

Headline	LOOMING OVERSUPPLY CRISIS PUNTERS RAISE PRICES AMID GLUT
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LOOMING OVERSUPPLY CRISIS

PUNTERS RAISE PRICES AMID GLUT

Speculators play down bubble fears as sales slow down

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The Nation

Some public and private sector groups say there is no serious sign of a bubble in the residential market but others are not so sure.

Several areas in Bangkok and provincial towns are already experiencing a glut housing due to rapid growth during the past few years. Making matters worse is the surge in speculation, seldom reported, but constantly active beneath the surface.

At the same time, a shortage of contractors and construction workers are posing problems for developers. Clearly, that could be a sign of overheating.

Samma Kitsin, director-general of Real Estate Information Centre (REIC), says in the first four months of this year, the housing market in Bangkok and vicinities soared between 38 and 40 per cent. New supplies rose by 400,000 units.

About 60 condominium projects with about 28,000 units were launched this year, up 26 per cent from last year.

Another 70 low-rise projects with 12,000 units were released, surging 67 per cent from the same period last year.

Units with prices under Bt2 million formed the bulk of these supplies.

REIC noted five areas - Chiang Mai, Khon Kaen, Pattaya, Phuket and Cha-am-Hua Hin - are likely to face an oversupply of condominiums.

Its cautious stance comes after several observers, including the Bank of Thailand, issued warnings during the past year.

Central Bangkok is also facing a problem.

The areas from lower Sukhumvit Road running to Samut Prakan

(Sukhumvit Soi 1 to Sukhumvit 107) and Ratchaphisek Road are troubling sections, REIC notes.

A glut could play out painfully for many speculators who are now trapped, unable to flip and offload units before an imminent correction arrives.

Provincial hot spots include Khon Kaen, which has almost 5,000 condo units for sale.

In Pattaya and Chon Buri, it notes that 50,000 units are on the market.

Several developers have recently suspended investments in provincial areas because of intense competition.

Apart from the massive backlog, developers face a shortage of labour. This crisis could mean long delays as well as uncertainty over the viability of such sites.

Despite mounting concerns, Samma says there was "no bubble" because speculators are finding it harder to make a quick profit.

Because of ample supplies, punters must switch from short term plays to longer term positions.

When punters go long, however, some observers fear a slide may be at hand.

Samma says Khon Kaen is facing a condo frenzy with 11 projects housing 2,700 units launched in the second half of last year. Currently, there are almost 50,000 units under construction with just half of them being sold.

Today, Chiang Mai has 50 condo projects compared with 12 in the last two years.

Most of them are selling between Bt1 million and Bt 2 million.

This year, REIC expected 130,000 new residential units countrywide, compared with 100,000 units last year.

The breakdown was 63,000 condominiums and 38,000 low-rise housing.

KHON KAEN BUBBLE

E-Saan Centre Business and Economic Research at the Faculty of Management Science of Khon Kaen University recently revealed in a survey that new cond projects fell in the first quarter.

Supakorn Sirisoonthorn, head of research, said the centre has to monitor the market closely because of the rapid condo activity in the past two years.

Since 2012 to the end of March this year, there were 29 projects offering 5,684 units in Muang district.

There is a total backlog of 31 per cent.

In April-May, there were an additional 230 units launched.

Condo prices ranged from Bt790,000 to Bt9.6 million. Klang Muang-Si Chan is the most expensive location with an average price of Bt58,500 per square metre.

Khon Kaen's Muang district is expecting an additional 1,388 condo units in the first half of the next year.

It also expects another 1,079 units in the second half.

In 2015, there could be more than 1,600 units in new supply.

Dizzy numbers often indicate overheating. But the centre said it was not concerned about speculation as it found no project recorded more than sales of 50 per cent.

For most developers, however, bookings of less than 50 per cent could be a sign of sluggish sales that could end badly.

Apichart Sinthuma, a manager of CP Land attributed the real estate boom in Khon Kaen, Udon Thani and Nakhon Ratchasima to strong economic expansion.

However, Khon Kaen's market is being saturated by condo projects during the past two years, he noted.

