

Developers find a new way to raise capital

MORE TOP FIRMS OPT FOR PROPERTY FUNDS TO HELP WITH EXPANSION THAN LOANS, DEBENTURES

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THE NATION

A NUMBER of leading developers plan to issue property funds worth more than Bt30 billion combined, in order to raise capital to support their business expansion over the remainder of this year and during 2014.

When added to the property funds already issued this year, nearly Bt100 billion worth of such funds will have been issued in total.

Raising funds via the capital market has the advantage of reducing developers' financial costs when compared with borrowing from commercial banks or the issuance of debentures, according to a survey by The Nation and information from the Securities and Exchange Commission.

This is why some developers have expanded their investment in rental-income businesses such as hotels, office buildings and retail, which are the sources for issuing property funds – to be upgraded to real-estate investment trusts (REITs) next year – with a view to raising capital in the future.

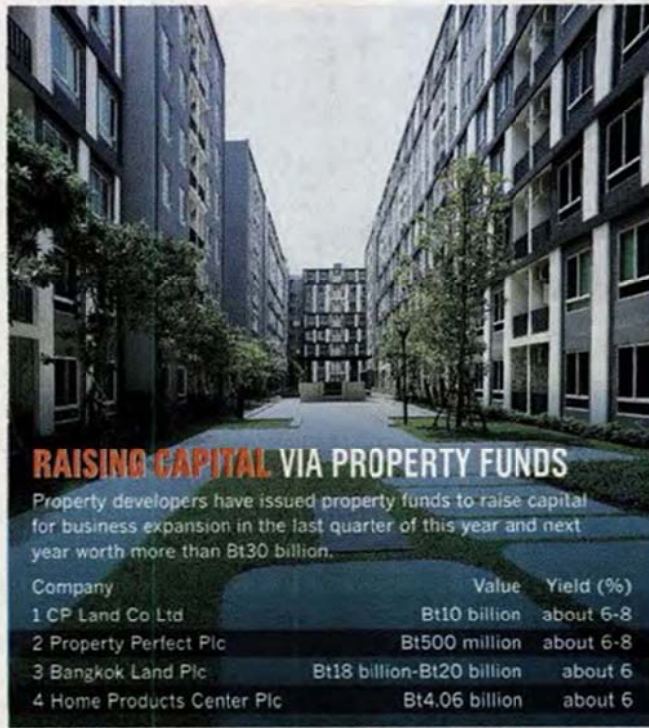
For example, CP Land is issuing the Bt10-billion CP Land Growth Leasehold Property Fund by selling three office buildings – Silom, Ratchada and Phayathai – which currently provide rental income for the company and will generate a return for investors in the fund.

"Issuing the property fund will help us to raise low-cost capital to support our business expansion," said CP Land chief executive officer Senthorn Urunanochai.

Listed developer Property Perfect, meanwhile, is issuing a property fund worth Bt500 million, with its Uniloft Salaya dormitory being sold to the Uniloft Property Fund as the income generator.

The company has been planning such a move since 2010, when it started constructing dormitory projects.

Another listed developer, Bangkok Land, plans to issue an REIT worth between Bt18 billion



Source: Securities and Exchange Commission Thailand (SEC), and The Nation Survey NATION GRAPHICS

and Bt20 billion next year by using its Impact Exhibition Centre to generate income for the trust.

Home Products Centre will issue a Bt4.06-billion property fund this year, using the long lease on Market Village Hua Hin to generate a return for the fund.

Recurring income

While property funds/REITs are means of raising low-cost capital for developers, some listed property firms are interested in developing projects that will directly provide recurring income for the company in the future.

Sansiri has introduced two new hotel and resort projects, together worth Bt370 million, under the Escape Sansiri Hotel Collection brand in Khao Yai and Hua Hin.

The company is also studying developing the same concept in tourist destinations such as Chiang Mai, Phuket and Pattaya.

Golden Land Property Development plans to develop a mixed-used project worth more than Bt7 billion on a 9-rai (1.44 hectare) plot in Khlong Toei, under

a 30-year lease from the Crown Property Bureau.

Sena Development, meanwhile, is developing a hotel and resort as well as retail property in Pattaya and Bangkok, worth nearly Bt3 billion combined.

Ananda Development, which is also interested in expanding into direct rental income, plans to issue an REIT from condominium projects that will be developed to include space for rental purposes.

Meanwhile, a number of other leading property firms have been expanding their businesses for more than five years in order to focus on rental income.

Land and Houses has expanded into retail business, Supalai has invested in the office and hotel segments, and Quality Houses has done so in the office and serviced-apartment segments.

These companies have also raised capital via property funds since the beginning of last year.

Chavinda Hanratanakool, Krung Thai Asset Management senior executive and vice president for property fund and private fund management, said a planned Bt30-