percent, increased only by 1 percent equally. The cause of economic slowdown impacts to the new employment and investment expansion.

The rental fee is adjusted in accordance to the inflation by 10.4 percent (39.5 baht per square metre) or 419 baht per square metre; where Ploenchit-Chidlom maintains the highest rental fee, valued by 635 baht per square metre; then, Silom-Sathorn by 551 baht per square metre; Sukhumvit by 492 baht per square metre; Phayathai by 403 baht per square metre; Changwattana-Nonthaburi by 398 baht per square metre; Ratchadapisek-Dindaeng by 355 baht per square metre; Rama III by 351 baht per square metre; Bangna by 324 baht per square metre; and Thonburi by 268 baht per square metre. Although there are slightly increasing in demand, the rental fee still run increasingly by 6-29 percent or 22-112 baht per square metre. Sukhumvit possesses the highest hike by 29 percent (112 baht per square metre); then, Silom-Sathorn by 16 percent (80 baht per square metre) due to the upcoming of newly launched office building that reflects to the higher rental fee. In addition, Grade A-office building valued by 597 baht per square metre and Grade B by 447 baht per square metre.

The slowdown of economic situation impacts to the fewer supplies into the market. In 2H-2006, the new supplies will penetrate the market share valued by 68,000 square metre in Sukhumvit, Phaholyothin, and Ploenchit-Chidlom. The rental fee will be higher in accordance to the demands and quality of building by 6-10 percent. However, the usual economic situation can remedy the slowdown of new supplies and increases the employment and investment, which affects to the higher demand of office buildings.

as of 30 July 06

Housing Projects

Projects	Style	Total Unit	Sale Value (THB Mil)	Launch Date	Construction Progress	Expected Completion
Narasiri Pattanakarn Srinakarindra	Oriental Contemporary	177	3,914	Feb 04	92%	2Q07
Setthasiri Sanambin-nam	Thai Contemporary	299	2,308	Feb 04	93%	4Q06
Saransiri Ramindra	Natural Contemporary	116	455	Jun 05	74%	4Q06
The Emperor Narasiri's Collection	Oriental Contemporary	48	1,306	Oct 05	65%	2Q07
The Gallery Setthasiri's Collection	Modern Resort	69	693	Nov 05	61%	2Q07
Setthasiri Wongwean Sukhapiban 2	Thai Contemporary	538	3,044	Jun 05	34%	2Q10
Setthasiri Prachacheun	Oriental Contemporary	608	5,265	Mar 06	22%	4Q12
Saransiri Ratchapruek	Natural Garden	300	1,492	Mar 06	29%	2Q07
Baan PromPat Ramindra	Modern Contemporary	499	1,027	Mar 06	23%	2Q07

Condominiums Projects

Projects	Style	Total Unit	Sale Value (THB Mil)	Launch Date	Construction Progress	Expected Completion
Baan Sirisilom	Modern	155	819	Dec 03	90%	3Q06
Baan SiriTwentyFour	Modern	150	1,301	Nov 03	81%	4Q06
SiriResidence	Modern	185	1,395	Jul 04	40%	4Q07
Baan SiriThirtyOne	Modern	108	768	Aug 04	33%	4Q07
Las Tortugas	Mexican Caribbean	159	917	Dec 05	5%	1Q08

as of 30 July 06

Townhouse Projects

Projects	Type	Total Unit	Sale Value (THB Mil)	Launch Date	Construction Progress	Expected Completion
Plus Citypark (Ladprao 71)	European Colonial	76	273	Feb 05	100%	Completed
Plus Citypark (Rama IX - Huamark)	European Colonial	162	789	Jun 05	87%	2Q06
Plus Citypark (Ekamai - Ramindra)	European Colonial	247	945	Aug 05	76%	3Q06
Plus Citypark (Sukhumvit 101/1)	Kensington	108	543	Oct 05	92%	4Q06