BEACH TOWNS BOOM

Seaside townships in Chon Buri, Rayong, Hua Hin-Cha-am and Pran Buri also face challenges from overbuilding.

REIC's April survey recorded 106 low-rise projects with 66 per cent sold. Most were single house projects.

Chon Buri had more than 60,000 available units, the second highest rank behind Bangkok.

At present, Chon Buri has 363 low-rise residential projects with 70 per

cent sold. House prices of Bt2 million to Bt5 million were popular with buyers.

The province had 217 condo projects with almost 70 per cent booked.

Most of the condos are in Pattaya, at Bang Lamung district.

This was followed by Chon Buri's Muang district, Sattahip and Si Racha.

In Rayong, there were 4,500 units available in Pluak Daeng, Baan Chang and Nikom Pattana districts. They were mostly detached homes.

There were just 20 condo projects in Muang district, Klaeng and Pluak Daeng. These condos sell for Bt1 million to Bt2 million.

In Cha-am/Hua Hin and Pran Buri have more than 4,750 units of low-rise housing and almost 15,000 condo units.

There were a total of 48 condo projects, with 9,300 units in Cha-am, 4,600 units in Hua Hin and 1,000 units in Pran Buri.

Prasert Taedullayasatit, director and chief business officer of Prukha, said there was "no sign of bubbles" in the condo market. But he conceded there was an "oversupply in some areas".

Kanda Property's CEO and president Issara Boonyoung also expected the market to soar this year.

But risk in the provincial front was looming, he noted.

Some provinces are small markets that could easily be overwhelmed by supplies built by big players from Bangkok.

Developer Supalai is shifting to the eastern provinces as well with 6 residential projects worth more than Bt8 billion in Chon Buri and Rayong this year.

Supalai had in previous years, built in Hat Yai of Songkhla, Phuket, Khon Kaen and Chiang Mai.

Managing director Atip Bijanonda said there is the mix of housing demand between those looking for a resort home and those working in industrial estates.

"The Chon Buri-Rayong economic zone has more than 7 industrial

estates with more than 100,000 workers."

As such, he said, "housing demand is coming not only from locals but foreign investors and expatriate workers assigned there."

Rayong has 89,834 blue-collar workers, 59,127 white-collar workers, 47,944 executives and 107,720 people working on manufacturing lines.

Supalai plans to launch two projects in Rayong's Muang district by the fourth quarter. It comprises a single house project, offering homes from Bt4 million to Bt5 million and a condo project worth nearly Bt2 billion.

It will also build Supalai Mare @ Pattaya, a condo project with 1,179 units and worth a total of Bt2.49 billion.

Another projects will be a three-storey townhouse site near its condo buildings. A detached housing estate will also be constructed in nearby Bang Saen.

Supalai's market research found there were 134 condominium projects in Pattaya with the total 38,279 units in the first quarter.

The majority, comprising 19,352 units, will be in Jomtien.

There are 8,383 units in Pratamank, 3,510 units in Wong Amat, 2,452 units in North Pattaya.

About 2,299 units are going up in Central Pattaya while 2,283 units are located in South Pattaya.

This year, Sansiri continues to develop condominium projects in the provinces including Chiang Rai, Phitsanulok, Nakhon Ratchasima, Ubon Ratchathani, Chon Buri, Rayong and Khao Yai.

Western Sea View Co developed Pure Najomtien condominium is its first venture.

Located between Sunset Village and Sunset Park in Jomtien, the project is divided into 3 phases that comprises 8 condo buildings, one hotel and a serviced apartment.

Currently, the company is introducing the first phase of 6 condos with 120 units.

The Pure Najomtien offers 1-2

room types ranging from 33-5-217 square metres with prices starting at Bt3 million.

The company expected to sell out its first phase this year, with 80 per cent to locals and the rest to foreigners.

The remaining phases are expected for launching in the next two years when the first phase is completed for move in.

Pure Najomtien will be designed as environmentally friendly project employing solar power and recycling water to reduce waste.

STEADY GROWTH

Thongma Vjittpongpun, CEO of Prukha Real Estate estimated the overall housing market this year may grow by 7-8 per cent with a total sales of 330,000-350,000 units in Bangkok and nearby areas.

Another 300,000 units will be built in the provinces.

In 2013, Prukha plans to launch 78 projects by focusing on low-rise residential development in both single houses and townhouses to tap real demand.

He is considering to expand investment into potential cities.

Earlier, the company developed housing projects in Ayutthaya, Chon Buri, Phuket and Khon Kaen.

However, Thongma says Prukha will not build condominiums in the provinces due to a massive existing and upcoming supply coming on the market.

In addition, Prukha is expanding into overseas markets.

The company plans to develop a low-rise project in Bangalore, India.

It has already formed a joint venture in Vietnam to develop a condominium in Haiphong.

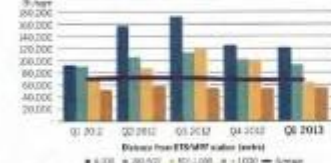
Prukha has established a company in Indonesia to develop housing in Jakarta.

Prasert Taedullayasatit, director and chief business officer of Prukha says that although the residential market has been growing but it isn't quite a bubble yet.

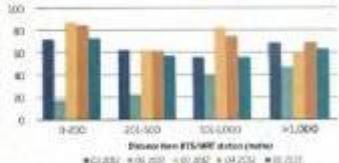
HOUSING MARKET REMAINS IN AN UPWARD TREND AMID CONCERNS ON OVERSUPPLY IN SOME LOCATIONS

BANGKOK CONDOMINIUM MARKET

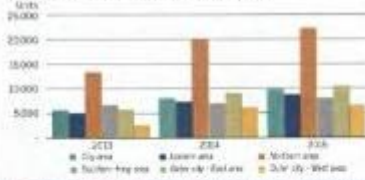
Average selling price for newly launched projects by proximity to existing mass transit lines in Q1 2013



Average selling price for newly launched projects by proximity to existing mass transit lines in Q1 2013



Cumulative value Bangkok's future supply scheduled for completion between 2013 and 2015 by location as of Q1 2013



NEWLY LAUNCHED CONDOMINIUM UNITS IN Q1 2013 BY LOCATION

- Northern Fringe** covers the BTS route starting from Rajchaburi Station to Mo Chit Station to the north and the MRT route starting from Rajchaburi station to Bang Sue station to the north.
- Southern Fringe** covers elevated Rajchaburi, Chulalongkorn, Charoenkrung and Rama 9 roads along the Chao Phraya River.
- Eastern Fringe** covers the BTS route starting from Thong Lor Station to On Nut Station to the east, Rama 9 and Pattanaani roads.
- Outer City-East** starts from the extension of the BTS route at On Nut Station to the Bangkok University to the east.
- Outer City-West** starts from the extension of the BTS route at Takae Station to Bang Tho station which includes the area from Kwang Thonburi to Ratchaphruek roads near Petchaburi - Kae-Sekong.

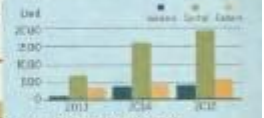
SUPPLY, DEMAND, TAKE-UP RATE OF NEW CONDOMINIUMS LAUNCH FROM 3H 2009 TO Q1 2013



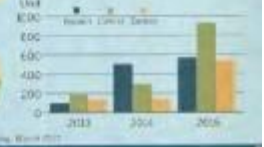
KHAO YAI HOMES



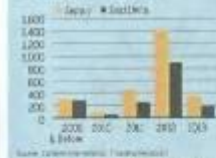
CUMULATIVE FUTURE SUPPLY SCHEDULED TO BE COMPLETED FROM 2013 TO 2015 BY LOCATION



CUMULATIVE FUTURE SUPPLY BY LOCATION AND YEAR



ANNUAL SUPPLY AND ABSORPTION OF CONDOMINIUMS IN BANGKOK



CURRENT SUPPLY BY LOCATION



NEW SUPPLY IN BANGKOK

Area	Road Connecting to Bangkok	No. of units
Western Area	Yes	261
Central Area	Yes	104

KHRO KAEN CONDOMINIUM PROSPECTS



AVERAGE SELLING PRICE OF BANGKOK CONDOMINIUM BY LOCATION

